



Public Policy Rationale for Federal Trade and Investment Promotion Programs

Charles Ford

Deputy Director General of the U.S. and Foreign Commercial Service

And

Joe Carter

Senior Analyst, U.S. and Foreign Commercial Service

March 2013



Exports Are Critical To Sustainable Economic Growth



What components of GDP will lead to sustainable growth in the future?

Increases in U.S. exports can positively contribute to GDP

Economic Benefits Are Clear and Far Reaching

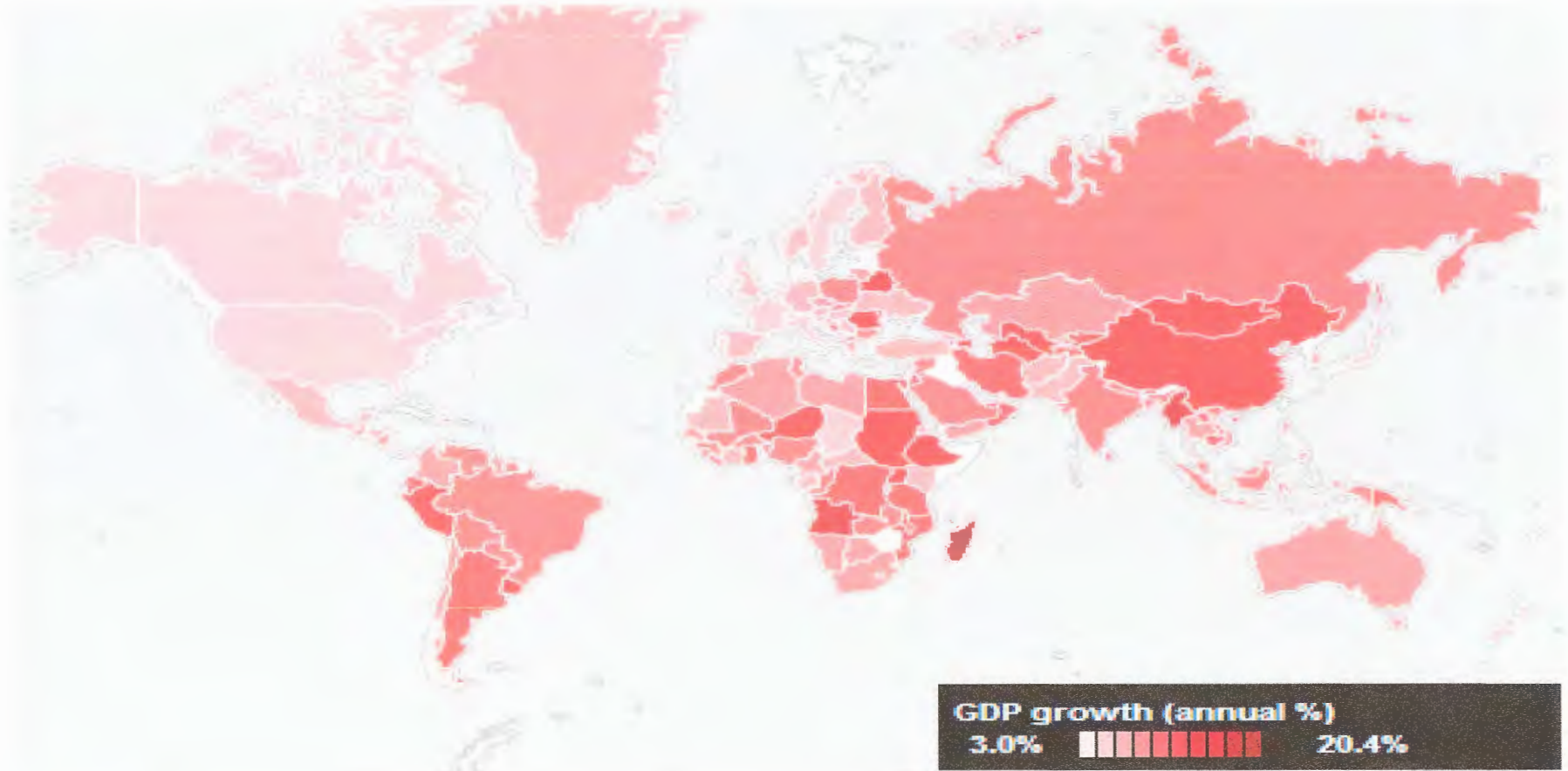
- ❖ **GDP Growth:** Exports increased 4.3% to reach \$2.2T in 2012
- ❖ **Employment:** Exports supported 9.8 million jobs in 2012
 - Higher Wages: 15-20% more than the national average
- ❖ **Manufacturing:** Exports supported 1 out of 4 jobs in 2010
 - R&D and Innovation
- ❖ **Comparative Advantage:** Services and high technology sectors
- ❖ **Global Diversification:** Firms that export are more likely to succeed

Source: ITA Office of Competition and Economics Analysis calculations based on 2011-2012 Census/BEA/BLS data as well as academic work since 2009 that suggests a wage earnings premium ranging from 15-20%

Export Growth Opportunities

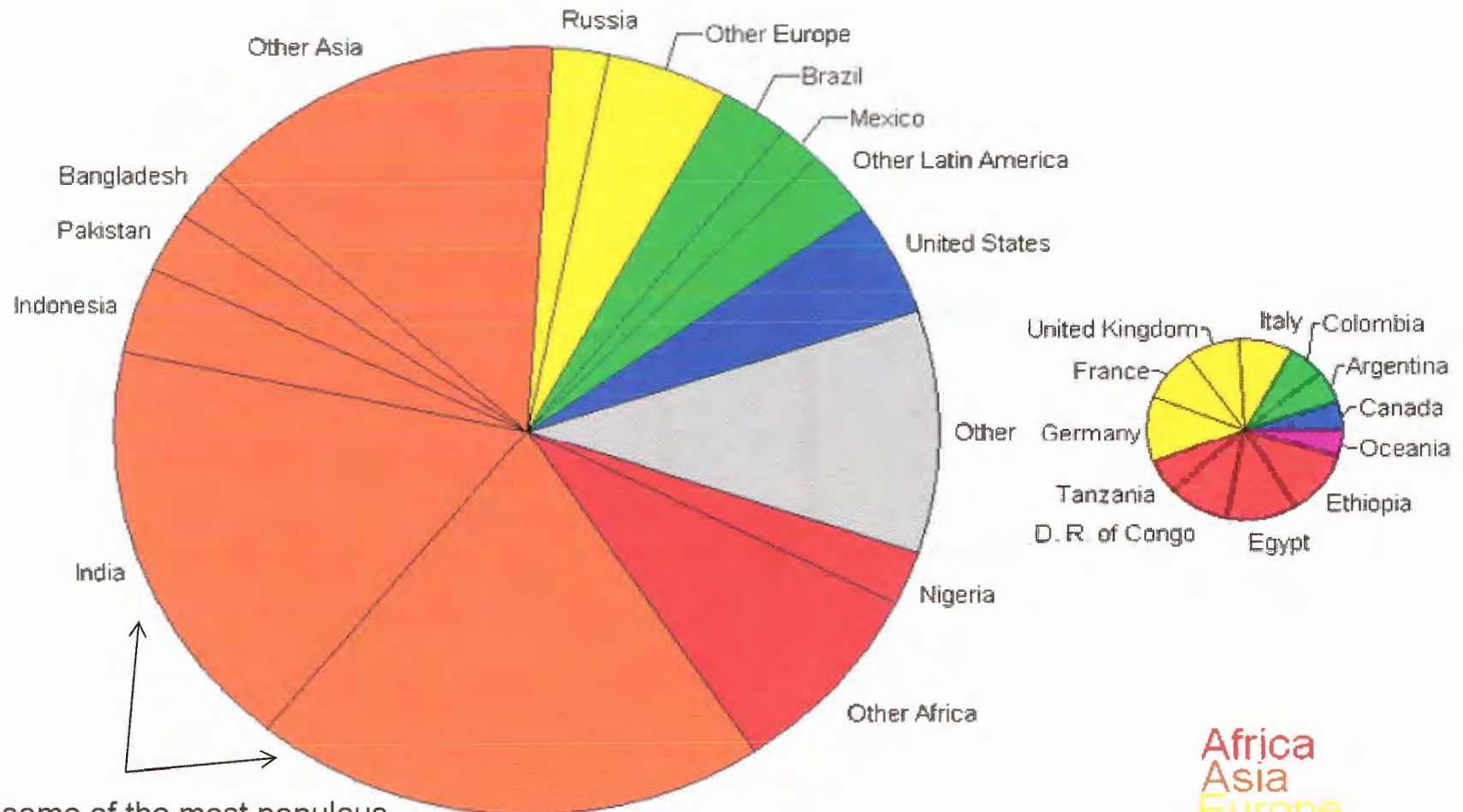
IMF 5-Year Forecast: 85% of global growth will be outside of the U.S.

IMF 5-Year Forecast: Emerging / developing economies will contribute 67% of growth



Source: IMF World Economic Report and World Bank graph of GDP growth from 2007 to 2011

95% of the World's Customers Are Not in the U.S.



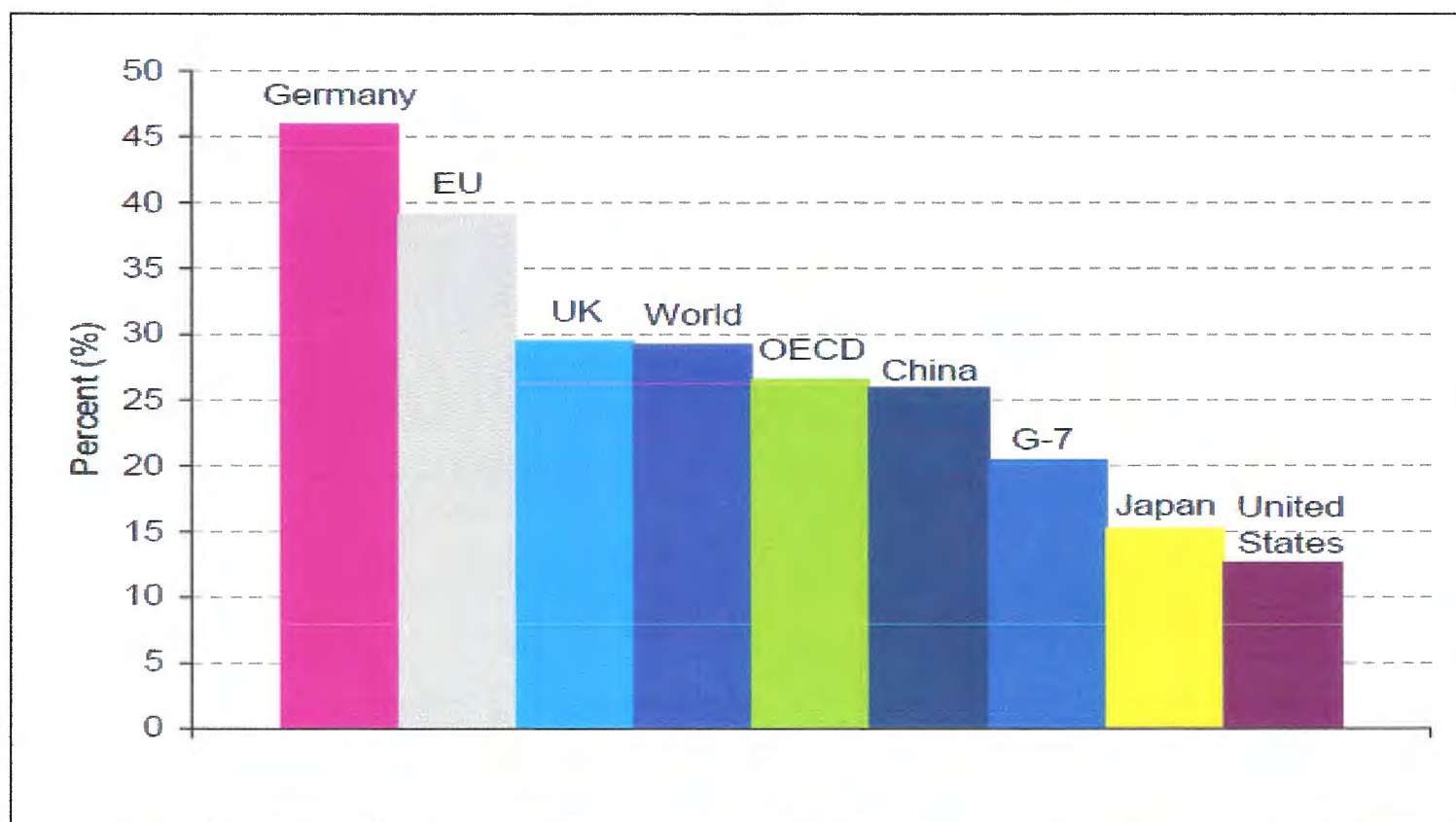
Africa
Asia
Europe
Latin America
North America

And, in some of the most populous countries, such as China and India, there's a growing middle class with increasing purchasing power

Source: Wikipedia graph of IMF data

U.S. Exports as % of GDP Lag Behind Our Competitors

U.S. exports achieved a record 13.9% share of GDP in 2012, BUT have a long way to go to match our competitor nations...

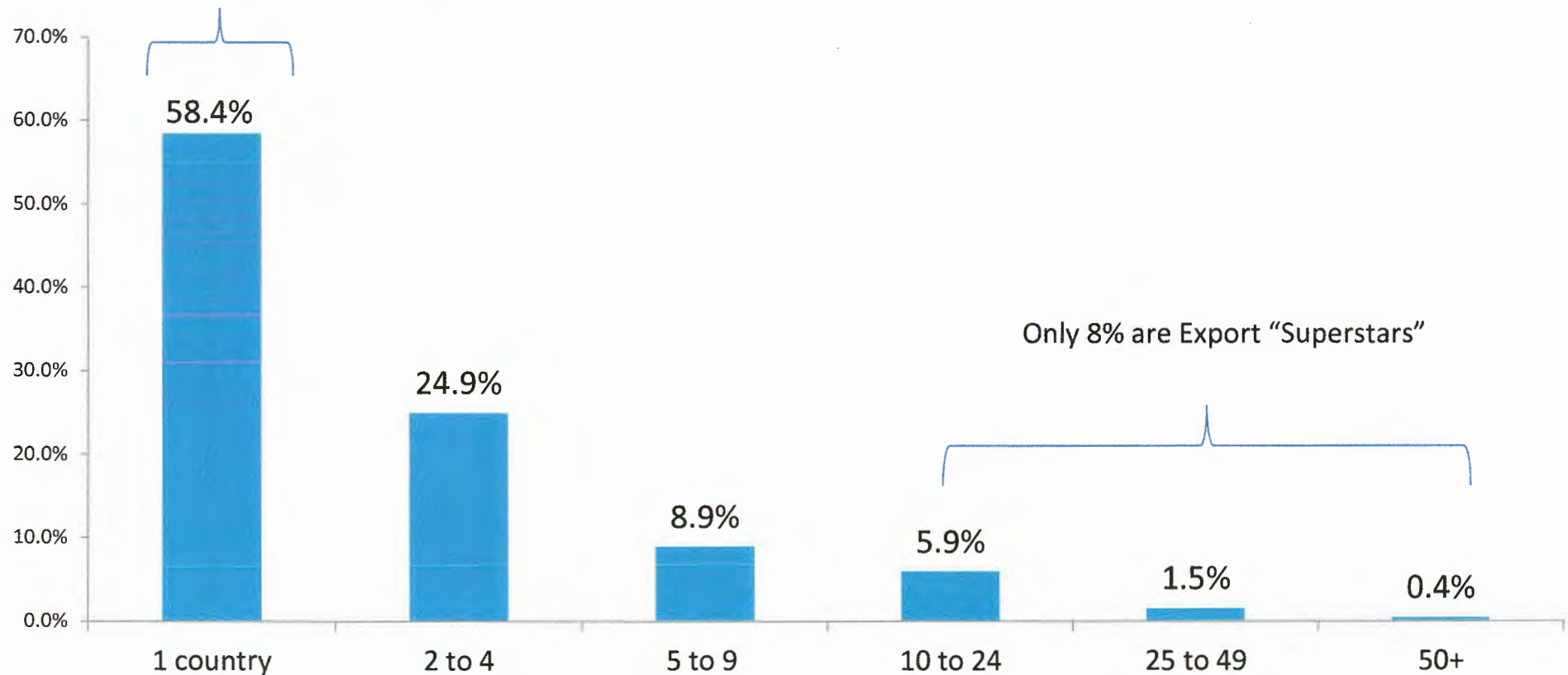


Source: Economist Intelligence Unit database adapted by the Congressional Research Service

Many U.S. Firms Are Not Exporting to Full Potential

% of U.S. Exporters by # of Partner Countries, 2010

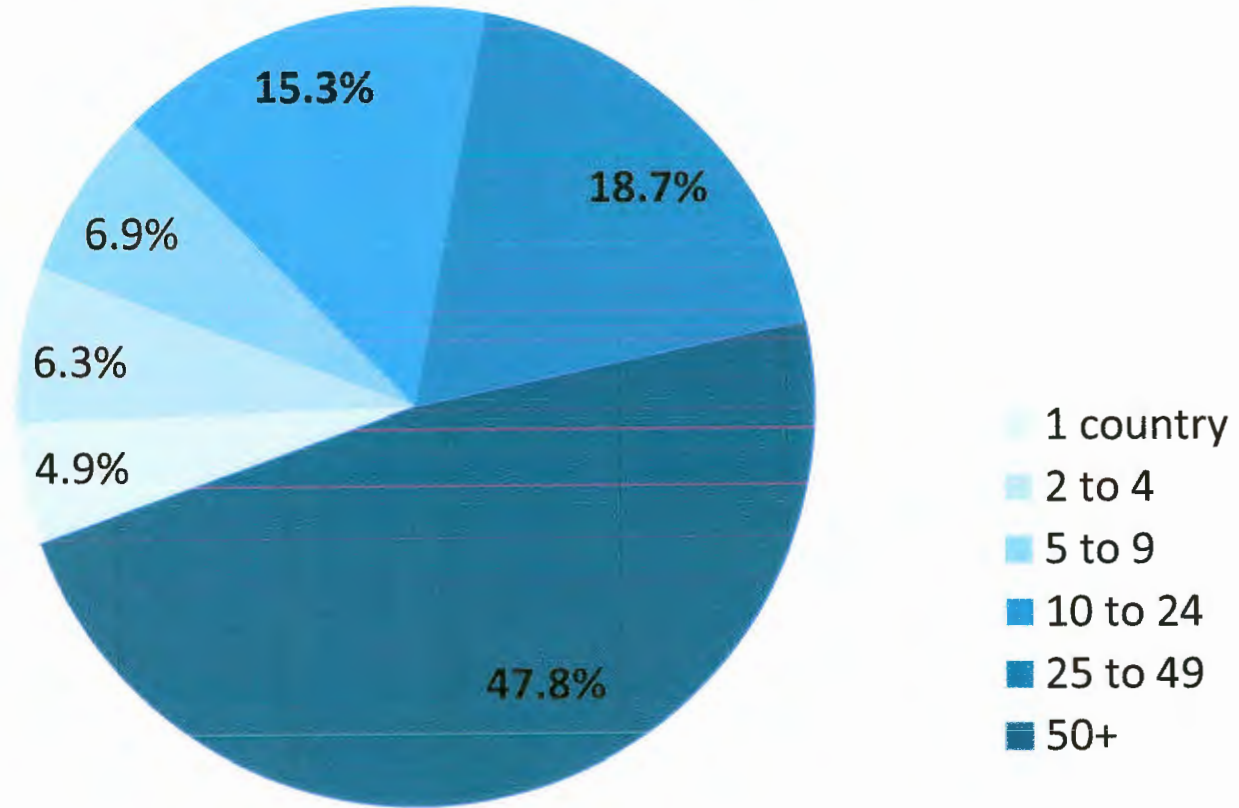
Majority Sell To Only 1 Foreign Market



Source: Census data for known merchandise exports (known and unknown employment size) adapted by U.S. Commercial Service with the term "Export Superstars" adapted from the concept in the World Bank's Policy Working Paper 6222

Export “Superstars” Account for Over 80% of Value

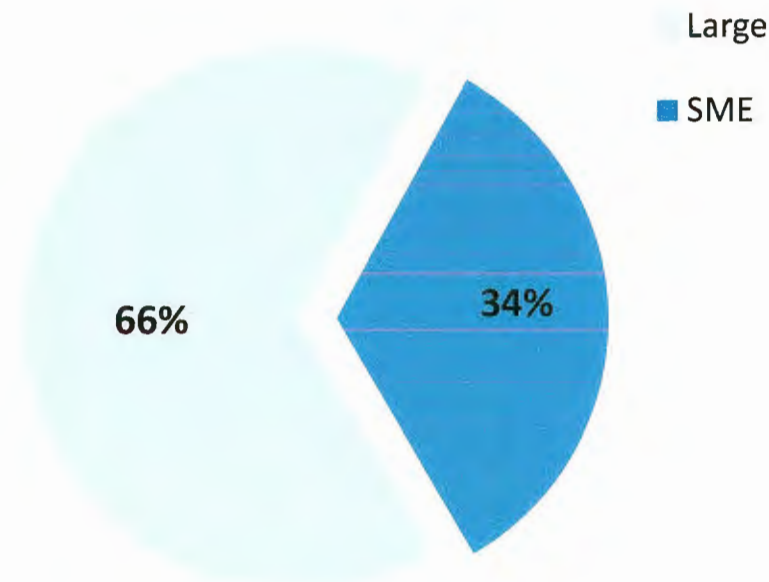
% of U.S. Export Value by # of Partner Countries, 2010



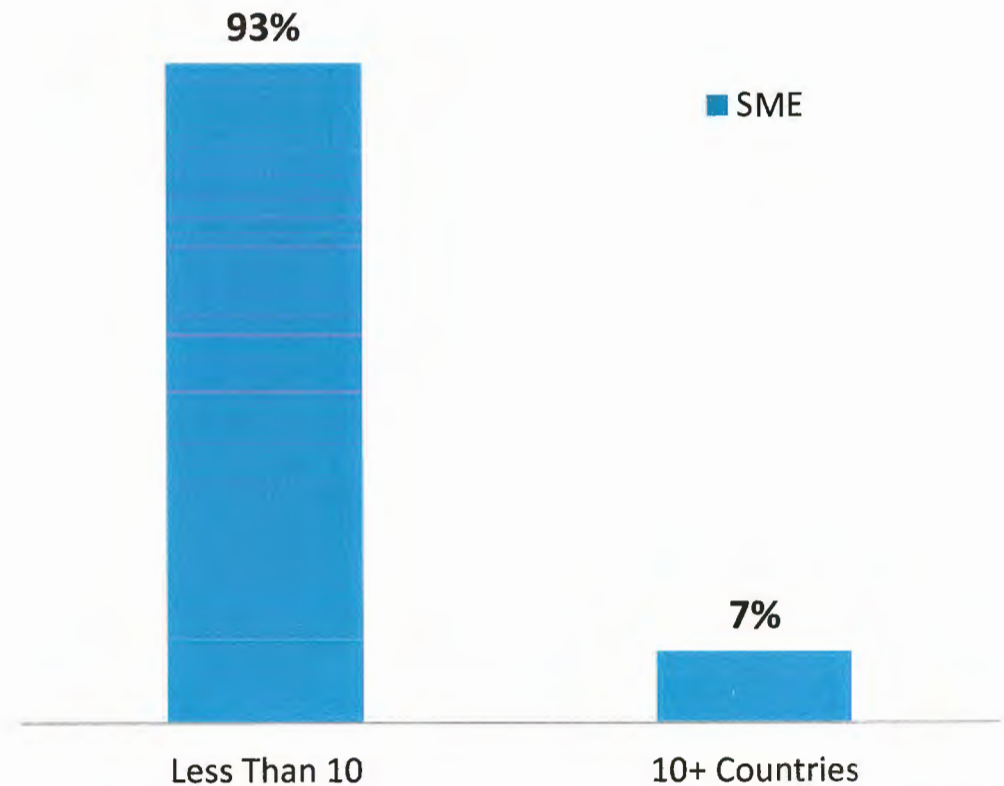
Source: Census data for known merchandise exports (known and unknown employment size) adapted by U.S. Commercial Service with the term “Export Superstars” adapted from the concept in the World Bank’s Policy Working Paper 6222

Small- & Medium-Sized Enterprises (SMEs) Success In Entering Foreign Markets

% of Total Export Dollar Value by Company Size, 2010



% of SMEs by Number of Partner Countries, 2010



Source: Census data for known merchandise exports (employment size known) adapted by U.S. Commercial Service

Public Policy Implications: Market Imperfection



National Export Initiative

KEY AREAS OF FOCUS FOR THE ADMINISTRATION

Raise awareness
of export
opportunities

Expand
Administration's
trade promotion &
advocacy efforts

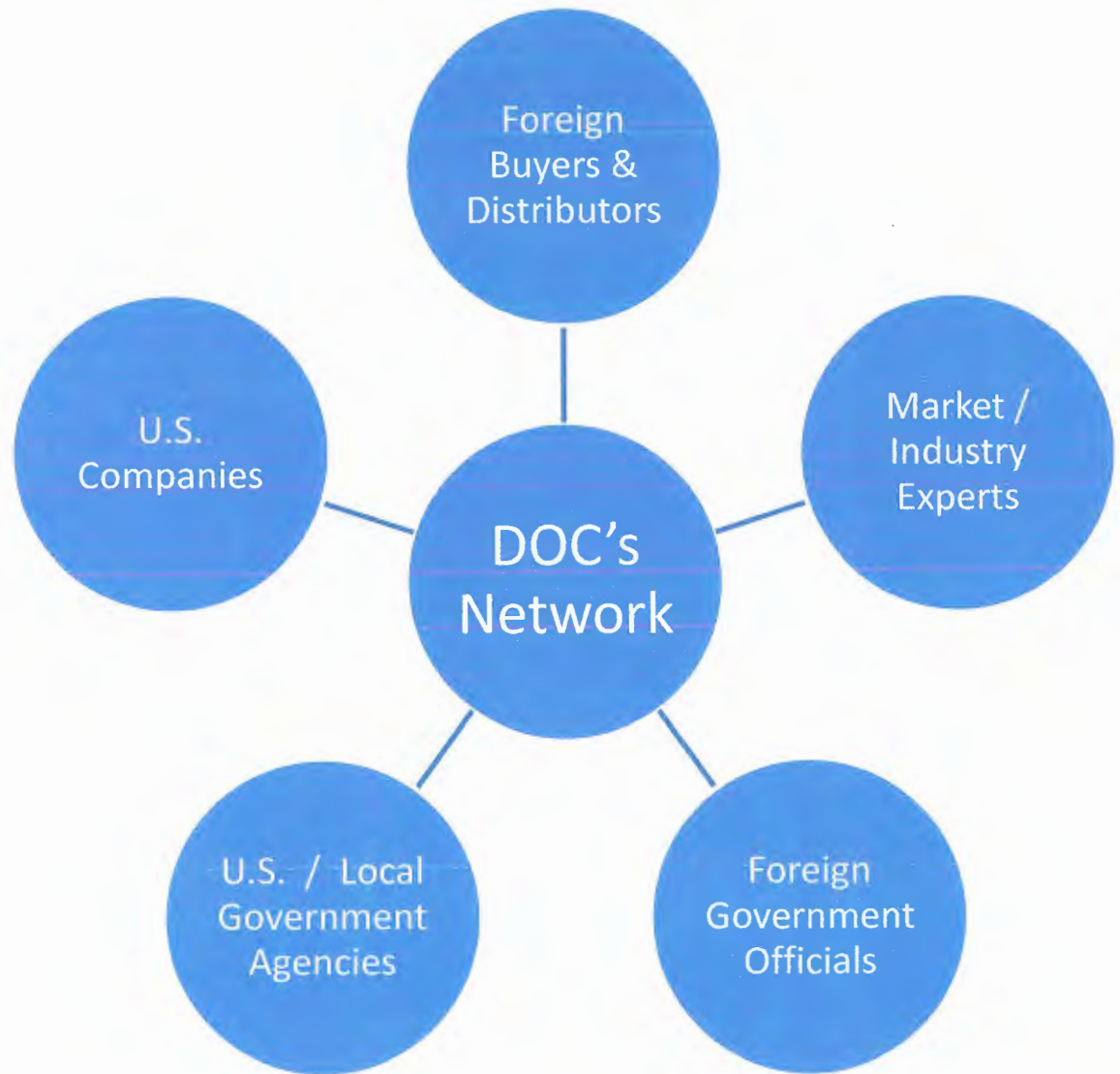
Improve
access to
credit for
SMEs

Ensure U.S.
companies have
access to foreign
markets

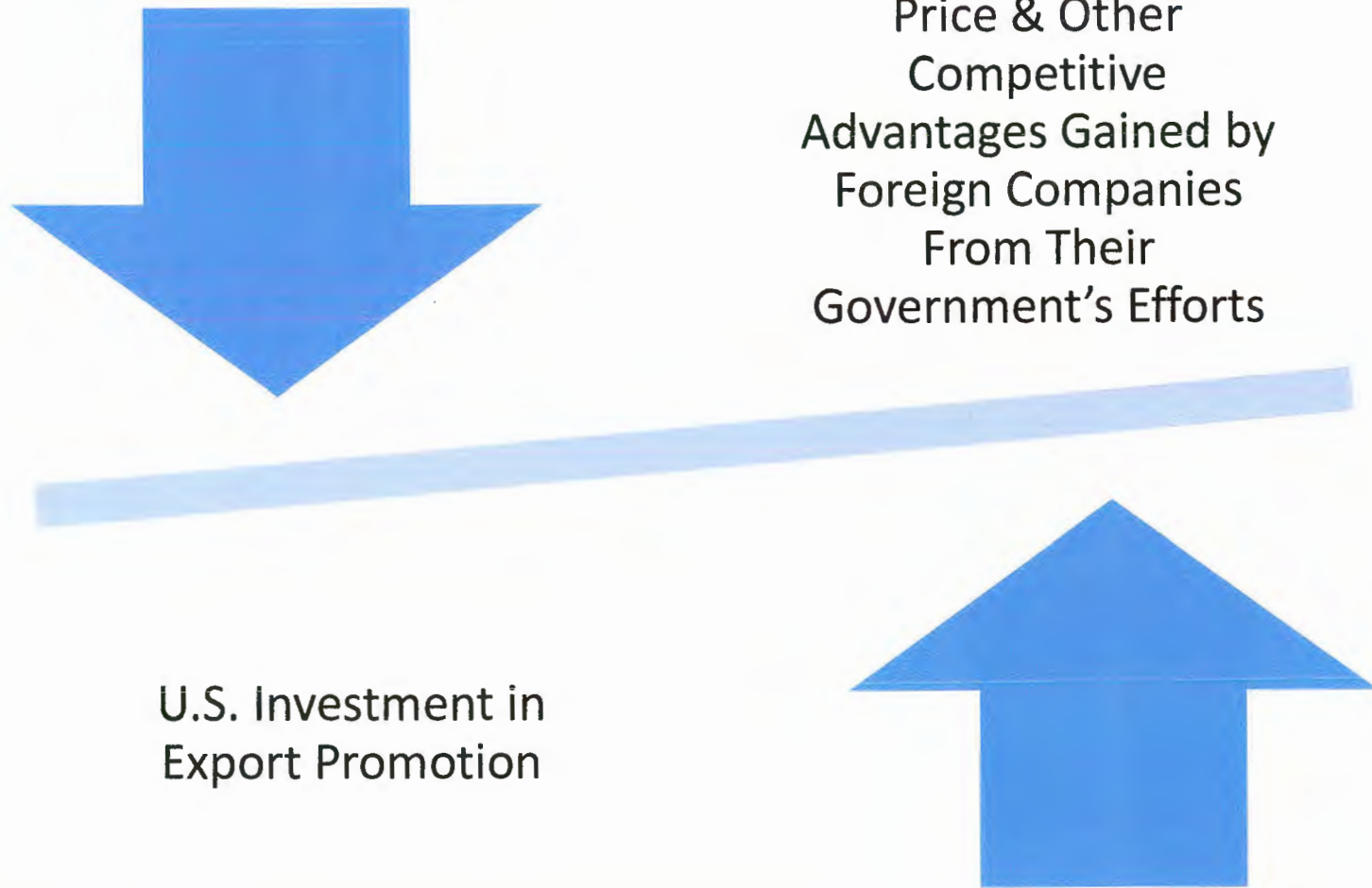
JOB CREATION

Information / Contacts

Commerce serves as a trusted intermediary that is impartial and accessible so that U.S. companies, particularly SMEs, can connect to information, contacts, and advocacy in foreign markets.



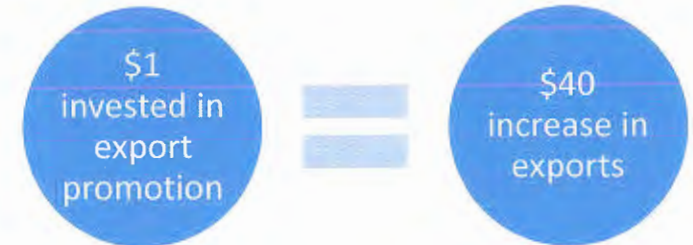
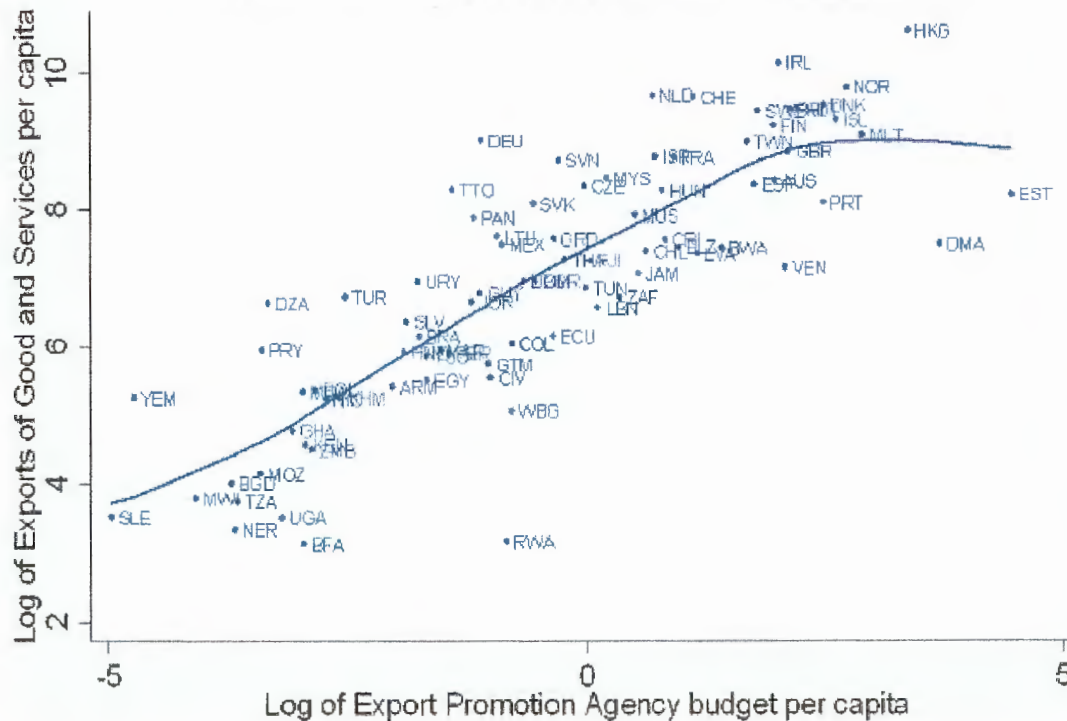
Export Promotion Efforts of Competitor Nations



Export Promotion is Not Only Needed, But Effective

According to World Bank, export promotion agencies have a positive and statistically significant effect on national exports...

Correlation Between Government Investment and Export Value



Source: 2009 World Bank Study, "Export Promotion Agencies Revisited"

Investment Promotion Complements Export Promotion



Invest
in the U.S.

Manufacture
in the U.S.

Export
to the World

Inward Investment is Beneficial and Needed

- FDI in the U.S. is a major engine of economic growth and job creation:
 - The stock of FDI in the U.S. economy 2011 totaled \$2.5 trillion.
 - Majority-owned foreign businesses in the U.S. contributed \$649 billion in value added to the economy in 2010 while providing jobs for 5.3 million U.S. workers.
- Competitor nations have significantly ramped up their investment promotion efforts
 - Need to maintain and increase FDI in the U.S.
- Nearly 80% of foreign investment in the U.S. is from Europe and Canada
 - Need to position for growth from companies in emerging markets

Source: 2010/2011 BEA data for direct Investment and multinational companies

SelectUSA Program Overview

- Established by Executive Order 13577 in June 2011
 - Operates in a geographically neutral manner to complement state/local efforts
- Promotes the United States as the world's premier business location
- Provides assistance to foreign businesses at every stage of an investment through information and counseling; help connecting with partners or resources at the state and local levels; and resolution of issues involving federal regulations, programs, or activities related to investments
- Provides U.S. economic development organizations with assistance to attract foreign investment through counseling, ombudsmen, advocacy, and promotional events/services