



Mexico's Manufacturing Supply Chain Summit

Conference - B2B - Plant Visits

El Paso, Texas
April 26-27, 2012



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Economic Environment

Global Perspective

- The expectation is for growth to be kept at very high levels in the emerging economies in Asia, especially in China and India.
- In Latin America neither Brazil nor Mexico will take off at the same rate as those nations albeit some growth will be seen

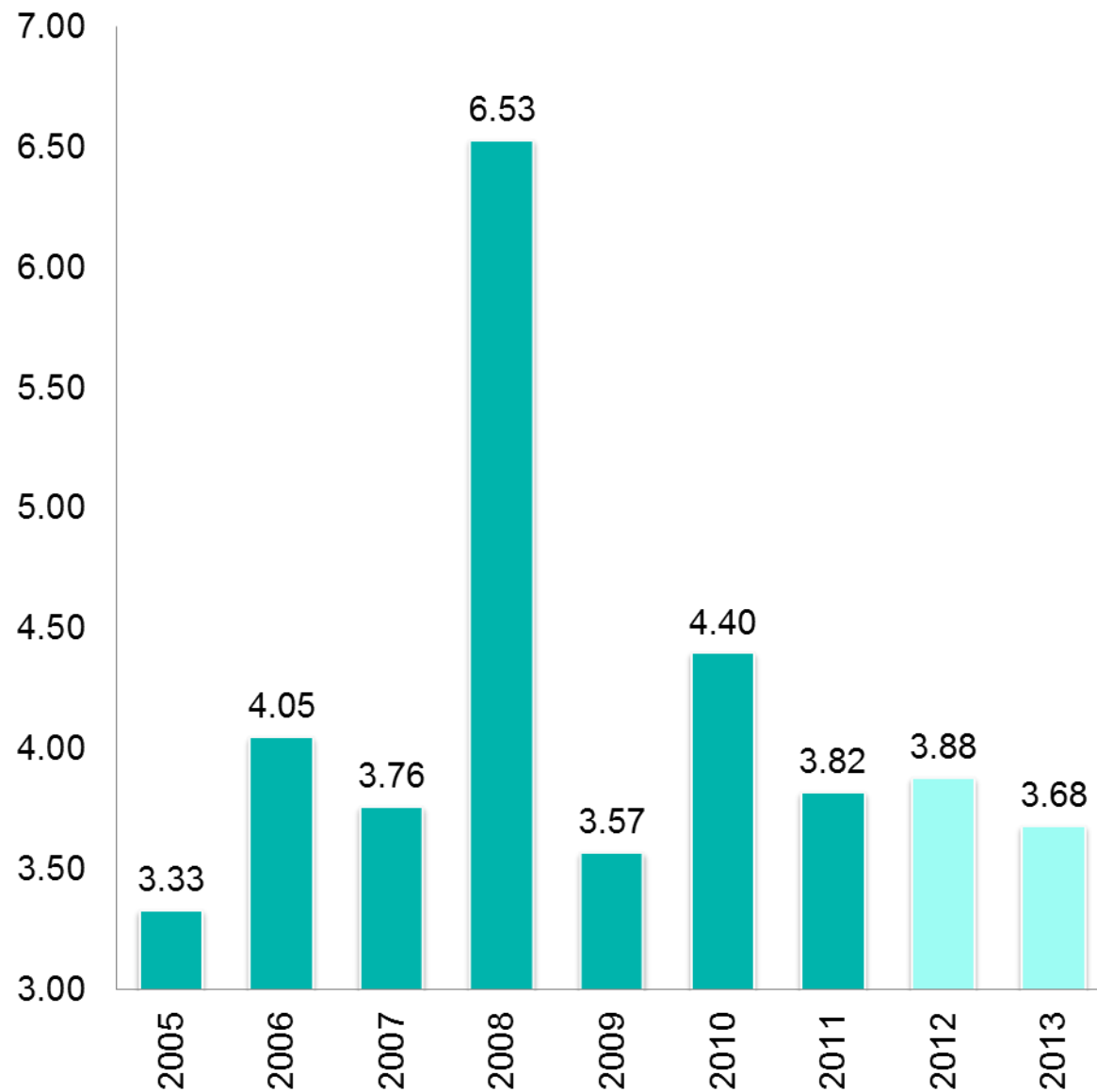
Actual GDP Growth

Annual % Variation

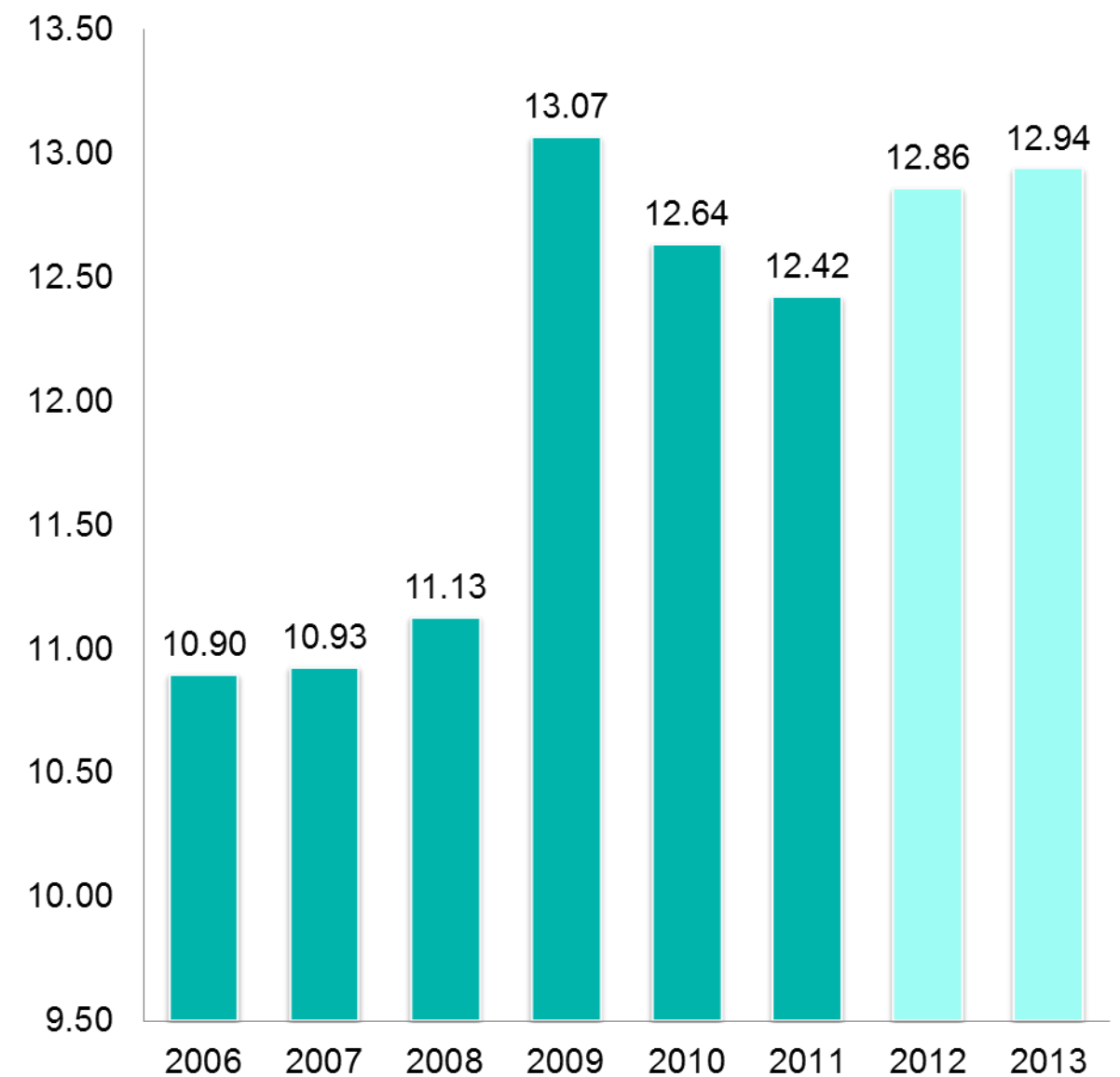
	2010	2011	2012	2013
World	5.2	3.8	3.3	3.9
Advanced	3.2	1.6	1.2	1.9
United States	3.0	1.8	1.8	2.2
Euro Countries	1.9	1.6	-0.5	0.8
Germany	3.6	3.0	0.3	1.5
Japan	4.4	-0.9	1.7	1.6
United Kingdom	2.1	0.9	0.6	2.0
Canada	3.2	2.3	1.7	2.0
Emerging	7.3	6.2	5.4	5.9
Russia	4.0	4.1	3.3	3.5
China	10.4	9.2	8.2	8.8
India	9.9	7.4	7.0	7.3
Brazil	7.5	2.9	3.0	4.0
Mexico	5.4	3.9	3.5	3.5

The Mexican Economy

Annual Inflation Expectations
Annualized Percentage



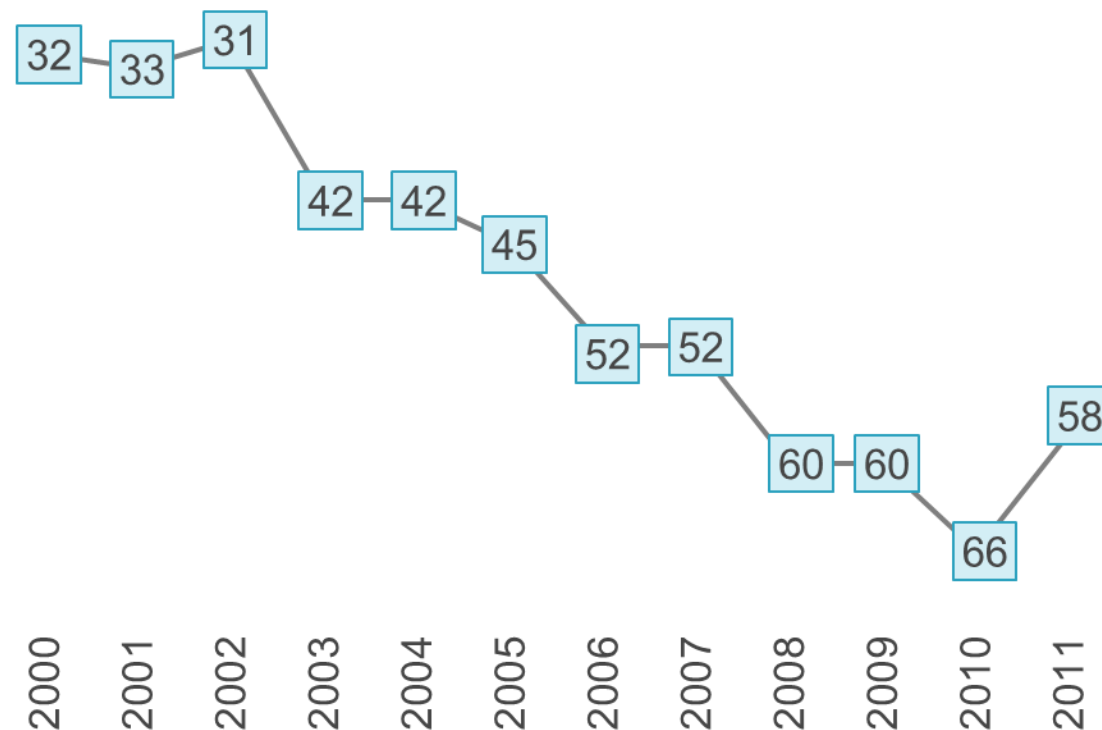
Average Rate of Exchange
(\$/Dollar) at close



Mexico in the Global Competitiveness Index

Evolution in Mexico

(Top less competitive)



Source: 2011-2012 Global Competitiveness Report. World Economic Forum

Mexico in the 2011-2012 Global Competitiveness Report

	Ranking in 142 economies	Rating (above 7)
Global Index	58	4.3
Basic Requirements	67	4.6
1st. pillar: Institutions	103	3.4
2nd pillar: Infrastructure	66	4.0
3rd pillar: Macroeconomic Stability	39	5.2
4th pillar: Health and Grammar Schooling	69	5.7
Efficiency Improvers	53	4.2
5th pillar: Higher Education and Training	72	4.1
6th pillar: Efficiency in the Goods Marketplace	84	4.1
7th pillar: Efficiency in the labor market	114	3.9
8th pillar: Developing the financial market	83	3.9
9th pillar: Technology Education	63	3.7
10th pillar: Market Size	12	5.6
Innovation and Sophistication Factors	55	3.7
11th: pillar: Sophistication in Business	56	4.1
12th: Innovation	63	3.2

Mexico in the *Doing Business Index*

- Our country has been conducting regulatory improvements so doing business becomes easier.
- It improved its ranking by 6 places in 2011 and 2010.
- However, for significant items – such as taxes – there is still a very long way to go

Comparative Reports 2010 and 2011

Category Classification	2011	2010	Change
Ease to do business	35	41	6
Opening a New Business	67	90	23
Managing Construction Permits	22	35	13
Registration of Real Property	105	99	-6
Getting Loans	46	44	-2
Protecting Investors	44	41	-3
Paying Taxes	107	106	-1
Trade Accross Borders	58	69	11
Cumpliance with Agreement Terms	81	82	1
Closing a Company	23	24	1

Source: 2011 Doing Business Report. World Bank



Challenges and Strengths of Mexico

AlixPartners Analysis *

- 87% operations outside the United States & 83% by outsourcing outside
- 42% of outsourcing operations in countries on the same time zone.
- Of these, 63% have selected Mexico as their first choice VS 19% who chose USA

Why to establish in Mexico:

- Lower transportation costs
- Speed of access to the marketplace
- Keeping lower inventory costs
- Ease of administrative coordination
- An American type business culture

AlixPartners Analysis

The main concerns when deciding on whether to set in Mexico

- Security, 38%; 45% of surveyed people feel there will be an improvement over the next 5 years; 29% think it will be similar to the current situation; and 14% believe the situation may deteriorate.
- Extending the supply chain, 17%

***challenge:* Direct Foreign Investment & Insecurity**

- Mexico into the main 20 receiving countries.
- Under “Investment Protection” Mexico dropped from 41 to 44 in the Doing Business ranking.
- In 2011 investments amounted to 19.435 billion dollars, i.e, 9.7% more than in 2010.
- By country of origin, 55% of investments in 2011 came from the USA; 15% from Spain; 6.7% from the Netherlands; 6.3% from Switzerland; and 3.4% from Canada.
- 82% of investments were posted in Mexico City (Corporate Headquarters), the State of Mexico....
- More than 100.000 billion dollars in the 2007-2011 period.

USA Direct Foreign Investments in Mexico

- DFI from the USA were reduced by 16.8366 billion dollars.
- The effect is more the result of the correlation between the Mexican and US economies in terms of manufacturing, services, and trade
- Reviewing the 2009 & 2010 figures where investment amounts decreased over the 3 previous years and then increased again in 2011.

USA Direct Foreign Investments in Mexico

	2000	2001	2002	2003	2004	2005	2000 - 2005
United States	13,000.4	21,441.8	13,143.7	8,885.3	9,135.3	11,764.2	77,370.7

	2006	2007	2008	2009	2010	2011	2006 - 2011
United States	12,929.6	12,812.5	11,335.3	7,237.5	5,519.8	10,699.3	60,534.1

Source: Secretariat of the Economy

Why do the United States and Mexico need each other?

- The maquila platform in Mexico is building high competitiveness of US industrial goods.
- Both countries are natural trade partners to compete as a region in the global economy.
- In spite of safety and security problems, Mexico continues to be the destination of preference to stay close to the objective market.

challenge: extending the supply chain

- Fostering CENADEP: National Center for Developing IMMEX Suppliers.
- Incorporated into our Ciudad Juárez Association
- Mission: to reinforce incubation and acceleration of domestic suppliers.
- Objectives:
 - To be an axis in public policy for industrial and economic development
 - to awaken domestic competitiveness
 - to identify ad hoc markets for Mexican inputs.

challenge: extending the supply chain

- Progress over the last few weeks has been made on the following integrating actions:
 - Executing agreements with academic institutions
 - a macro project with Home Depot (15 maquila companies, Ciudad Juarez)
 - business meeting for Electrolux
- In the short run, links are put together with:
 - Secretariat of the Economy
 - ProMéxico
 - Canieti
 - Cadelec
 - Concamin

... Some advances

1) 42 new suppliers

1) Agreement with CONALEP

2) Incubation process of nanotechnology

3) Promoter for Home Depot & Continental

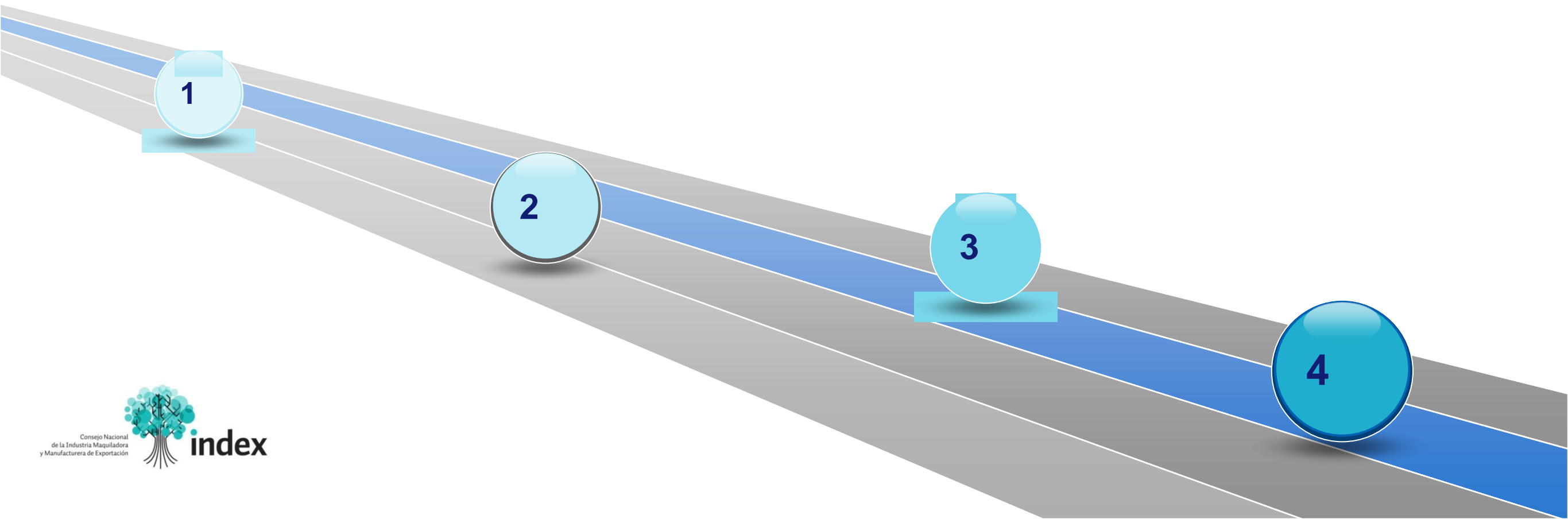
4) Index/Cenadep Juárez & Index/Cenadep Occidente



**Why address these important
challenges / opportunities ?**

Maquila Generations

Assembled in Mexico	Made in Mexico	Created in Mexico	Coordinated in Mexico
<ul style="list-style-type: none">• Increasing labor intensive work• Simple assembly	<ul style="list-style-type: none">• Rationalization of labor• Manufacturing• Adopting new technologies.	<ul style="list-style-type: none">• Increasing knowledge• Research• Development and design	<ul style="list-style-type: none">• Centralized activity coordination• Logistics• Autonomy• Local suppliers





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