

6 Workbook on International Trade and Investment

Statutory References:

- International Trade and Investments, Government Code Sections 13996.4 through 13996.75
- International Relations, Government Code Sections 99500 through 99524
- California-Mexico Border Relations Council, Government Code Sections 99520 through 99524

Statutory Purpose: To set the framework for GO-Biz to carry out its role as the primary state agency responsible for international trade and foreign investment activities, in those areas not covered by the Department of Food and Agriculture.

Program Narrative: The International Trade and Investment unit within GO-Biz provides technical assistance to businesses interested in exporting and foreign investors seeking to invest in California. As part of those responsibilities, the unit facilitates the federal EB-5 Immigrant Investor Visa program, including providing the federally mandated certification that a prospective investment location is in a high unemployment location.

This unit is also responsible for overseeing the California-China Office of Trade and Investment, supporting the California State Trade Export and Promotion Program, and facilitating the implementation of the state International Trade and Investment Strategy. The unit often works in partnership with CalBIS, who helps prospective California investors with site selection and identification of business development resources, including incentives.

A summary of and a hyperlink to the California International Trade and Investment Strategy and the 2014 annual report on the California-China Office of Trade and Investment are provided in this Workbook under the subheading of "*Related Reports*."

Related Appendices: *Appendix D* includes a fact sheet with data on California trade, *Appendix F* has an infographic of the 10 drivers of the California economy, and *Appendix A* includes more information related to this Workbook, which was provided by GO-Biz. *Appendix E* has information on the significant number of small businesses in California, including the increase in minority, women, and veteran-owned businesses between 2007 and 2012.

Key Statutory Requirements:

- 1) Requires GO-Biz to develop and implement an International Trade and Investment Program (Overall Trade Program) that meets specified criteria.
- 2) Requires GO-Biz to provide the Legislature with a five-year strategy for international trade and investment that includes policy goals, objectives, and recommendations to implement the comprehensive Overall Trade Program. The strategy is required to also indicate priorities, contain measurable outcomes, and identify impediments. The next strategy update is in February 2019.
- 3) Establishes the California-Mexico Border Relations Council comprised of the Director of the Governor's Office of Business and Economic Development, the Secretary of the Natural Resources

Agency, the Secretary for Environmental Protection, the Secretary of California Health and Human Services, the Secretary of Transportation, the Secretary of Food and Agriculture, the Secretary of State and Consumer Services, and the Director of Emergency Services. The Regional Administrator of the United States Environmental Protection Agency, Region 9, may appoint a representative from his or her staff to serve as an ex-officio, nonvoting member of the council. The Secretary for Environmental Protection serves as chair the California-Mexico Border Relations Council.

- 4) Requires GO-Biz to prepare an annual: budget, strategy and business plan for the Overall Trade Program.
- 5) Requires that the annual strategy and business plan be submitted to the Legislature and include:
 - a) Measurable goals, objectives, outcomes, and timelines for attracting employment producing direct foreign investment and increasing California exports; and
 - b) A written review of last year's strategy and business plan that addresses Overall Trade Program performance.
- 6) Requires GO-Biz to develop a conflict of interest and gift policy that applies to GO-Biz generally and to all other foreign trade offices.
- 7) Prohibits the State Controller from providing any state funds to GO-Biz for trade related activities if the strategy for the Overall Program, the annual budget, business plan, and annual review of activities are not submitted to the Legislature by May 1, 2014.
- 8) Requires the State Point of Contact (SPOC), a position designated by the Governor, to serve as a liaison between the state and the Office of the U.S. Trade Representative. The SPOC is required to:
 - a) Promptly disseminate correspondence or information from the U.S. Trade Representative to the appropriate state agencies and departments and legislative committees;
 - b) Work with the appropriate state agencies and departments, and the Legislature, to review the effects on the California environment, and California businesses, workers, and general lawmaking authority, of any proposed or enacted trade agreement provisions, and communicate those findings to the U.S. Trade Representative; and
 - c) Serve as liaison to the Legislature on matters of trade policy oversight.
- 9) Requires the Office of Planning and Research to maintain a comprehensive list of all state agreements with foreign governments, including information on the types of proposed activities, the expected outcomes, and the date of activation and termination.
- 10) Requires state employees working under the jurisdiction of an agency secretary to submit a specified report to the Secretary and GO-Biz within 30 days of traveling to a foreign country on official state business. The report is required to include dates, counties and localities visited, as description of attendees of official meetings or events, and the goals, outcomes, and follow-up expected from the trip. Employees working on the jurisdiction of a constitutional officer are required to provide the specified report to the constitutional officer and GO-Biz. Trips that include the Governor or a Member of the Legislature are exempted from this requirement.

Program Priorities in Statute: None.

Existing law requires the state's International Trade and Investment Program to be focused on attracting employment producing direct foreign investment; to support California businesses' access to foreign markets; and to engage in other trade and foreign investment activities assigned by the Governor. Prior legislation included more specific references to assisting small and medium size businesses. Several of the memorandums of understanding (MOUs) between California and foreign governments include an emphasis on small and medium size businesses. A list of trade and tourism-related MOUs is listed under the subheading "*Selected Programs.*"

Program Authorities contained in Statute:

1. Authorizes GO-Biz, in cooperation with the federal government, to foster relationships with overseas entities to improve the state's image as a destination for business investment and expansion.
2. Authorizes GO-Biz to establish and terminate trade offices outside the U.S., if the following conditions are met:
 - a) The country where the office will be located is among those with the greatest potential for direct foreign investment, export growth, or both, as determined by GO-Biz;
 - b) The budget for the Overall Trade Program includes specific budget information for the foreign trade office;
 - c) A strategy and business plan for the Overall Trade Program includes a description of the staffing levels and expertise needed for each foreign trade office; related monitoring and oversight procedures; and a description of how the newly proposed foreign trade office will facilitate direct foreign investment in California or an increase in exports or both;
 - d) The written review of the prior year's Overall Trade Program includes a review of the performance of each trade office; and
 - e) GO-Biz submits the annual budget, strategy and business plan, and prior year review to the Legislature.
3. Specifies that a foreign trade office may be funded in whole or in part by non-state funds.
4. Authorizes GO-Biz to contract with a nonprofit entity to operate a foreign trade office, as specified.

Reporting Requirements in Statute: Five-year Overall Trade Strategy; an annual budget; an annual strategy and business plan to implement the Overall Trade Strategy; and annual review of GO-Biz' progress in implementing the annual plans.

Current Regulatory Activities: None known

Selected Program Highlights:

- **EB-5 Regional Center Survey:** The survey is designed to gather information to provide foreign investors with a complete list of California EB-5 Regional Centers, assess the level of investment at each of the centers, and gain data on the amount of investments and jobs being created under the program in California. <http://www.business.ca.gov/International/EB5Program.aspx> (results published March 15, 2016)
- **CaliBaja Bi-National Mega-Region Summit:** GO-Biz and *ProMéxico, with partners at the San Diego Regional Chamber of Commerce, San Diego Regional Economic Development Corporation, San Diego Mayor Kevin Faulconer's Office, Otay Mesa Chamber of Commerce, San Diego U.S. Export Assistance Center, U.S. Commercial Service and the United States Department of Commerce hosted this summit to discuss California-Mexico cross border relations as part of Governor Brown's 2014 Trade and Investment Agreement with the Mexican Government. *ProMéxico is Mexico's federal government agency responsible for coordinating strategies aimed at strengthening Mexico's participation in the international economy, supporting the process of exporting firms established in the country and coordinating activities aimed at attracting foreign investment. (January 21, 2016)
- **California State Trade and Export Promotion Program:** GO-Biz partners with the California Community College Chancellor's Office on its preparation and implementation of the federal State Trade and Export Promotion application. In 2016 round funding, California is requesting \$747,781 with a commitment of \$243,589 in matching funds from the California Community College's Chancellor's Office. This funding will be used to provide export assistance to 243 small businesses in support of \$44 million in export outcomes.
- **Economic Development Related Agreements with Foreign Governments:** GO-Biz often plays an active role in facilitating the delivery of initiatives related to MOU between California and foreign governments. These MOUs generally express mutual cooperation around common goals. Without an experienced and dedicated facilitator, these agreements may result in few specific outcomes. GO-Biz produced a one-year update on the Israel MOU that provided valuable information on past year activities and future projects. In January, GO-Biz partnered with ProMéxico on an economic summit in San Diego that furthered the goals and objectives of the MOUs with Mexico. Below is a list of MOUs entered into during the term of the Governor Brown.
 - **China:** National Ministry of Commerce (April 10, 2013); Province of Jiangsu (April 14, 2013); Shanghai Administration Committee of Zhangjiang High-Tech Park (April 14, 2013); Province of Guangdong (April 15, 2013); Municipality of Chongqing (April 16, 2013); **Inner Mongolia Autonomous Region October 14, 2013); and Province of Guangdong - Sister State (September 21, 2014). **Also signed by City of Sacramento.
 - **State of Israel:** Initial MOU (March 5, 2014) and Addendum (June 11, 2014).
 - **State of Japan:** Prefecture of Osaka (June 24, 2013); State of Japan (September 5, 2014); and New Energy & Industrial Technology Development Organization (October 14, 2014).

- **Mexico:** Mexico National Ministry of Economy (July 30, 2014) and the Secretariat of Tourism (August 26, 2014).
- **State of Peru** (February 26, 2014).
- **Government of Catalonia, Spain** (April 6, 2015).

Here is a link to more information: <http://www.business.ca.gov/International/CAMOUs.aspx>

- **Implementation of Trade Related MOU:** GO-Biz consistently demonstrates leadership in moving forward on trade-related MOUs including developing new products to support their implementation. As an example, GO-Biz prepared an annual report to document the activities of the California and Israel MOU. GO-Biz is also establishing a new Innovation Hub specifically dedicated to assisting foreign businesses establish a California presence.

Summary of Related Reports:

1. **California-China Office of Trade and Investment 2014 Annual Report (May 2014):** This mandated annual report was prepared by GO-Biz and is a condition of maintaining a foreign trade office. In April 2013, California opened its first international trade office since 2003. The California-China Office of Trade and Investment (CCTO) opened in April 2013 to serve the needs of California businesses exporting into China and Chinese investors looking to invest in California. Actions of the CCTO are set forth in a work plan. Among other accomplishments, the trade office met all its administrative milestones including the hiring of staff, officially opening the office, and leading a high-level trade mission to China. Relative to its inbound investment goals, the CCTO participated in double the number investment targeted attraction events and is working on converting these activities into new investments and businesses opening facilities in California. Relative to increasing outbound trade to China, the CCTO exceeded by 50% the number of outreach events by participating in three during the report year and has sponsored three out of the targeted four business development trips. <http://www.business.ca.gov/International.aspx>
2. **California-China Office of Trade and Investment 2015 Annual Report (December 2015):** This mandated annual report was prepared by the Governor's Office of Business and Economic Development. The California-China Office (CCO) is located in Shanghai and is operated under a public-private partnership between GO-Biz and the Bay Area Council. As initially designed, the CCO serves California exporters and Chinese investors. In 2016, the CCO partnership will be expanded to include additional private, nonprofit network partners, and local governments in California and China. Activities in 2016 will primarily focus on inbound and outbound business development missions, including trade shows, trade missions, business investment/development events, and focused outreach in particular industry sectors. Strategic industries include: clean technology; life sciences; lifestyle (wine, fashion, tourism); education (services and exchanges); and agricultural technology. 2016 goals include:
 - Increase investment in California by assisting Chinese companies to establish or expand their operations in state, including the creation of a pipeline of high quality Chinese companies, promoting investment, especially from target industries; and engaging with stakeholders.

- Assist California companies seeking access to Chinese markets, including concentrating efforts on building the knowledge base to be able to provide strategic advice.
- Build awareness of the CCO and the brand "California" including creating opportunities for speaking engagements, event endorsements, development of communication tools that regularly update relevant stakeholders, and support CCO partners.
- Assist GO-Biz and other state agencies in advancing the state's business-related MOUs.

The only impediment to implementing the strategy is the difficulty in raising funds. One purpose of the expanded trade network is to address this challenge.

The total estimated expenses for the CCO in 2015 were \$592,744, which included salaries and benefits for two staff people of \$437,843. No state money is used to support the CCO. GO-Biz does have three dedicated positions, of which 25% of their time is dedicated to China-related initiatives, including overseeing and engaging with the CCO. <http://www.business.ca.gov/International.aspx>

3. ***California International Trade and Investment Strategy (February 2014)***: The International Trade and Investment Strategy is prepared by GO-Biz every five years for the purpose of guiding the implementation of a comprehensive international trade and investment program for the state. The 2014 governing policy framework is that by increasing trade, the state will create jobs, increase revenues, and improve the state's competitiveness – while still being able to serve as a leader in sustainable development. The Strategy has four goals: (1) Support the expansion of California exports; (2) Increase foreign investment; (3) Support California as a gateway for goods and services into the U.S. and out to foreign markets; and (4) Work with federal and international entities to expand global market access. Among other key actions, the 2014 Strategy calls for the establishment of a Trade Advisory Council, reporting on the outcomes of the China Trade Office, and establishing a process to allow California to be more proactive on advocating before the U.S. Congress and the U.S. Trade Representative. <http://www.business.ca.gov/International.aspx>
3. ***Export Nation 2013, U.S. Growth Post recession, Global Cities Initiative (2013)***. This report, prepared under a joint project of the Brookings Institute and JP Morgan Chase, analyzes key export trends between 2003 and 2012 for the 100 largest metro areas in the U.S. Key findings from the report include:
 - Exports drove post-recession growth in the 100 largest metro areas.
 - Few metro areas are on track to achieve the NEI goal of doubling exports in five years.
 - The 10 largest metro areas, by export volume, produced 28 percent of U.S. exports in 2012.
 - Two-thirds of the largest metro areas underperformed in the United States as a whole on export intensity.
 - The most export-intensive metro areas are highly specialized in certain industries.
 - Metro areas whose export intensity grew fastest experienced higher economic growth.
 - Metro area manufacturing exports grew to record levels in 2012.
 - Services accounted for more than half of post-recession export growth in 11 metros, including San Francisco, Washington DC, and New York.
 - Certain industries, especially in the services sector, produced almost all of their exports in the top 100 metro areas.
 - Both highly specialized and highly diversified metros performed well from 2003 to 2012.

4. **The Global Competitiveness Report 2015-16 (2015).** This report, prepared for the World Economic Forum, provides a comprehensive assessment of 140 world economies through the use of over 100 indicators spread out among 12 basic categories. The U.S. ranks third in the world, behind Switzerland and Singapore. The Report questions whether sluggish growth and persistent unemployment are the new normal. Among other findings, the report notes a correlation between competitiveness and an economy's ability to nurture, attract, leverage and support talent. While top-ranking countries do this well, in many countries, too few people have access to high-quality education and training, and labor markets are not flexible enough.
<http://reports.weforum.org/global-competitiveness-report-2015-2016/>

Background on the Creation of the Program: Given California's strategic location on the west coast of North America and border with Mexico, international trade issues have likely been on the government's policy agenda since 1850 when the state officially became part of the U.S. The Little Hoover Commission reports that California established its first trade promotion agency in 1947, although the path forward from there includes numerous stops and starts. The first foreign trade offices opened in the early and mid-1960s, but subsequently closed by the end of a decade. Some of the more recent references to an "office of international trade" go back to 1977 with the re-establishment of a state business entity, the Department of Economic and Business Development, *Chapter 345, Statutes of 1977*. Five years later, trade issues were reassigned to the newly created California State World Trade Commission within the Governor's Office, *Chapter 1526, Statutes of 1982*. The California State World Trade Commission was comprised of 15 public and private members, including the Secretary of State who served as the Chair.

In 1984, the Department of Economic and Business Development was renamed the Trade and Commerce Agency and the trade promotion and finance programs moved in-house again. In 1986, the California State World Trade Commission was reconstituted, and was designated as the primary state agency for coordinating trade activities, *Chapter 1387, Statutes of 1986*. Among other activities, the California State World Trade Commission organized trade missions/trade shows for the purpose of reducing businesses' overall cost to participate and to maximize contacts with qualified buyers.

With the Legislature and Governor's decision to eliminate the Technology, Trade, and Commerce Agency in 2003, budget actions were taken to remove all related statute, *AB 1757, Chapter 229, Statutes of 2003*. This included the state's overarching statutory framework for international trade and foreign investment, including authority for trade promotion offices in other countries.

The bill resulted in the termination of four trade and investment programs, including the closure of California's 12 foreign trade and investment offices. Five of the offices had been operating under contracts (Argentina; Shanghai, China; Singapore; South Korea; and Israel) and seven offices were staffed by California state employees (Mexico; Hong Kong, China; Japan; United Kingdom; Germany; Taiwan; and South Africa). At the close of 2003, the only trade office authorized to operate was in Yerevan, Republic of Armenia, where sponsors had agreed to provide 100% of the funding. The actual office didn't open for several years later.

In 2004, the Legislature began considering legislation to re-establish the trade programs, including the establishment of trade offices. No bills were successful until the JEDE Committee Chair, Juan Arambula, brokered a new deal on international trade and the Committee amended those provisions in

SB 1513, Chapter 663, Statutes of 2006. Key provisions included Legislative approval for new trade offices and mandatory informational hearings on the five-year Overall Trade Strategy. In 2012, the current international trade and foreign investment program was approved, AB 2012 (John A. Pérez), Chapter 294, Statutes of 2012.

Selection of Trade and Foreign Investment Accomplishments:

- 2013 Trade and Investment Mission to China.
- Opening of the California-China Office of Trade and Investment in Shanghai
- Trade meeting with China's President Xi Jinping in California to discuss continued bilateral cooperation on trade, investment, climate change, technology, infrastructure, tourism, education and agriculture.
- The Governor also joined China's top climate official, National Development and Reform Commission Vice Chairman Xie Zhenhua, in September 2013 to sign a [first-of-its-kind agreement](#) on climate change between the NDRC and a subnational entity.
- 2014 Trade Mission to Mexico where the Governor also discussed climate change.
- *GO-Biz may wish to offer testimony on other items to add to this list.*

Areas for Possible Further Review:

- **Implementation Review of Prior Year Strategy:** Existing law requires GO-Biz to submit a "written review of the implementation of the prior year's strategy and business plan." *Subdivision (a)(C)(3) of Government Code 13996.65*. Members may want to ask for further information about the review. The state's Overall Strategy has been very well received. Monitoring its implementation is a statutory responsibility of GO-Biz, as is submitting to the Legislature.
- **California International Trade and Investment Advisory Council:** In February 2014, the Governor established the California International Trade and Investment Advisory Council and appointed former U.S. Ambassador to Hungary Eleni Kounalakis as chair. In May of 2015, the Governor appointed Maria Echaveste with the University of California, Berkeley School of Law, as vice chair, along with 12 other Members, including Susanne Stirling with the California Chamber of Commerce and Brooks Ohlson with the Centers of International Trade and Development, who are scheduled to testify at the March 15, 2016, hearing. Aside from the announcement of these appointments, there is limited information on the GO-Biz website about the Council. Members may want to learn more about Council activities, priorities, and initiatives.
- **Trade Policy Advocacy:** Existing law designates GO-Biz as the primary state agency responsible for economic strategy and, specifically for issues related to international trade and investment activities, not otherwise covered by the California Department of Agriculture. Statute further provides that "the [Overall Trade] strategy shall include a framework that enables the Governor's Office of Business and Economic Development to evaluate on an ongoing basis, as appropriate,

current workforce, infrastructure, research and development, and other needs of small and large firms, including, but not limited to, highways, airports, and rail that link businesses with the state's ports of entry and foreign and domestic markets," *Subdivision (b) of Government Code Section 13996.55*. Based on these important authorities and responsibilities, many state, local, and regional economic development entities look to GO-Biz to represent their priorities and concerns within a larger policy context. GO-Biz has stated, however, that there may be limits on this policy advocacy role for economic development interest. In information provided to the JEDE Committee, GO-Biz states that "as a direct arm of the administration, [it] does not formally submit comments on federal policies, programs, regulations, strategies, plans, or other government documents." Members may want to learn more about these protocol limitations and potentially consider whether the advocacy role should be placed with a different government entity.

- **Trade Offices:** Members have asked for greater clarity on how to prepare and submit a proposal for a new foreign trade office, including minimum funding levels, services provided, and staff requirements.
- **State Trade and Export Promotion:** While Go-Biz is a partner with the California Community Colleges Chancellor's Office on the State Trade and Export Promotion Program (STEP), there is only a hyper link to the California STEP website. Members may want to learn more about these funds and how they have benefited small businesses seeking access to foreign markets.
- **Trade MOUs:** As noted above, GO-Biz has played an important facilitation role in assisting the state to undertake meaningful work related to MOUs between California and foreign governments. A review of the agreements shows that several of the MOUs call for the creation of a working group to help guide implementation activities. For those that do not have timelines, specific tasks, or workgroups, how can business groups, organizations, or local communities participate in activities related to their implementation?

Members may also want to inquire about the process GO-Biz proposes for keeping the Legislature and public apprised of the work of the Mexico and California Bilateral Working Group to implement the objectives of the MOU; joint committee to discuss implementation of the California and Peru MOU; and the China Provinces and U.S. California Joint Working group on Trade and Investment Cooperation.

- **State Point of Contact:** Existing law requires the State Point of Contact for the U.S. Trade Representative to work with state agencies and departments on reviewing the effects of proposed and enacted trade agreements on California businesses, workers, and the general public. Does GO-Biz also work with the State Point of Contact? And if so, was GO-Biz consulted on the Pacific Trade Agreement and the Atlantic Trade Agreement?

Related Statute

PART 4.7. BUSINESS AND TOURISM CHAPTER 2.5. International Trade and Investment

13996.4. The Legislature finds and declares all of the following:

(a) The statutory authority for the Technology, Trade, and Commerce Agency, including the agency's international trade and investment promotion programs, was repealed by Chapter 229 of the Statutes of 2003, thereby reducing the capacity of state government to assist California firms in developing global business opportunities.

(b) The repeal of the statutory authority for the Technology, Trade, and Commerce Agency has increased the importance of strengthening collaborative linkages among remaining California-based international trade and investment promotion programs operated at federal, state, regional, and local levels. These programs include, but are not limited to, the Centers for International Trade Development operated by the California Community Colleges, 15 offices of the United States Commercial Service within the United States Department of Commerce, numerous local and regional World Trade Centers, and public and private economic development and trade associations.

(c) According to data for 2000, international trade and investment activity in the state supports one in every seven California jobs.

(d) According to the Public Policy Institute of California:

(1) Nearly 94 percent of all exporters located in California are small- or medium-sized firms. Over 90 percent of businesses in California are small businesses and over 50 percent of all workers are employed by a small business.

(2) Exporters are more productive and pay higher wages than nonexporters.

(3) Effective state programs supporting export opportunities should identify and respond to differing needs of both export-willing and export-ready firms.

(e) The adequacy of the state's infrastructure, workforce, research facilities, manufacturing and service industries, and access to capital form the foundation of California's global market-related economy.

(f) California's multicultural and ethnic populations offer unique opportunities for international trade and investment.

(g) United States subsidiaries of foreign companies in California employed 561,000 California workers from 2000 to 2005. This is an increase of 15 percent. In comparison to other states, California is an attractive location for international employers, ranking first in the United States in the number of employees supported by United States subsidiaries.

(h) California's trade and investment policy is a living document that should be regularly updated to reflect emerging business trends and the changing needs of California businesses and workers.

13996.41. (a) The Governor's Office of Business and Economic Development shall develop and implement an International Trade and Investment Program that does all of the following:

(1) Attracts employment-producing direct foreign investment to the state.

(2) Provides support for California businesses in accessing international markets, including assistance to increase California exports.

(3) Engages in other international trade or foreign investment activities assigned by the Governor.

(b) The Director of the Governor's Office of Business and Economic Development may establish and terminate international trade and investment offices outside of the United States as he or she determines is appropriate if the requirements of Section 13996.65 are satisfied.

(c) This section shall not be construed to confer powers or impose duties upon the Governor's Office of Business and Economic Development that conflict with any powers conferred or duties imposed upon the Department of Food and Agriculture with respect to the promotion of California agriculture, fish, or forest exports.

(d) The Governor's Office of Business and Economic Development shall develop a conflict-of-interest and gift policy that applies to the Governor's Office of Business and Economic Development and all international trade and investment offices established by it.

(e) Any international trade and investment office established by the Governor's Office of Business and Economic Development may be funded in whole or in part by nonstate funds.

(f) The Governor's Office of Business and Economic Development may contract with a nonprofit entity to operate an international trade and investment office. The contract shall, among other provisions, require the nonprofit entity to provide the Governor's Office of Business and Economic Development information sufficient to satisfy the reporting requirements in subdivision (c) of Section 13997 within 30 days of receipt by the nonprofit entity of each donation used to fund an international trade and investment office.

13996.42. The Governor's Office of Business and Economic Development may establish an international trade and investment office outside of the United States if both of the following conditions are met:

(a) The country where an international trade and investment office would be located is among those with the greatest potential for direct foreign investment in California, export growth, or both, as determined by the director.

(b) The Director of the Governor's Office of Business and Economic Development has included the new international trade and investment office in the Governor's Office of Business and Economic Development's current annual program budget and strategy and business plan for the year for the International Trade and Investment Program as required by Section 13996.65.

13996.55. (a) The Director of the Governor's Office of Business and Economic Development shall provide to the Legislature, not later than February 1, 2019, a strategy for international trade and investment that, at a minimum, includes all of the following:

(1) Policy goals, objectives, and recommendations necessary to implement a comprehensive international trade and investment program for the state. This information shall be provided in a fashion that clearly indicates priority within the overall strategy.

(2) Measurable outcomes and timelines for the goals, objectives, and actions for the international trade and investment program.

(3) Identification of impediments for achieving goals and objectives.

(4) Identification of key stakeholder partnerships that will be used in implementing the strategy.

(5) Identification of options for funding recommended actions.

(6) Identification of an international trade and investment organizational structure for the state administration of international trade and investment policies, programs, and services.

(b) (1) The strategy shall be based on current and emerging market conditions and the needs of investors, businesses, and workers to be competitive in global markets. In addition to the policy goals, objectives, and recommendations required pursuant to subdivision (a), the strategy shall include a framework that enables the Governor's Office of Business and Economic Development to evaluate on an ongoing basis, as appropriate, current workforce, infrastructure, research and development, and other needs of small and large firms, including, but not limited to, highways, airports, and rail that link businesses with the state's ports of entry and foreign and domestic markets.

(2) The strategy may, to the extent relevant and feasible, be based on existing studies and reports, including, but not limited to, the Goods Movement Action Plan, the California Strategic Workforce

Development Plan, the California Export of Recycled Materials Report, the California Five-Year Infrastructure Plan, and the Environmental Goals and Policy Report.

(c) The strategy shall be submitted to the Chief Clerk of the Assembly and the Secretary of the Senate. A copy of the strategy shall be provided to the Speaker of the Assembly, the President pro Tempore of the Senate, and the chairs of the Assembly Committee on Jobs, Economic Development, and the Economy and the Senate Committee on Business, Professions and Economic Development, or the successor committees with jurisdiction over international trade and economic development programs.

(d) The strategy shall be updated pursuant to the procedures of this section at least once every five years.

13996.65 (a) The director shall prepare the following:

(1) A budget for the International Trade and Investment Program that includes a separately stated budget for each international trade and investment office. The budget shall provide all the following:

(A) A description of how the International Trade and Investment Program and each individual international trade and investment office will be funded.

(B) A description of staffing levels and the positions needed to operate each international trade and investment office.

(2) A strategy and business plan for the International Trade and Investment Program, developed with input from California businesses that shall include, but not be limited to, measurable goals, objectives, and outcomes and timelines necessary to attract employment-producing direct foreign investment to the state and increase California exports. The strategy and business plan shall include, but not be limited to, all of the following:

(A) A description of the staffing levels and staff expertise needed to operate each international trade and investment office.

(B) A description of monitoring and oversight procedures implemented for the International Trade and Investment Program.

(C) A description of how a newly proposed international trade and investment office will facilitate an increase of direct foreign investment in California or an increase in California exports, or both.

(3) A written review of the implementation of the prior year's strategy and business plan for the International Trade and Investment Program that addresses the performance of the program and each international trade and investment office.

(b) The annual budget, the strategy and business plan for the International Trade and Investment Program, and the prior year's review drafted pursuant to subdivision (a) shall be transmitted to the Chief Clerk of the Assembly, the Secretary of the Senate, the Speaker of the Assembly, the President pro Tempore of the Senate, the chair of the Assembly Committee on Jobs, Economic Development, and the Economy and the chair of the Senate Committee on Business, Professions and Economic Development, or respective successor committees, with jurisdiction over the international trade and economic development programs.

13996.75. The Controller shall not allocate any state funds to the Governor's Office of Business and Economic Development for international trade and investment activities if the strategy for international trade and investment has not been submitted to the Legislature pursuant to subdivision (a) of Section 13996.55 and subdivision (b) of Section 13996.65 by May 1, 2014.

TITLE 20. INTERNATIONAL RELATIONS [99500 - 99524]

CHAPTER 1. General Provisions [99500 - 99503]

99500. (a) The Governor is the primary state officer representing California's interest in international affairs, to the extent that representation is not in conflict with federal law or the California Constitution, and except as otherwise specified in this title, to the extent this title is not in conflict with federal law or the California Constitution.

(b) The Lieutenant Governor is the Chair of the California Commission for Economic Development, to improve trade opportunities for California. The Legislature finds that the commission has developed international partnerships that provide venues for foreign companies to do business in the state and for California-based companies to access foreign markets.

(c) The Attorney General is the chief law officer of California and as such assists the federal government in defending against international challenges to California laws.

(d) The Secretary of State oversees the International Business Relations Program, which aims to develop stronger connections between the international business community and the state by assisting foreign business entities with the various filing processes and procedures in California.

(e) The Department of Food and Agriculture is the primary state agency for the promotion of California agriculture, fish, and forest exports.

(f) The Natural Resources Agency and the California Environmental Protection Agency are the primary state agencies for the promotion of international exchange of environmental protection technologies, alternative energy technologies, and the promotion of the transfer of environmental technology to and from the state.

(g) The Governor's Office of Business and Economic Development is the primary state agency responsible for international trade and investment activities in areas other than those covered by the Department of Food and Agriculture.

(h) Subdivisions (a) to (f), inclusive, are declaratory of, and do not constitute a change in, existing law.

99501. (a) (1) The state point of contact, within the executive branch, acts, in compliance with federal practice, as the liaison between the state and the Office of the United States Trade Representative on trade-related matters.

(2) The state point of contact who, in compliance with federal practice, receives updates from the federal government on trade policies, is often provided the opportunity to review and comment on ongoing trade negotiations.

(b) The state point of contact shall, in addition to any other duties assigned by the Governor, do all of the following:

(1) Promptly disseminate correspondence or information from the United States Trade Representative to the appropriate state agencies and departments and legislative committees.

(2) Work with the appropriate state agencies and departments, and the Legislature, to review the effects on the California environment, and California businesses, workers, and general lawmaking authority, of any proposed or enacted trade agreement provisions, and communicate those findings to the United States Trade Representative.

(3) Serve as liaison to the Legislature on matters of trade policy oversight.

(Added by Stats. 2006, Ch. 663, Sec. 3. Effective January 1, 2007.)

99502. (a) The Office of Planning and Research shall maintain and update, a full and comprehensive list of all state agreements made with foreign governments. The list shall be updated within 30 days of the effective date of each new agreement. The list shall include at least all of the following:

(1) The dates of enactment or approval and termination.

(2) The agency, department, board, commission, or other governmental entity responsible for implementation.

(3) Activities proposed.

(4) Expected outcomes.

(b) Agencies may separately maintain detailed information or reports on these activities as those agencies determine to be appropriate, but that information or those reports shall not be deemed to meet the requirements of this section.

(Added by Stats. 2006, Ch. 663, Sec. 3. Effective January 1, 2007.)

99503. (a) (1) All state employees working under the jurisdiction of an agency secretary shall, within 30 days of traveling out of the country on official state business provide, to the secretary to whom they report, a memorandum detailing dates of the trip, countries and localities visited, a description of attendees of any official meetings or events, and the goals, outcomes, and followup expected from the trip. However, attendance at formal conferences may be described in more general detail, including dates, location, types of groups represented in the audience, and general topics covered during the course of the conference.

(2) Except as provided in paragraphs (3) and (4), state employees who do not work within an agency structure shall report the information as described in paragraph (1) to the Governor's office.

(3) Legislative employees shall provide the information as described in paragraph (1) to their respective Committee on Rules.

(4) State employees working under the jurisdiction of a constitutional officer shall provide the information as described in paragraph (1) to the constitutional officer to whom they report.

(5) Except as provided in paragraphs (3) and (4), state employees who undertake official state business that could impact California international trade or investment shall also provide a copy of the memorandum to the Director of the Governor's Office of Business and Economic Development.

(b) Travel out of the country on official state business when the Governor, a Member of the Legislature, or a constitutional officer, or all of these persons, is present, is exempt from the requirements of subdivision (a).

(Amended by Stats. 2013, Ch. 352, Sec. 319. Effective September 26, 2013. Operative July 1, 2013, by Sec. 543 of Ch. 352.)

CHAPTER 2. California-Mexico Border Relations Council [99520 - 99524]

99520. The Legislature finds and declares the following:

(a) The United States and Mexican economies have become increasingly integrated, particularly since the 1994 adoption of the North American Free Trade Agreement, or NAFTA.

(b) As the second largest United States exporter to Mexico, California has the potential to increase its exports at a faster pace and capitalize on Mexico's growing economy.

(c) In 2012, the value of California's exports to Mexico totaled \$26.3 billion, equivalent to more than one and one-half times California's trade with its closest trade partner Canada, at \$17.2 billion, and almost twice its second closest trade partner, China, at \$13.9 billion.

(d) The relationship between Mexico and California generates over \$20.9 billion per year for California.

(e) According to the United States Chamber of Commerce, trade with Mexico in 2010 represented 692,240 California jobs, making California the state with the most trade-related jobs with Mexico in the United States. California is the second largest exporter to Mexico among the 50 states, ranking behind Texas.

- (f) Among California's international trading partners, only Mexico shares a border with California. In fact, California has four major international border crossings supporting the movement of both persons and goods: San Ysidro, Otay Mesa, Tecate, and Calexico. Of these, Otay Mesa and Calexico accommodate the largest volume of trade. Otay Mesa is the largest California crossing, ranking sixth in the nation. In 2010, these California gateways with Mexico moved \$46.9 billion in merchandise.
- (g) At issue is border crossing delays between Mexico and the United States along the Imperial County-Baja California border.
- (h) In California, losses due to border crossing delays accounted for an estimated revenue loss of \$1.16 billion and 25,000 jobs in 2008.
- (i) While California remains the largest recipient of foreign domestic investment (FDI) in the United States, faster FDI is occurring elsewhere.
- (j) Despite this critical economic relationship, California has not had a formal mechanism for the past decade devoted to maximizing trade, addressing challenges, and coordinating cross-border programs for trade development between the two countries. This has left California employers and businesses without formal access to Mexican government officials, a major disadvantage to California's trade industries.
- (k) In 2006, the Office of California-Mexico Affairs was established to further and develop favorable relations with Mexican states by cooperating with similar organizations and agencies situated within California, the United States, or Mexico. Important areas of activity include, but are not limited to, enhancing economic development opportunities among the participating states, improving working conditions and living standards, and fostering the protection and improvement of the environment in Mexico and California.
- (l) To help carry out these duties the California-Mexico Border Relations Council was also established to identify new border priorities and fundable projects in the areas of infrastructure, trade, environment, health, and security while supporting current and ongoing activities such as the Border Governors Conference, trade missions, and border workgroups, and coordinating specific future projects with Mexico. Priorities and projects identified by the California-Mexico Border Relations Council shall be funded pursuant to Section 71101 of the Public Resources Code, establishing the California Border Environmental and Public Health Protection Fund.
- (m) It is critical for California that state agencies continue to address important United States-Mexico issues.
- (n) Furthermore, California should maximize its economic relationship with Mexico to improve the state's economy, to maximize the amount of exports, and create more California jobs.
- (o) Therefore, the Legislature finds that California needs a formalized trade relationship with Mexico. Establishing an official trade relationship with Mexico will help ensure that the state can improve its global competitiveness and protect California industry, proactively support the expansion and location of businesses in California, provide international business assistance to California businesses, and support their entry and successful participation in the growing Mexican marketplace.
- (p) The California-Mexico Border Relations Council provides a focal point in state government to serve as a clearinghouse for information and assistance to other state agencies that are involved with Mexico.

99521. The following definitions shall govern the construction of this chapter:

- (a) "Border" means the line of demarcation between California and Mexico.
- (b) "Council" means the California-Mexico Border Relations Council.
- (c) "Public agency" means a city, county, city and county, district, or the state or any agency or department of the state.

99522. (a) The California-Mexico Border Relations Council is hereby established in state government. The council shall consist of the Director of the Governor's Office of Business and Economic Development, the Secretary of the Natural Resources Agency, the Secretary for Environmental Protection, the Secretary of California Health and Human Services, the Secretary of Transportation, the Secretary of Food and Agriculture, the Secretary of State and Consumer Services, and the Director of Emergency Services. The Regional Administrator of the United States Environmental Protection Agency, Region 9, may appoint a representative from his or her staff to serve as an ex-officio, nonvoting member of the council.

(b) The Secretary for Environmental Protection shall chair the council.

99523. The council shall do all of the following:

(a) Coordinate activities of state agencies that are related to cross-border programs, initiatives, projects, and partnerships that exist within state government, to improve the effectiveness of state and local efforts that are of concern between California and Mexico.

(b) Invite representatives of the State of Baja California and the Mexican government to participate in meetings.

(c) Establish policies to coordinate the collection and sharing of data related to cross-border issues between and among agencies.

(d) Establish the Border Region Solid Waste Working Group to develop and coordinate long-term solutions to address and remediate problems associated with waste tires, solid waste, and excessive sedimentation along the border that cause the degradation of valuable estuarine and riparian habitats, and threaten water quality and public health in the state.

(e) Identify and recommend to the Legislature changes in law needed to achieve the goals of this section.

99524. Beginning January 1, 2008, the council shall submit a report to the Legislature on the council's activities annually.