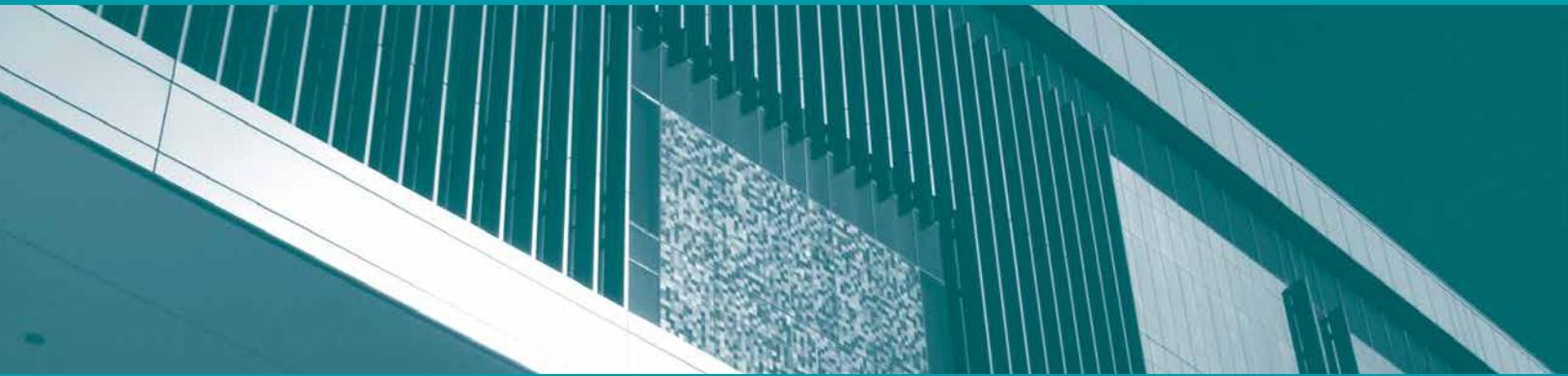


## Chapter 10

# Enhancing Our Relationship with East Asia and The Republic of Korea



# Chapter

# 10



*China's Hanergy acquired Tucson-based Global Solar in 2013.*

**I**n the same way Pima County is ideally located to further our economic opportunities to the south with Mexico and north with Canada, we are also geographically positioned to capitalize on increased East Asian commerce that transits Pacific Ocean ports and crosses the transportation networks of our region. Increasing Pima County's direct trade and supply chain opportunities with East Asian nations such as China, Japan, Malaysia and The Republic of Korea (South Korea) is important to increasing employment and wage levels in southern Arizona. Locally, we have seen increased East Asian trade, such as Raytheon's missile sales to South Korea, direct investment by Chinese solar generating and manufacturing company Hanergy's during its acquisition of Tucson-based Global Solar, and the growing relationship with multiple major container shipping companies enabling the Port of Tucson to operate as a true inland port as discussed in Section B below. The nature of East Asian tourism, outbound exports, and manufacturing as well as the corresponding supply chains is

changing; however, the sheer scale of the Asian market will continue to be an important economic engine for northern Mexico and southern Arizona. Pima County needs to facilitate opportunities with the private sector to create direct trade links with the economies of East Asia and develop the region as a logistics hub for our interdependent economies.

#### **A. The Port of Guaymas and its Relation to Asia**

The expansion of the Port of Guaymas will be of vital importance for expanding international trade and providing logistics opportunities to further connect East Asia with our region. The doubling of capacity that will occur with the completion of the Guaymas Port expansion, along with improvements to the adjacent trade zone in Empalme, will make the port competitive with the much larger but increasingly crowded ports of California. The Port of Long Beach already derives 90 percent of its shipments to and from East Asia. As the San Pedro



*Pima County and Jinju, South Korea, signed a memorandum of understanding in 2015 to promote tourism and economic development in their respective communities.*

Bay ports (Long Beach and Los Angeles) continue to see increased cargo for East Asian nations, the Port of Guaymas and its expanded facilities will be increasingly viewed by manufacturers as an attractive alternative to California ports. The resulting increase in rail and commercial truck cargo, including both foreign product from Asia and Mexican domestic product transiting north through the expanded Mariposa Port of Entry (POE) in Nogales, will require infrastructure and economic development policies designed to capitalize on the corresponding flow of commerce through our region. Pima County will

and the Intermountain West Corridor project, both of which will serve to facilitate regional economic development related to trade with Mexico, South America and East Asia via the Port of Guaymas.

## **B. The Port of Tucson and its Relation to Asia**

As a growing multimodal rail facility, the Port of Tucson will also play an important role in our region's connection to East Asian trade. Pima County has long supported the growth

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### ***As a growing multimodal rail facility, the Port of Tucson will also play an important role in our region's connection to East Asian trade***

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continue to work collaboratively with our partners in Mexico and the southern Arizona region to maximize opportunities related to logistics, mining export, manufacturing and related supply chains. Pima County will also continue to develop the Sonoran Corridor and remain actively involved in planning for Interstate (I-11)

of this important private sector facility. The Port of Tucson is now servicing international ocean containers via the San Pedro Bay ports and has drastically reduced freight costs. For example, one of the first local companies to begin exporting directly through the Port of Tucson in ocean containers is Azmira Holistic

Pet Care, which shipped its first delivery of pet food to Osaka, Japan in 2013. Azmira reported significant cost savings and efficiencies by utilizing ocean-going containers from the Port of Tucson and is now exporting its products to numerous other countries in Asia, including Hong Kong and Singapore. Another example is American Chung Nam, Inc., a Chinese company that in 2014 began buying recycled paper goods generated in Tucson for export to China. American Chung Nam's exports quickly accelerated, and it has contracted with the Port of Tucson for up to 100 ocean containers per week destined from Pima County to China via the Port of Long Beach. Other exports of grain and alfalfa to Asia are anticipated.

The inevitable long-term growth of the Arizona/Northern Mexico mega-region and increased trade under the North American Free Trade Agreement will result in the Guaymas and San Pedro Bay Ports becoming the major West Coast gateways for the entire Sun Corridor.

### C. The Republic of Korea

The key to increasing Asian market export opportunities in Pima County is to identify opportunities based on regionally-identified industry sector priorities and existing international relationships. Pima County has identified several sector alignments and numerous existing relationships that present unique opportunities to connect our economy with the 50 million consumers and \$1 trillion market of South Korea. The 2012 implementation of the United States–Korea Free Trade Agreement (KORUSFTA), which removes about 95 percent



*Jinju, South Korea, wants to share its spectacular annual lantern festival with the United States and may base its operation in Pima County.*

and components; fabricated metal products; aerospace products and parts, and industrial machinery. The total stock of FDI from South Korea to the United States was \$24.3 billion at the time of KORUSFTA implementation and employed 32,300 workers in the United States at an average annual salary of \$83,000. FDI

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### ***In 2012, Arizona exported \$251.4 million in trade goods to South Korea***

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of duties on United States exports to South Korea by 2017, provides additional incentive to formulate an economic development strategy that includes South Korea.

In 2012, Arizona exported \$251.4 million in trade goods to South Korea. Leading sectors in outbound trade included semiconductors

and trade are expected to accelerate progressively as the dynamic South Korean economy continues to grow.

In addition, Pima Community College (PCC) has developed relationships with diverse Korean institutions and governments, including the Chungbuk National University and the

Island of Ulleungdo. PCC is working with Korean institutions to offer English as a Second Language and other programs to Korean high school and college students.

Pima County staff has met numerous times with former Tucson Mayor Robert Walkup, who now serves as the Honorary Consul of The Republic of Korea in Tucson. In these meetings, Mr. Walkup has identified specific strategies for Pima County to increase bilateral trade, increase Foreign Direct Investment (FDI) in our region, and promote tourism from South Korea to Pima County. These initiatives include renewable energy development and increasing small business connections between Pima County and South Korea. In October 2014, Mr. Walkup led a delegation that included the leadership of Visit Tucson and local festival organizers to South Korea in which Pima County tourism was prominently promoted at the Namgang Yudeung Lantern Festival held in Jinju. A Visit Tucson pavilion and several large lanterns promoting our region were constructed at the festival that was attended by approximately three million visitors. In December 2014, a South Korean delegation, led by the Mayor of the City of Jinju, met with Board of Supervisors Chair Sharon Bronson and County staff, at which time a Memorandum of Understanding was executed between the City of Jinju and Pima County to work together to develop shared cultural, tourism and economic development opportunities.

Discussions are in progress to have some of the Jinju Lantern Festival exhibits stored in

## ACTION ITEMS

**10.1** Continue efforts to increase economic involvement with East Asia by supporting the Port of Tucson in its expansion.

**10.2** Incorporate promotion of local export opportunities via the Port of Guaymas into our Mexico efforts, as well as our overarching economic development strategy for East Asia.

**10.3** Support the extension of heavyweight corridors throughout Arizona to make our state more competitive with Texas and other border states. Increase export capabilities for heavy objects and ocean containers from Asia passing through southern Arizona to maquiladora manufacturers in Nogales.

**10.4** Continue to work with the Honorary Consul of The Republic of Korea in Tucson to increase bilateral trade, increase the presence of South Korean companies and attract FDI.

**10.5** Coordinate with Visit Tucson and the Honorary Consul of the Republic of Korea in Tucson to expand South Korean tourism, festivals and spring training opportunities in our region.

**10.6** Work with PCC to attract more students from The Republic of Korea.

**10.7** Work with PCC for mutual support of the County's and PCC's objectives to expand the socioeconomic relationship with The Republic of Korea.

Pima County for possible future use locally and perhaps in other United States cities as well. The delegation also met with representatives of the Hanwa Eagles and NC Dinos, two of the South Korean baseball teams that have conducted spring training at Kino Sports Complex and Tucson's Hi Corbett Field, to discuss the expanding South Korean baseball training opportunities that exist in Pima County.