

# Recovery Through Exports: Restoring California's Competitive Position



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## *Speakers*

**Mark Bernstein**, Senior Vice President, MWW Group; Senior Advisor, OnGreen.com

**Nanette Bouchard**, Vice President, Program Management, Boeing Defense, Space & Security (BDS)

**John Chiang**, California State Controller

**Perry DeLuca**, Industry Head and Team Leader for Wine, Food & Beverage Group, Wells Fargo

**Kevin Klowden**, Director, California Center, and Managing Economist, Milken Institute

## *Moderator*

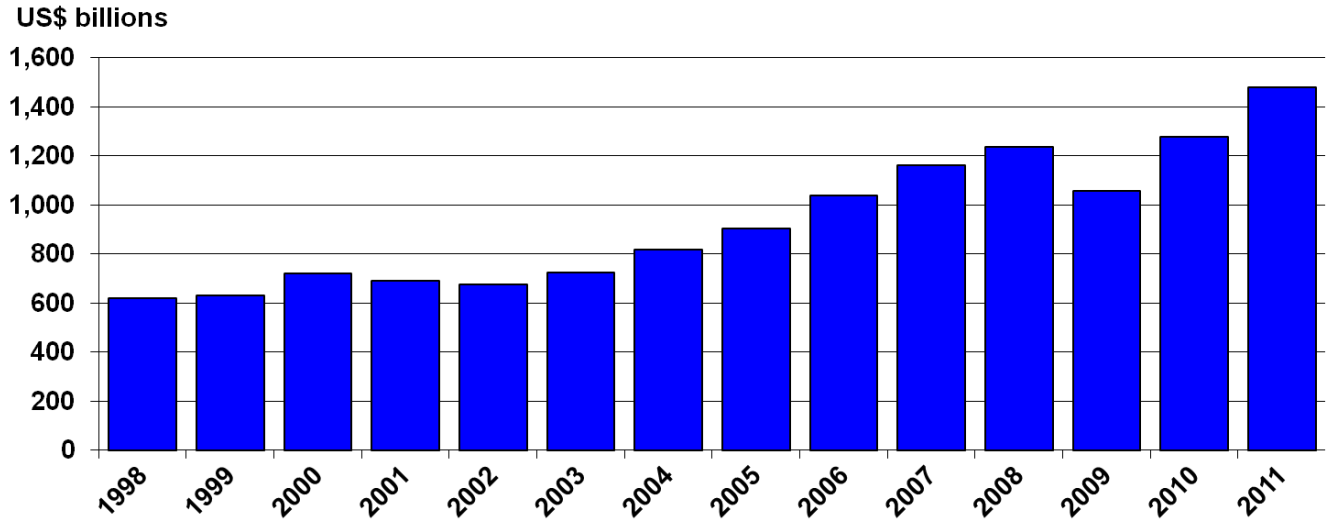
**Judy Olian**, Dean and John E. Anderson Chair in Management, UCLA Anderson School of Management

# U.S. exports recovered quickly after 2009

*Total export value*



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Source: International Trade Administration.

# Canada, the EU and Mexico account for over half of U.S. exports

## U.S. Merchandise Exports by Region, 2011

Country	Value (US\$ billions.)	Share of U.S. (%)
Canada	281	19.0
EU	269	18.1
Mexico	198	13.3
South America	115	7.7
China	104	7.0
Japan	66	4.5
United Kingdom	56	3.8
Germany	49	3.3
South Korea	44	2.9

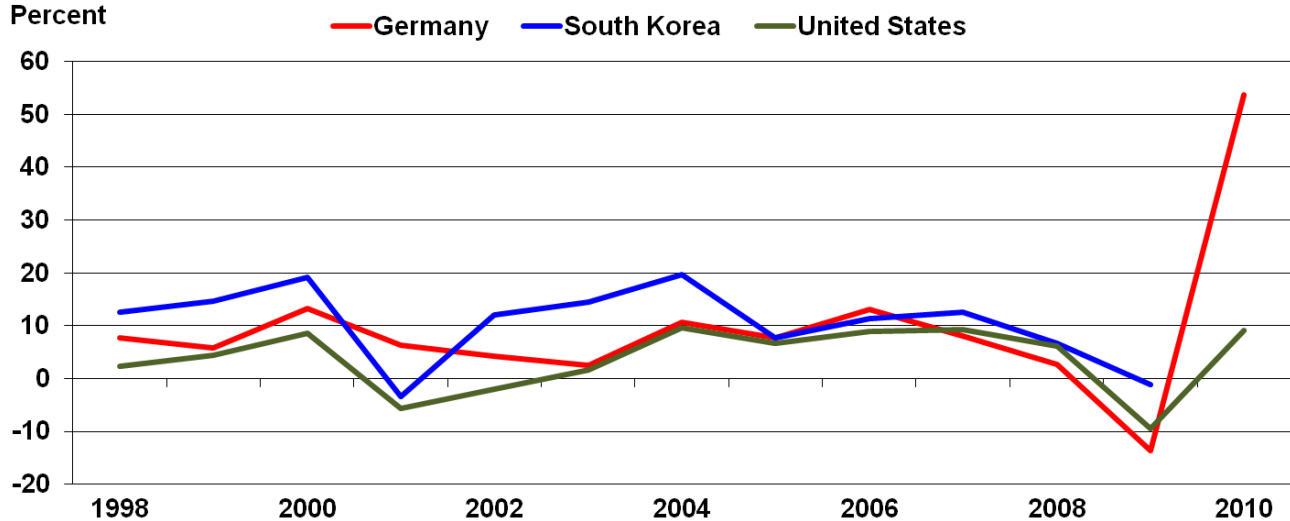
} **50.4%**

# Germany's exports grew tremendously in 2010



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*Annual % growth of goods and services exports*



Source: The World Bank.

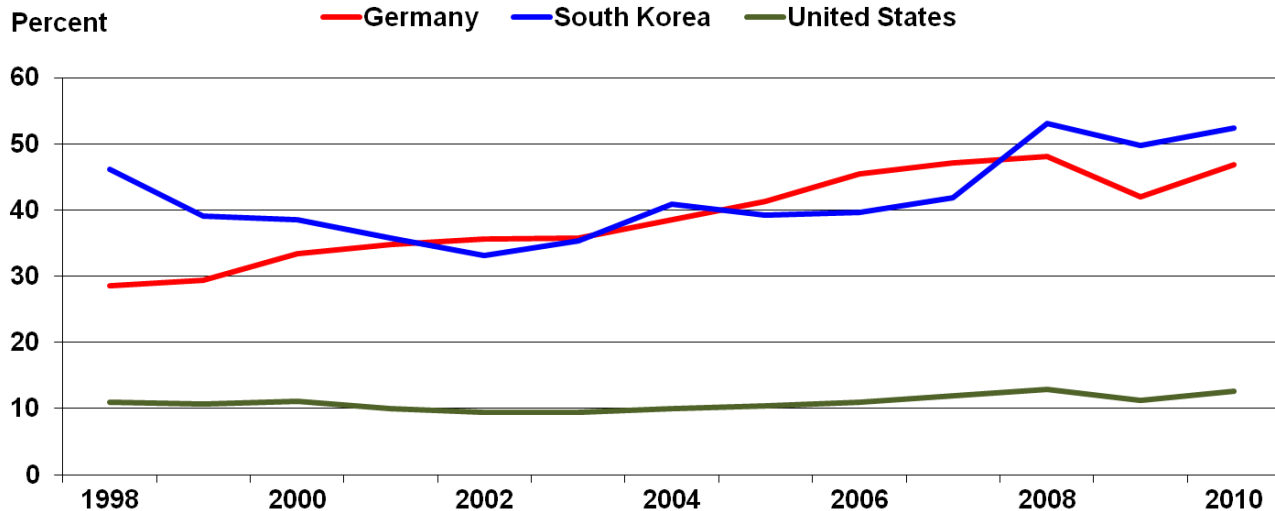
Note: 2010 data not yet available for Korea.

# Around 50% of Germany and Korea's GDP is from exports



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*Percent of GDP from exports of goods and services 1998 - 2010)*



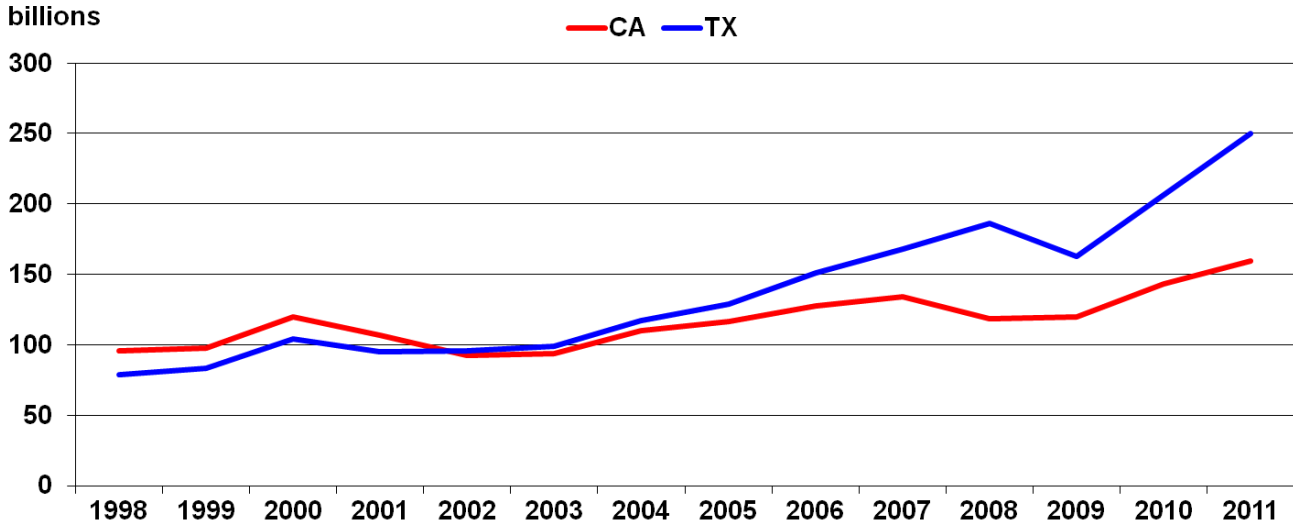
Source: The World Bank.

# Texas' exports have surpassed California's

*Total exports, California vs. Texas*



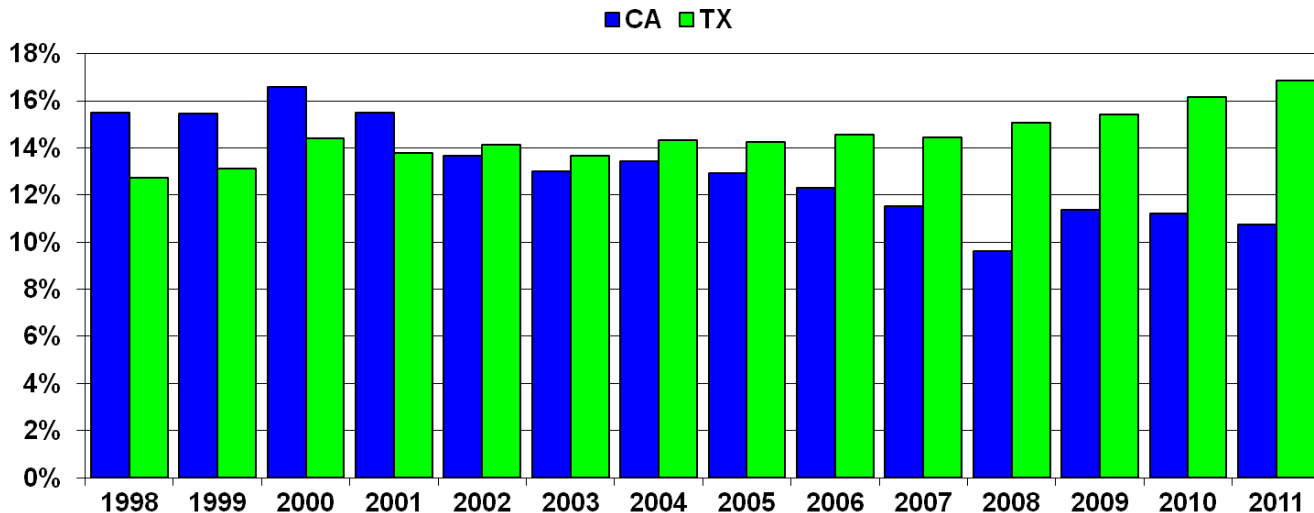
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Source: International Trade Administration.

# Texas has seen its share of U.S. exports increase as California's decreases

*Share of U.S. exports, California vs. Texas*



# California's export markets

*California merchandise exports by region, 2011*



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Country	Value (US\$ billions.)	Share of U.S. (%)
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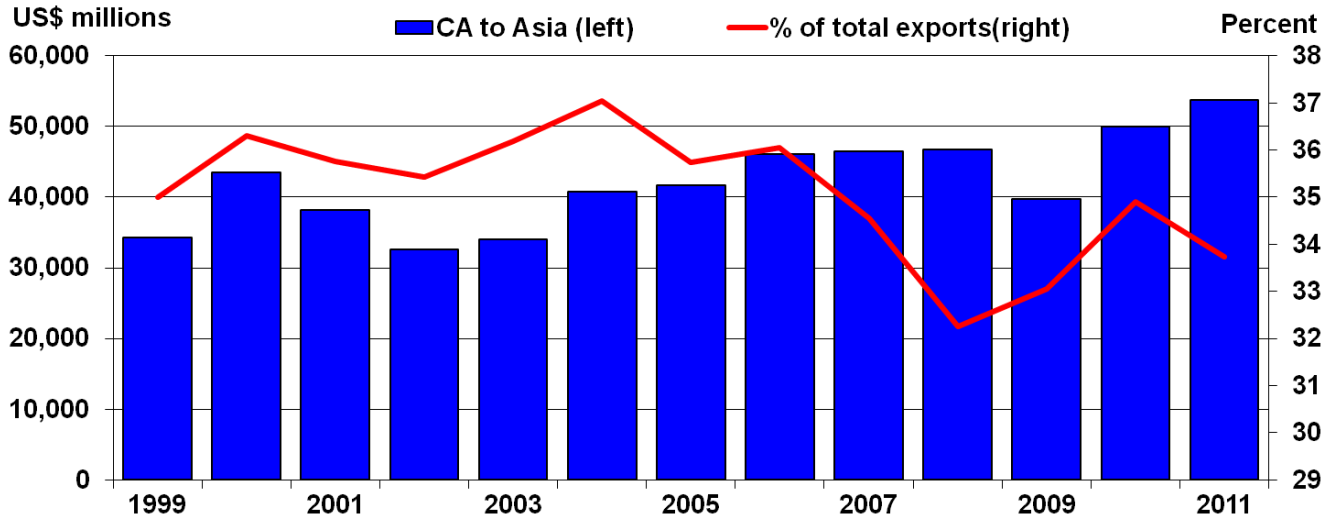


# California needs to maximize its advantages with respect to Asia



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## California exports to top Asian markets



Source: International Trade Administration.

Note: top Asian markets include China, Hong Kong, Japan, S. Korea, Singapore and Taiwan.

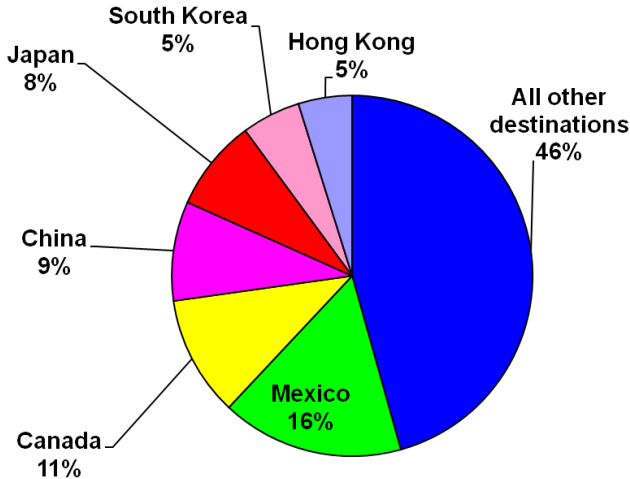
# Almost 40% of Texas' exports go to Mexico



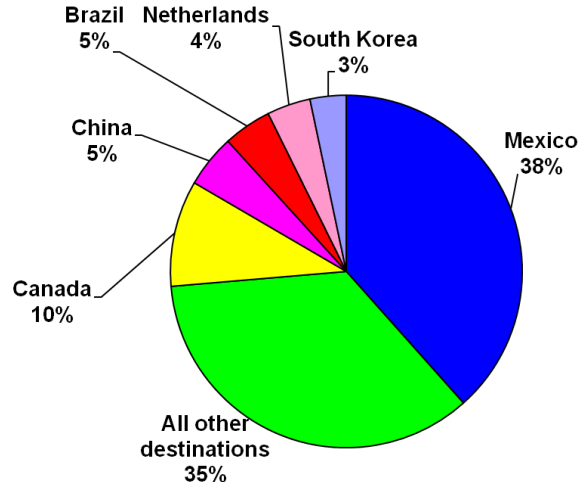
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*Annual % growth of goods and services exports (1998 – 2010)*

## California



## Texas

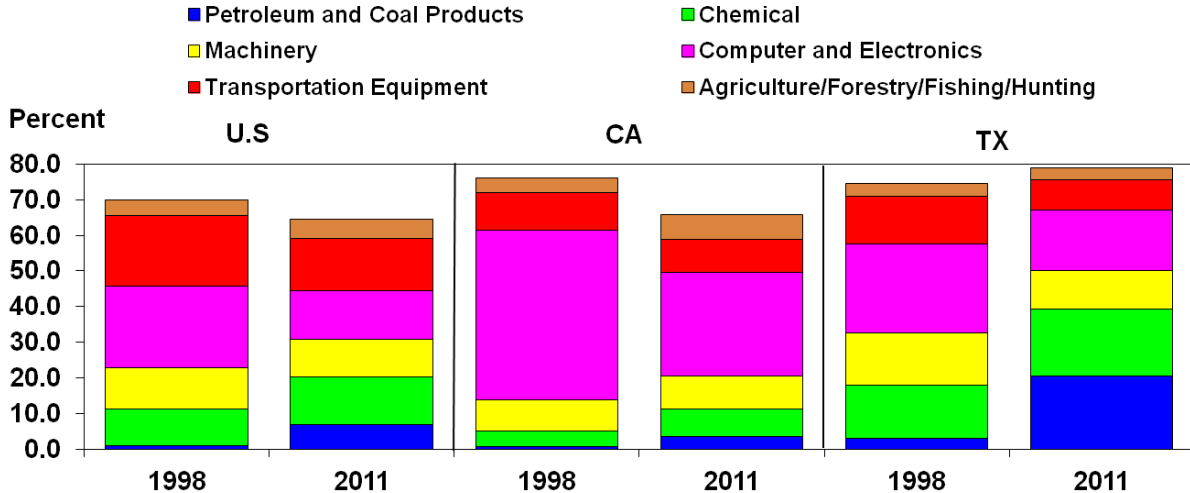


# California still highly dependent on computer and electronics exports



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*Share of the value of the top export sectors*



Source: International Trade Administration.

# California top agricultural exports by value



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2010 Rank	Product	Export value US\$ millions		Change in value (percent) 2009 to 2010
		2009	2010	
1	Almonds	1923	2392	24.4
2	Dairy	608	1143	88.2
3	Wine	812	1007	24.0
4	Walnuts	666	820	23.0
5	Rice	877	797	-9.2
6	Pistachios	682	720	5.5
7	Grapes	594	641	7.9
8	Oranges	422	568	34.4
9	Tomatoes	458	492	7.6
10	Cotton	257	416	62.0

Source: University of California, Agricultural Issues Center.

# Top export fields indexed against the U.S. Average (100)

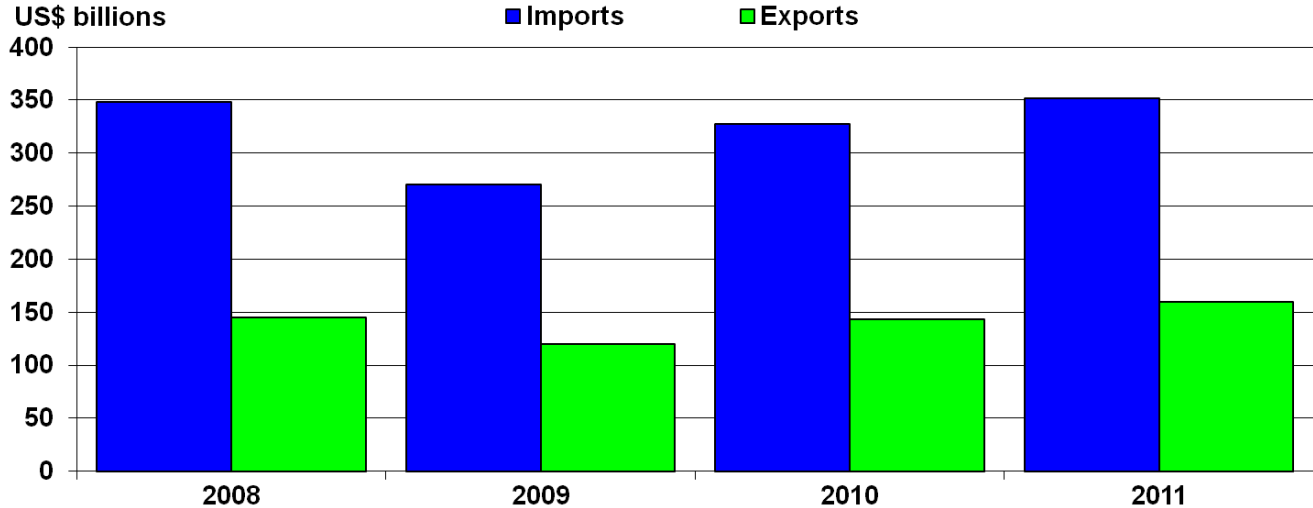
*California vs. Texas*



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<b>Indexed Growth (1998-2011)</b>	<b>California</b>	<b>Texas</b>
<b>Total</b>	<b>69.5</b>	<b>132.4</b>
<b>Agriculture and Farming</b>	<b>100.9</b>	<b>100.6</b>
<b>Petroleum and Coal Products</b>	<b>39.2</b>	<b>108.6</b>
<b>Chemical</b>	<b>98.8</b>	<b>129.4</b>
<b>Machinery</b>	<b>80.8</b>	<b>108.3</b>
<b>Computer and Electronics</b>	<b>70.9</b>	<b>150.2</b>
<b>Transportation Equipment</b>	<b>82.9</b>	<b>116.2</b>

# California has a significant trade imbalance



# German export strategies that California can emulate



1. The Office of Economics and Export Control provides significant export assistance to small and medium sized companies
2. Unified and active trade association – Federation of German Industries (BDI) – represents and promotes Germany companies abroad and within the country.
3. BDI maintains a world-wide network abroad through various liaison offices.

# South Korean export strategies that California can emulate



1. South Korea has aggressively focused on international cooperation and trade liberalization.
2. South Korea has worked with developing countries to open up new markets for its exports and increase trade
3. South Korea has a long history of support for businesses looking to export (both through government programs and its trade association).



# Export promotion efforts in California have been fragmented



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## *Part 1*

- 1960: first foreign trade offices established in London and Frankfurt.
- 1967: offices closed due to a budget crisis.
- 1977: the Department of Economics and Business is created (later becomes the Department of Commerce).
- 1982: the World Trade Commission is established, has mandate to promote trade and investment.
- 1983: the Department of Food and Agriculture and the California Energy Commission set up programs to support trade in their respective sectors.

# Export promotion efforts in California have been fragmented



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## *Part 2*

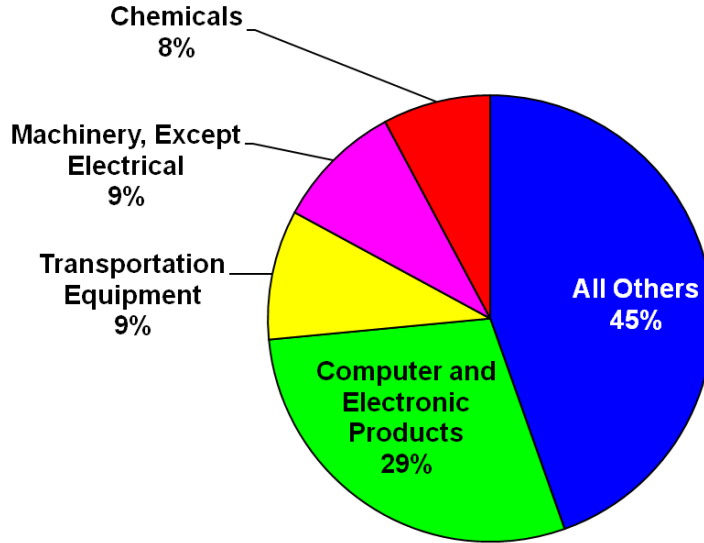
- 1987: Office of Export Development is created with two foreign trade offices in London and Tokyo.
- 1993: the World Trade Commission, Department of Commerce and all existing foreign trade offices are merged into a new agency, the California Technology Trade and Commerce Agency.
- 1993 to 2003: additional foreign trade offices are created (at one point there were 15 in operation).
- 2003: the California Technology Trade and Commerce Agency is shut down, including all existing foreign trade offices.
- 2012: Gov. Brown announces a trade office will be opened in China.

# Exports from California to the World

2011



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# Top California export markets

*US\$ billions (2011)*



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	2007	2008	2009	2010	2011
<b>World Total</b>	<b>134.32</b>	<b>144.81</b>	<b>120.08</b>	<b>143.19</b>	<b>159.35</b>
<b>1 Mexico</b>	<b>18.35</b>	<b>20.47</b>	<b>17.47</b>	<b>20.95</b>	<b>26.04</b>
<b>2 Canada</b>	<b>16.27</b>	<b>17.85</b>	<b>14.31</b>	<b>16.20</b>	<b>17.19</b>
<b>3 China</b>	<b>10.57</b>	<b>10.98</b>	<b>9.74</b>	<b>12.47</b>	<b>14.20</b>
<b>4 Japan</b>	<b>13.46</b>	<b>13.06</b>	<b>10.90</b>	<b>12.18</b>	<b>13.10</b>
<b>5 South Korea</b>	<b>7.41</b>	<b>7.75</b>	<b>5.91</b>	<b>8.03</b>	<b>8.40</b>
<b>6 Hong Kong</b>	<b>4.92</b>	<b>5.69</b>	<b>5.80</b>	<b>6.76</b>	<b>7.68</b>
<b>7 Taiwan</b>	<b>5.79</b>	<b>5.15</b>	<b>4.12</b>	<b>6.52</b>	<b>6.25</b>
<b>8 Germany</b>	<b>5.56</b>	<b>5.76</b>	<b>4.44</b>	<b>5.12</b>	<b>5.31</b>
<b>9 Netherlands</b>	<b>4.08</b>	<b>4.35</b>	<b>3.57</b>	<b>4.13</b>	<b>4.62</b>
<b>10 United Kingdom</b>	<b>5.22</b>	<b>5.54</b>	<b>3.92</b>	<b>4.18</b>	<b>4.15</b>