NWX-US DEPT OF COMMERCE (US)

Moderator: Gregory Pewett

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1:00 pm CT

Coordinator: Welcome and thank you for standing by. At this time all participants are in a listen-only mode. During the question-and-answer session, please press star 1 and record your name as prompted.

Today's conference is being recorded. If you have any objections, you may disconnect at this time. I would now like to turn today's meeting over to Wendy Peebles. Thank you. You may begin.

Wendy Peebles: Thank you, Operator. Good afternoon everyone. My name is Wendy Peebles. I'm the lead outreach coordinator in the Census Bureau's Government Trade and Management Division. For today's Webinar we have Cody Dietrich, he's with the Department of Commerce US Commercial Services International Trade Administration, who will be discussing top markets for US export related to design and building products.

I'd like to start by thanking everyone for joining the Webinar today. We have an informative Webinar planned and I'd like to just go over a few items before we begin. This Webinar is being recorded and for confidentiality reasons we ask that during the question-and-answer period that you only provide your first name and do not disclose your company's name or any other sensitive information. We will have our question-and-answer period at the end of the presentation.

A few days following the Webinar, the transcript and the recording and presentation will be posted to the Census website. Lastly, we value your feedback so please complete the evaluation form that will be emailed to you following the Webinar. Again, your information - your feedback is very valuable to us and assists in planning future Webinars.

Now we're ready to begin with the subject matter for today. Cody, you may begin.

Cody Dietrich: Okay. Thank you, Wendy. Appreciate the introduction. Yes as was mentioned, I'm Cody from the US Commercial Service. And so I work at a US export assistance center where we help US companies connect to overseas business opportunities and our office has different industry sectors, and the one I particularly cover is in the design and build products of export assistance. And so that's the topic for today's Webinar.

And so looking at the first slide with today's agenda, first I want to talk about some of the trends we're seeing with exports and some of the growth markets that we are encouraging US companies to look for when they consider their export strategy and also looking at some of the challenges, because a lot of companies will begin their discussions at, you know, looking at how many opportunities there are in the United States and try to make a decision whether or not they want to venture into going into exporting.

So we'll address some of those challenges and also some of the barriers they face when beginning their export journey. And the latter part of the Webinar we'll start talking about some of the opportunities, beginning with the BUILD Act that is helping to find some investment opportunities overseas to help US companies enter in the foreign markets and then singling out some of the high growth markets of China, Canada and Mexico. And lastly, talking about the specific services that are offered by the US Commercial Service that help US companies find and then ultimately take advantage of our - of export opportunities.

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So with our trends we're seeing, according to (unintelligible) World Reports, that revenues in the global architecture services market increased through the entire 2011 to 2016 period while revenues in the global engineering services market increased during the 2011 to 2014 period. In the global architecture industry, revenues rose by 2.9% to $213 billion in 2016 following 3.4% average annual growth.

In the global engineering services industry, revenues dropped by .5% to $683 billion in 2016 in contrast to the 6% average annual growth from 2011 to 2015. So according to ENR, the top international the design revenue for 2016 we're at $64 billion.

American firms accounted for the largest share of international design revenue in 2016 at 30%. In recent years the United States has run a trade surplus in architecture and engineering services. In 2016 US cross-border exports of architecture and engineering services totaled $11 billion, while imports were valued at $7.2 billion, resulting in a trade surplus of $5.4 billion.

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All right, so looking at some of the market growth. Over the coming decade and beyond, construction is expected to be one of the most - the more dynamic sectors of the world economy. Construction output across the globe is expected to grow 85% by 2030, creating a $15.5 trillion market by that time. As developed economies recover from economic downturns and developing economies advance in their industrialization, the rate of the world's construction growth projected at 3.9% per year to 2030 outpaces that of projected global GDP growth by more than 1%.

More than half of the world's population today lives in urban areas and nearly all countries across the globe are experiencing increased urbanization. This global urbanization drives demand for both new buildings and reconstruction of existing buildings as cities work to create environments in which increasingly dense populations can thrive. It also drives an initiative to build greener, more sustainable buildings that conserve energy, water and other resources while supporting occupant safety, health and productivity.

The trend of increasing sustainable construction across the global market is influenced by government policies, consumer preferences and market forces. This growth trend spans both developed and developing markets and is not limited to any specific region of the world. It creates strong opportunities for US supplier of HVAC, lighting, plumbing products, wood products, insulation, windows and doors and glass. US manufacturers of all these products categories enjoy excellent reputation for their products diversity, quantity and quality and reliability abroad.

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All right, so looking at some of the challenges with tariffs. Leading in 2018 export markets for the building product sector included several countries with which the US has free trade agreements with and non-free trade agreement market tariffs remain a consistent barrier for all seven subsectors. Escalating tariffs mean that tariff rates that increase with technical sophistication of a product or the level of processing inherent in the product are characteristics of many markets in the sector, export landscape.

Non-tariff barriers. The US industry reports standards and confirmed the assessment issues, like certification, inspection, sampling, testing and accreditation as the most significant non-tariff barriers to trade for the building products sector. These types of barriers are burdensome for all exporters and their inherent cost impacts may create a disproportionate burden for subject matter experts.

Intellectual property as well with US exports have reported instances in some international markets of counterfeit brand labeling on building products, as well as false performance claims on product labels.

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And then looking at Africa. In Africa spending on infrastructure falls on $30 billion to $48 billion, short of estimates of the spending needed for sustained and inclusive economic growth. This spending shortfall is manifest in poor access to services. For example, about two-thirds of Africans lack access to electricity. A similar proportion lack access to improved sanitation. In Asia, services - service coverage is far from universal but there are no reliable estimates of the gap in financing for infrastructure for the region as a whole.

In India the estimated gap between investment needed to reach target for growth and access and identify financing sources is $26 billion a year. For example, a quarter of the population of South Asia lacks electricity. Nearly a billion people lack improved sanitation.

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So now we start looking at some of the opportunities where - how we're - how the US government is helping companies find opportunities. And so a principal one here is the BUILD Act of 2018, which replaces OPIC with a new entity with significantly increased resources and expanded capabilities, intended to promote private sector investment and US foreign policy interests in the developing world.

The BUILD Act overhauls the overseas private investment corporation, or OPIC, and combines OPIC with the Development Credit Authority and several other programs run by the United States Agency for International Development, or USAID, and they merged these into a newly formed successor entity as the United States International Development Finance Corporation.

Like OPIC, the IDFC will have the authority to provide project financing, loan guarantees and investment insurance, but unlike OPIC IDFC will also be permitted to make equity investments. The legislation provides IDFC with the authority to incur a maximum contingent liability of $60 billion, more than twice OPIC's authorized exposure limit of $29 billion.

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All right so if we're looking at opportunities in China, although the rate of China's economic growth is slowing, the country's economy and its construction market continue to grow. China is expected to maintain its position as the world's largest construction market for the near future and is expected to account for a significant share of all new global construction between now and 2020.

Increased urbanization also continues as China progresses in its new national new type urbanization plan, which envisions 60% of China's population living in cities by 2020. These urbanization trends drive the Chinese government's emphasis on increasing green building when - within its construction sector in support of its commitment to conserve resources and reduce greenhouse gas emissions.

Focusing on buildings is a key element of its national strategy. New commercial buildings, so office, hotels, retail, is a market segment where 55% of Chinese respondents expect to undertake green building, exceeding the global average of 46%. New high rise residential, so four floors or higher, is a segment in which 45% of the respondents indicated that they expect to undertake green projects, exceeding the global average of 25%.

Increased and international urbanization also has driven a focus on creating smart cities across China. Nationwide some 200 Chinese cities have been targeted for smart development, following the central government's designation of smart city technology as a sector to be strengthened under the 12th five-year plan.

The transition to serve driven economy also means that there is more opportunity in the entertainment area, and that is consumer and destinations. China's looking to invest $1 trillion in this sector. Currently there are 267 airports being built or designed, 257 green data centers, and over 500 smart city projects.

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And then continuing on with opportunities in China (sic), the construction sector here is valued at $92.3 billion, accounting for approximately 7% of Canada's GDP employing over 1.4 million Canadians. The sector purchases goods and services from every region of the country and every segment of the economy, making it a barometer of economic health. There are four general categories of construction for new homebuilding and renovation for single-family homes, heavy industrial or commercial and institutional, and civil engineering.

The 2017 budget detailed by the Canadian government's plan to invest $16.8 billion in green infrastructure. For green certification, Canada ranks second only to the United States in the number of leadership and energy and environmental design, or LEED-certified projects worldwide. More than 5% of these LEED projects, some of the most advanced, are taking place in Canada.

Ontario by far is the province with the greatest number of LEED projects. Demand for modern transportation systems is on the upswing in Canada, including new road and bridge systems. As outlined in the Canadian federal budgets starting in 2018, 2019, $15.5 billion will be provided for public transportation infrastructure construction and rehabilitation. Ontario alone has over 360 transportation projects in progress, ranging from rapid transit to regional systems.

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And now moving on to Mexico. So the incoming López Obrador administration will continue to focus on development projects that will in turn signal a demand for construction materials and services. The president-elect has announced a series of priority national development initiatives, of which roughly half involve transportation infrastructure development or other types of construction.

These range from housing and commercial building construction, such as September 27 earthquake reconstruction and urban development in marginalized communities, also some large infrastructure projects, such as the new International Airport of Mexico, developments of the isthmus - the Maya Train in the Yucatan Peninsula, rural roads and various sector-specific developments in oil and gas production.

Refinery development in and agricultural production are also on top priority. The total value of federal government construction projects during 2017 was estimated at $120 billion, of which 30% was allotted to Pemex, which is the government-owned oil company, 35% percent have gone to highway construction and another 22% to housing development and multipurpose buildings, and the remaining 13% was assigned to other infrastructure projects.

The Mexican states that received the most fundings were either (Guanento) at 9%, the state of Mexico at 8% and Nuevo Leon at 7.3%. Mexico's overall construction industry is expected to expand at a rate of 4.8% annually through 2018, just slightly higher than the growth rate from 2009 to 2014, driven by implementation of Mexico's national infrastructure plan and other policies.

So looking forward, expansion of the leisure and hospitality building categories expected as Mexico works to expand its tourism sector. Government-led affordable housing projects are also are expected to see continued expansion through this to the coming years. In terms of green building activity, the new commercial building segment is expected to see growth together with existing building retrofit.

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All right, so then, you know, after looking at some of those market opportunities, we've seen, you know, here in China, Canada or Mexico, we take that information and share that with US companies to help them export. So on your slide here now is a summary of the services offered by the US Commercial Service.

And when companies approach our office about assistance to find market opportunities abroad, the first thing we do with them is to fill out - work with them to fill out what's called a company questionnaire. This helps identify what the specific business plans of the company, identify what their interests are and also where they may need work as far as further developing their product or service or their business plan, again, to help us get a better of what the company is, how they're organized and what their interests are.

To help us with - help US companies find market opportunities overseas we look at some of their research products that are produced by the Department of Commerce, and these include things like the country commercial guide. So each country is going to have identified market opportunities for US companies and so in the prior part of this presentation I talked about some of the market opportunities again for Canada, China and Mexico.

We also have top market reports with the different industry sectors, so aerospace or, as what was discussed on today's presentation, a lot of the design and construction opportunities. We break those down by industry sectors, so different industry companies have an idea of where their market opportunities exist.

Then, working through our commercial sections at the US embassies or the consulates abroad, we can do what's called an initial market check or locally-engaged staff look at the product or service being sold and make a determination whether or not the US product on offer, you know, is going to be priced right or have a competitive advantage to succeed in that market.

If that proves to be fruitful opportunities, then we offer something called a gold key service, where our, again, our locally-engaged staff can help US companies arrange business meeting for when they do trips overseas to the target market. In advance of those arrivals, the locally-engaged staff set up meetings so that when companies arrive they have one-on-one business meetings with either the private sector or government officials, whoever is most appropriate to help them find distributors in the country.

Separately, we have another service that's called a single company promotion. This is where if a US company has identified a target market but want to help - want the US embassy's help with launching that product through a promotional event, the locally-engaged staff will help organize an event and invite local business leaders or government official to that even to be part of the audience to hear the company's promotion or description of the services they plan to offer in the country and really bring key stakeholders into that meeting to engage all participants in one event.

Again, separately from those, we do things - other services called an international company profile. This is to assist a US company that's looking to acquire a foreign business or partner with a foreign business. The locally-engaged staff will be able to reach out to those companies, have face-to-face interviews and help the US company back home make a determination on the quality and trustworthiness of this company in advance of partnering or acquiring a foreign firm.

At the Department of Commerce headquarters and out in the US export assistance centers we organize various trade events, and so these can be trade missions that connect a multitude of US companies on overseas buying opportunities or they can be trade fairs where there's a large event going on in a foreign country and, again, the US embassy will help connect US participants to those attending foreign delegations.

Additionally there's what we call commercial diplomacy. This is where if a US company is engaging to win a foreign government procurement, the US embassy or coordinated out of the Department of Commerce can have a coordinated strategy to help advocate on behalf of a US company and advocate to a foreign government for - to encourage them to select US-made products over competitors that are bidding on the same government procurement project.

Okay? So that concludes the general portion of my presentation, again, looking at some of the trends we're seeing in export opportunities in the design and construction sector and also some of the key markets we're encouraging US companies to consider when they're thinking about selling their products or services overseas, and finally some of the services that are offered by the US Commercial Service to help companies analyze foreign markets, connect with foreign buyers and attend trade events around the world that will help put US companies in front of potential buyers.

So then at this time if there's any questions I'm - I'll stand by and happy to answer any questions that are raised from the participants.

Wendy Peebles: While we're waiting I would just like to add for all of the participants on the line if you have questions or inquiries for information related to exporting that the Census Bureau can assist you with, please feel free to go to our website at www.census.gov/foreign-trade, and we also have a call center at 800-549-0595 and select the appropriate option that best meets your business needs.

So again I want to thank you for joining in on today's Webinar. Operator, again I ask are there any questions?

Coordinator: Thank you. I'm currently showing no questions or comments at this time. Again as a reminder, that is star 1. Make sure your phone is unmuted and record your first name only. To withdraw that request, you may press star 2. Once again for questions or comments from the phones, please press star 1 at this time. One moment and we'll stand by for any questions or comments.

And I'm currently showing no questions or comments from the phones at this time.

Wendy Peebles: Okay. Great. Thank you, operator. And once again I'd like to thank all of our participants, thank our presenter today, Cody Dietrich from International Trade Administration. You provided - you've been provided with a lot of valuable information on marketing opportunities in China, Mexico and Canada a summary of US competitiveness and the export assistance program offered by the government for helping exporters accelerate business opportunities abroad.

So we value you as a customer and thank you again for your participation today and please, please complete the evaluation and let us know of any additional Webinar content that we can provide for you. Thank you and have a great day.

Coordinator: That concludes today's conference call. Thank you for your participation. You may disconnect at this time.

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