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Guides & Mentors



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Tell us about the dynamic trade patterns that occur in the Bay Area.

People think of many different things when they imagine the international trade of the Bay Area or Silicon Valley. Some people think of computers. Some think of the many gifts you can find in Chinatown or Japantown or Little Italy. And some people may think of wine from the Napa Valley.

Every week the Bay Area trades all these things — and so much more. Did you know that cars and trucks, produced in the city of Fremont with parts imported from around the world, are then exported to Korea? Farmers here grow fruits and vegetables like strawberries, lettuce, broccoli, and garlic that are enjoyed all over the world. Huge ships steam out the Golden Gate carrying oil, as well as mountains of scrap metal from cars and waste paper from offices go to places like China and India where they are in high demand for recycling. We sell cellular phones, satellite systems, and equipment that lets computers talk to each other. And all types of software from powerful databases to the world's hottest new games come from here.

But trade is not just about things, but also about ideas. People in foreign countries rely on Bay Area businesses for ideas and services in areas such as banking, in earthquake safe architecture, in the design of websites, and even the design of special seeds that can grow into plants that resist

diseases.

And in exchange for all these things that the Bay Area sells, companies bring in from all over the world cars, other kinds of foods and vegetables, stereos, TVs, machines, clothes: many of things you see when you go to the grocery store or mall are either imported into the Bay Area from abroad or were produced right here.

Look around you and you'll see the products of our dynamic international trade!

What are the most important trends related to trade during the past 10 years? For the future 10 years?

Trade over the past ten years has been skyrocketing. For the Bay Area and for California, exports have more than doubled. Today the Bay Area alone probably sells about \$70 billion of goods and services to people living in other countries.

Part of this has been because of the exciting developments in "high tech." Computers, cell phones, all the new equipment you see in hospitals, new types of disease-fighting drugs, the computer effects in movies and games — many people all over the world want these things.

A second important trend is that there has been very hard work by most of the world's countries to make it easier to sell things all over the world. Initiatives you may have heard in the news like NAFTA (North American Free Trade Agreement) or GATT (General Agreement on Tariffs and Trade) or the World Trade Organization made it easier for Bay Area companies to sell in Europe, Asia, Canada, Latin America, and Africa.

Finally, it is easier and cheaper to communicate using the Internet and priority delivery services.

All of these trends will continue to affect trade in a positive way over the next ten years. But the Internet will play a larger and larger role. The World Wide Web will make it easier to advertise in many different languages and even sell products, collecting payment by credit cards accepted all over the world. Email and the Web will make it easier for people to conduct business 24 hours a day. Scientists researching and developing new products will be able to discuss detailed drawings within seconds rather than days or weeks. Finally, the Internet makes it easier for people to find each other when they want to buy and sell particular things. All these things mean more and faster international trade.

What does it mean to live in a global economy? What does it mean for the San Francisco Bay Area?

Do you remember when you changed from grade school to your current school? You went from all day in one classroom with the same kids to many different classes with different teachers and different students with different choices.

Compared to when your parents were born, today's global economy is like your change in school. Trade means goods and services moving across borders — and as you heard above, it can mean lots of change. Whenever you face change, there are usually good things and not-so-good things. A global economy means that if you come up with some totally new thing, you can sell it around the world more easily than at any other time in history. It also means that someone in another country might find a better way to produce that thing, and just as easily you could find that people want that other thing — not your thing.

For instance, the automobile was invented in the U.S., and for a long time most cars were made by

Americans. But starting 30 years ago, cars from other countries became better and better while American cars didn't. Today, many fewer people in America have jobs making cars, but there are many more choices of cars and those cars (both U.S. and foreign) are safer, less polluting, and more fuel efficient. For the people in the U.S. who lost their jobs making cars this was terrible. At the same time, there have come many opportunities for better paying jobs in many other new industries, and anyone buying a car has more choices for better vehicles.

The challenge for you, for me, for your parents, and everyone in your city is always to see whether we can stay ahead of change by doing things better — while looking for ways to help other people who have been hurt by changes.

For the Bay Area, this means many things. There are lots and lots of opportunities everywhere for people with every possible kind of talent. New products and companies are springing up everywhere. Not all of these succeed, some succeed for a while, and some revolutionize our lives. But for the immediate future, there are many more successful companies — and that will bring more people to the Bay Area. This may make it more crowded and more expensive to live here even while it creates lots of new opportunities for you. So stay flexible, open to change, and aware of your gifts and you will succeed in enjoying your life in a global economy — whether it is in the Bay Area or anywhere else in the world.

What are the most significant trade issues which affect our trading partnership with Japan?

The U.S. and Japan are like two kids you may know who want to hang out with each other, but don't always know how to get along. Our countries, our languages, our traditions and our ways of acting are very different. To some extent our business and government leaders simply need to continue to take the extra time and effort to understand each other and make the mutual changes necessary to overcome differences. Although this has never led to quick results, it has led over the years to progress and an extremely important, productive partnership.

More specifically, the U.S. continues to try to change Japanese positions on certain topics. The U.S. often identifies ways of doing business in Japan that seem unfair, while the Japanese point out that their way of doing business isn't meant to be unfair — it's just the way things are done in Japan. For instance, over the years the U.S. has pointed out that it can be difficult for non-Japanese companies to set up stores in Japan, protect their patents, sell things such as semiconductors, or to win contracts with the Japanese government. You may remember a few years ago how the U.S. threatened to put special taxes on luxury Japanese automobiles such as the Mazda Millenia and the Acura Integra because of the difficulties of selling American cars there. Just recently there have been efforts to make it easier for non-Japanese airlines and cargo ships to land in Japan and go on to other countries in Asia.

What does "balance of trade" mean?

There's a commercial playing on TV right now about a kid who makes great sandwiches with a really tasty kind of luncheon meat. The sandwich is so good that when he goes to the cafeteria, he can trade it for other cool stuff. The sandwich costs him, say \$1 of his time and the bread and meat. The first day, he trades the sandwich for a \$5 baseball cap. The second day, he trades for a \$20 Walkman™. For spending just \$2, he got \$25 of stuff. His "balance of trade" was \$23!

The same works for a country. Companies based in the U.S. sell many things all around the world. The U.S. also buys things from all over the world. The difference between what we make from selling things and what we spend on buying things is the balance of trade. Usually the U.S. buys

more than it sells, which makes many people afraid that the U.S. will go broke! That isn't necessarily true, since the U.S. has other ways to make money, including selling services (remember how we talked about architecture, biotechnology, and other services above?). The U.S. can also encourage foreign businesses to invest in the U.S. or have U.S. businesses based overseas send profits back to their U.S. headquarters. Still, the balance of trade is one way to see how competitive our products are in the world market.

Describe a humorous experience related to international trade.

One of the challenges of international trade is that every country has different rules and regulations and different people who need to enforce those rules. Although efforts such as the World Trade Organization are trying to simplify the rules and regulations, it is always a challenge to deal with certain people. One of the organizations we work with took a group of companies to a trade exposition in a foreign country. One of the companies brought several boxes of samples with them. Now, this country has rules about packaging and labelling. To comply with the rules, the samples were each individually packaged, and the boxes were labelled outside with the numbers of packages they contained, the weight of those packages, and the total weight of the box. When the company got to the trade exposition, which takes place in several large buildings with lots of different booths of companies selling things, there were customs officials making sure everyone followed the rules about packaging and labelling. That's part of what customs officials do. These customs officials made the company open every single box, count the number of sample packages in each box, open several of the sample packages, weigh them, weigh their wrappers, and weigh the box. It turned out that the weight of samples was off slightly. The custom officials made the company re-label every single box and every single sample with the adjusted weight!

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