California Competitiveness in Global Market Depends on Strong Trade/Investment Opportunities

California is one of the 10 largest economies in the world with a gross state product of more than $2.6 trillion.

According to a California state government international trade and investment study, "International trade and investment is a major economic engine for the state of California that broadly benefits businesses, communities, consumers and state government. As has been described at length in other reports, California’s economy is more diversified than ever before, and the state’s prosperity is tied to exports and imports of both goods and services by California-based companies, to exports and imports through California’s transportation gateways, and to inflows and outflows of human and capital resources."

Although trade is a nationally determined policy issue, its impact on California is immense. California exports to more than 225 foreign markets. Trade offers the opportunity to expand the role of California’s exports. In its broadest terms, trade can literally feed the world and raise the living standards of those around us.

America’s standing as a world leader depends directly upon its competitive success in the global economy. For more than three-quarters of a century, the United States has led the world in breaking down barriers to trade and in creating a fairer and freer international trading system based on market economics and the rule of law. Increased market access achieved through trade agreements has played a major role in our nation’s success as the world’s leading exporter.

International trade has come under attack by the U.S administration and it is important for all to understand the significance that trade provides to our economy.

Accordingly, promoting the ability of California companies to compete more effectively in foreign markets continues to be a high priority for the California Chamber of Commerce, along with attracting foreign business to the state. The CalChamber will continue to pursue a free trade-based agenda in 2018.

Global Trade Facts
According to World Trade Organization (WTO) estimates, the world trade forecast for 2018 has been revised, with trade now expected to grow between 1.4% and 4.4%, down from 3.6% previously. Global gross domestic product (GDP) growth is expected to be 2.8% in 2017.

Leading California Export Markets (In $ U.S. billions)

<table>
<thead>
<tr>
<th>Partner</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
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<tbody>
<tr>
<td>World Total</td>
<td>168.045</td>
<td>174.129</td>
<td>165.367</td>
<td>163.616</td>
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<tr>
<td>Mexico</td>
<td>23.904</td>
<td>25.419</td>
<td>26.819</td>
<td>25.263</td>
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<tr>
<td>Japan</td>
<td>12.733</td>
<td>12.212</td>
<td>11.740</td>
<td>11.765</td>
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<tr>
<td>Hong Kong</td>
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<td>8.487</td>
<td>8.765</td>
<td>9.661</td>
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<tr>
<td>South Korea</td>
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<td>8.594</td>
<td>8.698</td>
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<td>Taiwan</td>
<td>7.519</td>
<td>7.464</td>
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<tr>
<td>Netherlands</td>
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<td>5.352</td>
<td>5.362</td>
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<td>United Kingdom</td>
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<tr>
<td>Germany</td>
<td>5.591</td>
<td>5.428</td>
<td>5.345</td>
<td>5.361</td>
</tr>
</tbody>
</table>

Source: U.S. Department of Commerce

U.S. Trade and Investment Facts
The United States is the world’s largest economy with a GDP of $18.62 trillion, according to the World Bank.

The largest export markets for U.S. goods in 2016 were Canada ($265.9 billion, down 5.3%), Mexico ($230.9 billion, down 2.1%), China ($115.7 billion, down 0.4%) and Japan ($63.2 billion, up 1.3%).

Annual Summary for 2016
Source: Bureau of Economic Analysis

- **Goods and Services**: The deficit on goods and services decreased to $502.3 billion in 2016 from $539.8 billion in 2015. The U.S. current-account deficit—the combined balances on trade in goods and services, income, and net unilateral current transfers—decreased to $469 billion in 2016. The deficit was 2.5% of current-dollar GDP in 2016, down from 2.7% in 2015.
- **Goods**: The deficit on goods decreased to $752.5 billion in 2016 from $761.85 billion in 2015. For 2016, goods exports decreased to $1.453 trillion from $1.5 trillion.
  
  For 2016, goods imports decreased to $2.208 trillion from $2.273 trillion.
Expanding Opportunity
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INTERNATIONAL TRADE

2016 Exports from California

- **Services**: For 2016, the surplus in services decreased to $247.7 billion from $261.4 billion in 2015. Services receipts decreased to $710.2 billion from $710.6 billion. The largest decreases were in financial services and transport. The largest increase was in other business services, and maintenance and repair services.

  For 2016, services imports increased to $504.6 billion from $491.7 billion.

**California Trade**

The U.S. Department of Commerce reported that in 2016, California exports amounted to $163.6 billion. This is a decrease from the 2015 total of $165.4 billion. California maintained its perennial position as a top exporting state.

Exports from California accounted for 8.8% of total U.S. exports in 2016. California’s top export destinations are Mexico, Canada, China, Japan and Hong Kong. California trade and exports translate into high-paying jobs for more than 1 million Californians.

**Top Export Sectors**

California is a top exporter in the nation of computers, electronic products, and sales of food and kindred products. Computers and electronic products are California’s top export, accounting for 25.9% of all the state’s exports.

Other top categories included transportation equipment; miscellaneous manufactured commodities; and machinery, except electrical.

- **Mexico**: Mexico continues to be California’s No. 1 export market. California exports to Mexico decreased to $25.26 billion in 2016. Mexico purchases 15.4% of all California exports.

California’s exports to Mexico are driven by computers and electronic products, which account for 21.7% of all California exports to Mexico. Other top categories include transportation equipment, machinery, except electrical, and chemicals.

- **Canada**: Canada is California’s second largest export market, purchasing 9.8% of all California exports. In 2016, California exported more than $16.18 billion to Canada.

  Computers and electronic products remained California’s largest exports, accounting for 32.2% of all California exports to Canada.

- **Asia-Pacific**: California is the largest exporting state to Asia. In 2016, California exported $68.58 billion in goods to the region.

  - **Greater China**: California exports to Mainland China totaled $14.36 billion in 2016. Computers and electronic products accounted for 30% of exports to China. Exports to Hong Kong increased to $9.6 billion in 2016, maintaining Hong Kong as California’s No. 5 export market, which surpassed South Korea in 2015.

  - **Japan**: California exports to Japan totaled $11.76 billion in 2016. Computers and electronic products accounted for 23.7% of total exports.

  - **European Union**: California exports to the European Union (28) totaled $29.7 billion in 2016. California is the top exporting state to Europe. Computers, electronic products and chemicals are the leading export sectors to the region. European Union countries purchase 18.2% of all California exports.

**California Investment**

A November 2016 study by the Organization for International Investment found:

- 715,800 workers in California are employed as a result of...
global investment, more than any other state in the nation.
• 196,000 foreign direct investment (FDI) jobs in California
  are in the manufacturing sector.
• Among all global employers, those from Japan, the United
  Kingdom and France support the largest number of jobs in
  California.
• More than 2,030 global employers have operations in
  California.
  • California ranks first in the nation in the total number of
    jobs at U.S. subsidiaries.
  According to the Organization for International Invest-
  ment, U.S. subsidiaries play a vital role in California’s economy,
  insourcing 715,800 jobs; writing paychecks to 5% of Cali-
  fornia’s private sector workforce. Nearly 30% of jobs at U.S.
  subsidiaries in California are in manufacturing—accounting for
  196,000 jobs.

CalChamber Position
The CalChamber, in keeping with long-standing policy,
enthusiastically supports free trade worldwide, expansion of
international trade and investment, fair and equitable market
access for California products abroad, and elimination of
disincentives that impede the international competitiveness of
California business.

New multilateral, sectoral, regional and bilateral trade
agreements ensure that the United States may continue to gain
access to world markets, resulting in an improved economy and
additional employment of Americans.

It is critical to consumers, workers, businesses, farmers,
and ranchers in our state that job-creating trade agreements are
negotiated and approved at a time when they are needed more
than ever.

Trade agreements ensure that the United States may continue
to gain access to world markets, which will result in an improved
economy and additional employment of Americans. The
CalChamber urges support of trade agreements that will continue
to keep American and Californian businesses competitive.

Successful trade agreements have helped increase world trade,
added to world income—including the developing world—and
have lifted people out of poverty. Studies have shown that elimi-
nating trade barriers means increased income to the average U.S.
family. Trade liberalization can create new jobs, higher incomes
and economic growth for countries around the world.

Recognizing the current state and federal trade deficits, the
CalChamber:
• supports reducing the federal budget deficit by controlling
  federal spending;
• supports efforts to achieve and maintain a stable and
  competitive relationship between the U.S. dollar and the curren-
cies of major trading partners;
• supports actions designed to eliminate barriers that impede
  U.S. and California commerce domestically and abroad by
  aggressively negotiating fair and equitable market access for
  California agriculture, and manufactured products and services
  by aggressively negotiating to reduce trade barriers; and
• promotes educating California’s citizens, legislators and
  businesses about the benefit of trade to the state economy.

Legislative Issues
The CalChamber has supported a number of state and
federal programs, but it should be noted that the CalChamber
also dissuades the introduction of legislation that is unnecessary,
unconstitutional or violates existing trade agreements.

The CalChamber:
• opposes protectionist-oriented legislation that leads to
  higher prices and limited choices for consumers. The negative
  impact of this sort of policy often expands to include job loss in
  related industries, retaliation by our trade partners and viola-
tions of WTO provisions;
• opposes state and local legislation that imposes sanctions
  on businesses engaged in international trade, and/or conflicts
  with federal international policies; and
• supports legislation that allows California companies to
  compete more effectively in foreign markets, as well as to attract
  foreign business to California.

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