THE PAT BROWN INSTITUTE FOR PUBLIC AFFAIRS

2017 ANNUAL POLICY CONFERENCE

THURSDAY, OCTOBER 5, 2017 • THE L.A. HOTEL DOWNTOWN



A SUMMARY REPORT

presented by

CAL STATE LA **PAT BROWN INSTITUTE FOR PUBLIC AFFAIRS**
Unleashing the Power of Participation

in association with

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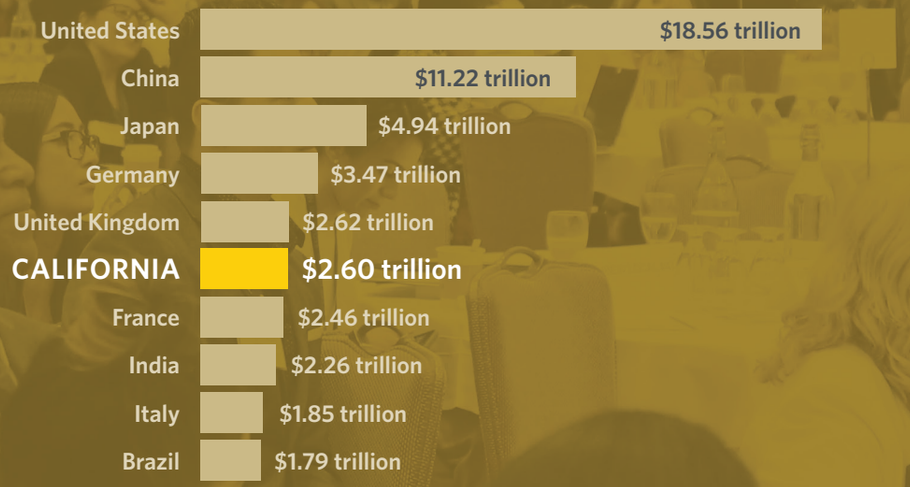
WORLD TRADE CENTER® LOS ANGELES

PAT BROWN INSTITUTE FOR PUBLIC AFFAIRS
Unleashing the Power of Participation

The Pat Brown Institute's Annual Conference, *Should California Have Its Own Trade Policy?*, was held on October 5, 2017 at the L.A. Hotel Downtown.

Presented in association with the Los Angeles Economic Development Corporation (LAEDC) and the World Trade Center Los Angeles (WTC LA), the conference brought together elected and appointed officials; business, labor, as well as environmental leaders; and community members and students to learn about California's role in international trade and investment.

In his introductory remarks, Megatoys CEO and Pat Brown Institute Board Member Charlie Woo said that the conference was designed to encourage Californians to promote and craft inclusive and forward-looking policies that will benefit multiple stakeholders.



In 2016, California's GDP was the 6th largest in the world

Source: *http://ajed.assembly.ca.gov/sites/ajed.assembly.ca.gov/files/California%20Economy%20Fast%20Facts%20updated%20July%2025%2C%202017.pdf*

THE PAT BROWN INSTITUTE FOR PUBLIC AFFAIRS

ANNUAL POLICY CONFERENCE

Should California Have Its Own Trade Policy?

THURSDAY, OCTOBER 5, 2017 • THE L.A. HOTEL DOWNTOWN

CONFERENCE PROGRAM:

8:00 a.m. **Registration and Continental Breakfast**

8:35 a.m. **Welcome and Introduction**

Charlie Woo
Pat Brown Institute Board of Advisers

8:40 a.m. **Remarks**

Dr. Raphael Sonenshein
EXECUTIVE DIRECTOR
Pat Brown Institute for Public Affairs at Cal State LA

8:45 a.m. **Panel #1**
Trade: A Global Perspective

John Grubb
CHIEF OPERATING OFFICER
Bay Area Council

Rodrigo Tavares
AUTHOR OF *Paradiplomacy: Cities and States as Global Players*

MODERATOR
Max Baumgarten
PUBLIC POLICY ANALYST
Pat Brown Institute for Public Affairs at Cal State LA

10:00 a.m. **Panel #2**
The Politics of Trade

Carla Marinucci
REPORTER, *Politico*

Robert Shrum
DIRECTOR
Jesse M. Unruh Institute of Politics
University of Southern California

Joann Lo
CO-DIRECTOR
Food Chain Workers Alliance

MODERATOR
Dr. Raphael Sonenshein

11 :30 a.m. **Lunch**

12:00 p.m. **Keynote Address**

INTRODUCTION
William A . Covino
PRESIDENT
California State University, Los Angeles

Eric Garcetti
MAYOR
City of Los Angeles

1 :00 p.m. **Panel #3**
Now What: Decisions Ahead

Mickey Kantor
FORMER U.S. TRADE REPRESENTATIVE AND SECRETARY OF COMMERCE

Ambassador Vilma Martinez
PRESIDENT
Los Angeles Board of Harbor Commissioners

MODERATOR
Stephen Cheung
PRESIDENT
World Trade Center, Los Angeles

2:20 p.m. **Closing Remarks**

Dr. Raphael Sonenshein

CALIFORNIA TRADE POLICY *IN THE NEWS*

Frustrated Foreign Leaders Bypass Washington in Search of Blue-State Allies

The Washington Post, November 18, 2017

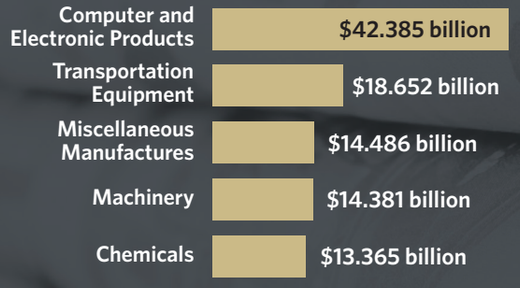
As many foreign leaders are having difficulty working with the United States federal government on issues such as trade and climate policy, they are increasingly seeking to develop constructive relations with state and municipal governments. In response, local governments are establishing offices and creating positions that will help them manage and strengthen alliances with foreign counterparts.

California Companies Have a Gold Mine in Asia

The Sacramento Bee, October 18, 2017

Governor Jerry Brown's highly visible efforts to partner with foreign governments to reduce carbon emissions is paving the way for more trade opportunities for the state. Indeed, having already started to develop the technologies needed to cut carbon, California companies are in an ideal position to assume a larger role in the Pacific Rim economy and to grow their businesses overseas.

The Value of California's Top Five Export Categories in 2016



Source: *www.trade.gov/mas/ian/statereports/states/ca.pdf*

In NAFTA Talks, Much at Stake for California Ranchers and Farmers

KQED News, August 17, 2017

The NAFTA negotiations help to reveal the divides on trade within California's agriculture industry. While beef ranchers argue that the lack of tariffs and trade barriers are good for business, asparagus farmers believe that they are struggling because of free trade with Mexico.

Among California Voters, Support for Trade Deals Doesn't Fall Clearly Along Party Lines

Los Angeles Times, March 30, 2016

According to a recent LA Times poll, while Californians are generally optimistic about the economy, voters from both political parties are concerned about the impact of trade deals on their wages and job prospects. At the same time, most of the voters polled claimed not to know enough about the Trans-Pacific Partnership agreement to have an opinion about it.

Could the End of DACA Hurt Foreign Investment in Southern California

Los Angeles Daily News, October 29, 2017

Local business leaders fear that President Trump's strict immigration policies will turn foreign investors away from the United States in general and Southern California in particular. As Stephen Cheung, the president of the World Trade Center Los Angeles noted, "We're putting off this image that we're not welcoming to the international community, to both their immigrants and their investments."

PLACING CALIFORNIA IN AN INTERNATIONAL CONTEXT

Dr. Rodrigo Tavares, who joined the conference from São Paulo, Brazil, shared his research on paradiplomacy. According to Tavares, subnational governments throughout the world are increasingly seeking to carry out their own foreign affairs, particularly in the context of education, trade, health, and climate initiatives. They are doing so in ways that are often more pragmatic, opportunistic, and experimental than traditional, national forms of diplomacy.

While California is home to the world's sixth largest economy, Tavares argues that the state's government is still a "shy giant—a player that everyone would like to listen to but often decides to stay quiet." And yet, he also believes that California can't stay voiceless. Tavares ended his presentation with key recommendations for California, calling for the state to adopt a firm international relations plan; draw resources from and work with the private sector to bolster its international agenda; and assume a leadership role on both the national and international level. In many ways, Governor Jerry Brown's recent trip to Bonn, Germany, where he spoke about the need to fight climate change and the actions of other state and big city leaders, suggests that California is, indeed, increasingly flexing its political muscles and seeking to position itself as a global climate policy leader.

PARADIPLOMACY

The practice of foreign affairs conducted by subnational governments, such as cities, states, and provinces.



Dr. Rodrigo Tavares

"California's international activities were born in the administration of Edmund G. "Pat" Brown (1959-1967) who was 'the first governor to grasp the importance of international trade and tourism for California's growth.'"

Rodrigo Tavares
Paradiplomacy: Cities and States as Global Players

ON CITIES AND STATES AND GLOBAL TRADE

"The bottom line is that despite their lack of involvement in the negotiations of trade agreements, cities and states can actively and substantially improve their competitiveness. Los Angeles is a good example of a city with visionary leadership that is on the right track to become one of the most vibrant, diverse and competitive metropoles in the world."

Felipe Carrera-Aguayo
Chief, Consular Protection and Assistance Office
Consulate of Mexico in Los Angeles

THE POLITICS OF TRADE

Polling on trade policy challenges the conventional wisdom that the politics of trade are fundamentally different in cosmopolitan California than the post-industrial Midwest. Professor Robert Shrum spoke about the results of a USC Dornsife College of Letters Arts and Science/*Los Angeles Times* poll released in March 2016, which found that:

- The majority of California voters are quite ambivalent about trade.
- Most Californians do not think that trade leads to higher wages and disagree with the premise that trade creates jobs.
- Skepticism towards trade can be found in both political parties, especially among those who supported Donald Trump and Bernie Sanders during the 2016 presidential primaries.

Shrum argued that while Californians actually benefit from trade, the leaders from both parties have failed in making an affirmative public argument in favor of trade.

Carla Marinucci of *Politico* added that, in the minds of many voters, international trade is often associated with fears of globalization, automation, and job loss. Political leadership has been behind the curve on addressing the anxieties that voters, particularly those in distressed communities, might have about dwindling employment opportunities. She called for innovative public-private partnerships between local community colleges and industry that could help teach students advanced technologies and more effectively prepare them for jobs in tech-centered industries.

"[Pro-trade politicians] have to have something to say to the people in stressed communities who have seen their standards of life decline, who have seen jobs go away. You have to have something to say how you are going to change that... you can't just go out there and say that trade is good for LA and Southern California and the Bay Area and the coastal communities. You have to get to these underlying realities."

Robert Shrum

Director
Jesse M. Unruh Institute of Politics
University of Southern California



(L-R) Dr. Raphael Sonenshein, Joann Lo, Carla Marinucci, and Robert Strum

Joann Lo, the Co-Director of the Food Chain Workers Alliance, discussed the politics of trade from the labor perspective and noted that:

- Labor is highly skeptical of free trade agreements such as NAFTA because of the belief that they lead to job loss and lower wages.
- Workers are not persuaded by the statistics that tout the so-called benefits of trade, but "go by the experiences and stories they heard…and draw their conclusions based on the experiences of those who judgments they trust."
- While organized labor is not categorically opposed to foreign trade, the labor community wants to see a robust trade policy that will lead to worker and environmental protections and encourage more local purchasing. This is particularly true in the agriculture and food industry.



"I am interested because people, jobs, and citizens are going to benefit from a good trade policy. I would like to work with local and state officials and non-profit organizations in order to get this done and advocate for a good trade policy."

David Garcia

Political Science Major
Cal State LA

What Do Californians Think about Trade?

From the USC Dana and David Dornsife College of Letters, Arts and Sciences/ ***Los Angeles Times*** poll from March 2016 that surveyed Californians about trade:

"Trade with other countries primarily sends American jobs overseas."

59%	34%	7%
AGREE	DISAGREE	DON'T KNOW

"Trade with other countries primarily creates jobs in America."

36%	54%	10%
AGREE	DISAGREE	DON'T KNOW

"Trade with other countries negatively affects my family's economic situation."

31%	61%	8%
AGREE	DISAGREE	DON'T KNOW

"Trade with other countries leads to higher wages for Americans."

28%	58%	14%
AGREE	DISAGREE	DON'T KNOW

"WE *DO* HAVE A TRADE POLICY"

KEYNOTE ADDRESS

In an effort to address the fundamental question of the day—"Should California Have its Own Trade Policy?"—Los Angeles Mayor Eric Garcetti asked us to consider cities as organic political entities in the vein of the Greek city-state. Because of its ideal geographic location, its diverse population, its outward-looking values, and its existing assets and infrastructure, Los Angeles is in a prime position to craft and shape its own trade policies. In fact, it already has one. As the mayor explained, "We *do* have a trade policy."

According to Mayor Garcetti, a few key concepts drive Los Angeles' trade policies and initiatives:

- A firm belief in collaboration and cooperation, which for the mayor entails having dynamic and substantive relationships with foreign countries. While Los Angeles has numerous sister city relationships, Garcetti believes that these initiatives should not only serve a symbolic purpose but also provide concrete benefits for all parties involved. Establishing direct flights to sister cities was one such example.
- Angelenos are investing in the city's assets and infrastructure. While other cities are experiencing a crumbling infrastructure, the opposite, as witnessed with the passage of Measure M, is occurring in Los Angeles. All of this makes possible a better

"We can create ties that could be useful and some consolation, given the difficulties that our foreign counterparts are having with Washington."

Nina Hachigian
Los Angeles Deputy Mayor for International Affairs
The Washington Post, November 18, 2017



Value of Exports from California's Leading Metropolitan Areas, 2015.

Metropolitan Area	Value ($ billion)	Share of State Exports (%)
Los Angeles / Long Beach / Anaheim*	61.8	36.8
San Francisco / Oakland / Hayward	25.1	14.9
San Jose / Sunnyvale / Santa Clara	19.8	11.8
San Diego / Carlsbad	17.4	10.4
Riverside / San Bernardino / Ontario	9.0	5.3
Sacramento / Roseville / Arden / Arcade	8.1	4.8
El Centro	4.2	2.5
Oxnard / Thousand Oaks / Ventura	3.0	1.8
Bakersfield	2.7	1.6

* The Los Angeles/Long Beach/Anaheim metropolitan area is the nation's fourth largest in export value.

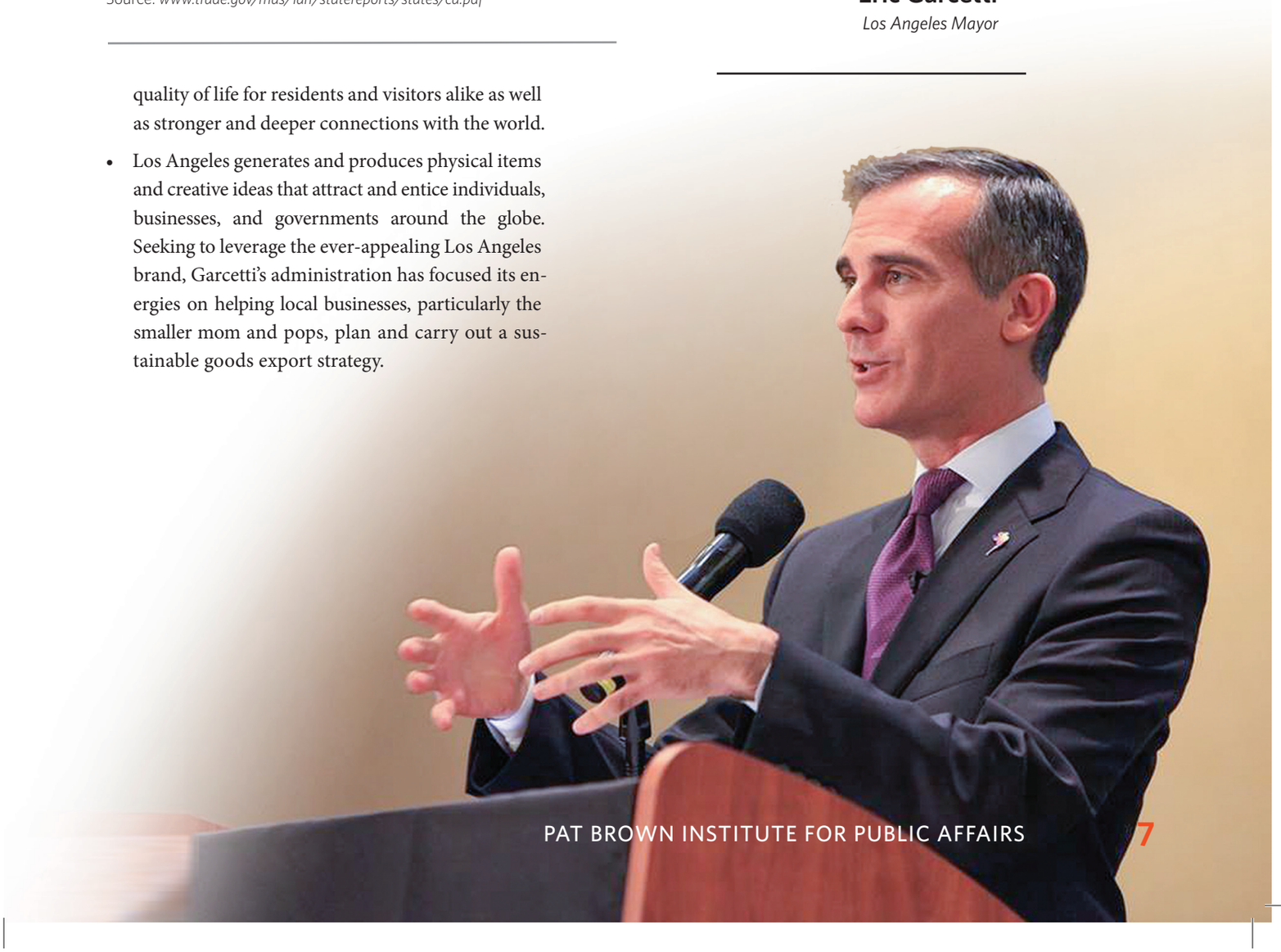
Source: *www.trade.gov/mas/ian/statereports/states/ca.pdf*

quality of life for residents and visitors alike as well as stronger and deeper connections with the world.

- Los Angeles generates and produces physical items and creative ideas that attract and entice individuals, businesses, and governments around the globe. Seeking to leverage the ever-appealing Los Angeles brand, Garcetti's administration has focused its energies on helping local businesses, particularly the smaller mom and pops, plan and carry out a sustainable goods export strategy.

"Since I have become mayor, I have realized that there is a human face to trade policy and it means actually showing up on the shores of other places. There is often criticism of travel and people saying you should be in your office every day, but cities will lose if you are not actually out here."

Eric Garcetti
Los Angeles Mayor



THE DECISIONS THAT LIE AHEAD

Many of the panelists at the conference argued that globalization and global trade have become important fixtures of the world economy and that California is in a prime position to benefit from these macro-economic changes as long as civic leaders and policymakers are well-informed about and understand the stakes.

Ambassador Vilma Martinez, the President of the Los Angeles Board of Harbor Commissioners, said that much of California's trade success can be attributed to the good fortune of location and the work of the ports, all of which help to generate jobs throughout the state. In light of the United States' retreat from the Trans-Pacific Partnership (TPP), however, Martinez is concerned that the country's international reputation has been tarnished and wants California to continue to cultivate trade throughout the Western Hemisphere and beyond. Highlighting Governor Brown's investment in freight infrastructure improvement along the U.S.-Mexican border, she views California's "special relationship" with its neighbor to the South as a prime example of how the state can "demonstrate positive and proactive trade behavior."

GLOBALIZATION

A process by which people, companies, and governments from different nations increasingly interact with one another, often spurred by international trade and investment imperatives.

John Grubb, the Chief Operating Officer of the Bay Area Council, spoke about the importance of state trade offices abroad. For a relatively small investment, trade offices can help local companies better understand and navigate rules and regulation in other countries and thus more effectively conduct business. They also help to attract and incentivize foreign companies and employers to invest in California. Currently, California has only one trade office abroad, which the Bay Area Council operates. In comparison, Pennsylvania has 17, Florida has 14, and Missouri has 13. As Grubb notes, one office "is not enough" and he fears that unless the state dedicates more of its resources to opening and operating trade offices, California's economy, its companies, and its residents might miss the opportunity to benefit from a huge economic wave.

Mickey Kantor, the former United States Trade Representative and Secretary of Commerce, noted that while California's leaders have helped the state take advantage of globalization, more can be done to expand trade and thus create meaningful jobs and raise standards of living throughout the state. He called for California's public officials to:



- improve infrastructure;
- upgrade data transfer and data transmission facilities;
- facilitate more productive relations with universities;
- attract "anchor operations;" and
- advocate for trade agreements that make sense.

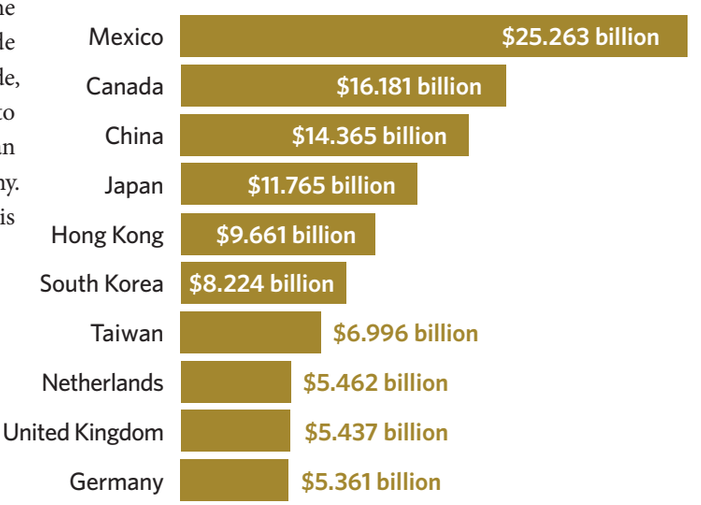
As the chief negotiator for NAFTA under the Clinton Administration, Kantor sees trade agreements, not as the primary drivers of trade, but as, "the rules of the road," that can help to level the playing field and give everyone an equal chance to participate in a global economy. Kantor also presented examples from his work with President Clinton to emphasize the importance of national leadership that knows the details and understands the stakes of trade policy.

"Globalization is here to stay. The question is, how to take advantage of it."

Mickey Kantor

Former U.S. Trade Representative and Secretary of Commerce

The Value of California's Top Export Markets, by Country, 2016



Source: *http://advocacy.calchamber.com/international/trade/trade-statistics*



(L-R) Stephen Cheung, Mickey Kantor, and Ambassador Vilma Martinez

TWITTER'S TAKE ON THE CONFERENCE

Mayor Eric Garcetti ✓
@MayorOfLA
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In LA, international trade is not just something that happens at LAX or the Port, it's a key part of our daily lives. #PBIAnnualConference



3:52 PM - 5 Oct 2017

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@Jarin88
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California is a key player in trade! Improve our economy with increased trade #PBIConference @MayorOfLA @ericgarcetti @SonensheinPBI @PBI



1:30 PM - 5 Oct 2017

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Joel Perez
@joelperezsf
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Thank you @PBI for convening folks to discuss "Should California Have Its Own Trade Policy?" #PBIAnnualConference



4:03 PM - 5 Oct 2017 from Hertz The LA Hotel Downtown Las Vegas

Pat Brown Institute and The LA Hotel

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Justice4PortDrivers!
@PortDriverUnion
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We appreciate @PBI talking trade policy in CA. Whether its @foodchainworker members or port drivers, we need policy that supports good jobs.

7:14 AM - 28 Sep 2017

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"How do we come together to craft a policy that benefits California?" -Charlie Woo, CEO of Megatoys #PBIAnnualConference

9:02 AM - 5 Oct 2017

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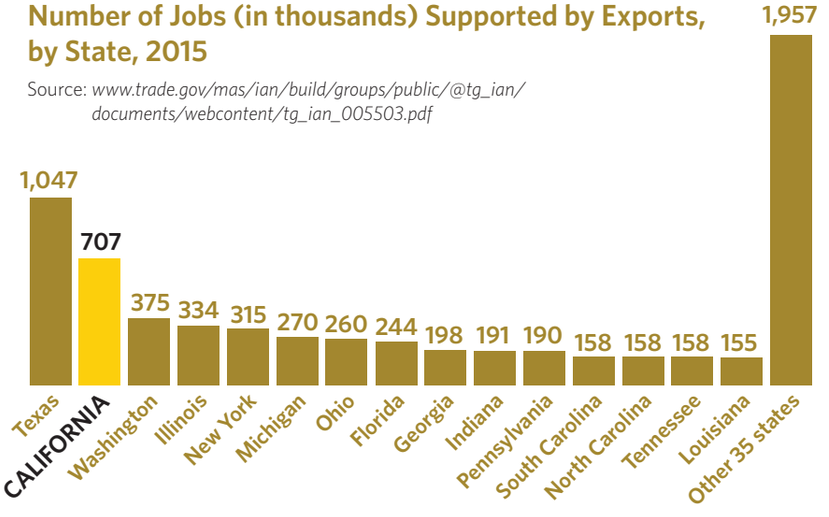
Leading International Sources and Value of Imports to California, 2015–2016

	2015 Value ($ billion)	Share of State Total (%)	2016 Value ($ billion)	Share of State Total (%)	% Change 2015–2016
Top 25 Countries					
China	143.620	35.2	144.018	35.1	0.3
Mexico	45.086	11.0	46.349	11.3	2.8
Japan	38.478	9.4	41.335	10.1	7.4
Canada	27.862	6.8	27.785	6.8	-0.3
Malaysia	16.817	4.1	16.473	4.0	-2.0
South Korea	15.390	3.8	14.022	3.4	-8.9
Taiwan	12.526	3.1	12.329	3.0	-1.6
Germany	12.706	3.1	11.205	2.7	-11.8
Vietnam	8.834	2.2	10.928	2.7	23.7
Thailand	10.043	2.5	10.079	2.5	0.4
United Kingdom	4.562	1.1	5.501	1.3	20.6
Indonesia	4.688	1.1	4.675	1.1	-0.3
Saudi Arabia	6.161	1.5	4.251	1.0	-31.0
Singapore	4.185	1.0	4.186	1.0	0.0
Italy	3.652	0.9	4.011	1.0	9.8
France	3.629	0.9	3.871	0.9	6.7
India	3.856	0.9	3.632	0.9	-5.8
Ecuador	3.734	0.9	3.505	0.9	-6.1
Philippines	3.306	0.8	3.409	0.8	3.1
Switzerland	2.471	0.6	2.705	0.7	9.5
Ireland	2.382	0.6	2.153	0.5	-9.6
Colombia	2.608	0.6	2.144	0.5	-17.8
Australia	1.876	0.5	1.815	0.4	-3.3
Israel	1.999	0.5	1.779	0.4	-11.0
Brazil	2.121	0.5	1.520	0.4	-28.3
Total, Top 25 Countries	382.589	93.7	383.678	93.5	0.3
	2015 Value ($ billion)	State Share of U.S. Total (%)	2016 Value ($ billion)	State Share of U.S. Total (%)	% Change 2015–2016
Total California Imports	408.247	18.2	410.183	18.7	0.5

Data source: *www.census.gov/foreign-trade/statistics/state/data/imports/ca.html#ctry*

Number of Jobs (in thousands) Supported by Exports, by State, 2015

Source: *www.trade.gov/mas/ian/build/groups/public/@tg_ian/documents/webcontent/tg_ian_005503.pdf*



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"The reason we are such a great trading state has to do with Pat Brown; water, infrastructure, and education are Pat Brown's legacy and have made California the powerhouse we are."

Mickey Kantor

Former U.S. Trade Representative and Secretary of Commerce



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Pat Brown Institute for Public Affairs
California State University, Los Angeles
5151 State University Drive
Los Angeles, California 90032

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