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Supporting Exporters: Trade Promotion and Regional Collaboration

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Regional Collaboration to Support Exporters

• **Why** should we support export growth?

• **Who** needs assistance to export?

• **What** structures are already in place to assist them?

• **Where** are key gaps in these structures?

• **How** do we achieve regional collaboration?
Total U.S. Exports

Note: Goods exports only. Source: U.S. International Trade Administration
U.S.-China Trade War

Source: Peterson Institute for International Economics
Total California Exports

Note: Goods exports only. Source: U.S. International Trade Administration
California’s Share of U.S. Exports

**2009**

- Texas: 15.4%
- California: 42.2%
- New York: 11.4%
- Washington: 5.6%
- Florida: 4.9%
- Illinois: 4.4%
- Ohio: 3.9%
- Michigan: 3.2%
- Louisiana: 3.1%
- Pennsylvania: 3.1%
- Rest of U.S.: 2.7%

**2018**

- Texas: 19.0%
- California: 40.0%
- New York: 10.7%
- Washington: 5.1%
- Florida: 4.7%
- Illinois: 4.0%
- Ohio: 3.9%
- Michigan: 3.5%
- Louisiana: 3.3%
- Pennsylvania: 3.1%
- Rest of U.S.: 2.5%

Note: Goods exports only. Source: U.S. International Trade Administration
Supporting Export Growth in California

• Exports up from $120.1 billion in 2009 to $178.2 billion in 2018
  • But facing tougher competition: lower share of U.S. total exports

• Opportunity for action to support exporters (especially small business)
  • Trade agreements have helped, but trade war created uncertainty

• State government committed to trade and investment promotion
  • Investing in GO-Biz staff and resources, but lacks regional strategy
Milken Institute: California Trade Policy

• Rebuilding Trade Policy Infrastructure - May 2019
  • Technology, Trade, and Commerce Agency (TTCA) eliminated 2004
  • Office for Business and Economic Development (GO-Biz) created 2012
  • Lt. Gov. designated as Representative for Intl. Affairs and Trade Devt.

• California Policy Summit - January 2020
  • Convene stakeholders: both public and private sector
  • Trade panel session to discuss supporting export growth
  • Focus on developing policy recommendations for regional collaboration
Opportunities for Export Growth

• New-to-Export Firms (NTE)
  • Barriers to export are low, but many firms aren’t aware of opportunities

• E-Commerce
  • Allows companies to be born global, but they still need support

• Services Exports
  • Growing faster than goods exports, but few programs meet specific needs
Milken Institute: New-to-Export 101

• Pilot Program: 23 SME clients in Los Angeles
  • Identified specific needs, provided seamless services delivery
  • Primary mentors: USEAC/SBDC export counselors
  • On-call mentors: Subject-matter experts (legal, finance, etc.)

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<thead>
<tr>
<th>STEP</th>
<th>DESCRIPTION</th>
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<tbody>
<tr>
<td>1</td>
<td>BUILD EXPORT CAPACITY</td>
</tr>
<tr>
<td>2</td>
<td>IDENTIFY TARGET MARKETS</td>
</tr>
<tr>
<td>3</td>
<td>FIND BUYERS AND MAKE SALES</td>
</tr>
<tr>
<td>4</td>
<td>ACCESS FINANCIAL RESOURCES</td>
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<td>5</td>
<td>FULFILL THE ORDER</td>
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Reducing Risk through Trade Finance

• Reduce borrowers’ perception of risk (especially SME)
  • Trade credit can complement (not just substitute for) bank lending
  • Provides opportunity to assess quality of purchase before payment

• Reduce lenders’ perception of risk
  • Reasonable returns on investment, very low default rates
  • But most transactions still conducted on paper
Trade Finance Advisory Council (TFAC)

- Recommendations for U.S. Small Business Administration
  - Revise fee structure of EWCP
  - Increase limit on EWCP loan size

- Recommendations for U.S. Department of Commerce
  - Develop education & technology tools: videos, webinars, fintech
  - Expand data collection: trade credit insurance; trade in services

- Prosper Africa: State, Treasury, Commerce, USDA, SBA, EXIM, USAID
U.S. Exports to Africa

Note: Goods exports only. Source: U.S. International Trade Administration
Achieving Regional Collaboration

• Deliver high-quality services, and measure their impact
  • Gathering high-quality data is an important first step

• Trade and investment marketing – external and internal awareness
  • Local awareness of services, importance of trade lacking

• Coordinate private sector and federal, state, and local partners
  • Reduce duplication and multiply efforts; public-private partnerships

Top challenge for many programs is funding → need to be strategic