South County Economic Summit
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Sweetwater Authority

SOUTH COUNTY ECONOMIC SUMMIT

There were six-panels (actually 5 presentations, the opening remarks by Kevin Faulkner do not count); and I attended three presentations.

<u>Business In the Time of COVID Panel</u>

The first presentation I heard were industry experts and elected officials discussing and sharing insights on measures being taken for businesses and the community. The discussion surrounded many roles and responsibilities for a safe and successful opening of the economy. The major themes that I heard were that of risk management and asset protection.

Crisis management and response
The COVID-19 pandemic has brought fast-moving and unexpected conditions, some of which existing crisis plans and teams weren't prepared to handle. Many companies successfully developed incident management plans specific to this crisis, and are now looking ahead. Among some of the decision structures that companies and organizations can implement and take are to:

- Leverage risk management departments, along with one's crisis management teams, to reestablish response efforts in the immediate wake of the crisis - it can help as one transitions into what's next.
- As one manages and stabilizes and shifts focus on how to bring people back to work, assess one's organization's response efforts to date and identify areas for real-time course corrections.
- Look to what organizational insights the crisis process has provided to help you strategize and capitalize on the opportunity for event-driven transformation.

Five workforce areas that emerge as priorities for business leaders:

- The first course of action is to protect people: Initiate measures to support employees' physical and emotional well-being
- Communicate effectively in pandemic uncertainty: Lead with responsive communications and policies that help people feel informed and supported
- Maintain the continuity of work: Provide the resources and support employees need to be productive, especially as they adapt to working remotely
- Assess workforce costs: Explore workforce levers to help balance the potential need to cut costs with the desire to keep people employed

- Prepare for recovery: Align workforce planning with the business strategy and prepare to ramp up in a recovery

In sum, the general consensus is to prioritize one's resources into two broad categories: mitigating Covid-19 risk and protecting major assets like people, plant, equipment, and capital from pandemic shock, (my words) in reaction to a fast yet safe reopening and increase in business activity.

Address by Lieutenant Governor Eleni Kounalakis

Lieutenant Governor Kounalakis spoke in a concise tone and summed a series of steps one should take in order to mitigate Covid-19 and what the State is doing to slow down the spread and contraction of this deadly disease.

Lt. Kounalakis shared how the State of California is working to ensure successful measures are in place to move forward. California has a plan and methodology for assessment and reduction of COVID-19 in the state with revised criteria for loosening and tightening restrictions on major human activities:

- Every county in California is assigned to a tier based on its test positivity and adjusted case rate for tier assignment.
- In order to advance to the next less restrictive tier, each county will need to meet an equity metric or demonstrate targeted investments to eliminate disparities in levels of COVID-19 transmission, depending on its size.
- The California Health Equity Metric is designed to help guide counties in their continuing efforts to reduce COVID-19 cases in all communities and requires more intensive efforts to prevent and mitigate the spread of COVID-19 among Californians who have been disproportionately impacted by this pandemic.

Lt. Gov. Kounalakis spoke at length of the second wave of Covid-19 addressing the state's record shattering resurgence of COVID-19 cases. Her response was to state that the second spike was more than was anticipated. What was expected was that the State would see lowering of numbers but the opposite was true. Given the infection and spread rate was higher than expected, that led to a higher surge of infections and ultimately, deaths. The way to respond is to limit certain behaviors like those that create conditions for spread: closing bars, closing dine-in restaurants, and closing other indoor activities that will disturb business but in the long run will benefit the greater number of people until one can basically flatten the curve again.

At the core, Kounalakis is urging people to take safety precautions seriously. The basics: wearing a mask, washing your hands, social distancing

<u>The New USMCA and Business</u>

The formerly named North American Free Trade Agreement (NAFTA) has now been changed to the United States–Mexico–Canada Agreement (USMCA). The panelists include free-trade advocates and chamber of commerce delegates from San Diego and Baja California. In sum, the panel gave a good discussion as to the differences to NAFTA and USMCA. Some of the differences are notable:

The North American Free Trade Agreement (NAFTA) was a three-country agreement signed and ratified in 1994. The NAFTA accord eliminated most tariffs on products traded between the three countries, with a major focus on liberalizing trade in agriculture, textiles, and automobile manufacturing. The deal also sought to protect intellectual property, establish dispute resolution mechanisms, and through side agreements, implement labor and environmental safeguards.

NAFTA reshaped the three-country's economic relations, while integrating between the developed economies of Canada, United States, and Mexico's. Regional trade tripled under the agreement, and cross-border investment among the three countries also grew significantly. It was debated and alleged that NAFTA undermined U.S. jobs and manufacturing, thus, Trump's administration completed an updated version of the pact with Canada and Mexico, now known as the U.S.-Mexico-Canada Agreement (USMCA). The agreement was ratified and signed early this year.

Some of the benefits of USMCA

According to the discussion and my research USMCA simply updates the 25-year-old agreement it's replacing. It's expected to create almost 150,000 jobs in six years and increase US GDP. Some of the key changes in the USMCA:

- Auto manufacturing boost, USMCA creates a new incentive to build cars and trucks in North America. It requires 75% of a vehicle's parts to be made in one of the three countries. In order to remain free from tariffs when moving between the three signatory countries.
- It also requires more vehicle parts to be made by workers earning at least $16 an hour, which may provide a boost to manufacturing in the United States, where wages are higher than in Mexico.
- Labor laws strengthened in Mexico. Manufacturing workers have long blamed NAFTA for sending jobs to Mexico, where wages are lower.
- The deal provides for an interagency committee that will monitor Mexico's labor reform implementation and compliance with labor obligations.
- US dairy farmers get more market access. The original NAFTA eliminated tariffs on most agricultural products traded among the three countries.
- The USMCA will keep those tariffs at zero, while further opening up the Canadian market to US dairy, poultry and eggs. In return, the United States will allow more Canadian dairy, peanuts and peanut products, as well as a limited amount of sugar, to cross the border.

- The USMCA includes sweeping new benefits for the technology sector, in a chapter on digital trade that wasn't a part of the original NAFTA. The new provisions aren't expected to directly create new jobs but could provide a boost to US businesses in other ways.
- For example, the new trade deal prohibits Canada and Mexico from forcing US companies to store their data on in-country servers.
- Environmental protections. The agreement provides $600 million to address environmental problems in the region, like sewage spillovers from Tijuana that impact San Diego, and makes regulations easier to enforce by doing away with a requirement to prove a violation affects trade.

In short, the trade agreement has a “wait and see” momentum. But, ultimately, the macro-agreement will help all three countries become more like a regional market and ultimately, or at least in my lifetime, one large integrated economy; yet not too dissimilar to the European Union.