

***INTERNATIONAL TRADE
AND
THE BAY AREA ECONOMY***

Regional Interests and Global Outlook 2005-2006

Bay Area Economic Forum

***A Partnership of the Bay Area Council and
the Association of Bay Area Governments***

In cooperation with the

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July 2005

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Executive Summary

International trade and the global economy will grow, but more slowly than in 2004

After a major slowdown in 2001-2003, the global economy has staged a recovery that is still continuing. The world's economy grew 4% in 2003 and 5.1% in 2004. This year and next, the global economy should remain strong, but is expected to slow, with 4.3% growth projected by the IMF for 2005 and 4.4% for 2006. As it has for some time, Asia will lead the pack, with regional growth (excluding China) of nearly 7% in 2005. China's growth, which hit 9.5% in 2004, may ease slightly, but should still remain close to 9%. Canada, Mexico and much of Latin America should also do well, while Europe (with the exception of the U.K., Spain and Eastern Europe) and Japan will remain sluggish.

Global trade historically tracks economic performance, with 2005-06 being no exception. After a slump in 2001-03, the World Trade Organization estimates that global trade expanded 8.5% in 2004, and will slow slightly to 8.4% in 2005 and 7.8% in 2006. Last year the U.S. trade deficit rose 23% to \$617 billion, and the current account deficit – which also measures international financial flows from services trade and foreign investment – increased by more than 25% to \$666 billion. The deficit in 2005 is likely to be increase further, reflecting continued high demand for imported consumer goods.

A strong dollar has contributed to the U.S. deficit in recent years, and a weaker dollar should help to moderate the imbalance by making U.S. exports cheaper and imports more expensive. The largest U.S. bilateral deficit is with China, whose currency is pegged to the dollar; a weak dollar will therefore not stem the flow of Chinese imports. Because of the strong U.S. appetite for imported goods, the fact that China still represents only a small part to overall U.S. trade, and the likelihood that imports from China will be shifted to other Asian countries, even an upward appreciation of China's currency is unlikely to appreciably close the trade gap.

Economic cohesion will increase in Asia and Europe, while U.S. trade negotiations advance with selected partners

Negotiations on a number of multilateral, regional and bilateral free trade agreements are underway which, if successful, will expand trade opportunities between the participating countries. Global negotiations through the WTO (the Doha Round) are targeted to conclude at the end of this year, but are unlikely to meet that goal. In Asia, a new free trade agreement between the Association of Southeast Asian Nations (ASEAN) and China, and parallel trade negotiations linking ASEAN with Japan and South Korea, should increase economic cohesion and regional competitiveness in Asia. A consolidation of Asia's economies, with China at the center, could eventually impact trade opportunities and dilute U.S. influence in the region.

The recent expansion of the European Union to include ten new members from Eastern Europe should also increase Europe's competitiveness. The problems encountered in adopting the EU constitution have brought to the surface a number of divisions with Europe, however, which calls into question the EU's further expansion, economic reforms, and the EU's future identity. For its part, the United States is continuing negotiations for a Free

Trade Agreement of the Americas and a US-Andean Free Trade Agreement (both of which at this writing are stalled), has ratified new free trade agreements with Australia and Morocco, and is implementing free trade agreements concluded in 2004 with Chile and Jordan. A US-Bahrain Free Trade Agreement signed in 2004 should come before Congress for approval this year, as well as a regional free trade agreement with Central America (CAFTA). While the Bahrain agreement should face little opposition, because of disputed labor provisions and opposition by textile and sugar interests, CAFTA faces a rocky road. Negotiations on a free trade agreement are also underway with the five-nation Southern Africa Customs Union, but are also encountering difficulties.

China's domestic market is growing, but U.S. imports from China are growing faster

Since joining the WTO in 2001, China's imports from the U.S. have risen sharply and its markets for both goods and services have become more accessible; more opportunities will develop as China continues to implement its WTO obligations. However, China's exports to the U.S. have risen even faster, producing a \$150 billion surplus in 2004. In the next several years China will become an increasingly important force in global markets, including high technology as well as in more traditional areas such as steel, textiles and consumer goods.

Asia and NAFTA are California's largest markets; technology is the major export

California's exports are continuing to recover from a sharp fall after 2000, when California was the country's top exporting state. In 2000-2003 its exports fell 24%, compared to 6% for the United States overall, with the impacts felt most sharply in the computer and electronics sector where exports declined 40%. As a result, the state lost approximately 90,000 manufacturing jobs, and Texas has claimed the position of top U.S. exporter.

In 2004 California's international sales grew to \$110 billion. Manufactured exports accounted for \$99.2 billion, of which computer and electronic products (at \$42.3 billion) was the largest component.

California's trade is dominated by its relationship with Asia. Nearly 45% of its exports go to Asia, compared to 24% for the U.S. as a whole; exports to Asia grew more than 19% in 2004. Approximately 27% of California exports go to Mexico and Canada, 22% to Europe, and 3% to Latin America. The state's top five markets are Mexico, Japan, Canada, China (which has moved up from fifth to fourth) and South Korea. China is California's fastest growing market, with export shipments growing 128% (\$2.4 billion to \$5.5 billion) between 1999 and 2003. In 2004, shipments to China increased nearly 25%, while shipments to Mexico and Canada were up 13.3% and 15.9%, Europe 16% and Latin America 29%.

Bay Area companies are increasing their global orientation, and their focus on Asia

Bay Area companies generated \$30.1 billion in exports in 2004 (this figure includes sales from San Benito County, but not from Napa, Sonoma or Solano Counties). Of this, \$19.3 billion was computer and electronic equipment. Like the rest of California, the region's sales are heavily oriented toward Asia: in 2004, 45.8% went to Asia, 24.1% to NAFTA (Canada and Mexico), 22.5% to Europe, 3.4% to Latin America and 4.2% to the rest of the world.

In its last report on international trade in the Bay Area (2003), the Bay Area Economic Forum analyzed a sampling of leading Bay Area companies, and the share of their revenues derived from global as opposed to domestic markets. In the intervening two years, more of those companies have seen their global sales increase, compared to domestic sales. Of 60 companies tracked, 27 increased their domestic sales and 33 saw their domestic sales fall; in the same period 30 companies increased their global sales, while 26 saw their global sales fall (the balance sustained the same levels of sales or did not provide information). This indicates a continuing shift of Bay Area business revenues toward global markets

More significantly, 18 companies saw their share of total revenues derived from domestic markets (relative to global markets) increase, while 40 saw their share of revenues from international markets (relative to domestic markets) increase. This is further evidence that the Bay Area's integration with the world economy is growing, and that the success of many of its leading companies is increasingly tied to global markets.

Nearly 20% of manufacturers in the region export directly, while many more produce components and products that are supplied to exporters (and thus export indirectly). These companies employ nearly 135,000 workers, or 31% of all employees at Bay Area manufacturing firms. While large companies dominate trade by sales volume, small companies dominate by their numbers. In the San Francisco Metropolitan Statistical Area (San Francisco, Marin and San Mateo Counties) 98% of exporters are small and medium sized companies. For the San Jose MSA (Santa Clara and San Benito Counties). The comparable figure in the Oakland MSA (Alameda and Contra Costa Counties) is 93%, Santa Rosa MSA (Sonoma County) 98%, and Vallejo-Napa-Fairfield MSA (Napa and Solano Counties) 100%.

Growing trade volume is increasing pressure on goods movement infrastructure

California's airports handle 21% of the nation's airborne trade by value, led by Los Angeles (LAX) and San Francisco (SFO). SFO ranks as the nation's fourth largest airport in terms of the value of goods shipped, with international cargo accounting for half of total cargo volume. Regional air cargo volume is expected to triple by 2020.

While lightweight, high value goods generally move by air, heavy or lower-value products usually move by sea, either as bulk shipments or by container. Just as SFO dominates international air cargo, the Port of Oakland dominates seaborne trade, and particularly containerized shipping. The nation's fourth largest container port, Oakland handles 10.7% of West Coast container volume and 8% of West Coast marine freight, second only to Los Angeles/Long Beach. Nearly 60% of that trade is with Asia, led by China and Hong Kong. Trans-Pacific container trade is forecast to grow 10-12% in 2005, but could grow faster.

Growing trade volumes are putting increased pressure on California and the Bay Area's transportation systems, including airport, port and rail facilities, and adjacent road and highway infrastructure that is being called on to handle a growing volume of trucks. How the state and the region address this issue will impact regional mobility and competitiveness.

Growing trade will present policy choices

Key policy issues that impact the regional economy and call for engagement by Bay Area leaders include: support for global, regional and bilateral agreements that expand trade opportunity; management of the complex and increasingly important US-China trade relationship; reform of U.S. visa and immigration procedures, to reduce unnecessary barriers to business, scientific and educational exchange; higher priority for and increased investment in goods movement infrastructure; improved federal trade data, including better information on trade activity at the city and county level; and a restoration of the capacity in state government to project California and support its businesses overseas.

Global Economic Outlook

The global economy should continue to see solid, but less impressive, growth than in 2004

The global economy has staged a strong recovery, from its 2001-2002 slowdown. In 2003, when the recovery gathered momentum, the world's economy grew 4%, accelerating to 5.1% in 2004. Industrial production has picked up, accompanied by a strong rebound in trade. Growth might have been even stronger in 2003 if it weren't for two temporary factors that held it back. One was the buildup of tensions leading to the military conflict in Iraq, which weakened consumer and business confidence in many regions early in the year. The other was the outbreak of Severe Acute Respiratory Syndrome (SARS) in East Asia, which had a dramatic short-term impact on tourism and the movement of business and other travelers in the region. Both phenomena proved short-lived, at least in economic terms, as Asian and other economies recorded strong growth in both GDP and trade for the year.

While continued high oil prices could dampen the world economy in 2005 and 2006, the impact in 2004 was small. Reflecting a consensus that the global economy will continue to grow but at a slower pace, the International Monetary Fund (IMF) projects 4.3% growth in 2005, and 4.4% in 2006.

While the global economy is generally strong, not surprisingly there is a great deal of variation from region to region and country to country. Continuing a long-running pattern, developing countries (which start from a lower base) will grow faster than more mature ones: the IMF estimates that advanced economies grew 3.4% in 2004, and will slip to 2.6 % in 2005 and 3% in 2006. Developing economies grew 7.2% in 2004, and should slow to 6.3% in 2005 and 6% in 2006. Asia's economies will continue to lead the pack, with China a driving force, while Latin America should see healthy growth and Europe's economy should remain relatively flat. The national estimates below are based on IMF forecasts and on current reporting on national economic conditions.

Asia

Asia's economies will continue to lead world economic growth in 2005-06. As the Bay area's largest trading partner, Asia will continue to offer its companies many of the best opportunities. The region's economy (excluding Japan) grew 8.2% in 2004, and is projected to slow to a still impressive 7.4% in 2005 and 7.1% in 2006.

Japan has been on a slow road to recovery since 2003. The stagnation and deflation that have plagued the economy since the early 1990s have not ended. Bankruptcy rates in 2004 fell to their lowest levels in a decade. Japan's GDP grew 2.4% in 2003, and an estimated 2.6% in 2004. Growth forecasts for this year range from .3% to 2.3% (the IMF projects .8%), however, reflecting very modest expectations. Exports, particularly to China and the United States, and business fixed and foreign investment are the principal engines behind Japan's growth, compensating for weak demand at home. If exports slow as expected in 2005, however, domestic consumption will have to pick up the slack.

While it is not yet out of the woods, a definitive end to deflation could trigger a number of positive developments: rising property prices would strengthen consumer confidence, while rising consumer prices would encourage companies to borrow and invest. Economic growth and increased consumer spending would in turn benefit U.S. exporters. Consumer demand is increasing only modestly, and the pace of Japan's overall recovery is uncertain. The Bank of Japan expects consumer prices to continue falling in the current fiscal year (April 2005-March 2006), and overall, consumption this year is likely to slow. A large overhang of public and corporate debt, bad loans at Japanese banks, weak labor markets, and signs that the Japanese government may pull back from some of its recent expansionary policies are sources of concern. Nevertheless, the prospect of a sustained recovery, even at a modest level, holds the possibility that in the coming years Japan could once again be an engine for the global economy.

In 2004 **China** had 9.5% growth, the world's fastest for a major economy. This torrid rate of expansion could ease slightly in 2005, due to government policies aimed at slowing the economy to prevent overheating. Growth is being driven by domestic consumption, spending on infrastructure (partly linked to the coming 2008 Olympics in Beijing), and strong foreign and domestic investment. According to the Organization for Economic Cooperation and Development (OECD), China attracted \$53 billion in foreign direct investment in 2003, surpassing the U.S. for the first time and establishing China as the world's most popular place to invest. Most of this investment is in manufacturing for both foreign and domestic markets. FDI in 2004 passed \$60 billion.

Chinese markets, particularly for capital goods, have been an important factor in Japan's recent economic comeback, and offer expanding market opportunities for U.S. exporters as well. Long run business risks in China include a widening economic disparity between its coastal and interior regions, and a banking system burdened with non-performing loans. Short-term risks include corruption, weak intellectual property protection, and competition from both Chinese and foreign companies. Economists are watching to see whether the Chinese government can successfully manage an economic "soft landing" in which the rapid growth of recent years is slowed to a more controlled rate. This seems to be working so far, suggesting that for the near-to-medium term China is likely to continue its economic trajectory.

Regional Estimated Impact of a 10 Percentage Point Decline in China's Non-Processing Import Growth		
	Real GDP growth (Percentage points reduction)	Current Account Balance (Reduction in billions)
Asia excluding China	-0.4	-6.5
Industrial countries	-0.5	-3.8
Japan	-0.5	-3.5
Asian NIEs	-0.6	-2.0
Other Asia	-0.3	-0.7
ASEAN-4	-0.3	-0.5

Source: IMF staff calculation, Country Report No. 04/351, November 2004

The government is targeting a sharp pullback in fixed investment this year – from 26% to 16% - which could have ripples throughout the economy, since fixed investment accounted for half of China's \$1.65 trillion economic output last year. The government is also targeting a slowdown in trade growth, to 15% from 36% in 2004. This would reflect both slowing imports and a less torrid rate of factory expansion. Still, China's economy grew faster in 2004 than in 2003, despite the government's efforts to the contrary, suggesting that official policies and targets may have only limited effectiveness in managing the economy's momentum. This is partly explained by the policies of local and provincial governments, which are more growth oriented and often evade central government controls.

India's economy is also expanding rapidly, with 7.3% growth in 2004, and growth of 6.7% and 6.4% forecast for 2005 and 2006. After decades of stagnation linked to burdensome government regulation, India has emerged in the last several years as a growing market and a major player in global services trade. IT services, and to a lesser extent manufacturing, are leading India's economic resurgence. Industrial production rose 8% in the fiscal year ended March 31, following a 7% rise in fiscal 2004. With a large base of trained engineers and other workers, and enabled by low wages and falling global telecommunications costs, India has emerged as a global base not just for call centers, but for back-office support, software development, and financial, design and engineering services. From a U.S. perspective, India offers not just outsourcing opportunities, but a burgeoning middle class that is generating new market opportunities. Pollution control equipment, power generation and transmission equipment, and consumer goods are among the stronger export prospects.

Foreign investment is playing an important role in India's resurgence. In 2003 India passed Mexico to become the world's third most popular destination for FDI, attracting \$4.3 billion (which, however, was still only a fraction of the \$53 billion going to China.) An improving regulatory environment has increased India's attractiveness to investors. In a significant move that may benefit U.S. exporters, India has recently opened its booming retail sector to foreign investment. According to AT Kearney, India presently offers the world's greatest opportunities for retail growth, with a market of \$330 billion and average annual growth of 10% over the last five years.

Challenges to doing business in India include market access, bureaucracy (still), labor market inflexibility and poor infrastructure. To address these problems, the government is promoting the development of Special Economic Zones patterned on the model pioneered by China in the 1980s, where red tape is cut and state-of-the-art infrastructure is available.

Korea, East Asia's third-largest economy, is dealing with heavy household debt, high oil prices and slowing export growth. The Korean government had attempted to reduce the nation's dependence on exports by stimulating domestic demand through easy credit; after an initial growth spurt, however, demand slackened and consumer debt spiked. GDP grew 4.6% in 2004, and is projected to slow to 4 percent in 2005.

Hong Kong grew 8.1% and is expected to slow to 4% in 2005 and 2006. **Taiwan** grew 5.7% in 2004, and is projected to slow to 4% in 2005 and 4.3% in 2006. Taiwan's economic performance is the best in seven years, based on exports and growing private consumption.

In Southeast Asia, **Singapore**'s economy should do well, completing its recovery from a severe recession. After a slow 2003 (1.4%), its economy grew 8.4% in 2004, with 4% predicted for 2005 and 4.5% for 2006. **Thailand**'s economy grew 6.1% in 2004, with 5.6% projected for 2005 and 6.2% in 2006, supported by robust private investment, increased public investment, and favorable export prices. Thailand is a large oil importer, so continued high oil prices could dampen its economic performance. **Malaysia** grew 7% in 2004, and should slow to 6% in 2005 and 6.2% in 2006. **Vietnam** grew 7.7% in 2004, with 7.2% growth expected for 2005 and 7% for 2006. The **Philippines** should slow from a 6.1% growth rate in 2004 to 4.7% in 2005 and 4.5% in 2006. **Indonesia** should see growth ramp up, from 5.1% in 2004 to 5.5% in 2005 and 6% in 2006.

Australia is entering its 14th year of economic expansion, with 2.6% growth expected this year, and 3.3% in 2006. Robust domestic demand is pushing record trade deficits.

NAFTA and the Western Hemisphere

Latin America has joined in the global recovery, based on improvement in both exports and domestic demand. The region saw aggregate growth of 4.5% percent in 2004, and should see relatively healthy growth of 3.5% in 2005. Last year, Latin American exports saw their highest of growth rates in two decades, averaging 23%. This was spurred by strength in the U.S. market, economic recoveries in a number of countries including Argentina, and growing demand in China for commodities.

Mexico's economy has continued to rebound from an economic trough following the 2001 U.S. recession. After several slack years, both industrial production and services posted strong growth in 2004. Since nearly 90% of Mexico's exports are sold to the U.S. and 62% of its imports come from the U.S., its economic health tends to reflect conditions in the U.S., which had a strong economy in 2004. GDP growth of 4.4% – the fastest pace in four years - and projected growth of 3.7% in 2005 are an improvement from nearly a nearly flat economy (1.3%) in 2003. Foreign direct investment, focused principally in manufacturing and financial services, also rebounded in 2004, growing 46% to \$16.6 billion. Half of this came from the United States.

As the third partner in NAFTA, **Canada**'s economy is also closely tied to the U.S. (85% of Canadian exports come here). 2004 growth of 2.8% is expected to continue in 2005, with 3% projected for 2006.

In South America, **Brazil**'s economy looks solid, supported by robust export growth and domestic demand. Growth of 5.2% in 2004 should slow to 3.7% in 2005 and 3.6% in 2006. **Chile**, which has historically been a strong performer in the region, grew an estimated 6% in 2004, with 6.1% projected for 2005 and 5.4% for 2006. Its commitment, across several governments, to market liberalization and legal transparency contributes to Chile's economic stability, and underlies the recent U.S. decision to make Chile its first free-trade partner in South America. **Argentina** is on the road to recovery, helped by low interest rates and high commodity prices, but is still suffering the effects of a devastating collapse several years ago. Its economy grew an estimated 9% in 2004, but is expected to slow to 6% in 2005 and 3.6% in 2006.

Table 1

Real GDP (Annual percent change)					
	2002	2003	2004	2005	2006
United States	1.9	3.0	4.4	3.6	3.6
Japan	-0.3	1.4	2.6	0.8	1.9
Germany	0.1	-0.1	1.7	0.8	1.9
France	1.1	0.5	2.3	2.0	2.2
Italy	0.4	0.3	1.2	1.2	2.0
United Kingdom	1.8	2.2	3.1	2.6	2.6
Canada	3.4	2.0	2.8	2.8	3.0
Korea	7.0	3.1	4.6	4.0	5.2
Australia	4.0	3.4	3.2	2.6	3.3
Taiwan Province of China	3.9	3.3	5.7	4.0	4.3
Hong Kong	1.9	3.2	8.1	4.0	4.0
Singapore	3.2	1.4	8.4	4.0	4.5
India	4.4	7.5	7.3	6.7	6.4
Russia	4.7	7.3	7.1	6.0	5.5

SOURCE: International Monetary Fund, *World Economic Outlook*, April 2005

Europe

The Eurozone improved its economic performance from a weak .5% growth in 2003 to a more respectable 2% in 2004. However, the IMF expects this to slow to 1.6% in 2005, and the OECD expects an even lower 1.25%. Europe's growth rates are the lowest among the world's developed regions, and both the European Commission and the European Central Bank are pessimistic about the EU's near-term prospects. European economies in general are suffering from the combined effects of high oil prices, a strong Euro (which dampens exports), rigid labor markets and increased competition from Asia. Slow growth and high unemployment particularly afflict the Eurozone countries, while the UK, Spain and Eastern Europe are growing at healthier levels.

Germany's economy, the world's third largest, grew 1.7% in 2004, with .8% expected in 2005. This is an improvement from -0.1% in 2003. However, despite a major tax reform and the government's "Agenda 2010" (in which labor-market reform is a top priority), domestic demand remains weak, taxes, health care and pension spending remain high, unemployment is nearing 12%, and structural rigidities persist in the labor-market. Germany is currently in breach of its 3% deficit limit under the EU's "stability pact", which sets deficit ceilings for its members, which may constrain its fiscal policy options.

France's economy grew 2.3% in 2004, an improvement from 0.5 percent in 2003, and is expected to grow by 2% in 2005 and 2.2% in 2006, helped by relatively healthy domestic demand. Unemployment remains stuck at 10%, however, and the government's debt levels also exceed the 3% EU threshold. Constrained by a large deficit, debt, competitive pressures and lack of investment, **Italy's** economy is in recession. The **United Kingdom** should see the best growth among Europe's larger economies, with 3.4% growth in 2004, and 2.6% in

2005 and 2006. Outside of Eastern Europe, **Spain** should be the best performer of Europe's smaller economies.

Emerging (Central and Eastern) Europe should be the standout in the region. After 6.1% aggregate growth in 2004, GDP is expected to grow 4.5% in both 2005 and 2006. Most of these economies are seeing both rising domestic demand and strong export growth.

Russia is also experiencing an economic resurgence, with 7.1% growth in 2004, 6% projected for 2005 and 5.5% for 2006. The **Ukraine** grew 12% in 2004, with 7% projected for 2005 and 4% for 2006. Market reforms in the former Soviet bloc countries of Eastern Europe are propelling growth. International investor concerns over political intervention by the government in the economy, however, could negatively impact Russia's prospects. Political adjustments stemming from Ukraine's recent national elections, which brought in a reform government that may challenge many of its predecessors' privatizations, could introduce an element of uncertainty that temporarily dampens growth in the Ukraine; in the longer term, however, the Ukraine's new leadership is likely to follow reform policies that will accelerate economic growth.

Like all forecasts, there are risks to this outlook. Among these are the exchange rate impacts of the U.S. fiscal and current account deficits, stumbling by EU and other economies due to a continued reluctance to embrace structural reforms, a faster than-expected slowdown in China's economy, terrorism, and high oil prices, all of which could shave global GDP. Nevertheless, it is likely that despite some slowing, the world's economy will continue to grow in 2005 and 2006, and that international trade will grow with it.

Chart A

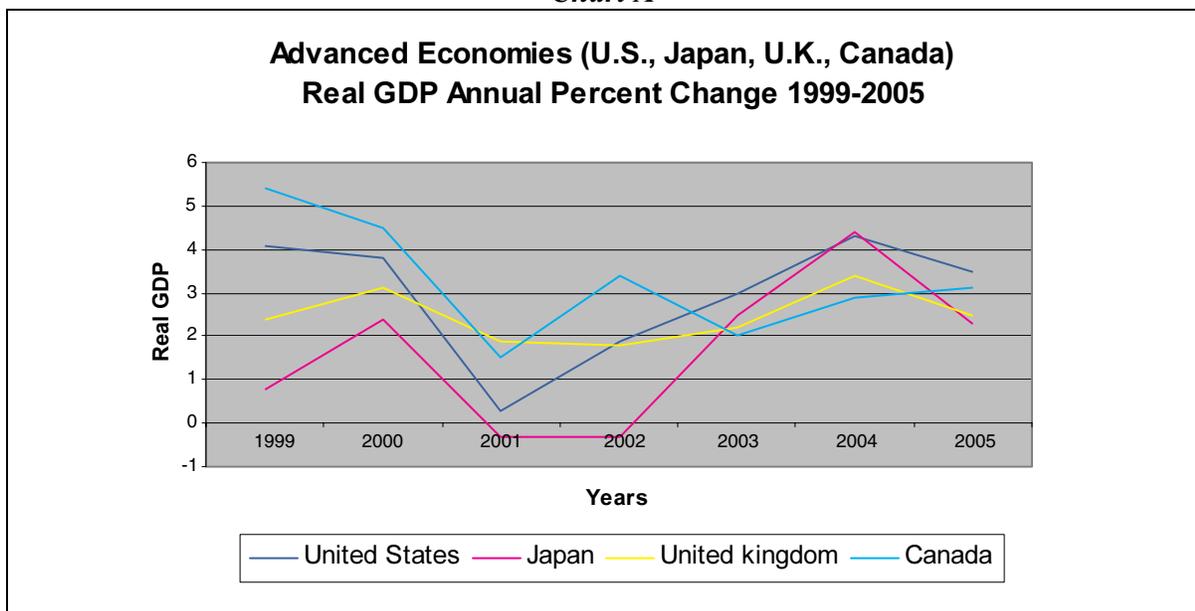


Chart B

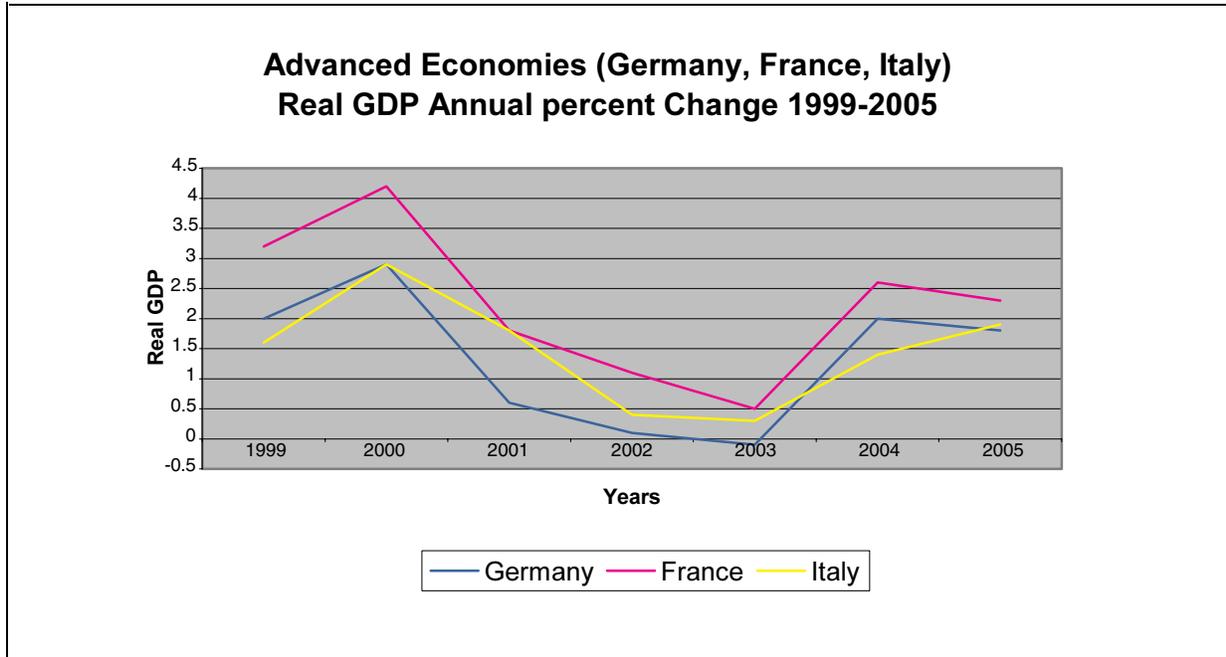
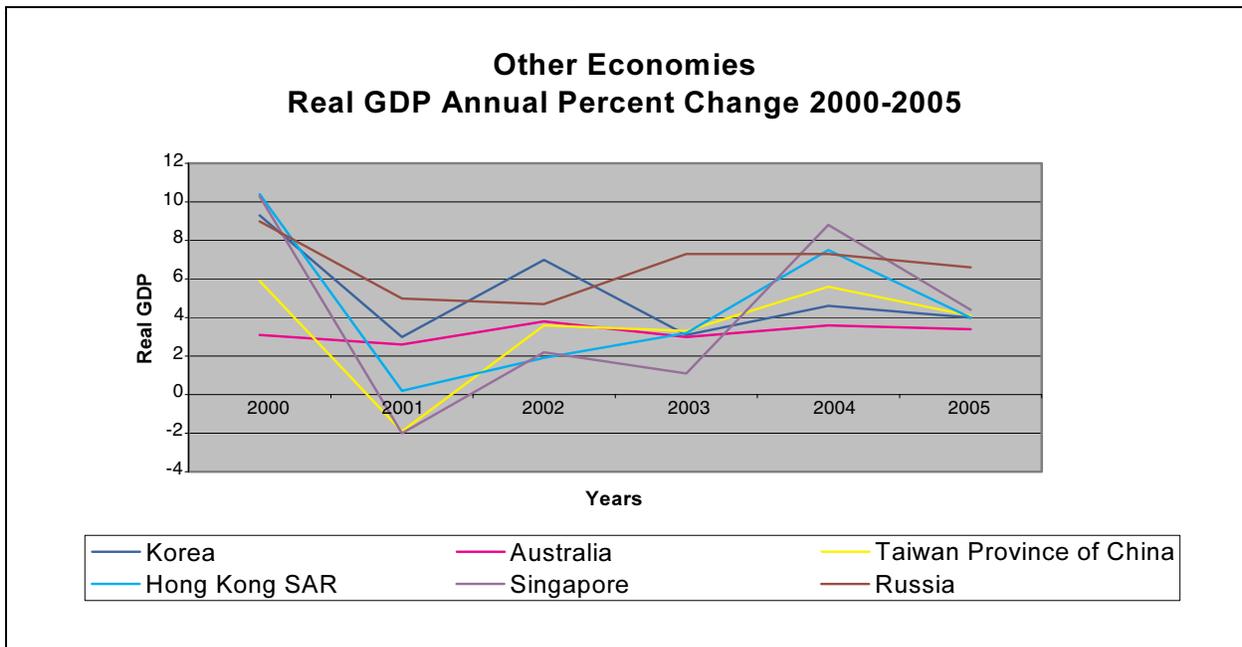


Chart C



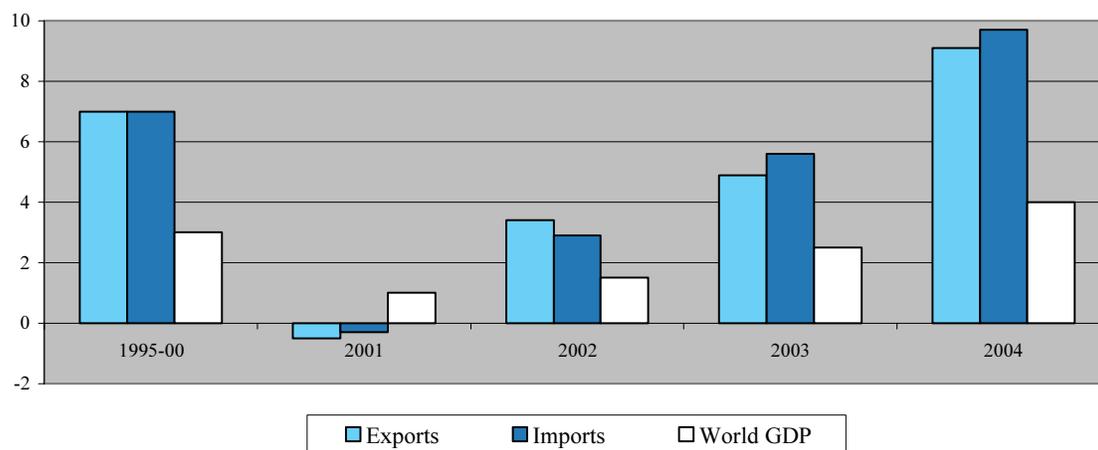
SOURCE: International Monetary Fund, *World Economic Outlook*, April 2005

Global Trade Outlook

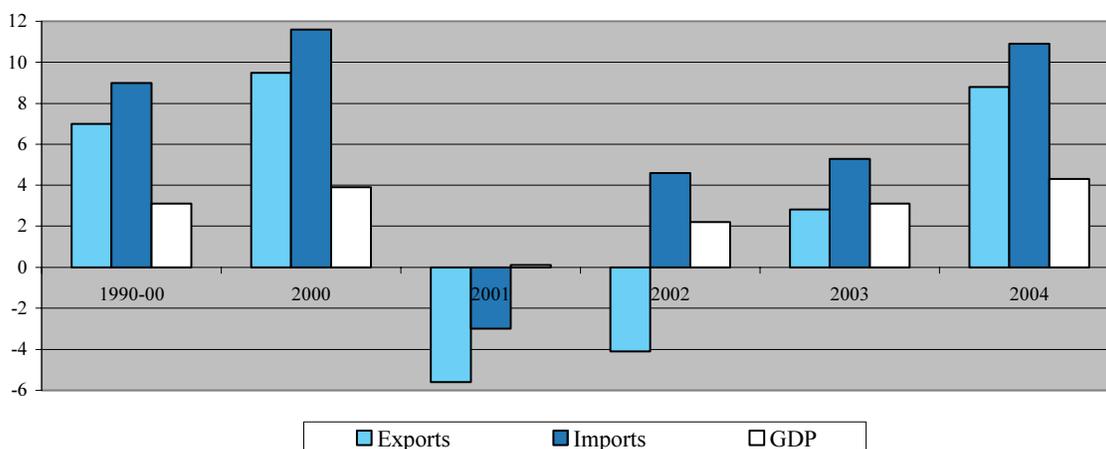
Trade will grow, but more slowly than in 2004

World trade has staged a strong recovery since its slump in 2001, tracking the global economic rebound. In 2003, as industrial production picked up, trade in goods and services grew by 4.9%. 2004 was an even stronger year for trade, with nearly 10% growth. The most dynamic trading regions were Asia and the transition (former communist bloc) economies, which have both seen healthy import and export expansion. China in particular recorded a sharp increase in its ratio of trade to GDP, reflecting both the increased openness of the Chinese economy and its rising profile in both imports and exports. While U.S. trade volumes have also seen a healthy expansion, import growth has far exceeded growth in exports.

**Growth in the volume of world merchandise trade and GDP
1995-2000 to 2004 (Annual Percent Change)**



**Growth in the volume of U.S. merchandise trade and GDP
1990-00 to 2004 (Annual Percent Change)**



Source: WTO World Trade Report 2005, WTO On-line Statistics Database

San Francisco Customs District (\$ billions)					
\$ Billion	2000	2001	2002	2003	2004
Exports	58.3	45.8	35.1	33.0	38.2
Imports	69.0	50.0	44.5	46.5	55.4

Source: U.S. Department of Commerce, Bureau of the Census

2005 and 2006 Forecasts

Different international organizations have different estimates of trade growth, but are consistent in their assessment that world trade will remain strong, if somewhat slower, in 2005 and 2006. The World Bank predicts that slower growth in the global economy should moderate the rate of trade expansion to 8.4% in 2005 and 7.8% in 2006. The IMF predicts a slowing to 7.4% in 2005, and 7.6% in 2006. As in recent years, trade by developing countries will grow faster than trade by more developed economies. Exports from advanced and developing economies grew 8.1% and 13.8% respectively in 2004, and are expected to grow by 5.9% and 9.9% respectively in 2005, and 6.8% and 9.7% respectively in 2006. Developed and developing economy imports grew 8.5% and 15.5% respectively in 2004, and are expected to drop to 6.6% and 12% respectively in 2005, and 6.3% and 11% in 2006. This moderating trend in world trade growth became apparent in late 2004, reflecting in part the dampening effect of high oil prices.

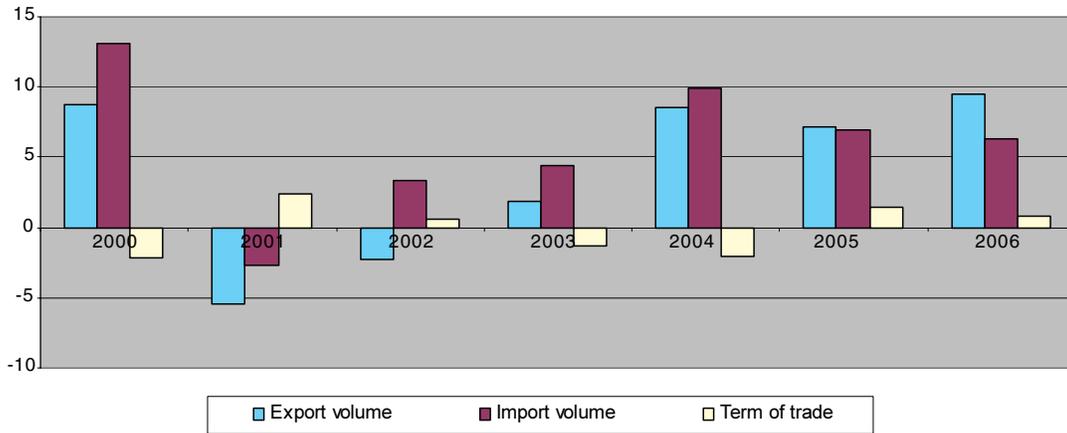
The Exchange Rate Debate

The U.S. is the world's largest trading nation, and changes in exchange rates can have significant repercussions for trade flows between the United States and its major partners. A strong dollar has contributed to the U.S. trade deficit, while the recent weakening of the dollar should benefit U.S. exporters and help to moderate import growth. However, the fact that China's currency has until recently been pegged to the dollar means that the US-China trade balance has not seen the same benefit from exchange rate shifts as the U.S. has experienced with other countries.

In July 2005 China, responding to U.S. pressure, revalued its currency 2.1% and announced that in the future the yuan would be pegged to a basket of currencies. It is uncertain, however whether a further weakening of the dollar or an upward revaluation of the yuan will stem the import tide or fundamentally alter the U.S. trade balance. The 17% depreciation of the trade-weighted dollar from its February 2002 peak has helped boost U.S. export growth by 28%, but U.S. imports in the same period have grown more than 43%, from a much higher base.

The Asian Development Bank estimates that a 10% appreciation in the yuan would improve the U.S. trade imbalance by only \$3.6 billion, and a 20% appreciation by \$7.8 billion – out of a total U.S. trade deficit of \$617 billion. This is partly because China still accounts for only 13.4% of U.S. imports and 4.3% of exports. Moreover, pricing imports from the U.S. more cheaply does not assure that Chinese (who have a high propensity to save) will buy more U.S. goods, just as pricing Chinese goods more expensively does not assure that U.S. consumers will increase their purchase of domestic brands. It is more likely that imports from China, to the extent they do fall, will be displaced by imports from elsewhere in Asia and the developing world.

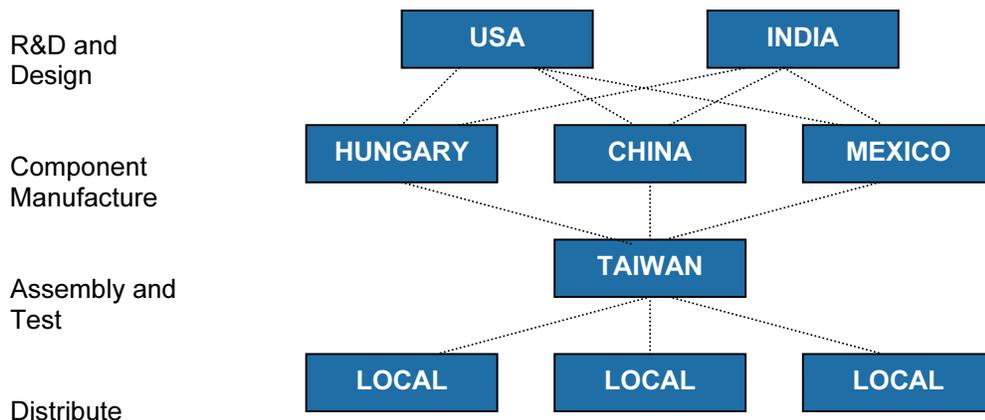
**United States: Export, Import volume and terms of trade in Goods and Services
(Annual Percent Change)**



Source: International Monetary Fund, World Economic Outlook, April 2004 (2005 and 2006 figures both estimates.)

The U.S. trade deficit (including both goods and services) increased to \$617.7 billion in 2004 from \$ 496.5 billion in 2003. Exports increased \$125.6 billion, to \$1,146 billion, while imports increased \$246.9 billion, to \$1,763.9 billion. The 2004 deficit level was an increase of 23% over 2003, the equivalent of 5.4% of GDP (an increase from 4.5% in 2003.) While sustainable in the short term, a prolonged deficit at that level would present serious structural issues for the U.S. economy, with potential implications for U.S. debt financing through global capital markets.

**HEWLETT PACKARD GLOBALLY
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While the numbers on U.S. imports and exports are important, the paradigm for how global trade is conducted is rapidly evolving beyond the traditional model where products are made in one country and shipped to another, toward a more distributed process where the final product contains components and processing contributed by several countries. This is particularly the case for multinationals and large companies in the IT sector. In this new model, basic research might be done in one country, applied (product) research in another, with final assembly done in a third, often from components sourced elsewhere. In this respect, a technology product from China might count as a Chinese import in U.S. trade data, but may contain mostly imported components produced by U.S. companies, either in the U.S. or third countries.

Table 2
World Trade (annual percent change)

	<u>Ten-year Averages</u>											
	1987-96	1997-2006	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Trade in goods and services												
World trade¹												
Volume	6.5	6.6	10.5	4.6	5.8	12.4	0.2	3.3	4.9	9.9	7.4	7.6
Price deflator												
In U.S. Dollars	3.2	0.8	-5.9	-5.7	-1.9	-0.5	-3.4	1.1	10.7	9.4	5.2	0.2
In SDRS	1.0	0.3	-0.8	-4.3	-2.6	3.1	0.1	-0.6	2.4	3.4	2.4	0.2
Volume of trade												
Exports												
Advanced economies	6.6	5.7	10.6	4.2	5.6	11.7	-0.7	2.2	2.8	8.1	5.9	6.8
Other emerging market and developing countries	6.8	9.1	12.8	5.9	4.3	14.4	3.4	6.7	10.7	13.8	9.9	9.7
Imports												
Advanced Economies	6.5	6.1	9.4	5.9	8.1	11.7	-0.8	2.6	3.6	8.5	6.5	6.3
Other emerging market and developing countries	6.4	8.3	11.8	0.1	0.3	15.2	3.4	6.1	8.9	15.5	12.0	11.0
World exports in billions of U.S. dollars												
Goods and services	4,654	9,029	6,899	6,788	7,032	7,828	7,567	7,936	9,216	11,069	12,503	13,447
Goods	3,721	7,240	5,520	5,387	5,583	6,295	6,032	6,304	7,352	8,902	10,129	10,900
Export volume												
Advanced economies	6.6	5.7	10.6	4.2	5.6	11.7	-0.7	2.2	2.8	8.1	5.9	6.8
United States	9.1	4.5	11.9	2.4	4.3	8.7	-5.4	-2.3	1.9	8.5	7.2	9.5
Euro area	5.5	5.8	10.6	7.2	5.3	12.1	3.4	1.7	0.1	5.8	5.8	6.4
Germany	4.0	7.1	11.2	7.0	5.5	13.5	5.7	4.1	1.8	8.2	6.9	7.6
France	5.6	5.4	12.0	8.4	4.2	13.4	1.9	1.7	-2.5	3.2	5.3	7.5
Italy	6.2	2.5	6.4	3.4	0.1	9.7	1.6	-3.4	-3.9	3.2	4.2	4.8
Spain	7.8	6.3	15.3	8.2	7.7	10.1	3.6	1.2	2.6	4.5	4.7	5.5
Japan	4.2	5.7	11.4	-2.3	1.5	12.2	-6.0	7.2	9.1	14.4	5.6	5.6
United Kingdom	5.2	4.1	8.4	2.8	4.3	9.4	2.9	0.1	0.9	3.0	4.6	5.0
Canada	6.4	4.8	8.3	9.1	10.7	8.9	-2.8	1.1	-2.4	4.9	4.3	6.6
Other advanced economies	8.7	7.2	10.3	2.4	8.4	14.8	-2.3	5.9	8.2	12.6	6.1	6.7
Major advanced economies	6.0	5.0	10.5	3.9	4.2	10.8	-1.1	1.0	1.3	7.2	5.9	7.2
Newly industrialized Asian Economies	12.1	8.7	10.8	1.4	9.2	17.1	-4.4	9.4	12.9	17.1	7.2	8.0
Import volume												
Advanced economies	6.5	6.1	9.4	5.9	8.1	11.7	-0.8	2.6	3.6	8.5	6.5	6.3
United States	6.1	7.7	13.6	11.6	11.5	13.1	-2.7	3.4	4.4	9.9	7.0	6.3
Euro area	5.4	6.0	9.1	9.9	7.6	11.2	1.7	0.6	1.8	6.0	6.1	6.3
Germany	4.1	5.9	8.3	9.1	8.4	10.6	1.0	-1.6	4.0	5.7	6.8	7.7
France	4.8	6.5	7.2	11.5	6.1	15.2	1.6	3.3	0.2	7.4	6.1	6.7
Italy	5.3	4.2	10.1	8.9	5.6	7.1	0.5	-0.2	-0.6	2.6	4.4	4.4
Spain	9.9	8.5	13.3	13.2	12.6	10.5	3.9	3.1	4.8	9.0	8.0	7.1
Japan	8.5	2.9	0.7	-6.7	3.6	8.5	-0.7	1.2	3.8	8.9	6.9	4.1
United Kingdom	5.4	6.3	9.8	9.3	7.9	9.1	4.9	4.1	1.9	5.2	5.5	5.2
Canada	6.0	5.7	14.2	5.1	7.8	8.1	-5.0	1.4	3.8	8.2	7.4	6.6
Other advanced economies	9.2	6.2	8.7	-2.3	7.2	14.0	-4.1	5.8	6.8	13.0	6.7	7.4
Major advanced economies	5.7	6.1	9.4	7.8	8.3	11.1	-0.6	2.0	3.2	7.5	6.5	6.1
Newly industrialized Asian Economies	14.3	6.6	8.2	-8.2	8.2	17.4	-6.4	8.1	9.1	15.8	7.3	9.4

Source: International Monetary Fund, World Economic outlook, April 2005

¹ Average of annual percent change for world exports and imports.

The Trade Negotiating Agenda

Bilateral trade agreements will continue to expand opportunities in selected markets, as regional integration strengthens around the world, and WTO members try to reduce barriers comprehensively through the Doha Round.

Global Negotiations in the WTO

The Trade Negotiating Agenda: The Doha Round

Ministers of 142 countries launched the latest round of global trade talks in Doha, Qatar on November 14, 2001, with a target for completion by January 2006. Further reductions in tariffs, domestic support and export subsidies are prominent issues in the negotiations. Talks are focusing on the core agenda of market access for agriculture, manufactured goods, and services; the United States opened the bidding by proposing the elimination of all tariffs on consumer and industrial goods by 2015, substantial cuts in farm tariffs and trade-distorting subsidies, and broad opening of services markets.

2003 marked a milestone for that agenda (also referred to as the “Doha Development Agenda.”) when the United States took the lead in addressing the contentious issue of intellectual property and its impact on access to critical medicines for poor countries. This produced an historical deal on compulsory licensing in the WTO’s TRIPS agreement (Agreement on Trade-Related Aspects of Intellectual Property Rights). Still, the broader negotiations in the Doha Round have been difficult. Negotiators missed a March 2003 deadline for producing numerous targets, formulas and other “modalities” for countries’ commitments.

A number of “framework” proposals were submitted and discussed before and during the Fifth Ministerial Conference in Cancun, Mexico, in September 2003. The conference, however, failed to significantly advance the Doha Round agenda. It was only in August 2004 that a framework agreement was finally reached on the “modalities” (the formulas for concessions by individual members) for the talks. Trade ministers have agreed that the modalities for the negotiation of each issue are to be set by the time a critical ministerial-level trade meeting that will be held in Hong Kong in December 2005. Negotiators are concentrating on five key sectors: agriculture, market access for industrial goods, services, special and differential treatment of developing nations, and trade rules.

Progress has been stalled by conflicts over the sensitive issue of **agriculture**. Some members want to bring agricultural trade under the same rules and disciplines as trade in goods, while others consider it a special area. The Bush Administration’s starting proposal in 2002 called for the reduction of agricultural subsidies, total elimination of trade-related farm subsidies and improved market access. The framework agreement reached in August 2004 was a compromise between the European Union and the United States, and envisions the complete elimination of agricultural export subsidies (an important issue for California’s farm sector), a new discipline on export credits, and more open markets with reduced tariffs for farm products. However, this is only a framework, and concrete decisions still need to be made by the December 2005 Ministerial Conference.

Cotton is a particularly sensitive area, and one of the main issues that led to the impasse at the 2003 talks in Cancun. The United States is the world's largest cotton exporter, with more than 40% of the global market, and together with the European Union has the world's highest subsidies (\$10 billion over seven years). An agreement was reached in August 2004 to create a WTO body to specifically focus on cotton, in response to complaints from Brazil and proposals from four African countries for compensation to cover economic losses caused by cotton subsidies in richer countries. Cotton is now expected to be addressed more aggressively in the negotiations.

Progress in **services** negotiations has also been slow. Talks in the General Agreement on Trade in Services (GATS) aim to liberalize domestic markets by opening new service sectors to trade and by eliminating restrictions in existing services liberalization commitments.

Information on the Doha work plan and the status of current negotiations can be accessed on the WTO website at www.wto.org, and on the U.S. Trade Representative's website at www.ustr.gov.

A Shakeup in Textiles Trade

Under the WTO's 1995 Agreement on Textiles and Clothing, which replaced the 1974 Multi-Fibre Agreement which regulated trade in textiles through a system of global import quotas, all export quotas on WTO members were eliminated on January 1, 2005. As expected, this is leading to a surge in exports by low-cost producers with high capacity, such as China, at the expense of higher cost and less sophisticated producers. Currently more than 75% of US apparel imports come from five places: China, Southeast Asia, Central America, Mexico and the Indian Subcontinent. In recent years US textile imports from Africa have also been growing, due to preferential provisions in the African Growth and Opportunity Act (AGOA). In the future, however, like other textile and apparel producers around the world those countries will be under growing competitive pressure from China. Consolidation in the number of suppliers to the U.S. market will be driven by economies of scale and cost competition for high-volume, lower value products, and by efficiency and the ability to quickly adapt to market demand (i.e., short lead times and production close to major markets) for high-end fashion products.

Regional and Bilateral Trade Negotiations

Regional and bilateral free trade agreements (FTAs) are proliferating. Countries think globally but are likely to act regionally.

Bilateral and regional trade agreements are proliferating around the globe. Over 170 free trade agreements (FTAs) are currently in force, and another 70 have been concluded but are not yet operating. If all FTAs currently planned or under negotiation are concluded, the total number in force may approach 300 by the end of 2005. Many of these agreements exist only on paper, but others will have a significant impact on trading patterns. At present there are more than 40 free trade agreements in place in the Asia-Pacific region alone, with another 40

proposed. Together they are creating an incipient trading network that will link Asia's economies, including China. Few of these agreements include the United States.

ASEAN Economic Community and bilateral FTAs

The 10-member Association of South-East Asian Nations (ASEAN) is the world's third largest trading group after NAFTA and the EU. Unlike those counterparts, however, the reduction of internal trade barriers and actual economic integration within ASEAN have been limited, with intra-regional trade hovering at 20-25%; a significant portion of that comes from the bilateral trade between Singapore, Malaysia and Indonesia. To address this weakness, and the growing competition from China for both trade and investment, ASEAN members agreed in October 2003 to convert the ASEAN free-trade area into a full economic community with a common market by 2020.

Plans for a common market include the free flow of goods, services, investment and capital, the harmonization of product standards, and the freer movement of skilled labor. Ministers identified 11 priority sectors, ranging from fisheries and electronics to healthcare and tourism, where the elimination of tariffs and harmonization of standards could lead to a more rapid integration, leading eventually to monetary integration. To augment their planned internal consolidation, ASEAN nations have also completed, or are negotiating, free trade agreements with China, Japan, South Korea, Australia, New Zealand and India.

ASEAN-China

Given their past failure to integrate more effectively, it remains to be seen whether this new effort will have greater success. However, China's development as a formidable economic power in the region has added to their incentive. China and ASEAN concluded a free trade agreement (proposed by China) in November 2004, which sets the goal of zero tariffs by 2010 for all products between China and six ASEAN economies, extending to all ASEAN countries by 2015. By January 2005, approximately 90% of 5,000 tariff categories had been reduced to under 20%, and by 2006 tariffs will be eliminated on 500 commodities, mainly agricultural products; in the case of particularly sensitive industries the timetable for liberalization will be slower.

Trade has grown rapidly since the framework was launched. In 2003, ASEAN-China trade increased 40%, with ASEAN's exports to China reaching \$47.3 billion and imports from China reaching \$30.9 billion. This represents an increase of 51.7% and 31.2% respectively from 2002. Two-way trade grew another 40% in 2004. Full implementation of the agreement in 2010 will tie those countries more closely to China, enhancing its economic and geopolitical influence and the growing aggregation of economic power in Asia.

ASEAN-Japan

In October 2003, Japan and ASEAN also agreed on a framework agreement for “comprehensive economic partnership,” to include the liberalization of trade in goods, services and investment, and business facilitation covering a number of areas, including energy and transportation. Despite China’s growing importance, ASEAN’s trade with Japan is still almost twice as large as that with China. ASEAN is Japan’s third largest export destination, with a 10% market share, and continues to be a major site for Japanese investment. Expansion of two-way trade between ASEAN and Japan will serve both sides as a counterweight to their growing dependence on China.

Because ASEAN’s historical track record for economic integration has been weak, its success in meeting its free trade goals bears watching. The distant 2020 target date for implementing its own economic community raises questions about the credibility of the undertaking. Implementation of its free-trade pacts with China, India, and Japan by 2010-2012 would pre-date ASEAN’s own internal integration, raising the ante for ASEAN to move quickly.

Individual members, frustrated by limited integration within ASEAN, are also pursuing bilateral trade deals outside the region: Thailand has already signed free-trade agreements with China and India and is negotiating with the United States, Singapore has signed deals with the United States and Japan, and Malaysia, the Philippines and Indonesia have indicated their interest in similar arrangements.

European Union Enlargement to 25 Countries

The European Union has moved forward on its goal of a European continent linked by a single market and a common currency; the political goal of a European constitution, however, has proven more elusive. The latest European enlargement is the fifth in the history of the European Union, and as the EU’s largest-ever undertaking presents many challenges. The European Union added 10 new members in May 2004 - Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovak Republic, and Slovenia – enlarging the group to 25. In 2007, Bulgaria and Romania are expected to also join. These new members represent 19% of the EU’s geographic area, 15% of its population, and 5% of its GDP.

Progress toward a shared European constitution stalled in May 2005, however, when French and Dutch voters rejected the draft in national referenda. Whether this represents a pause or a full halt in the march toward greater political union remains to be seen. Among other things, rejection of the constitution reflected popular unease with the pace of EU expansion, the prospect of expanded internal immigration, economic stagnation and the perception that the EU was pursuing disruptive economic reforms. The disarray resulting from the votes has reopened debate over whether the EU should fundamentally be a trade and economic bloc, or a political body. The existence of a single currency without a parallel political structure accentuates this issue. The failure of the EU in the Spring of 2005 to agree to a proposed directive by the European Commission that would have increased service sector competition within the bloc also highlights continuing divisions over deeper economic reforms.

With its population increasing by 28% to nearly 105 million people (including Bulgaria and Romania), its latest enlargement will bring profound changes to the EU. The new countries became members of the Economic and Monetary Union (EMU) and will adopt the Euro when

their economies are ready to do so. With the progressive elimination of trade barriers begun ten years ago and important in-flows of foreign investment (more than \$120 billion), the new members have already shown their readiness to deeply integrate with the EU. Their integration will have a dynamic impact on the European system: economic growth in the new members is among the world's fastest, in contrast to the relatively somnolent performance of many of the EU's older members.

Adoption of the Euro is likely to increase trade growth within the European Union. One major impact on U.S. trade could be in agriculture. The EU-15 was a larger agricultural producer by value than the United States. The EU-25 will be an even greater presence in the global agricultural market, with arable land increasing by nearly 40%. EU nations are likely to favor trade preferences inside the Euro zone. This could affect California, which counts the European Union as its second largest export market for agricultural products (primarily lettuce, tomatoes, and grapes).

Exchange rate variations could have a particularly large effect on US-EU trade. The appreciation of the Euro since 2002 has reduced the competitiveness of European exports while increasing the attractiveness of U.S. products in Europe. As 60% of the world's GDP is generated by the European Union and The United States, and EU-US commercial relationships account for 40% of global trade, the impacts can be significant.

U.S. Free Trade Agreements

The Bush administration is pursuing a policy of "competition in liberalization" that includes trade agreements at the global, regional, and bilateral levels. Congressional approval of Trade Promotion Authority (TPA) in August 2002 enabled this approach, and a range of new agreements are either in negotiation or under consideration. The Bush Administration will push for completion of these agreements before TPA expires in June 2007. Many of the participating U.S. trading partners are small, but in the aggregate account for nearly 40% of U.S. trade. The agreements share as common goals the elimination of tariffs, reduction of subsidies and other barriers to agricultural trade, improving intellectual property protection, strengthening protections for foreign investors, and market access in the services sector. They also follow a blueprint, with the strongest agreement "to date" serving as a model for the next. In this respect the new FTAs under negotiation build on prior U.S. FTAs with Israel, Mexico and Canada, and more recently approved agreements with Jordan (October 2000), and Singapore (January 2003).

Latin America

Free Trade Agreement of the Americas (FTAA)

The Free Trade Area of the Americas (FTAA) would embrace 34 Western Hemisphere nations with 800 million people, creating the world's largest free-trade zone with a combined economy of \$13 trillion. Negotiations have been underway for nearly ten years on issues including market access in agriculture, industrial goods, services, investment, and government procurement. Other areas under negotiation include intellectual property, subsidies, dumping, and countervailing duties, competition policy, dispute settlement, electronic-commerce, and interactions with civil society.

Export prospects vary from country to country, but some sectors of particular interest include telecommunications equipment and services, computers and IT services, aerospace, oil and gas equipment, and security products, many of which would benefit California exporters. Negotiations on the FTAA have been difficult, however, with problems ranging from Congressional concerns over labor and the environment, opposition by citrus growers, political issues in South America stemming from the relation of a possible FTAA to Mercosur (the trade agreement encompassing Brazil, Argentina, Uruguay and Paraguay), and concerns by Brazil and other countries over U.S. farm subsidies. Negotiators failed to meet the original January 2005 target for completion, and while an effort is being made to reinvigorate the talks, they will likely take a back seat to completion of the Doha Round.

In the meantime, Latin America is not negotiating exclusively with the United States: parallel free trade talks are underway between Mercosur and the European Union, and may be launched between Mercosur and Canada. Mexico has also recently finalized a free trade agreement with Japan.

While hemispheric negotiations are progressing slowly, the U.S. is proceeding more rapidly with a series of smaller bilateral agreements that will expand sub-regional markets while adding pressure for a hemispheric deal.

U.S.-Chile FTA

The U.S.-Chile Free Trade Agreement entered into force on January 1, 2004. Chile's economy is the most open and stable in South America, and receives high marks for competitiveness, transparency and a low level of corruption. Under the agreement, tariffs on 90% of U.S. exports to Chile and 95% of Chilean exports to the United States have been eliminated. In the first three months following its entry into force, U.S. exports to Chile increased by 24% over the same period of 2003, from \$617.29 million to \$766.79 million. This compares favorably to an increase of 13% in U.S. exports to the world in the same period. Particularly strong growth was registered in exports of construction equipment, medical equipment, paper and agriculture. In addition to strengthening bilateral trade, the agreement helps U.S. companies compete against companies from other countries, such as Canada and Japan, which also have FTAs with Chile.

U.S.-Central America FTA

The US-Central America Free Trade Agreement (CAFTA) was signed in May 2004 and approved by Congress in July 2005. As this report goes to press, the ratification process by other CAFTA members is still underway. Participants include the US, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and the Dominican Republic. Like other U.S. free trade agreements, CAFTA embraces trade in manufactured goods, services, agriculture, as well as investment, and intellectual property, and will give duty-free access to the region for approximately half of all U.S. farm exports and 80% of consumer exports. The remaining tariffs will phase out over ten years for manufactured and consumer products, and 15-18 years for agricultural products. The American Farm Bureau estimates that the agreement will boost U.S. agricultural revenues by \$1.5 billion, or almost double the current level. The agreement will also immediately eliminate many non-tariff, service and investment barriers, and increase standards for intellectual property protection.

Though its individual members are small, U.S. trade with the region is significant, totaling nearly \$32 billion. Particular opportunities should open up for U.S. companies in areas such as telecommunications services, fabrics and farm products. The agreement faced a rocky road in Congress, with substantial opposition from textile and heavily subsidized sugar interests, and from the AFL-CIO. While organized labor argues that the agreement's requirement that CAFTA members enforce their own labor laws fails to provide adequate labor protection, the International Labor Organization has determined CAFTA countries' laws are generally in line with the ILO's core labor standards; negotiations therefore emphasized enforcement. Despite a narrow margin (two votes) in the House of Representatives, the passage of CAFTA should support U.S. efforts to negotiate a successful conclusion to the Doha Round.

U.S.-Andean FTA

In May 2004, the U.S. launched negotiations with Colombia, Ecuador, and Peru to establish a U.S.-Andean Free Trade Agreement (AFTA), with a conclusion targeted for January 2005. Bolivia is participating as an observer; Venezuela, however, is not participating. A number of tensions mark the FTA discussions. Agriculture and intellectual property have been controversial issues. In agriculture, Andean countries have been reluctant to liberalize their domestic markets if the U.S. will not agree to improve access to U.S. markets. In the intellectual property area, the Andean countries are reluctant to go beyond their existing WTO obligations. Because of these difficulties, negotiations are continuing past the deadline.

Asia-Pacific

U.S.-Australia FTA

The US-Australia Free Trade Agreement, which entered into effect in January 2005, eliminates 99% of tariffs on U.S. manufactured goods imports (manufactured goods account for 93% of all U.S. exports to Australia.) Some restrictions will remain, however, in sensitive farm products such as sugar. The agreement presents particular opportunities for Bay Area companies, as Australia is a major market for computers and electronic equipment, as well as

chemicals, wood and paper products, and oil and gas equipment. This is the first FTA between the United States and a developed country since the U.S.-Canada Free Trade Agreement in 1988. In 2003, Australia was America's 14th largest export market for goods, with two-way goods and services trade of nearly \$29 billion. A recent report by the U.S. International Trade Commission estimates that the agreement will increase U.S. exports to Australia by \$1.5 billion and imports by \$1.2 billion.

Intellectual property rights, especially related to computer and television piracy, was a major issue in the negotiation. A recent study found that 31% of software in Australia is pirated, at a cost to US industry of over \$340 million. Australia has acted to address this issue by passing legislation in August 2004 and taking other important implementation measures in December.

Enterprise for ASEAN Initiative

On October 2002 the U.S. launched the Enterprise for ASEAN Initiative (EAI) aimed at enhancing U.S. relations with ASEAN countries (Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.) Under the EAI, the United States offered bilateral free trade agreements to ASEAN countries that are committed to the economic reforms and openness inherent in an FTA with the United States. Any potential FTA partner must be a WTO member and have a TIFA (Trade and Investment Framework Agreement) with the United States. With two-way trade of nearly \$120 billion, the 10-member ASEAN group already is the United States' fifth largest trading partner. On the investment front, ASEAN's internal economic integration holds an important key to increasing long-term investment from the U.S., which has suffered in comparison with U.S. investment in China.

U.S.-Thailand FTA

The U.S. announced in February 2004 that it would begin free trade talks with Thailand. This would be the United States' second bilateral FTA in Southeast Asia, after its 2003 agreement with Singapore. U.S. concerns about Thailand's trade and investment regime include high tariffs and non-tariff barriers on both industrial and agricultural goods, restrictions on access to the services market, and deficiencies in Thailand's intellectual property and customs regimes.

Middle East and Africa

As part of its strategy to promote growth and stability in the Middle East, in May 2003 the Bush Administration proposed a Middle East free trade initiative, with completion targeted for 2013.

U.S. Bahrain FTA

A U.S.-Bahrain FTA, signed in September 2004, will come before the Congress for approval in 2005.

U.S.-Morocco FTA

The United States and Morocco reached agreement on bilateral free trade in March 2004, which was approved by Congress in July 2004. In addition to boosting trade and investment, the agreement is designed to bolster Morocco's position as a moderate Arab state. The U.S. currently exports approximately \$475 million worth of products to Morocco, with a modest two-way trade flow approaching \$1 billion; in 2003 the United States enjoyed a \$94 million surplus. Sensitive issues in the negotiations included the opening of Morocco's market to U.S. wheat, rules of origin in the U.S. for Morocco's textile exports, and drug prices. More than 95% of bilateral trade in consumer and industrial products are tariff-free, with all tariffs eliminated within nine years. The agreement covers all agricultural products, benefiting California, and offers particularly good opportunities for the sale of U.S. consumer products. Because Morocco enjoys tariff-free exports to the EU, it also offers a platform for access to both European and African markets.

U.S.-Southern Africa FTA

The United States and the five members of the Southern African Customs Union (Botswana, Lesotho, Namibia, Swaziland, and South Africa) launched negotiations in January 2003 aimed at concluding a free trade agreement by the end of 2004. The SACU region is the United States' largest market in sub-Saharan Africa, and this would be the first U.S. free trade agreement in the region. The talks have focused on technical barriers to trade, agriculture, rules of origin, textiles and apparel, and customs. Negotiations over issues of particular importance to the U.S. such as market access, investment, government procurement and intellectual property rights have been difficult, however, and negotiations have stalled. The outcome may be a series of smaller agreements on specific topics, rather than a comprehensive pact more typical of free trade agreements.

Other Proposed Agreements

Free trade agreements have also been proposed or are under negotiation between the United States and Oman, the United Arab Emirates (UAE), and Panama.

China's Trade Outlook

Since its admission to the WTO, both foreign investment and trade with China have accelerated. Domestically, accession has strengthened China's efforts to restructure its industry along market lines, and has helped improve legal and procedural transparency. China's export penetration of advanced country markets has increased, while it has simultaneously become an increasingly important export destination. Its export base has diversified from a heavy reliance on textiles and manufacturing assembly, to include increasingly sophisticated electronics and other products.

Many of those products are based on imported electronic and industrial components, reflecting the growing importance of intra-firm trade within the Asian region. U.S.-made semiconductors are incorporated into Chinese-made Dell computers that are exported to U.S. consumers, while large amounts of U.S. cotton – much of it produced in California – is used in the manufacturing of Chinese textiles and apparel sold back to the United States.

China is now one of the most important export destinations for other Asian countries, which increased their sales to China by 43% in 2003. Its overall merchandise exports grew in 2003 by 35% to \$438 billion, and imports grew by 40% to \$413 billion. China continued to run a trade deficit in 2004, principally with Japan, South Korea, Taiwan and a number of oil exporting countries. Statistics from the Chinese Ministry of Commerce show that total trade in 2004 exceeded \$1 trillion, ranking China the third largest trading nation in the world. Significantly, in the first half of 2004 China posted a \$6.8 billion trade deficit with the rest of the world, reflecting both its growing appetite for imports and the high import content in many of its manufactured exports. In the first half of 2005, China's trade moved to a positive balance, with a surplus of nearly \$40 billion.

Trade with the U.S. does not show the same balance. China is one of fastest growing export markets for the U.S. and California. According to the US Department of Commerce, between 2001 and 2004 its imports from the United States grew 59% to \$35 billion, more than doubling the level of 1990. Major exports to China include power generation equipment, electrical machinery, aircraft, and medical equipment. However, in 2003 alone China's exports to the United States grew 49%, reaching \$152 billion and giving China the largest bilateral surplus (\$124 billion) of any U.S. trading partner. That surplus grew to \$150 billion in 2004. China also enjoys a growing trade surplus with Europe.

Despite government efforts to cool the economy, foreign direct investment (FDI) in China is continuing to rise. After averaging \$40 billion annually from 1995-2002, FDI accelerated to \$53.5 billion in 2003, making China the world's number one destination for foreign investment, ahead of the United States. FDI exceeded \$60 billion in 2004.

China's transition to a market economy has included a major shift of employment from agriculture and industry to the service sector, where growth is being driven by the private economy, including foreign investment. China is opening its doors in key **service** sectors where foreign participation was previously marginal or nonexistent. The City of Beijing, which will host the 2008 Olympic Games, is investing \$34 billion over seven years on construction,

telecommunication, transportation, multimedia, information technology, infrastructure and environmental projects. This is generating major opportunities for California and Bay Area companies, as China's massive urban infrastructure needs are producing booming markets for foreign architectural design, planning and engineering, and tourism infrastructure.

Although **agriculture** now accounts for only 15% of its GDP, China has recently emerged as the world's largest agricultural producer after the United States, and a significant exporter of agricultural products. China is the world's largest producer and consumer of cotton, accounting for 20% and 25% percent of the world market respectively. It is also one of the world's largest producers of rice, potatoes, sorghum, millet, peanuts, tea and pork. Chinese niche exports in products such as garlic pose a growing challenge to Bay Area producers. In 2004 fresh garlic imports from China, at 86 million pounds, were larger than California's total production of 81 million pounds. Garlic imports from China have grown ten-fold in the last three years, increasing price pressure on California growers.

While China has recently maintained a trade surplus in agricultural products, based on exports of vegetables, fruits, poultry, processed foods, corn, and rice, a surge of imports in 2003 (a 60% increase to \$17.4 billion) made China a net importer of products such as soybeans, cotton, wheat, rubber, vegetable oils and animal hides. This benefited California's agricultural sector, which counts China as its fourth largest export market. It also left China with an agricultural deficit of \$2 billion in 2003 and a \$5.5 billion deficit in 2004. A reflection of China's implementation of its WTO commitments, this imbalance is likely to continue. Agriculture is one of the few sectors where China has a trade deficit with the United States.

Textiles is another area where China is set to have a growing impact. The removal of the global import quota system once in place under the Multi-Fibre Agreement has opened the door to a large-scale expansion of Chinese exports, at the expense of producers in other developing countries as well as the United States. While U.S. textile and apparel imports have not seen a major increase generally, imports from China surged 63% in the first three months of 2005, suggesting that Chinese imports are displacing other sources.

In response to concerns raised in many countries, including the EU, China has suggested that it may consider restraints on its textile and apparel exports, in the form of an export surcharge. If implemented, the duties may also reflect a Chinese strategy to defer the lower end of the textiles market to less developing countries, and move its export profile toward higher-end products. It remains to be seen, however, whether this will moderate the export surge. If not, the U.S. and other countries may invoke "safeguards" provisions to temporarily cap Chinese imports.

Steel is yet another indicator of China's growing impact on global markets. With steel production growing rapidly, China is poised to overtake Japan as the world's largest importer of iron ore. Its steel makers have invested heavily in new factories and in modernizing existing ones, with investment nearly doubling in 2003 alone. A decade ago, Asia as a whole accounted for roughly one third of the world's production and consumption of steel; today, the figure is closer to half on both counts, with China alone accounting for a quarter of the world's output and demand.

Reflecting its strong base of engineers and its growing technological capacity, China's exports of **high-technology** products have also been growing, reaching \$113 billion in 2004, or one quarter of its export volume. Mobile phones, liquid crystal displays, plasma display panels and high-definition televisions are seeing particularly strong growth.

Chinese companies are also now beginning to enter foreign markets, including the U.S., as brand-name competitors rather than just contract manufacturers. While still in its early stages, this trend is likely to accelerate. Growing investment in R&D by Chinese as well as multinational companies in China is contributing to its growing capacity to produce sophisticated products for both domestic and foreign markets. China is also a large importer of high-technology products, with strong U.S. sales of manufacturing equipment, integrated circuits (semiconductors) and medical equipment and optics.

Assessing China's Implementation of its WTO Commitments (Year 3)

The United States and other WTO members negotiated with China for 15 years over the specific terms pursuant to which China would enter the WTO. Key aspects of China's accession included commitments to liberalize trade in industrial goods, agriculture and services, and reforms to promote transparency and protect intellectual property rights. In light of the state's large role in the economy, China also agreed to rules regarding subsidies and the operation of state-owned enterprises. Implementation of most of these commitments is targeted for completion by December 2007. China lowered the average tariff rate to 10.4% in January 2004. In its 2004 Report to Congress, the U.S. Trade Representative observes that China made impressive progress on its commitments, but the process is far from complete and has not always been satisfactory.

In July 2004, the United States successfully resolved the first dispute settlement case brought against China at the WTO, which challenged discriminatory value-added tax (VAT) policies that favored Chinese producers of semiconductors over imports. The issue was of particular concern in the Bay Area, which is a major producer and exporter of integrated circuits (U.S. exports of integrated circuits to China totaled \$2 billion in 2003).

China's commitments to open its **services** market reflects one of the deepest reform programs negotiated by the WTO, with implementation largely on target. This includes an extensive range of industries, including banking, insurance, legal and professional services, telecommunications and tourism. Ongoing WTO-mandated measures to open China's financial services sector, combined with continuing financial reforms, should present particular opportunities for San Francisco and Silicon Valley financial services firms.

Liberalization of trading rights and distribution services has been an important issue for the trade community, with foreign companies' right to import and export – a key element of all WTO agreements – a weak spot. China implemented its trading rights commitments nearly six months ahead of schedule (by the end of 2004), permitting private companies and individuals to directly import and export. Restrictions that limited foreign retailers to joint ventures in a handful of cities have been scrapped, increasing access to China's growing middle class and a retail market of over \$600 billion. By 2006, foreign firms will be allowed to distribute virtually all goods domestically, and foreign banks will be permitted full access to all Chinese businesses.

In January 2005 China lifted rules that restricted foreign insurance companies to a handful of cities, and now allows their operation anywhere in the country. As part of the same reform, foreign insurers can provide services related to pensions and corporate annuities, and can own a majority stake in joint ventures. China also accelerated compliance with its commitments to allow foreign-owned travel agencies to operate in the country. Tourism is becoming a particularly dynamic sector, with the number of outbound Chinese travellers increasing by 22% to more than 20 million in 2003. Foreign penetration of the telecommunications sector has been slower than expected, due to continuing issues of market transparency. By 2007 all remaining restrictions on foreign service providers are scheduled for removal.

Agriculture is a major concern for many WTO members, and is among the areas of particular interest to the United States, including California. In joining the WTO, China agreed to give up its monopoly over agricultural production and distribution as well as most state controls over imports and exports. China agreed to limit domestic agricultural subsidies to 8.5% of the value of production (less than the 10% limit allowed for developing countries) and to eliminate agricultural export subsidies. It also agreed to reduce tariffs on agricultural goods to an average of 15 percent (from 19.4%), which is 50% lower than the international average. As a result, China has become one of the fastest growing markets for U.S. farmers. Problems remain, however, as inefficiencies created by slow and unpredictable customs and inspection practices, and the inconsistent application of standards, continue to make life difficult for U.S. exporters.

In joining the WTO, China also agreed to overhaul its legal regime to ensure the protection of **intellectual property rights** in accordance with the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement). While China is revising its legal regime (it has changed more than 2,500 laws and regulations to bring about more transparency) and is generally becoming more responsive to U.S. concerns, effective IPR enforcement remains elusive. According to a 2004 USTR report, counterfeiting and piracy rates in China remain among the world's highest, exceeding 90% for virtually every form of intellectual property.

China will also continue to use **industrial policies** to limit market access for non-Chinese origin goods and to extract technology and intellectual property from foreign rights-holders. Prime examples in 2004 included China's discriminatory semiconductor VAT rebate policies, and more recently a draft government procurement policy that mandates the purchase of Chinese produced software. If implemented, this policy would severely limit software sales by U.S. and other foreign companies. The proposed rules would require foreign firms selling to the Chinese government to perform 50% of the product's development work in China, and assign copyright to a Chinese entity or make significant R&D or capital investments in China.

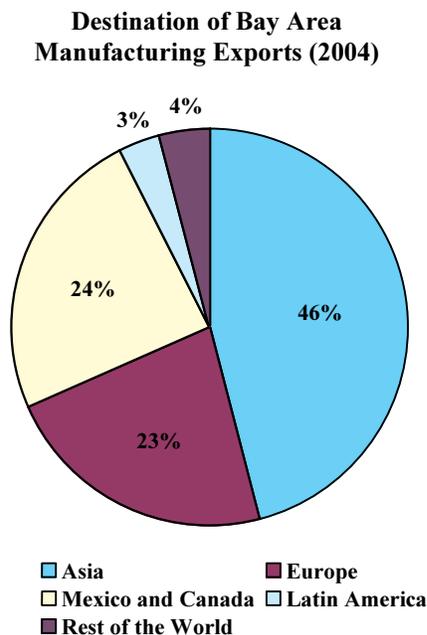
China also attempted to impose a wireless standard (WAPI) that would have required foreign companies to transfer technology to Chinese manufacturers. The U.S. strongly opposed the practice, and the Chinese government suspended the proposal. China watchers expect the Chinese government to continue to try to use standards as a mechanism to favor Chinese producers, and encourage technology transfer.

International Trade in the San Francisco Bay Area

Key Trading Partners and Leading Export Markets

In 2004 the region's manufactured exports continued their strong recovery, reaching \$30.1 billion. Of this, computer and electronic equipment accounted for \$19.3 billion. Nearly 20% of manufacturers in the region export, while many others sell components to other companies that are incorporated into exports. These companies employ nearly 135,000 workers locally, or 31% of all employees at Bay Area manufacturing firms (see Appendix III, Table 1).

The Bay Area's international trade activity is strongly oriented toward Asia and the Pacific. Nearly half (45.8%) of the region's exports go to Asia, 22.5% to Europe, 24.1% to Mexico and Canada, 3.4% to Latin America and 4.2% to the rest of the world. Japan, Taiwan, Singapore, South Korea, Hong Kong, China and Australia are among the region's top ten export markets.



Asia's importance can be seen in the share of 2003 revenues for representative Bay Area companies that are generated by Asia-Pacific sales: Advanced Micro Devices 25%, Agilent 40%, Applied Materials 43%, Cirrus Logic 68%, Komag 92%, LSI Logic 40%, and KLA-Tencor 55%.

The region's exports are led by technology, including computers and electronic equipment, telecommunications equipment, environmental technology, medical technology and biopharmaceuticals. Global demand for the Bay Area's technology products and services has been a driving factor behind the region's economic expansion for the last two decades and accounts for a large share of revenue for Bay Area technology companies. Notwithstanding the prominence of technology in the region's export profile, the Bay Area sells a diverse range of products and services internationally, including apparel, consumer products, business and finance services, engineering, urban planning and architectural design, and wine.

Global Sales by Bay Area Companies

In its last report on international trade in the Bay Area (January 2003), the Bay Area Economic Forum analyzed the share of revenues that leading Bay Area companies derived from global sales, compared to domestic sales. Sixty of the region's best known companies were reviewed, from both technology and non-technology industries. The results showed a strong orientation toward global markets, which in many cases outweighed domestic markets in importance. This was not limited to information technology (hardware and software), although it was most pronounced there, but also included biotechnology and other leading sectors such as engineering and apparel.

For this report (2005), the Bay Area Economic Forum revisited those companies to see how the patterns identified in 2003 had changed. A comparison found that of the 60 companies tracked, 27 saw their domestic sales increase, while 33 saw their domestic sales fall. In the same period, 30 saw their international sales increase, while 26 saw their international sales fall and 4 sustained the same sales level as before. This indicates a continuing shift of Bay Area business revenues toward global markets.

More significantly, of the companies tracked, 18 saw the share of their revenues from domestic markets increase relative to global markets, 38 saw the share of their revenues from international markets increase relative to domestic markets, and 4 saw the ratio of international to domestic sales remain the same. In many cases the shift was substantial: the share of AMD's global sales increased from 66% to 80%, Ariba moved from 27% to 32%, Bechtel from 25% to 39%, eBay from 15% to 35%, Electronic Arts from 37% to 45%, Gap from 24% to 27%, Incyte Genomics from 23% to 32%, Intel from 65% to 75%, Oracle from 49% to 55%, Seagate from 60% to 67%, Solectron from 51% to 64%, 3Com from 48% to 58%, and Google from 18% to 29%.

These figures suggest that Bay Area companies are, on the whole, increasing their international orientation, and that global markets are assuming greater importance in their revenue flows and business strategies. If anything, these numbers understate the trend, since in their reporting many companies combine U.S. sales with sales to Canada and Mexico ("North America"), which in the following table are counted together as domestic sales.

2001 and 2003 Net Sales of Leading Bay Area Companies *(Millions of Dollars)*

Companies	Net Sales 2001		Net Sales 2003		U.S. Growth	Int'l Growth
	U.S.	International	U.S.	International	2001/2003	2001/2003
Adobe Systems Incorporated	Americas \$591 48%	Others \$639 52%	Americas \$640 49%	Others \$654 51%	Americas 8%	Others 2% -1
Advanced Fibre Communications, Inc.	\$282 86%	\$46 14%	\$288 86%	\$45 14%	2%	-2% 0
Advanced Micro Device, Inc.	\$1,327 34%	\$2,564 66%	\$704 20%	\$2,815 80%	-47%	10% +14
Agilent Technologies	\$3,373 40%	\$5,023 60%	\$2,203 36%	\$3,853 64%	-35%	-23% +4
Alza	\$19,825 61%	\$12,492 39%	\$25,274 60%	\$16,588 40%	27%	33% +1
Apple Computer, Inc.	\$2,936 55%	\$2,427 45%	\$3,627 58%	\$2,580 42%	23,5%	6% -3
Applied Biosystems Group	\$812 50%	\$807 50%	\$824 49%	\$858 51%	1,5%	6% +1
Applied Materials, Inc.	\$2,131 29%	\$5,212 71%	\$1,179 26%	\$3,298 74%	-45%	-37% +3
Ariba Inc.	\$290 73%	\$110 27%	\$161 68%	\$76 32%	-44%	-31% +5
Autodesk, Inc.	\$374 40%	\$561 60%	\$321 39%	\$503 61%	-14%	-10% +1
BEA Systems, Inc	Americas \$487 59%	Others \$332 41%	Americas \$509 54%	Others \$424 46%	Americas 4,5%	Others 28% +5
Bechtel Group, Inc.	\$10,027 75%	\$3,373 25%	\$9,742 61%	\$6,290 39%	-3%	86% +14
Bio-Rad Laboratories, Inc.	\$297 36%	\$521 64%	\$344 34%	\$658 66%	16%	26% +2
Cadence Design System Inc.	N. America \$820 55%	Others \$509 45%	N. America \$645 58%	Others \$469 42%	N. America -21%	Others -8% -3
Check Point Software Technologies Inc.	Americas \$235 45%	Others \$292 55%	Americas \$185 43%	Others \$247 57%	Americas -21%	Others -15% +2
ChevronTexaco	2847 47%	3151 53%	3647 48%	3948 52%	28%	25% -1
Chiron Corporation	\$532 47%	\$609 53%	\$865 49%	\$901 51%	63%	48% -2
Cirrus Logic, Inc	\$138 18%	\$631 82%	\$61 23%	\$201 77%	-56%	-68% +5
Cisco Systems, Inc.	Americas \$12,051 54%	Others \$10,242 46%	Americas \$10,544 56%	Others \$8,334 44%	Americas -12,5%	Others -19% -2
The Clorox Company	\$3,169 81%	\$734 19%	\$3,651 88%	\$493 12%	15%	-33% -7
Cypress Semiconductor Corporation	\$407 50%	\$413 50%	\$306 37%	\$531 63%	-25%	29% +13
Del Monte	\$1,739 95%	\$94 5%	\$2,070 95%	\$102 5%	19%	9% 0
Ebay Inc.	\$635 85%	\$114 15%	\$1,406 65%	\$759 35%	121%	566% +20
Electronic Arts	N. America \$832 63%	Others \$490 37%	N. America \$1,375 55%	Others \$1,125 45%	N. America 65%	Others 130% +7

Companies	NET Sales 2001		Net Sales 2003		U.S. Net Sales	Intl'l Net sales
	U.S	International	U.S	International	2001/2003	2001/2003
Fair, Isaac & Company, Inc.	N. America \$269 82%	Others \$60 18%	N. America \$497 79%	Others \$133 21%	N. America 85%	Others 122% +3
Gap Inc.	\$5,200 76%	\$1,600 24%	\$5,300 73%	\$2,000 27%	2%	25% +3
Genencor International	N. America \$147 45%	Others \$179 55%	N. America \$153 40%	others \$230 60%	N. America 4%	Others 28% +5
Gilead Sciences, Inc.	\$64 27%	\$170 73%	\$351 45%	\$429 55%	448%	152% -18
Google, Inc.	\$71 82%	\$15 18%	\$1 041 71%	\$425 29%	1366%	2733% +11
Guidant Corporation	\$1,889 70%	\$819 30%	\$2,515 68%	\$1,183 32%	33%	44% +2
Hewlett-Packard Co. And Subsidiaries	\$18,833 42%	\$29,393 58%	\$29,200 40%	\$43,800 60%	55%	49% +12
Incyte Genomics, Inc.	\$170 77%	\$50 23%	\$32 68%	\$15 32%	-81%	-70% +9
Intel Corporation	\$9,382 35%	\$17,157 65%	\$7,644 25%	\$22,497 75%	-18%	31% +10
JDS Uniphase Corporation	N. America \$2,189 68%	Others \$1,043 32%	N. America \$474 70%	Others \$201 30%	N. America -78%	Others -81% -2
KLA-Tencor Corporation	\$715 34%	\$1 389 66%	\$410 31%	\$913 69%	-43%	-34% +3
Komag Incorporated	\$14 5%	\$269 95%	\$1 1%	\$437 99%	-93%	62% +4
Levi Strauss & Co. And Subsidiaries	\$2,657 62%	\$1,602 38%	\$2,600 63%	\$1,500 37%	-2%	-6% -1
LSI Logic Corporation	\$881 49%	\$904 51%	\$864 51%	\$829 49%	-2	-8% -2
Macromedia, Inc. And Subsidiaries	N. America \$222 57%	Others \$168 43%	N. America \$197 58%	Others \$140 42%	N. America -11%	Others -17% -1
National Semiconductor	\$702 33%	\$1,410 67%	\$384 23%	\$1,287 77%	-45%	-9% +10
Network Appliance, Inc.	\$624 62%	\$382 38%	\$517 58%	\$375 42%	-17%	-2% +4
Novellus Systems, Inc.	N. America \$1,166 77%	Others \$173 23%	N. America \$729 79%	Others \$196 21%	N. America -37%	Others 13% -2
Oracle Corporation & People Soft Inc. (merger)	\$5,632 51%	\$5,329 49%	\$4,297 45%	\$5,178 55%	-24%	-3% +6
Palm, Inc.	\$967 62%	\$593 38%	\$527 60%	\$345 40%	-45%	-42% +2
Plantronics, Inc.	\$266 68%	\$124 32%	\$229 68%	\$109 32%	-14%	-20% 0
Quantum Corporation	\$872 65%	\$474 35%	\$528 60%	\$343 40%	-39%	-28% +5
Safeway	US \$30,866 91%	Canada \$3,434 9%	US \$31,509 89%	Canada \$4,043 11%	US 2%	Canada 18% +2

Companies	NET Sales 2001		Net Sales 2003		U.S. Net Sales	Intl'l Net sales
	U.S	International	U.S	International	2001/2003	2001/2003
Seagate Technology LLC	\$1,462 40%	\$2,194 60%	\$2,151 33%	\$4,335 67%	47%	98% +7
Siebel Systems, Inc.	\$1,246 60%	\$839 40%	\$788 58%	\$566 42%	-37%	-33% +2
Silicon Graphics, Inc. (SGI)	Americas \$1,008 54%	Others \$846 46%	Americas \$578 64%	Others \$319 36%	Americas -43%	Others -62% -10
Soletron Corporation	\$9,205 49%	\$9,487 51%	\$3,965 36%	\$7,049 64%	-57%	-26% +13
Sun Microsystems, Inc.	\$8,779 48%	\$9,471 52%	\$5,048 44%	\$6,386 56%	-42%	-33% +4
Sybase Inc.	N. America \$539 58%	Others \$389 42%	N. America \$455 59%	Others \$323 41%	N. America -16%	Others -17% -1
3 Com Corporation	Americas \$1,251 52%	Others \$1,171 48%	Americas \$396 42%	Others \$538 58%	Americas -68%	Others -54% +10
Trimble Navigation Limited	\$237 50%	\$239 50%	\$265 49%	\$276 51%	12%	15% +1
URS, Corporation	\$2,102 91%	\$217 9%	\$2,868 90%	\$319 10%	36%	47% +1
Varian Medical Systems, Inc.	N. America \$409 55%	Others \$344 45%	N. America \$625 60%	Others \$417 40%	N. America 53%	Others 21% -5
Verisign	\$862 88%	\$122 12%	\$942 89%	\$113 11%	9%	-7% -1
Visa International Total Card Volume (purchase + cash)	\$846 43%	\$1,115 57%	\$1,100 40%	\$1,656 60%	9%	-7% -1
Yahoo! Inc	\$594 83%	\$123 17%	\$1,355 83%	\$270 17%	128%	120% 0

Note: Amounts are rounded to nearest million.

Source: 2001 and 2003 Corporate annual reports

Although many large Bay Area companies operate globally, and account for the lion's share of trade volume, overseas markets are also important to many small and medium sized Bay Area businesses. Ninety-eight percent of exporters in the San Francisco Metropolitan Statistical Area (which encompasses San Francisco, Marin and San Mateo Counties), are small and medium sized companies. The comparable figure for the San Jose MSA (Santa Clara County) is 93%, the Oakland MSA (Alameda and Contra Costa Counties) 98%, the Santa Rosa MSA (Sonoma County) 100%, and the Vallejo-Napa-Fairfield MSA (Solano and Napa Counties) 98%. See Appendix III.

Sectoral Outlook

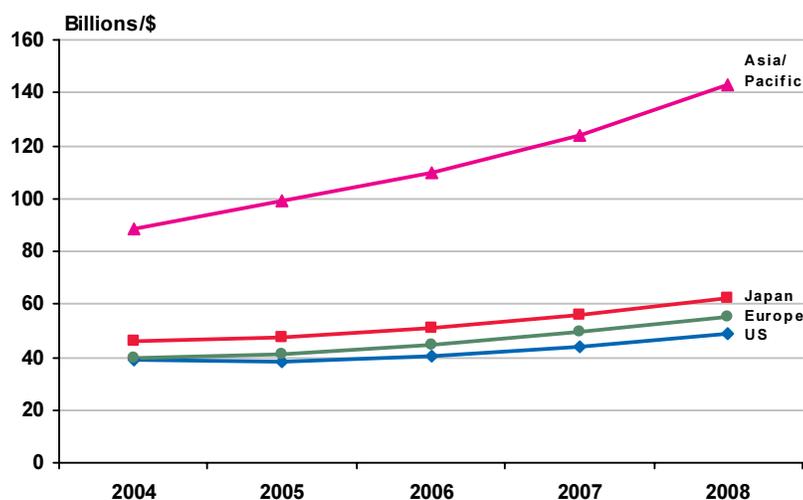
Semiconductors, information technology and security

Because most IT products incorporate semiconductors, semiconductor sales are often viewed as a bellwether for information technology markets generally. In 2005, the U.S. is projected to be the smallest of the four major regional markets for semiconductors (North America, Europe, Japan, Asia Pacific), representing only 18 percent of world consumption.

The global semiconductor market increased by 28% to \$213 billion in 2004, according to the Semiconductor Industry Association (SIA). This expansion was led by the Asia-Pacific region, which grew 41%. The \$213 billion sales milestone of 2004 surpassed the record \$204 billion in sales reported in 2000, a year which was followed by a 32% decline in sales in 2001. The SIA forecasts that worldwide sales will increase by 6% in 2005, and will see compound annual growth of 9.8% through 2008.

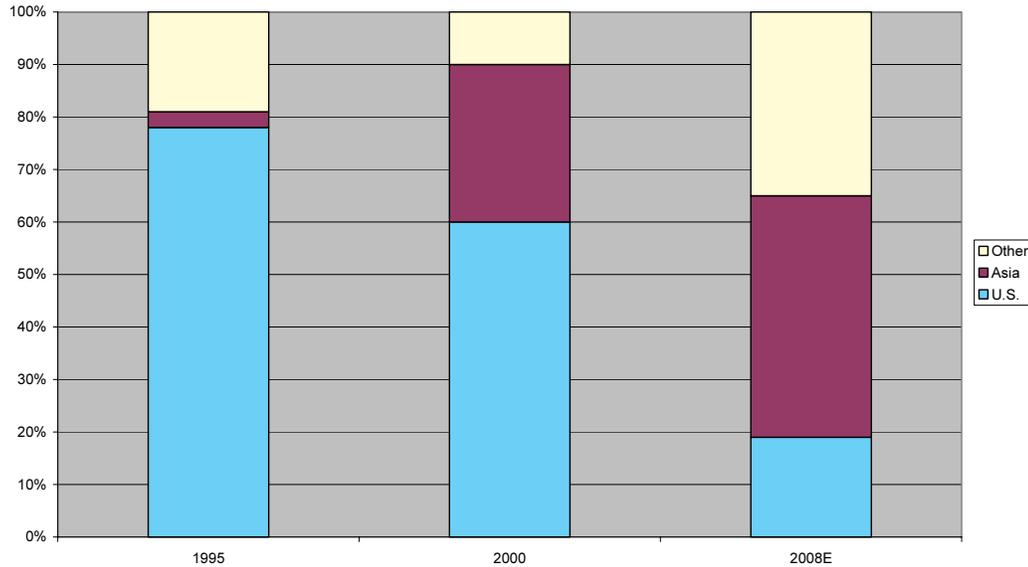
Sales of consumer products, especially in digital media processing, PCs and wireless technology will continue to underpin that growth. In 2004, for the first time in the industry's history, purchases of electronics equipment by consumers represented more semiconductor demand than purchases of electronic equipment by industry for the first time in history. Asia is the largest market for semiconductor sales, with \$87 billion in sales in 2004, representing 41% of the world market. The Americas market represents 17% of the world, a reversal from 2000 when the Americas market was the world's largest.

China is propelling growth in Asia. Semiconductors represent the second largest U.S. export to China, based principally on growth in the Chinese computer and telecommunications markets (last year China was also the world's fastest growing semiconductor market, its largest mobile phone market, and its second largest personal computer market.) SIA believes that growth in the Asia Pacific market will continue to outpace other regions, and will be almost triple the size of the U.S. market in 2008.



Source: *Semiconductor Industry Association*

Share in Global Production of Chip Design, (1995 To 2008E)



Note: Asia includes (Taiwan, S. Korea, India, China, Singapore and Malaysia)

Source: Supplied report on Kdesign, March 2000. Cited by Dieter Ernst, University of Honolulu, April 2004

Since 9/11, security has also emerged as a technology-based sector with export potential. IT-based security technology (physical security, border security and information security) and biodefense technologies rooted in the Bay Area’s IT and biotech sectors are well positioned for growing global markets.

Education

Education occupies a distinct place in the region’s trade profile (education provided to foreigners is considered a service export.) The Bay Area has a particularly strong base with which to attract students from around the world, with one of the nation’s largest concentrations of institutions of higher learning. Overall, the San Francisco Bay Area hosted 25,761 foreign students in the 2003-2004 academic year, out of a total of 228,000 students. The University of California at Berkeley, University of California at San Francisco, and Stanford University are among the top five California institutions with significant foreign student populations. In 2003-2004, foreign students brought an estimated \$527-\$571 million into the region’s economy.

The leading countries of origin for foreign students studying in California are: Japan (15.1%), South Korea (11.5%), China (9.6%), India (8.9%) and Taiwan (8.4%), with the leading fields being business and management (18.1%), engineering (14.7%), math and computer science (11.4%), and fine and applied arts (10.4%). However, visa issues stemming from post-9/11 security measures are making it more difficult for foreign students to come here, eroding the United States’ competitive position in education relative to competitors such as the United Kingdom, Canada, Australia, New Zealand and even China.

Food and Wine

California is the top producer and exporter of agricultural products in the nation. After several declining years, the state's exports had strong growth in 2003, reaching \$7.5 billion. While California's agricultural products can be found in markets around the world, they are heavily concentrated in three markets - Canada, the European Union, and Japan - that absorb nearly half of the state's exports. China (including Hong Kong) and Mexico round out the top five markets.

California's agricultural exports are as diverse as their destinations. The state's top export commodities are almonds, dairy products, grapes, lettuce, and nursery products. A large proportion of the state's agricultural exports are shipped through the Port of Oakland, linking the region directly to the Central Valley and the competitiveness of the state's agricultural sector.

Of all its agricultural products, wine is perhaps the most distinctive Bay Area export. California is the fourth largest wine producer in the world after France, Italy and Spain. Wine is now the number one finished agricultural product in the state, with exports growing to about 15% of production. Approximately 90% of U.S. wine exports originate in California, primarily from the greater Bay Area. In 2004, wine exports grew 23% in value to \$794 million, and 29% in volume to 119 million gallons, with sales in 133 countries. The United Kingdom is the leading market for U.S. wine, with total sales of \$299.1 million in 2004. Other leading markets include Canada (\$123.8 million), Japan (\$82.1 million), Netherlands (\$85.6 million) and Germany (\$26.8 million). Exports to Europe are experiencing solid growth due to lower prices resulting from a weaker dollar.

U.S. wine exports 2000-2004

YEAR	VOLUME (in millions)		VALUE (In \$millions)
	<i>Gallons</i>	<i>Liters</i>	<i>Revenues to Wineries</i>
2004	119.0	450.0	\$794
2003	92.3	349.2	\$643
2002	74.5	282.1	\$549
2001	80.3	303.9	\$541
2000	77.7	294.2	\$547

Total U.S. wine exports (All categories), top 10 markets by value, 2003 and 2004

Country ranking by 2003 dollar value*	Value in \$thousands		
	Year		% Change
	2003	2004	'03 vs. '04
United Kingdom	212,877	299,050	40.5%
Canada	112,371	123,804	10.4%
Japan	60,666	82,055	35%
Netherlands	74,759	85,647	14.7%
Germany	19,303	26,802	38.8%
France	12,202	10,310	-15.5%
Switzerland	14,420	14,005	-2.7%
Belgium	13,961	13,440	-3.7%
Ireland	12,297	13,900	13%
Denmark	10,362	19,005	35.1%
World total	620,997	794,203	17%

Source: Wine Institute using data from U.S. Dept of Commerce

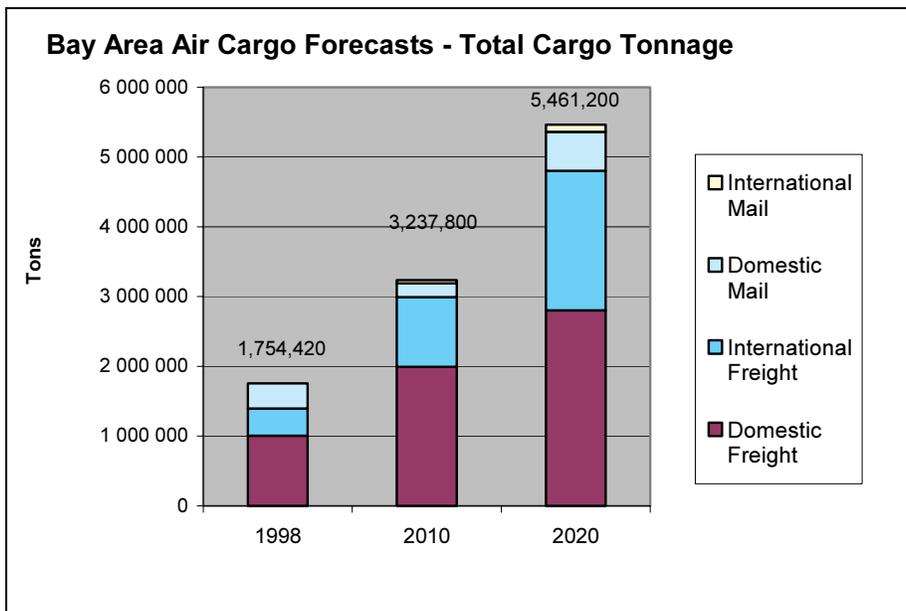
Trade Gateways

California and Bay Area ports and airports are among the largest in the nation and serve as major gateways for trade. As trade volumes grow, the region's infrastructure will be challenged to keep up.

Airports

San Francisco (SFO), Oakland (OAK) and San Jose (SJC) together handle more than 55 million passengers annually. In 2004 nearly 33 million passengers passed through SFO's terminals alone. While all three airports play critical roles in the region's transportation networks, SFO is the Bay Area's primary portal for international traffic, with nonstop links to more than 30 international cities on 35 international carriers.

California's airports handle 21% of U.S. airborne trade by the value of goods moved (19% by weight), led by Los Angeles (LAX) and San Francisco (SFO). SFO is the fourth largest airport in the nation by air cargo value. Oakland International Airport (OAK) ranks 18th in the nation by value and 30th by weight. San Jose International Airport (SJC) does not currently handle significant trade volumes. The region's three international airports together handle more than 1.5 million metric tons of domestic and international air cargo annually, with volumes forecast to triple between 1998 and 2020. Most international freight is carried in the bellies of commercial aircraft; all-cargo flights, however, are forecast to increase by 125%.



Source: Bay Area Seaport Plan, 2003

California airports handle trade with a significantly higher value per kilogram than other U.S. airports. San Francisco, in particular, has a value-to-weight ratio more than twice that of most other airports in the country. Goods shipped through SFO are dominated by high technology products such as integrated circuits, largely shipped to or from Silicon Valley, with Japan, South Korea and Taiwan the primary markets.

International cargo (freight and mail) accounts for more than half of the air cargo volume handled by SFO. International volumes grew 2.1% in the first seven months of FY 2004-05 (July-January), reflecting increased activity by China Airlines (+123%), Philippine Airlines (+62.6%), Cathay Pacific Cargo (+44.6%), China Cargo Airlines (+29.6%) and United Airlines (+21%).

While international cargo volumes at OAK are much smaller, in 2002 the airport handled \$2.9 billion in exports and \$121 million in imports. Like SFO, exports through Oakland are led by integrated circuits, which account for more than half the total value; other top exports are computer and office equipment, measuring and controlling devices, medical instruments and supplies, and aircraft and parts. The top market destinations for OAK shipments are Japan, Hong Kong and Taiwan.

Ports

Marine ports are principal gateways for the surface shipping of commodities and manufactured goods. More than 50% of U.S. containerized traffic flows through West Coast ports (California, Oregon and Washington), and 38% flows through California's three major ports, reflecting the growth of Asian trade. The relative importance of West Coast ports to containerized trade has increased steadily since 1984, when the comparable figure was 41%. The Port of Oakland handles 10.7% of West Coast container volume, second only to Los Angeles/Long Beach, which combined handle 70%. When all commodities are included, Oakland handles 8% of total West Coast marine freight volume, and Los Angeles/Long Beach 49%.

U.S. marine exports to Asia are seeing healthy growth, but imports are growing faster. According to the Journal of Commerce-PIERS, in the first three quarters of 2004, eastbound (Asia-US) containers totaled 3,818,679, while westbound (US-Asia) containers totaled 1,447,764, for a ration of 2.6:1. Containerized shipments from Asia to the U.S. grew 9.3% in 2003, and another 14% in the first three quarters of 2004, with shipments from China leading the surge(growing 37% in 2003, and 32% in the first three quarters of 2004). By comparison, containerized exports from the U.S. to Asian destinations increased 11.5% in 2003, and 6.8% in the first three quarters of 2004. Trans-Pacific trade is forecast to grow another 10-12% in 2005. Current West Coast tonnage data can be accessed on-line from the Pacific Maritime Association, at www.pmanet.org.

Bay Area ports handle a diverse range of products. Redwood City focuses primarily on construction materials, while Richmond and Benicia handle petroleum products, sugar and automobiles. The Port of Oakland, however, dominates containerized cargo, handling 99% of the containerized cargo passing through Northern California. This ranks it as the nation's 4th busiest container port. In 2003, shipments between Oakland and its six leading partners were valued at approximately \$31 billion. Containerized traffic grew in value by 10.1% in 2003, and 9.5% in 2004. In the same period the volume of containers increased by 12.6% (2003) and 6.5% (2004). Nearly 60% of trade passing through Oakland is with Asia (principally China/Hong Kong, Japan, South Korea and Taiwan.) Europe accounts for 10.3%, Australia/New Zealand and the South Pacific 4.7%, and the rest of the world 8.8%. Roughly 17.3% of the port's traffic is domestic.

Revenue Tonnage

	<u>Total Revenue Tonnage</u>			<u>Containers</u>		
	Total	% of Coast	Chg from 2003	Total (TEUs)	% of Coast	Chg from 2003
San Francisco	1,678,663	0.5%	33.2%	20,237	0.2%	27.8%
Redwood City	933,000	0.3	18.4	-	-	-
Oakland	24,684,492	7.9	9.8	1,389,807	10.7	9.5
Richmond	836,339	0.3	2163.7	-	-	-
Crockett	670,462	0.2	-8.0	-	-	-
Pittsburg	297,472	0.1	25.4	-	-	-
Stockton	2,061,559	0.7	37.8	26	<0.1	-97.0
Sacramento	493,006	0.2	-27.4	40	<0.1	-66.7
Benicia	1,146,568	0.4	32.8	-	-	-
Eureka	362,266	0.1	-9.6	-	-	-
Area Total	33,163,827	10.6%	14.50%	1,410,110	10.8%	9.7%

	<u>General Cargo</u>			<u>Automobiles and Trucks</u>		
	Total	% of Coast	Chg from 2003	Total	% of Coast	Chg from 2003
San Francisco	226,849	2.1%	188.0%	15,883	0.1%	-
Redwood City	-	-	-	-	-	-
Oakland	48,468	0.5	26.2	1,009,305	4.7	17.0%
Richmond	25,757	0.2	-30.3	810,582	3.8	-
Crockett	-	-	-	-	-	-
Pittsburg	-	-	-	-	-	-
Stockton	293,276	2.7	44.9	-	-	-
Sacramento	303,765	2.8	-16.0	-	-	-
Benicia	7,464	0.1	-	1,051,676	4.9	43.3
Eureka	204,037	1.9	-6.3	-	-	-
Area Total	1,109,616	10.4%	18.6%	2,887,446	13.4%	80.9%

	<u>Bulk Cargo</u>			<u>Lumber and Logs</u>		
	Total	% of Coast	Chg from 2003	Total	% of Coast	Chg from 2003
San Francisco	1,085,669	1.9%	20.2%	6,233	0.3%	-32.6%
Redwood City	933,000	1.6	18.4	-	-	-
Oakland	-	-	-	-	-	-
Richmond	-	-	-	-	-	-
Crockett	670,462	1.1	-8.0	-	-	-
Pittsburg	297,472	0.5	25.4	-	-	-
Stockton	1,767,841	3.0	38.2	-	-	-
Sacramento	173,191	0.3	-37.8	15,370	0.8	-58.2
Benicia	87,428	0.1	-32.2	-	-	-
Eureka	-	-	-	158,229	8.4	-9.2
Area Total	5,015,063	8.6%	15.2%	179,832	9.5%	-18.4%

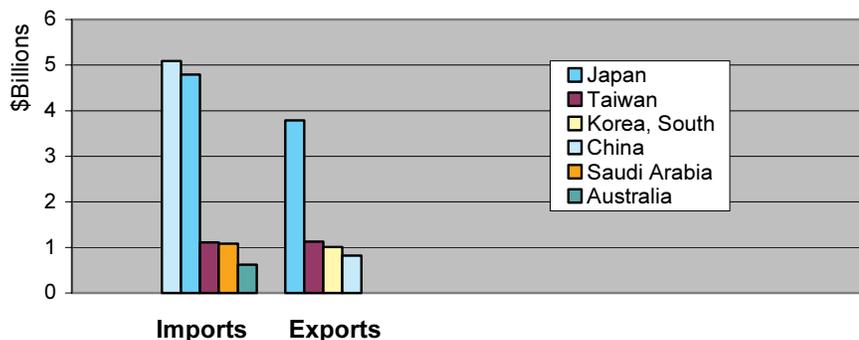
Source: Pacific Maritime Association, 2004 Annual Report

Agricultural commodities, including fruits, vegetables, rice, still wine and cotton, account for a large share of the exports transiting the Port, making Oakland a critical export gateway for the products of the Central Valley. Wastepaper and scrap metal are also significant exports.

Anticipating further growth, the Port has recently opened two new terminals with state-of-the-art cranes that can handle in excess of 30 containers per hour. Its longer-term expansion plans include conversion of the 388 acre former Oakland Army Base to terminal and intermodal rail uses. One of the Port’s key goals is to dredge its harbors, approach channel, berths and turning basin to a depth of 50 feet, to accommodate the latest generation of 8000 TEU (twenty-foot equivalent unit) vessels. In May 2005 the dredging project was accomplished to a depth of 46 feet, with completion to the full 50 feet expected by the end of 2007. Increasing channel depth and port capacity are critical, as more than 120 ships in the 6000-9000 TEU range are currently on order worldwide. Many of those ships will call at California and Bay Area ports.

Based on port activity at Oakland, adjacent areas of the Central Valley (Stockton, Tracy, Lathrop) are rapidly developing as commercial warehousing and distribution centers, bringing much-needed jobs to the area. One key project on the Port’s drawing board is the development of a dedicated container-rail shuttle between Oakland and the Central Valley, where inbound containers with contents for distribution elsewhere in California can be more efficiently matched with outbound containers required for agricultural and other commodities. Development of this rail link may also make Oakland a more competitive (first port-of-call) West Coast destination for ships carrying goods destined for Southern California markets.

**Port of Oakland Imports-Exports by country 2003
(Top 6 countries by Dollar Value in Dollars)**



California ports serve national as well as state and regional markets, handling more than 30% of the total value of U.S. maritime trade, and more than half of the total value of waterborne merchandise trade). Seaborne imports from and exports to Asia are shipped primarily through California ports to the Rocky Mountain states, the Mid-West and East Coast. In this respect, Oakland competes for business with the ports of Los Angeles and Long Beach, and to a lesser degree with the ports of Seattle and Vancouver. In the winter of 2004, ships were diverted to Oakland from congested Southern California ports. Many ships arriving on the West Coast

make Los Angeles Long Beach their first port of call, continuing on to Oakland; to the extent that Oakland can position itself as a first port of call, and allow ships to bypass congested Southern California ports, it has a strategic opportunity to increase its market share.

Goods Movement Issues

The infrastructure that moves freight is important not only for international trade but also for regional mobility, as trucks account for a growing volume of traffic on Bay Area roads and bridges. In December 2004 the Metropolitan Transportation Commission released a report, *Regional Goods Movement Study for the San Francisco Bay Area*, which identified issues and strategies for more effectively incorporating goods movement (freight) into regional transportation planning, an issue that had long been neglected. Among the issues it discussed are long-term capacity at ports and airports, improvements in the region's road and rail transportation system, and future infrastructure investment strategies.

International trade is the fastest-growing component of regional goods movement, placing a growing burden on state and regional transportation infrastructure. Most of this is based on consumer imports and technology and food exports. Containerized cargo is the fastest growing segment of marine commerce. Container trade through California's ports is expected to double in the next 15 years, and triple in the next 20.

Congestion is a particular concern adjacent to ports and airports, impacting both traffic in general and the reliability of trip times for shippers. This is a concern not just inside ports and airports, but it is increasingly an issue outside the gates, as trucking volumes increase. Trucks carry more than 80% of the region's freight, and most trips are internal to the region. In coming years, the annual number of vehicle miles traveled by trucks within the region is projected to grow from 1738 billion miles currently, to 2368 billion miles, an increase of nearly 74%.

The State of California estimates that a total of \$42 billion in new investment in transportation infrastructure is needed to meet this statewide demand, 80% of which is required for improvements outside the ports and airports themselves. Details of this analysis and the State of California's *Draft Goods Movement Action* plan can be found on the website of the California Business, Transportation and Housing Agency at www.bth.ca.gov.

Unless it is addressed, the increased cost of moving freight could impact the competitiveness of California and the Bay Area as a business location. Costs associated with the 2002 West Coast port shutdown, estimated as high as \$1 billion per day, were seen in delayed shipments and their associated costs to the retail, manufacturing and agricultural sectors. They also clearly brought home the economic importance of California's ports to the regional, state and national economies. As a result of those delays, shippers are now considering alternative locations that might reduce their dependence on West Coast facilities. Greater investment in the capacity and efficiency of goods movement infrastructure – port, airport, rail, highway and trucking – is therefore an important issue for both business and residents.

Major areas of local concern include Interstates 80, 580 and 880 (which serve the Port of Oakland and Oakland International Airport), and Highway 101 (which serves as a gateway for the southern end of the region and is the primary access to SFO). Specific regional issues include:

- the impact of highway congestion on goods movement cost and reliability;
- growing competition between freight and passengers for existing railway capacity, and the bottlenecks caused by at-grade rail crossings;
- the option to develop a rail shuttle to distribution centers in the San Joaquin Valley, as an alternative to increasing truck traffic at the port of Oakland;
- peak-period truck congestion and future bottlenecks in rail capacity in and out of the port;
- conflicts between the port and other residential and commercial interests in areas adjacent to port facilities, including environmental impacts caused by truck and ship emissions;
- the possibility that a lack of land capacity for storage and support facilities could inhibit future growth at SFO; and
- the potential for a cross-bay water transportation system linking the region's major international air cargo facility (SFO) and its major domestic air cargo facility (OAK), bypassing congested bridges.

Given the importance of efficient goods movement to international trade, the competitiveness of the Bay Area's economy, and mobility for Bay Area residents, goods movement must be given new priority in the MTC's regional transportation planning, and statewide strategies must be developed to ensure adequate investment in related infrastructure. The full MTC regional goods movement study can be accessed at www.mtc.ca.gov.

Security Issues

Since the 9/11 terrorist attacks, security concerns have assumed increased importance, adding to the cost and complexity of cargo movement. This is particularly an issue for containerized shipping. With 7.8 million containers entering U.S. ports annually (an average of 21,000 per day), and a capacity at U.S. ports to screen only a small fraction of that number, container security is a major issue. Shipping delays due to both port congestion and security measures are becoming common, putting companies' "just in time" delivery systems, which cut costs by reducing inventories, under pressure. The situation is aggravated by the trend by businesses to source production offshore, increasing their dependence on imports and efficient import logistics. In response, some companies are keeping stand-by production available in the U.S., while others are maintaining larger inventories as buffers. These challenges have increased the importance of supply chain management and security, including at the point of shipment.

The Marine Transportation Security Act of 2002 specifies a series of security measures including security cooperation with foreign seaports; expanded vessel boarding and escort by the Coast Guard; increased customs service staffing; the purchase of container screening and hazardous materials detection equipment; and vessel pre-arrival notification at U.S. ports, including crew, passenger and cargo manifests. The adequacy of funding for implementation, however, remains an issue.

Two major U.S. Customs Service (now the Bureau of Customs and Border Protection) programs – the Container Security Initiative (CSI) and the Customs-Trade Partnership Against Terrorism (C-TPAT) – are immediately impacting trade. CSI places U.S. customs officials overseas to screen US-bound cargo at foreign ports. It operates in conjunction with a new rule that requires the electronic filing of cargo manifests 24 hours in advance of loading in order to help identify high-risk containers. Based on those manifests, suspicious or questionable shipments are diverted for pre-screening before loading. The initial focus is on the 20 largest overseas ports that handle nearly 70% of US-bound container shipping; its effectiveness in screening a significant portion of US-bound shipments, however, remains to be seen. C-TPAT is a voluntary program to establish uniform security standards throughout a company's supply chain. Participation and compliance should have the effect of speeding cargo clearance by reducing the need for inspections at the port of entry.

While the need for improved port and maritime security is widely accepted, these new security programs are raising regulatory and compliance costs, particularly for smaller shippers. Moreover, in the event of a confirmed terrorist incident or threat, the most likely government response will be a complete port shutdown, possibly on a large scale; the U.S. does not currently have the capacity for a more selective or modulated reaction. As demonstrated by the 2002 West Coast port shutdown, this could have major economic impacts, both locally and nationally.

Policy Issues

A number of important issues are emerging from today's international trade environment:

- ❖ New regional and bilateral trade agreements will come before Congress for approval. The number of free trade agreements around the world is growing rapidly, few of which involve the United States. Well-structured regional and bilateral agreements can open new opportunities for California and Bay Area companies, and add to the momentum for a global accord through the Doha Round. It has been effectively demonstrated that economies that are open to international trade and investment tend to have higher standards of living and deliver more benefits to their citizens than economies that sit behind trade and investment barriers. Approval of new bilateral and regional free trade agreements will likely increase U.S. global competitiveness, as well as opportunity in the economies of U.S. trading partners.
- ❖ Since a comprehensive global agreement that reduces barriers to trade in all 148 participating countries is ultimately a more effective vehicle for trade liberalization than a patchwork of hundreds of smaller agreements, this should be the United States' top priority. Regional businesses and state leaders should actively engage with Federal leaders on how a Doha Round accord will specifically impact California. The Bay Area, with its knowledge-based economy will, for example, be a prime beneficiary of improved standards and enforcement of intellectual property rights (see Appendix I).
- ❖ Even as globalization ties people and economies more closely together, interest groups are pushing back. Protectionism remains a problem for trade agreements in general, and for U.S. efforts to benefit consumers and the economy by reducing domestic subsidies and increasing competition. Because of the region's deep engagement in the global economy, Bay Area government and business leaders should be forceful advocates for trade expansion.
- ❖ As the space that China occupies on the trade landscape and its impact grows, friction will increase on a range of issues, from intellectual property to currency valuation, textile imports and the implementation of its WTO commitments. With its orientation toward Asia, and China in particular, the Bay Area has a strong interest in seeing those issues managed effectively.
- ❖ Tighter policies on visas for foreign students and scientists instituted since 9/11 are having an adverse effect on overseas student enrollments at U.S. and Bay Area universities, reducing revenues to educational institutions. This also threatens to erode U.S. competitiveness, as the U.S. turns away global talent on which its technology economy increasingly depends. Businesses are having similar problems bringing foreign employees, partners and clients into the country, which is inadvertently increasing the pressure on some U.S. businesses to move their activities offshore. Improved policies and procedures should be developed that address legitimate security concerns, but do not undermine U.S. competitiveness by discouraging the global exchange of talent and ideas.

- ❖ Efficient trade and transportation infrastructure will be increasingly important to California and the region as trade volumes grow. How this is managed also has growing significance for Bay Area residents in general, as ports and airports increase their capacity, and trucks compete with cars for space on Bay Area roadways. Trade (goods movement) infrastructure should become a priority in both regional and state transportation planning, and should receive a commensurate share of transportation funding.
- ❖ Government trade services also need attention. The trade statistics available from the federal government through the U.S. Commerce Department's International Trade Administration do not provide adequate information on the trade activity at the local (city, county and regional) level; the data set that once provided information on exports at the local (zip code) level was discontinued in 2000 and has not been replaced. Greater federal investment is needed to develop quality trade data at both the local and national levels.
- ❖ At the state level, since the international trade and investment programs of the California Trade and Commerce Agency were closed in the state budget crisis of 2003, California has lost the institutional capacity to support its companies in global markets. While the state's continuing budget problems make the creation of a new trade agency unlikely, attention should be given to the state's ability to project California and its business community globally. In the near-term, public-private partnerships offer a useful and low-cost option.

The depth of California and the Bay Area's engagement in the international economy is growing, and is likely to accelerate in the coming years. While the adjustments to globalization may prove difficult, given the strong export profile and the global nature of many of its companies, the Bay Area as a region stands to be one of the prime beneficiaries. For that to occur, the global perspective must become more deeply embedded into business strategies, and into national, state and regional economic and infrastructure planning.

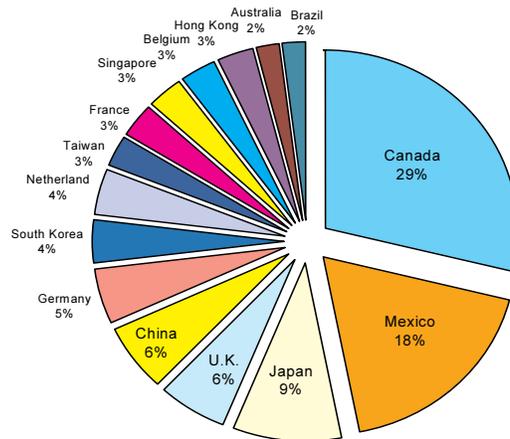
APPENDICES

APPENDIX I

U.S. Trade Patterns

Figure 1

2004 U.S. Top Export Markets by Dollar Value



SOURCE: U.S. Department of Commerce, International Trade Administration, Office of Trade and Economics Analysis, 2004

Table 1

US International Trade in Goods and Services									
Balance of Payments Basis									
(Billion of Dollars)									
	Exports			Imports			Trade Balance		
Year	Total	Goods	Services	Total	Goods	Services	Total	Goods	Services
1996	850.9	612.1	238.8	953.7	803.1	150.6	-102.9	-191.0	88.1
1997	933.9	678.4	255.5	1,040.9	876.5	164.4	-107.0	-198.1	91.1
1998	932.6	670.4	262.1	1,095.7	917.1	178.6	-163.2	-246.7	83.5
1999	965.5	684.0	281.5	1,226.7	1,030.0	196.7	-261.2	-346.0	84.8
2000	1,070.1	772.0	298.1	1,445.4	1,224.4	221.0	-375.4	-452.4	77.0
2001	1,006.7	718.7	287.9	1,369.3	1,145.9	223.4	-362.7	-427.2	64.5
2002	975.9	681.8	294.1	1,397.7	1,164.7	232.9	-421.7	-482.9	61.2
2003	1,020.5	713.1	307.4	1,517.0	1,260.7	256.3	-496.5	-547.6	51.0
2004	1,146.1	807.6	338.6	1,763.9	1,473.8	290.1	-617.7	-666.2	48.5

NOTE: 1. Compiled from official statistics of the U.S. Department of Commerce, Bureau of Economic Analysis. Data reflect revisions on 2/10/2005.
 2. Balance of Payments (BOP) basis for goods reflects adjustments for timing, coverage, and valuation to the data compiled by the Census Bureau.
 The major adjustments concern: military trade of U.S. defense agencies, additional nonmonetary gold transactions and inland freight in Canada and Mexico.

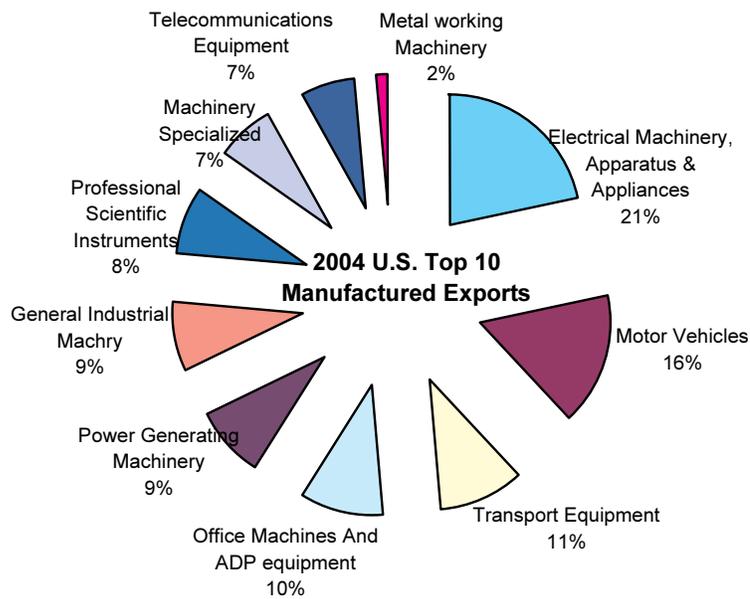
SOURCE: U.S. Department of Commerce, International Trade Administration, Office of Trade and Economic Analysis, 2005.

Table 2

US Manufactured Exports in 2004 (Million of Dollars)	
Product description	Dollar Value
Electrical Machinery, Apparatus & Appliances	92,550,778
Motor Vehicles	70,713,732
Transport Equipment	45,537,783
Office Machines And ADP equipment	43,947,732
Power Generating Machinery	38,240,037
General Industrial Machry	37,007,460
Professional Scientific Instruments	36,517,099
Machinery Specialized	30,679,380
Telecommunications Equipment	28,072,830
Metal working Machinery	6,539,925

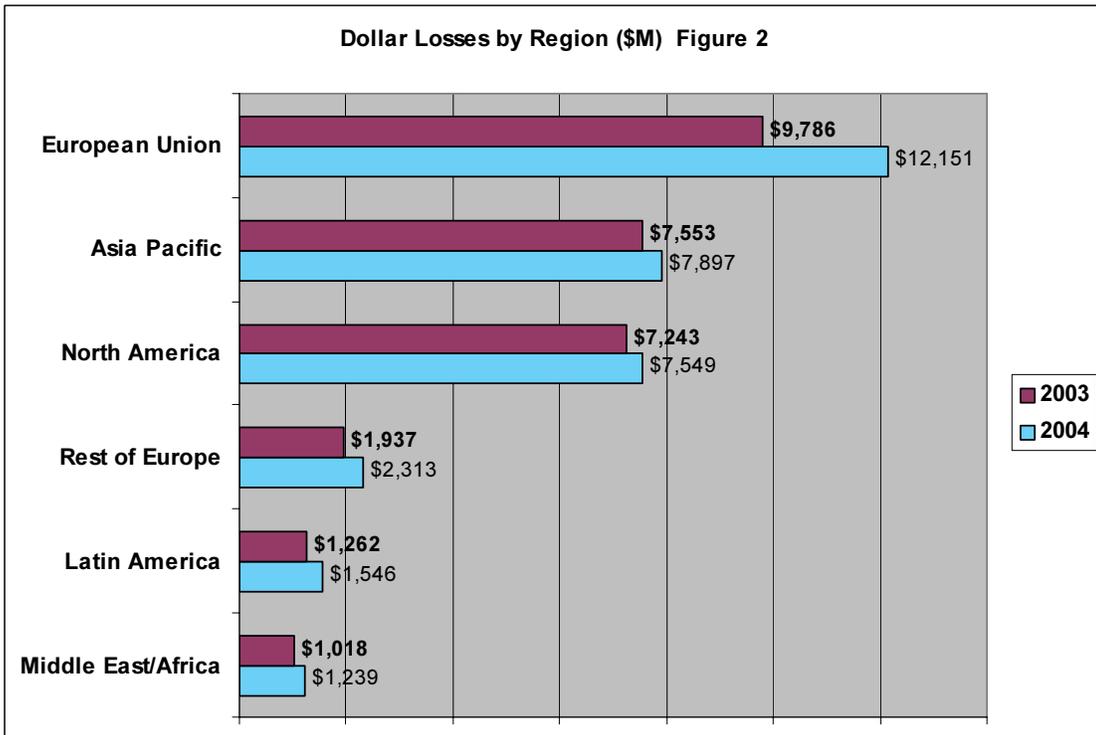
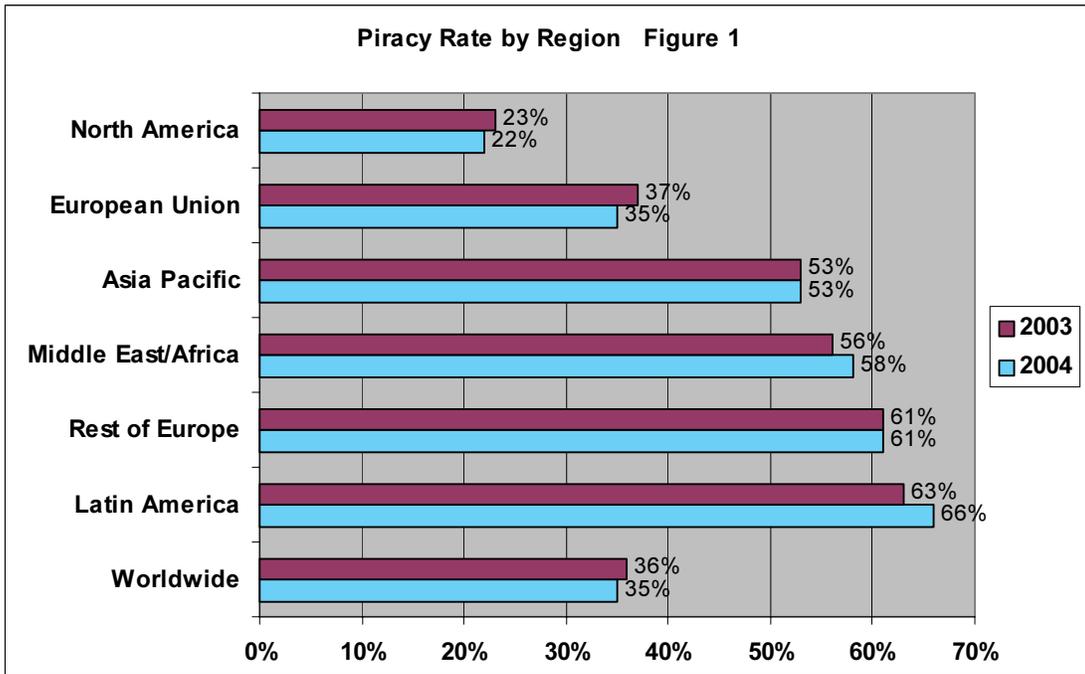
Source: US Department of Commerce, International Trade Administration, Office of Trade and Economic Analysis, 2004

Figure 2



Source: US Department of Commerce, International Trade Administration, Office of Trade and Economic Analysis, 2004

Software Piracy



Source: Business Software Alliance "Second Annual BSA and IDC Global Software Piracy Study," May 2005

APPENDIX II

California Trade Patterns

Table 1
California Goods Exports by Region and Top Countries

Region	2004 Level (\$ millions)	2004 Share (%)	Growth (%) 2003-04	Average Annual Growth Rate (%) 1997-2004
Asia	49,070	44.6	19.4	0.1
NAFTA partners	29,351	26.7	12.4	4.3
Europe	24,600	22.4	16.0	1.4
Latin America and Caribbean	3,445	3.1	28.8	2.0
Africa	726	0.7	32.7	3.6
Top 15 export destinations				
Mexico	17,239	15.7	15.9	6.4
Japan	13,323	12.1	13.3	-2.7
Canada	12,111	11.0	7.8	1.7
China	6,842	6.2	25.2	19.1
Korea	5,912	5.4	22.3	0.0
Taiwan	5,362	4.9	20.7	-0.8
United Kingdom	5,206	4.7	19.4	0.5
Hong Kong	5,117	4.7	22.5	4.8
Singapore	4,161	3.8	23.5	-3.5
Netherlands	3,814	3.5	11.8	3.0
Germany	3,683	3.3	3.5	-0.4
France	2,955	2.7	54.3	3.6
Australia	2,243	2.0	18.1	-0.1
Malaysia	2,002	1.8	15.7	-4.9
Belgium	1,714	1.6	20.3	6.8
All countries	109,968	100.0	17.0	1.5

Note: Sum of individual country figures may not equal region totals because of rounding.

Source: World Institute for Strategic Economic Research (WISER), provided by Public Policy Institute of California

Table 2
Top Goods Export Destinations, 2004

Country	Export Share (%)			Rank	
	California	Rest of U.S.	Difference	California	Rest of U.S.
Mexico	15.7	13.2	2.5	1	2
Japan	12.1	5.8	6.3	2	3
Canada	11.0	25.0	-14.0	3	1
China	6.2	3.9	2.3	4	5
Korea	5.4	2.9	2.5	5	8
Taiwan	4.9	2.3	2.6	6	10
United Kingdom	4.7	4.3	0.4	7	4
Hong Kong	4.7	1.5	3.1	8	15
Singapore	3.8	2.2	1.6	9	11
Netherlands	3.5	2.9	0.6	10	7
Germany	3.3	3.9	-0.6	11	6
France	2.7	2.6	0.1	12	9
Australia	2.0	1.7	0.3	13	13
Malaysia	1.8	1.3	0.6	14	17
Belgium	1.6	2.1	-0.6	15	12

Note: Number in Difference column may not equal difference of numbers in Export Share columns because of rounding.

Source: WISER, provided by Public Policy Institute of California

Table 3
Share of Total Exports for Top-10 Goods Exporting Sectors, 2004

Sector	California (%)	Rest of U.S. (%)
Computer and electronic products	38.4	17.2
Machinery, except electrical	11.5	11.3
Transportation equipment	10.7	18.2
Chemicals	6.0	14.4
Agricultural products	4.7	4.0
Food and kindred products	3.8	3.2
Electrical equipment, appliances, and components	3.1	3.3
Fabricated metal products	2.4	2.8
Plastics and rubber products	1.6	2.3
Primary metal manufacturing	1.2	3.0
Total	83.4	79.7

Note: Sector rankings exclude the miscellaneous manufactured products, goods with special classification provisions, and waste and scrap.

Source: WISER, provided by Public Policy Institute of California

Table 4
Exports from California's Top Goods Export Sectors

Sector	2004 (\$ millions)	2004 Share (%)	Growth (%) 2003-04	Average Annual Growth Rate (%) 1997-2004
Computer and electronic products	42,247	38.4	15.1	-1.6
Machinery, except electrical	12,593	11.5	33.5	3.7
Transportation equipment	11,759	10.7	36.0	2.9
Chemicals	6,644	6.0	11.4	6.8
Agricultural products	5,204	4.7	8.8	5.4
Food and kindred products	4,159	3.8	-0.2	3.1
Electrical equipment, appliances, and components	3,440	3.1	17.2	1.4
Fabricated metal products	2,590	2.4	12.7	5.2
Plastics and rubber products	1,734	1.6	10.1	3.3
Primary metal manufacturing	1,340	1.2	14.8	3.2
All sectors	109,968	100.0	17.0	1.5

Note: Sector rankings exclude the miscellaneous manufactured products, goods with special classification provisions, and waste and scrap.

Source: WISER, provided by Public Policy Institute of California

**Table 5
California's Exports to Selected Countries**

Mexico

Top Five Sectors	2002	2003	2004	Change 2003-2004
	(\$ billions)			(%)
Computer and electronic products	6.29	4.82	5.90	22.30
Machinery, except electrical	1.68	1.84	1.98	7.57
Transportation equipment	0.64	0.75	1.10	47.86
Fabricated metal products	0.81	0.81	0.91	12.79
Plastics and rubber products	0.76	0.82	0.90	9.86
Total top five	10.17	9.04	10.79	19.44
Total all sectors	16.08	14.87	17.24	15.92

Japan

Top Five Sectors	2002	2003	2004	Change 2003-2004
	(\$ billions)			(%)
Computer and electronic products	3.51	3.32	4.01	20.97
Machinery, except electrical	1.02	1.47	2.08	41.68
Transportation equipment	1.50	1.45	1.60	10.63
Food and kindred products	0.87	1.10	0.91	-17.40
Chemicals	0.64	0.73	0.76	4.13
Total top five	7.54	8.06	9.36	16.14
Total all sectors	11.11	11.75	13.32	13.34

Canada

Top Five Sectors	2002	2003	2004	Change 2003-2004
	(\$ billions)			(%)
Computer and electronic products	3.84	3.97	4.48	12.92
Transportation equipment	0.91	1.53	1.41	-7.69
Agricultural products	1.00	1.14	1.24	8.57
Machinery, except electrical	0.62	0.55	0.66	21.21
Chemicals	0.40	0.56	0.65	15.99
Total top five	6.78	7.75	8.44	9.02
Total all sectors	10.08	11.23	12.11	7.83

China

Top Five Sectors	2002	2003	2004	Change 2003-2004
	(\$ billions)			(%)
Computer and electronic products	2.21	2.21	2.64	19.71
Machinery, except electrical	0.63	0.55	0.82	48.73
Transportation equipment	0.15	0.43	0.48	10.41
Chemicals	0.21	0.26	0.33	27.97
Agricultural products	0.07	0.20	0.33	68.42
Total top five	3.27	3.65	4.61	26.20
Total all sectors	4.48	5.47	6.84	25.19

Republic of Korea

Top Five Sectors	2002	2003	2004	Change 2003-2004
	(\$ billions)			(%)
Computer and electronic products	2.02	1.82	2.23	22.17
Machinery, except electrical	0.65	0.69	1.17	69.49
Transportation equipment	0.42	0.42	0.51	20.80
Agricultural products	0.19	0.26	0.26	-0.07
Food and kindred products	0.32	0.43	0.24	-43.43
Total top five	3.60	3.62	4.41	21.68
Total all sectors	4.71	4.83	5.91	22.32

Notes: Countries are California's top five export markets for the 2004. All sectors are ranked by value for the same period. Sector rankings exclude goods with special classification provisions and waste and scrap.

Source: WISER, provided by Public Policy Institute of California

APPENDIX III

Bay Area Trade Patterns

SAN FRANCISCO BAY AREA

Profile of Manufacturing Establishments That Export, by County

(Ranked by percent of manufacturing workers employed by exporters. Data as of March 2005)

County	All Manufacturers	Exporting manufacturers	Small Exporters	Medium Exporters	Large Exporters	Percent of Manufacturers that Export	All Manufacturers' Employees	All Exporters' Employees	Percent of Mfg. Workers Employed by Exporters
SF Bay Area	5,628	1,111	964	287	40	19.7	423,296	134,877	21.1
San Mateo	518	109	96	11	3	17.6	23,267	9,295	26.6
Santa Cruz	162	45	36	7	2	27.8	8,828	2,596	24.7
Santa Clara	1,862	412	297	88	27	22.1	249,883	83,421	23.4
Solano	182	32	34	7	1	21.1	9,899	3,302	23.4
Alameda	1,517	306	236	65	5	20.2	90,296	25,279	28.0
Marin	102	22	20	2	0	16.7	2,665	642	24.1
Napa	173	41	34	7	0	23.7	8,763	1,848	21.1
Contra Costa	502	76	62	13	1	15.1	22,488	4,725	21.0
San Francisco	519	68	60	7	1	13.1	15,717	3,109	19.9

Source: Harris InfoSource Inc. Data as of March 2005.

Manufacturers are businesses which in 2005 identified themselves to Harris as being primarily engaged in activities within NAICS categories 31-33.

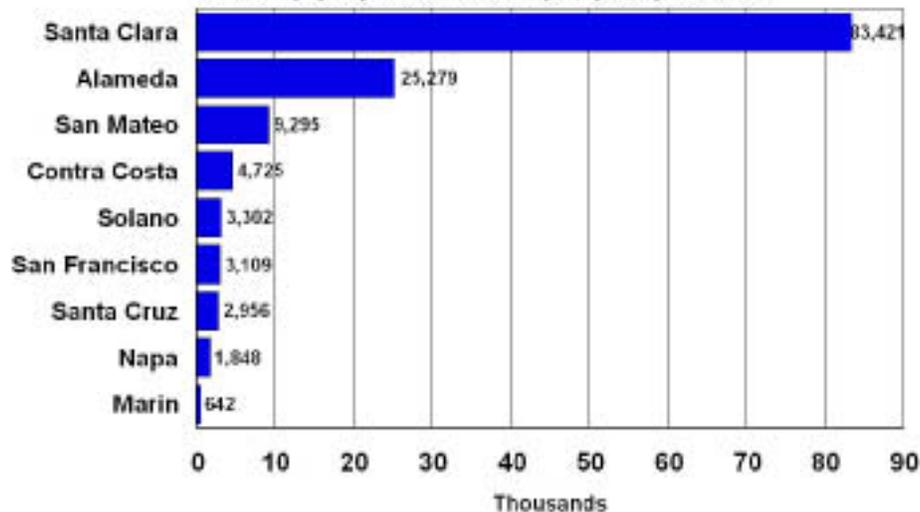
"Establishments" are individual locations of business activity.

Definitions: small = fewer than 100 employees; medium = 100-499 employees; large = 500 or more employees.

Prepared by the Office of Trade and Industry Information, International Trade Administration, U.S. Dept. of Commerce.

EXPORTING MANUFACTURERS EMPLOY NEARLY 135,000 PEOPLE IN THE SAN FRANCISCO BAY AREA

Workers Employed by Manufacturers that Export, by County, March 2005

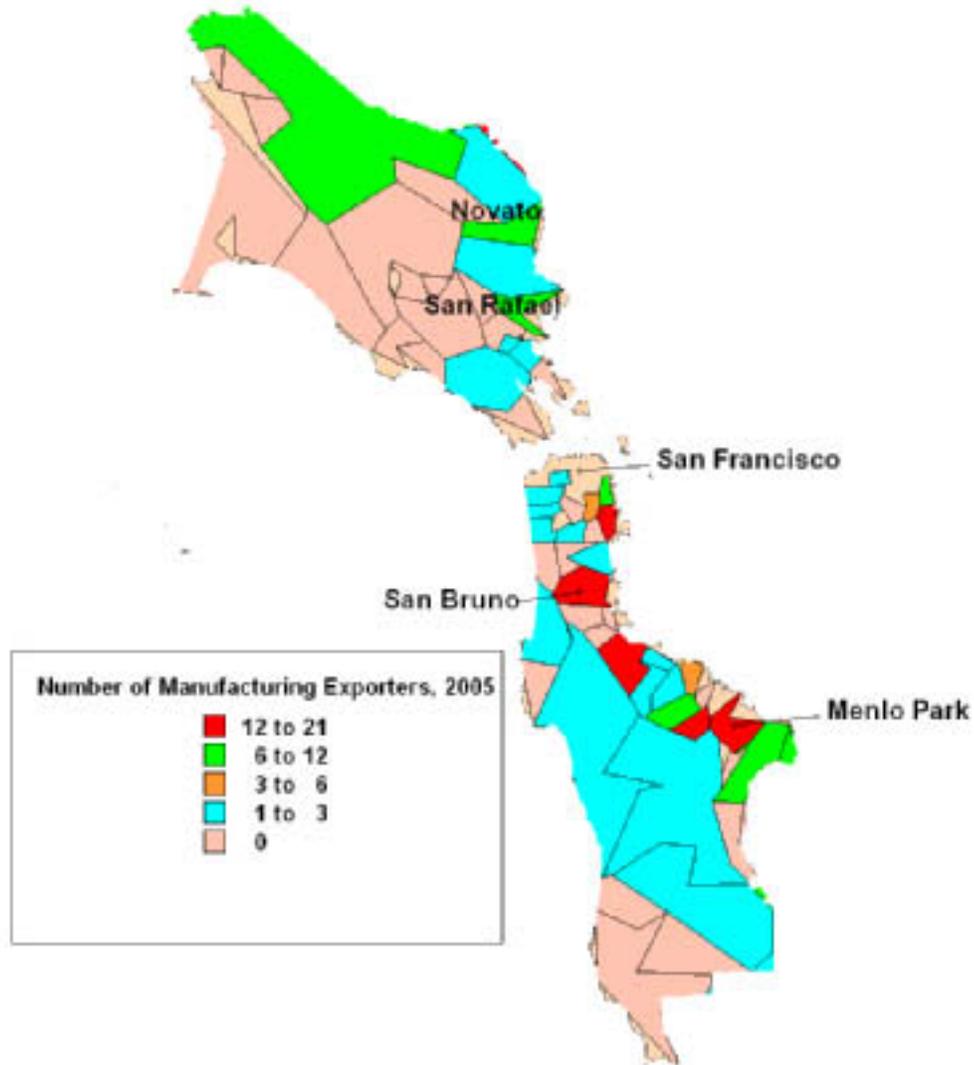


Prepared by U.S. Dept. of Commerce, International Trade Administration, Office of Trade and Industry Information.

Source: March 2005 Harris InfoSource data. Manufacturers are businesses which in 2005 identified themselves to Harris as being primarily engaged in activities within NAICS categories 31-33.

SAN FRANCISCO, CA: MANUFACTURING EXPORTERS

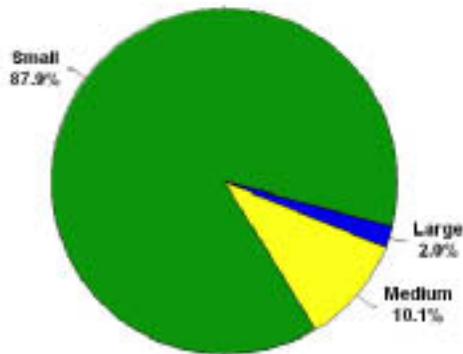
Number of Manufacturers Exporting Merchandise by Zipcode, 2005



Prepared by U.S. Dept. of Commerce, International Trade Administration,
Office of Trade and Industry Information
Source: March 2005 Harris Infosource data. Manufacturers are businesses which identified themselves to Harris as being primarily engaged in activities within NAICS categories 21-33.

San Francisco, California

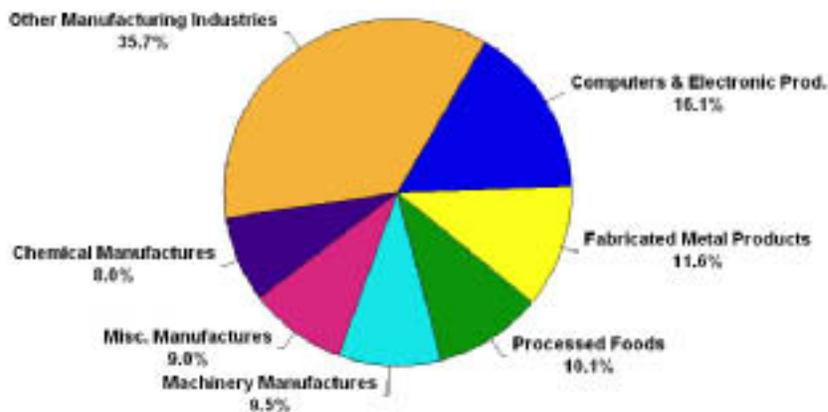
Ninety-eight Percent of the Metro Area's 199 Manufacturing Exporters Are Small and Medium-Sized Enterprises



Small = fewer than 100 employees; medium = 100-499 employees; large = 500 or more employees.
 Prepared by U.S. Dept. of Commerce, International Trade Administration, Office of Trade and Industry Information.
 Source: March 2005 Harris InfoSource data. Manufacturers are businesses which in 2005 identified themselves to Harris as being primarily engaged in activities within NAICS categories 31-33.

San Francisco, California

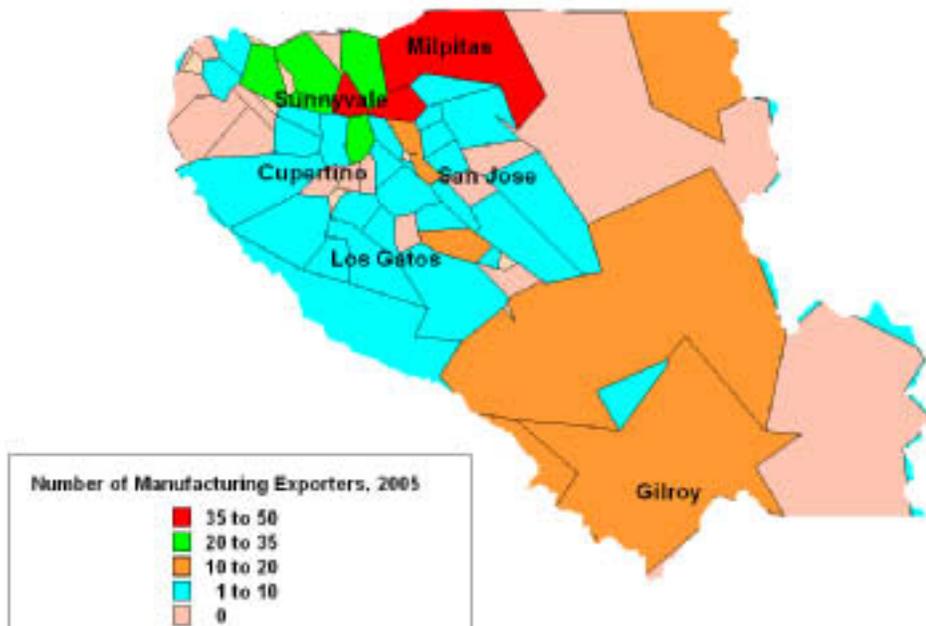
Nearly One-Sixth of the Metro Area's 199 Manufacturing Exporters Produce Computers and Electronic Products



Prepared by U.S. Dept. of Commerce, International Trade Administration, Office of Trade and Industry Information.
 Source: March 2005 Harris InfoSource data. Manufacturers are businesses which in 2005 identified themselves to Harris as being primarily engaged in activities within NAICS categories 31-33.

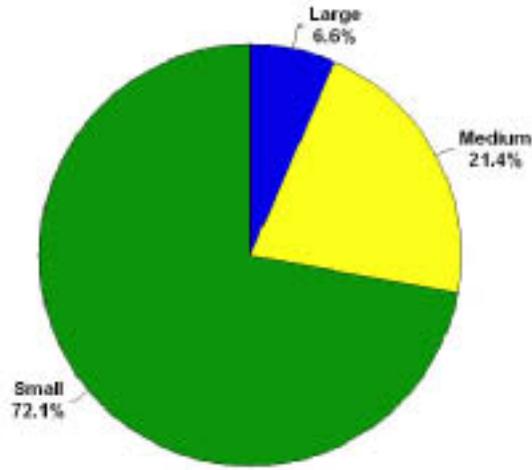
SAN JOSE, CA: MANUFACTURING EXPORTERS

Number of Manufacturers Exporting Merchandise by Zipcode, 2005



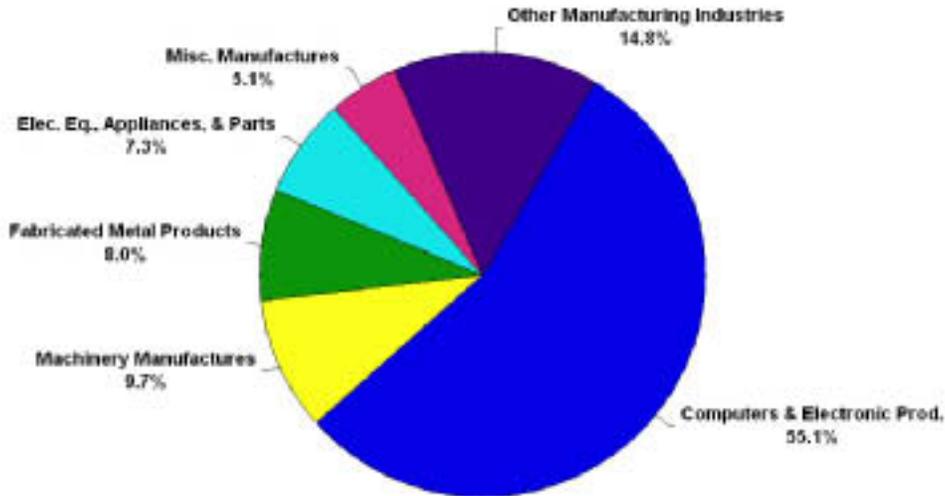
Prepared by U.S. Dept. of Commerce, International Trade Administration, Office of Trade and Industry Information
Source: March 2005 Harris Infosource data. Manufacturers are businesses which identified themselves to Harris as being primarily engaged in activities within NA/CS categories 21-33.

San Jose, California
Ninety-three Percent of the Metro Area's 412 Manufacturing Exporters Are Small and Medium-Sized Enterprises



Small = fewer than 100 employees; medium = 100-499 employees; large = 500 or more employees.
 Prepared by U.S. Dept. of Commerce, International Trade Administration, Office of Trade and Industry Information.
 Source: March 2005 Harris InfoSource data. Manufacturers are businesses which in 2005 identified themselves to Harris as being primarily engaged in activities within NAICS categories 31-33.

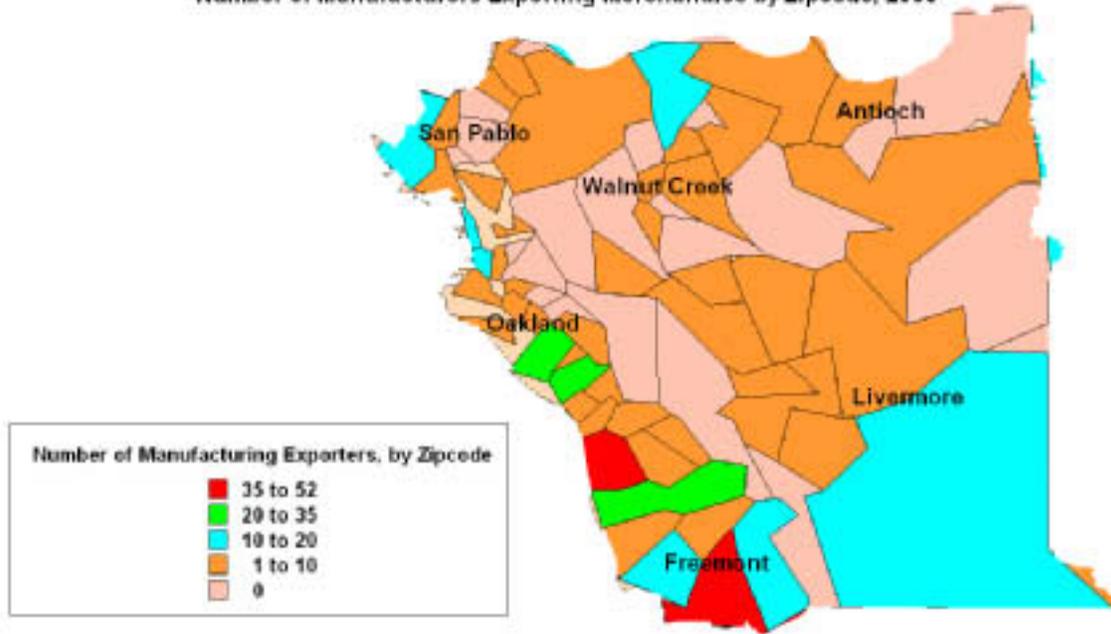
San Jose, California
Over Half of the Metro Area's 412 Manufacturing Exporters Produce Computers and Electronic Products



Prepared by U.S. Dept. of Commerce, International Trade Administration, Office of Trade and Industry Information.
 Source: March 2005 Harris InfoSource data. Manufacturers are businesses which in 2005 identified themselves to Harris as being primarily engaged in activities within NAICS categories 31-33.

OAKLAND, CA: MANUFACTURING EXPORTERS

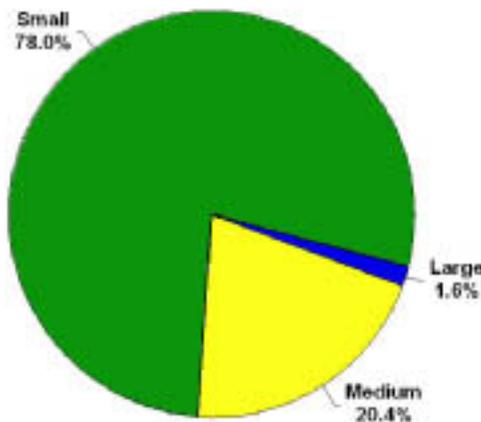
Number of Manufacturers Exporting Merchandise by Zipcode, 2005



Prepared by U.S. Dept. of Commerce, International Trade Administration, Office of Trade and Industry Information
Source: March 2005 Harris Infosource data. Manufacturers are businesses which identified themselves to Harris as being primarily engaged in activities within NAICS categories 31-32.

Oakland, California

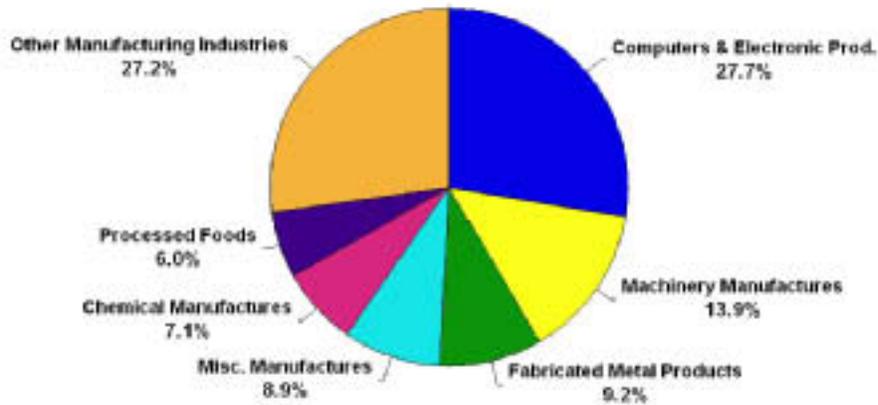
Ninety-eight Percent of the Metro Area's 382 Manufacturing Exporters Are Small and Medium-Sized Enterprises



Small = fewer than 100 employees; medium = 100-499 employees; large = 500 or more employees.
 Prepared by U.S. Dept. of Commerce, International Trade Administration, Office of Trade and Industry Information.
 Source: March 2005 Harris InfoSource data. Manufacturers are businesses which in 2005 identified themselves to Harris as being primarily engaged in activities within NAICS categories 31-33.

Oakland, California

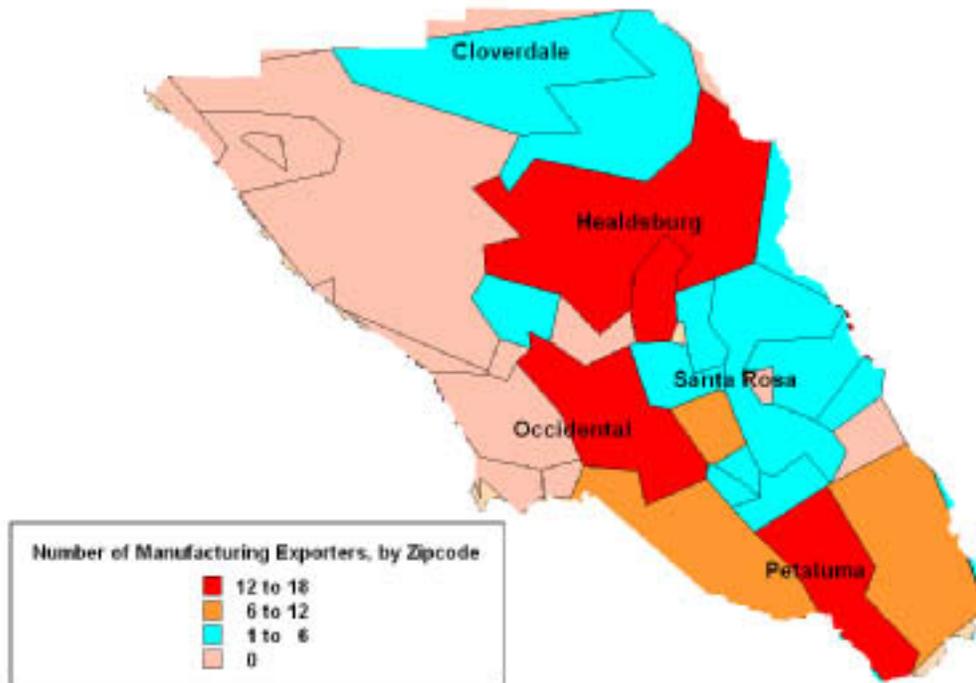
Over One-Quarter of the Metro Area's 382 Manufacturing Exporters Produce Computers and Electronic Products



Prepared by U.S. Dept. of Commerce, International Trade Administration, Office of Trade and Industry Information.
 Source: March 2005 Harris InfoSource data. Manufacturers are businesses which in 2005 identified themselves to Harris as being primarily engaged in activities within NAICS categories 31-33.

SANTA ROSA, CA: MANUFACTURING EXPORTERS

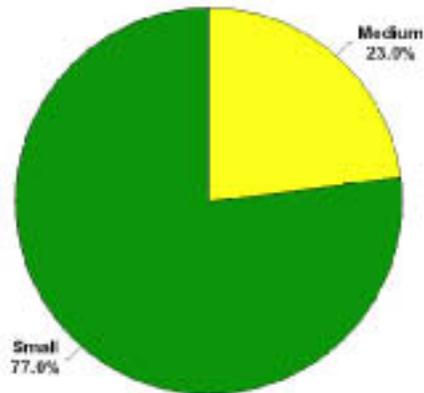
Number of Manufacturing Exporters by Zipcode, 2005



Prepared by U.S. Dept. of Commerce, International Trade Administration, Office of Trade and Industry Information
Source: March 2005 Harris InfoSource data. Manufacturers are businesses which identified themselves to Harris as being primarily engaged in activities within NAICS categories 31-33.

Santa Rosa, California

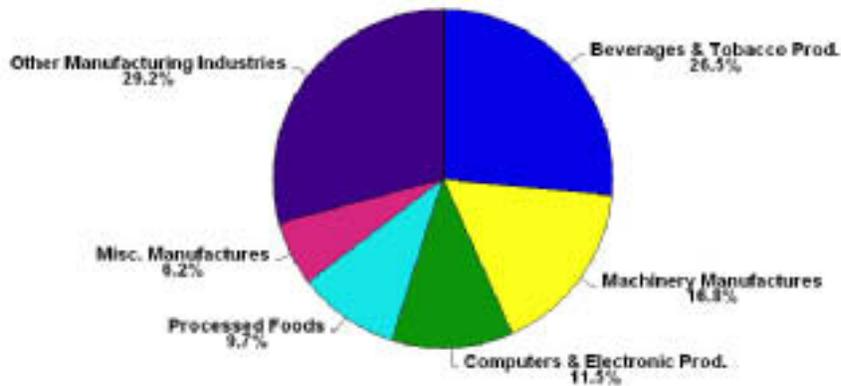
All of the Metro Area's 113 Manufacturing Exporters Are Small and Medium-Sized Enterprises



Small = fewer than 100 employees; medium = 100-499 employees; large = 500 or more employees.
 Prepared by U.S. Dept. of Commerce, International Trade Administration, Office of Trade and Industry Information.
 Source: March 2005 Harris InfoSource data. Manufacturers are businesses which in 2005 identified themselves to Harris as being primarily engaged in activities within NAICS categories 31-33.

Santa Rosa, California

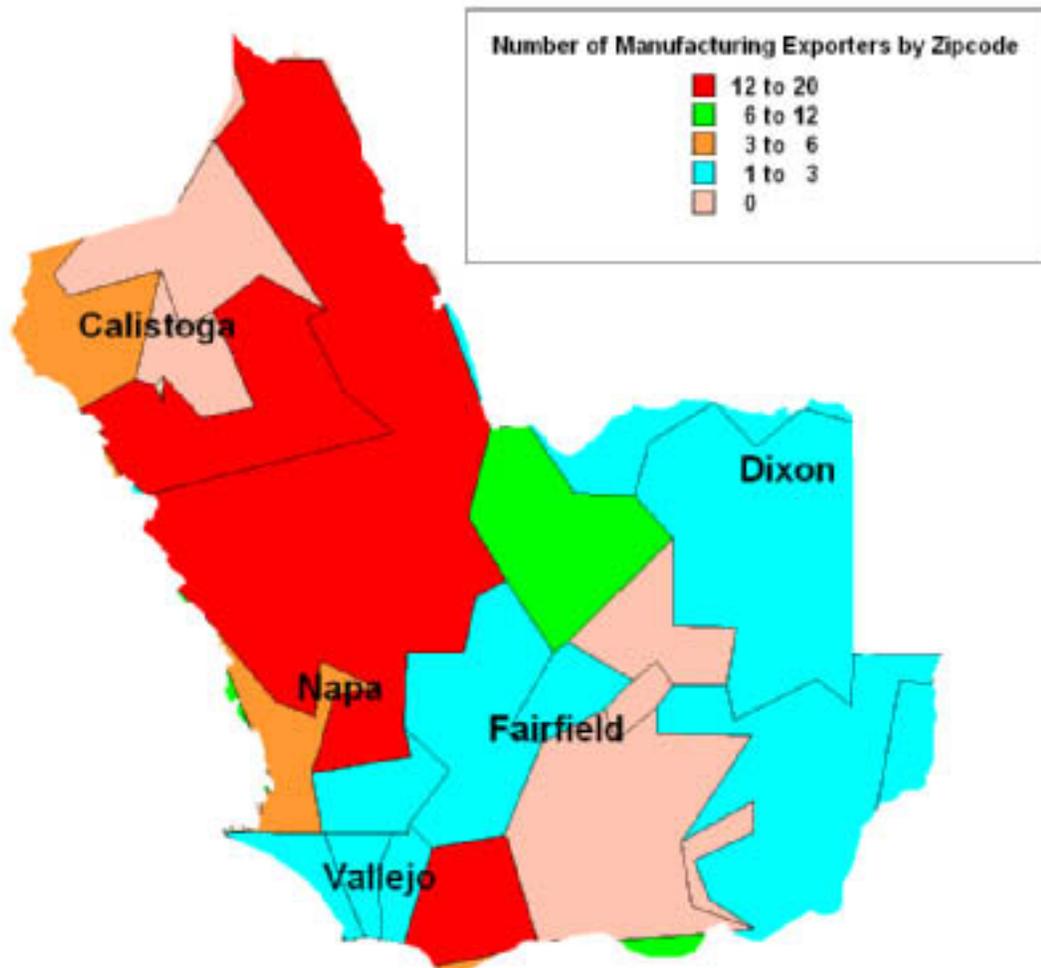
Over One-Quarter of the Metro Area's 113 Manufacturing Exporters Produce Beverage and Tobacco Products



Prepared by U.S. Dept. of Commerce, International Trade Administration, Office of Trade and Industry Information.
 Source: March 2005 Harris InfoSource data. Manufacturers are businesses which in 2005 identified themselves to Harris as being primarily engaged in activities within NAICS categories 31-33.

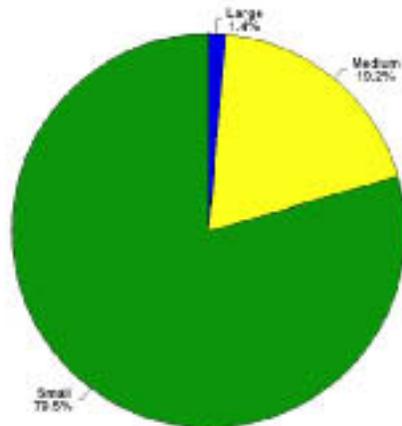
VALLEJO-FAIRFIELD-NAPA, CA: MANUFACTURING EXPORTERS

Number of Manufacturers Exporting Merchandise by Zipcode, 2005



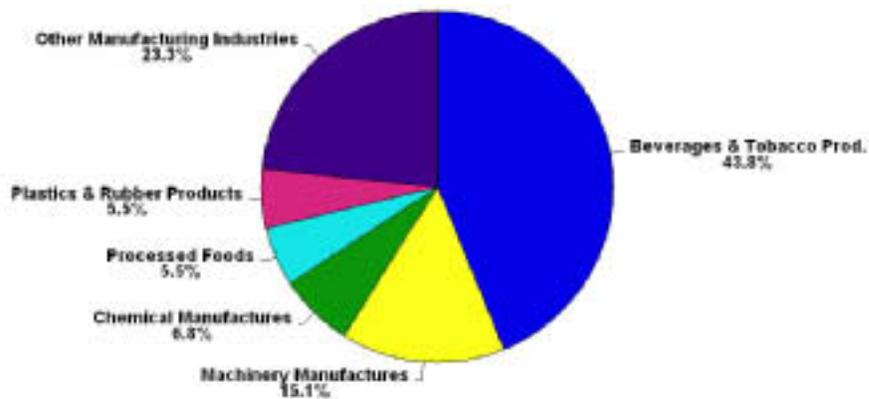
Prepared by U.S. Dept. of Commerce, International Trade Administration,
Office of Trade and Industry Information
Source: March 2005 Harris Infosource data. Manufacturers are businesses which identified themselves to Harris as being primarily engaged in activities within NAICS categories 31-33.

Vallejo - Fairfield - Napa, California
 Ninety-nine Percent of the Metro Area's 73 Manufacturing Exporters
 Are Small and Medium-Sized Enterprises



Small = fewer than 100 employees; medium = 100-499 employees; large = 500 or more employees.
 Prepared by U.S. Dept. of Commerce, International Trade Administration, Office of Trade and Industry Information.
 Source: March 2005 Harris InfoSource data. Manufacturers are businesses which in 2005 identified themselves to Harris as being primarily engaged in activities within NAICS categories 31-33.

VALLEJO - FAIRFIELD - NAPA
 Over 40 Percent of the Metro Area's 73 Manufacturing Exporters
 Produce Beverage and Tobacco Products



Prepared by U.S. Dept. of Commerce, International Trade Administration, Office of Trade and Industry Information.
 Source: March 2005 Harris InfoSource data. Manufacturers are businesses which in 2005 identified themselves to Harris as being primarily engaged in activities within NAICS categories 31-33.

APPENDIX IV

Bay Area Trade Services

International Trade Service Organizations

Bay Area World Trade Center

544 Water Street
Oakland, CA 94607
Phone: (510) 251-5900
Fax: (510) 251-5902
www.bawtc.com

Jose Duenas, President

Monterey Bay International Trade Association

725 Front Street, Suite 104
Santa Cruz, CA 95060
Phone: (831) 335-4780
Fax: (831) 335-4822
www.mbita.org

Tony Livoti, Director

California Council for International Trade

442 Post Street, Suite 800
San Francisco, CA 94102
Phone: (415) 788-4127
Fax: (415) 788-5356
www.ccit.net

Joseph W. Harrison, President

Northern California World Trade Center

917 7th Street
Sacramento, CA 95814
Phone: (916) 447-9827
Fax: (916) 443-2672
www.norcalwtc.org

Brooks Ohlson, Executive Director

Centers For International Trade Development (California Community Colleges System)

Bay Area Center for International Trade Development

40 Chestnut Avenue
South San Francisco, CA 94080
Phone: (650) 553-9071
Fax: (650) 553-9077
<http://www.bayarea.citd.org/>

Richard Soyombo, Director

Silicon Valley Center for International Trade Development

West Valley College
14000 Fruitvale Avenue, AAS - 43
Saratoga, CA 95070
Phone: (408) 741-4020
Fax: (408) 741-4045
<http://www.svcitd.org/>

Warrick Rosten, Interim Director

East Bay Center for International Trade Development (EBCITD)

2020 Milvia Street, Suite 111C
Berkeley, CA 94704
Phone: (510) 540-8901
Fax: (510) 540-8905
<http://www.eastbay.citd.org/>

James Garrett, Director

Sacramento Center for International Trade Development

1410 Ethan Way
Sacramento, CA 95825
Phone: (916) 563-3200
Fax: (916) 563-3266
<http://www.sacramentocitd.org/>

Ester Gordillo, Consultant

SAN FRANCISCO

San Francisco Chamber of Commerce
235 Montgomery Street, 12th Floor
San Francisco, CA 94104
Phone: (415) 392-4520
Fax: (415) 392-0485
www.sfchamber.com

Mayor's Office of International Trade & Commerce
City Hall
1 Dr. Carlton B. Goodlett Place, Rm.463
San Francisco, CA 94102
Phone: (415) 554-5628
Fax: (415) 554-6018
http://www.sfgov.org/site/moed_index.asp

SAN JOSE

San Jose/Silicon Valley Chamber of Commerce
310 S. First Street
San Jose, CA 95113
Phone: (408) 291-5250
Fax: (408) 286-5019
www.sjchamber.com

San Jose Office of Economic Development
200 East Santa Clara Street
San Jose, CA 95113
Phone: (408) 535-8181
Fax: (408) 920-7007
www.sjeconomy.com

OAKLAND

Oakland Metropolitan Chamber of Commerce
475 14th Street
Oakland, CA 94612
Phone: (510) 874-4800
Fax: (510) 839-8817
www.oaklandchamber.com

Economic Development Alliance for Business (EDAB)
1221 Oak Street, Suite 555
Oakland, CA 94612
Phone: (510) 272-3885
Fax: (510) 272-5007
www.edab.org

FEDERAL GOVERNMENT TRADE OFFICES

U.S. Customs

555 Battery Street
San Francisco, CA 94111
Phone: (415) 782-9200
Fax: (415) 705-1226

Alice Rigden, Port Director

Export-Import Bank

250 Montgomery Street, 14th Floor
San Francisco, CA 94104
Phone: (415) 705-2285
Fax: (415) 705-1156
<http://www.exim.gov/>

Jim Lucchesi, Business Development Officer
Northern CA, Northern Nevada, Oregon, Utah

U.S. Department of Commerce – International Trade Admission

U.S. Export Assistance Center San Francisco

250 Montgomery Street, 14th Floor
San Francisco, CA 94104
Phone: (415) 705-2301
Fax: (415) 705-2299

<http://www.buyusa.gov/sanfrancisco>

Stephan P. Crawford, USEAC Director

U.S. Export Assistance Center San Jose

152 N. Third Street, Suite 550
San Jose, CA 95112-5591
Phone: (408) 271-7300
Fax: (408) 271-7306

<http://www.buyusa.gov/siliconvalley>

Joanne Vliet, USEAC Director

U.S. Export Assistance Center Oakland

1301 Clay Street, Suite 630 N
Oakland Federal Building – North Tower
Oakland, CA 94612-5200
Phone: (510) 273-7350
Fax: (510) 273-7352

<http://www.buyusa.gov/oakland>

Rod Hirsch, Director

U.S. Export Assistance Center Monterey

411 Pacific Street, Suite 316 A
Monterey, CA 93940
Phone: (831) 641-9850
Fax: (831) 641-9849

<http://www.buyusa.gov/monterey>

Chris Damm, USEAC Director

U.S. Export Assistance Center San Rafael

4040 Civic Center Drive, Suite 200
San Rafael, CA 94903
Phone: (415) 492-4546/4548
Fax: (415) 492-4549

<http://www.buyusa.gov/northbay>

Elizabeth Krauth, USEAC Director

U.S. Export Assistance Center Sacramento

917 7th Street, 2nd Floor
Sacramento, CA 95814
Phone: (916) 498-5155
Fax: (916) 498-5923

<http://www.buyusa.gov/sacramento>

George Tastard, USEAC Director

INTERNATIONAL TRADE WEBSITES

U.S. Government

- **Commercial Service, U.S. Department of Commerce** <<http://export.gov>>
Comprehensive support and information for U.S. exporters, linked to services provided by the Commercial Service
- **U.S. Bureau of Export Administration** <<http://www.bxa.doc.gov>>
Answers questions on export documentation
- **U.S. Census Bureau** <<http://www.census.gov/foreign-trade/www/>>
Demographic information and analyses and related data on foreign trade
- **U.S. Export/Import Bank** <<http://www.exim.gov>>
The official export credit agency of the US Government
- **U.S. Foreign Agricultural Service** <<http://www.fas.usda.gov>>
Agricultural trade leads, commodity reports, and country reports
- **U.S. Trade Representative** <<http://www.ustr.gov/>>
Information on trade policy and trade negotiations
- **STAT-USA & National Trade Data Bank** <<http://www.stat-usa.gov>>
Site for the business, economic and trade communities, providing authoritative Federal government information

CALIFORNIA

- **TradePort™** <<http://www.tradeport.org/>>
California-based trade tutorial, market research, country and regional trade information, and export finance
- **CalTrade Report** <<http://www.caltradereport.com/>>
Current reporting on international trade issues and development in California
- **Centers for International Trade Development** <<http://www.citd.org/>>
Trade events, information and services provided through the California Community College system

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