



SB 357 California Trade & Investment Office – FAQs

California Senator Ben Hueso's State Senate Bill 357 would establish a California trade office in Mexico City. The San Diego Regional Chamber of Commerce is the official sponsor of the bill, who recognizes the importance of having a physical presence at the government and financial capital of our number one trading partner.

Q. Why have representation in Mexico?

A. A trade office's function is to assist businesses in entering a foreign market and remain competitive. Although Mexico and the U.S. have a long and positive working relationship, business organizations don't have such relationship themselves, and they require more than guidance to successfully enter a new market and compete against local businesses and U.S. businesses from other states. Cross-border trade requires industry-specific knowledge on regulations, experience in local government advocacy, experienced skills in guiding incoming foreign businesses, and continuous efforts to promote such businesses to remain competitive.

The trade office can also assist in promoting foreign investments in California - the sixth largest economy in the world and a leading trade and investment partner with Mexico. We are the only border state without a trade office in Mexico.

Q. How many states have representation in Mexico?

A. Twenty-five of the 50 U.S. states have at least one trade office in Mexico.

- California is the only state along the U.S.-Mexico border without a trade office in Mexico.
- 15 of the U.S. states with a trade office in Mexico rank Mexico as their first or second largest export market. Two additional states rank it as their third largest export market.

Q. What are some examples of the services the trade office can provide?

A. The primary functions of a trade office include: promoting state businesses, helping facilitate business delegations and trade shows, advocating on behalf of local government and agencies, and providing information and support on incentive packages, site selection, local workforce, and facilitating regulatory systems and permits.

Q. The State of California already has a very positive relationship with Mexico, is this simply motivated by the national political sentiment?

A. Having a trade office in Mexico City has been a goal for a number of years, long before the current national narrative on the U.S.-Mexico relationship surfaced. Prior efforts to establish an office include a similar bill, SB 928 (Correa), which was introduced in 2013 and received full support from the State Legislature as well as private sector associations. Additionally, the private sector supported other bills which would increase trade with Mexico such as the Enhanced Driver's License bill SB 249 (Hueso) 2015. Both pieces of legislation were vetoed by Governor Brown.

California is at a critical point, leading the charge on important national issues, like climate change and immigration. Yet on international trade policies and relationships, the focus has been limited to China.

It is important we demonstrate California's commitment to the binational economic and political relationship moving forward. SB 357 accomplishes this.

Q: What need does the trade office in Mexico meet that is not currently being fulfilled?

A:

Individualized State Promotion

There are federal government agencies with offices in Mexico, but none promote California's interests as a priority. California can benefit from having a physical presence in Mexico that specializes in both economies. We can collectively promote investment opportunities that transcend across borders and make decisions that benefit both partners in a financially viable way.

Continuous access to custom-made services

Businesses are in need of services that are tailored to their specific industry and organization size. They can also benefit from access to constant support following up on current and emerging challenges as they enter a new market and remain competitive.

The quality of work currently provided by existing commercial offices often varies depending on the workload and experience of the provider. In Mexico this can often result in work being performed by an intern due to high work volume and given the fact the office is responsible for all fifty states.

Q. Why in Mexico City vs. other cities within Mexico?

A. Mexico City is the commercial and political capital of Mexico. Having a physical presence will strengthen the California/Mexico political and commercial relationship.

Q. Why should California have representation in Mexico, but not necessarily in other countries?

- Mexico is the top market for exports from California - valued at over \$25,250 billion. Many states only have representation in Mexico and justify the focus with the value of trade the state conducts. Mexico is a priority export market.
- Some state trade offices in Mexico (i.e. Iowa) also provide assistance in South America for the same cost and eliminating the need for additional physical offices.

Q. Do you need a physical office with state employees?

A. Absolutely. It is imperative to have a physical presence in Mexico with a representative who is actively working to identify buyers for California goods and services as well as opportunities for California businesses to expand in Mexico. However, it is not necessary to have the office staffed by state employees. Many offices were previously structured in this way which were not economically sustainable. The common model seen across trade offices is to hire an independent contractor. This can be an individual or an existing company which specializes in trade promotion.

Q. What are the staffing needs of a trade office?

A. States have obtained representation in Mexico with as few as 1 to 2 employees.

Q. What is the typical cost?

A. \$100,000 to \$300,000 annually. As an alternative, the cost can be allocated on a project by project basis or as needed with a contract in place.

Q. Why were previous trade offices in Mexico closed?

A. This was due to a downturn in the economy and inefficiencies in the original structure of the office. Under economic downturns, the state can eliminate or temporarily suspend funding, which is what happened in past efforts. A way to address structural concerns is to create metrics of success for the trade office and monitor the metrics closely. Also, the State (GO-Biz) can increase the rate of return by vetting companies seeking assistance to ensure they are export ready.

Q. Should the office be funded by the private sector?

A. 100 percent of state trade offices are publicly funded in order to prevent any perception of favoritism or bias. State funded and state backed offices also signal a greater commitment from the state which increases credibility and stability, two important factors for a prosperous businesses environment.

Q. In what way are California jobs and businesses adversely impacted by their relationship with Mexico absent a trade office?

A. California is competing with states who have a direct business relationship with and physical presence in Mexico. Mexican businesses seeking to expand into the U.S. are participating in business visits organized by other states. In order to be competitive and attract businesses to California, we must have equal representation.

Specific examples of how a trade office in Mexico can help grow California's economy**Case study 1**

San Diego Regional Chamber staff recently traveled to Guadalajara and met with two companies considering expansion into the U.S. market. One company is a nationwide transportation (trucking) company and the other is a restaurant chain. Both were considering Texas as their U.S. base of operations. Since the Chamber's visit, which included promotion of California as the ideal location for the company headquarters, the restaurant business has selected San Diego, California. The Chamber is continuing talks with the trucking company to work on attracting their business to San Diego as well.

Like these businesses, many others consider location based on a wide variety of factors including tax incentives and regulations. California is as competitive as any other state given its ample workforce and quality of life, but the message and advocacy is left to chance without active representation.

Case study 2

In 2013, the Sportfishing Association of California (SAC) faced the sudden enforcement of passports and multiple use migratory forms as a requirement for all foreign visitors entering Mexican waters. This form (FMM) was to be paid and processed for every passenger and crew member, per visit, valid for up to 180 days. Vessels were instructed to stop at the closest port of entry, clear customs, and process FMMs before continuing with their tourism operations regardless of the number of passengers or length of their trip. According to Mexican regulations, an FMM is required within 12 miles of Mexican territory, islands included.

Because of the additional time, expenses, and fuel needed to stop in Ensenada on every trip, private boat owners and charter operators in southern California questioned if visiting Mexico continued being an option. Most of the commercial passenger fishing vessels (CPFV) located in San Diego take daily trips to the Coronado Islands and depend on their ability to take tourists to Mexican waters. FMMs became an instant threat to their businesses.

In representation of CPFVs, SAC invested resources in creating a bridge of communication with Mexican immigration authorities through the Mexican Consulate in Los Angeles and directly with the National Institution of Immigration (INAMI) in Mexico City. With the help of an attorney specialized in maritime regulations in Mexico City, and a full-time employee managing government relations with Mexico, SAC took the initiative of pursuing the creation of an online process that would allow U.S. vessels to comply with Mexican regulations without making port in Ensenada.

It was with extraordinary efforts that SAC was able to gain support at different government agencies that had not previously sat down at the same table to collaborate on a multiple-agency project before. CONAPESCA, INAMI, SAT (Mexican customs), the Secretary of Tourism, and Banjercito (the Federal Bank of the Army) were persuaded to work on an online platform that allowed tourists to submit their personal information and payment in order to print out an electronic list of passengers and individual FMMs prior to leaving San Diego. SAC worked closely with INAMI and Banjercito to translate the website and provide feedback on its design and instructions to ensure the process was user friendly. Parallel to these efforts, SAC created its own set of guidelines on its website to educate the general public on Mexican regulations and how to comply.

In 2015, the Commissioner of INAMI personally congratulated SAC for its time, efforts, and persistence. SAC's initiative accomplished the unprecedented: changing Mexican regulations and creating a five agency team to solve an issue for a small niche (recreational fishing). Today, a similar platform based on the maritime FMM website allows foreign visitors to process FMMs when visiting by land or air.

SAC took the lead on this initiative to overcome a threat to the recreational fishing industry in California. The association and its members had no alternative or ally within the U.S. government that provided support, resources, or guidance when they faced this challenge. Had a California state trade office been present at this time, it would have offered the services necessary to streamline the process of coordinating multiple government agencies and protecting an important sector of California's tourism industry. This is a clear example of a family of organizations that would benefit from a trade office in Mexico as support for their business.

For more information on SB 357 click [here](#).