

The Support Network for the Economic Internationalization of the Los Angeles Region

Angel Saz-Carranza
Irene Garcia
Julie Wagner

May 2013

ESADE

Ramon Llull University

ESADEgeo-CENTER
FOR GLOBAL ECONOMY
AND GEOPOLITICS

- INTRODUCTION

In early 2011, the Brookings Institution partnered with organizations in the Los Angeles region to develop a Los Angeles Regional Export Plan as part of the Metro Export Initiative. Brookings worked with a group of local export support institutions to develop this bottom-up, data-driven plan. Some of the findings in the Export Plan indicated that export service providers in the Los Angeles region/Southern California cooperate regionally but do not operate under a well-coordinated system. The Export Plan also concluded that small- to medium-sized enterprises (SMEs) that are new-to-export (NTE) and new-to-market firms require more customized support.

In response to these and other detailed findings, one core strategy of the Export Plan was to establish the Los Angeles Regional Export Council (LAREx), an effort now underway. The mission of LAREx is to “directly address the fragmentation and gap issue with its core roles being to tie all federal, state, and local programs together into a responsive and flexible regional network; fill critical gaps in the comprehensive export system; and better leverage the network to generate a larger, more consistent pipeline of export ready companies.”

The Export Plan also outlined that the Los Angeles region needs to:

...be supported by an export team framework or ‘road- map’ that clarifies the roles of each export services provider; how each of these independent agencies fits into a comprehensive, cohesive regional export network; and which companies should be referred to at each stage in the export process. Initial development of the framework will involve assembly of the full list of regional export services providers and programs, including the mission, roles, capabilities, resources, funding sources, and performance metrics of each. This agency information will be combined with the experience of current export services providers to create a straightforward framework and referral system. (Los Angeles Regional Export Plan, Page 11)

This summary report (full report is available upon request), developed by ESADE Business School, provides many, although not all, answers needed for the above roadmap, offering a foundation on which other actors can build. ESADE was contracted by Brookings to identify and analyze the Los Angeles region’s support network for economic internationalization and to analyze the comparable system in Sao Paulo, Brazil. The findings of both reports—highlighting similarities and differences across these two systems—will be used as part of the Global Cities Initiative, to help U.S. metropolitan areas extend their global reach. Many of these findings were shared at the first Global Forum in Sao Paulo in November 2012 and in other forums held in the United States.

The scope of ESADE’s research and analysis is to:

- Characterize and analyze the range of actors (their mission, vision, funding, activities and perceptions) that think and (can) act strategically to promote the “international engagement” of the Los Angeles region. International engagement is defined as the international flows of capital, goods, services, and people.

- Map the network of actors promoting international trade, investment, and talent attraction—detecting the network’s key actors (nodes) and their coordinative relationships (links). Additionally, identify the network’s power distribution and decision-making authority; system gaps and/or redundancies; and the network’s overall ability to promote international engagement as a result.
- Identify key players/leaders within the trade, investment, and talent-attraction network (both private and public players, at the city, metro, state/provincial and national government level) and capture their perceptions of the existing network.

- **METHODOLOGY**

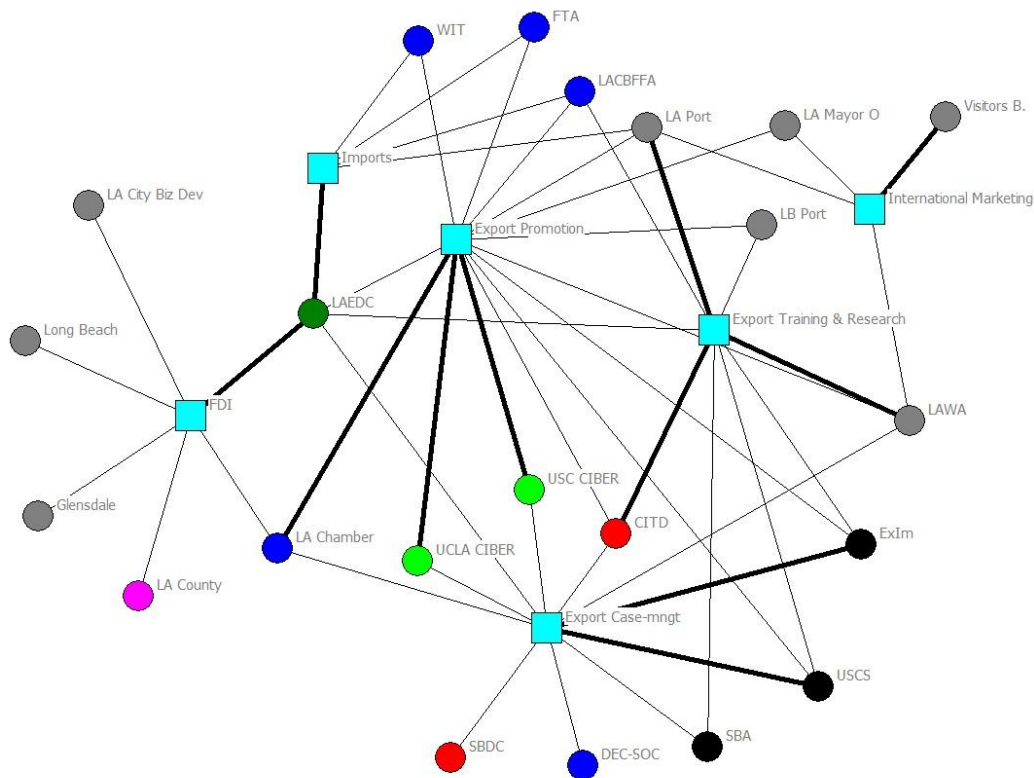
This summary report is based on fieldwork conducted in Los Angeles during March 2012. ESADE interviewed 20 organizations and reviewed relevant supporting documentation. Through a survey instrument, each interviewee also identified the level of collaboration among organizations.

The selection of interviews was developed with the support of Brookings and local actors core to the internationalization of Los Angeles. The interviewee sample, as confirmed by experts ESADE consulted, was determined to be adequate, although neither the Small Business Administration office in the region nor the Port of Long Beach were able to be reached.

The research methodology had several components. First, ESADE conducted telephone interviews to clarify the study’s scope and collect preliminary information. Additional actors to interview were added whenever suggested by an interviewee. Second, ESADE held face-to-face interviews in Los Angeles with select actors, using a questionnaire developed jointly with Brookings. Interviewees were also asked to identify actors they had collaborated with in the past, drawing on a list of over 150 internationalization-supporting actors active in Los Angeles. See the full report for the questionnaire and survey.

- **KEY FINDINGS**

The six systems advancing internationalization: A collaborative but an overall fragmented network. ESADE identified 23 actors involved in the six subsystems—export promotion, export training and research, export case management, FDI, imports, and international marketing—aimed to advance the economic internationalization of Los Angeles.



L.A.’s system is predominantly a horizontal system where no clear leaders define or drive decision-making, as opposed to a vertical, hierarchical system. System analysis further concludes that political and organizational complexities are individually and collectively compounding the system’s fragmentation. The following four examples illustrate this phenomenon:

- As the majority of actors are locally based (such as local and county governments, quasi-governmental organizations, and local not-for-profits), the mission of advancing internationalization is only one of their multiple mandates.
- The large number of actors involved in the system, with the majority possessing few resources to advance internationalization, creates tensions, conflicts, and in some cases, real competition.

- These actors strive to advance the economic agenda for distinct, if not competing, political jurisdictions, especially as the economic geography of Los Angeles region is a blurry, fuzzy concept.
- The absence of the state of California and the federal government in partnering, if not driving the system, means local actors must rely on horizontal, “soft power” structures of collaboration, which are more time and resource intensive to implement effectively.

While fragmentation is pervasive across the system, specific dimensions do function well and offer insightful lessons for strengthening the internationalization network. This includes the effectiveness of strong individual leaders and champions, the use of boards and committees, and co-location.

The key findings on the following pages describe many of these issues in more depth.

Analysis indicates that fragmentation is found both across and within the six subsystems.

While Los Angeles actors view the network of economic internationalization to be more collaborative than in the past, ESADE analysis indicates that the network still suffers from fragmentation both within and across the subsystems. There are two challenges worth highlighting:

- The first challenge is the level of fragmentation across the six subsystems, with several subsystems being almost entirely isolated from others. The most problematic cases cited are foreign direct investment (FDI) and international marketing from exports, as this isolation implies losses in new trade and investment opportunities. As an illustration, a foreign party may direct its FDI to a local L.A. business, which it may later use as an international export base. In today’s open and international markets, a strong export infrastructure is a determining factor in attracting FDI. Disconnects across these subsystems are, in effect, reducing overall progress for many of the subsystems evaluated here.
- The second challenge is the level of fragmentation within key subsystems, namely the three export subsystems. Failure to adequately coordinate activities, monitor effectiveness, and make changes to address system weaknesses has led to an export system fraught with challenges. In this sense, the future LARExC is regarded as a promising vehicle: a player that clarifies roles and programs, serves as a guiding one-stop entry point for newcomers, directs businesses to the most adequate service provider according to capacities and interests, and serves as a clearing house of all the different events and promotion activities as needed.

Political fragmentation underlies many of the challenges found within the network. The administrative division of the L.A. region, combined with the institutional setting of the U.S. political/administrative system, creates two coordination challenges.

- The first challenge is that no common definition exists of what constitutes the “Los Angeles area.” It is an evolving, malleable, and at times fuzzy concept. The varied compositions include: the city of Los Angeles with 3.7 million inhabitants; Los Angeles

County with 88 municipalities/incorporated cities and 9.8 million people; the Los Angeles Metropolitan Area, which is the Los Angeles-Long Beach-Santa Ana Metropolitan Statistical Area with 12.9 million inhabitants; the Greater Los Angeles Area, which is the Los Angeles-Long Beach-Riverside combined statistical area, with 17.8 million people; the Southern California area, which includes the counties of Los Angeles, Orange, San Diego, San Bernardino, Riverside, Kern, Ventura, Santa Barbara, San Luis Obispo, and Imperial, with 22.4 million people; and the Los Angeles Customs District, the nation's largest district with two-way trade totaling \$357.3 billion in 2008.

- This leads to the second challenge, which is that variation in geographic definition translates into a confusing, and ever-changing list of agencies, municipalities, administrations, nonprofit organizations, and other actors to coordinate. In advancing internationalization, problems are likely compounded due to: sharp political boundaries, such as city vs. county, limiting collaboration; the extent to which actors are dispersed throughout a large territory; and the number of actors involved.

The lack of state-level leadership and the federal-local disconnect exacerbates network fragmentation. The absence of strong state-level leadership exacerbates fragmentation within and across the system of internationalization. The state's recently re-established trade office—the [Governor's Office of Business and Economic Development](#)—is insufficiently staffed and resourced to adequately support the needs of the greater Los Angeles region as well as other areas across California. The state's inability to facilitate trade and investment, and offer crucial resources, is effectively undercutting local efforts to expand trade and investment abroad. States such as Pennsylvania, Florida, and even Iowa are providing the necessary level of support signaling that increased intentionality at the state level is possible even under fiscally constrained conditions.

Further, the federal government provides specific export services, serving as one of many actors rather than a vision-setting or coordinating body, requiring local actors to devise their own game. Although U.S. Commercial Services (USCS), the trade promotion arm of the U.S. Department of Commerce's International Trade Administration, provide on-the-ground support, they lack the resources to provide actual outreach. Consequently, cities and metropolitan areas are increasingly acknowledged as the space to develop trade and investment strategies, especially given the political gridlock in Washington. Even with their growing role, the federal government still sets trade policy, allocates funding and loans to drive trade and investment activities, advances policies and programs to increase national exports, and collects and analyzes key export data. In short, the federal government's limited role on-the-ground and its absence in providing greater coordination support, data sharing and resource allocation hurts the work at the local level.

Numerous barriers to coordination and collaboration exist, limiting L.A.'s ability to advance trade and investment. According to the interviewees, the greatest challenges to further collaboration are:

- **Lack of resources** - the export subsystems, in particular, are strained for resources.

- **Physical dispersion** - the territorial and administrative characteristics of the region do not promote cooperation.
- **Lack of unitary vision** - there seems to be an ongoing debate on how the L.A. region should project itself to the world. As the creative capital? The designer/textile capital? The high-tech/military industry leader? The logistics hub of the Pacific?
- **Multiplicity of players** - the number of actors, a clear lead agency, and the infrequent use of coordinative mechanisms hinder overall coordination.
- **Independent culture** - American culture in general—and Californian in particular—which promotes individual and entrepreneurial action, has the advantage of being very dynamic and agile, but is unfortunately more difficult to coordinate. Coordination is not possible via hierarchical top-down mechanisms, and must be attempted using “soft power,” as in network-type mechanisms.
- **Politics** - fragmented settings lacking hierarchy and a unitary vision or binding mechanism provide fertile grounds for political competition among different horizontal and vertical levels of administration. The meager level of collaboration between both ports was repeatedly used as an example to illustrate this point.
- **Turf-based and competitive thinking** - competition and adversarial attitudes do not promote cooperation. In the face of resource scarcity, these attitudes may become even more problematic. These dynamics were raised repeatedly during interviews pertaining to export promotion and event organization.
- **Lack of trust** - actors further expressed that, in some systems, competition and adversarial behavior has led to a deterioration of trust, undermining efforts to collaborate and coordinate.
- **Lack of export data** - most interviewees highlighted the difficulty in accessing export-related information as a key barrier in the field. The difficulties have to do with three factors: the inability to understand the extent to which each program contributes to success; the life-cycle of an export assistance program, as it may easily take two years for a company enter the export assistance pipeline and ultimately deliver its goods or services; and, those actors with most data are federal agencies providing specific export support to companies. Yet, these agencies are legally not allowed to share firm-level information with the other supporting players. This lack of information makes it difficult to understand which companies are exporting.

Specific dimensions of the system are well functioning, offering insights for how to strengthen the overall system. Interviewees identified clear examples of what, in specific cases across the six subsystems, are driving collaboration.

- **Champions.** People willing to bridge and overcome differences and divisions are key for collaboration.
- **Personal trust.** Trust was found to be the precursor to formal inter-organizational collaboration and champions were often found to be the key actors engendering trust.
- **Strong lead agency.** A central powerful broker or clearinghouse aids collaboration, since such an agency may be able to power through stalemates. The FDI and International Marketing subsystems were cited as illustrative examples of such actions.

- **Resources.** Interviewees identified resources as an important driver for collaboration. Resources are important both to cover coordination and transaction costs as well as to use as an incentive to partake in the collaboration. The STEP grant managed by CITD El Camino is one example.
- **Boards, committees, and councils.** Interviewees highlighted that formal committees and boards help interconnect different organizations by sharing the same individuals on their boards.
- **The National Export Initiative.** The visibility of NEI has infused collaborative momentum into the field. Similarly, the work executed by Brookings and the MEI has been viewed to be valuable.
- **Co-location.** Interviewees noted that the level of collaboration has increased in cases where agencies or organizations share physical space.

Government financial support is fundamental for the network. Combining the information on resources and funding sources, it becomes apparent that the most resource-rich organizations (those with more than four FTEs) have strong and solid government support. Organizations with the least amount of resources must combine different revenue streams including the philanthropic.

Export-Specific Findings

Network analysis concurs with the L.A. Export Plan on the challenges facing the export system. These challenges include fragmentation within and across the export system, unevenness in staffing and support, and limited resources. It is also unclear who leads the export system. Many stakeholders have noted that the city of Los Angeles, for example, is not viewed as a key player, primarily because it is not regional in scope and does not have dedicated resources to support export promotion. This has proven to be the case in most other U.S. metro areas. Yet this analysis also identified examples of strong coordination, the effective use of coordination bodies, and stand-out leadership that should be modeled in the process of reform.

Challenges embedded in the export system are complex and multi-faceted, requiring wholesale changes. Compared to other subsystems, the export subsystems demands greater coordination given the number of actors, actor dynamics, and the complexity of the system. The challenges limiting the effectiveness of each export subsystem are summarized below:

	Promotion	Training and Research	Case Management
Actors/ Resources	<p>12 actors but most with very few resources. L.A. Chamber dedicates most of its two FTEs to export promotion, while LAEDC dedicates three FTEs. <i>10 other actors share only 4 FTEs for export promotion.</i></p> <p>Many actors are forced to compete for limited funding streams, creating tensions.</p> <p>Not enough direct marketing outreach to targeted, high potential SMEs to bring them into and through the export services system (note: Export Champions is one effort designed to start addressing this)</p>	<p>Seven actors with only six FTE dedicated to export training.</p> <p>Resource constraints are limiting the ability to keep up with demand and offer a wider range of training services to match the range of firm readiness.</p>	<p>Seven actors and with the highest level of resources (16 FTEs).</p> <p>A resource-intensive activity, often involving one-on-one assistance and human resources on-the-ground abroad.</p> <p>Even with 16 FTE, case management is a resource-intensive activity and could benefit from more resources.</p> <p>Case Management is unable to meet demand.</p>

Services	Promotion services are broad, encouraging both New to Export firms (generally needing a lot of overall support) and New to Market firms (needing more advanced export support).	Not receiving enough qualified, ready, and committed companies into training Fails to provide the intermediate training courses needed to prepare New to Export firms for the next phase.	There are two types of case management support to L.A. firms: financial assistance and technical assistance.
Key Coordination Challenges	No clear measure exists of what constitutes an Export-Ready firm. This makes it difficult to ascertain if firms are ready for the available training in the next subsystem. Not enough cross-system coordination and evaluation.	Referral actors in this subsystem do not filter the referred businesses sufficiently, enabling many <u>not</u> -export-ready firms to go to case management. Not enough cross-system coordination and evaluation.	It is extremely difficult for a federal agency (which is obligated to serve all American firms) to deny service. Not enough cross-system coordination and evaluation.
Consequences	Both New to Market and New to Export firms, excited about export opportunities, move to the training subsystem.	New to Market and New to Export firms are sent to Case Management when they are not adequately prepared or trained.	Not-so-ready NTE businesses go to Case Management (USCS and ExIm) for their services, clogging the pipeline.

Resource scarcity is undercutting performance of the export system. The lack of resources in the export subsystems was a surprise to ESADE analysts. With the exception of the USCS and Ex-Im, with ten and four FTE in L.A. County respectively, players have at most three staff involved in export promotion, training, and case management. The local and state governments' fiscal problems are apparent in the overriding absence of the California State government, which is only visible through its CITDs (fundamentally in Export Training). The lack of resources dedicated to export training is one of the reasons why non-export-ready firms arrive at the case management stage without sufficient capacity to export.

Lack of sufficiently detailed export data limits efforts to work strategically. All export-related interviewees pointed to the lack of availability of precise and detailed information on trade flows as a main weakness of the sector. How much a specific business trades internationally, and with whom, is the kind of information needed. However, only the two federal agencies, Ex-Im and USCS, have outcome-level performance measures: new small business set up or export increases. Yet, as noted in findings earlier in this section, these federal agencies are legally not allowed to share firm-level information with the other supporting players.

To help reconcile fragmentation across the six subsystems, LARExC should consider expanding its scope to strengthen overall coordination and cooperation by:

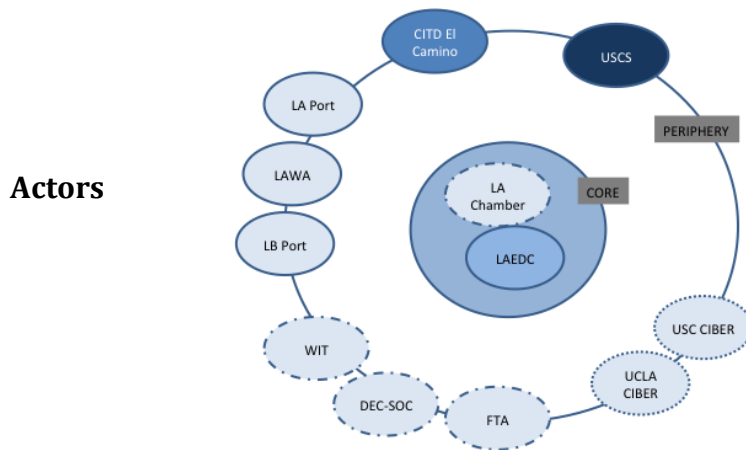
- Evaluating the absence of a key player within the export system, LAEDC— the export-promoting agent for the Port of Long Beach and the City of Long Beach although it's fairly disconnected from other export-related players.
- Expanding its scope and include USCS and the Visitor's Bureau, considering their individual contributions to the overall system.
- Making some improvements in the absence of additional resources, even though LARExC has formally acknowledged that resources must be tied to any system of reform. One such example is to address barriers and/or tensions between many of the actors identified later in this report.
- In summary, LARExC should move forward boldly and swiftly to address many of the challenges limiting the export system.

- ANALYSIS OF THE SIX SUBSYSTEMS

Export Promotion

DEFINITION: The primary function of this subsystem is to work with L.A. businesses and enterprises to raise their level of awareness of trade and investment opportunities abroad. This subsystem offers educational programs, conferences, working councils and events, and international trade events.

NUMBER OF ACTORS: 12 actors offer export promotion services, the largest number of actors by far within the three export subsystems. This includes: three nonprofit organizations (WIT, DEC-SOC, FTA); three local governments (L.A. Port, LAWA, LB Port); one county government (LAEDC); one state government (CITD El Camino); one federal government (USCS); and two universities (UCLA CIBER, USC CIBER). The most central actors are the L.A. Chamber and LAEDC.

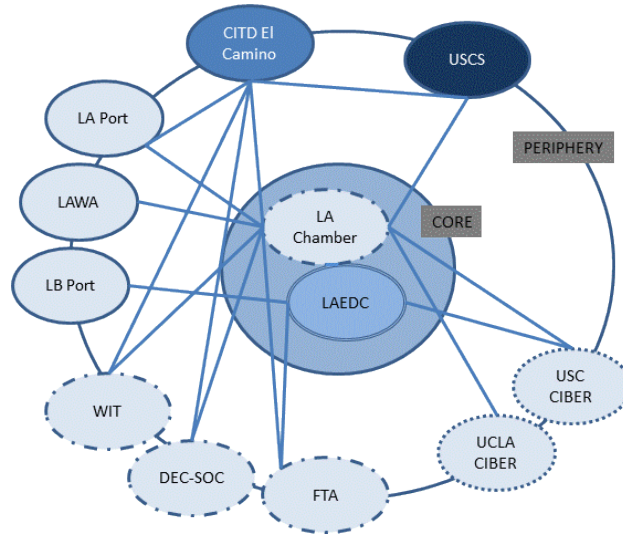


RESOURCES: Although 12 organizational actors are involved in Export Promotion, only nine FTEs positions are dedicated to provide promotion support. L.A. Chamber dedicates most of its two FTEs to export promotion, while LAEDC dedicates three FTEs to this function. *This means that four FTEs are shared among 10 actors.*

CUSTOMER: Businesses of all sizes in the L.A. region, although heavier focus is placed on businesses New To Export or New To Market, and SMEs.

COORDINATION: Interviewees across various organizations indicated that the L.A. Chamber plays an important coordinating role—as a clear champion and a strong lead agency—in this subsystem. The use of boards and committees has been a particularly useful vehicle for driving coordination in this system. The L.A. Chamber’s key coordination mechanisms are the WTW Committee (World Trade Week Committee) and the GIC (Global Initiatives Committee), which involve eight out of the 12 actors in this subsystem in some capacity.

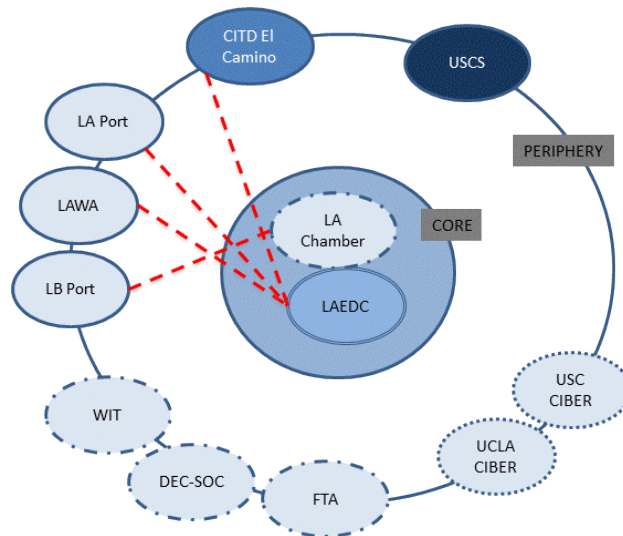
Links



COORDINATION CHALLENGES AND GAPS: In addition to many actors having limited resources earmarked for promotion-related expenses, these actors are further forced to compete for limited funding streams, creating tensions. This subsystem is also the most populated and, as one interviewee put it: “there’s redundancy, and there’s sometimes lack of cooperation because trade [support] is so much bigger... So to get everything in total harmonious relationship is impossible in a trading region that’s the largest one in America.”

Interviewees also noted that some political rivalry (primarily due to administrative fragmentation of the territory) occurs in this subsystem. This tension was particularly noted between L.A. city’s Ports and CITD on one side, and LAEDC on the other, as depicted below.

Gaps

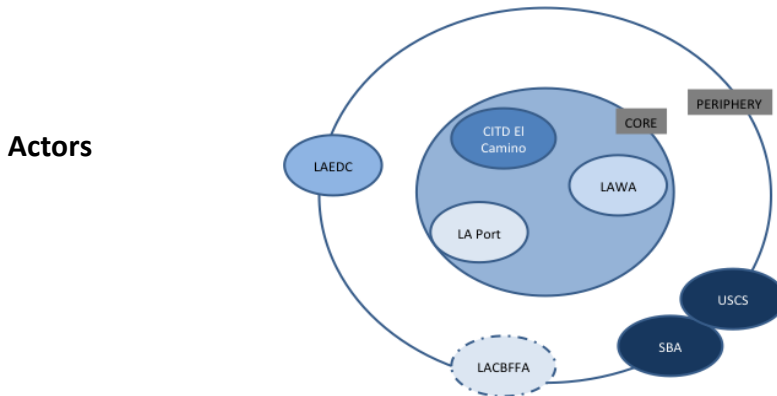


KEY OBSERVATIONS: Interviewees outlined that promotion activities are one-size-fits-all, with the expectation that Export Training and Case Management subsystems will tailor their support to address the specific needs of firms.

Export Training and Research

DEFINITION: This subsystem delivers specific export-related training and generates export-related research. ESADE joined these two functions together due to similar missions.

NUMBER OF ACTORS: ESADE identified seven actors in this subsystem. This includes: two local government agencies (LA Port, LAWA); one county-level, quasi governmental organization (LAEDC); one state organization (CITD El Camino); two federal agencies (SBA, USCS); and one nonprofit organization (LACBFFA).

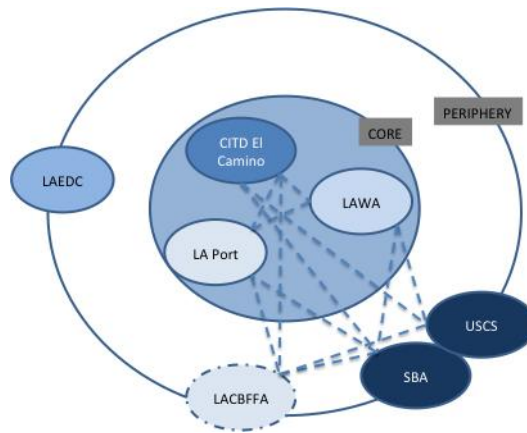


RESOURCES: There are approximately six full time positions dedicated to training. With respect to research, CITD El Camino's 2.5 FTEs dedicated to training also includes research activities. LAEDC's six FTEs dedicated to export promotion and case management are not involved in its research, as its research is conducted by a separate unit.

CUSTOMER: The training services are primarily directed New To Export (NTE) businesses. The research products, on the other hand, have a wider audience, including New to Market (NTM) businesses and foreign companies. Training products are one-size-fits-all but several are specific for some sector, industry, or function. CITD El Camino Export Enabler Program's training component is firm-tailored.

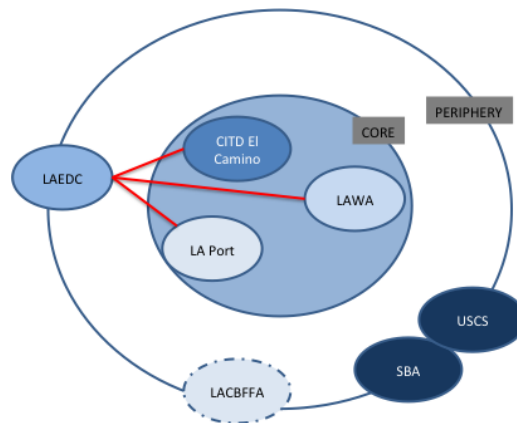
COORDINATION: LA Port and LAWA are important players in this subsystem, as they are the founders and leaders of the TradeConnect training program. Trade Connect is recognized by stakeholders as a valuable program, having received several awards and accolades. CITD El Camino participates in the TradeConnect program, providing several training programs and research resources. The well-coordinated group built around TradeConnect is due to the championing of its lead agencies—CITD, LAWA, and L.A. Port—and the level of trust among them. TradeConnect itself has also been a useful tool in formalizing and communicating the joint coordination.

Links



COORDINATION CHALLENGES AND GAPS: Although LAEDC's research work is publicly available to all other parties, there are no proactive coordination efforts with the tight group knit around TradeConnect.

Gaps

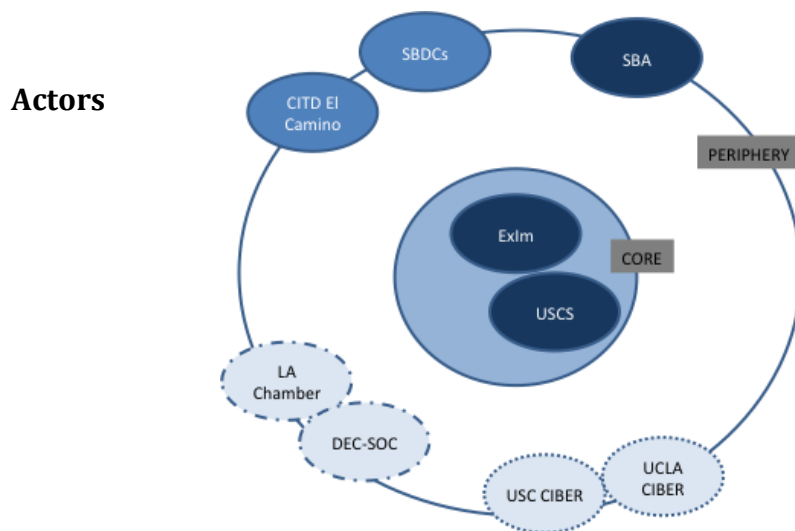


KEY OBSERVATIONS: With only six FTE dedicated to export training across the greater LA metropolitan region, the level of training is insufficient for all NTE and NTM businesses to enter the case management phase with the necessary skills and capacities. NTM firms need more specific training, such as by industry, target market, or by product. NTEs typically require lengthier training support as they need to move through an entire training process. Intermediate level courses are absent from the training curriculum, which results in businesses failing to be export-ready.

Export Case Management:

DEFINITION: There are two types of case management support to L.A. firms: financial assistance and technical assistance. Financial assistance essentially consists of soft loans from the Ex-Im Bank or the SBA either to take on an investment required by a potential export or to cover risks during an international transaction. The SBA provides financial assistance for international trade of up to \$5 million (was \$2 million), while the Ex-Im Bank assists with funding above \$5 million. They also provide credit insurance. Technical assistance either matches U.S. firms with a foreign distributor or customer or provides U.S. firms with foreign market intelligence.

NUMBER OF ACTORS: Eleven actors were identified in this subsystem: three federal agencies (Ex-Im, USCS, SBA); four mixed federal-state agencies (Small Business District Centers), one state agency (CITD El Camino); two universities (USC CIBER, UCLA CIBER); and two nonprofits (L.A. Chamber, DEC-SOC). No local public sector actors are involved in this subsystem.



RESOURCES: ESADE estimates that approximately 20 FTE are dedicated to case management services. The two main actors are also among the most resource-rich: USCS (10 FTE) and Ex-Im (four FTE). They both direct most of their resources to case management.

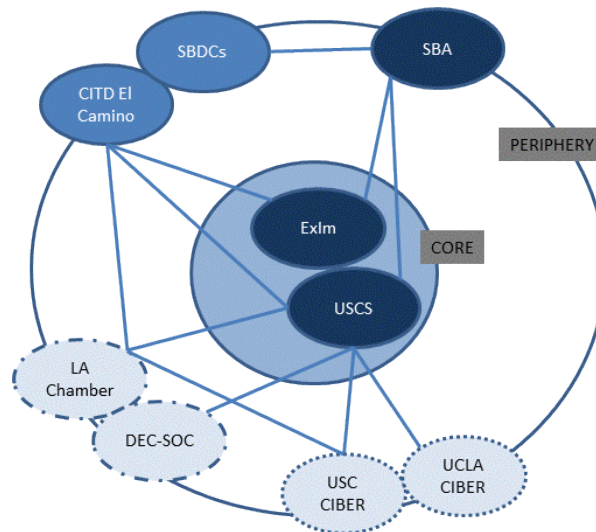
SBA has two officers in the L.A. region related mostly to case-management. The one responsible for financial assistance is based in the U.S. Export Assistance Center (with Ex-Im and USCS) and the one dedicated to technical assistance, the District International Trade Officer, is based at the SBA Office.

Since 2010, SBDCs must have at least one counselor certified as in international trade. Out of the seven SBDCs in the L.A. region, four have part-time counselors (about 2 FTE) with expertise in international trade.

CUSTOMER: Ideally, the customers of this subsystem should be export-ready, new-to-market firms. In practice, both NTE to NTM businesses are served.

COORDINATION: U.S. Commercial Services is clearly the lead agency in case management, both due to its staffing muscle and its unique expertise with commercial officers on-the-ground abroad. Ex-Im Bank, the other core actor, is not as interconnected to other actors in the subsystem. This is probably due to the fact that Ex-Im’s service, financial assistance, is very specific. CITD is well connected in the subsystem and plays an important coordinative role.

Links



KEY OBSERVATIONS: An important coordination issue arises when the referring actors (e.g. L.A. Chamber or CITD) do not filter the referred businesses sufficiently to case management. The problem “is not the export-ready companies; it is the non-export -ready companies,” said an informant. Many NTEs skip the training altogether, or attend the brief TradeConnect introductory export course, and then demand case-management services. This is a problem because, as businesses not ready for export land at USCS and Ex-Im, these federal agencies face significant difficulties in withholding their services. This subsystem is often bogged down by servicing inadequate businesses.

Financing assistance, matchmaking, and market intelligence provision are intended for export-ready firms with some export capacity. However, not all export-ready and NTM firms demanding services are served, since the demand exceeds supply.

Cross-analysis of the export support value chain Resources in the export support value chain.

The figure below shows how many resources (in FTE) are dedicated to each subsystem. It is the Case Management subsystem that attracts most of the resources (20), followed by promotion (10) and training (six).

It is worth clarifying that, though the Case Management subsystem has 20 FTEs, case management is a resource-intensive activity, often involving one-to-one assistance and requiring plenty of human and intelligence resources on the ground abroad. While this subsystem could very well absorb and benefit from more resources, an important precursor should be streamlining and strengthening the screening and referral process, which may free up additional time to specific actors to focus more intensively in the Case Management subsystem.

That said, limited resources within and across the export system is a significant challenge that must be addressed hand-in-glove with any changes or modifications to the system.

Resources dedicated to the export support value chain

Actor	Total Export	Export Promotion	Export Training	Export Case-management
Visitors B.	0			
USCS	10	0.5	0.5	9
LAEDC	3	3	**	
ExIm	4			4
LA City	1	1		
CITD	3		2.5	0.5
USC CIBER	3	1		2
LA Chamber	1.5	1,5		
LA Port	2	0.5	1.5	
LAWA	1		1	
UCLA CIBER	1	0.5		0.5
WIT	0.5	0.5		
LACBFFA	0.5		0.5	
FTA	0.5	0.5		
SBA	2			2
SBDC	2			2
DECSOC	0			
Total	35	9	6	20

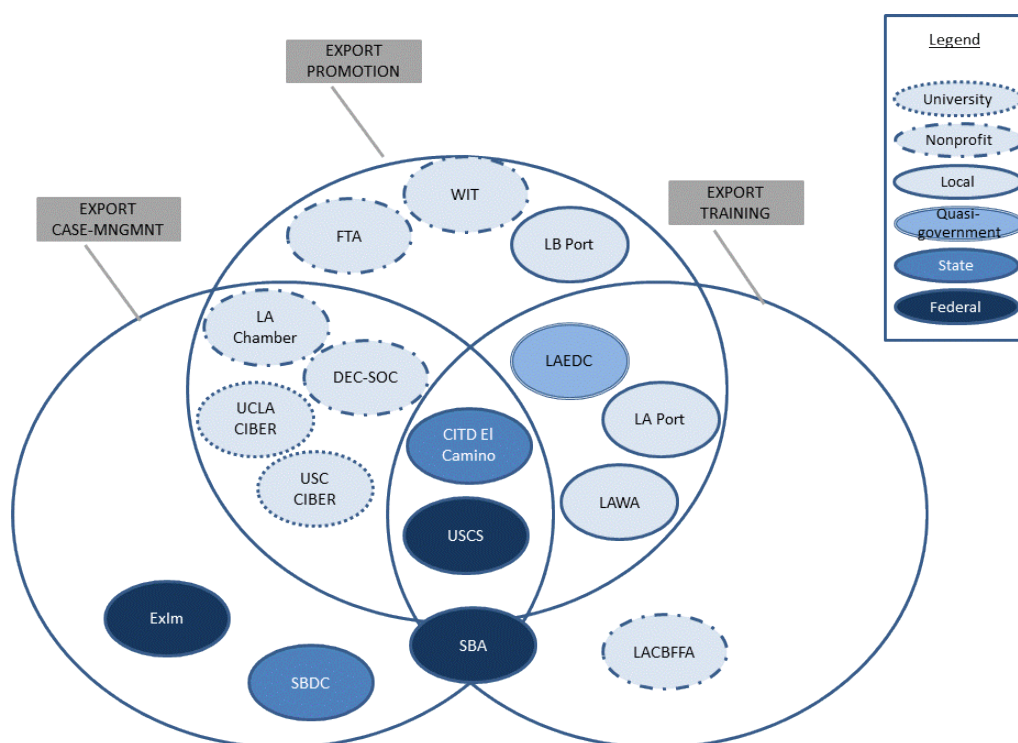
*LAEDC's 6FTE do not include those resources dedicated to research

However, the most interesting fact comes from the Training subsystem, which contains only six FTEs. The imbalance of resources in the Training subsystem—as compared to the Promotion subsystem—is one of the reasons that not-so-ready NTE businesses approach USCS and Ex-Im for their services, clogging the pipeline.

Actors in the export support value chain

The following figure illustrates which actors partake in the different subsystems. It shows that the subsystem with most actors involved is Export Promotion, with 12 actors.

Actors involved in the three Export subsystems



The figure above shows the pivotal actors in the Export subsystems. The key players in exports are those active in more than one subsystem and those who are core players in at least one subsystem. What follows is the set of key export players:

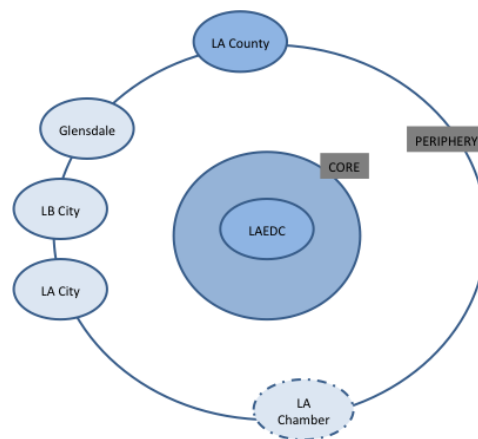
- USCS, present in all three subsystems and a core player in Case Management.
- CITD, present in all three subsystems and a central actor in Export Training.
- LAWA and L.A. Port, present in two subsystems and core players in Export Training.
- LAEDC, present in two subsystems and a core player in Export Promotion.
- L.A. Chamber, present in two subsystems and a core player in Export Promotion.

Foreign Direct Investment System

DEFINITION: This system incorporates all actors directly involved in attracting Foreign Direct Investment. In essence, FDI attraction means getting foreign enterprises to invest in the L.A. region either through acquisitions (buying wholly or partly an existing L.A. business) or through new investments (setting up a local subsidiary from scratch). FDI is attracted by carrying out trade missions to foreign countries to promote the region; providing trade information of the L.A. region and making it extensively available; and targeting foreign diplomats in the region.

NUMBER OF ACTORS: There are six actors involved in FDI: Two county agencies (LAEDC and L.A. County); three local jurisdictions (L.A. City, Long Beach City, Glensdale), and one not-for-profit (the L.A. Chamber). Key players sit in LAEDC's board and fund it.

Actors

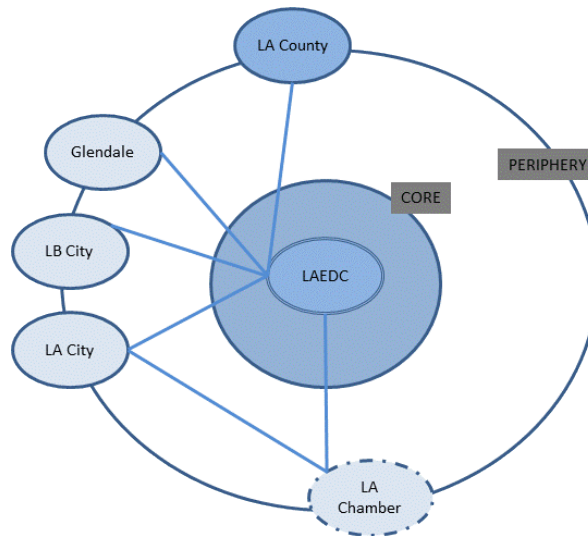


RESOURCES: The FDI subsystem is well resourced with a total of approximately 5.5 FTE.

CUSTOMER: Foreign companies investing or exporting to the L.A. region, L.A.-based companies receiving investment or acquiring imports, the municipalities of L.A. County, and foreign diplomats in Los Angeles.

COORDINATION: A strength of this system is its level of coordination, largely through LAEDC and its drive to collaborate through its board. Further, LAEDC and the L.A. Chamber are linked through the chamber's World Trade Week Committee.

Links



KEY OBSERVATIONS: This subsystem is well coordinated and offers some insights for other systems of internationalization. A limited number of key players and the active use of coordination mechanisms, such as the LAEDC board and WTW committee, are some central ingredients of this success.

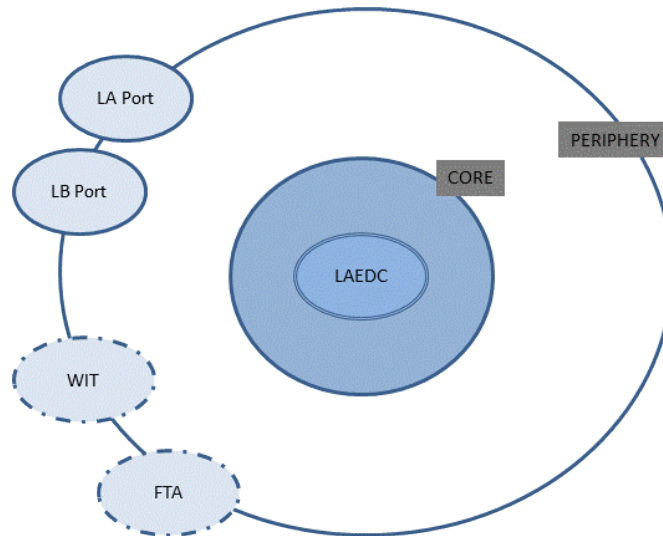
However, this subsystem's intrinsic characteristics make it easier to coordinate. Compared to exports, FDI attraction is equivalent to targeted business attraction, but where those attracting get to choose which companies to work with. Moreover, the demand for FDI attractors' services is far lower than that of export promoters.

Imports

DEFINITION: The import subsystem focuses on facilitating the import of goods and services into the United States. Activities to do this include organizing trade missions to identify foreign exporters, offering tailored services to foreign exporters, and providing seminars for import managers, lawyers, and brokers.

NUMBER OF ACTORS: Three actors were identified in the subsystem: One county-level, quasi-governmental organization (LAEDC) and two local not for profit organizations (FTA, WIT).

Actors

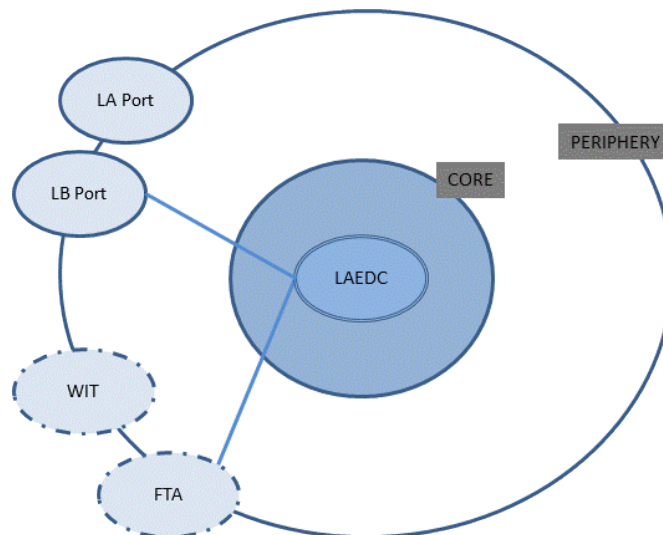


RESOURCES: Very few resources are spent promoting imports. LAEDC tangentially promotes imports in its FDI-attraction efforts, while WIT and FTA promote imports when promoting exports. In fact, these two nonprofits promote trade in general.

CUSTOMER: Both foreign companies exporting to the L.A. region and L.A.-based importers.

COORDINATION: Given the very small number of actors active in this subsystem and the overpowering strength of LAEDC, the subsystem does not require much coordination.

Links



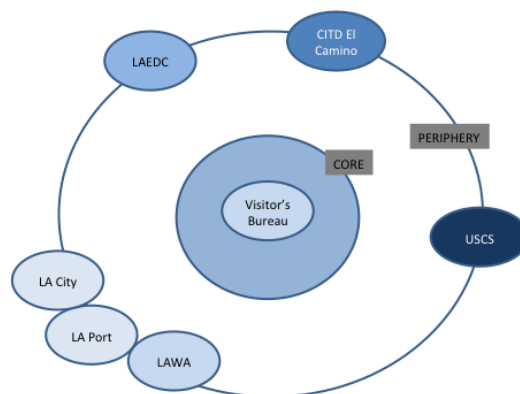
KEY OBSERVATIONS: Many of the export-related players are remarkably silent with regards to import. This is possibly due to the current unpopularity of imports and the attractiveness of exports in countries with significant trade deficits (such as the United States).

International Marketing

DEFINITION: This subsystem involves all actions directed toward enhancing the region's visibility abroad, which form an integral part of the internationalization effort. International marketing efforts involves participating in tradeshow's abroad, executing direct consumer marketing efforts, such as advertisement and B2B marketing campaigns, and organizing trade missions abroad.

NUMBER OF ACTORS: There are seven actors involved in international marketing activities: one federal agency (USCS); one state agency (CITD), county-level, quasi-governmental organization (LAEDC), and four local governments or authorities (L.A. Visitor's Bureau, L.A. City, the L.A. Port, and LAWA).

Actors



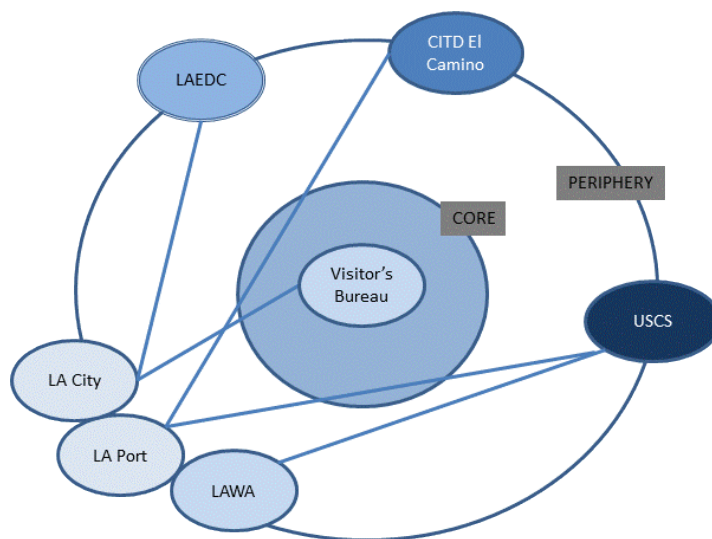
RESOURCES: Overall, this subsystem has 26 FTE. The Visitor's Bureau has an impressive 25 FTE team dedication to International Marketing and the City of LA has one FTE. Other players dedicate marginal resources to the subsystem.

CUSTOMER: The customer varies based on each international marketing activity. Customers of the trade shows and missions are L.A.-based businesses in search of new export markets. Customers of marketing efforts are foreign businesses willing to invest and export to the L.A. region and the region's local governments (essentially L.A. County, L.A. City, Long Beach City, and Glendale), which are the recipients of foreign investment.

COORDINATION: The subsystem's efforts can be divided into two major groups: 1) those most closely related to attracting tourism and promoting L.A. City's key infrastructure and 2) all the other export, import, and FDI-related efforts.

Activities related to attracting tourism and promoting are well integrated. This integration is driven by the L.A. Visitor's Bureau, which is undoubtedly the champion lead agency and is sufficiently resourced.

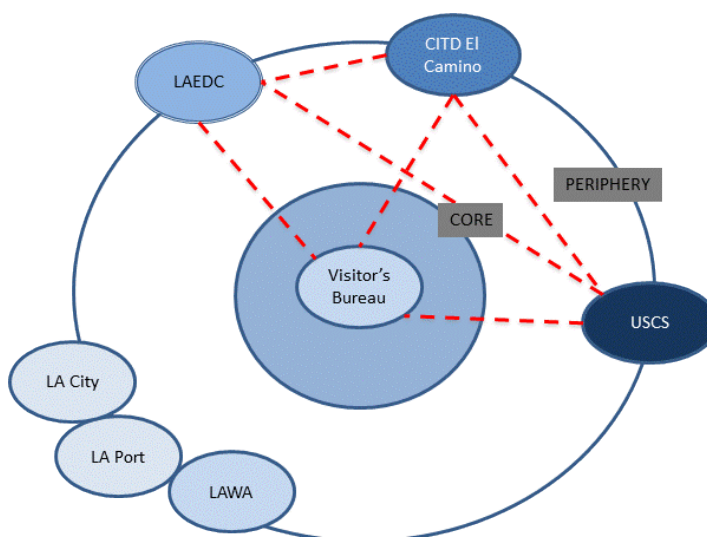
Links



COORDINATION CHALLENGES AND GAPS: All activities surrounding export, import, and FDI-related efforts are more dispersed and uncoordinated. Interviewees repeatedly stated that overlaps and lack of coordination occurred, and as one interviewee put it, resources are wasted “simply because you’ve got two, three people doing the same thing in different directions where if they did it together it would be more effective.” Different missions to the same host country sometimes coincide in time, reducing their effectiveness and generating a sense of chaos. Politics is often the cause of lack of coordination in this subsystem. As one interviewee put it: “... inevitably, trade missions with government officials, who are politically appointed become political ... we have to be careful about not endorsing any particular political party.”

Coordination gaps exist among export-oriented trade missions and between export-promoting, FDI-attracting, and tourism-oriented trade missions.

Gaps



KEY OBSERVATIONS: This international subsystem offers contrasting examples of both well integrated and uncoordinated activities. A strong, well resourced, lead actor is the lynchpin for streamlined and well coordinated activities in this case.

Summary of the Six Subsystems

Subsystem	Functions (examples)	Key Players (FTE ¹)	Customers	Outcome Measures Used	Key Findings
Export Promotion	<ul style="list-style-type: none"> Asia Pacific Business Outlook World Trade Week Committee International Trade Outlook 	<ul style="list-style-type: none"> L.A. Chamber (1.5) LAEDC (3) 	<ul style="list-style-type: none"> NTE businesses NTM businesses 	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> LAEDC & L.A. Chamber are core players LAEDC is isolated in subsystem L.A. Chamber is well embedded Most export-related players are active Formal coordination mechanisms in place (boards & committees) Limited resources Competition and overlap among events; political rivalry
Export Training	<ul style="list-style-type: none"> TradeConnect International Trade Orientation Seminar International Trade Trends Reports 	<ul style="list-style-type: none"> CITD EICamino (2.5) LA Port (1.5) LAWA (1) LAEDC 	<ul style="list-style-type: none"> NTE businesses 	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> Tight group around TradeConnect CITD, LAWLA and L.A. Port co-lead and trust each other LAEDC is an outlier Intermediate level courses are missing Insufficient resources
Export Case Management	<ul style="list-style-type: none"> Gold Key matching services Financing services 	<ul style="list-style-type: none"> USCS (9) ExIm (4) 	<ul style="list-style-type: none"> Ideally, NTM businesses Also, NTE businesses 	<ul style="list-style-type: none"> Exports increased per service provided 	<ul style="list-style-type: none"> Two federal agencies' services are highly regarded Quantity of

¹ Full Time Employees are not indicated for LAEDC in the cases of its research branch (which is independent of its internationalization team) and imports (which is included in its FDI efforts).

					<ul style="list-style-type: none"> referred services greater than existing capacity · Insufficient resources · Referred businesses do not all satisfy the minimum requirements.
FDI	<ul style="list-style-type: none"> · Trade missions · Research on local L.A. economy 	<ul style="list-style-type: none"> · LAEDC (3) 	<ul style="list-style-type: none"> · Foreign Investors · Local Governments 	<ul style="list-style-type: none"> · Investment attracted · Jobs created by investment 	<ul style="list-style-type: none"> · Well coordinated subsystem, with a central actor: LAEDC · Formal coordination mechanisms in place (boards & committees) · The subsystem is isolated with respect to the other subsystems
Import	<ul style="list-style-type: none"> · Tailored services to foreign exporters. · Seminars for import (- export) managers, lawyers, and brokers. 	<ul style="list-style-type: none"> · LAEDC 	<ul style="list-style-type: none"> · Foreign companies 	<ul style="list-style-type: none"> · Imports increased per service provided 	<ul style="list-style-type: none"> · Sparseness of actors and of services
International Marketing	<ul style="list-style-type: none"> · Trade Missions · Attendance at Trade Shows 	<ul style="list-style-type: none"> · Visitor's Bureau (25) 	<ul style="list-style-type: none"> · NTE businesses · NTM businesses · Foreign companies 	<ul style="list-style-type: none"> · Hotel tax revenue · Nº of international airlines operating from LAX 	<ul style="list-style-type: none"> · International marketing efforts related to L.A.'s infrastructure and tourism promotion are well integrated, through L.A. Visitor's Bureau · Export missions and trade show attendances lack coordination

- **CONCLUSION**

The Los Angeles region has—all in all—a vibrant economy, the necessary bases to promote and nurture international trade, and could hardly be better located to exploit the current and future Asian economic push.

However, as this report shows, Los Angeles has certain coordination deficiencies that hamper its international trade efforts. In essence, overall strategic coordination and vision-setting is missing. The city of Los Angeles has very few resources dedicated to this endeavor nor has it been able to mobilize neighboring local governments. Nonprofits and chambers, CITDs and CIBERs are all resource-starved. The Governor’s Office of Business and Economic Development has just been reopened and, while they provide high-quality services, federal agencies’ mandates are too narrow for them to play such a leading role.

As it stands, no one actor leads international trade nor is there an overarching (explicit or implicit) vision that would allow the different actors to become aligned. Clients (L.A. firms wanting to trade internationally) do not optimize the existing resources and services. As a result, small nonprofits overlap export promotion events, local governments do not collaborate with each other, and federal support services are not channeled to adequate recipients.

In Los Angeles, the building blocks for a diverse and sophisticated support network for international trade are mostly in place. There are also mechanisms that could readdress the deficiencies: LAREXC and the recently reopened Governor’s Office of Business and Economic Development. These two entities, if used appropriately, could provide much-needed leadership and coordination in the region.

For More Information

Angel Saz-Carranza

Director

ESADEgeo Center for Global Economy and Geopolitics

Angel.saz@esade.edu

www.esade.edu/esadegeo | www.esade.edu/public

Brad McDearman

Fellow and Director

Metropolitan Export Initiative

Brookings Metropolitan Policy Program

BMcDearman@brookings.edu