



Idaho-China Trade and Investment Relations: Frequently Asked Questions

What is Idaho's trade relationship with China?

China is Idaho's third-largest export destination. Sales of Idaho products to China were valued at more than \$657 million in 2010. Idaho maintained a trade SURPLUS with China in 2010, meaning Idaho's exports to China exceeded the sale of Chinese products bought in Idaho. Idaho is one of only a few states to maintain such a surplus. Additionally, the State of Idaho has maintained a trade promotion office in Shanghai, China since 1998. This office has always been focused on trade and continues to serve Idaho companies interested in selling products in the Chinese market.

Governor Otter also has accompanied Idaho businesses on trade missions to China in order to expand trade opportunities in those markets. Those trade missions set the stage for future business deals and ongoing relationships between Idaho businesses and the world's largest and fastest-growing market, bringing in millions of dollars that turn into many good jobs for Idaho workers.

Why does Idaho promote Foreign Direct Investment? What kinds of companies are doing business in Idaho as a result of these efforts?

Since the financial crisis of 2008, a lack of adequate capital has prevented many American companies from expanding existing operations or starting new businesses to create jobs in Idaho and across the country. To address this, Idaho increased its efforts to find new sources of capital located around the world. As a result of Idaho's efforts and a favorable market for long-term investment in general, international investment interest in Idaho has been increasing.

There are a number of international firms that own businesses or affiliates in Idaho and create jobs and tax revenue for the State. International companies doing business in Idaho include businesses from Canada, England, Germany, Japan, Denmark, France, Switzerland, Italy, Sweden, Ireland, Netherlands, Taiwan, China, the Philippines, and others. The type of businesses include engineering; many kinds of manufacturing; agriculture, food processing, food distribution, and dairy products; advertising, marketing, and communications services; transportation; aircraft and aviation; banking, accounting, and finance; personnel services; electronics and technology; security systems; jewelry retailing; property management; waste treatment technologies; mining; hospitality; publishing; and many other areas of business.

Foreign direct investment has created nearly 14,000 jobs for Idaho citizens. **Foreign companies and all individuals living in or operating businesses in the United States must operate under local, state and federal laws.** These laws are in place to protect our national security, sovereign interests, intellectual property, and worker and environmental safety. Any company doing business in the United States is subject to these laws. That's why Idahoans are the real winners when any kind of investment comes to Idaho.

Are any Chinese companies investing in Idaho projects?

The Hoku Materials polysilicon manufacturing plant in Pocatello is the first example of direct investment from China. Hoku is publicly traded and the majority stock holder is a Chinese firm. The Pocatello plant is scheduled to begin production in January 2012 and when it does, 100 percent of the product will be exported to China from Idaho. **The plant has created hundreds of jobs for Idaho citizens.**

There is another proposed project near Pocatello that involves production of fertilizer. The project is being examined by the Chinese partners of an Idaho-based consulting group. The project has had its regulatory permits in place for several years and both domestic and international investment is being sought. There is one additional project involving China that has been discussed in the media recently. It involves a Chinese bus manufacturer setting up a North American headquarters in Idaho. That could occur in the immediate future, but the timeline for actual assembly, manufacturing, service or a pilot project for those operations could be a little further out.

Will China construct a 50-square mile self-sustaining city south of Boise? What is happening at the Boise airport?

No. National, State, and local laws do not allow a foreign government to carve out and acquire a section of American soil to create an autonomous self-sustaining city.

The Boise Airport is trying to attract business, including manufacturing, services and logistics. This is not a new effort and does not focus exclusively on China. An Idaho business consulting group and Sinomach, a Chinese state-owned corporation focused on engineering, procurement and construction contracting services – visited the Boise Airport as part of an exploratory discussion about how the airport could be used as a complementary asset to a proposed Sinomach North American Technology Center. Sinomach is based in Beijing and has worked on projects in China and throughout the developing world. The proposed development of a technology center has made little or no progress since its introduction in 2010.

If Sinomach or any other international company were to win a bid for engineering and/or construction for one of the potential projects being explored in Idaho, **it would be required to use local labor to complete the job.** U.S. immigration laws do not permit local jobs to be filled by foreign companies unless there are no local workers available to fill the positions.

Does Governor Otter have the authority to stop a foreign company from bidding on a project or otherwise investing in economic development projects in Idaho?

No. The Governor of Idaho does not have totalitarian control over decisions made in the private sector. But with 74,000 Idahoans out of work and limited access to adequate capital resources for American companies to start new businesses and expand existing operations to create jobs, **Governor Otter supports efforts to increase trade and investment opportunities with other countries in order to create more jobs for our citizens.**

What is Project 60?

Project 60 is Governor Otter's plan to create career opportunities for Idaho citizens while increasing Idaho's gross state product to \$60 billion. This goal will be accomplished by working to grow the existing base of Idaho businesses and industry; attracting new business ventures to Idaho from other states; and increasing exports and attracting international investment capital. Project 60 is a balanced approach to economic development that has been reviewed and endorsed by the Governor's Economic Advisory Committee and the germane legislative committees overseeing the Idaho Department of Commerce. **Project 60 has no specific focus on China.** More information about Project 60 – what it is and what it isn't – can be found at <http://project60.idaho.gov/>.

Are Idaho officials selling off the state?

No. Governor Otter has accompanied Idaho businesses on trade missions to Cuba, Mexico, Taiwan, Vietnam and China, each time focusing primarily on expanding opportunities for Idaho businesses to sell their products to new foreign markets. **Sale of Idaho assets (public or private) has never been a part of trade missions or engagement with any other international group.** Also, contrary to rumor, meetings to discuss expansion of the Boise Airport have never been a part of an Idaho trade mission.

What is a "foreign trade zone?" Are there any foreign trade zones currently operating in Idaho? How does a foreign trade zone differ from a "free trade zone?" Does a foreign trade zone grant a foreign company greater rights or privileges than Idaho companies?

"Foreign trade zones" (FTZ) are privately operated businesses that are regulated under the direct control of U.S. Customs and Border Patrol. FTZs allow goods (but NOT people) to enter the zone on a tax-deferred basis. Value then may be added to these products through activities such as remanufacturing or packaging of the products. The resulting products qualify at a different tariff rate and are then shipped out of the zone to enter either the U.S. or international markets.

FTZs create jobs by encouraging new manufacturing and assembly in America, by American workers. FTZs do NOT provide tax or other considerations to foreign companies that are not also available to all Idaho businesses. FTZs do NOT provide immigration concessions that would permit emigration of foreign workers to the United States who would not otherwise legally qualify under U.S. laws.

There is a critical difference between "free" and "foreign" trade zones. Free trade zones are common in China and other countries and give broad tax and other concessions to companies willing to make a sizable financial investment. **There are no "free" trade zones in Idaho** and the concept that has been discussed at the Boise Airport is very different than a Chinese free trade zone. Idaho has one FTZ located in Eastport, Idaho, near the Canada border. This FTZ almost exclusively handles lumber shipments moving across the Canada border. An application was filed with the federal government for a sub-zone of Idaho's FTZ in Idaho Falls to support the French-based AREVA Group's operations there. An application also has been granted in Pocatello in support of Hoku Materials. Neither of the two zones is operational.

Simply speaking, FOREIGN trade zones are a viable and legal economic development tool that has been employed across the United States for decades. FREE Trade Zones are present in China and many other countries, but the broad-reaching concept of these zones is NOT being considered at the Boise Airport or any other area of Idaho.

What is the EB-5 immigrant investment program? Are Idaho jobs being lost to Chinese immigrants?

The EB-5 immigrant investment program is managed by the U.S. Customs and Immigration Service (USCIS) and has been in existence since 1992. The program permits foreign nationals to qualify for U.S. permanent residency (a "green card") if they make targeted investments in the United States that result in creation of new jobs for U.S. workers. If jobs are not created, a green card is not granted. Approximately 10,000 visas are made available each year from this program, but the program has never been fully subscribed.

Idaho jobs are not being lost to Chinese immigrants through the EB-5 immigrant investment program. Immigrant investment programs are required to create jobs for U.S. citizens and actually create – not eliminate – opportunities for Idaho workers.

Several Idaho business ventures are exploring or actively pursuing immigrant investors as a new source of capital. Again, these efforts are being driven by the tightening of domestic credit markets in the United States. China just happens to be the most active market for immigrant investment attraction, due in part to the amount of wealth being created in that country.