Mexico
Opportunities for CGLG Companies

By Efren Flores
México
Geographical Position

- **1,964,375 km², Area**
- **Borders**
  - 1951 miles border with the United States
  - Belize and Guatemala on the south-east.
  - Economic area U.S. Guatemala, Honduras, Cuba, Belize
- **Coastlines**
  - 11,122 km of coastline
  - The south and west is flanked by the Pacific Ocean.
  - The Gulf of Mexico.
- **Geographical constitution**
  - 32 States and Federal District (Mexico City)
  - 2445 Municipalities.
México
Demographics

- 112 Million habitants
  - 0-14 years: 28.2
  - 15-64 years: 65.2%
  - 65 years and over: 6.6%

77 % urban population
Over 58% population under 25 (avg age of 27)
**México Economy**

**14th largest world economy**

- **Unemployment.** 4.9%
- **Inflation.** 4.15%
- **Exports.** $337 billion (81% US)
- **Imports.** $346 billion (49% US)
- **Oil exports.** $35.9 billion
- **Remittances.** $22.5 billion
- **Ex Rate:** 13.79 pesos per Dll
- **FDI.** $20 billion projected (19th in world)
- **GDP per capita.** $13,542 (2009)
- **GDP growth.** 1.4 in 2014 (4.2% estimate for 2015)
Mexico is the United States’ 3rd largest trading partner

Mexico is the 2nd destination of all U.S. exports

Mexico accounts for roughly 1/8 of all U.S. exports

22 American states depend on Mexico as their first or second destination for exports

More than one billion/day in two way trade

Nearly 50,000 U.S. Small and Medium sized enterprises export to Mexico.
The Impact of NAFTA.

- World’s largest free trade area: 455.4 million people; $16.9 trillion GDP
- No tariffs on U.S. exports to Mexico
- It clarifies and simplifies rules of trade
- Institution of Dispute Resolution Process
- U.S.-Mexico trade increased 347%: from $88 billion in 1993 to $393 billion in 2010.
- Trade has grown faster than the infrastructure
- Mutual Recognition Agreements for testing/certification in some sectors
**Regional Opportunities**

**Mexico City**

**Location.** Mexico City, with a population of 8 million of people, is one of the largest cities in the hemisphere and the world.

**Capital.** It is both the Political Capital and Financial Center of Mexico.

**Manufacturing.** It is also a manufacturing and distribution powerhouse.

**Industrial location.** Centrally located near other major industrial areas including Toluca, Puebla, and Queretaro.
Regional Opportunities. Guadalajara. “Mexico’s 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

Other Activities. Host of Pan-American Games, October 2011

Multinational Investors. GE, IBM, Intel, HP, Flextronics, Jabil, Oracle
Regional Opportunities: Monterrey
Mexico’s Industrial Heartland

**Location.** Strategic location in NAFTA corridor

**Business Culture.** Bilingual, open to U.S. goods and services. Pro business environment with stable workforce

**Major Industries.** Automotive, household appliances, electronic equipment, packaging, software, specialized medical services, and biotechnology.

**Other Activities.** 11% of Mexico’s total manufacturing output

**Multinational Investors.** Over 1800 foreign companies
**Regional Opportunities: Queretaro**

**Key Facts:** Queretaro has the first true Aerospace Cluster in Mexico following successful models like:

- Toulouse, Wichita, Montreal and Seattle.
- Queretaro is among the 5 safest states of all Mexico (out of 32)

**Business Culture.** Modern Business City & World Heritage Site

**Logistics.** Strategic location. 8hrs from Laredo, TX

**Major Industries.** Aerospace, Automotive, Appliances, and Manufactured Products.

**Multinational Investors.** LG, Bombardier, Samsung, Meggitt, Safran, Autoliv, Mann Hummel, Clarion, Delphi, etc.
Mexico’s Medical Market

FACTS

- Largest medical device industry in Latin America.
- Main destination of Mexico’s medical device products is the USA.
- The Medical device industry in Mexico is formed by 223 companies.
- This industry represents the 0.4% of Mexico’s GDP.
- Expected to growth at an annual rate of 14.4% reaching a value of U.S $7 million in 2015.
- Mexico has 7 medical Clusters manufacturing medical devices located in: Baja California, Chihuahua, Federal District, Jalisco, Sonora, Nuevo Leon, Morelos, Tamaulipas and the State of Mexico.
- These clusters group together 130 countries.
Medical health care system facts

PRIVATE SECTOR

- 25% to 30% of the total health care services provided in the country.

- Formed by a large number of small hospitals, clinics and groups and authorized by the ministry of health.

- Purchases of refurbished and medical equipment.

- Small hospitals represent 85% of the total number of private medical units.

- Large private health care groups are located in the main cities of the country: Mexico City, Monterrey and Guadalajara.

- Average growth rate of 6% per year.

- In 90% or the cases patients will pay directly to the institution the services, and will seek for reimbursement with its insurance company.

PUBLIC SECTOR

- 60% to 70% of the total health care services provided in Mexico

- Formed by different institutions and regulated by the Ministry of Health.

- Purchase only of new equipment through tender procedures

- Individuals are eligible for services provided by the government depending on their employment, economic status, and location.

- Medical services are classified in three levels: External consultation Clinics, General Hospitals and Specialty Hospitals.

- Average growth 17.3% per year

- Purchases are done based in their annual procurement program.
Medical health care system structure

Private Sector

**PROFIT INSTITUTIONS**
- Private Hospitals
- Offices Doctors
- Social Assistance Institutions

**NON PROFITS INSTITUTIONS**
- Red Cross
- Non Governmental Institutions
- Civil Organizations

Public Sector

**Social Security Institutions**
- Imss
- Issste
- Pemex
- Sedena
- State Institutions

**Institutions for insured populations**
- Seguro popular

**Institutions for non insured population**
- Sesa`s
- HFR
- Insalud
- Universities

**Social assistance institutions**
- DIF
### Top Imports to the Mexican market

<table>
<thead>
<tr>
<th>HTS</th>
<th>Products Description</th>
<th>2011 Mexico Total Imports USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>3051099</td>
<td>Adhesive dressings and other articles with an adhesive layer</td>
<td>$52,074,203</td>
</tr>
<tr>
<td>30031001</td>
<td>Sterile surgical catgut, similar sterile suture materials, and sterile tissue adhesives for surgical wound closure</td>
<td>$2,626,370</td>
</tr>
<tr>
<td>40151101</td>
<td>Surgical gloves, mittens, and mitts</td>
<td>$6,971,053</td>
</tr>
<tr>
<td>90181101</td>
<td>Electrocardiographs</td>
<td>$2,748,465</td>
</tr>
<tr>
<td>90181201</td>
<td>Ultrasonic scanning apparatus</td>
<td>$44,000,729</td>
</tr>
<tr>
<td>90181301</td>
<td>Magnetic resonance imagining apparatus</td>
<td>$29,229,530</td>
</tr>
<tr>
<td>90181401</td>
<td>Scintigraphic apparatus</td>
<td>$1,662,787</td>
</tr>
<tr>
<td>90183203</td>
<td>Tubular metal needles and needles for sutures and parts and accessories thereof</td>
<td>$10,805,819</td>
</tr>
<tr>
<td>90184901</td>
<td>Dental equipment</td>
<td>$2,436,770</td>
</tr>
<tr>
<td>90184903</td>
<td>Dental hand instruments and parts and accessories thereof.</td>
<td>$1,469,983</td>
</tr>
</tbody>
</table>
Opportunities for imported products

1 in 4 Mexicans are expected to be over 60 years in 2040. This will create a great demand of products related to degenerative diseases and geriatric medicine.

Some of the best prospects:
- Glucose and cholesterol monitors
- Blood pressure monitors
- Orthopedic implants (hip, elbow, knee)
- Physical rehabilitation products.

Obesity one of the mayor health problems in the country.
As per the ministry of health main death causes in the country are:
- Diabetes
- Heart diseases
- Cerebrovascular disease
- Cirrosis and liver diseases.
Best prospects

- Medical supplies
- X-ray Films
- Laser accessories
- Electro medical equipment
- Electronic and manual stethoscopes
- Orthopedic and prosthetic appliances
- X-ray Equipment
- Surgery sets including surgical sutures and gloves

- Dermatological fillers
- MRI equipment
- Needles
- Dental equipment and products
- Patient Monitoring
- Bistouries
- Bistouries and needles
- Defibrillators
- Wound care material
- Bariatric products
- Electrocardiographs
- Valves

- Ophthalmic products & equipment
- Electroencephalographs
- Suction pumps
- Ultrasonic scanning apparatus
- Anesthesia equipment
- Implants for plastic surgery procedures
Aerospace Industry

- Mexico has consolidated its aerospace sector as a global leader. It has recorded almost 20% annual growth in the last seven years. Currently, there are 270 companies and support entities in the country, most of which are NADCAP and AS9100.
- By 2012, exports from the Mexican aerospace industry reached a value of 5.040 billion dollars.
- Foreign and national investment in the sector exceeded 1 billion dollars in 2010 and 3 billion in the last three years.
- The industry employs more than 31,000 people at 270 aerospace firms.
The Aerospace Industry in Mexico

Location and Geographical Distribution

267 Corporations
18 States
34,000 +

- Baja California (59)
- Sonora (45)
- Chihuahua (32)
- Coahuila (7)
- Nuevo León (32)
- Tamaulipas (11)
- San Luis Potosí (5)
- Queretaro (33)
- Yucatan (3)
- Puebla (2)
- Hidalgo (2)

Fuente: Dirección General de Industrias Pesadas y de Alta Tecnología, (SE) ProMéxico y FEMIA
Opportunities in the Aerospace Industry in Mexico

Industry up cycle: Large OEMs driving market standards (BOEING and AIRBUS)
  • Incremental trend for back log order in Q3 (2012) 7,123* versus an avg output capacity of 1,800 aircraft per year!
  • Back log orders close to 7 years.

Medium OEMs (BOMBARDIER(CAN.), EMBRAER(BRA.), MITSUBISHI(JAP.), SUKHOI AND IRKUT(RUS), COMAC AND AVIC(CHINA), have a 5 year backlog orders

Private planes and helicopters(CESSNA, HACKER BEECHCRAFT, DASSAULT, GULFSTREAM, GRUMMAN, BELL, SICORSKY, AUGUSTA, EUROCOPTER) have a 3 year backlog orders.

World´s current commercial fleet 18+ years old and over 20,000 aircraft must be replaced within 8 years!

The defense market is over 4-5 times the commercial aerospace market, which is aprox 550-600 billion USD.

*Aerospace Market News
Aerospace Industry

- Mexico has invested the largest amount of money into aerospace manufacturing and is ranked 6th for aerospace research and development. The country is also the 12th largest exporter of aerospace products in the world.

- Currently, Mexico is the country that attracts more investment in manufacturing industry, surpassing some of the major powers in the sector.
The Aerospace Industry in Mexico at the glance

➤ A new industry with remarkable growth since 2002 (20%+ per annum)

➤ Over 267 companies: 79% MNF, 11% MRO & 10% D&E.

➤ Employment: Over 34,000+ in 18 States

➤ Exports: 3.4 BUSD (2010) and >4.5 BUSD (2011), with a 25%+ growth in relation to 2010

➤ The growth in 2013 was 24% including services and expecting a growth of 13% in 2013.

➤ In 2015, expect to have 37,000 employees, with 350+ companies and generate 7.5 billion USD., with 30% more of national supply.

➤ With a new competitive industrial platform less than 10 years

FEMIA
FEDERACION MEXICANA DE LA INDUSTRIA AEROSPACIAL A C
Opportunities in the Aerospace Industry in Mexico

- New opportunities in the MNF, MRO and D&E increasing.
- Mexico now has a National Strategic Plan of the Aerospace industry with a well defined 10 years program with solid reachable tasks.
- Mexico has showed extraordinary manufacturing flexibility, proving attractive prototype fabrication abilities.
Important data in the Mexican Aerospace Industry

- In 5 years, expect to have 37,000 employees, with 350+ companies and generate 7.5 billion USD with 30% more of national supply.
- With a new competitive industrial platform less than 10 years.
- The largest recipient of FDI in the sector worldwide in last two years.
Important data in the Mexican Aerospace Industry

- 8th largest supplier to the US market, but numbers are improving.
- A new program to promote FDI & NDI in the sector.

Structure by number of Employees

Source: FEMIA "Mexican Association of the Aerospace Industry"
Location and Geographic Distribution of Mexican Aerospace Industry

Source: Dirección General de Industrias Pesadas y de Alta Tecnología, SCT, PROMEXICO, FEMIA
Automotive Industry

- Production of vehicles in 2013 2,993,465
- Mexico's export-driven production of cars and light trucks jumped 7.5% in the first seven months of 2014 to nearly 1.86 million vehicles, compared to the same period a year earlier, according to data released by Mexico's automotive-producers chamber.
- Mexico exported 231,934 light vehicles in July 2014, an historic high for any previous July, representing growth of 11.2% for year over year exports;
Automotive Industry

- Mexico produced 259,634 vehicles in July 2014, which is 8.5% higher than the number for July, 2013.
- 100 of the largest auto parts companies in the world are in the country.
- The models that are produced exclusively in Mexico for the world meet the strictest environmental standards, quality and safety.
Automotive Industry

Skilled labor

- Mexico has more than 750,000 students in engineering and technology.

- At year 90 thousand students graduated of engineering and technology.

- There are more than 900 graduate programs related to engineering and technology in Mexican universities.
**Security.** The Federal Crime Prevention Strategy includes the development of the following projects:

- **New Federal Police Model:** Project that includes the modernization of policing services using state of the art technology and strengthen ties among the different police forces in the country; and
- **Plataforma Mexico Project:** Project which main objective if to coordinate an integrate crime information to public security institutions at a federal, state, and municipality level.

Among some of the business opportunities for Michigan companies that can be find in this sector are: armor products, defense technologies, anti-riot equipment, anti-kidnapping equipment, undercover surveillance equipment, it infrastructure, CCTV cameras, interception systems, explosive detection equipment, and specialized training among others.

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**Electronic.** Mexico has a solid installed capacity for electronic products manufacture and a total market value of $4.03 billion U.S, the country has became the 1st largest exporter of televisions and the worldwide leader in smartphones manufacture. One of the most vibrant industries in the country with a record growing rate is the electronics industry reaching the 4th place in the worldwide rank as IT service supplier with an average rate growth of 15%.

This sector is growing constantly due to the 730 manufacturing plants located in the country, in 2012 the government launched and initiative which main objective if turning Mexico into a world manufacturing center of electronic goods. In order to achieve this goal state of the art technology will be needed, as: multifunction equipment, digital cameras, handhelds, telecomm equipment, integration on wireless connectivity, mobility solutions, VoIP and servers, it equipment for SME’s among other products.
Business Etiquette

“When in Mexico, do as Mexicans do”

- Information is processed subjectively and associatively.
- Objective facts are used by those with a higher education.
- Degree of personal involvement in each situation.
- The best interest of the family or group is a dominating factor.
- Establishment of a rapport before doing business.
Appointments

- **Punctuality** is not rigid in Mexican daily life. However, punctuality is expected from foreigners and in business circles.

- **Business hours**: 9:00am to 6:00pm
- **Lunch**: between 2:00 and 3:30pm.

Language

- Spanish is Mexico’s official language.
- **English is quite widely spoken in business** circles and if you don’t speak Spanish, your hosts may be happy to hold the meeting in English. However, English is not universally spoken and an interpreter may be required.
- Making **an effort to learn Spanish**, even if it is simply a few phrases, will be highly appreciated by your Mexican counterparts. Your effort will be seen as a sign of interest and respect.

- All marketing literature, product manuals, warranty info, labeling, and anything you expect to leave with the contact should be in Spanish. Be sure to come prepared with all your relevant **information translated into Spanish**.
Business Etiquette

Negotiating

• Mexican business atmosphere is friendly and easy-going.

• The pace at which meetings and negotiations held tends to be slower in Mexico than in the U.S.

• Be calm and patient. Include a small talk before discussing business.

• Business cards are used extensively. Give the card in the hands, do not put it or throw it on the table. The same with marketing material or brochures.

• Negotiations in Mexico are based on mutual trust and reliability.

• It is important to spend time building relationships.

• Make repeated visits and maintain contact after your trips.

• Mexicans avoid saying “no”. “Maybe” or “We will see” may mean “no”.

• Conversations are held at a much closer physical proximity than what is accustomed in the U.S. Pulling away from your counterpart may be regarded as unfriendly.
CGLG Mexico Trade Mission 2014

March 1-7, 2015

Mission registration deadline: January 5, 2015

- Mission Participation Fee US$ 995 per person*
- Brief Market Research and Appointment Setting US$ 2,775
- Grant funding available in many states
- Main goal: To assist SMEs from the Great Lakes region or Canada looking to export products and services to Mexico

*varies by state

CGLG Mexico Trade Mission 2015

- Multi-sector trade mission to Mexico
- Mexico City, Monterrey and Guadalajara
- Customized one-on-one business appointments with interested distributors, agents and other prospective business partners set up by the CGLG Mexico Trade Office (average 3 – 4 appointments per day)
- Brief market overview including industry sector information and target company profiles
- In-country business briefing
- In-country staff support of CGLG Mexico Trade Office
- Group airport-hotel-airport ground transportation in all three cities
- Assistance with hotel bookings, drivers and interpreters
## CGLG Mexico Trade Mission 2014

<table>
<thead>
<tr>
<th>Date</th>
<th>Itinerary</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 1</td>
<td>Depart U.S. for Mexico. Arrive Mexico City</td>
</tr>
<tr>
<td>March 2</td>
<td>AM: Country Business Briefing and Networking Dinner&lt;br&gt;Individual Business Appointments in Mexico City</td>
</tr>
<tr>
<td>March 3</td>
<td>Individual Business Appointments in Mexico City&lt;br&gt;PM: Travel to Monterrey</td>
</tr>
<tr>
<td>March 4</td>
<td>Individual Business Appointments in Monterrey</td>
</tr>
<tr>
<td>March 5</td>
<td>Individual Business Appointments in Monterrey&lt;br&gt;PM: Travel to Guadalajara</td>
</tr>
<tr>
<td>March 6</td>
<td>Individual Business Appointments in Guadalajara</td>
</tr>
<tr>
<td>March 7</td>
<td>Depart for U.S.</td>
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CGLG FY14-15 TRADE MISSIONS

East Africa: May 11-16, 2015
Nairobi, Kenya and Dar es Salaam, Tanzania

Québec: June 15-17, 2015
Montreal (in conjunction with Governors & Premiers meeting in Québec City)

Website: http://www.cglg.org/projects/international-trade/
THANK YOU & QUESTIONS

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