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The Valley International Trade Association (VITA) Newsletter

Exclusive LAX Tour and Program Recap

VITA hosted an exclusive tour and program at **Los Angeles International Airport** (LAX) on **February 9, 2018**. The event began at the LAX Flight Path Museum and Learning Center with a program including a presentation on Capital Improvement Project updates by Diego Alvarez, Director of Planning of Los Angeles World Airports.

Ramon Olivares, Director of Properties with Los Angeles World Airports also presented on cargo and shared that LAX is the major international cargo airport serving Southern California; the world's eleventh largest economy. Asia-Pacific is Los Angeles' top regional trading partner with 582,283 tons annually valued at $45.2 billion. Europe is second with 166,190 tons valued at $13.7 billion annually.

The most exported air commodity in terms of tonnage from LAX is vegetables, fruit and nuts with 15.1 percent of the total weight. Other leading exports are base metals and articles thereof; computer equipment; photo, science and medical instruments; paper and pulp products; chemical products; plastics and articles thereof; prepared foodstuffs; special classification provisions; and aircraft products.

Apparel is the leading imported air cargo commodity, followed by computer equipment, audio and video media, fish, office machinery, textiles, footwear, vehicles other than railway, photo, science and medical instruments and electronic components.

Guests then took a bus tour of the airfield by John Peery, COO and Executive Vice President of Mercury Air Cargo, Inc.

Photo 1: Brett Tarnet, VITA Co-Chairperson during opening remarks.
Photo 2: John Peery with Mercury Air Cargo, Inc. during bus tour.

2017 was a Great Year for Trade

By Brett Tarnet, Co-Chairperson, VITA & Owner of Brett Tarnet Insurance Services

Brett Tarnet Insurance Services keeps a close eye on world trade, and our clients are part of the picture. We saw an uptick in activity for most of our clients in the last year, contrasted with what looked to us like a tough 2016. I went looking for confirmation and explanation. Here is what I discovered.

The Organization for Economic Co-operation and Development (OECD) and the World Trade Organization (WTO) have published some facts and figures that illuminate the trade picture.

2016 was a year of negative growth rates in global trade. The dollar was very strong in global markets, exacerbating the slump in U.S. export markets. In 2017, the dollar strengthened against global currencies, and growth in Europe and Asia increased in merchandise and service sectors.

Of merchandise sectors, trade in agricultural products grew strongly and services were a significant component of trade growth as well. Manufactured goods showed growth in 2017 as well. Fuel and minerals sectors were weak as far as types of exports, and the South/Central America region showed weak trade growth attributed to Brazil's continued economic troubles.

The WTO numbers offer great graphs which give a comprehensive picture up to Q1 of 2017. World Trade Statistical Review 2017.

OECD rounds up statistics through Q3 of 2017. International Trade Statistics 2017 Trends Report.

Update on Export Import Bank of the United States

Scott Garrett, President Donald Trump's pick to run the Export-Import Bank (ExIm Bank), was blocked in the Senate Banking Committee on December 19, 2017. The same committee moved ahead with four nominees to fill vacant seats on the ExIm Bank's Board of Directors. The four nominees are Kimberly Reed, Spencer Bachus, Judith Delzoppo Pryor and Claudia Slacik.

If they are confirmed, the ExIm Bank will have a quorum, which will enable ExIm Bank to move ahead with consideration of requests valued at greater than $10 million per transaction, which is not possible without a quorum of Board members.

Source: New York Times and The Hill

VITA goes to the Port of Los Angeles

VITA hosted a special Global Networking Lunch on **November 30, 2017** with lunch at Acapulco San Pedro, program and boat tour of **The Port of Los Angeles.**

Jim MacLellan, Director of Trade Development and Norman Arikawa, Assistant Director of Trade Development from The Port of Los Angeles presented "State of the Port" during lunch and highlighted their successful year.

The educational boat tour offered an up close view of The Port's cargo operations and ships unloading hundreds of containers. The top two containerized imports furniture and auto parts and top containerized exports are paper/wastepaper and pet/animal feed.

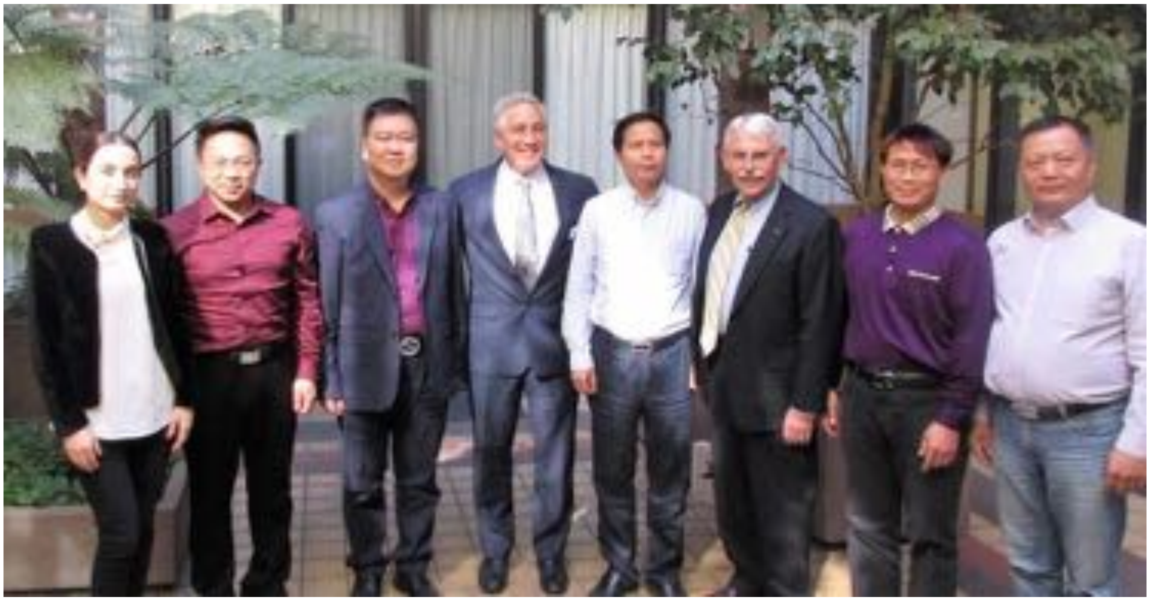
Special guests included guests from the Myanmar Consulate General at Los Angeles, Consulate General of The People's Republic of China in Los Angeles, and Consulate General of the Republic of Indonesia.

Lunch was sponsored by The Polaris Group.

VITA hosts International Delegations

The Valley International Trade Association hosted a delegation visiting from **Shandong Province, China** on **November 15, 2017.** The group was visiting the United States for International Financial Investment and Capital Operation special training at California State Polytechnic University, Pomona. *Pictured above.*

Program included presentations by VITA Co-Chairperson Brett Tarnet on Trade Finance, VITA Boardmember Victor Berrellez on Financial Institutions, VITA member DHL Global Forwarding on U.S. Import and Export, VITA Member Koppula Associates on Business Accounting and Nihao China presented by Discover Los Angeles.



VITA met with another delegation representing The Investment Promotion Agency of **Guangxi, China** on **October 26, 2017** to learn about the San Fernando Valley and our main industries, presented by VITA Member Robert Rodine of the Polaris Group. *Pictured above.*

Trade Credit Outlook for 2018
By Meridian News, Meridian Finance Group

Following modest growth in 2017, trade continues to expand within the USA and globally; not with the same vigor as prior to the recession but at a steady pace.

In 2017 the U.S. economy grew at a rate of 2-3% across many industry sectors and in most states. Inflation is low and consumer confidence is high. Whether or not the new corporate tax cut will benefit most Americans or the U.S. economy in the long run, it may engender near-term effects if it incentivizes companies to repatriate offshore cash to the USA. Exporting rose progressively in 2017, but so did the trade deficit on demand for consumer goods, oil, electronics and other imports.

Manufacturing and other sectors are likewise expanding in Europe, Asia, and other developed economies, most of which boasted growth rates similar to the USA. Emerging economies grew even faster, on average 4-5% with indications that this momentum will continue into 2018. Of all exporting countries, China has benefitted the most from this global economic resurgence. If expansion continues at this rate, and especially if sanctions on some major markets are lifted, productivity and output will need to ramp up as well.

Seeking not to be left behind the growth curve, companies in the USA and worldwide are investing in equipment, inventories, et al. But access to capital and investment are not keeping pace, so buyers here and abroad are looking to their suppliers for larger credit lines and longer payment terms, and indications are that demand for trade credit will continue to intensify.

For small businesses and middle-market companies, it remains challenging to arrange loans and lines of credit from banks and other lenders. Large corporations, on the other hand, are using their leverage to insist on longer payment terms, putting pressure on entire supply chains. In order to compete effectively, penetrate new markets, and expand market share, suppliers have little choice but to extend more credit.

Larger credit limits and longer payment terms raise both well-known risks and unprecedented ones. When a manufacturer offers bigger credit lines to enable distributors to stock more inventory, what will happen if they have over-anticipated the demand for their products? When a large customer (or a customer's customer) suddenly stipulates 120-day payment terms after years of buying on net 30-notwithstanding the low likelihood of default-how will that long credit impact supplier balance sheets?

Beyond these kinds of commercial risks, as we enter 2018 perhaps the greatest risks relating to credit are political. In the USA, the administration's domestic strategy is unclear and the legislature is almost completely polarized. NAFTA and other impactful trade agreements are being renegotiated. The ultimate effects of Brexit are unpredictable and in the meantime other countries in Europe face challenges of their own. Tensions are high in the Middle East, the Korean peninsula, and other hot zones. Displaced populations are increasing while nationalism, xenophobia, and other forms of extremism are on the rise.

How will your company use credit to capitalize on 2018's growth opportunities while managing the risks of not getting paid? What if you have extended credit to a customer who goes bankrupt, lacks sufficient cash flow, or gets impacted by any of the above commercial or political challenges? Even where default risks are low, how can you arrange financing for receivables from customers demanding long payment terms?

Trade credit insurance protects against all of these nonpayment risks and facilitates receivables financing by making A/R more attractive to banks and other lenders. Meridian Finance Group, with 25 years of experience and a global team, specializes in brokering trade credit insurance and wide range of other trade finance tools.

For more information visit www.meridianfinance.com or call/email (310)260-2130 or info@meridianfinance.com.

In the News
Community of Business, San Fernando Valley Business Journal


COMMUNITY OF BUSINESS™

Caption: The Valley International Trade Association hosted a lunch at Acapulco in San Pedro, followed by a boat tour of the Port of Los Angeles. From left: Ronna Lubash, Vice President at Pacific Western Bank; Dennis Hadeen, Chief Operations Officer at Windes; Elyse Hookaylo-Rosenblatt, Vice President of International Banking Division at U.S. Bank; and Eileen Harris, Director of Human Resources at Windes.

VITA member Jeffery Daar presents in China

Horizons Corporate Advisory's China Collaborative Group (CCG) comprised of business and legal experts from China and abroad including **Jeffery Daar**, **VITA Member** and Attorney at **Daar and Newman**, attended a four-city knowledge seminar in **December 2017** to promote Winning Ways for Investment. It's mission is to assist Chinese business executives and decision-makers in achieving market advancement under the Belt and Road Initiative and other global economic trade platforms.

The Winning Ways program brought together 17 CCG advisors representing 15 countries and regions including Australia, China, Costa Rica, Cyprus, France, Indonesia, Italy, Mexico, Netherlands, Nigeria, Portugal, Spain, Switzerland, Turkey, Union State (Russia and Belarus) and the U.S.A. The program included a series of informative talks where CCG team members served to enlighten attendees on multiple topics related to cross-border investment in a fast-moving world.

Jeffery Daar presented "Avoiding Disputed when Doing International Business" at the Four Seasons Hotel in Shenzhen and at the Ritz Carlton Hotel in Chengdu.

The China Collaborative Group program concluded in Beijing to a full house of key individuals. Jeffery Daar was also the author of a chapter in a book distributed at the programs.

The Ministry of Commerce in China will be printing its own version of this book for distribution in China. Only 5 million copies will be printed.

10th Annual Chinese New Year Dinner
Tuesday, February 27, 2018

Join the International Law Sections of The California Lawyers Association, Los Angeles County Bar Association, The Valley International Trade Association and Women in International Trade-Los Angeles to celebrate the **2018 Chinese New Year - Year of the Dog** on **February 27, 2018** from 6:30pm - 9:30pm at Capital Seafood in Arcadia.

Tickets are $65.00 and include ten course banquet style food, taxes, gratuities and wine. Please RSVP by February 22nd by emailing ldesk2@daarnewman.com or attorneykathyhao@me.com

Please indicate if you were born in the year of the dog when you RSVP. Chinese style attire is encouraged.

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10 Conflicts to Watch in 2018
By: Rob Malley, President & CEO, International Crisis Group

It's not all about Donald Trump.

That is a statement more easily written than believed, given the U.S. president's erratic comportment on the world stage - his tweets and taunts, his cavalier disregard of international accords, his readiness to undercut his own diplomats, his odd choice of foes, and his even odder choice of friends. And yet, a more inward-looking United States and a greater international diffusion of power, increasingly militarized foreign policy, and shrinking space for multilateralism and diplomacy are features of the international order that predate the current occupant of the White House and look set to outlast him.

The first trend - U.S. retrenchment - has been in the making for years, hastened by the 2003 Iraq War that, intended to showcase American power, did more to demonstrate its limitations. Overreach abroad, fatigue at home, and a natural rebalancing after the relatively brief period of largely uncontested U.S. supremacy in the 1990s mean the decline was likely inevitable. Trump's signature "America First" slogan harbors a toxic nativist, exclusionary, and intolerant worldview. His failure to appreciate the value of alliances to U.S. interests and his occasional disparagement of traditional partners is particularly self-defeating. His lamentations about the cost of U.S. overseas intervention lack any introspection regarding the price paid by peoples subjected to that intervention, focusing solely on that paid by those perpetrating it. But one ought not forget that Sen. Bernie Sanders (I-Vt.) in the same election season, and Barack Obama, as a candidate in the preceding ones, both rejected foreign entanglements and belittled nation building. Trump wasn't shaping the public mood. He was reflecting it.

The retrenchment is a matter of degree, of course, given the approximately 200,000 active-duty U.S. troops deployed worldwide. But in terms of ability to manipulate or mold events around the globe, U.S. influence has been waning as power spreads to the east and south, creating a more multipolar world in which armed nonstate actors are playing a much larger role.

The second trend, the growing militarization of foreign policy, also represents continuity as much as departure. Trump exhibits a taste for generals and disdain for diplomats; his secretary of state has an even more curious penchant to dismember the institution from which he derives his power. But they are magnifying a wider and older pattern. The space for diplomacy was shrinking long before Trump's administration took an ax to the State Department. Throughout conflict zones, leaders increasingly appear prone to fight more than to talk - and to fight by violating international norms rather than respecting them.

This owes much to how the rhetoric of counterterrorism has come to dominate foreign policy in theory and in practice. It has given license to governments to first label their armed opponents as terrorists and then treat them as such. Over a decade of intensive Western military operations has contributed to a more permissive environment for the use of force. Many recent conflicts have involved valuable geopolitical real estate, escalating regional and major power rivalries, more outside involvement in conflicts, and the fragmentation and proliferation of armed groups. There is more to play for, more players in the game, and less overlap among their core interests. All of these developments present obstacles to negotiated settlements.

The third trend is the erosion of multilateralism. Whereas former President Obama sought (with mixed success) to manage and cushion America's relative decline by bolstering international agreements - such as trade deals, the Paris climate accord, and the Iran nuclear negotiations - President Trump recoils from all that. Where Obama opted for burden-sharing, Trump's instinct is for burden-shedding.
Even this dynamic, however, has deeper roots. On matters of international peace and security in particular, multilateralism has been manhandled for years. Animosity between Russia and Western powers has rendered the United Nations Security Council impotent on major conflicts since at least the 2011 Libya intervention; that animosity now infects debates on most crises on the council's agenda. Trump is not the only leader emphasizing bilateral arrangements and ad hoc alliances above multilateral diplomacy and intergovernmental institutions.

Then again, much of it is about Trump, inescapably.

Read Full.

Port Operators Can Expect "transformative" Year

Changes in economic and demographic trends globally, coupled with ownership changes as well as expansion and modernisation efforts, may lead to significant changes in the port industry worldwide, says law firm Ince & Co.

A confluence of all these factors will likely present business opportunities for port operators which are adjusting to new operating circumstances that will also affect the broader supply chain.

"Recent years have been marked by changing fortunes across the world's ports," said the law firm's head of global ports & maritime infrastructure practice Ton van den Bosch.

"From Africa to Asia, Europe to the Americas, no operator can avoid the changing commercial realities of port operations. There is every prospect that 2018 is set to be a transformative year for these terminals and their ongoing development, with real commercial opportunities to be had for those operators who can navigate these waters successfully."

He said China's Belt and Road initiative would be a key factor influencing global trade flows and port operations, particularly in Asia and Africa.

The globe-spanning infrastructure development projects had in 2017 already had a substantial impact on the shipping segment, especially on the east-west trade routes, with approximately $150bn in investments annually that include roads, railways, pipelines and other things.

Estimates showed that China has invested about $20bn in ports and terminals over the last 12 months.

An indication of the Belt and Road initiative's influence was in the area of port ownership, said Mr van den Bosch, with the merged entity of Cosco and China Shipping on track to take the crown of largest container terminal operator by capacity by 2020, compared with fourth and eighth place respectively in the worldwide rankings.

To avoid being left out of the so-called new world order, smaller port operators needed to secure adequate financing to go up against newer port infrastructure developed by bigger global operators, with the successful players having a sound long-term strategy in line with broader economic patterns.
"The most important thing to understand is that no one is immune from these developments, but also that they offer commercial opportunities for operators who can take advantage of them," said Mr van den Bosch.

"The rapid growth, expansion and modernisation of port facilities in emerging and frontier nations is a direct reflection of the opening up of new trade routes and the liberalisation of consumer markets."

Ince & Co has identified a shift in focus by players toward gateway operations over transhipment as trade flows in Asia and Africa change and open up new markets to be explored.
It noted that in countries such as the Congo and East Timor, port operators were setting up gateway facilities to enable them to access global trade flows.

Mr van den Bosch said: "This is a pattern that is repeating all over the world: Belt and Road investment improves local infrastructure and transport links, and operators move in to build. Put bluntly, cargo volumes needing to reach localised geographies in these frontier markets have few other choices. Port operators that can lead this trend and get into these markets early will be able to build themselves as a lasting and indispensable presence to these nations."

Despite the opportunities presented by these changes, the law firm warned that financing these infrastructure developments could present issues from a compliance, anti-bribery and corruption perspective, especially in emerging markets.

However, it expects 2018 to see a stepped-up pace of investment and increased scale in the global ports sector that will present more business opportunities in the supply chain.

Mr van den Bosch said: "2018 will also see continued [research and development] in the use of emerging technologies in the ports world, including automation and blockchain. Although we don't necessarily anticipate any of these breaking through as a true game-changer in the next 12 months, we do expect a clearer picture to emerge of the likely commercial applications and benefits of each of these technologies within port operations.

"As competition increases, the commercial reality is obvious; plan now for 2018 and beyond, or risk being left behind by more adaptive forward-thinking operators."

Source: Lloyd's Loading List.

The Valley International Trade Association | 818-379-7000
aamirkhanian@economicalliance.org | www.thevalley.net/global