

Contact:
Melanie Paulos
Communications Manager
Bay Area Council
415-946-8725
mpaulos@bayareacouncil.org

INTERNATIONAL TRADE LIFTING UP BAY AREA ECONOMY, REPORT FINDS

Ties to China, Increases in Foreign Sales by Bay Area Businesses Benefit Region

SAN FRANCISCO, October 8, 2008: The Bay Area Council Economic Institute today released the third in its semi-annual report series, *International Trade and the Bay Area Economy: Regional Interests and Global Outlook 2008*, documenting the importance of international trade to the region. The report analyzes the outlook for the global economy, for trade, the status of trade negotiations, and sectors and issues specific to the Bay Area.

The study finds that exports are helping to sustain the U.S. economy, and especially the Bay Area, even as domestic markets slow. While the global economy is also slowing, it will continue to outpace the U.S. economy through 2009, placing even greater reliance on international trade as a source of U.S. growth and jobs. Both global trade negotiations, through the World Trade Organization's Doha Round, and bilateral free trade agreements such as the Colombia and Korea agreements pending before Congress, can therefore play an important role in sustaining the California and U.S. economies. While political debate continues in Washington on a handful of bilateral trade pacts, other nations throughout the world are concluding large numbers of free trade agreements, potentially putting U.S. exports at a competitive disadvantage.

For the Bay Area specifically, the study finds that the region is the fourth largest source of exports in the nation, after only New York, Houston and Los Angeles, and accounts for 36 percent of California's exports. Like the rest of the state, the Bay Area's exports are heavily oriented toward Asia (45.2 percent), NAFTA (25.5 percent), and Europe (21.1 percent). The rest of the world together accounts for less than 5 percent of exports. Bay Area exported nearly \$48 billion worth of goods in 2008.

In California, exporting of manufactured goods currently support more than 730,000 jobs, including 1 in 3 jobs in the computer and electronics sector. Indeed, nearly 59,000 California companies sell their products overseas.

Brad Aris, senior vice president of Wells Fargo HSBC Trade Bank, noted, "Trade is helping keep the U.S., California and Bay Area economies afloat. Compared to other parts of the country, the Bay Area's strong orientation toward Asia – the world's fastest growing region – gives us an advantage that should help sustain jobs and growth."

The report also finds that major Bay Area companies across a range of industries are earning an ever-greater share of their revenues from global markets, with a smaller share coming from sales at home. Of 50 companies tracked in the Institute's semi-annual survey since 2003, 16 saw their share of revenues from domestic sales grow relative to international markets, while 29 saw their share of revenues from international markets grow relative to domestic markets (for five the ratio remained the same). For example Google's revenue share from global sales increased from 34 percent to 43 percent, 3Com's from 62 to 69 percent and Varian Medical System's from 40 to 47

percent. This continues a trend identified in the Institute's two previous trade reports. While larger companies account for most of this, roughly 95 percent of the region's exporters are small and medium sized businesses, and more of those businesses are now going global at an earlier stage in their development.

According to Sean Randolph, President & CEO of the Institute, "The Bay Area is one of the great trading centers of the nation, and its principal source of technology exports. Our dependence on global markets is growing. This is true of large and small companies alike. We therefore have a strong interest in trade agreements that increase access to global markets, and in maintaining the competitiveness of our ports, airports and other infrastructure. We are tightly linked to the world economy, and our policies and investments should reflect that."

The report also tracks the rise of China as a market for "Made in California" products. China has moved from California's seventh largest market in 2002 to its fourth in 2006. The fact that in 2008 the International Monetary Fund predicts the global economy will grow 3.7 percent, and China will grow 9.3 percent – while the U.S. market is predicted to be flat or contract – shows that the Bay Area's strong orientation towards China should substantially benefit the region.

Please see the report through this link:

<http://www.bayeconfor.org/media/files/pdf/IntlTradeBAEconomy2008Web.pdf>

#

About the Bay Area Council Economic Institute

The Bay Area Council Economic Institute is a public-private partnership of leaders in business, labor, government and higher education that addresses issues impacting the strength and competitiveness of the California and Bay Area Economies. The full report can be access on-line at .