



**U.S. – CHINA ECONOMIC &
SECURITY REVIEW COMMISSION
PANEL III
THURSDAY, JULY 23, 2000**

**TESTIMONY BY SAM NATAPOFF, SENIOR ADVISOR TO NEW YORK STATE (NYS) GOVERNOR
DAVID A. PATERSON & NYS DEPARTMENT OF ECONOMIC DEVELOPMENT DEPUTY
COMMISSIONER FOR INTERNATIONAL DEVELOPMENT**

On behalf of New York State Governor David A. Paterson, I would like to thank the U.S.-China Economic & Security Review Commission for holding their field hearing here in Rochester, New York. It is fitting that this city, with its strong record of business excellence be the site of such an inquiry. Rochester has a proud history as a center of advanced manufacturing, cutting-edge research, and academic achievement. Rochester has been home to Eastman Kodak, to Xerox, and to Bausch and Lomb, globally recognizable New York companies that have played a significant role in defining the success of American business domestically and around the world. Rochester companies have also contributed significantly to American style and culture, with Ray-Ban sunglasses and Jello leaving their marks in American history. Rochester is also the long-time home of Empire State Development CEO Dennis Mullen, whose superb work in government and the private sector here has strengthened and benefitted both the city and the region.

Given the focus of this panel on current opportunities for growth in New York State, my role as Deputy Commissioner of NYS's Department of Economic Development for International affords me a view of the tremendous potential for economic growth for this state and its companies in international markets. New York State companies are innovative, aggressive, and poised for tremendous success in exporting abroad, as well as attracting international capital to buttress their efforts at home. This success is however far from guaranteed. Competition from established and emerging market companies is intense and has consistently put our companies under pressure. The U.S. market is the most open in the world, so New York companies must contend not simply with challengers from Montana but also from Mongolia and Moldova among

others. Local companies must work hard to create cutting-edge products, keep costs and prices under control, and remain competitive with their U.S. and international rivals. What New York's state government can offer our firms in their difficult endeavor is assistance in reducing trade barriers, finding partners and connections in international business, and gaining access to previously untapped or protected foreign markets. Governor Paterson believes that competition reveals merit, but he understands that only fair competition can produce a fair outcome. That is why he is committed to assisting New York's companies to compete on a level international playing field, so that the results will reflect the strengths of the players, not the biases of the process.

The International Division of Empire State Development manages the international economic strategy of New York, a strategy intended to support local firms and bring economic resources from overseas to New York. It maintains 12 international trade and investment offices around the world, whose primary missions are to serve as local agents of NY companies to find outlets for their products and services, as well as to inform and direct foreign investors to the economic opportunities within New York State. We have identified several overseas markets that have significant economic potential in the near term; the People's Republic of China is certainly one of them.

Economic relations between New York State and the People's Republic of China have been developing rapidly over the past several years. This has resulted in significantly improved export sales from New York State firms and increased foreign direct investment (FDI) attraction for New York State. New York's commodity exports to China have grown by double-digit percentages over the past few years, from \$2.189 billion in 2006 to \$2.5 billion in 2007 and \$2.82 billion in 2008.ⁱ It is important to note the high quality nature of many of these exports; over the past three years, New York's two largest commodity export areas to China have been Industrial Machinery (including computers) and Electric Machinery (including sound equipment, TV equipment and others).ⁱⁱ These value-added sectors help create and maintain quality jobs in New York State and China is proving to be a growing market for New York's companies and products in these areas, as well as others. At the same time, China's foreign direct investment in New York State has also increased.

Our attempts to improve access for New York firms within China's markets have yielded strong results thus far. Currently, ESD International maintains three economic development offices in China, located in Beijing, Shanghai, and Hong Kong. While only recently established, they have already been successful in assisting companies all around the state sell millions more in exports to China and they will serve as critical infrastructure for New York's economic strategy with China.

New York has been actively negotiating with the Chinese government to provide market access for our firms there and investment in our communities here. In April 2009, New York State signed two significant Memoranda of Understanding (MOU) with Chinese government organizations. On April 22, 2009, ESD signed an agreement establishing the Joint Economic Commission between New York State and the Jiangsu Province Provincial Government. The mandate of this joint economic commission was to promote two-way investment, social and economic cooperation between the two governments. Specific sectors were given primary focus for investment, including financial services, clean technology, life sciences, information technology and nanotechnology, and education, areas where New York State has consistently demonstrated national and international leadership. New York's links with the Jiangsu Province are strong, we have maintained a Sister State relationship for 20 years, and this agreement is the logical acceleration of the long-standing and strategically important economic partnership, as Jiangsu Province is the second richest province in China and has a population of nearly 75 million people.

Five days after the first MOU was signed, on April 27, 2009, on behalf of New York State, ESD signed a Memorandum of Understanding with the China Investment Promotion Agency (CIPA) on Investment Promotion Cooperation. This MOU with China's central government also designated as priority investment sectors financial services, clean technology, financial services, life sciences, and education. New York State and CIPA agreed to share information regarding investment policies, laws, and regulations, investment environments, investment promotion activities and investment projects.

With these two MOUs, New York State has begun to implement a longer-term strategy to engage key actors within China's government and economy to assist New York companies to increase their exports to China and to attract Chinese investment to New York.

China has consistently participated in Empire State Development's efforts to improve access for NYS firms to foreign markets. For example, representatives from both the Chinese Consulate and the Hong Kong Trade Development Council attended both recent internal trade missions organized by ESD this year, efforts to introduce NY firms to economic gatekeepers from countries around the world. The first mission brought 33 foreign delegates from 27 countries to Albany for a two-day mission, introducing them to trade and investment opportunities in New York's Capital Region. The second mission brought 65 foreign delegates from 36 countries to the Buffalo/Niagara area for two days, again highlighting the trade and investment opportunities of Western New York. We plan to bring a trade mission here to Rochester in the near future, in order to demonstrate Rochester's business, research, and academic achievements to potential partners and investors from China and other international business decision makers.

New York is a common destination for high-level delegations of potential foreign buyers and investors. Only last week ESD met with a delegation of Chinese procurement officers from their Ministry of Commerce, whose U.S. tour was organized by the U.S. Trade and Development Agency. Such delegations give us the opportunity to introduce NY companies to potential foreign partners, buyers, and investors. In March 2009, we were visited by a delegation from China's Hunan Province of heads of the provincial government, chambers of commerce, and development agencies. And in April 2009, senior members of the Jiangsu Province government visited New York State to strengthen economic ties and to sign the Joint Economic Commission Agreement to permanently establish a new level of economic cooperation.

Given New York's international openness and orientation, this state is increasingly becoming an overseas home to both Chinese government and business institutions. The City of Shenzhen recently opened an official representative office in New York City. More recently, several major Chinese banks opened branch offices in New York as well, including the China Construction Bank and the China Merchants Bank. The Chinese company Beijing Vantone recently signed a

lease at Ground Zero to open The China Center, which will serve as a home to Chinese companies that wish to locate offices in the United States. Clearly, New York is a prestigious location for Chinese as well as foreign companies from around the world.

With the largest public university system in the United States, over 250 colleges and universities, and one of the highest densities of institutions of higher learning in the world, New York's educational system is another pillar in this state's international and economic competitiveness.ⁱⁱⁱ New York's colleges and universities have long served as a strong lure to foreign students to come study here, as well as a tremendous engine of human capital generation. In 2006-7, there were approximately 65,000 foreign students studying in New York, directly contributing some \$1.86 billion to the statewide economy. Today, there are some 74,000 foreign students studying in New York and that number continues to grow. I am glad to testify in conjunction with Nicholas Rostow, representing the State University of New York (SUNY), which has proven to be one of the most internationally active state universities in the country. For example, there are approximately 1,800 Turkish students enrolled in dual-diploma programs between SUNY institutions and nine Turkish universities. It is however SUNY's China 150 Project that deserves considerable praise. On May 12, 2008, China's Sichuan Province was hit by a terrible earthquake that killed some 70,000 people and destroyed their university. In a wonderful and generous gesture, the State of New York through SUNY hosted 150 Sichuan university students to study here in New York for a year, until their university could be rebuilt. It is through efforts such as these that binding ties are built. As a result, in September 2008 when PRC Premier Wen Jia Bao visited Governor Paterson in New York City, it was for the China 150 Program that he reserved his most appreciative and glowing remarks.

Governor Paterson and CEO Mullen believe that international commerce and investment can serve as a significant source of economic growth for New York State in the immediate, medium, and longer terms. New York's firms are among the most vibrant, innovative, and competitive in the world, and Governor Paterson has vowed to support their increasing international expansion in terms of exporting abroad as well as attracting investment back to our state.

Thank you very much.

ⁱ WISER Trade Database 7/16/09

ⁱⁱ WISER ibid

ⁱⁱⁱ TurkofAmerica, May/June 2009, pg 42

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