



CALIFORNIA COUNCIL FOR INTERNATIONAL TRADE

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CCIT Co-Hosts ASEAN Conference

Jonathan Arms*

During the recent one-day ASEAN conference, four U.S. ambassadors expressed concern about the American economy, and implored local companies to export and invest more into Southeast Asia. The well-attended CCIT co-sponsored event was held on December 12th at the Federal Reserve Bank in San Francisco. In addition to the Ambassadors, representatives from federal and state trade facilitating agencies participated, including EXIM Bank, the U.S. Department of Commerce, the California World Trade Commission, and the Small Business Administration. The main thrust of the conference was to discuss ways to stimulate exports and investment abroad to help strengthen the U.S. economy, and to give the business community a chance to discuss commercial opportunities with diplomatic representatives from the region, as well as other professionals with expertise in international trade. The conference demonstrated a change in U.S. policy, which now appears to focus on establishing closer links between governmental agencies and businesses. Such a relationship will stimulate and facilitate U.S. exports



ASEAN Ambassadors discuss trade opportunities.

California Export Finance Office

J.H. Dethero*

The California Export Finance Office (CEFO), established in 1985, operates as a unit of the California State World Trade Commission and maintains offices in Los Angeles and San Francisco. CEFO assists California's small- and medium-sized firms with their short-term export finance needs, thereby enhancing the state's balance of trade and job opportunities. To date, the program has supported over 440 million in export sales via both its guarantee programs and counseling of companies. CEFO has issued over 350 guarantees to lenders under the program.

For small- and medium-sized companies selling abroad directly, on either letter of credit or other terms, CEFO's services often enable export sales which otherwise could be lost due to a lack of sufficient financing. A company will frequently use CEFO's guarantee program when it has a firm export order and requires outside assistance in order to access working capital funds. Lending banks often require

an additional guarantee to support financing of export orders for a smaller company. CEFO identifies bankers and other lenders interested in providing export finance support, and facilitates the financing of the transaction by guaranteeing up to 85% of the loan or loans. By focusing on the underlying transaction, CEFO effectively guarantees the exporter's performance.

Businesses may use these guarantees to support a working capital loan or loans, or to support either a standby (performance) letter of credit or a domestic letter of credit which a company may need to open during a transaction. CEFO programs can support either pre-export working capital requirements, post-export receivable periods, or a combination of the two. The offices also dedicate substantial time to counseling companies on a variety of matters related to international trade; in addition, they provide information about other federal and state level programs as well as private sources of assistance.

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and investments abroad, thus strengthening the U.S. economy while creating jobs in America.

Sponsored by CCIT and three other associations, the daylong event brought together the business community and Paul Cleveland, Ambassador to Malaysia; Frank Wisner, Ambassador to the Philippines; David Lambertson, Ambassador to Thailand; and Robert Orr, Ambassador to Singapore. In his luncheon address, Ambassador Orr said U.S. firms have lost their adventurous spirit, offering an analogy of the pioneers trekking to the "wild west"

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GATT Update

Derrel de Passe*

The final hour has arrived for the Uruguay Round of the General Agreement on Tariffs and Trade (GATT). The GATT's Director General, Mr. Arthur Dunkel, released the draft for a potential final agreement just before Christmas. Participants in the negotiations have been given until March 1st to present their bottom line positions on the Dunkel Draft.

Easter is the proposed date for the end of the Round; however, it would not be unprecedented if the deadline is broken. If the participants fail to conclude the Round by Easter, Congress would not be able to vote on the agreement until after the 1992 U.S. presidential elections, jeopardizing its ratification.

Key elements of the Dunkel package would:

- provide, for the first time, rules to protect intellectual property from theft and counterfeiting;
- extend GATT rules to services, which account for 19% of world trade;
- create a new provision in the GATT agreement to curb trade-restricting investment measures, especially by lesser developed countries (LDCs);
- elaborate upon and strengthen a number of the provisions agreed to in the Tokyo Round, notably those related to subsidies, dumping standards, and public procurement;

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and encouraging businesses to move into Southeast Asia with the same zeal. Participants in the program had the opportunity to have private consultations with the ambassadors and other officials throughout the day. The Ambassadors plan to hold similar programs in five other U.S. cities this year.

The Ambassadors complained that, on the whole, U.S. businesses earn flunking grades when it comes to exporting. "We're not keeping up with the other Asians, not just the Japanese and a lot of the Europeans," Ambassador Cleveland said, adding that part of the reason for the poor export performance of American businesses is that U.S. companies have traditionally avoided foreign markets. However, the Ambassadors warned, businesses increasingly operate in a global marketplace. To remain competitive, U.S. companies have to export and invest more abroad.

The Ambassadors insisted that the potential for large profits exists for companies exporting to and investing in Southeast Asia. The region has the fastest growing GDP in the world at 5.4%, and the population is increasing rapidly. "We are seeing a groundswell of interest on the part of California firms in doing business with Southeast Asia," said Jeremy Potash, executive director of the California-Southeast Asia Business Council. However, the Ambassadors cautioned prospective investors hoping for quick profits and emphasized instead that U.S. companies need to be more patient. Part of the reason that U.S. firms should not expect an instant profit is that companies must shoulder a lot of preparation costs before setting up a business--research of the region and establishing contacts, for example. In short, they said there are tremendous business opportunities, in Southeast Asia, but U.S. companies must be willing to focus on long-term goals.

There were a few types of products and services which the Ambassadors recommended for prospective investors in Southeast Asia.

Among the recommended areas were:

- Agribusiness (Bio-technology)
- Consumer products
- Telecommunications
- Computer software
- Environmental technologies

The ASEAN conference provided the northern Californian business community with a unique opportunity to explore

President's Column

1992 will feature a public debate of historic proportion and significance on the role of international trade and investment in California. CCIT will be there.

The June primary and November general elections in California will select one President, two California senators, the largest congressional delegation in the history of the United States, a newly reapportioned California state legislature, and scores of local officials. These races, together with the legislative bills, on-going international trade negotiations, administrative and executive actions and public policy initiatives that will accompany the campaign, will be debated against the backdrop of California's first economic depression since the 1930s, nascent trading block formation, increased environmental concern, Europe 1992, a state budget deficit larger than most sister state budgets, shrinking federal space and defense expenditures in California, a perceived flight of domestic and international business from the state, and widespread questioning of the ability of the state and national work force, savings rate and educational, legal, transportation and financial systems to maintain our international competitiveness and domestic standard of living.

Terminology and issues such as free trade, fair trade, balanced trade, managed trade, trade wars, competitiveness, industrial policy, market access, the picking of winners and losers, NAFTA, GATT, Super 301s, dumping, countervailing duties, BITs, market access, reciprocal national treatment, foreign promotional offices, fortress Europe, federalism, constitutionality and bashing of variant types will reach newspapers, radio and television, news and talk shows, office, home and hearth. The debate will center on jobs and foreign business and may reach decibel levels unprecedented in California history. This confluence of bad times, a shrinking economy and a smorgasbord of ballot

and discuss commercial opportunities in Southeast Asia with four U.S. ambassadors and other international trade specialists. The Ambassadors convincingly stressed the reasons why U.S. firms should export to and invest more in Southeast Asia, and the state and federal agencies provided information concerning the services that they offered to assist companies in this venture.

Never before has there been such a concerted effort from the government to help American companies expand into foreign markets. As Ambassador Orr said in his

choices will spark dialogue on the public policy of international trade and investment in California. CCIT will be there.

For CCIT, as California's only statewide, non-profit, private-sector membership organization dedicated by its articles of incorporation, bylaws and tax-exempt status to the healthy expansion of trade and investment in California, the onset of this debate presents opportunities and responsibilities of awesome proportion. In the Council's 34-year history it has tackled a parade of issues including trading with the enemy, doing business with communist regimes, Buy American and Buy California rules in procurement, the unitary tax, alien land laws and export controls. These debates have, however, normally arisen relatively in serial progression. 1992 promises to catapult a mass of the thorniest questions of international trade and investment policy to the forefront of the California political/electoral debate.

CCIT is ready. Our annual fall series of Public Policy Committee meetings in Los Angeles, San Diego, Sacramento and San Francisco was completed on November 5. A strategic planning effort culminating in a marathon session by CCIT Executive Committee and key committee chairs on February 4 produced an action plan of program activities and policy initiatives designed to maintain the Council's voice as a loud and prominent one in this increasingly noisy dialogue. A strengthening of media relations, the forging of new policy advocacy relationships with industry and non-profit organizations, a program series centered on the elections, and intensified direct advocacy in Sacramento, Washington and elsewhere will be the mainstay of CCIT's service to our members and to California during 1992.

** David C. Kenny is an attorney with Graham and James.*

closing remarks "We have a golden opportunity; let's not miss the boat."

** Jonathan Arms is a graduate student at Oxford University.*

EDITORIAL BOARD:

Jonathan Arms
Ham Dethero
Katharine Mottley
Martina Johnson

CCIT Public Policy Report

Jim Whittaker*

Committee Meetings

Due to the unique position which CCIT occupies as the only statewide organization representing a cross-section of international business in California, CCIT will have an opportunity to play an active role this year promoting two-way international trade through the work of the Public Policy Committee (PPC). CCIT plans to hold meetings of the PPC in Los Angeles, Sacramento, San Diego and San Francisco in March and April. Members of the PPC will receive notice of the meeting dates and locations in early March.

Lobby Activities

In addition, PPC Chairman Jim Whittaker and Executive Director Martina Johnson plan trips to Washington, D.C. in March and May; any interested CCIT members should contact CCIT at (415) 788-4127. If you would be interested in lobby visits to the Hill and the Administration, we would welcome your ideas on both issues and target visits. In April CCIT will also hold its annual Sacramento Day, a program which brings CCIT members into contact with members of the state legislature and administration.

MAJOR FEDERAL TRADE ISSUES

GATT - Dunkel Proposal

A new informal target date of April 1 has been set to agree to a final text on the GATT Uruguay Round.

A December 20 draft of a final agreement contained provisions on antidumping and dispute settlement which proved to be controversial in the U.S. Congress: Congress fears its ability to use "301" unfair trade actions will be brought under GATT

control, and several key U.S. industry groups who have used U.S. antidumping law in the past object to what they term a "weakening" of U.S. law against unfair import practices. Two essential components remain to be resolved: tariff reductions and exact provisions liberalizing services.

CCIT's PPC may be called on to review any final text if and when it may emerge. If an agreement is reached, CCIT will also gear up its lobby activities with respect to Congressional review and approval of a package.

GATT - Government Procurement

Governor Wilson has informed the USTR that California will support its effort to establish an expanded GATT Government Procurement Code by offering state procurement to be covered by the Code. CCIT supports California's participation in an expanded GATT Government Procurement Code. CCIT has urged and supported this offer.

The USTR is currently requesting Governors to provide a formal offer, including a list of those state agencies which would be covered. CCIT will be urging Governor Wilson to do so. Meanwhile, the talks continue in Geneva, with much riding on the quality and size of the U.S. offer.

Trade with the People's Republic of China

United States Trade Representative Carla A. Hills announced that the United States and China concluded a Memorandum of Understanding which will provide increased protection to U.S. intellectual property rights in China. The agreement resolved the Special 301 investigation of Chinese treatment of U.S. copyrights and patents.

However, Congressional efforts still may

threaten MFN. **HR 2212**, which would tie Most Favored Nation status for China to reducing or eliminating its political and human rights abuses was agreed to in a House-Senate conference, but President Bush has threatened to veto the bill. The successful resolution of the Special 301 negotiations will make it more difficult for Congress to override a Presidential veto.

SUPER 301

Amid much criticism that President Bush fails to act decisively to force the removal of trade barriers in other countries, House Majority Leader Richard Gephardt has formally submitted **HR 3702** to reauthorize the Super 301 provision of the Trade Act, forcing the President to implement effective market-opening measures or impose trade sanctions against countries which block U.S. goods from their markets.

NAFTA

Intense talks are underway in a non-stop, "jamboree" atmosphere. Negotiators hope to conclude the talks by the end of February, with a series of scheduled working, plenary and political meetings to drive the pace. The White House has not yet decided whether to submit a package to Congress this year, even if it is wrapped up on a substantive basis.

STATE ISSUES

Overseas Offices

CCIT continues to support the operation of all five California State Trade and Investment Offices established between 1987 and 1990. The Governor's office is currently completing a strategic review of the overseas offices program in order to create greater efficiency and synergy with trade-related programs in California and has expressed a commitment to the five offices currently in operation.

**Jim Whittaker is Manager of International Public Policy at Hewlett-Packard.*

CEFO, from page 1

To qualify for a loan guarantee, a company must:

- operate in California;
- have at least one year's applicable experience;
- have an export invoice value which contains at least 50% California content (product, labor, overhead, transportation);
- provide collateral to the lenders to support the transaction.
- pay a guarantee fee of .75% - 1.5% of the guarantee amount, depending upon the term of the guarantee.

Guarantees are issued for periods typically ranging from four months to one year. No minimum dollar amounts are involved, but a legal maximum of \$500,000 per guarantee applies. Guarantees cover up to 85 % of loans made by participating lenders.

Over 120 banks and other lenders in California are currently listed as "Participating Financial Institutions" under the CEFO program. Some lenders have been particularly active under the program, having handled multiple transactions over CEFO's six year history.

In Northern California, companies which have actively utilized CEFO's services include those in high technology, general manufacturing, food and agriculture and export trading.

** J.H. Dethero is the Regional Manager of the California Export Finance Office in San Francisco.*

CEFO's Northern California Regional Office

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- bring within the GATT framework two previously excluded sectors of the economy—agriculture and textiles—which accounted for roughly 10% and 5% of world trade, respectively, in 1990;
- reduce tariffs and thereby expand market access with respect to a wide range of manufactured and agricultural goods; and
- establish the Multilateral Trade Organization (MTO), which would ensure a more binding system of dispute settlement than currently exists under the GATT and minimize the need for individual member countries to regulate unfair trade practices.

Although the Dunkel text goes a long way toward achieving the goals of the original framers of the GATT, it falls short in some areas of importance to U.S. industry:

- An intellectual property provision that could potentially scuttle the agreement would grant LDCs a ten year transitional period regarding patents following the ratification of the agreement. The agreement would not grant protection to existing patents, a critical concern of the U.S. pharmaceutical industry.
- Provisions on subsidies present problems for a number of diverse industry groups, from mining, paper and construction to transportation and electronics. Obstacles include the "green light" given to subsidies for regional development and some types of research and development.
- Antidumping provisions could also unravel the overall agreement. Many sectors of U.S. industry would prefer to maintain U.S. antidumping laws rather than abdicate that authority to the GATT.
- Provisions to strengthen the GATT dispute settlement process would probably not create a system that is sufficiently responsive to the needs of the high tech industry.
- A number of industry sectors including paper, agriculture, construction, transportation, and will not support the final agreement without acceptable tariff cuts. These concerns have not been specifically addressed in the Dunkel text.

The ability to negotiate details of the draft document must be limited in order to meet the Easter deadline. Certain countries may be forced to make concessions on market access in order to achieve their goals in non-tariff areas such as intellectual property and antidumping. Various countries and industries have refused to support the Dunkel agreement due to particular elements of the text, which they assert would damage their ability to do business internationally. However, failure of the Uruguay Round would seriously weaken the world trading system as a whole.

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CCIT People:

Updates on CCIT Directors . . . **Ming Chang**, formerly with Security Pacific Bank, has a new position in the private banking department of Swiss Bank Corporation, and **Scott Morse** recently announced his engagement to Libby Seifel . . . congratulations and best wishes for the future to you both. The Secretariat has also learned that **Brett Kushner** of the California Export Finance Office in San Francisco just flew to France for his marriage to **Eloise Benoit** . . . congratulations and good luck, Brett and Eloise.

CCIT Calendar:

- February 18 **Barbara Jacob**, West Coast Representative of the European Communities, will discuss "Europe and California: Open for Business". World Trade Club, San Francisco, 6-8 p.m.
- February 20 Forum on Business Opportunities with Indonesia. All day program. Hilton Hotel, San Francisco. For further information contact: (510) 536-1967.
- March 3 CCIT Executive Committee Meeting 11:30 a.m. San Francisco.
- March 16-18 Fifth Annual Asia/Pacific Business Outlook 1992 in Los Angeles. For further information call: (213) 740-7132.

New Members

SMALL BUSINESS

California Prune Packing Co. San Francisco

INDIVIDUALS

Henry Amado	San Francisco
Stuart Benson	Washington, D.C.
Jack Boone	Fort Bragg
Alice Buchanan	Berkeley
David Hu, Ph.D.	Hayward
John Lambertus	Emeryville
Elizabeth Shwiff	San Francisco

STUDENT

Chester Chappell San Francisco