

México

Open for Business



Briefing for Asia Pacific Business Outlook Conference

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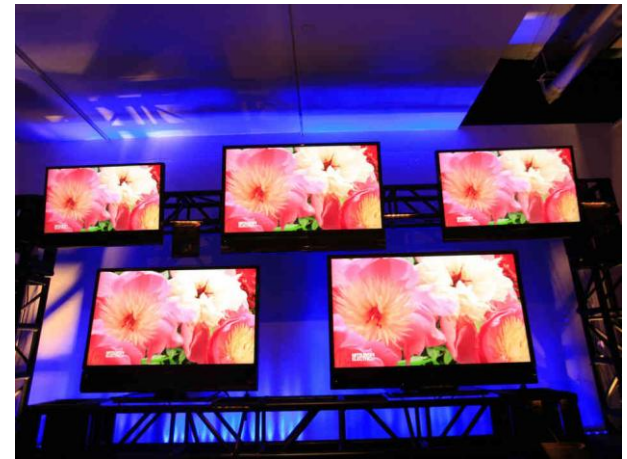
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How Many People View Mexico



Mexico's "Handicrafts" in 2013



Mexico snapshot

Population: 115 million

Unemployment: 4.5% (Dec. '12)

Inflation: 3.25% (Jan. '13)

Remittances: \$21.2 billion

Exports: \$377.4 billion (2012) (79% US)

Imports: \$379.4 billion (2012) (50% US)

US FDI: \$10.3. billion (Jan-Sept 2012)

GDP per capita (PPP): \$15,300 (2012)

Real GDP growth: 3.9% (2012)

Key facts

- 13th largest world economy
- 78 percent urban population
- Over 50% population under 25 (*avg. age of 27*)
- Poor and Extreme Poor: 45% (*under USD \$10 per day*)
- Competitiveness: 53th in world (WEF)
- Transparency: 105th in world (TI)



Mexico compared to BRIC nations

- U.S. exports to Mexico exceed the total of all U.S. exports to the BRICS.
- Mexico's 2012 real GDP growth rate (3.9%) far exceeded Brazil's (1.0%)
 - Expected to be around 3.5% in 2013
- Growth in U.S. exports to Mexico over the last 3 years exceeds growth in exports to the BRICs combined
- \$0.40 of every \$1 of Mexican exports to the U.S. represents U.S. content
 - 10 times the amount of U.S. content in Chinese exports to the U.S.
 - 20 times the amount of U.S. content in Russian or Indian exports to the U.S.



Country	World Bank Ease of Doing Business Rank (2012)
Mexico	48
China	91
Russian Federation	112
Brazil	131
India	132

U.S.-Mexico relationship

The North American Leaders Summit

- “A new era of cooperation and partnership”
- “Shared responsibility” in the drug wars

Areas of cooperation

- Economic/Commercial
- Immigration
- Security
- Environmental issues



“It is difficult to overstate the depth of ties between our two nations or the extraordinary importance of our relationship. It’s obviously a simple fact of geography that we share a border and we have always been bound together by that geography. But it’s not just that shared border that links us together. It’s also culture, it’s also immigration patterns that have taken place that have become so important. *Our economic ties mean that whatever steps that we’re going to take moving forward have to be taken together.*”

President Barack Obama
Mexico City, April 16, 2009



U.S.-Mexico trade relationship



- Mexico is the United States' 3rd largest trading partner
- Mexico is the 2nd destination of all U.S. exports
- Mexico accounts for roughly 1/6 of all U.S. exports
- 22 American states depend on Mexico as their first or second destination for exports
- More than \$1.25 billion a day in two-way trade
- Nearly 50,000 U.S. small and medium-sized enterprises export to Mexico

Safety and security: A changing environment



- The changing security environment in Mexico can present challenges for some U.S. companies
- Border cities are particularly vulnerable, such as Nuevo Laredo, Juarez, Reynosa, Matamoros, and Tijuana
- Businesses in Mexico are investing more in security for their personnel, facilities
- Visitors need to use common sense and be aware
- Despite security perceptions, foreign investment is increasing
- Brazil's per capita murder rate is almost twice Mexico's
- State Department Website for Travel Advisories: <http://travel.state.gov/travel>

Economic challenges in Mexico

- Real GDP grew 3.9% in 2012 – estimated growth for 2013: 3.5%
 - Foreign Direct Investment increasing
 - \$18.7 billion in 2010, a 16.6% increase from 2009. \$19.44 billion in 2011, a 9.7% increase
- Finding other sources of economic growth (Services, IT)
 - Declining oil production (net oil importer projected in 2015) – though reforms may have impact (foreign investment, unconventional HCs).
- Monopolies
- Improving economic competitiveness
- Reducing poverty and inequality
- Addressing security/crime
- Improving Education
- Labor and migration/people to people



Why export to Mexico



- Location / Access to U.S. Goods/Services/Market
- Size, Diversify, and Vast Market
- Shared Culture: Western, Hispanic
- Manufacturing base in various sectors
- Stronger legal protections
- Politically stable
- Macroeconomic stability
- Free Trade

The impact of NAFTA

- World's largest free trade area: 428.4 million people; \$17.41 trillion GDP (2012)
- No tariffs on U.S. exports to Mexico
- Clarifies and simplifies rules of trade
- Institution of Dispute Resolution Process
- U.S.-Mexico trade has increased five-fold since adoption of NAFTA: from \$88 billion in 1993 to almost \$500 billion in 2012.
- Trade has grown faster than infrastructure
- Mutual Recognition Agreements for testing/certification in some sectors



Border trade opportunities



- Mexico has over 5,000 “maquiladoras;” about 60% of maquiladoras are located in border states
- Industries with potential range from soup to nuts; strong industries such as consumer electronics, household appliances and transportation
- Over 80% of Mexican imports enter via truck through the top five busiest land ports of entry: Laredo, TX, El Paso, TX, Otay Mesa, CA, Hidalgo, TX, and Nogales, AZ
- Even with free trade, goods get held up at the U.S.-Mexico border: improper labeling, declared value, etc. CS Mexico can help U.S. companies with shipment problems and market research

Best prospects for U.S. exporters

Agribusiness

Automotive Parts & Supplies

Education & Training Services

Energy (Traditional & Renewable)

Environmental Sector

Franchising

Housing & Construction

Internet & IT Services

Medical Devices

Packaging

Plastic Materials/Resins

Security and Safety

Smart Grid

**Telecommunications
Equipment**

Transportation

Travel and Tourism

MEXICO MAP



Mexico City

- **Location:** One of the largest cities in the world with over 20 million people
- **Capital:** Political Capital and Financial Center of Mexico
- **Manufacturing:** Manufacturing and distribution powerhouse
- **Industrial location:** Centrally located near other major industrial areas including Toluca, Puebla, and Queretaro



Regional opportunities: Guadalajara (“Silicon Valley”)

- **Size:** Second largest market in Mexico
- **Business Culture:** Bilingual, open to U.S. goods and services
- **Logistics:** Major distribution center
- **Major Industries:** Electronics, industrial process controls, packaging, agribusiness and food processing equipment
- **Largest Exposition Center in Latin America:** Regional shows
- **Multinational Investors:** GE, IBM, Intel, HP, Flextronics, Jabil, Oracle



FLEXTRONICS

JABIL



Regional opportunities: Monterrey ("Industrial Heartland")

- **Location:** Strategic location in NAFTA corridor
- **Business Culture:** Bilingual, open to U.S. goods and services, pro-business environment , no labor strikes in 14 years
- **Major Industries:** Automotive, household appliances, electronic equipment, packaging, software, specialized medical services, and biotechnology
- **Other Activities:** 11% of Mexico's total manufacturing output
- **Border Trade:** 60% of all trade in products between the U.S. and Mexico passes through Nuevo Leon
- **Multinational Investors:** 2,600 international companies operating in Nuevo Leon – 1,600 of them U.S. brands, attracted 8% of the total 2011 FDI in Mexico (\$1.6 billion)
- **Standard of Living:** Nuevo Leon GDP per capita (\$19,000) is among the highest in Mexico



Regional opportunities: Tijuana

- **Main Manufacturing Industries:** Medical, Electronics and Automotive
- **Sub sectors:** Plastics (injection molding, blow molding, thermal molding, extrusion), metal-mechanic and packaging
- **Manufacturing Companies:** More than 500 in Tijuana (State has approximately 900+)
- **Tijuana Manufacturing Workforce:** 160,000 employees
- **Areas of Opportunity:** Food and beverage, IT, telecomm, construction, medical tourism, energy
- **Business Culture:** Ease of doing business and affinity to working with American suppliers, bicultural and bilingual businesspeople



Tip: market entry strategies

- **Mexican Presence:** The best strategy to enter the Mexican market is to find a local representative or distributor; with this, buyers feel secure that initial training, spare parts and service will be provided
- **Local or Regional Representative:** Due to regional concentration throughout Mexico, representation locally will yield better results than a single, nationwide distributor
- **Price:** Price is important, but not necessarily the deciding factor
- **Spanish:** Be prepared to provide brochures, catalogs, and printed materials in Spanish; keep websites international-user-friendly

Tip: financing



- **Financing Options:** Expect to negotiate on payment terms; consider full spectrum of options
- **Finance Guide:** Review the U.S. Commercial Service's Finance Guide for Latin America
http://export.gov/tradeamericas/eg_ta_030568.asp
- **Know Ex-Im:** Export-Import Bank finances exports through various term loan, guarantee and insurance programs; Ex-Im works through commercial banks in the U.S. and Mexico



Tip: logistics

- **Full Spectrum:** U.S.-Mexico trade logistics incorporate the full spectrum of choices: truck, rail, port, and air cargo
- **Third Party:** Third Party Logistics (3PL's) can help simplify cross-border shipping process
- **Cost v. Time:** Price of shipping vs. length of time?
- **Sale Price:** Logistics must be factored into your product pricing!
 - Incoterms /Terms of Sale
 - Agree on logistics before final pricing



Tip: Mexican business culture



- **Indirectness:** Difficulty in saying “no”
- **Financing:** Expect to negotiate on payment terms
Consider full spectrum of options; financing options important
- **Follow-up:** Follow up quickly with your Mexican partner – there is abundant international competition
- **Language:** Use a qualified interpreter if needed
- **Patience:** Good things come to those that wait-
patience pays off
- **Build Relationships:** Personal relationships valued

How we can help you

- The U.S. Commercial Service has offices in Mexico City, Guadalajara, and Monterrey
- Our trade professionals provide expertise across most major industry sectors
- CS Mexico offers the full array of CS products and services (Gold Keys, market research, advocacy, commercial diplomacy , trade missions, company counseling, etc.).
- Every year, we help thousands of U.S. companies export goods and services worth billions of dollars



Upcoming Trade Events

- April 9-11: PECOM 2013, Villahermosa, Tabasco, México
- April 18-20: AeroEXPO 2013, Toluca, State of Mexico
- April 23-25: EXPO Seguridad 2012, Mexico City
- April 24: Health IT Business Development Conference, Mexico City
- May 5-9: Offshore Technology Conference, Houston, TX
- May 21-23: Select USA Road Show, DF, Guadalajara, Monterrey
- July 10-12: PAACE Automechanika 2013, Mexico City
- November 4-8: ANEAS, Acapulco, Guerrero., Mexico



<http://www.export.gov/mexico>





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