Opportunities in Mexico

Presented by:

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How People Frequently View Mexico
Mexico Handicrafts in 2015
Mexico at a Glance

Population: 115 million
Unemployment: 5.12% (July ‘13)
Inflation: 3.47% (July ‘13)
Remittances: $22.4 billion (2012)
Exports: $400 billion (2012) (75% US)
Imports: $423 billion (2012) (45% US)
US FDI: $12.6 billion (2012)
GDP per capita (PPP): $15,100 (2012)
Real GDP growth: 4.1% (2012)

Key facts

- 13th largest world economy
- 78 percent urban population
- Over 50% population under 25 (median age of 27)
- Poor and Extreme Poor: 45% (under USD $10 per day)
- Competitiveness: 55th 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 (4.1%) far exceeded Brazil’s (1.0%)
- Expected to be around 1.8% in 2013
- Growth in U.S. exports to Mexico over the last 3 years exceeds growth in exports to the BRICs combined
- U.S. content in exports from Mexico is exponentially higher than in exports from BRICs.

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<td>Russian Federation</td>
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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
• 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
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: 450 million people; $17 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 around $500 billion in 2012.
- Trade has grown faster than infrastructure
- Mutual Recognition Agreements for testing/certification in some sectors
Opportunities in Advanced Manufacturing Technology (AMT)

• Due to increased high-tech manufacturing, demand is increasing for AMT solutions in Mexico. A paradigm shift from “Made in Mexico” to “Designed and Manufactured in Mexico” is in process.

• Principal AMT opportunities will be in sectors such as: Computer Technologies, High Precision Manufacturing, Advanced Robotics and Automation, Custom Manufacturing, Innovation Centers and Intelligent Logistics.

• Best prospects for U. S. suppliers will be high-tech, high volume export manufacturers, product design and development organizations, materials testing, life cycle testing labs, and engineering firms.

• Other sectors seeing demand for AMT include:
  • Plastic Injection Molding
  • High Performance Computing (Modeling, etc.)
  • Metal Mechanics
  • Machine-Man Interfacing (MMI)
  • Composite Materials
Opportunities in Healthcare IT & Medical Devices

- The market for IT in the healthcare sector in Mexico is emerging as most health care institutions have recently started the process of identifying technologies that increase efficiency and competitiveness.
- Key technologies in the sector address patient controls, electronic filing, supply inventory control, pharmacy inventory/services control, and security systems.
- The Mexican healthcare sector invested approximately $490 million in IT systems last year. This market is expected to continue growing.
- The market for medical devices in Mexico reached $4.4 billion in 2012, of which 48% were of U.S. origin.
- U.S. medical products are highly regarded in Mexico due to their high quality, after sales service and competitive price.
Opportunities in Information Technology

- The IT and Telecom market in Mexico is estimated to be worth over $37.2 billion.
- The main opportunities for IT solutions (products and services) are in sectors such as: healthcare, transportation, security, manufacturing, energy, retail and financial services.
- Both public and private organizations are good targets of opportunity for U.S. suppliers.
- Demand for IT services is expected to grow in the following sub-sectors:
  - IT Security Services
  - Tailored Software Applications
  - Wireless Applications (mainly focused on mobile broadband)
  - Consulting and IT/Systems Integration
  - Business Intelligence Software
  - Web 2.0 technologies
  - Cloud Computing and Network Terminals Using
  - Web-Based Applications
Opportunities in Telecommunications

- Historically, Mexico’s telecom sector has been highly monopolized since the early 20th century.
- In June 2013, President Peña Nieto signed into law a far-reaching reform of the telecom industry that aims to increase competition and improve services for Mexican consumers.
- Creates a new telecom regulator (IFETEL) giving them autonomy and authority to identify monopolies.
- This reform will allow foreign companies greater participation in Mexico’s phone and television markets.
  - Allows 100% foreign direct investment in telecom and satellite telecommunications.
  - Allows up to 49% foreign direct investment in broadcasting with reciprocity.
- Mexican government plans to develop a shared public network and develop it via a public-private partnership.
Map of Mexico
Mexico City Overview

• **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
Monterrey Overview
(Mexico’s 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 the state of 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
Guadalajara Overview
(Mexico’s Silicon Valley)

- **Location:** Inland, Western State
- **Business Culture:** Conservative, strong family ties, open to U.S. goods and services, traditional business environment
- **Major Industries:** Automotive, agriculture, food processing and packaging, electronic equipment, software, and specialized medical services
Tip: Mexico 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, nation-wide 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 in Mexico

• **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
• **Know Ex-Im:** The Export-Import Bank of the United States finances exports through various term loan, guarantee and insurance programs; Ex-Im works through commercial banks in the U.S. and Mexico
Tip: Financing in Mexico

- Mexico has the full spectrum of financing options
- Be aware that Latin American lending rates are far higher than those faced by companies in the U.S. For example, **Mexican lending rates range from 9 percent to 14 percent per year. (U.S. rate is currently around 3.3%).**
- You may lose sales if you demand either Confirmed Letter of Credit or Cash-In-Advance.
- Consider Open Account Terms (30 or 60 days); export credit insurance, finance guarantees (EXIM), etc.
- EXIM: Mexico is their largest market in the world (although India is gaining fast).
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.
Additional Information on Doing Business in Mexico

- There is a wealth of information on the U.S. Commercial Service Mexico website: [http://www.export.gov/mexico](http://www.export.gov/mexico)

- The latest information key market opportunities, entry strategies, technical requirements for products, and other advice on doing business in Mexico can be found in our annual Country Commercial Guide for Mexico [http://export.gov/mexico/doingbusinessinmexico/index.asp](http://export.gov/mexico/doingbusinessinmexico/index.asp)
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