



CALIFORNIA COUNCIL FOR INTERNATIONAL TRADE

700 Montgomery Street, Suite 305, San Francisco, CA 94111

VOL. XIII, NO. 1

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ISSN 0738

SPRING 1989

Cranston Meeting Assesses Pacific Rim Policy

Competitiveness and foreign market access were the themes dominating a recent CCIT breakfast meeting with Sen. Alan Cranston on future U.S. policy in the Pacific.

Subcommittee chair Sen. Alan Cranston (D-CA) was joined by Rep. Mel Levine (D-Los Angeles) and Lt. Gov. Leo McCarthy at hearings in San Francisco and Los Angeles, and at a special roundtable breakfast session hosted by CCIT. The focus of both the hearings and the breakfast meeting was long-range U.S. policy in addressing economic and security challenges in the Asia-Pacific region.

Cranston and Levine seized the opportunity, on the eve of President George Bush's Asia visit, to unveil their own agendas for future U.S. Asia policy, much of it in the form of new legislation.

"As new leadership advances throughout the region," Cranston told the CCIT breakfast meeting, "we must keep pace, keep involved and provide our own leadership. If we don't, we will forfeit the ability to shape these changes to our benefit."

On the trade front, he called for a series of initiatives, including:

- Creation of a Pacific Basin Forum similar to NATO, which would hold annual ministerial-level meetings and would seek to include the Soviet Union, Vietnam and North Korea;

- "Swift and sure" Super 301 retaliation where there is clear evidence of sector-specific injury; and - Waging "a war on ignorance", aimed at improving education and workforce competitiveness in the areas of mathematics, geography, science and

foreign languages. Cranston also advocated cuts in defense spending and the capital gains tax as a means of freeing up capital and adding plant capacity for export-oriented production. Since his return to Washington, the Senator has introduced legislation for a sliding scale capital gains tax, with the rate ranging from 50 to 13 percent depending on the length of time an asset is held.

Levine, who recently replaced Rep. Don Bonker (D-WA) as chair of the House Export Task Force, has focused his legislative efforts on competitiveness issues and on government restructuring to make trade policy more effective and a greater priority.

"Too often we see trade relations as largely unrelated to security concerns," Levine said at the breakfast, "and that isn't the case."

Levine, in addition to introducing a House companion bill to Cranston's sliding-scale capital gains tax, is preparing legislation which would:

- Reorganize the U.S. Department of Commerce under a new name, the Department of Industry and Technology, and with a new focus on competitiveness strategy;

- Shift Commerce's trade policy, implementation and enforcement functions to an expanded U.S. Trade Representative's Office, renamed the U.S. Trade Administration;

- Give the Secretary of Commerce a seat on the National Security Council, to provide a trade-related perspective on security matters (ironically, Secretary of Commerce Robert A.

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Executive Director Named

CCIT Completes Reorganization

With the appointment of a permanent executive director and a move to larger offices, CCIT has concluded the final phase of a reorganization effort begun in late 1987.

Following an extensive four-month executive search, CCIT's executive committee recently selected Martina Johnson as the organization's new permanent executive director, replacing interim executive director and former CCIT legislative committee chair Harry B. Endsley.

Johnson, a graduate of George Washington University and of Thunderbird School of International Management, was most recently a private New York-based consultant and researcher on international marketing and corporate strategic planning for high-tech industry before joining CCIT.

Previously, she administered U.S. Agency for International Development trade and investment service programs and worked as an exploration geologist.

"The committee faced a difficult selection process involving a

number of very capable candidates," says CCIT president Jerry Levine. "Martina's strong marketing background and her innovative ideas for new programs and services, were the most consistent with CCIT's new direction, and we expect a very exciting period ahead."

As executive director, Johnson will be responsible for implementing CCIT membership, legislative and program activities, and for coordinating publications and other member communications.

CCIT has also recently completed the move from its transitional offices to permanent, larger quarters in downtown San Francisco. The new address is 700 Montgomery Street, Suite 305, San Francisco, CA 94111. The telephone number remains (415) 788-4127. CCIT's Los Angeles and phone will also remain the same, at (213) 617-CCIT.



Johnson: New Executive Director

Legislature Sets 1989 Trade Agenda

March 10 was the deadline for introducing legislation in the current session. Some 4,000 bills beat the cutoff date and are now in the pipeline.

A partial list of bills impacting California's international trade and investment community is presented below:

- **AB 222 (Waters)/SB 8 (Nielsen) Agricultural Marketing Export Program.** Lifts January 1, 1990 sunset for program.
- **AB 247 (Bronzan) Taiwan Showcase.** Authorizes \$50,000 for the World Trade Commission to establish a "California Showcase" in the Taipei World Trade Center.
- **ACR 8 (Bronzan) Satellite Trade Offices.** Resolution requesting that the Governor promptly identify and set up additional California satellite trade and investment promotion offices in Asia.
- **AB 384 (Elder) Marine Fuel Oil Tax.** Exempts marine fuel oil stored or used by vessels in interstate or foreign commerce from state sales and use taxes.
- **AB 1054 (Lempert) Strategic Ports Plan.** Provides \$140,000 in matching funds to the California Association of Port Authorities to develop a statewide Strategic Ports Plan.
- **SB 243 (B. Greene) Office of Foreign Technical Information.** Establishes an Office of Foreign Technical Information within the California Department of Commerce to monitor foreign technical developments, mainly in Japan, and to translate technical journals and provide California firms with access to information.
- **SB 349 (Alquist) California Center for the Study of Asia.** Establishes California Center for the Study of Asia to promote awareness of Asian languages, cultures and business practices. Establishes board of directors, and authorizes a feasibility study to determine future sources and levels of funding.
- **SB 800 (L. Greene) Foreign Employment Practices.** Directs the California Department of Fair Employment and Housing to investigate unlawful employment practices by foreign investors in California.
- **SB 898 (Vuich) Export Finance Program Expansion.** Increases from \$4.5 million to \$9 million the program's loan guarantee reserve fund, with the additional monies to come from the California unitary fund; raises the program's maximum loan guarantee amount to \$500,000 from \$350,000; and adds two new members to the Export Finance Board, both to be appointed by the World Trade Commission.
- **SB 1309 (Ayala) 1990 World Expo, Osaka.**
Appropriates initial \$100,000 to Department of Food and Agriculture covering startup costs for California participation in Expo '90, with a blank sum appropriated for total costs.
- **SB 1650 (Roberti) World Trade Commission Expansion.** Adds three new members to the California State World Trade Commission, appointed respectively by the Governor, the Senate President Pro Tem and the Speaker of the Assembly. □

From the President



The Numbers Game

For years CCIT has been at the forefront of trade community efforts to improve the methods by which federal trade data are collected. States rely on this data to monitor trade flows and to plan everything from port development to trade promotion programs.

California, for example, looks at major moving exports by SIC code in targeting industry sectors and countries for its trade show program. Similarly, destination data plays a key role in locating overseas trade and investment offices. In the past that data, developed by Customs, has by its nature exaggerated exports to Asia moving through California - regardless of origin - while understating exports to Europe, including those produced within the state.

States must have better means for analyzing trade flows as they assume growing responsibility for trade development. It was therefore especially disheartening to learn that a Census Bureau program to collect and disseminate state-of-origin data, based on shipper's export declarations (SED), has had its Fiscal 1990 funding cut in half by the Administration.

SEDs contain potentially useful information, including a shipper's state of origin, the shipper's zip code and a unique exporter identification (EID) number. Those three entries together help determine manufacturing origin.

In 1988, Census offered what raw data it had to the public on quarterly computer tapes. With help from the Small Business Administration, the Commerce Department and the Bureau of Labor Statistics, it brought the price down from \$900 a tape to \$200. Now Census wants to improve the quality, by collecting more complete SED information in the field, processing the data monthly and cross-indexing the data with Census' annual Survey of Manufacturers.

With this improved "Export Data Base," subscribers could extract by state the number of exporters; value and volume of exports; employment size of exporting firms; wholesalers who export; trade patterns of U.S. and foreign multinationals and their affiliates; and other critical data.

The Office of Management and Budget has approved \$600,000 for these improvements in its Fiscal 1990 budget, but has cut another \$600,000 for processing the improved data and offering it to subscribers. Under the current funding, the data would be collected and sit unused in Census Bureau's Washington, D.C. mainframe. California Sens. Pete Wilson and Alan Cranston, along with the Western Governors' Association (WGA) and the National Governors' Association (NGA), have all expressed an interest in making sure that the entire funding for Census' Export Data Base is in the final Fiscal 1990 budget.

CCIT has provided analysis supporting full funding to Sen. Cranston and to the WGA, and will be taking an active role in getting states the data they need in order to allocate scarce trade promotion resources. **-Jerry Levine**

Just What We Need

House Speaker Jim Wright (D-TX) has created a new 26-member Trade and Competitiveness Task Force to focus on reducing the U.S. trade deficit and stimulating U.S. export sales. The new task force will be chaired by Rep. Richard Gephardt (D-MO). It will study the GATT Uruguay Round; the impact of foreign direct investment in the U.S.; the 1988 trade bill; high-definition TV; the FSX deal and EC 1992. Despite denials by congressional aides, the task force appears to usurp much of the function of the House Export Task Force started by Rep. Don Bonker (D-WA) and now chaired by Rep. Mel Levine. While the Export Task Force is bipartisan and has a working staff, the Democratic Trade and Competitiveness Task Force, with no staff, will be the vehicle for initiating new legislation in the Democrat-controlled House. Levine, meanwhile, is the only one of the 26 members of the Gephardt task force from a state west of Minnesota. CCIT is preparing a strong position on this issue and member input is appreciated.

Katz for Deputy USTR Slot

President Bush will nominate Government Research Corp. chair Julius Katz to replace Michael Smith as Deputy U.S. Trade Representative, with the rank of Ambassador. Katz previously was vice president of the Consultants International Group Inc. and held various positions at Donaldson, Lufkin & Jenrette Futures Inc.

Taiwan Bank Sets Up Shop

Taiwan's Bank of Communications has received approval from the state to open a branch office in Silicon Valley. The bank is a major participant in two Taiwanese venture capital funds shopping for acquisitions or equity positions in California high-tech firms and take Taiwan technology exports upmarket.

U.S. Joins Berne

U.S. membership in the Berne Convention for the Protection of Literary and Artistic Works became effective on March 1. The treaty, signed by President Reagan and approved by the Senate in October, extends protection to U.S. copyright holders in some 25 new countries.

Eximbank Pleads Poverty

Eximbank chair William Ryan told a House Appropriations subcommittee that some loans will be deferred until next fiscal year because this year's \$695 million lending authority is inadequate. Ryan also suggested that \$2.4 million cut by the White House from the bank's administrative budget will be offset by reductions in services to small and medium-sized exporters.

Japan Survey Bashes Clients

A new national survey commissioned by a group of Japanese companies doing business in the U.S. shows that 64 percent of Americans view Japanese investment in the U.S. as a threat. Most of those surveyed believed that Japanese companies are more likely to discriminate against women, provide less job security and are less open to advancement for Americans. Some 160,000 Americans now work for about 600 Japanese firms in the U.S.

Textile Bill Revisited

Rep. Marilyn Lloyd (D-TN) is expected to be this year's sponsor of textile quota legislation. Rep. Sam Gibbons (D-FL) has sworn that the bill won't make it out of his House Ways and Means trade subcommittee, and is urging letter and phone campaigns asking other legislators not to co-sponsor. Pro-quota forces now want tougher limits for non-Caribbean countries since 22 new countries qualify for duty-free access on textiles under the expanded Caribbean Basin Initiative.

On that and textiles, another sensitive issue, negotiators hope simply to reach a framework for further negotiation.

On the bilateral front, Hills attended the first meeting of the U.S.-Canada Trade Commission March 13, at which a U.S. request to expedite tariff phaseouts on 2,000 items was put on the table. The Administration further plans to pursue several issues left out of the original FTA: subsidies and dumping; rules of origin in the automotive sector; investment; services; intellectual property; and government procurement.

Hills told congressional committees, regarding plans for a single EC market in 1992, that "proposals to foster European integration could potentially prejudice legitimate American economic interests in the EC" and that the U.S. will "develop effective U.S. policy responses to those EC measures which unfairly discriminate against U.S. exporters or investors."

Hills' only mention of Japan was to note that the private-sector Trade Policy Advisory Committee's Japan task force had completed an economic analysis of the U.S.-Japan trade relationship and USTR was reviewing the report's recommendations.

Implementation of the "Super 301" provision of last year's trade bill is a key concern. An interagency committee is preparing the required list of countries with unfair trade practices, to be presented to Congress by May 30. Hills said that the major U.S. focus in developing its list "will be on areas where we have the greatest export potential."

Opinion in Washington remains divided on whether Japan "must" be on the list or "can't possibly" be on the list. Korea is considered certain to be included and Taiwan is seen as likely, perhaps in lieu of Japan. Also on May 30, USTR must provide Congress with a list of countries which do not provide adequate intellectual property protection. So-called "Special 301" actions will be brought against countries on that list. Hills defended recent U.S. sanctions against Brazilian imports in response to intellectual property violations. "We have put the world on notice in this case," she said, "that we will not rule out trade-restrictive measures that may be necessary to respond to the theft of U.S. intellectual property." To date the Administration has offered little in the way of plans for directly promoting exports. The trade policy report mentions implementation of the trade bill and amendments to both the Export Trading Company and Foreign Corrupt Practices Acts, plus creation of the National Trade Data Bank and support in principle for Eximbank.

Apart from that, the White House report only says that the Administration will consider "ways to provide adequate and competitive financing for U.S. exports, such as negotiations among OECD governments to reduce credit subsidies further."

Economic aid, meanwhile, will consist of preferential duty treatment under the Generalized System of Preferences - Mexico is now the number one beneficiary country since the Four Tigers were graduated - and the Caribbean Basin Initiative.

The Administration also pledged to build upon the 1987 "Framework Understanding" with Mexico for closer trade ties, and reaffirmed support for World Bank and other multilateral development institutions. □

Parnell Nominated For USDA Position

California Department of Food and Agriculture director Jack Parnell has been nominated by President Bush to fill the number two slot at the U.S. Department of Agriculture, under recently confirmed Secretary of Agriculture Clayton Yeutter.

Parnell was reportedly Yeutter's personal choice to fill the position of deputy secretary. An Auburn cattle rancher and founder and chair of the Auburn Bank of Commerce, Parnell was appointed CDFA director in June 1987 by Gov. George Deukmejian. He had been deputy CDFA director in 1983-84, before serving as director of the Department of Fish and Game from 1984-87.

He has been active with Yeutter in national agricultural organizations and advisory groups, most recently the Intergovernmental Policy Advisory Council. Confirmation hearings are likely to be scheduled in early or mid-April when Congress returns from recess, although no firm hearing date has been scheduled.

Gov. George Deukmejian has begun looking into possible replacements for Parnell, assuming confirmation goes smoothly. One obstacle to the search is that this is an outgoing administration, and candidates for CDFA director will want assurances that the 1990 Governor-elect, whether a Democrat or a Republican, will not want to appoint someone new. □

Mosbacher recently clashed with defense agencies on the FSX fighter jet joint venture between General Dynamics Corp. and Mitsubishi Heavy Industries, arguing against the transfer of technology);

- Create a civilian version of the Defense Advance Research Products Agency (DARPA) to fund, on a cost-sharing basis, development of commercial applications for defense and other high-tech research; and
- Establish House caucuses on optoelectronics and biotech development, similar to Levine's High-Definition Television Task Force, which would identify spinoff technology applications.

Lt. Gov. McCarthy suggested that U.S. companies need to show a greater sensitivity and awareness of Pacific Rim cultures, economies and business practices. "There are 10,000 Japanese business executives in the United States who speak and read English," McCarthy noted. "There are only 200 American business executives in Japan who speak and read Japanese."

Citing the history of Sony and other Japanese firms in the U.S. Market as examples to follow, McCarthy said that many U.S. firms do not prepare adequate market research when first entering foreign markets. Often they overlook cultural biases as to size or color, and neglect considerations such as after-sale service.

California, as well as its cities and counties, must do more to utilize and expand on the cultural and business ties which already exist with Asia through the state's sizable Asian community, McCarthy said... He referred to Asian investors and Asian-American entrepreneurs as an "untenured faculty" in terms of sharing business expertise and assisting communities with strengthening ties to the Asia-Pacific region.

He also chided the federal government for cutting back on funding of infrastructure essential to trade, in particular ports and harbors. □

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CALENDAR

**Tuesday
April 25** **CCIT's ANNUAL MEETING**, featuring Gov. **George Deukmejian** as special guest luncheon speaker. 11:30 a.m. reception/ 12:00 Noon lunch. Peacock Court, Mark Hopkins Hotel, **San Francisco**. \$35 members and invited guests/\$45 non-members. Information/Reservations: Contact CCIT at (415) 788-4127 or (213) 617-CCIT.

**Friday
May 5** **The Right Hon. Lord Cockfield**, author of the European Community white paper for creation of the 1992 integrated market, will discuss "Europe 1992: Opportunities and Pitfalls for California Companies." Sponsor: CCIT. 11:30 a.m. reception/12:00 Noon lunch. Peacock Court, Mark Hopkins Hotel, **San Francisco**. Information/Reservations: Contact CCIT at (415) 788-4127.

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