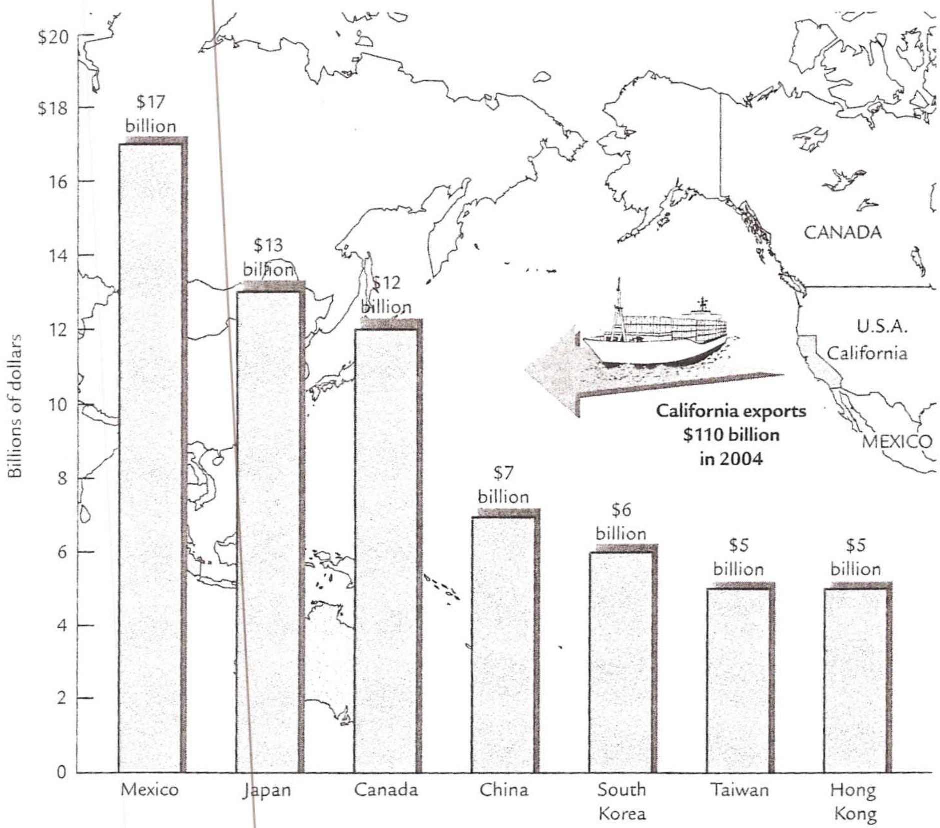

California's top seven Pacific Rim markets. (*Based on data from the Office of Trade and Industry, U.S. Department of Commerce.*)

This shift in the global economy was viewed with considerable apprehension in the world's traditional economic centers—from London and Paris to Boston and New York. In California, however, the view was much more sanguine. "Our future is with the Pacific Basin," observed the director of the California Office of International Trade. "Sixty percent of humanity lives there, over forty percent of all world trade. We're right in the middle of it. If the Basin prospers, we prosper."

In the mid-1990s, Los Angeles overtook New York as America's premier gateway for foreign trade. Forty percent of all United States trade with the Pacific Rim passed through California's ports. Exports to Asia slumped near the decade's end, during a severe downturn in the Asian economy, but soon rebounded. By the early 2000s, California accounted for more than 20 percent of the nation's total foreign trade, up from just 10 percent two decades earlier. Chief among the state's exports were electronic components and computer equipment, as well as advanced services such as engineering and financial consulting.

California trade with the nations of the Pacific Rim was boosted by the North American Free Trade Agreement (NAFTA), approved by Congress in 1993. NAFTA allowed the tariff-free exchange of goods, services, and investments among the United States, Canada, and Mexico. Over the next decade, trade with Mexico and Canada increased dramatically; by 1999 Mexico had surpassed Japan as California's number one trading partner. About three-quarters of the new trade was with Mexican *maquiladoras,* foreign-owned factories that principally exist to manufacture goods for the United States market. As hundreds of American-owned factories sprang up along the border, San Diego and Tijuana became the world's largest center for the manufacture of televisions, producing also many of the VCRs and cellular phones sold in the United States. Journalists dubbed the region "the Gringo Archipelago" and "San Dijuana." Critics charged that maquiladoras were taking jobs away from American workers, violating Mexican workers' rights, and increasing pollution. Lon Hatamiya, director of the California Trade and Commerce Agency, was more positive. "Maquiladoras," he said, "are a tremendous opportunity for California."

The future of trade with the Pacific Rim brightened in the early 2000s with the normalization of trade relations with China, the world's most populous nation. Governor Arnold Schwarzenegger, capitalizing on his international fame as a film star, made a high-profile visit to China in 2005 to boost the sale of California products. Beijing was adorned with mammoth banners portraying the governor, posed in a tight-fitting black T-shirt, and proclaiming, "Arnold says: The Best Things Come from California." The prospect of increased trade with China was greeted with enthusiasm by California manufacturers and agribusinesses. "By opening, once and for all, the vast Chinese market," commented a spokesperson for one of the state's largest corporations, "we've opened broad new doorways of opportunity for exports and investments."

California's foreign trade doubled during the 1990s, with annual exports rising to $110 billion by 2004. The nations of the Pacific Rim continued to be the state's leading trade partners and were expected to experience the world's highest rates of economic development through the early twenty-first century. The phenomenal growth of foreign trade, especially with the dynamic nations of the Pacific Rim, became one of the mainstays of California's New Economy.

Post-Industrialism

California's economy in the twentieth century not only expanded dramatically but also underwent a basic transformation in terms of the kind of work being performed to earn a living.

Social scientists divide economies into three sectors or stages of development. The primary sector includes jobs that produce the basic raw materials needed for living. Jobs in agriculture, mining, forestry, and fishing are considered part of this sector. The primary sector is the basis of all pre-industrial societies. The secondary sector, which encompasses manufacturing and construction, is the foundation of an industrial society. The, tertiary, or third, sector of the economy is composed mainly of jobs in the service fields. Service jobs include health care, wholesale and retail trade, finance, insurance, real estate, government, transportation, communication, and utilities. The service fields expand as technological improvements in both the primary and secondary sectors increase productivity and enable workers to move