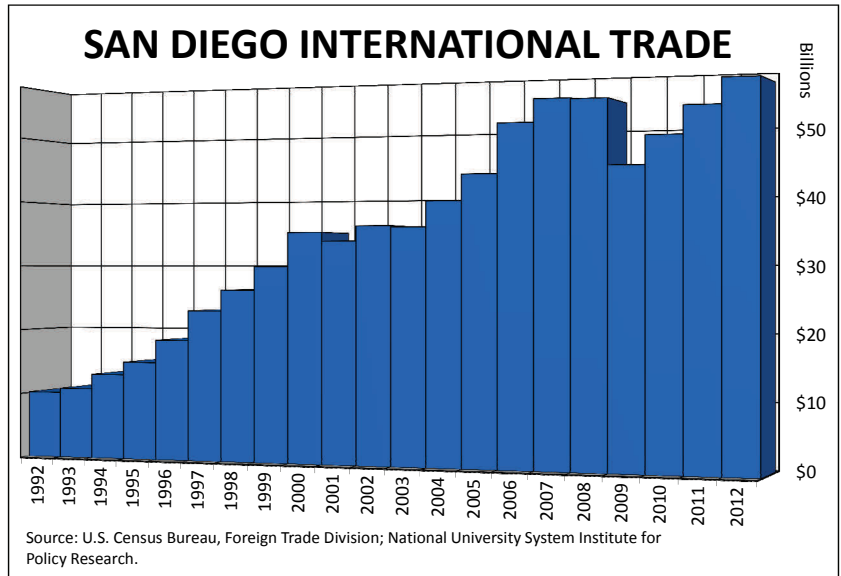




San Diego International Trade Rebounds

International trade has long been a major driver of San Diego's economic prosperity. The value of two-way trade through San Diego grew to more than \$56.5 billion in 2012, according to the Foreign Trade Division of the U.S. Census Bureau. This was a 7.2 percent increase over 2011, and new record above previous highs set in 2007 and 2008.

This is a marked turnaround. After dropping 18 percent in 2009, international trade in San Diego rebounded the next three consecutive years by a total of 27 percent. Adjusted for inflation, the amount in "real" dollars has still not quite reached the record levels set between 2006 and 2008.¹ Nevertheless the rebound represents a significant positive development for the regional economy.



SAN DIEGO INTERNATIONAL TRADE (\$millions)

Year	TOTAL TRADE			Mexico			Rest of World		
	TOTAL	Imports	Exports	TOTAL	Imp	Exp	TOTAL	Imp	Exp
1992	\$10,131	\$5,580	\$4,551	\$9,208	\$4,692	\$4,517	\$923	\$889	\$34
1993	10,770	6,268	4,502	9,750	5,322	4,428	1,021	946	74
1994	13,040	7,455	5,585	11,848	6,540	5,308	1,192	914	277
1995	15,011	8,928	6,083	13,679	8,022	5,658	1,331	906	425
1996	18,470	10,995	7,475	16,859	9,688	7,171	1,611	1,307	304
1997	23,024	14,059	8,965	19,799	11,175	8,624	3,225	2,884	341
1998	26,234	16,429	9,805	22,131	12,887	9,243	4,103	3,542	562
1999	29,837	19,089	10,749	24,928	14,713	10,216	4,909	4,376	533
2000	34,973	22,275	12,698	28,551	16,401	12,150	6,422	5,874	548
2001	33,626	21,292	12,333	28,040	16,127	11,913	5,586	5,165	420
2002	35,895	23,024	12,871	30,005	17,245	12,760	5,890	5,779	111
2003	35,696	22,980	12,715	29,634	17,097	12,538	6,061	5,884	178
2004	39,502	25,444	14,058	33,304	19,432	13,871	6,198	6,012	186
2005	43,392	28,401	14,992	36,708	22,001	14,706	6,685	6,399	286
2006	50,761	34,782	15,978	42,251	26,519	15,733	8,510	8,264	246
2007	54,159	38,151	16,008	44,199	28,511	15,689	9,960	9,640	319
2008	54,026	37,425	16,601	44,542	28,206	16,336	9,484	9,219	264
2009	44,368	30,370	13,998	38,203	24,486	13,717	6,165	5,884	281
2010	48,590	32,391	16,199	42,507	26,771	15,736	6,083	5,620	463
2011	52,727	34,188	18,539	46,126	28,224	17,902	6,601	5,964	637
2012	56,506	36,610	19,896	48,749	29,804	18,944	7,757	6,805	952

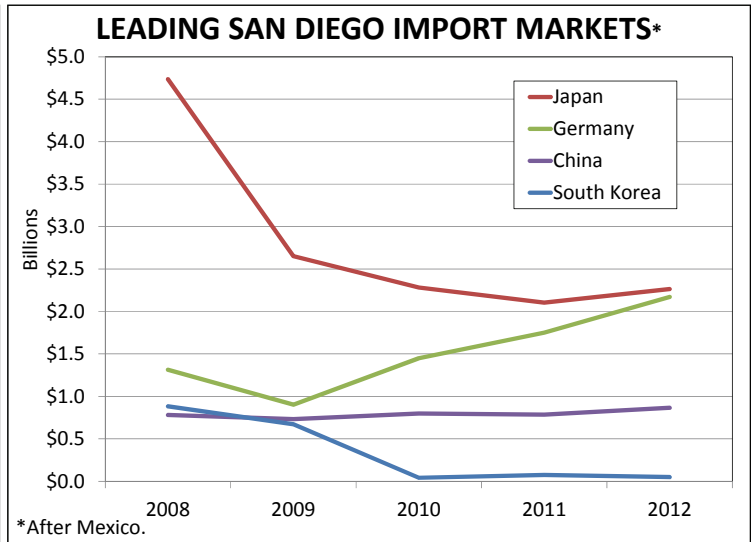
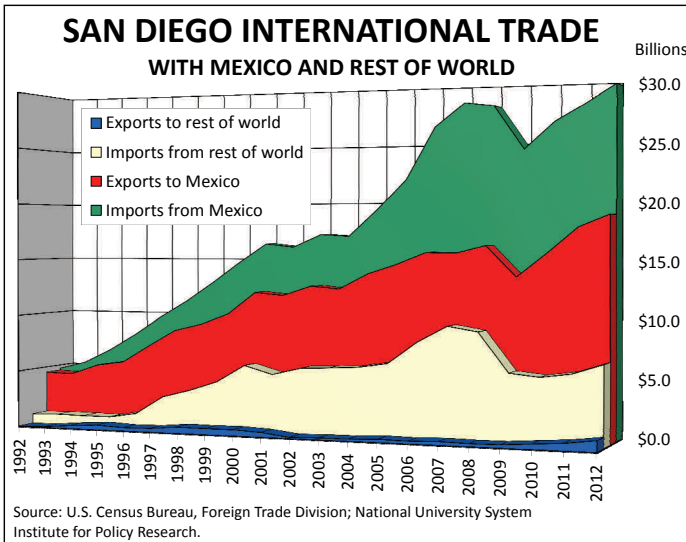
Mexico dominates San Diego international trade

Mexico continues to be, by far, San Diego's largest international trading partner, accounting for 86 percent of the total value of two-way trade. This continues the pattern seen in the region since NAFTA was implemented in 1994. While exports to countries other than Mexico somewhat grew, exports to Mexico increased from pre-NAFTA \$4.4 billion in 1993 to \$18.9 billion in 2012. In regards to imports, Mexico rose from \$5.3 billion of imports in 2003 to \$29.8 billion in 2012. Imports from all other countries increased from \$946 million to \$6.8 billion.

One reason for these trade patterns is the development of "maquiladora" operations in Baja. In many cases products designed and produced in the U.S. are exported to Mexico for assembly, and returned as imports to San Diego. In total Mexico accounts for 97 percent of all San Diego exports from and 82 percent of all imports.

San Diego also partners with Tijuana in the design, engineering, and development of many of the products assembled in Mexico. The diverse and numerous manufacturing operations in the bi-national region make the metropolitans one of the world's largest concentrated areas for manufacturing.

Source: Foreign Trade Division, Bureau of the Census, U.S. Department of Commerce; National University System Institute for Policy Research.



For example, Tijuana and Baja California remain a primary center in North America for electronics assembly and manufacturing. Most of the flat-screen televisions sold in the United States, from companies such as Sony and Samsung, are developed and made here, along with everything from medical devices to aerospace parts. In more recent years, Tijuana became the leader for medical device manufacturing in North America. According to research conducted by the *Crossborder Group*, more than 30,000 employees in Tijuana are currently employed in medical device manufacturing.²

The advantages of close location and shorter supply chains offered within the San Diego-Tijuana metro complex allows companies to better manage bi-national operations. The logistics of timing and response is much better controlled than production in far-flung, overseas processes. Companies are better able to contain and manage costs, risks, and component inventories. Even intellectual property rights and ensuring component parts not being pirated or pre-used are more secure. As Chris Anderson, former editor and chief of *Wire Magazine*, who quit to head a small drone manufacturer in San Diego, recently extolled in the *New York Times* that the San Diego-Tijuana hub is a model for American manufacturers competing with those based in China and India. "The Tijuana template isn't so much about outsourcing as it is quicksourcing...As any entrepreneur can tell you, the shorter and more nimble a supply chain is, the better."³

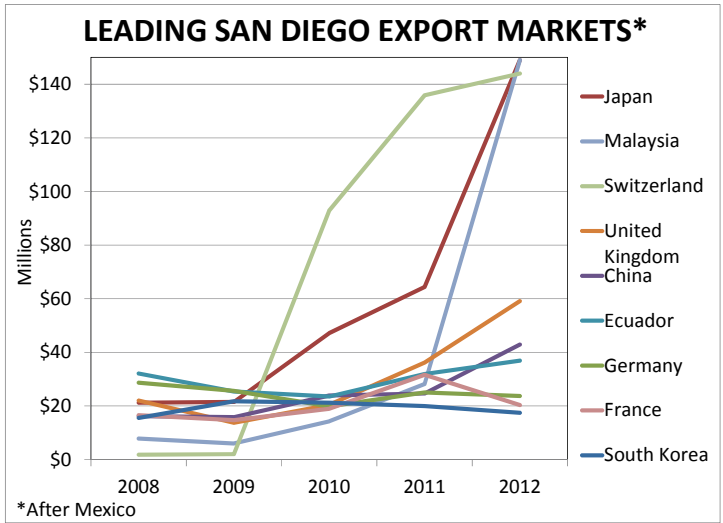
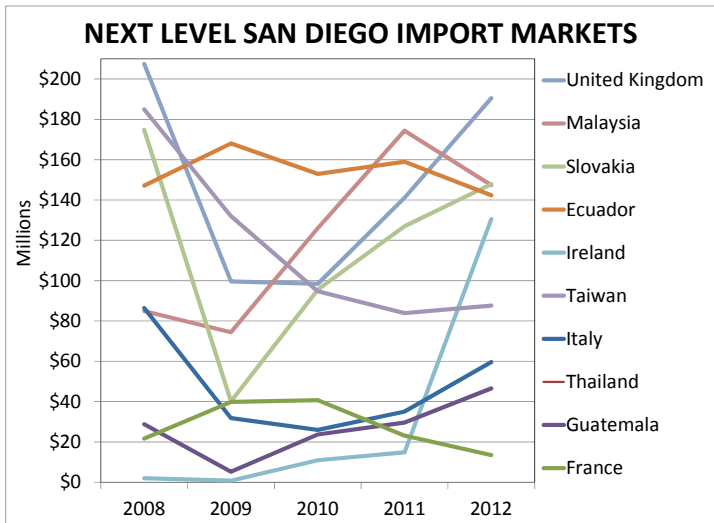
Trade with rest of the world

Japan (\$2.26 billion) and Germany (\$2.17 billion) accounted for San Diego's second and third largest import dollars in 2012. Most of imports from these two countries are automob-

SAN DIEGO INTERNATIONAL TRADE BY COUNTRY, 2012

Rnk	Country	TOTAL	Export Value	Import Value	Trade Balance	Import/Export Ratio
		(millions)				
	World Total	\$56,505.9	\$19,896.2	\$36,609.6	-\$16,713.4	1.8
1	Mexico	48,748.7	18,944.2	29,804.5	-10,860.3	1.6
2	Japan	2,413.3	149.0	2,264.3	-2,115.2	15.2
3	Germany	2,194.7	23.7	2,171.0	-2,147.3	91.6
4	China	908.2	42.9	865.3	-822.3	20.2
5	Malaysia	296.4	149.0	147.4	1.6	0.99
6	United Kingdom	249.6	59.1	190.5	-131.5	3.2
7	Ecuador	179.2	36.9	142.4	-105.5	3.9
8	Ireland	161.0	30.5	130.5	-100.0	4.3
9	Switzerland	153.9	144.0	9.9	134.0	0.1
10	Slovakia	148.0	0.1	147.9	-147.8	1,249
11	Taiwan	104.4	16.7	87.6	-70.9	5.2
12	Chile	86.3	1.1	85.2	-84.1	79
13	Italy	68.4	8.7	59.6	-50.9	6.8
14	Korea, South	66.5	17.4	49.0	-31.6	2.8
15	France	61.1	20.3	40.7	-20.4	2.0
16	Guatemala	50.3	3.7	46.5	-42.8	12
17	Netherlands	46.7	37.5	9.3	28.2	0.2
18	Singapore	46.2	20.7	25.4	-4.7	1.2
19	Brazil	40.1	5.4	34.7	-29.3	6
20	India	37.6	4.4	33.2	-28.8	7.5
21	Ukraine	36.5	36.4	0.0	36.4	0.0
22	Hong Kong	32.0	23.7	8.2	15.5	0.3
23	Costa Rica	29.4	4.2	25.2	-21.0	6.0
24	Indonesia	27.7	0.2	27.5	-27.3	139
25	Canada	27.3	6.7	20.6	-13.9	3.1
26	Denmark	23.3	1.9	21.4	-19.5	11.3
27	Australia	22.5	18.1	4.4	13.7	0.2
28	Hungary	20.7	0.5	20.2	-19.7	41
29	Norway	17.5	3.5	14.0	-10.6	4.0
30	Austria	17.0	12.8	4.2	8.6	0.3
	Balance of nations	191.6	72.8	118.9	-46.1	1.6

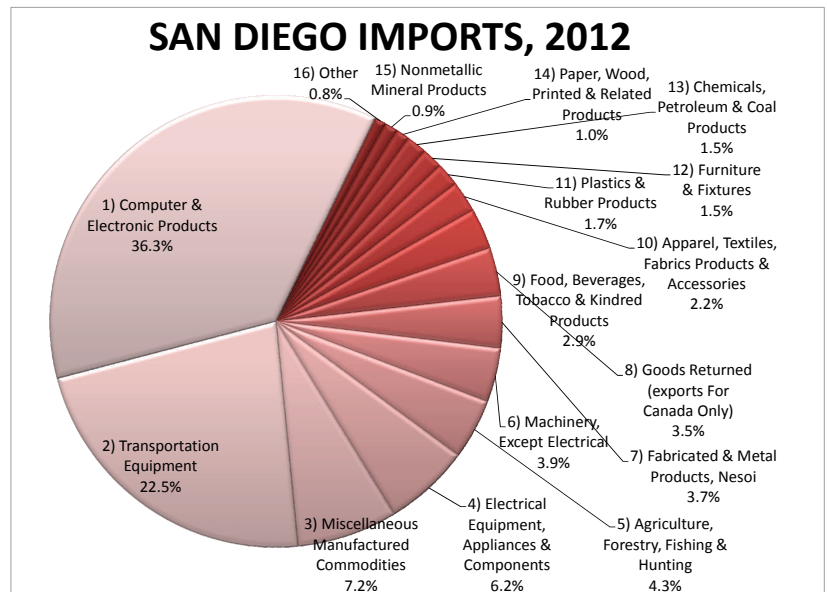
Source: U.S. Department of Commerce, Bureau of the Census, U.S. Merchandise Trade; National University System Institute for Policy Research.



biles shipped for unloading in the Port of San Diego at the National City terminal. Japan's imports fell considerably the past several years, while Germany's grew to nearly equal Japan as of 2012. This is largely the result of Volkswagen Group's gain in market share in North America, underscoring just how much trade figures can be impacted by the success (or failure) of specific foreign-made products.

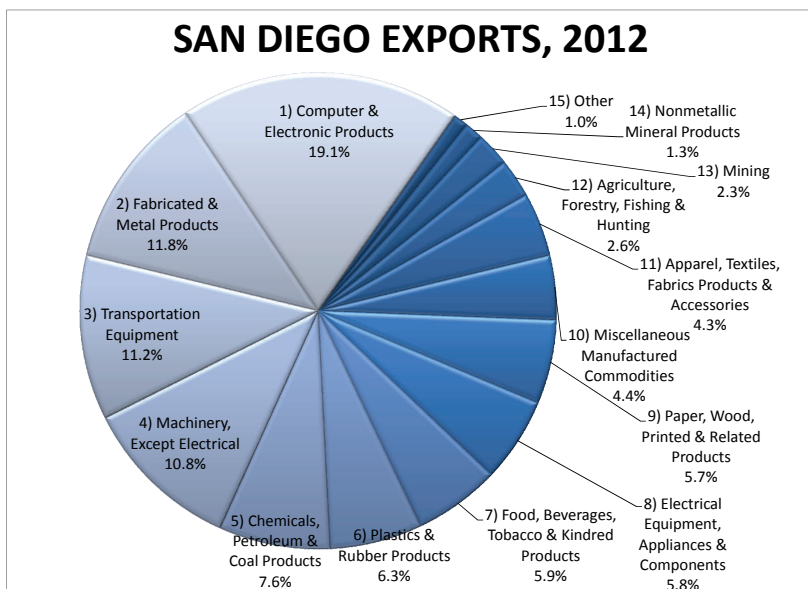
China is a distant fourth with \$865 million in imports. Formerly 4th, South Korean imports dwindled significantly the past three years. The United Kingdom, Malaysia, Slovakia, Ecuador, and Ireland follow in order with more than \$100 million imports coming through San Diego in 2012.

Exports actually rose by higher percentages than imports the past three years increasing 42 percent between 2009 and 2012, albeit in respect to much smaller bases. After shipments to Mexico, exports from San Diego to Japan, Malaysia, and Switzerland increased the most in value the past three years. Exports to the United Kingdom, China, and Ecuador also increased substantially, while exports to other countries are mixed



from year-to-year and relatively minor.

San Diego runs a positive trade balance with only a handful of countries: Malaysia, Switzerland, Netherlands, Ukraine, Hong Kong, Australia, and Austria. All other countries among the top 30 trading partners import more to San Diego.



Commodity exports and imports through San Diego

With regard to the types of product categories imported and exported through the San Diego Customs District, computers and electronic products account for the largest portion of San Diego's international trade dollars. In 2012, computer and electronic products accounted for 36 percent of all San Diego imports and 19 percent of exports.

Transportation equipment, primarily automobiles that may or may not come fully assembled, account for the second largest import volume, and third largest exports. Fabricated metal products, machinery, appliances and parts and electric machinery, sound and TV equipment and parts are the next largest categories for both exports and imports.

Exports of raw materials, including chemicals (5th), plastics and rubber products (6th), and paper and wood (9th) are regularly sent for assembly in Mexican factories. The products return as imports of electronic equipment, appliances, and miscellaneous manufactured products. An additional \$1.3 billion in goods (8th largest value) are returned as exports destined only for Canada.

APPENDIX: Limitations of San Diego trade data.

International trade values shown by U.S. Census Bureau data are classified for customs district rather than the actual source of production and/or final destination. Customs district data therefore reflects the value of products passing through border crossings by land, sea, and air.

This has two important impacts on San Diego's trade data.

Overland shipments for Mexico are over-represented with San Diego bordering Mexico. A significant amount of California trade with Mexico relies on ground transportation passing through the San Diego Customs District ports of entry.

According to *San Diego Association of Governments (SANDAG)* analysis of U.S. Department of Transportation data, only 20 percent of the trucks crossing the border from Baja California were bound for San Diego. Almost 60 percent were destined to other California counties, and the remaining 20 percent headed out of state.⁴

Mexico ranks only 20th among the countries moving merchandise through the massive Los Angeles Customs District according to U.S.

Merchandise Trade data. About \$1.5 billion is exported to Mexico from Los Angeles, and \$1.4 billion imported. The *Los Angeles Economic Development Corporation* maintains this greatly understates much of Los Angeles trade with Mexico because much of their goods cross and clear customs by San Diego's inland border customs district.⁵

Furthermore, the Port of San Diego handles intermodal cargo destined for or coming from other parts of the U.S. The San Diego Airport also serves as a hub for some trans-Pacific routes. On the other hand, a considerable amount of San Diego production is also sent to the Los Angeles Customs District for shipping or air transport overseas.

Trade data refers only to goods and does not include international service trade. Some information on international

SAN DIEGO INTERNATIONAL TRADE BY COMMODITY, 2012

NAICS Commodity	Total Trade	Export Value	Import Value	Trade Balance	Import/Export Ratio
	(millions)				
All Commodities	\$56,505.9	\$19,896.2	\$36,609.6	-\$16,713.4	1.8
111 Agricultural Products	2,011.5	499.3	1,512.2	-1,013.0	3.0
112 Livestock & Livestock Products	10.6	5.3	5.3	-0.1	1.0
113 Forestry Products, Nesoi	7.9	3.1	4.9	-1.8	1.6
114 Fish, Fresh/chilled/frozen & Other Marine Products	80.0	18.9	61.0	-42.1	3.2
211 Oil & Gas	428.3	427.3	1.0	426.4	0.0
212 Minerals & Ores	34.7	25.2	9.5	15.6	0.4
311 Food & Kindred Products	1,862.7	1,079.7	782.9	296.8	0.7
312 Beverages & Tobacco Products	369.6	85.4	284.2	-198.9	3.3
313 Textiles & Fabrics	321.2	285.3	35.9	249.4	0.1
314 Textile Mill Products	265.4	103.8	161.7	-57.9	1.6
315 Apparel & Accessories	875.0	392.1	482.9	-90.9	1.2
316 Leather & Allied Products	217.4	81.0	136.4	-55.3	1.7
321 Wood Products	293.4	255.0	38.4	216.7	0.2
322 Paper	981.4	746.5	235.0	511.5	0.3
323 Printed Matter And Related Products, Nesoi	213.2	131.4	81.8	49.6	0.6
324 Petroleum & Coal Products	101.8	77.0	24.7	52.3	0.3
325 Chemicals	1,935.9	1,428.4	507.5	920.9	0.4
326 Plastics & Rubber Products	1,862.9	1,246.9	616.0	630.9	0.5
327 Nonmetallic Mineral Products	595.4	253.0	342.4	-89.4	1.4
331 Primary Metal Mfg	1,274.1	1,114.5	159.7	954.8	0.1
332 Fabricated Metal Products, Nesoi	2,439.7	1,241.9	1,197.8	44.1	1.0
333 Machinery, Except Electrical	3,568.3	2,153.1	1,415.1	738.0	0.7
334 Computer & Electronic Products	17,091.2	3,804.3	13,286.9	-9,482.6	3.5
335 Electrical Equipment, Appliances & Components	3,397.2	1,144.6	2,252.6	-1,108.0	2.0
336 Transportation Equipment	10,452.3	2,223.2	8,229.1	-6,006.0	3.7
337 Furniture & Fixtures	620.0	76.6	543.5	-466.9	7.1
339 Miscellaneous Manufactured Commodities	3,501.4	870.3	2,631.1	-1,760.7	3.0
511 Newspapers, Books & Other Published Matter, Nesoi	2.3	2.3	0.0	2.3	0.0
910 Waste And Scrap	137.5	28.3	109.2	-80.9	3.9
920 Used Or Second-hand Merchandise	33.0	31.7	1.3	30.3	0.0
980 Goods Returned (exports For Canada Only)	1,272.5	0.0	1,272.5	-1,272.5	100
990 Special Classification Provisions, Nesoi	248.2	61.0	187.2	-126.2	3.1

Nesoi: Not elsewhere specified or included.

Source: U.S. Department of Commerce, Bureau of the Census, U.S. Merchandise Trade; National University System Institute for Policy Research.

service trade is available for nationwide levels but not at state or local levels. Many San Diego based professional service firms are very active in foreign markets, including architecture, engineering, legal, financial, and accounting endeavors, as well as other international service-based trade.

Finally, uncounted by regional trade data is the value of intellectual capital “exported” through licensing and royalty payments. For example, *Qualcomm* does not ship chips from San Diego, but rather ships the use of Intellectual Property (IP) to producers around the world in return for licensing revenue. Again, some data on this is available at national levels but not disaggregated by region.

¹These figures are not adjusted for inflation. Adjusted for inflation, San Diego trade in 2012 was 4 percent lower than the record amount set in 2007.

²Crossborder Group, Inc. “Tijuana: North America’s Medical Device Manufacturing Capital,” *Tijuana Economic Development Corporation*, July 19, 2011, <http://crossbordergroup.com>.

Dashboard Observations– February 2013

By Kelly Cunningham, Economist and Senior Fellow

Three out of four San Diego economic indicators show significant improvement as of February 2013. Mirroring national indexes, San Diego’s stock index of 146 local publicly-traded companies jumped 9.1 percent to the highest level recorded since 2007.

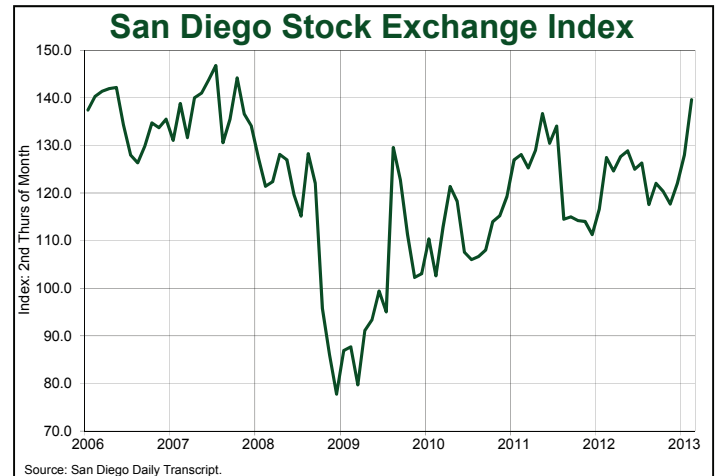
New residential building showed an exceptional number during February with 1,002 units authorized for construction, the highest amount recorded in any one month in San Diego since 2006.

San Diego’s unemployment rate also continued to improve falling to a seasonally adjusted rate of only 8.0 percent, the lowest level reported locally in four years. This is a significant improvement over the past year, falling from 9.4 percent recorded last February in 2012.

The number of business licenses issued by the City of San Diego was the only exception with 986 issued in February, 33 percent less than the previous month, and 7.7 percent lower than a year ago.

files.wordpress.com/2011/07/110503-tijuana-northamericas-medicaldevicemanufacturing-capital-v6pm.pdf

³Chris Anderson, “Mexico: The New China”, *The New York Times*, January 26, 2013,



Indicator	Feb 2013	Month Change (Sea. Adj.)	Annual Change
Unemployment Rate¹ San Diego County	8.0%	-0.3% ▲	-1.4% ▲
Residential Building² Units authorized for construction San Diego County	1,002	285% ▲	382% ▲
New Business Licenses³ Issued by City of San Diego	986	-33% ▼	-7.7% ▼
San Diego Stock Index⁴ San Diego based companies	140	9.1% ▲	9.5% ▲

¹California Employment Development Department.

²U.S. Bureau of the Census.

³Business Tax Program, City of San Diego.

⁴Second Thursday of month, Bloomberg News, San Diego Daily Transcript.

www.nytimes.com/2013/01/27/opinion/sunday/the-tijuana-connection-a-template-for-growth.html

⁴Regional Comprehensive Plan for the San Diego Region, *San Diego Association of Govern-*

ments, July 2004, page 248.

⁵The Kyser Center for Economic Research, “International Trade Outlook, The Southern California Region 2012-13”, *Los Angeles Economic Development Corporation*, 2012.



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