

February 26, 2014

Senator Ted Lieu  
State Capitol 4061  
Sacramento, CA 95814

**Re: Senate Bill 511 – Support and Additional Recommendations**

Dear Senator Lieu:

On behalf of the **Los Angeles County Economic Development Corporation (LAEDC)**, an organization dedicated to promoting job growth, economic expansion, and preserving the overall global competitiveness of Los Angeles County, we are writing to express our support of and offer additional recommendations to Senate Bill (SB) 511.

At the outset, the LAEDC wants to commend you for your leadership on this critically important “trade promotion and investment” issue. Certainly, a comprehensive state-led trade and investment strategy that is analytically-based, that explores trade promotion at and greater utilization of California ports, and that is more thoughtfully aligned with California’s overarching economic development goals, objectives and strategies is something that has been long overdue. And, to this end, we believe that **your SB 511 and Assemblymember Allen’s AB 337 work in tandem** to provide some important, rationally-related supplementary guidance to the Governor’s Office of Business and Economic Development (GO-Biz), as it completes its legally-mandated international trade and investment strategy by the February 1, 2019 deadline.

However, we also believe that both bills could be greatly strengthened in a number of important ways to provide GO-Biz with even more flexibility, capacity, expertise and tools to build on California’s existing trade infrastructure; to take better advantage of California’s deep and distinctive ties to the fastest growing international markets in Asia and South America; to help publicize and ameliorate two of the greatest challenges to growing “free and fair” trade with California businesses – access to credit and intellectual property protection; to broaden our trade promotion and utilization activities (under SB 511) beyond just our seaports to include all our ports of entry and exit, most especially our state’s airports; to further augment the representation on and expertise of the “business partnership” (under SB 511) for promotion of trade through California ports of entry and exit; and to more directly empower California’s economic regions and target their key traded industry clusters, which will provide the greatest “leveraging effects” in terms of new direct, indirect and induced jobs, output and tax revenues for the state.

As you know, AB 337 augments existing law\* that requires GO-Biz to develop a strategy for international trade and investment (hereinafter “California Trade Strategy”) by requiring the following, among other, requirements:

- The state strategy shall be based on current and emerging market conditions and the needs of investors, businesses, and workers.
- The state strategy shall evaluate current workforce, capital, marketing, infrastructure, research and development, and other needs of small and large firms (including airports, highways, rail, and ports).
- The state strategy shall, to the greatest extent possible, be *based on* existing studies and reports, where available.

SB 511 further supplements GO-Biz’s requirements under the existing law by requiring the Director of GO-Biz to convene, no later than February 1, 2015, a statewide business partnership to advise the Director on promoting trade for California

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\* Section 13996.55 of the Government Code, relating to economic development

ports and exploring greater utilization of California ports – including ways to increase the opportunity for growth and trade activity.

While the addendums offered under both bills are important, analytically- and rationally-predicated requirements – ones which we believe will result in a more properly aligned strategy, and thus better outcomes, **we offer the following recommendations to further enhance and improve AB 337 and SB 511**, as well as the resultant California Trade Strategy’s impacts, because we truly believe that this type of a “package approach” is needed:

- **Provide greater analytical flexibility under AB 337.** While foundational analyses and (quantitative and qualitative) data are absolutely critical to the development of a well-thought-out California Trade Strategy, we strongly urge you to reconsider the requirement that this analysis be “based on” existing studies. Instead, we recommend that GO-Biz be afforded more flexibility to increase the strategy’s timeliness, relevance and responsiveness, by requiring that GO-Biz “consult” these studies, while also allowing GO-Biz to conduct and/or commission its own original analytical research, where appropriate and helpful, to inform its strategic work.
- **Require additional assessments under AB 337.** We believe two specific, but critically important, challenges must be identified and assessed in any legitimate California Trade Strategy:
  - 1) The deficiencies in the international legal regimes for protecting and enforcing copyrights and trademarks, including combating global online piracy, and options for mobilizing our state’s Congressional delegation on behalf of solutions; and
  - 2) The effectiveness of existing export financing, especially credit, programs and whether there is a need for new tools, e.g., a California Export Finance Office, and/or additional credit guarantees to encourage financing for and increase the number of export-ready small- and medium-sized enterprises from the state’s key export-oriented industry clusters.
- **Empower California’s distinct economic regions under AB 337 and SB 511.** We believe that a viable California Trade Strategy should serve to unleash the potential of California’s distinct economic regions – the key to the state’s success – by requiring GO-Biz to provide a strategy that recognizes, aligns with and empowers the state’s economic regions, encourages (incentivizes) them to develop and implement customized trade and investment strategies, and enables trade-related action focused on each region’s unique challenges and industry mixes – as defined by economic clusters and labor markets, not political boundaries. In short, GO-Biz’s strategy must leverage regional trade and investment efforts by incorporating export, port utilization and FDI attraction strategies focused on key regional industry clusters into the larger California trade strategy being pursued by the state and other partners.
- **Expand SB 511 to include trade promotion out of all of California’s ports of entry and exit – including our state’s airports.** As we all know, California’s economy has changed dramatically over the last couple of decades – moving increasingly from a commoditized production-dominant economy to a more highly-specialized, technical, and higher-value “just-in-time” production economy, producing extremely valuable goods such as: medical devices, biomedical therapeutics, optics, lasers, and software. With these changes have come increasing reliance on our state’s airports as critically important conveyers and mechanisms of trade, supporting some of our state’s most lucrative, very productive and job-intensive export-oriented industry clusters, including: entertainment; biomedical; analytical instruments; business and financial services; information technology; and fashion. And so while the bulk of goods may still move through the ports, the state’s higher value goods predominately move through our state’s airports. Thus, any viable California Trade Strategy should not limit itself to trade promotion of California ports, but also trade promotion of our state’s airports.
- **Involve and incorporate additional expertise in the “statewide business partnership” under SB 511.** As drafted, the “business partnership” representatives expressly delineated under SB 511 include: “representatives from ports of entry, ocean carriers, marine terminal operators, warehouse operators, railroads, trucking companies, labor representatives, and foreign trade zones, representatives of environmental groups, and shippers, specifically including agricultural exporters, manufacturers, postconsumer secondary material handlers, and

retailers.” And while these are all sensible envoys to serve on such a partnership. We believe there are some glaring omissions from the *business* community that should also serve on this *business* partnership, including: world trade centers, economic development corporations, chambers of commerce, and other relevant business and trade-related associations and coalitions devoted to trade facilitation and export assistance out of our state’s ports of entry and exit.

- **Allocate adequate resources under AB 337 and SB 511.** Developing a statewide California Trade Strategy (with appropriate stakeholder outreach and input – including regular meetings of the “business partnership” pursuant to SB 511, research and analytics, and implementation and accountability mechanisms) is both time- and labor-intensive. We would encourage the state to allocate sufficient resources to GO-Biz, which already operates on a “shoe string” budget as the designated and primary purveyor of economic development policy and programs for the world’s 8<sup>th</sup> largest economy, to undertake such a considerable effort, ensuring that the strategy is truly an innovative, thoughtful and decisive document that can lead the state forward.

We hope that you will adequately consider the above recommendations to improve SB 511’s value and upshot. We look forward to working with your office, Governor Brown and the other members of the California State Legislature to ensure that California’s world-leading trade, air- and sea-port, and investment capacities, as well as other economic development programs, continue to be fully supported, thoughtfully structured and satisfactorily funded in a way that facilitates regional action to create jobs, strengthens California and its regional economies, and improves our state’s overall quality of life.

Sincerely,



David Flaks  
Chief Operating Officer, Los Angeles County Economic Development Corporation