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The Honorable Ben Hueso
Chair of the Select Committee on
California-Mexico Cooperation
State Capitol, Room 4035
Sacramento, CA, 95814

The Honorable Lena Gonzalez
Chair of the Special Committee on
Pandemic Emergency Response
State Capitol, Room 2068
Sacramento, CA, 95814

Dear Sen. Hueso and Sen. Gonzalez,

On behalf of the San Diego Regional Chamber of Commerce, representing small, medium, and large businesses across industries, we take this opportunity to share with you our insights on the economic impact of COVID-19 in our border region. Economic impacts on one side of the border are typically mirrored on the other side. We share a workforce, a consumer market, and a \$2.5 billion supply chain. Together, we have become the largest medical device cluster in the world. The pandemic has highlighted this interdependency, impacting a variety of industries, resulting in tremendous job losses on both sides of the border.

Our Chamber as well as a coalition of regional business organizations led by AXIS Centro de Inteligencia Estrategica and in partnership with Colegio de la Frontera Norte (COLEF), conducted a survey on the economic impact of COVID-19 on Baja's business community. In Baja, 98% of businesses participating in the economic impact study, 82% of which represent small and medium size businesses reported suspension of operations, reduced working hours, relocation or reduction of facilities, shifting to online or delivery service, and/or limiting consumer visits as part of their adjustments during the pandemic crisis. With high levels of uncertainty and the absence of economic relief packages or incentives from the Mexican government, at least 7% of these businesses closed permanently. Other important factors contributing to economic distress included lack of clarity with regard to essential operations and reopening protocols; shortage of personal protective equipment and cleaning supplies; rising freight costs; temporary closure of suppliers and/or clients on both sides of the border; the decline of the value of the Mexican peso; and limited working capital.

Results of surveys from both sides of the border, showed tourism and retail industries bearing the most severe economic impact with an estimated 40% economic loss this year. Other studies estimate a 12.5% loss of GDP across the state and a prolonged economic loss across sectors well into 2021. Medical tourism, however, is a sector that bounced back once precautionary measures such as designated COVID-19 centers helped reduce the risk of exposure. The City of Tijuana recently announced a 50% increase in medical tourism with up to 300 individuals crossing the border daily to seek medical attention. Although manufacturing and construction sectors experienced a lesser impact, the suspension of non-essential activities implemented in March and discrepancy on the classification of essential businesses between the U.S. and Mexico caused the immediate disruption of our integrated supply chains. This also led to a drastic reduction in employment, consumption, and investment due to increased uncertainty within the business community. 70% of businesses within these industries reported economic loss. It is

important to note that nearly 25% of these businesses represent international organizations and/or foreign investment. The Chamber worked closely with a coalition of regional organizations and Baja government officials to help essential businesses, including U.S. businesses conducting operations in Mexico, resume operations.

Economic recovery for the binational region will be most difficult for small businesses due to increasing debt and reduced income as well as a reduction in personnel which limits their ability to sustain operations and cover basic expenses. An additional factor impacting these businesses is the restriction of non-essential travel at the land ports of entry. These restrictions are not in sync with reopening plans across the state and will also hinder any reactivation and economic recovery efforts for the tourism industry and businesses supported by tourism activities. The travel restrictions initially led to a decrease in traffic volume. As a result, U.S. Customs and Border Protection (CBP) officials implemented reduced hours of operation at several land ports of entry. This reduction in operations led to increased border wait times and have contributed to challenges faced by the business community and the workforce as businesses began to reopen. It is imperative operations at our ports of entry reflect fluctuations in traffic volume to facilitate efficient travel across the border.

The pandemic further highlights the need to advance sustainable and efficient border infrastructure which has disproportionately impacted the border communities. Border wait times hurt our border communities not only economically with an estimated \$7.2 billion annually in lost economic output, but also increases air pollution, endangering public health. Border communities suffer from high rates of asthma and other health conditions which lead to higher risks for developing more serious complications from COVID-19 illness. Restoring staffing levels and lanes at our ports of entry and advancing the construction of the Otay Mesa East Land Port of Entry will alleviate congestion, facilitate trade, and reduce air pollution at the border. The Otay Mesa East Land Port of Entry will increase production sharing with more efficient supply chain linkages between manufacturers and the market, playing a vital role in the implementation of the United States-Mexico-Canada Agreement (USMCA).

Additionally, fiscal and public policies will be needed in order to reactivate the economy including increasing financing opportunities and access to capital; binational coordination of protocols and guidance to resume or continue operations; commercial and reactivation strategies; securing long term supply of PPE; and utilization of the State's trade and investment desk in Mexico to promote investment in our binational region.

There is much we can do to further prevent the spread of the virus while protecting our binational economy. Neither side of the border can succeed if one fails. The people of our binational region and their strong resilient spirit is among our region's greatest assets. Thanks to our history of collaboration, we already have strong relationships and lines of communication to address this challenge. Our past adversity has prepared us for this challenge. Working together will save lives and allows us to help our binational community and shared economy recover quickly.

Thank you for hosting this important hearing for the opportunity to provide our input. We look forward to continuing to work together.

Respectfully,



Paola Avila

Vice President

International Business Affairs