

Date of Hearing: July 9, 2019

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT, AND THE ECONOMY

Sabrina Cervantes, Chair

SB 302 (Portantino) – As Amended June 11, 2019

SENATE VOTE: 38-0

SUBJECT: International trade and investment office: Republic of Armenia

POLICY FRAME: Trade and foreign investment play an important role within California's \$2.7 trillion economy. Since the elimination of the state's foreign trade offices in 2003, the public and Members of the Legislature have expressed interest in their re-establishment. Current law provides GO-Biz with the authority to establish foreign trade offices. However, only one trade office has ever been approved by GO-Biz since 2012, when GO-Biz was given exclusive authority to establish trade offices in foreign countries.

This bill requires GO-Biz to establish a trade office in Yerevan, the Republic of Armenia (Armenia).

The analysis includes information on California's trade-based economy, a short history of California's experience with trade offices, and the state's prior experience with having a trade office in Armenia. Suggested amendments are included in Comment 7.

SUMMARY: SB 302 requires the establishment of an international trade and investment office in Yerevan, the Republic of Armenia (Armenia Trade Office) by January 1, 2023. Specifically, **this bill:**

- 1) Requires the Director of GO-Biz to establish and operate, or create a public-private partnership to establish and operate, an Armenia Trade Office by January 1, 2023, as specified.
- 2) Bypasses the authority of the Director of GO-Biz to establish international trade and investment offices (foreign trade offices). The bill further exempts the establishment of the Armenia Trade Office from the requirement that a foreign trade office can only be located in a country that the Director of GO-Biz determines to have the greatest potential for direct foreign investment in California, export growth, or both.
- 3) Requires the Armenia Trade Office to:
 - a) Facilitate access to educational exchange programs between California and the Republic of Armenia;
 - b) Promote the export of California goods and services into the Republic of Armenia; and
 - c) Encourage and facilitate capital investment from the Republic of Armenia into California.
- 4) Requires the Director of GO-Biz to include information on the Armenia Trade Office in previously mandated GO-Biz reports.
- 5) Specifies that GO-Biz is only required to comply with the requirements of this bill to the extent that funds are available for these purposes from any source, including, but not limited to, federal funding and private sector moneys.

- 6) Requires private sector moneys received for the purposes of this bill to be deposited in the Armenia Trade and Investment Office Account, which is established by the bill as a separate subaccount within the Economic Development and Trade Promotion Account of the Special Deposit Fund within the State Treasury. Funds in the Armenia Trade and Investment Office Account:
 - a) May be used only to establish and operate, or create a public-private partnership to establish and operate, the Armenia Trade Office.
 - b) Shall be available upon appropriation by the Legislature.

EXISTING LAW:

- 1) Establishes GO-Biz within the Governor's Office for the purpose of serving as the state's principal entity for issues relating to international trade and foreign investment, excluding agricultural issues. GO-Biz is led by a director, which is appointed by the Governor.
- 2) Authorizes the Director of GO-Biz to establish and terminate foreign trade offices as the Director determines appropriate, if certain conditions are met, including:
 - a) The Director is able to make a determination that the country where a foreign trade office would be located is among those with the greatest potential for direct foreign investment in California, export growth, or both.
 - b) GO-Biz has prepared a separate budget for each foreign trade office, which includes a description of how funding will be obtained and the positions and staffing levels necessary to operate the office.
 - c) GO-Biz has included certain specified information in its annual review of the overall International Trade and Investment Program and proposed budget, strategy, and business plan for the following year. Information on the proposed foreign trade office is required to include a description of how the office will facilitate an increase of direct foreign investment in California or an increase in California exports, or both.
- 3) Authorizes foreign trade offices to be funded in whole or in part by nonstate funds.
- 4) Authorizes GO-Biz to contract with a nonprofit entity to operate a foreign trade office. The contract is required to include, among other provisions, the requirement that the nonprofit entity is to provide GO-Biz with information sufficient to satisfy the donor reporting requirements, as specified. Each donation is required to be reflected on a donor disclosure list maintained by GO-Biz within 30 days of receipt.
- 5) Requires that the International Trade and Investment Program's annual budget, strategy, business plan, and review of the prior year's activities be submitted to specified legislative offices in the Assembly and the Senate, as specified.

FISCAL EFFECT: Unknown

COMMENTS & CONTEXT:

- 1) **New Governor and New Trade Advisory Group:** In February 2019, Governor Newsom issued an executive order (EO) designating Lieutenant Governor Eleni Kounalakis as the Governor's top representative for international affairs and trade development.

As part of those duties, Lieutenant Governor Kounalakis, who formerly served as the U.S. Ambassador to Hungary, chairs a newly established, cabinet-level International Affairs and Trade Development Interagency Committee (Interagency Committee). Lenny Mendonca, the Governor's Chief Economic and Business Advisor and Director of GO-Biz, serves as the Vice Chair of the Interagency Committee.

The EO charges the Interagency Committee with advising the Governor and supporting the coordination of state activities relating to the promotion and expansion of trade, investment, and international relations.

Other members of the Interagency Committee include representatives of the California Energy Commission, the California Department of Food and Agriculture, the Governor's Office of Emergency Services, the California Environmental Protection Agency, California Natural Resources Agency, California Transportation Agency, Visit California, and GO-Biz.

The EO further charges the Interagency Committee with creating the California Trade and Service Office Advisory Group, consisting of private sector and nongovernmental leaders, who will explore and identify the use of nonstate funds to open and support offices promoting California trade and services globally.

- 2) **Establishment of Foreign Trade Offices:** Over the past several decades, the state has used a variety of methods for establishing trade offices. In 2003, when the Legislature and the Governor agreed to eliminate the Technology, Trade, and Commerce Agency (TTCA), the state directly operated or contracted for the operation of 12 trade offices, including offices in Shanghai, Mexico City, Buenos Aires, London, Frankfurt, Jerusalem, Johannesburg, Seoul, Tokyo, Hong Kong, Taipei, and Singapore. With the closure of TTCA, nearly all related programs were removed from statute, including the authority to engage in international trade activities and operate trade offices. One trade office remained, that being a "self-supporting" office in Armenia, which had been established through a separate statute, *SB 1657 (Scott), Chapter 863, Statutes of 2002*, and later extended through *SB 897 (Scott), Chapter 604, Statutes of 2005*. In 2008, the authority to operate a trade office in Armenia lapsed.

It was not until 2006 that the Governor and Legislature were able to come to agreement about a new trade framework, which was included in *SB 1513 (Romero), Chapter 663, Statutes of 2006*. As a condition for re-granting the Governor's authority to open trade offices, the Legislature required the Governor to obtain its pre-approval in the form of a resolution or statute and that the five-year International Trade Investment Strategy remain current. Should the Administration fail to submit a five-year International Trade Investment Strategy in a timely fashion, the State Controller was directed to withhold funds from the agency assigned to undertake trade activities.

With the 2012 enactment of *AB 2012 (John A. Pérez), Chapter 294, Statutes of 2012*, however, the Legislature's pre-approval authority was eliminated.

In April 2013, Governor Brown opened a trade office in Shanghai, China, which is the first trade office opened under the AB 2012 rules. The California-China Office of Trade and Investment (China Trade Office) was established pursuant to a public-private partnership between the state and the Bay Area Council. The operation of the China Trade Office is dependent on private donations and the

collection of those donations is the responsibility of the Bay Area Council and other nonprofit partners.

- 3) **GO-Biz Administration of Trade Activities:** The effectiveness of the China Trade Office is unclear as annual reporting requirements for activities undertaken in 2016, 2017, and 2018 have not been met. There is also no link from the GO-Biz International Trade and Foreign Investment webpage to the China Trade Office (<http://business.ca.gov/Programs/International-Affairs-and-Business-Development/International-Trade-Promotion/Trade-Missions/China-Trade-Network>). It would appear that the state is no longer receiving donations to support the operations and/or activities of the China Trade Office. Existing law requires that all donations, including those received through the nonprofit partner, be reported on the GO-Biz online donor database. A review of the online donor database on July 2, 2019, showed that no funds had been reported as being deposited for a trade promotional office or one's activities since November 23, 2015.

GO-Biz also failed to submit its mandated annual report on its overall International Trade and Investment Strategy for 2016 and 2017. The 2018 annual report included abbreviated "catch-up" sections on previously unreported GO-Biz trade activities for the lacking report years.

As of July 1, 2019, GO-Biz is also late in publishing its five year strategy for the overall international trade program. Members may wish to follow up on one or all of these administrative problems.

- 4) **California and First Armenia Trade Office:** Although statutorily authorized in 2003, it took several years to establish the Armenia Trade Office due to the elimination of the TTCA, a chaotic transfer of authority to the Business, Transportation, and Housing Agency (BT&H), and the need to competitively bid the management contract. The Armenia Trade Office commenced operation in October 2005 through a contract with The Foundation for Economic Development (Foundation), \$74,000 in private donations placed on account with BT&H, and an agreement to co-locate California's Armenia Trade Office with Armenian government offices.

In January 2006, the Armenia Trade Office relocated to the building housing the Armenian Ministry of Trade and Economic Development, where its rental costs were subsidized by the government of Armenia. Early in 2007, California's Armenia Trade Office opened a second office in Glendale in order to strengthen its relationship with California and promote Armenia as a trade partner and gateway to eastern Europe.

Although the original Foundation application proposed a staff of four, due to a lack of sufficient funding, by 2007 the Armenia Trade Office was staffed by two individuals – a Director and an Administrative Assistant. Further, under an agreement with BT&H, the \$74,000 set aside for the first year of funding was authorized for expenditure over a two-year period.

Duties of the Armenia Trade Office included, but were not limited to, providing a base office in Yerevan capable of responding to requests for information concerning two-way trade and economic development between California and Armenia, implementing an outreach strategy to identify and facilitate direct foreign investment, and advocating on behalf of California trade interests with government and industry representatives in Armenia. In accomplishing these duties, BT&H set and the contractor agreed to a number of performance objectives. Examples of these objectives include:

- a) Development of a "well-defined, customer-driven" international trade strategy including effective coordination with relevant state programs and services provided by the federal, state, and local international trade providers.
- b) Providing BT&H with an average of five trade and/or investment leads per month.
- c) Directly generating at least \$150,000 to \$200,000 in California exports to Armenia in the initial year, incrementally increasing the amount each year by \$100,000 in exports and/or in direct investment in California from Armenian companies.
- d) Organizing at least one trade show event, or one trade mission, plus one business development mission and one business forum.

Statute required BT&H to submit an evaluation of the Armenia Trade Office to the Legislature by June 2007. While a number of accomplishments were identified in BT&H's evaluation, as well as the annual reports submitted by the Armenia Trade Office, the office did not meet its performance metrics during this 15 to 18 month period.

The greatest success of the Armenia Trade Office was the importation of raw materials from Armenia for the distillation and distribution of vodka by the California-based Marani Company. Other examples of accomplishments included:

- a) Establishing a formal group of advisors for the Armenia Trade Office comprised of prominent California businesses in Armenia;
- b) Hosting a webpage on the California website;
- c) Developing and distributing a marketing brochure;
- d) Hosting a roundtable discussion with California companies on best practices in conducting business in Armenia; and
- e) Undertaking a trade mission for California businesses to Armenia.

A little over a year is a very short time period in which to develop a new trade market. Perhaps BT&H's expectations for a trade office in an emerging economy were unrealistic. Nonetheless, the Armenia Trade Office failed to meet the mandated criteria for the evaluation report. When issued, the evaluation report stated that there were no measurable foreign investments from Armenia to California and that no specific data was available to demonstrate that there had been an increase in imports or exports attributable to Armenia Trade Office activities. Based on the lack of data, BT&H was unable to perform the required cost-benefit analysis. Because there were no other U.S. state-sponsored trade offices in Armenia, BT&H was also unable to make an assessment of how California's trade office compared to that of other state-sponsored offices.

- 5) **Background on Armenia:** Armenia was established as an independent nation in 1991, following the break-up of the former Soviet Union. There are 11 provinces in Armenia with the capitol located in Yerevan.

Constitutional changes adopted in 2015 converted the government from a semi-presidential system to a parliamentary system. The unicameral National Assembly (Parliament) is comprised of at least 101 seats, with members serving 5-year terms. The president is indirectly elected to a single seven-year term by the National Assembly through up to three rounds of voting. President Armen Sarkissian has served as President since April 2018.



Armenia is a landlocked country located in Southwestern Asia with Turkey on its western border and Azerbaijan on the eastern. While many people view Armenia as part of Europe, the CIA World Factbook states that the country can be classified as falling within Europe, the Middle East, or both. As a result of ongoing conflicts with Turkey and Azerbaijan, Armenia has only two open trade borders – one being with Iran and the other Georgia. The border with Turkey has been closed since 1993, as has the border with Azerbaijan.

Armenia's population is comprised of just over 3 million people, who are primarily located in the northern half of the country. The population in Yerevan is more than five times as large as Armenia's second largest city of Gyumri. In total, 63% of the population lives in an urban area. Nearly 60% of the land in Armenia is used for agricultural purposes.

While part of the former Soviet Union, Armenia developed a modern industrial sector, supplying machine tools, textiles, and other manufactured goods to neighboring republics in exchange for raw materials and energy. Since independence, Armenia has switched to small-scale agriculture.

In 2017, Armenia's GDP was \$28.3 billion based on purchasing power parity, which ranks the economy as 136th in the world. Percentage of GDP by sector in 2017 was as follows: agriculture 16.7%, industry 28.2% (2017 est.), and services 54.8%.

There were a little more than 1 million workers in the labor force in 2017. Major areas of commerce include: brandy, mining, diamond processing, metal-cutting machine tools, forging and pressing machines, electric motors, knitted wear, hosiery, shoes, silk fabric, chemicals, trucks, instruments, microelectronics, jewelry, software, and food processing.

According to the CIA World Factbook: Armenia's geographic isolation, narrow export base, and ubiquitous monopolies in important business sectors, such as utilities, have made it particularly vulnerable to volatility in the global commodity markets and the economic challenges in Russia. Armenia is particularly dependent on Russian commercial and governmental support, with much of Armenia's key infrastructure being Russian-owned and/or managed, especially in the energy sector. Remittances from expatriates working in Russia are equivalent to about 12-14% of Armenia's GDP. Armenia joined the Russia-led Eurasian Economic Union in January 2015 and signed the Comprehensive and Enhanced Partnership Agreement with the European Union in November 2017.

In 2017, Armenia exported \$2.361 billion in goods, including unwrought copper, pig iron, nonferrous metals, gold, diamonds, mineral products, foodstuffs, brandy, cigarettes, and energy. Top export markets include: Russia (24.2%), Bulgaria (12.8%), Switzerland (12.0%), Georgia (6.9%), Germany (5.9%), China (5.5%), Iraq (5.4%), UAE (4.6%), and the Netherlands (4.1%).

California exported \$178.1 billion in goods in 2018. Over \$6.5 million in California goods were exported to Armenia in 2018, making the state the third largest exporter to Armenia in the U.S.

Chart 1, on the following page, shows California's top exports to Armenia for 2017 through 2018.

Item	2016	2017	2018
Total for All Exports	8,213,001	6,906,115	6,584,013
Miscellaneous Manufactured Commodities	269,698	314,006	1,504,684
Special Classification Provisions, NESOI	2,633,079	1,708,355	1,398,641
Computer and Electronic Products	2,136,775	2,150,209	1,172,587
Transportation Equipment	52,001	845,366	1,089,651
Used or Second-Hand Merchandise	1,069,497	475,774	365,930
Agricultural Products	107,150	394,777	262,808
Machinery, Except Electrical	526,585	223,847	200,921
Primary Metal Mfg	219,462	120,651	132,036
Food Manufactures	95,459	121,819	100,964
Electrical Equipment, Appliances & Components	30,118	199,064	94,975
Furniture & Fixtures	284,012	8,000	58,153
Chemicals	278,090	135,503	55,824
Beverages & Tobacco Products	49,397	104,650	54,964
Fabricated Metal Products, NESOI	147,748	0	21,260
Plastics & Rubber Products	22,414	0	17,873

Armenia imported \$3.771 billion in goods, including natural gas, petroleum, tobacco products, foodstuffs, diamonds, pharmaceuticals, and cars. Key import partners include Russia (28%), China (11.5%), Turkey (5.5%), Germany (4.9%), and Iran (4.3%)

Imports into California from all nations were valued at \$441.1 billion in 2018, representing 17.3% of total U.S. imports. California imported \$8.2 million in goods from Armenia during the same period. **Chart 2** provides additional information of California's import activity with Armenia for 2016 through 2018.

Item	2016	2017	2018
Total of All Imports	9,784,532	9,057,277	8,264,683
Beverages & Tobacco Products	3,982,581	4,070,250	3,719,010
Food Manufactures	2,653,865	2,913,986	2,470,350
Miscellaneous Manufactured Commodities	1,843,041	975,416	1,005,857
Apparel Manufacturing Products	271,922	296,728	366,517
Fish, Fresh/Chilled/Frozen & Other Marine Products	0	2,200	235,530
Used or Second-Hand Merchandise	258,836	303,434	109,715
Other Animals	113,239	133,544	100,778
Textile Mills Products	10,718	3,083	43,262
Nonmetallic Mineral Products	27,486	54,168	42,537

Agricultural Products	0	71,772	38,677
Machinery, Except Electrical	15,000	22,773	29,882
Leather & Allied Products	9,861	25,761	24,830
Goods Return to Canada (Exp); US Goods Return & Reimported (Imp)	83,624	110,000	24,740
Printed Matter and Related Products, NESOI	435,925	2,460	14,368
Fabricated Metal Products, NESOI	13,500	17,749	9,000
Furniture & Fixtures	0	1,080	8,827

- 6) **California's Global Economy:** International trade and foreign investment are important components of California's \$2.7 trillion economy supporting over 4 million California jobs. The importance of trade to the California economy is increasing, as reflected in the percentage of California jobs tied to trade having more than doubled from 1992 to 2011: 10.6% vs. 22.0%. Nationally, jobs supported by U.S. exports totaled 10.7 million, with nearly 684,000 of those jobs being in California.

California's largest industry sector by employment is Trade, Transportation, and Utilities, which encompasses everything from major retail outlets, to import-export businesses, to transportation and warehousing. Workers in trade-related jobs earn on average 10% to 28% higher wages than the national average. California leads the nation in export-related jobs. The U.S. Department of Commerce estimates that 683,772 jobs were directly supported by the export of products in 2016, with nearly 630,000 (92%) in the manufacturing sector.

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 final products in foreign countries.

California's land, sea, and air ports-of-entry serve as key international commercial gateways. In 2018, \$619.5 billion in products entered and exited the U.S. through these ports. If California were a country, it would be the 28th largest exporter and the 13th largest importer of goods in the world, based on 2018 trade numbers. Exports out of California were valued at \$178.4 billion and represented 10.7% of total U.S. exports in 2018 (\$1.6 trillion). Imports of goods into California were valued at \$441.1 billion and represented 17.3% of total U.S. imports in 2018.

Chart 3 shows data of the export of goods to the state's top six trade partners, based on origin of movement. Please note that federal reporting separates data from China and Hong Kong. If combined, California's largest export market in 2018 was Mexico, who received over \$30.7 billion in California products. Top-ranking export destinations not shown on the chart include Germany, the Netherlands, and the United Kingdom.

Chart 3 - California Exports of Goods, 2011-2017 (in billions of dollars)

	Partner	2011	2012	2013	2014	2015	2016	2017	2018
	World	\$159.4	\$161.7	\$168.0	\$174.1	\$165.3	\$163.5	\$171.9	\$178.4
1	Mexico	\$25.8	\$26.3	\$23.9	\$25.4	\$26.7	\$25.2	\$26.7	\$30.7
2	Canada	\$17.2	\$17.4	\$18.8	\$18.2	\$17.2	\$16.1	\$16.7	\$17.7
3	China	\$14.2	\$13.9	\$16.2	\$16.0	\$14.3	\$14.3	\$16.4	\$16.3
4	Japan	\$13.1	\$13.0	\$12.7	\$12.2	\$11.7	\$11.7	\$12.8	\$13.0
5	Hong Kong	\$7.6	\$7.8	\$7.7	\$8.5	\$8.7	\$9.6	\$12.1	\$9.9
6	South Korea	\$8.4	\$8.2	\$8.3	\$8.6	\$8.6	\$8.2	\$9.6	\$9.9

Source: International Trade Administration, accessed 4/8/19

California also exports services to businesses, consumers, other organizations, and governments around the world. Between 2006 and 2016, the export of California services has increased 87%, increasing from \$73 billion to \$136 billion in services. California's largest export service sectors in 2016 included:

- Royalties and License Fees at \$37.5 billion
- Travel Services at \$32.9 billion
- Business, Professional, and Technical Services at \$28.4 billion
- Transportation Services at \$12.2 billion
- Financial Services at \$11.2 billion
- Telecommunications, Computer, and Information Services at \$10.4 billion

Canada was California's largest service export market, receiving \$9.4 billion in services in 2016, which supported an estimated 61,315 jobs. California's second largest service export market was China with \$9.1 billion in services in 2016 and support for 61,349 jobs.

In addition to exporting goods and services, the California economy benefits from foreign-owned firms. The federal International Trade Administration estimates that in 2015 (most recent data) over 710,000 California workers benefited from jobs with foreign-owned firms.

California has had the highest level of employment in foreign-owned firms in the nation since at least 1997. In 2015, jobs in California foreign-owned firms represented 5.1% 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.

- 7) **Proposed Amendments:** Below is a list of amendments the committee members may wish to review when considering the bill.
- a) Expand the options GO-Biz has to establish the Armenia Trade Office to include contracting with a nonprofit organization.
 - b) Allow donations to include moneys to support trade promotion activities and events hosted through the Armenia Trade Office.
- 8) **Related Legislation:** Below is a list of bills from the current and prior sessions.

- 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 also moves 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 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 the Senate Committee on Appropriations, 2012.
- d) **AB 1409 (Jobs, Economic Development, and the Economy Committee) International Trade and Investment Strategy:** This bill, as it passed JEDE, would have required the next update by the Business, Transportation, and Housing Agency of the international trade and investment strategy to include policy goals, objectives, and recommendations from the state Goods Movement Action Plan. The measure was amended in the Senate to relate to other subject matter. Status: Held in the Senate Committee on Rules, 2012.
- e) **AB 1696 (Chau and Cervantes) Process for Establishing Foreign Trade Offices:** This bill establishes a process and timeline for submitting proposals to the Governor's Office of Business and Economic Development (GO-Biz) on the establishment of a partnership agreement to operate an international trade and foreign investment office. Status: Pending in the Senate Committee on Business, Professions, and Economic Development.
- f) **AB 1715 (Quirk-Silva, Berman, Cervantes, and Rodriguez) Process for Establishing Foreign Trade Offices:** This bill establishes a process and timeline for submitting proposals to the Governor's Office of Business and Economic Development (GO-Biz) on the establishment of a partnership agreement to operate an international trade and foreign investment office. Status: Vetoed by the Governor, 2018. The veto message stated: "*This bill establishes a process for the Governor's Office of Business and Economic Development to accept proposals from public and private entities that are interested in collaborating with the state to operate an international trade and investment office in a foreign country. Nothing prohibits any public or private entity from submitting a letter of interest for establishing an international trade and investment office in a foreign nation. I am not convinced the legislatively mandated process sought by this bill to establish trade offices will improve the state's ability to pursue successful partnerships with other countries.*"
- g) **AB 1727 (JEDE) Trade Omnibus Bill:** This bill makes technical changes to update the content and the statutory placement of the codes relating to Foreign Trade Zones and the California Foreign Investment Program. Status: Signed by the Governor, Chapter 13, Statutes of 2017.

- h) **AB 2012 (John A. Pérez) Economic Development Reorganization:** 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.
- i) **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."*
- j) **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.
- k) **SB 515 (Scott) Armenia Trade Office:** This bill would have extended the sunset date by two years (January 1, 2008, to January 1, 2010) for the operation of the California international trade and foreign investment office in Yerevan, the Republic of Armenia. Status: Vetoed by the Governor, 2007. The veto message stated: *"California is fortunate to be home to one of the largest populations of Armenians outside the Republic of Armenia, and the Armenian-American community contributes much to our state and nation. The creation of an Armenia trade office was prudent in 2002 when the Legislature instituted the office. Since then, the Legislature has closed all other trade offices throughout the world and last year passed legislation mandating the creation of a state international trade strategy. The Business, Transportation, and Housing Agency is required to complete an International Trade and Investment strategy to recommend priorities for state activities by February 1, 2008. Also, the state is prohibited from establishing any new foreign office until the Legislature receives a strategy to guide the operation and activities of the office and provides statutory authority for implementing the strategy. The State's involvement in foreign trade offices should be determined by the process set forth by the Legislature last year. This bill is premature before that process is completed."*
- l) **SB 897 (Scott) Armenia Trade Office:** This bill extends the sunset date allowing for the creation and operation of an international trade and investment office, on a contractual basis, in Yerevan, Republic of Armenia, from January 1, 2006, to January 1, 2008, and extends the reporting deadline regarding the success of this office from March 1, 2005, to June 1, 2007. Status: Signed by the Governor, Chapter 604, Statutes of 2005.
- 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.”

- n) **SB 1657 (Scott) Armenia Trade Office:** This bill requires the establishment of an international trade and investment office in the Republic of Armenia; requires the State Technology, Trade, and Commerce Agency to report to the Legislature by March 1, 2005, on specified items; and sunsets on January 1, 2006. Status: Signed by the Governor, Chapter 863, Statutes of 2002.

REGISTERED SUPPORT / OPPOSITION:

Support

Armenian Assembly of America
Armenian Engineers and Scientists of America
Armenian General Benevolent Union
Armenian National Committee of America - Western Region
Mayor of the City of Glendale, Zareh Sinanyan

Opposition

None on File

Analysis Prepared by: Toni Symonds / J., E.D., & E. / (916) 319-2090