MAY 2016

A GOLDEN OPPORTUNITY WITH CHINA

How California can become an even bigger destination for Chinese foreign investment

Research contributions by Jakob Wilhelmus and Matt Horton
Policy recommendations by Kevin Klowden

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CHINA’S LONG-TERM PLAN IS TO MOVE AWAY FROM ITS STATUS AS THE WORLD’S MANUFACTURER TO BE A GLOBAL PLAYER ON ALL LEVELS.

INTRODUCTION

Since embarking on its era of economic growth and expansion in 1979, China has played an increasingly large role in the global economy. In addition to becoming the world's largest manufacturer and world's leading exporter in 2010, it now ranks as the world's second-largest economy. California—itself the world's eighth-largest economy and the principal trade gateway between the United States and China—has been a key beneficiary of this growth. Not only is China a major market for exports and imports for the state, but it has grown into one of the leading international investors in California.

This relationship between China and California has become increasingly complex, particularly since China's entry into the World Trade Organization in 2001. China's accelerating export engine has had a significant impact on California, with the state capturing the largest flow of Chinese exports into the U.S. The state has also seen a dramatic increase in its exports to China, as trade relations between the two have strengthened. In fact, between 2007 and 2014, California established itself as the single largest exporter to China, with more than $104 billion in exports, or 13.8 percent of the U.S. total.[1] In terms of imports, California was even more successful, capturing an impressive 17.2 percent of Chinese imports by 2014.

Balance of Payments

To better understand the recent shift in China's stance on capital flows, it helps to look at the concept of balance of payments (BoP). BoP is a record of the economic transactions of a country with the rest of the world. It consists of current account, capital account, and financial account, which is the net acquisition of financial assets and liabilities. Many studies of capital flows focus on foreign direct investment (FDI), because it is a source of capital that can provide economic growth.

The flow of goods is generally left to market forces, as free trade is seen overall as positive for economic growth. However, the same cannot be said of capital flows, whose movement can be detrimental to developing countries. When a country's exports exceed its imports, the country has a current account surplus and is holding monetary claims against the rest of the world. This leads to capital inflows, thereby increasing the supply of foreign currency, putting upward pressure on the local currency. China, like many other developing countries, has decided not to let its currency float, meaning it does not allow for an exchange rate based merely on supply and demand. To counter the upward pressure created by the large current account surplus, the People's Bank of China fills the gap by purchasing the excess foreign currency supply. This, in turn, has led to the immense increase in China's foreign reserves.

1. http://tse.export.gov

But the most dynamic part of the relationship between the two has been the rise of Chinese foreign direct investment (FDI) in California. As China has found itself with vast foreign exchange reserves created by its large, export-driven economy and its tight currency controls, its companies have increasingly looked for opportunities to make strategic investments abroad. California has benefited in a major way, seeing Chinese FDI in the state rise from less than $100 million in 2005 to more than $9 billion in 2015.

Chinese demand for California goods—from agricultural products to computing equipment—has risen amid a growing perception that California provides excellent opportunities for return on investment. Recent high-profile Chinese investments such as Tencent's acquisition of Riot Games, BYD's bus factory, and Greenland USA's new complex in downtown Los Angeles complement China's growing profile in the technology sector.

Chinese investment has also occurred in the form of tourism and migration. With China's increasingly affluent population having more opportunities to travel abroad, the nation in 2010 surpassed the United States in number of international tourists, and the growth continues. International airports in California have benefited dramatically from the influx of Chinese tourists, 1.1 million of whom visited the state in 2015, spending an average of $6,000 per person.[2]

The EB-5 Immigrant Investor program has also benefited California, with the state receiving more than a quarter of the new residents in the maxed-out program in 2015. More than 80 percent of the program applicants have been Chinese, and the related investments have helped finance numerous real estate projects in California, including the JW Marriott hotel at L.A. Live.[3]

California and China stand to benefit mutually from their strengthening ties. The key will be to effectively leverage the opportunities California provides, in areas such as innovation and real estate, with China's desire to find productive returns on its investments and to strengthen its global presence.

2. http://industry.visitcalifornia.com/find-research/california-statistics-trends/

3. http://www.latimes.com/local/la-me-0830-chinese-visas-20140830-story.html

BACKGROUND

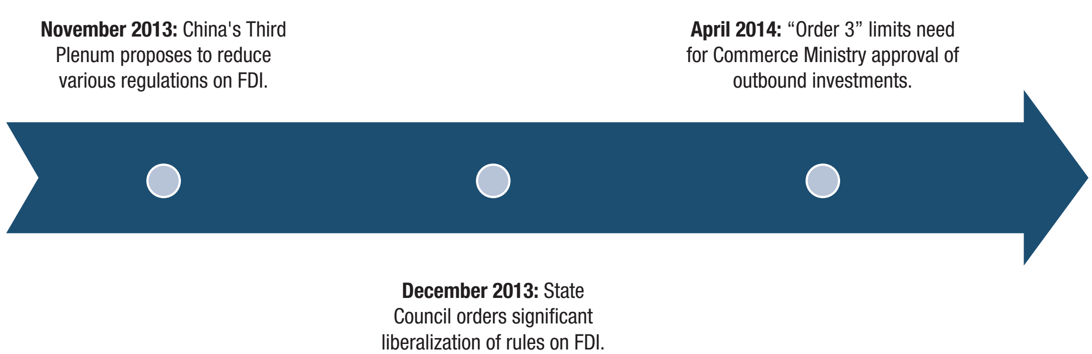
Over the past three decades, China has undergone one of the most impressive economic transformations in history, becoming the world's largest exporter and second-largest economy. Now China's long-term plan is to move away from its status as the world's manufacturer to be a global player on all levels.

The country's amazing evolution—beginning as a developing country with a competitive advantage in producing cheap goods—is seen by many as a key indicator of global development. Its transformation was driven by the nation's steady growth in export volume combined with a currency kept weak to further bolster competitiveness. This artificially low exchange rate was largely maintained by consistent purchases of foreign exchange supply by the People's Bank of China. (See box, Page 1.) This strategy, while supportive of the country's trade policy, has led to immense foreign reserve holdings,[4] mainly in dollar-denominated securities. As the Chinese government now pursues its plan of internationalization, it needs to diversify these assets and substantially readjust the current system.

As a result, the government has gradually altered its position on outbound investments, from strict regulation to significant liberalization of the flows. Since 2014, Chinese Ministry of Commerce approval of outbound investments has been required only if the investment exceeds $1 billion, unless a sensitive region or sector is involved.

FIGURE 1

Deregulation of outbound investments



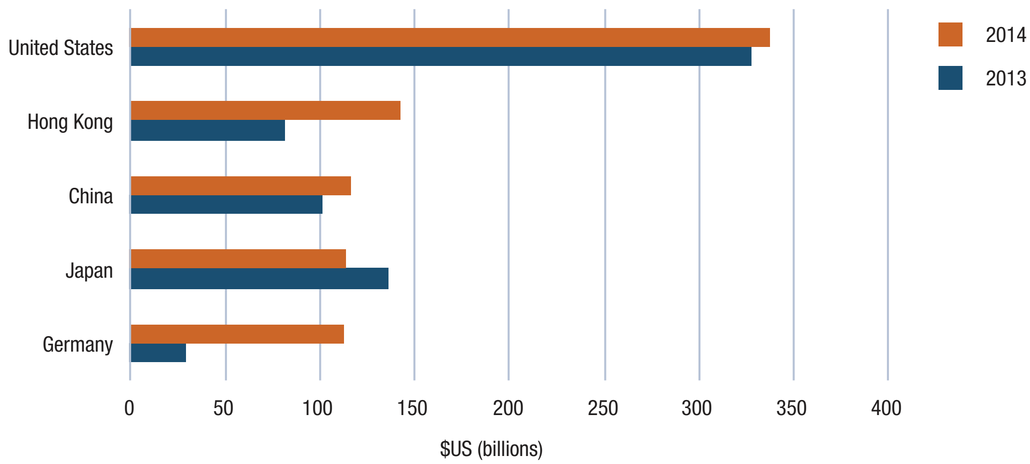
Source: Chinese government

4. China has the world's largest foreign reserve holdings.

While no one should expect to see an explosion of capital outflows from China,[5] this regulatory change does indicate the country's intention to boost the growth of outbound FDI. Between 2011 and 2014, for example, China's outbound investments almost doubled, from $68 billion to $116 billion (United Nations Conference on Trade and Development, 2011 and 2015).

FIGURE 2

FDI outflow (Top 5)



Source: UNCTAD World Investment Report 2015

The causes of this evolution are manifold, from newly domestic consumption patterns to consistent company growth to officials' support of outbound investment. But even more interesting are the structural changes of these investments. For some time, both the Chinese government and Chinese companies have invested heavily in developing regions such as Latin America and Africa to satisfy China's growing demand for raw materials. However, developments at home have slowly shifted the focus toward real estate, technology, and agriculture in Europe and the United States.

5. Various instruments still limit or restrict flows.

UNDER THE HOOD: CHANGES IN CHINESE INVESTING

Economic development is driven largely by two groups: corporations and households.[6] To understand the economic flow of funds in aggregate and their dynamics in particular, it is important to observe any changes in the strategies and preferences of these groups, as they can provide indications of future development.

CORPORATIONS

Chinese companies have been at the forefront of the country's economic development through trade, and they are a major player in its global expansion through foreign investment. In the past several decades, China's companies have become ever bigger and more multinational. In 2015, for the first time ever, the top four spots on Forbes' list of the biggest public companies were occupied by Chinese banks. Out of 2,000 companies on the list, 232 were Chinese, a total surpassed only by the U.S.[7] More and more Chinese companies are not only looking at the domestic market, but are focusing on securing new markets and extending their global reach through FDI.

TABLE 1

World's 10 biggest public companies, 2015

RANK	COMPANY	COUNTRY	SALES	PROFITS	ASSETS	MARKET VALUE
1	ICBC	China	$166.8 B	$44.8 B	$3322 B	$278.3 B
2	China Construction Bank	China	$130.5 B	$37 B	$2698.9 B	$212.9 B
3	Agricultural Bank of China	China	$129.2 B	$29.1 B	$2574.8 B	$189.9 B
4	Bank of China	China	$120.3 B	$27.5 B	$2458.3 B	$199.1 B
5	Berkshire Hathaway	U.S.	$194.7 B	$19.9 B	$534.6 B	$354.8 B
6	JPMorgan Chase	U.S.	$97.8 B	$21.2 B	$2593.6 B	$225.5 B
7	ExxonMobil	U.S.	$376.2 B	$32.5 B	$349.5 B	$357.1 B
8	PetroChina	China	$333.4 B	$17.4 B	$387.7 B	$334.6 B
9	General Electric	U.S.	$148.5 B	$15.2 B	$648.3 B	$253.5 B
10	Wells Fargo	U.S.	$90.4 B	$23.1 B	$1701.4 B	$278.3 B

Source: Forbes magazine, "The World's Biggest Public Companies"

6. Government and financial intermediaries are the other two key players of an economy, but for this report we will focus on corporations and households.
7. The list, while not a precise measure of a country's corporate sector, serves as a preliminary indicator.

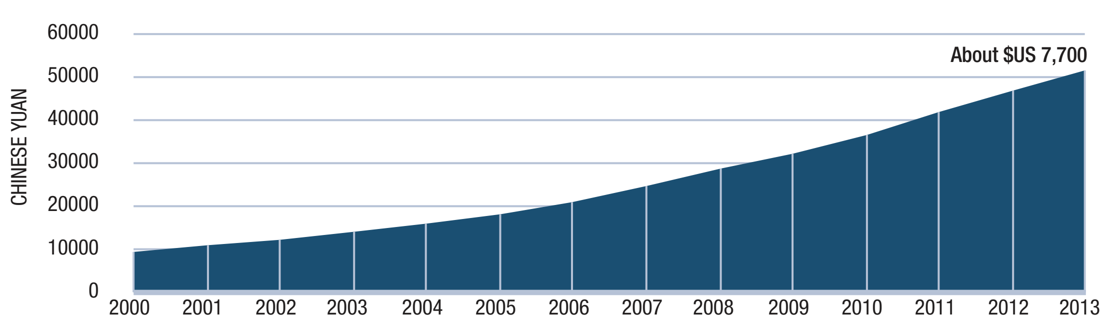
This development will be accelerated by the Asian Infrastructure Investment Bank (AIIB) and the political goal of furthering involvement and interconnectedness through programs such as “One Belt, One Road.” That initiative, announced by President Xi Jinping as part of the Third Plenum, will increase the role and influence of Chinese businesses across most of Asia and Europe. As part of the program, the newly founded AIIB set aside $40 billion in October 2014 for the support of infrastructure projects in the Asia-Pacific region, and in April 2015 the first payment of $1.65 billion was made to the Karot hydropower project in Pakistan (Chinese State Council, 2015; New York Times, 2015).

HOUSEHOLDS

Accompanying the growth of China’s companies has been the growth of its middle class. For years, China’s vast population was seen largely as a source of cheap labor, with little consideration of its underlying potential. But the portion of the population that can be considered middle-class[8] has moved in tandem with the overall growth of the national economy, leading to a huge potential market and a drastic change in consumption patterns. There are estimates on the size of China’s middle class—109 million, according to Credit Suisse—but precise quantification of the consumer consumption structure has proved challenging. There is no consensus on the proper methodology to evaluate the overall change in the consumer market; nevertheless, a look at the explosion of tourist departures and the skyrocketing of agricultural imports such as meat support the notion of a wealthier Chinese consumer with greater demands.[9]

FIGURE 3

Average annual income in urban China

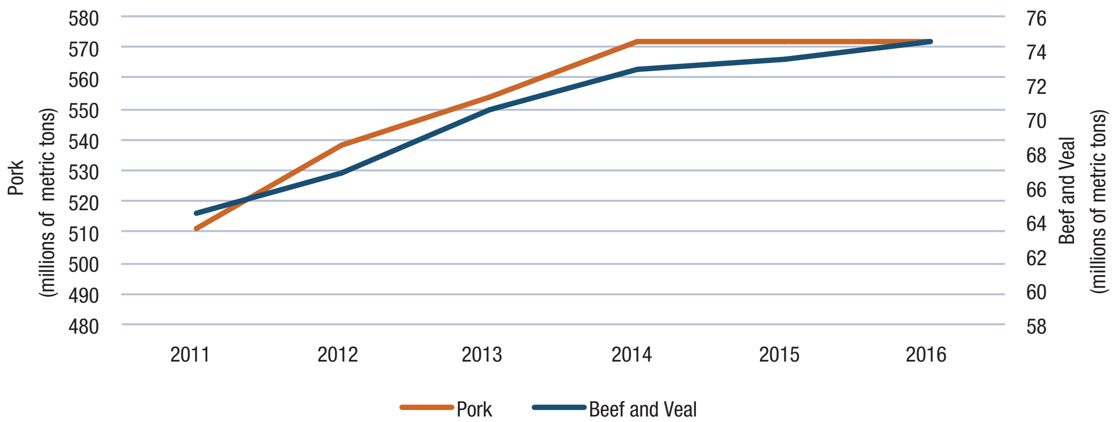


Source: National Bureau of Statistics of China

8. According to the Credit Suisse Global Wealth Databook, China’s middle class is now the largest worldwide.
9. Goldman Sachs, http://www.goldmansachs.com/our-thinking/macroeconomic-insights/growth-of-china/chinese-consumer/index.html?cid=PS_01_50_07_00_01_15_01

FIGURE 4

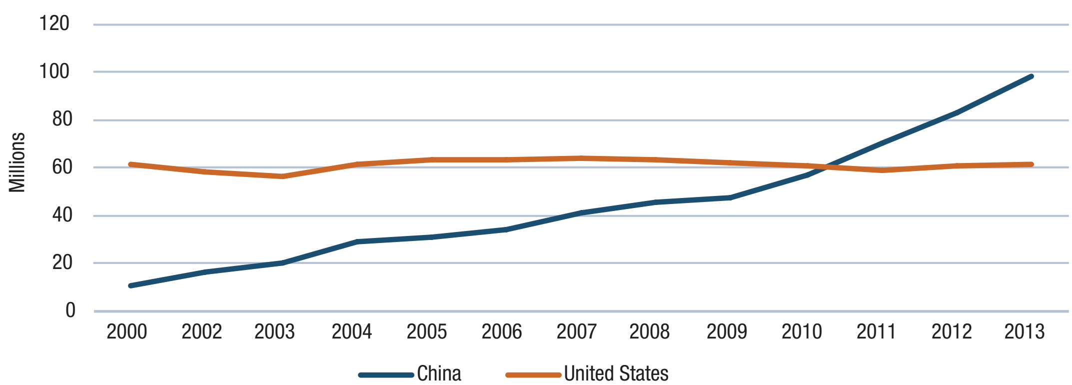
Meat consumption in China



Source: National Bureau of Statistics of China

FIGURE 5

Tourist departures



Source: World Bank

Despite these economic trends, there remains a huge discrepancy between China's urban and rural areas in terms of average wages and other socioeconomic factors. Therefore, while the new middle class is something to watch, it might be viewed more relevantly today in the context of the investments Chinese companies are making abroad. For example, Shuanghui International in 2013 acquired U.S. company Smithfield Foods, the world's biggest pork producer, in an effort to satisfy exploding domestic demand as well as secure technology to help increase productivity at home.

MORE AND MORE CHINESE COMPANIES ARE NOT ONLY LOOKING AT THE DOMESTIC MARKET, BUT ARE FOCUSING ON SECURING NEW MARKETS AND EXTENDING THEIR GLOBAL REACH THROUGH FDI.

CALIFORNIA'S ROLE IN CHINESE FDI

The U.S. is still an attractive destination for FDI, and the normalization of its monetary policy will only enhance that attraction.

California, especially for investors from Asia, is considered the "Golden Gate" to the U.S. market. As the biggest state economy, it offers vast opportunities for Chinese investment and, with its major agricultural sector, is a natural trading partner in terms of China's import needs.

AGRICULTURE

China's demand for agricultural imports is growing rapidly, leading officials to alter their strategic approach to trade. Historically, China was able to maintain, and also propagate, self-sufficiency in key agricultural sectors. However, amid the nation's economic growth, urbanization, and expanding middle class, the mind-set has shifted away from self-sufficiency and toward imports. This change is bolstered by China's relative lack of usable land to accommodate the population's increased consumption of meat, dairy, and processed foods.

TABLE 2

California's agricultural exports to China

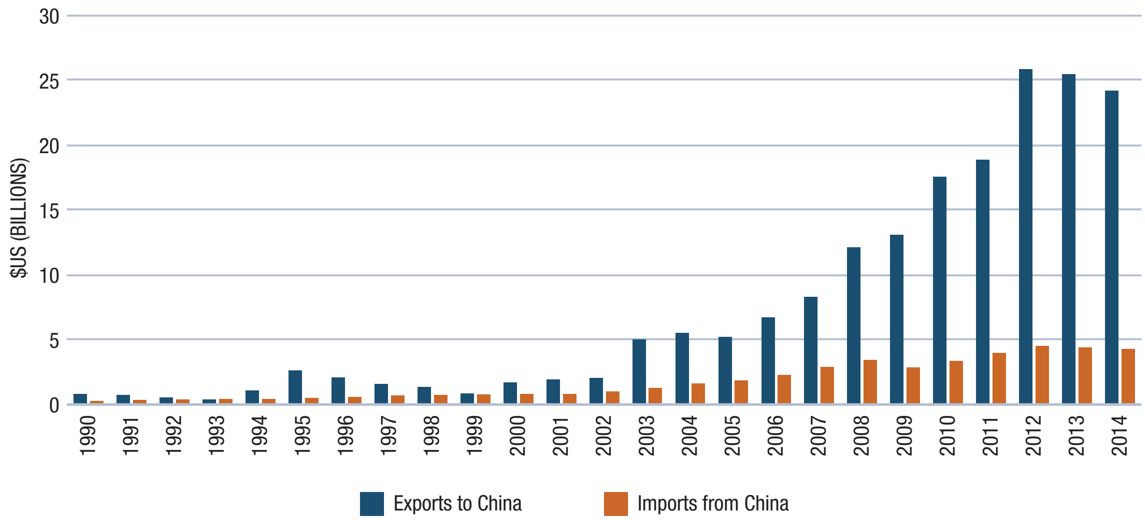
YEAR	EXPORT VALUE ($US MILLIONS)	GROWTH RATE
2015	871	-11.5%
2014	985	-28.2%
2013	1,373	8.0%
2012	1,271	43.6%
2011	885	39.3%
2010	635	19.5%
2009	531	28.9%

Source: International Trade Administration, U.S. Department of Commerce

As a result, China is emerging as a major player in the global agricultural trade markets. In California, meanwhile, agriculture remains a key driver of state exports, which have seen impressive growth over the past decade. While Canada and Mexico are still the state's main trading partners, China has become its biggest partner overseas and its third-biggest overall.

FIGURE 6

U.S. agricultural trade with China



Source: U.S. Department of Agriculture, Foreign Agricultural Service

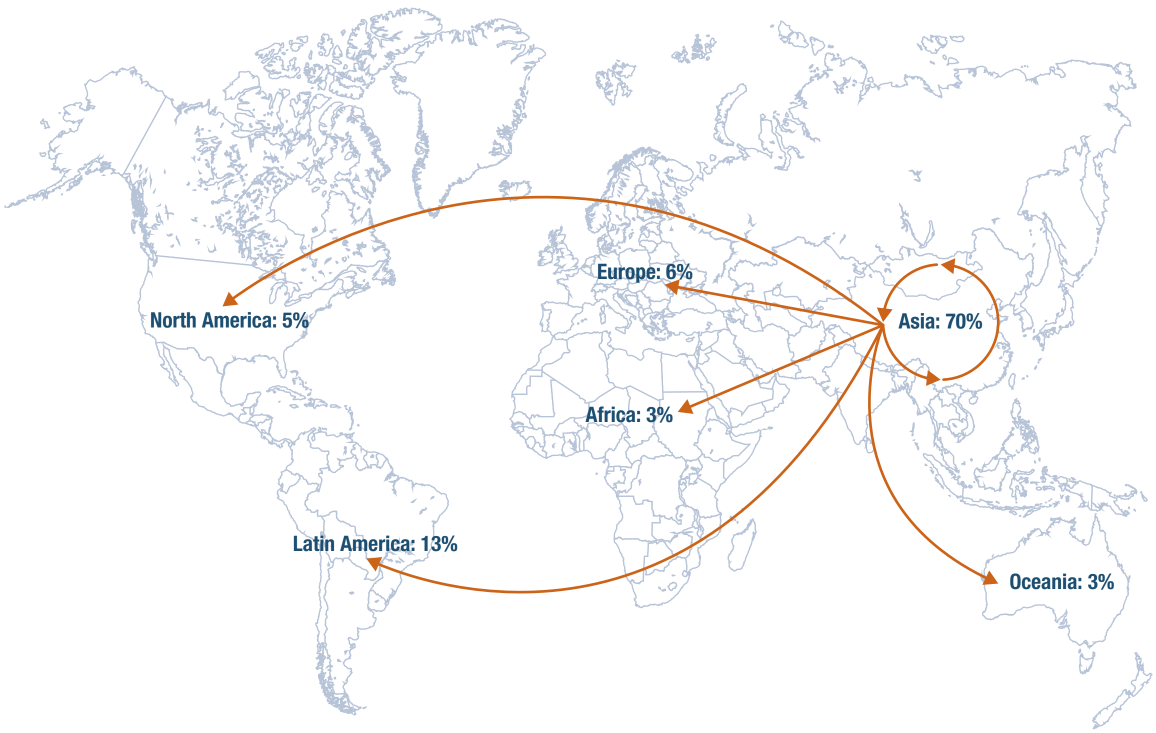
China's agricultural sector is in dire need of modernization—a situation that carries tremendous potential given the changes in domestic consumption. The acquisition of Smithfield Foods serves as a prime example of how both sides can benefit in such technology-driven acquisitions. The deal sparked great concern over the relocation of production out of the U.S. (U.S. Senate Committee on Agriculture, Nutrition, and Forestry, 2013), with little attention paid to the major factors involved from an investor's point of view: technology and farmland. More than two years later, it's evident that the investment allowed Smithfield to maximize shareholder value while maintaining all domestic jobs and that Shuanghui International was able to acquire the necessary additional pork supply as well as improve its domestic production through technology transfer.

CAPITAL INVESTMENT

China has been the favored destination for FDI in recent decades, with all eyes focused on its economic growth and the resulting investment opportunities. China has surpassed the United States as the leader in capital inflows, with $129 billion in 2014. And while capital flight from China still gets most of the spotlight when it comes to outbound flows, the real story of late has been the growth of FDI from China. Total outbound investment has consistently posted double-digit growth, reaching $116 billion in 2014.

FIGURE 7

FDI flows from China



Source: Ministry of Commerce of the People's Republic of China, 2013

As mentioned previously, this is a natural trend of market forces, as Chinese companies use direct investments for international expansion, rather than manufacturing and services. And while the portion of Chinese FDI destined for the U.S. may be marginal, it would be premature to think the trend won't continue. Amid this, California finds itself in a privileged position. Thanks to its favorable relations with China, the state receives more than 20 percent of all Chinese FDI in the U.S.[10]

Yet California's position as the Golden Gate to the American market should not be taken for granted, as competition for Chinese capital is growing fiercer not only in the U.S. but throughout the developed world. It is therefore paramount that California policymakers use the state's head start wisely to promote and manage the opportunity for maximum benefit. California, like the U.S. overall, is dependent on foreign capital inflows to finance its investment projects. The China trend is therefore an opportunity for fresh capital that can help the state further develop its economy and welfare.

10. Source: Rhodium Group

WHILE CANADA AND MEXICO ARE STILL THE STATE'S MAIN TRADING PARTNERS, CHINA HAS BECOME ITS BIGGEST PARTNER OVERSEAS AND ITS THIRD-BIGGEST OVERALL.

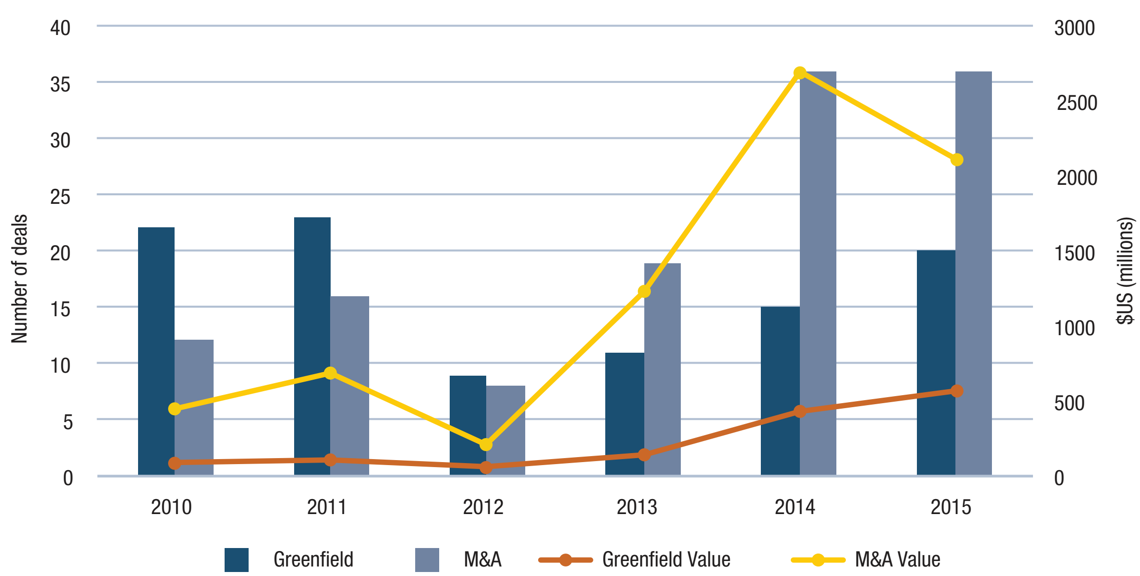
GAUGING THE BENEFITS

Chinese investment in the U.S. has long been accompanied by the fear that jobs and knowledge will be drained away. However, it's important to note the underlying changes in China's companies as they move beyond cheap manufacturing, with new incentives that include tapping U.S. technology and management expertise and reaching the U.S. customer. Chinese capital investments in the U.S. generally provide employment with average wages and benefits above those of most other foreign firms in the U.S. Research shows that as of 2014, Chinese-affiliated firms in the U.S. were employing more than 80,000 people and paying, on average, $85,000 in wages and benefits, far more than most other foreign firms (Moran and Oldenski, 2013).

Accurate accounting and bookkeeping of foreign direct investment is a herculean task, making it difficult to assess the exact amount of capital flowing between China and California. However, some data are available that give insight into the pattern and trends of FDI in the state. Most of the investments made are acquisitions—worth a total of $1.5 billion in 2015—while a smaller but still sizable number are so-called greenfield investments—investments that involve construction of new facilities—which are creating a multitude of long-term jobs.

FIGURE 8

Greenfield and M&A investments in California (2010-2015)



Source: Rhodium Group

Chinese firms' large investments in real estate are well-known, making it no surprise that most of the FDI from China to California has been in the real estate and hospitality sector—a total of $3.2 billion over the past five years. While the flows into residential and commercial properties from foreign sources are a concern, especially for California's biggest cities since they affect already-high asset prices and general affordability, this report focuses on the significant flows into the technology and clean-energy sectors.

The automotive sector reflects the trend of Chinese investment into the higher-end segments of the U.S. market. The sector's appeal is natural for a country that produces more cars than any other and that, amid environmental concerns, is pushing for renewable-energy vehicles. In California, the trend played out in Wanxiang Group's 2011 acquisition of bankrupt Fisker Automotive, which led to the revival of Fisker's hybrid Karma model, with a new factory being built in Moreno Valley. This is far from a unique case: Various companies with ties to Chinese investors are planning major investments in their production structures in the state to expand and to develop the electric car of the future.

Yet even while the trend showcases the FDI opportunities available to California, it also highlights the need for active involvement by the state. Electric car company Faraday Future, which hopes to challenge Tesla, considered California, Georgia, Louisiana, and Nevada for a new factory site. The bid was ultimately secured by Nevada, which approved a $335 million deal in incentives in December. The factory is expected to create 13,000 jobs and generate approximately $760 million in tax revenues over the coming 20 years (New York Times, Associated Press, and KPIC, 2015).

PRIMED FOR OPPORTUNITY

California supports a vast air and sea cargo operation. Four of the top 16 U.S. cargo airports[11] are in the state, along with five major seaports, and together they serve as the primary trade gateway for the entire country.[12] The seaports of Los Angeles and Long Beach alone make up the largest port complex in the U.S. and the eighth-largest in the world. In 2010, the value of trade moving through the two ports exceeded $336 billion and supported more than 3 million jobs nationwide.[13] The value of their shipments exceeds the GDP of a number of countries, including Bolivia, Denmark, Ecuador, Finland, Hungary, Ireland, Israel, New Zealand, and Portugal.[14] The exporting of goods from the Golden State supported more than 775,000 jobs in 2014.[15]

Currently, foreign direct investment supports over 590,000 jobs statewide and $17 billion in wages to Los Angeles County alone.[16] California can expect growth in both the size and number of deals—such as the $6 billion purchase of Ingram Micro[17]—with China as FDI increasingly focuses on the high-end technology sector. In total, California is on track to attract an additional $10 billion to $60 billion in FDI from Chinese firms by 2020.[18] Nevertheless, California leaders must look to expand the state's growing trade footprint with China.

California is the small-business-creation capital of the U.S., and it has seen exports to China increase more than 10 percent from 2000 to 2013,[19] peaking at just under $16.3 billion before slipping to $14.4 billion in 2015. Growth has stalled not only because of factors related to the Great Recession, but also because of reduced exports of waste and scrap products and of agricultural products. The former declined from $2.28 billion in 2013 to $1.66 billion in 2015, and the latter dropped from a high of $1.22 billion in 2013 to $751 million in 2015.[20] The decline in agricultural exports can also be directly tied to California's drought; Chinese investment in U.S. agriculture has targeted East Coast locations with more stable water supplies. The one area that has shown continued growth is fortunately the state's largest export to China: computer and electronic products. Although the sector saw a slight decline in 2014, it largely recovered in 2015, to $4.89 billion.

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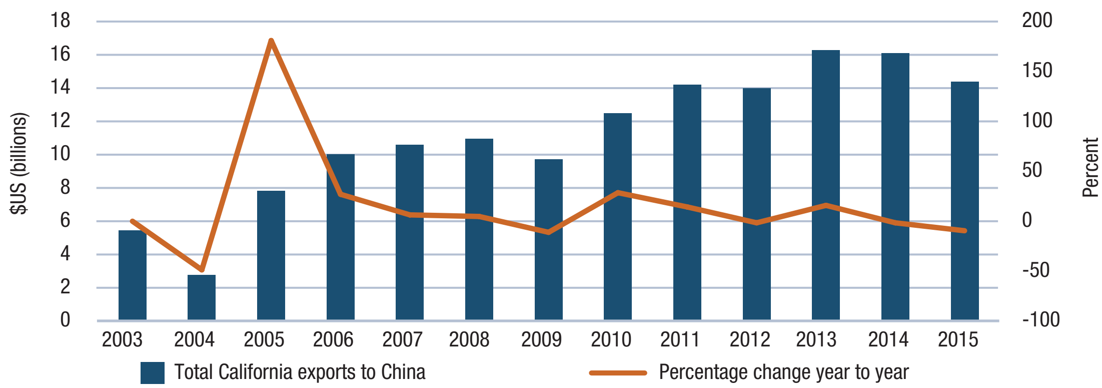
11. California Department of Transportation, Air Cargo Mode Choice and Demand Study: http://www.dot.ca.gov/hq/tpp/offices/ogm/key_reports_files/Air_Cargo_Mode_Choice_&_Demand_Study_080210.pdf
12. United States Department of Transportation: http://gis.rita.dot.gov/StateFacts/StateFacts aspx?StateName=California
13. Southern California Association of Governments, Freight Works report: http://www.freightworks.org/DocumentLibrary/CRGMPIS_Summary_Report_Final.pdf
14. Ibid.
15. U.S. Department of Commerce: http://www.trade.gov/mas/ian/statereports/states/ca.pdf
16. Organization for International Investment: http://www.ofii.org/print/3936
17. Financial Times: http://www.ft.com/fastft/2016/02/17/chinese-conglomerate-to-buy-ingram-micro-for-6bn/
18. Los Angeles County Economic Development Corp., "Growing Together: China and Los Angeles County": http://laedc.org/wp-content/uploads/2014/05/2014-Growing-Together-China-and-LA-County.pdf
19. Governor's Office of Business and Economic Development, California-China Office of Trade and Investment 2014 Annual Report: http://www.business.ca.gov/Portals/0/InternationalBiz/Docs/2014%20China%20Trade%20Office%20Report%20FINAL.pdf
20. International Trade Administration, U.S. Department of Commerce: http://tse.export.gov

FIGURE 9

California export growth to China

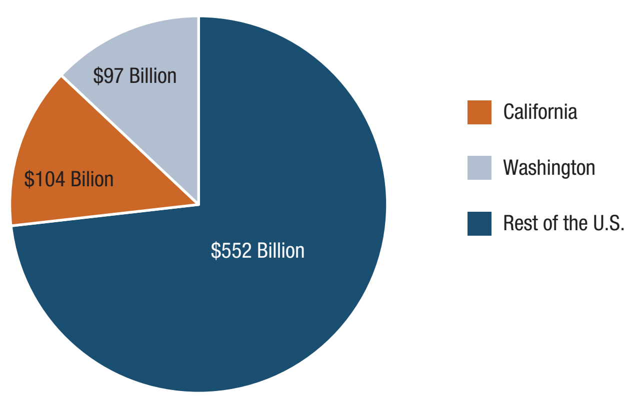


Source: International Trade Administration, U.S. Department of Commerce

Although the ability of California's exporters to meet the world's growing agricultural demands will be affected by the drought, the current distribution of Chinese FDI and consumer demands in the U.S. point to a wide foreign investment strategy surrounding the perceived growth of California industries and future flow of goods. California remains a highly diversified destination for Chinese FDI, attracting investment in multiple sectors, and Chinese foreign nationals account for 5 percent of the state's foreign-born population (1.25 million residents, or the largest concentration of Chinese nationals outside of China).[21] California's export position remains strong despite the loss of most of the state's aircraft industry to Washington and increased investment in more water-reliable U.S. regions such as Virginia.[22]

FIGURE 10

Value of U.S. exports to China (2007-2014)



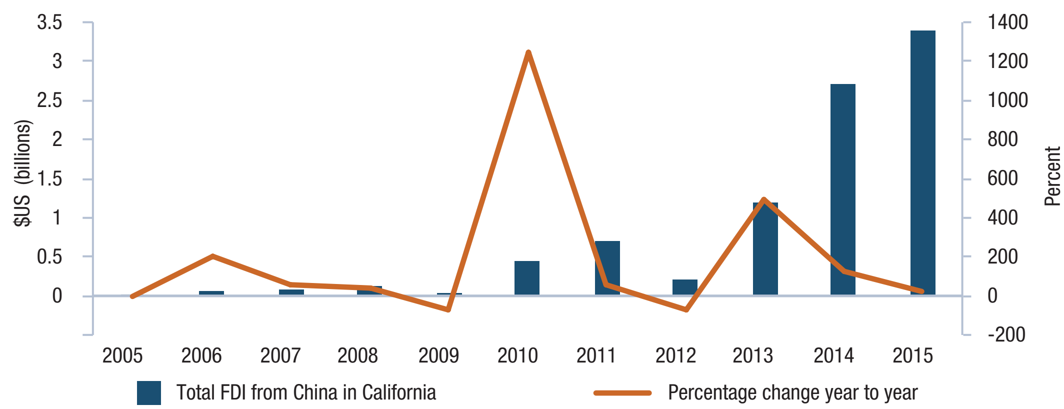
Source: International Trade Administration, U.S. Department of Commerce

21. Ibid. and California Department of Finance: http://www.dof.ca.gov/research/demographic/reports_papers/documents/2011ACS_1year_Rpt_CA.pdf
22. Rhodium Group: http://rhg.com/interactive/china-investment-monitor

Moreover, California remains the primary U.S. destination for Chinese foreign direct investment. The state's EB-5 investor program has been an effective platform for promoting FDI investment and job growth in areas such as energy, green tech, entertainment, financial services, real estate, and automotive, all traditional components of the California economic landscape.

FIGURE 11

Chinese FDI in California

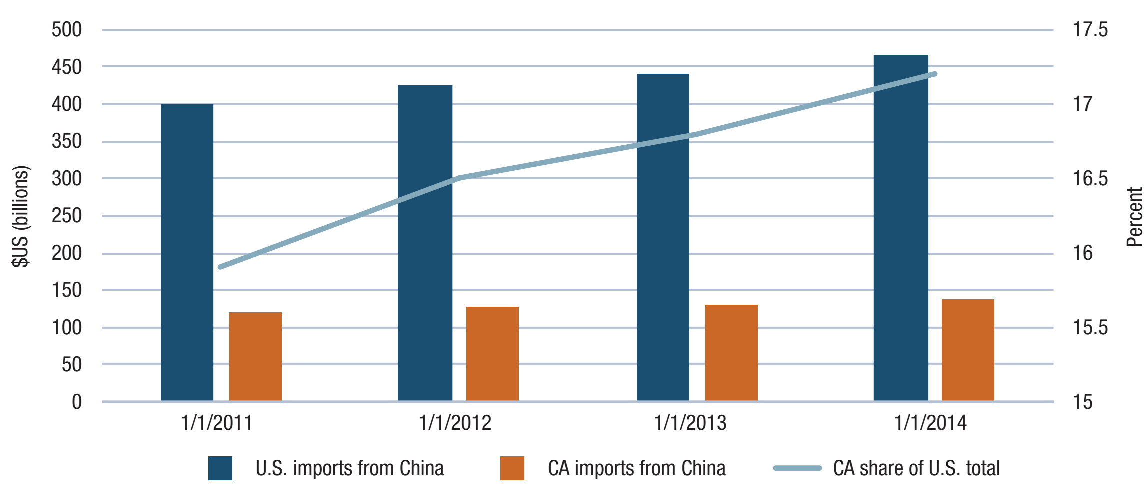


Source: Rhodium Group

Today China ranks third as a destination for both U.S. and California exports (behind NAFTA members Mexico and Canada). California's share of U.S. import trade with China is at high and growing levels compared with other states.

FIGURE 12

Recent share of California vs. total U.S. imports from China



Source: U.S. Census Bureau

But the continued viability of such state and national trade rests on the integrity of California's infrastructure, which is experiencing a $57 billion, ten-year funding gap for system preservation needs.[23] As the primary destination for U.S. inbound freight, California sees significant strain placed on its infrastructure maintenance resources, which in turn affects total U.S. trading commerce. Small upsets or delays in the flow of goods can have larger world economic consequences.

Whether it means promoting state industry sectors, small businesses, infrastructure, or foreign investment, policy leaders should look toward supporting areas that enhance trading relationships and secure the future flow of goods.

23. California Five-Year Infrastructure Plan, 2016: http://www.ebudget.ca.gov/2016-Infrastructure-Plan.pdf

CONCLUSION

For California to continue to build on its relationship with China, it is essential that governments at the federal, state, and local levels provide continued opportunities for both California exports to China and Chinese foreign direct investments in the U.S. As Chinese investors, entrepreneurs, traders, and manufacturers all look to California for economic opportunity, it is worth noting that they are following a path laid by the British, Dutch, Canadians, Japanese, Koreans, Mexicans, and many others. As China continues to look for overseas opportunities, it should find them facilitated in the following areas:

- **Real estate:** Chinese investments in this sector, already the single largest source of opportunity, have helped satisfy demand for office developments, hotels, and multifamily housing even as domestic investment has stalled. Encouraging the continuation and expansion of the EB-5 Immigrant Investor program in a well-structured, meaningful fashion will continue to have significant benefits for California.
- **Infrastructure:** California's need for capital investment in its aging infrastructure is clear, not only for the transit of passengers, but for freight and water as well. California has clear models for public-private partnerships with Chinese investors at the ports of Los Angeles, Long Beach, and Oakland and new opportunities with the modernization of Los Angeles International Airport. As other projects develop, including those for water storage and conveyance, efforts should be made to standardize and create effective vehicles for investment from foreign funds, Chinese or otherwise.
- **Renewables:** The well-documented push for energy self-sufficiency in China has already resulted in its becoming the largest manufacturer of solar panels and other renewable technologies. However, California remains not only a key center for renewable-energy research, but also for application and technologies in energy and water efficiency. The expansion of international collaboration, partnership, and investment presents a significant opportunity.
- **Research and development:** As technology and medical research become increasingly international, California's ability to foster private investment and risk-taking, along with the globally recognized expertise at its universities, provides further opportunities for partnership. The significant number of Chinese students at California universities enables further facilitation of this relationship.
- **Trade promotion and financing:** As California exporters strive to reach China's growing middle class, it will be essential to facilitate the growth of exports by small and medium-sized businesses. Chinese as well as California leaders should promote the education of new potential exporters and connect them with mechanisms to reduce their financial risk through effective trade financing and trade insurance.

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Klowden was the lead author of "Strategies for Expanding California's Exports," which focused on the vital role trade and exports play in the state economy and its underperformance relative to the country over the past decade. He has also written on the role of transportation infrastructure in economic growth and job creation in reports such as "California's Highway Infrastructure: Traffic's Looming Cost" and "Jobs for America: Investments and Policies for Economic Growth and Competitiveness," as well as in publications including the Wall Street Journal.

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Additionally, he coordinated the Milken Institute's two-year Los Angeles Economy Project, seeking public-policy and private-sector solutions to challenges the region faces amid a growing unskilled labor pool. Klowden is a frequent speaker on state fiscal issues and has served on multiple advisory boards on business growth, economic development, and infrastructure. He holds graduate degrees from the University of Chicago and the London School of Economics.

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