



CALIFORNIA

Governor's Office of Business and Economic Development

STATE OF CALIFORNIA • OFFICE OF GOVERNOR GAVIN NEWSOM

International Trade and Investment Program 2019 Report

(Government Code Title 2, Division 3, Part. 4.7, Chapter 2.5, Section 13996.65.)

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This International Trade and Investment Strategy Report (Strategy) was prepared pursuant to the California International Trade and Investment Act of 2006, as amended in 2012 (AB 2012), enacted as Government Code Title 2, Division 3, Part. 4.7, Chapter 2.5, Section 13996.65. The Act states that this Report shall include a budget for the International Trade and Investment Program that includes a separately stated budget for each international trade and investment office. This includes (A) A description of how the International Trade and Investment Program and each individual international trade and investment office will be funded. (B) A description of staffing levels and the positions needed to operate each international trade and investment office.

INTRODUCTION AND EXECUTIVE SUMMARY

California plays an important role on the global stage. Since 2005, California has averaged over 4 percent nominal GDP growth, and grown from the world's 8th largest economy to the world's 5th largest – passing Italy, France, and the United Kingdom in size. California is the agricultural capital of the United States, the cultural capital of the Pacific Rim, and the innovation capital of the world. The state handles over \$600 billion worth of foreign trade,¹ relies on the skills and talents of 11 million immigrants,² and utilizes its position of world leadership to propel its economy forward.

Trade and foreign direct investment (FDI) are at the center of California's economic growth. California ranked second in the United States in merchandise exports in 2018, with an estimated value of \$178 billion.³ Service exports play a very significant role in the California economy, including travel and tourism. California is one of the largest recipients of FDI of any state, attracting \$27 billion in 2018.⁴

These numbers translate to millions of jobs across the state. In 2017, two-way trade in California supported 4.7 million jobs⁵ and FDI was responsible for over 769,000 jobs.⁶

The International Affairs and Trade unit (IA) within the Governor's Office of Business and Economic Development (GO-Biz) is responsible for policy direction, daily management, and interagency coordination of the State's international trade and investment priorities.

¹USA Trade Online; United States Census Bureau. Accessed at <https://usatrade.census.gov/index.php>

²Public Policy Institute of California. "Immigrants in California." May 2019

³USA Trade Online; United States Census Bureau. Accessed at <https://usatrade.census.gov/index.php>

⁴Bureau of Economic Analysis; Actual and Planned Expenditures: State by Year. Accessed at <https://www.bea.gov/international/di1fdinew>

⁵Trade Partnership Worldwide; "Trade and American Jobs: The Impact of Trade on U.S. and State-Level Employment (2019 Update)." Accessed at <https://tradepartnership.com/wp-content/uploads/2019/03/Trade-and-American-2019-FINAL.pdf>

⁶Select USA; Foreign Direct Investment (FDI): California. Accessed at <https://www.selectusa.gov/servlet/servlet.FileDownload?file=015t00000004pp4>

2019 REPORT ON CALIFORNIA INTERNATIONAL PRESENCE

International Activities Supported

Small Business Administration State Trade Expansion Program

California received a total of \$600,000 in State Trade Expansion Program (STEP) funding from the Small Business Administration (SBA) for federal Fiscal Year 2019-2020 and California organizations pledged an extra \$323,076 in matching funds. However, given that no STEP activities were undertaken directly by the State Government in calendar year 2019, the impact of the required match on the general fund was \$0.

GO-Biz estimates that approximately 20%-40% of the STEP Program Administrator's time is spent administering the program, accounting for approximately \$25,000-\$50,000 in GO-Biz staff salary and benefits.

Six STEP-supported international activities took place in 2019:

- Netherlands Trade Mission – Jan 2019 - \$15,403 in STEP funding
- Avalon Australia – Feb 2019 - \$24,000 in STEP funding
- China Medical Equipment Fair – Apr 2019 - \$22,000 in STEP funding
- Cosmoprof India – June 2019 - \$35,000 in STEP funding
- F-Air Colombia – July 2019 - \$24,000 in STEP funding
- Hong Kong Food Expo – Aug 2019 - \$44,000 in STEP funding

The STEP program supported 63 small business export expansion efforts, recording projected sales of more than \$2.2M.

- 56 businesses reported a successful market expansion
- 7 businesses were first time exporters
- 15 businesses were from socially and economically disadvantaged regions of California
- 9 businesses were women owned
- 6 businesses were veteran owned

Region-Specific GO-Biz Staff

GO-Biz currently staffs Trade and Investment Representatives for three regions of the globe. These staff are based in California but may travel extensively overseas in order to solicit investment leads, support California businesses on regional trade shows, and other activity meaningful to export development and/or FDI:

- Asia Trade and Investment Representative
- Europe/Middle East/Africa Trade and Investment Representative
- Americas Trade and Investment Representative

The total funding for the three positions is \$592,000: \$427,000 in wages and benefits and \$165,000 in operating expenses, including \$72,000 for travel. For a full outline of the costs of these positions, please consult Fiscal Year 2019-20 Budget Request 0509-402-BCP-2019-MR.

Funding for the overall International Affairs and Trade unit within GO-Biz amounted to \$992,007 for Fiscal Year 2019/2020.

Global Trade and Investment Desks

GO-Biz has focused on implementing a “service desk” model of international engagement, partnering with local organizations to make physical space available to California Trade and Investment Specialists at no cost to the State. Below is an outline of the three current agreements.

Mexico

On October 2, 2019, Lieutenant Governor Eleni Kounalakis announced that California was establishing a Trade and Services Desk to promote two-way trade and further strengthen California’s deep economic, political, and cultural relationship with Mexico. The desk is utilized by California’s Americas Trade and Investment Representative to promote mutual trade and investment by Californian and Mexican businesses, assist businesses looking to invest and/or export to and from California and more broadly the Americas, and support more robust two-way exchange in environmental protection, education, and tourism. The common goal of the desk with Mexico is to create a sustained, strategic, and mutually beneficial partnership.

The Trade and Services Desk is located at the University of California’s Casa de la Universidad de California in Mexico City.

Prior to the opening of the desk, GO-Biz and the University of California signed a memorandum of understanding allowing the State of California to utilize space within Casa de California at no cost to the State.

China

In 2013, Governor Brown opened the California-China Trade Office in Shanghai during a trade mission to China. GO-Biz partnered with the Bay Area Council (BAC), a non-profit entity, to operate and manage the office with a mission to facilitate trade and investment opportunities between California and China. In 2016, the Los Angeles Regional Economic Development Corporation (LAEDC), California Asian Pacific Chamber of Commerce, and the City of Sacramento joined the BAC to form the China Trade Office Network. Since opening, the Network has helped California businesses access export opportunities to China and attract FDI from China. The China Trade Office Network has assisted and supported dozens of visiting trade delegations, organized attendance to multiple conferences and summits, and assisted scores of businesses with their California-China trade and investment relationships.

In September 2019, the China Trade Office Network was expanded and rebranded to the California Trade and Investment Network, adding four additional partners who agreed to share resources and contacts, work together on trade shows and missions, and cooperate on business development. The four additional partners include Amcham Shanghai, GlobalSF, Fresno EDC, and CalAsian Chamber.

Many of the organizations involved in the China Trade and Investment Network have a physical presence in China and have offered GO-Biz's international staff use of their space when needed at no cost to the State of California.

Armenia

In September 2019, Governor Gavin Newsom met with Prime Minister of Armenia Nikol Pashinyan and signed an agreement to create a Trade and Services Desk in Armenia. The desk will not only serve as a hub for the Europe/Middle East/Africa Trade and Investment Representative, is also to be utilized by delegations from the Governor's Office of Business and Economic Development, to encourage trade and investment by Californian and Armenian businesses. The Trade and Services Desk will foster economic cooperation and development by assisting entrepreneurs in connecting with their counterparts to engage in various trade and commercial activities.

The desk is to be utilized on an as-needed basis by the Europe/Middle East/Africa Trade and Investment Representative, at no cost to the State.