

ECONOMIC DEVELOPMENT

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INTERNATIONAL BUSINESS

Business Nexus

International trade creates wealth and high-quality jobs. The global pandemic and “Trade Wars” of the past three years have highlighted the impact of global trade in our lives. Businesses and regions with diversified revenue streams, including export dollars, are more resilient and less vulnerable than those focused on domestic opportunities.

The Greater Sacramento region was badly hit during the housing crisis, which highlighted the need to diversify economically and increase exports from our region. The Greater Sacramento Region’s Prosperity Strategy includes focused development of tradeable goods clusters which can help to increase the export intensity of our region. Regional work with the Brookings Institute as part of the Global Cities Initiative clarified key issues facing exporters in our region and redirected priorities to promote policies, activities, and organizations which support and expand international business. These efforts are aligned with and support the Greater Sacramento Region Prosperity Strategy.

Requested Actions

Address Port Issues and Congestion

Pass and enforce the Ocean Shipping Reform Act to ensure that California products, especially agricultural, can be exported on a timely and cost-efficient basis to global markets. From May to September 2021, canceled shipments and a lack of shipping containers cost California agricultural exporters an estimated \$2.1 billion.

Renew and Expand the Section 301 Exclusion Program

Businesses with supply chains in China are paying higher costs which directly impacts their global competitiveness, financial performance, and jobs. With significantly higher duties on China inputs (up to 25%), United States (US) manufacturers are facing increased costs, many of which cannot be passed along to their customers. The Administration needs to immediately resume the product exclusion

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process and focus on granting duty relief to imported Chinese parts and components that are essential for expanding the California manufacturing base and jobs.

Reengage in the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP)

Asia matters deeply to California and Capital Region businesses. The US needs to reengage and become a signatory to the CPTPP so California companies can benefit. By maintaining a leadership position on global trade agreements, the region avoids conceding economic and geopolitical leadership in Asia to China.

Timely Negotiation of a Free Trade Agreement (FTA) with India

India is a large and growing market and is important both economically and geo-politically as a counterbalance to China. The US should negotiate an FTA with India to further economic integration between the two countries.

Timely negotiation of a FTA with the United Kingdom (UK)

The UK is the 5th largest trading partner of the US and 12th for California. An FTA between the US and UK will help maintain strong bilateral trade and investment and create opportunities to expand their consumer and industrial markets.

Increase Market Access for US agricultural exports

The Administration should aggressively pursue negotiations with countries to eliminate non-tariff barriers that limit US exports. These include sanitary and phytosanitary measures along with technical barriers to trade that unfairly restrict trade.

Brief Background

Port Issues and Congestion

Demand for consumer goods imported from Asia skyrocketed during the pandemic leading to port congestion and delays. In September 2021, the cost to ship a 40-foot container from Shanghai to Los Angeles was \$12,000 versus \$1,400 for the backhaul from Los Angeles to Shanghai. This created an economic incentive for shippers to not wait for containers to be loaded with California exports as it was more profitable to get empty containers back to China to be filled with goods for export to the US or other nations. This hurt California companies overall and impacted agricultural exports in Northern California. In addition, shippers canceled calls at California ports resulting in a further reduction of capacity for exporters.



California - UK Trade History

The US and UK have a strong trade relationship in goods, services, and direct investment. The total combined investment in each other's economies totals over \$1 trillion. In 2019, California exported \$5.3 billion in goods to the UK. Importantly for the Capitol region, this figure includes \$200+ million in agricultural exports. Exports to the UK from California support 106,000 jobs and another 110,000 Californians are employed by UK-owned subsidiaries.

Comprehensive and Progressive Trans-Pacific Partnership (CPTPP)

The eleven signatories of the CPTPP represent 13.4% of global GDP at approximately \$13.5 trillion. The CPTPP is one of the world's largest free trade areas along with the EU Common Market and the USMCA. China has submitted its application to join the CPTPP and sought to take increase its influence among the signatories, while the US has done neither. Economically and strategically, the US must become a signatory to the CPTPP and regain its leadership position.