International Affairs and Trade Unit 2020 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 Annual Report 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.
INTRODUCTION AND EXECUTIVE SUMMARY

The International Affairs and Trade (IA) unit within the Governor’s Office of Business and Economic Development (GO-Biz), directed by Lieutenant Governor Eleni Kounalakis per the Governor’s Executive order designating the Lt. Governor as the Governor’s Representative for International Affairs and Trade Development, advises the Governor on international opportunities and provides recommendations to promote and expand trade, investment, and foreign relations.

The initial strategy for the year included plans for missions to Germany, Japan, and Chile, as well as in-person events with governments in Mexico and others. Due to the COVID-19 pandemic, the in-person events transitioned to virtual platforms.

The IA unit was able to introduce new virtual trade activities, including a first-in-the-nation partnership to provide virtual export opportunities to over 100 California small businesses that resulted in millions of dollars in realized and expected sales.

IA tailored its foreign direct investment (FDI) services to better and more rapidly respond to incoming requests by building out informational resources for prospective investors and local economic development partners. The COVID-19 pandemic has seen a dramatic decline in foreign investment inquiries globally, particularly into developed economies – FDI inflow to the United States decreased by 61 percent in 2020 compared to 2019. In a world where companies are focused on maintaining and strengthening supply chains and less overall investments are being made, the IA unit responded by tailoring services and increasing responsiveness.

The pandemic did not stop international engagements and the IA unit continued to work with its robust network of international partners to promote California exports, support small businesses in accessing global markets, and attract inward investment that brings jobs to Californians.

This report will review the activities of the IA unit from January 2020 through December 2020, evaluating the progress made with the projected goals in the California International Trade and Investment 2019-2024 Strategy and in lieu of the COVID-19 pandemic.
2019 REPORT ON INTERNATIONAL TRADE AND INVESTMENT

Strategic Objectives, Recommendations, and Actions Taken

1. Develop a comprehensive export strategy that will grow California exports and improve export development.

   **Action 1:** Leverage the direction and decisions of the International Affairs and Trade Development Interagency Committee, chaired by the Lt. Governor and co-chaired by the Director of GO-Biz. The committee meets on a regular basis to facilitate coordination and implementation of the state’s trade and investment goals and strategies among all state agencies with relevant responsibilities.¹

   **Priority Level:** 1  
   **Timeline:** Ongoing  
   **Measurable Outcomes:**

   - IA organized interagency meetings held on March 9, 2020 and September 30, 2020, discussed recent activities, ongoing priorities, and produced publicly available meeting minutes.

   **Action 2:** Develop a comprehensive state export plan that (1) identifies foreign markets with the greatest potential for export expansion, including our top trading partners and emerging markets; (2) identifies specific California industries and sectors with potential for export growth and (3) considers export promotion opportunities for underrepresented areas of California.

   **Priority Level:** 1  
   **Timeline:** Ongoing (implementation)  
   **Measurable Outcomes:**

   - IA has identified California’s top markets and developed export and investment plans that include trade data analysis, industry specific information, and contact information for key industry events, associations, and pertinent government entities. Key markets include, but are not limited to:
     - Canada
     - China
     - India
     - Mexico
     - Japan
     - The Netherlands
   - In lieu of in-person trade events and missions, GO-Biz partnered with Kallman Worldwide, one of the nation’s largest organizers of trade shows, to put on a series of virtual trade missions focused on aerospace and defense. These missions have attracted approximately 100 California companies over the first four missions, with business participation sponsored by the Small Business Administration’s State Trade Expansion Program (STEP) grant. GO-Biz is conducting surveys on results but the first of
the missions, with Chile, resulted in $500,000 in sales on just the day of the event alone.

**Action 3:** Develop strategies to incentivize additional federal and state funding for the export activities of California businesses. Identify and utilize available federal and state-level programs and funds, including grant funding from the U.S. Small Business Administration (SBA) for the State Trade Expansion Program (STEP), the Export-Import Bank (EXIM) Insurance Program, California Infrastructure and Economic Development Bank (IBank) Small Business Finance Center, and other available resources to help California companies expand exports.

**Priority Level:** 1  
**Timeline:** 2020-2022, Ongoing  
**Measurable Outcomes:**
- California received a total of $650,000 in State Trade Expansion Program (STEP) funding from the Small Business Administration (SBA) for the performance period of October 2018 – September 2021. The total non-federal match of this contract is $349,999.
- California received a total of $600,000 in State Trade Expansion Program (STEP) funding from the Small Business Administration (SBA) for the performance period of October 2019 – September 2021. The total non-federal match of this contract is $323,076.
- GO-Biz applied for, and is expected to receive, the maximum award of $900,000 from the US Small Business Administration for STEP activities in 2021. The total non-federal match of this contract is $484,614.
- Four STEP-supported virtual trade missions took place in 2020:
  - Aerospace and Defense Opportunities in Colombia Trade Mission
  - Aerospace and Defense Opportunities in Chile Trade Mission
  - Aerospace and Defense Opportunities in Mexico Trade Mission
  - Defense Opportunities with NATO and Poland Trade Mission
- The STEP program also supported 394 small business export expansion efforts, recording projected sales of $6.6M:
  - 115 businesses were women owned
  - 33 businesses were veteran owned
  - 139 businesses were minority owned
- Referrals to EXIM and IBank were halted due to new SBA guidelines on confidentiality.

**Action 4:** Identify effective business models to structure California trade desks and networks. Prioritize a desk in Mexico and network in China given their significant role in California trade and potential market opportunities for California businesses.

**Priority Level:** 2  
**Timeline:** Ongoing  
**Measurable Outcomes:**
- California maintains a trade desk in Mexico City and uses the China Trade and Investment Network for physical space in China when IA members are
overseas. While these desks are available, the current travel climate negated direct use of these facilities in 2020.

- California is in the process of opening an additional trade desk in Armenia, although this effort has been delayed due to a temporary period of instability in the region. IA expects to continue the process for opening this desk once peaceful resolution has been achieved.
- IA continues to explore additional desks in countries that would advance California’s strategic interests and where IA could partner with a local organization to provide support at no cost.

2. Develop a comprehensive investment attraction strategy that will grow FDI in California.

**Action 1:** Develop an FDI plan that identifies foreign markets with potential for investment in California, the sectors with the greatest potential for growth, and opportunities for underrepresented areas in the state. Leverage California’s leadership in technology, energy, and sustainability to attract ‘next-gen’ businesses and consider how foreign direct investment can support California’s climate goals. Use incentives and resources, including the California Competes Tax Credit and California Business Investment Services, to bring businesses and jobs to the state. Maintain or increase California’s share of EB-5 and EB-2 investment visas.

**Priority Level:** 1  
**Timeline:** 2020, Ongoing  
**Measurable Outcomes:**
- Led a U.S.-India State Spotlight webinar with the Indian Ministry of Commerce and Industry on August 6 for nearly 300 Indian firms.
- Developed a virtual trade mission focused on smart mobility with the Dutch embassy and consulate for over 100 Dutch and California businesses.
- Led a small delegation of local economic development organizations to Select USA’s Discover Global Markets virtual event on October 7-9, which was attended by 49 global investors interested in the intelligent manufacturing space in the U.S. The California delegation met with more than 20 prospective investors.
- Hosted webinars for Ecuador, Peru, and Mexico that attracted over 320 business executives from those countries.
- Further developed materials available for foreign investors including factsheets on regions of California and foreign trade zones within the state.

**Action 2:** Coordinate with statewide partners, including regional Economic Development Organizations (EDOs), and participate in FDI-oriented missions to emphasize investment opportunities in California. Host FDI favorable countries in California.

**Priority Level:** 1  
**Timeline:** Ongoing  
**Measurable Outcomes:**
• IA has met with international delegations, including virtual delegations, that included business representatives and/or government officials to encourage business investment in California.
  o Japan (January 24)
  o Canada (January 26)
  o Taiwan (February 11)
  o United Kingdom (February 21)
  o Ireland (February 24)
  o Baja California (March 12)
  o Baja California Sur (March 12)
  o Germany (July 7)
  o Japan External Trade Organization (July 16)
  o Quebec (September 17)
  o Singapore (October 6)
  o Baden-Wurttemberg (October 15)

Action 3: Participate in the U.S. Department of Commerce’s SelectUSA Investment Summit and other high-profile trade and investment events annually. Develop a framework to implement a SelectCalifornia model, including a focus on under-represented areas of the state.

Priority Level: 2
Timeline: Ongoing
Measurable Outcomes:
• Due to COVID-19, the SelectUSA gathering planned in Washington, DC was cancelled.
• GO-Biz led a delegation of five economic development organizations to SelectUSA’s Discover Global Markets virtual event October 7 – 9, 2020.
• GO-Biz participated in the SelectUSA virtual tour of Los Angeles on September 24, 2020.
• IA presented at a virtual SelectUSA event targeting over 200 investors in Central America.
• IA presented at a virtual SelectUSA event focused on attracting companies from Brazil on August 3, with 200 registered attendees, which resulted in 1 follow-up conversation.
• IA presented at a virtual SelectUSA event focused on attracting biotechnology companies from Queensland, Australia on December 7.

3. Improve our partnerships at the international, national, state, and local level, and with the private sector, to leverage available resources efficiently and implement more proactive outreach and engagement.

Action 1: Proactively engage with the statewide network of Economic Development Organizations (EDOs), World Trade Centers, Chambers of Commerce, ports, airports, border crossing interests, University of California and California State University international centers, and programs to coordinate, amplify, and execute the state’s international trade and investment strategy.
**Priority Level:** 1  
**Timeline:** Ongoing  
**Measurable Outcomes:**

- IA continued the monthly newsletter started in 2019 that includes updates on upcoming international trade/investment events. IA has increased the number of subscribers to over 500.
- IA partnered with World Trade Center Los Angeles to release the first statewide foreign direct investment report, which highlights foreign investors by industry, region, and country.
- IA engaged with 14 local economic development organizations at the city, county, and regional level to share tailored foreign investment reports.
- IA participated in at least four International Visitor Leadership Program events to improve trade and diplomatic relations between California and international partners. These events were hosted by World Trade Center Northern California.
- IA engaged with Foreign Trade Zone grantees across the state to understand their utility in foreign investment attraction. IA will also meet with Federal-level administrators of the Foreign Trade Zone program.
- IA built relationships with industry associations in strategic sectors, such as life sciences and manufacturing, to work collaboratively to provide prospective investors with sector-specific support.

**Action 2:** Evaluate and identify effective regional EDO programs for export training and cohort development and replicate at other regional EDOs.

**Priority Level:** 1  
**Timeline:** 2020, Ongoing  
**Measurable Outcomes:** Identify quality export training programs provided by EDOs. Track the number of trainings conducted; the number of companies assisted; and as available, resulting export sales.

- In January 2020, IA partnered with 14 economic development organizations across the state to launch the California Export Training Network. The members of the network agree to share and publicize trainings and share best practices for export training.
- Although most trainings in 2020 were cancelled or postponed due to COVID-19, GO-Biz maintains a training calendar on its website.

**Action 3:** Strengthen and formalize a partnership with the U.S. Commercial Service to utilize business match-making services in foreign countries and with U.S. embassies/consulates and American Chambers of Commerce in foreign markets to promote California exports and attract foreign investment.

**Priority Level:** 2  
**Timeline:** 2019 – 2020, Ongoing  
**Measurable Outcomes:**
The U.S. Commercial Service has emerged as an important source of leads for inbound FDI. IA receives approximately 5 inbound leads per week, many from the US Commercial Service (CS).

The CS supported IA virtual trade missions to Chile, Colombia, Mexico and Poland/NATO leveraging the STEP program funding for small business exporting.

IA continues to participate in the CS’s quarterly planning meeting to coordinate state/federal assistance to foreign business looking to invest in California.

IA partnered with American Chambers of Commerce in Mexico, Colombia, Peru, Chile, Brazil, Shanghai, and others on California investment promotion events.

**Action 4**: Work with international partners to promote California exports overseas and encourage mutual trade and investment.

*Priority Level: 1
Timeline: Ongoing
Measurable Outcomes:*

- In January, GO-Biz supported a Lt. Governor’s delegation to India, in partnership with the Bay Area Council. The delegation focused on nut exports to India.
- On February 22, IA hosted the Senior Advisor of the Dutch Minister of Economic Affairs to discuss mutual trade and investment.
- IA partnered with American Chambers of Commerce and other business organizations on webinars to promote investment in California. This includes events with Peru (August 27), Colombia (July 24-26, September 10), Mexico (July 21), Brazil (August 14, September 3), and Ecuador (July 3, September 21).
- IA hosted working-level meetings with the governments of Baja California and Baja California Sur in March 2020 to better coordinate on cross-border issues including trade, environment, goods movement, border infrastructure and other topics. These talks were continued in a staff-level meeting between the three governments in December 2020.
- On October 22, 2020, IA partnered with the Bay Area Council and the Port of Oakland in a meeting with Jiangsu Province China, in order to encourage Chinese shippers to use California ports.
- On October 15, 2020, IA organized a staff-level convening with Under-2 Coalition co-founder Baden-Württemberg focusing on trade, biomass, advanced transportation, climate, and other key issues.
- In August 2020, IA hosted three webinars with the Asian Development Bank focused on opportunities for California firms to bid on Asian Development Bank projects.
- In Summer 2020, negotiations began with the Japan Bank of International Coordination on an MOU that would streamline the investment process for Japanese companies looking to invest in California’s “green economy” businesses. IA anticipates this MOU will be signed in 2021.
• In Spring 2020, IA supported the donations of personal protective equipment (PPE) from foreign partners including China, Taiwan, Jordan, and others, in coordination with the California Office of Emergency Services.
• In 2020, GO-Biz received foreign investment leads from the Japan External Trade Organization, AusTrade, the Government of the Netherlands, Guangdong Province, and others.
• Throughout the year, GO-Biz played a coordinating role on meetings between the Governor, Lt. Governor and Governor’s cabinet level staff with international partners.

4. **Work with international trade infrastructure partners to serve California companies effectively and efficiently. Support the implementation of the state-approved California Sustainable Freight Action Plan.**

   **Action 1:** Meet with the state’s ports, airports, rail lines, truckers, shipping lines, warehouse providers, and beneficial cargo owners to identify their specific freight needs and focus on the implementation of the Sustainable Freight Action Plan to address the future competitiveness of the state’s goods movement and storage infrastructure.

   **Priority Level:** 1
   **Timeline:** Spring 2020, Ongoing
   **Measurable Outcomes:**
   • From March-June 2020, during the height of pandemic response, GO-Biz hosted weekly calls with the freight industry to respond to PPE needs, understand vulnerabilities in the supply chain, and coordinate industry response to the virus.
   • The Goods Movement & Sustainable Freight unit at GO-Biz continues to work with contractors on development of a methodology for assessing the economic impacts of state actions on the goods movement industry and continued collaboration on the implementation of California’s Sustainable Freight Action Plan. IA supports these efforts as needed.
   • IA supported overall GO-Biz efforts to procure PPE for port workers, warehouse workers, and other essential workers in the goods-movement supply chain.

5. **Develop and implement a more user-friendly, comprehensive, and interactive website and communications strategy to assist California companies seeking to export and attract foreign investment.**

   **Action 1:** Upgrade the international affairs section of the GO-Biz website to provide a link between federal and state trade and export services, domestic and overseas trade and investment-related partners, as well as information, educational materials, and resources to expand trade and FDI.

   **Priority Level:** 2
   **Timeline:** 2019 – 2020
Measurable Outcomes:

- IA worked closely with the GO-Biz Information Technology (IT) team on a comprehensive rebuild of the GO-Biz website, which went live in January 2020. This included updating content, formatting, and graphics throughout. The IA content includes links to federal and state partners and resources to support California exports and investment attraction.
- IA produced factsheets on California’s top 20 sources of foreign investment, which emphasize key areas for engagement and resources for interested investors. On average, this website page receives over 100 visitors per month.
- IA created an International Investor Starter Packet, which is a checklist of the first steps for a business begin operations in California. It includes details on how to get registered with the California Secretary of State, how to open a U.S. bank account, and other similar tools and resources. The IA unit shares these resources with businesses as needed, including most prospective international investors.
- IA created flyers on incentives available to manufacturers. These are designed to support California businesses that are experiencing uncertainty in their global supply chains. These flyers were distributed.... (where? To whom?)
- IA created updated versions of the Business Investment Guide and the Site Selection Worksheet to increase their accessibility/utility for international investors.

6. Leverage the efforts of Visit California and CA Grown brands to support international trade and investment.

**Action 1:** Meet regularly with Visit California and CA Grown to maximize impact of their marketing spend on international trade and investment.

**Priority Level:** 2
**Timeline:** Ongoing

**Measurable Outcomes:**

- Regular meetings with Visit California and CA Grown to include their participation in GO-Biz organized trade and investment missions. Given the large decline in tourism due to COVID-19, Visit California has decided to focus their efforts on domestic tourism and has temporarily halted international programming.
- IA partnered with Visit California on a trade mission to India in January 2020, resulting in dozens of conversations between IA and potential Indian investors and an MOU to further develop Indian movie production in California.
GLOBAL TRADE AND INVESTMENT DESKS

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 (CTIN), 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.

From September 2019 to September 2020, the CTIN helped facilitate $32.6 million in exports and $92 million in in-progress foreign direct investment. In addition, the network fielded 196 businesses export or FDI requests and 44 business delegation exchange activities.

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 serve as a hub for
the Europe/Middle East/Africa Trade and Investment Representative and will be utilized by delegations from the Governor’s Office of Business and Economic Development to encourage trade and investment by Californian and Armenian businesses. For example, the Trade and Services Desk will foster economic cooperation and development by assisting entrepreneurs in connecting with their counterparts to engage in commercial activities.

GO-Biz has completed all necessary steps to open a trade desk in Yerevan, Armenia to further develop important commercial and cultural exchange between California and Armenia. A strong partner has been identified and the selected trade desk location in Yerevan will be a strategic resource in fostering entrepreneurialism and innovation between our regions and will also support California officials doing business in the region at no cost to the State. An official event to sign an MOU with the partner and to commemorate the opening of the trade desk was postponed at the request of Armenian partners due to a temporary period of instability in the region. We continue to monitor developments in the region and remain in close coordination with the partners in Armenia to find an appropriate time to officially announce and launch the trade desk.
The organizational structure of IA and location of its staff have been consciously developed to balance operational considerations, protection of the public interest, and support business development. Under the overall direction and coordination of the Governor’s Office and in collaboration with the Office of the Lieutenant Governor, IA is responsible for daily management, oversight, programmatic evaluation, and performance evaluation of international trade and investment priorities. The IA unit is led by Kaina Pereira, Senior Advisor for Business Development and International Trade, and is currently composed as follows:

- Max Oltersdorf, Deputy Director for International Affairs and Trade
- Emily Desai, California Trade and Investment Representative – Europe and Middle East
- Henan Li, California Trade and Investment Representative – Asia
- Diana Dominguez, Special Advisor for International Affairs and Trade
- Maria Onorato, Foreign Direct Investment Specialist
- Nancy Alatorre, Business Development Program Analyst

Funding for the overall International Affairs and Trade unit within GO-Biz amounts to $930,166 for Fiscal Year 2020/2021.