Establishment of a
California-China Office of Trade and Investment

Pursuant to Assembly Bill 2012, Statutes of 2012
(Sections 13996.41-13997.6 of the Government Code, as amended)

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CORRECTED
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California-China Office of Trade and Investment

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APPENDIX: California Merchandise Trade with Greater China

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Publication Information
Establishment of a California-China Office of Trade and Investment

I. Introduction and Executive Summary

During Chinese Vice President Xi Jinping’s visit to California in February 2012, Governor Brown announced plans to open a new trade and investment office in China to increase direct investment in California and give the state’s businesses a distinct advantage in China.

“The Pacific Rim has become the center of the world economy, presenting California with countless opportunities to grow alongside our neighbors across the ocean. The office will encourage direct investment and further strengthen the existing ties between the world’s second- and ninth-largest economies.” – Governor Brown

In September 2012, Governor Brown signed into law Assembly Bill 2012, authored by Speaker John A. Pérez. The bill authorizes the Governor's Office of Business and Economic Development (GO-Biz) to serve as the state agency primarily responsible for international trade and investment activities in the state, and it authorizes GO-Biz to carry out specified powers and duties including developing and implementing an international trade and investment program, establishing and terminating international trade and investment offices outside of the United States, and accepting private donations for those purposes.

The bill also authorizes GO-Biz to designate nonprofit entities to operate international trade and investment offices outside of the United States. At the time of the bill signing, the Governor announced his intention to utilize the Bay Area Council, headquartered in San Francisco and with an office already located in Shanghai, as a non-profit partner to open California's office in China.

In October 2012, GO-Biz signed a partnership agreement with the Bay Area Council Foundation to begin the operational and fundraising planning necessary for establishing such an office and for reporting sufficient details to the Legislature prior to formal opening of the office.

Under this partnership agreement, GO-Biz intends the city of Shanghai to be the site of California’s first trade and investment office. Space has been secured in the Yangpu District, the largest of the downtown districts of Shanghai and home to 1.3 million inhabitants. The district, with quick access by road and subway to the rest of Shanghai, has the largest concentration of universities and research centers in China, along with backing by the central government as an official innovation zone of China.

A formal California trade and investment strategy is not due to the Legislature prior to February 2014. The 2013 workplan of the China office outlined herein is based on careful consideration of activities that best leverage resources of the State of California and other resources, as well as recommendations submitted to the Legislature by the Business, Transportation and Housing Agency in 2007 and 2008.
II. Relationship to California Trade and Investment Strategy

California’s current trade and investment development strategy is to conduct proactive business development activities in select high-prospect markets utilizing the expanded capabilities and authority of the Governor’s Office of Business and Economic Development in combination with financial and programmatic support from federal, state, local, corporate and non-profit partners.

This strategy builds from the earlier work of the California Business, Transportation & Housing Agency (BTH). In pursuing this strategy, GO-Biz intends to leverage fully its other units and programs. This includes finalizing investment deals through our California Business Investment Service (CalBIS), driving technology innovation through the Innovation Hub (iHub) program, expanding small business participation through the Office of Small Business Advocate, and speeding project and customs approvals through our Permits Assistance unit. We will also work to support business opportunities through coordination and initiatives to be determined with Visit California, the California Film Commission, and the California Infrastructure Bank.

China, by virtue of its large and rapidly growing economic relationship with California (see Section III below), is the first country in which we will execute this strategy on a comprehensive basis for all forms of international business development, including usage of a representative office.

Overall Policy Priorities and Goals

The goals of GO-Biz international business activities are to drive increased employment, revenues at California enterprises, tax revenues, and international competitiveness in California through four channels:

- Promote foreign investment into California
- Facilitate increased two-way international business growth, with an emphasis on expanding foreign sales by California employers, including not only manufacturers, agricultural enterprises, and commodity producers, but also service providers such as universities, banks, consulting companies, and the like
- Support continued growth of California’s role as a gateway state for goods movement and passenger travel
- Identify and address barriers to international expansion by California employers

The China office workplan will address each of these channels.

Strategies, Measurable Outcomes, and Timelines

From the signing of AB 2012 through the end of calendar year 2013, the China office will have the following overall intended operational milestones and outcomes:

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## Operational Milestones and Strategies

<table>
<thead>
<tr>
<th>Operational Milestones and Strategies</th>
<th>Timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish a contractual non-profit partner to operate the office</td>
<td>Fall 2012 – Complete</td>
</tr>
<tr>
<td>Establish physical space</td>
<td>Fall 2012 – Complete</td>
</tr>
<tr>
<td>Initiate fundraising with a goal of $1 million for first year opening and operations</td>
<td>Fall 2012 – Begun</td>
</tr>
<tr>
<td>Develop initial branding and office description</td>
<td>Fall 2012 – Complete</td>
</tr>
<tr>
<td>Create donation reporting webpage</td>
<td>January 2013 – Complete</td>
</tr>
<tr>
<td>Hold regular inter-agency coordination meetings of working level contacts at California state agencies</td>
<td>Beginning January 2013</td>
</tr>
<tr>
<td>Submit this report</td>
<td>March 2013 – Complete</td>
</tr>
<tr>
<td>Begin formation of an Advisory Group of business leaders to provide business acumen and focus</td>
<td>By March 2013</td>
</tr>
<tr>
<td>Begin formation of a Working Group of economic development partners to provide statewide coordination, outreach, and performance oversight</td>
<td>By March 2013</td>
</tr>
<tr>
<td>Formal office opening celebration</td>
<td>April 2013</td>
</tr>
<tr>
<td>Governor’s business development mission, planning and advance</td>
<td>April 2013</td>
</tr>
<tr>
<td>Three additional business development missions</td>
<td>By end of 2013</td>
</tr>
<tr>
<td>Three additional investment attraction events/outreach initiatives</td>
<td>By end of 2013</td>
</tr>
<tr>
<td>Three additional trade show or other major business development events</td>
<td>By end of 2013</td>
</tr>
</tbody>
</table>

As set forth above, the principal strategies will be inbound and outbound business development missions, including a Governor’s mission; tradeshows; business development / investment attraction events; and focused outreach activities in particular sectors and/or with partner entities listed below.

The above activities are intended to assist at least 60 California enterprises and investment projects with business development with Chinese partners. The three additional missions, three additional investment
activities, and three additional trade events set forth above may be combined if deemed most effective as such.\(^2\)

Investment growth is particularly important. The Asia Society estimates that California has the opportunity to attract $10 billion to $60 billion in Chinese direct investment by 2020.\(^3\)

Given the large range in potential deal sizes, and the startup activities of the office this year, it is not possible to forecast a specific dollar goal. It is the Administration's intention to deliver as large as possible a dollar value of economic outcomes for the People of California along two primary measures:

- Commitments and active consultations for new foreign investment into California from Greater China with direct involvement of the office, GO-Biz and partners
- New revenues reported by California enterprises resulting from support by the office, GO-Biz, and partners

GO-Biz will regularly review performance of the office and evaluate specific dollar goals for the office in the 2014 trade and investment strategy.

**Impediments**

Among the considerations set forth in AB 2012, GO-Biz is generally asked to identify impediments to successful operation of California trade and investment offices.

Raising sufficient funds in a timely way, initially and ongoing, is the principal hurdle for opening of the China office and for such activities as travel and promotional events within and between China and California. GO-Biz does not anticipate that this hurdle will prevent opening or ongoing operation of the office.

**Partnerships**

Partnerships are central to the organizational model of the China office, as well as GO-Biz overall.

Pursuant to AB 2012, GO-Biz intends to identify a private, non-profit partner for each California foreign trade and investment office that may be established within the next two years.

We currently propose only one such office, to be located in Shanghai. Any plans for future offices will be reported to the Legislature in accordance with the provisions of AB 2012.

GO-Biz has designated the Bay Area Council, headquartered in San Francisco, to be the operating partner for the California-China Trade and Investment Office in Shanghai. All funds related to the office will be managed by the 501(c)3 Bay Area Council Foundation under the operating agreement.

In addition to the organizational partner operating the office, partner entities are key to the office success.

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\(^2\) For instance, office support for the California Asia Chamber of Commerce trade mission to attend the China Import Export Fair in May would be counted as a mission and a major trade development event. Similarly, organization of a California Week event in Shanghai in September would likely have a combination of mission, trade development, and investment attraction.

- **Federal government:** GO-Biz international programs generally, and the California-China office specifically, will coordinate with and draw upon the 21 agencies of the U.S. Trade Promotion Coordinating Council (TPCC). Of these entities, the most significant day-to-day partners will be the U.S. Department of Commerce International Trade Administration (ITA), the U.S. Department of State, and the U.S. Small Business Administration (SBA). ITA is our lead federal government partner on the ground in China for supporting California business development activities. For small business support, there is a formal partnership arrangement, grant funding, and common performance measurement exists with SBA as part of its State Trade and Export Program (STEP). No specific partnership arrangement is in place for foreign investment attraction, though GO-Biz is in discussion with ITA’s SelectUSA program managers about a planned set of activities.

- **State government:** Under the leadership of the Governor’s Office, State agencies with international expertise have formed a California-China State Interagency Working Group to coordinate initiatives and ongoing resources. These agencies include GO-Biz; Business, Transportation & Housing Agency; Visit California; Department of Food and Agriculture; Technology Agency; Environmental Protection Agency; Resources Agency; Emergency Management Agency; Energy Commission; Health and Human Services Agency; Air Resources Board; and California Community Colleges.

- **California-based partners:** Under the California STEP partnership managed by the California Community College Chancellor’s Office, Centers for International Trade Development, and funded by SBA, GO-Biz coordinates with a network of more than a dozen service provider partners to plan and organize international sales expansion efforts for California small businesses. The STEP partners include the California Chamber of Commerce, the Los Angeles Regional Export Council (City of Los Angeles, Los Angeles Area Chamber of Commerce, Los Angeles County Business Federation, UCLA, USC), the San Diego World Trade Center, and the Centers for International Trade Development in seven locations (El Camino, Fresno, Long Beach, Northern California, Rancho Santiago, Riverside, San Diego). A portion of STEP funding has been dedicated toward GO-Biz activities in China.

- **GO-Biz:** GO-Biz works on investment attraction with public and private economic development organizations around the state. It does so directly with individual economic development organizations, through statewide associations including the California Association for Local Economic Development (CALED) and Team California, and through the GO-Biz Innovation Hub (iHub) program.

- **The California Chamber of Commerce’s Council for International Trade:** The California Chamber of Commerce’s Council for International Trade also supports GO-Biz by undertaking regular outreach to international trade and investment stakeholders in California, by tracking major policy issues affecting international competitiveness, by operating a web-based information directory, and by hosting visiting senior-level government and business leaders.

- **China-based partners:** Together with the Bay Area Council and other partners described above, the Governor’s Office and GO-Biz are building a network of partners in China. To identify industry and programmatic areas for cooperation, the Governor’s Office holds regular coordinating calls organized by China’s Ministry of Commerce (MOFCOM) that include provincial officials and representatives of the China Chamber of Commerce for Import and Export of Machinery and Electronic Products (CCCME). These calls are complemented by formal partnership agreements that have been signed.
with the provinces of Jiangsu and Shandong. The Chinese People’s Association for Friendship with Foreign Countries is our official host partner for the Governor’s mission in April. We are also coordinating with the China Council for the Promotion of International Trade. As noted above, GO-Biz anticipates regular support and interaction with ITA offices in China, as well as the American Chamber of Commerce in China.

- **Other partners:** GO-Biz will work as appropriate with specialized partners representing specific industries, geographic areas, or collections of states. For instance, GO-Biz will explore partnerships with City of Sacramento’s office in Chongqing and the ChinaSF office in Beijing to develop an office network in China. In addition, GO-Biz now participates in the nationwide State International Development Organization (SIDO), together with the California Community College Chancellor’s Office.

### Funding Options

There are four principal funding options for the California-China Trade and Investment Office and any future foreign offices.

**Public-private partnership: pooled contributions, grants, and user fees.** The expenses for opening and operating the office would come from financial contributions into a 501(c)3 non-profit, public benefit organization, potentially augmented by grants and user fees.

This is the planned funding approach, authorized under AB 2012 and described in more detail in the Budget and Funding section, below.

In addition, AB 2012 allows GO-Biz to receive monies into the Economic Development and Trade Promotion Account for operation of any international trade office and for specific events and promotions.

**Public-private partnership: industry assessment program.** An industry-backed assessment program is how Visit California, California Energy Commission, California Department of Boating and Waterways, and other agencies generate operating budgets. A similar approach could be used for California’s international business development programs in general, or for a foreign office program in particular.

**Pro-bono or hosted representation.** Some government or private sector entities in foreign countries are willing to host California representative office operations or may even be willing to assign staff to represent the state on a pro bono basis. For instance, a for-profit consulting/brokerage company offered to represent the state through its office in Shanghai. GO-Biz prefers the clarity of a dedicated budget, staff, and oversight mechanism in our recommended approach rather than a pure pro-bono or hosted model.

**General fund augmentation.** The Administration has no plans for requesting budget from the General Fund for establishment of any foreign office and does not recommend this funding option at this time.

### Organizational Structure and Location

The recommended organizational structure and location have been consciously developed to balance operational considerations, protection of the public interest, and business development focus of the office.
Organization

GO-Biz. Under the overall direction and inter-agency coordination of the Governor’s Office, the Governor’s Office of Business and Economic Development will have day-to-day management, programmatic, and performance monitoring responsibilities for the California-China Trade and Investment Office.

Bay Area Council Foundation. The Bay Area Council Foundation, under a contract with GO-Biz, will be responsible for fundraising, financial management, hiring, and all in-country registration, banking, personnel, and other regulatory compliance with Chinese and U.S. law.

Inter-Agency Working Group. To coordinate the input and activities of California state agencies and their industry-specific stakeholders and events, the Governor’s Office will regularly convene an Inter-Agency Working Group. This group first met in mid-2012 for pre-planning of the Governor’s China initiatives, and met again on January 17, 2013, for specific planning of the Shanghai office and Governor’s mission to China.

California-China Advisory Group. The entities providing funding to the operation of the China office – represented by senior business leaders from California and China – will each be invited to have a representative on a California-China advisory group. The group’s role is to provide strategic business advice and ensure the overall objectives and performance of the office are commensurate with the private-sector funding for the office. The Administration intends for the composition of the advisory group to reflect the diversity of California business stakeholders with interest in successful operation of the office.

California-China Working Group. Representatives from municipal economic development organizations, trade associations, and key operational partners will be invited to meet regularly as a working group to review the office workplan, calendar of activities, performance measures, and results. Working group members will also be responsible for business outreach within their respective business communities. The working group will be representatives of California’s key geographic regions and selected high-prospect industries.

Office staff. Pending sufficient fundraising, the office staffing in 2013 will consist of an office director and up to three staff.

The director and staff will possess the following expertise:

- Administrative experience operating a representative business development office in China
- Experience identifying and qualifying business partners in China
- Track record of business development results
- Superior Mandarin and English language skills
- Knowledge of successful marketing strategies, communication channels, and trade shows in China
- Knowledge of best practices in international trade development and foreign investment attraction
- Contacts in key Chinese government and business organizations
- Extensive knowledge of California regions and businesses, along with functional knowledge of some or all of the following: alternative energy, sustainable development, tourism promotion, education
promotion, entertainment industries, information and communication technologies, medical and biotechnologies, food and agricultural distribution, marine and air cargo logistics, web-based services, customs and visa regulations, and intellectual property rights.

The office will have its own space, paid for by the office budget, and it will be co-located with the Bay Area Council’s Shanghai office. The arrangement will allow facilities management responsibilities to be borne by the Bay Area Council, reducing the need for clerical support.

The reporting relationship to GO-Biz, the office workplan and performance measures, and oversight by the statewide groups, will ensure that office staff remain answerable to all of California.

Location

Shanghai is the largest city in the world and the recognized financial and business center of China. Like Los Angeles, Shanghai is spread out over many miles and has 19 distinct "districts," each with its own appeal. Eight of those districts are downtown districts and 11 are "suburban districts."

After consideration of many locations, discussions with U.S. Commerce Department and Shanghai officials, plus visits to other state trade offices in Shanghai, it was determined that the California-China Trade and Investment office should be located in Shanghai’s downtown Yangpu district.

Yangpu District. Yangpu is the largest of the downtown districts of Shanghai and is home to 1.3 million inhabitants. The district has the largest concentration of universities and research centers in China. Packed amongst the high rises of Yangpu are a teeming population of creative class workers, knowledge workers, scientists, engineers, bohemians, artists and intellectuals who are becoming China’s ascendant economic force as the country shifts from a pure agricultural- and industry-based economy to a more complex economic system based on technology and value-added activities.

For California companies, Yangpu offers some sites ripe for redevelopment and amazing new developments – both large and small – that create opportunities for contracting, design and construction, and business to business sales. The district has huge parks and nature preserves in the midst of the city (and unique to the district). There is a growing cluster of exciting California companies in Yangpu. There is good access to domestic transport by air or water and quick access via car or subway to the rest of Shanghai. A California-friendly government – together with backing by the central government as an official innovation center of China – make Yangpu a strong match.

It is also the current location of the Bay Area Council headquarters in China, which the San Francisco Chronicle called the business community’s "embassy in China," offering efficiency in rent and reinforcement in staffing for the California-China Trade and Investment Office.

Office space. The specific space for the office, located in a high-rise business complex, is also well-adapted to our needs. The office will have its own entrance separate from the Bay Area Council, to be identified by name and a new California-China Trade and Investment Office seal, and its own set of dedicated offices.

The office itself has a conference room for 15 people to be shared with the Bay Area Council. The office has access to a large auditorium for formal presentations and conferences. Steps from the auditorium is a smaller
VIP room able to seat 40 people, appropriate for press conferences and smaller presentations. On premises is a restaurant with a large banquet space suitable for events of 400 to 500 attendees.

The office is located on a subway line that is generally 10 minutes from the river-edge central zone called the “Bund.” By car in the thickest of traffic the drive is around 20 minutes.

III. Economic Potential of the California-China Relationship

In a dramatic transformation of world economic power over the past decade, China has become the nation with the greatest potential for growth of cross-border trade and investment with California, along with strong potential for sharing policy and technology innovation on a wide range of issues from energy efficiency to food safety.

As detailed below, Greater China represents a business relationship driving $143 billion in two-way merchandise sales, billions of dollars in services sales, tens of billions of dollars in prospective foreign investment, and nearly $180 billion in two-way seaborne and airborne shipping.

For definitions of terms and international business concepts used in this report, please refer to the report Toward a California Trade and Investment Strategy, issued by the California Business, Transportation, and Housing Agency in October 2007.4

General Economic Information5

China holds enormous opportunities for U.S. and California businesses.

Greater China, consisting of mainland China, Hong Kong SAR and Macau SAR, has a population of 1.35 billion people. Key cities include Shanghai, Beijing, Chongqing, Shenzhen, and Guangzhou. There are 23 provinces and the two special administrative regions (SAR) noted above.

In 2011, Greater China had the third largest gross domestic product (GDP) in the world at $7.58 trillion, which is almost four times California’s 2011 Gross State Product (GSP) of $1.96 trillion.

The Chinese Yuan is the base unit of modern Chinese currencies, with Renminbi (RMB), or “people’s currency” as the name for legal tender in the People’s Republic (but not in Hong Kong or Macau). The exchange rate is still managed by the Chinese government against a basket of currencies and particularly the U.S. dollar. China has come under fire for keeping its currency relatively under-valued compared to the dollar, which makes imports into China more expensive, Chinese exports less expensive, and under-states the total value of the Chinese economy. The current exchange rate is approximately 6.22 RMB to US$1, an increase in value of more than 20% over its 2007 value of 7.61 RMB to US dollar.

At more than $4 trillion total trade, Greater China is the world’s largest exporter and second largest importer of goods. Greater China’s number one trading partner is the United States, accounting for 11% of their total trade in 2011.

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5 World Trade Organization.
Merchandise Trade\textsuperscript{6}

California is distinguished from most other states by being strong in international trade of both merchandise and services, along with serving as the principal U.S. gateway for waterborne shipping, air cargo, and passenger travel.

This section details California’s merchandise trade with China. However, trade in services, shipping, and passenger travel must not be ignored by policymakers.

When we think of China, we think about tons of consumer goods, electronics, food, beverages, and lumber, mining, and scrap commodities crossing oceans.

The volumes are impressive enough. The growth is stunning.

Between 2000 and 2011, California exports to Greater China exploded from $7.6 billion to $21.96 billion, an average annual growth rate of 10.5% and a greater growth rate and total value than any other U.S. state.

In 2011, Greater China – again, counting Hong Kong and Macau – surpassed Canada to become California’s second largest market for merchandise sales behind Mexico, with $21.96 billion in goods sold. Barring some unforeseen economic cataclysm, it is not difficult to predict that China will become California’s top export destination in this decade.\textsuperscript{7}

\begin{table}[h]
\centering
\begin{tabular}{lccc}
\hline
& \textbf{EXPORTS} & \textbf{IMPORTS} & \textbf{TOTAL} \\
& \textbf{State Origin of Movement\textsuperscript{a}} & \textbf{State of Final Destination} & \textbf{Two-Way Trade} \\
\hline
PR China & $14.2$ & $120.0$ & $134.2$ \\
Hong Kong SAR & 7.7 & 0.884 & 8.6 \\
Macau SAR & 0.064 & 0.024 & 0.088 \\
\hline
Totals for Greater China & $22.0$ & $120.9$ & $142.9$ \\
\hline
\end{tabular}
\end{table}

In 2011, California imported over $120 billion in merchandise goods from Greater China, one third of the U.S. import total.

Services Trade

On top of the merchandise flows listed above, it is essential to consider trade in services.

\textsuperscript{6} U.S. Census Bureau: Foreign Trade Data, U.S. International Trade Administration. Import data represents goods specified as ‘State of Final Destination – California’ plus Foreign Trade Zones located in California. Export data represents goods specified as ‘Origin of Movement – California.’

\textsuperscript{7} It must be noted that the European Union, with merchandise purchases from California totaling nearly $30 billion, is still California’s largest single market by virtue of the EU acting as a singular customs union, with a single set of customs, labeling requirements, and other standards.

\textsuperscript{a} Please see appendix for detailed data on California merchandise exports and imports to China. Note that the appendix does not include data on service exports.
An export transaction takes place any time a foreign individual or business purchases something from a California supplier. If that purchase is for entertainment, engineering plans, computer code, ideas, advice, experiences, or anything else that can’t be put into a box, it is a service export.

The types of services that can be sold internationally by California entities include educational services for foreign students and professionals; energy and environmental services; technical, engineering and scientific services; real estate services; architecture and design services; shipping and warehousing logistics; software and IT services; finance, banking and insurance; legal services; and travel and tourism (including both attracting foreign travel to California and consulting services related to travel facilities abroad).

Service industries represent 70% or more of the California economy. Based on inferential analysis by GO-Biz, California’s total service exports likely represent more than $80 billion, which would place total California-produced exports at more than $240 billion.

Industry indicators – such as the tourism and educational data listed below – suggest that China is a major and growing market for California services. However, GO-Biz does not currently have a methodology for measuring California sales of services to China.

GO-Biz estimates that sales of services to individuals and businesses from Greater China are in the range of $4 billion to $9 billion. An estimate of California purchases of services from China is not available.

**Investment**

The term “investment” encompasses stocks and bonds, the direct purchase of real estate or construction of a facility (also known as foreign direct investment), or through other kinds of investment activity such as equity compensation as consideration for services or other value provided.

When looking at trade and investment activity, it is important to recognize two different types of measurement. Flow measurements quantify something over time. A stock measure tallies the quantity of something at a particular point in time. Stock and flow measures can be easily confused in investment data, where the typical data point is a stock measure “the value of plant, property and equipment was $1 billion at the end of last year” but activity can also be expressed as a flow, as in "the value of new investments last year (flow during the year) reached $100 million."

According to a 2011 study prepared by the Asia Society with the Rhodium Group. California attracted 156 investment deals from 2000 to 2011 from mainland China investors. These deals were valued at over $1.3 billion, and accounted for approximately 29% of all mainland Chinese Foreign Direct Investment (FDI) into the United States.

Out of all 50 states in 2009, California had the highest total employment generated by foreign affiliates. With approximately 636,000 employees, this was 10.7% of the U.S. total.

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10 California 2012 merchandise exports totaled $161.7 billion according to Trade Stats Express, U.S. International Trade Administration.
China’s Ministry of Commerce expects that China will become a net exporter of FDI by around 2015. According to the Asia Society study, if the traditional relationship between GDP growth and FDI flow holds, over the next decade China could easily yield between $170 billion and $340 billion in new FDI into the United States. By creating and promoting an attractive business environment, California has the opportunity to procure approximately $10 billion to $60 billion in new Chinese investment by 2020.

**Shipping**

California – and our ports and airports – are strategically important as a shipping gateway for the entire United States. Shipping, trucking, warehousing, and related logistics jobs represent generally well paid careers, including for workers possessing a high school diploma or only one or two years of postsecondary study.

China is a large and growing part of the future of these jobs.

<table>
<thead>
<tr>
<th>Seaborne and Air Cargo with China 2011</th>
<th>EXPORTS to China</th>
<th>IMPORTS from China</th>
<th>TOTAL Two-Way Trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal California Customs Districts (values in US$ billions)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Los Angeles</td>
<td>$27.4</td>
<td>$126.4</td>
<td>$153.8</td>
</tr>
<tr>
<td>San Francisco</td>
<td>5.9</td>
<td>17.9</td>
<td>23.8</td>
</tr>
<tr>
<td>Totals</td>
<td>$33.3</td>
<td>$144.3</td>
<td>$177.6</td>
</tr>
</tbody>
</table>

**People**

California is uniquely positioned among U.S. states to grow its business relationships with China because of the people-to-people connections established through our residents and the number of Chinese choosing California for education and tourism.

**Residents**

In 2010, there were 1.25 million residents with Chinese ancestry living in California. Approximately 761,000 of these residents were born in China.

Although San Francisco has the oldest and longest continuous running Chinatown in the western hemisphere, there are several other major Chinatowns in California, such as Oakland, Los Angeles, San Jose and San Diego.

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12 WorldCity. “2012 Los Angeles Trade Numbers.” 2012
13 U.S. Census Bureau
Education\textsuperscript{15}

According to the Institute for International Education, in 2011 there were 102,789 foreign students in California who spent $3.2 billion. This puts California as the top state with the most foreign students in the United States. A total of 25,700 (25\%) of these students are from mainland China and they spend approximately $804 million annually.

Tourism\textsuperscript{16}

California’s second largest overseas market for inbound tourism in 2011 was Greater China. Chinese nationals accounted for:

- 584,000 visitors
- 23\% increase over 2010
- $1.6 billion in spending
- 47.5\% share of all Chinese visitors to the U.S.
- 52\% share of all Hong Kong visitors to the U.S.

IV. Budget and Funding

The office budget for calendar year 2013 is planned to be $1 million, which will also cover some pre-startup expenses and activities incurred in calendar 2012.

The budget will be raised through contributions of $40,000 per year by 25 entities, including philanthropic sources and major corporate employers, identified for their business leadership and interests in California-China economic growth.

Under the California STEP program, $100,000 has been reserved for support of small business expansion activities through the office.

In addition, GO-Biz is dedicating three personnel year positions for international affairs and business development, consisting of a deputy director and two international business specialists, for a total of roughly $344,000 in staff and support expenditures covered under the GO-Biz budget. Approximately one-third of their time will be dedicated to China-related initiatives.

These numbers do not include staff and support expenditures by other partner agencies.

V. Conflict-of-Interest and Gift Policy

As required by Government Code section 13996.41, subdivision (d), GO-Biz has developed a conflict-of-interest and gift policy for the International Trade and Investment Offices. A copy of the policy is available

\textsuperscript{15} Institute of International Education. Open Doors Report 2012.

\textsuperscript{16} California Division of Tourism.
from GO-Biz and the policy will be provided to all employees, including privately-funded employees, of the California-China Office of Trade and Investment. In addition, and incorporated into this policy, all members of the Administration and contractors and staff operating any State of California foreign office shall comply with the Foreign Corrupt Practices Act.

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VI. APPENDIX: California Merchandise Trade with Greater China

2011 CALIFORNIA MERCHANDISE EXPORTS TO MAINLAND CHINA

- COMPUTER AND ELECTRONIC PRODUCTS (26.3%)
- WASTE AND SCRAP (21%)
- TRANSPORTATION EQUIPMENT (11.6%)
- MACHINERY, EXCEPT ELECTRICAL (9.6%)
- ALL OTHERS (31.4%)

2011 CALIFORNIA MERCHANDISE IMPORTS FROM MAINLAND CHINA

- COMPUTER AND ELECTRONIC PRODUCTS (48%)
- APPAREL MANUFACTURING PRODUCTS (8%)
- MISCELLANEOUS MANUFACTURED COMMODITIES (7.6%)
- LEATHER & ALLIED PRODUCTS (6.6%)
- ALL OTHERS (29.8%)

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As of Jan 17, 2013
2011 CALIFORNIA MERCHANDISE EXPORTS FROM HONG KONG SAR

- COMPUTER AND ELECTRONIC PRODUCTS (44.7%)
- MISCELLANEOUS MANUFACTURED COMMODITIES (14.5%)
- AGRICULTURAL PRODUCTS (11.6%)
- TRANSPORTATION EQUIPMENT (7.1%)
- ALL OTHERS (22%)

2011 CALIFORNIA MERCHANDISE IMPORTS FROM HONG KONG SAR

- COMPUTER AND ELECTRONIC PRODUCTS (34.7%)
- MISCELLANEOUS MANUFACTURED COMMODITIES (19.8%)
- GOODS RET TO CA (EXP); US GOODS RET & REIMPS (IMP) (10.3%)
- APPAREL MANUFACTURING PRODUCTS (4.4%)
- ALL OTHERS (30.7%)

As of Jan 18, 2013
2011 CALIFORNIA MERCHANDISE EXPORTS FROM MACAU SAR

- COMPUTER AND ELECTRONIC PRODUCTS (48%)
- BEVERAGES & TOBACCO PRODUCTS (19.8%)
- MISCELLANEOUS MANUFACTURED COMMODITIES (11.9%)
- TRANSPORTATION EQUIPMENT (6.4%)
- ALL OTHERS (13.9%)

2011 CALIFORNIA MERCHANDISE IMPORTS FROM MACAU SAR

- CHEMICALS (31.8%)
- APPAREL MANUFACTURING PRODUCTS (29.9%)
- COMPUTER AND ELECTRONIC PRODUCTS (7%)
- MISCELLANEOUS MANUFACTURED COMMODITIES (6.7%)
- ALL OTHERS (24.6%)

As of Jan 18, 2013