

An International Trade Strategic Plan for the Commonwealth of Virginia



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NOVEMBER 13, 2019

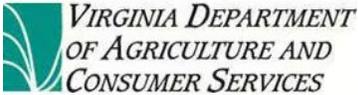
INTRODUCTION

The International Trade Strategic Plan for the Commonwealth of Virginia lays out an ambitious long-term plan to help Virginia's businesses become stronger, more resilient, and more competitive in the international marketplace – resulting in new job creation across the Commonwealth. Amidst an ever-changing international trade environment, the need for businesses large and small to be nimble, informed, and adaptable has never been greater. This plan outlines specific initiatives for the Commonwealth to partner with existing businesses across Virginia to build their capabilities and expand their networks and markets while also attracting and expanding trade-intensive businesses that can serve as anchors and growth drivers for Virginia's economy. By helping more existing firms begin trading, increasing support for those who already trade, and attracting and expanding companies that trade to Virginia, we can increase our international trade output by nearly 50% over the next fifteen years. This would add nearly \$18 billion in annual exports to the \$36 billion currently being generated in annual exports, as well as over 150,000 good-paying, export-driven jobs. We can also dramatically increase our competitive positioning as well, rising from 41st in exports per capita with a goal to be in the top 20 states for exports per capita by 2035.

Virginia's recent #1 ranking as *CNBC's* Top State for Business recognized the wealth of assets present throughout the Commonwealth, including the top workforce and education systems in the country and one of the most stable and business-friendly climates. In addition to these assets, the Port of Virginia is one of the top ports in the U.S. and is poised to be even more competitive when its channels become the deepest and widest on the East Coast, capable of hosting the largest ocean carriers in operation. These assets have helped our businesses to compete and thrive in the global marketplace over the last few decades.

Virginia has highly-regarded international trade development programs with a long track record of supporting international sales growth for partner companies large and small. Virginia Economic Development Partnership's International Trade Division and Virginia Department of Agriculture and Consumer Services' International Marketing Office are the two primary organizations and divisions delivering international trade development services in the Commonwealth. In addition, a number of federal agencies like the Department of Commerce and state agencies like the Port of Virginia and Virginia Tourism Corporation support and facilitate trade directly or indirectly. Together, the Commonwealth's state agencies directly serve over 400 companies each year with trade development programs, thousands of firms moving goods into and out of Virginia, and millions of international visitors to Virginia each year.

PARTICIPATING AGENCIES

Despite our assets and trade development programs, Virginia trails most states in the country in international trade activity, no matter what indicator is used. Home to the 12th-largest population and 13th-largest gross state product (GSP) in 2017, Virginia’s \$4,242 in exports per capita and 8.1% in exports as a share of gross state product rank 41st and 44th in the country, respectively. Virginia fares similarly in terms of imports, ranking 38th in imports as a share of gross state product (7%). Clearly, Virginia has room to improve its level of international commerce.

These figures, however, only tell part of a story for what is nonetheless a strong and resilient economy, though one in need of diversification. The federal government accounts for 30% of state output, ranking the Commonwealth 5th most-reliant in the country. Virginia’s manufacturing sector, a major source of trade-related jobs in every state, accounts for only 6% of all jobs in Virginia, ranking 37th overall among the states. These two factors combine to lower the ceiling for Virginia’s international trade, limiting the flow of goods through the rapidly expanding Port of Virginia, and ultimately hampering the state economy’s ability to weather domestic recessions.

This International Trade Strategic Plan aims to turn Virginia’s international trade fortunes around over the next fifteen years. The goal of increasing exports by 50% over the next fifteen years will not be easy but is achievable. This plan is comprised of two distinct efforts that together will create a more competitive and internationally engaged Virginia:

1. Expand the reach and impact of trade development services to existing Virginia businesses
2. Enhance Virginia’s focus, capabilities, and resources to support existing trade-intensive business in expanding and to attract new export-intensive companies to the Commonwealth

The International Trade Strategic Plan identifies 26 initiatives to support companies with building capabilities to compete internationally, making connections that drive future growth, and lowering risks associated with international transactions. These initiatives have the potential to double the number of firms supported by the Commonwealth in trading internationally. This doubling means the Commonwealth will serve nearly 10% of the approximately 6,000 Virginian firms that trade each year. This plan serves as Virginia’s first-ever comprehensive strategic plan to grow international trade, providing the vision and direction needed to enhance the competitiveness of Virginia businesses in the international marketplace, attract and expand trade-intensive firms that can serve as anchors for growth, and position the Commonwealth to be a more competitive, sustainable, globally-connected, and regionally-balanced economy.

THE PROCESS

The Virginia Economic Development Partnership (VEDP), Virginia Department of Agriculture and Consumer Services (VDACS), and the Port of Virginia, among other agencies and organizations, launched the development of a first-of-its-kind international strategic plan for the Commonwealth of Virginia in early 2019. A steering committee for this effort was led by the Secretary of Commerce and Trade, Brian Ball, and Secretary of Agriculture and Forestry, Bettina Ring. The group developed a six-month workplan and tapped prominent business and political leaders from around the Commonwealth to steer and advise the effort. In addition to the steering committee, VEDP’s Advisory Committee on International Trade (ACIT) provided frequent and valuable insight into the process, reviewing the staff working group’s progress throughout the process. Last, VEDP’s Board also received frequent updates on the progress of the plan.

Although the complete details of the strategies and programs included in the International Trade Strategic Plan must be held confidential for competitive reasons, this executive summary provides an overview of the key initiatives identified as critical to the growth and success of Virginia’s exports.

INTERNATIONAL TRADE STRATEGIC PLAN ADVISORY GROUPS AND MEMBERSHIP

Steering Committee	VEDP Board's Advisory Committee on International Trade
Brian Ball , Secretary of Commerce and Trade (co-chair)	Mike Ligon , Universal Corporation (chair)
Bettina Ring , Secretary of Agriculture and Forestry (co-chair)	Bob Feeser , Riverwind Advisors, LLC
David White (Virginia Maritime Association)	Tag Greason , QTS Data Centers
John Reinhart (Virginia Port Authority)	Nick Jiannas , STIHL, Inc.
Nathan Bass , WestRock (Virginia Chamber of Commerce)	Stuart Malawer , George Mason University
Nick Jiannas , STIHL, Inc. (Virginia Manufacturers Association)	Ned Masee , Croatan Advisors (VEDP Board liaison)
Tom Taliaferro , Montague Farms (Virginia Agribusiness Council)	John Milliken , Virginia Port Authority
Garrett Hart , Chesterfield County EDA (Virginia Economic Developers Association)	Bettina Ring , Secretary of Agriculture and Forestry
Andy Karellas (State International Development Organization)	David White , Virginia Maritime Association
Jim LeBlanc , The Candy Group USA (Northern Virginia Technology Council)	James Xu , AVAIL Vapor
Marek Gootman (Brookings Institution)	

Input into this plan came from five primary sources:

- (1) Desk research conducted by VEDP staff.
- (2) Stakeholder interviews that engaged over 50 companies involved in trade and over 10 state and local agencies that facilitate trade.
- (3) Survey of Virginia businesses led by Chmura Economics to understand their trade activity and common challenges.
- (4) Economic and fiscal impact analysis on Virginia's import activity led by the Alliance for Trade Research, a university consortium including George Mason University, Virginia Tech, Virginia Commonwealth University, Old Dominion University, and Longwood University
- (5) Review of existing state-led imports support programs and opportunities for Virginia to support imports led by the same university consortium.

Collectively, the working group engaged hundreds of companies, almost a dozen state and federal agencies, nearly as many trade associations, and many more state, regional, and local leaders across the public and private sectors, geographies, and industries. The final recommendations thus represent the voices of a broad cross-section of Virginians.

CURRENT LANDSCAPE

Virginia has some of the most highly regarded trade development programs in the country, praised by thinktanks and peers for their rigor, comprehensiveness, and commitment to participating companies. The Virginia Economic Development Partnership (VEDP) and Virginia Department of Agriculture and Consumer Services (VDACS) are the homes of the Commonwealth’s primary trade development programs:



VEDP’s programs, managed by the International Trade Division, support over 300 companies a year through their two-year VALET program, Global Defense Program (GDP), Regional Export Program (REP), and market research, among many other activities. Participating companies routinely report 99% customer satisfaction and attribute over \$600M in increased exports each year to support from these programs.



VDACS’s International Marketing Office serves nearly 100 companies each year, supporting businesses in attending international trade shows, hosting inbound buyer missions, and providing customized, ad-hoc assistance to firms both new and experienced in the international market.

Collectively, Virginia’s two primary trade development divisions directly serve more than 400 Virginia firms, with other agencies touching thousands of firms and millions of international tourists each year. The Virginia Small Business Development Center (SBDC), Port of Virginia, Virginia Tourism Corporation, and others support international trade activity by helping small businesses develop international trade business plans, facilitating the movement of goods into and out of Virginia and the United States, and marketing the Commonwealth to potential foreign visitors, respectively.

THE INITIATIVES

The International Trade Plan identifies 26 initiatives across three categories to support existing companies with international trade and to attract and expand trade-intensive firms to the Commonwealth:

- **Exports:** Expand the capacity of Virginia agencies to build capabilities, facilitate connections, and share risk with Virginia firms that export
- **International supply chains:** Expand the capacity of Virginia agencies to build capabilities and facilitate connections for firms that import critical elements of their supply chains
- **Business Attraction, Infrastructure, Tourism, and Other Enablers:** Fully align business expansion and recruitment activity with international trade efforts; advocate for critical investments in logistics infrastructure and tourism strategies; enhance the Commonwealth’s ability to serve Virginia businesses through increased coordination among agencies; and engage state and federal leaders strategically and systematically to raise awareness of trade issues

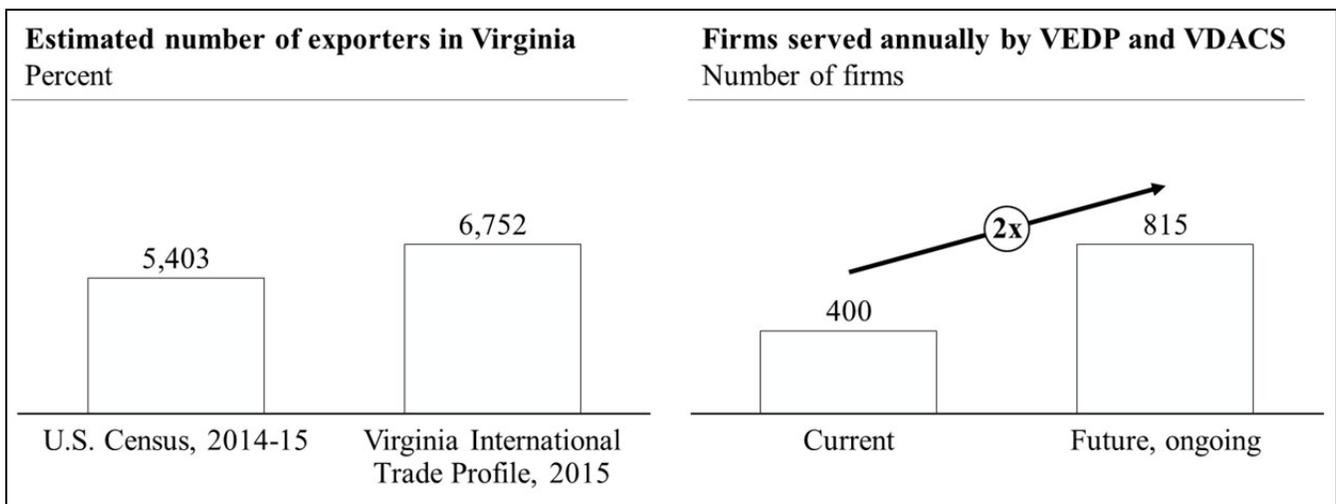
EXHIBIT 1

Exports	Capabilities building	Expand capacity to serve existing Virginia businesses across all stages of growth
	Connections making	Expand programs focused on facilitating connections between VA businesses and foreign buyers
	Risk sharing	Develop programs to offset risks involved in closing foreign transactions with first-time international partners
	Resource finding	Enhance the ability to capture available federal grants and manage federal grant programs
Imports	Capabilities building	Expand capacity to serve existing Virginia businesses across all stages of growth
	Connections making	Curate directories of professional services providers, training opportunities, and imports-focused networking
Enablers		Expand, focus, and align business expansion and recruitment activity with ITP goals
		Align infrastructure investments and related policies
		Invest in tourism strategies
		Enhance state capabilities and collaboration to serve VA businesses
		Advocate for supportive policies from federal and state leaders

THE POTENTIAL COMMONWEALTH-WIDE IMPACT

The initiatives identified in this International Trade Plan, combined with the initiatives outlined in Governor Northam’s economic development strategic plan to strengthen Virginia’s economy, have the potential to add nearly \$18 billion in annual exports and well over 150,000 good-paying, export-driven jobs. This increase in exports and jobs will drive Virginia past its peers in export activity, diversify Virginia’s economy, and contribute to better quality-of-life in communities across the Commonwealth. Expanding trade promotion services to an additional 415 firms each year allows Virginia to touch over 10% of all exporting firms in Virginia every year. These firms hail from every corner of the Commonwealth, producing cutting-edge goods or providing next-generation services to customers around the world. Complementing these efforts, enhancing Virginia’s business attraction and expansion efforts to support more trade-intensive businesses will drive step-change improvements in our economy, anchoring industry clusters across the Commonwealth.

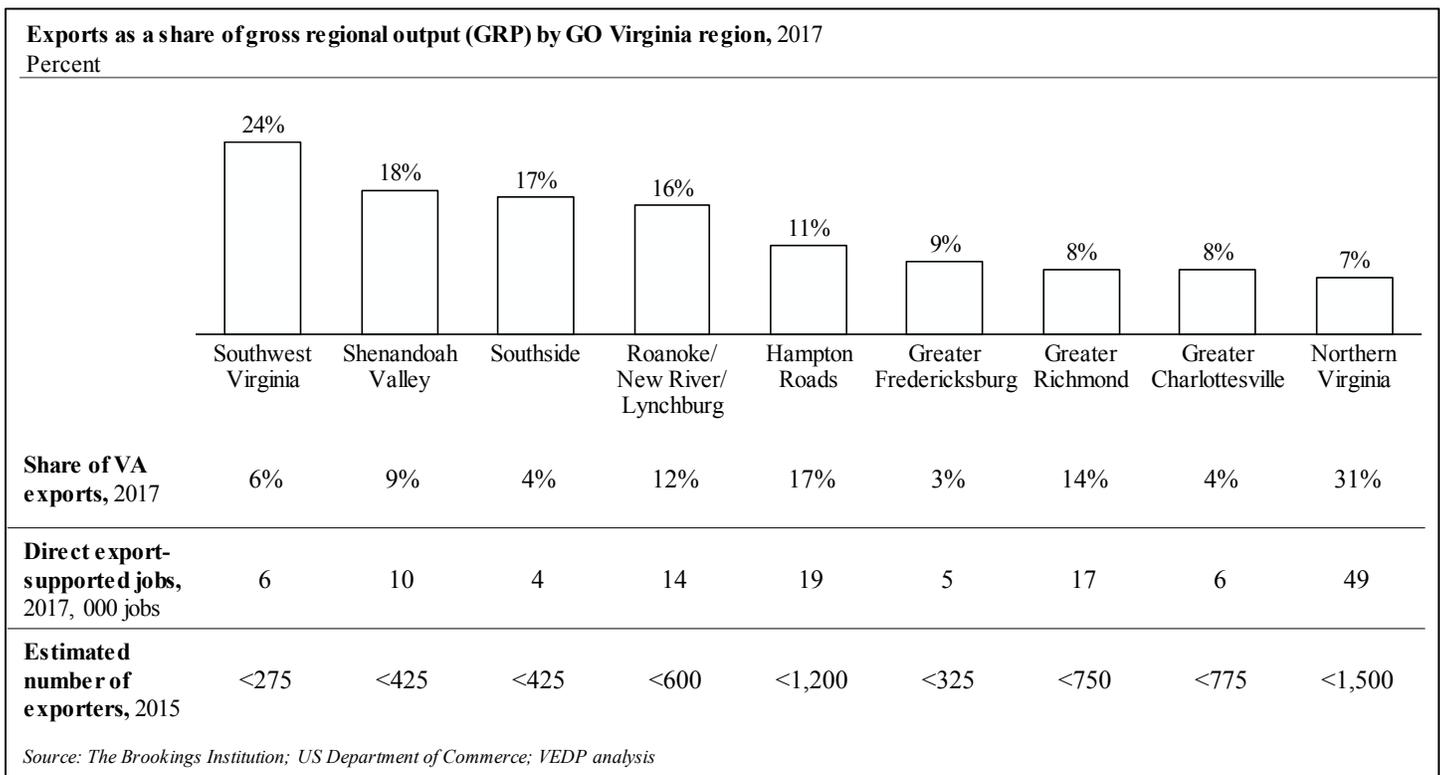
EXHIBIT 2



THE POTENTIAL REGIONAL IMPACT

Virginia’s economy is comprised of a number of geographic regions, each with unique economic and socioeconomic contexts. An interesting characteristic of Virginia’s economy is that the smaller regions by share of statewide employment and population tend to be the most export-intensive (see Figure 1). For example, Southwest Virginia, home to just 4% of Virginia’s jobs, is the most export-intensive region in Virginia with nearly 25% of its regional output driven by international exports. The Shenandoah Valley, Southside Virginia, and Roanoke/New River/Lynchburg regions are similarly dependent upon, and competitive in, the international markets with exports accounting for 15-20% of each region’s output in 2017. As a result of this activity, this International Trade Strategic Plan should have an outsized impact in Virginia’s least dense regions, helping these areas to grow and become more resilient.

FIGURE 1



CONCLUSION

Virginia has the opportunity to double the number of firms it supports each year with trade promotion programs and to enhance our efforts to attract and expand trade-intensive firms. Virginia is blessed with best-in-class export promotion programs that work. Expanding these programs' capacity to serve more firms and applying the lessons learned from these programs to support existing Virginia firms with international supply chains can elevate the competitiveness of Virginia's businesses, large and small. On the business attraction and expansion side, Virginia needs more large-scale, trade-intensive firms that can anchor statewide supply chains. These two efforts – trade promotion programs and business attraction/retention efforts – combined can drive a step-change improvement in Virginia's exports per capita ranking from 41st to being in the top 20 over the next ten to fifteen years. This improvement should have real impact, diversifying Virginia's economy, positioning the Commonwealth to weather future domestic recessions, and creating high-paying quality jobs of the future.