

## Nevada Business

# Made in Nevada: What Happens Here Goes Everywhere

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America and the world want what Nevada's got – and not just what's on the Strip. Exports traveling from Nevada to points north, south, east and west are growing healthily despite the lackadaisical economy.

Bolstered by visionary entrepreneurs, a solid workforce, smart tax policies and a state government that mostly knows when to help and when to get out of the way, the world is increasingly calling on Nevada companies to provide the products and services it needs and wants.

What happens here isn't staying here.

The state's total exports were \$10.2 billion last year, according to the Department of Commerce. In all, just over 2,500 Nevada firms exported goods and services. The single largest export market for Nevada firms remains Switzerland – credit the precious metals trade — at just over \$3.7 billion. India at \$1.8 billion, Canada at \$1.4 billion, China at \$561 million and Mexico at \$330 million follow behind.

Mining minerals and precious metals, specifically gold and copper, remain the predominant export, according to Kris Sanchez, Director of International Trade for the [Governor's Office of Economic Development](#). Following right behind are electronic machinery and sound equipment, as well as a number of more specific manufactured items: electronic integrated circuits, coin-operated games and equipment, measuring and checking instruments and appliances. "Think of this in terms of our gaming manufacturers here in the state," Sanchez says. "The component parts that they make for that gaming equipment can be exported and used in other types of products."

According to data from the U.S. Census Bureau, Foreign Trade Division, top exports to Mexico include electronic integrated circuits, coin/token operated games, processors and controllers, civilian aircraft and motor vehicle parts and accessories. The state's leading exports to China range from copper ores and concentrates to food preparation products. Items shipping to Canada include electric plugs and sockets, prefabricated buildings and cyanides and cyanide oxides. As for India, Nevada ships, in addition to gold, products like dental fittings, parts and accessories and rubies, sapphires, emeralds, syringes and jewelry parts.

According to the [Center for Business and Economic Research at Indiana's Ball State University](#), Nevada ranks first among the 50 states in "export adaptability." Researchers found that Nevada increased exports in demand-dynamic sectors such as pharmaceuticals, chemicals, machinery, electrical and medical products, while overall U.S. exports declined during the same period. Even large volume export states such as Texas and California (ranked 9th and 28th respectively) haven't responded as quickly to global demand.

"Nevada's ability to serve emerging markets including Brazil, Russia, India and China is evident in the 800 percent increase in exports collectively to these countries since 2001," the report noted. "These markets represent areas of significant growth potential as they are becoming some of the world's best customers."

Another conclusion was that the state's "outstanding" tax climate is "one of the best reasons to do business in the state." This tax structure "clearly distinguishes Nevada as offering a business environment very few states can match. In Nevada there is no corporate income tax, no personal income tax, no franchise tax on income, no inheritance or gift tax, no unitary tax, no estate tax, competitive sales and property tax rates and minimal employer payroll tax."

"The increase that we have had in exporting compared to other states in the nation? We are in the top three," says Terry Culp, Deputy Director of [Nevada Industry Excellence](#), which has offices in Carson City and Las Vegas. "Our growth in exports is one of the best in the nation."

While there are many factors that help accounts for that success, Culp explains, the largest among them is awareness. "I think it's an improved awareness of the advantages of exporting that we have been able to achieve through our [ExporTech](#) program, and in coordination with the Governor's Office of Economic Development."

Nevada Industry Excellence (formerly Management Assistance Partnership, or MAP) is Nevada's manufacturing extension partnership under the U.S. Department of Commerce's [National Institute of Standards and Technology \(NIST\)](#) Manufacturing Extension Partnership program. Since 1995, it has provided business and technical solutions to Nevada's industrial community, offering cost-effective solutions for top-line growth and operational efficiency to small and medium-sized manufacturing businesses, and the mining and construction industry.

ExporTech leads companies through a facilitated process that prepares them for profitable growth in global markets in a variety of ways, including providing resources that help firms move from planning to actual sales and payment and teaching international strategies and success factors based on real-world company research. A great deal of interest on the part of participating firms is being lavished on Brazil, Russia, India and China.

According to Sanchez, the profile of Nevada's exports is shifting, "and the way it's shifting is where we have seen the growth. Mining has always been that predominant export. Tourism is considered an export as well. Behind those two we are seeing an increase in measuring equipment and electronic equipment. Those of course are very broad categories, but those are increasing, and so that is where we're really focused."

The increase has been a healthy one, Sanchez adds. "According to the U.S. Trade Administration, there were 11 states that had double-digit growth in overall exports; Nevada was third on that list, up 28 percent." Only New Mexico at 42 percent and Arkansas at 36 percent did better.

"We're seeing those sub categories now enjoying pretty high growth," Sanchez explains. Mining in general terms has increased, and depending on our top trading partners it could be anywhere from a 1 percent to 7 percent increase. But when you dig into these other types of products that are exported we're seeing 300 percent growth." For example, in 2012 the state had almost 400 percent growth in semi-trailers and road tractors for trailers that were either manufactured or assembled here. "Aircraft parts is another, in which we saw growth of 50 percent."

Many of the components being turned out by companies across the state are to be found nowhere else, Sanchez notes. "It just depends on the type of product. Many of the Nevada companies will have expertise in a specific component. I wouldn't venture to say that all of them are unique to Nevada. I would say that in certain types of products there is some expertise here that makes them very competitive in the marketplace, and so they are able to capture a pretty good percentage of the market in which they participate."

#### Mission

From 2003 to 2012, Nevada's exports to China have risen by 2,226 percent (up 32 percent in 2012), according to the U.S.-China Business Council. The largest increases were in electrical components (262 percent), agriculture exports (250 percent) and digital automatic data processing (6,900 percent). Indeed, Nevada is one of only 12 states that more than doubled their exports to China since 2009.

Sanchez and colleagues led a trade delegation to China on June 15th. Among the things they specifically looked at in China's southern region is electronics manufacturers. "We are trying to get them to consider Las Vegas for many different reasons — one of which is the foreign trade zone that is here — and to manufacture some of the components they produce here in the state."

The foreign trade zones in Las Vegas and Reno, of course, allow firms to bring foreign goods or raw materials for manufacturing and/or assembling into the United States without formal customs entry or payment of customs duties and government excise taxes until products leave the zone. If the final product is exported from the United States, no U.S. Customs duty or excise tax is levied.

"If our efforts are successful then we will see an increase in manufacturing within the electronics sector here in the southern region," Sanchez points out, "and that is just an example

that is top of mind because we are taking that trip. We are out promoting our foreign trade zones all throughout the world.”

In mid-May, the Governor’s Office of Economic Development (GOED) embarked on a trade mission to Brazil with a delegation of Nevada business owners and educators. Nevada exports to Brazil in 2012 totaled more than \$49 million.

“The Governor’s Office of Economic Development’s trade mission to Brazil was very encouraging because of discussions surrounding SUFRAMA’s Free Trade Zone and market share opportunities for All Metal’s core business, the Aviation industry,” said John Buscema, President and CEO of [All Metals MS](#) of Las Vegas, which makes maintenance stands to the aviation industry.

“The support from GOED, including Kris Sanchez... and Enrique Mazon, International Trade Specialist for the Americas, was critical in terms of connecting us with the proper Brazil contacts to establish the relationships essential to conducting business in Brazil. Specifically, GOED facilitated meetings with key companies in the Aviation industry such as Embraer, the 3rd largest aviation company in the world. The trip was a great success and we have already started taking steps to structure a business model to conduct business in Brazil in the near future,” Buscema added.

Governor Brian Sandoval’s Trade Mission to China last fall succeeded in, among other things, helping forge two business agreements for companies from both Northern and Southern Nevada as well as a collaborative research agreement for the Desert Research Institute (DRI). In a joint venture initially valued at \$500,000, Las Vegas-based [Tate Snyder Kimsey Architects](#) signed a two-year contract with [Shenzhen Investment Holdings Company](#) for the design of the Shenzhen Bay Technology and Ecological City, a business campus in the Chinese industrial mega-center near Hong Kong. In addition, under the terms of a distribution agreement, Reno-based confectioner [Kimmie Candy](#) is entering the Chinese candy market for the first time.

“These agreements are notable both because of the breadth of engagement we are beginning to see in our economic development efforts with China and because they will help create jobs in Nevada,” Sandoval said in a release. “The export dollars brought into our state by deals such as these are the bricks that strengthen our economy as we continue to build a diversified economy.”

With its deal for distribution in China, Kimmie Candy, the maker of Choco Rocks, became a major exporter among Nevada-based firms, with significant business also in Canada, Mexico, the Philippines and the Middle East.

#### Objective

“Being on the international trade side, there are a couple of objectives that we have as Nevada exporters branch into new markets around the world.” Sanchez says. “One is to increase their exports if they are already exporting. But there are also two other areas that we are looking at.” One of them is recruiting foreign firms to come into the state and manufacture, as well as to attract more foreign investment.

If there is anything holding Nevada's exports back, Culp suggests, it is a lack of awareness among companies as to what he characterizes as "the tremendous advantages they have by getting involved with export, either to just begin export or to take their export program to another level."

The numbers make Culp's case: as he points out, "95 percent of what's purchased in the world is outside the U.S." Other countries, notably Germany, are taking better advantage of that powerful economic driver. "Germany is one of the strongest economic countries in the world, and they export 65 percent of what they make. What do you think that number is in the US? It's 12 percent."

That awareness among Nevada firms and the general public of the potential markets waiting for them not just around the nation but across the globe is what will ignite business, Culp contends. "Export is very important to a company's growth and health economically. It's also a very powerful driver of the economic health of the state, as well."

The greatest challenge the state faces in the years ahead, then, is getting more people involved with export "and getting that awareness to another level," Culp says, "getting them to truly believe that this is the way to grow their companies."

The proof is as apparent as today's business headlines. "Look at the situation: in the U.S., with the flat economy, the only way you're going to grow your company domestically is to steal marketshare from your competitor," Culp advises. Why not go out into the world marketplace where 95 percent of the products are purchased and compete in an arena where U.S. products are held in high esteem?"

#### The World and Beyond

Cary Fisher, the owner of [Fisher Space Pen Co.](#) in Boulder City, says his company sells around the world via a network of 52 foreign distributors, a program overseen by his son. "Most of our business is in Europe, some in Asia and Australia," as well as the Middle East and South and Central America. Annual sales are around \$10 million, roughly 25 percent of which is export.

As Fisher recalls, "We moved here because of the tax climate back in '76. My father had gone through a divorce in California and was sick of California taxes and wanted to get out. A friend actually suggested Henderson, but we ended up in Boulder City."

The company's signature product "wasn't really developed for the astronauts," Fisher says, "it was just developed to be a better pen. It's sealed and pressurized, which eliminates skipping, back leaking and drying out." It has gone along on every American and Russian manned space flight since 1967.

Today, the company has grown to 68 employees and management is working on expanding its product line into new niches. Says Fisher, "One of our biggest products that seems to do well is a key chain pen we make. We just came up with a pen that has a stylus, so it doubles as a pen and a stylus for your iPhone."

Perhaps Fisher Space Pen is the perfect symbol for Nevada export aspirations: innovation leading to growth beyond the state's borders and across the nation, around the world and beyond it. With export markets for many companies here as unmapped as outer space, it only

makes sense that a local company sending its product into orbit should serve as an example to its fellow Nevadans of what is possible