

SAN DIEGO AND THE TRANS-PACIFIC PARTNERSHIP



RESEARCH BY **UC San Diego**
School of Global Policy and Strategy

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SAN DIEGO

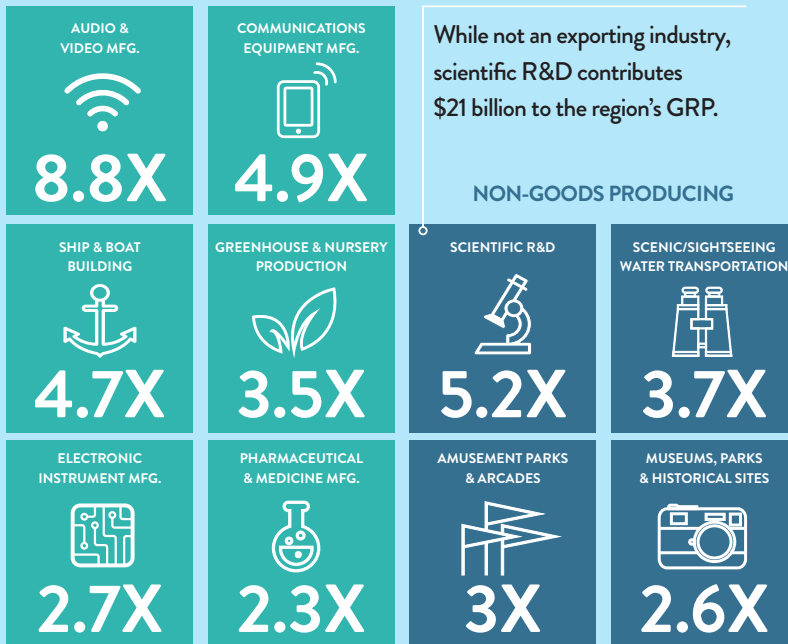
EXECUTIVE SUMMARY

WHAT DRIVES SAN DIEGO'S ECONOMY?

THE REGION'S MOST CONCENTRATED INDUSTRIES*

Highly concentrated industries are generally associated with exporting sectors. Compared to both the state of California and the US as a whole, San Diego has a powerful comparative advantage in goods-producing industries tied to the region's strong innovation economy.

GOODS PRODUCING



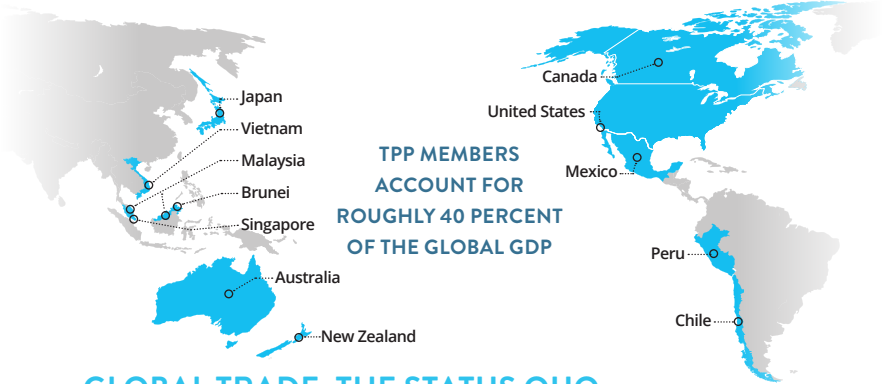
**Numbers represent an industry's location quotient – a valuable way to quantify how concentrated a particular industry is in the region as compared to the nation.*

KEY TAKEAWAYS

- US markets are more open to foreign imports than those of other TPP members. TPP would level the playing field for US firms in foreign markets.
- **More than 97 percent** of the region's exports – primarily high-value advanced manufacturing products – are sold in TPP markets and collectively worth more than **\$22 billion**.
- Enhanced IP protections would benefit the region's innovation economy; San Diego is the **3rd most patent-intensive region** in the world and over **5 times more specialized in scientific R&D than the nation**.
- Increased export growth could deliver real rising wages, affecting over **150,000 high-wage jobs** in the region's manufacturing and innovation sectors.
- The region's service sector – generally non-traded industries accounting for **87 percent** of total employment – is insulated from foreign competition.

THE TRANS-PACIFIC PARTNERSHIP

The Trans-Pacific Partnership (TPP) is an international trade deal negotiated by the Obama Administration and 11 other countries on the Pacific Rim. The deal is an ambitious agreement designed to lower barriers for US exporters of goods and services by substantially cutting tariffs and implementing limits on non-tariff trade impediments. This summary – based on research conducted by UC San Diego's School of Policy and Strategy – uses available data to analyze how the TPP, if implemented, could impact the San Diego regional economy.



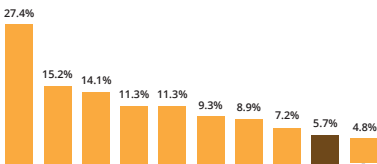
GLOBAL TRADE: THE STATUS QUO

Today, US markets are more open to foreign imports than those of other TPP members. Due to the nation's relatively low trade restrictions, it is easier for foreign companies to export to the US than it is for American companies to export domestic goods and services abroad.

THE GLOBAL TRADE STATUS QUO WORKS AGAINST US FIRMS. TPP WOULD LEVEL THE PLAYING FIELD FOR US FIRMS IN FOREIGN MARKETS.

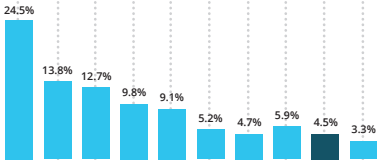
TPP TRADE RESTRICTIVENESS INDEX

OVERALL RESTRICTIVENESS*

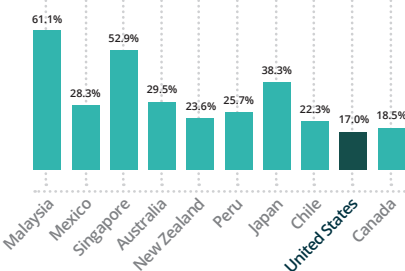


**Percentages are based on the Overall Trade Restrictiveness Index (OTRI) which reflects the average impact of both tariff and non-tariff barriers, and is a useful summary of a country's overall trade policy.*

MANUFACTURING RESTRICTIVENESS



AGRICULTURE RESTRICTIVENESS



TPP WOULD BENEFIT US EXPORTERS BY REDUCING THE COST OF DOING BUSINESS ABROAD.

Note: OTRI data not available for Brunei and Vietnam.

SAN DIEGO & THE TPP

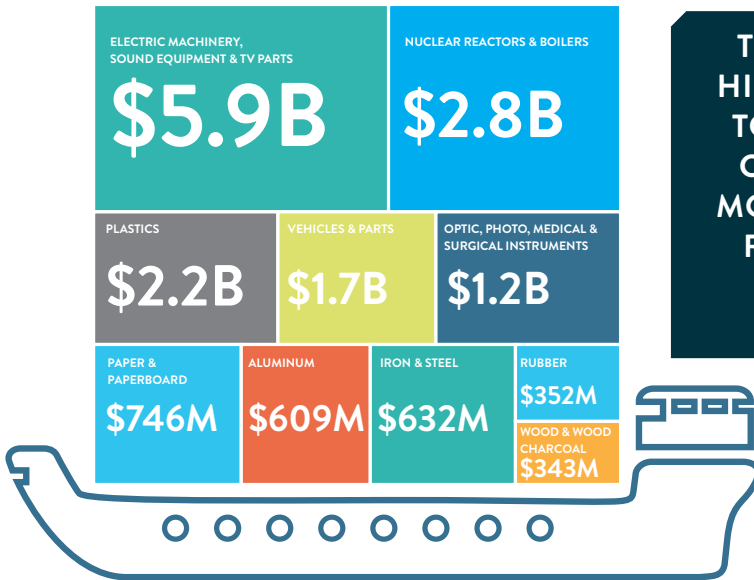
GEOGRAPHY MATTERS FOR INTERNATIONAL TRADE

San Diego's prime location on the edge of the Pacific Rim positions the region as a natural trading partner for TPP members. San Diego sends a larger share of its exports to TPP countries than does the US as a whole, making it likely that **San Diego would realize relatively greater benefits from the reduction in trade costs associated with the TPP.**

SAN DIEGO'S EXPORT ECONOMY

Today, more than **97 PERCENT** of the region's exports are sold to TPP members. San Diego's most concentrated manufacturing sectors produce the majority of these exports.

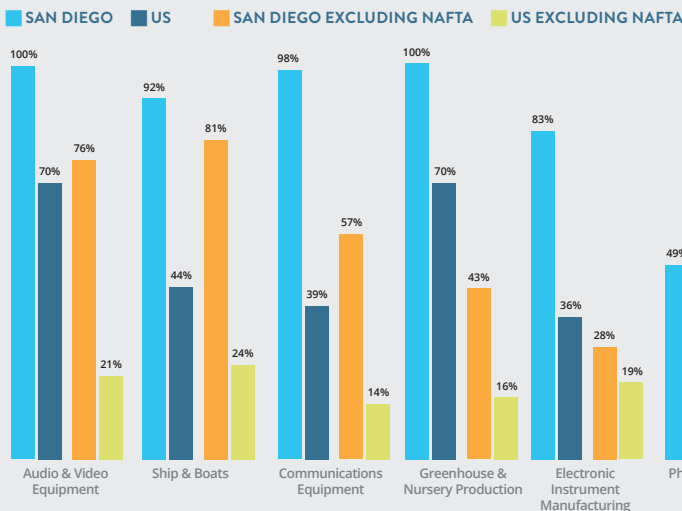
TOP 10 HIGHEST VALUE EXPORTS



THE REGION'S TOP TEN HIGHEST VALUE EXPORTS TO TPP COUNTRIES ARE COLLECTIVELY WORTH MORE THAN \$16 BILLION - ROUGHLY 72 PERCENT OF SAN DIEGO'S TOTAL EXPORT GRP.

Since 2002, San Diego's export GRP tied to TPP countries has increased by **73 percent**.

Excluding North American trade partners, the remaining TPP markets account for a significant share of San Diego's exports, and at a much higher intensity than for US exports as a whole.



Today, San Diego's leading export sectors face moderate tariffs in TPP markets. A reduction in tariffs suggests that **US-based firms will enjoy reductions in trade costs**, allowing the region's exporters to lower prices and expand market share.

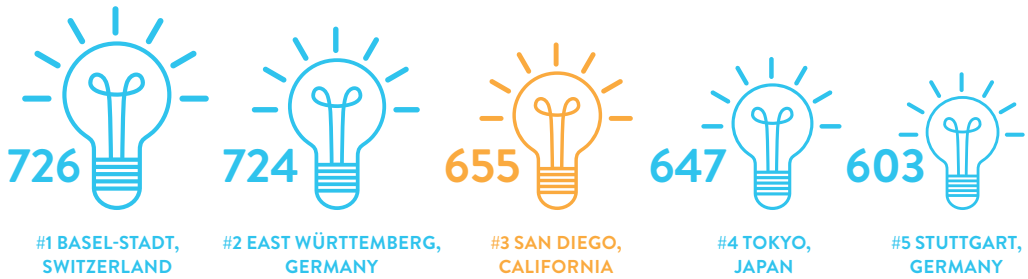
SAN DIEGO'S INNOVATION ECONOMY

Many highly concentrated service-providing sectors in San Diego's innovation economy – including scientific R&D, engineering, software and cybersecurity – also stand to benefit from the TPP.

Currently, weak international protection standards for intellectual property (IP) put the nation's innovative industries at risk. IP protections are especially important for San Diego, where **scientific R&D is 5 times more concentrated than the nation as a whole.**

TPP seeks to standardize and strengthen IP protections in member countries.

SAN DIEGO IS THE 3RD MOST PATENT-INTENSIVE REGION IN THE WORLD*



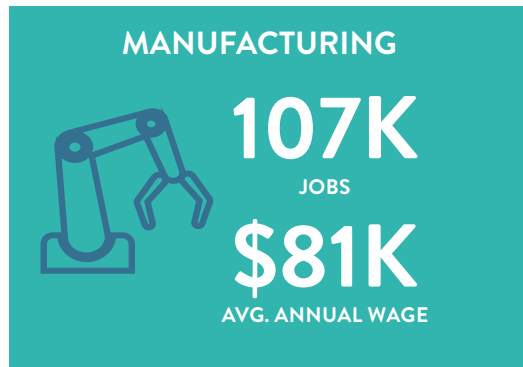
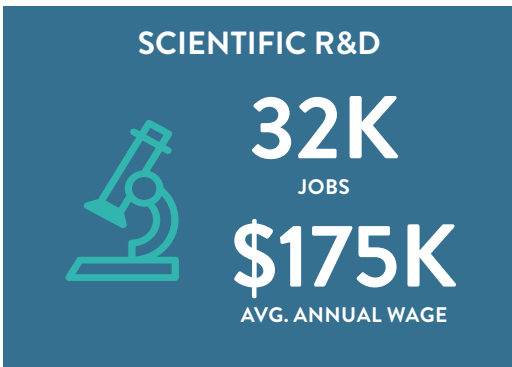
*Numbers represent Patent Cooperation Treaty applications per million residents.



Additionally, TPP aims to limit restrictions on global cloud computing and the movement of data across borders, affecting key San Diego industries like IT infrastructure, engineering and cybersecurity.

SAN DIEGO JOBS

More than **150,000 high-wage jobs*** are linked to exports in the manufacturing and innovation sectors which would likely benefit most from TPP. The prospect of strong export growth promises to deliver real rising wages for San Diego workers in these sectors.



*The average annual wage in San Diego County is \$55k.



87 PERCENT
OF REGIONAL EMPLOYMENT IS
IN SERVICE SECTOR JOBS.

Jobs in the service sector – including health, education, retail, construction and tourism – are generally non-traded activities and essentially insulated from foreign competition.



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