

## **ECONOMIC AND COMMUNITY DEVELOPMENT TEAM**

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## **SUPPORT FOR EXPORTERS**

### **Requested Action:**

- Support the Trans-Pacific Partnership (TPP), with the inclusion of all agricultural products, as a critical driver for the region's economy
- Support development of an internet platform for U.S. small and mid-sized (SME) services exporters designed with functions that include, but are not necessarily limited to, payment processing and dispute settlement
- Support making permanent the World Trade Organization (WTO) moratorium on customs duties for electronic transmissions
- Continue federal investment in the Capital Region's transportation system to keep people and goods moving to support a growing economy
- Thank you for supporting Reauthorization of the Export-Import Bank

### **Summary of Background:**

Together with the Brookings Institution and dozens of economic development partners, the California Capital Region (NorCalWTC) is building a better export environment for its companies. These efforts are led by the Northern California World Trade Center (NorCalWTC) through implementation of its California Capital Region Metropolitan Export Plan (MEP). Initiated in 2013, the plan is designed to strengthen our region's economy by creating a collaborative global market strategy, developing the local export ecosystem, and helping our region's businesses expand into the international marketplace.

Through development of the Capital Region MEP, our region identified several market factors that are now driving implementation of the plan:

- The Capital Region is the nation's 27<sup>th</sup> largest US metropolitan area, yet among the nation's 100 largest metro areas, it ranks 48<sup>th</sup> on the total value of its exports and 95<sup>th</sup> in export intensity
- Our region's businesses are reluctant to start exporting, but of those that currently export, 98% reported plans to enter new foreign markets
- Companies in the Capital Region report a low level of awareness with respect to the existing export assistance network; however, those who have connected with it report high satisfaction levels
- Capital Region exports are nearly equally split between goods (50.8%) and services (49.2%), while goods account for nearly 70% of exports nationally
- For Capital Region companies interested in exporting, international connections and cultural differences are among the biggest challenges
- Due to our location relative to other countries, ports, airways and seaways, the Capital Region is uniquely situated to capitalize on the demand for exports in Asian and North American countries
- Of our region's 20 top performing export sectors, 14 align with core business clusters identified in our Certified Economic Development Strategy – The Next Economy Capital Region Prosperity Plan

To address these market factors, the Capital Region MEP outlines 5 key strategies to address our region's strengths, remedy our weaknesses and the lay the foundation for sustained export growth:

1. Streamline and enhance the international trade support ecosystem
2. Strengthen relationships with key foreign markets
3. Enhance exporting capacity of mid-sized goods producers
4. Introduce more service providers [and companies] into the export pipeline
5. Grow the global fluency of the Capital Region

The actions requested in this policy paper seek to address the market factors identified by the Capital Region MEP and accelerate implementation of its 5 key strategies.

### **Trans Pacific Partnership (TPP)**

The Asia-Pacific region is of crucial importance for the U.S., and the Capital Region is uniquely situated to capitalize on the demand for exports from Asia-Pacific markets. It is the fastest growing region in the world and a key driver of global economic growth.

The TPP will lead to increased opportunities for growth in our region's small business exporters. Nationally, 98% of all exporters and 97% of all importers are SMEs. Additionally, 94% of SMEs are both importers and exporters. Therefore, trade agreements that liberalize trade barriers, like the TPP, are expected to disproportionately benefit SMEs. In contrast with large businesses, SMEs generally benefit the most from trade barrier reductions overseas as their capacity to overcome these barriers by establishing subsidiaries in other countries is much more limited.

### **Internet Platform for SME Services Exporters**

There are a range of barriers preventing SMEs from engaging in international trade. Validating some of the findings from the NorCalWTC's MEP, a survey of SMEs conducted by the U.S. ITC found that key barriers to exporting for services SMEs include language and cultural barriers, access to financing, transportation and shipping costs, foreign tax issues, foreign regulations, and insufficient intellectual property protection.

Developing an Internet platform for SME services exporters is the most promising approach to growing U.S. SME services exports. Such a platform would have the functions that existing internet platforms provide, such as processing payments and dispute settlement mechanisms. But it could also address the specific needs of services SMEs, including:

- Providing SMEs with online access to services imports
- Giving services SMEs access to better information
- Developing online networking opportunities
- Improving access to export finance
- Creating opportunities to "land softly" in export markets

### **WTO Moratorium on Customs Duties for Electronic Transmissions**

Currently, WTO members have agreed to a moratorium on imposing customs duties on electronically-transmitted products. It is expected that a further extension of this moratorium will be agreed to during the WTO Nairobi Ministerial. However, a permanent moratorium should be the aim, as it would increase business certainty and further support digital trade.

### **Capital Region Goods Movement and Mobility**

The Capital Region has multimodal facilities for goods and people movement including the rail system, I-80, US 50, Port of West Sacramento, the interregional freight roadways, the airport system,

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and bicycle and pedestrian infrastructure. These facilities play a significant role in the regional, state, and national economy.

### **Export-Import Bank**

The Metro Chamber would like to express its gratitude for the reauthorization and extension of the Export-Import Bank of the United States (H.R. 22). Reauthorization was a policy priority identified in the Capital Region MEP, and it goes a long way to supporting our region's efforts to grow exports and increase global fluency.

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