



# CALIFORNIA COUNCIL FOR INTERNATIONAL TRADE

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June/July 1995

## ITA Makes First Cut in Tough Budget Process

The House Appropriations Subcommittee on Commerce, Justice, State and Judiciary voted June 28th to increase the budget for the International Trade Administration by 4% to \$264.9 million for FY '96. The U.S. Commercial Service, including its domestic field offices, was specifically selected for continued funding, while Commerce as a whole took a 17% cut.

The Subcommittee's recommendations now go to the full Appropriations Committee, which will conduct their mark-up on July 18th, with a floor vote scheduled for July 21st. The effort to get funding for trade

promotion programs through the full committee will be "a lot tougher", according to Paul Freedenberg, the international trade consultant with Baker & Botts who is representing the District Export Councils (DEC) on this issue. Trade promotion programs will compete with the Justice Department and other parts of Commerce for funding. If funded, these programs will face total reorganization during the reconciliation process this Fall.

The Appropriations Committee markup is a key point on the decision path for funding of these important programs. Julian Dixon, (D-Los Angeles) the only Californian on this key subcommittee, actively supported continued funding for trade promotion programs. Dixon said he was "very pleased with the Subcommittee's actions on funding for the International Trade Administration. In the face of current

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## Are Imports Bad?

Walter Hoadley\*

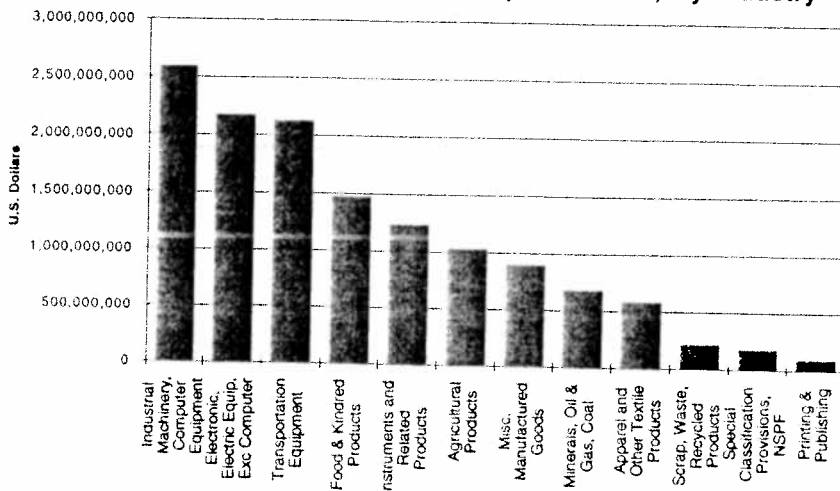
Are trade imports bad for California and the United States? Many Californians and Americans would answer "yes." The more correct answer is "no." But how can this be true when public opinion is so strongly against imports in general? Long-standing unchallenged criticism of imports as destroying jobs has closed many minds to reality. It is time to take a fresh look at the contribution of imports to the overall economy and living standards.

Some imports are undesirable. These are widely known and well publicized: drugs, products of child labor, counterfeits, closed market items, stolen goods, predatory priced products and services, etc. Although the list seems long, these items must account for a relatively small fraction of total U.S. imports of over \$800 billion annually.

Little mention is ever made of the gains for the nation and California from useful and valuable imported goods and services. The greatest gains derive from: (1) imported materials and supplies not available from domestic sources, (2) imports which enhance living standards by offering better quality, uniqueness and value; (3) competition which continually elevates domestic performance, stimulates innovation, challenges research, improves productivity and widens markets; and (4) creative, skilled and experienced executives from abroad, with a multicultural perspective helpful in maximizing export opportunities.

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### California Exports to Japan in 1994, by Industry



## ITA *Continued from page 1*

budget constraints, as well as calls for the elimination of the Commerce Department, the Subcommittee's decision to fund the ITA should be gratifying to supporters of its domestic and international activities."

International business people interested in continued representation at the Cabinet level and supportive of trade-facilitating programs should contact California members of the House Appropriations Committee including: Jerry Lewis, Ron Packard, Frank Riggs, Julian Dixon, Vic Fazio, Nancy Pelosi and Esteban Torres.

CCIT is tracking this issue and developing recommendations regarding the delivery of trade and investment services. We participated in a DEC advocacy trip to Washington D.C. and will return to Washington in September to follow-up. For more information, contact CCIT @ (415) 788-4127.

## Are Imports Bad? *Continued from page 1*

### A Lesson from the Past

The past generation of American business executives learned that market and product superiority and dominance are not enduring or guaranteed. Ingenuity is not an American exclusive. Globalized competition challenges economic arrogance and smugness. Most important, learning this lesson has been to the benefit of the American consumer, particularly as wider choices, frequently lower prices and different quality have become available.

A determined effort must be made to quantify the job dimensions of imports to help balance public understanding about the positive vs. negative impact on California and the nation.

### Focus on Net Trade Adds Misunderstanding

Much of the lack of understanding about the importance of imports arises from the exceedingly narrow focus of public discussion on net trade balances (i.e., difference between exports and imports). Official reports and media rarely analyze the gross (i.e., total)

## Welcome New Members

### Corporate

Pillsbury Madison & Sutro  
*San Francisco*

Price Waterhouse  
*San Francisco*

### Business

Chapin, Fleming & Winet  
*San Diego*

### Individual

Betty Alexander  
Marilyn Loewy

CCIT would like to thank the following businesses and individuals for renewing their membership:

AirTouch Communications  
Morrison & Foerster  
Joseph Englert  
Stephen Potash

numbers of two way trade.

Admittedly, a prolonged chronic net trade deficit, e.g., with Japan, is unsustainable politically if not economically. But, too often the implication remains that the deficit is so serious that its elimination must be made whatever the cost. This is a mistaken notion. The vastly larger gross volumes of trade in both directions could be disrupted by damaging protectionist policies and actions. Contrary to much thinking, trade must be seen and accepted as at least a two-way process, with far more attention on the size of gross flows.

Underlying gross flows lie jobs and the strength of economic linkages between nations. History reminds us that undue preoccupation with trade balances risks generating retaliatory policies which too often lead to confrontation and war. Overall economic, political, social and cultural ties between nations are significantly more important for preserving peace than excessive efforts to win a specific trade issue however irritating.

### Similarities & Differences Between Imports and Exports

Further support for attaching greater importance to

*Continued on page 5...*

## Member Poll

Please indicate whether you support or oppose the proposals listed below. Indicate the level of priority, from 1-10, (1 being highest). *Issue summaries follow for your reference.*

### Federal Budget and Reorganization Issues

- Eliminate the U.S. Department of Commerce

Support / Oppose

Priority

\_\_\_\_\_

### Implementation of Existing Law

- Customs Modernization Act (Automated Export System)
- Harbor Maintenance Fee

\_\_\_\_\_

\_\_\_\_\_

### Congressional Initiatives

- Eliminate Federal Maritime Commission
- Sanction Cuba's trading partners
- China: Most Favored Nation Status
- Fast Track Authority

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### USTR Negotiations

- Chilean Accession to NAFTA
- China: Membership in the World Trade Organization

\_\_\_\_\_

\_\_\_\_\_

Name: \_\_\_\_\_ Company Name: \_\_\_\_\_

Telephone: \_\_\_\_\_ Fax: \_\_\_\_\_

May we contact you to discuss this further?      yes \_\_\_\_\_ no \_\_\_\_\_

## Issue Summaries

Stephanie Broerman\*

### U.S. Department of Commerce

Issue: Congress has proposed to eliminate the Department of Commerce and defund federal trade promotion services (*see related story, page 1*)

### Customs Modernization Act: Automated Export System

Issue: The Customs Modernization Act shifts the burden of proper declaration of goods from Customs to the exporter. Proposed regulations requiring pre-notification of shipments may treat large companies preferentially, giving them a "gold card" while requiring small and medium-sized companies to prenotify Customs and complete documentation before shipment.

### Harbor Maintenance Fee

Issue: The fee, 0.125% of the value of cargo loaded or unloaded from commercial vessels at ports subject to the fee, is being challenged as an unconstitutional tax on exports.

### Revision of the 1984 Shipping Act

Issue: The Budget resolution has eliminated funding for the Federal Maritime Commission, which would deregulate the U.S. shipping industry. Opponents of deregulation cite heavily subsidized foreign competition; proponents argue that market forces should be allowed to operate.

### Cuban Embargo

Issue: The proposed Helms-Burton bill seeks to further tighten the U.S. embargo against Cuba. It would strengthen international sanctions against Cuba by prohibiting the importation of goods from third countries and denying visas to persons who do business with Cuba.

### Fast Track Authority

Issue: House Representatives Bill Archer (R-TX) and David Dreier (R-CA) are likely to propose a bill that extends Fast Track four or five years, but is limited to trade liberalization negotiations. The current draft has tighter restrictions on labor and environment provisions than last

year's bill.

### China: Most Favored Nation Status

Issue: Whether to extend MFN for 1995-96; whether to grant permanent MFN status. One-year extension of MFN is being considered by Congress now. Human rights abuses or poor compliance with IPR agreements could make passage difficult.

### Chilean Accession to NAFTA

Issue: Chile has been identified as the next possible member of NAFTA. Negotiations are underway, but it is uncertain how far NAFTA negotiations can proceed without fast-track.

### China: Membership in the World Trade Organization

Issue: China seeks entry as a developing country with long lead times for compliance with WTO regulations. U.S. claims China has such a big market, they should enter with commitment to full compliance.

\* Stephanie Broerman is CCIT's Policy Analyst

## California Delegation On-Line: E-Mail Addresses

<b>MEMBER OF CONGRESS</b>	<b>D/R</b>	<b>VOICE (202)</b>	<b>E-MAIL</b>
Boxer, Barbara	D	224-3553	senator@boxer.senate.gov
Feinstein, Dianne	D	224-3841	calsenator@aol.com
Eshoo, Anna	D	225-8104	annagram@hr.house.gov
Farr, Sam	D	225-2861	samfarr@hr.house.gov
Harman, Jane	D	225-8220	jharman@hr.house.gov
Lantos, Tom	D	225-3531	talk2tom@hr.house.gov
McKeon, Howard "Buck"	R	225-1956	tellbuck@hr.house.gov
Miller, George	D	225-2095	gmiller@hr.house.gov
Mineta, Norman Y.	D	225-2631	ellnorm@hr.house.gov
Packard, Ronald C.	R	225-3906	rpackard@hr.house.gov
Pelosi, Nancy	D	225-4965	sfnancy@hr.house.gov
Radanovich, George	D	225-4540	george@hr.house.gov
Seastrand, Andrea	R	225-3601	andrea22@hr.house.gov
Stark, Fortney H. (Pete)	D	225-5065	petermail@hr.house.gov
Tucker, Walter R.	D	225-7924	tucker96@hr.house.gov
Woolsey, Lynn	D	225-5161	woolsey@hr.house.gov

*\*CCIT will publish additional e-mail addresses as they become available.*

## Are Imports Bad?

from page 2

Imports can be found by looking at the similarities and differences between exports and imports. To a considerable degree, they have common characteristics and economic consequences, especially following aftermath of the manufacturing stage. Many exports require imports to complete final delivery and use. Commercial trade executives confirm a strong trend to manage

tribution, after imports arrive, requires much the same coverage and jobs as domestically created goods and services.

For California and the United States, the principal economic difference between exports and imports lies in the jobs linked to actual on-shore production. It is understandably human that protests arise when manufacturing jobs are lost to imports. However, it is important to

### How imports create jobs\*

#### Example: Dried fruit from China

Otis McAllister imports dried fruit from China. At least 50 percent of the final value of these products is added after they reach California. The dried fruit is:

- Cleared through U.S. Customs by local Customs broker
- Transported by local truckers
- Processed & repackaged by local fruit packers
- Sold to local companies to include in food items
- Sold to local retailers for public consumption or re-export

Each company is U.S. -owned and staffed and benefits from profits made on the transaction. These companies pay taxes on their profits and consumers benefit from competitively priced ingredient in their fruit snacks, cereal, and cake mixes.

\*Everett Golden, Vice President of Otis McAllister

exports and imports on a coordinated basis. This is particularly true with trading related services, e.g., sales, transport, finance, and a host of other activities common to both imports and exports.

Accelerating globalization is enlarging the scope and depth of trade-related functions. In manufacturing, more and more parts are being assembled from countless regions and localities. Technology continues to change the locale of markets and operations. Often, there is little distinction between income and outgoing trade related activities. Imported components are frequently re-exported. Improved communications play a pervasive role throughout the trade field. Distri-

inquire whether the criticism is targeted at products and services which are popular with American consumers. If so, the same jobs in due course would be in jeopardy. A significant offset, as indicated, is to be found in the jobs necessary to move the imported goods and services through channels to American consumers and users.

U.S. Department of Commerce estimates place the number of California jobs attributable directly to merchandise exports at about 1.5 million. Many are the result of indirectly related export activities. No comparable import job created estimates are available, but certainly the number cannot be small. It is high time to find the correct answer.

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A determined effort must be made to quantify the job dimensions of imports to help balance public understanding about the positive vs. negative impact on California and the nation. The implications for future trade policies and relationships are certain to be substantial when the facts are known and understood.

Meanwhile, let's stop thinking that imports are bad. Far from it, most are good.

## CCIT People

Alan Levenson is leaving Deloitte & Touche to take a position with Coopers & Lybrand in Washington D.C. We will miss Alan a great deal and wish him the best of luck. Steve Cohen will handle Deloitte & Touche's International Tax Services. Many thanks to AT&T for hosting the wildly successful Public Policy Committee videoconference on June 22nd. Join the Policy Committee today if you want to be in on CCIT's next high-tech adventure. Thanks also to Eddy Lehrer, Bank of America's exceptional MIS expert, for setting up CCIT's new "Trade by Congressional District" database.

The new voices at the Secretariat are CCIT's stellar summer interns. Anh Tran, senior in German and Sociology at UC Davis, is the artisan behind this month's newsletter and will be working on the 1995 Membership Directory. Steve Smith, senior in Political Economy at UC Berkeley, is working to help CCIT reach its goal of one member in each Congressional district. Matt Speakman, also a Political Economy major at Berkeley, is CCIT's summer legislative intern. Coming Soon to CCIT...

**CCIT ONLINE:** Jerry Hanley and his colleagues at USC have donated the development of a CCIT homepage. See you on the net! :)

**International Trade Data Base:** With the help of Bank of America, CCIT has developed a database of California's international companies, organized by Congressional District. This information will be used to improve our grassroots education and advocacy capability. We intend to organize a key advocate group in each district composed of an international business, an academic, a local business organization and a representative from the District Office. CCIT's Membership, Communications and Public Policy Committee are cooperating on this exciting new venture.

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\*Walter Hoac is the retired Chief Economist for Bank of America.

## CCIT Calendar

**July**  
24 Golden State Award Dinner Taskforce Meeting 12:00 noon, Commercial Bank, 333 Pine Street, SF  
27 International Trade Policy Forum Featuring Ambassador Mickey Kantor, United States Trade Representative 5:45 - 6:45 p.m. @ Hewlett-Packard Co. in Santa Clara RSVP to (408) 277-3055

### August

1 Program Committee Meeting 12:00 noon @ Ord and Norman 650 California Street, SF  
8 Executive Committee Meeting 4:00 - 6:00 p.m.  
16 Public Policy Committee Meeting 12:00 noon  
31 Strategies for Success in Korea August 31, Bankers Club, SF

### September

5 Board of Directors Meeting 4:00 to 6:00 p.m., SF

### October

10 Executive Committee Meeting

### November

14-16 Ex-Im Bank Training Seminars at the Federal Reserve Bank of San Francisco

### CCIT Editorial Board

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