



The United States and the Global Economy:

**Leveraging Federal Resources to
Create Jobs in Your State**

State International Development Organizations (SIDO)

Mission:

“SIDO helps state international trade agencies better serve American exporters by sharing innovative ideas and resources, developing the skills of state trade professionals, advocating the interests of states in trade promotion, and facilitating multi-state collaboration”

Who Belongs to SIDO

Members/Network

International Trade Entities/Directors from each state

Public Partners



SIDO Leadership

4 Regions – 2 Board Seats per Region

- * Current Western Board Members: **Washington, Nevada**



What states are doing to create jobs and boost small businesses

- * **Counseling** – whether it's New-To-Export or New-To-Market, there's a lot of preparation involved
- * **Market Identification**
- * **Subsidized Services** – trade missions and match-making
- * **Foreign Direct Investment**

Exports Matter

- * **JOBS:** Skilled Workers, High-Paying
- * **ROI** – 40:1 Return on Investment
- * Gateway to True Economic Recovery

And yet....

State	Total State Exports (Millions of Dollars)	State GDP (Millions of Dollars)	Total State Exports as % of State GDP
Alaska	\$4,155	\$49,120	8.5%
Arizona	\$15,636	\$253,609	6.2%
California	\$143,192	\$1,901,088	7.5%
Colorado	\$6,727	\$257,641	2.6%
Hawaii	\$684	\$66,760	1.0%
Idaho	\$5,157	\$55,435	9.3%
Montana	\$1,389	\$36,067	3.9%
Nevada	\$5,912	\$125,650	4.7%
New Mexico	\$1,541	\$79,678	1.9%
Oregon	\$17,671	\$174,151	10.1%
Utah	\$13,809	\$114,538	12.1%
Washington	\$53,353	\$340,460	15.7%
Wyoming	\$983	\$38,527	2.6%
United States	\$1,278,263	\$14,551,782	8.8%

State/Federal Coordination Challenges

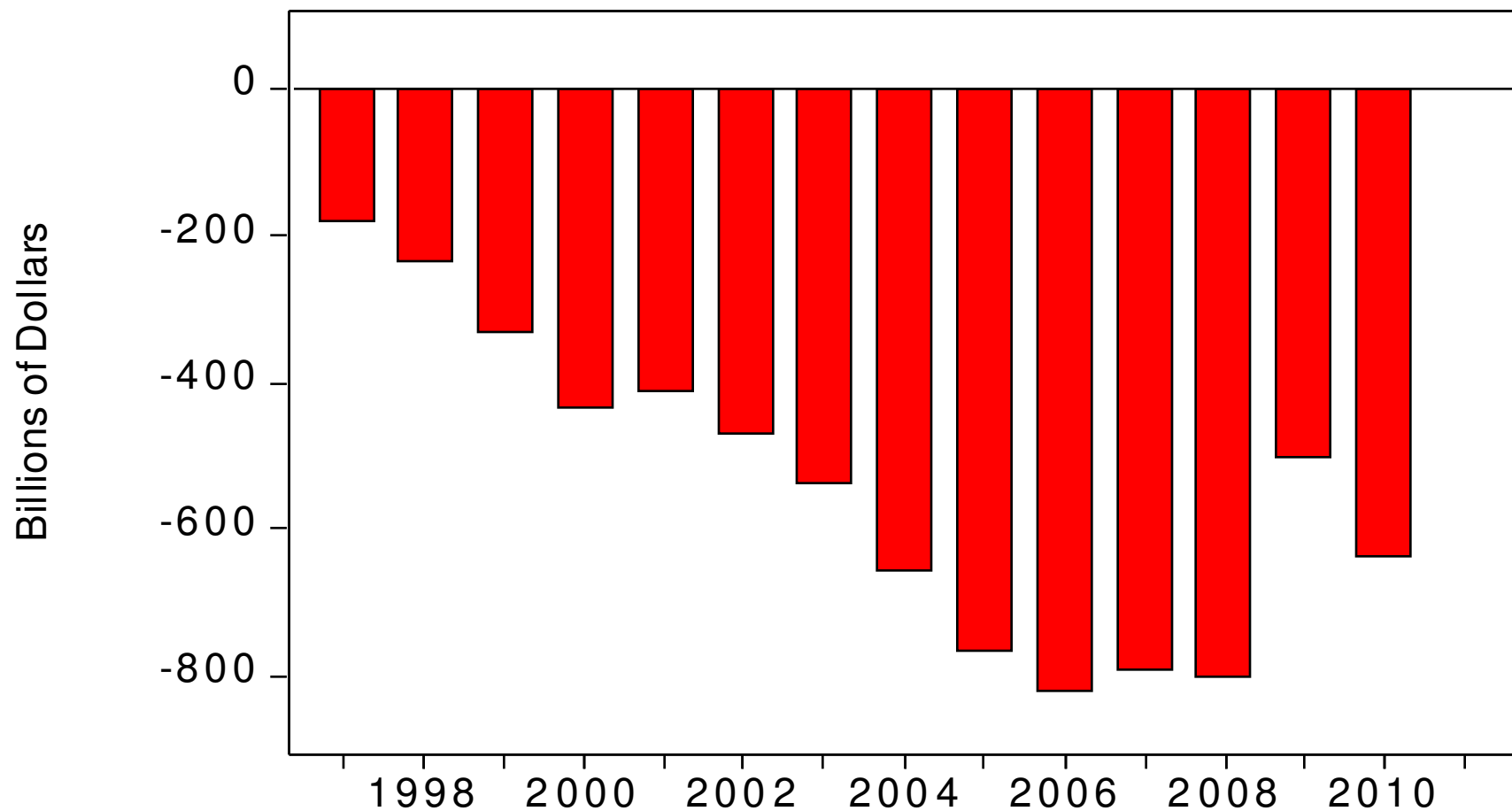
- * **Proposed USCS service fee increases**
 - * Gold Key Fees – from \$700 to \$1700 for SMEs
 - * Federal Register open comment period closes Aug. 16th
- * **Limited Budget**, where is it best spent?
 - * Domestically or Overseas?
- * **Inter-agency Coordination** - currently, there are over 20 federal agencies that can assist small businesses with some or all of the steps in the export process

Additional Challenges for States and Exporters

- **Limited and Volatile Funding**
- **Lack of Information:**
 - *Service Sector Data*
 - *FDI Statistics*
- **Federal Coordination**
- **Tedious WTO and FTA negotiations**

1996 - 2010

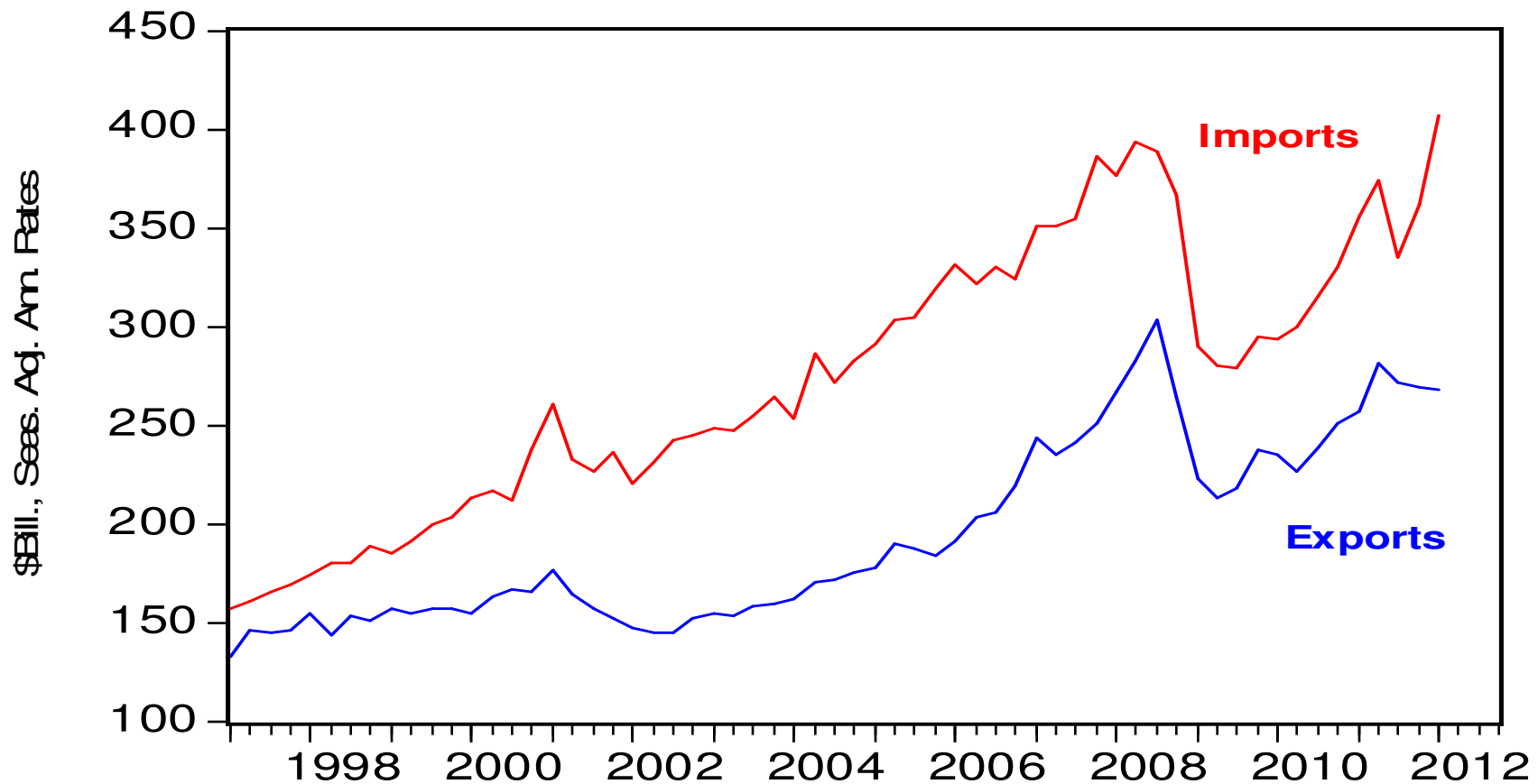
U.S. TRADE BALANCE IN GOODS



Source: Census Bureau

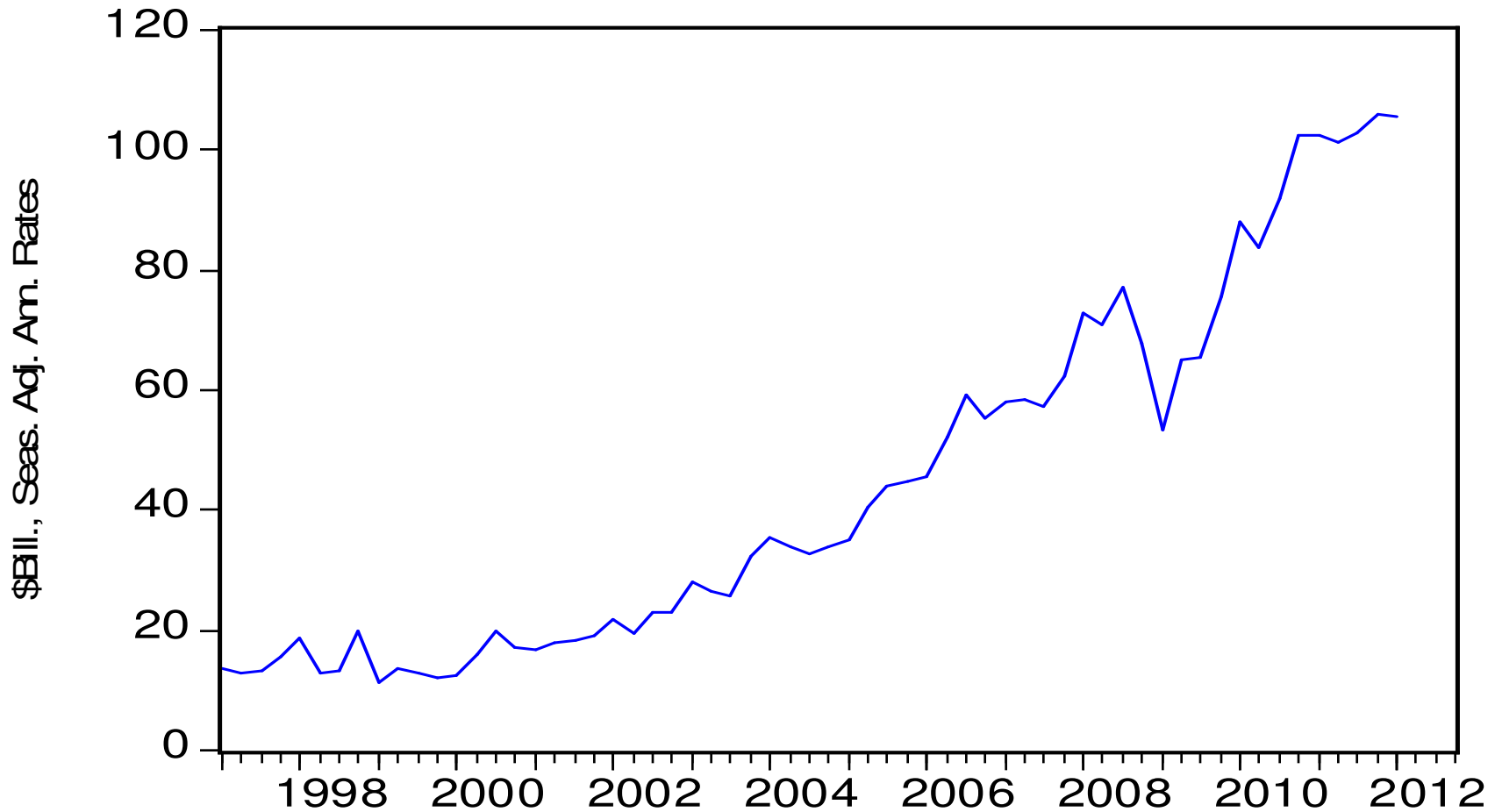
Non-FTA (US) Trade Markets: The European Union

U.S. Trade with the European Union



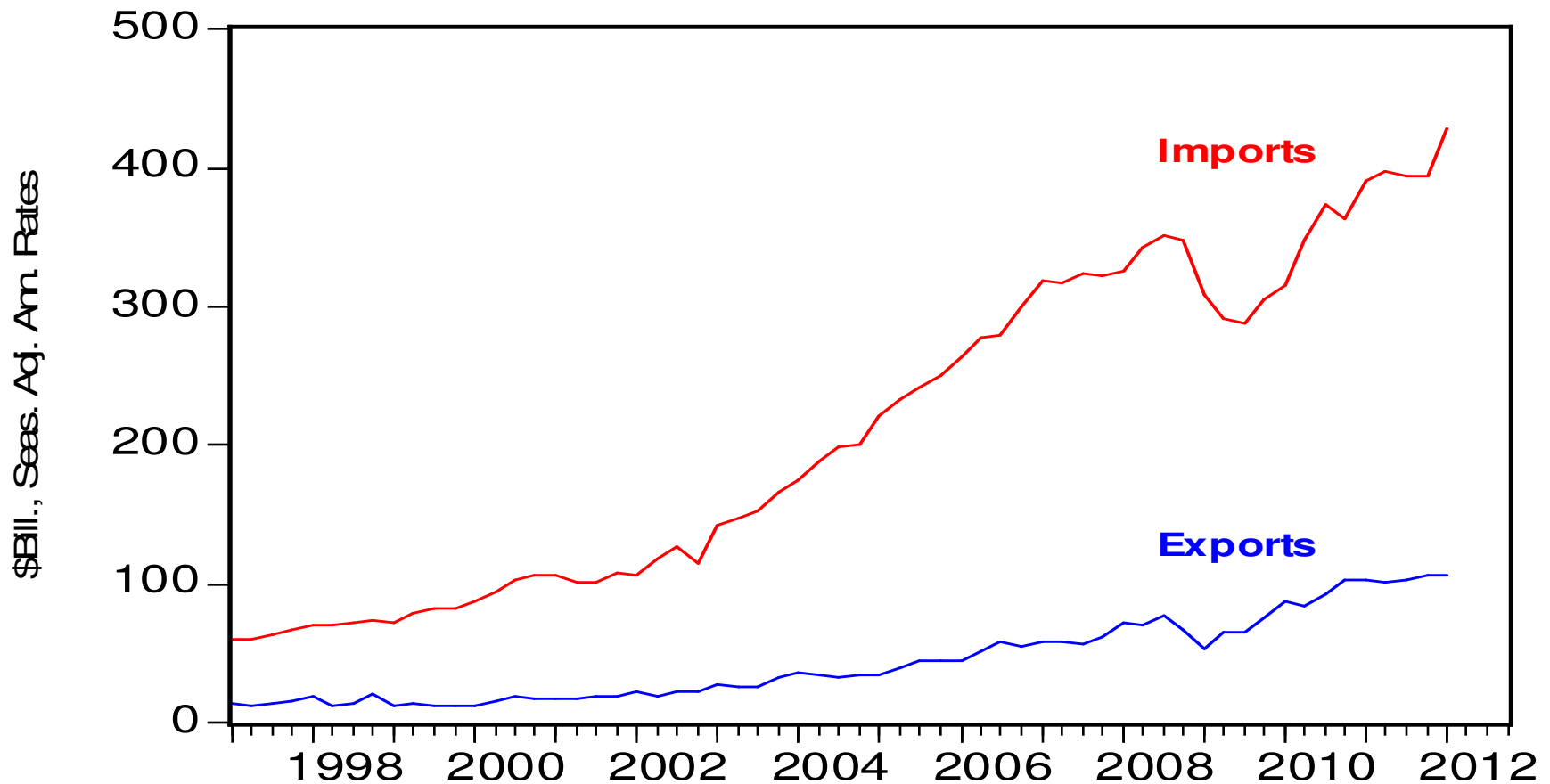
This one looks pretty strong, right?

U.S. Exports to China



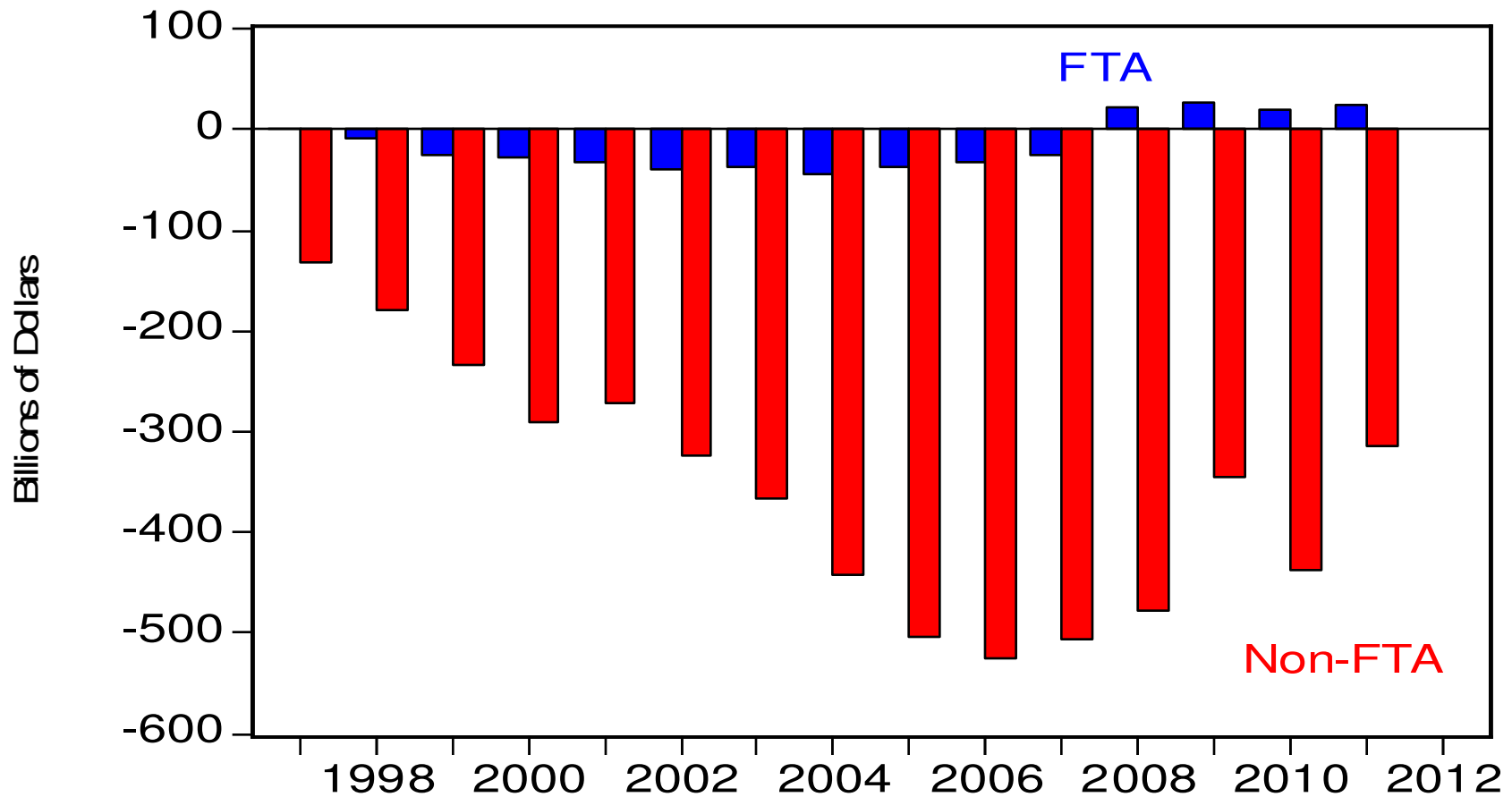
That is until we look at it in from the perspective of two-way trade

U.S. Trade with China



Free Trade Agreements Position the U.S. to Compete in the Global Economy

U.S. MANUFACTURED GOODS TRADE BALANCE



Source: Census Bureau data through USITC dataweb. 2010 Estimated on Basis of Jan-Nov data

SMEs benefit from FTAs...

NUMBER OF SMALL AND MEDIUM-SIZED EXPORTERS (SME's)* EXPORTING TO U.S. FREE-TRADE PARTNERS

Market	Number of SME's Exporters to Market	SME % of Total Exporters to Market	SME % of Value of Exports to Market	Average SME Company Exports to Market
NAFTA	110,408	95%	24%	\$ 630,666
Australia	22,127	90%	27%	\$ 192,023
CAFTA	17,651	89%	44%	\$ 442,621
Korea, South (1)	17,055	89%	32%	\$ 559,649
Singapore	16,211	89%	19%	\$ 265,503
Israel	11,200	88%	42%	\$ 302,155
Colombia (1)	8,509	85%	36%	\$ 257,427
Chile	8,370	84%	28%	\$ 200,058
Peru	5,474	82%	39%	\$ 181,537
Panama (1)	5,233	81%	39%	\$ 185,421
Jordan	2,027	80%	45%	\$ 114,029
Bahrain	1,456	74%	36%	\$ 83,669
Oman	1,063	73%	17%	\$ 77,591
Morocco	811	72%	24%	\$ 246,263

Trans-Pacific Strategic Economic Partnership (2005)

- * **4 Member Countries:** Brunei, Chile, New Zealand, Singapore
- * Original agreement signed in 2005 contained an accession clause affirming the members' “**commitment to encourage the accession to this Agreement by other economies**”
- * 2008: U.S. announced its intention to enter into negotiations

Trans-Pacific Strategic Economic Partnership (2005)

* Country	Status	Date
* <u>Brunei</u>	Original Signatory	June 2005
* <u>Chile</u>	Original Signatory	June 2005
* <u>Singapore</u>	Original Signatory	June 2005
* <u>New Zealand</u>	Original Signatory	June 2005
* <u>United States</u>	Negotiating	February 2008
* <u>Australia</u>	Negotiating	November 2008
* <u>Peru</u>	Negotiating	November 2008
* <u>Vietnam</u>	Negotiating	November 2008
* <u>Malaysia</u>	Negotiating	October 2010
* <u>Mexico</u>	Negotiating	June 2012
* <u>Canada</u>	Negotiating	June 2012

Trans-Pacific Partnership (TPP) *Current Negotiations*

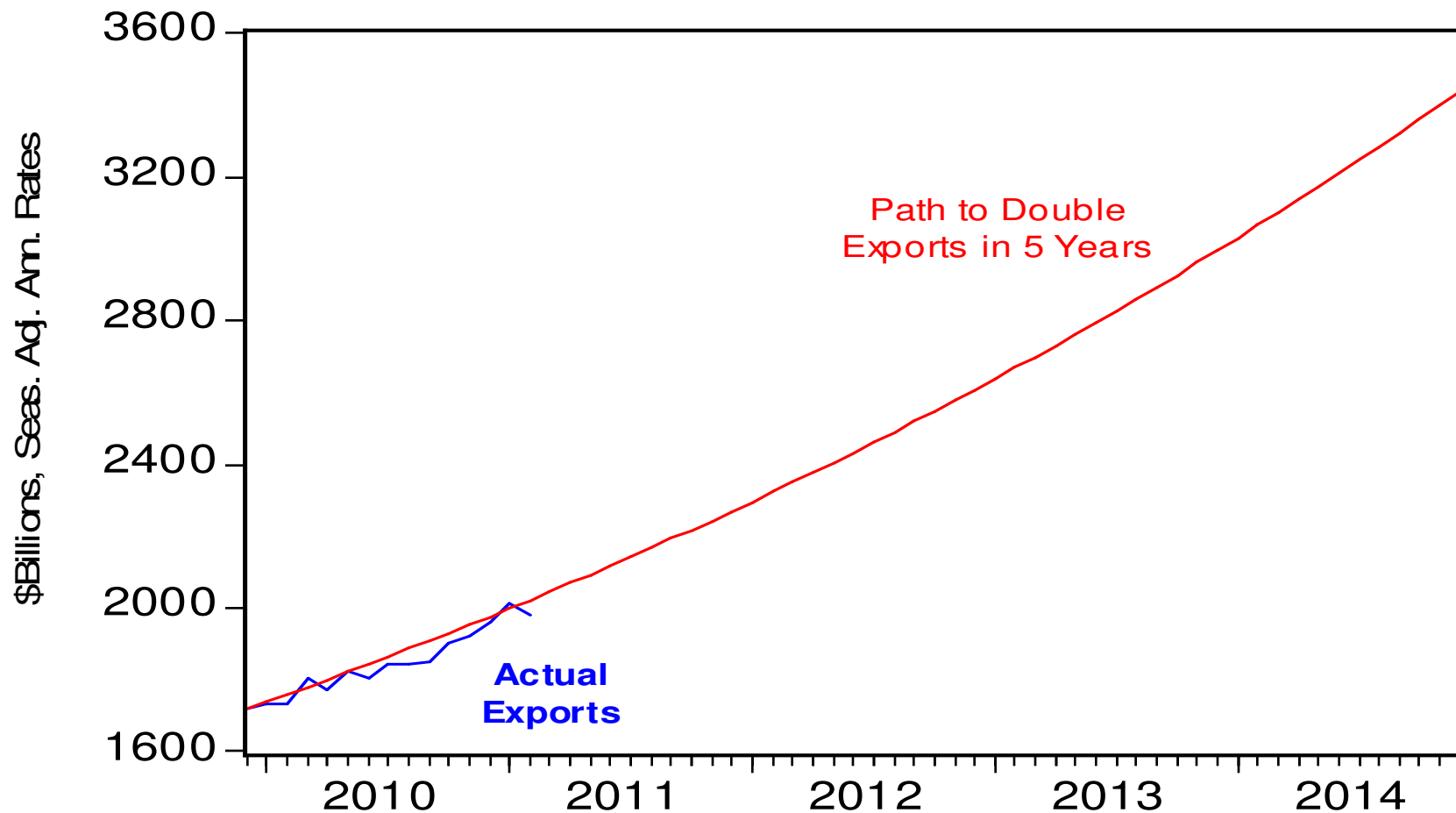
- * **11 Current Negotiating Partners:** Australia, Brunei Darussalam, Canada, Chile, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam
 - * *Potential Members: South Korea, Japan, Taiwan, Philippines*
- * US exports to the Asia-Pacific region in 2011: **\$124.4 billion**
- * **Purpose of the TPP:** to ensure immediate duty free access for the vast majority of U.S. exports to these markets

National Export Initiative (NEI)

- * **2010** – President Obama Announces NEI goal of doubling exports in 5 years (by January 2015)
- * **Cooperation, Coordination, Collaboration** – Supporting federal and state agencies develop strategies to support NEI
- * **Grant Programs** – States and Small Businesses

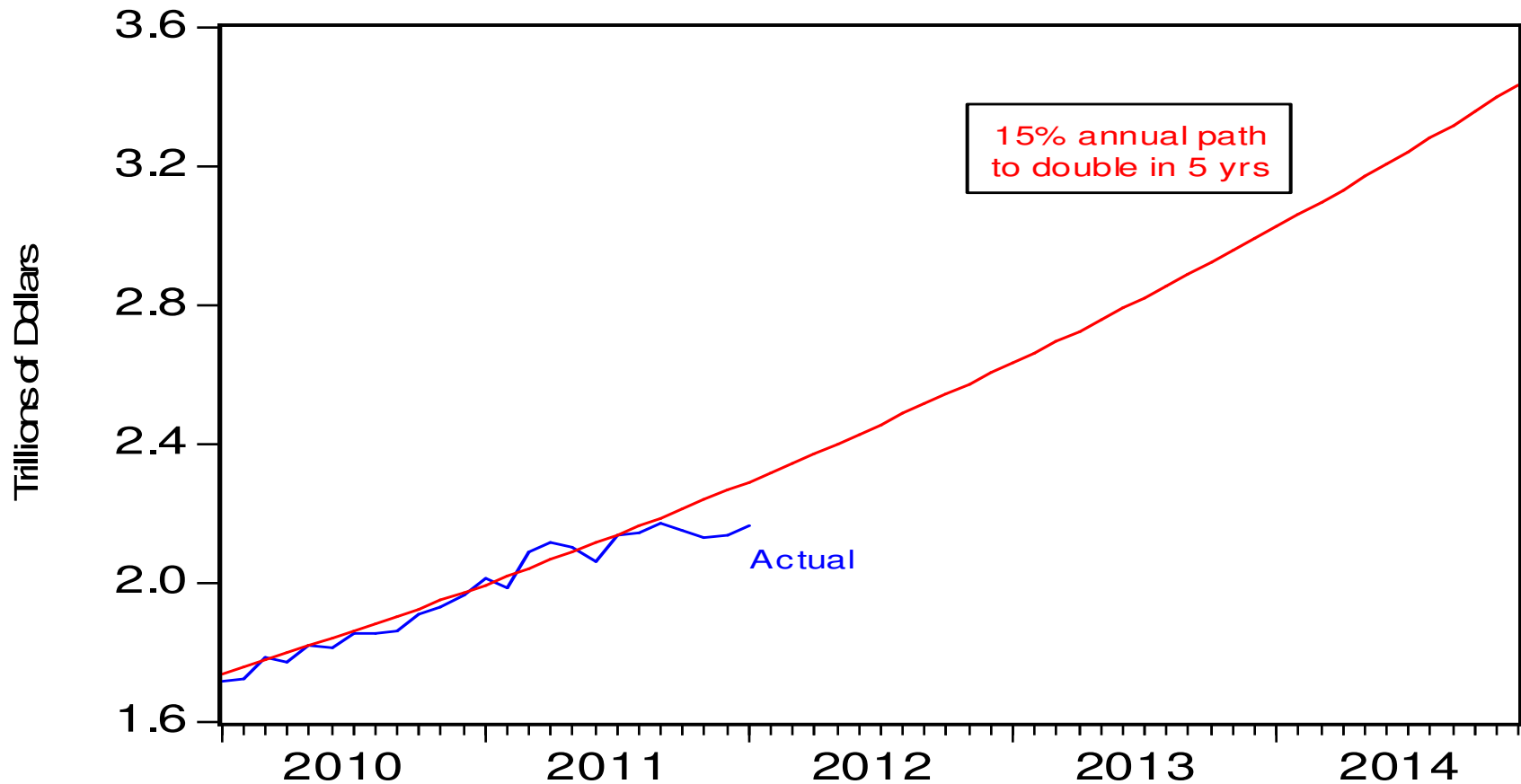
We were on track for year one...

HOW ARE WE DOING? EXPORTS OF GOODS AND SERVICES



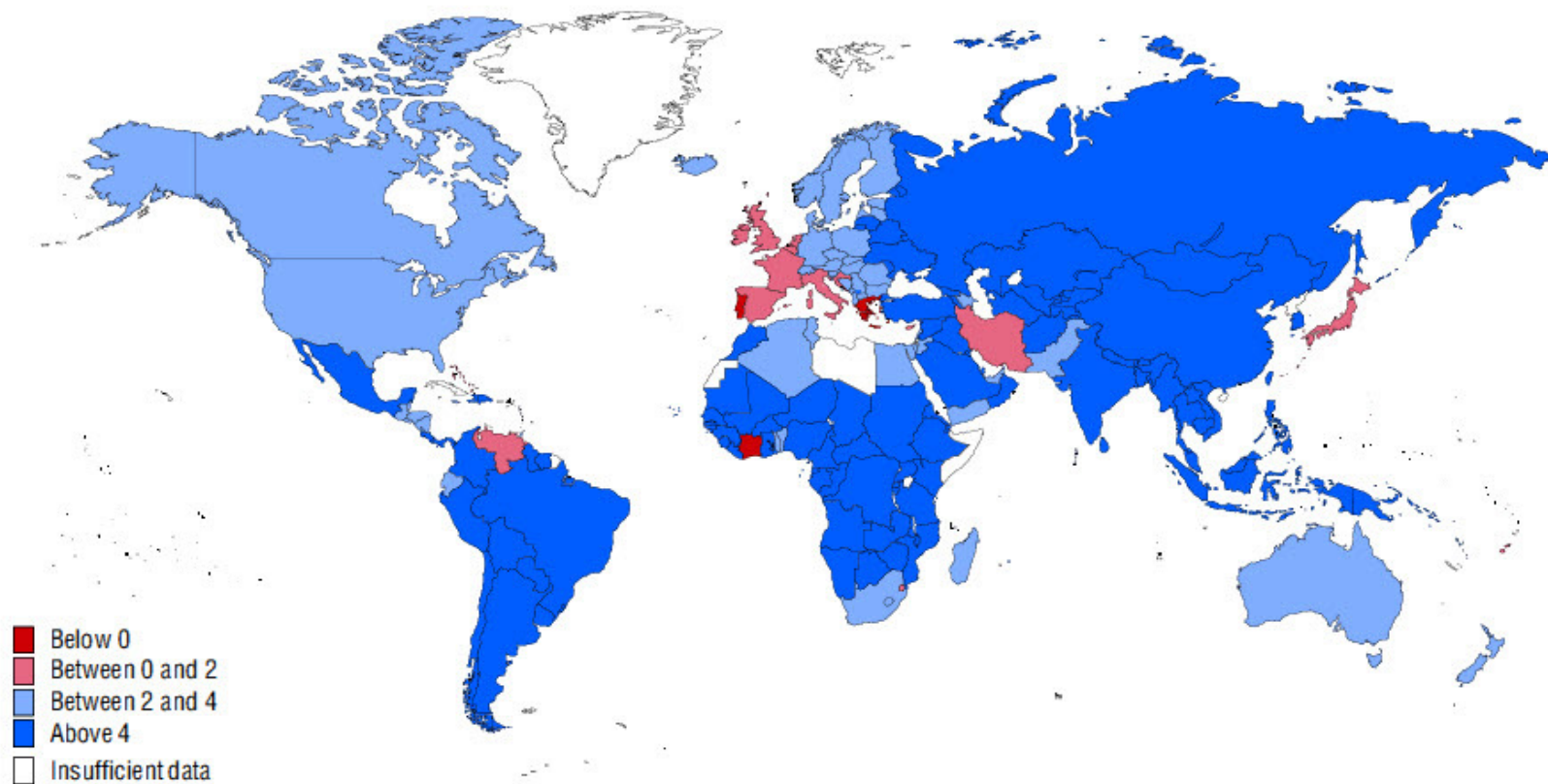
Year 2: We've Fallen Below the Necessary 15% Growth Rate

GOODS AND SERVICES EXPORTS: Actual and Doubling Path



Reaching the Goal is Complicated by Slow Growth in Major U.S. Export Markets

Figure 2.1. Global Average Projected Real GDP Growth during 2011–12
(Percent)

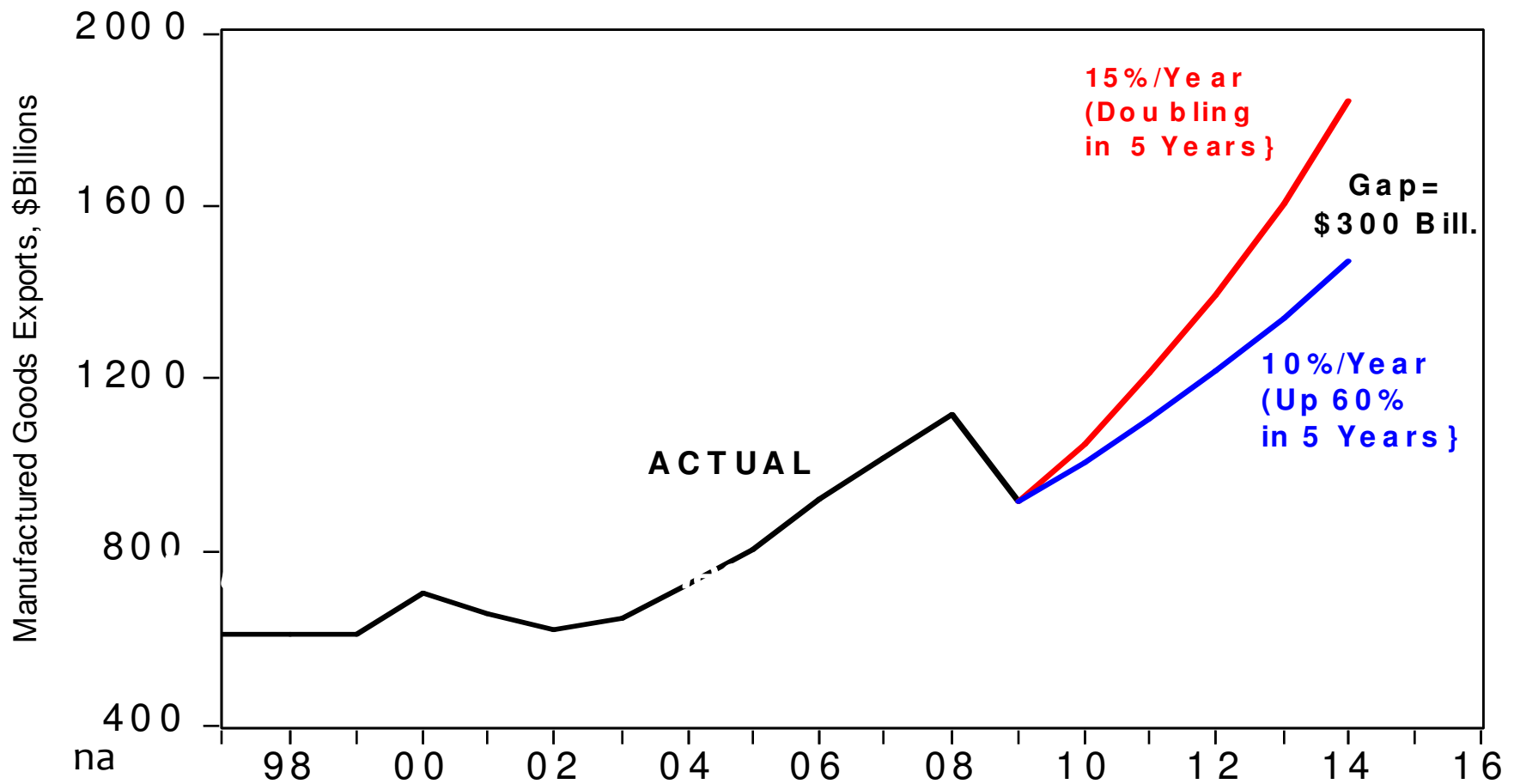


Source: IMF staff estimates.

Note: Projections are not provided for Libya due to the uncertain political situation.

It's still a worthy goal, but achievement of the NEI will require significant policy changes

Illustrative View of Five-year Goal to Double Exports



State Trade and Export Promotion (STEP) grant program

Purpose

- * To make grants to states to carry out export programs that assist eligible small businesses.
- * To increase the number of small businesses that export.
- * To increase the value of exports for small businesses that are currently exporting.

State Trade and Export Promotion (STEP) grant program

- * **3:1 Federal Matching Grant Program**

- * Competitive structure
- * Matches – \$ or in-kind

- * **\$30 million per year**

- * Authorized for 2011, 2012, 2013
- * Appropriated for 2011, 2012

STEP Funding Requirements

Legislative Requirement: The 10 States with the highest number of small business exporters shall not receive more than 40% of the total Federal fiscal year appropriation.

States with the highest number of small business exporters:

California, Florida, New York, Texas, New Jersey, Illinois, Pennsylvania, Ohio, Michigan, Massachusetts

STEP Funding Requirements

Legislative Requirement: The Federal share of the cost of export promotion activities using a STEP grant shall be:

- (1) Not more than 65% for a state that has a high export volume (i.e., State share = 35%)
- (2) not more than 75% for a state that does not have a high export volume (i.e., State Share = 25%)
- Associate Administrator determines “high export volume”

States with high export volume: Louisiana, **Washington**, Texas, Vermont, Kentucky, South Carolina

Year 1: 47 States & 5 Territories Applied and Received Funding*



State	2011-12 Funding
Alaska	\$330,000
Arizona	\$656,000
California	\$2,540,924
Colorado	\$312,182
Hawaii	\$485,719
Idaho	\$292,000
Montana	\$307,849
Nevada	\$239,318
New Mexico	\$81,000
Oregon	\$375,000
Utah	\$584,982
Washington	\$1,591,919
Wyoming	\$42,686
	Totals:\$7,839,579

What's Next?

STEP Program Reauthorization (2014 and beyond)

- * CSG and SIDO working together to lobby Congress for reauthorization and extended appropriation for the program
- * Individual state outreach to Congressional delegates in support of STEP

Thank You – Questions?



Sutcliffe-Stephenson
Executive Director, SIDO
Tel: 202-624-5454
E-mail: ssutcliffe@csg.org