



Virginia Executive Institute Challenge Issue – Foreign Trade

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Trade – Perspectives & Interests

- Foreign Trade Supports Jobs In Virginia
- Foreign Trade Creates Jobs In Virginia
- Virginia Exported \$17.4B in Goods & \$16.8B in Services In 2014
- Free Trade Agreements (FTAs) Have Fueled Export Growth to Partner Countries

Trade – Perspectives & Interests

- Incentives For Virginia Business Enterprises
 - Port of Virginia – Tax Incentives And Grant Eligibility
- Virginia Resources For Foreign Trade
 - Va Economic Development Partnership (VEDP)
 - Va International Trade Corporation
 - Va Leaders In Export Trade Program (VALET)
 - Va International Trade Alliance (VITAL)
- Virginia Has A Comparative Advantage
 - Location On Eastern Sea Board / Proximity To DC (Seat of Government)
 - Education, Infrastructure, Tax Friendly / Pro Business Climate

Trade – Challenge Issue

Issue

Trade, Both Through Exports To Foreign Countries And Investment By Foreign Countries Into States, Is An Important Economic Development Strategy.

- Identify Challenges and Risks
- Identify Best Practices In Trade And Investment
- Ensure Deals are Beneficial

Framework

HB858 (Chapter 749) – Establishment of the Virginia International Trade Corporation

- Board Of Directors
- Chief Executive Officer
- Various Powers and Authorities Including Grants Authority

Trade – Desired Outcomes

- Improved Relations with likely Trading Partners
- Integrated Virginia's Infrastructure Plan Leveraging Virginia's Competitive Advantages
- More Focused, Coordinated International Trade Policy – Specific to Virginia's Products, Industries, and Consumers
- Business and Community Stakeholder Feedback included into Decision Making Cycle on Trade Opportunities
- Input on Virginia Perspectives and Interests to Federal Government and Business Enterprises

Trade – Challenges

- **Governmental Challenges**

- Federal trade policy and regulations
- Federal and other state tax policies

- **Political Challenges**

- Skepticism of free trade advantages on both the political left and right
- Skepticism of the use of taxpayer funds for economic development more generally
- Ensuring a level playing field for domestic as well as foreign companies in Virginia

- **Cultural Challenges**

- Cultural competencies / sensitivities
- Building relations not just exporting products

- **Capacity Challenges**

- Smaller producers usually make bigger concessions
- Centralizing resources increases capacity, but concentrates control/benefit
- Greater transportation / logistics costs

Trade – Risks

- **Economic / Financial**

- Insolvency of buyer
- Non-acceptance
- Exchange rate fluctuations

- **Political**

- Non-renewal of import / export licenses
- Import ban
- Political disruption / war (internal / external)
- Sovereign risk

- **Buyer Country**

- Change in policies of government
- Exchange control regulations
- Buyer country / region recession
- Trade embargoes

Trade – Best Practices

- **Develop a Comprehensive International Trade and Investment Strategy**
 - Create multi State Agency approach focused on building trade relations
 - Leverage private, public, and regional partnerships

- **Establish a State Foreign Trade Office under International Trade Corporation**
 - Provide international market and industry research
 - Assist companies in marketing their products and services abroad
 - Assess requirements for export documentation
 - Plan and execute foreign trade shows and targeted missions
 - Provide information on cultural sensitivities and strategies
 - Arrange networking opportunities and business-to-business meetings
 - Offer financial assistance to exporters via a grant program
 - Maintain a network of International Trade Offices in an overseas program

- **Establish Foreign Trade Promotion Council**

- **Expand Foreign Trade Zones**

- **Encourage Investment through Grants and Tax Incentives**

Trade - Ensure Deals are Beneficial

Facilitate business and community stakeholder feedback into decision making cycle on trade opportunities

- Create community of interest feedback plans
- Create a “Clearinghouse Websites”
- Create aggressive opportunities to heighten foreign exposure to Virginia’s products, industries, and consumers
- Create publication material, specifically highlighting Virginia’s products, industries, and consumers
- Analyze the foreign criticism of trade deals for applicability to Virginia’s stakeholders.
- What they dislike most could be what is most beneficial to us
- Assess the benefits of state incentives on a smaller scale on the impact of trade deals.
- Measure the economic benefit or impact of trade deals

Trade – Virginia Vision

If we leverage the boldness and ingenuity of the people in this state, we can emerge from these challenges and build the New Virginia Economy that is diverse, cutting-edge, and attractive to the world.

I've said it before and I'll say it again: Take risks. Be bold. We cannot hope to accomplish great things if we are not willing to take chances. Our economy demands it, and the future of the Commonwealth depends on it.

- GOVERNOR TERENCE R. MCAULIFFE

From New Virginia Economy, 2014