

**Informational Hearing  
of the  
SENATE SELECT COMMITTEE ON CALIFORNIA-EUROPEAN TRADE  
Senator Lou Correa, Chair**

***California: Investment Opportunities for European Trade***

**February 10, 2010  
State Capitol**

**SENATOR LOU CORREA:** Good afternoon, everybody, and thank you for coming today. I am State Senator Lou Correa, the chair of this Committee on California-European Trade. I welcome all of you to this hearing on “California: Investment Opportunities for European Firms.”

It’s an exciting day for me to see such representatives. I understand today, out in the audience, we have, what? eleven European consul generals: nine from the European Union, then Switzerland and Norway. So I welcome all of you.

I should have waited for my vice chair, Mr. Bob Dutton, who is also the Republican Leader here in the Senate. And my apologies, sir; you had me conflicted. We have the Germans, and I figured we had to be on time at 2:30. We’re at 2:36.

**SENATOR BOB DUTTON:** I apologize.

**SENATOR CORREA:** No problem. As I said, I welcome all of you to this most important hearing.

Let me tell you, essentially the goals of this committee today and this hearing are very simple but very important, in my opinion. As we continue to be a global economy here in the State of California—we actually continue to be the eighth largest economy, despite there are challenges, and I know we’ll come out of them stronger in the next year. But we have to reflect and determine what the facts are when it comes to foreign investment/foreign job creation by the European nations in the State of California.

We want to know: What’s the nature of your direct investment in California? What are the big firms that are doing business in California? How

many Californians do you actually employ? I suspect, based on my research, the number is substantial, but yet, these are well-kept secrets, so to speak. In my opinion as legislators, as policymakers, we need to know the facts so that as we begin to incorporate those facts into policy, Where are the future jobs in California going to come from? What is it that we need to do legislatively (policy) to attract additional investment from Europe? To have those European firms now operating in California expand your presence? We need to make those decisions based on facts, and those, I hope, you will share with us today.

Before we start, I would like to welcome again Senator Bob Dutton; again, the vice chair of this committee and also the Senate Republican Leader.

Mr. Dutton, welcome.

**SENATOR DUTTON:** Well, thank you, Mr. Chairman. Actually, it's Senate Republican Leader-Elect. I'm not officially the leader yet, but that's all right.

I want to thank you for convening this committee hearing, and so forth. It is kind of a two-way street. Actually, we can learn from each other. I'm sure there's things that all of you have done. California is a global economy. There's no doubt about that. I think we've all had some pretty tough lessons that we've learned over the last couple of years, so I'm looking for an opportunity here to learn from each other. There's probably things that we're all doing that, frankly, sharing of information never hurts. And so, I'm looking forward to listening to the testimony.

I will apologize to everybody now—I do have a Rules Committee hearing at three o'clock that I must attend. And so, I will be leaving temporarily, but I will return as soon as possible.

So thank you again.

**SENATOR CORREA:** Mr. Dutton, thank you. I concur with Senator Dutton that we do have to learn from each other—you'll continue to learn and hopefully us from you as to where, I guess, we plan on as much as we can as policymakers—complement the growth of the State of California in the near future.

We'll begin immediately with a presentation from the current holder of the European Union presidency: Consul General of Spain, Mr. Pradas. He'll give you a description and overview of the European Union, its institutions.

Mr. Pradas, welcome. Bienvenido.

Now, I understand soccer is the national sport in Spain, correct?

**CONSUL GENERAL MANUEL PRADAS ROMANI:** It is . . . [inaudible.]

**SENATOR CORREA:** This last season I saw this Spanish kid in the Naval Academy, 6 foot 7—or was it 7 foot 7?—playing for the Naval Academy. They almost beat Army. I presume he didn't train and play American football in Spain.

**CONSUL GENERAL PRADAS ROMANI:** Soccer is kind of the national sport.

**SENATOR CORREA:** That is your sport. Welcome, sir.

**CONSUL GENERAL PRADAS ROMANI:** So is tennis.

**SENATOR CORREA:** And by the way, we are recording today's hearing, and it'll be transcribed for other legislators to learn from your information here. Thank you.

**CONSUL GENERAL PRADAS ROMANI:** Thank you, Mr. Chairman, Members of the Senate Select Committee on California-European Trade. Thank you for inviting me to participate in this informational hearing.

I've been asked to provide a brief general overview of the European Union. It is complicated to talk in ten minutes, but I'll try.

The European Union is unique. It is not a federal state like the United States of America, because its member countries remain independent sovereign nations. Nor is it a purely intergovernmental organization like the United Nations, because the member countries do pool some of their sovereignty. They pool their sovereignty by taking joint decisions through shared institutions, such as the European Parliament which is elected by the EU citizens on the council, which represents national governments. The European Union has 27 members. It has been operating with rules designed for the EU of \_\_\_\_\_ member states.

To realize its full potential, the European Union needed to modernize and reform. So, on December 1, 2009, the Treaty of Lisbon entered into force, therefore ending several years of negotiation about institutional issues.

The Treaty of Lisbon amends the current EU and EC treaties, without replacing them. It provides the Union with the legal framework and tools necessary to meet future challenges and to respond to citizens' demands.

But what are the challenges on the citizens' demands? A more democratic and transparent Europe, with a strengthened role for the European Parliament and national parliaments. More opportunities for citizens to have their voices heard and a clearer sense of who does what at the European and national levels. A more efficient Europe, with simplified working methods and voting rules, streamlined and modern institutions, and an improved ability to act in areas of major priority for today's Union. A Europe of rights and values, freedom, solidarity, security; promoting the Union's values, introducing the Charters of Fundamental Rights into European primary law, providing for new solidarity mechanisms, and ensuring better protection for European citizens.

The Treaty of Lisbon gave Europe a clear voice in relations with its partners worldwide. It harnesses Europe's economic, humanitarian, political, and diplomatic strengths to promote European interests and values worldwide, while respecting the particular interests of the member states in foreign affairs.

What are the EU institutions? The European Parliament. The European Parliament is elected by the citizens of the European Union to represent their interests. Elections are held every five years, and every EU citizen is entitled to vote and to stand as a candidate.

The treaty has boosted its powers as regards lawmaking, the EU budget, and approval of international agreements. Seven hundred fifty-one members of Parliament do not sit in national blocks but in Europe-wide political groups. The main meetings of the Parliament are held in Strasbourg, France, and others in Brussels, Belgium. The Parliament works in 23 official languages.

The European Council. This means the heads of the state or government of all the EU countries, plus the president of the European Commission, plus its president. The member states' representatives are assisted by their foreign ministers. It depends on the political system of each country, whether their participant is the president or the prime minister. The European Council meets, in principle, four times a year to agree to overall EU policy and to review progress.

The Treaty of Lisbon provides for the creation of a permanent president of the European Council, elected by the European Council. The president is appointed for a renewable term of two-and-a-half years, and not only is

responsible for the chairmanship of the European Council, but also for the external representation of the Union issues concerning the Common Foreign and Security Policy.

Mr. Herman Van Rompuy was elected the first president of the European Council and started office on the first of January 2010. The president cannot hold a national office at the same time.

The Council of the European Union. The Council of the European Union, formerly known as the Council of Ministers, is the EU's principle decision-making body. It shares with Parliament the responsibility for passing EU laws. It is also in charge of the EU's foreign, security, and defense policies, and it is responsible for the key decisions on justice and freedom issues.

The council consists of ministers from the national governments of all the EU countries. Meetings are attended by whichever ministers are responsible for the items to be discussed: foreign ministers, ministers for the economy and finance, ministers for agriculture, and so on. Every six months a different member state assumes the so-called presidency of the EU, meaning that it chairs these meetings, with the exception of the Foreign Affairs Council, and sets the overall political agenda.

The European Commission. The European Commission is the EU's executive organ. It represents and upholds the interests of Europe as a whole. It drafts proposals for new European laws which it presents to the European Parliament and the council. It manages the day-to-day business of implementing EU policies and spending EU funds.

How does the Lisbon Treaty change the commission's role in economic and financial policy? The Lisbon Treaty strengthens the commission's role as an independent "referee" in an economic governance. For instance, the commission will have the possibility to issue direct warnings to member states whose economic policies are either inconsistent with the broad economic policy guidelines agreed by the council or risk jeopardizing the proper functioning of the Economic and Monetary Union.

The creation of the post of the EU representative for foreign and security policies and commission vice president is one of the major institutional

innovations introduced by the Treaty of Lisbon. The high representative has a dual role: representing the council on common foreign and security policy matters and also being commissioner for external relations, conducting both common foreign policy and common defense policy; chairs the periodic meetings of member countries' foreign ministers and represents the EU's common foreign and security policy internationally, assisted by a new European external action service composed of officials from the council, commission, and national diplomatic services. At the informal European Council on November 19, 2009, Catherine Ashton was chosen as high representative and took office on the first of December 2009.

The Court of Justice is the final auditor in disputes about European law. The Court of Auditors checks the finances of the Union's activities.

A number of other bodies also have key roles in making the EU work. The European Economic and Social Committee represents economic and social \_\_\_\_\_ in organized civil society, such as employers, employees, trade unions, and consumer organizations. The Committee of the Regions represents regional and local authorities. The European Investment Bank finances investment in economic development projects within and outside the EU, and helps small businesses via the European Investment Fund. The European Central Bank is responsible for the European monetary policies. The European Ombudsman investigates complaints about maladministration by EU institutions and bodies. The European Data Protection supervises and safeguards the privacy of personal data. In addition, specialized agencies handle certain technical, scientific, or management tasks.

As I said before, every six months a different member state assumes the so-called presidency of the EU. Spain has the presidency of the first semester of 2010.

Four are the priorities of the Spanish presidency: achieving economic recovery while promoting a model of sustainable growth capable of creating more and better jobs; bringing European citizenship a step farther in the 21st century, with particular consideration of equality between women and men; driving Europe forward as a global actor, the defense of human rights and the eradication of

poverty in the world; and the effective application of the Lisbon Treaty and the corresponding political and institutional renewal.

As the nature of this committee's focus on trade and economics, I will briefly refer to the first priority. That is: achieving economic recovery while promoting a model of sustainable growth capable of creating more and better jobs. In that, we must distinguish measures referring specifically to the financial crisis on the real economy.

So the challenges in the financial crisis are to make operational a new European system of financial supervision: strengthening the infrastructure of capital markets; strengthening the framework of "prudential regulation"; stepping up the financial services in the single European market, especially the hedge funds regulations; and introduction of anti-cyclical measures in regulations.

On the real economy: launching an EU strategy on growth and employment for the period 2010-2020, with special emphasis on the creation of a model of sustainable growth, based on the knowledge economy, respect for the environment, and social progress; and to continue work on fiscal and financial exit strategies, and strengthening competitiveness and creation of better jobs, at the same time preserving a social Europe.

I understand the aim of this committee is to know what the Spanish companies are investing in California. So I will tell you that in that state, it's the second investor in Spain, with a total stock of 4,300 million euros, which amounts to 17 percent of the total foreign direct investment stock in Spain. Its investments are characterized by their high-tech content and added value. Over the last twenty years—and not counting 2009—the annual average of \_\_\_\_\_ foreign direct investment inflows from U.S.A. to Spain amount to 6,400 million euros.

Why do American companies invest in Spain? They invest because of the sustained economic growth (in the last fifteen years, the Spanish economy has grown at the rate of 3.4 percent); the size of the domestic market (over 46 million potential consumers, with a per capita income of 32 U.S.A. dollars); access to overseas markets; availability of a qualified workforce; competitive labor costs; favorable operating costs; and a low tax burden.

Spanish companies are also present in the United States, but the Spanish presence is more visible on the East Coast rather than in California. In the Golden State, companies are present in the main sector of the California economy, from agriculture, \_\_\_\_\_ industry, winery, fashion, chemical, pharmaceutical, to infrastructures and civil engineering.

And as you know, Spain is the home to many of the world's leading companies responsible for the cutting-edge technology in wind and solar energy power. Recently, a Spanish company in this field has moved to California. As you also know, Spain is involved in an unstoppable run to connect the entire country with high-speed trains. So Spanish companies in this field also are present in California.

Thank you very much.

**SENATOR CORREA:** Quick question for you, sir. First of all, before I ask my questions, I want to invite Senator Roy Ashburn and Senator McLeod, that are joining us, to make any comments . . . ?

**SENATOR ROY ASHBURN:** Not at this point, Mr. Chair.

**SENATOR CORREA:** Thank you. Quick question for you: What's the combined population of the European Union? Anybody?

**CONSUL GENERAL PRADAS ROMANI:** I think it's 500.

**SENATOR CORREA:** Thank you. And do you have a number of the Spanish direct investment in California?

**CONSUL GENERAL PRADAS ROMANI:** No, I don't. I have the number of the investment of Spain in the U.S.A., not in California, that I can give you. And I can also give you the list of Spanish companies present in California. I can leave it in here, if you'd like.

**SENATOR CORREA:** What is that number? Or you can give it to us later on.

**CONSUL GENERAL PRADAS ROMANI:** The number, I have it here. Thirty to forty Spanish companies in California.

**SENATOR CORREA:** Thank you very much, Mr. Consul. Thank you for your presentation.

**CONSUL GENERAL PRADAS ROMANI:** Thank you.



**SENATOR CORREA:** Next we have the Netherlands.

Mr. Bolhuis, welcome.

**CONSUL GENERAL BART VAN BOLHUIS:** Thank you so much, Mr. Chairman and Members. It's really an honor and a privilege for us to be here today. I want to thank you, Senator Correa, for inviting us.

It's just two months ago Senator Correa and I initiated a partnership called "Orange Meets Orange." Orange as, of course, the color of Orange County and orange as our national color. But it was more than our common color that brought us together.

**SENATOR CORREA:** Let me interrupt you and say, if any of you have a large cow population, you can have a "Cattle Meets Cattle" because Senator McLeod's district has more cows than anyplace in the State of California.

My apologies for interrupting. Continue, sir.

**CONSUL GENERAL VAN BOLHUIS:** As I said, it was more than the color that brought us together. We created this partnership to address some of our shared challenges: issues related to climate change and population density. In a series of events in Orange County, we will link Dutch firms with compatible Orange County businesses and research institutes. So really, business to business and government to government, sharing knowledge and experience on issues like cleantech, soil, waste, and water management. But with benefits for both sides.

And what goes for Orange County goes for California, and the Netherlands in a broader sense, because we face significant challenges posed by climate change. Together, we can combine our strengths to combat these challenges.

For example, we can combine our centuries of experience and expertise in water management with California's entrepreneurial style of doing business, creating a dynamic environment to find innovative solutions to climate change. And this kind of cooperation will create jobs and opportunities in California, and that's what international trade is all about.

Let's give you some key numbers. The Netherlands is the fifth largest investor in California, and Dutch FDI is estimated to \$7 billion, creating 25,000 jobs. So that's 25,000 jobs in California. And California exports to the

Netherlands amount to over 4 billion, creating almost 50,000 jobs in California; 50,000 jobs. So that's 75,000 jobs in California directly related to our bilateral trade and investment.

So what are the strong points of this small country that creates so many jobs in California? Who are we? The hard-headed Dutch that landed 400 years ago in Manhattan—"New Amsterdam." When thinking of the Netherlands, you might think of cheese and tulips. In fact, we are leading in food and flowers worldwide. Number four exporter for a country ten times smaller than California. It's quite an effort.

**SENATOR CORREA:** Your population is what, about . . . ?

**CONSUL GENERAL VAN BOLHUIS:** Sixteen-and-a-half million—17 million. So it is quite an effort.

You would probably think of windmills, and right again because the windmills led us to be pioneers in water management as well, and that's exactly where we feel that we can be most helpful in California—water.

And I would like to share with you two examples. The first is water and energy efficiency, and the second is on water management. In the Dutch agricultural sector, we have made a revolutionary transformation in a short amount of time. We have a long tradition of growing flowers and vegetables in greenhouses. The producers, however, were paying low prices for the gas, and as a gas-producing country, we in fact were subsidizing the production and export of food and flowers. We realized that we had created an unsustainable situation for a sector that is crucial for our economy. And this situation may sound familiar to you.

So what did we do? First, we introduced real pricing for gas and water; gradually of course. Secondly, the government created tax incentives to encourage the development of energy-efficient solutions. Furthermore, we stimulated projects allowing greenhouses to use carbon dioxide coming from neighboring industries. And last but not least, new systems were developed to collect and to store rainwater for irrigation. The greenhouses are built in such a way that no water is lost. Water that is going into the greenhouses comes out in the form of tomatoes

only. Water and heat is stored in the soil, and soon they will be producing energy for the neighboring towns and to the grid.

You might wonder if these investments pay off. They do. Growers who have invested in these technologies find that it gives them a competitive advantage. The cost of energy, water, and pesticides are all diminished, and there is a large and increasing demand for flowers and vegetables grown using sustainable methods. And California is already benefiting from these Dutch innovations, with a top of the bill site in Camarillo. In these sustainable greenhouses, no water or energy is wasted. And I would like to invite you to have a look over there. But we have developed water reducing technologies for open field production as well, ranking from high tech (in which plants themselves determine the amount of water needed), ranking to low tech, like the Dutch waterbox that was introduced only last week by Mondavi in Sonoma and in Palm Springs.

The other example that I would like to give you is on water management. Delta technology, as we call it. As in California, water is a key word in the Netherlands. Twenty percent of the Netherlands is situated below sea level, and two-thirds of our population lives below or around sea level. Yet, we live in the cleanest, the safest, and the best protected delta in the world. Instead of fighting water, we have learned to live with it by finding creative solutions, with centuries of experience in designing irrigation and canal systems, levees, dikes, and barriers, but also in wetlands and natural storage capacity.

And our expertise in water management is being shared all over the world. For example, after the devastation of Katrina Hurricane, the Netherlands immediately provided support in the form of pumping teams and disaster relief. And Dutch companies and research institutes conducted inspections on building levees, floodwalls, barriers, and pumping stations. The best flood-protection experts provided independent Dutch perspectives for the long-term solutions for the Louisiana coast.

And here in California, Dutch companies are involved in levee evaluation projects, providing expert advice for flood protection in the Sacramento-San Joaquin Delta.

In cooperation between the Netherlands and California, the BCDC reproduced a landmark report, which was introduced in September last year. Experts worked together to identify the challenges posed by the sea level rise along the San Francisco Bay. We would like to build upon the findings in this report. We are currently proposing a pilot project where flood protection, spatial planning, and water management are combined, and we hope to broaden the scope of this report to include also the Sacramento-San Joaquin Delta.

The report made it clear that California can position itself as the leader in green tech in adaptation solutions. In this way, climate challenges bring new business opportunities, including nontraditional partners—like the IT companies who will develop intelligent flood protection and water quality systems.

The cooperation between California and the Netherlands can have a significant effect on the geography and the economy of this great state and even beyond. We will share our experience with other deltas in the world, in Vietnam or Bangladesh, in creating a worldwide delta alliance. And that, again, is what international trade is all about.

Ladies and gentlemen, just two examples how we can work together in creating growth and jobs. Let's not forget that we have created already 75,000 jobs, but with this approach, there is room for increasement. Therefore, it's of great importance to keep investing in an open and sustainable world economy and strong transatlantic connection and to avoid protectionism in any way and to have access to government procurement. And we, as pioneers in international business, have done this for centuries, and you can count on us that we will continue to do so. And I hope that we can count on you as well.

So thank you again, Senator Correa and Members of the committee, for the opportunity, and I would like to welcome any questions that you may have.

**SENATOR CORREA:** Very quickly, Mr. Consul General. You mentioned “protectionism.” Do you feel protectionism right now is existing between both countries?

**CONSUL GENERAL VAN BOLHUIS:** I think we are very successful in avoiding new protectionism during the financial crisis, but it's extremely important to have access to government procurement for European companies on every

level—on the state level and the local level. So I would like to reckon on your support to avoid those kinds of situations.

**SENATOR CORREA:** Probably the best approach to avoid those situations is probably an education that there exists kind of a two-way street, because, as you know, when we have world economic challenges the way we have today, we all respond to our constituency. The number one challenge is the creation of jobs, and if there's any appearance that one side or the other is, of course, engaging in protectionist measures, the political pressure would be to reciprocate accordingly.

So I think that if there is a belief that international trade is important, that it be fair, and that we make sure that if it is fair, that it would be something that all of us advertise that and make sure it's not a well-kept secret, if it is, in fact, fair. My constituents want jobs just like yours do, and we want better quality of life, and I think if we keep the level of understanding a healthy one, I think that is a very good first step.

By the way, that's part of the reason to have this hearing, is a first step in that direction, because I hope that this is, again, the first step in a number of steps or actions to let people know in the State of California how important the European Union is, the European economy to the State of California. If you close your eyes, we all know some of the fastest growing economy is where they're at in the world, and at the same time, rapid growth rates, economic growth rate, versus the base and existing economic growth and relations, those are relationships and balances that we have to address. But until we get ourselves here and establish the facts and let people know what the facts are, then I think we're driving blindly. And it's not good enough for me just to know them. I think the population has to know them as well.

**CONSUL GENERAL VAN BOLHUIS:** If you will allow me, Mr. Senator, I fully agree with you, and therefore, I brought forward the figures—75,000 jobs directly related to bilateral trade with the Netherlands alone—and sort of common responsibility to bring forward these facts and figures, as we will do in the cooperation of “Orange Meets Orange,” but all around California, we will do so.

**SENATOR CORREA:** Thank you very much.

**CONSUL GENERAL VAN BOLHUIS:** Thank you so much.

**SENATOR CORREA:** Now we have France: Consul General Honorable Pierre-Francois Mourier.

Welcome, Mr. Consul General.

**CONSUL GENERAL PIERRE-FRANCOIS MOURIER:** Thank you very much, Mr. Senator.

Mr. Chairman, Mr. Senator, I would like first to, of course, thank all of you very much for this unique opportunity to address today's extremely interesting issue and strategic issue, the question of the European and \_\_\_\_\_ concern, of course, French economic presence in the Golden State.

The French physical presence, if I may say so, is really important in California, and few people know it actually. California is one of the states with the greatest French presence. On March 30, 2009, there were about 30,000 French residents registered in California. We estimate a total population of about 90,000 to 100,000 French citizens in California alone. Approximately 30,000 French citizens live in the Bay Area alone, and the number of registrations is on the rise—actually, after a decrease, of course—following the burst of the Internet bubble in the beginning of the last decade.

France has been represented in California by one of my former colleagues since 1849. Remarkably, today there are two French Consul Generals in California—one in San Francisco and one in Los Angeles—in addition to consul adjuncts located in San Jose, Sacramento, and San Diego.

And second, the French economic presence in California is also, I think, very significant.

On the federal level first. Twenty-eight hundred French subsidiary companies are established on American soil. These businesses generated \$175 billion in 2007. More than 550,000 jobs, which is equivalent to 2 percent of the American market. And France represents 9 percent of foreign investments in the United States, a presence which is equal to Canada.

And now, of course, for California. California attracts 13 percent of French companies in the U.S. The French economic presence is strongly related to the influence of California, of course, and the degree of its openness to trade and foreign investments. California is, I must say, a treasure, frankly—the top state to

welcome French foreign direct investments in the United States. In terms of its number of employees, the 400 French subsidiaries that receive investments is estimated at around \$7.2 billion and employ more than 60,000 people in California.

Besides the subsidiaries of major French groups—like Bank of the West, which is a subsidiary of BNP Paribas; AXA, the insurance company; Ubisoft, the game company; Orange, cellular phones; Alcatel-Lucent, teles; Thomson Technicolor; Vivendi, games; Capgemini; Air Liquide, an energy company; Lafarge; Saint-Gobain, with glass; Schneider; LVMH, luxury goods; Accor; Danone, etc.—besides these huge companies, there are many, many high-tech startup companies financed by French capital and French companies, all directly created by French entrepreneurs in mostly, of course, the Bay Area.

In this region, the majority of French people work in the IT sector. That won't surprise you, I think. And young French engineers, like many before them, continue to head for the Silicon Valley. The countless other French subsidiaries also established in the Bay Area remain principally in the IT, finance, and of course, wine-making. But we have a lot of competitors in this business. A lot of very good competitors.

So just to tell you, French subsidiaries employed more than 500,000 people in the United States last year, and California was a state in which French subsidiaries employed the most people—63,000—followed by New York, only second, with a little bit more than 50,000, and Texas, a little bit more than 50,000 too.

In addition, the same report indicates that California is the number one exporting state in France, from \$1.9 billion in 2003, followed again by New York.

**SENATOR CORREA:** Mr. Consul? So California is the number one in terms of exports?

**CONSUL GENERAL MOURIER:** To France.

**SENATOR CORREA:** Or the other way around? The number one importer of products to France is from California.

**CONSUL GENERAL MOURIER:** Absolutely.

**SENATOR CORREA:** And that's from the U.S.?

**CONSUL GENERAL MOURIER:** In the U.S., yes; from all the U.S. states.

**SENATOR CORREA:** Thank you.

**CONSUL GENERAL MOURA:** Just a bit on the European Union, because I think it's interesting. The European Union, as a whole, is, of course, a privileged partner of this State of California. Calculated in 2006, almost one-fifth of the Golden State's exports have been directed to Europe, which is more than Canada and India combined. These exports are generally computers, of course, electronics, and chemicals, all material intended for transportation. California has a strong attraction on European investments. In comparison, there is a greater flow of European investments to California than from the United States to China. The Golden State is ranked second, after Texas, at the federal level in terms of market attraction for European partners. And currently, we estimate that more than 340,000 employees directly depend on European subsidiaries established in California.

**SENATOR CORREA:** If I may interrupt you. The direct investment, is it to manufacturing biotechnology?

**CONSUL GENERAL MOURIER:** It's mostly biomed, biotech, and IT actually, for the moment. But green tech and clean tech obviously will be one of the top players in the next three years.

**SENATOR CORREA:** Researcher, manufacturing, or both?

**CONSUL GENERAL MOURIER:** Both actually.

I would like to try to answer one of the questions you asked on the perspective of an increased cooperation between France and Europe and California. Obviously, a lot of things are not the responsibility of the State of California. For example, the cost of real estate or the cost of living, which is very important for small startups especially. But you do have a lot of fields where, if I may say so, the political power has a lot of responsibilities, and most of all, to my point of view, in two points: health care, which is, as you know, perhaps very important for French people because we enjoy a pretty good health care system; and then infrastructure.

From a French point of view, the issue of the high-speed train is certainly one of the most, if not the most, important of the next two decades. France is, of



course—like, I suppose, some of my colleagues—keeping a very attentive eye on the construction of the high-speed train in California. And we celebrate the announcement made by President Obama about the important federal involvement that underlies his interest for what will become the greatest public works in the United States, if not the world. We believe that this method of transportation can contribute to the economic recovery of California. And the project for a high-speed train would also contribute to an increased rate of employment in this state and also to a greener state, if I may so say.

If you don't mind, I would like to briefly speak with you of the French high-speed train, which is one of the most successful systems in Europe. For almost thirty years now, France has delivered up a network of high-speed trains that transports over 100 million people each year. It's a very efficient and convenient mode of transportation between the main French cities and beyond to several neighboring foreign capitals.

The first TGV, which is the name of our high-speed train, began operating in 1981 between Paris and Lyon, located in the southeast of France. Since then the high-speed network has regularly grown to link together the major economic areas of the country, but also to connect them to some of the most influential European economic centers: London, Brussels, Frankfurt, Amsterdam, etc.

It should be underlined that through these thirty years, the system has proven to be extremely reliable and safe. No fatality—zero fatality—has occurred since the first train left the station. Zero fatality except for people suiciding, in front of the train of course.

**SENATOR CORREA:** You have people walk in front of a high-speed train?

**CONSUL GENERAL MOURIER:** Yes. Better not to imagine.

It's a very clean transportation mode and I think is very well-suited, of course, for California. The consumption of energy per passenger, measured and equivalent to oil of the TGV, is several times lower than that of the personal car or the plane. In the case of France as a specific case, TGV is electricity-powered, and because of a very specific energy mix, more than 80 percent of our electricity is nuclear. Because of this energy mix, the emission of CO<sub>2</sub> is several thousand times lower than the other modes that use fossil fuels.

I would like, Mr. Senators, to thank you very much for your kind invitation again. We're ready, of course, to answer your questions.

**SENATOR CORREA:** Mr. Ashburn, any questions? The train's going to through your backyard, right?

**SENATOR ASHBURN:** It is, in fact.

**SENATOR CORREA:** "In fact" what?

**SENATOR ASHBURN:** In fact . . . [inaudible] . . . Through the Central Valley of California, of course, is the easiest portion to accomplish in California, and so, we anticipate that that will be first. The involvement of the French experiment and technology is going to be very useful to us. I've had the privilege of riding the high-speed train in South Korea, in Taiwan, and in Spain, and I think in all instances it is the French involvement in those systems. So I can't envision that we would not involve the French in a very significant way, because there's a lot to be learned from the successes that have been achieved elsewhere.

I want to go back to one statistic, and that was, I believe you said, that 80 percent of the power produced in France is from nuclear.

**CONSUL GENERAL MOURIER:** Electricity.

**SENATOR ASHBURN:** Of electricity is from nuclear sources. It would be interesting to know how that equates to a business operating in France as a percentage of their cost of production, the energy component. In California, we have an extreme problem because we are mostly fossil fuel driven in energy production—almost zero nuclear—and it is a very significantly increasing percentage of the cost of production for California firms, which may be beneficial to France, as businesses operating in California find that they can no longer afford to do business here. They might want to take advantage of those low energy costs in France produced by nuclear sources. Something, probably, that Californians ought to think about.

**CONSUL GENERAL MOURIER:** I can find you a good study on that topic.

**SENATOR ASHBURN:** I would appreciate that.

**SENATOR CORREA:** My question to follow up to Mr. Ashburn's comments, given those kinds of factors of cost of production, do you envision any California

jobs being created from the high-speed rail from French participation, those jobs you create in California?

**CONSUL GENERAL MOURIER:** Of course, I have no real idea of the numbers of jobs, but I think it could be huge. Whether it's French or, I have to say so, German—or Japanese actually—that a lot of jobs will be created in California on the long term. First to build the system and then to manage and to market and to operate the system. In France, for example, the SNCF is employing something like 50,000 people just to operate the whole system. So it's huge numbers actually. And without taking into account all the businesses which will grow because of the high-speed train system.

**SENATOR CORREA:** I just wanted to say that Mr. Ashburn is correct—his area will probably be one of the first to get the high-speed rail construction. Our area, too, is probably right up there. We've got a lot of the engineering done from the Anaheim-Los Angeles ready to go. So we have a healthy competition here as to who is going to break ground. I hope both of us do.

**SENATOR ASHBURN:** Absolutely.

**SENATOR CORREA:** Thank you very much, Mr. Consul General.

**CONSUL GENERAL MOURIER:** Thank you, Mr. Senator.

**SENATOR CORREA:** Next we have the Consul General of Switzerland, the Honorable Julius Anderegg.

Thank you, sir, and welcome.

**CONSUL GENERAL JULIUS ANDEREGG:** Thank you very much, Mr. Chairman.

Mr. Chairman, may I just speak up on the previous discussion . . .

**SENATOR CORREA:** Please do.

**CONSUL GENERAL ANDEREGG:** . . . of my French colleague, because, as you know, Switzerland is relatively centrally located in the middle of Europe, and I can really recommend the high-speed train concept. We are so happy to be so well-linked also by high-speed train links through the French high-speed train system to Paris and other cities and also through the ICE train system in Germany. It is much easier nowadays to visit from Switzerland all major cities in Europe. That is why we say "Travel through Europe and rest in Switzerland."

**SENATOR CORREA:** Oh—okay.

**CONSUL GENERAL ANDEREGG:** But this is not the promotional event.  
[Laughter.]

**SENATOR CORREA:** That is clear. It wasn't a promotion; just speaking of the facts.

**CONSUL GENERAL ANDEREGG:** You can also skip it from the record, if you want.

I actually wanted first to congratulate you, Mr. Chairman, and to your team for choosing the topic of investments and job creation. I remember twenty, thirty years ago, as a junior diplomat, in similar presentations we were all talking about balance of trade and who is buying—how much from you and how much is he buying from us? This perspective is outdated. The topic has it right. It is, I think, investment, and it is about the attraction of talent and direct investment. But in brackets, I just also would like to emphasize that with regard to exports from California to our small country, the exports from California to Switzerland in terms of volume and value is more than your exports to Russia and India combined. Coming from a small country, I just wanted to emphasize that.

I'll keep the generalities short, and so I will not go back to the Swiss Captain Sutter who established the first settlements in the Sacramento Valley more than 160 years ago. That would take too much of your valuable time.

**SENATOR CORREA:** So would some of those investments be in the form of euro-denominated bonds? Just kidding.

**CONSUL GENERAL ANDEREGG:** I think maybe we could have a separate hearing on the financial services.

**SENATOR CORREA:** A sidebar on that issue?

**CONSUL GENERAL ANDEREGG:** That would, I think, be useful.

But if I may refer, very briefly, to a current event in the fields of sports, you know probably that California is currently competing in Spain these days with the young Swiss entrepreneurs and investors not in downhill skiing racing but for the America's Cup. I like this example just to mention that it demonstrates, in a way, the similarities of a small partner like Switzerland and the big player like the United States in the field of innovation and competitive spirit.

Actually, it is a fact that Switzerland and the United States have one thing in common: we both actually are ranked number one and number two in many of these ranking companies on the global competitive scale. Also innovation.

Coming to foreign direct investments now, Switzerland in the United States, as a whole, is ranked, depending on the year, as number sixth or seventh on the scale of 191 countries, which is not bad for a small country like Switzerland. We have, roughly, 560 Swiss corporations based in the United States; 80 of which in California. There are, of course, also 650 United States companies having a presence in Switzerland. Swiss companies in the United States, as a whole, create an estimated 500,000 jobs, in total, in the United States. According to our information estimates and calculation, roughly 56,000 of these jobs have been created in California.

In return, Switzerland is an attractive location also for American companies, for their European headquarters. I mention only Google as an example. As you know, Google has established headquarters for Europe in Zürich.

Now, the key question that actually you have asked is, What can be done to create and to maintain conditions for attracting foreign direct investments? I'll give you a few examples of the corporations and the branches of Swiss operations in California. We have in the biotechnology and pharmaceutical fields, we have examples like Genentech, which is part of the Roche Group, with about 10,500 staff members. The Roche Group itself has also established several research and development facilities, one of which is in Palo Alto. Novartis, the same. They have several locations also in California in research and development.

In the electronics field, one example could be Logitech, which has 500 employees in Fremont. We have in the food processing field Nestlé, with about 22,000 staff members in the entire United States, I must say. Nestlé has so many locations that it's difficult for us to keep track of where exactly—how many jobs have been created. Ghirardelli chocolate manufacturing actually is also part of the Lindt & Sprüngli Corporation in Zürich.

We have also in the logistics and transportation field an example like Panalpina, with about 2,000 staff members. Insurance field: Farmers Insurance

is part of the Zürich finance group. I believe they have about 25,000 staff members nationwide.

The reasons why Swiss would choose California? One criteria that is commonly mentioned repeatedly, also mentioned to me by the CEOs of our corporations, is that the absolute criteria, number one, is the availability of qualified human resources and the proximity to relevant research institutes. Coming from a Swiss, you may be surprised if I emphasize that according to our research—and we're also convinced that that is also true—is that the issue of low taxation is maybe ranked number 7 or 8 on a scale of 10.

**SENATOR CORREA:** As a factor.

**CONSUL GENERAL ANDEREGG:** If you list the decisive factors and criteria for a site selection decision in the fields that we are interested in, this is a relatively low, let's say, importance.

**SENATOR CORREA:** Thank you.

**CONSUL GENERAL ANDEREGG:** You know, of course, that chocolate and cheeses is a miniscule part of our production and exports. The presence of aircraft manufacturing in the area, of course, leads automatically to the establishment of, also, small branches of Swiss high-precision machine tool manufacturers, of electronic and telecommunication manufacturers. I mean, Swiss precision tools and instruments are also used in these fields. In the medical field, also Swiss precision components are used, and in biotechnology, a major Swiss investment is in the field of biotechnology. And here, of course, the competence and fields of excellence in California are a decisive factor.

The conclusion is, the greatest asset of California, in our opinion, is actually compatible with the main criteria for site selection already, which is the innovative drive and the spirit of its people, the availability of research and development institutes, and also the excellence in higher education. So actually, basically you're on the right track already. I would have difficulties to recommend what could be improved. And also, I would like to emphasize that the big advantage over, at least, our research facilities is that you have the concept of the good old venture capitalists—I think is a big advantage also of California. We are still not there on that point.

Actually, the fact that the Swiss . . .

**SENATOR CORREA:** If I may interrupt you. The three main factors, of course: access to venture capitalists, trained workforce, and R&D facilities in the area.

**CONSUL GENERAL ANDEREGG:** These are the issues that are highly attractive to our investors. And the fact that the Swiss international airlines will reestablish a direct airline link between Switzerland and San Francisco, as of the 2nd of June, is actually a manifestation of the great importance we attach to this great state.

Thank you for your time.

**SENATOR CORREA:** Thank you. I would also recommend that you look at a direct flight between Switzerland and Orange County; also a very good airport. [Laughter.]

**CONSUL GENERAL ANDEREGG:** Actually, to L.A. we already have directly. Actually, it is not a secret, but I can tell you that the driving arguments for reestablishment of that direct air link comes from the biotechnology and pharmaceutical sector in our country.

**SENATOR CORREA:** Have I got a deal for you in Orange County then.

**CONSUL GENERAL ANDEREGG:** Okay. [Laughter.]

**SENATOR CORREA:** My back yard, I think we have some of the most medical instrument area technology in Orange County, and of course, right behind us are probably 500 to 600 biotech firms. Again, it's a well-kept secret that we're trying to advertise to the world. But more on that to come.

**CONSUL GENERAL ANDEREGG:** In addition to the clean tech issue that was discussed already by my European colleagues, we see a great potential in job creation in the field of medical technology. And we have, I believe, in Switzerland—just a small country again—roughly 30,000 new jobs has been created in the last four years in this field.

**SENATOR CORREA:** Medical technology.

**CONSUL GENERAL ANDEREGG:** Medical instruments and measuring devices. Medical technology in general.

**SENATOR CORREA:** I'm proud to say a little commercial here unofficially: we make the best heart valves in the world in my district. I know that's subject to debate, but we export them around the world. And I'm proud to say it's a very labor-intensive product, and yet, I believe it's—well, I'll be diplomatic—it's one of the best in the world.

**CONSUL GENERAL ANDEREGG:** Thank you.

**SENATOR CORREA:** Thank you very much.

Now Germany. We'll have our Consul General Honorable Peter Rothen. Mr. Buchholz, good to see you, and as well as Ms. Merkle. It's an honor. Welcome. Of course, my hometown is the city of Anaheim, which was founded by German immigrants about 100 years ago. So welcome, sir.

**CONSUL GENERAL PETER ROTHEN:** Thank you very much, sir. I hope that brings us luck.

**SENATOR CORREA:** We have great Oktoberfest celebrations, so I welcome you. We'll have "Orange to Orange," then we'll have Oktoberfest right after that.

**CONSUL GENERAL ROTHEN:** Thank you.

Mr. Chairman, ladies and gentlemen, also I would like, like my colleagues, I would like to thank you very much for having set up this meeting, for affording also me the opportunity to inform you about the contribution of German subsidiaries to California's economy.

Now, as you have already said, Mr. Chairman, with me here are two representatives of the German business community in California. To my right, Dr. Lucie Merkle—not exactly the same name as our chancellor—the executive director of the West Coast office of the State of Bavaria – U.S. Office for Economic Development; and to my left, Mr. Johannes Buchholz, the managing director of the California branch of the German American Chamber of Commerce.

The presence of Dr. Merkle and Mr. Buchholz, Mr. Chairman, underlines the high importance Germany is attributing to California as a business partner, because they represent official German trade and investment promotion institutions. Now, you know we Germans, we love institutions, so we find these institutions, per se, important. But apart from that, these institutions, they are important because they have permanent offices in California. And these offices



play an active part in bringing German businesses to California and helping California businesses to find partners and markets in Germany.

Let me just add that apart from the two organizations represented here, we still have more. There is our organization Germany Trade and Investment, and there is the German American Business Association. And I might like to add also on the federal government side, like other partners represented here, Germany pays itself the luxury of having two consulates in the State of California. One in San Francisco and one in Los Angeles.

Now, I believe that it is also due to the good work of the trade promotion institutions represented here that, not only but also, that Germany has become California's sixth most important export market. With a total value of 5.8 billion U.S. dollars, Germany takes the number one position among all European export partners of California, accounting all in all for 4 percent of all California exports.

Mr. Chairman, in line with Germany's role as a trade partner, German subsidiaries in California also play an important part within California's economy. Although we have no exact figure on the number of German subsidiaries active in California, their impact on the California economy is, without any doubt, considerable.

Direct foreign investment in California by German companies in 2005 amounted to 7 billion U.S. dollars. But in fact, this figure doesn't show the whole German contribution to investment in California because there are some important German subsidiaries—or subsidiaries of German companies active here in California, which actually are considered American companies and which make substantial investments, which are not calculated into this figure. I would just like to mention as an example Siemens Sacramento, just next door to the Capitol here, which has an important plant in operation here already for something like twenty years, I believe; and their investment, which is quite considerable and has been in the last years, would not go into this figure. So although I have mentioned this figure, I would like you to consider that this is not the whole story.

Now, German subsidiaries also account for about 10 percent of jobs created in California by foreign-owned affiliates. In absolute numbers, that would be in 2005, roughly 52,000 jobs created by German affiliates in California. Again, I

would like to add methodically that this figure has to be seen with a grain of salt. The figure I have given you is purely jobs created by German subsidiaries in California. It does not comprise, as sometimes figures do, jobs created by California companies active in export to Germany. So it's not that; it's just a pure figure of jobs created by German subsidiaries here.

Now, regarding a last word on the issue of job creation—German subsidiaries in California take second place among all German subsidiaries in the U.S., preceded only by German subsidiaries in Michigan. Sorry—number two, but a very strong number two.

**SENATOR CORREA:** Michigan. It's the automobile industry?

**CONSUL GENERAL ROTHEN:** Yes.

The industry areas in which German subsidiaries in California are active are, in particular, not exclusively, but mainly electronics and IT, media, automotive, finance services, and of course, the chemical industry, or biotech industry.

Let me finally mention some big names of German subsidiaries active in California. Now, there is no particular meaning in the sequence in which I give you the names. It's, for example, the biochemical company Bayer, with various huge plants in California, in the biotech field. For example, the Berkeley plant which alone provides for 2,000 jobs. Then there is, of course, Siemens, which has plants in various of its branches of activity in the whole of the U.S. and also in California. Probably the most important one here for California is the one that I already mentioned—Siemens Mobility Division in Sacramento, where light rail trains are built for the whole North American market, employing at present, if I am informed correctly, about 700 Americans and just a handful of Germans there.

And, of course, I'm very grateful to my French colleague who has mentioned the issue of high-speed rail. I don't need to add much to what my friend has said. He has very ably outlined the general importance of high-speed rail for California. Like France, Germany has developed a very comprehensive system of high-speed rail, and we are also, of course, interested and willing to contribute to the development of the Californian high-speed rail system.

I would just like to add that the establishment of the high-speed rail system in California will be, as you certainly know, will be a huge job-creating machine, and it will be almost only American jobs. Not only will the whole civil engineering part, as far as I'm informed, be done by Americans here in America, but also in the other parts regarding the rail system, a lot of the work will be done here. So, as you know, that will be . . .

**SENATOR CORREA:** Any thoughts about the number of jobs that would be created?

**CONSUL GENERAL ROTHEN:** I wouldn't really want to put a figure on the jobs, but it will be—just the civil engineering part will be huge, and that will be entirely American. No foreign partners, as far as I can see it, will have a major hand in it. We will hopefully be able to help with some of the rolling stock and some consulting, but the major bulk of this will go to Americans.

**SENATOR CORREA:** Siemens—do they make rolling stock here?

**CONSUL GENERAL ROTHEN:** Yes. They do make rolling stock here, light rail at the moment, but they would consider extending that plant if they would be able to become a partner in this enterprise, and of course, these jobs would then, again, go to Americans.

But let's see. There's still a lot of "water under the bridge." But just to flag that Germany too is observing this very closely and would be interested to help.

**SENATOR CORREA:** A quick question for you.

**CONSUL GENERAL ROTHEN:** Yes, of course.

**SENATOR CORREA:** And the French. Your high-speed trains, are they compatible from Germany to France?

**CONSUL GENERAL ROTHEN:** Yes, we do run our train to Paris, and our French friends run their train to Germany.

**SENATOR CORREA:** It's not like they stop at the border and they have to get off and get on a French train.

**CONSUL GENERAL ROTHEN:** No, we don't do that anymore. [Laughter] Because it has the disadvantage of slowing down speed considerably.

**SENATOR CORREA:** Just wanted to clarify that point.

**CONSUL GENERAL ROTHEN:** We can do a lot.

Let me just, Mr. Chairman, mention some more names so that you have a more precise idea of what Germany stands for in California. We have a company with a strange name that doesn't mean anything, but it's a German company. It's SAP, which is, as few people know, one of the world leaders in the development of business software. They're located in Silicon Valley, and they also employ a large number of people here in the region.

Now, then there's also another German company not much known here to the general public, at least as a German company. That's the insurance company Fireman's Fund, behind which is the German insurance giant, Allianz. And then just to finish off with that, just to mention that all major German car makers are represented in California with the research and development labs in Silicon Valley. These are small installations, but again, high-quality jobs and also employing almost exclusively Americans.

Mr. Chairman, let me conclude my presentation by giving you an answer to your question regarding what the State of California should do to attract more German companies. My answer is simple, and I hope you will like it, because basically it says that German companies are, by and large, quite happy with the business conditions that they find in California. Of course, taxes and the level of state regulations are always a case in point, and they especially always play a role when assessing various potential locations in the U.S. But I do really feel safe to say that for German businesses interested in California, taxes and regulations are not the decisive factor. They come here because they are interested in the very particular environment that they find in specific areas of California: the clustering of special industries, the concentration of human potential, the universities—all that you know yourself best what's good about California.

And so, there is no real hard advice I could give you. Maybe just one little thing which comes back to my issue of institutions. I don't know whether you might consider reconsidering the decision to close the official trade promotion agency that you had in Germany some years back. We feel very happy with having trade promotion institutions in California. German businesses feel very well-served by them, and it's just up to you to see whether this is something that American businesses miss. But in order to show you what they do and how they

are always concentrating on California, I just wanted to show you the last issue of the periodical that the German American Chamber of Commerce issues, I think bimonthly, and the cover story of the latest issue is on California.

**SENATOR CORREA:** Is that your writing and is that your artwork as well?

**CONSUL GENERAL ROTHEN:** It's written in English.

**MR. JOHANNES BUCHHOLZ:** It's actually from a member of our office. She wrote a neat article.

**SENATOR CORREA:** I would concur with you. I've been working, again, with Johannes and Dr. Merkle. They represent your country and, of course, Bavaria very, very well. The challenge we have is, I think, because of economic factors and, for the most part as well, political factors, I don't think we'll get new trade offices up and running anytime soon.

With that being said, I think we can get creative at the state level and almost play a complementary part to business in that role. As you know, every country, including this one, and this state, have different perspectives of what the government-business relationship should be and what it should not be. But with that being put aside, it is my goal that government begin to play a more complementary supportive role of California business in Europe. Again, I say it a second time, that's why we're having this hearing today.

And as I leave this hearing, I'm going to be in touch with all of you to figure out how we can move some of this big public policy and facts down to focus on the micro, which is, if we can, even a business-to-business level of complementing what you do. We can't have, you folks here in the State of California, we can't have your valuable services, but I think we can work around some of these issues and make sure that I make these two work double-time, if I can, for a good purpose. She's just a volunteer with her office, but she's going to find more work than she knows what to do with.

Thank you, Senator McLeod, for coming back.

But again, I'm open to your suggestions and thoughts because we do want to, again, emulate as much as we can your functions at the state level. Thank you.

**CONSUL GENERAL ROTHEN:** Thank you, Mr. Chairman.

**SENATOR CORREA:** Next, of course, we have the country of Norway represented by Consul General Honorable Sten Arne Rosnes.

And my apologies for struggling to pronounce your names.

Welcome, sir.

**CONSUL GENERAL STEN ARNE ROSNES:** Thank you very much, Mr. Chairman, distinguished senator, ladies and gentlemen.

Thank you for inviting Norway to today's hearing. I have a few words on the Norwegian trade and economy before I turn to three companies operating here in California.

Norway, with a population of only 4.8 million, is one of the most dynamic economies in Europe. Our traditional strength has been shipping and aquaculture. Since the 1970s, it has become an oil economy. Norway is the fifth largest exporter of oil; although today our output is declining.

**SENATOR CORREA:** Fifth largest world exporter of oil?

**CONSUL GENERAL ROSNES:** Yes.

**SENATOR CORREA:** Wow.

**CONSUL GENERAL ROSNES:** We are still the third largest exporter of natural gas and a major producer of hydroelectric power. The offshore industry has created an engineering base specialized on using and developing cutting-edge technology in the energy sector.

California being the eighth largest economy in the world and the United States being our main ally, defense cooperation and procurement is an important part of our economic relations. The recent decision to buy Lockheed Martin F-35 fighter airplanes as successor to our F-16s will be the largest foreign contract in our history. Part of this will benefit Palmdale, California, where Northrop Grumman is producing the main fuselage.

Norway considers California to be a very attractive trading partner and investment opportunity. The consulate general is reinforcing this attitude among Norwegian business leaders. Our message is that there is still a huge potential for Norwegian investment and business in California. Innovation Norway, our co-located partner in San Francisco, is conveying the same message.

I would like to mention three success stories among companies in California which are Norwegian owned and operated: REC (Renewable Energy Corporation) and Opera Software, both in Silicon Valley, and Fjord Ventures in South Los Angeles.

Renewable Energy Corporation. REC is one of the world's five largest producers of materials and components for photovoltaic solar electricity systems, with production sites in the U.S., Europe, and Asia, generating an annual income exceeding a billion dollars. It was founded by Alf Bjørseth in 1996. Last year, REC decided to establish a new R&D laboratory in Silicon Valley dedicated to the development of next generation products. This lab already employs ten engineers and scientists, including six Ph.D.s from top universities, including Berkeley, Stanford, and MIT. The staff is diverse, representing six different countries of origin. Four of these highly paid employees relocated to California from elsewhere to accept their current positions.

REC has invested \$12 million for equipment and construction of facilities for this laboratory, which is housed in a previously vacant office building. The lab contributes to the local economy, both during its construction and through supply and maintenance contracts during its operation. The REC subsidiary that operates this lab, which is registered to do business in California, realizes a profit from providing services to its Norwegian parent company, and these profits are subject to state and federal taxes. As an added bonus, this lab attracts business visitors from around the world, including regular visits from REC's Norwegian executives.

The next success story I would like to highlight is Opera Software. Opera Software is a leading technology company worldwide, and it is a pioneer in browser software for all platforms: desktop, mobile, and other Internet-connected devices. Based in Oslo, Norway, Opera was founded in '95 and has thirteen offices in ten countries worldwide. Opera has been doing business in California since 2004, when it set up its San Diego offices. However, most recently, Opera moved its U.S. base to Mountain View to be in the heart of Silicon Valley, to be able to hire the best talent and also get access to a wide range of customers and partners present in the area.

For Opera, its presence in Silicon Valley is very important for doing business, because the freshest of ideas and talent comes from this region in the technology field. Opera has been contributing to the California economy for the last six years by hiring people with varied experiences and expertise. Currently, Opera's Mountain View office hires a total of 18 employees; 12 of whom are based in that office.

The level of expertise of the employees is varied from mid to high level. Most of Opera's U.S. employees are from the sales and marketing function because of the nature of the work that goes on in this office. They also hire people with engineering and legal expertise. Their intention is growing their presence in California and the United States because it is a high-priority market. In fact, Opera Mini is among the top five downloaded browsers on mobile devices worldwide.

The last example I want to mention is Fjord Ventures. Fjord Ventures is a Delaware LLC, owned and operated by a Norwegian, Mr. Olav Bergheim. The business is a life science accelerator developing companies based in Laguna Hills, California, focused on the worldwide market. Technologies are sourced from all over the world. He has founded more than ten successful companies, with a total market value of more than \$1 billion. More than 1,500 people are employed in these companies. They have applied for various government funds and have not received any. They tell us they are struggling with heavy taxation and have seen none of the relief discussed in the media. One of the companies created has a manufacturing facility in Rancho Cordova (close to Sacramento), employing more than 500 people. Fjord's focus is in cardiovascular, glaucoma, breast cancer, diabetes management, gene synthesizing, nano-technology, 3D imaging, and dental root canal technology.

These companies decided to focus on California and have succeeded there. We expect them to be among the most successful within their sectors for a long time. Hopefully, they will serve as a positive example for additional Norwegian investors and others interested in establishing startups in California.

Norway's Sovereign Wealth Fund is ranked among the world's three largest. The last figure, from last autumn, is 2,549 billion Norwegian Kroner, which with



the current dollar rate is about \$430 billion U.S. dollars. It has invested in stocks worldwide and contributes to the U.S. economy and California companies in an indirect way. Most of the largest California companies are part of its share holdings. Apple, Google, Intel, Oracle, Cisco are a few examples.

The main message to Sacramento from these Norwegian businesses on how to improve the attractiveness and how to facilitate increased Norwegian economic activity is more information on how to establish a startup. Some business executives are influenced by the perception that since California is in an economic crisis, this could also be an impediment to the overall economic climate in the state.

There will always be a need for assistance with regard to an unfamiliar judicial framework. Liabilities are different, and the need for judicial information to be aware of state laws and federal laws that are different from Europe. Efforts in this area would likely be most welcome.

Thank you again, Mr. Chairman, for inviting me.

**SENATOR CORREA:** Thank you very much, Mr. Consul General.

That last comment about how to best help some of your firms is an interesting one. Whether holding seminars here or getting you some information through maybe the U.S. Consulate in your country or—think about how best that we can familiarize some of your countrymen with California’s system of business and law. I would welcome any thoughts you may have there, but we’ll talk later.

**CONSUL GENERAL ROSNES:** Thank you very much.

**SENATOR CORREA:** Thank you, sir.

Next we have Croatia. Consul General Ilija Zelalic. Sir, welcome.

**CONSUL GENERAL ILIJA ZELALIC:** Thank you very much. Senator Correa, I’m very proud to be with you today. It’s my first visit to Sacramento.

**SENATOR CORREA:** Welcome, sir.

**CONSUL GENERAL ZELALIC:** And I would like to add as well that one month ago I have come to L.A., and I have overtaken the post of the General Consul.

**SENATOR CORREA:** So you’ve been here for one month.

**CONSUL GENERAL ZELALIC:** Only one month. But I think the things are going good, because I have already sent one proposal of economic relations between the county of Riverside with Croatia.

**SENATOR CORREA:** Oh really?

**CONSUL GENERAL ZELALIC:** Yes.

**SENATOR CORREA:** We'll talk about Orange County too. How's that? I leave no stone unturned.

**CONSUL GENERAL ZELALIC:** So what to say about Croatia? Croatia is a small country, and we have 4.5 million inhabitants. The Croatian economy is growing—4.5 percent yearly. The last eight years it was rapidly going up. As I have mentioned, the Croatian economy is one of the most developed in Southeastern Europe. Republic of Croatia was granted the Candidate Country status by the European Council for entering the EU, which furthermore ensures future stability and economic growth. Croatia has a very stable currency, continually growing GDP, and low inflation.

The structure of the Croatian economy is dominated by the services sector, primarily because of a very well-developed tourism industry. We had, roughly, around 12 million tourists visit Croatia in 2008, out of which around 10 million were foreigners. The tourism industry incomes were around 14 billion U.S. dollars in 2008. Nevertheless, the manufacturing industry in Croatia has also experienced a significant increase during the last few years.

I would like only to say that in our GDP, our industry is present by 27 percent and, let me say, agriculture with 6 percent. We are one of the rare countries, maybe sixth in the world, which are producing as well transport facilities. For example, Trailways. And one of our, I should say, importer challenges is to introduce our produce in those other countries. I'm not saying for the Western European countries, but we were a lot of time working with France, especially with \_\_\_\_\_, where we were using some specific things, and we were together on the market. African markets as Morocco, Algeria, Egypt, and we are challenging as well some other countries, such as Asia, concerning exportation of our very well-known transformers.

I would like to add as well that our ship building industry is very strong. We have exports around \$2 billion yearly. This is, let me say, the sector which dominates the industry of sector, the ship building.

The food processing and chemical industry takes a significant portion of the industry's output and are responsible for the significant portion of export goods.

I would like to add that Croatia yearly exports around \$11 billion and imports around \$16 billion. Some of our major countries with whom we are dealing are Italy, Austria, France. Let me say neighboring countries. With the United States we have an exchange of \$1 billion, from which 350 million we are exporting and 650 [million] we are importing from the United States.

**SENATOR CORREA:** Any characterization of what that is, your imports?

**CONSUL GENERAL ZELALIC:** I would like such trade should be even better, but we should sign first of all a Free Trade Agreement. But I think with the entering of Croatia in EU within maybe two years, these obstacles will be done, will be resolved, so Croatia will be much more competitive for the U.S., let me say, territory. But already we have on the eastern coast some subsidiaries of our companies, especially in the food industry. And I will be very glad if we can succeed in California on the western coast. When I have spoken with a lot of businessmen in Croatia, they tell us, you know, California is on the West Coast, transportation's cost and everything will increase our price. And I said maybe it's like that. But I think that you should analyze all those things which you have mentioned and to think about that because we have much more, let me say, Croatian immigrants here in California than on the eastern side.

**SENATOR CORREA:** Where are they concentrated, do you know?

**CONSUL GENERAL ZELALIC:** In San Pedro we have 30,000 Croats. In the United States, generally we have about 500,000 Croats. But mostly 120,000 there in California. In Southern California they are more than 60 percent.

So one of those, let me say, Croats, they were very famous in the fishing industry. They have given the job to the Americans. I should say at least 2,000 people were involved in San Pedro in the fishing industry because they came 100 years ago in that area, and they have transferred their know-how technology.

I should add as well that we have, for example, one thing which you don't know maybe. One of our famous Croats, his name is Tony Maglica. He's the founder of Mag Instruments Incorporation, the company that manufactured the Mag-Lite flashlights, which was designed by him, and the Mag-Lite is a powerful and durable flashlight that has become standard issue gear used by the police officer in the United States.

**SENATOR CORREA:** That's in our district. Made in Ontario, huh?

**CONSUL GENERAL ZELALIC:** We have in Napa Valley as well very famous producer of wines—Mr. Grgich—whose wines are served in the White House. I don't know if you know that.

**SENATOR CORREA:** Didn't know that.

**CONSUL GENERAL ZELALIC:** Yes, the famous Chardonnay. After working at a number of wineries in the Napa Valley, including Souverain Winery and Christian Brothers Cellars, Beaulieu Vineyards, Chateau Montelena, his 1973 vintage Chardonnay was selected for competition in the historic Paris wine tasting of 1976. Well, it was ranked the number one white wine.

I would like as well to mention something about the FDI—foreign direct investments—in Croatia and as well Croat investments abroad. Croat direct investments abroad are very poor, at around 4 billion U.S. dollars, especially in neighbor countries. I should say in Serbia, in Bosnia, and the third country, very surprising, it's Netherlands. But Netherlands, why? Because in the pharmaceutical industry, we have a company which was one of the, I should say, regional best companies in Eastern Europe. We have invented one very strong and powerful antibiotic called Zithromax which was, let me say, voted by the American company Pfizer, and for twenty years they were obliged to pay roughly \$500 million for the formula, and the raw material was exported from the United States to Croatia to increase the production. And now, when the company has been sold, it has been sold by the subsidiary company in the Netherlands. So instead, the United States is one of the most important investor states in Croatia we have. Netherlands is the first state investor in Croatia with, let me say, 4.5 billion U.S. dollars.

So what to add more? Companies in California. Croatia, we don't have \_\_\_\_\_ or \_\_\_\_\_, but there is interest of one Croatian company to construct maybe here one small factory because they have a contract with NATO. This is very sophisticated equipment which is, let me say, used by the American Army, and maybe as they cannot produce such as is demanded, maybe they will open a company in California. They are now in the position to choose between Houston and California.

**SENATOR CORREA:** And I'm sure you'll make the right decision there.

**CONSUL GENERAL ZELALIC:** We have a representative here in California, so we shall see. That should be the first, let me say, concrete investment of Croatia in California.

**SENATOR CORREA:** Thank you very much.

**CONSUL GENERAL ZELALIC:** And I would like only to add that regarding investments or, let me say, trading between Croatia and United States, we should improve much more contracts—\_\_\_\_\_ contracts. You know, we didn't sign already one very, very important contract that's for avoiding of double-taxation. United States doesn't show an interest until now for this contract because, first of all, we should sign some contracts on the level of counties and other states, you know, between those fifty, which we have. So then, if such things will improve in the future, maybe we shall finalize these agreements, which is very important.

**SENATOR CORREA:** Do you have one with California?

**CONSUL GENERAL ZELALIC:** No. We are signing these with the United States generally.

**SENATOR CORREA:** Got it.

**CONSUL GENERAL ZELALIC:** Thank you very much.

**SENATOR CORREA:** Well, thank you.

[Short break.]

**SENATOR CORREA:** Hello everybody. If you can take your seats and resume the hearing, please.

Thank you very much everybody. We'll continue our hearing with the United Kingdom, with Honorable Julian Evans, General Consul to the U.K. Welcome, sir.

**CONSUL GENERAL JULIAN EVANS:** Mr. Chairman, thank you for inviting me to speak to this informational hearing and the Senate committee. In doing so, I'm also representing my colleague Dame Barbara Hay, who's the British Consul General in Los Angeles, who covers British interests in Southern California. But I am accompanied by Fiona Francois, who is the regional director for the U.S. West Coast for United Kingdom Trade and Investment, who is also based in L.A.

A few words first about where the United Kingdom fits into the general U.S. trade and investment picture. And I apologize in advance for bombarding you with statistics. Like others, I don't have figures for 2009 yet, so I'm quoting from 2008 information and occasionally 2007.

The United Kingdom is the largest foreign investor in the United States, with \$453 billion of investment stock at the end of 2008. The U.K. is also a major destination for U.S. foreign direct investment. American capital stocks in the U.K. totaled nearly 421 billion in 2008. And between 2005 and 2008, U.S. capital stock in the U.K. increased by 20 percent, and U.K. capital stock in the U.S. by 22 percent. Capital flows from the U.K. to the U.S. totaled 54.7 billion in 2008 (an increase of 36.4 billion), and capital flows into the U.K. from the U.S. totaled 21.7 billion.

The U.K. is the U.S.'s sixth largest trading partner overall and the second largest trading partner in the European Union, after our German colleagues. The U.S. is the U.K.'s top export destination and its second largest trading partner overall, again after Germany. U.S. affiliates of British companies in the United States support an estimated 909,000 American jobs, providing an average compensation of almost \$72,000.

In the U.S., the top five states rated on numbers employed by these affiliates are: California, in the number one place, at 94,000 jobs and 16.5 billion invested; New York, 74,500 [jobs], 15.8 billion invested; Texas, 69,000 jobs, 19.2 billion invested; and Illinois, 49,700 jobs, 7.4 billion invested; and in fifth place, Pennsylvania at 49,600 jobs, 6.1 billion invested.

While California ranked first nationwide compared to other U.S. states in the number of workers employed by subsidiaries of British-owned companies—to repeat, 94,000 jobs—we're not in first place in California. That honor goes to the

Japanese, whose affiliates employ 106,000. But our 94,000 jobs still represents around 16 percent of the 605,000 jobs created by foreign-owned affiliates in California.

Some other statistics of interest: In terms of the manufacturing industry, British-owned affiliates employed nearly 23,000 Californians in manufacturing in 2007. California has the third largest concentration of British-owned capital stock—that's gross property, plant, and equipment—at 14.5 billion, after Texas and New York. And in 2007—I suspect the situation has changed a bit since—British-owned firms held \$1.7 billion worth of Californian commercial real estate.

California exported \$5½ billion in goods to the U.K. in 2008, which makes us your eighth largest export destination and equates to 4 percent of your exports. Hardly surprising, computers and electronic products are the main California export segment, about \$1.5 billion worth, and the other five are transportation equipment, chemicals, machinery, and beverages and tobacco products.

It is impossible to fix a figure for the number of British companies and affiliates in California, but they certainly number in the hundreds, raising from small companies with one or two employees to those employing several thousand. More of the larger U.K. investments are focused in Southern California.

I have chosen some of the larger U.K. investments from across a range of activities to demonstrate the broad reach of British investment in the state. Unfortunately, not all of the job numbers are as easily accessible. I've quoted them where I have them. BT, formerly British Telecom, moved its headquarters from New York to Los Angeles about two years ago and employs around 4,000 people in the U.S., including 300 at its HQ in Los Angeles. It entered California through acquiring Infonet, which it bought for almost a billion dollars in 2004. And in 2008, it acquired Ribbit of Mountain View—Silicon Valley's first phone company.

BP bought ARCO for \$27 billion in 2000 and, until recently, employed 6,000 people in California. The majority of these jobs were based at ARCO petrol stations, but a recent change in strategy means that petrol stations have been franchised, and it now employs 2½ thousand. And you probably know also that BP is investing \$500 million in the Biofuels Institute in Berkeley.

Fresh & Easy, which is a subsidiary of the U.K. supermarket chain Tesco, the world's third largest retailer and Britain's largest, is opening about a store a week in California. It's headquartered in Los Angeles and employs around 2,500 people. It has 135 stores, mainly in Southern California, but also in Nevada and Arizona.

Your household name Verizon—Vodafone—the British company has a 45 percent stake, which it took in 2000, and it also acquired AirTouch for \$60 billion in 1999. It is the world's largest mobile telecommunications company.

In the defense side, BA Systems, which is the world's second largest defense contractor and actually sells more products to your Department of Defense than it does to ours, operates as a U.S. company in the U.S., mainly because its subsidiaries are governed by American executives under specialty security arrangements. In California, BA has a number of facilities, with a particular focus on San Diego. But there are other defense companies, such as SmithGroup, 250 staff; GKN, 2½ thousand; and Meggitt Defense Systems, 2,000.

Nearer to home up here, ARM Limited, which is a semiconductor company, employs 500 people in San Jose.

In banking, HSBC has a number of retail banks and continues to expand plans to open more outlets in 2010.

Virgin America, an airline which you've probably flown, is 25 percent British owned, which is as much as is allowed under U.S. law, as you probably know.

In the entertainment industry, there is a lot of nonscripted reality television in L.A. which comes from the U.K. Even goes so far as a company called Merlin Entertainments, which owns Legoland near San Diego, and has just invested \$55 million building a 40,000-square-foot Madame Tussauds attraction in Hollywood, even though the majority of shareholding is by a U.S. private equity firm.

A number of my colleagues have mentioned wine, and we're used to that from our European colleagues, but I'd like to point out that Diageo, which is a major British drinks company, sells not only a great deal of classic single malt in California but owns a number of wineries in Northern California too.



Other colleagues have mentioned tourism. Before the economic crisis and the fall in the pound against the dollar, San Francisco was the third most popular tourist destination in America for British tourists, at about 450,000 a year, putting hundreds of millions of dollars into the economy.

**SENATOR CORREA:** Which were the other two?

**CONSUL GENERAL EVANS:** New York and Disneyworld, in that order.

**SENATOR CORREA:** Not Disneyland, okay.

**CONSUL GENERAL EVANS:** It's rather nearer to Britain—about a million British tourists a year, Disneyworld.

The committee has asked what expertise these U.S. employees of British affiliates provide. As colleagues have also mentioned, the range of activities tends to be very broad and caters to the requirements of a top ten global economy. Clearly, a lot of British companies are attracted to California because of the availability of a creative and skilled workforce and because the business environment encourages innovation and is not risk-adverse. We must also not underestimate the importance of the world-class universities which are found here.

We talk about British companies based here, but it is equally important to note there are very large numbers of British citizens working in California, because the business environment and no doubt the living environment suits them. It's difficult to visit any major U.S.-owned company in the Silicon Valley, for example, without meeting British employees, often at a very senior level. I've just visited IBM and Cisco, and those are two very good examples where senior executives are British.

Practically all major Silicon Valley computer companies have operations in the U.K.

In terms of the number of British citizens here, it's difficult to estimate because they're so well-integrated, but we have seen figures suggesting 100,000 in the Bay Area and possibly a quarter of a million in Southern California.

In terms of what interests British companies in California, judging by the activity we are currently seeing on our trade and investment agenda, it's cleantech, and we both share an interest in that. Information, communications technology,

life sciences, and creative industries. That's not an exclusive list but the major subjects at the moment.

The committee has asked what more California could do to attract British companies. The glib answer is to "tow California closer to Britain." Distance, of course, does play a part, because there are British companies that would base themselves on the East Coast simply because it is not 11½ hours flying time from the U.K. But we are rather well-served in communications links. The two British airlines—British Airlines and Virgin Atlantic—between them have nearly 60 direct flights a week from San Francisco and L.A. to the U.K.

The key for us, I think, is that California needs to avoid placing too many barriers in the way of investment. In general, our companies find doing business in California rewarding, which is clearly why we have so many of them here. But there are a number of factors that come up in our discussions with companies. I won't name the companies themselves, but I don't think this detracts from the points they have made, and some of them, you will note, are actually of national policy rather than state policy, but I make them nonetheless.

There is indeed a higher cost of doing business in California compared to some other states, such as Texas. And we have actually heard stories of companies who have been moving jobs out. Nevada and Arizona both have lower tax bases, which can be a factor when companies are deciding where to locate. The complexity of the different layers of tax—federal, state, county, city—creates a lot of hidden costs.

The cost and difficulty of obtaining health insurance and unemployment benefits, particularly when only a handful of California employees are hired initially, and group plans are not therefore available—plus the expensive work—is common.

Unions. Companies which are nonunionized can find themselves the target of bills proposed to the Legislature specifically designed to disadvantage them compared to their competitors. Again, the situation is much more favorable in Nevada and Arizona.

**SENATOR CORREA:** Excuse me for a second. Mr. Norby, welcome.

**MR. CHRIS NORBY:** Thanks, Lou. Thanks for inviting me.

**SENATOR CORREA:** Would you like to join us? Or you just came by to say hello, sir.

**MR. NORBY:** I can join you just for a few minutes, Lou.

**SENATOR CORREA:** Thank you, sir. Mr. Norby is a fellow legislator from the county of Orange also. Welcome.

Please proceed.

**MR. NORBY:** These are our European friends, Mr. Chairman?

**SENATOR CORREA:** That's correct, sir.

**MR. NORBY:** Okay, great.

**SENATOR CORREA:** We're hearing right now from the United Kingdom.

**MR. NORBY:** Wonderful. Welcome.

**CONSUL GENERAL EVANS:** Thank you.

Raising funds—the additional complexity of raising funding, having a non-U.S. domicile. Most venture capitalists and private equity funds are still reluctant to invest in a non-U.S. business.

Immigration legislation. Small business owners can find the U.S. immigration process, including Green Card application process, not particularly customer-friendly. And for larger firms, it is still difficult to secure long-term work visas for the majority of standard positions within a company.

One of my colleagues mentioned “protectionism” earlier on. On “Buy American,” I would like to make some general points. We do understand the political pressures, particularly with an economic crisis. But I do agree with my Netherlands' colleague in what he said on this point. We haven't heard any complaints here, but with new legislation possible this year in the United States to bolster job growth, we would want to avoid anything at the federal or state level which includes restrictive “Buy American” proposals. We were pleased to see the final “Buy American” provisions in the stimulus package were watered down from some very early tough proposals. And it's clear to us from the congressional language in implementing regulations that British and European countries should be free to compete for contracts in each of the 37 U.S. states which have signed the Government Procurement Agreement. We have no equivalent “Buy British” requirements for government procurement in the U.K., and shutting out foreign

competition here would send a bad message on how open markets are valued in the United States.

As mentioned, I'm joined by Fiona Francois who heads up the U.K. Trade and Investment office on the West Coast. UKTI is the government organization that helps U.K.-based companies succeed in the global economy and assists foreign companies to bring high-quality investment to the U.K. Working closely with UKTI here in the United States, our trade and investment bodies from Scotland, Wales, and Northern Ireland—what we called the “devolved administrations”—and the largest in California is the Scots—Scottish Development International who have a large office in San Jose. We also have some of the English regions, who have something called Region Development Agencies, also represented here.

Our chamber of commerce organization is called British-American Business Council. We work very closely with them. It has three chapters in California—one in Northern California, one in Los Angeles, and one in Orange County.

And Fiona and I would be happy to answer any questions about the material that we've presented.

Thank you very much.

**SENATOR CORREA:** Just very quickly on that last issue of protectionism. I'm going to be compelled to again state that you're correct in that the political environment would create a strong argument to go in that direction, and I think one of the best solutions to that is, again, to work with the facts. If we have, as I said earlier, a two-way street, meaning that our constituents, our public, can see that in fact there is an equal import-export picture—meaning there is fair trade among these countries—I think that would go a long way towards an understanding. And again, having us as policymakers act on the facts as opposed to rhetoric, I think that's good for all the interested parties. Again, that's part of the reason this hearing is being conducted today.

**CONSUL GENERAL EVANS:** I think, Mr. Chairman, what's interesting about this is not just a view taken by foreign governments. It's also a view taken by numerous trade associations in the United States who have actually written to

Congress about this, including a letter I saw recently which is also signed by the California Chamber of Commerce.

**SENATOR CORREA:** Which one is this?

**CONSUL GENERAL EVANS:** It was a letter to—I think it was the Senate. I have a copy of it, if you'd like to see it.

**SENATOR CORREA:** I'd like to see it later on.

**CONSUL GENERAL EVANS:** And the California Chamber of Commerce and a number of other trade associations, thematic and regional, have actually added their names to that letter.

**SENATOR CORREA:** I'm sorry—ma'am?

\_\_\_\_\_ : I'm from the California Chamber of Commerce . . .  
[inaudible.]

**SENATOR CORREA:** Thank you.

The other related issue—that is, the call for protectionism, so to speak, we call that, or protection of California jobs—goes not only to the international but state to state, so to speak. It was mentioned earlier that we no longer have California trade offices around the world, and you mentioned how those were hurting us possibly in our position. At the same time, we don't as a state invest tremendously on our, for example, our tourism industry. We don't advertise "Come to California" the way, for example, Las Vegas, Nevada, does. Their budget on attracting tourism is probably a hundred times greater than ours. I don't think ours exists at all, as a matter of fact. The same thing for Florida. So you begin to see right now a little bit of a response from our state saying, "Let's have an equal footing."

There's other states, of course, that when it comes to competing for business against California have a preference. You know, a certain percentage will give you a certain amount if you buy from instate, and you'll see some of those legislative efforts moving ahead right now. But those are, I think, directed more state to state and not, I would say, the kind of protectionism to keep goods from other countries away, but rather to make sure that our jobs are held in California. It's a different flavor.

But again, I welcome this dialogue because we have to make sure that we're dealing with the facts when it comes to these very difficult times.

**MR. NORBY:** If I may, Mr. Chairman?

**SENATOR CORREA:** Of course, Mr. Norby.

**MR. NORBY:** The repeal of the Corn Laws in Great Britain was in the '20s or the '30s—1820s or '30s—which I believe led the way for massive repeal of protectionism by the British government at that time. And while it may have protected British farmers, it kept food prices artificially high, and the repeal of these laws allowed for massive imports of cheaper American food, which helped our economy. And so, your country has taken the lead in that, and I support the chairman very strongly in believing in free trade. I think we learned a lesson from the 1930s in our Smoot-Hawley tariffs that protectionism really doesn't lead to protecting anything, other than causing more and more alienation among countries.

The one question I had, if I could, Mr. Chairman—I'm not part of this committee—but has to do with your government system in Great Britain. Is there much difference in England, Wales, and Scotland and Northern Ireland of laws, or is that pretty much a paper difference and difference on the soccer field and the football field? Are these talks of Scottish independence really going to lead to actually separate policies and laws? Or is that more a symbolic thing?

**CONSUL GENERAL EVANS:** I could not possibly comment as a representative of the British government, and a Welsh representative at that, about this. In terms of the way in which the laws are, the devolved administrations have a number of powers. Foreign policy is not one of them.

**MR. NORBY:** A trade policy would not be one of them.

**CONSUL GENERAL EVANS:** Certainly, but they all have, as was mentioned—Northern Ireland, Scotland, and Wales—have their own trade and investment organizations. The Scots are represented here in a big way in San Jose. The Northern Irish are. The Welsh are actually New York and cover it from there. And many of the English regions. So they have their own. We work very closely with them.

There is, of course, as you pointed out, there is always competition between states and regions to see who can get the most inward investment, and that, of course, is more difficult in an economic crisis and otherwise. But our job is actually to see that the U.K. as a whole benefits.

**SENATOR CORREA:** And let me say that not only do we believe in free trade but in fair trade as well, and I think that's probably true for all of our constituents, as we speak.

Thank you very much.

**CONSUL GENERAL EVANS:** Thank you very much.

**SENATOR CORREA:** Thank you for coming.

Next we'll hear from the country of Italy. Consul General Honorable Fabrizio Marcelli.

Welcome, sir.

**CONSUL GENERAL FABRIZIO MARCELLI:** Buonasera. Thank you very much, Mr. Chairman.

**SENATOR CORREA:** Thank you, sir. Welcome.

**CONSUL GENERAL MARCELLI:** As my colleagues, I would like to thank you for this opportunity to present the situation of the presence of the Italian companies here in this state.

I will start with the federal frame because during the past five years, Italian investments in the United States have grown by 60 percent, even though the current financial crisis was already underway by the end of 2007. This growth has been mainly possible thanks to the favorable exchange rate between the euro and the dollar. Also, its position has been steadily climbing since 2005.

Italy still ranks only as the sixteenth country in the world for its total investments in the U.S. According to statistics that are compelled by the rule of economic analysis of the U.S. Department of Commerce, in 2008 Italy's new holdings in the United States amounted to approximately \$18 billion. As a percentage, Italian investments in the United States grew by 32 percent between 2007 and 2008, which is the last available data. As of January 1, 2007, there were 2,012 companies in the U.S. with an Italian stake. They employed more than 72,000 workers and produced revenues of almost \$37 billion.

Italian companies are increasing their percents and visibility in the United States through productive investments, so-called “greenfield investments,” that generate new employment, as well as through acquisition of existing U.S. companies. In fact, in recent years, thanks to the favorable currency exchange rate, Italian companies have been able to acquire U.S. companies at a virtual 30 percent discount.

According to the mergers and acquisitions report by KPMG, in 2008 Italy made 23 acquisitions in the United States for a \_\_\_\_\_ value of 10.8 billion U.S. dollars. Italy also made 23 acquisitions in 2007; thus confirming our interest in taking advantage of the strategic \_\_\_\_\_ opportunities offered by U.S. markets.

For the first semester of 2009, KPMG reported 70 Italian acquisitions out of 90 total foreign acquisitions in the United States. Coming to the states, in the manufacturing sector the most important recent acquisition by an Italian company was the November 2007 purchase of Oakley, Incorporated, an eyewear and other sport apparel company based in Foothill Ranch. Luxottica, a company based in Milan, bought it for \$2.1 billion.

In addition, in 2008, STMicroelectronics, an Italian producer of semiconductors, acquired Genesis Microchip, Incorporated, of Santa Clara, a digital television company, for approximately \$336 million.

Last month, the leading energy company in Italy—Enel—and in particular its renewable energy branch called Enel Green Power—through its American subsidiary signed an agreement with NRG Energy in order to acquire Padoma Wind Power, a wind energy company with headquarters in La Jolla.

Moving to the greenfield sector, Enel operates five hydroelectric power plants in California. And Enel is also the world leader in geothermal fields. It is already operating in Nevada, and it’s planning to expand here in California very soon.

In the productive sector, Italian companies are attracted to California, above all, in \_\_\_\_\_ and renewal energy, as they hope to benefit from the favorable climate of technological innovation, the presence of venture capital, and the straightforwardness of the process to obtain a patent compared to the very cumbersome Italian one.



Tecnospot Solar U.S.A. (the American branch of Tecnospot Italian), a solar and engineering company, opened up shop in Los Angeles in 2009 and hired a local staff of 25 engineers, technicians, and designers.

Funambol, an Italian company developing software for several cellular phones, opened a branch in Redwood City, where it currently employs about 25 people. Funambol also wishes to act as an incubator for Italian high-tech startups interested in establishing themselves in the Silicon Valley.

These recent acquisitions and new businesses join other Italian companies already present in California. According to data available through the Italian consulates in San Francisco and Los Angeles, and based on the list of categories created by the Bureau of Economic Analysis, Italian companies are operating 22 manufacturing plants in California.

I will provide you afterwards with a list of all the Italian companies that we have registered in our two consulates, Los Angeles and San Francisco.

Through my conversations with leading Italian entrepreneurs, I found out that strict environmental protection laws, heavy taxation. As you know, it's no secret that the State Business Tax Climate Index, elaborated by the Tax Foundation, puts California on the 48th position in America.

**SENATOR CORREA:** What do you mean? Can you elaborate that a little bit? Forty-eighth position in terms of . . . ?

**CONSUL GENERAL MARCELLI:** There are only two other states worse in California for tax on businesses, evaluated by—this is an American foundation that elaborated this index.

**SENATOR CORREA:** Okay.

**CONSUL GENERAL MARCELLI:** The high cost of life also and the state liability system are considered the main obstacles to the creation of new Italian companies in California.

**SENATOR CORREA:** I haven't seen the report. There's many, I'm sure, out there. But this specific one, California ranked number 48?

**CONSUL GENERAL MARCELLI:** On tax pressure on businesses.

**SENATOR CORREA:** From a factor of 1 to 10, would that be a number one factor for Italian companies, the tax?

**CONSUL GENERAL MARCELLI:** It's for the traditional manufacturer sector, yes—for high tech. As I said before, there are others. As my Swiss colleague mentioned in his intervention, there are other factors playing.

**SENATOR CORREA:** Than you.

**CONSUL GENERAL MARCELLI:** In some cases, Italian companies actually have relocated their California businesses in other states. I wish to mention the case of the tire plant offhand which employed over 500 people and which the Italian company Pirelli relocated in 2001 to Georgia.

**SENATOR CORREA:** To Georgia?

**CONSUL GENERAL MARCELLI:** Yes. Rome, Georgia.

I would like also to remind you that also Italy, as France, Spain, and Germany, has recently a technical agreement—cooperation agreement—on high-speed railway with the State of California. Also, there is a very big interest of Italian companies to contribute to the development of high-speed rail here in California.

**SENATOR CORREA:** Does Italy have a high-speed rail?

**CONSUL GENERAL MARCELLI:** Yes, we have.

**SENATOR CORREA:** We're the only ones that don't have high-speed rail.

\_\_\_\_\_ : We have freeways.

**SENATOR CORREA:** We have freeways, that's right.

**CONSUL GENERAL MARCELLI:** Finally, I would like to recommend updating the California Business Portal, managed by the California Business Investment Services, which is a very useful tool for foreign investors.

**SENATOR CORREA:** The California Business Investment Services.

**CONSUL GENERAL MARCELLI:** Yes. I'm talking about the website. Because the contact information, for instance, for the consulate network in California, it's very outdated. I think nobody of my colleagues who spoke—intervened before this committee today—has mentioned this website. It's without cost; you can improve very easily.

**SENATOR CORREA:** For a relatively very small cost. Your last comment, I think, comes back to the issue again of, How do we keep others informed of what's going on in California? Again, we don't have our trade offices in other countries,

and we did away with those a few years ago. It looks like the problem is a serious one, based on what you just said as well. Not even our Internet is updated.

**CONSUL GENERAL MARCELLI:** California is the “Mecca of Internet.” It’s also a problem of image.

**SENATOR CORREA:** I’m going to blame the staff, so we’ll have to talk about this later on. [Laughter.]

Thank you very much.

**CONSUL GENERAL MARCELLI:** You’re welcome.

\_\_\_\_\_ : That was eight years ago.

**SENATOR CORREA:** That was eight years ago that they updated that?

\_\_\_\_\_ : No, that they closed down the trade offices.

**SENATOR CORREA:** Eight years ago they closed them down.

Lastly, but not least of course, is we have the country of Austria. Oh, I’m sorry. Portugal. Excuse me. We have the country of Portugal, Consul General Antonio Costa Moura.

Welcome, sir.

**CONSUL GENERAL ANTONIO COSTA MOURA:** Thank you very much, Mr. Chairman. Thank you for receiving us here. What you are reading now is not about trade and Portuguese investment in California. It’s about the other way around: how to attract you to invest in Portugal. But that is another issue. But I would like you to know that also.

**SENATOR CORREA:** There was a similar trip to Brazil two years ago, and I guess for a while there, the capital of Portugal was actually in Brazil?

**CONSUL GENERAL MOURA:** That is was. It makes part of our history. The king traveled between Lisbon and Rio de Janeiro.

**SENATOR CORREA:** One of those European . . . [inaudible] . . . the capital being transferred over for a couple of years?

**CONSUL GENERAL MOURA:** Internal politics. But that’s why we have a special relationship with Brazil. That’s why it makes part of our history. As you know, we share not only the language but also, I would say, a very similar way of life and way of thinking, namely the global questions. As you know, Brazil is moving up on the economy, making part with Russia, with India, and with the new

coming nations to the world arena, and that is very important. Our relationship is very important with Brazil indeed. We have a big community there. There are so many Brazilians in Portugal too. We share also the soccer. But anyway, that is true: the king of Portugal was living in Brazil several times.

**SENATOR CORREA:** And it is a beautiful country, and without meaning to talk about Portugal—Brazil's beautiful but the exchange rate will kill you. Come to California—vacation's a lot less expensive.

**CONSUL GENERAL MOURA:** Exactly.

**SENATOR CORREA:** And almost the same climate.

**CONSUL GENERAL MOURA:** Exactly. And we share with you the same climate too in Portugal. Temperature conditions, it's almost the same. And even the bridge and even the earthquakes, unfortunately.

**SENATOR CORREA:** You have earthquakes in Portugal.

**CONSUL GENERAL MOURA:** Exactly.

**MR. NORBY:** Oh my gosh—that one in the 1750s, that destroyed Lisbon?

**CONSUL GENERAL MOURA:** Exactly. Completely. 1775. It was completely destroyed. That was big. But often it happens. That's the way I'm trying to convince the mayor of San Francisco to make sister cities between Lisbon and San Francisco. No, I'm joking.

**SENATOR CORREA:** Well, you know, in '94 we had a big one here, and I think that was the first time in my life where I thought I was going to die. I was on the fourth floor of a building when the earthquake hit, four in the morning, and I thought for sure that was the end. They're so violent.

Anyway, sir. I'm sorry to interrupt you.

**MR. NORBY:** If I could, because I can't stay much longer here. The relationship with Brazil, are there special trade agreements, or is it more or less sort of a cultural understanding? Because Brazil has huge trade issues in terms of protectionism. There are oranges and other products where they feel the European Union is blocking them by subsidizing agriculture from products. Is Brazil part of Europe on that, or do you have a special relationship, Portugal part of Europe with that, or your special relationship with Brazil helps you take up

their cause? Which I think is a just one. I think they want free trade and access to foreign markets. So how would you describe that?

**CONSUL GENERAL MOURA:** I see not a contradiction there. I understand. Often, I understand Brazilian positions. I'm not defending the Brazil position regarding the global issues on trade. I'm not talking about that. Yes, we have a special relationship with Brazil on a bilateral basis, but we would like to have Brazil playing in the global scene. That's why we proposed to the European Union the first EU-Brazil summit, as you know. It was during our presidency of the European Union, that the European Union organize its first summit with Brazil. The same reasons apply to Africa. We organized the same summit, EU-Africa, during our presidency of the European Union regarding trades. The answer is, yes, we have . . .

**MR. NORBY:** We almost had a First Lady of Portuguese ancestry. Senator Carey's wife was born in Portuguese Africa.

**CONSUL GENERAL MOURA:** Absolutely. But the answer is, yes, we have a special relationship also in the trade field with Brazil.

**SENATOR CORREA:** But just Portugal, not the rest of the . . .

**CONSUL GENERAL MOURA:** Exactly. But we play the game. We play the game under general rules. We don't have special rules regarding Brazil. No preference rules. But the question is, the amount of trade and the amount of—you know, airplanes are always full to Brazil, you know. It's the nature of things, that is true. But we want Brazil to get closer to the European Union. It will be good for the world, for all of the world, but we admit that Brazil has specific problems with global trade. It's not easy to . . .

**SENATOR CORREA:** There are some issues there, absolutely.

**CONSUL GENERAL MOURA:** Those issues are very complicated indeed. So anyway.

**SENATOR CORREA:** Please—proceed with your presentation.

**CONSUL GENERAL MOURA:** Okay, thank you, Mr. Chairman. As I was saying, thank you very much for receiving us. It's a great pleasure to be here. I'm a newcomer to San Francisco. I'm just arriving as the new consul general for Portugal. I have with me Dr. Maria Joao Bonifacio, who is the director of the

Portuguese Trade Commission in San Francisco. We are glad to be here. Thank you very much once again.

We found very productive this initiative. I think we have to thank you, Mr. Chairman, the sharing of information that we are having here among European colleagues, which is absolutely fantastic. And thank you again for that.

I don't want to expend too much to take your time. I want to be sure on some ideas. As you know, we have a very old relationship with the United States. We were one of the first countries in the world to recognize the independence of the United States. We are very proud of that too. I can tell you that the last census estimates, there's 1.3 million individuals living in the United States of Portuguese ancestry, with a large percentage coming from the Azores. I won't lose time to explain to you what is the importance of the Azores, both for the U.S. and NATO and for our global security.

Trade between Portugal and California is relatively small. We can admit that. California is exporting 53 million worth of goods in 2008, which means that California is our sixty-ninth client, and is importing an estimated 360 million from Portugal. So it's not very relevant. But anyway, we can understand that because we are living in a deep international crisis, and the year 2008 was particularly difficult for the Portuguese exports, which resisted(?) a steep decline—almost 40 percent. But there is a point that is important for us in this kind of analysis. That is, the total amount of Portuguese goods that entered California is larger than that, because statistics don't reflect due to the simple fact that much of the goods entered the U.S. through several ports and subsequently transported and distributed by ground transportation to California for sale.

California sells primarily machinery, fabrics, and fruit to Portugal, and purchases electronic integrated circuits, \_\_\_\_\_, motor vehicle parts, and wine. The presence of Portuguese companies in the U.S.A., although still modest, has increased significantly over the years, particularly those related with new technologies. About 70 percent of the Portuguese investments are located in the East Coast, in the areas of IT, biotech, tourism, and services.

In general, Portuguese companies prefer to acquire existing businesses. For example, EDP Renewables acquired Horizon Wind Energy, a leading developer,

owner, and operator of wind power generation in the United States. From Goldman Sachs in the transaction, that valued Horizon \$2.74 billion. Also Martifer, one of the world's leading photovoltaic systems integrator, acquired several companies in California, namely in San Francisco, Los Angeles, and San Diego, and is now developing several important projects in the field of renewable energies, namely the construction of a solar thermal-biomass hybrid facility that will be built near Coalinga, in California, and should be operational by 2011. The plant in California is very interesting, in that it will use a combination of technologies to ensure consistent power outputs.

The California wine region, as my colleagues all said, the wine is a European flag. The wineries have attracted a large number of Portuguese cork stoppers. Producers will establish their business around the Napa-Sonoma regions. The world's largest producer of natural cork wine closures—the name is Amorim Portugal—has two factories in Napa. And in addition to the production of cork stoppers, it's committed to a recycling program in partnership with local restaurants, major supermarkets, and even some major American airlines, with the goal to keep post-consumer corks out of landfills.

Due to the fact that Portuguese companies are buying American companies, the tendency is to maintain most of the regional teams, and thus, most Portuguese companies in the U.S. have mostly American employees.

In recent years, Portugal has become one of the top at developing new technologies at home. Major electronics companies, such as Apple, Nokia, Siemens, and Cisco, have been \_\_\_\_\_ over because of the budding technology sector in Portugal's excellent entry point for foreign firms to establish accessing to the European market.

In 2007, the Portuguese government initiated the interaction between the research and private sectors by initiating a partnership between Portuguese universities and world-renowned institutions, such as Carnegie Mellon University, Austin University in Texas, and the message(?) is \_\_\_\_\_ of technology. The agreement with MIT offers a long-term collaboration to expand research and education in the emerging field of engineering systems, hoping for a strong social and economic impact in areas such as energy, transportation, information

systems, and telecommunications. These initiatives are designed to open the door to a new wave of ambitious young entrepreneurs who are looking for investors who can help them showcase their new ideas.

Like others, the committee asked us to point out some of the major difficulties that companies find regarding investments in California. And we—Maria Joao and me—we asked the companies to raise that issue with us, and what I'm going to tell you, sir—Mr. Chairman—is the result of a very short inquiry that we made to the companies. We cannot see that as a complete, deeply, very well-done study. So this is very empirical also. What did they answer us when we put the question, What are your basic problems here; please let us know? They answered us: in general, they are facing a problem with working visas. It has become increasingly difficult to obtain an L1 H1 visa, particularly over the last year. I don't know exactly what type of questions in concrete cases, but, you know.

**SENATOR CORREA:** Is that an issue with a lot of you? [Answer inaudible.]

**CONSUL GENERAL MOURA:** Namely, Mr. Chairman, namely in those primary sectors. We are not talking about, exactly, high tech, like my predecessor colleagues, like my Italian colleague and Swiss colleague said, because the approach is completely different, I think. The environment is fantastic. If you talk with a high-tech enterprise, they tell you, "That's fantastic. We have to go there. We have to stay there. We have to invest there." The other issue is to come, to build, to stay, to get employees. You know, it's different.

The other issue was the high cost of health insurance—one of the points that I heard already. And the difficulty to obtain coverage when you first arrive.

In terms of California specifically, those companies told us that, for example, for a small company, the process of stepping up a business is complex in the sense that it requires always the assistance of very specialized companies. So they are not able to do them by themselves. I'm not trying to sell the idea, but in Portugal we have—what is the name, Maria Joao? Simplex is the name of the program that we designed, but we have those \_\_\_\_\_ formalities. CFS. Those are centers for—to simply to try to simplify formalities—bureaucracy. So when you arrive to Portugal, you want to invest. You have only one person with



who you talk, okay? And that person goes to other departments and do the job for you, you know? We call that “one-stop shop.”

The other issue relates to high taxes. Some of them told us California has the third highest state income tax in the nation. The corporate income tax rate is the seventeenth worst in the U.S.A., which is exceptionally hard on small businesses. Others said California has the highest state sales tax rate in the nation. California has the highest gasoline tax. For example, others said the \_\_\_\_\_ saturated market and so on and so on.

I would conclude this intervention, Mr. Chairman, saying that what I stipulated to you, to the members of your commission, is a short paper, a short explanation, on how Portugal could increase its role as a bridge to Africa and Latin America. You are fully aware of that. You are fully aware of the special relationship of Portugal with, we were talking about, Brazil. I told you about Angola and other countries in Africa. The idea is transmitted, the idea that Portugal is a reliable alliance, a reliable partner in contacting and doing business with Africa and Latin America too.

And thank you very much for this opportunity. Once again, it was a great pleasure for us to be here. Thank you.

**SENATOR CORREA:** Thank you very much, sir.

Next we have the country of Austria—Consul General Honorable Karin Proidl. Consul General, welcome.

**CONSUL GENERAL KARIN PROIDL:** Thank you. Mr. Chairman, members of the committee, thank you very much for the invitation. We are very honored to be here. After a short overview, which I will provide, with your permission, Mr. Chairman, the head of the Austrian Trade Commission, Mr. Rudolf Thaler, would give you some insight on the trade commission and on the activities of the commission.

Austria has a population, as you maybe know, of some 8.3 million people, and Austria is situated in the center of the market of 500 million consumers, and is a hub to the eastern European markets.

Our key sectors are mechanical engineering, steel construction, the production of food and beverages, chemicals, and vehicles, as well as electronics,

are examples for Austria's major industrial sectors, enjoying an internationally distinguished reputation.

Austria's a leading global player in the fields of environmental technology and renewable energy, such as solar energy and bioenergy.

The major service sectors include the tourism and leisure industries, and Austria boasts about the resources at its disposal in the raw material and energy protection sectors.

A few words on small- and medium-sized enterprises, which are the backbone of the economy. They generate the major part of economic outputs, and about 200,000 enterprises employs some 3.7 million people.

Austrian exports to the United States amount to some 7.2 billion U.S. dollars. Also, imports from the United States amount to some \$4.7 billion. And major Austrian export items include machinery, motorbikes, pharmaceutical products, electrical as well as electronic equipment, and energy drinks. The United States is Austria's fourth largest export partner. Although there are no official figures, an estimated 35 percent of the Austrian exports go to the United States—actually, go to California.

Austrian companies established more than . . .

**SENATOR CORREA:** That's 35 percent of all Austrian exports, or 35 percent of exports to the U.S.?

**CONSUL GENERAL PROIDL:** Of all exports which go to the United States go to California.

Austrian companies established more than 420 subsidiaries in the United States, 93 of which are situated in California. Austria's largest subsidiary in the United States is headquartered in California, and they employ more than a thousand people U.S.-wide. The vast majority of the employees of the Austrian subsidiaries are actually locally hired. Even during the downturn of the economy, the subsidiaries were surprisingly steadfast in maintaining their operations, and there's a continued slight increase in the number of subsidiaries in California. Austrian companies with operations in California are focusing on niche markets, and they sell a diverse range of products from energy drinks to tire chains, and from cooling technology to overhead protectors.

Recently, green tech from Austria has caught the attention of the California community willing to deploy leading edge technology to reduce U2 emissions. We expect several new companies in biomass energy as well as solar thermal energy to set up shop in California.

Will you now talk about the trade commission?

**MR. RUDOLF THALER:** Yes. I'll try to put it in a nutshell the Austrian Trade Commission. The Austrian Federal Economic Chamber has, actually, close to 400,000 member companies worldwide and a network of around 100 trade commissions and marketing offices. So our slogan(?) is around here \_\_\_\_\_ are approximately 6.8 billion people. And finally we help you. In the U.S., we have three full-fledged trade commissions—one in New York, in Chicago, and in Los Angeles. Of course, our message in Los Angeles to our companies is "Come to California where the action is."

The Austrian Trade Commission in Los Angeles covers, finally, the western part of the states, including Texas, Alaska, and Hawaii—a total of 15 states. We cover a few key industries, mainly renewable energy, IT communications technology, transportation logistics, electronics, laser, \_\_\_\_\_tronic, and the security industry. One of our focuses at the moment are green technology as a renewable energy—environmental technology—and here we are organizing quite a lot of—we are planning quite a lot of dedications from Austria and Turkey to California, and the environmental and energy technology . . .

**SENATOR CORREA:** Is that to explore possibly setting up shop or looking at the R&D here or manufacturing here?

**MR. THALER:** Actually, in the first phase at the moment we are preparing \_\_\_\_\_ in the biomass sector and in the solar. We are informing Austrian companies now in Austria, beginning of March and April what \_\_\_\_\_. Then we are inviting companies to get firsthand information here and to tour, to make P-to-P contacts here in California. That's the main idea.

**SENATOR CORREA:** Thank you.

**MR. THALER:** Only to give you a few figures that Austria is very dedicated to ecology: their share for renewable energies currently amounts to 23 percent in total, and it's at the moment the fourth . . .

**SENATOR CORREA:** Twenty-three percent of your energy is for renewable energy.

**MR. THALER:** From total. Twenty-three is the share of the renewable energy of the total energy consumption. That means it's finally the fourth position in comparison to the European countries at the moment. And Austria—it's also maybe an interesting figure—now leads the world in the number of energy-efficient buildings per capita. It's always a very strong industry in Austria.

Our main focus is—I think we see here quite a huge potential to cooperate with companies here in California—is in the field of energy storage technologies, efficient use of energy, resources, and materials, sustainable water and management in these sectors. And only to give you a figure, the export quota of Austrian environmental technology companies is estimated at the moment at approximately 65 percent. So they have to prove daily that they are competitive finally.

And maybe finally, I would like to inform you about an initiative. It's "Go Silicon Valley." We started this initiative last year. The idea is to help innovative Austrian companies and entrepreneurs in the fields of, especially, information technology and green technology to connect with the Silicon Valley business community. That means business angels, venture capital companies, potential botanists in this field.

So they have the chance to stay for three months in Silicon Valley, we teamed up with Business Accelerator over there. He is organizing all the meetings and is arranging an entrepreneurship academy. He's matching up with venture capital companies. And he joined an investment firm. So the feedback from the Austrian companies was quite strong. \_\_\_\_\_ went to Austria, selected from 70 companies. Twenty entrepreneurs was outstanding technologies, and so far as we hear now, the feedback is very positive from the first five companies staying now in Sunnyvale.

So the signs are very positive that we continue the sanctions next year. And everything, finally, is covered by the Austrian Federal Economic Chamber.

Maybe this would be, only in a nutshell, only to sum up, Austrian companies feel happy in California. We invite them to come here. We see a huge potential, especially in the green technologies area. There were quite a lot of criterias mentioned before. Why do you come to California? I think maybe there's one additional point to mention. It's this "can do" approach in California.

Thank you.

**SENATOR CORREA:** As our Governor would say—formerly an Austrian citizen.

You know, as I think about the presentations today, kind of the echo is, really, the technologies that I think a lot of the European companies have in common with California. Primarily right now the theme is "green." Everybody's trying to go green and figuring out the best technologies. Biomedical, R&D, information systems—I think those are some of the areas that will probably create the bonds for us for additional trade and wealth creation on both sides of the Atlantic.

As a policymaker, I think the challenge for us, and for the Senator—Gloria—is to make sure that, again, our policies as a state government augment and enhance and support these efforts as opposed to getting in the way.

With that being said, again I'll repeat for the third time: this is the first step in hopefully helping you and helping your companies understand what we have to offer, and continue a two-way line of communication in the investment field.

I also chair a committee called Public Employees Retirement and Social Security that has the jurisdiction with the two, what I believe are still the largest pension funds in the western world. I was earlier with them to begin to address their investment policies as well.

So there's a lot of disparate issues that I have to talk to you as a group and individually about.

And so again, I thank you for being here today. Again, it's the first step, and I will be in contact with you individually to see what other areas we can serve.

And I've got to say, it's personal embarrassment to me to hear there are web pages not up for the State of California. I know it's not Senator McLeod's—I'll take fault for it. But we'll fix that and try to move ahead.

Again, thank you very much, and we'll be in contact. And I also invite you to a reception that we have for you that started an hour ago.

Thank you very much for coming.

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