

**Assembly Committee on Jobs, Economic  
Development, and the Economy**

**Assembly Select Committee on Asia/California  
Trade and Investment Promotion**

# **California International Trade and Foreign Investment: Profile on China**



**Tuesday, March 13, 2018**

**Assembly Committee on Jobs, Economic Development, and the Economy**

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# California International Trade and Foreign Investment: Profile on China

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# California International Trade and Foreign Investment: Profile on China

On Tuesday, March 13, 2018, the Assembly Committee on Jobs, Economic Development, and the Economy (JEDE) and the Assembly Select Committee on Asia/California Trade and Investment Promotion (ACTIP) are convening an informational hearing to examine trade and investment activities between California and the People's Republic of China.

In 2017, California exported \$16.4 billions of dollars of goods to China, ranking China as California's third largest trade partner, following Mexico and Canada. Investors from China are a leading source of Foreign Direct Investment (FDI) to California. China's increasing focus on addressing the causes of climate change through the development and deployment of new technologies and the implementation of policies to limit further impacts are leading to deeper environmental engagements and cooperation between China and California.

## Hearing Overview

The Chairs and Members of JEDE and the ACTIP will open the hearing by providing welcoming remarks and identifying key issues. Formal hearing presentations will begin with the Honorable **Ren Faqiang**, Deputy Consul General of the People's Republic of China in San Francisco, who has been asked to speak on the deepening California and China relationship.

The Governor's Office of Business and Economic Development (GO-Biz) will present information on state trade promotion activities, with a specific focus on initiatives furthering California and China business development. **Awinash Bawle**, the Deputy Director of International Affairs and Business Development, will be presenting and facilitating this agenda item.

Formal presentations will conclude with a panel of trade promotion experts who will discuss how their organizations are assisting California communities and businesses to remain competitive in the evolving global trade environment. Invited panelists include **Carrie Harmon**, Commissioner of Foreign Trade, Riverside County Office of Foreign Trade; representative from the China General Chamber of Commerce USA; **Darlene Chiu**, Executive Director, ChinaSF; **Tim Kelley**, President & CEO, Imperial Valley Economic Development Corporation; and **Peter Shiao**, Chairman, CHINAWEEK.

A public comment period is scheduled upon the conclusion of the formal presentations. An agenda for the hearing can be found in *Appendix A* (page i), and *Appendix G* (page xxi) includes biographies of the invited speakers.

## State Trade Promotion Activities

As the state's lead agency on trade and foreign investment, excluding agriculture-related products, GO-Biz is responsible for preparing the state International Trade and Investment Strategy, which sets policies and priorities for the state's activities. GO-Biz also operates a number of key programs to facilitate business development, in general, and trade and foreign investment, specifically. These programs include the State Trade and Export Promotion (STEP) Program, EB-5 investment visa activities, export finance support through the Small Business Finance Center, data reports and tracking of foreign trade trends, and the China Trade Office.

STEP has been provided through a trade and investment initiative authorized by the federal Small Business Jobs Act of 2010. The program is regionally administered through a partnership between GO-Biz and the California Community Colleges through a network of Centers for International Trade and Development (CITDs). The primary purpose of the program is to create jobs by increasing the number of, and the volume of, small businesses exporting.

The California Trade and Investment Office in Shanghai is self-funded through private contributions and operates under a cooperative agreement between GO-Biz and the Bay Area Council, a San Francisco-headquartered nonprofit business organization. Opened in October 2012, the purpose of the Trade Office is to provide California companies with increased access to Chinese business contacts, Chinese investors with access to California projects, and to spur new investment and trade growth between California and China. In order to expand the Offices outreach, GO-Biz later entered into a memorandum of understanding (MOU) with additional California-China trade partners including the California Asian Pacific Chamber of Commerce, World Trade Center Los Angeles, and the City of Sacramento.

### **To Provide Public Comments**

A Public Comment period will follow the panel discussion and presentations. Individuals and representatives from organizations and businesses are encouraged to sign-up and add their voices to this important dialogue.

Individuals interested in providing testimony during Public Comment may sign-up through the JEDE Committee Office 24 hours prior to the hearing, or on the Public Comment sheet that will be available at the Sergeants' Desk during the hearing. Written comments may also be submitted to the JEDE Office until April 30, 2018.

### **Background on California's Trade-Dominated Economy**

This section includes background on the state's trade-based economy, including information on major industry sectors, a discussion of how trade adds value to the state's economy, and a summary of trade and business-related agreements between California and the People's Republic of China.

#### **The Fundamentals of the California Economy**

California is home to over 39 million people, providing the state with one of the most diverse populations in the world, often comprising the single largest concentration of nationals outside their native country. In 2016, this diverse group of business owners and workers produced \$2.6 trillion in goods and services, \$163.6 billion of which were exported to over 220 countries around the world.

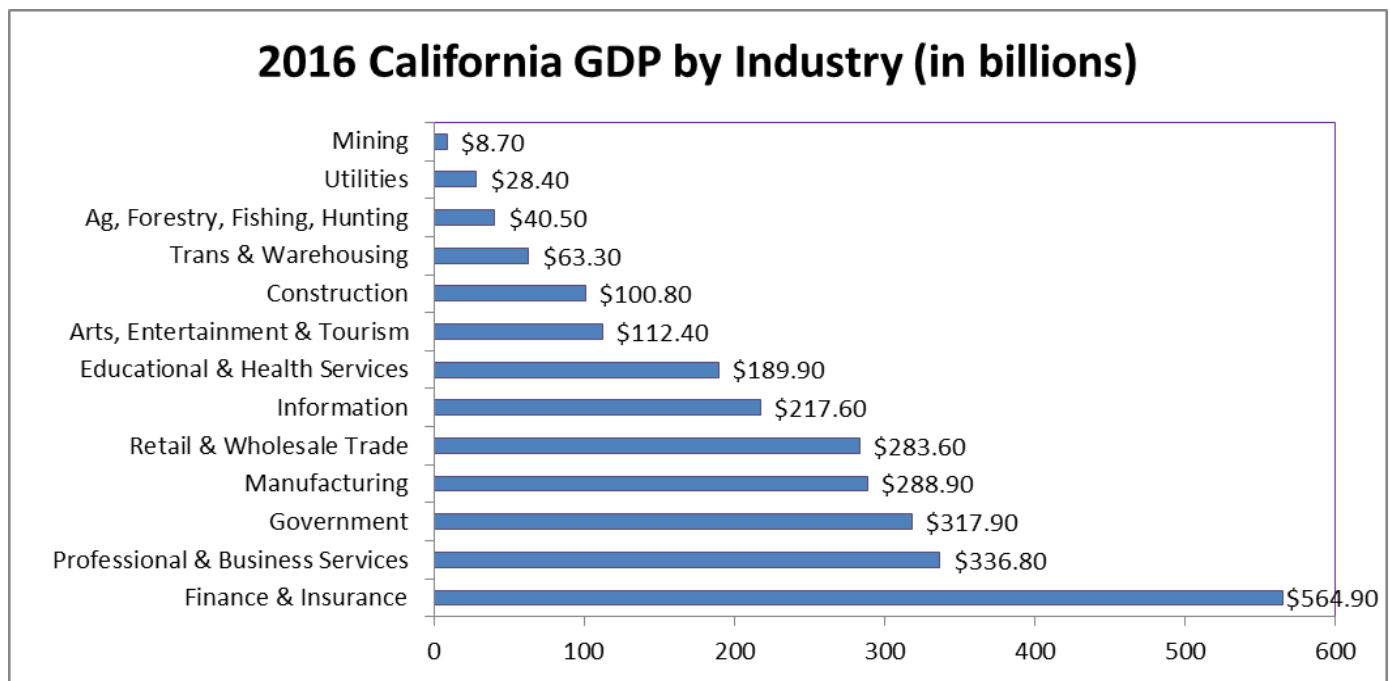
If California were a country, its 2016 GDP would place it 6th among nations, ranking as follows: United States (\$18.56 trillion); China (\$11.22 trillion); Japan (\$4.94 trillion); Germany (\$3.47 trillion); United Kingdom (\$2.62 trillion); California (\$2.60 trillion); France (\$2.46 trillion); India (\$2.26 trillion), and Italy (\$1.85 trillion). Russia ranks 13th with a GDP of \$1.28 trillion.

Historically, a number of factors have contributed to California's significant position within the global marketplace, including its strategic west coast location, the size of its consumer base, the strength of its dominant industry sectors, its economically diverse regional economies, its skilled workforce, and its culture of innovation and entrepreneurship, particularly in the area of technology. California's 29 million

working age individuals comprise the single largest workforce in the nation, are comparatively younger, and have an educational achievement level above the national average.

Many policy makers and economists describe California as having not a single economy, but having a highly integrated network of a dozen or so regional economies. While biotech has a comparative advantage in some regions, information technology drives growth in others. This economic diversity contributed to California's ability to aggressively move out of the recession, ranking number two in the nation by *Business Insider* for fastest growing economy in the nation in August 2014 and being identified as having the fourth best overall economy in March 2015.

**Chart 1** displays information from the U.S. Census Bureau on California's private industry sectors based on its contribution to the state's GDP. In 2016, the finance and insurance sector provided the largest economic contribution to the state's overall GDP: \$565 billion of the \$2.6 trillion. Firms in this industry sector include entities that raise funds, pool risk, and facilitate financial transactions including real estate.

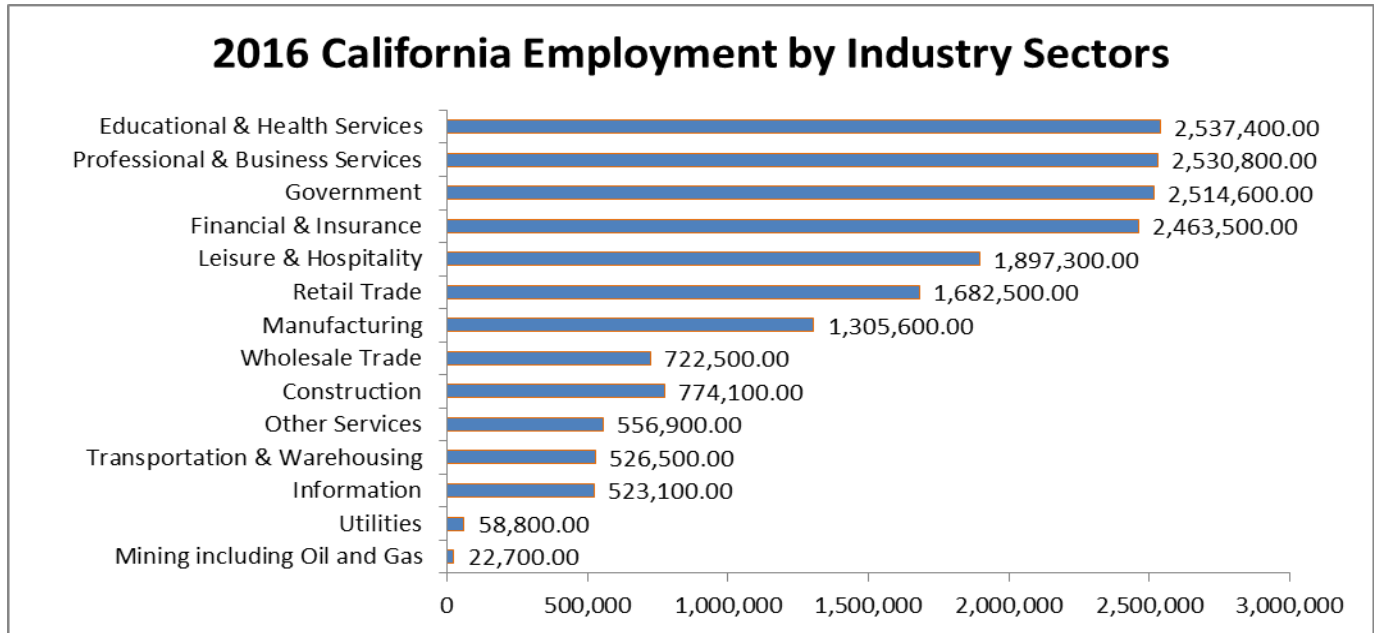


On the following page, **Chart 2** shows employment data provided by the California Employment Development Department on California's largest industry sectors. In 2016, the **trade, transportation, and utilities sector was largest**, employing nearly 3 million people (18.4% of California jobs). For the purposes of the chart, the trade, transportation and utility sector have been segmented to more clearly illustrate major employment parts. Jobs in this sector also support employment in other industry sectors including Manufacturing (8.1%), Professional Services (15.6%), and Financial Activities (5.0%).

These trade-related industry sectors comprise a majority of what EDD has designated as the state's "economic base" sectors, which include professional services, manufacturing, and transportation, among others. Employment in these economic base industries represents 36% of the state's projected growth between 2014 and 2024.

Manufacturing is considered the "gold standard" for jobs because of its high wages, inclusion of small businesses within its global supply chains, and ability to leverage domestic and foreign research and development. These factors contribute to manufacturing having a high multiplier effect on related jobs.

## 2016 California Employment by Industry Sectors



The Milken Institute estimates that for every job created in manufacturing, 2.5 jobs are created in other sectors. In some industry sectors, such as electronic computer manufacturing, the multiplier effect is 16:1.

While California has the largest manufacturing sector in the nation, the state is often bypassed for new facilities and the expansion of existing facilities. According to the California Manufacturers and Technology Association, California falls into the lower quartile of states, based on its manufacturing job growth following the recession. In comparing new and expanding manufacturing activity (January 2010 to October 2016), California ranked 24th out of 32 major manufacturing states. California received only 2.57% of the job growth, as compared to Michigan that generated the most (32.49%) and New Jersey (-4.78%) that had a net loss of jobs over the 16-year period.

One challenge California faces in growing manufacturing jobs is the state's perceived lack of cost competitiveness and the regulated nature of its business environment. These perceptions impact not only decisions about expansions and relocation from other states and nations, but also reshoring decisions. According to one study, California is receiving only about 1% of reshored manufacturing jobs. In recent years, the Legislature and Administration have adopted and funded new tax initiatives related to the initial cost of development and expansions, as well as technical assistance to help businesses navigate the state regulatory and permitting environment.

Additional information about the California economy can be found in *Appendix B - Fast Facts on the California Economy* (page iii).

### How Trade Adds Value to the Economy

International trade and foreign investment are important components of California's \$2.6 trillion economy supporting over 4 million California jobs. The value of trade to the California economy is increasing as reflected in the percentage of California jobs tied to trade more than doubled from 1992 to 2011: 10.6% vs. 22.0%.

As noted above, businesses from a range of industry sectors support trade and foreign investment activities in California. Among other advantages, the workers in these businesses earn on average 13% to 28% higher wages than the national average. California leads the nation in export-related jobs.



Advances in transportation and communication technologies are encouraging the development of previously undeveloped markets and expanding multinational business opportunities for California firms. With more than 95% of consumers located outside the U.S. and emerging economies experiencing a growing middle class, accessing these global markets is key to California's continued economic growth. Today, four of California's top five exports include component parts, which leave the state to be combined and assembled into a final product in a foreign country.

California's land, sea, and air ports of entry served as key international commercial gateways for the \$573.5 billion in products entering and exiting the U.S. in 2016. If California were a country, it would be the 28th largest exporter and the 10th largest importer in the world, based on 2016 trade numbers. Exports out of California were valued at \$171.9 billion and represented 11.1% of total U.S. exports in 2017. Imports into California were valued at \$410 billion and represented 18.7% of total U.S. imports in 2016.

**Chart 1** shows export data on the state's top six trade partners, based on origin of movement. Mexico has been California's top trade partner since 1999. Other top-ranking export destinations, not shown on the chart, include Germany, the Netherlands, and the United Kingdom.

	<i>Partner</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>
	World	159.4	161.7	168.0	174.1	165.3	163.5	171.9
1	Mexico	25.8	26.3	23.9	25.4	26.7	25.2	26.7
2	Canada	17.2	17.4	18.8	18.2	17.2	16.1	16.7
3	China	14.2	13.9	16.2	16.0	14.3	14.3	16.4
4	Japan	13.1	13.0	12.7	12.2	11.7	11.7	12.8
5	Hong Kong	7.6	7.8	7.7	8.5	8.7	9.6	12.1
6	South Korea	8.4	8.2	8.3	8.6	8.6	8.2	9.6

Source and presentation breakdown: International Trade Administration, accessed 03/08/2018

In today's globally linked economy, manufacturing utilizes products from across the U.S., as well as from other nations. In 2012, 61% (\$1.3 trillion) of the products imported into the U.S. were inputs and components intended for use by American producers. According to the OECD, in 2014, 15.1% of U.S. exports and 29.4% of exports from the People's Republic of China contained materials that originated from a foreign country.

**Chart 2** displays data on the top 6 products California exported to China in 2017, many of which include components and production resources.

<i>NAICS Code – Product Type</i>	<i>Export Value in Dollars (\$)</i>	<i>Percent of Total Exports to China</i>
334-Computer And Electronic Products	\$4,363,892,026	26.6%
336-Transportation Equipment	\$2,548,021,783	15.5%
333-Machinery, Except Electrical	\$2,050,118,388	12.5%
910-Waste and Scrap	\$1,709,350,901	10.4%
325-Chemicals	\$1,270,495,510	7.7%
111-Agricultural Products	\$732,139,077	4.4%
<i>Total Exports - All Products</i>	\$16,427,200,509	100%

Source: International Trade Administration, accessed 03/08/2018

In addition to exporting goods and services, the California economy benefits from foreign-owned firms. The federal International Trade Administration estimates that in 2014 (most recent data) over 665,000

California workers have benefited from jobs with foreign-owned firms, which accounted for 10.3% of all jobs in foreign-owned firms in the U.S.

California has had the highest level of employment in foreign-owned firms in the nation since at least 1997. In 2014, jobs in California foreign-owned firms represented 4.9% of all private sector jobs in the state, up from 4.1% in 2013. Along with employment, foreign-owned firms own more property, plants, and equipment in California than in any other state.

Additional information about California trade can be found in *Appendix C – Fast Facts on the California Trade-Based Economy* (page v) and *Appendix D - Fast Facts on the California-China Trade Relationship* (page ix)

### **California's International Agreements with China**

Existing law requires the state's International Trade and Investment Program to be focused on attracting employment producing direct foreign investment; supporting California businesses' access to foreign markets; and engaging in other trade and foreign investment activities assigned by the Governor.

Governor Brown has placed a high priority on the development of diplomatic, environmental, and business exchanges between California and China. In addition to approving California's only foreign trade office to be opened in Shanghai, the Governor conducted a trade mission to China in 2013; entered into cooperation agreements with China on business and climate-related issues; has held many bilateral and multilateral meetings with high ranking Chinese officials; and has twice met with President Xi Jinping to discuss issues of mutual interest.

Most recently, Governor Brown announced that he would be traveling to China in June 2018 to attend the Clean Energy Ministerial, an annual meeting of national energy ministers and other high-level delegates, and join China's Ministry of Science and Technology to host the "Under2 Clean Energy Forum."

The chart below summarizes several of these cooperation agreements and includes links for additional information.

<b>Selection of California and China Cooperation Agreements</b>		
<b>Date Signed</b>	<b>Title/Purpose</b>	<b>Link to Governor's Press Release</b>
April 10, 2013	Memorandum of Understanding between <i>California and the National Ministry of Commerce and the relevant provinces of the People's Republic of China</i> on establishing "China Provinces and the U.S. California Joint Working Group on Trade and Investment Cooperation"	<a href="http://www.business.ca.gov/Portals/0/Files/MOU-Min_of_Commerce_China.pdf?ver=2016-10-03-143836-057">http://www.business.ca.gov/Portals/0/Files/MOU-Min_of_Commerce_China.pdf?ver=2016-10-03-143836-057</a>
April 14, 2013	Memorandum of Understanding on friendly cooperation between <i>California and the Jiangsu Province of the People's Republic of China</i>	<a href="http://www.business.ca.gov/Portals/0/Files/MOU-Jiangsu_China.pdf?ver=2016-10-03-143835-260">http://www.business.ca.gov/Portals/0/Files/MOU-Jiangsu_China.pdf?ver=2016-10-03-143835-260</a>
April 14, 2013	Memorandum of Understanding on strategic cooperation between <i>GO-Biz and the Administration Committee of Shanghai Zhangjiang High-Tech Park</i>	<a href="http://www.business.ca.gov/Portals/0/Files/MOU-Shanghai_China.pdf?ver=2016-10-03-143835-913">http://www.business.ca.gov/Portals/0/Files/MOU-Shanghai_China.pdf?ver=2016-10-03-143835-913</a>
April 15, 2013	Memorandum of Understanding on the	<a href="http://www.business.ca.gov/Portals/0/Files/MOU-">http://www.business.ca.gov/Portals/0/Files/MOU-</a>

	Friendly Exchanges and Cooperation between <i>California and Guangdong Province of the People's Republic of China</i>	<a href="http://www.business.ca.gov/Portals/0/Files/MOU-Guangdong_China_Gov_Brown.pdf?ver=2016-10-03-143834-663">Guangdong_China_Gov_Brown.pdf?ver=2016-10-03-143834-663</a>
April 16, 2013	Memorandum of Understanding to foster cooperation on trade and investment promotion between <i>GO-Biz and the Municipality of Chongqing Foreign Trade and Economic Relations Commission of the People's Republic of China</i>	<a href="http://www.business.ca.gov/Portals/0/Files/MOU-Chongqing_China.pdf?ver=2016-10-03-143835-320">http://www.business.ca.gov/Portals/0/Files/MOU-Chongqing_China.pdf?ver=2016-10-03-143835-320</a>
October 14, 2013	Memorandum of Understanding for further promoting bilateral trade and investment between <i>California and the Inner Mongolia Autonomous Region of China</i>	<a href="http://www.business.ca.gov/Portals/0/Files/MOU-Inner_Mongolia.pdf?ver=2016-10-03-143835-087">http://www.business.ca.gov/Portals/0/Files/MOU-Inner_Mongolia.pdf?ver=2016-10-03-143835-087</a>
September 21, 2014	Establishes a Sister State Relationship between <i>California and Guangdong Province of the People's Republic of China</i>	<a href="http://www.business.ca.gov/Portals/0/Files/MOU-Guangdong_Sister_State_China.pdf?ver=2016-10-03-143834-900">http://www.business.ca.gov/Portals/0/Files/MOU-Guangdong_Sister_State_China.pdf?ver=2016-10-03-143834-900</a>

Key elements of these agreements are the importance of promoting trade and investment missions, encouraging innovation, and strengthening the capacity of both parties to participate in business development activities that are mutually beneficial. Examples of priority initiatives covered within these agreements include, but are not limited to, the following industry and issues areas:

- Agriculture;
- Biological Medicine;
- Business Exhibitions;
- Coordination of inbound trade missions;
- Cultural Tourism;
- Ecological Environmental Protection;
- Energy Development;
- Information Technologies;
- Infrastructure and Modern Logistics;
- Manufacturing;
- Rare Earth, Coal, and Nonferrous Metals;
- Strengthening cooperative relationships between cities and regions within the two countries; and
- Technology Development.

Formal and informal bilateral working groups have been established to support the implementation of these cooperation agreements. Examples of projects that have resulted from these formal agreements, as well as activities that have organically developed through California and China's ongoing dialogue and engagement, include the following:

- **Cooperation around the Near- and Zero-emission Vehicles:** In June of 2017, Governor Brown, the California Air Resources Board Chair Mary D. Nichols, and other state officials met in Beijing with China's leading automakers and battery manufacturers in an effort to expand cooperation and accelerate deployment of zero-emission cars, trucks and buses. Also participating in the meeting was the chief sustainability officer for the city of Los Angeles. "In order to achieve California's climate goals, we

need more electric cars and more hydrogen fuel cell cars that are charged with renewable energy,” said Governor Brown.

The market of zero-emission vehicles exceeded two million cars, trucks and buses worldwide in 2017. China accounts for about 40% of the global market and California is responsible for more than 50% of sales in the U.S. As part of California's follow-up from the meeting, the Governor proposed to establish a new working group through the China-US ZEV Policy Lab at UC Davis.

- **Clean Tech Working Group:** In October 2016, GO-Biz and the California Energy Commission convened the Joint Working Group in Beijing to discuss ways to strengthen economic opportunities for California clean tech companies and encourage Chinese foreign direct investment. Other members of California's delegation included the California Asian Pacific Chamber of Commerce, Los Angeles World Trade Center, the City of Sacramento, the Bay Area Council, and LAREx, as well as a dozen clean energy executives and California business representatives.
- **Business Summits:** GO-Biz hosted two business summits to bring together investors and businesses in California and China. The first summit was held in Sacramento and focused on businesses engaged in clean technology, water innovation, sustainable development, and zero-emission vehicles. The second summit, held in Los Angeles, focused on bioscience, advanced transportation, and aerospace. Investors and businesses from Japan, Korea, Singapore, and Malaysia also attended the Los Angeles Event. According to the East-West Center, which has been following this process, between 2000 and the first quarter of 2017, California secured 441 incoming investment deals from China.

### **Framing the Issues**

Rapid globalization in the past two decades has permanently changed the economic development paradigm for California communities. The state's unique location and demographics provide both opportunities for engaging in domestic and international commerce, as well as challenges such as obtaining business capital, hiring an appropriately skilled workforce, and accessing quality infrastructure to support the exchange of products, services, and ideas. While not the only player, state and local governments have an important role in establishing the conditions that support a vibrant economy where both workers and entrepreneurs are prosperous.

During the course of the hearing, Members will hear from government leaders and public and private trade partners about the unique and expanding trade relationship between California and China. Witnesses have been asked to share their insights on the right mix of policies and programs to help California compete and be successful in today's global marketplace. Among other issues, the Members may want to consider the following:

- How can the Legislature support the implementation of the state Trade and Investment Strategy as it relates to China?
- Where are the opportunities for enhancing California business and worker competitiveness in an evolving global economy?
- Can successful trade promotion and investment strategies in one region be adopted in other areas of the state?
- Can the state's education and workforce development systems meet the challenges of serving the needs of foreign-owned firms and businesses engaging in foreign trade?

- How can the state enhance the specific conditions necessary to support young entrepreneurs, microenterprises, and small businesses to successfully engage in trade with China?
- What actions can the state take to remove de-facto barriers to trade and foreign investments?
- What role can the state play in supporting California businesses within an evolving federal policy on international trade and investment?
- How can e-commerce platforms, technical assistance, and the development of better regulatory implementation methods reduce barriers and provide greater access to California markets?

### **Materials in the Appendices**

A fact-packed summary of the California economy and copies of other materials related to the presentations are provided in the appendices.

- Appendix A - *Agenda for the March 13, 2018 Hearing*
- Appendix B - *Fast Facts on the California Economy*
- Appendix C - *Fast Facts on the California Trade-Based Economy*
- Appendix D - *Fast Facts on the California-China Trade Relationship*
- Appendix E - *Selection of Related Legislation*
- Appendix F - *Selection of Related Reports*
- Appendix G - *Biographies of the Speakers*

### **Committee Contact Information**

The Assembly Committee on Jobs, Economic Development and the Economy is the standing committee of the California State Legislature responsible for overseeing issues related to business formation, foreign trade and investment, industrial innovation and research, and state and local economic development activities. The Committee Office is located in the Legislative Office Building at 1020 N Street, Room 359. The phone number for the Committee is 916.319.2090.

The Assembly Select Committee on Asia/California Trade and Investment Promotion is a research committee of the California State Legislature which is tasked with identifying ways to encourage overseas companies to expand their next projects, investments, and enterprises in California so that the state's economy can benefit directly from those jobs and investments. The Committee is located in the State Capitol, Room 6026. The phone number for the Committee is 916.319.2019.



# APPENDICES





# **Appendix A**

## ***California International Trade and Foreign Investment: Profile on China***

### ***Hearing Agenda for March 13, 2018***

The Assembly Committee on Jobs, Economic Development, and the Economy and the Assembly Select Committee on Asia/California Trade and Investment Promotion are convening an informational hearing on the status and continuing economic opportunities with one of the state's largest trading partners: The People's Republic of China.

#### **I. Welcome, Introductions, and Opening Statements**

*Chairs and members of the committees will provide opening remarks to set the structure and context for the hearing.*

#### **II. Remarks from the Consulate General of the People's Republic of China**

*Ren Faqiang, Deputy Consul General of China in San Francisco will provide remarks on recent economic development activities between California and China.*

#### **III. Remarks from Governor's Office of Business and Economic Development**

*Panorea Avdis, Director of the Governor's Office of Business and Economic Development, will provide remarks on the role GO-Biz plays as California's primary point of contact for businesses and economic development.*

*Awinash Bawle, Deputy Director for International Affairs and Business Development, will provide an overview of how International Affairs directly supports businesses, here and abroad, on issues relating to expanding bi-lateral trade and investment opportunities with China, and other key trading partners.*

*Ruda Guo, commercial attaché in Chinese Consulate General Los Angeles, will provide remarks on the work the China provinces and US-California joint working group have done to-date to encourage trade and investment cooperation.*

#### **IV. Remarks from Panel of Trade Partners**

*Panelists will share innovative and high impact initiatives their organizations are undertaking to support California businesses' access to markets in China; increase Chinese investment in California; and support the expansion of Chinese-owned businesses into California.*

- *Darlene Chiu, Executive Director, ChinaSF*
- *Tim Kelley, President and Chief Operating Officer, Imperial Economic Development Corporation*
- *Peter Shiao, Chairman, CHINAWEEK*
- *Ray Bowman, Director, Small Business Development Center of Ventura and Santa Barbara Counties*

#### **V. Public Comment**

*Anyone interested in addressing the Committees may sign up to speak during the public comment period. A sign-up sheet is located at the back of the hearing room. Written comments may also be submitted to the JEDE and ACTIP committee offices.*

**VI. Closing Remarks**

*Assembly Members will make closing remarks and offer recommendations for further actions.*

**VII. Closing Remarks**

*Assembly Members will make closing remarks and offer recommendations for further actions.*

## Appendix B

### *Fast Facts on the California Economy*

Compiled by: Assembly Committee on Jobs, Economic Development, and the Economy  
Assemblywoman Sharon Quirk-Silva, Chair

#### California Gross Domestic Product (GDP)

- California’s economy is the sixth largest in the world – larger than Russia, Italy, India, and Canada.<sup>i</sup>

- In 2016, California GDP grew from \$2.4 trillion to \$2.6 trillion.<sup>iii</sup>

California's largest private industry sectors were: Finance, insurance, real estate, rental, and leasing (21.7% of state GDP); trade, transportation, and utilities (14.4% of total GDP); professional and business services (12.94% of state GDP);

manufacturing (11.1% of state GDP); information (8.3% of state GDP).<sup>iv</sup>

Comparison of 2016 GDPs			
Country	GDP	Country	GDP
1 - United States	\$18.56 trillion	9 - Italy	\$1.85 trillion
2 - China	\$11.22 trillion	10 - Brazil	\$1.79 trillion
3 - Japan	\$4.94 trillion	11 - Canada	\$1.53 trillion
4 - Germany	\$3.47 trillion	12 - Korea	\$1.41 trillion
5 - United Kingdom	\$2.62 trillion	13 - Russia	\$1.28 trillion
6 - California*	\$2.60 trillion	14 - Australia	\$1.26 trillion
7 - France	\$2.46 trillion	15 - Spain	\$1.23 trillion
8 - India	\$2.26 trillion		

Source: Department of Finance<sup>ii</sup>

#### Firms, Employment and Wages

- There were 3,206,958 firms in California that had no employees in 2015, representing 82% of all firms in California (3,906,497 in total). Of firms which have employees (699,539 in total) 49.9% had 1 to 4 employees, 78.0% had less than 20 employees, 87.0% had less than 100 employees, and 89.0% had less than 500 employees (federal small business definition). Approximately 6,115 firms in California had 500 employees or more. v
- There were 19.3 million workers in the California labor force in January 2018 with 18.5 million individuals employed, a month over increase of 17,000 jobs. This represents a 342,000 (1.9%) increase in jobs over the prior year.vi
- In January 2018, nonfarm employment rose in eight sectors. The sectors with increased employment were: construction (11,100); trade, transportation, and utilities (10,800); educational and health services (10,700); leisure & hospitality (6,400); manufacturing (2,100); other services (1,100); government (1,100); and financial activities (1,00). ); The sector losing the most jobs was: professional and business services (7,300); information. Mining and logging remained unchanged. vii
- California exported \$171.9 billion in products in 2017 to over 220 foreign countries. Mexico (\$26.7 billion) and Canada (\$16.7 billion) are the state's largest export markets.viii California imported \$440.7 billion in products from other countries, accounting for 18.7% of total U.S. imports in 2017. China (\$159.1 billion) and Mexico (\$46.4 billion) are the state's largest import markets.ix
- California median household income was \$61,818 (\$53,889 for U.S.)x with 14.3% of individuals in the state (14.0% for U.S.) living on incomes at or below the federal poverty designation.xi Using the federal Supplemental Poverty Measure, which accounts for geographic differences, transfer payments, and out-of-pocket expenses, 20.4% of California residents live in poverty, as compared to 14.7% nationally averaged from 2014 to 2016.xii

## **Future California Job Market**

- The Employment Development Department is responsible for assessing future employment needs based on regional industry clusters. By 2024, it is estimated that total industry employment (including self-employment, farm employment and private household workers) will reach 19.7 million, an increase of 15.1% over the 10-year projected period of 2014-2024. The increase in nonfarm employment is estimated to be over 2.3 million jobs. The chart displays projected growth in nonfarm employment for 2014-2024, including new and replacement jobs.

<b>Projected Job Growth in Employment from 2014-2024 (ranked by number of jobs)</b>							
	<b>Industry Sector</b>	<b>Percent Change</b>	<b>Increase in Jobs</b>		<b>Industry Sector</b>	<b>Percent Change</b>	<b>Increase in Jobs</b>
	Educational Services, Health Care, and Social Assistance	24.8%	586,600	7	Transportation, Warehousing, and Utilities	18.6%	97,200
	Professional and Business Services	19.4%	471,200	8	Information	17.0%	78,900
	Leisure and Hospitality	22.8%	400,100	9	Wholesale Trade	10.3%	73,400
	Construction	32.1%	216,700	10	Financial Activities	8.1%	63,600
	Government	6.8%	164,600	11	Other Services (excludes private household services)	8.0%	43,100
	Retail Trade	8.7%	142,000	12	Manufacturing	1.3%	17,200

Source: Employment Development Department<sup>xiii</sup>

## **January 2018 Unemployment**

- In January 2018, the California seasonally adjusted unemployment rate was 4.4%, down 0.1% from the prior month. This figure represents approximately 866,000 unemployed workers reflecting a labor force participation rate of 62.3%.xiv Over the same period, the national unemployment rate was 4.1%.xv
- For January 2018, the counties with the highest not seasonally adjusted unemployment were Colusa (18.5%) and Imperial (17.0%). Six counties had unemployment under 3% including: San Mateo (2.1%), Marin (2.3%), and San Francisco (2.4%). The comparable non-seasonally adjusted state unemployment rate was 4.6%.xvi
- The highest not seasonally adjusted unemployment rates by race and ethnicity were among blacks (6.9%), Hispanics (5.6%), and whites (4.7%) in January 2018. The comparable non-seasonally adjusted state unemployment rate was 4.6%.xvii
- Most Californians, 81.6%, generally worked full time. There were 775,000 persons in California who worked part time involuntarily, comprising 4.2% of all employed workers during the survey week and down 15.7% from the prior year. Persons not in the labor force were approximately 11,704,000, which is an increase of 33,000 from the prior year. xviii
- By age group, the highest unemployment group was among workers 16 to 19 (17.7%).xix The largest group of unemployed persons, when sorted by duration, were those unemployed for less than 5 weeks, which represented 301,000 persons or 33.2% of those unemployed. These are not seasonally adjusted rates.xx

## Appendix C

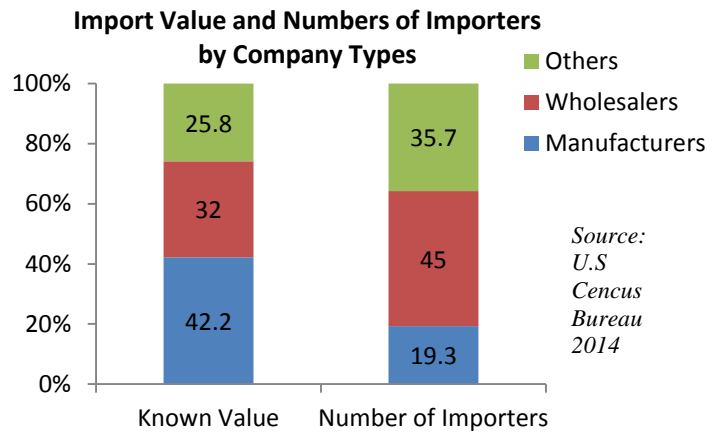
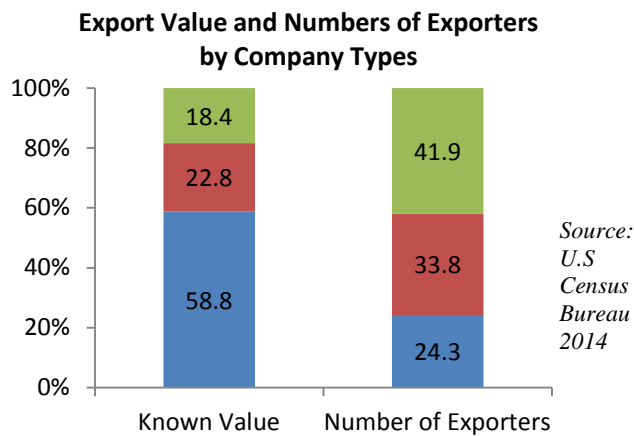
### *Fast Facts on the California Trade-Based Economy*

Compiled by: Assembly Committee on Jobs, Economic Development and the Economy  
Assemblywoman Sharon Quirk-Silva, Chair

If California were a country, it would stand among the ten largest economies in the world, with a 2016 state GDP of \$2.6 trillion.<sup>xxi</sup> In 2017, California imports and exports totaled \$612.6 billion, representing 15.7% of total U.S. imports and exports.<sup>xxii</sup>

#### **California and World Markets**

- In 2016, California GDP grew from \$2.4 trillion to \$2.6 trillion.<sup>xxiii</sup>
- Exports out of California were valued at \$171.9 billion in 2017 and represented 11.1 % of total U.S. exports.<sup>xxiv</sup> For comparison, California exported \$168 billion in 2013.<sup>xxv</sup>
- California's largest export market is Mexico, where the value of exports totaled \$26.7 billion in 2017. After Mexico, California's top export markets in 2017 were: Canada (\$16.7 billion); **China** (\$16.4 billion); Japan (\$12.8 billion); Hong Kong (\$12.1 billion); South Korea (\$9.6 billion); Taiwan (\$6.3 billion); Germany (\$5.9 billion); the Netherlands (\$5.7 billion); and the United Kingdom (\$5.0 billion).<sup>xxvi</sup>
- California's top six exports in 2017 were: Computer & Electronic Products (\$43.6 billion); Transportation Equipment (\$18.9 billion); Machinery, except Electrical (\$17.0 billion); Miscellaneous Manufactured Commodities (\$14.0 billion); Agricultural Products (\$13.6 billion); and Chemicals (\$13.2 billion).<sup>xxvii</sup>
- California exported \$26.7 billion in products to Mexico in 2017. The top five exports to Mexico were: Computer and Electronic Products (\$5.8 billion); Transportation Equipment (\$3.6 billion); Machinery, except Electrical (\$2.0 billion); Chemicals (\$1.7 billion); and Electrical Equipment, Appliances and Components (\$1.7 billion).<sup>xxviii</sup>
- California's second largest export market is Canada, with exports totaling \$16.7 billion in 2017. The top five exports to Canada were: Computer & Electronic Products (\$5.6 billion); Agricultural Products (\$2.4 billion); Food Manufactures (\$1.3 billion); Transportation Equipment (\$1.2 billion); and Chemicals (\$886.2 million).<sup>xxix</sup>
- In 2017, California exported \$16.4 billion in products to **China**. The top five exports to China were: Computer and Electronic Products (\$4.3 billion); Transportation Equipment (\$2.5 billion); Machinery, except Electrical (\$2.0 billion); Waste and Scrap (\$1.7 billion); and Chemicals (\$1.2 billion).<sup>xxx</sup>
- Imports into California were valued at \$440.7 billion in 2017 and represented 18.8% of total U.S. imports.<sup>xxxi</sup>
- China is the largest source of imports into California. The 2017 value of Chinese imports was \$159.1 billion, followed by Mexico (\$46.4 billion), Japan (\$40.5 billion), and Canada (\$28.7 billion).<sup>xxxii</sup>



## **Trade and Jobs**

- In 2015, California's 908,120 establishments recorded 14.3 million employees and payrolls totaling \$857 billion (largest payroll in the nation).<sup>xxxiii</sup> Of those companies, a total of 75,175 (8.4%) exported goods from California, 72,032 (95.8%) were small and medium-sized companies with fewer than 500 employees.<sup>xxxiv</sup>
- In 2015, 706,969 U.S. jobs were supported by goods exported through California, which represents 11% of all U.S. goods export-related jobs.<sup>xxxv</sup>
- In 2015, 649,000 jobs in California were supported by manufacturing exports, which represents 11% of all manufacturing export-related jobs in the U.S., the second highest state after Texas.<sup>xxxvi</sup>
- Across the U.S. small and medium-sized companies contributed to 33.4% of all export values and 97.7% of total exports in 2014.<sup>xxxvii</sup>
- In 2014, California had the highest number of small and medium-sized exporting companies at 72,591, followed by Florida with 58,404 exporting companies.<sup>xxxviii</sup>
- In 2014, merchant wholesalers of durable goods made up the highest number of small- and medium-sized exporters and generated the highest values of all export industries at \$93.3 billion. Small- and medium-sized companies made up of 96.5% of manufacturing exporters, 99.2% of exporting wholesalers.<sup>xxxix</sup>

## **California's Trade Infrastructure**

- In 2017, the U.S. Department of transportation ranked the top 25 ports in the U.S. based on total container tonnage, which included two California ports: Los Angeles and Long Beach. Based on twenty-foot equivalent units (TEU) of container cargo, the port of Oakland is added to the list.<sup>xl</sup>
- The Port of Los Angeles continues to hold the top rank of two-way trade in 2013 (valued at \$286.1 billion). It is followed by JFK International Airport (\$191.69 billion) and the Port of Houston (\$180.1 billion).<sup>xli</sup> Data on California's other major ports are as follow: Long Beach (\$109.3 billion, ranked 9th); Los Angeles International Airport (\$91.6 billion, ranked 10th); San Francisco International Airport (\$51.2 billion, ranked 20th); Port of Oakland (\$47.6 billion); Otay Mesa Station (\$37.1 billion).<sup>xlii</sup>
- One study recorded by the Government Accountability Office (GAO) shows that in 2008, commercial wait times at the top five border crossings with Mexico resulted in \$1.9 billion in direct economic loss, 4,939 lost jobs, and a labor income loss of \$322 million.<sup>xliii</sup>

- Another study recorded by the GAO suggests that in 2011, delays in both northbound and southbound commercial traffic at the Calexico East border crossing resulted in economic losses of \$49 million and 334 jobs in Imperial County, as well as losses of \$98 million and 1,000 jobs in the state of California.<sup>xliiv</sup>
- In the same study, the National Center for Risk and Economic Analysis of Terrorism estimated that adding one U.S Customs and Border Protection officer to any of the top 5 U.S-Mexico border crossing would result in wait time reductions ranging from 1.5 minutes to 7.2 minutes in peak hours, which translates to direct economic benefits of \$915,000 in GDP and 9.3 additional jobs.<sup>xlv</sup>

### **California and Foreign Direct Investment (FDI)**

- In 2015, global foreign direct investment (FDI) reached \$1.7 trillion, with the U.S continuing to receive the largest amount of FDI in the world, totally \$384 billion (23% of global FDI).<sup>xlvi</sup>
- Japan, Canada, Switzerland, and the EU contributed over 80% of FDI inflows to the U.S.<sup>xlvii</sup>
- The largest source of foreign owned enterprises in the U.S. was the U.K. in 2013, which is the most recent data.<sup>xlviii</sup>
- California has the highest numbers of employees of foreign affiliates numbered at 631 million, comprising over 10.3% of total U.S. employment by foreign owned firms and 3.7% of total payroll in the state.<sup>xlix</sup>
- Foreign owned enterprise that support the largest number of workers in California include: Japan (19.3%); the U.K. (14.5%); Switzerland (10.5%); France 10.4%; Germany (10.2%); Canada (6.25); and the Netherlands (4.0%).<sup>1</sup>
- California received one of the largest number greenfield projects U.S., which had the highest number in the world. California ranked first in terms of number of projects (230) and fourth in terms of investment value (\$4.0 billion). States with higher amounts include New York and Texas.<sup>li</sup>
- The top 5 regions with the highest foreign owned and affiliated businesses are Gateway Cities (796 establishments), South Bay-LAX (741 establishments), San Fernando Valley (725 establishments), San Gabriel Valley (698 establishments), West Side (415 establishments).<sup>lii</sup>
- The top 5 cities with the highest concentration of foreign owned and affiliated businesses are Los Angeles (1591 establishments), Torrance (310 establishments), Long Beach (212 establishments), Santa Monica (134 establishments), Pasadena (127 establishments).<sup>liii</sup>





## Appendix D

### *Fast Facts on the California-China Trade Relationship*

Compiled by: Assembly Committee on Jobs, Economic Development, and the Economy  
Assemblywoman Sharon Quirk-Silva, Chair

China is the second largest economy in the world after the U.S. with a 2017 GDP of \$11.2 trillion, based on the official exchange rate.<sup>liv</sup> China is consistently California's third largest export partner and largest import partner, with \$14.3 billion worth of goods exported and \$144 billion worth of goods imported in 2016.<sup>lv</sup>

#### **Profile of China**

- China is the world's fourth largest country with a land mass less than Russia, Canada and the U.S. measured by land area. The land area of China is 9.6 million square km<sup>lvi</sup>, which makes it slightly smaller than that of the U.S. (9.8 million square km).<sup>lvii</sup>
- China is the world's most populous country with an estimated population of 1.37 billion in 2017,<sup>lviii</sup> which is more than four times the population of the U.S. (326.6 million).<sup>lix</sup>
- The literacy rate (age 15 and over that can read and write) in China was 96.4%.<sup>lxi</sup>
- There were 2,560 higher education institutions in China reported in 2016, 793 of which provided postgraduate programs. In addition, China had 11,202 secondary vocational education schools recorded for the same period.<sup>lxii</sup>
- In 2016, 94.5% of high school graduates in China enrolled in higher education programs.<sup>lxiii</sup> There were 1.9 million post-graduate students in China with 1.1 million in science, engineering, and medicine fields. This represents 57% of all graduate students.<sup>lxiv</sup>

#### **Overview of China's Economy**

- China possessed a 2016 GDP measured on purchasing power parity of \$21.3 trillion, for comparison the U.S. GDP measured on purchasing power parity was \$18.5 trillion in 2016. Purchasing power parity is considered by many researches as a better measure for output across differing countries.<sup>lxv</sup>
- China's GDP per capita ranked 106<sup>th</sup> in the world in 2017.<sup>lxvi</sup>
- The inflow of FDI has played a significant role in China's high GDP growth rate. China was ranked 1<sup>st</sup> as a top priority host for FDI for the 2014-2016 period by transnational corporations.<sup>lxvii</sup> As of 2014, China became the largest recipient of FDI in the world, followed by Hong Kong and the U.S.<sup>lxviii</sup>
- Foreign direct investment (FDI) inflow grew from \$128.5 billion in 2014 to \$133.7 billion in 2016, while Chinese outward FDI rose from \$123.1 billion to \$183.1 billion.<sup>lxix</sup>
- Beginning in the late 1970s, China gradually implemented several key economic and fiscal reforms which liberalized trade, modernized the banking system, promoted growth of the private sector, and allowed the currency to rise in value. Changes in these policies played a significant role in making China the world's largest exporter in 2010. In 2017 it remained the world's largest exporter.<sup>lxx</sup>
- In 2017, the agriculture, industry, and services sectors accounted for 8.2%, 39.5%, and 52.2% of its GDP respectively.<sup>lxxi</sup>
- China had 802.7 million people in its labor force in 2017. While its 2017 labor force ranks China as having the largest workforce in the world, its estimated workforce is down from 1.004 billion estimated

in 2012.

- China's 2017 labor force by sector had the greatest proportion in agriculture at 28.3%, while the industrial and services sectors comprised 29.3% and 42.4%, respectively in 2015.<sup>lxxii</sup>
- China's support for state-owned enterprises in sectors considered important to "economic security" has increased in recent years, including in such sectors as energy generation/distribution, oils, petrochemical, natural gas, telecom, armaments, coal, and shipping industries.<sup>lxxiii</sup>
- The growth of China's GDP relies heavily on foreign exports. In 2016, the value of China's exports to the world was \$2.1trillion, ranking 1<sup>st</sup> in the world, and its imports were worth \$1.7 trillion, and ranking 2<sup>nd</sup>.<sup>lxxiv</sup> China's current account balance decreased from \$304.2 billion in 2015 to \$162.5 billion in 2017, ranking China second in world, with the US in the top position.<sup>lxxv</sup>
- China's major export commodities in 2017 were electrical and other machinery, including computers and telecommunications equipment, apparel, furniture, and textiles.<sup>lxxvi</sup> Its major import commodities were electrical and other machinery, including integrated circuits and other computer components; oil and mineral fuels; optical and medical equipment; metal ores, motor vehicles; and soybeans.<sup>lxxvii</sup>
- Economic development has been more rapid in urban centers and coastal provinces than rural areas. According to the Gini Index which measures income inequality (where 0 is perfect equality and 100 is perfect inequality), in 2016, China scored 46.5 out of 100, which is 30<sup>th</sup> in the world. For comparison, the US is ranked as 40<sup>th</sup>, based on 2007 data (most recent data included on the list)<sup>lxxviii</sup>

### **China and U.S. Trade and Investment Relations**

- In 2016, the U.S. was China's largest export partner, representing 18.1% of all China's exports. The total value of products China exported to the U.S. totaled \$388.1 billion<sup>lxxx</sup> which decreased from 410.8 billion in 2015.<sup>lxxxii</sup>
- China is the third largest export market for the U.S., after Mexico and Canada. The U.S. exported \$115.6 billion in products to China in 2016, down \$3 billion from 2015.<sup>lxxxiii</sup>
- The U.S. goods trade deficit with China was \$347 billion in 2016, down from \$367 billion in 2015. The trade deficit with China accounted for 20.5% of the overall U.S. trade deficit in 2016.<sup>lxxxiv</sup>
- The top U.S. imports from China in 2016 were from the manufacturing, part 3 subsector (72.5%); the manufacturing, part 1 subsector (14.7%), the manufacturing, part 2 subsector (10.7%); and Special Classification products (0.7%).<sup>lxxxv</sup>
- The top U.S. exports to China in 2016 were from the manufacturing, part 3 subsector (52.8%); the manufacturing, part 2 subsector (17.7%); agricultural and livestock products (14.6 %); and waste and scrap (5.1%).<sup>lxxxvi</sup>
- China's inward FDI from the U.S. totaled \$74.6 billion and China's outward FDI to the U.S. was \$14.8 billion in 2015 (latest data available).<sup>lxxxvii</sup>

### **China and California Relations**

- There were 1,496,496 Chinese Americans living in California as of 2015 according to the American Community Survey,<sup>lxxxviii</sup> which was 3.8% of the state's 2015 population of 39 million.<sup>lxxxviii</sup>
- China is California's 3rd largest export market, after Mexico and Canada. California's export value to China totaled \$16.4 billion in 2017.<sup>lxxxix</sup>

- In 2017, California exported \$16.4 billion in products to China. The top five exports to China were: Computer and Electronic Products (\$4.3 billion – 26.6%); Transportation Equipment (\$2.5 billion – 15.5%); Machinery, except Electrical (\$2.0 billion – 12.5%); Waste and Scrap (\$1.7 billion – 10.4%); and Chemicals (\$1.2 billion).<sup>xc</sup>
- In 2017, California imported \$159.1 billion in products from China, accounting for 36.1% of the state's imports.<sup>xci</sup>
- China was California's 3<sup>rd</sup> largest export market for agriculture products in 2015, totaling \$1.72 billion. The major exported agricultural products were almonds, pistachios, and dairy and products.<sup>xcii</sup>

### **Special Economic Zones (SEZs) in China**

- In the late 1970s, China designated some provincial regions to be more market-based, known as special economic zones (SEZs). These regions are foreign-oriented areas which integrate science and industry with trade, and benefit from preferential policies and special management systems.<sup>xciii</sup>
- Some SEZs are designated geographical spaces where special policies and measures support specific economic functions. Others include free-trade areas, industry parks, technical innovation parks and bonded zones that facilitate experimentation and innovation over a wide range of industries.<sup>xciv</sup>
- The first 4 SEZs were established in 1979, including Shenzhen, Shantou, and Zhuhai located in Guangdong province, and Xiamen located in Fujian province.<sup>xcv</sup>
- According to the World Bank, SEZs have contributed significantly to China's development. They have permitted experimentation with market-oriented reforms, and acted as a catalyst for efficient allocation of domestic and international resources.<sup>xcvi</sup>
- The most recent SEZ was announced in April 2017 and will be located in Hebei, a province that has previously been impacted by significant layoffs. While the primary purpose of the Xiong'an New Area is to serve as a development hub for the Beijing-Tianjin-Hebei (Jingjinji) economic triangle, it will also include a number of "non-capitol functions" which will be relocated from Beijing.<sup>xcvii</sup>



## **Appendix E**

### ***Selection of Related Legislation***

This appendix includes summaries of selected legislation related to the joint informational hearing on California trade and investment with the People's Republic of China.

#### **Active Legislation from the Current Session**

- a. ***AB 1561 (Quirk-Silva) Goods Movement and Trade***: This bill modifies state financing programs offered through the IBank and trade policy developed through the Governor's Office of Business and Economic Development to include logistical networks to support goods movement, including inland ports. *Status*: Pending in the Senate awaiting assignment to policy committee.
- b. ***AB 1715 (Quirk-Silva, Berman, Cervantes, and Rodriguez) Foreign Trade Offices***: This bill establishes a process and timeline for submitting sponsorship proposals to the Governor's Office of Business and Economic Development to operate a California Trade and Investment Office in a foreign country. This bill previously related to New Market Tax Credit. Chair is currently reviewing language and it is likely that the committee members will have an option of staying on the bill as authors. *Status*: Pending in the Senate Committee on Business, Professions, and Economic Development.
- c. ***AB 1745 (Ting) Zero Emission Vehicles***: This bill requires all new vehicle registrations in California on and after January 1, 2040, to be zero-emissions vehicles. The bill defines zero emissions vehicle as “a vehicle that produces zero exhaust emissions of any criteria pollutant (or precursor pollutant) or greenhouse gas, excluding emissions from air conditioning systems, under any possible operational modes or conditions.” The bill does not apply to commercial motor vehicles weighing more than 10,000 pounds, and allows people moving into California to keep their vehicles, whether ZEV or not. *China*, Great Britain, France, and India are also phasing out gas- and diesel-powered vehicles and are requiring new vehicles to be zero emissions. *Status*: Pending in the Assembly Transportation Committee.
- d. ***AB 2463 (Quirk-Silva and Cervantes) Small Business Assistance Program***: This bill establishes the Small Business Assistance Program, administered through GO-Biz, for the purpose of providing matching funds to federally designated small business assistance centers, including Small Business Development Centers, the Women’s Business Centers, the Manufacturing Extension Partnership, the Procurement Technical Assistance Centers and the Veteran Business Outreach Centers. *Status*: Pending in the Senate awaiting assignment to policy committee. *Status*: Pending in Assembly Rules awaiting assignment to committee.

#### **Trade and Foreign Investment – Prior Session**

- a. ***AB 29 (John A. Pérez, Feuer and V. Manuel Pérez) Office of Business and Economic Development***.\* This bill establishes the Governor's Office of Business and Economic Development (GO-BIZ), to be administered by a director appointed by the Governor. The bill would also move the Office of the Small

Business Advocate to the Office of Economic Development. Status: Signed by the Governor, Chapter 475, Statutes of 2011.

- b. ***AB 337 (Allen) Economic Development: International Trade and Investment Strategy***: This bill adds specificity to the development and content of the state international trade and investment strategy (ITI Strategy), which is an existing report requirement of the Governor's Office of Business and Economic Development (GO-Biz). This bill requires the ITI Strategy to be based on current and emerging market conditions and the needs of investors, businesses, and workers. Specific new content requirements include the addition of a framework, which can be used by GO-Biz to evaluate the changing needs of business during the five-year term of the ITI Strategy. Status: Signed by the Governor, Chapter 776, Statutes of 2014.
- c. ***AB 886 (Allen and Ian Calderon) Importer-Exporter Tax Credit***: This bill would have authorized a five-year \$500 million tax credit program for importers and exporters that increase cargo through in-state airports and seaports, hire additional staff, or incur capital costs at a California cargo facility. Status: Held on the Suspense File of the Assembly Committee on Appropriations, 2013.
- d. ***AB 996 (Allen and Quirk-Silva) Seaport Upgrade***: This bill establishes a process by which a harbor agency can monetize the future financial value of installing and operating a port using technology and processes that result in the reduction of mobile source emissions. This valuation is used to establish the amount of a future state appropriation. Status: Held in Assembly Appropriations Committee, 2017.
- e. ***AB 1137 (V. Manuel Pérez) Small Business Assistance and Attracting Private Investment***: This bill would have facilitated local economic development and job creation by assisting small businesses to access new export markets for their goods and services, updating the law relating to free trade zones, and authorizing the use of new federal funds under the Small Business Jobs Act of 2010. Status: Held in Senate Committee on Appropriations, 2012.
- f. ***AB 1409 (Jobs, Economic Development and the Economy Committee) International Trade and Investment Strategy***: This bill, as it passed JEDE, would have required that the next update of the international trade and investment strategy include policy goals, objectives and recommendations from the state Goods Movement Action Plan. The measure was amended in the Senate related another subject matter. Status: Held in Senate Rules Committee, 2012.
- g. ***AB 2012 (John A. Pérez) Reorganization of Trade Program***: This bill transfers the authority for undertaking international trade and foreign investment activities from the Business, Transportation and Housing Agency to the Governor's Office of Business and Economic Development. In addition, the bill transfers the responsibility for establishing an Internet-based permit assistance center from the Secretary of the California Environmental Protection Agency to GO-Biz. Status: Signed by the Governor, Chapter 294, Statutes of 2012.
- h. ***AB 2841 (Allen) Seaport Upgrades***: This bill establishes a process by which a harbor agency can monetize the future financial value of installing and operating a port using technology and processes that result in the reduction of mobile source emissions. This valuation is used to establish the amount of a future state appropriation. Status: Held in Assembly Appropriations Committee, 2015.
- i. ***SB 63 (Hall) Seaport Infrastructure Districts***: This bill authorizes cities and counties to establish Seaport Infrastructure Financing Districts and allows these districts to finance certain port or harbor facilities, as specified. Status: Signed by the Governor, Chapter 793, Statutes of 2015.

- j. ***SB 628 (Beall) Enhanced Infrastructure Financing Districts***: This bill authorizes local officials to create Enhanced Infrastructure Financing Districts (EIFDs), which augment the tax increment financing powers that are available to local government under the IFD statutes. City or county officials can create an EIFD, which is governed by a public finance authority, to finance public capital facilities or other specified projects of communitywide significance that provide significant benefits to the district or the surrounding community. Status: Signed by the Governor, Chapter 785, Statutes of 2014.
- k. ***SB 357 (Hueso and De León) Mexico Trade Office***: This bill would have required the establishment of a California foreign trade and investment office in Mexico City, Mexico. Status: Vetoed by the Governor, 2017. The veto message stated: "*This bill directs the Governor's Office of Business and Economic Development to establish and operate a trade and investment office in Mexico City. California and Mexico have a proven partnership of trade, commerce, and the exchange of culture that runs long and deep. Our relationship with Mexico is fundamental to our mutual prosperity. Through memorandums of understanding, we are directly working with the Mexican government and business community on climate change, trade, transportation, tourism, and education. As I stated in 2014 when I vetoed a nearly identical bill, I remain unconvinced that California needs a legislatively-mandated trade office to continue our ongoing and enduring partnership with Mexico.*"
- l. ***SB 460 (Price) International Trade Marketing and Promotion***: This bill would have required the Secretary of the Business, Transportation and Housing Agency to convene a statewide business partnership for international trade marketing and promotion. Status: Held on the Suspense File of the Assembly Committee on Appropriations, 2011.
- m. ***SB 928 (Correa and Huff) Mexico Trade Office***: This bill would have required the establishment of a trade and investment office in Mexico City by January 1, 2016. Status: Vetoed by the Governor, 2017. The veto message stated: "*This bill requires the Governor's Office of Business and Economic Development to open a trade and investment office in Mexico City. I agree that trade with Mexico is of significant economic importance which is why I led a trade mission to Mexico City in August and hosted the President of Mexico in Sacramento shortly afterwards. We are working directly with the Mexican government and the business community on increasing bilateral trade and other initiatives. I am not convinced we need a legislatively-mandated trade office to continue our growing partnership with Mexico.*"

### **Climate Change – Prior Session**

- a. ***AB 197 (E. Garcia) 2016 Climate Actions***: This bill establishes the Joint Legislative Committee on Climate Change Policies to ascertain facts and make recommendations to the Legislature concerning the state's programs, policies, and investments related to climate change. The bill directs ARB to consider the social costs of the emissions of greenhouse gases when adopting rules and regulations. The bill also directs ARB to prioritize both direct emissions reductions at large stationary sources of greenhouse gas emissions and direct emission reductions from mobile sources, as well as direct emissions reductions from other sources. Status: Signed by the Governor, Chapter 250, Statutes of 2016.
- b. ***AB 398 (E. Garcia, et al) 2017 Climate Actions***: This bill authorizes the California Air Resources Board to adopt a market-based compliance mechanism until 2030. It also extends and expands the State Sales Tax Exemption on Equipment to assist businesses in upgrading equipment. This bill further requires several reports on the economic and environmental impacts of the greenhouse gas emissions targets set by the Board. This bill also requires the California Workforce Development Board to submit

a report to the Legislature no later than January 1, 2019 on the need for increased education, job training, and workforce development resources to help industry, workers, and communities' transition to a less carbon intensive economy. Status: Signed by the Governor, Chapter 135, Statutes of 2017.

- c. ***SB 32 (Pavley) Update to the Climate Emission Limits***: This bill requires the California Air Resources Board to adopt a statewide greenhouse gas emissions limit that is 40% below the statewide greenhouse gas emissions levels in 1990, to be achieved by 2030. Status: Signed by the Governor, Chapter 249, Statutes of 2016.



## **Appendix F**

### ***Selection of Related Reports***

This appendix includes summaries of key reports related to the joint informational hearing on California trade and investment with the People's Republic of China.

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 of 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/>
5. ***Advanced Energy Now - 2017 Market Report (2017)***: This report by the Advanced Energy Economy, a national business association, reports that advanced energy-related business now represent \$1.4 trillion in revenues globally, including \$200 billion within the US. Advanced energy activities represent a broad array of technologies, products, and services, including building efficiency, electricity delivery and management, advanced fuel production and delivery, and advanced electricity generation. Since 2011, these activities have grown 5% annually, which is three times faster than the US economy. Advanced energy-related jobs represent over 3.3 million people in the US. During 2017 these

businesses experienced significant growth with a 48% increase in electric cars, 54% increase in energy storage, and 30% increase in solar PV, and a 21% increase in fuel cell generators.

<http://info.aee.net/reports>

6. ***Advancing Equity in California Climate Policy: A New Social Contract for Low-Carbon Transition (2016)***: This report by the UC Berkeley Center for Labor Research and Education examines the relationship between climate change policies and equity. As California makes the hard choices in meeting its greenhouse gas reduction goals, the costs of these actions should not disproportionately be borne by the low-income and working class. To address these concerns, the report proposes a Climate Equity Framework, comprised of three equity criteria:

- a. Equity principles and goals are articulated as a means to guide design;
- b. Key criteria is presented to analyze how close a particular climate policy or program comes to meeting these equity goals; and
- c. Indicators are proposed that point the way to mechanisms and strategies to advance climate equity.

<http://laborcenter.berkeley.edu/advancing-equity/>



## **Appendix G**

### ***Biographies of Speakers***

#### **Agenda Item II. Remarks from the Consulate General of the People’s Republic of China**

##### **Ren Faqiang, Deputy Consul General**

Born in 1971 in Shandong Province.

1996-1999	Department of North American and Oceanian Affairs of Ministry of Foreign Affairs of China, U.S. Affairs desk officer
1999-2003	Chinese Consulate General in Chicago, vice consul
2003-2011	Department of North American and Oceanian Affairs of Ministry of Foreign Affairs of China, Deputy Director, Director
2011-2015	Chinese Embassy in Sri Lanka, Deputy Chief of the Mission, Political Counselor August, 2015 up to now Chinese Consulate General in San Francisco, Deputy Consul General

Deputy Consul General Ren Faqiang is married with a daughter. He graduated from Shandong Teachers' University and Foreign Affairs College in Beijing.

#### **Agenda Item III. Remarks from Governor's Office of Business and Economic Development**

##### **Panorea Avdis, Director of the Governor’s Office of Business and Economic Development**

Panorea Avdis serves as the Director of the Governor’s Office of Business and Economic Development (GO-Biz), the state’s lead entity for economic development and job creation efforts. Appointed by Governor Brown in 2012, Director Avdis has been instrumental in the restructure of California’s economic development office.

Director Avdis’ role entails direct oversight of some of the state’s key economic development programs including:

- Infrastructure and Economic Development (IBank)
- California Film Commission
- California Commission of Travel and Tourism
- California (CA) Competes Tax Credit

Prior to her most recent appointment, Director Avdis served as the Chief Deputy Director for GO-Biz, Chief of Staff in the Office of Sacramento County Supervisor Phil Serna, Director of External Affairs at the California Department of Housing and Community Development under Governor Schwarzenegger. She also served in several positions in the Office of Governor Gray Davis including advance staff and special assistant to the Governor. In addition to her public sector work, she spent several years in the

private sector as a project manager and advisor to the Chairman of AKT Development; a major land development company based in Northern California.

Director Avdis Chairs the I-Bank Board and the CA Competes Tax Credit Committee and serves on the California Employment Training Panel, Green Collar Jobs Council, California Industrial Development Financing Advisory Commission, Economic Recovery Financing Committee and the CalED Advisory Committee. She also serves on the Board of Director for the California State University, Sacramento Hellenic Outreach Program, the Tsakopoulos Hellenic Foundation, Music on a Mission, Angelic LLC, and serves as the custodian of archives for Governor Gray Davis.

She is a native Sacramento, daughter of Greek immigrants, and a graduate of UC Davis.

#### **Awinash Bawle, Deputy Director for International Affairs and Business Development, Governor's Office of Business and Economic Development**

Awinash Bawle spent over seven years through 2014 serving as an international trade specialist in the Office of South Asia at the U.S. Department of Commerce in Washington, DC. In this capacity, he helped reduce U.S. industry trade barriers to India, and to enable effective market access there in the infrastructure, energy and environment, and financial services sectors. Mr. Bawle advised senior Commerce officials on the agency's role in the U.S.-India Partnership to Advance Clean Energy initiative to help boost U.S. exports to India's clean technology market, valued at \$175 million. Mr. Bawle also developed advocacy arguments which successfully removed Indian market access restrictions for U.S. water heater exports valued at \$10 million and U.S. scrap metal exports valued at \$600 million. Mr. Bawle managed the U.S. Government's recruitment and selection process of U.S. private sector members for the U.S.-India CEO Forum, a mechanism designed to foster policy recommendations for bolstering the bilateral economic relationship. Mr. Bawle also undertook two temporary rotations while at Commerce: first, working as an economics officer for the State Department at the U.S. Consulate in Mumbai, India, where he focused on financial inclusion; and second, as a commercial attaché to the U.S. Executive Director's office at the World Bank, where he focused on helping U.S. industry understand the global carbon credit market.

From 2015-2017, Mr. Bawle served as a team leader for high school students at the Green School, in Bali, Indonesia, who were assigned to incorporate design thinking principles to attempt to solve a local practical problem in the environmental sustainability area. He also served as a volunteer teacher for Middle Eastern refugee children at a refugee community center on the island of Lesbos, Greece. This latter endeavor led Mr. Bawle to join a team enrolled in the MIT Solve crowdsourcing competition to propose a solution to improve educational quality and access for Middle Eastern refugees across Europe; his team was subsequently selected as one of the winners of that competition.

Mr. Bawle holds a Master's degree in International Policy Studies from the Monterey Institute for International Studies, which included one semester as a visiting scholar at the Jawaharlal Nehru University School of International Studies in New Delhi, India. He also holds a Bachelor's degree from the University of Michigan, and is a native of Detroit, Michigan.

#### **Agenda Item IV. Remarks from Local Trade Partners**

##### **Darlene Chiu, Executive Director, ChinaSF**

Darlene Chiu Bryant is Executive Director of ChinaSF, appointed by San Francisco Mayor Edwin Lee and tasked with stimulating economic growth and job creation through bilateral trade and investment between China and San Francisco.

Darlene has had a diverse career in both the public and private sectors, having spent a decade in international trade in the fine chemicals sector in Hong Kong before returning to her native San Francisco to work in communications and public affairs for Mayor Gavin Newsom, East West Bank, United Commercial Bank and Pacific Gas & Electric Company.

**Tim Kelley, President and CEO, Imperial Economic Development Corporation**

Timothy E. Kelley is the president and chief executive officer of the Imperial Valley Economic Development Corporation (IVEDC). He joined IVEDC in April of 2005. In his current position, he is responsible for the expansion of the region's strategic economic development plan, as well as engaging initiatives that strengthen the regional economic vitality.

Tim is the immediate past chair of the Board of Directors and currently VP of international trade and investment of TeamCalifornia, a statewide organization that promotes international trade and investment for California; he serves on the Board of Directors of the California Association of Local Economic Development (CALED); he is a member of the Board of Directors of the World Trade Center San Diego; a member of the U.S. Department of Commerce San Diego-Imperial District Export Council; and a member of the Board of Directors of CleanTECH San Diego, as well as the San Diego Regional Economic Development Corporation.

Tim was instrumental in the establishment of the Cali-Baja Bi-National Mega-Region, an economic development initiative developed to showcase the abundance of assets and business opportunities in Imperial Valley, San Diego and Baja California, Mexico. In addition, Tim serves on several other boards and commissions related to economic development, workforce and education including the Imperial County P-16 Education Council and serves as vice chair for the Imperial County Workforce Development Board, as well as chairman for their Business and Marketing Committee.

Tim is also active in many civic and community based organizations in Imperial Valley. He is past president and current board member of the Imperial Valley Community Foundation; past president and current member of the Brawley Rotary Club; past executive and current member of the Brawley Elks lodge #1420; serves as treasure of the Brawley Community Foundation; and is responsible for the Imperial Regional Alliance, Inc. and Southern Low Desert Resource Conservation & Development Council, all organizations promoting sustainable economic prosperity of the region. In addition, Tim serves as the chairman for the Brawley Airport Commission. Tim received a Bachelor's in Communications Arts and Sciences from the Annenberg School of Communications at the University of Southern California. He has also studied abroad in Morelia, Mexico. Tim also holds many certificates and received recognition for his work in all aspects.

**Peter Shiao, Chair, ChinaWeek**

Peter Shiao is an entrepreneur who has been at the forefront of US-China trade and collaboration for over twenty-five years. He is the CEO of Ironpond Investment Advisors, an investment management and advisory firm at the intersection of California and Chinese trade that has partnered with China Petro to form the California Investment Fund to invest in California companies and assist them with expanding into the Chinese market. He also chairs the non-profit ChinaWeek which has partnered with Governor Brown's Office of Business and Economic Development, the China Chamber of Commerce for Import and Export of Mechanical and Electronic Products, and the Milken Institute to implement the CA-China Trade MOU via the annual California-China Business Summit.

Shiao is the executive chairman of the film production company Orb Media Group, a leader in Hollywood-Chinese co-productions, and Beijing based Immortal Studios which uses Hollywood know-how to deliver Chinese language fantasy films, games, web and television content. Peter also founded the annual US-China Film Summit at the Asia Society, produced the first ever US-Chinese film co-production, Restless, and founded the first Hollywood-Chinese film investment fund. Prior to his entrepreneurial pursuits, Peter served as chief consultant of the California State Senate Select Committee on the Pacific Rim.

Peter has been quoted in interviews by the Economist, LA Times, the Guardian, Hollywood Reporter and Variety and has been a featured speaker at the Harvard Business School, the Global Innovation Summit, and the Milken Asia Summit. He is a graduate of UCLA and a recipient of the California State Senate Fellowship.



## End Notes

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