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**International Trade Show Participation in Context of Innovation-Driven Economic  
Development Model  
White Paper  
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Value of International Trade Show Participation

The new world economy is shifting from one based on *comparative* advantage to one based on *competitive* advantage. The new globalism is based on the search for the best locations to host high-value, specialized, and innovation-related activities where businesses invest in regions to gain access to specialized workforces, research and development and commercialization capacity, innovation networks and unique business infrastructure. Today, the world's top competitors and collaborators are regions defined by industry clusters, labor markets and common infrastructure, not cities, states or countries. The new global economy is giving rise to interconnected, innovative regions that both collaborate with each other and compete against each other.<sup>1</sup>

International trade shows are valuable in that they provide a venue to bring participants together to help forge these globally-linked innovation networks. For the small- to medium-sized entrepreneur, international trade show offer an opportunity to learn more about targeted international markets, to meet potential business partners, and to secure new business deals. However, it should be noted that trade show participation should be one component of a company's long term, sustainable export strategy. Export strategies require significant personnel and financial resources; and therefore, should be developed with the input and approval of senior management.

With funding from a California State grant, the Aerospace Export Training and Enabler Program (AETEP), which is designed to train new-to-export, small- to medium-sized aerospace manufacturers to become active in the global market, the El Camino College Center for International Trade Development (CITD) organized representatives from the federal and state governments and industry to represent California Aerospace at the Berlin Air Show 2008. The Berlin Show was just one of several international trade shows that the CITD has attended with small- to medium-sized California aerospace manufacturers with the goal of increasing the international market activity of participating companies.

In Berlin specifically, the California coalition consisted of the U.S. Department of Commerce Export Assistance Center in Los Angeles representing the federal government, the state government was represented by the CITD, and the industry association, California Space Authority (CSA), a statewide, membership-driven, non-profit that represents the commercial, civil, and national defense/homeland security interests of California's diverse space enterprise community in all four domains: industry, government, academia, and workforce. In addition, four California aerospace companies exhibited their products at the CITD's California Aerospace booth: Aerosup (Los

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<sup>1</sup> *The Innovation-Driven Economic Development Model: A Practical Guide for the Regional Innovation Broker*, The Bay Area Economic Forum, February 2008



Angeles, CA), Fluid Components International, LLC (San Marcos, CA), ITT Radar Systems (Van Nuys, CA), and PacMin (Fullerton, CA).

The AETEP provides funding that enables the CITD to subsidize the cost of the exhibit space. In turn, the AETEP enables small to medium-sized companies to participate in a trade show that they may have otherwise found to be cost prohibitive. In this manner, the CITD is meeting its objectives under the AETEP. The participation of the federal and state government representatives as well as California's only aerospace trade association demonstrated a holistic approach to supporting the aerospace industry in California. Such support is taken into consideration by international companies seeking to relocate aerospace business operations and/or investment to the United States.

More than 1,100 exhibitors representing 37 countries attended the Berlin Air Show 2008. Of these, 51 exhibitors were categorized as industrial aerospace organizations, and of these, about half a dozen represented regional aerospace trade associations, such as the Hungarian Aerospace Cluster and Torino Piemonte Aerospace from Italy. CSA met with both of these organizations, who were seeking to form strategic partnerships with other like minded organizations, to attract foreign direct investment into their regions, and/or to facilitate technology transfer relationships for their members (see attached profiles and further discussion below). International trade shows prove valuable to regional trade/industry associations, who serve as a first point of contact or entry for other regional trade/industry associations striving to develop strategic partnerships on behalf of their members as well as entrepreneurs and other established companies seeking new markets. In addition, as noted above, the presence of regional trade/industry associations at international trade shows demonstrates to outsiders that the industry is organized in a particular region and that there are resources and support available to industry stakeholders.

In the context of the Innovation-Driven Economic Development model, many of the companies participating in an international trade show are more established companies than one typically thinks of as an inventor, especially in the aerospace industry. This is primarily due to the costs associated with trade show participation (travel plus booth rental costs) and resources. Companies must be well established enough to have sufficient staff to afford one person's absence from the office for about a one-week period. Trade shows are populated with transformers. In the case of international business, transformers are traditionally known as agents and distributors, who perform an international business development function for clients in target markets. Financiers also participate in trade shows although to a lesser extent, and depending on the show. Again, regional industry associations play a valuable role and cross over clearly defined lines to play roles associated with both brokers and transformers.

With funding from the U.S. Department of Labor Workforce Innovation in Regional Economic Development (WIRED) initiative, the participants of the California Innovation Corridor conducted an inventory of innovation assets in their respective regions. The result will soon be the compilation of these assets into an Innovation Asset portal to be housed on the Connectory website ([www.connectory.com](http://www.connectory.com)). In addition, CSA, with



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funding from a California State grant, and working with the East County Economic Development Corporation is developing an Aerospace portal as an off-shoot of the Connectory. Such tools are sure to prove valuable to industry associations participating in international trade shows. For example, an Israeli company representative visited the California Aerospace booth at the Berlin Air Show seeking California suppliers of a specific product. The CITD representative was able to pull up the Connectory site and run a search of California suppliers for that product. In real-time, the CITD was able to match this international business person with potential California contacts—a win-win solution for all involved.

### International Business Matchmaking Program

Organizers of the Berlin Air Show, BDLI, offered an on-line international business matchmaking service. Trade show participants were provided with the option of scheduling meetings in advance with other exhibitors via an on-line service. Interested parties contacted exhibitors via the Berlin Air Show website, an e-mail was automatically generated to the point of contact, and then it was up to the person contacted to respond to the person who initiated the request. CSA utilized this feature in advance of the air show to set up meetings with targeted companies and organizations. About one-third to one-half of the inquiries was answered.

A more formal matchmaking service was offered for exhibitors from India, the official partner country of the Berlin Air Show. This was a one-way service and was not meant for companies to offer their own products/services to the Indian exhibitors. Companies were requested to complete an on-line form (see attached) that contained contact information, the question the company wanted to ask the Indian exhibitor and the product group of the appropriate exhibitor the company wished to contact.

### International Aerospace Clusters

Europe follows an industry cluster approach to economic development, which was quite evident in the discussions held with the Hungarian Aerospace Cluster and Torino Piemonte Aerospace region of Italy.

#### *Hungary*

The growth and development of Hungary's aerospace industry is coordinated by the Hungarian Aviation Industry Foundation (HAIF), which was formed in 2003 by six aviation industry leaders. Since that time, the HAIF has created the Hungarian Aerospace Cluster to create a network of aerospace and related industries focused on product development and manufacturing. In addition, the HAIF has created the Hungarian Aeronautical Research Platform, the Hungarian Aerospace Technology Platform, and a Space Technology and Testing Center is under development. These entities bring industry together with academia and Research and Development (R&D) entities to cultivate a diversified and globally competitive aerospace industry.



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The Government of Hungary is aggressively supporting the development of a domestic aerospace industry sector. In fact, the Hungarian Government offers two types of subsidy packages related to investment in this industry: 1) tenders that are co-financed by the European Union (EU) and 2) special incentive packages, which include cash subsidies, development tax allowances and training subsidies. Both programs comply with EU guidelines.

### *Italy*

The Torino Piemonte Aerospace initiative began as a three-year program promoted by the Torino Chamber of Commerce, the Italian Ministry of Economy, the European Union, and the Piemonte Agency for Investments, Export and Tourism. The initiative is designed to facilitate international business development via matchmaking activities for 62 of the region's top enterprises representing the following core competencies: aircraft manufacturing, components and mechanics, electrical systems for aircraft and satellites, test and control equipment, engineering, among others.

One of Torino's leading competitiveness factors as an aerospace region is that it is home to Italy's top aerospace companies: Thales Alenia Space, Alenia Aeronautica, Avio Group, Selex Galileo and Microtecnica. Together these firms employ approximately 7,000 employees in the region. Torino's aerospace cluster includes another 400 companies that represent all levels of the supply chain from sub-contractors of specialized work and equipment to end producers of complex sub-systems. Innovation is highly valued in this region. Approximately 50 percent of the companies in this region conduct internal research and collaborate with others to develop critical capabilities specific to the aerospace. At least one in three companies operates its own laboratory, and an estimate one in three companies participate in international programs and projects. The Polytechnic University of Torino contributes greatly toward engineering R&D. In addition, many of these companies are export oriented. In fact, more than half of the small- to medium-sized companies export overseas and account for 17 percent of the nation's total exports. The primary export markets are Germany, the UK and France. Outside of Europe, the leading export destinations are the US and Canada.

Torino Piemonte Aerospace's website hosts a database in which potential supplier can be found based on capabilities—similar to the Aerospace Portal being developed by CSA in partnership with the East County Economic Development Corporation in San Diego, California.

### International Supplier Center

The Berlin Air Show featured an International Suppliers Center (ISC), which was promoted as a “show within a show.” The ISC was organized such that the participating suppliers were housed together in Exhibit Hall 6 for a three day period significantly reducing the costs of participation. Numerous seminars on topics such as global supply chain transformation and profiles of specific aerospace markets were held in the



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exhibition hall throughout the day (see attached program). The ISC provided primes and first-tier suppliers with an opportunity to identify new supplier sources and network.

Exostar (Herndon, VA) exhibited in the ISC and facilitated one of the ISC forum discussions titled, “Why and How to Use Global Aerospace Supply Chains to Achieve Competitive Advantage?” Established jointly by BAE Systems, Boeing, Lockheed Martin, Raytheon and Rolls-Royce, Exostar offers an impartial internet platform for suppliers to all sectors of the aerospace and defense industries. The company currently represents 85 of the leading 100 aerospace firms. The network created by Exostar now encompasses some 38,000 manufacturers and suppliers, ensuring efficient collaboration with business partners, customers and suppliers.

After listening to a couple of the ISC seminars on global aerospace supply chains, it is clear that the European aerospace market is facing the same globalization effects and issues as the U.S. aerospace market.

Representatives from BAE Systems and Rolls Royce participated along with Epicos and Roberts & Sons, both of which are suppliers, in a panel discussion on “Why and How to Use Global Supply Chains to Achieve Competitive Advantage?” The panelists touted the benefits of using the Exostar system noting that the Exostar system saves time, prevents orders from getting lost, is transaction based, and provides much needed transparency in price between the Tier 1 and sub-tier suppliers.

BAE Systems indicated that it has gone from thousands of suppliers to looking for “lead” suppliers. BAE does not intend to grow its supply base, but does plan to rotate suppliers as needed. When asked about the impacts the changes in the global supply chain are having, the panelists provided the following pieces of advice for suppliers: the supply chain is global, primes are looking for Tier 1 suppliers in India, China, Eastern Europe and Russia for manufacturing capabilities, and standardizing regulatory and IT processes is recommended. Examples of changes that the panelists said they would like to see in the supply chain include: standardizing electronic supply practices across companies and countries, suppliers managing their own supply chain issues such as increases in capacity, the ability of systems to interact and the ability to see down the supply chain, and an elimination of lower tier suppliers that do not understand what is being required of them.

The need for early collaboration was the central theme in the seminar titled, “The Process of Joint Technology and Product Development in Future Supply Chain Models.” Panelists representing the German Aerospace Center (DLR), Airbus, Rolls Royce, Liebherr Aerospace, ELAN and Autoflug, European aerospace primes and suppliers, agreed that joint technology and product development between primes and suppliers needs to occur early in the process and issues regarding intellectual property (IP) and off-sets need to be resolved.

Airbus explained that it has created an “extended enterprise” that summarized the preconditions for early collaboration. By integrating and co-locating the development process, Airbus has been able to decrease costs. Airbus has consolidated the number of



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supplier contracts it let for the A350 program to approximately 70 compared with approximately 350 on the A330 program. As a result, these contracts cover a larger scope of work than previous programs. This increases the capacity of suppliers to invest and share the risk with the primes. Airbus noted that the primes need the innovation that suppliers have to offer. The primes and suppliers are becoming increasingly more dependent on each other; and therefore, need to determine early on the benefits of cooperation versus competition. Clear communication among all levels of the supply chain needs to be established.

Liebherr Aerospace explained that it maintains a flexible model. For this company, intellectual property (IP) is the primary concern; and therefore, it wants to develop and manufacture all key technologies. Aeroflug pointed out that suppliers need to be more efficient in research and development and that an international perspective should be adopted when developing strategic partners, but questioned how to deal with off-set requirements.

When asked whether “cheapest is always best,” the panelists agreed that the best value is not necessarily the cheapest part. Other factors such as the investment in research and development, visibility, partnership and sustainable relationships between the primes and suppliers need to be considered.

### Conclusion

International trade show participation can be a valuable component of a company’s long-term export strategy. International trade show participation by industry associations such as the California Space Authority is important to establish linkages with the international community, especially other international industry associations. Industry associations are viewed as a first point of entry into a region’s market so cultivating such relationships early augments the association’s role as a broker in the context of the Innovation-Driven Economic Development Model. CSA’s participation in the Berlin Air Show along with the state supported Center for International Trade Development and the federal government’s US Export Assistance Center demonstrated strong support for the aerospace industry in California. In addition, it provided a platform for the four California companies to increase their respective levels of participation in the global economy by providing a cost-subsidized exhibition booth to be used for displaying their products and for meeting potential international partners.

What was clear from the observations made during the Berlin Air Show is that nations around the world hold the aerospace industry in high regard in terms of the national security implications of this industry as well as the contributions to innovation and positive impacts on the economy that this industry sector yields. The United States owes much to California’s decades of aerospace innovation and product development that have resulted in a higher quality of life, global technical leadership, economic prosperity and a higher level of national security than any other nation. Now is not the time for complacency, however, as many nations are interested in developing and cultivating



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indigenous world class aerospace industries, as illustrated in the examples of the Hungarian Aerospace Cluster and the Torino Piemonte Aerospace initiative.

As a whole, the international aerospace industry is confronting the same issues as our own. Worldwide, the industry is facing a consolidation of suppliers, risk sharing, and other characteristics that make will make the competition here and abroad much tougher. The positive transformations resulting from the implementation of the California Innovation Corridor initiative funded through the US Department of Labor's Workforce Innovation in Regional Economic Development program should help to position California's aerospace sector to be globally competitive in the 21<sup>st</sup> century.



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