

Date of Hearing: June 29, 2021

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT, AND THE ECONOMY

Sabrina Cervantes, Chair

SB 684 (Hueso) – As Amended April 5, 2021

SENATE VOTE: 39-0

SUBJECT: California Border Commission

POLICY FRAME: As California’s top trade partner, Mexico is an important component of California’s economic position in the world. Over 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. In 2020, two-way trade between California and Mexico was over \$71 billion.

On a social and cultural level, California and Mexico have a shared history. Today, California is home to more than 15.5 million residents of Mexican descent. While many Mexican-Americans living in California are several generations removed from their families’ initial immigration to the US, a significant number of people living in California still have immediate family ties to Mexico. In 2020, individuals in Mexico received upwards of \$40 billion in remittances from the US.

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. The COVID-19 pandemic, as well as political and economic challenges between the US and Mexico, including the lack of clarity regarding the implementation of the US-Mexico-Canada Agreement, slowed cross-border business development during the past five years.

Nonetheless, California and Mexico have a shared future, which will be determined, in part, how the two governments jointly address 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. On the positive side, there are also many areas of opportunity in which the two governments can engage, including tourism, business development, workforce training, job creation, and higher education.

SB 684 calls for the establishment of the California Border Commission, 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 will have a venue for initial public discussion before submittal to the Legislature and the Governor for potential future action.

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. There is no known opposition to this bill. Suggested amendments are included in Comment 8.

SUMMARY: SB 684 establishes the California Border Commission to serve as a public stakeholder body on cultural, economic, and environmental issues relating to California’s Border Region. In addition, the bill repeals the authority and reassigns the duties of the California-Mexico Border Relations Council and the Office of the Binational Border Health. Specifically, **this bill:**

- 1) Makes legislative findings and declarations that include the following:
 - a) As the fifth largest economy in the world, California has positioned itself as a global leader. Our close proximity and shared values with Mexico have resulted in a high degree of economic, social, and cultural interdependence. Our shared border poses a unique set of challenges and opportunities that affect one of the most economically successful regions in the world.
 - b) The border region was particularly hard hit by the COVID-19 pandemic, whose impacts were exacerbated by longstanding inequities, including high unemployment, limited access to services, and underinvestment.
 - c) California's border is one of the busiest border crossings in the world, a top goods entry point, and a vibrant shared resource.
 - d) Building a 21st century border economy will be vital to California's economic recovery from the COVID-19 pandemic.
 - e) Given the importance of California's border region and the distinct nature of the challenges faced in the region, it is appropriate and necessary for the state to have a public stakeholder commission capable of developing policy proposals and recommendations to address issues pertaining to the California-Mexico border region. Among other issues, a stakeholder commission could examine the following:
 - i) Strategies for improving the quality of life in the border region and addressing the impact of the COVID-19 pandemic.
 - ii) Methods for improving coordination between state, federal, local, and Mexican officials.
 - iii) Recommendations for how the state should support increasing migrant and refugee populations at the border.
 - iv) Approaches to improve water quality, including ways to address pollution due to contamination of the Calexico New River and the Tijuana River Valley.
 - v) Strategies for improving air quality in the border region.
 - vi) Ways to increase access to services and address public health inequities.
 - vii) Initiatives to increase trade and commerce, including ones targeted at supporting a cross-border workforce, cross-border tourist economy, and building more resilient cross-border supply chains.
 - viii) Strategies for enhancing educational outcomes, including, but not limited to, understanding the scope of educational problems experienced by transborder students.
 - ix) Recommendations to address transportation issues including, but not limited to, recommendations as to how to improve trade corridors and reduce border wait times.
- 2) Establishes the California Border Commission to serve as a public stakeholder body on cultural, economic, and environmental issues relating to California's border region. The bill specifies that the California Border Commission is comprised of 11 members, as follows:
 - a) Nine members who serve as voting members, including:

- i) Six representatives of the public, appointed by the Governor, the Senate Committee on Rules, and the Speaker of the Assembly. Each appointing body appoints one representative from Imperial County and one from San Diego County.
 - ii) Three representatives of the public with one person appointed by the Governor, the Senate Committee on Rules, and the Speaker of the Assembly.
 - b) Two members who serve as nonvoting members, including one member from the Senate and one from the Assembly.
 - c) Public members appointed to the California Border Commission serve four-year terms.
 - i) A public member may serve beyond the four years if necessary, to accommodate the appointment of a successor member.
 - ii) In appointing a public member, the appointing body is required to make every effort to ensure that there is representation of residents throughout the border region on the California Border Commission.
- 3) Requires the California Border Commission to annually select a chair and a vice chair. The chair, on behalf of the commission, may establish committees or ad hoc groups to examine issues, as assigned.
- 4) Requires the California Border Commission to:
 - a) Hold not less than three meetings per calendar year.
 - b) Make all meetings available to the public, as specified.
 - c) Make an effort to hold a majority of meetings within 100 miles of the border.
 - d) Invite representatives of interested Mexican governments, including the State of Baja California, the State of Baja California Sur, and any other local, state, or federal government of Mexico to attend meetings of the California Border Commission.
- 5) Requires each member of the California Border Commission to do all of the following:
 - a) Attend meetings of the commission.
 - b) Participate in developing and implementing the projects of the commission.
 - c) Serve on committees.
 - d) Represent the commission when requested by public invitation.
 - e) Work with the Legislature and the Governor's office to advocate for the commission's legislative and policy priorities.
- 6) Specifies that a majority of the voting members of the commission constitutes a quorum for transaction of business.
 - a) Authorizes the California Border Commission to meet absent a quorum to take public testimony if that testimony is taped, transcribed, or otherwise summarized in a manner making its content available for review at a later date.

- b) Requires that any member that misses three out of five meetings be discharged from the California Border Commission without prejudice and may be reappointed not less than one calendar year later.
 - c) Prohibits a commission member from taking part in a discussion in which they have a conflict of interest, as specified.
- 7) Authorizes each public member of the California Border Commission to receive their actual necessary traveling expenses while on official business of the commission.
- 8) Authorizes the California Border Commission 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 under this chapter.
 - 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 under this chapter.
 - d) Appoint advisers or advisory committees when the California Border 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 bill.
 - f) Accept any gifts, donations, grants, or bequests for any purpose of this bill.
 - g) Apply for grants from public and private entities and conduct fundraising activities to support the work of the California Border Commission, consistent with the purposes of this bill.
- 9) Requires the California Border Commission to do all of the following:
- a) Develop policy proposals and recommendations as to issues pertaining to the California-Mexico border region in coordination with the Commission of the Californias.
 - b) Collaborate with the State of Baja California and the State of Baja California Sur to address issues pertaining to the border, consistent with this bill.
 - 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 improve 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 and to educate the public about issues pertaining to the border between this state and Mexico.
 - f) Coordinate and host events and activities throughout this state regarding the California Border Commission's programs and activities.

- g) Make recommendations on policies that encourage the coordination and 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.
- 10) Authorizes the California Border Commission to develop positions and inform the Legislature of its position on any legislative proposal pending before the Legislature and to make other legislative recommendations.
- 11) Repeals the authority and duties of the California-Mexico Border Relations Council and the Office of the Binational Border Health.
- a) Specifies that the California Border Commission is successor to, and is vested with, all of the duties, powers, and responsibilities of the California-Mexico Border Relations Council, as specified, and the Office of Binational Border Health, as specified, as those provisions read as of the date immediately preceding the effective date of the act adding this section.
 - b) Specifies that all employees serving in state civil service, including temporary employees, who are engaged in the performance of functions transferred to the California Border Commission are also transferred to the commission.
 - c) Provides that the status, positions, and rights of those persons transferred to the California Border Commission are not affected by their transfer and shall continue to be retained by them, except as to positions the duties of which are vested in a position exempt from civil service. The personnel records of all transferred employees are required to be transferred to the commission.
 - d) Provides that all of the rights and property of the California-Mexico Border Relations Council and the Office of Binational Border Health are transferred to the California Border Commission. The property of any office, agency, or other entity of state government related to functions transferred to the commission is transferred to the California Border Commission. If any doubt arises as to whether that property is required to be transferred, the Department of General Services is required to determine whether the property is required to be transferred.
 - e) Specifies that all unexpended balances of appropriations and other funds available for use in connection with any function or the administration of any law transferred to the California Border Commission shall be transferred to the commission for the use and for the purpose for which the appropriation was originally made or the funds were originally available. If there is any doubt as to whether any funds are required to be transferred pursuant to this subdivision, the Department of Finance shall determine whether the transfer is required.
 - f) Specifies that the California Border Commission is subject to all the debts and liabilities of the California-Mexico Border Relations Council and the Office of Binational Border Health as if the California Border Commission had incurred them.
 - g) Specifies that with respect to any report previously required to be prepared and submitted by the California-Mexico Border Relations Council or the Office of Binational Border Health, the California Border Commission shall combine the contents required to be included in those reports into a single report that also includes recommendations on the scope of the authority of the California Border Commission. The California Border Commission is required to submit the combined report to each entity to which the California-Mexico Border Relations Council or the Office of Binational Border Health was previously required to submit a report.

- 12) Establishes the California-Mexico Border Relations Account in the Special Deposit Fund within the State Treasury, as specified.
 - a) Upon appropriation by the Legislature, moneys in the account are available to the California Border Commission for purposes of this bill.
 - b) Requires all the following to be deposited into the account:
 - i) All federal funds received.
 - 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.
- 13) Sunsets the provisions of the bill on January 1, 2029.
- 14) 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 of the Californias” means the commission established pursuant to the memorandum of understanding entered into by this state and the Mexican states of Baja California and Baja California Sur on December 4, 2019.
 - d) “Transborder students” means students that have spent part of their educational careers in both California and Mexico, including both students who are United States citizens attempting to integrate into schools in Mexico and students who are Mexican citizens attempting to integrate into schools in the United States.

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, who 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 US 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 US, 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 US, 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 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.
- 4) Establishes the Office of Binational Border Health within the Department of Health Services: <https://www.cdph.ca.gov/Programs/CID/OBBH/Pages/OBBHAbout.aspx>
- a) Specifies that the purpose of the Office of Binational Border Health is to:
 - i) Facilitate cooperation between health officials and health professionals in California and Mexico; and
 - ii) Reduce the risk of disease in the California border region, and in those areas directly affected by border health conditions.
 - b) Requires the Department of Health Services to seek available public or private funding, or both, to support the activities of the office.
 - c) Requires the Office of Binational Border Health to convene a voluntary community advisory group of representatives of border community-based stakeholders to develop a strategic plan with short-term, intermediate, and long-range goals and implementation actions.
 - d) Requires the advisory group to include no more than 12 California representatives. The advisory group shall include, but not be limited to, members from local government, hospitals, health plans, community-based organizations, universities, Los Angeles, San Diego, and Imperial County health departments, and a representative from an association of local health officers specializing in border health issues. The office shall invite and request appropriate participation from representatives of the Baja California health department and other Mexican health departments affected by border health issues. Recommendations resulting from the strategic plan shall be developed and shared in consultation with the California appointees to the United States-Mexico Border Health Commission established pursuant to Section 290n of Title 22 of the United States Code, including the Director of Health Services. The office shall prepare an annual border health status report and shall submit it to the Director of Health Services, the Legislature, and the Governor.

FISCAL EFFECT: Unknown

COMMENTS:

- 1) **California's Interagency Advisory Committee:** 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. A review of the minutes of the Interagency Committee found that Mexico is often a topic. As an example, during the [September 30, 2020](#) interagency meeting:

- The California Air Resources Board discussed their ongoing air quality initiatives with Mexico;
- The California State Transportation Agency updated the committee on transportation activities along the Mexico border. In light of the COVID-19 pandemic, the committee was updated on the impact of the nonessential travel and commercial traffic restrictions on the completion of the Otay Mesa East Port of Entry project and the Calexico East Port of Entry bridge-widening project;
- The California Energy Commission highlighted the MOU they are developing with Mexico; and
- The Environmental Protection Agency also briefing the interagency committee on their ongoing collaborations with Mexico.

The Commission in SB 684 would complement the work of the Interagency Committee, as well as the [Commission on the Californias](#). Neither of these government bodies have public members or a focus on public engagement.

- 2) **Office of Binational Border Health:** The Office of Binational Border Health was established in 1983, within the Department of Health Services, for the purpose of facilitating cooperation between health officials and health professionals in California and Mexico.

The Office of Binational Border Health is required to convene a voluntary community advisory group of representatives of border community-based stakeholders. Together, the advisory group is required to develop a strategic plan with short-term, intermediate, and long-range goals and implementation actions.

Members of the advisory group are required to include, but not be limited to, representatives from local government, hospitals, health plans, community-based organizations, universities, Los Angeles, San Diego, and Imperial County health departments, and a representative from an association of local health officers specializing in border health issues.

The Office of Binational Border Health is also required to invite and request appropriate participation from representatives of the Baja California health department and other Mexican health departments affected by border health issues. Recommendations resulting from the strategic plan are intended to be shared with the California appointees to the United States-Mexico Border Health Commission.

Among other activities, the Office of Binational Border Health prepares an annual border health status report (https://www.cdph.ca.gov/Programs/CID/OBBH/CDPH%20Document%20Library/2019_BHSR_FINAL_OBBH_version-04.12.21_ADA.pdf). The 2019 report (most recent) includes the following topics: current profile on regional demographics, obesity, diabetes, mental health, tuberculosis, sexually transmitted infections, HIV/AIDS, and Pertussis.

In addition, the Office of Binational Border Health facilitates binational partnerships that enhance detection and response capabilities within the border region. In support of their mission, the office works in collaboration with a variety of state and federal partners in the border region to implement routine and emergency communication protocols, facilitate cross-border exchange of information, and investigation of binational infectious disease cases and outbreaks.

According to their website, the Office of Binational Border Health also acts as the communication liaison between California Department of Health Services and public health officials in Baja California on infectious disease matters of binational interest. Pre-pandemic accomplishments include:

- Collaboration with other state and federal partners from the US and Mexico in the development of the [US-Mexico Binational Communication Protocol](#).
- Convening a Binational Infectious Disease Tabletop Exercise – January 2017.
- Creation of a Zika Educational Webinar for Promotoras in Spanish – *El Virus del Zika Webinar para la Comunidad de Habla Hispana*.
- Assisted with the development of material for the *NO TRAIGA EL ZIKA A CASA* media campaign.

Given the specialized and technical role of the Office of Binational Border Health, it is unclear why this office is being proposed for elimination.

- 3) **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 supports the implementation of the state's trade program is through the development and enactment of MOUs between California and foreign governments. Other state agencies enter into MOUs to advance their own missions, including entering into agreements about climate and clean energy.

California governors have long recognized the importance of developing strong economic and foreign relationships with Mexico. Among other activities, Governors Brown and Newsom have led trade delegations, participated on binational boards and councils, and hosted Mexican presidents and other dignitaries. In addition, Governor Brown and Governor Newsom entered into a number of MOUs. **Chart 1**, below, summarizes a selection of these MOUs and includes links, where available, for additional information.

Chart 1 - California and Mexico MOUs 2014 - 2019		
<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

<p>October 2, 2019</p>	<p>MOU between the Secretariat of the Environment of Mexico City and the California Environmental Protection Agency and the California Energy Commission for the purpose of expanding cooperation between the areas of energy and environmental policies and practices. Specific areas of cooperation include energy efficiency; emissions monitoring, reporting, verification, and enforcement; clean energy technology; air quality; and waste stream efficiency. Further, the participants agree to promote scientific and technological collaboration for business development in emerging key sectors; promote joint research and development efforts amongst research and academic institutions; and organize joint symposia, seminars, workshops, exhibitions, and trainings.</p>	<p>https://www.energy.ca.gov/sites/default/files/2019-12/CDMX-CEC_MOU_Signed_ada.pdf</p>
<p>October 4, 2019</p>	<p>MOU between the Mexico Ministry of the Economy and California that establishes a formal and flexible framework between California and Mexico in order to expand trade and investment cooperation, foster scientific and technological collaboration, promote export products diversification, and boost economic development and job creation.</p>	<p>https://www.energy.ca.gov/sites/default/files/2019-12/Ministry_of_Economy_English_ada.pdf</p>
<p>October 4, 2019</p>	<p>MOU between Ministry of Agriculture and Rural Development of the United Mexican States and the California Department of Food and Agriculture. The purpose of the MOU is to strengthen communication and cooperation as it relates to agricultural production, rural development, trade, climate adaptation, and research. Given the significance of agriculture to both Mexico and California, the participants agree to promote cooperation and exchange of information on climate change adaptation for farmers and ranchers; to cooperate on food safety issues; plant and animal health; cross-border inspections; transportation logistics and trade issues; and to promote cooperation in agricultural workforce development.</p>	<p>https://www.energy.ca.gov/sites/default/files/2019-12/Ministry_of_Ag_English_ada.pdf</p>
<p>October 2, 2019</p>	<p>MOU between the Secretariat of the Environment of Mexico City and the California Environmental Protection Agency and the California Energy Commission for the purpose of expanding cooperation between in the areas of energy and environmental policies and practices. Specific areas of cooperation include energy efficiency; emissions monitoring, reporting, verification, and enforcement; clean energy technology; air quality; and waste stream efficiency. Further, the participants agree to promote scientific and technological collaboration for business development in emerging key sectors; promote joint research and development efforts amongst research and academic institutions; and organize joint symposia, seminars, workshops, exhibitions, and trainings.</p>	<p>https://www.energy.ca.gov/sites/default/files/2019-12/CDMX-CEC_MOU_Signed_ada.pdf</p>
<p>December 4, 2019</p>	<p>MOU establishes the Commissions of the Californias and is entered into by the State of California and the Government of the States of Baja California and the Government of the Baja California Sur of the United Mexican States.</p>	<p>https://www.energy.ca.gov/sites/default/files/2019-12/Commissions_CAL_MOU_Signed_12-4-2019_ADA.pdf</p>

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:

- Creative industries
- Digital economy and Industry 4.0
- Micro, small, and medium enterprises
- Alternative and Renewable Energy
- Environmental Protection and other Related Clean Technologies
- Agriculture and Agricultural Technologies
- Workforce Development

- Infrastructure for cross-border goods movement and trade facilitation

Ongoing implementation of these MOUs are often assigned to bilateral staff working groups and are often discussed during the International Affairs and Trade Development Interagency Committee.

- 4) **GO-Biz Administration of Trade Desks and Trade-Related Activities:** The International Trade and Investment Office is one of nine primary functional areas that comprise GO-Biz. The International Trade and Investment Office is led by a Deputy Director and staffed by a foreign direct investment (FDI) specialist, three regional trade and investment representatives (regional representatives), and a special advisor for international affairs and trade. GO-Biz hosts a monthly conference call and publishes a monthly newsletter to keep connected to economic developers, businesses involved in trade, foreign investment professionals, and members of the consular corp.

The three regional representatives each cover one or more of the major trade regions in the world. Trade activities in Asia are assigned to one regional representative; another trade representative covers Europe, the Middle East, and Africa; and the third trade representative oversees Mexico, and Central and South America. While based in California, the regional representatives have the authority to travel in order to solicit investment leads, support California businesses in regional trade shows, and undertake other activities designed to increase export opportunities and FDI. Total funding for the three positions in 2019-20 was \$592,000: \$427,000 in wages and benefits and \$165,000 in operating expenses, including \$72,000 for travel. Funding for the overall International Affairs and Trade unit within GO-Biz amounted to \$992,007 for Fiscal Year 2019/2020.

In implementing its trade and foreign investment activities, GO-Biz also relies on a “service desk” model, which is described by GO-Biz as partnering with local organizations to make physical space available to California Trade and Investment Specialists at no cost to the state. The regional representatives leverage the relationships of the service desk hosts to maintain a global presence. The state currently operates three trade service desks, including one in Shanghai, China, which opened in 2013. Given the significance of the Chinese market, this trade desk currently only supports trade and investment leads originating from within China.

Mexico is the location of California’s second service desk, which opened in October 2019 and now supports trade activity throughout the Americas. A third service desk in Yerevan, Armenia, officially launched on June 1, 2021. The Armenia Trade and Services Desk serves as a resource to the GO-Biz Trade and Investment activities throughout Europe. Of course, the desk will also support two-way trade and investment activity, as well as spur business innovation between California and Armenia.

The federal Small Business Administration supports California’s trade and investment program through its State Trade Expansion Program (STEP). In calendar year 2020, California received \$600,000 in STEP, which required a committed match of \$323,076. *Chart 2* provides additional information on the six STEP-supported international activities in 2020.

Chart 2 - 2020 California State Expansion Program Activities			
Date	Activity	Companies supported	STEP funds allocated
Jan 2020	Arab Health Show	10	\$75,000
Feb 2020	Singapore Airshow	4	\$24,000
Aug 2020	Chile Virtual Trade Mission	19	\$21,600
Sept 2020	Colombia Virtual Trade Mission	24	\$21,600
Sept 2020	Mexico Virtual Trade Mission	22	\$21,600
Oct 2020	Virtual Trade Show of the Americas	6	\$2,280
On-going	Individual Company Export Stipends	10	\$30,000

Total:	95	\$196,080
Source: GO-Biz, accessed April 23, 2021		

In January 2020, GO-Biz joined other trade and investment partners to launch the California Export Training Network (Training Network) to expand the state’s exports and export training efforts. With a goal of promoting, supporting, and increasing the number of California exporters in all regions of California, the Training Network includes over 14 organizations, including, but not limited to:

- [California Manufacturing Technology Consulting \(CMTC\)](#)
- [Economic Development Collaborative \(EDC\), Ventura County](#)
- [Fresno Center for International Trade Development](#)
- [GlobalSF](#)
- [Inland Empire Center for Entrepreneurship, CSU San Bernardino](#)
- [International Trade Center powered by the California Community Colleges](#)
- [Los Rios CCD Center for International Trade Development](#) (*now closed*)
- [Mission College Business and Workforce Engagement](#)
- [Northern California World Trade Center](#)
- [Butte College Small Business Development Center \(SBDC\)](#)
- [North Coast Small Business Development Center \(SBDC\)](#)
- [Tuolumne County Economic Development Department](#)
- [World Trade Center San Diego](#)

The Training Network is supported by a number of business development partners, including:

- [U.S. Commercial Service, U.S. Department of Commerce](#)
- [U.S. Small Business Administration Office of International Trade](#)
- [Export Import Bank of the United States](#)
- [California Department of Food and Agriculture](#)
- [California Office of the Small Business Advocate](#)
- [California Small Business Development Centers](#)

According to GO-Biz, like many foreign trade activities during COVID-19 pandemic restrictions, some Export Training Network partners continued to provide export-related technical assistance, while others have had to limit support given funding and staffing impacts related to COVID-19. Overall, GO-Biz believes that the network partners remain committed and are slowly moving back towards normal operations. The network lost one partner during COVID-19, when the Los Rios Community College District’s Center for International Trade Development closed their doors in August 2020.

In addition to the International Trade and Investment Office, GO-Biz has historically used a service delivery model that flows across and through different GO-Biz units, depending on the business’ needs. As an example, a foreign company planning to expand in California may have initially become acquainted with GO-Biz through an in-bound trade mission hosted by the International Trade and Investment Office but may ultimately also be assisted by the California Business Investment Program and the Permit Assistance Office.

- 5) **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 3 - 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 3 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.

- 6) **Profile on Mexico:** Mexico is located in North America, south of the US and north of Belize and Guatemala in Central America, with a coastline along the Pacific Ocean, and it 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 \$2.5 trillion economy (12th largest in the world in 2019) 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 US 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 17th largest exporter in the world, totaling \$491.5 billion in 2019. The country's largest exports include: cars and vehicle parts, computers, delivery trucks, crude petroleum, and insulated wiring. Mexico is the world's leading producer of silver.

The US is the largest export market of Mexican goods, receiving 75% of all exports in 2019. Mexico is also a major importer of goods, ranking 16th largest in the world with \$480.8 billion in imports in 2019. Top imports include: integrated circuits, refined petroleum, cars and vehicle parts, office machinery/parts, and telephones.

In 2019, Mexico imports were comprised of 54% from the US and 14% from China. The US exported \$211.4 billion of goods to Mexico in 2020 with 18.1% (\$38.2 billion) of the goods being computers and electronics. Mexico is California's largest trading partner, importing \$24 billion of California goods in 2020. This large flow of imports and exports are why component parts from the US play such a significant role in finished goods from Mexico.

- 7) **California's Pre-Coronavirus Global Economy:** International trade and foreign investment are important components of California's \$3.1 trillion economy (2019 most recent data) supporting nearly 5 million California jobs (2020 most recent data). The importance of trade to the California economy is increasing, as reflected in the percentage of California jobs tied to trade having more than tripled from 1992, 10.6%, to 2020, nearly 30.3%.

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 15% to 20% higher wages than jobs in industries not tied to trade (2015 most recent data). California is second in the nation, just behind Texas, in the number of export-related jobs (2016 most recent data).

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 US 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.

Chart 4, 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.] California’s largest export market in 2020 was Mexico, who received over \$24.0 billion in California products. Top-ranking export destinations not shown on the chart include Germany, the Netherlands, and the United Kingdom.

	Partner	2013	2014	2015	2016	2017	2018	2019	2020
	World	\$168.1	\$173.8	\$165.3	\$163.2	\$171.9	\$178.1	\$173.7	\$155.8
1	Mexico	\$23.9	\$25.4	\$26.7	\$25.2	\$26.7	\$30.7	\$27.8	\$24.0
2	Canada	\$18.8	\$18.3	\$17.2	\$16.2	\$16.8	\$17.6	\$16.6	\$16.0
3	China	\$16.2	\$16.0	\$14.3	\$14.3	\$16.4	\$16.3	\$15.8	\$15.0
4	Japan	\$12.7	\$12.2	\$11.7	\$11.7	\$12.8	\$13.0	\$11.8	\$10.5
5	South Korea	\$8.3	\$8.6	\$8.6	\$8.2	\$9.5	\$9.9	\$9.1	\$9.7
6	Taiwan	\$7.5	\$7.4	\$7.7	\$6.9	\$6.3	\$6.8	\$7.2	\$7.3

Source: International Trade Administration, accessed 3/26/21

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 5** shows that nearly 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	\$ 5,385,817,341	22.4%
Transportation Equipment	\$ 2,783,400,755	11.6 %
Electrical Equipment, Appliances, and Components	\$ 1,909,813,320	7.9 %
Machinery, Except Electrical	\$ 1,873,746,503	7.8 %
All Others	\$ 12,099,376,719	50.3 %
<i>Grand Total</i>	\$ 24,052,154,638	100%

Between 2006 and 2020, the export of California services has increased 59.8%, increasing from \$422 billion to \$705 billion in services. California’s largest export service sectors in 2020 included:

- Other Business Services at \$183.1 billion
- Financial Services at \$144.3 billion
- Charges for the Use of Intellectual Property (*not included elsewhere*) at \$113.7 billion
- Travel Services at \$72.8 billion
- Telecommunications, Computer, and Information Services at \$56.6 billion
- Transport Services at \$56.7 billion

The United Kingdom was California’s largest service export market receiving \$62.6 billion in services in 2020 and supported an estimated 427,000 jobs in 2015 (most recent data). California’s second largest service export market was Canada with \$53.6 billion in services in 2020 and supporting

360,000 jobs in 2015 (most recent data). Service exports from California to Mexico ranked seventh among all countries, with \$23.4 billion in services in 2020 exported, which supported 201,000 jobs in 2015 (most recent data).

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), 769,200 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 (most recent data), 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.

- 8) **Proposed Amendments:** Below is a list of amendments the committee members may wish to review when considering the bill.
- a) Eliminate the repeal of the Office of the Binational Border Health.
 - b) Specify that public voting members and nonvoting members of the Binational Border Commission serve at the pleasure of their appointing authority.
 - c) Add a conflict of interest procedure.
 - d) Prohibit any single donor from donating more than 20% of the value of any single project or event of the Binational Border Commission.
 - e) Require a notice be provided to the Legislature of donations, federal grants, or other funds being deposited in the California-Mexico Border Relations Account.
 - f) Require prior approval of travel expenses of Binational Border Commission members.
 - g) Streamline the specificity of the list of overall duties of the Binational Border Commission.
- 9) **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 558 (Hueso) Commission on California-Mexico Affairs:** This bill establishes the Commission on California-Mexico Affairs to serve as a public stakeholder body on cultural, economic, and environmental issues related to the California-Mexico border and issues of mutual concern to California, the United Mexican States, the State of Baja California, and the State of Baja California Sur. Status: Vetoed by the Governor, 2019. The veto message stated: *These are important goals that we have been working collaboratively to address, which is why I issued an Executive Order establishing the International Affairs and Trade Development Interagency Committee earlier this year. The Committee has focused on California's relationship with Mexico and already taken steps to reestablish a formal presence for California in Mexico. In addition to the work of the Committee, the California-Mexico Border Relations Council, established in 2006, also serves as the central organizing body that coordinates cross-border programs, initiatives, projects and partnerships for the State.*

While I respect the intent of the bill, its provisions are duplicative of the existing Council, recent efforts undertaken by Lieutenant Governor Eleni Kounalakis as Chair of the International Affairs and Trade Development Interagency Committee, and efforts already underway to reestablish the Commission of the Californias (ComCal). I look forward to continued collaboration with the Legislature and key stakeholders under this framework to work at the border and beyond with California's most important international partner.”

- g) **SB 738 (Hueso) Initiatives for Californians Abroad:** This bill would have established the Initiative for Californians Abroad in Mexico City, Mexico, (Mexico Initiative) for the purpose of serving as a direct point of contact for Mexican entities on matters relating to this initiative, furthering California’s interests in Mexico, and increasing access to state services for Californians in Mexico. Status: Held in the Assembly Committee Appropriations, 2019.
- h) **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.”*

- i) **SR 48 (*Hueso*) Tariffs with Mexico:** Memorializes the Senate’s position that US leaders should avoid tariffs with Mexico as they undermine the interests of US residents and businesses. Status: Pending in the Senate Committee on Business, Professions, and Economic Development.

REGISTERED SUPPORT / OPPOSITION:

Support

Chamber of Commerce for Greater Brawley
City of El Centro
Hispanic Association of Professional Services
Otay Mesa Chamber of Commerce
Pioneers Memorial Healthcare District
San Diego Regional Chamber of Commerce
San Ysidro Chamber of Commerce
San Ysidro Health

Opposition

None on file

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