



California

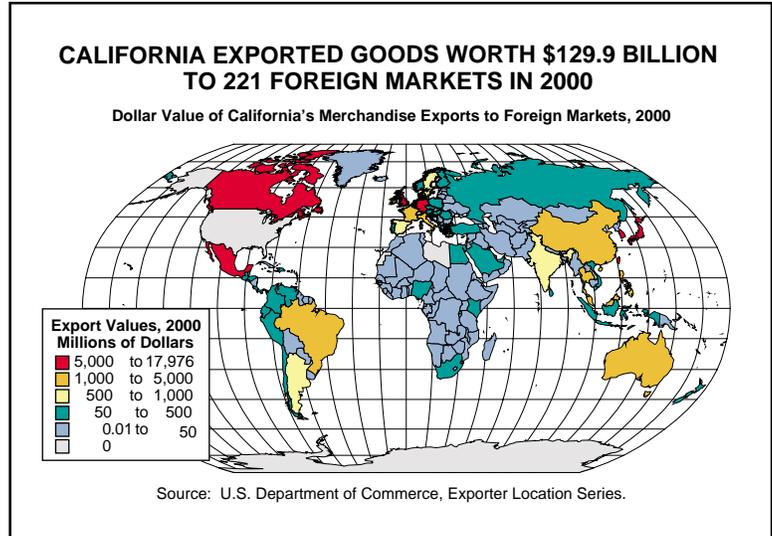
Benefits From Exports

California is consistently the nation's top exporter and in 2000 posted merchandise export sales of \$130 billion—up 25 percent from 1997 and nearly double the 1993 total of \$68 billion. California's exports have recently grown much faster than overall U.S. exports of goods.

California exports goods globally to 221 foreign destinations. The state's leading market is Japan (14 percent of 2000 exports). Ranking behind Japan are the North American Free Trade Agreement (NAFTA) countries of Canada (12 percent) and Mexico (11 percent), followed by Taiwan (7 percent) and South Korea (7 percent). Other important markets include the United Kingdom, Germany, the Netherlands, and Singapore.

Buoyed by NAFTA, California's biggest growth market, in dollar terms, is Mexico. From 1997 to 2000, export sales to Mexico increased from \$9.9 billion to \$14.4 billion—an increase of 45 percent. California also posted big dollar gains in sales to Canada, Taiwan, South Korea, Germany, and the Netherlands.

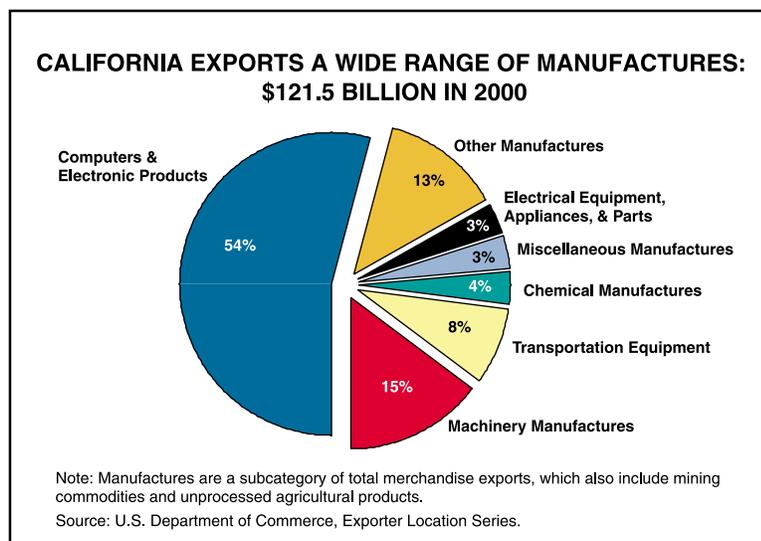
The state's leading export category is computers and electronic products, which alone accounted for 51



percent—just over half—of California's total exports in 2000. Other top exports are industrial machinery (14 percent) and transportation equipment (8 percent). Other significant export categories are chemical manufactures, miscellaneous manufactures, and electrical equipment, appliances, and parts.

Within California, San Jose posted 1999 export sales of \$28 billion—the most of any California metropolitan area, and more than one-fourth of the state total. San Jose's 1999 export total was the second largest among the 253 U.S. metropolitan areas for which data are available. Other top exporting areas in California include Los Angeles–Long Beach, Orange County, San Francisco, San Diego, and Oakland.

Five California metro areas more than doubled their exports over the 1993–99 period. These were Santa Cruz–Watsonville (up 256 percent), Ventura (up 146 percent), Sacramento (up 117 percent), Santa Rosa (up 112 percent), and San Diego (up 106 percent). Other areas that recorded rapid growth were Riverside–San Bernardino, Modesto, and San Jose.



Exports Support Good Jobs

Export-related jobs tend to be good, high-paying jobs. Wages of workers in jobs

supported by goods exports range 13–18 percent higher than the national average. Export-related jobs are also more secure: Exporting plants are 9 percent less likely to shut down than comparable nonexporting plants.

In 1997 (latest available data), California depended on manufactured exports for 1.15 million jobs—the highest total of any state. Export-supported jobs accounted for an estimated 9.8 percent of California’s total private sector employment—about one of every ten jobs.

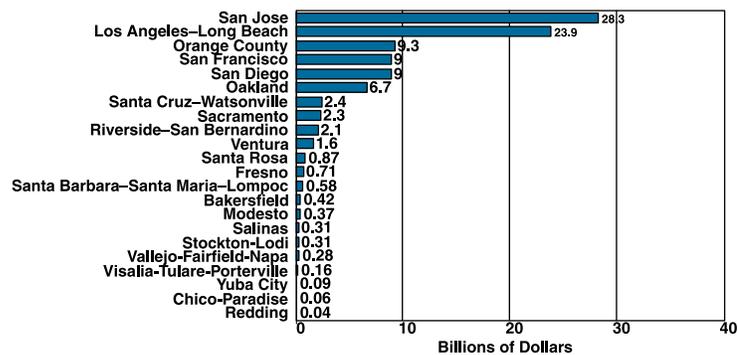
Manufactured exports supported 499,000 jobs—more than one of every four workers—in California manufacturing industries. Manufacturing sectors with the most export-related jobs were computers and electronic products; fabricated metal products; transportation equipment; machinery manufactures; electrical equipment, appliances, and parts; and plastic and rubber products.

Exports of manufactured goods also indirectly supported 649,000 jobs in the state’s nonmanufacturing industries. These industries supply manufacturers with a wide range of inputs needed to produce goods for export.

Exports Help Small Business

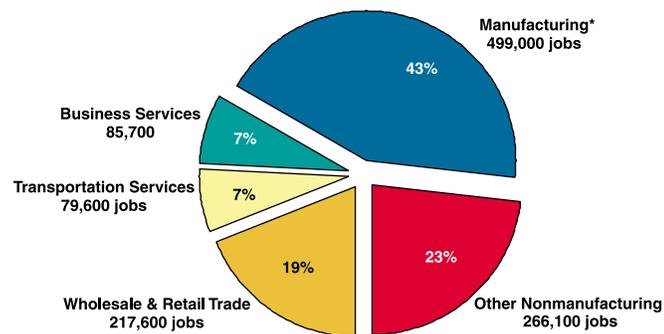
Exports have broadly benefited California businesses, both large and small. A total of 44,781 companies exported from California locations in 1998. Nearly 94 percent of these companies, accounting for almost 38 percent of the state’s

TEN CALIFORNIA METRO AREAS POSTED EXPORTS OF \$1 BILLION OR MORE IN 1999



Source: U.S. Department of Commerce, Exporter Location Series.

1,148,000 CALIFORNIA JOBS DEPENDED ON MANUFACTURED EXPORTS IN 1997



*Includes 12,200 jobs tied to exports of processed foods.

Source: U.S. Department of Commerce, Bureau of the Census, Manufacturing & Construction Division.

total exports, were small and medium-sized firms that had fewer than 500 employees. In fact, more than 85 percent of all California exporters were small firms with fewer than 100 workers.

Foreign Competitors Are Not Standing Still

While previous rounds of trade negotiations were highly successful in reducing trade barriers, much work remains to be done to level the playing field for U.S. businesses. In fact, the United States has fallen behind our trading partners in combating market barriers through free trade agreements. The United States is a party to just two of the estimated 130 free trade agreements in force worldwide. In comparison, the European Union has FTAs with 27 countries. Since U.S. tariffs are already low compared to those of our trading partners, the United States has a great deal to gain from future negotiations aimed at prying open foreign markets.

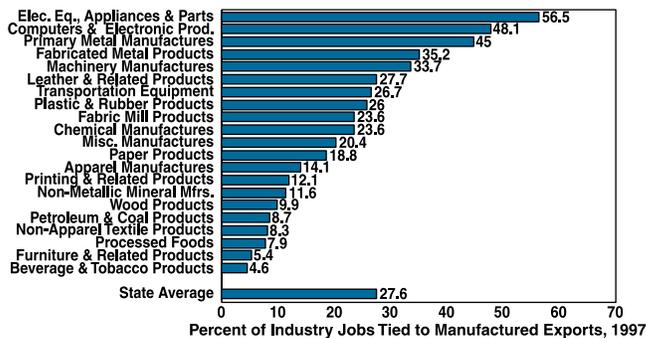
TRADE PROMOTION AUTHORITY—KEY TO OPENING WORLD MARKETS

U.S. Trade Promotion Authority (also known as TPA or “fast track”) is essentially an agreement between the President and Congress on how market-opening trade negotiations will be conducted and agreements approved.

Under TPA, the President involves Congress in trade negotiations from the start; Congress, in exchange, agrees to vote yes or no on any resulting agreement in its entirety, without amendments. The two branches set negotiating objectives and consult during trade talks while inviting public comment. This open process allows problems to be identified and resolved during negotiations, when agreement is most easily achieved.

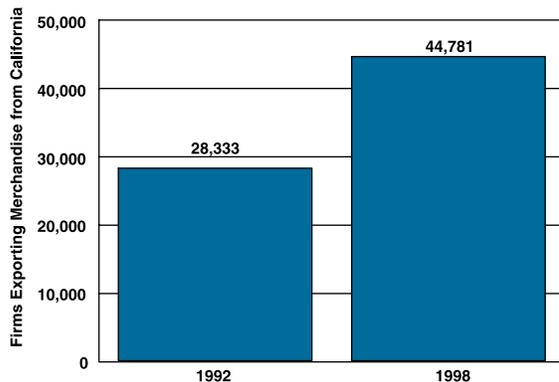
TPA preserves the ability of the United States to protect public health, safety, and the environment.

MORE THAN ONE-FOURTH OF MANUFACTURING JOBS IN CALIFORNIA WERE TIED TO EXPORTS IN 1997



Note: In 1997, 27.6 percent of the 1,809,700 manufacturing jobs in California were tied to manufactured exports—some 499,000 jobs. For any given manufacturing sector, export-related employment includes all workers producing goods for export or of inputs to the export manufacturing process.
Source: U.S. Department of Commerce, Bureau of the Census, Manufacturing & Construction Division.

THE NUMBER OF COMPANIES EXPORTING FROM CALIFORNIA ROSE 58 PERCENT FROM 1992 TO 1998



Source: U.S. Department of Commerce, Exporter Data Base.

California Industries Can Gain From Trade Negotiations

California exporters still face many tariff and nontariff barriers abroad, especially in developing countries. While developing nations are among the most promising markets, they also tend to have high levels of import protection. Trade negotiations aimed at reducing these barriers will significantly benefit California businesses across many industrial sectors.

Information technology. California is the home of many high-tech companies and benefits from the Information Technology Agreement. The agreement eliminates duties on the entire IT sector in major markets throughout the world, with the exception of the larger markets of Latin America. Tariffs on IT products in key Latin American markets remain as high as 30 percent. Beyond tariffs, IT products also face such

nontariff restrictions as redundant testing and certification requirements. U.S. suppliers, including those in California, would likely see sales rise if remaining barriers on IT products were eliminated.

Civil aircraft and parts. The U.S. civil aircraft industry is the largest in the world. In 2000, total exports of U.S. civil aircraft, engines, and parts were \$45 billion. Over the last five years, three of every five large civil aircraft produced in the United States were exported. The World Trade Organization Agreement on Trade in Civil Aircraft provides for duty-free import of civil aircraft and their components by the 26 signatories to this agreement. However, import tariffs in nonsignatory countries remain as high as 30 percent. Also, a number of nontariff barriers impede California's exports of civil aircraft and parts. For example, some countries do not promptly or fully recognize the safety and international noise certification compliance of all U.S. civil aircraft.

Environmental technology and services. The global environmental goods and services sector, encompassing a wide range of technologies and services such as catalytic converters, clean energy, water purification, and recycling services, represents a \$453 billion market. U.S. environmental technology goods exports amount to \$28.5 billion, supporting some 136,000 to 155,000 jobs. This sector is one of the fastest-growing worldwide, expanding at an annual rate of around 3 percent in industrialized

nations and nearly 10 percent in developing country markets. Tariffs on environmental goods can be as high

CALIFORNIA: WHY TRADE PROMOTION AUTHORITY?

Trade Promotion Authority is critical for removing remaining barriers to exports of California goods and services.

California exporters still face major trade barriers in such sectors as information technology, civil aircraft and parts, environmental technology, and farm products.

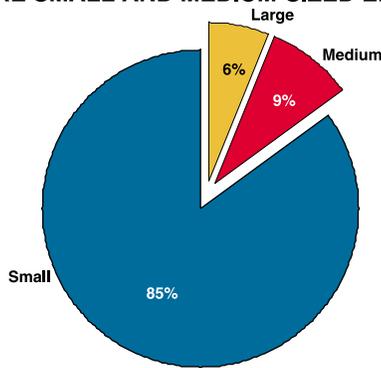
With the United States on the sidelines, foreign competitors are forging ahead and pursuing their own market-opening agreements.

California's economy is export-dependent, with export sales of \$3,836 for every state resident.

About 1,148,000 California jobs depend on exports of manufactured goods.

44,781 companies—including 42,014 small and medium-sized businesses—export from California.

94 PERCENT OF CALIFORNIA'S 44,781 EXPORTING FIRMS IN 1998 WERE SMALL AND MEDIUM-SIZED ENTERPRISES



Small = less than 100 employees; medium = 100–499 employees; large = 500 or more employees.
Source: U.S. Department of Commerce, Exporter Data Base.

as 30 percent, and the industry faces a range of nontariff barriers, such as restrictive standards and excessive labeling, packaging, and documentation requirements. Liberalizing trade in environmental technologies will lower the cost of environmental improvement overseas and will promote cleaner production, yielding both economic and environmental benefits.

Medical equipment. While California exporters of medical equipment enjoy zero tariffs in several key markets as a result of the Uruguay Round, many developing countries continue to maintain high tariffs. The MERCOSUR nations of Latin America impose tariffs as high as 20 percent, while India and the ASEAN countries have rates as high as 40 percent. The industry also faces nontariff barriers in major Latin American and Asian markets in the form of redundant and costly registration and certification requirements. As a result, the industry is seeking adoption of international standards to improve the transparency of government procedures for product certification and approval.

Agriculture. California is a major producer and exporter of agricultural products. According to the U.S. Department of Agriculture, California's farm cash receipts totaled \$24.8 billion in 1999, and it was the largest agricultural exporter with exports of \$6.9 billion. Since 1991, the state's reliance on agricultural exports has ranged from 28 percent to 31 percent as measured by export's share of farm cash receipts. California's top agricultural exports are vegetables and products, fruits and products, tree nuts, cotton, and rice. California already benefits from past trade agreements. Under the Uruguay Round, Japan cut tariffs on almonds and other nuts between 1995 and 2000, and South Korea,

Thailand, and Malaysia are doing likewise. However, U.S. agricultural exports still face high tariffs and nontariff barriers worldwide.

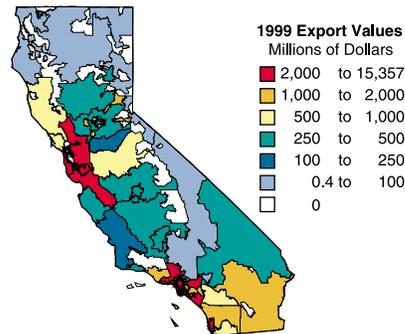
Services. Services are the biggest component of the U.S. economy and now account for more than one-fourth (28 percent) of U.S. exports to the world. Service exports in 2000 totaled \$296 billion; the United States ran a surplus of nearly \$80 billion in services trade with the world. Exportable services include transportation services (e.g., air freight), financial services (e.g., banking, insurance) and business services (e.g., engineering, architecture). Service industries confront a wide range of barriers abroad. Trade Promotion Authority will provide added impetus to the new round of global services trade negotiations now under way to dismantle these barriers.

Imports Also Important to California

While exports generate clear benefits for the California economy (jobs, wages, expanded tax base, etc.), the role of imports is less clear—especially since no import statistics are available for states on an end-user basis. Although many often equate imports with “lost” jobs, the reality is usually much more complex. For example, there is no doubt that imports supply critical inputs for many of the goods and services produced in California, including products destined for export. Imports often play a key role in ensuring supplies of vital materials that are either scarce or simply not available domestically. More generally, imports provide consumers and businesses in California with wider choice in the marketplace, thereby enhancing living standards and contributing to competitiveness.

EXPORTS ARE SOLD FROM ALL OVER CALIFORNIA

California's Merchandise Exports by Three-Digit Zip Code, 1999



Note: California's total merchandise exports in 1999 were \$102.9 billion. Unshaded areas represent national forests and parks, federal and military reservations, localities without exports, and areas where export data are suppressed due to federal disclosure regulations.
Source: U.S. Department of Commerce, Exporter Location Series.