

# Global Business

## *Central California's International Trade and Foreign Direct Investment*

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### KEY POINTS

- Of the 50 states, California ranked #1 in imports and #2 in exports in 2018.
- The Fresno Metropolitan Statistical Area (MSA) leads Central California in exports, with a 43% share.
- The Madera MSA has increased exports 167% over the past 8 years.
- 95% of companies exporting goods from California are small and medium-sized exporters with fewer than 500 employees.

### International Trade

"International trade is a critical part of California's economy. As the nation's largest agricultural producer and exporter, our farmers, ranchers, and food processors benefit from open markets, export sales, and a global consumer base."<sup>1</sup> The state's total exports reached \$178 billion in 2018 – just over 11% of all U.S. exports – making California the country's second-largest exporter. Texas, with exports of \$315.4 billion, nearly 20% of U.S. total exports, was first.<sup>2</sup> The number of companies exporting goods from California in 2017 was 71,874 of which 95% were small and medium-sized (SME) exporters with fewer than 500 employees.

The top three markets for California exports were Mexico (\$31 billion), Canada (\$18 billion) and China (\$16 billion). California, the largest importer in the U.S., imported a total of \$441 billion in 2018, resulting in a trade deficit for the state of \$263 billion. The state's top three sources of imports were China (\$161 billion), Mexico (\$44 billion) and Japan (\$34

billion). Electrical machinery (\$92 billion), industrial machinery (\$73 billion) and motor vehicles & parts (\$65 billion) were on top of the import list.

Of the state's \$178 billion in exports, five Metropolitan Statistical Areas (MSAs) in Central California accounted for \$5.57 billion or 3% of California's exports in 2018. (The Office of Trade and Industry Information, part of the U.S. Department of Commerce, measures exports by MSA rather than by county; MSA names are abbreviated as shown in parentheses in Table 1.) Table 1 and Figure 1 indicate total exports for each MSA for the past four years.

For the period 2015 – 2018, Fresno and Tulare averaged roughly 70% of the region's total exports each year, though Fresno's exports declined while Tulare's increased. Of note, Tulare is the only MSA to have experienced four years of consistent growth. While Fresno maintained its leading position due to crop production and other manufacturing, Tulare surpassed Fresno in food manufacturing in 2018. Tulare's other manufacturing exports— computer and electronic products— have also contributed to Tulare's growth.

**CALIFORNIA  
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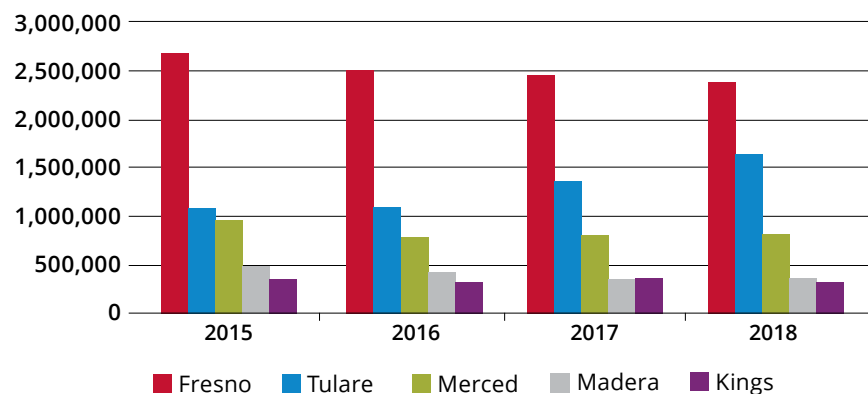
*Fresno and Tulare averaged roughly 70% of the region's total exports each year, though Fresno's exports declined while Tulare's increased.*

**Table 1**  
**Value of Exports by MSA, 2015 – 2018 (\$ thousands)**

	2015	2016	2017	2018
<b>Fresno</b>	2,681,714	2,517,618	2,466,202	2,399,753
<b>Visalia-Porterville, Tulare (Tulare)</b>	1,086,762	1,097,130	1,371,633	1,654,903
<b>Merced</b>	970,789	794,726	812,127	817,660
<b>Madera-Chowchilla (Madera)</b>	503,431	434,775	356,824	373,574
<b>Hanford-Corcoran, Kings (Kings)</b>	373,948	324,717	365,763	328,263
<b>Total</b>	<b>5,616,644</b>	<b>5,168,966</b>	<b>5,372,549</b>	<b>5,574,153</b>

Data Source: The Office of Trade and Economic Analysis (OTE), International Trade Administration, U.S. Department of Commerce

**Figure 1**  
**Value of Exports by MSA, 2015 – 2018 (\$ thousands)**



Data Source: The Office of Trade and Economic Analysis (OTE), International Trade Administration, U.S. Department of Commerce

### Agricultural Exports

California is the largest agricultural exporter in the U.S. In 2017, the State's agricultural exports totaled \$20.6 billion in value, increasing by 2.2% from the previous year, and representing nearly 15% of total U.S. agricultural exports. In crop production, the five MSAs in Central California delivered around 27% of the \$10.7 billion in fruit and nuts the state exported. Almonds remained California's top valued agricultural export commodity at nearly \$4.5 billion in



2017. Tree nuts, including almonds, pistachios (export value of \$1.5 billion), and walnuts (\$1.4 billion), mainly produced in the Central Valley, helped California dominate the U.S. agricultural export market. The value and yearly change in exports for California's top trade partners are shown in Table 2.

Almonds and wine were the top exports to the EU, responsible for 46% and 15% of total exports respectively. Produce (strawberries, lettuce, tomatoes) accounted for roughly two-thirds of California's exports to Canada. Pistachios and almonds together accounted for just over 50% of exports to China / Hong Kong.

California's exports to India achieved the highest percentage growth in 2017, increasing 32.5% and equalling \$215 million. In dollars, this growth in exports to India nearly equalled that of China / Hong Kong. The growth in India has been driven largely by an increase in the export of tree nuts. Between 2016 and 2017, almond exports to India increased by 34% (\$168 million); walnut and pistachio exports increased by 157% (nearly \$50 million).

According to the Office of Trade and Economic Analysis, the Fresno MSA's share of California's ag exports to top markets averaged about

13% in 2017. Asia, including China/ Hong Kong, Japan, Korea and India, was the largest foreign market for Fresno, and purchased \$987 million in goods, followed by \$728 million by Canada and Mexico.

Table 3 shows agricultural exports for the five MSAs from 2010 to 2018.<sup>4</sup> As the table indicates, the eight-year growth in agricultural exports for each area appears quite strong. Madera's exports in 2018 were 2.3 times their 2010 exports, and most MSAs experienced 8-year growth of well over 40%. This 8-year increase is, however, attributable largely to the earlier part of the period as four of five MSAs registered double-digit, year-over-year growth from 2010 through 2013. Growth became negative for four of the five counties in 2015 and 2016, then improved with strong growth in Tulare and Kings in 2017 (Figure 2). The most recent year, 2018, saw only one MSA with growth over 5% – Madera – with a 12% growth rate.

**Table 2**  
**Top Destinations for California's Agricultural Exports – 2017 (\$ Millions)**

Destination	Export Value 2017	Year Over Year Growth (Decline) from 2016
European Union	\$3,408	(2.3)
Canada	\$3,287	(0.5)
China / Hong Kong	\$2,270	11.0
Japan	\$1,452	0.8
Mexico	\$1,057	3.2
Korea	\$996	11.4
India	\$880	32.5

Source: California Agricultural Exports 2017 – 2018<sup>3</sup>

**Table 3**  
**Value of Agricultural Exports, 2010 – 2018 (\$ Thousands)**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	8-Year Growth
Fresno	1,363,290	1,722,402	2,083,745	2,532,390	2,479,574	2,220,983	2,056,964	1,973,823	1,938,338	42%
Tulare	882,780	976,265	948,505	1,011,969	1,169,878	941,808	964,321	1,243,958	1,278,811	45%
Merced	500,255	646,962	740,582	891,115	1,007,440	916,540	739,091	738,430	751,135	50%
Madera	143,727	160,529	182,947	265,543	354,167	405,264	349,921	304,180	339,694	136%
Kings	245,555	358,104	436,124	491,640	401,695	363,644	316,070	361,291	318,039	30%
<b>Total</b>	<b>3,135,607</b>	<b>3,864,262</b>	<b>4,391,903</b>	<b>5,192,657</b>	<b>5,412,754</b>	<b>4,848,239</b>	<b>4,426,367</b>	<b>4,621,682</b>	<b>4,626,018</b>	<b>48%</b>

Data Source: The Office of Trade and Economic Analysis (OTEA), International Trade Administration, U.S. Department of Commerce<sup>4</sup>

Figure 3 indicates the mix of agricultural exports by year. While crop production increased significantly between 2010 and 2014 and remained relatively stable thereafter, food manufacturing posted a drop of \$847 million between 2014 and 2018 (with Fresno contributing \$584 million of the decline). Part of the decline in the export values can be attributed to the drop in prices of the tree nuts, especially almonds, which caused some temporary market volatility. The only MSA to have any significant growth in food manufacturing after 2014 was Tulare. After a decline in 2015, Tulare recovered and in 2018 exported 9% more than 2014.

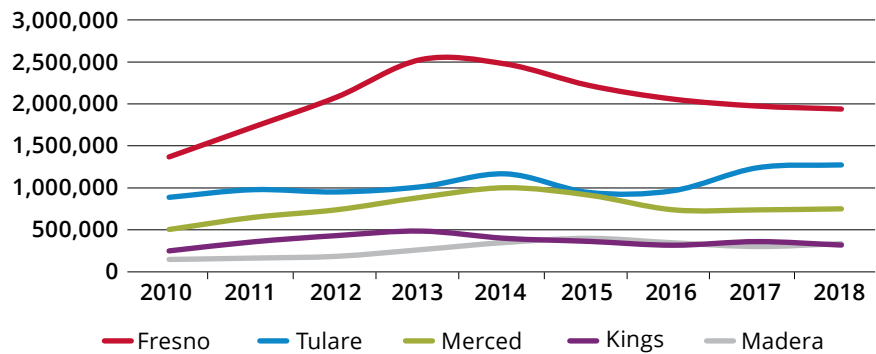
### California Foreign Direct Investment (FDI)

Foreign Direct Investment plays an important role in the U.S. economy. In 2016, FDI created 7.1 million jobs directly, spent \$60.1 billion in Research & Development activities, and produced 25% of all U.S. goods exports. In California, 769,200 jobs are directly supported by FDI and foreign-owned affiliates. Major sources of greenfield investment in California were from Europe, led by the United Kingdom (19% of investment), Germany (9%) and Japan and France (8% each).<sup>5</sup>

California's FDI was driven largely by acquisitions. The overall FDI declined significantly from 2015 (Figure 4).

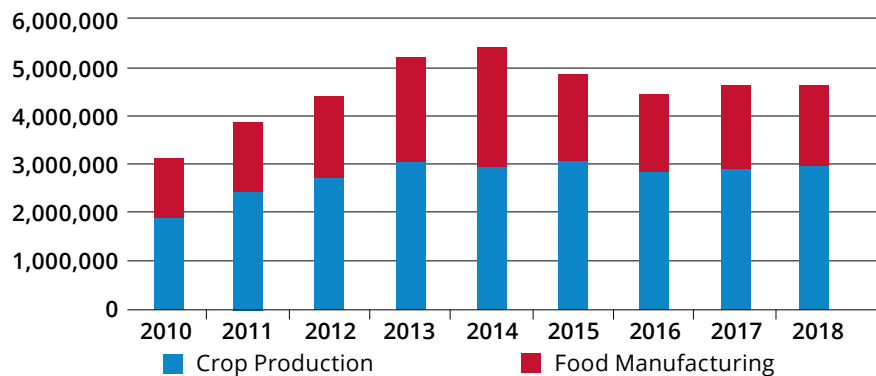
Even though the current FDI data are not available for the Central California region, the partners who developed the Global Trade & Investment Plan are cognizant of the importance of having access to current data. Efforts are underway to start collecting and quantifying the impact of FDI in the Central California region on a regular basis.

**Figure 2**  
Value of Agricultural Exports, 2010 - 2018 (\$ Thousands)



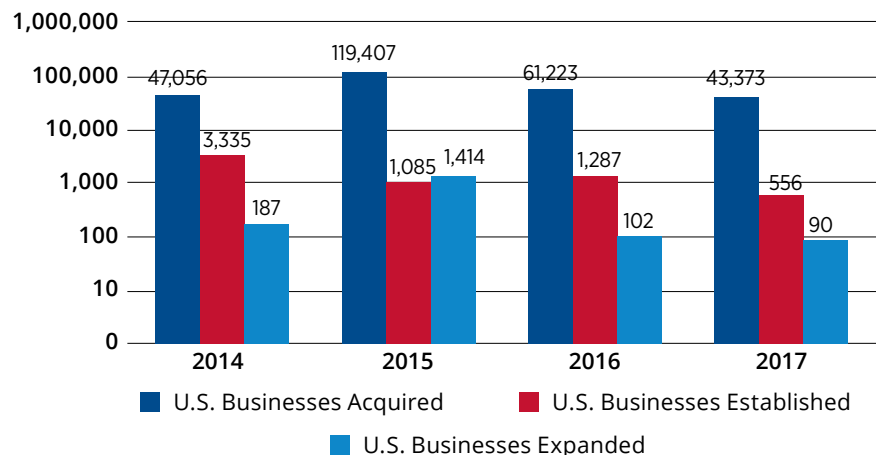
Data Source: The Office of Trade and Economic Analysis (OTEA), International Trade Administration, U.S. Department of Commerce<sup>4</sup>

**Figure 3**  
Exports for Five MSAs for Agricultural Sectors (\$ Thousands)



Data Source: SelectUSA. Foreign Direct Investment (FDI): California

**Figure 4**  
Types of California New FDI (\$ Millions)<sup>6</sup>



Data Source: Bureau of Economic Analysis

## Outlook

The U.S. recently completed the U.S. Mexico and Canada Free Trade Agreement (USMCA). The agreement addresses issues not envisioned in the previous North American Free Trade Agreement (NAFTA) such as labor rates, intellectual property and digital trade. The local international trade ecosystem facilitated by the U.S. Export Assistance Center will host a specific event in 2020 regarding the advantages, changes, and perspectives of the USMCA.

In the most recent update on U.S.-China trade tensions, the Phase One Trade Agreement was reached. According to the agreement, China would make substantial additional purchases of U.S. goods and services in the coming years. This is welcomed news by exporters in the agricultural sector.

Ideally, there will be more investment locally in advanced manufacturing, ag-tech and other subsectors. California's Senior Advisor for International Affairs and Trade at the Governor's Office of Business and Economic Development, indicated that California, as the world's fifth largest economy, needs to make sure that small businesses are integrated into the global economy<sup>14</sup>. Governmental support for small businesses creates opportunities to market products globally, scale operations, meet new international customers, and create jobs<sup>15</sup>. According to the California Central Valley Global Trade and Investment Plan<sup>16</sup>, the Central Valley is California's up-and-coming region for economic development and its partners are prepared to join in this regional effort to facilitate global investment and trade opportunities.

In order to take advantage of these opportunities, there are several resource providers ready to assist companies in pursuing and reaching their international expansion goals:

- California Central Valley Economic Development Corporation (CCVEDC) • <https://centralcalifornia.org/>
- California Centers for International Trade Development (CITD) • <https://www.scccd.edu/business-and-community/citd/index.html>
- County & City Chambers of Commerce
- U.S. Commercial Service (USCS), Fresno Export Assistance Center • <https://2016.export.gov/california/fresno/>

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- Western United States Agricultural Trade Association (WUSATA) • <https://www.wusata.org/>

## Resources

Several resources and programs facilitate the development of international trade in the Central Valley including Central California District Export Council. The Central Valley Global Trade & Investment Plan provides a road map for the Central Valley businesses to further engage in the global economy. Development of the plan was sponsored by the Brookings Institute and JP Morgan Chase, in collaboration with the Fresno County Economic Development Corporation, Center for International Trade Development (State of California), California State University, Fresno, and the U.S. Commercial Service (International Trade Administration, U.S. Department of Commerce). The international trade community and its partners have focused on implementing and augmenting the infrastructure for international trade and development in the region using recommendations from this plan.

In 2018, the Central California District Export Council (CenCal DEC) was formed; each member of the council has been approved by the U.S. Department of Commerce. In addition to the activities of the CenCal DEC, the Central Valley also has a new resource in the recently established General Purpose Operator for the Fresno Foreign Trade Zone<sup>7</sup> (FTZ). The Fresno FTZ is highly integrated with the international trade community and provides opportunities for local, value added employment and cost savings through tariff shifts for companies looking to import or export. Additionally, the World Ag Expo<sup>8</sup> continues to attract buyers from all over the world, giving Central Valley firms an opportunity to meet international buyers without having to travel overseas. Similarly, programs like the Western United States Agricultural



Trade Association<sup>9</sup> (WUSATA) have brought numerous international buyers to the region ready to do business.

Gold Key<sup>10</sup> is another program offered through the U.S. Department of Commerce that provides U.S. companies with matchmaking appointments with up to five interested partners in a foreign market. In addition to the export of agricultural products, the Fresno D.R.I.V.E. (Developing the Region's Inclusive and Vibrant Economy) Initiative<sup>11</sup> identified that 29% of manufactured goods in the region are exportable. Fresno D.R.I.V.E. has established a goal to increase that to 50% by providing an international trade specialist job training program through the community college system and other partners such as the California Manufacturing Technology Consulting<sup>12</sup> (CMTC) and the San Joaquin Valley Manufacturing Alliance (SJVMA)<sup>13</sup>. By having more locally trained international trade specialists working with manufacturing firms, more types of products will become export ready.

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## Endnotes

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