

A titan of international trade



Area Development Site and Facility Planning

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California's unique geographic position on the Pacific Rim has made it the nation's second-largest exporting state and helped to fuel its world-class economy.

Thanks to 30 years of energized international trade, even in today's turbulent economic times California continues to show an amazing ability to thrive and prosper. The country's most populous state produces almost \$1.4 trillion in goods and services annually, and boasts the remarkable position of operating the fifth-largest economy in the world. It also provides nearly 13 percent of U.S. GNP.

Much of California's success also can be attributed to its unique proximity to the Pacific Rim and Latin American nations, making it the primary gateway for trade and investment for the nation and the hemisphere. California is number one in foreign direct investment among the states. And businesses flock within its borders to establish thriving import and export operations, lured by exciting opportunities found nowhere else.

California is a world leader in technology, biotechnology, and research activity, and is the envy of the nation in amount of venture-capital investment attracted. It generates more computer components than anywhere else on the planet, and designs automobiles on a par with Detroit. That same unparalleled level of innovation and creativity is exhibited in California's world-famous entertainment industry. Clearly the Golden State's diverse industries and highly creative people fuel its robust commerce activity and enormously fruitful economy.

A look at California's activity in exports, imports, and foreign direct investment proves international trade is valued, encouraged, and on the "upswing."

Exporting to More Than 200 Foreign Markets

According to figures released this past February by the Massachusetts Institute of

Social and Economic Research, in 2002 California exported \$92.2 billion in goods and thus maintained a leading national position in international trade. In total, the state's exports represented 13.3 percent of all U.S. exports last year.

In fiscal year 2001-2002 export sales reached \$353.2 million, supporting the creation of 3,560 jobs. The year earlier export sales of \$203.1 million supported the creation of 2,235 jobs; a 48 percent increase from the previous 12-month period. It is estimated that more than 1.15 million California jobs depend on manufactured exports. Part of the reason California exporters enjoy this level of success is the impact of major trade agreements signed in recent years; i.e., NAFTA, the Uruguay Round agreements, and the Information Technology Agreement.

Recently three of California's top-10 exports have showed growth, including chemicals (4.4 percent), miscellaneous manufactured commodities such as medical equipment and instruments (2.9 percent), and agricultural products (1.9 percent). (Note that between 15 and 20 percent of California farm products depend on foreign sales.) The other seven top export categories are computer and electronic products; machinery (except electrical); transportation equipment; food and kindred products; electrical equipment, appliances, and components; special classifications provisions (not elsewhere specified or included); and fabricated metal products.

California businesses export goods to 219 foreign markets around the world. Mexico and Canada account for more than 25 percent of total exports, while Japan claims third place as a major export target. (In 1988 the trio made up 32.6 percent of all state exports, but by 2001 were responsible for 40 percent of that activity.) More than 85 percent of all state exporters are small firms with fewer than 100 employees. In 1999 (latest figures) 53,519 companies exported from California. Moreover, 20 percent of all U.S. exporting firms are located here.

China also is a key export destination. A sizable number of California companies are expected to bid on new infrastructure and construction projects in China's capital, Beijing, which is building up its infrastructure in preparation for the 2008 Summer Olympics. About \$34 billion will be spent to modernize the city and build new athletic venues. Similar Olympics-related projects open for bids in the nearby city of Qingdao are expected to total \$9.1 billion. Other California firms are placing bids to help construct a Disney amusement park in 2005 in Hong Kong.

And while California is presently the nation's second-largest exporting state (\$92 billion in 2002) just behind Texas (\$95 billion in 2002), it anticipates reclaiming the top spot very soon. Lon Hatamiya, secretary of the state's Technology, Trade and Commerce Agency (TTCA), confidently explains that "as overseas markets rebound,

so will demand for California goods." State export numbers recently showed a small decline primarily because of a worldwide slump in demand for the state's high-technology goods, accounting for nearly half (47 percent) of all its exports. Continued strong trade between Texas and Mexico - and the lockout at West Coast ports in 2002 - played contributing roles as well.

Impressive FDI Activity

The state of California promotes innovation, investment, and economic opportunity, providing California and international businesses a network of resources to support their growth. This is done via collaboration with local and regional economic development organizations, trade promotion groups, government agencies, and private-sector companies and associations.

Since 2000 state economic development efforts have generated \$1.14 billion in investment by attracting 67 companies that created/retained 10,183 jobs. Foreign direct investment (FDI) is a key ingredient in economic growth and global exchange. California's largest foreign investors are Japan (\$32.8 billion), the Netherlands (\$14.5 billion), the United Kingdom (\$13.3 billion), and Germany (\$10.4 billion).

California's ability to attract foreign investments is indeed impressive. For example, in fiscal year 2001-2002, \$310.6 million in FDI monies contributed to the creation of more than 1,055 jobs. The previous fiscal year, 2000-2001, the state secured \$235 million in FDI projects that created 1,221 jobs. These figures clearly indicate foreign entities recognize the value of the state's international trade advantages and expertise, and its strong, diverse economy.

In December 2002 the Public Policy Institute of California (PPIC) released a report entitled "California and the World Economy: Exports, Foreign Direct Investment, and U.S. Trade Policy." The document requested by the California World Trade Commission - provides overall regional and industry trends plus information on U.S. trade agreements and trade policy. (Visit www.ppic.org for details.)

In its FDI section, this comprehensive report explains that California has more workers employed in foreign-owned companies than any other state, as well as the highest level of foreign ownership of property, plant, and equipment.

What about FDI by industry? The PPIC report reveals that in 1979 "nearly 57 percent of all California workers in foreign-owned businesses worked in manufacturing. That figure had fallen to about 35 percent by 1999. This decline mirrors trends in the U.S. as a whole...." In 1999 computer and electronics firms were responsible for 9.3 percent of all employees in foreign-owned companies and more than 25 percent of all

workers in foreign-owned manufacturing.

Nearly 40 percent of total employment in foreign-owned nonmanufacturing industries is in a broad group that includes agriculture, mining, utilities, construction, transportation and warehousing, and miscellaneous services (including hotels, restaurants, administrative facilities). Other FDI industries include wholesale trade and information industries, which encompass publishing, motion pictures and sound recording, broadcasting and telecommunications, and information services and data processing. "Of these nonmanufacturing industries," continues the report, "finance...grew 44.5 percent in employment between 1997 and 1999, and information grew 21 percent."

Outstanding Transportation Facilities

California's many exceptional water ports easily support the state's growing export and import operations. The Port of Long Beach and the Port of Los Angeles are the primary water transportation centers for international trade. If geography could be twisted and they were combined into one operation, this mega California facility would be the world's third-busiest port complex. (Hong Kong and Singapore rank higher.)

The Long Beach port ranks as the second-busiest in the United States and the tenth-busiest international container cargo port. According to port statistics, East Asian trade makes up more than 90 percent of the shipments through the facility. Major trading partners are China/Hong Kong (\$35.5 billion), Japan (\$19.8 billion), South Korea (\$10.1 billion), and Taiwan (\$4.3 billion).

The Port of Los Angeles is located about 20 miles south of downtown Los Angeles and offers a 7,500-acre harbor. Each of its 29 cargo facilities offers efficient, state-of-the-art technologies. Moreover, international trade customers depend heavily upon the \$55 million Intermodal Container Transfer Facility, a massive railyard located about five miles from the ports of Los Angeles and Long Beach serving the needs of many shipping lines.

The U.S. Army Corps of Engineers reports that in 1999 the Long Beach site handled 28,448 tons of imported waterborne freight and 13,760 tons of exported products, while the Los Angeles locale handled 24,493 tons of imported freight and 12,165 tons of exports. Other water ports of note include those in Richmond, Oakland, San Diego, San Francisco, and Port Hueneme. All together, these seven ports imported 69,154 tons and exported 34,384 tons in 1999.

The U.S. Census Bureau kept records about the value of exports and imports going

through three hard-working California ports (Los Angeles, San Diego, San Francisco) from 1988 to 2000 by all modes of transportation. In 1988 the export total was \$53.5 billion; it increased to \$148.5 billion 12 years later. The value of imports coming through the same California water ports was \$86.6 billion in 1988, and increased to \$243.5 billion 12 years later.

Airports also are vital to California's international trade. For example, Los Angeles International Airport (LAX) is the world's third-busiest cargo airport and the major international cargo airport servicing Southern California. In 2001 alone it handled more than two million tons of origination and destination air cargo. Each year about 475,000 tons (valued at \$46 billion) of goods trade between LAX and Asia-Pacific destinations, and 151,000 tons (valued at \$12.1 billion) trade between LAX and European locales.

The U.S. Census Bureau also tallied the value of airborne export shipments through three busy California airports (Los Angeles, San Diego, San Francisco) "by Customs district" between 1990 and 2000. In 1990 the value was \$32.2 billion; it increased greatly to \$88.1 billion a mere decade later. The value of airborne import shipments via these California airports in 1990 came to \$25.9 billion and jumped up to \$85.3 billion in ten years' time.

[Sidebar]

City of RIVERSIDE

With more than 265,700 residents, Riverside is the sixth-largest city in Southern California. The city has a large and diverse economy with the Inland Empire's largest number of businesses and total jobs. Businesses benefit from excellent freeways, rail access, reasonable land and building costs, city-owned electrical and water systems, four colleges and universities, and a general aviation airport facility. Riverside: Be a part of it!

[Sidebar]

Major FDI Projects IN California

* Dai Nippon Printing Co. (Japan), maker of screens for flat-panel TVs, established a \$16.1 million manufacturing facility in Chula Vista. It employs some 100 people.

* Award-winning TV company RDF Media (UK) located a permanent production facility in Los Angeles County. Its presence in California has led to a feature in People magazine and an Emmy nomination for the production "Junkyard Wars." The

estimated \$1.5 million investment created 75 jobs.

[Sidebar]

* Taisuco America Corp. (Taiwan) established its North American operations in San Benito County with a \$12 million investment and acquired a failing California botanical firm. As a result, 150 employees were retained and the firm has expansion plans for the facility.

* This February, Hyundai Motor Co. and Kia Motors Corp. expanded in California by opening their new Hyundai-Kia Design & Technical Center. Located on 7.4 acres in Irvine, the \$30.6 million, 90,000-square-foot facility will house 100 auto designers, engineers, model makers, and technicians.

[Sidebar]

* Foxconn (Taiwan) expanded to two California locations. In Orange County it established an assembly facility and created 500 jobs. In Santa Clara it bought property that will eventually serve as its North American headquarters.

* Fuel Total Systems California Corp. makes fuel tanks and fuel delivery systems. Last year this Japanese subsidiary broke ground for a new facility that the firm expects to be a key part of its global supply network. Manufacturing will start when construction is completed in May 2004. The plant will create 70 new jobs.

* New United Motor Manufacturing, Inc. (NUMMI) is a 50-50 joint venture between General Motors and Toyota Motor Co. Established in 1984 and based in Fremont, NUMMI builds the Toyota Corolla, Chevrolet Prizm, and the Toyota Tacoma pickup truck.

* Advantech Technologies (Taiwan) placed its new computer manufacturing facility in San Diego County. The investment created 35 jobs.

[Sidebar]

MADERA COUNTY

When you hear that Madera County is the "heart" of California, you're hearing about more than a central location that allows you to reach your customers in record time. In addition to sunshine (and we have a lot of it!), there's also reasonably priced land not inflated by any "tech-booms," and a local commitment to starting your business off right, with a minimum of hassles and a maximum of customer service. The mountains of the Central Sierra provide a backdrop for your 10-minute commute.

Our young, able workforce is committed to work and to home, here in the Heart of California.

[Sidebar]

RANCHO CUCAMONGA

Rancho Cucamonga possesses three significant assets that make it an attractive location for business: location, transportation, and skilled labor. The city is just 40 miles from downtown Los Angeles, one of the world's largest economies. It is immediately accessible to all of Southern California's major metropolitan areas and is served by three major freeways, the Ontario International Airport, and the BNSF Railroad. The local work force is young, educated, and motivated to work closer to home. The city offers several programs to assist companies.

SMUD

The Sacramento Municipal Utility District (SMUD) provides dependable and affordable electric service to the half-million people living in the 900-square-mile area of Sacramento County. As a community-owned utility, SMUD generates and buys enough power to provide its customers constant reliable and affordable electricity. The company also offers leading-edge programs in energy efficiency and clean power. SMUD's economic development staff can assist with business relocation to the Sacramento area.

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