

December 31, 2012

TO: Members of the MAG Economic Development Committee

FROM: Mayor Thomas Schoaf, City of Litchfield Park, Chair

SUBJECT: MEETING NOTIFICATION AND TRANSMITTAL OF TENTATIVE AGENDA FOR
THE MAG ECONOMIC DEVELOPMENT COMMITTEE

Tuesday, January 8, 2013-11:30 a.m.
MAG Office, Suite 200 - Saguaro Room
302 North 1st Avenue, Phoenix

A meeting of the MAG Economic Development Committee (EDC) has been scheduled for the time and place noted above. Members of the Committee may attend the meeting either in person or by telephone conference. A light lunch will be provided.

Please park in the garage under the building. Bring your ticket to the meeting. Parking will be validated. For those using transit, the Regional Public Transportation Authority will provide transit tickets for your trip. For those using bicycles, please lock your bicycle in the bike rack in the garage.

Pursuant to Title II of the Americans with Disabilities Act (ADA), MAG does not discriminate on the basis of disability in admissions to or participation in its public meetings. Persons with a disability may request a reasonable accommodation, such as a sign language interpreter, by contacting Denise McClafferty at the MAG office. Requests should be made as early as possible to allow time to arrange the accommodation.

If you have any questions regarding the EDC agenda items, please contact Dennis Smith, MAG Executive Director, or Denise McClafferty, Management Analyst, at (602) 254-6300.

MAG ECONOMIC DEVELOPMENT COMMITTEE
TENTATIVE AGENDA
JANUARY 8, 2013

COMMITTEE ACTION REQUESTED

1. Call to Order

The meeting of the Economic Development Committee will be called to order.

2. Call to the Audience

An opportunity will be provided to members of the public to address the Economic Development Committee on items not scheduled on the agenda that fall under the jurisdiction of MAG, or on items on the agenda for discussion but not for action. Members of the public will be requested not to exceed a three-minute time period for their comments. A total of 15 minutes will be provided for the Call to the Audience agenda item, unless the Economic Development Committee requests an exception to this limit. Please note that those wishing to comment on action agenda items will be given an opportunity at the time the item is heard.

3. Approval of the December 4, 2012 Economic Development Committee Meeting Minutes

4. Improving Arizona's National Competitiveness in Grant Making for Economic Development

On September 6, 2012, the East Valley Partnership held a conference, Arizona to the World, at the Tempe Mission Palms. At this conference, Dr. Michael Crow made a presentation regarding economic development in Arizona. In his comments, Dr. Crow mentioned that a consortium of universities, including the University of Arizona and others, joined together to apply for a grant for approximately \$70 million. He noted that in the competition, Arizona State University (ASU) and the consortium came in second to the University of California, Davis. ASU was the only proposal in this national competition that was not supported by a government representative. Dr. Rick Shangraw, who

2. Information and discussion.

3. Review and approval of the December 4, 2012 Economic Development Committee meeting minutes.

4. Information, discussion and input.

previously was the Senior Vice President for Knowledge Enterprise Development and Director of the Global Institute of Sustainability at Arizona State University and is now the Chief Executive Officer for the ASU Foundation, will address the EDC on the quick response time involved in grant making and the need for a mechanism to secure government support for this type of grant to be nationally competitive. Dr. Sethuraman “Panch” Panchanathan will also be part of the discussion.

5. Discussion on the Thunderbird Recommendations

At the December 4, 2012 Economic Development Committee meeting, the Thunderbird School of Global Management Consulting team gave their final presentation on Arizona-Mexico Small and Medium-Sized Business Connections. We were also honored to have in attendance special guests from Sonora, Mexico, who came to support a local government based partnership to increase business across the border. The Thunderbird team recommended a number of strategies for increasing competitiveness. Staff is requesting feedback from the Committee regarding moving forward on the Thunderbird recommendations and working with the partnering agencies. As a result of this event, MAG elected officials and business leaders have been invited to Nogales Sonora, Mexico for a one-day event to meet the elected officials and business leaders in Nogales, Sonora. Input on the recommendations and next steps is requested. Please refer to the enclosed material.

6. Building an International Economic Network (BIEN)

To encourage collaboration for small and medium sized businesses, MAG is exploring the development of a digital platform that would include businesses in Arizona, Mexico and other areas. The working title for the digital platform is Building an International Economic Network (BIEN). The proposed tool will assist businesses by developing a centralized database with the functionality for conducting a customized search

5. Information, discussion and input.

6. Information, discussion and input.

for possible partnerships. It is envisioned that this would be a partnership with local businesses to organize local business information and a mapping component would be included. A report will be made on the MAG efforts. Input from the Committee is requested.

7. Greater Phoenix Rising Update

On November 1, 2011, the Greater Phoenix Rising Web Site was officially launched. The EDC approved a partnership between MAG and Greater Phoenix Economic Council to develop a data resource for economic development. The joint website includes interactive maps, graphs, charts and videos that provide prospective businesses and residents information on the region. Since that time, staff has completed the Key Assets video and created a Greater Phoenix Rising mobile site so that the website can be viewed from mobile devices. Staff will provide an opportunity to view the new video as well as a demonstration of the mobile website.

7. Information and discussion.

8. Request for Future Agenda Items

Topics or issues of interest that the Economic Development Committee would like to have considered for discussion at a future meeting will be requested.

8. Information and discussion.

9. Comments from the Committee

An opportunity will be provided for the Economic Development Committee (EDC) members to present a brief summary of current events. The EDC is not allowed to propose, discuss, deliberate or take action at the meeting on any matter in the summary, unless the specific matter is properly noticed for legal action.

9. Information.

Adjournment

MINUTES OF THE
MARICOPA ASSOCIATION OF GOVERNMENTS
ECONOMIC DEVELOPMENT COMMITTEE

December 4, 2012

Sheraton Phoenix Downtown Hotel
Phoenix, Arizona

MEMBERS ATTENDING

Mayor Thomas L. Schoaf, Litchfield Park,
Chair

Mayor Marie Lopez Rogers, Avondale,
Vice Chair

*Mayor Gail Barney, Queen Creek
Steven Betts, GPEC

*Supervisor Fulton Brock, Maricopa County
Dr. Joseph Cavinato, Thunderbird

Mark Dreher, East Valley Partnership

Thomas Franz, Greater Phoenix Leadership

*Jim Kenny, El Dorado Holdings, Inc.

*Mayor W.J. "Jim" Lane, Scottsdale

Mayor Michael LeVault, Youngtown

Mayor John Lewis, Gilbert

*Mayor Jackie Meck, Buckeye

Mayor Mark Mitchell, City of Tempe

Jim Rounds, Elliott D. Pollack & Company

*Floyd Roehrich, Jr., ADOT

Todd Sanders, Greater Phoenix Chamber
of Commerce

Mayor Elaine Scruggs, Glendale

*Councilmember, Jack Sellers, Chandler

Bill Sheldon, WESTMARC

Mayor Scott Smith, Mesa

Mayor Greg Stanton, Phoenix

*Sandra Watson, Arizona Commerce
Authority

Mayor Sharon Wolcott, Surprise

* Not present

Participated by video or telephone conference call

OTHERS PRESENT (see attached sheet(s)):

1. Call to Order

The Economic Development Committee (EDC) meeting was called to order by Chair Schoaf at 11:42 a.m. Chair Schoaf noted public comment cards were available for those members of the public who wish to comment. Chair Schoaf stated that transit tickets were available from Valley Metro for those using transit to come to the meeting. Parking validation was available for the MAG parking facilities for those who parked in the garage.

Chair Schoaf stated the committee was honored to have guests from Mexico attend this meeting and thanked them for coming. He added that our region is looking forward to building a strong relationship with our neighbors in Mexico.

Chair Schoaf took a moment to recognize that this was the last EDC meeting Mayor Scruggs would be attending before she retired from elected office. Chair Schoaf thanked Mayor

Scruggs for her dedication and service to the MAG region.

2. Call to the Audience

Chair Schoaf stated according to the MAG public comment process, members of the audience who wish to speak are requested to fill out the public comment cards. He stated that there is a three minute time limit. Public comment is provided at the beginning of the meeting for items that are not on the agenda that are within the jurisdiction of MAG, or non action agenda items that are on the agenda for discussion or information only. Chair Schoaf noted that no public comment cards had been received.

3. Approval of the November 6, 2012 Economic Development Committee Meeting Minutes

Chair Schoaf asked if the members had any questions regarding the November 6, 2012 meeting minutes. There were none. Mayor Scruggs moved to approve the November 6, 2012 Economic Development Committee meeting minutes. Dr. Cavinato seconded the motion and the motion carried unanimously.

4. Arizona-Mexico Small and Medium Sized Business Connections Presentation

Chair Schoaf stated the team from the Thunderbird of Global Management worked on the "Arizona-Mexico Small and Medium Sized Business Connections" study and would be presenting their findings today. Chair Schoaf added this region is very lucky to have this resource in the Valley and then introduced the Thunderbird team.

Luis Vidal thanked everyone for attending and provided a synopsis of the project. He stated the ultimate goal is to enhance bilateral trade between small and medium sized businesses in the Maricopa region and in the state of Sonora. He added that during the interview process the team recognized how willing and hospitable the Sonoran government and companies were to expand bilateral trade. Mr. Vidal stated there are 3.5 million enterprises in Mexico and 99.5 percent are small to medium sized businesses. He added that of the approximately 76,000 small and medium businesses in Sonora, 90 percent of these are family owned.

Mr. Vidal stated in order to achieve successful commercial relationships with Sonora, Arizona must first understand its southerly neighbor, create visibility of business opportunities that exist between the two states, create an entity that would allow each side to collaborate with one another, and individuals from both sides need to be conditioned on how to engage with representatives from the other side in the appropriate ways.

Stephen Sheldon discussed the immediate, mid-term and long term priorities. A name the team suggested was "B.I.E.N", which is the Spanish word for good. The acronym would stand for Building an International Economic Network. He noted the immediate priorities, which should be completed by the end of 2013, include creating an implementation team to

take accountability and drive initiatives; agree on a brand for this region, while incorporating Mexican influence on Arizona; and design an awareness campaign to educate the Arizona business community about the positive reality of the Mexican business environment. He noted Sonora is the safest among the border states and our region needs to dispel myths about Mexico.

Mr. Sheldon suggested our region inform companies of the benefits of near shoring and also educate companies on how to do business with Mexico. Mr. Sheldon also suggested that our region focus on engaging family-owned businesses in both Arizona and Sonora by organizing trade expos.

Mr. Sheldon stated the mid-term priorities, which should be completed within 1-3 years, include continue building on the initial priorities; continue developing a professional Center of Excellence; expand existing technology to enhance communication between companies on both sides of the border and; encourage companies to find opportunities to replace supplies that they may be sourcing from lands farther away.

Mr. Sheldon stated the long term priorities, which should take place within 3-5 years, include promoting the brand of the Sun Corridor at professional functions locally, regionally, nationally, and globally; and expand success achieved from strategies in Sonora to the rest of Mexico.

Alex Davis stated Arizona must create a strategically focused roadmap for commercial increase in Mexico. He noted the blueprint should influence and complement the work being done by the Transportation and Trade Corridor Alliance and focus on a statewide vision for overall economic development. He stated in Mexico, much more than in other countries, it is very important to build sound personal relationships, not just commercial relationships. He added many Mexican business owners place a higher value on mutually beneficial, trustworthy relationships than merely on quick profit focused transactions.

Mr. Davis stated this is a fact that business owners in Arizona must recognize when seeking to establish a partnership in Mexico and noted rather than establishing business relationships via email, phone or Skype - as it is practiced frequently in the US - a face to face meeting is absolutely essential in facilitating a long term business relationship in Mexico.

Mr. Davis added this face-to-face meeting must be followed by subsequent visits that are focused on establishing trust between both parties. Once this initial phase of communication and relationship building is established, an Arizona business owner will be more likely to cultivate a steadfast partner on which they can rely. He stated while this may seem like common sense, this step in partnership building is often neglected by many business owners. He added this cross-cultural education will play a crucial role in the awareness campaign conducted by MAG.

Mr. Davis noted there are numerous trade challenges that are slowing down economic

development between Maricopa County and Sonora. He stated these challenges can be overcome with aggressive educational campaigns and proper relationship-building techniques. He added Arizona's window of opportunity to proactively engage with Mexico is 3-5 years and stated the very first step is for Arizona's government leaders to bring their agendas into alignment and pave the way for its business community to capitalize on existing opportunities.

Chair Schoaf thanked the team for their presentation and asked if there were any questions or comments.

An audience member asked if the team had established priorities by industry. The team stated priorities should be established based on importance of the industry region and noted currently the aerospace industry is showing to be the anchor industry and this should take precedence. An audience member commented that a study should also incorporate or include Ciudad Obregon into our economic development region. It was emphasized that Ciudad Obregon serves as a strategic city because it is known as the gateway to Western Mexico and is located close to the port in Guaymas. It was also noted that Ciudad Obregon is poised for future growth and opportunities due to its strategic location on the transportation system.

A member of the audience stated one of the best things this region can do first is to create an identity for our region that is short, catchy, and tells where it is in its name. It was recognized that China's labor costs are rising and erasing the competitive edge and speed to market and flexibility in serving the customer are more important today, than ever before.

A member of the audience asked if there were possible synergies between Arizona and Sonora in the renewables sector. The Thunderbird team stated UT-Hermosillo, La Universidad de Sonora, and Monterrey Tech are involved in renewables in Sonora and can play a central role in making relationship linkages. They noted Arizona Technology Council and ASU Skysong could reach out to these institutions and investigate the possibilities of making formal collaborator relationships.

Another member of the audience asked for clarity about the teams recommendation in regards to focusing on organic growth rather than foreign direct investment. The team stated focusing time, energy, and money on growing this region organically in the immediate and mid-term will make foreign direct investment efforts in the longer term (2016 and beyond) easier and more effective.

Chair Schoaf presented a token of appreciation for the work the Thunderbird team had done and stated many students who graduate from Thunderbird School of Global Management go on to have successful business careers in other countries and he hoped the team would remember Arizona. Chair Schoaf also presented certificates to the guests from Mexico to commemorate this inaugural meeting and thanked them for attending.

The full report and presentation are available on the MAG website.

5. Request for Future Agenda Items

Chair Schoaf asked if there were any requests for future agenda items. There were none.

6. Comments from the Committee

Mayor Schoaf stated that the next meeting is scheduled for January 8, 2013 at 11:30 a.m.

Adjournment

There being no further business, the Economic Development Committee meeting was adjourned at 12:52 p.m.

Chair

Secretary



The Road Ahead

In order to achieve our ultimate goal of enhancing bilateral trade between SMEs in the Maricopa region of Arizona and the state of Sonora in Mexico, MAG and its various state partners must adhere to a strategically focused and chronological road map.

Recommendations

INITIAL PRIORITIES: (END OF 2013)

- Create an implementation team to take accountability and drive initiatives
- Agree on an brand for this region, incorporating Mexican influence on AZ
- Design an “awareness” campaign to educate the Arizona business community
- Focus on engaging family-owned businesses in Arizona and Sonora via trade shows

MID-TERM PRIORITIES: (1-3 YEARS)

- Continue building on the initial priorities
- Continue developing the Sun Corridor as a professional Center of Excellence
 - Expand existing technology to enhance communication between companies
 - Encourage dialogue about assets native to the geographical region

LONG-TERM PRIORITIES: (3-5 YEARS)

- Promote the brand of the Sun Corridor at professional functions locally, regionally, nationally and globally
- Expand success achieved from strategies in Sonora to the rest of Mexico

MAG EDC Meeting December 4, 2012



Thunderbird School of Global Management
 Consulting Practicum
 Arizona –Mexico Small and Medium Sized Business Connections
 September 5 – December 4, 2012

MAG EDC MEETING
 DECEMBER 4, 2012

ARIZONA – MEXICO Small and Medium Sized Business Connections

Small and Medium-sized Enterprises (SME) in Maricopa County

Number of Employees
 Small = 1 - 50
 Medium = 51 – 500

242,595 active SMEs in Maricopa County

- Top SME industries:
- Wholesale and retail trade
 - Services
 - Hotels, restaurants
 - Professional, technical
 - Construction

Pequeñas y Medianas Empresas (PyME) in Sonora, Mexico

Number of Employees:
 Micro = 1 - 10
 Small = 11 – 50
 Medium = 51 – 250

76,000 active PyMEs in Sonora

- Top PyME Industries:
- Wholesale and retail trade
 - Primary sector
 - Construction
 - Hotels, restaurants



This issue:

- The Current Business Landscape
- SMEs and PyMEs
- The Mexican Business Environment
- Sonora, Under the Microscope
- Building Relationships
- Opportunities and Challenges
- Recommendations

The Current Business Landscape

Over the past several years, announcements about the resurgence of positive attention on Mexico have subtly echoed throughout the North American business community. Authors have inked sumptuous news headlines such as “Mexico is the new China for manufacturing,” “Mexico is the new India for global consumption,” and “Mexico is the new Brazil for economic power in Latin America.” As the echoes grow louder, eager business owners and economic development agencies have begun to cast their gaze southward, fashioning plans for ways to reap benefit from their rapidly developing neighbor. Many organizations, in both the public and private sectors, will not get very far, however; as they are applying strategies that were successfully used to engage counterparts in the aforementioned countries during trendy global movements of decades past. Most organizations are not conducting their due diligence in order to fully understand the delicate intricacies of the Mexican business community. The Maricopa Association of Governments

(MAG) is not one of these assuming organizations, however. Through its diligent exploration and planning processes, MAG is gaining an understanding of what it will take to succeed in Mexico. Additionally, within these complexities, lies yet another quandary: how to successfully engage the PyMEs (small and medium-sized enterprises or SMEs) that account for 99.5% of all registered businesses. The Thunderbird Consultants are pleased to have been selected as the body to shed light upon the business environment in Mexico. This document includes graphical representations to help further illustrate key findings as well as technical classifications.



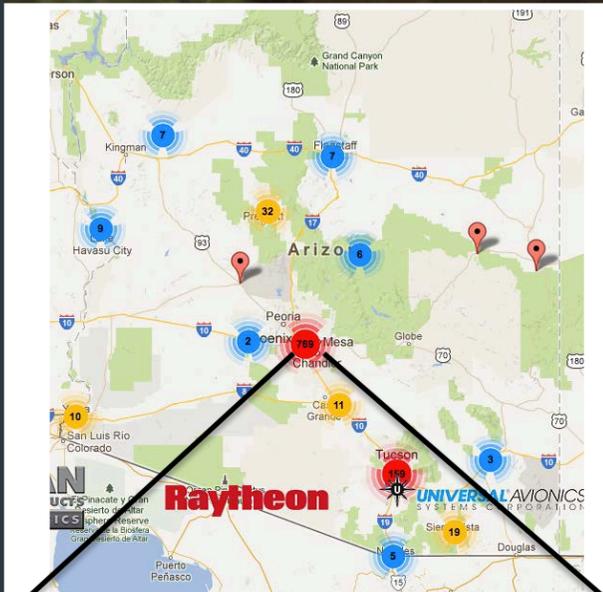
Sonora, Mexico under the microscope

While the state of Sonora only accounts for 2.6% of Mexican GDP (nearly \$30 billion USD).¹The percentage breakdown of companies per size category is nearly identical to that of the rest of the country. Per the 2008 national census, there are approximately 76,000 companies in Sonora. Their size classification is listed below:

- Micro: 52,330 (69%)
- Small: 20,698 (27%)
- Medium: 2,833 (4%)

The state is home to a population of 2.7 million people and the average per capita income is approximately \$11,200 per year. Additionally, formal employment growth rate of 5.4% is outpacing the national average of 4.3%. The state capital, Hermosillo accounts for 1/3 of Sonora's GDP and population; and its business demographics mirror those of the rest of the state.

The comparative number of PyMEs operating in Sonora today is less than 1/3 of those in Maricopa County. Of the nearly \$5.8 billion of goods exported to Mexico by Arizona, 80% is destined for Sonora. This statistic alone quantifies the importance of trade between these two regions.



Supply Chain Visibility

A proven strategy to increase economic collaboration is to provide visibility upon the active supplier base in a particular region. An online platform which makes these companies visible in a user-friendly manner, such as that illustrated above, would prove valuable. The technology currently exists for a small amount of industries, but should be expanded across all industries with companies interested in conducting bilateral trade.

The Mexican Business Environment

Understanding the PyME landscape in Mexico:

- 2008 total number of enterprises in Mexico: 3,500,000
- 2008 Proportion of PyMEs: 99.5%
- 2008 Total # of PyMEs: 3,482,500

* The number of PyMEs has changed since 2008, however, this is the last official number; taken from the 2008 national census.

Understanding the family-owned business landscape in Mexico:

- At least 90% of all PyMEs are family-owned businesses.
- Estimated % of sustenance-focused family businesses: 30%
- Estimated % of growth-focused family businesses: 70%
- # of sustenance-focused family businesses: 940,275
- # of growth-focused family businesses: 2,193,175
- **Total # of PyMEs focused on growth (family and non-family owned businesses): 2,542,225**



Arizona - Sonora

2011 by the numbers

- \$11.9 billion worth of bilateral trade; Arizona exports \$5.74 billion worth of goods to Mexico (48% of total trade)
- Computers and electronics exported to Mexico generate over \$1.2 billion in revenue for Arizona
- 87,800 jobs are a direct result of export related activities
- 23 million northbound visitor border crossings occurred over the Mexico-Arizona border
- Mexicans account 70% of 4.7 million international overnight visitors in Arizona

Source: US Chamber of Commerce

Sonora is the only state in Mexico's Northern border which is currently marked green within the National Crime Rate Traffic Light. This indicates that the overall crime rate in Sonora is below the national average.

Crime Rate Traffic Light: Total Reds



Sonora is the safest among all border states.

Source: COPRESON

Fostering Meaningful Business Relationships in Mexico

In Mexico, much more than in other counties, what determines the fate of trade is an organization's ability to initiate and build sound personal relationships, not just commercial relationships. While avoiding generalizations, many Mexican business owners place a higher value on a mutually beneficial, trustworthy, relationship than merely on quick profit focused transactions. This is a fact that SME owners in Arizona must be cognizant of when seeking to establish a partnership in Mexico. Rather than the U.S. norm of establishing business relationships via different forms of technology, such as email, phone or Skype; a face to face meeting is absolutely essential in facilitating a long

term business relationship in Mexico. This face-to-face meeting must be followed by subsequent visits that are focused on establishing trust between parties. Once this initial phase of communication and relationship building is established, an Arizona business owner will be more likely to cultivate a steadfast partner on which they can rely. While this may seem like common sense, this step in partnership building is too often neglected by many business owners, thus impeding their success in Mexico. This cross-cultural education will play a crucial role in the awareness campaign conducted by MAG.

Opportunities for Growth

Arizona-Sonora Synergy

Value-Added Processing

Historically, raw materials and minerals have been extracted from Sonoran soil and exported for further processing in other states or countries. Primary research indicates that there is a significant opportunity for more value-added processing enterprises in the state of Sonora.

Assembly, Sub-Assembly, Warehousing Opportunities

Per the Supplier Expo 2012 held in Nogales, the Maquila industry along the border is constantly on the lookout for key suppliers of multiple products and services. Arizona SMEs are well positioned to fill this role. Additionally, NAFTA has significantly increased the volume of commercial trucks crossing the border in Nogales. This increased commercial activity has created an opportunity for more warehousing and distribution companies on the US side in Nogales, AZ.

Near Shoring Opportunities

MAG area SMEs should examine their supply chains to see if they stand to benefit from near-shoring to Mexico. Doing so often allows companies to have more control over their upstream partners, reduce costs, offers protection from IP theft, and other benefits.



ARIZONA – MEXICO SMALL AND MEDIUM-SIZED BUSINESS CONNECTIONS



Presented to the
MARICOPA ASSOCIATION OF
GOVERNMENTS
by
Consultants from THUNDERBIRD
SCHOOL OF GLOBAL MANAGEMENT

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LUIS VIDAL

DECEMBER 4, 2012

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EXECUTIVE SUMMARY

Sonora, Mexico, the state along Arizona's southern border is perhaps the Mexican border state most conducive to business growth. While it is true that Arizona's level of trade with Mexico has not increased to the degree that its peer states have, such as Texas and California, Arizona stands to benefit equally or more in the future. It can do this by replicating proven best practices and supplementing those with its own unique engagement strategy.

To achieve successful commercial relationships with Sonora, Arizona first must understand its southerly neighbor. Second, both states must increase visibility of the business opportunities that exist between them in order for companies on both sides to see those opportunities. Third, multiple mechanisms must be constructed to allow each side to collaborate with one another. Finally, individuals from both sides need to be educated on how to engage with representatives from the other side in the appropriate way. These actionable recommendations should be made in the sequential order of the near-term, mid-term and long-term.

ARIZONA – SONORA SME & PYME BUSINESS LANDSCAPE

In Mexico, there are approximately 3.5 million enterprises in existence (Luna & Rodriguez, 2012). Nearly all are small and medium-sized enterprises.¹ Denoted "SMEs" in the United States, these companies are referred to as "PyMEs" (*pequeña y mediana empresa*) or "MSMEs" (*micro, small and medium enterprises*)² in Mexico (Diario Oficial de la Federación, [DOF], 2009). The comparative number of PyMEs operating in Sonora today is less than one third of those in Maricopa County. Of these companies, more than two thirds have five or fewer employees, and more than 90 percent are family owned (Poza, 2012).

Sonora's economic activity accounted for 2.6 percent of Mexico's total gross domestic product (GDP) in 2011 (Luna & Rodriguez, 2012). Arizona posted merchandise exports of \$6 billion to Mexico in 2011 (U.S. Department of Commerce, 2012). This accounted for 33.6 percent of the state's total merchandise exports. More importantly, more than 74 percent of these exports were destined for Sonora (Research and Innovative Technology Administration [RITA], 2012). This statistic alone quantifies the importance of trade between these two regions. Furthermore, in 2009, 87,800 jobs in Arizona were a direct result of export-related industries, mostly in the retail and wholesale distribution business (U.S. Department of Commerce, 2012)—a number that has only grown since. Finally, of the roughly \$22 billion of Mexican goods being traded annually through the region's main port in Nogales, Arizona, \$8.6 billion of the goods traded are between Arizona and Mexico, while the rest travel through other U.S. states and north to Canada (RITA, 2012). While this number is significant, there is growing consensus that it could be

¹ The standard size of small and medium-sized enterprises (SMEs) in the United States varies, but generally refers to companies with fewer than 500 for most manufacturing and mining industries, and \$7 million in average annual receipts for most non-manufacturing industries.

² The standard size of micro, small and medium-sized enterprises (MSMEs) was redefined by Secretaría de Economía and Secretaría de Hacienda y Crédito Público in 2009.

much bigger³, especially when the main port of entry in Texas facilitates about \$144 billion of U.S.-Mexico total trade and the main port in California about \$33 billion (ibid).

NEARSHORING

Unlike the *Outsourcing to China* movement, which lasted 30-40 years, the nearshoring trend is predicted to be relatively permanent as companies regionalize their operations rather than having a single location support all of their global operations (Cavinato, 2012). Approximately two percent of globally operating companies have nearshored their operations to date (ibid). There are a variety of reasons why companies are nearshoring, many of which go beyond just cost savings. Arizona companies of all sizes can benefit from opportunities in Sonora by leveraging Sonora's geographical proximity and existing products, services and resources.

OBSTACLES HINDERING ARIZONA BILATERAL TRADE

Several obstacles are hindering bilateral trade with Mexico at the SME level in Maricopa County. According to multiple sources, the largest obstacle is the ***lack of awareness*** of commercial opportunities in Mexico that prevails throughout the Arizona business community. Second, and contributing to the first obstacle, is a ***distorted perception*** that many Arizonans hold against the entire country of Mexico. People have generalized negatively based on publicized corruption and violence that have occurred mostly in areas very remote from Arizona's target market, Sonora. Third, an ***underrepresentation of trade representatives in Sonora and Mexico*** makes it difficult to compete with rivals like Texas and California, which have permanently located several trade representatives throughout the country. However, the recent appointment of Ignacio Escalante⁴ is a step in the right direction for Arizona. Fourth, a ***lack of self-understanding and collaboration on goals*** within Arizona is prevalent. Crucial among these goals is the establishment of a brand for the Sun Corridor. This brand should not leave out the role and influence of Sonora, Mexico. Once an understanding of this brand is crystalized at each level within the state, aggressive promotion should ensue at local, regional, national and global professional venues.

OPPORTUNITIES FOR GROWTH

Consider the Sun Corridor as an economic ecosystem. Companies in Maricopa County will be less dependent on products from China or other foreign lands the more they can source from within their own ecosystem, including Sonora. Hence, they can better avoid a variety of volatilities from the extended global marketplace. In the long term, the strong health of this region will not only support companies from within, but attract external companies, as the tight-knit community of SMEs will

³ Based on interviews administered by the Thunderbird consultants in November 2012.

⁴ Ignacio Escalante is the Director of Trade and Investment for the Arizona-Mexico Commission's office in Hermosillo, Mexico. Appointed by Governor Jan Brewer in 2012 (Office of the Governor, 2012, November 19).

alleviate dependency on incentives to lure large companies. The following are actionable ways to begin building this ecosystem:

- ***Explain the benefits of sharing human, financial and knowledge capital to Arizona and Sonora business leaders.***
- ***Market the value-adding processing opportunities in Sonora during the awareness campaign.***
- ***Promote assembly, subassembly, and warehousing opportunities along the border to Arizona and Sonora companies seeking investment opportunities.***
- ***Champion an educational campaign for Arizona businesses about nearshoring.***

RELATIONSHIPS

More than in many countries, and certainly more than in the United States, an organization's ability to initiate and build sound personal relationships determines eventual commercial success in Mexico. There is a higher value on mutually beneficial, long-term, trustworthy personal relationships than on short-term, strictly business, profit-focused relationships. Therefore, face-to-face meetings are absolutely essential in facilitating a long-term business relationship. Additionally, since family-owned businesses are so prevalent in the Mexican economy and their relational dynamics are unique compared with non-family-owned businesses, a family-owned business engagement strategy is warranted in Arizona's economic development arsenal.

ADDITIONAL RECOMMENDATIONS

In order to achieve the ultimate goal of enhancing bilateral trade between SMEs in the Maricopa region and in the state of Sonora, MAG and its Arizona partners must create and adhere to a strategically focused chronological roadmap for commercial increase in Mexico. This blueprint should influence and complement the roadmap being developed by the Transportation and Trade Corridor Alliance⁵ (TTCA), which is focused on developing a statewide vision for overall economic development. Maintaining open and consistent dialogue with counterparts in Sonora will enrich the content included in both roadmaps.

INITIAL PRIORITIES: (END OF 2013)

- Create an implementation team to take accountability and drive initiatives.
- Agree on a brand for the region discussed in this study, incorporating Mexican influence on Arizona.
- Design an "awareness" campaign to educate the Arizona business community about the positive reality of the Mexican business environment.
- Focus on engaging family-owned businesses in Arizona and Sonora through trade shows.

⁵ TTCA is a panel comprising "statewide and local experts in transportation, international trade and energy." TTCA was formed by Governor Jan Brewer in 2012 to "help identify how best to take advantage of the state's current resources and guide future investment in a strategic way to increase the capacity of existing corridors." (Office of the Governor, 2012, July 26).

MID-TERM PRIORITIES: (2014 - 2015)

- Continue building on the initial priorities.
- Continue developing the Sun Corridor as a professional center of excellence and regional economic ecosystem.
 - Expand existing technology to enhance communication between companies.
 - Encourage companies to find opportunities to leverage human, financial and knowledge capital native to the region on both sides of the border to replace supplies that they may be sourcing from lands farther away.

LONG-TERM PRIORITIES: (2016 AND BEYOND)

- Promote the brand of the Sun Corridor at professional functions locally, regionally, nationally and globally.
- Expand success achieved from strategies in Sonora to the rest of Mexico.

INTRODUCTION

Over the past two years, a resurgence of positive attention on the Mexican business environment has subtly echoed throughout the North American business community. Authors have inked intriguing news headlines such as *“Mexico is the new China in manufacturing”* (Rivero R., & Llana S., 2008) and tag lines such as *“Mexico is the new India of domestic consumption,”* and *“Mexico is...the new Brazil of Latin America Power”* (Szakonyi, 2012). As the echoes have grown louder, eager business owners and economic development agencies have begun to cast their gaze southward, fashioning plans for ways to reap benefit from their rapidly developing neighbor. So too have entities, both large and small, from across the world. India has projected to grow its bilateral trade with Mexico by 150 percent by the end of 2015, increasing from \$4 billion USD to \$10 billion USD⁶; while Vietnam has already increased 30 percent over its 2011 mark (*“Vietnam-Mexico,”* 2012) and has made projections similar to India going forward. Arizona is not only competing for business with Mexico against its peer states, like Texas and California, it is competing with nations from across the world.

Despite the fact that lucrative partnership opportunities exist in Mexico, many organizations in both the public and private sectors will not succeed in realizing them, because they are applying strategies which were successfully used to engage other countries during trendy global movements of decades past. Unfortunately, too many organizations have not recognized that the business environment has changed and are struggling to fully understand the delicate and unique intricacies of the Mexican business community. The Maricopa Association of Governments (MAG) and its partners are working to change that trend. Through its cooperative planning processes, MAG is gaining an understanding of what it takes to succeed in the new business environment in Mexico. One question is how to successfully engage the PyMEs (small and medium-sized enterprises or SMEs) that account for 99.5 percent of all registered businesses in Mexico. The Thunderbird Consultants are pleased to have the opportunity to shed light upon the business environment in Mexico. This document serves as a distilled compilation of our findings and recommendations from a three-month study on how to increase bilateral trade with Mexico, with a primary focus on engaging small and medium-sized business.

MEXICAN BUSINESS ENVIRONMENT UNDER THE MICROSCOPE

There are approximately 3.5 million enterprises in all of Mexico, 99.5 percent of which are small and medium-sized companies (PyMEs) (Cordova, 2008). The Mexican PyME classification is defined by industry, number of employees and sales revenue. The following is how the Mexican government categorizes these enterprises (Bureau Van Dijk, 2012):

PyME size classification:

- Micro = 1–5 employees
 - < \$4 million Mexican pesos (MXN) in sales
- Small = 6–50 employees

⁶ Interview with Athavale, November 12, 2012.

- \$4 million–\$100 million MXN in sales
- Medium = 51–250 employees
 - \$100 million–\$250 million MXN in sales

Percentages of PyMEs in Mexico by size category:

- Micro: 69%
- Small: 27%
- Medium: 4%

Interestingly enough, the 0.5 percent of companies larger than the PyME classification account for 48 percent of the national GDP (Cordova, 2008). This fact speaks to how much room there is for PyMEs to grow in the future. The following provides a geographic breakdown of where PyMEs are clustered by region in Mexico (“Small and medium enterprises in Mexico”, 2012):

- 38% Central
- 17% Southwest
- 6% Southeast
- 12% Northeast
- 27% Center-West

UNDERSTANDING THE CHARACTERISTICS OF PYMES

As one can imagine, PyMEs have their own unique characteristics. These must be understood if Arizona business owners wish to successfully capitalize on commercial opportunities with them. The following are characteristics that have traditionally been woven into the fabric of Mexican PyMEs. It is important to note, however, that these generalizations are changing. More advanced businesses today have evolved from organizations boasting such dynamics. Understanding these traditional generalizations will help Arizona business leaders better understand their evolving counterparts.

Few PyMEs are engaged internationally.

This fact is not surprising, given the low level of Internet penetration and the conservative pace of Mexico’s developing electrical grid (Budde, 2012). Additionally, there is a colloquial orientation to business relationships via friends, relatives and neighbors. This is caused by a relative “mistrust” of foreigners. However, many PyMEs are now realizing the benefits of engaging internationally.

PyMEs are fragmented – not clustered.

This fact is rooted in the fact that the majority of PyMEs are family businesses. Traditionally, family businesses have tended to stay in one place and do not relocate to economic development clusters. Implications of this include a lack of information sharing, poor distribution of best practices, and difficulty raising capital as resources are too spread out.

PyMEs often “fly under the radar” and are underfunded.

The relational nature of family business in Mexico has led to somewhat of a separatist posture toward government. As business is conducted between individuals with close ties, there has not been much interest in getting help from local agencies. As a result, some businesses are often unaware of government support that could potentially aid in their development. PyMEs remain underfunded due to the relative high cost of capital—interest rates can range from 12 percent to 40 percent (Cordova, 2008). This makes it difficult for businesses to hire specialized employees, purchase capital equipment (computers) and travel outside of their immediate location to establish connections.

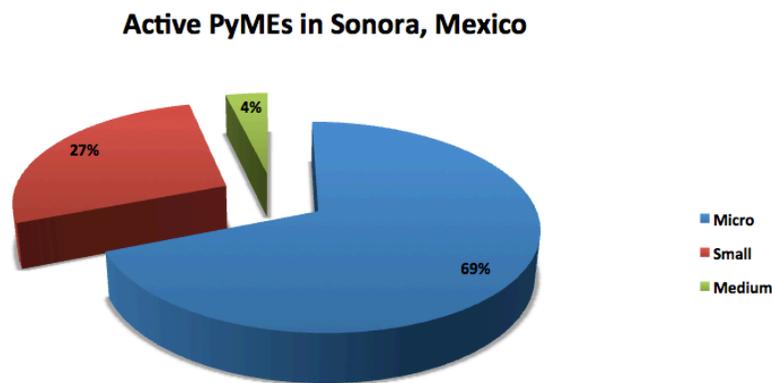
PyMEs are less professional than formal companies, on average.

PyMEs and family businesses often feature a lack of formalized business training. The impact of this is often seen in difficulties or problems in planning, reinvestment and cash flow management. While the company’s products and services may be competitive, its formal business skills may leave something to be desired. Rather than recruit employees to administer the business, older generations have taught younger generations over the course of a lifetime.

SONORA, MEXICO, UNDER THE MICROSCOPE

The state of Sonora only accounts for 2.6 percent of Mexican GDP (nearly \$30 billion USD), and the percentage breakdown of companies per size category is nearly identical to that of the rest of the country (Luna & Rodriguez, 2012). Per the 2008 national census, there are approximately 76,000 companies in Sonora. Their size classifications are listed below (ibid):

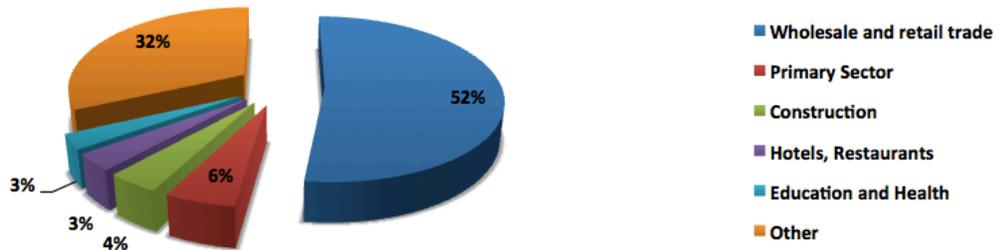
- Micro: 52,330 (69%)
- Small: 20,698 (27%)
- Medium: 2,833 (4%)



The state is home to a population of 2.7 million people (2011 estimates) and the average per capita income is approximately \$11,200 USD per year (Luna & Rodriguez, 2012). Additionally, the formal employment growth rate of 5.4 percent is outpacing the national average of 4.3 percent (ibid). The state

capital, Hermosillo, accounts for one third of Sonora’s GDP and population (“Review of higher education”, 2012). With these assumptions in mind, if further market sizing is desired at the municipal level, one could rationally estimate the number of PyMEs per size category in Hermosillo. The comparative number of PyMEs operating in Sonora today is less than one third of those in Maricopa County. Of the nearly \$5.8 billion of goods exported to Mexico by Arizona, more than 72 percent is destined for Sonora (RITA, 2012). This statistic alone quantifies the importance of trade between these two regions.

Top 5 Industries for PyMEs in Sonora, Mexico



Source: Mint Global Database. Industry breakdown according to Mint Global database that solely accounts for formal sector enterprises (excluding the informal sector) in Sonora, Mexico.

U.S. BUSINESS ENVIRONMENT UNDER THE MICROSCOPE

According to the 2008 U.S. Census, there are approximately 29 million establishments in all of the United States, and 95.9 percent belong to small and medium-sized enterprises. The U.S. Small Business Administration defines SME classification by industry, ownership structure, number of employees and operating revenue. The following is the numerical categorization of these enterprises obtained from Mint Global database of corporate information (Bureau van Dijk, 2012):

SME Classification:

- Small = 1–50 employees
 - Operating Revenue: < \$1.4 million USD
 - Total Assets: < \$2.8 million USD
- Medium = 51–500 employees
 - Operating Revenue: \$1.4 million USD–\$14 million USD
 - Total Assets: \$2.8 million USD–\$18 million USD

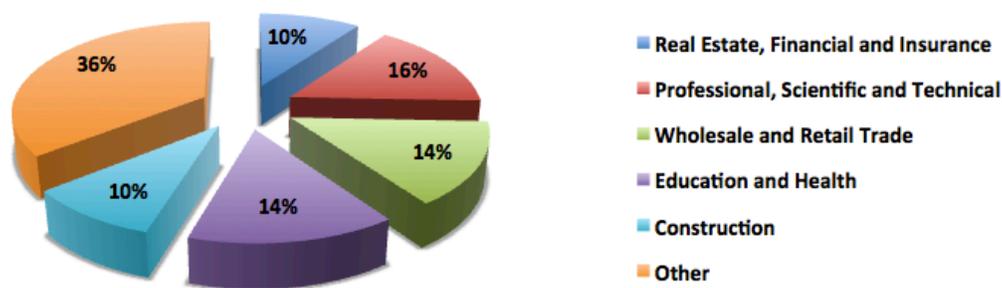
MARICOPA COUNTY UNDER THE MICROSCOPE

Nearly 87,800 jobs in Arizona are a direct result of export-related industry, many of these in Maricopa County (ITA, 2012). Finally, of the roughly \$22.1 billion being traded annually through the region’s main port in Nogales, Arizona, \$8.6 billion of the goods traded were between Arizona and Mexico (RITA,

2012). The rest travels on to other U.S. states and north to Canada. While this number is significant, there is growing consensus that it could be much bigger, especially when the main port of entry in Texas facilitates about \$144.8 billion of U.S.-Mexico total trade and the main port in California, about \$33.2 billion (ibid). According to the Mint Global database, there are approximately 242,600 small-to medium-sized enterprises in Maricopa County. Surprisingly, the percentage breakdown of companies by size category is close to that of its Sonoran counterpart.

- Small: 223,180 (94%)
- Medium: 19,420 (6%)

Top 5 Industries for SMEs in Maricopa County



Source: Mint Global Database

UNDERSTANDING NEARSHORING IN GENERAL AND IN MEXICO

While the concept of outsourcing is generally well understood, the reverse phenomenon of “nearshoring” is not. Unlike outsourcing, which traditionally has been meant to achieve cost reductions, there are a variety of reasons why companies have begun to nearshore their operations. Some of the primary reasons identified in a recent study (“Globally local: The new face of right shoring”, 2012) as to why North American companies have brought outsourced operations back from Asia include:

- Reduced labor cost advantages, especially those of manufacturing activities related to products intended for sale in North American markets.
- Intellectual property protection.
- Increased control over upstream suppliers.
- Carbon footprint advantages.
- More flexibility and control over inventory flows.
- In some cases, increased proximity to raw material suppliers.

Additionally, North America has witnessed other types of companies cozy up to its shores, and for different reasons:

- Newly global Asian companies looking to tap North American sales markets.

- Companies from Mexico and other Latin American countries locating themselves closer to the U.S. border for increased partnership opportunities.
- U.S. and Canadian firms “outsourcing” for the first time to achieve labor cost advantages now that there are healthier supplier bases south of the border.

Be careful not to always liken “*nearshoring*” to “*moving operations to Mexico*.” There are a host of other countries in the Western Hemisphere that are competing for, and garnering, business. The Caribbean, Central America and South America offer benefits that are just as attractive. In fact, one popular trend among U.S. companies is to align their nearshoring operations in the same time zone as their headquarters. Some popular nearshoring destinations for companies in the identified time zones are (Peters, 2012):

- EST – Caribbean, Panamá, Colombia, Ecuador, Perú
- CST – Mexico, Central America
- MST –Northwest Mexico
- PST – Baja California

Additionally, America’s poorer regions, especially in the southeast, are experiencing a period of “re-industrialization” and competing with supply chains that might otherwise go through Mexico, and subsequently Arizona as well. With this in mind, MAG would be wise to invest in efforts to inform companies within its region on the possibilities for synergies created by nearshoring activities.

FAMILY BUSINESS IMPLICATIONS

An interesting characteristic about the Mexican business culture is the high concentration of family businesses relative to other countries. At least 90 percent of all PyMEs are family-owned businesses (Simon, 2012). A unique dynamic of family businesses is that many of them are not necessarily growth seeking; they simply exist to support and sustain the lifestyle of the family. In Mexico, it is estimated that 30 percent of family businesses fall into this group. This leaves only 70 percent as growth-seeking companies. Another interesting dynamic of family businesses pertains to power and decision making. In non-family businesses, employees are hired based on their talent and experience; and decision-making is generally reserved for those with the most extensive amounts of both. Typically, new employees are brought in over time, and ascend in the ranks of the company depending on their performance. In family owned businesses, however, power and decision making are most often held by a single individual. The head of the family is not only protecting his and much less often ‘her’ livelihood, but also those of his or her immediate and extended family. Profits are not the only thing at stake, but personal and family reputation as well (Poza, 2012). Older generations are less willing to adapt to environments that are foreign to them. They prefer to conduct business in a familiar fashion, through relationships built over a long time with friends and relatives that they know and trust. The older generation in family businesses is in large part a risk-averse demographic.

A pivotal period in the existence of any family owned business is the transition period between exiting and incoming generations. Generally, younger generations are eager to leave a mark on the family

business that is all their own. They are more open to change. Many of these younger family members have embraced technology and are savvy using computers, software and social networking tools. They may have also studied in the U.S. and have friends here. It is this younger generation of Mexican family-owned businesses that should be targeted as MAG area businesses attempt to engage in commercial relationships south of the border.

BILATERAL TRADE CHALLENGES FOR ARIZONA

While Arizona has seen great economic success in the last decade, it was heavily driven by the housing market, not commercial activity. The recent economic downturn has shocked Arizona into refocusing on trade activities. The silver lining of the downturn is that Arizona has much to gain from an increase in focus on trade. The state needs to capitalize on its geographically advantageous position as a border state with Mexico; however, several obstacles need to be removed first.

Lack of Awareness

Throughout the team's research, one of the fundamental obstacles identified as hindering bilateral trade between the MAG region and Sonora is the lack of awareness of the economic activity in Sonora. Many companies at the SME level in the MAG region fail to recognize the synergies that might be created by aligning with a partner or supplier south of the border. While developing relationships with counterparts in Mexico might not be for everyone, there are definite opportunities for those companies willing to explore Sonora's economy. Companies that conduct their due diligence and invest time and effort in cultivating these relationships can reap great financial rewards.

Distorted Perceptions

Much of the problem with MAG region companies' lack of relationships in Mexico resides in the distorted perception that many Arizonans may hold regarding Mexican businesses. Any positive news is overshadowed by highly publicized corruption and cartel violence. Two levels of perception must be confronted: Cognitive (rational) and psychological (emotional). The cognitive perception refers to the hard data related to supply side information such as purchasing power, level of education and evolving consumption patterns. The emotional perception refers to the "fear" complex exacerbated by many media outlets. Before SME owners will be willing to cultivate mutually beneficial relationships with partners in Mexico, they must experience firsthand the reality on the ground in Mexico by engaging with the Mexican citizens in both business and social experiences. Related to this point is the fact that many Mexican business owners are reluctant to develop a relationship with Arizona counterparts as a result of recent political developments (Javidan, 2012).

Understaffing of Arizona Representation in Sonora

Prior to the appointment of Ignacio Escalante by the Governor's office (in partnership with the Arizona Commerce Authority and the Arizona Mexico Commission) in November, Arizona was underrepresented in terms of its presence in Mexico. To successfully engage in bilateral trade, each state needs an ambassador or champion of such initiatives. While this appointment is an excellent step forward,

Arizona needs to enhance these efforts and expand these types of initiatives in order to successfully engage partners in Mexico.

Need for Improved Cooperation and Alignment in Arizona

Throughout our investigation process, our team has uncovered a need for improved information sharing among economic development organizations within Arizona. While these organizations do communicate frequently, there is an opportunity for improved collaboration, consensus and alignment in relation to establishing goals to increase bilateral trade with Mexico. While most agree that a well-defined strategy on ways to embrace Sonora economically is required, the various organizations could be more effective by speaking with a unified voice and sharing resources. Improved cooperation and alignment among existing organizations in Arizona would make Arizona more competitive with neighboring states.

Lack of Self-Understanding and Unification Regarding Goals Within the State

Again, opportunities exist for increased collaboration between various state entities. This includes the establishment of a brand for the region. While we are aware that this is under development, we suggest incorporating the important influence that Sonora, Mexico has on Arizona in that brand. Once developed, the brand and Arizona's value-adding capabilities should be aggressively promoted at different venues.

OPPORTUNITIES FOR GROWTH

Arizona – Sonora industry opportunities:

- **Value-added processing opportunities in Sonora.**

Historically, raw materials and minerals have been extracted from Sonoran soil and exported for further processing in other states or countries. Primary research indicates that there is a significant opportunity for more value-added processing enterprises in the state of Sonora.

- **Assembly, subassembly, and warehousing opportunities along the border.**

NAFTA has significantly increased the volume of commercial trucks crossing the border in Nogales. This increased commercial activity has created an opportunity for more warehousing and distribution companies on the U.S. side in Nogales, Arizona.

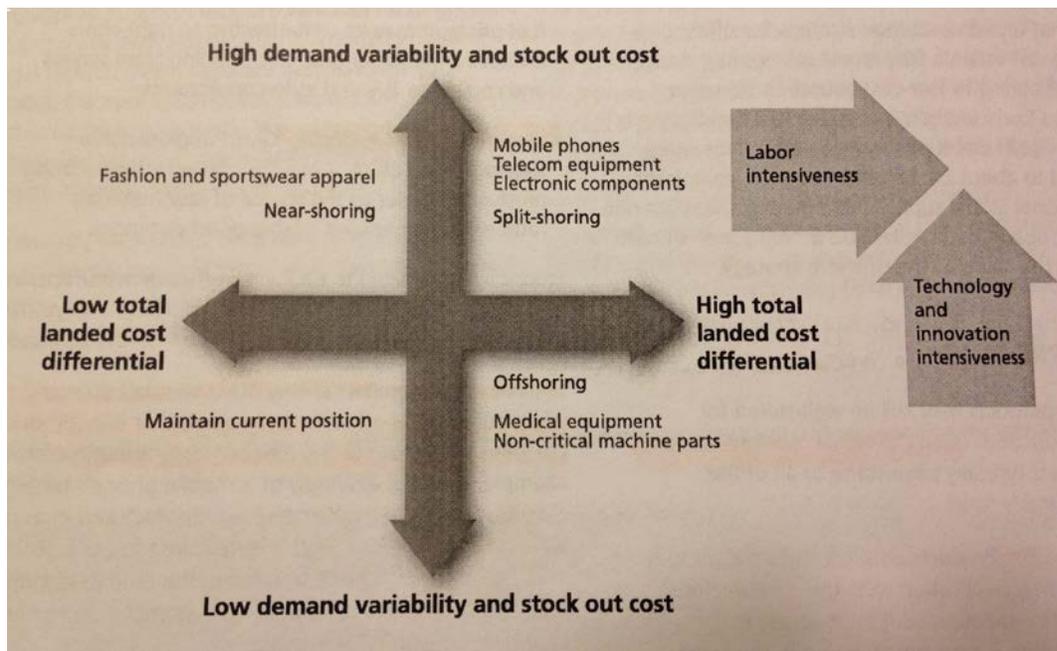
Nearshoring opportunities:

Based on the evidence presented previously in this report, MAG could benefit by championing an educational campaign around nearshoring. The campaign should encourage companies throughout the region to examine their supply chains to see if they stand to benefit from nearshoring to Mexico. The following are metrics that local companies could examine when performing this evaluation:

- **Typical product attributes lending favor to nearshoring:**
 - Heavy commodities/Large sizes
 - Short lead times
 - Fragile goods
 - Commodities early in their development cycle
 - Products that have a shorter product lifecycle
 - Products with a complex design

- **Supply Chain Strategies:**
 - “Pull” inventory management systems, rather than “push,” whereby shipments are demand driven rather than supply driven. The benefits of nearshoring are that companies could turn the supply on and off much quicker and easier; also, large surplus shipments could give way to smaller, less expensive shipments.
 - Products with high, variable or unpredictable supply demands.
 - Protection of intellectual property.
 - Proximity to raw materials.

Model for Manufacturing Strategy:



Source: Accenture, 2008

By doing this, MAG is helping to solidify the ecosystem of the Sun Corridor. Companies will be less dependent on products from China or other distant countries. The fact that the Sun Corridor is approximating a self-contained sustainable region bodes well for the health of its long-term economy.

This helps to achieve the “adaptavist⁷” economic development posture—focusing on growing existing companies organically, rather than luring outside companies in with incentives. In essence, Arizona would be acting as a magnet for companies that are seeking to take advantage of the natural benefits of the region, rather than playing catch-up by offering short-term incentives. This adaptavist strategy is focused on acknowledging the inherent strengths of a region and stimulating growth from locally spawned firms (Philip, 2012).

HOW TO FOSTER MEANINGFUL BUSINESS RELATIONSHIPS IN MEXICO

In Mexico, much more than in other countries, the success of trade relations may be tied to an organization’s ability to initiate and build sound personal relationships, not just commercial relationships. While avoiding generalizations, many Mexican business owners place a higher value on mutually beneficial, trustworthy relationships than on quick, profit-focused transactions. This is a fact that SME owners in Arizona should recognize when seeking to establish a partnership in Mexico. Rather than the norm of establishing business relationships via different forms of technology such as email, phone or Skype—as is practiced frequently in the US—a face-to-face meeting is absolutely essential in facilitating a long-term business relationship in Mexico. This face-to-face meeting must be followed by subsequent visits that are focused on establishing trust between parties. Once this initial phase of communication and relationship building is established, an Arizona business owner will be more likely to cultivate a steadfast partner on which they can rely. While this may seem like common sense, this step in partnership building is too often neglected by many business owners, thus impeding their success in Mexico. This cross-cultural education will play a crucial role in the awareness campaign conducted by MAG.

RECOMMENDATIONS

In order to achieve the ultimate goal of enhancing bilateral trade between SMEs in the Maricopa region of Arizona and the state of Sonora in Mexico, MAG and its various state partners in Arizona must adhere to a strategically focused roadmap. The most efficient way to accomplish this is to follow a chronologically designed methodology. This report outlines potential priorities below.

⁷ Adaptavist is a term trademarked by the Zagada Institute that means “..a city that focuses on stimulating local entrepreneurial growth as opposed to the traditional economic development posture of attracting Fortune 500 and global 1,000 companies.” (Philip, 2012).

INITIAL PRIORITIES

Create an Alignment Team to Speak with a Unified Voice and Drive the Initiatives.

The primary responsibility for this team should be to create a body that will have accountability for implementing the recommended steps. A well-designed team would be similar to a cross-functional team and be composed of representatives of various stakeholders, including, but not limited to, the Arizona Commerce Authority, Arizona Mexico Commission, the Transportation and Trade Corridor Alliance, MAG Economic Development Committee, and others. This team will be tasked with forging and fostering cross-border government-to-government relationships and leveraging technology to work with the MAG business community on the initiatives. However, an important caveat is that this team must be given the authority to execute on these recommendations. There should be agreement up front to empower the alignment team to ensure that all stakeholders are in agreement as to the reach of the team. For this initiative to succeed, any governance concerns must be acknowledged initially and be resolved before moving forward. A suggested name for this team might be “BIEN,” playing off the Spanish word for good. The acronym will stand for Building an International Economic Network.

Create “Awareness” Campaign

Once this alignment team has been established and delegated with appropriate responsibility and authority, it should begin to focus its efforts on the obstacles referenced above. The first approach should be to launch a targeted “awareness” campaign focused on disseminating information regarding the tremendous economic opportunities present in Sonora, as well as the benefits of nearshoring. The goal would be to encourage companies to take it upon themselves to reach out and find cross-border partners. This awareness campaign should also focus on educating SME business owners in the MAG region in regard to the cultural aspect of conducting business in Mexico. This includes hosting seminars focused on cross-culture education so that Arizona business owners will be ready and able to engage successfully with Mexican business owners. In addition, the alignment team should work to dispel the myths about Mexico at both the Cognitive and Psychological level as referenced above. Finally, the team would be wise to actively engage family businesses. The fact that over 90 percent of PyMEs are family owned should not be dismissed. One method of engaging these businesses would be to host a trade expo catering specifically to family-owned businesses. When advertising this trade expo, the team should focus its efforts on the younger, more receptive generation referenced above. These people would be the early adopters or champions representing family businesses.

MID-TERM PRIORITIES

Focus on Establishing a Center of Excellence

Rather than viewing Arizona as an isolated entity separated from Sonora, the entire area should be recognized instead as a “center of excellence,” capitalizing on and leveraging existing resources to promote economic development cohesively. This center of excellence should focus its efforts on creating new and revitalizing stalled initiatives. As previously mentioned, Arizona has many unique areas

of expertise, such as the level of development in the aerospace and biomedical sectors, and Sonora has its own unique set of capabilities. To remain globally competitive, rather than working independently, public and private organizations should work together to create synergies to increase economic competitiveness. Companies in Arizona can utilize the significant workforce in Sonora, while companies in Sonora can take advantage of the existing business infrastructure in Arizona. At a macro level, this center of excellence will act as a network of organizations collaborating to pursue excellence in a particular area. The key to this strategy is to identify what larger companies are seeking. When larger companies seek areas to set up for low cost, there needs to be a surrounding community that offers an environment conducive to these needs. Arizona SMEs could find partners in Sonora to make cities where multinationals set up more desirable. Individually, they may not make a huge impact, but when there are clusters of SMEs working together, the presence is noticeable. The result is different tiers of companies, multinational corporations, tier 1, 2, and 3 suppliers, and surrounding community businesses, all working together to create a thriving community that grows both through acquisition and organically (“The emerging epicenters”, 2011). Thus, this economic mega-region would be erasing the line drawn by the border and creating a true center of excellence to lure investment.

Create a State-of-the-Art Business to Business (B2B) Trade Platform

Related to the lack of awareness is the decentralization of trade promoting B2B platforms. While there are more than 500 such platforms dedicated in their own way to linking suppliers and buyers, the information is often too decentralized and inaccessible to be commercially relevant (“Business to Business”, 2010). A tool that transforms this massive amount of data into a more user-friendly format would significantly enhance bilateral trade. One way in which to accomplish this would be to utilize “web scraping” technology to source data from multiple platforms simultaneously. One viable example of this technology at work is the travel website Kayak.com. As this technology already exists, an initiative to create this website would likely prove economically viable, as SMEs and PyMEs could connect over the web to establish new and more efficient supply chains. This B2B platform would function as a virtual supplier exposition mechanism, in which buyers could search for the availability of an accredited supply chain partner (or multiple partners) from their office, and have a time and place arranged for them to meet in person to evaluate whether they would be a good fit in their supply chain. This service would serve all of the following supply chain functions: manufacturing, IT, software development, back office functions, etc. Once this website is functional, the alignment team should encourage companies to upload content and seek to drive traffic to the site through an aggressive marketing campaign.

Promote the Creation of a PyME Business Association in Sonora and Link with the ASBA

Additionally, through collaboration with counterparts in Sonora, the alignment team should focus on assisting the identification and/or creation of a PyME association for Sonora. This organization should then be linked through open dialogue to the Arizona Small Business Association (ASBA) in Arizona. A similar best practice is utilized by the San Antonio economic development committee. It partners closely with small business development committees throughout various regions in Mexico, in an effort to link PyMEs and SMEs across the border.

LONG-TERM PRIORITIES

Expand Strategy into the Rest of Mexico

While Sonora is a logical first step, this overall strategy must be more far-reaching in scope. It would be a mistake to limit this campaign just to our immediate neighbor. The country of Mexico offers many opportunities for mutual economic development with Arizona. In fact, in terms of GDP, Mexico ranks slightly ahead of South Korea (“Mexico and the United States”, 2012). Once the alignment team has launched a successful awareness campaign promoting the benefits of developing economic ties with Sonora, it can use this momentum to generate further economic integration with other areas within Mexico. In order to do this, the team must further examine what unique features each state within Mexico offers and work to coordinate those with complementary features in Arizona. It should actively tout the synergies that can be created by leveraging each other’s strengths. More than anything, the team must present Arizona as being “open for business.” The first step in such a process could include placing Arizona representatives in the most economically relevant cities throughout Mexico, including Mexico City, Monterrey and Guadalajara, among others. These delegates should, however, not be sent merely to establish a presence, rather they should be aligned with a certain purpose and real objective, such as promoting a certain unique feature of Arizona that will be beneficial to that state within Mexico. They should be focused on a certain sector and be able to actively promote the benefits available to potential Mexican counterparts. Next, the governmental cross-border relationships fostered between counterparts in Sonora should be emulated with other municipalities in Mexico. One logical step in this process would be to leverage the “sister-city” networks already in place. This is a best practice used by San Antonio, a city with many of the same attributes as Phoenix.

Promote the “Brand”

This priority is not limited to the responsibility of the alignment team. Building and promoting the brand for the Sun Corridor should be a long-range and continuous goal and should be undertaken by several different entities. MAG should spur efforts to clarify the brand of the “Sun Corridor” by taking into account the aspirations of the state of Sonora—much like San Diego, California, is doing with the Mexican city of Tijuana. The two regions should understand how they can help one another and create a regional brand that applies to both of their interests.

In order to be recognized as a center of excellence throughout Mexico, there first must be awareness. To spark interest among Mexican business owners and government officials, the Sun Corridor brand must be promoted at the regional and national level throughout the country. Essentially, it is necessary for representatives from the Sun Corridor to be at the table during business development events. Among the great venues at which to promote this brand are the numerous trade shows in Mexico. According to a widely recognized business tradeshow online platform, there are more than 18 high-profile tradeshow throughout Mexico in the first quarter of 2013 alone. It is at venues such as this that the Sun Corridor brand needs to be visible. Along with this, it would be a good idea for MAG and its counterparts in Mexico to host their own trade expos twice a year promoting their region’s companies. One tradeshow should be in the MAG region, while the other should be in Hermosillo. Ideally, these

would be coordinated between MAG and its governmental counterparts in Sonora. In addition to the trade expos, Sun Corridor representatives should consider promoting the brand at professional events, including the Council of Supply Chain Management Professionals (CSCMP) and the Grand Canyon Minority Supplier Council, as well as within nationwide trade publications. To accompany these trade expos, a trade mission visiting economically strategic cities should be initiated. To begin, trade missions to the cities of Hermosillo, Ciudad Obregon, and Guaymas would allow Arizona to begin building its relationships and promote its Sun Corridor brand. Following these missions, subsequent missions to larger cities such as Mexico City, Monterrey, and Guadalajara should be encouraged. In addition to the physical presence required to promote the brand, the implementation team should actively utilize various technological avenues with which to promote itself. For instance, to target the newer generation of family-business owners, a well-organized social media campaign should be launched. Finally, a joint marketing campaign with various counterparts in Mexico would be an effective strategy. A campaign touting the economic synergies possible between various states in Mexico and Arizona would benefit both parties. Although beyond the scope of this project, in order to successfully compete against other U.S. border states, Arizona must step beyond its shores and promote itself on the global scale. The ultimate goal here would be to have the Sun Corridor center of excellence brand recognized internationally, similar to the Silicon Valley regional brand.

CONCLUSION

For Arizona, increasing bilateral trade with Mexico will be the product of intelligent strategy creation and prolonged discipline from now forward. The preconceived notions of decision makers in the business community and government offices alike will have to be eradicated. Old ideas must give way to open minds, realism, and communication at all levels within the state and with partners outside of the state. Each stakeholder must look beyond the rhetoric and strive to align its bilateral trade initiatives with the other organizations already in existence today.

This spring, another team of Thunderbird consultants performed a study that shed light upon the landscape of business in Mexico at the macro level. Now, with the conclusion of our study this fall, there is an understanding of the business landscape in Mexico at the micro level with a special focus on Arizona's largest trade partner, the state of Sonora. We have broken down the profiles of companies on both sides of the border to uncover size categories, industry demographics, company characteristics and influential cultural aspects.

Without a doubt, at present there are numerous trade challenges that are stifling the development of a robust economic ecosystem between Maricopa County and Sonora. These challenges will be overcome with aggressive educational campaigns and proper relationship-building techniques. Arizona's window of opportunity to proactively engage with Mexico is three-to-five years. Otherwise, fleeting opportunities will pass us by in the near term, medium term and long term. The very first step is for Arizona's government leaders to bring their agendas into alignment and pave the way for its business community to capitalize on existing opportunities.

APPENDIX

BEST PRACTICES

San Antonio, Texas

“The competition for job-producing investments is more global now. If we don’t compete for these investments, we’ll be left behind.” Mario Hernandez – President, San Antonio Economic Development

“Foreign investments are one of our leading strategies. It would be a disservice to the community not to look for foreign direct investments.” Rene Dominguez – Director, San Antonio Economic Development

“Europeans have stopped at the East Coast. Asians have stopped at the West Coast. Our ties to the Southwest market, to Mexico and to the South American markets are key to us.” Mario Hernandez - Director, Economic Development Foundation

Rather than reinventing the wheel, in order to gain momentum quickly, Arizona would be wise to examine the best practices of states and municipalities that are in a similar situation geographically and demographically. The city of San Antonio, Texas, is a great example of this. San Antonio is 150 miles from the border with Mexico; the City of Phoenix is 175. The percent of Hispanic population in San Antonio is 63.2 percent; in Phoenix it is 41 percent (Census, 2010). The population of San Antonio is 1.3 million; the population of Phoenix is 1.4 million (ibid). Through its aggressive trade promotion strategies, San Antonio has experienced great success in attracting foreign direct investment (FDI) and in attracting cross-border business partnerships. Below are a few examples of steps taken by various stakeholders in San Antonio to promote trade:

Trade Missions

- On November 25, 2012, San Antonio Mayor Julián Castro traveled to London on a trade mission; another mission is planned to India in January. A South Texas Delegation is arranging an early 2013 visit to China.

Several public and private groups have roles that seek foreign investment.

- Asociación de Empresarios Mexicanos
 - Founded and based in San Antonio.
 - Represents a group of Mexican business owners who specialize in recruiting other Mexican business owners to expand in the United States.
 - Organizes trade missions to Mexico for San Antonio business leaders seeking closer trade ties with Mexican firms.
 - Overall goal is to shorten the learning curve for Mexicans to do business in the United States.
- Casas San Antonio
 - Network of Mexico trade and investment offices run by the San Antonio Economic Development Department in Mexico City, Monterrey and Guadalajara.

Nine “sister-city” relationships

- Monterrey, Nuevo Leon, Mexico (Established in 1953; first Mexican city to have a U.S. Sister City)
- Guadalajara, Jalisco, Mexico (Established 1974)
- Las Palmas, Canary Islands, Spain (Established 1975)
- Gwangju, South Korea (Established 1981)
- Kaohsiung, Taiwan, ROC (Established 1981)
- Santa Cruz de Tenerife, Canary Islands, Spain (Established 1983)
- Kumamoto, Japan (Established 1987)
- Chennai, Tamil Nadu, India (Established 2008)
- Wuxi, Jiangsu Province, China (Established 2012)

International Business Development Center

- Run by the Free Trade Alliance
 - An International Economic Development Organization created in response to NAFTA
- Role is to help foreign companies with market research, legal advice and other services to help start U.S. operations.
- Staff members travel to Mexico to speak at “Doing Business in Texas” seminars to direct interested business owners to San Antonio and the alliance’s services.
- The center is operated in conjunction with the U.S. Small Business Association.
 - Federal organization designed to help Small Business develop economically.
- Quarterly breakfasts are held for small business owners from Mexico and San Antonio.
 - Serves as venue for business owners to build partnerships through personal relationship building.

International Trade Center

- Located in the University of Texas San Antonio’s Institute for Economic Development
- Function is to help small and medium-size companies become globally competitive by providing:
 - One-on-one trade consulting.
 - Customized market research.
 - Cutting-edge trade training.
- All services are free of charge to U.S. businesses, with a nominal fee for non-U.S. businesses

Port San Antonio

- A 1,900 acre master-planned aerospace, industrial complex and international logistics platform.
- Serves as a Foreign Trade Zone.
- Representatives travel on trade missions and to trade shows to market their real estate, building and logistics services to foreign companies.

EB-5 Regional Center

- Allows for foreign investors to obtain legal residency in the U.S. by investing at least \$1 million or \$500,000 in high-unemployment areas in organizations that create at least 10 jobs.
- Covers Bexar County.
- San Antonio partners with immigration attorneys who refer their clients to the Small Business Development Center to help them gain immigration status through establishment of a business.

San Antonio Hispanic Chamber of Commerce

- Maintains an international trade department and organizes numerous trade missions to Mexico and Spain.

Global Advisory Committee

- Dedicated to drafting a strategy to attract foreign investors.
- Works in conjunction with the University of Texas–San Antonio International Advisory Council to examine requests for international connections with foreign entities such as universities or colleges.

Brookings Institution

- Formed partnership with San Antonio for its metropolitan trade program.
- Collaborating with San Antonio in listing its assets to market the city for international investment.

Texas South-International Alliance

- Group of five South Texas cities focused on attracting international investments.
- China trade mission planned for Q1 2013 (Hendricks, 2012).

Tijuana – San Diego

The efforts between Tijuana, Mexico and San Diego, California, to work together are indeed a best practice for what can be accomplished through collaboration between cities. The economic footprint looks less like two distinct cities, and more like an economic mega region. This should be taken as a model of what an economic ecosystem looks like. Granted, the travel distance between San Diego and Tijuana is only 30 minutes, versus three hours between Phoenix and Nogales and seven hours between Phoenix and Hermosillo, but many things can be gleaned from this example.

Each of these cities has core competencies; however, the whole of the region is greater than the sum of the two parts. In San Diego, there is a knowledge base manifested by research and development and administration, as well as healthy universities. Tijuana, on the other hand, has embraced heavy manufacturing and is proud to be the engine for that region. Tijuana's Economic Development Commission, for example, launched an online platform touting its city's manufacturing capabilities (*Tijuana Metropolitana*, 2012). The site provides information on cost analysis (including a handy cost calculator), site selection, online consultation, industrial capabilities, workforce profile and information about key resources. It wants to be a one-stop shop for startup manufacturing operations and contract manufacturing in Mexico. This platform is a helpful decision-making tool for the world's industrial community, especially those interested in nearshoring. To date, Tijuana has 570 global manufacturers in the city; main growth sectors are suppliers of metal parts and packaging. Marketing has certainly been central to the developmental success of this region. The online site makes a special effort to show Tijuana's transformation from a low-cost manufacturing destination to a location of high quality and innovation manufacturing. The city is consistently spending money on its brand. Most notably, it spent \$5 million in 2010 on a two-week image makeover conference. The city spent its money by bringing high-impact individuals to speak at the conference as well as advocate for the future economic trajectory that is planned. Notable speakers were Al Gore, Larry King, Mexican President Felipe Calderón, and the world's richest man—Mexican telecom billionaire Carlos Slim. It is noted that, in a way, Tijuana modeled its transformation process after Pittsburg, Pennsylvania. While Pittsburg used to hold the image of being a run-down steel town, it has cleaned up to become known as a high tech medical center and tourist destination.

COMPANIES BY INDUSTRY

Maricopa County

Data Source: Mint Global Copyright (c) 2012 Bureau van Dijk

Small to Medium Sized Enterprises 242,595 total active companies in Maricopa County			
TOTAL		Small 223177	Medium 19,418
Other Services		121141	5004
	<i>Professional, Scientific and Technical Activities</i>	37232	345
	<i>Real Estate Activities</i>	10871	437
	<i>Activities Auxiliary to Financial Services and Insurance Activities</i>	8726	283
	<i>Office Administrative, Office Support, and Other Business Support Activities</i>	8371	228
	<i>Activities of Head Offices; Management Consultancy Activities</i>	8360	319
	<i>Activities of Membership Organizations</i>	7452	574
	<i>Other Personal Service Activities</i>	7428	222
	<i>Legal and Accounting Activities</i>	6771	258
	<i>Wholesale and Retail Trade of Motor Vehicles and Motorcycles</i>	3981	185
	<i>Services to Buildings and Landscape Activities</i>	2987	198
	<i>Sports Activities and Amusement and Recreation Activities</i>	2772	296
	<i>Architectural and Engineering Activities; Technical Testing and Analysis</i>	2263	306
	<i>Computer Programming, Consultancy and Related Activities</i>	1635	224
	<i>Rental and Leasing Activities</i>	1621	193
	<i>Financial Service Activities, Except Insurance and Pension Funding</i>	1536	34
	<i>Creative Arts, and Entertainment Activities</i>	1245	37
	<i>Travel Agency, Tour Operator Reservation Service and Related Activities</i>	1200	121
	<i>Motion Picture, Video and Television Program Production, Sound Recording and Music Publishing Activities</i>	1112	35
	<i>Advertising and Market Research</i>	888	93
	<i>Employment Activities</i>	864	120
	<i>Security and Investigation Activities</i>	844	80
	<i>Scientific Research and Development</i>	635	77
	<i>Remediation Activities and Other Waste Management Services</i>	594	128
	<i>Repair of Computers and Personal and Household Goods</i>	594	16

	<i>Information Service Activities</i>	360	46
	<i>Libraries, Archives, Museums and Other Cultural Activities</i>	307	38
	<i>Waste Collection, Treatment and Disposal Activities; Materials Recovery</i>	257	63
	<i>Programming and Broadcasting Activities</i>	214	45
	<i>Gambling and Betting Activities</i>	18	2
	<i>Sewerage</i>	3	1
Wholesale and retail trade		31272	3752
	<i>Retail Trade Except of Motor Vehicles and Motorcycles</i>	20519	2126
	<i>Wholesale Trade Except of Motor Vehicles and Motorcycles</i>	8981	1363
	<i>Wholesale and Retail Trade and Repair of Motor Vehicles and Motorcycles</i>	1772	263
Education and Health		20279	2752
	<i>Human Health Activities</i>	13583	1017
	<i>Social Work Activities Without Accommodation</i>	3189	461
	<i>Education</i>	2427	1108
	<i>Residential Care Activities</i>	557	96
	<i>Veterinary Activities</i>	523	70
Construction		17930	1965
	<i>Specialized Construction Activities</i>	10293	1148
	<i>Construction of Buildings</i>	7182	639
	<i>Civil Engineering</i>	455	178
Hotels, Restaurants		7421	2229
	<i>Food and Beverage Service Activities</i>	6668	1870
	<i>Accommodation</i>	753	359
Machinery, Equipment, Furniture, Recycling		7276	826
	<i>Repair and Installation of Machinery and Equipment</i>	4023	98
	<i>Other Manufacturing</i>	1257	96
	<i>Manufacture of Machinery and Equipment</i>	593	221
	<i>Manufacture of Computer and Electronic and Optical Products</i>	541	221
	<i>Manufacture of Furniture</i>	323	77
	<i>Manufacture of Electrical Equipment</i>	263	37
	<i>Manufacture of Motor Vehicles, Trailers and Semi-Trailers</i>	132	38
	<i>Manufacture of Other Transportation Equipment</i>	120	35
	<i>Manufacture of Fabricated Metal Products, Except Machinery and Equipment</i>	24	3
Transport		4834	384
	<i>Land Transport and Transport Via Pipelines</i>	2561	244
	<i>Warehousing and Support Activities for Transportation</i>	2191	92
	<i>Air Transport</i>	76	43
	<i>Water Transport</i>	6	5

Primary Sector	3061	253	
Banks	2148	586	
<i>Financial Service Activities, Except Insurance and Pension Funding</i>		2148	586
Post and Telecommunications	1882	181	
<i>Postal and Courier Activities</i>		150	75
Publishing and Printing	1789		
<i>Publishing Activities</i>		1014	
<i>Printing and Reproduction of Recorded Media</i>		775	
Chemicals, Rubber, Plastics and Non-Metal Products	946	275	
<i>Manufacture of Chemical and Chemical Products</i>		374	76
<i>Manufacture of Other Non-Metallic Mineral Products</i>		297	87
<i>Manufacture of Rubber and Plastic Products</i>		153	67
<i>Manufacture of Basic Pharmaceutical Products and Pharmaceutical Preparations</i>		80	31
<i>Manufacture of Coke and Refined Petroleum Products</i>		42	14
Public Administration and Defense	785	434	
<i>Public Administration and Defense; Compulsory Social Security</i>		785	434
Metals and Metal Products	605	238	
<i>Manufacture of Fabricated Metal Products, Except Machinery and Equipment</i>		489	192
<i>Manufacture of Basic Metals</i>		98	40
Insurance Companies	543	80	
<i>Insurance, Reinsurance and Pension Funding, Except Compulsory Social Security</i>		543	80
Textiles, Wearing Apparel, and Leather	466	50	
<i>Manufacture of Textiles</i>		262	24
<i>Manufacture of Wearing Apparel</i>		119	15
<i>Manufacture of Leather and Related Products</i>		85	11
Wood, Cork, Paper	343	93	
<i>Manufacture of Wood and of Products of Wood and Cork Except Furniture; Manufacture of Articles of Straw and Plaiting Materials</i>		270	63
<i>Manufacture of Paper and of Paper Products</i>		73	30
Food, Beverages, Tobacco	248	77	
<i>Manufacture of Food Products</i>		198	70
<i>Manufacture of Beverages</i>		44	7
<i>Manufacture of Tobacco Products</i>		6	
Gas, Water, Electricity	208	50	
<i>Electricity, Gas, Steam and Air Conditioning Supply</i>		114	30
<i>Water Collection, Treatment and Supply</i>		94	20

COMPANIES BY INDUSTRY

Sonora, Mexico

Data Source: Mint Global Copyright (c) 2012 Bureau van Dijk

Small to Medium Sized Enterprises 5598 total active companies in Sonora, Mexico			
		Sonora Region	
		Small	Medium
TOTAL		5382	346
Other Services		894	50
	<i>Professional, Scientific and Technical Activities</i>	125	7
	<i>Real Estate Activities</i>	36	1
	<i>Activities Auxiliary to Financial Services and Insurance Activities</i>	18	
	<i>Office Administrative, Office Support, and Other Business Support Activities</i>	65	5
	<i>Activities of Head Offices; Management Consultancy Activities</i>	66	7
	<i>Activities of Membership Organizations</i>	60	1
	<i>Other Personal Service Activities</i>	76	
	<i>Legal and Accounting Activities</i>	18	2
	<i>Wholesale and Retail Trade of Motor Vehicles and Motorcycles</i>	78	1
	<i>Services to Buildings and Landscape Activities</i>	26	2
	<i>Sports Activities and Amusement and Recreation Activities</i>	21	4
	<i>Architectural and Engineering Activities; Technical Testing and Analysis</i>	50	3
	<i>Computer Programming, Consultancy and Related Activities</i>	15	
	<i>Rental and Leasing Activities</i>	16	2
	<i>Financial Service Activities, Except Insurance and Pension Funding</i>	2	
	<i>Creative Arts, and Entertainment Activities</i>		
	<i>Travel Agency, Tour Operator Reservation Service and Related Activities</i>	129	7
	<i>Motion Picture, Video and Television Programme Production, Sound Recording and Music Publishing Activities</i>	10	
	<i>Advertising and Market Research</i>	12	
	<i>Employment Activities</i>	4	1
	<i>Security and Investigation Activities</i>	12	3
	<i>Scientific Research and Development</i>	3	
	<i>Remediation Activities and Other Waste Management Services</i>	6	1
	<i>Repair of Computers and Personal and Household Goods</i>	7	
	<i>Information Service Activities</i>		
	<i>Libraries, Archives, Museums and Other Cultural Activities</i>	2	
	<i>Waste Collection, Treatment and Disposal Activities; Materials Recovery</i>	8	1
	<i>Programming and Broadcasting Activities</i>	29	2
	<i>Gambling and Betting Activities</i>		
	<i>Sewerage</i>		

Wholesale and retail trade	2820	101
<i>Retail Trade Except of Motor Vehicles and Motorcycles</i>	880	20
<i>Wholesale Trade Except of Motor Vehicles and Motorcycles</i>	1792	69
<i>Wholesale and Retail Trade and Repair of Motor Vehicles and Motorcycles</i>	148	12
Education and Health	152	14
<i>Human Health Activities</i>	57	3
<i>Social Work Activities Without Accommodation</i>	17	1
<i>Education</i>	74	10
<i>Residential Care Activities</i>	74	
<i>Veterinary Activities</i>	4	
Construction	199	28
<i>Specialized Construction Activities</i>	34	4
<i>Construction of Buildings</i>	150	21
<i>Civil Engineering</i>	15	3
Hotels, Restaurants	182	7
<i>Food and Beverage Service Activities</i>	98	
<i>Accommodation</i>	84	7
Machinery, Equipment, Furniture, Recycling	142	28
<i>Repair and Installation of Machinery and Equipment</i>	44	1
<i>Other Manufacturing</i>	16	2
<i>Manufacture of Machinery and Equipment</i>	31	3
<i>Manufacture of Computer and Electronic and Optical Products</i>	25	5
<i>Manufacture of Furniture</i>	8	1
<i>Manufacture of Electrical Equipment</i>	13	7
<i>Manufacture of Motor Vehicles, Trailers and Semi-Trailers</i>	1	8
<i>Manufacture of Other Transportation Equipment</i>	4	1
<i>Manufacture of Fabricated Metal Products, Except Machinery and Equipment</i>		
Transport	113	6
<i>Land Transport and Transport Via Pipelines</i>	61	5
<i>Warehousing and Support Activities for Transportation</i>	33	1
<i>Air Transport</i>	15	
<i>Water Transport</i>	4	
Primary Sector	271	33
Banks	25	
<i>Financial Service Activities, Except Insurance and Pension Funding</i>	25	
Post and Telecommunications	11	
<i>Postal and Courier Activities</i>	11	
Publishing and Printing	49	2
<i>Publishing Activities</i>	4	2
<i>Printing and Reproduction of Recorded Media</i>	45	
Chemicals, Rubber, Plastics and Non-Metal Products	84	14
<i>Manufacture of Chemical and Chemical Products</i>	28	5
<i>Manufacture of Other Non-Metallic Mineral Products</i>	31	2
<i>Manufacture of Rubber and Plastic Products</i>	14	6

<i>Manufacture of Basic Pharmaceutical Products and Pharmaceutical Preparations</i>		5	1
<i>Manufacture of Coke and Refined Petroleum Products</i>		6	
Public Administration and Defense	4		1
<i>Public Administration and Defense; Compulsory Social Security</i>		4	1
Metals and Metal Products	49		9
<i>Manufacture of Fabricated Metal Products, Except Machinery and Equipment</i>		27	4
<i>Manufacture of Basic Metals</i>		9	3
Insurance Companies	2		3
<i>Insurance, Reinsurance and Pension Funding, Except Compulsory Social Security</i>		2	3
Textiles, Wearing Apparel, and Leather	24		11
<i>Manufacture of Textiles</i>		14	4
<i>Manufacture of Wearing Apparel</i>		7	6
<i>Manufacture of Leather and Related Products</i>		3	1
Wood, Cork, Paper	22		3
<i>Manufacture of Wood and of Products of Wood and Cork Except Furniture; Manufacture of Articles of Straw and Plaiting Materials</i>		9	1
<i>Manufacture of Paper and of Paper Products</i>		13	2
Food, Beverages, Tobacco	118		34
<i>Manufacture of Food Products</i>		104	32
<i>Manufacture of Beverages</i>		14	2
<i>Manufacture of Tobacco Products</i>			
Gas, Water, Electricity	5		2
<i>Electricity, Gas, Steam and Air Conditioning Supply</i>		4	1
<i>Water Collection, Treatment and Supply</i>		1	1

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