

# Bay Area's Future Tied to Global Economy

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**A**s Bay Area businesses look ahead to better economic times, international trade will be a key driver. Ties of trade, investment and immigration inextricably link this region with the global economy, heavily impacting jobs, competitiveness, and growth.

Consider some simple facts. The Bay Area is one of the top exporting regions in the nation. Many of the region's leading companies, both IT and biotech, earn more than half of their total sales revenue in foreign markets. These include Hewlett Packard (58%), Intel (65%), Chiron (53%), Applied Materials (71%), Adobe Systems (55%), Visa (57%), Sun Microsystems (53%), and 3 Com (55%). These are also some of the Bay Area's largest employers, and the companies that will largely define its future.

This global connection isn't limited to large corporations. Thousands of small and medium sized companies throughout the region, producing everything from fishing lures to golf course designs, also sell their products and services overseas. In all, about one in five jobs nationally is linked to exports; in the computer and electronics sector the figure is 35%. This is critical to the Bay Area, which has suffered from higher unemployment than the rest of the state due in large part to the global downturn in corporate investment.

What does this mean for our immediate future? The news is mostly good. The global economy should continue to improve this year and next. The outlook is nothing to write home about, but is positive nonetheless. Trade should improve as well. The brightest spot for the Bay Area is Asia, which will see the strongest growth of any region in the world. This is important because over half of all Bay Area exports go there, substantially more than any other region in the country. Despite the recent SARS epidemic, growth in China will be particularly strong. Meanwhile, most of Europe and the Western Hemisphere will see modest growth at best.

Now comes the big variable. Bay Area exports also depend heavily on the health of global technology markets, and global IT markets remain weak. However, the recent pickup in the global market for semiconductors, which are incorporated into a wide range of technology products, suggests that this sector too is finally turning around.

Our stake in the global economy goes well beyond trade. We benefit from immigration, which fills many service jobs and supplies highly educated workers who account for a large proportion of the start-ups in Silicon Valley. Our educational institutions attract large numbers of foreign students, who support the local economy and enrich the human capital base on which the Bay Area's innovation-driven economy depends.

Despite concerns about the health of the U.S. economy and the flow of jobs overseas, we are a globally integrated economy that depends heavily on international trade and investment. On balance, we have benefited heavily from that relationship. This isn't well understood, however, by the public or in Sacramento. More often, what happens outside our borders is seen as a threat, or at best an afterthought.

The recent shutdown of the State of California's overseas offices and its export, trade finance and international investment programs is a case in point. California now lacks any organized international presence or capacity. With government coffers empty, public-private partnerships may be needed to put the state back in play.

The WTO's global trade talks, negotiations for a Free Trade Agreement of the Americas, and a host of bilateral and sub-regional free trade agreements promise greater access to global markets for Bay Area companies. But the roots of our ability to compete lie closer to home. The capacity and efficiency of the Bay Area's port and airport infrastructure, the export services provided by the State and by local organizations such as World Trade Centers, our capacity for scientific research and development, access to foreign students and professionals, and the quality of our local transportation, education and housing all affect the region's global competitiveness, and ultimately jobs. Our investment and economic development strategies should reflect that.

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