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TO: Chairperson Reid and Members of the Community & Economic Development
Committee
FROM: Councilmember Noel Gallo
DATE: April 29, 2014
RE: **A Report and Strategies To Enhance Our Economic Growth, from Our City Of
Oakland-Mexico City Trade Mission On February 12-15, 2014**

OVERVIEW:

The City of Oakland-Mexico City Trade Mission took place on February 12-15, 2014. This multi-sector trade mission included the participation of the Northern California Center for International Trade Development, California-Mexico Trade Assistance Center, Alameda County Hispanic Chamber of Commerce, Sacramento Hispanic Chamber of Commerce, Greater San Jose Hispanic Chamber of Commerce, California Chamber of Commerce, Secretary of Economy, State of Chihuahua, Mayor's Office –City of Chihuahua, Consulate of Mexico in Sacramento, and Oakland City Councilmember Noel Gallo.

FACTS:

Mexico continues to be California's number one export market. California exports to Mexico totaled \$26.3 billion in 2012. Mexico purchases 16% of all California exports. California's exports to Mexico are driven by computers and transportation equipment, which account for 34.1% of all California exports to Mexico.

Americans are well aware that China, with its rapid growth and expanding middle class, will probably have a bigger economy than ours within a decade or two. But, few Californians are aware that the growing Mexican economy, with its own expanding middle class, will probably surpass our state's economy. California now has the eighth largest economy in the world. Mexico has the 14th largest, but Goldman Sachs projects that by 2050, Mexico's will be the 5th largest economy in the world.

California could find a new economic engine in the continuing growth in Mexico, which is already our largest export market. For instance, California is significantly short of engineers and technically skilled workers, and Mexico is producing more engineers than California (and nearly as many as the entire United States). California needs more college graduates and has cut state funding to its university systems – even as Mexico has doubled its number of universities in a decade.

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TRADE MISSION GOALS:

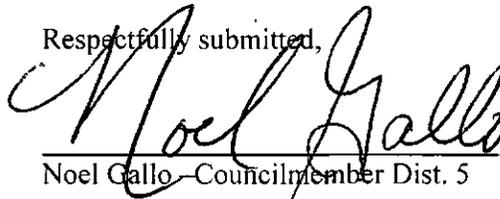
The City of Oakland-Mexico City Trade Mission was a great opportunity to open the doors for small and medium sized businesses in Oakland, the Bay Area and Northern California to do business in Mexico. We tend to focus our energy in China as we should because of the Port, but we cannot disregard Mexico who in fact is a much larger trading partner.

At the trade mission, we established dialogue with Mr. Manuel Garrido, CEO of AUTOCOM USA. AUTOCOM is part of Autocom.inc. – one of the largest auto dealer groups in Latin America with 17 Nissan, Infiniti and Renault dealerships in Mexico, including Mexico City. AUTOCOM has dealerships in the states of Michoacán, Guanajuato, Querétaro and Mexico. AUTOCOM has over 46 years of experience in the market and more than 1,000 employees in its US and Mexico operation. We already have foreign investment from Mexico here in Oakland, such as the Nissan Auto Dealership.

In conjunction with the Oakland Airport, we agreed to schedule a future visit to Volaris Airlines, Mexico's largest growing airline, to make sure they understand the importance they bring to our Oakland community. There was also extensive discussion about developing Mexico's Ports and diverting a lot of cargo that comes through the West Coast Ports to Mexico. The Hispanic Chamber of Commerce of Alameda County agreed to setting up meetings with key government port leaders in Mexico City to learn about what their plans are in regards to other countries developing their ports.

California continues to strengthening economic trade with Mexico through legislation. In February 2014, Assembly Member Campos (San Jose, CA), introduced a Bill (AB690) which promotes more trade with Mexico. It is important that we also begin to reposition Northern California and Oakland as a vital part of doing trade with Mexico, especially for small and medium sized companies. The City of Oakland-Mexico City Trade Mission re-established and enhanced trade relations with Mexico, Oakland, the Bay Area, and Northern California.

Respectfully submitted,



Noel Gallo – Councilmember Dist. 5

Attachments:

- A. *California-Mexico partnership would benefit both* – SF Chronicle (article)
- B. *The Mini countries: Next economic giants?* BBC NEWS MAGAZINE (article)
- C. *"Mexican Trade Centers – Centers for International Trade Development for California-Mexico Trade"* (A project to be implemented by the California Community College's Centers for International Trade Development)

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ATTACHMENT A

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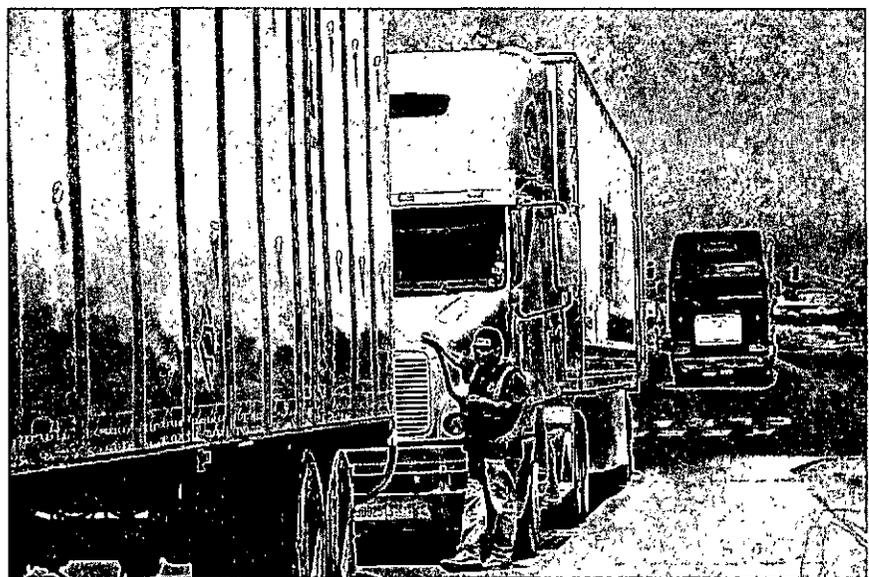
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California-Mexico partnership would benefit both

Joe Mathews
Updated 4:57 pm, Friday, February 28, 2014

Probiotics - Warning

probiotics-md.org



The vibrant commerce between California and Mexico is reflected at the commercial truck crossing in San Diego. A more robust partnership with our southern neighbor would have benefits on both sides of the border. Photo: Monica Almeida, New York Times

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Don't look now, Californians. Mexico is about to pass us.

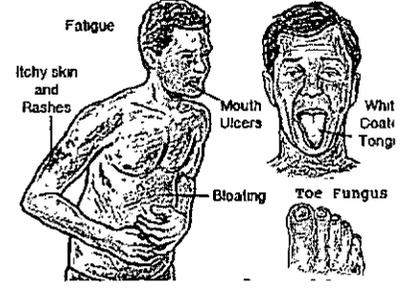
Americans are intensely aware that China, with its rapid growth and expanding middle class, will probably have a bigger economy than ours within a decade or two. But few Californians are aware that the growing Mexican economy, with its own expanding

middle class, will probably surpass our state's economy

The moment of Mexican triumph might come sooner than we think. California now has the eighth-largest economy in the world. Mexico has the 14th largest, but Goldman Sachs projects that by 2050, Mexico's will be the fifth largest economy on the planet - having blown past California's long before that.

Yes, such rankings are mostly symbolic. Mexico's people (119 million today), will still be poorer on average than California's. But if Mexico has a bigger profile on the world stage, we might find ourselves in its shadow. So Californians would be wise to start thinking

Do you have these symptoms?



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differently about our neighbor. Right now, when we do talk about Mexico, we obsess on chronic, mutual problems - unauthorized immigrants, drugs and violence. As a result, there's been little discussion of Mexico's rise or of how we can prosper from it.



Smile Train

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We'd be better off thinking about Mexico as California's China - a vital economic partner that's also a competitor, a society that is rapidly advancing even as it remains dogged by poverty and corruption.

Mexico is gaining in areas in which we need help. California could find a new economic engine in the continuing growth in Mexico, which is already our largest export market. California is desperately short of engineers and technically skilled workers, and Mexico is producing more engineers than California (and nearly as many as the entire United States). California needs more college graduates and has cut state funding to its university systems - even as Mexico has doubled its number of universities in a decade.

"Mexico is less a problem and more an answer for the economic, security, and international diplomatic challenges the United States faces today," writes Shannon K. O'Neil of the Council on Foreign Relations in her book, "Two Nations Indivisible."

All this is not news to California business and political elites, who have been supportive of the exchange of people, goods, services and ideas between California and Mexico. But these flows across the border remain somewhat haphazard and underappreciated.

"The overlap of California and Mexico encompasses communities, but it is not in itself a community," wrote political scientist James N. Rosenau 20 years ago in an essay in the book "The California-Mexico Connection."

Rosenau's words still apply today, in part because California has never had a Mexico policy. Instead, we've dealt with the impacts of our relationship with Mexico piecemeal, leaving a void too often filled by counterproductive measures - the 1994 anti-immigrant ballot initiative Proposition 187; disputes over pollution and crime; additional border enforcement that chokes commerce.

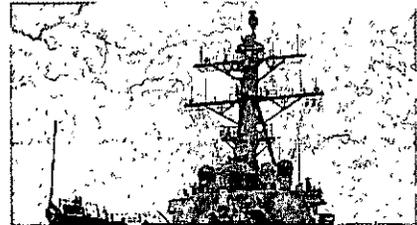
A California policy of seeking deeper cooperation - and shared governance - with Mexico would change the game. What if we worked with the Mexicans to rebuild our infrastructure, which would boost trade? We could develop new environmental regulations jointly, and in the process reduce abuses of the California Environmental Quality Act. We could offer in-state university tuition to Mexicans who can demonstrate financial need, as Texas does. And with both Mexico and California needing more college graduates, why not open a University of California campus in, say, Ensenada?

To start with, and for no money at all, California's media and civic leaders could add Mexico to their campaign platforms, debate dockets and political polls - up there with schools, health care, prisons, water and jobs.

There has been no shortage of ideas for helping California and Mexico build community. Foreign policy scholar Abraham Lowenthal has suggested creating a joint California-Mexico online database for the school records of children who move between the two countries. There have been fledgling efforts to cooperate in tourism (joint marketing of both places, particularly to Europe and Asia); law enforcement (not just prosecutions but also collaborations around judicial reform to bolster the rule of law); and in health care (cross-border markets to reduce pharmaceutical prices and to control costs).



FROM OUR HOMEPAGE



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But such ideas haven't gotten very far. The cause of California-Mexico partnership has been unlucky in its political champions, including a recalled governor (Gray Davis) and a disgraced San Diego mayor (Bob Filner). And California's leaders have tended to leave Mexican relations to the federal government, a mistake given Washington's paralysis and dysfunction.

The methods of cooperation could be many, but the overriding goal should be to turn California and Mexico into - to borrow a phrase used by the Europeans in their own integration - a single "economic community" and ultimately a union. The logic is simple: If you can't beat Mexico, join it.

Joe Mathews writes the *Connecting California* column for Zocalo Public Square.



Celebs who really annoy
Gwyneth is among your nominees, but is she the most grating? Send more!

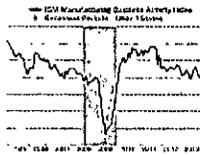
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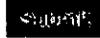
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ATTACHMENT B**BBC NEWS****MAGAZINE**

5 January 2014 Last updated at 19:36 ET

The Mint countries: Next economic giants?

In 2001 the world began talking about the Bric countries - Brazil, Russia, India and China - as potential powerhouses of the world economy. The term was coined by economist Jim O'Neill, who has now identified the "Mint" countries - Mexico, Indonesia, Nigeria and Turkey - as emerging economic giants. Here he explains why.

So what is it about the so-called Mint countries that makes them so special? Why these four countries?

A friend who has followed the Bric story noted sardonically that they are probably "fresher" than the Brics. What they really share beyond having a lot of people, is that at least for the next 20 years, they have really good "inner" demographics - they are all going to see a rise in the number of people eligible to work relative to those not working.

This is the envy of many developed countries but also two of the Bric countries, China and Russia. So, if Mexico, Indonesia, Nigeria and Turkey get their act together, some of them could match Chinese-style double-digit rates between 2003 and 2008.

Something else three of them share, which Mexican Foreign Minister Jose Antonio Meade Kuribrena pointed out to me, is that they all have geographical positions that should be an advantage as patterns of world trade change.

For example, Mexico is next door to the US, but also Latin America. Indonesia is in the heart of South-east Asia but also has deep connections with China.

And as we all know, Turkey is in both the West and East. Nigeria is not really similar in this regard for now, partly because of Africa's lack of development, but it could be in the future if African countries stop fighting and trade with each other.

This might in fact be the basis for the Mint countries developing their own economic-political club just as the Bric countries did - one of the biggest surprises of the whole Bric thing for me. I can smell the possibility of a Mint club already.

What I also realised after talking to Meade Kuribrena, is that the creation of the Mint acronym could spur pressure for Nigeria to become a member of the G20, as the other Mints already are.

This was something the charismatic Nigerian finance minister, Ngozi Okonjo-Iweala was keen to talk about. "We know our time will come," she said. "We think they are missing something by not having us."

Meade Kuribrena went so far as to suggest that, as a group of four countries, the Mints have more in common than the Brics. I am not sure about that, but it is an interesting idea.

Economically three of them - Mexico, Indonesia and Nigeria - are commodity producers and only Turkey isn't. This contrasts with the Bric countries where two - Brazil and Russia - are commodity producers and the other two - China and India - aren't.

In terms of wealth, Mexico and Turkey are at about the same level, earning annually about \$10,000 (£6,100) per head. This compares with \$3,500 (£2,100) per head in Indonesia and \$1,500 (£900) per head in Nigeria, which is on a par with India. They are a bit behind Russia - \$14,000 (£8,500) per head - and Brazil on \$11,300 (£6,800), but still a bit ahead of China - \$6,000 (£3,600).

Projected growth in average income (thousands \$)

	2000	2012	2050 (projected)
Mexico	7.0	10.6	48.0
Indonesia	0.8	3.6	21.0
Nigeria	0.2	1.4	12.6
Turkey	4.1	10.6	48.5

SOURCES: IMF, GOLDMAN SACHS

A big question that guided my thinking on visits to these countries for the BBC was - "How do these countries actually feel on the ground, compared to my own expectations and the general consensus of opinion?"

When expectations are low - as one might generally say about Nigeria for example (although not in recent years among specialist investors in Africa) - it is easier to be positively surprised

But the opposite is also true - and this could be a problem for Mexico, which financial investors are really quite excited about

I returned from my travels thinking it won't be so difficult for Nigeria and Turkey to positively surprise people, as many put far too much weight on the negative issues that are well-known - crime and corruption in Nigeria, for example, or heavy-handed government in Turkey

Indonesia, I am less sure about. The country's challenges are as big as I thought and I didn't hear too many things that made me go "Wow" in terms of trying to deal with them. The country needs more of a sense of commercial purpose beyond commodities, and has to improve its infrastructure.

In Turkey, visits to white goods manufacturer Beko and Turkish Airlines, the world's fastest growing airline, definitely made me go "Wow", and in Nigeria, I was saying it all the time

The creativity in that place is so easy to get enthused about, at least it was for me, and I returned full of excitement about different personal investments I might follow up on.

In Mexico I was all set to be disappointed, as expectations are so high, but the young president and his equally young colleagues are full of determination to change the place

If you thought Maggie Thatcher stood for serious reforms, these guys make her seem like a kitten. They are reforming everything from education, energy and fiscal policy to the institution of government itself

What about all the challenges and things that usually scare people? Well corruption is obviously one topic that all four would seem to share, and I had many interesting discussions about it in each country

In Nigeria, Central Bank Governor Lamido Sanusi argued that corruption rarely prevents economic development - and that the growth of the economy, accompanied by improvements in education, will lead to better governance and greater transparency

Such views are important to listen to, as an alternative to our often simplistic Western way of thinking. For many credible people in the Mint countries, corruption is a consequence of their weak past, not a cause of a weak future, and certainly not the number one challenge. It falls way down a list compared with the costs of energy and the breadth of its availability and, of course, infrastructure.

Sorting out energy policy was seen in both Mexico and Nigeria as a top priority and each country has launched a major initiative this year, which if implemented, will accelerate growth rates significantly

Here is an amazing statistic. About 170 million people in Nigeria share about the same amount of power that is used by about 1.5 million people in the UK. Almost every business has to generate its own power. The costs are enormous

"Can you imagine, can you believe, that this country has been growing at 7% with no power, with zero power? It's a joke," says

Africa's richest man, Aliko Dangote

He's right. I reckon Nigeria could grow at 10-12% by sorting out this problem alone. That would double the size of its economy in six or seven years

In Indonesia, the fourth largest country in the world, I would say leadership and infrastructure are the major challenges, though there are many more too. But challenges and opportunities sit side by side

In one of Jakarta's slum areas, Pluit, the land is sinking by 20cm per year because of over-extraction of water, but property prices elsewhere in the city are rocketing.

I talked to a man building the country's first Ikea store, who reckons a third of greater Jakarta's population of 28 million (the third biggest conurbation in the world) would have sufficient disposable income to shop at his store. As he said: "We just know it's going to work."

In Turkey of course, its politics and the combination of a Muslim faith with some kind of desire to do things the Western way is a unique sort of challenge. Some might argue the same challenge exists for Indonesia but I returned thinking this was not the case. In Jakarta at least, the Western way of doing things seems to be generally accepted - in striking contrast with Turkey.

So can the Mints join the top 10 largest economies in the world, after the US, China, the rest of the Brics and maybe Japan?

I think so, though it may take 30 years.

I look forward to going back to each of them more regularly now I am helping to put them on the map, just as happened with the Bric countries 12 years ago.

Listen to the first episode of MINT: The Next Economic Giants on BBC Radio 4 on Monday 6 January from 09:00 GMT, or [afterwards on iPlayer](#)

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MEXICAN TRADE CENTERS

Centers for International Trade Development
for California-Mexico Trade

MEXICAN TRADE CENTERS PROPOSAL

A project to be implemented by the California Community College's
Centers for International Trade Development

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MEXICAN TRADE CENTERS EXECUTIVE BRIEFING

THE PROPOSAL

Reestablishing California's Mexican Trade Centers is the best solution and most cost effective way to expand and grow business ties between California and Mexico. These centers have been tried, tested and proven before (See History below). They can easily be reestablished within their previous homes in California Community College System's Centers for International Trade Development. This network of trade and business professionals will again provide California's businesses and entrepreneurs with international trade consulting, international educational services, information dissemination and matchmaking opportunities specifically focused on doing business with Mexico. Working in tandem with GoBiz, the goal and mission of the Mexican Trade Centers will be to support business growth, job creation and job retention, by providing export and import assistance, business leads and sales opportunities to California businesses seeking to do business with Mexico.

A BRIEF HISTORY

Governor Gray Davis and Mexican President Ernesto Zedillo met in May 1999 to discuss further economic cooperation between the State of California and the Republic of Mexico. Recognizing the importance of California's leading international trading partner at a Town Hall luncheon in Los Angeles, Governor Davis said, "When Mexico's economy thrives, California benefits. And, when California's economy thrives, Mexico benefits."

At the Town Hall luncheon Governor Davis announced several initiatives to support stronger business ties between California and Mexico. Governor Davis announced that California would establish Mexican Trade Centers at community colleges located throughout the state. Starting in 2000, the trade centers offered intensive training in Mexican business practices, trade training, language and culture to California business people to help them expand their opportunities in Mexico. The program proved very successful and served a broad swath of the business community in California, supporting bilateral trade and strengthening the economics between California and Mexico. Despite the documented successes and new exports generated from California to Mexico, funding for the project only lasted several years and was discontinued.

OBJECTIVES AND GOALS

Program Highlights:

- The Mexican Trade Centers will provide California's small and large businesses with an intensive 5-day program to help prepare them to do business in Mexico.



- The Trade Centers will assist businesses in identifying materials and supply needs of Mexican businesses.
- The Centers will serve as a resource to help business communities in both countries overcome trade barriers that stem from a lack of understanding of government operations, logistics, rules and regulations, language difficulties and differing cultural norms.
- The Mexican Trade Centers project will sponsor trade missions to Mexico and reverse trade missions of Mexican businesses to California to create matchmaking opportunities.



ORGANIZATION OVERVIEW

Organization Name

The organization's official name is Mexican Trade Centers (MTC).

Administration

The Mexican Trade Centers is a project administered through the Chancellor's Office of the California Community Colleges, Economic Development Unit, and 1102 Q STREET, SACRAMENTO, CA 95814-6511.

Operations

The Mexican Trade Centers will be operated in only a few select field offices throughout the state of California, (SEE APPENDIX A) hosted by Centers for International Trade Development. The Mexican Trade Centers will work closely and in conjunction with GoBiz.

Each of the Mexican Trade Centers will market opportunities, on the local level, to California businesses doing business with Mexico. Targeted outcome for the entire Mexican Trade Centers project include 100 export/import actions.

Term

The initial phase of this project will begin on July 1, 2014 and end on June 30, 2015. Funding for subsequent years will be requested from the State Legislature, and from other potential sources.



MARKET ANALYSIS

Market Analysis

Mexico is California's #1 trade partner. Since the late 1990's Mexico consistently was in the top three export markets for California.

California's Leading exports to Mexico (2013) include:

	PRODUCT	Value in USD
1	Computer and electronic products	\$5,050,396,243
2	Transportation equipment	\$2,565,800,405
3	Machinery, except electrical	\$2,094,034,053
4	Petroleum & coal products	\$1,596,545,274
5	Chemicals	\$1,549,068,219
6	Food manufactures	\$1,539,067,735
7	Fabricated metal products; NESOI	\$1,265,481,113
8	Plastics & rubber products	\$1,223,399,846
9	Electrical equipment; appliances & components 1173805910	\$1,173,805,910
10	Primary metal manufacturing	\$1,075,493,650

Source: Foreign Trade Division, U.S. Census Bureau.

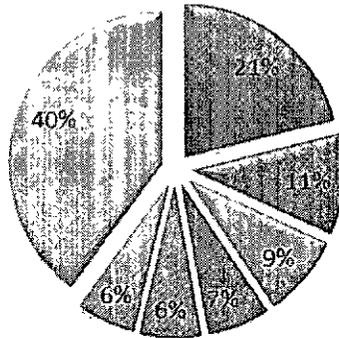
California's Most Dynamic Exports to Mexico:

SECTOR	2012	2013	% Change 2012-2013
Computer and electronic products	\$8,255,086,448	\$5,050,396,243	-38.8%
Transportation equipment	\$2,366,505,753	\$2,565,800,405	+8.4%
Machinery, except electrical	\$1,970,217,387	\$2,094,034,053	+6.3%
Petroleum & coal products	\$1,866,433,452	\$1,596,545,274	-14.5%
Chemicals	\$1,464,167,375	\$1,549,068,219	+5.8%
Food manufactures	\$1,444,368,217	\$1,539,067,735	+6.6%
All Others	\$9,002,885,326	\$9,537,714,370	+5.9%



2013 California Exports to Mexico Sales

Computer & Electronic Products 21.1%	Transportation Equipment 10.7%
Machinery (Except Electrical) 8.7%	Petroleum & Coal Products 6.5%
Chemicals	Food Manufactures 6.4%
All Others 40%	



Client Profile

Firms that have the greatest potential to succeed in doing business with Mexico will be targeted for Mexican Trade Center Services. The term frequently used is that they are "export ready" companies. The following criteria will define the target group of potential clients:

- Gross sales in excess of 5 million and not greater than 500 million dollars a year.
- Business history extending 5 years or more.
- Firms should have excess capacity
- Firms who have an interest in trading with Mexico
- Industry sectors include: manufacturing, services (financial, engineering, information technologies), wholesale, agro-business, bio-medical, and transportation

Competition

Within the State of California government service sector, there are no other organizations with the experience, accomplishments and skills such as those that exist within the California Community College's Centers for International Trade Development. In fact the CITDs have been recognized by the White House with the President's E Award for outstanding export service programs no less than 5 times. No other trade support and assistance organization in the United States shares this record of recognition. Currently, there exist established and important trade promotion efforts in California on the federal, local and private enterprise



level, which will be viewed by the Mexican Trade Centers as potential partners.

California's major competitors for Mexico trade are other U.S. state trade development agencies, such as the Texas Department of Economic Development. Texas accounts for nearly half of all U.S. exports to Mexico. Coincidentally, the leading categories of Texas exports to Mexico virtually mirror the leading California export sectors (See previous page).



SERVICE STRATEGY

Current Product/ Service Offering

The CTEDs will reestablish Mexican Trade Centers within their existing trade centers. The Mexican Trade Centers will provide current market analysis and market information, education services and matchmaking opportunities for California Businesses on a cost recovery basis only. Many services, such as trade information and consulting can be provided free of charge. The services will be client driven and quality focused.

Services provided by each MTC field office include:

- Export Counseling- gaining an understanding of the client's need as it relates to doing business with Mexico , examining the situation, providing a range of options or solutions for the client to implement
- Marketing Support - market research, business practices & norms, cultural considerations, industry matchmaking, developing distributor/representative contacts in Mexico, Assistance in identifying the materials and supply needs of Mexican businesses.
- Logistics support- information on NAFTA documentation & regulations, regulatory compliance, transportation issues
- Export Financing- methods of payment, selling terms in Mexico, export working capital, and export credit insurance, referrals to Export Import Bank, SBA, CHFO and private banking partners.

MTC cooperative effort:

- Road Shows -A 3-5 day program will be offered at various locations around the state to train businesses and their employees "how to" conduct business with Mexico , including regulatory issues, transportation & logistics issues, marketing and sales, sourcing, manufacturing , licensing technology
- Trade Missions- trade missions to Mexico to important and relevant trade shows will be organized in conjunction with the Mexican Trade Centers partners. Reverse trade missions will also be organized to bring groups of business executives from Mexico to meet with local companies. These forums provide an excellent opportunity for California companies to meet potential customers and vendors from Mexico.



Research and Development

The Mexican Trade Centers program through its staff, university intern program and partnerships in Mexico will regularly examine roles that new products and services will play in assisting California business to take advantage of business opportunities in Mexico. In order to continuously monitor the effectiveness of the products and services and the introduction of new services, the Mexican Trade Centers are committed to do the following:

- Constant monitoring of our client needs through surveys, program evaluations, and feedback from partners and business clients.
- Collection and compilation of statistics and information on client needs on a statewide level in order to shape the direction and content of the effort.
- Benchmarking the Mexican Trade Centers against current best practices in state economic development efforts with the Republic of Mexico.
- Reporting to CCCCO and Legislature on program successes in order to secure funding for subsequent years.



MARKETING PLAN

The Mexican Trade Center's marketing strategy is to enhance, promote and support California trade with Mexico by offering an array of services to California businesses that provide assistance in doing business with Mexico. The overall marketing plan for our products/services is based on the following fundamentals:

- Mexico is the leading trading partner for the State of California.
- California businesses are continually looking for new customers and new products, doing business with Mexico presents a viable opportunity.
- The industries with the best potential to export to Mexico include manufacturers, distributors, growers and technology providers.
- NAFTA provides tariff free trade between California and Mexico

Marketing Channels

The Mexican Trade Centers project will market its programs and services through several channels. The marketing team will develop products to serve five key channels:

- 1 Direct to business- direct contact via telemarketing, fax and e-mail to potential clients.



2. The Internet - an internet site will be published to attract interested parties and to provide valuable information about the Mexican Trade Centers. This site will be connected to the CCCCCO CITD network which enjoys status in the state as its premiere trade assistance program
3. State and Federal trade agencies- develop working relationships to leverage resources and share successes in assisting California companies doing business in Mexico. Targeted *Partners* include:
 - U.S. Department of Commerce/ Foreign Commercial Service (USDOC/FAS)
 - U.S. Agency for International Development (USAID)
 - Export Import Bank of the United States (EXIM Bank)
 - California Legislature Select Committee on Mexican Affairs
 - Cities and local governments with Mexican Trade Development agendas
 - Small Business Administration – U.S. Export Assistance Centers (SBA –USEAC)
 - Governor's Office of Business & Economic Development (GoBIZ)
4. Business Organizations develop working relationships to leverage resources and share successes in assisting California companies doing business in Mexico. Targeted *Partners* include:
 - U.S. Mexico Chambers of Commerce
 - Hispanic Chambers of Commerce
 - World Trade Center's Association
 - International Business Associations (numerous)
5. Republic of Mexico government agencies/ business associations develop working relationships to leverage resources and share success in assisting California companies do business in Mexico. Targeted *Partners* include:
 - SECOFI
 - BANCOMEXT
 - COINVER
 - Consulate General of Mexico
 - Others (state trade development agencies, business associations)

Advertising and Promotion

The Mexican Trade Centers recognizes the key to success at this time requires extensive promotion. This must be done aggressively on a wide scale. To accomplish our goals, we require an extremely capable marketing firm. The Mexican Trade Centers plans to advertise in the mass media, including trade magazines (such as World Trade, Latin Trade, Mexico Business), radio and through other print media. Scripts and ad-copy will be produced and distributed to Mexican Trade Center field offices for placement in appropriate local advertising channels. Literature and program information brochures will be produced for distribution statewide and to our partners.



Objectives

- Position the Mexican Trade Centers as the leading source for trade assistance services on doing business exclusively with Mexico.
- Establish program awareness and recognition among potential customers.
- Generate qualified leads and potential new customers.
- Develop, through market research, significant information to create immediate and long-term marketing plans.
- Create advertising programs to raise awareness about the Mexican Trade Centers and the potential opportunities and benefits of doing business with Mexico.

Public Relations

Our publicity efforts are intended to accomplish the following:

- Position the Mexican Trade Centers at the leading edge in providing quality trade assistance services for doing business with Mexico.
- Establish the Mexican Trade Center's reputation and name and brand recognition among trade development agencies, clients and potential clients.

FIELD OFFICE OPERATIONS

Each of the Mexico Trade Centers will:

- Have in place staff that has specific expertise/ knowledge in conducting business with the Republic of Mexico.
- Meet with a minimum number of businesses in their territory to assist them in doing business with Mexico.
- Market the "Intensive Training Session" to prospective businesses, assist in Registration and Organization for the Event.
- Provide trade leads to export ready businesses.
- Provide consulting to export ready businesses on meeting product quality standards and regulations to sell their products in Mexico.
- Provide consulting to export ready businesses on developing a marketing/sales strategy to enter the Mexican Market.
- Create and acquire reports on current business trends, industry profiles and other fact-oriented information that will be disseminated to clients
- Attend coordination with the statewide network of Mexican Trade Centers as necessary.
- Market Trade Missions and Reverse Trade Missions sponsored by the Mexican Trade Centers and assist in registration.

Client Service Records and Tracking

The Mexican Trade Centers will aggressively recruit export ready California businesses to inform them of opportunities, train them, and assist them in doing business with Mexico.

Mexican Trade Centers will record services rendered to firms served and company background information including:

- Company Name
- EIN Number
- Address
- Fax and e-mail address
- Contact
- Business Description



- Industry Affiliation
- HTS or NAICS for product information
- Experience in doing business with Mexico
- Maintain a record of service provided to the client

Mexican Trade Centers will continually monitor clients for success, submit success stories to project manager, and marketing team for publicity.

Mexican Trade Centers will survey clients to monitor success and gain feedback.



INTENSIVE TRAINING PROGRAM

The intensive training program on doing business in Mexico will consist of three days in a seminar environment with at least two days of consulting follow-up for participants. Companies who take advantage of the entire intensive training program will be eligible for a certificate of completion, which will be presented by the Mexican Trade Centers and the California Legislature (or representative)

This program will be offered at various locations around the state. A nominal fee will be charged for registration. The outline is as follows:

- I. Four hour CEO Seminar
 - II. Two Day Mexico Trade Project Manager Training
 - III. Sixteen hours of consulting and Team California
-
- I. Four hour CEO Seminar
 - A. Is but another choice a CEO must consider
 1. CPI (Continuous Process Improvement)
 2. ERP or any Materials and Resource Planning System
 3. Re-engineering the firm
 4. ISO9000 or variations
 5. Systematic Exporting
 - B. Systematic Exporting
 1. Global Internet Marketing
 2. Resource assistance for doing business in Mexico
 - a) Intensive Mexico Trade Project Management training
 - b) Team California
 - c) Sixteen hours of expert consulting specific to your needs
 - d) Governor Davis has lubricated bureaucratic wheels for this project
 - C. ROI (Return On Investment) Comparison
 1. Assume some excess capacity
 2. Throughput becomes pure profit
 - a) A 2% increase in sales could mean as much as 2% in profits for a service operation.
 - b) A 2% increase in sales could mean 1.4% in profits for a manufacturer

- D. Guest Speaker
 - 1. Brief talk on how their company has achieved success through exports
 - 2. Some of the pitfalls and ideas for a checklist
 - 3. Offer to mentor non-competitors
 - E. Panel Discussion during lunch
 - 1. Representatives from CITD and other agencies
 - F. Sign up and schedule start date for PM training
- II. Mexico Trade Project Manager Course
- A. The need to sell the idea of Trade with Mexico to employees and department heads
 - B. Changes that must take place within the organization
 - 1. Tools and techniques for 'training' departments and personnel to think as exporters.
 - 2. The Socratic Method for getting concurrence in meetings and one to one
 - C. A master checklist of all tasks to ensure successful transition to International trader.
 - 1. Banks
 - 2. Shipping receiving department logistics
 - 3. Customs Brokers
 - 4. Accounting repercussions
 - 5. Exchange rates
 - 6. Sales marketing impact
 - 7. International Trade Terms (Glossary)
 - 8. Language in literature, correspondence, legal documents
 - 9. Weights and measures- NOM
 - 10. Packaging
 - 11. Etc. (More as determined by student requirements based on specific needs)
 - D. How to do Business In Mexico
 - 1. Cultural differences
 - 2. The telephone and person to person
 - 3. The business lunch
 - 4. The importance of food, music and culture



5. No lawyers
6. Invoicing, payments, terms
7. Your 'green ' card
8. Consumer profiles
9. Professional associations
10. Tricks to think in exchange rates
11. Do 's and Don'ts
12. The list goes on and will be included in final draft.

E. Project Management Primer

1. The list
2. Gantt Chart
3. Milestones
4. Tasks and resources in time, money and people
5. The three-ring binder and tickler file
6. Time management
7. Basic salesmanship
8. Champion/Sponsor relationship as a key to success
9. Responsibility , delegation, monitor, fail-safe, poka-yoke

F. How to maximize benefits from consultants

1. Mind mapping
2. Detailed note-taking and follow-through
3. Improving communication
4. Paradigm Paralysis and the Joel Barker video
5. The 'Not Invented Here ' syndrome
6. The need for a clean slate brain
7. How adults learn
8. Fundamental teaching techniques
9. Define the new processes
10. Make them easy to understand in a step by step process
11. Link to training department or HR for execution
12. Discipline the process



- G. More on milestones
 - 1. The absolute necessity for scheduled meetings
 - 2. Why most projects fail
 - 3. How milestone meetings can be used to create a success spiral
 - 4. Projects should result in harvesting huge benefits over and above the project itself through motivated people.
 - H. Listen to individual company needs
 - I. Phase final hours of the course into specific consultation needs
 - J. Pencil Team California objectives for individual companies
 - K. Wrap-up, exchange names and numbers
 - L. Issue Certificates of Completion
- III. Sixteen Hours of Consulting
- A. One to one consulting from specific experts
 - B. Team California as required
 - C. Other services such as Business Resource Center, WTC, etc.
 - D. Referrals to Dept of Commerce , SBDCs, ITCs.
 - E. Confidential mentoring by other CEOs
 - F. Follow-through
 - G. Press releases, Governor 's Certificates

TRADE MISSIONS & TRADE SHOWS

- 1) Trade Missions to Mexico
 - i) Organized by Industry Cluster (specific industry focus with defined expectations)
 - ii) Linked to existing events/tradeshows in Mexico
 - iii) Participants charged on cost-recovery basis

- 2) Mexican Trade Centers Role
 - i) Identify appropriate trade shows
 - ii) Recruit and promote missions
 - iii) Prepare participants - How to effectively participate in trade shows, business, culture and social practices in Mexico, customized reports, define expectations.
 - iv) Lead trade missions (make travel arrangements, accompany clients)
 - v) Post-mission reporting & follow-up with clients:
 - (a) Contacts made
 - (b) Contracts signed
 - (c) Actions (\$\$)
 - (d) Future potential

- 3) Partners:
 - i) DOC/TIA
 - (a) Assist in setting up meetings with organizations
 - (b) Arrange introductions to key industry and company "players"
 - (c) Assist in recruiting and promoting missions
 - ii) California Trade and Commerce
 - (a) Set up meetings with organizations
 - (b) Arrange introductions to key industry and company "players"
 - (c) Assist in recruiting and promoting missions
 - (d) Identify business trade and investment opportunities
 - (e) Pre-qualify potential trading partners

- 4) Reverse Trade Missions
 - i) Buying missions
 - ii) Selling Missions
 - iii) Investing Missions
 - iv) Training Missions

APPENDIX A
CALIFORNIA CITD AND GLOBAL TRADE & LOGISTICS NETWORK

CENTER	CONTACT	ADDRESS	
Statewide Food & Agricultural Hub	Alicia Rios	390 West Fir Avenue, Bldg. B, Suite 303 Clovis, CA 93611	Phone: (559) 324-6401 Fax: (559) 324-6492 http://www.fresnocitd.org
Region A- Northern Regional	Brooks Ohlson	1410 Ethan Way Sacramento, CA 95825	Phone: (916) 563-3200 Fax: (916) 563-3264 http://sacramentocitd.org
Region B- Bay Area	Richard Soyombo	3300 College Dr., Bldg. 5, Rm. 5130 San Bruno, CA 94066	Phone: (650) 738-7098 Fax: (650) 738-7090 http://bayareacitd.com
Region E- San Diego & Imperial	Victor Castillo	900 Otay Lakes Road, Bldg. 660 Chula Vista, CA 91910	Phone: (619) 482-6393 Fax: (619) 216-6703 http://www.sandiegocitd.org
Region G- Orange County	Jezta Torres	2323 North Broadway, Suite 328 Santa Ana, CA 92706	Phone: (714) 564-5414 Fax: (714) 796-3905 http://www.ranchosantiagocitd.org



APPENDIX B
MEXICAN TRADE SPECIALIST CENTER
FOR INTERNATIONAL TRADE DEVELOPMENT

1- SAMPLE ONLY -1

This is a specially state-funded position not currently funded

Definition

The Mexican Business Development Specialist, reports to the Director, Center for International Trade Development (CITD), under the direction of the Director, Economic & Community Development. The individual is also responsible for providing international business technical assistance to local business, industry and individuals who need or are interested in international trade development.

Typical Tasks

Maintain a system of data collection and reporting to satisfy state and local requirements such as:

- 1) Consulting and technical assistance services.
- 2) Number of clients served per month
- 3) Nature of consulting technical assistance provided.

Provide technical assistance to clients by: **SAMPLE**

- 1) Identify the potential for their product or services in the Mexican market.
- 2) Conducting international market research.
- 3) Providing trade leads.
- 4) Assisting with the establishment of contracts.
- 5) Identifying qualified agents, distributors, and manufacturers of local products in Mexico.
- 6) Identifying appropriate international financing and licensing.
- 7) Providing assistance with logistics, international shipping and customs regulations.
- 8) Developing follow-up strategies in order to maintain and expand stable foreign markets for local products.
- 9) Providing import/export training and counseling.

Assist in the promotion of the Mexican Trade Centers programs and services by disseminating information and marketing the center's services through local Chambers of Commerce, women development agencies, and federal and state agencies whose mission is to promote international trade and/or trade with Mexico.

1. Develop partnerships with local state and federal agencies and organizations, which promote and encourage trade with Mexico.
2. Assist in the preparation of grant and proposal writing for Mexican Trade Centers.

3. Perform additional duties required to achieve project objective and activities, and to meet grant requirements.
4. Maintain a friendly and supportive atmosphere for students, faculty, staff and the community.
5. Perform other related duties as assigned by CITD Manager, and Economic Development Director.
6. Promote and provide assistance in organizing the statewide "Intensive Training Program".
7. Promote and seek business participants for Trade Missions to Mexico

Employment Standards

Must possess at minimum an Associates Degree and five years of work experience in the area of International Business. International marketing experience, finding, hiring and motivating representatives, distributors or dealers in overseas markets and in-depth knowledge of the resources available to perform secondary market research in the Mexican market is required. Experience in public speaking is desired. Experience in writing grants and proposals is desired. Knowledge in the area of international trade organizations and international contracts in the public and private sectors is desired. The ability to write, read and speak fluently in Spanish is required. Evidence of sensitivity to and understanding of the diverse academic, social-economic, cultural, disability and ethnic backgrounds of community college students (E.C. 87360a). The work location and assignment within a job classification is determined by the District and may be subject to change.

CASESTUDY

How to do business in Mexico II - Maquiladora Case Study

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The great sucking sound south is the blood transfusion many U.S. manufacturers need to stay competitive against slave labor rates in China and other parts of the world. What follows is a true case in which a California electronics manufacturer has managed to grow market share and remain profitable through sound engineering, good management and a maquiladora in Tijuana. The choice was \$15 dollar an hour fully burdened labor rates in California or \$3 for the same work across the border a few hours from the office.

Let the truth be known. A well managed \$18 million Dollar a year company may retain around 6% of that money in the form of profits if everything works right. More than 6% will trigger competitors, less than 6% will not allow expenditures on better tooling, new product development- and will stagnate the company. Of the \$18 million roughly 10% is in direct labor if performed without automation in the United States. If automated, then roughly 2% will be in direct labor. Automation costs money. A lot of up-front money and payments that often are equal to what a body of workers would be charging. Picture a factory floor where all the work is being done by robots. Now picture the second floor and look at all the programmers and support staff, then X-ray vision through the wall to accounting and the endless checks mailed to leasing companies, banks and the like. Automation, even the flexible kind, makes it difficult to bring about engineering changes and everybody knows that the life cycle of almost any new product is measured now in months - not years. A maquiladora evens the field by putting direct labor at 5% while allowing instant design changes, flexibility and no inventory on the Pacific Ocean on slow boats to China.

Survival, flexibility and market share are the key motivators to starting a maquiladora. If it's true that an \$18 million Dollar a year company will pay \$1.8 million in direct labor they face the rubbing of hands by competitors who know how to pay half a million in labor in China or Taiwan. They also face other competitors who have invested heavily i.e. flexible automation and are willing to retool to provide the same product at a cheaper price. The laws of supply and demand are not to be broken. They are inviolate. To sell an electronics product with a burdened labor rate of 10% is to beg the competition to take it from you. For Perot and his buddies I propose that a 10% loss in direct labor wages in the U.S. is a small price to pay for the survival of the 90% of high end wages for design, marketing, management and profits which remain solidly American. And the consumer buys a U.S. product with all the warranties and product liabilities inherent in U.S. made stuff at a competitive price.

So what is a maquiladora? Our case study is Elpac Electronics makers of external regulated power supplies. Elpac Mexicana is a U.S. company established in Mexico with permission to temporarily import machinery, tools and supplies into Mexico free of duties for processing and

return to the U.S. On the U.S. side it is Customs collecting duties only on the value added due to direct labor content. A kit containing all the resistors, capacitors and the like for a thousand power supplies will cross the border, through customs brokers, and arrive at the assembly plant- the actual maquiladora. Paperwork to the Mexican government and U.S. customs is automated. The product is assembled, tested, labeled, packaged and put in containers with the documentation showing all kit components were used and are now on their way back. Another piece of paper shows the standard times and actual direct labor costs which determines the payment to U.S. Customs. Everything is automated by computer

In Mexico the maquiladora approval is done through SECOFI, the equivalent of Department of Commerce who guide foreign companies through the maze of paperwork and permits. No lawyers are required; in fact they tend to slow things down and hinder the operation. A notary public is the key contact from which all paperwork starts. Runners are hired to take paper and fees to the different government agencies. In two to three months, the U.S. company will have legal presence in Mexico which will allow them to hire, make leases and manage the business. Starting wages for a factory assembler is \$24 Pesos a day (\$3.50 U.S.) times seven days (\$24.50 U.S.) for 48 hours of work. Multiply the base wage times 1.5% to get the actual cost per employee. The 50% markup is for Christmas aguinaldo (minimum two week pay), two week vacation per year. Social Security (medical insurance, retirement, etc.) and miscellaneous costs such as mandatory training, time off for environmental and safety committees, etc. At Elpac Mexicana, my latest startup, I hired recently graduated college people, with some experience in the field, trained them and put them in charge of the factory. There are seven managers: production, materials, accounting, mfg and engineering, facilities, personnel and general manager. There are no resident U.S. people since everything is being handled by the Mexican staff. Average wage for these managers is in the \$600/800 Dollar per month range. There are seven supervisors working at something like \$200 a month and some 130 people on the floor. Total fully burdened labor rates which include rent, insurance, medical, power, water, sewage, supervision, management is in the \$3 per hour range. Compared to a minimum wage fully burdened labor rate in California of at least \$15, it makes a lot of sense.

Quality is as good as management wants it. In Elpac's case we opted for implementing 1809000 standards to comply with home office who are registered. The Mexican worker is trainable, responsible and likes the work. Forty-eight hours a week is performed at 9.5 hours per day for five days giving everybody Saturday and Sunday off. When the week's quota is done early Friday afternoon the crew is let go. This is the greatest motivator of all - even more than money. Somebody from headquarters will make a trip to the plant once a week - not that it's always necessary, just good policy. The trip is two and a half hours down, an hour or two at the plant, and two and a half hours back. For the most part people say it's a pleasant trip allowing them time to think, make notes on tape recorders and enjoy life. The crossing at the border may be 10 minutes or an hour on the way back. Nothing on the way down. You get used to it.

A lot of people believe that at these wages it is nothing more than a sweat shop. On the contrary, there are some 600 maquiladoras in Tijuana and 90% of them are state-of-the-art manufacturing facilities with clean bathrooms, lunchrooms, rest areas, facilities and excellent machinery and tooling putting out high quality, low cost products sold world-wide. Maquiladoras are now popping up everywhere in Mexico, IBM and HP in Guadalajara, GM, Nissan, and VW from Puebla to Guanajuato. Our Korean friend who measures his wealth by the share of GNP he controls in each country, Goldstar, is in Chihuahua and expanding. Kenworth, Fender Music, Kimberly Clark, Sony, Sanyo, Matsuchita, Plantronics, and a thousand other well-known brands are made in Mexico.

Problems? Yes, if you allow yourself to be suckered into the bribe market. But if you determine up front that your strategy is to do business without ever paying a penny in bribes you are making the right choice. We made that decision and certainly had our share of government inspectors do their best to wear us down but we never gave in. Comply with the rules, document what you are doing, and you can enjoy years of manufacturing glory without blackmail. Research first, get to know people who are in the business, listen well, take notes and then just do it. Mexicans love good food, music, family affairs. They are the most sociable people on earth. Humble yourself to be a good listener and you will do well in Mexico.