

Los Medanos College



International Commerce

UPDATE

Issue Two: Assessing the East Contra Costa County International Commerce Sector

IDRC Project: Promoting International Commerce in East Contra Costa County

A few months ago, the first "Update" was mailed to local government agencies and randomly selected East Contra Costa businesses. That issue was a report on the process of identifying an East Contra Costa County international commerce sector, the first phase of a Los Medanos College Social Sciences Department study of international commerce in the region. In that issue, we identified the major physical features, demographic profile and organizations and businesses that make up the East County international commerce sector.

Despite what many in East County may think, several businesses within the region have entered the global marketplace as exporters. The number of East County international traders is small, but their efforts and success demonstrate the potential for greater success.

Gradually yet continuously, the market dominance of American firms is being eroded by overseas suppliers. Clearly, most people of the world, including most Americans, want to retain a free market. Are we willing, however, to sacrifice jobs and revenue by accepting the free market's asymmetries? Many suggest that East County does have the unique advantages, skilled labor force, and technical-scientific know-how to restore lost productivity.

We will publish the highlights of our most recent research findings in three installments of this "Update" report. The project will culminate in a final report and seminar on international commerce. The seminar will be held at Los Medanos College on **Thursday, June 30, 2005**. Please refer to the announcement on page 2.

The Update, Your Organization And You

You or your organization has been selected to receive this issue of *Update*, the second of three newsletters to keep East Contra Costa County businesses, government and non-profit organizations informed of the findings of this study. We encourage your input. Please feel free to copy this issue and circulate it as widely as possible. Unfortunately, due to the funding limitations of this project, you will receive subsequent issues only if you respond to the information provided in this issue or request to remain on our mailing list (see page 14). We hope the *Update* will facilitate two-way communication, providing information and encouraging the public and private sectors of East Contra Costa County to respond to the project's findings.

In This Issue:

This *Update* will assess the East Contra Costa County international commerce sector. Now that we know its general dimensions, what are its **capability** and **capacity** to engage in international commerce? Will international commerce always be restricted to larger businesses or is there a place for smaller companies? Can the transportation network, commercial property, land-use policies, and workforce support increased international trade? Does East County have the environment and personnel to conduct international trade? This issue of *Update* will address these questions by considering a wide range of research material. Perhaps you will find in these pages your organization's connection to the East Contra Costa County International Commerce Sector and, through that sector, to the rest of the world.

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**The Los Medanos College
Social Sciences Department
Cordially Invites You to a Seminar:**

***East Contra Costa County and the Global
Marketplace: Developing an International
Business Community***

Featuring: ► **Jose Duenas, CEO, Bay Area World Trade Center**
 ► **Brad Nail, City of Pittsburg Economic Development Dept.**
 ► **Scott Anderson, Director, Industrial Assn. of CC County**

**Thursday, June 30, 2005
9:00 a.m. – 12:00 Noon
Los Medanos College Recital Hall
A continental breakfast will be served.
For more information, please call:
(925) 439-2185 (ext. 3343)**

***Promoting International Commerce in East
Contra Costa County is a Project of the
Los Medanos College Social Sciences
Department***

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**East County Cities: A Few Words on
Research Focus**

East Contra Costa County is an extensive and diverse region that encompasses unincorporated as well as incorporated communities. Including all the cities of this region is, however, beyond the scope of this project. Obtaining information and data on unincorporated areas is especially difficult, due to the absence of economic development and planning agencies. Consequently, this report will focus on the major incorporated cities of Antioch, Brentwood, Oakley and Pittsburg. We would welcome any supplementary information that our readers might supply.

Thanks and Acknowledgments

The LMC Social Sciences Department would like to take this opportunity to thank the Economic and Workforce Development Program of the California Community College's Chancellor's Office for its support of this study. We owe a special debt of gratitude to Brad Nail, Director of the City of Pittsburg Economic Development Department, who continues to be an indispensable resource person. Over the last few months the following individuals have been instrumental in providing information and guidance: Sherry Hoyt, City of Pittsburg Economic Development Office; Scott Anderson, Industrial Association of Contra Costa County; Barbara Restani, LMC Business Department; Jack Reimche, Contra Costa County Tax Assessor's Office; Linda Kohler, LMC Business Office; Bob Caseman, Contra Costa County Assessor's Department; and so many others that we could fill the remainder of this report listing their names.

1. Assessing commercial infrastructure

Land Use

Capability: According to the current General Plan (2000-2020) for the **City of Pittsburg**, 940 acres are designated for industrial land use with the expectation that industrial use could fill 1,409 acres by 2020.

Industrial land use will continue to be concentrated in the **Northeast River** subarea of Pittsburg. The City has adopted policies that ensure development in Northeast River subarea is limited to industrial activities and supporting business and service uses. In the **Loveridge** planning subarea, Pittsburg remains committed to the development and expansion of regionally-oriented commercial land use and maintaining industrial activities in “appropriate designated areas.”

Of the 10 “Focus Areas” identified in the **Antioch** General Plan, only two are currently designated for industrial land use, which accounts for 831 acres of the City’s developed area. Slightly more than half of industrially designated land in Antioch is located in the unincorporated Northern Eastern section of the City. The primary function of the **Eastern Waterfront** Employment Focus Area is to provide employment opportunities; this area will remain designated for industrial use, although the General Plan recommends lighter industrial uses than are now present.

Industrial policies regarding land use elements in the city of **Oakley** do not support or accommodate general heavy industrial uses. The City does allow and encourage light industrial and utility energy uses in appropriate locations. The **Northwest Oakley** Planning Area has been designated as the primary site for “intensive non-residential development (Commercial, Business Park and Light Industrial).” The Oakley General Plan does include agricultural and light agricultural designations, which typically allow either active cultivation of crops or some other use that is substantially agricultural in nature.

The General Plan for the City of **Brentwood** provides for a total of “2,471 acres of employment-generating uses split between business park, commercial and industrial.” The General Plan identifies 361 acres of land zoned for industrial use and encourages the concentration of industrial firms in the northeastern area of the City south of Delta Road and west of Sellers Road (bordering the water treatment plant).

The Land Use Calculations listed in the General Plan for the City of Brentwood reserve 21,830 acres for agricultural use. This land use category encompasses lands with continuing commercial agricultural potential.

Capacity: The City of **Pittsburg** is also committed to the reclamation and reuse of contaminated industrial sites within the Northeast River subarea. The current General Plan for the City of Pittsburg seeks to amend the City’s Zoning Ordinance to ensure that land uses vary from heavier industrial uses inland to lighter uses along the New York Slough waterfront which don’t require docking access. This restriction supports other policies that encourage the development of a multi-use trail along the waterfront as “industrial properties are redeveloped and remediated.”

The Pittsburg General Plan encourages the “development and expansion of regional commercial auto dealerships and professional office use along State Route 4 at Century Boulevard, and the development of business complexes adjacent to the State Route 4/Loveridge Road interchange, featuring professional offices, research and development, hi-tech manufacturing and production uses.”

A major land use goal in The **West Central** subarea is to redevelop and reuse an employment center adjacent to the BNSF railroad tracks. Although much of the **Northwest River** subarea will be preserved for wetlands and recreational facilities, the Mirant (formerly PG&E) power plant site within this subarea will continue to be designated for industrial use. The General Plan does authorize a future effort to annex the power plant and adjacent PG&E properties to ensure land use control of these areas.

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The **Eastern Waterfront** Employment Focus Area in **Antioch** "...will feature a transition between larger industrial uses between Wilbur Avenue and the river to rail-served industrial uses along the south side of Wilbur Avenue to light industrial and business park uses to the south." According to the General Plan, this transition may require revitalization of former heavy industrial lands along the San Joaquin River. Unincorporated territory in this Focus Area, located north of Wilbur Avenue and the BNSF rail line, would require annexation if Antioch is to have any control over future land uses. Portions of this area are rail-served, providing opportunities for the development of new industrial uses with modern plants.

The former Fulton Shipyard is located within the **Rivertown / Urban Waterfront** Focus Area. With its deep-water access to the Delta, it has the potential to serve as a marina or repair facility for larger recreational boats or to provide a location for waterborne transit.

Environmental Regulations and Conditions

There are three major types of environmental regulation affecting the development of international commerce in East County: **specialized environmental regulations**, the **Environmental Impact Report (EIR) requirement**, and **regularly monitored regulations**. Of the six governmental agencies responsible for enforcing these regulations, four (the California State Lands Commission, California and U.S. Departments of Fish and Game, U.S. Army Corps of Engineers and Governor's Office of Planning and Research) oversee only the more specialized environmental regulations.

The California Environmental Quality Act requires most building or restoration projects to include an **Environmental Impact Report (EIR)**, which states whether the project poses any environmental risks or problems to a region or community. The EIR usually covers eleven areas of concern, ranging from water to traffic conditions. Many environmental consulting firms

in California and across the country offer their services to research and write EIRs.

The Bay Area Air Quality Management District and the San Francisco Water Quality Control Board are the two environmental agencies that regularly monitor the region's water and air quality. The **Bay Area Air Quality Management District (BAAQMD)** is responsible for measuring levels of ozone, carbon monoxide, nitrogen dioxide and sulfur dioxide in the air. The District has stations in Bethel Island and Pittsburg to monitor air quality in East Contra Costa County.

The **San Francisco Bay Regional Water Quality Control Board** is responsible for regulating pollutants to protect the water resources of the Bay Area. Fourteen major kinds of business activities that may impact water quality are regulated by the Regional Board. All these activities are subject to a permit/fee process, orders, monitoring, inspection and enforcement by the Regional Board. The focus of the Regional Board's monitoring and inspection activities has been reducing or eliminating mercury, polychlorinated biphenyls (PCBs), dioxin and commonly used pesticides in the waters of San Francisco Bay and protecting regional wetlands and watersheds.

Capability: East Contra Costa County contains several types of businesses that must observe environmental guidelines. As one of the largest industrial plants in the region, USS POSCO best represents a new generation of "clean" industries. All major environmental agencies report that the regional environment is cleaner than it has been in previous years. The *Bay Area Air Pollution Summary* provided by BAAQMD states that levels of four pollutants were within national and California pollutant standards. Since 1950, the San Francisco Bay Regional Water Quality Control Board has reduced sewage pollutants discharged into the San Francisco Bay by approximately 87%; chemical pollutants from industry and commerce no longer pose serious health risks. Maintaining the natural habitats of the San Francisco Bay Region, consisting largely of wetlands and watersheds, remains the most critical challenge facing the Regional Board. The degradation of these habitats, whether as a result of wetland fills, construction or flood control

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projects, poses new challenges for the Regional Board.

Capacity: Any commercial activity that complies with current environmental standards should not be overly concerned about environmental impacts or punitive actions by environmental regulatory agencies. Complying with environmental regulations, however, may demand special efforts from some businesses. It was recently reported that the Mirant Pittsburg Power Plant agreed to pay \$50,000 to settle claims of hazardous waste violations from April 2001 to October 2001 and in 2002. Mirant had failed to maintain either insurance or a trust account to pay for environmental cleanup if the plant closed.

Commercial Maritime

Capability: Although use of the commercial docks in East County is limited, the channel along this stretch of the San Joaquin Delta does accommodate large freight-carrying vessels that continue to deliver and pick up cargo.

Capacity: There is potential for expanding the current capacity by developing the area around one of the seven East Contra Costa County marine facilities. Considering current land availability, the location of the Mirant Pittsburg Power Plant presents the best opportunities to expand the capacity of maritime facilities that might support international commerce and advance other commercial prospects. The Pittsburg City Council is currently considering a plan to petition the Contra Costa County Board of Supervisors for annexing the Mirant Power Plant property. The Mirant Energy Company operates a 2,022-megawatt natural gas-fired power plant that occupies one section of approximately 600 acres of land owned by the company. Adjacent to the San Joaquin Delta, this parcel offers the best possible site for an East County port if an agreement can be reached with Mirant. Located at West 10th Street in Pittsburg, the Mirant Power Plant has a 27-foot docking facility capable of handling residual fuel oil. Marshland covers a large portion of the property, leaving about 100 acres available for development. Comparisons with the Ports of Redwood City (see *Update Issue #1* for further details), which has 72 acres of developed land and five berths, suggests that any

plan for a port in the area would probably have to emulate the design of Redwood City Port.

According to Brad Nail, Economic Development Director for the City of Pittsburg, the prospects for utilizing the Mirant facility could be enhanced by a partnership with the Port of Oakland. The Mirant property could accommodate a small to medium-sized port, but according to Nail the costs of construction would add up to several hundred million dollars. Over the next 20 years, Asian exports to California are projected to increase by 300 percent, severely taxing the facilities and resources of West Coast port systems, including the Port of Oakland. A port in East Contra Costa County could function as an in-land sub-port for the Port of Oakland, handling excess cargo destined for this region or for a local rail connection. The use of barges or a new generation of “fast ships,” coupled with modern intermodal and cargo handling equipment, could potentially surpass trucking transportation in efficiency, speed and environmental protection. There is some concern that the cost of barges may be prohibitive. The high expense of barges results from the necessity for tug boats and additional loading equipment. The new generation of “fast ships” may cut the “door-to-door time” of the typical 600-foot cargo vessel in half and could be used to shift freight from many West Coast ports to an East County facility. In fact, plans for a major port in Tijuana, Mexico, could mean a shift from trucks to “fast ships” as a means of transport for Mexican imports and exports.

The lack of commercial maritime service and supply providers in East Contra Costa County will make it difficult to increase commercial maritime activity in the region. *The Golden Gate Ports Handbook 2004-2005*, an annual publication of the Marine Exchange of the San Francisco Bay Region, does not list any maritime-related businesses or facilities in East County other than the seven small private terminals.

Commercial Property

The Contra Costa County Tax Assessor's Office maintains records of approximately 450 parcels of land in the cities of Pittsburg, Antioch, Oakley and

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Brentwood designated as industrial. Industrial parcels are further subdivided into vacant land, industrial park, research and development, light industrial, heavy industrial, mini-warehouse, miscellaneous, unassigned and pipeline/rights-of-way.

Capability: The list of industrial properties in East Contra Costa County generally reflects the land use policies of local municipalities. None of the industrial properties in Oakley and Brentwood, for example, have “heavy industrial” designations. A large segment of the industrial properties in Oakley are owned by the DuPont Corporation, including a light industrial property with 32,130 square feet of developed area on 9,160,231 square feet of land. The City of Antioch does list five properties designated heavy industrial, most of which are closed factories that were once household names in the region, such as Gaylord and G-P Gypsum. The data can be deceiving, since a number of the older factories, such as the Owens-Brockway Glass plant (272,260 square feet of developed land on 723,443 square feet total area), are now listed as vacant, rather than heavy industrial. Pittsburg maintains its status as an manufacturing center with 16 properties designated as heavy industrial.

Capacity: Of 450 parcels listed as industrial, 142 are also listed as vacant. Twenty-seven of the properties were over one million square feet and 20 of those properties are not developed. Most heavy industrial properties are located on streets either along or within blocks of the San Joaquin Delta in East County. The two major limitations on the expansion of industrial uses in this area are past incidents of contamination on these properties and their proximity to protected natural habitats.

Transportation Network:

Maritime Traffic

Capability: Maritime traffic in the East County section of the San Joaquin Delta coast is limited to vessels delivering petroleum coke to the Tesoro and Bay Bulk Terminals and steel coils at the USS-POSCO Terminal. Representatives of local harbors and maritime businesses estimate that these terminals receive 2-3 vessels per month. Some maritime traffic also passes East

County to and from the Ports of Stockton and Sacramento.

Capacity: Terminals in the East County cannot handle more than one vessel at a time, but the Mirant Delta Terminal does have enough vacant land to increase its maritime capacity. The Port of Stockton receives approximately 20 vessels per month. During May, the imports included cement from China and Indonesia and machinery and liquid fertilizer from Europe. Materials leaving the Port of Stockton included rice destined for New Guinea and Jordan and bridge segments sent by barge to the Port of Oakland. The bridge segments appear to have been shipped for the Kiewit Construction Company, which has a 70,720-square-foot facility on Wilbur Street in Antioch. About 10 vessels per month visit the Port of Sacramento; in May they delivered fertilizer from Norway and lumber from New Zealand. Rice was the sole commodity leaving the Port of Sacramento, destined for Japan.

Transportation Network:

Rail

The Burlington Northern Santa Fe and Union Pacific rail corporations operate tracks running through East Contra Costa County.

Capability: **Burlington Northern Santa Fe** (BNSF) currently has numerous switchers in Pittsburg. Pittsburg companies who maintain “joint switching relationships” with BNSF include HASA Inc., Dow Chemical, USS POSCO and Valero. All BNSF switching capabilities in Antioch have been closed. BNSF has two transloading facilities (providing the capability to load and off-load to trucks and warehouses) in Antioch, but both are currently closed. BNSF does have intermodal hubs at the Port of Richmond and the Port of Stockton, affording maritime access to rail loads and shipments. **Union Pacific Railroad** (UP) has discontinued its freight services to East Contra Costa County despite the presence of Union Pacific track in the region. UP track is currently used by the Amtrak passenger service, which maintains a transit point in Antioch.

Capacity: BNSF conducted a comprehensive marketing and sales campaign in the Bay Area Corridor several years ago which resulted in a dramatic increase in the number of customers it serves. The Bay Area Corridor takes in Richmond

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in the north, Sacramento and Stockton to the east and the San Jose area in the south. The actual number of East County companies utilizing rail freight services has declined over the years, and there are many unused rail facilities in the region. UP operates major Northern California intermodal facilities in Oakland and Stockton, and provides switching capability for a number of businesses in Richmond. Ports in these cities are connected to UP rail facilities. UP does operate Union Pacific Distribution Services, a wholly owned subsidiary of the railroad company, that will manage “intermodal shipment door-to-door” for businesses and areas that are not served by rail.

Transportation Network:

Ground

Although congested ground transportation remains one of the most serious problems facing both the residents and the businesses of East County, the Contra Costa Transportation Authority has identified various possible responses to the situation. The SR-4 East Corridor Transit Study of December 2002 estimated that an additional 40,000 households and 63,000 jobs would be added to the East County region in the years 2000-2025. According to the report, these additional households and jobs will intensify traffic congestion on State Route 4 and the few available alternative street and highway routes. The ability of local government to address ground transportation will depend on the revenue the Authority manages, collected from Measure ‘C’ – a 20-year billion-dollar sales tax for transportation projects in Contra Costa County, and Measure J – an extension of that sales tax approved by Contra Costa County voters in November 2004.

Capability: The ability of ground transportation to support international commerce remains severely limited by regional growth and increased utilization. Ground transport will, however, remain the primary mode of transportation for East County.

Capacity: The Contra Costa Transportation Authority’s expenditure plan includes a number of transportation projects either at the planning stage or currently being implemented. These projects enhance the capacity of vehicle transportation and also provide alternative forms of transport.

Specific projects and programs targeted for East County include:

E-Bart: East Contra Costa Rail Extension: Provide passenger rail service from the Pittsburg/Bay Point BART station to Byron;

State Route 4 East: Complete widening of State Route 4 to provide a total of four lanes in each direction to State Route 160;

East County Corridors: Increase the capacity and safety of Vasco Road, State Route 4 Bypass, Byron Highway and the existing Route 4 through Brentwood and Oakley.

Transportation Network:

Aviation

Capability: The only airport in East Contra Costa County is the **Byron Airport**, one of two Contra Costa County airports. Located south of Brentwood adjacent to Vasco Road, the Byron Airport has a runway length of 4,500 feet, which can only accommodate small aircraft. Contra Costa County has hired Leigh Fisher Associates, an airport management consultant firm, to study the feasibility of using the Byron Airport to replace Buchanan Airport in Concord.

Capacity: Leigh Fisher Associates recently completed a master plan for Byron Airport, concluding that the airport is well positioned for long-term expansion in general aviation and air cargo service, although the potential for growth will depend upon population increase, economic development and infrastructure improvements. Fisher Associates’ best-case scenario would add 110,00 square feet of space for air cargo facilities by 2012. The firm estimates that annual revenue from air cargo at the expanded airport will reach \$700,000 by 2014, and exceed \$1,000,000 by 2018. The proposed expansion of Byron Airport will require the construction of roads adequate to support increased auto and truck traffic and installation of the necessary sewer and water connections.

Demographics

Twenty-four major occupations were identified as essential to East County businesses either engaged in, or with the potential for, international commerce. These occupations included assemblers, salespersons, welders, steel workers, electricians, stockpersons, chemical and

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mechanical engineers, general technicians, pipe fitters, glass handlers, mechanics, managers, telecommunications technicians, computer technicians, hydraulics specialists, maritime workers, accountants, clerks, security guards, laboratory technicians, biologists and transportation specialists.

Of these 24 occupations, six would require a college degree, twelve would require some form of vocational training, and six would require a high school diploma. Slightly over 70 percent of East County international commerce sector jobs were in production, transportation and material moving occupations, 16.6 percent in management, professional and related service, and 12.5 percent in sales and office work.

Capability: Approximately 28 percent of East Contra Costa County workers serve in management, professional and related occupations; 30 percent hold sales and office positions; and 12 percent work in production, transportation and material moving. Occupations requiring high school diplomas could be filled by 75.7 percent of Pittsburg residents and 85.7 percent of Antioch residents over 25 years of age. Occupations requiring a bachelor's degree or higher could be filled by 14.7 percent of Pittsburg residents and 18.2 percent of Antioch residents over the age of 25.

Capacity: The data suggest that the percentage of production, transportation and material moving occupations required by the East County international commerce sector is much greater than the percentage of the actual 2000 East County census figures for this category. This disparity should not cause any current labor shortages, considering the small size of the East County international commerce sector and the current higher than average unemployment for the region. This disparity could cause difficulties in the future if the productive capacity of the region were to expand, particularly in the international commerce sector. The East County international commerce sector also requires a larger percentage of management, professional and related occupations than the actual percentage of similar occupations among the East County workforce. There are however, more than twice as many sales and office occupations among the

East County workforce than required by the East County international commerce sector.

2. Assessing the capacity and capability of local government

Capability: Pittsburg's Economic Development Department actively pursues international business through trade missions. The City of Pittsburg has dispatched several business delegations to China. Most of the City's projects and programs to support international commerce, however, are still in the planning stages. Planning for these projected programs has helped to internationalize some features of the East County business community. Pittsburg continues to support the largest industrial sector in the region and the greatest number of businesses engaged in international commerce. These firms show no signs of decline; many have participated in international trade program and events sponsored by the City of Pittsburg. Programs and events have ranged from mixers co-hosted by the Bay Area World Trade Center to receptions for Chinese business representatives. The City has developed an international trade strategy featuring international trade assistance to local business, promotion of international investment, exploration of a foreign trade zone or sub-zone of the Port of Oakland, and plans for an international trade center incubator.

Although the City of Brentwood has not yet launched any programs or projects that target international commerce, it has created an agriculture commission to address agricultural issues within the city and attempt to preserve agricultural lands and businesses.

Capacity: The current capacity of local government in East County to support international commerce is very limited. In Pittsburg, programs and projects are generally at the developmental stage and businesses that directly benefit from these efforts are commonly small. The efforts of Pittsburg are important, however, both in terms of potential and as models for similar programs and projects in other East County cities.

3. Assessing the capacity and capability of the regional business community

To assess the capacity and capability of the regional business community to engage in international commerce, we first identified those businesses that either participate in some form of international commerce or have the potential to do so. The project team reviewed the business license records of about 5,000 businesses and additional information from local chambers of commerce. Our analysis focused on over 400 East County businesses that were either exporting products or had the ability to do so. The project team attempted to contact each business by telephone. This process produced information on 42 local companies and identified 35 different products or services that either were or could be exported. (A few local businesses engage in “third-party” export trade, importing goods and exporting them to other countries.) There is no doubt that many businesses were omitted from the assessment process, either because they were not initially identified or were reluctant to provide information.

East County export products and services were sold in Central America, Mexico, Canada, the Philippines, Ecuador, Great Britain, Switzerland, Guam, Fiji, Bolivia, Afghanistan and Japan.

Capability: Clearly there are businesses in the region engaged in exporting their products and services to other countries. Businesses with export capabilities often exploit niche markets in other countries due to a special relationship with customers or a specialized product or service. The size of these firm and/or the special nature of their products enable these businesses to overcome the deficiency of the regional transportation network and lack of closely coordinated support for international commerce in the region.

Capacity: The region’s limited productive capability, coupled with stiff competition from foreign suppliers, particularly in China, undoubtedly has a negative affect on local firms’ international sales prospects. The good news is that some East County firms have found international markets for their products. Biozone

Laboratories in Pittsburg has had some success in finding international markets for its specialized cosmetic and health care products. The Bishop-Wisecarver Corporation, a medium-size Pittsburg company that made \$22 million selling wheel guides last year, has not only developed specialized expertise, but is large enough to maintain the logistical and transportation network required for export to Central America and Great Britain.

Increasing the number of East County companies in the global marketplace seems to be largely a matter of gaining the attention and bolstering the confidence of local firms capable of international trade. Reliable information and education could help dispel some prevalent myths about international trade. Too many East County businessmen and women seem to believe that international trade is only for large firms, terribly complicated, or even unpatriotic.

4. Assessing East County’s comparative advantages

Conducting a detailed analysis of East Contra Costa County’s comparative advantage is clearly beyond the scope of this project. Basic economic principles, however, do indicate that comparative advantage can be gained or improved through:

- ▶ Investment in education and training
- ▶ Investment in infrastructure
- ▶ Research and development to improve competitiveness
- ▶ Lower inflation rates than competitors

Capability:

Investment in education and training

Over the last few years there has been a willingness in East County to invest more money in education and training. Although increased funding for K-12 education has been problematic, several school bond proposals for K-12 systems have been passed, the most recent being in Pittsburg in 2004. The Contra Costa Community College District presents an even better example of this trend, as Los Medanos College has begun expanding after years of limited physical growth. A satellite campus established in Brentwood a number of years ago has had high enrollments.

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Certain parcels of land have been targeted for the expansion of the Brentwood campus, and the demand for higher education will only increase with the growth of the far East County in recent years. The passage of a bond initiative for Contra Costa Community College District capital projects, many of which are located in East County, has facilitated several renovations and additions to the infrastructure of Los Medanos College.

Investment in Infrastructure

The region has seen major investment in road and highway systems, but improvements are barely keeping up with demand. Other investments have largely been restricted to residential construction, retail sales and recreation (e.g., marina renovation) rather than enhancement of the region's productive capacity.

Research and Development

The trend in private sector research and development is not encouraging, although there are some success stories. USS-POSCO is probably the best known example of a local corporation that implemented advanced production technology when the Pittsburg Plant was modernized in the 1980's, allowing the company to stay competitive in steel production. Other corporations, such as Biozone and Ramar International, have applied the latest research to the health/cosmetic and food industries respectively, and as a result remain competitive.

Lower inflation rates than competitors

Housing may be the silver lining that attracts large numbers of professionals to this region. Continued residential development, although a source of controversy among East County inhabitants, could serve to keep housing prices stable and attract more new homebuyers.

Capacity:

Investment in education and training

Construction of math and science buildings and new library at Los Medanos College is probably the region's most significant recent public investment in education. These projects will have a major impact on the quality of the technical and scientific programs at LMC. The City of Pittsburg is encouraging major universities to open extension centers in the city. A downtown site

has been identified as the preferred location for a satellite campus, and the City has opened discussions with John F. Kennedy University.

Investment in Infrastructure

East County generally gets mixed reviews in this area. Infrastructure construction to support shopping centers and large retail enterprise is the norm. Most of the region's industrial areas have remained unimproved over the last 20 years.

Research and Development

East County is not known for investment in applied commercial research and development. Ramar International, a Philippine specialty food company located in Pittsburg for over 10 years, is in the process of building a larger facility. However, there are few if any business parks in the region that can boast of a major research facility.

Lower inflation rates than competitors

Housing costs in the region are significantly lower than average in the San Francisco Bay Area. However, few would suggest that consumer goods here are any cheaper than anywhere else in the Bay Area, one of the costliest places to live in the nation.

5. Assessing information and interest in international commerce

Capability: None of the East County regional chambers of commerce refer to international business or trade on their websites. The City of Pittsburg is the only local government that refers explicitly to international commerce and resource referrals on its website.

Capacity: Information accumulated to date suggests that a large segment of the East Contra Costa County business community remains uninformed about international commerce. In 2002 the City of Pittsburg commissioned a survey of companies in Pittsburg. Of the 93 businesses that responded, 96 percent said that they *did not have an international business plan*. As mentioned above, the Social Science Department project team generated a list of over 400 East County businesses that were actually or potentially involved in international trade and

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attempted to contact each business by telephone. Of the 79 businesses that responded to the telephone survey, 40 were unfamiliar with the process of international trade.

6. Assessing the potential for non-export international commerce

Capability: The tourism and vacation industry is one of the most obvious forms of non-export international commerce. The most conspicuous international tourism in the region can be found in the “U-Pick” fruit orchards in far East County. Considering the proximity of San Francisco, a major destination for international tourism, it is likely that some of these tourists have visited regional points of interest, including the San Joaquin Delta, Pittsburg’s Seafood Festival, the Antioch Rivertown Festival, and Black Diamond Regional Park. Other recreational activities that East County residents currently enjoy, such as fishing, horse-back riding, demolition derby, and musical concerts, might also attract international tourism to the region.

In the process of conducting this study, the project team discovered an East County firm engaged in establishing **licensing agreements** with foreign companies to manufacture and sell a particular product. As one example of non-export international commerce activity, licensing agreements, which allow the holder of intellectual property rights to profit from an invention or creative work by charging a fee or royalty to use the licensed product, offer one example of non-export commercial opportunities.

International students attending Los Medanos College represent another opportunity to engage in international commerce outside the exporting process. International student tuition for the 2004-2005 academic year in the Contra Costa Community College District is \$184 per unit. California community colleges offer educational opportunities not available in many countries around the world, at costs well below those of most four-year institutions. In addition to being a source of revenue for the District, these students spend considerable sums on room and board.

A period of increasing U.S. trade deficits and a weakening dollar may not sound like the time to increase imports, but **import trade** can still present business opportunities, especially for companies conducting “third party” import/export commerce.

Capacity: The City of Pittsburg currently plans to annex land along the San Joaquin Delta to establish a coastal trail. An unbroken coastal trail from Bay Point to Oakley would allow residents and tourists alike to appreciate the attractions of East County. The project could also promote commercial opportunities on beach front land (e.g., restaurants, parks, boat excursions). In fact, ferry service from San Francisco and the East Bay to local marinas could attract tourists to East County recreational and vacation areas.

Opportunities presented by licensing agreements, while likely to be limited, may still encourage both private and public sectors of the community to take advantage of the region’s research and development potential. The state government’s hydrogen-powered vehicle pilot project stands as one example of a research and development opportunity that could spin off other technologies developed in East County.

There is good reason to believe that Los Medanos College, the East County’s major institution of higher education, can improve its ability to attract and retain international students. Interviews with current LMC international students reveal that, while there is overall satisfaction with the college’s educational program, improvements could be made in recruitment, housing and student orientation.

Importing alone will not make East County more competitive in the global marketplace. “Third party” trading, however, might benefit the community by creating more high-paying jobs and generating revenue from outside the local economy.

7. Assessing education for international commerce

Capability: Los Medanos College offers several educational programs and classes that can support international commerce: the travel program, the foreign language program, and a course on international relations. The travel program is very valuable in promoting non-export international commerce for reasons suggested above. The subject matter of the international relations course covers the basics of international commerce and includes student assignments on commerce-related topics. The foreign language program, of course, imparts communication skills that are invaluable for conducting international business.

Many vocational programs at Los Medanos College also directly or indirectly support international commerce: appliance service technology, graphic arts, automotive technology, business information technology, cosmetology, electrical and electronic technology, and welding technology.

Capacity: An expanded travel program at Los Medanos College could increase local capacity for international commerce. Besides tailoring foreign language instruction to the needs of private and governmental organizations, the LMC Foreign Language Department could offer other services to the international commercial sector, including translation services or expanded “English as a Second Language” programs for international students, guest workers, and visiting international businesspeople.

Los Medanos College also has the capacity to offer courses in international commerce if any demand for these courses should emerge. Several organizations in the Bay Area, including the Bay Area World Trade Center and the Center For Trade and Development, could provide expertise and instructional staff for these courses. The College could also encourage vocational training programs to tailor their offerings to the needs of the international commerce sector, whether through contract education, on-site instruction or industry-specific courses.

8. Assessing the regional transportation network

Capability: The regional transportation system in East Contra Costa County is largely restricted to ground transportation. A few major corporations, such as USS-POSCO, have fashioned unique systems to meet their operational requirements. These systems, similar to the much larger transportation networks in Oakland, Stockton and Sacramento, include a small-scale matrix of port-to-rail, port-to-ground and rail-to-ground facilities.

Capacity: Almost all of the medium-to small size businesses in East County face problems similar to those of the Ramar Food Corporation, which is forced to truck its frozen food products 45 miles to Oakland’s port, rail and air cargo systems. Unlike the cities of Oakland, Stockton and Sacramento, which operate ports and provide the infrastructure linking rail and ground transport, East County must depend on distant transportation networks.

9. Assessing the non-profit sector

The non-profit sector of East Contra Costa County could offer much needed support to international commerce. Unfortunately, local non-profits suffer from organizational limitations and the absence of a definite mandate. The project identified 50 non-profit organizations in East County with either actual international relationship or the potential for establishing such contacts. Regrettably, however, it was very difficult to establish contact with most of these organizations, presumably due to irregular staffing.

Capability: The sister-city programs that all East County cities have established with cities in Japan, China, Italy and South Korea might provide a platform for the promotion of East County companies. The programs, however, have generally emphasized cultural exchanges rather than discussion of business-related interests. The Filipino-American Association of Pittsburg and the Saint Vincent De Paul Society present the best models for non-profits who wish to support international commerce through trade leads, travel programs and hosting visitors. The humanitarian programs of the Rotary Club International in developing countries and its

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International Ambassador program have forged international connections that, while not specifically commercial in nature, can lay the foundation for improved business relations.

Capacity: Building the capacity of East County non-profit organizations to support international commerce would require the institutionalization of regular communications with non-profits that have international contacts. These organizations must recognize their value to the international commercial sector. They can offer needed support to the business community by maintaining bonds with other countries that foster better business relations.

10. Assessing governmental support for international commerce

Federal Government International Trade Assistance

U.S. Customs Service

The U.S. Customs Service has the following responsibilities:

Importation: providing duty rates, advising on international agreements, advising infrequent importers and travelers, enforcing antidumping regulations and countervailing duties, setting strategic trade initiatives, conducting regulatory audits, enforcing textile quotas, and monitoring carriers and cargo.

Exportation: monitoring the list of blocked, denied and debarred persons and reviewing export documents, licenses and licensing requirements.

Bureau of Industry and Security

Formerly named the Bureau of Export Administration, this office is responsible for implementing programs to ensure that U.S. defense industries can meet national security requirements, and for providing advocacy assistance to U.S. Defense exporters. It also analyzes the economic impact of U.S. export controls and other trade policies on U.S. industrial competitiveness.

Export-Import Bank

The Export-Import Bank of the United States (ExImBank) is the official export credit agency of the United States. ExImBank's mission is to assist in financing the export of U.S. goods and services to international markets. ExImBank enables U.S. companies — large and small — to turn export opportunities into real sales that help to maintain and create U.S. jobs and contribute to a stronger national economy.

ExImBank does not compete with private sector lenders but provides export financing products that fill gaps in trade financing. ExImBank provides working capital guarantees (pre-export financing); export credit insurance; and loan guarantees and direct loans (buyer financing). On average, 85% of the Bank's transactions directly benefit U.S. small businesses. With more than 70 years of experience, ExImBank has supported more than \$400 billion of U.S. exports, primarily to developing markets worldwide.

Oakland U.S. Export Assistance Center

Export Assistance Centers are committed to assisting local firms in realizing their export potential by providing expert counseling and advice, information on markets abroad, international contacts, and advocacy services. These offices are part of an international network consisting of 105 U.S. Export Assistance Centers across the country and 165 offices in 82 foreign nations. Domestic and international offices are linked through a worldwide communications and information network which offers a unique and valuable service to U.S. exporters.

The Oakland U.S. Export Center works closely with the Small Business Administration, Export Import Bank, Multilateral Development Banks and other key trade partners in assisting local businesses with their export objectives. Founded in 1980, the agency's network includes 107 Export Assistance Centers throughout the United States and more than 150 offices internationally. The U.S. Commercial Service also partners with a variety of federal, state, and local partners to provide comprehensive export services. The Oakland Export Assistance Center is one of 15 offices in California and works with companies in Contra Costa and Alameda counties.

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State of California International Trade Assistance

TradePort

TradePort is a repository of free information and resources for businesses that seek to conduct international trade to and from California. Created in 1996, TradePort is backed by an alliance of regional trade associations that assist California export and import businesses. The *CalTrade Report* is accessible through TradePort and is the only dedicated source, on-line and in print, for international business news and information in and about California.

Agricultural Export Program

The Agricultural Export Program offers services valuable to both novice and experienced exporters in pursuing their international sales and marketing efforts. The program's mission is to foster the growth of California exports of food and agricultural products by creating and expanding international market for these products. The Agricultural Export Program is dedicated to providing exporters with timely, accurate and reliable information. For questions regarding export certificates, trade shows, agricultural statistics, market research, foreign country import requirements, or other general exporting questions, the program is ready to assist California's agricultural industry.

Centers for International Trade Development

California's Centers for International Trade Development (CITDs) are affiliated with the California Community Colleges' Economic and Workforce Development Program. The 14 CITDs located throughout California are dedicated to helping regional and local businesses succeed as exporters or importers, promoting the state's international trade and competitiveness, and advancing California's economic and job growth. Each CITD center offers free personalized counseling by trade experts, trade training for all levels of experience and a full range of trade assistance services to meet all export-import needs.

In the final "Update," the project will submit recommendations regarding the development of the international commerce sector and the internationalization of the East County region. In that issue, there will be a special focus on the East County businesses and organizations that are actively engaged in international commerce? Please remember, we want to hear from *you!*

Comments? Suggestions? Would you like to receive future issues of the *Update*?

Detach this form and mail to: **IDRC Project, c/o Social Science Department, Los Medanos College,
2700 E. Leland Rd., Pittsburg, CA. 94565**

Name: _____

Address: _____

Comments: _____

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