

Why should you join the trade mission to Mexico and Colombia?

Why Mexico ?

Mexico is one of the most competitive countries in the world for productive investment due to its macroeconomic and political stability, low inflation, size and strength of its domestic market, economic growth rate and capacity to produce advanced manufacturing (high-tech products). Important structural reforms have recently been undertaken (Telecom, Energy, infrastructures, education, administration).

Mexico is also an open economy that guarantees access to international markets through a network of free trade agreements. The country boasts a strategic geographic location, between North and South America and competitive costs to service global markets, as well as a highly-skilled, young workforce. It is really a key country between both Americas: in the north, thanks to its integration in the ALENA single market, including USA and Canada. In the south, openness towards the Pacific Alliance, the new strategic alliance gathering Mexico, Colombia, Chile and Peru, 3 economies also currently booming.

As a result of Free Trade Agreements (FTAs) signed with 44 countries, Mexico has access to a potential market of 1,200 million consumers and more than 60% of the world's GDP, positioning it as an important export platform.

México is a safe place for foreign investment. The country has signed 28 IPPAs (Investment Promotion and Protection Agreements) and DTTs (Double Taxation Treaties) with more than 40 countries.

<http://www.promexico.gob.mx/en/mx/por-que-mexico>

Renewable energies:

Mexico has one of the greatest geothermal energy production capacities in the world. As of late 2012, the country ranked fifth in terms of geothermal energy production worldwide (823.4 MW).

In February 2013, Mexico was 3rd place in approved projects by Clean Development Mechanisms Board (CDM) in Latin America. These projects represent 2.6% of global share.

Mexico is located across the so called "sun belt", which places it among the countries with the highest solar power generation potential worldwide.

To encourage private participation in power generation through renewable sources, the Energy Regulatory Commission (CRE) issues licenses under different schemes such as:

- Self-supply: power generation for individuals and corporations self-consumption.
- Independent Power Producer: power generation from a plant with an installed capacity larger than 30 MW and for exclusive selling to the Federal Electricity Commission (CFE).

Other schemes for power generation are cogeneration, small production, export and import.

Some incentives for private power generation are:

- The energy bank: allows the accumulation of energy surplus for producers under self-supply scheme to be used in the future or to be sold to CFE.
- Preferential tariff for power transmission: transmission service charge for renewable energy and cogeneration efficiency of \$0.011 USD dollar/kWh, instead of \$0.023-0.030 USD dollar/ kWh for traditional source.

For further information about renewable energies in Mexico, please see:

<http://www.promexico.gob.mx/en/mx/energias-renovables-inversion>

ICT:

According to A.T. Kearney, Mexico is a leader in the IT and BPO industry, ranked the sixth most attractive destination to locate global services, which include information technology (IT) outsourcing and business process outsourcing (BPO), as well as contact and call centers.

Mexico has recorded high growth rates in recent years in the IT services, BPO and software market (8.9% annual average increase during the 2006-2012 period). Business Monitor International estimated the value of the Information technologies market at 10.5 billion dollars in 2012.

According to reports from the Ministry of Economy (SE), Mexico has become the third largest exporter of IT services globally. Exports of Information technologies grew by an estimated 12.6% in 2012, going from 4.94 billion dollars in 2011 to 5.56 billion dollars.

For further information about ICT in Mexico, please see: <http://negocios.promexico.gob.mx/english/06-2010/art01.html>

Automotive and autoparts:

Mexico's automotive industry is mature, dynamic and in continuous growth. In 2014, Mexico's Automotive industry showed clear signs of recovery; light vehicle production reached a new historical record with 3 million vehicles.

At a global level, Mexico ranked as seventh producer of light vehicles. In two years, Mexico climbed two positions, surpassing French and Spanish production.

Currently, the automotive sector accounts for 6% of the national GDP and 18% of manufacturing production. The Mexican automotive industry is expected to continue increasing in the future. The forecasts indicate production will reach 4 million units by 2018 and 5 million by 2020.

In 2011, Mexico reached production of 136,678 heavy vehicles, ranking as sixth producer globally behind China, Japan, India, The United States and Brazil. The heavy vehicle production in Mexico is expected to reach 196.8 thousand vehicles by 2016.

Mexico is the world's eighth car, truck, part and component producer. It's main export market is still the United States, even when in recent years, several markets, such as many Latin American countries, have increased their share in Mexican exports.

In 2014, nine of every one hundred vehicles were exported to Latin America. The main destinations for Mexican exports were Brazil, Argentina, Colombia and Chile.

Europe is another important destination for Mexican exports: 4 of every hundred light vehicles exported in 2014 were sent to the European Union¹.

Concerning heavy vehicles, in 2010 Mexico was the leading supplier of commercial vehicles to the United States. Mexico had an 85% share of imports value to the United States in the commercial vehicle segment, exceeding Canada in that year.

For further information about autoparts in Mexico, please see:

<http://www.promexico.gob.mx/en/mx/autopartes-inversion>

For further information about automotive industry:
<http://www.automotivemeetings.com/mexico/index.php/en/automotive-industry-in-mexico>

Composite materials and Aerospace:

Mexico is an important logistics and aerospace manufacturing hub of Latin America.

Mexico designs sophisticated components for the aerospace sector.

Several parts of the Learjet 85 (wings and fuselage) are manufactured in Mexico. This is the first aircraft by Bombardier to be created from composite materials.

The aerospace industry in Mexico has grown almost 19% annually since 2004.

General Electric (GE), the leading producer of aircraft engines in the world, has its largest Center for Research and Design outside of the US and Canada, in Querétaro.

Logistics:

Currently, the logistics industry in Mexico is set to one of the most modern in Latin America. The first logistics concepts were present in the Mexican automotive industry, where consumers demanded quality, functionality and speed of delivery. From this, changes in complementing various areas, specializations and strategic alliances that enable market expansion were generated.

The World Bank's Logistic Performance Index for 2014 has Mexico in 50th place out of 160 countries (Germany in 1st place) in terms of logistic efficiency, a fall of three place from the previous report.

Mexico's logistics sector can be the platform to launch different products to all continents.

One of the strengths of the country is the free trade agreements. According data from CIA World Factbook, Mexico has free trade agreements with over 50 countries putting more than 90% of trade under free trade agreements. In 2012, Mexico formally joined the Trans-Pacific Partnership negotiations and formed the Pacific Alliance. Moreover, the logistics in Mexico represents around 15% of national GDP. Out of that, 60% corresponds to transport, meaning that overland transport remains one of the most important sectors in the country, covering more domestic distribution and allowing trade between North, Central and South America.

There is also a direct flight (cargo) connecting Luxembourg and Mexico.

See further details here: http://www.pwc.com/es_MX/mx/knowledge-center/archivo/2014-09-transportation-and-logistics.pdf

Why Colombia ? the new Latin-American tiger

Long "forgotten" because of the violence, Colombia, third Latin American economy, is growing and is now part of the "new emerging countries".

Colombian economy has only had one year of recession over the last 40 years. Besides having an institutional stability and a regulation open to foreign investments, Colombia has a lot of assets: the abundance of natural resources (oil, gas, hydro, coal, gold, etc.); the existence of an industrial base; the size of its internal market (47 million inhabitants) and a per capita income which is above 12,000 dollars in purchasing power parity terms (PPP); an advantageous geographical position in the North of South-America, etc. Today, Colombia has achieved the diversification of its industrial production and offers various opportunities in almost all sectors: energy, infrastructures, automotive, telecommunications, etc. Its technology infrastructure is supported by five underwater cables and a national fiber-optic ring that connects 300 municipalities in the country. Thanks to its privileged geographical location and developed logistics infrastructure, the country has also an easy access to global markets.

<http://www.investincolombia.com.co/why-colombia.html>

ICT:

With the online government programs, the strengthening of the ICT Industry and Vive Digital, the Colombian government is working to promote the use of these tools and networks. These programs open up a wide range of opportunities for the Hardware and IT Services in the country thanks to the large use of technology, industry and population growth that look for these goods and services. Colombia has an infrastructure capable of handling world-class operations, with 6 submarine cables that allow the use of 4G technology (MinTic, 2013). Its technology infrastructure is supported by five underwater cables and a national fiber-optic ring that connects 300 municipalities in the country.

In terms of demand for IT services, the financial sector is one of the most dynamic sectors as a result of the Government's mass bankisation, allowing users to gain access to technology so they can manage their finances. This trend has created a lot of opportunities for the provision of back office and call center services across the country.

For further information about the ICT sector in Colombia, please ask for the complete report (in appendix).

Infrastructures:

The country's Government is currently carrying out an ambitious plan for the development of road, port, railway and airport infrastructure in the country, which exceeds US \$35.7 billion for the coming years. This requires support services in accounting, finance and logistics.

Thanks to its privileged geographical location and developed logistics infrastructure, the country has also an easy access to global markets.

Energy:

The gas and oil sectors are increasingly demanding more services related to mobile telecommunications to control well and drilling, oil extraction, and transportation processes for their daily activities.

Colombia has experienced a tremendous growth in its energy generation, transportation and distribution companies, which are in a process of expansion in the region that generates growing demand for IT and BPO services.

For further information about the Energy sector in Colombia, please see:

<http://www.investincolombia.com.co/sectors/services/goods---and---oil---services.html>

Logistics:

Colombia's strategic geographic location offers great advantages for this kind of services, that low costs and reduces time of deliveries. The country has 1.359 ocean-freight frequencies, almost 1.000 air connections, and direct flights to the main countries across America. There are 13 cargo airlines available

only for the United States market, as well as 1.574 cargo flights per week, 13 shipping companies and 296 ships with weekly routes to the United States.

With over 1,359 ocean-freight frequencies and almost 1,000 air connections, Colombia offers excellent export logistics. There is also a direct flight (cargo) connecting Luxembourg and Colombia.

Transport of perishables (flowers):

The main flower exporters in Latin America are Colombia and Ecuador. For both countries, floriculture is a fundamental part of its economy, making it its first non-traditional agricultural export.

Colombia is the leading exporter of flowers in Latin America. It has about 8.000 hectares of different types, most importantly roses, carnations, and chrysanthemums, among others. The country has been exporting flowers for over 40 years.

The Colombian flowers have an outstanding place within the preferences of the international consumer because their high quality, colorful, beauty, size and variety. In effect, with these qualities and in only 40 years of activity, the sector has managed to become the second exporter at world-wide level after Holland. The flower industry is dominated by a few major countries:

- Floral Production: Holland (83% of the world's cut flowers and 40% of production value); Colombia; Ecuador and Kenya;
- Floral Imports: Germany (73% of the cut - flower production is imported by Germany); UK ; US ; Holland, and France.

For further information about Logistics in Colombia: <http://www.procolombia.co/en/FTA-USA-Colombia/logistics>

For further information about the export of Colombian Flowers: <http://www.asocolflores.org/inicio> ; <http://www.pma.com/~media/pma-files/research-and-development/colombia-floral-market-final.pdf?la=en>

Automotive:

Colombia is the ideal location for the manufacturing and assembly of cars, trucks, buses and auto-parts. Colombia is the fourth biggest automotive manufacturer in the region and it's industry represents a 2.5% of the total manufacturing industry work force.

Colombia's automotive industry includes the assembly (of light vehicles, light weight trucks, buses and motorcycles) and manufacturing of parts used in assembly for the OEM Markets and replacement markets, which includes suppliers of inputs from other industries such as metalworks, petrochemicals (plastics and rubber) and textiles.

Colombia currently has a fleet of around 3.8 million of vehicles; about 59,5 % of those units are supplied by imports.

For further information about the automotive industry in Colombia, please see

<http://www.investincolombia.com.co/attachments/Automotive%20Industry%20in%20Colombia%20-%20April%202012.pdf>