

Date of Hearing: July 9, 2019

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT, AND THE ECONOMY

Sabrina Cervantes, Chair

SB 558 (Hueso) – As Amended June 24, 2019

SENATE VOTE: 38-0

SUBJECT: Commission on California-Mexico Affairs

POLICY FRAME: As California's top trade partner, Mexico is an important component of California's economic position in the world. For the past several decades, the two economies have become increasingly integrated, with the top exports and imports for both parties being comprised of machinery and component parts. California two-way trade in 2018 is estimated to be over \$74 billion.

On a social and cultural level, California and Mexico have a shared history. Today, California is home to more than 11.4 million residents of Mexican descent. While many Mexican-Americans living in California are several generations removed from their families' initial immigration to the U.S., a significant number of people living in California still have immediate family ties to Mexico. In 2016, individuals in Mexico received upwards of \$27 billion in remittances from the U.S.

Mexico's growing middle class and industrial capabilities, including in high tech, make the country a priority location for many California businesses looking to expand. However, political and economic challenges between the U.S. and Mexico, including the lack of clarity regarding the implementation of the U.S.-Mexico-Canada Agreement, have slowed some cross border business development.

Over and above U.S. trade relations, California and Mexico still have a shared future. The two governments are jointly challenged by a range of issues, such as the contamination of the Calexico New River and the Tijuana River Valley, air pollution, refugees, public safety, and border wait times. There are also many areas of opportunity for the two governments to engage, including tourism, business development, workforce training, job creation, and higher education. Further, should California and others be unsuccessful in advocating for the children impacted by DACA, California and Mexico will share part of the responsibility in assisting these young people to find successful futures.

SB 558 calls for the establishment of the Commission on California-Mexico Affairs, which is tasked with developing policy proposals and recommendations to high priority issues pertaining to the California-Mexico border region and other issues of mutual concern to California and Mexico. Under the provisions of the bill, these proposals and recommendations are to be shared with the Legislature and the Governor.

The analysis includes a profile on the Mexico economy and information on the Governor's recent executive order (EO) on international trade and foreign affairs, California's existing agreements with Mexico, and related legislation. Suggested amendments are included in Comment 6.

SUMMARY: SB 558 establishes the Commission on California-Mexico Affairs. Specifically, **this bill:**

- 1) Establishes an 11-member Commission on California-Mexico Affairs (Commission) to serve as the central organizing body overseeing California-Mexico border issues. Membership of the Commission is as follows:

- a) Three voting public members, at least one of whom must reside in a border county, appointed by the Senate Committee on Rules.
 - b) Three voting public members, at least one of whom must reside in a border county, appointed by the Speaker of the Assembly.
 - c) Three voting public members, at least one of whom must reside in a border county, appointed by the Governor, subject to confirmation by the Senate.
 - d) Two nonvoting members, including a Member of the Senate and a Member of the Assembly.
- 2) Specifies the following relative to the Commission members:
- a) Public voting members serve for a term of four years.
 - b) Public voting members may continue to serve until a successor is appointed.
 - c) The appointing authority is required to make every effort to ensure that public voting members come from areas geographically dispersed throughout the border region.
 - d) Every member of the Commission (voting and nonvoting) is required to do all of the following:
 - i) Attend meetings of the Commission.
 - ii) Participate in developing and implementing the projects of the Commission.
 - iii) Serve on committees.
 - iv) Represent the Commission when requested by public invitation.
 - v) Work with the Legislature and the Governor's office to advocate for the Commission's legislative and policy priorities.
 - e) Every member of the Commission (voting and nonvoting) is entitled to receive their actual necessary travel expenses while on official business of the Commission.
 - f) Each voting public member is entitled to receive \$100 per diem while on official business of the Commission, not to exceed 12 days per year.
- 3) Requires the following relative to Commission meetings:
- a) A quorum, constituted by a majority of the voting members, for the transaction of business.
 - b) All Commission meetings to be open to the public, except for fund raising events, as specified.
 - c) The Commission to invite representatives of interested Mexican governments, including the State of Baja California, the State of Baja California Sur, or any other local, state, or federal government of Mexico, to attend meetings of the Commission.
- 4) Requires the Commission to do all of the following:
- a) Annually select from its membership a chair and a vice chair.
 - b) Develop policy proposals and recommendations as to issues pertaining to the California-Mexico border region and other issues of mutual concern, including, but not limited to, the following matters:
 - i) Improving the quality of life in the border region.

- ii) Improving the relationship between California and Mexico, including, but not limited to, through the development of programs and cultural and educational exchanges to further California's sister state relationships with Mexico.
- iii) Developing tourism opportunities with Mexico, as specified.
- iv) Making recommendations as to how the state should address an influx of migrants and refugees at the border.
- v) Improving water quality, including recommendations as to how the state should address pollution due to contamination of the Calexico New River and the Tijuana River Valley.
- vi) Improving air quality and public health in the border region.
- vii) Trade, commerce, and labor, including recommendations as to how the state should develop and support a cross-border workforce.
- viii) Public safety.
- ix) Education, including, but not limited to, working with the Department of Education to understand the scope of educational problems experienced by the students we share. Among other activities, the Commission is authorized to:
 - (1) Work to identify and remove barriers to California residents in Mexican schools.
 - (2) Advise the United Mexican States, the Legislature, and the Governor on matters of concern relating to the students we share and propose steps to addressing those concerns, including by legislation.
- x) Transportation, including, but not limited to, recommendations as to how to improve trade corridors and reduce border wait times.
- xi) Collaborate with the State of Baja California and the State of Baja California Sur to address issues pertaining to the border, as specified.
- c) Advise the Legislature and the Governor on matters of particular concern to this state in relation to border issues and matters with Mexico.
- d) Initiate, promote, and take appropriate steps to inform the public about legislation and proposed legislation intended to improve the relationship between this state and Mexico and impacting the quality of life in the border region.
- e) Collect and disseminate information on issues of concern relating to the border and the relationship between this state and Mexico to educate the public about issues pertaining to the border and between this state and Mexico.
- f) Coordinate group and individual activities throughout this state regarding the Commission's programs and activities.
- g) Provide technical and consultative assistance and advice on matters pertaining to the relationship between this state and Mexico.
- h) Establish policies to coordinate the collection and sharing of data related to cross-border issues between and among the various departments, divisions, boards, bureaus, commissions, and other agencies of this state.

- i) Advocate for appropriate policies at the federal and state level as to the best approaches to protect the health and well-being of the residents of this state with respect to the mission of the Commission.
- 5) Authorizes the Commission to:
- a) Inform the Legislature of its position on pending legislation.
 - b) Urge the introduction of legislative proposals.
 - c) State its position and viewpoint on issues developed in the performance of its duties and responsibilities, as specified.
- 6) Authorizes the Commission, in carrying out its powers and duties, to do any of the following:
- a) Employ administrative, technical, and other personnel as may be necessary for the performance of its powers and duties, as specified.
 - b) Hold hearings, make and sign any agreements, and do or perform any acts that may be necessary, desirable, or proper to carry out the purposes of this bill.
 - c) Cooperate with, and secure the cooperation of, any department, division, board, bureau, commission, or other agency of this state to facilitate the proper carrying out of its powers and duties, as specified.
 - d) Appoint advisers or advisory committees when the Commission determines that the experience or expertise of an adviser or advisory committee is needed for any project of the Commission.
 - e) Accept any federal funds granted, by act of Congress or by executive order, for any purpose of this chapter.
- 7) Authorizes the Commission to accept gifts, donations, grants, or bequests, and to conduct fundraising activities that may require a payment or purchase to attend. Additional funding provisions included in the bill include:
- a) Exempting the Commission, in undertaking fund raising activities, from the Bagley-Keene Open Meeting Act, provided that a majority of the members do not discuss among themselves any item of business of a specific nature that is within the subject matter jurisdiction of the Commission.
 - b) Specifying that the reason for the limitation on the public's right of access to the Commission's meetings is necessary for the Commission to engage in fundraising activities, as specified.
 - c) Establishing the California-Mexico Border Relations Fund (Fund) in the State Treasury.
 - d) Authorizing, upon appropriation by the Legislature, moneys in the Fund to be available to the Commission, as specified.
 - e) Defining moneys that may be deposited in the Fund to include:
 - i) All federal funds received pursuant to an act of Congress or by executive order, for any purpose identified in this bill.
 - ii) All moneys received by gift, donation, grant, or bequest, as specified.
 - iii) Any other moneys appropriated or made available for purposes of this bill.

- 8) Authorizes the Governor to enter into an agreement with the governments of the State of Baja California and the State of Baja California Sur to establish the Commission as having the authority of a binational Commission to coordinate activities between this state, the State of Baja California, and the State of Baja California Sur. The agreement may cover cross-border programs, initiatives, projects, and partnerships of mutual interest to the governments and civil societies of the three states.
- 9) Requires, beginning January 1, 2020, that the California-Mexico Border Relations Council submit a copy of its annual report to the newly established Commission.
- 10) Requires the Office of Binational Border Health to provide a copy of its strategic plan to the Commission and to annually report to the Commission on the status of the goals, as specified.
- 11) Defines the following terms:
 - a) "Border" means the line of demarcation between California and Mexico.
 - b) "Border county" means the County of Imperial or the County of San Diego.
 - c) "Commission" means the Commission on California-Mexico Affairs.
 - d) "Fund" means the California-Mexico Border Relations Fund.
 - e) "Students we share" means students that have spent part of their educational careers in both California and Mexico, including both students who are U.S. citizens endeavoring to integrate into schools in Mexico and students who are Mexican citizens endeavoring to integrate into schools in the U.S.
- 12) Repeals the authority for the operation of an Office of California-Mexico Affairs.

EXISTING LAW:

- 1) Establishes GO-Biz within the Governor's Office for the purpose of serving as the state's principal entity for issues relating to international trade and foreign investment, excluding agricultural issues. GO-Biz is led by a director, which is appointed by the Governor.
- 2) Establishes the California-Mexico Border Relations Council comprised of the Director of the Governor's Office of Business and Economic Development, the Secretary of the Natural Resources Agency, the Secretary for Environmental Protection, the Secretary of California Health and Human Services, the Secretary of Transportation, the Secretary of Food and Agriculture, the Secretary of State and Consumer Services, and the Director of Emergency Services. The Regional Administrator of the United States Environmental Protection Agency, Region 9, may appoint a representative from his or her staff to serve as an ex-officio, nonvoting member of the council. The Secretary for Environmental Protection serves as chair the California-Mexico Border Relations Council.
- 3) Establishes the Office of California-Mexico Affairs (CM Office) and provides the following:
 - a) Requires the CM Office to:
 - i) Develop favorable relations within the State of Baja, the State of Baja California Sur, other Mexican states bordering on the U.S., and the remaining states and territories of the Republic of Mexico necessary for the completion of the CM Office's tasks.

- ii) Cooperate with similar organizations and agencies situated within California, the U.S., or Mexico to further economic development, improve working conditions and living standards, and foster the protection and improvement of the environment in Mexico and California.
 - iii) Avail itself of the services of the San Diego State University which is engaged in educational, cultural, and research activities with Mexico.
- b) Specifies that within the CM Office the operations of the California Office of the Southwest Border Regional Conference (Conference) are continued. Effective January 1, 2006, the CM Office is responsible for carrying out the duties of the Conference.
 - c) Specifies that the CM Office succeeds and is vested with the duties, powers, purposes, and responsibilities previously vested in the Conference and the Commission of the Californias.

FISCAL EFFECT: Unknown

COMMENTS & CONTEXT:

- 1) **New Governor and New International Affairs Advisory Group:** In February 2019, Governor Newsom issued an executive order designating Lieutenant Governor Eleni Kounalakis as the Governor's top representative for international affairs and trade development.

As part of those duties, Lieutenant Governor Kounalakis, who formerly served as the United States Ambassador to Hungary, will chair a newly established, cabinet-level International Affairs and Trade Development Interagency Committee (Interagency Committee). The Interagency Committee will be vice chaired by the Governor's Chief Economic and Business Advisor Lenny Mendonca, who also serves as the Director of GO-Biz.

The Interagency Committee is charged with advising the Governor and supporting the coordination of state activities relating to the promotion and expansion of trade, investment, and international relations.

Other members of the Interagency Committee include representatives of the California Energy Commission, California Department of Food and Agriculture, Governor's Office of Emergency Services, California Environmental Protection Agency, California Natural Resources Agency, California Transportation Agency, Visit California, and GO-Biz.

The Interagency Committee is also charged with creating a California Trade and Service Office Advisory Group, consisting of private sector and nongovernmental leaders, who will explore and identify the use of nonstate funds to open and support offices promoting California trade and services globally.

At the first meeting of the Interagency Committee, Chair Kounalakis announced that a future meeting would focus on California's relationship with Mexico. The Commission in SB 558 would complement the work of the Interagency Committee, as well as the California-Mexico Border Relations Council.

- 2) **California Agreements with Mexico:** California's international trade and investment activities are mandated by statute to be guided by a published trade and investment program, which is reviewed and updated at least every five years. Statute further requires the state's trade and investment program to be focused on attracting employment producing direct foreign investment; to support California

businesses' access to foreign markets; and to engage in other trade and foreign investment activities assigned by the Governor. One of the ways in which GO-Biz implements its current trade program is through the development and enactment of MOUs between California and foreign governments.

Both Governor Schwarzenegger and Governor Brown recognized the importance of developing strong economic and foreign relationships with Mexico. Among other activities, they led trade delegations, participated on binational boards and Commissions, and hosted Mexican presidents and other dignitaries. While Governor Brown vetoed several bills requiring the establishment of a trade office in Mexico, Governor Brown did enter into a number of MOUs. *Chart 1*, below, summarizes these MOUs and includes links for additional information.

Chart 1 - California and Mexico MOUs 2014 - 2018		
<i>Date Signed</i>	<i>Title</i>	<i>Link to Copies of the MOU – Where Available</i>
July 28, 2014	MOU to Enhance Cooperation on Climate Change and the Environment between the State of California of the United States and the Ministry of Environment and Natural Resources and the National Forestry Commission of the United Mexican States.	TBD
July 29, 2014	MOU for Cooperation in Clean Energies Between the Ministry of Energy of the United Mexican States and the State of California of the United States of America.	https://www.climatechange.ca.gov/climate_action_team/partnerships.html
July 29, 2014	MOU for Cooperation on Education, Research and Scholarly Activities Between the Ministry of Foreign Affairs, the Ministry of Public Education and the National Council for Science and Technology of the United Mexican States and the State of California.	TBD
July 30, 2014	MOU for Strengthening Trade and Investment Cooperation Between the Ministry of Economy of the United Mexican States and the Government of the State of California of the United States of America.	http://www.business.ca.gov/Portals/0/Files/MOU-Ministry_of_the_Economy_Mexico.pdf?ver=2016-10-02-201254-837
July 30, 2014	MOU Between the State of California and the Ministry of Communications and Transportation of the United Mexican States on the Establishment of an Oversight Committee for the New Otay Mesa East Port of Entry, California State Route 11 and Otay Highways and Port of Entry Projects.	TBD
July 30, 2014	Letter of Intent to Cooperate on a Migrant Worker Pilot Program states the intent of the State of California and Mexico's Ministry of Labor and Social Welfare to cooperate in the creation of a voluntary pilot program aimed at preventing abuses in the recruitment of Mexican H-2 temporary workers.	https://www.climatechange.ca.gov/climate_action_team/partnerships.html
August 26, 2014	MOU Between the Secretariat of Tourism of the United Mexican States and the Government of California of the United States on Cooperation in the Tourism Sector.	http://www.business.ca.gov/Portals/0/Files/MOU-Tourism_Mexico.pdf?ver=2016-10-03-143835-977
May 19, 2015	MOU on Subnational Global Climate Leadership with State of Baja California, Mexico State of Jalisco, Mexico.	TBD
September 24, 2015	MOU on Subnational Global Climate Leadership with Mexico City, Mexico	TBD
June 14, 2016	MOU between the Baja California's Secretariat of Agriculture Development and California's Department of Food and Agriculture to establish a framework for the Parties to carry out cooperative activities and exchange information in the areas of animal health, plant health, and food safety. One of the modalities of cooperation includes the promotion of natural resources in the region by way of maintaining the ecological and economic sustainability of the Parties.	https://www.climatechange.ca.gov/climate_action_team/partnerships.html

December 7, 2018	MOU to further implement initial priority focus areas identified in the Imperial County-Mexicali Air Quality Work Plan and aims to improve air quality in the border region.	https://www.climatechange.ca.gov/climate_action_team/partnerships.html
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Key elements of these agreements are the importance of promoting trade and investment missions, encouraging innovation, and strengthening the capacity of both parties to participate in business development activities that are mutually beneficial. Priority initiatives include work in the following industry and issues areas:

- Advanced Manufacturing
- Alternative and Renewable Energy
- Environmental Protection and other related Clean Technologies
- Biotechnology
- Medical Devices
- Information Technologies
- Agriculture and Agricultural Technologies
- Education
- Tourism
- Cross-Border Goods Movement Infrastructure

Bilateral working groups were initially established to support the implementation of these MOUs. GO-Biz is required to have submitted an update to the five-year international trade strategy on July 1, 2019, which would have indicated the status and future plans for the implementation of these agreements. As of July 5, 2019, no update has been submitted to the Legislature.

- 3) **California Sister State Agreements with Mexico:** A sister state relationship is a formal declaration between two regions, states, or nations. Such an agreement is a symbol of mutual goodwill. Additionally, it is an effort to encourage and facilitate mutually beneficial social, economic, educational, and cultural exchanges. States differ in their approaches to selecting and implementing sister state relationships. In California, both the Legislative and the Administrative branches of government have the authority to establish sister state relationships.

The Assembly and the Senate both maintain respective offices that serve as the key point of contact for foreign relations and protocol for each House. The California Senate Office of International Relations (SOIR) was established in 1987, and the Assembly Office of International Relations and Protocol (AOIRP) was established in 2000. Through these offices Legislators find assistance in furthering strong economic and diplomatic ties between California and the rest of the world.

Both SOIR and AOIRP host international delegations at the State Capitol, as well as facilitate and occasionally host Member-delegations to foreign countries. Over the years, SOIR has also established special and longer term relationships between California and foreign countries, including the Japan Scholars Program.

Chart 2 - California Sister State Agreements with States in Mexico		
Mexico State	Resolution Authorizing the Agreement	Year
State of Baja California (Norte)	Resol. Ch. 46 (SCR 5 - Kelley)	1999
State of Baja California (Sur)	Resol. Ch. 131 (SCR 95 - Torlakson)	2002
State of Jalisco	Resol. Ch. 70 (SCR 82 - Hueso)	2014
	Resol. Ch. 148 (ACR 183 - Firebaugh)	2000
State of Nayarit	Resol. Ch. 185 (SCR 81 - Lara)	2017
State of Queretaro	Resol. Ch. 110 (ACR 137 - Cortese)	1988

Source: Senate Office of International Relations

Chart 2 includes a list of currently authorized sister state agreements between the Legislature and a state in Mexico. Not every resolution authorizing a sister state agreement culminated in a signed agreement. California currently has no formal structure for establishing, negotiating, or maintaining sister state relationships.

- 4) **Profile on Mexico:** Mexico is located in North America, south of the U.S. and north of Belize and Guatemala in Central America, with a coastline along the Pacific Ocean, and borders the Caribbean Sea and the Gulf of Mexico. Mexico is the 14th largest country in the world, based on area (1.9 million square miles), and its 125.9 million people place Mexico as the 11th most populous country in the world.

Mexico's climate varies from tropical to desert. The 31 states that comprise Mexico have varied terrain, ranging from rugged mountains with high elevations, low coastal plains, high plateaus, and desert, to tropical jungles and seacoast regions.



With rapid urbanization, 80.2% of the population lives in urban areas. There are six cities with populations at or over 2 million, including the federal district, Mexico City. A majority of the population lives in central Mexico with one-quarter of the total population living in and around Mexico City. While Spanish is the official language for most people of Mexico, the government recognizes 68 Mexican indigenous languages as official national languages.

Since NAFTA came into force, Mexico's \$2.4 trillion economy (11th largest in the world) has increasingly become oriented toward manufacturing. However, employment in service related industries is still the dominant form of work, representing 61.9% of jobs, and contributing 64.5% of the country's GDP in 2017. Agriculture related industries were responsible for the employment of 13.4% of workers and represented 3.6% of GDP. Favorable trade and commerce provisions under NAFTA have attracted multinational corporations and other investors to Mexico, who have established new manufacturing facilities and provided an increasing number of mid- to high-tech related jobs, notably in the automotive industry. In 2017, industry, including manufacturing, employed 24.1% of the labor force and accounted for 31.9% of GDP.

Not surprisingly, Mexico's largest trading partners are the U.S. and Canada, with trade between the countries having tripled since NAFTA came into force in 1994. Mexico has also benefited from the largest network of free trade agreements in the world, including 46 countries, which provides access to a potential market of more than 113 million consumers. Currently, more than 90% of Mexico's trade occurs under free trade agreements.

Mexico is the 12th largest exporter in the world, totaling \$409.8 billion in 2017. The country's largest exports include: manufactured goods, electronics, vehicles and auto parts, oil and oil products, silver,

plastics, fruits, vegetables, coffee, and cotton. Mexico is the world's leading producer of silver. The U.S. is the largest export market of Mexican goods, receiving 79.9% of all exports in 2017.

Mexico is also a major importer of goods, ranking 14th largest in the world with \$420.8 billion in imports in 2017. Top imports include: metalworking machines, steel mill products, agricultural machinery, electrical equipment, automobile parts for assembly and repair, aircraft, aircraft parts, plastics, and natural gas and oil products.

In 2017, Mexico imports were comprised of 46.4% from the U.S., 17.7% from China, and 4.3% from Japan. The U.S. exported \$265.4 billion of goods to Mexico in 2018 with 16.9% (\$44 billion) of the goods being computers and electronics. Mexico is California's largest trading partner, importing \$30 billion of California goods in 2018. This large flow of imports and exports are why component parts from the U.S. play such a significant role in finished goods from Mexico.

- 5) **California's Global Economy:** International trade and foreign investment are important components of California's \$2.7 trillion economy supporting over 4 million California jobs. The importance of trade to the California economy is increasing, as reflected in the percentage of California jobs tied to trade having more than doubled from 1992 to 2011: 10.6% vs. 22.0%. Nationally, jobs supported by U.S. exports totaled 10.7 million, with nearly 684,000 of those jobs being in California.

California's largest industry sector by employment is Trade, Transportation, and Utilities, which encompasses everything from major retail outlets, to import-export businesses, to transportation and warehousing. Workers in trade-related jobs earn on average 10% to 28% higher wages than the national average. California leads the nation in the number of export-related jobs. The U.S. Department of Commerce estimates that 683,772 jobs were directly supported by the export of products in 2016, with nearly 630,000 (92%) in the manufacturing sector.

Advances in transportation and communication technologies are encouraging the development of previously undeveloped markets and expanding multinational business opportunities for California firms. With more than 95% of consumers located **outside** the U.S. and emerging economies experiencing a growing middle class, accessing these global markets is key to California's continued economic growth. Today, four of California's top five exports include component parts, which leave the state to be combined and assembled into final products in foreign countries.

California's land, sea, and air ports-of-entry serve as key international commercial gateways. In 2018, \$619.5 billion in products entered and exited the U.S. through these ports. If California were a country, it would be the 28th largest exporter and the 13th largest importer of goods in the world, based on 2018 trade numbers. Exports out of California were valued at \$178.4 billion and represented 10.7% (\$1.6 trillion) of total U.S. exports in 2018. Imports of goods into California were valued at \$441.1 billion and represented 17.3% of total U.S. imports in 2018.

Chart 3, on the following page, shows data of the export of goods to the state's top six trade partners, based on origin of movement. [*Please note that federal reporting separates data from China and Hong Kong.*] If combined, California's largest export market in 2018 was Mexico, who received over \$30.7 billion in California products. Top-ranking export destinations not shown on the chart include Germany, the Netherlands, and the United Kingdom.

	Partner	2011	2012	2013	2014	2015	2016	2017	2018
	World	\$159.4	\$161.7	\$168.0	\$174.1	\$165.3	\$163.5	\$171.9	\$178.4
1	Mexico	\$25.8	\$26.3	\$23.9	\$25.4	\$26.7	\$25.2	\$26.7	\$30.7
2	Canada	\$17.2	\$17.4	\$18.8	\$18.2	\$17.2	\$16.1	\$16.7	\$17.7
3	China	\$14.2	\$13.9	\$16.2	\$16.0	\$14.3	\$14.3	\$16.4	\$16.3
4	Japan	\$13.1	\$13.0	\$12.7	\$12.2	\$11.7	\$11.7	\$12.8	\$13.0
5	Hong Kong	\$7.6	\$7.8	\$7.7	\$8.5	\$8.7	\$9.6	\$12.1	\$9.9
6	South Korea	\$8.4	\$8.2	\$8.3	\$8.6	\$8.6	\$8.2	\$9.6	\$9.9

Source: International Trade Administration, accessed 4/8/19

Mexico has consistently ranked as one of California’s top export markets for the past several decades. The state and national markets have become increasingly integrated, with both component parts and semi-assembly products regularly moving across the border. *Chart 4* shows that more than 50% of California goods exports to Mexico are comprised of technology-based products, including electronics, machinery, and transportation equipment.

	Value	Percent
Computer and Electronic Products	\$7,932,785,829	25.8 %
Transportation Equipment	\$3,717,786,524	12.1 %
Machinery, Except Electrical	\$2,275,376,239	7.4 %
Electrical Equipment, Appliances, and Components	\$2,216,666,741	7.2 %
All Others	\$14,620,087,088	47.5 %
<i>Grand Total</i>	\$30,762,702,421	100%

California also exports services to businesses, consumers, other organizations, and governments around the world. Between 2006 and 2016, the export of California services has increased 87%, increasing from \$73 billion to \$136 billion in services. California’s largest export service sectors in 2016 included:

- Royalties and License Fees at \$37.5 billion
- Travel Services at \$32.9 billion
- Business, Professional, and Technical Services at \$28.4 billion
- Transportation Services at \$12.2 billion
- Financial Services at \$11.2 billion
- Telecommunications, Computer, and Information Services at \$10.4 billion

Canada was California’s largest service export market receiving \$9.4 billion in services in 2016, which supported an estimated 61,315 jobs. California’s second largest service export market was China with \$9.1 billion in services in 2016, supporting 61,349 jobs.

In addition to exporting goods and services, the California economy benefits from foreign-owned firms. The federal International Trade Administration estimates that in 2015 (most recent data) over 710,000 California workers have benefited from jobs with foreign-owned firms.

California has had the highest level of employment in foreign-owned firms in the nation since at least 1997. In 2015, jobs in California foreign-owned firms represented 5.1% of all private sector jobs in

the state, up from 4.1% in 2013. Along with employment, foreign-owned firms own more property, plants, and equipment in California than in any other state.

- 6) **Proposed Amendments:** Below is a list of amendments the committee members may wish to review when considering the bill.
- a) Align the duties of Commission with that of a public stakeholder body that focuses on advising on policy, rather than a government body with administrative authority.
 - b) Remove the exemption from the Bagley-Keene Open Meeting Act.
 - c) State that members of the commission are discharged without prejudice should they miss three out five meetings. These members may be reappointed, but only after one calendar year.
 - d) Require the Commission to meet at least three times a year.
 - e) Prohibit members of the commission from participating in discussion in which they have a personal financial interest.
 - f) Streamline the specific authorities of the Commission by relocating the list of possible topics of discussion to a new legislative intent section.
 - g) Authorize both the commission as a whole and the chair to establish committees.
 - h) Remove the payment of State Assembly and State Senate member travel costs.
 - i) Modify the financing from being deposited into a new fund to be deposited into a new account.
 - j) Specifically provide that the Commission is to apply for grants.
 - k) Authorize the Governor to appoint the chair of the California-Mexico Border Relations Council. (*On hold - Waiting for input from the Administration*)
 - l) With the elimination of the Office of Mexico Affairs, assign still necessary duties to the California-Mexico Border Relations Council. (*On hold - Waiting for input from the Administration*)
 - m) Make other related nonsubstantive changes.
- 7) **Related Legislation:** Below is a list of bills from the current and prior sessions.
- a) **AB 29 (John A. Pérez, Feuer and V. Manuel Pérez) Office of Business and Economic Development:** This bill establishes the Governor's Office of Business and Economic Development (GO-Biz), to be administered by a director appointed by the Governor. The bill also moves the Office of the Small Business Advocate to the Office of Economic Development. Status: Signed by the Governor, Chapter 475, Statutes of 2011.
 - b) **AB 1727 (JEDE) Trade Omnibus Bill:** This bill makes technical changes to update the content and the statutory placement of the codes relating to Foreign Trade Zones and the California Foreign Investment Program. Status: Signed by the Governor, Chapter 13, Statutes of 2017.
 - c) **AB 2012 (John A. Pérez) Economic Development Reorganization:** This bill transfers the authority for undertaking international trade and foreign investment activities from the Business, Transportation, and Housing Agency to the Governor's Office of Business and Economic Development. In addition, the bill transfers the responsibility for establishing an Internet-based permit assistance center from the Secretary of the California Environmental Protection Agency to GO-Biz. Status: Signed by the Governor, Chapter 294, Statutes of 2012.

- d) **SB 357 (Hueso and De León) Mexico Trade Office:** This bill would have required the establishment of a California foreign trade and investment office in Mexico City, Mexico. Status: Vetoed by the Governor, 2017. The veto message stated: *“This bill directs the Governor’s Office of Business and Economic Development to establish and operate a trade and investment office in Mexico City. California and Mexico have a proven partnership of trade, commerce, and the exchange of culture that runs long and deep. Our relationship with Mexico is fundamental to our mutual prosperity. Through memorandums of understanding, we are directly working with the Mexican government and business community on climate change, trade, transportation, tourism, and education. As I stated in 2014 when I vetoed a nearly identical bill, I remain unconvinced that California needs a legislatively-mandated trade office to continue our ongoing and enduring partnership with Mexico.”*
- e) **SB 460 (Price) International Trade Marketing and Promotion:** This bill would have required the Secretary of the Business, Transportation, and Housing Agency to convene a statewide business partnership for international trade marketing and promotion. Status: Held on the Suspense File of the Assembly Committee on Appropriations, 2011.
- f) **SB 928 (Correa and Huff) Mexico Trade Office:** This bill would have required the establishment of a trade and investment office in Mexico City by January 1, 2016. Status: Vetoed by the Governor, 2017. The veto message stated: *“This bill requires the Governor’s Office of Business and Economic Development to open a trade and investment office in Mexico City. I agree that trade with Mexico is of significant economic importance which is why I led a trade mission to Mexico City in August and hosted the President of Mexico in Sacramento shortly afterwards. We are working directly with the Mexican government and the business community on increasing bilateral trade and other initiatives. I am not convinced we need a legislatively-mandated trade office to continue our growing partnership with Mexico.”*
- g) **SR 48 (Hueso) Tariffs with Mexico:** Memorializes the Senate’s position that U.S. leaders should avoid tariffs with Mexico as they undermine the interests of U.S. residents and businesses. Status: Pending in the Senate Committee on Business, Professions, and Economic Development.

REGISTERED SUPPORT / OPPOSITION:

Support

Alliance San Diego
Cien Amigos
County of Imperial Board of Supervisors
La Cooperativa Campesina de California
San Diego – Tijuana Smart Border Coalition
Worldwide Environmental Products

Opposition

None on File

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