

# International Trade in Services

## Benefits California's Companies and Workers

### IMPORTANCE OF SERVICES TO THE OVERALL U.S. ECONOMY

- **The United States is the world's leading services exporting nation.** International services markets offer huge opportunities for U.S. firms and their employees, accounting today for nearly one-third of total U.S. exports. Total elimination of global barriers to trade in services could raise U.S. annual income by over \$460 billion or \$6,830 per family of four.
- **U.S. services exports have doubled over the past 10 years.** The United States recorded a \$66 billion surplus on exports totaling \$381 billion in 2005. This surplus was 22 percent higher than in 2004. Sales through U.S. services companies operating abroad measured \$477 billion in 2003. These international transactions support high-paying jobs across the United States.

### IMPORTANCE OF SERVICES TO THE CALIFORNIA ECONOMY

- Services are the backbone of California's economy. The sector provides 75 percent of sales by California businesses, employs 80 percent of the workforce, and pays 78 percent of the state's \$477 billion in wages.<sup>1</sup>
- Services are vital to California's growth and production of good new jobs. Between 1997 and 2004, the GDP of California's services industries grew 55 percent, double the rate of non-service industries (manufacturing, agriculture, construction, utilities, and mining).
- California enjoys a trade surplus in services, and services exports support over 266,000 California jobs.<sup>2</sup> For example:
  - Publishing industry exports from California in 2002 were valued at \$2.1 billion and supported over 51,000 jobs.
  - Professional, scientific and technical services exports from California were valued at \$4.8 billion and supported over 120,000 jobs.
  - Telecommunications services exports from California were over \$1 billion and supported over 61,000 jobs in California.
  - Motion picture exports from California exceeded \$10.3 billion in 2005, an increase of 75% since 1997.
- Affiliates of foreign services companies are part of this success. They have over \$27 billion invested in property, plants, and equipment (PPE) in California and support over 178,000 jobs.<sup>3</sup> Some of the important sectors and companies include:

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<sup>1</sup> U.S. Census Bureau. *2002 Economic Census*. Available online at <http://www.census.gov/econ/census02/>.

<sup>2</sup> *Ibid.*

<sup>3</sup> Bureau of Economic Analysis (BEA). *Foreign Direct Investment in the United States: Operations of U.S. Affiliates of Foreign Companies 2006*. Available online at <http://www.bea.gov/bea/di/di1fdiop.htm/>.

- **Wholesale trade** (2004: 89,600 employed, \$16.1 billion PPE). Major foreign food and beverage firms such as Nestlé (Swiss) and Unilever (Dutch-British) participate in the California wholesale industry.
- **Information** (2004: 38,900 employed, \$5.6 billion PPE). This highly varied sector includes motion picture and sound recording companies such as Sony (Japanese) and telecommunication firms such as Vodaphone (British) and Deutsche Telekom (German).
- **Retail** (2004: 30,800 employed, \$3.2 billion PPE). Retailers such as Ikea (Swedish) are thriving in California's competitive retail environment.
- **Finance & Insurance** (2004: 19,400 employed, \$2.1 billion PPE): California is home to major foreign banking and investment operations, including Zurich North America (Swiss), one of Europe's largest insurance-based financial services firms.