

Advancing California's Competitiveness through International Trade: Exploring Best Trade-Supporting Programs and Practices



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EXECUTIVE SUMMARY

The purpose of this report is to explore the role of trade in California's economic growth and development. By examining the different government programs in place to support trade in California, we assess the impact these programs have in enhancing the state's ability to compete on an international scale of commerce. We begin by providing background on California's commercial heritage and its current climate. Despite the challenges of the recent global financial crisis, California's trade infrastructure has remained competitive in the global market, and international trade is still very much an integral component of its economy.

However, California is experiencing a decline in its appeal as a trade partner, largely due to the absence of a centralized government agency to promote foreign trade. Currently, the most support for trade in California comes from non-profit and academic organizations, with minimal influence from disperse government offices throughout the state. The lack of government representation for business interests in California is producing a commercial climate that is becoming increasingly antagonistic to foreign trade, and California must look to the examples of Florida and other states in the American South to formulate a plan for renewing its global status.

California could also benefit from observing the trade-supporting practices enacted by the governments of Japan and Korea, adapting them for its own needs. Areas of emphasis include information technology, corporate tax rates and technological infrastructure. California must continue to support key industries that are the future of business such as green information technology. California must also devise a plan to lower its corporate tax rates if it wants to keep business in the state.

THE ROLE OF TRADE IN CALIFORNIA'S ECONOMIC GROWTH AND DEVELOPMENT

Trade in California: Current Profile, Trends and Future Outlook

California, known to many as the United States' most opulent territory with the successes of Hollywood and Silicon Valley, is also a major hub for international trade. With the country's largest population and a GDP of over \$1.7 trillion (*California International Business & Trade Portal*), it is no surprise that California's future trade prospects look positive. These facts should be considered when looking at ways to improve the state's competitiveness through international business development.

According to Jock O'Connell, a Beacon Economics international trade advisor, "California's numerous trading companies do a superb job sourcing goods from around the world and matching them with foreign customers." Such a statement is reassuring. Still, the big question remains: how does the nation's strongest international trading state improve its competitiveness and create more jobs and economic growth at the state and national levels? Presently, California is strong on both the importing and exporting side of the commercial process. The state's top export locations and products are outlined in the accompanying charts on the next page (*California International Business & Trade Portal*). The fact that the majority of exported products fall under the hi-tech industry is not surprising. California is known as a main manufacturer of hi-tech products due to the boom and success of Silicon Valley, which is still home to a significant portion of the industry and its research facilities.

Global Exports in 2009 by California Market Value: 120,063 (millions)

Exports To	Trade Value (thousands)	Share (%)	Growth (% 5yr)
Mexico	17,473,945	14.55	(1.29)
Canada	14,314,922	11.92	8.34
Japan	10,901,891	9.08	(19.23)
China	9,744,452	8.12	24.13
Korea	5,912,867	4.92	(6.81)
Hong Kong	5,799,695	4.83	18.34
Germany	4,441,498	3.70	4.11
Taiwan	4,119,751	3.43	(23.47)
United Kingdom	3,916,267	3.26	(22.13)
Netherlands	3,565,782	2.97	(1.56)

[Show All Countries](#)

Trade Value in (thousands)



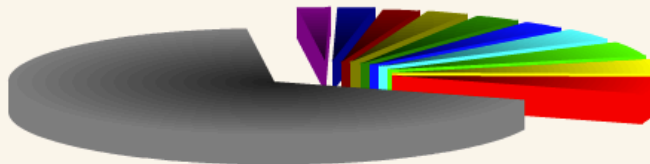
Last Updated: 03/2010
Data Updated Annually

Top Products Exported in 2009 by California Market Value: 120,063 (millions)

Products	Trade Value (thousands)	Share (%)	Growth (% 5yr)
8471 - Computers, Printers & Storage Units	6,182,254	5.15	(16.63)
8542 - Electronic Integrated Circuits	5,490,861	4.57	(43.19)
8800 -	5,288,788	4.41	NA
8517 - Telephone, Fax & Switching Apparatus	4,179,744	3.48	116.21
8703 - Passenger Vehicles	3,336,495	2.78	72.68
9018 - Medical, Dental & Vet Instruments	3,209,060	2.67	28.76
0802 - Nuts	3,009,662	2.51	33.23
8541 - Transister & Semiconductor Devices	2,609,703	2.17	17.65
8473 - Computer & Office Machines Parts	2,570,963	2.14	(49.50)
2710 - Non Crude Oil	2,254,074	1.88	113.47

[Show All Products](#)

Trade Value in (thousands)



Last Updated: 03/2010
Data Updated Annually

Since the onset of the global financial crisis in 2007, California, like most of the world, has had to fight to remain a competitor in the international trade industry. Even though unemployment rates soared and manufacturing jobs diminished, overall, California is still in good standing. Despite claims that the American manufacturing sector is disappearing, the U.S. is still the world's leading manufacturing economy, producing 21 percent of manufactured goods (LAEDC, March 2011). California leads the nation in exporting these manufacturers.

Nonetheless, the past few years have not been easy, as increasingly competitive forces have attacked California's capacity for commercial success. California, and the U.S. as a whole, has certainly started to see improvements. Manufacturing jobs may not be as readily available as they once were, but California's international trade networks remain strong, and the increasing value of manufacturing shipments is currently keeping California at the top. Since the second half of 2009, international trade in California has been on the upswing. Rising oil prices have been a concerning trend, but the state has been able to work through it, even as prices continue to increase.

Trends in shipping mediums have remained consistent, and it is predicted that they will follow in this same manner in the years to come. Lighter and more expensive products with high value-to-weight ratios and time constraints use the more expensive air freight option, whereas port delivery is most common for items with the opposite characteristics. The total tonnage that is imported and exported via air and sea fluctuates with trade restrictions, prices and demand. According to the Los Angeles County Economic Development Corporation's (LAEDC) 2010 "International Trends and Impacts Report" (summarized in the accompanying chart below), these trends have remained

steady because imports and exports directly correlate with manufacturing trends, which have also remained steady during this time.

Product Trade Trends	
Exports	Imports
<ul style="list-style-type: none"> • Top commodities: computers, peripherals, machinery, appliances and parts • Total value: \$12.5 billion • 64 percent of these items left by ship 	<ul style="list-style-type: none"> • Top commodities: computers, machinery, appliances and parts • Total value: \$47.8 billion • 79.6 percent of these items arrived by ship
<ul style="list-style-type: none"> • Secondary commodities: electric machinery, A/V equipment and parts • Total value: \$11.4 billion • 75.6 percent of these items left by air 	<ul style="list-style-type: none"> • Secondary commodities: electric machinery, A/V equipment and parts • Total value: \$47.8 billion
<ul style="list-style-type: none"> • Other notable exports: pharmaceuticals (\$1.7 billion); natural pearls, precious stones, and metals (\$956 million); toys, games, and sports equipment (\$879 million) 	<ul style="list-style-type: none"> • Other notable imports: apparel and accessories—knit or crochet (\$12.8 billion); apparel and accessories—not knit or crochet (\$11.3 billion); footwear and footwear parts (\$9 billion)

Unemployment rates in California are expected to continue decreasing in the coming fiscal periods. This fact, combined with the increasing value of trade and the increasing number of skilled workers available for hire, paints an optimistic picture for California’s future. However, major areas of concern exist for prospective international trade, mainly issues such as environmental compliance, trade values, modernization of trading facilities and the size of the labor force. These issues are especially concerning because the world is in a huge transition period. Due to increasing demand for eco-friendly sustainable products, the commercial sector has no option but to comply. Additionally, the baby boomer generation is rapidly aging into retirement, and how effectively younger generations take charge remains uncertain.

The most important factor of all is international relations. As long as California, with the help of the federal government, can keep international partners happy with their business practices and products, everything will fall into place. California has had its share of financial ups-and-downs, but the state has always been able to resolve these

issues. As long as international relations remain stable and appropriate actions are taken in response to change, California will continue to be in a great position.

Trade and Its Impacts on California's Economic Well-being and Growth

In 2009, more than 389,000 manufacturing workers were employed in Los Angeles County. The value of manufacturing shipments in the county in 2007 was \$153 billion, and Los Angeles County is still ranked as the number one manufacturing center in the country (CalTrade, March 2011). Considering the economic downturn, it is astounding that Los Angeles and California have maintained their high position in the global market, a position that continues to stimulate the state's economic well-being and growth.

Economic Growth

International trade accounts for nearly 25 percent of California's economy. Just last year, there was a substantial increase in container volume in the Port of Los Angeles, the largest port in the United States. "With this 16 percent increase in 2010 container volumes, the Port of Los Angeles is putting people back to work and doing its part to help President Obama meet his goal to double national exports over the next five years," said Antonio Villaraigosa, mayor of the City of Los Angeles. "This is good news not only for Los Angeles, but for cities across the nation." California's economic future is still unknown, but the state has prospered through gradual economic growth since the lowest point of the financial crisis. Maintaining and building upon this level of growth in international trade will prove essential, as a quarter of the state's economy depends on it.

Job Creation

Current forecasts for job growth in California are optimistic. Although California and most of the country may not be at the optimal level of employment for an ideal job market, there is no denying that the expected decrease in unemployment is encouraging. The current statewide unemployment rate of 12.4 percent should drop to 11.4 percent by the end of 2011, and to 10.4 percent by the end of 2012. Hi-tech coastal communities could see their rates drop as low as 7.4 percent in a matter of a few months (UCLA Anderson Report, March 2011). Nationwide, more than 2 million jobs are linked to California's public ports. In Long Beach alone, port activity generates one in every 22 jobs in Southern California and provides some \$14.3 billion annually in regional wages and salaries. Los Angeles port operations generate 919,000 regional jobs and \$39.1 billion in annual wages and tax revenues. Clearly, these trade venues have an enormous impact on job creation in California and beyond.

BEST TRADE-SUPPORTING PROGRAMS IN OTHER U.S. STATES

International Trade at the State Level

Currently, there isn't a federal commercial agency that exists in the United States to promote international trade at the state level. For this reason, states have historically pursued their own measures to ensure they remain competitive in the global market. These measures may rely on federal funding to supplement operations, but they're largely financed by the state governments in which they operate. State budgetary concerns, therefore, are a critical factor in determining the size and efficacy of a state's trade-supporting programs and practices. Even states with comparatively easy access to

international trade networks may suffer in the global market if they fail to ensure that their commercial infrastructures are conducive to trade.

California is a perfect example of a state that has found itself in this situation. The state benefits from an abundance of natural resources and temperate climate that allows for year-round economic activity. The state's key industries such as agriculture, defense, entertainment, technology and tourism have flourished over the years. California is home to more economic activity than any other state in the U.S., generating an annual GDP of \$1.7 trillion (*GlobalEDGE*). Despite these achievements, California's golden days of prosperity are rapidly dwindling. A combination of factors, including high taxation and expansive entitlement spending, has encouraged the world's largest companies to relocate their facilities to other parts of the country, or overseas. The problems facing California will only worsen if big players in the global market continue to seek a new home in locations where tax rates and labor costs allow greater opportunities for profitability.

Support for Trade in California

In the not-so-distant past, the state of California had its own agency responsible for “[promoting] business development, job creation and job retention to help California maintain a strong, globally competitive economy” (Koehler and Hogan). From 1992 to 2004, the services provided by the Technology, Trade and Commerce Agency (TTCA) were meant to facilitate international trade by stimulating economic development and facilitating business transactions in the state. Examples of its programs included the California Technology Investment Partnership (CalTIP), military base reuse and retention, and the replacement of underground storage tanks. During its final year of

operation, the TTCA invested nearly \$7.8 million in these and additional programs in an effort to increase California's competitive edge in the growing international business sector ("Technology, Trade and Commerce Agency: 2005-2006 Budget").

The TTCA was abolished under the administration of Governor Gray Davis due to pressing demand for budget cuts, combined with recurring questioning of the agency's value to the state's trade goals. An analysis of the 2001-2002 Budget Bill conducted by the Legislative Analyst's Office suggests multiple times the reduction of the TTCA's expenditures, citing lack of specificity in planning. Similarly, in 1999, the California State Auditor released a report that discussed the agency's lack of leadership and evaluation criteria in overseeing its Manufacturing Technology Program. This report called on the TTCA to establish statewide goals for its programs and ensure that its programs operate in accordance with government regulations.

Scandals involving the TTCA began to enter the public eye in 2003, when media outlets revealed that the agency's international outposts had been delivering falsified information to the state legislature. The performance reports these overseas offices presented as factual were tailored to show the agency in a more favorable light, exaggerating the impact of its services on international trade in California. Further investigation revealed that the vast majority of the companies cited in these reports as having received substantial benefit from the TTCA, in fact, felt the agency had not provided any significant help (O'Connell). In light of these scandals, existing criticisms of the TTCA began to gain momentum, and by New Year's Day 2004, the Technology, Trade and Commerce Agency ceased to exist.

At its core, the TTCA was a promising organization that possessed the potential to assist California businesses in attaining a competitive advantage in the global market. The services the TTCA purported to offer to the public and private sectors would have tremendously improved the state's ability to achieve a dominant position in international trade. Koehler and Hogan's 1996 publication listing the various economic development state programs operated by the government of California contains a brief description of the services attributable to the Technology, Trade and Commerce Agency. In addition to acquiring funding and financing for community and enterprise development, the TTCA was responsible for providing assistance for networking, marketing, research and other essential commercial activities.

How, then, did the TTCA fail when it had an abundance of vehicles to meet its goals? To summarize a lengthy and unoriginal story, the leaders in charge of ensuring the success of the TTCA were more concerned with their own successes in the political arena. Few of TTCA's managers throughout the state and abroad possessed any applicable international business knowledge or expertise, and, according to O'Connell, several possessed none. Ill-equipped to even understand the complexities of foreign trade, the members of the agency were largely inefficient in promoting and facilitating international trade in the state of California.

Today, there are still numerous resources for communities and enterprises in California who wish to become more competitive in the international market. These resources are primarily provided by non-profit or academic organizations concerned with enhancing the state's ability to compete on a global level. These organizations have extensive access to commercial and economic information and, therefore, specialize in

making their research readily available to parties interested in entering or increasing their presence in foreign trade networks. However, due to their nature, these organizations often cannot provide the level of funding that was made available by the TTCA.

One of the state's most prominent trade-supporting programs is the California Chamber of Commerce. The motto "Helping California Business Do Business" serves as a brief indicator of the organization's central mission. CalChamber, as it is affectionately termed, provides its services via membership. In addition to specialized business consulting, CalChamber members have access to legislative and legal networks that can be tremendously beneficial for any party interested in the international market. The Chamber even assists members with their lobbying efforts as a means of making California's business environment more conducive to foreign trade. CalChamber also holds its Council for International Trade, which supports the development of international commercial policies that allow for enhanced competition on a global scale. This council actively monitors trends in international business to ensure members remain aware of the opportunities that exist in the global market.

The California Centers for International Trade Development (CITD) is another organization that provides services to new and existing entities seeking involvement in foreign trade. What distinguishes the CITD from CalChamber and other trade-supporting programs is its emphasis on promoting trade on an international scale among California's businesses. CITD is a division of the California Community Colleges, and each of the organization's 14 offices is located at a CCC campus. Individual offices partner with local and regional trade associations to offer free and low-cost assistance to interested parties. This assistance comes in the form of specialized consulting, unlimited access to

the CITD's Trade Information Database and admission to trade shows all over the world. Reciprocally, each college's interaction with the CITD helps enhance the host schools' business curricula and provides practical experiences for students.

The Los Angeles collegiate football rivalry boasts two equally noteworthy international trade resources. UCLA's Anderson School of Management and USC's Marshall School of Business operate their own Center for International Business Education and Research (CIBER). CIBER is a program funded by the U.S. Department of Education, and the international business centers at UCLA and USC are just two of the 31 centers located at college campuses throughout the United States. In addition to providing educational and research opportunities for the school's students and faculty, a principal aim of each CIBER is to make international business resources available to the community. California businesses that are interested in entering the global market can take advantage of the information that is available at both campuses, which focuses on international trade developments in Southern California and the state as a whole.

Following the dissolution of the California Technology, Trade and Commerce Agency, there is no longer any centralized government program in the state with the sole purpose of promoting international trade. However, there are initiatives within individual departments of the state government that independently supplement the efforts of non-profit and academic organizations like those previously discussed (Koehler and Costolino). For example, the Governor's Office of Economic Development hosts an online business portal that offers information regarding business legislation, permits and statistical commercial data. The website also features links to federal and private trade-supporting organizations. Similarly, California Secretary of State Debra Bowen's

website provides quick access to administrative business services, such as trademark registration.

Support for Trade in Florida

Florida is a state whose opportunities and obstacles on the road to international competitiveness have most closely resembled those in California. It is the fourth most populous state in the U.S. and, like California, relies heavily on the agricultural and tourist industries (*GlobalEDGE*). Additionally, Florida shares California's ethnically-diverse population and high rate of undocumented immigration. The two states, however, differ significantly in terms of fiscal issues, namely, trade-supporting programs and practices. Florida's residents and corporations enjoy the luxury of lower tax rates, and individuals do not pay taxes to the state on their income. Average state government expenditures per capita in Florida are nearly 35 percent less than the same figure in California, and unemployment levels are slightly more cheerful in the Sunshine State.

Business in Florida is conducted on a much smaller scale than in California. In 2009, Florida's total exports were less than 40 percent of California's exports. Nevertheless, California should look to Florida as an example when creating its own trade-supporting programs. Florida has a decentralized system for promoting international trade and some of its most powerful trade-supporting organizations, similar to California, lie in the non-profit and academic sectors. What sets Florida apart is its government's initiatives to promote involvement in the global market. The state government has strategically partnered with federal and local programs to make Florida more competitive on an international scale.

The most intensive trade-supporting effort on behalf of Florida's government resulted from an alliance with the U.S. Commercial Service, a division of the U.S. Department of Commerce. The U.S. Export Assistance Centers of Florida is a federal program that consists of six offices located in different cities throughout the state (*BuyUSA.gov*). At each office, full-time international business specialists are available to provide assistance to companies interested in exporting their goods overseas. Because the centers are operated and funded by a federal agency, their services are not exclusive to Florida companies. While the centers are open to all U.S. firms in need of assistance, the fact that they're located in Florida provides an indisputable advantage to companies based in the state, simultaneously highlighting Florida's reputation as a key player in the global market.

Enterprise Florida, Florida's official economic development organization, represents the state's initiative to promote commerce. In addition to providing Florida-based companies with a wealth of trade data, the organization markets the state as the ideal location for international and domestic business ventures. The website for Enterprise Florida features thorough descriptions of the numerous industries that are actively participating in the state's economy, allowing potential entrepreneurs and investors to obtain a comprehensive understanding of the opportunities that exist within the state. Enterprise Florida is a unique program because it does not limit its scope to only assisting Florida businesses; rather, it secures the future of Florida's commercial activity by continuously attracting new ventures to the state.

Support for Trade in the South

While California has witnessed a steady decline in its international commercial competitiveness, states in the Sunbelt region of the United States have been experiencing a wave of increased investment and trade, particularly in chemical and transportation manufacturing (*Alabama Development Office*). This phenomenon is becoming more common as industries that were once headquartered on the west coast are now taking advantage of lower production costs in the south. In comparison to California, the southern region has a more affordable cost of living and reduced union activity, resulting in lower labor costs. Other factors, such as lower tax rates and land-use fees, have been successful in luring businesses away from more expensive locations.

Alabama is a perfect example of the commercial developments that are occurring throughout the south in today's global market. With a population below 5 million, the size of Alabama's economy pales in comparison to that of California (*GlobalEDGE*). However, this small state has made tremendous advances in international trade over the past two decades, leading to the creation of multiple vehicle-assembly plants within its borders. Alabama is currently exporting thousands of Mercedes-Benz, Honda and Hyundai automobiles every year to consumer markets all over the world. The state benefits from a business environment that is highly conducive to trade, and business interests like the Business Council of Alabama consistently monitor legislative proposals to ensure they do not pose a threat to free trade in the state.

Like Florida, Alabama also benefits from the presence of a federal trade agency. The U.S. Export Assistance Center of Birmingham is a part of the Southern Network of U.S. Export Assistance Centers, the same organization that has offices throughout

Florida. The Birmingham office provides many of the same services that are offered in Florida and throughout the Southern Network. Alabama's crown jewel when it comes to trade-supporting programs is the Alabama Development Office (ADO). The ADO is a division of the Alabama state government, and its principal objective is to increase international trade in the state, focusing primarily on export assistance. Most importantly, the ADO's services are free of charge to all Alabama businesses. Offering these invaluable services at no cost is a practice that indicates the importance of promoting international trade in the state of Alabama, whose trade-supporting programs have been remarkably successful in bringing new businesses to this emerging commercial powerhouse.

BEST TRADE-SUPPORTING PROGRAMS OVERSEAS

Support for Trade in Japan

Japanese Trade Practices

Japan is one of the most fertile markets in the world right now. Japan's government has recognized its potential and begun taking steps toward making Japan one of the top global trading powers. In 2010, the Japanese government formulated a new growth strategy. The goal is to unite with other Asian markets and double the flow of peoples, goods and money between Japan and the rest of the world. Japan plans on accomplishing this by lowering the effective tax rates on businesses, promoting Japan as a hub for Asian operations and creating comprehensive global strategic zones (Japan External Trade Organization).

Japan wants to become the “bridge nation” by connecting Asia to the rest of the world. They have the ability to make their country a hub for international business by making Japan a competitive, safe and functional place to do business. They have already starting taking a number of steps to make their country more international and modern. Japan has some of the best infrastructure in the world. It is the safest country in Asia and has one of the best medical service systems in the world. Japan also has a very well developed Intellectual Property Protection System, which has increased investor confidence, especially when it comes to licensing and franchising (Japan External Trade Organization). Along with the United States, the European Union and others endorse the proposed Anti-Counterfeiting Trade Agreement (ACTA). Japan is taking steps toward expanding the Haneda Airport in Tokyo to facilitate more international routes, and adding a fourth runway for additional carriers. This new runway will add 150,000 arrival and departure slots to the 300,000 slots that are currently available. Japan is also a trendsetter among Asian nations and to an extent, the world. Japanese fashion and film has a growing international following, which has contributed to Japan’s recent growth in tourism. 2010 saw the highest number of foreign visitors to Japan in recent years. The Japanese government recently set a goal of 30 million foreign visitors for 2012. Japan is quickly becoming a more consumer, business and visitor-friendly nation and its government hopes that this will help their vision of connecting Asia more closely with the rest of the world.

Japan has laid out ambitious plans to encourage company relocations to Japan. The first step is lowering corporate taxes. Currently the effective corporate tax rate is at 40.7 percent and after the reforms pass the rate should be 35.6 percent. The effective

corporate tax rate in the United States varies between 15 and 35 percent. In Germany it's between 31 and 35 percent, France 33.33 percent and the United Kingdom is between 21 and 28 percent (World Wide Tax Organization). Japan's projected reductions would put them on par with the trading powers of the west and make them more attractive to businesses worldwide.

Japan also wants to promote the agglomeration of industries to serve as a mechanism for economic growth. They plan to do this by creating comprehensive special zones. They want to strategically place centralized operations for certain industries to facilitate coordination and maximize use of regional resources. They want to do this for industries such as Bio Life Sciences, Next-Generation Energy, Research and Development and International Distribution (Japan External Trade Organization). In order to facilitate and grow these special zones, the government would establish comprehensive special zone support subsidiaries and enable taxable income deductions of 20 percent of the income generated by the businesses for the first five years in order to support the industries they are attempting to attract.

Japan wants to support green business by encouraging low-carbon job-creating industries. They not only want to attract foreign businesses but the right foreign businesses that are going to ensure the continued growth of the Japanese economy and the effective and responsible use of our planets resources. After companies go through a screening process administered by the national government, they will receive incentives to enter Japan that are on par with those offered by other developed countries (Japan External Trade Organization). These incentives will increase global business expansion, attract skilled foreign workers and create jobs in Japan. To further facilitate foreign

business entry, they want to create contact points for administrative procedures. The first step is to consolidate contact points and create one-stop contacts to aid foreign businesses in their ventures in Japan.

Korean Trade Practices

Forty years ago, South Korea's GDP was on par with the poorer countries of Asia and Africa. Currently South Korea's GDP is at \$1.467 trillion and is the 13th highest GDP in the world (CIA World Factbook). To foster this amazing growth, the South Korean government has developed a number of innovative trade supporting practices.

The South Korean government has played an influential role in encouraging and fostering trade. In order to encourage foreign direct investment (FDI), South Korea passed the Foreign Investment Promotion Act in 1998. This drastically increased FDI in South Korea. They also directed the FDI in a "green direction" by pushing the FDI toward 17 "green" growth industries. Other measures to promote FDI included developing free economic zones, deregulation and improving living conditions for foreign nationals (Korea Trade Investment Promotion Agency).

With international licensing and franchising ventures, there is a degree of mistrust and fear of losing integrity and control over products. Korea has a very impressive patent productivity record, which represents the number of patents versus the research and development workforce. This record makes it easier for foreign countries to trust their Korean licensors with their sensitive product information.

Like Japan, Korea is creating incentives for foreign businesses to invest in their country. Businesses in certain industries, as outlined by the Ministry of Strategy and Finance, are privy to tax relief not only for corporate taxes but local and income taxes for

up to seven years (Korea Trade Investment Promotion Agency). They might also be eligible to receive income tax credit through various incentive programs. Besides tax relief, the government also offers cash grants which can provide companies with grants amounting to five percent or more of their total investment in Korea. There are certain stipulations and requirements tied to equity and the type of industry the investment is made in, but all cash grants are negotiated through the government.

South Korea also offers foreign companies an opportunity to rent in designated zones either for free or at a low cost. For example, companies can operate rent-free for five years and at half price for two more years in one of the 33 Stand-Alone Type Foreign Investment Zones (Korea Trade Investment Promotion Agency). There are three other classifications of zones, each with its own set of incentives. Companies can also receive financial support from the government to help finance the cost of hiring staff, education and training, and projects to build infrastructure. South Korea offers a number of exciting incentives for foreign companies that are interested in doing business in Korea. The Investment Consulting Center (ICC) provides free consulting services to help companies find out how much aid they are entitled to.

The government has worked to make South Korea a country that not only supports and facilitates international trade, but is capable of supporting these foreign industries. Korea's infrastructure also makes it a very appealing place for companies to do business. Korea is home to Incheon International Airport, the second largest airport in the world in terms of cargo transported. It won the World's Best Airport Award in 2005, 2006, 2007 and 2008 (Korea Trade Investment Promotion Agency). Currently, there are plans to expand Incheon in order to accommodate increased air and cargo traffic demands

with the arrival of services like DHL, FedEx, UPS and other international shipping and logistics companies. The Koreans envision making Incheon the logistics hub to Northeast Asia. Not only does Korea have one of the biggest airports in the world, it also has the fifth largest container port. With its strategic location, connection to two other prominent ports and state-of-the-art automation system for dealing with the incredible amount of containers that come through these ports, Korea has the potential to become the center of global logistics.

Due to aggressive expansion and infrastructure improvements, Korea has become one of the leading countries for information technology. It was ranked first on the Digital Opportunity Index between 2005 and 2007 (Korea Trade Investment Promotion Agency). The DOI measures IT development and other things like rate of Internet usage and Internet penetration. It has one of the most advanced and fastest Internet services in the world. It has also become an incubator for IT companies like Samsung and LG that produce massive amounts of electronic goods for the rest of the world. Not only are these companies taking advantage of Korea's IT infrastructure and knowledgeable workforce, they are also taking advantage of its world-class research and development centers. Companies like Microsoft, IBM and Google have opened R&D labs in Korea. Other companies such as Motorola and Intel use tech savvy Korea as their test market to release new products.

Korea has also transformed its capital, Seoul, into a model of green living. The city has cleaned up the Cheonggyecheon, the once polluted river that runs through the heart of Seoul. They have also won awards for implementing one of the most effective transportation systems in the world in a very short period of time (Korea Trade

Investment Promotion Agency). The extensive broadband coverage in Seoul keeps everyone connected along with supporting the world's best e-Government systems, which allows citizens to pay bills and do their taxes online. Seoul is also well known for its 24/7 customer-oriented services they provide along with being a very visitor-friendly city.

RECOMMENDATIONS AND CONCLUSIONS

California continues to be a key player in the global market, but changes in the state's regulatory environment are increasing the cost of doing business. The value of manufacturing shipments continues to increase as California and the rest of the world begin its economic recovery. Businesses are seeing profits again for the first time in years, but the state's commercial interests are experiencing stagnating growth and development, largely due to the relocation of key industries to locations that offer minimized operating costs and other financial incentives.

Despite the absence of a centralized commercial agency, the California government provides limited services to the state's business interests. Unfortunately, the purely administrative function of these government programs does little to actually promote trade within the state, and even less to promote trade on the international scale. These basic services ensure California businesses operate according to state laws, but the minimal infrastructure and lack of cohesion among these programs make it virtually impossible for the state government to produce any material benefit for California's business community.

Furthermore, the disjointed nature of these distinct programs forces them to compete against one another for funding, including generous federal funding, which is essential to the survival of California's small-business loan programs. Already, California's businesses are struggling to compete in the international sector due to a commercial climate that is discouraging to trade and investment in the state. Without a cohesive voice, California's business interests will continue to lose prominence in the global market until the state government creates a viable network to promote and support international commerce.

The California state government must look to the examples of states and countries experiencing a burgeoning international presence. The governments of Florida, Alabama, Japan and South Korea have all made foreign trade a priority in their future growth and prosperity by implementing programs within their jurisdictions that will enhance competitiveness and appeal. Such programs require innovation in the areas of information technology and green industry, as well as substantial investment in education and civil infrastructure. If California is to remain among the world's largest economies, it must progress toward creating an environment that is conducive and receptive to international trade.

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