

Date of Hearing: April 12, 2011

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT AND THE  
ECONOMY

V. Manuel Pérez, Chair

AB 1410 (Committee on Jobs, Economic Development, and the Economy) – As Introduced:  
March 10, 2011

SUBJECT: International Relations Omnibus

SUMMARY: Makes technical, non-substantive amendments to the codes relating to international trade and foreign investment. Specifically, this bill reorganizes the statutory placement of the California-Mexico Affairs Office and the California-Mexico Border Relations Council from a general title within state government to a more specific title on foreign relations within the Government Code. No changes are made to the content of sections.

EXISTING LAW:

- 1) Establishes the Office of California-Mexico Affairs for the purpose of furthering and developing favorable economic, educational, and cultural relations with bordering Mexican states and United States border states.
- 2) Places within the Office, the operations of the California Office of the Southwest Border Regional Conference (Conference). The members of the Conference are the Governors of the four American border states: California, Arizona, New Mexico, and Texas.
- 3) Establishes the California-Mexico Border Relations Council, consisting of the California state agency Secretaries of the Resources Agency, Environmental Protection, Health and human Services, Business Transportation and Housing, Food and Agriculture and the Director of Emergency Services.

FISCAL EFFECT: Unknown

COMMENTS:

- 1) Purpose of the bill: This bill reorganizes the Government Code by shifting the placement of the Office of California-Mexico Affairs from a general title relating to state government to a more specific title on foreign relations, for the purpose of having one comprehensive code for the state's international trade activities and programs. There are no additions or modifications being made to the code sections. The bill is technical in nature.
- 2) Need for a comprehensive code section on international trade: International trade-related commerce represents approximately one-quarter of California's \$1.9 trillion economy. California-made exports account for nearly 7% of gross state product. Exports from California accounted for 11% of total U.S. exports in 2009.

In 2009, California's exports totaled \$120 billion, this makes the state the second largest exporter and the leader in in export-related jobs. According to U.S. Department of Commerce estimates, for every one million dollars of increased trade activity, 11 new jobs

are supported. Workers in trade related industries earn, on average, 13% to 28% higher wages than the national average. Besides the production of exported products, foreign trade results in numerous port-related jobs, such as wholesale trade, warehousing, and transportation.

During the 2005-06 Legislative Session, significant changes were made in the area of international trade and development with the enactment of SB 1513 (Romero), Chapter 663, Statutes of 2006, which re-established statutory authority for the Business, Transportation, and Housing (BTH) Agency to conduct international trade and foreign investment activities. To address these concerns a new statutory title was added for the state's foreign relations activities.

During deliberations on the re-establishment of trade authority for BTH, concerns were raised by international business groups that the state lacked a comprehensive or even generally understandable statutory scheme related to trade and foreign relations.

AB 1410 further reorganizes the Government Code by consolidating two additional foreign relations programs under the title.

- 3) California and Mexico relations: The United States and Mexican economies have become increasingly integrated, particularly since the 1994 North American Free Trade Agreement. This integration has brought California and Mexico both opportunities and challenges, most notably in the areas of economic development, labor relations, health care, and environmental protection. Beginning in 1999, Mexico became California's number one trade partner. In 2009, California posted exports to Mexico of \$17.5 billion, which accounted for 15% of the nation's exports.

According to a 2004 Public Policy Institute study, much of the California-Mexico trade is two-way within the same commodity class, suggesting extensive production sharing. Components made in California are assembled or further processed in Mexico, and shipped back to California. Top commodities for this type of trade include: machinery, vehicles, instruments, and electronics and electronic equipment.

- 4) Related legislation: Below is a list of related legislation from previous legislative sessions:
- a) AB 1719 (JEDE) International Trade Omnibus: This bill would have made technical and non-substantive changes to codes relating to the state's international trade activities. Status: JEDE-related content removed. The bill was held in the Assembly Committee on Rules in 2008.
  - b) SB 772 (Ducheny) Border Region: Waste and Used Tires: This bill requires the California Integrated Waste Management Board to include in the waste tire recycling program five-year plan information pertaining to border region activities. Status: The bill was signed by the Governor, Chapter 214, Statutes of 2005.
  - c) SB 1513 (Romero) Final Compromise – California International Trade and Investment Act: This bill re-establishes statutory authority for the Business, Transportation, and Housing (BTH) Agency to conduct international trade and foreign investment activities. Status: The bill was signed by the Governor, Chapter 663, Statutes of 2006.

REGISTERED SUPPORT / OPPOSITION:

Support

Assembly Committee on Jobs, Economic Development and the Economy (sponsor)

Opposition

None received

Analysis Prepared by: Mercedes Flores / J., E.D. & E. / (916) 319-2090