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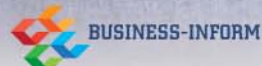
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MEXICO, THE NEW LAND OF OPPORTUNITY

— Dr Iván Rosales reveals how to nearshore products into a neighboring country



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Mexico, The Opportunity

✍ Dr Iván Rosales

The Chinese Book of Changes, known as the I Ching, states that everything is in constant motion; nothing remains unchanged for an extended

period. This is a notion often met with resistance, as we all strive for success each day, and when it finally arrives, we only want to preserve it indefinitely.

The I Ching unexpectedly came into my life in 1995,

when I was not actively seeking it. Its ancient wisdom immediately captivated me. It serves as a valuable resource when one needs to determine the optimal course of action, particularly in the realm of business. Periodically, adjustments are necessary to sustain ongoing success.

We are all aware that globalization is evolving, particularly within the supply chain framework, adopting a new approach known as "Nearshoring." This model involves a company relocating some or all of its operations to a neighboring country.

Nearshoring

encompasses various business processes such as supply chain management, user interface design, manufacturing, and assembly.

These services can be obtained from an outsourcing company located in a neighboring country, typically one sharing a border with the target market for your



Mexico

New Land of

Dr Iván Rosales is an expert in Softlanding and Nearshoring, with a primary focus on Mexico and North America. His distinguished academic achievements include a PhD in public administration and an MBA. He also possesses a wealth of technical expertise as an electronics engineer with a specialization in quality control processes.

Rosales' expertise encompasses a wide spectrum of domains including business management, global project management, marketing, sales, finance, and continuous improvement initiatives within the imaging supplies industry. As a trusted international business consultant within the imaging supplies industry, he enhanced the performance of companies including Cartridge World where he served as the Operations Manager for CW USA and as the Latin American Manager for CW Global. He can be contacted by email at <ivan@gsls.lat>.



products, or you can establish your facilities in the nearby country. For instance, a North American company might opt to nearshore a segment of its manufacturing operations to a company situated in Mexico.

Numerous global corporations have already made the strategic choice to transfer their manufacturing facilities to Mexico, with Tesla being the most prominent example to date. Additionally, approximately 400 Asian companies are planning to relocate parts of their operations to Mexico, enabling them to serve the North American markets, which encompass the United States, Canada, and Mexico itself. This practice is commonly referred to as "Offshoring."

How does nearshoring differ from offshoring for manufacturing companies?

- **Nearshoring:** is the practice of a manufacturing company relocating some or all of its manufacturing operations to a neighboring country. For instance, if a U.S. company moves its operations to Mexico, it is referred to as nearshoring.
- **Offshoring:** In this scenario, a manufacturing company shifts its operations to a country that is farther away, typically one with a lower cost of living than its home country. For example, when a U.S. company moves its operations to China, it is termed offshoring.

Additionally, there's the concept of reshoring, also known as onshoring, which involves moving factories back to the home country from a foreign or neighboring nation. For example, if a U.S. company initially relocates its manufacturing operations to China or Mexico and then brings those operations back to the USA, it is described as reshoring.

Among the numerous advantages of nearshoring to Mexico, the country's cost-effective economy and proximity to the United States are particularly noteworthy for nearshoring purposes.

Some other benefits of nearshoring in Mexico include:

International companies with nearshoring operations in Mexico.





- A free trade agreement with the USA and Canada.
- Free trade agreements with 46 other countries.
- Attractive government incentives.
- Robust protection of intellectual property rights.
- Competitive labor costs.
- Access to a skilled workforce.
- Shorter supply chains.
- Efficient logistics.
- Favorable trade relations with the USA and Canada.

In 2022 and 2023, companies have been progressively shifting part of their production to countries close to their target markets with similar time zones. This strategy aims to minimize disruptions in supply chains. The close integration between North American countries facilitated by the United States-Mexico-Canada Agreement (T-MEC) has eased this transition, with the Mexican automotive industry emerging as one of the primary beneficiaries.

To successfully establish your business in Mexico, you will require the assistance of local experts who offer a service known as "soft-landing." These experts provide

comprehensive consulting services to facilitate your company's smooth transition to the country.

Starting with the legal aspects, which encompass various corporate needs:

- Bookkeeping and minutes drafting.
- Powers of attorney.
- Intellectual property management.
- Licensing and permits.
- Immigration support.
- Data protection.
- Money laundering and anti-corruption policies.

On the labor front:

- Payroll calculations.
- Payroll taxes.
- Social security contributions.
- Mandatory benefits.
- CRM implementation.

In terms of tax compliance:

- Monthly compliance.
- Annual compliance.
- Informative returns.
- Tax refunds or offsets (if applicable).
- Due diligence.
- Consulting.

Accounting services:

- Bookkeeping.
- Electronic accounting.
- Preparation of financial statements in accordance with USGAAP standards (USD, MX, etc.).
- Invoicing support.
- Consulting.

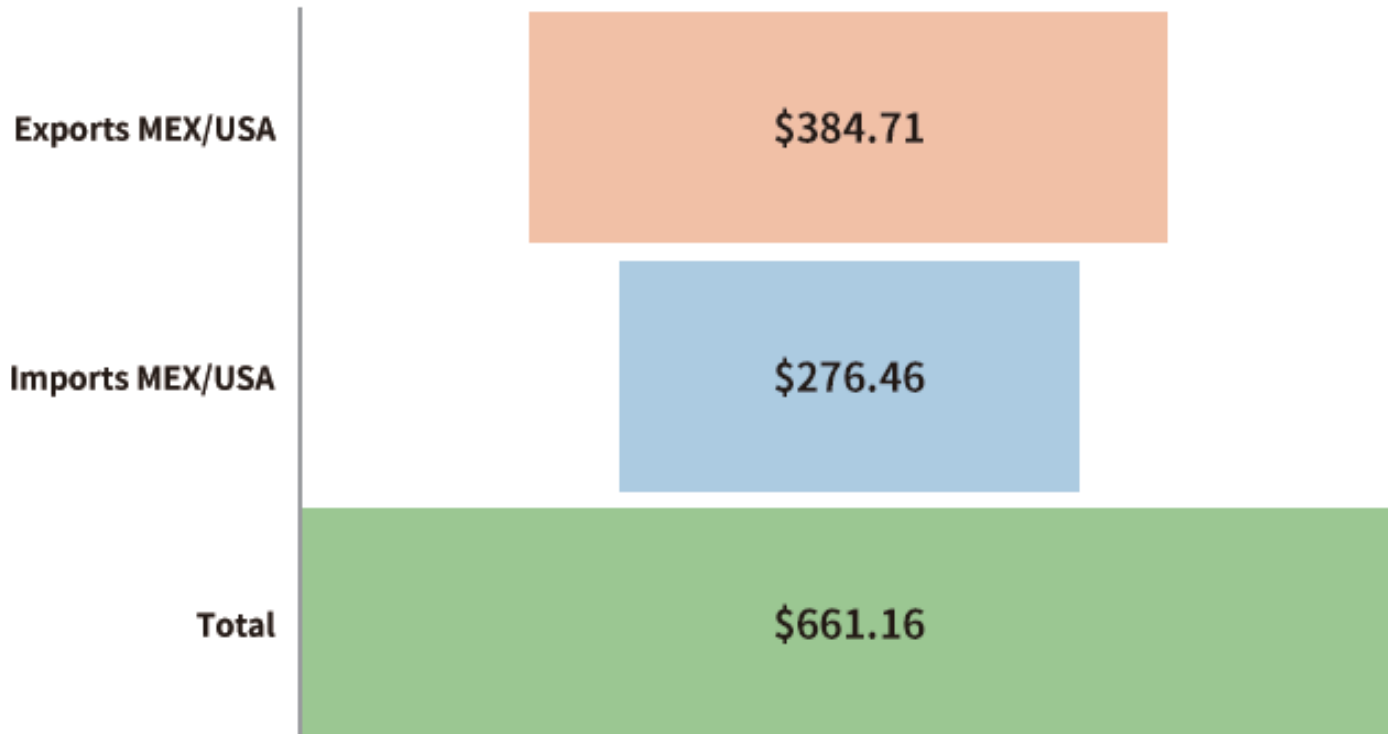
Government incentives:

- Assistance in finding cost-effective properties.
- Negotiating tax extension agreements.
- Access to government supply contracts.

Based on the insights of analysts and entrepreneurs, nearshoring is a pivotal element with significant implications for both the business sector and the regions and countries where it is employed. It constitutes a mutually beneficial arrangement, ensuring efficient production and distribution of products and services for companies while simultaneously stimulating investment, facilitating technology transfer, bolstering trade, and fortifying local economies in the areas where this strategy is adopted.

As articulated in the "2022 Mexico Nearshoring Report" by the Swiss-Mexican Chamber of Commerce & Industry, Mexico

US - MEX Trade Exchange (US 661.1 Billion) in 2021



Source: Ministry of Economy of Mexico

has emerged as a prominent player on the global economic stage in recent years. In 2021, it secured its position as the 15th largest economy worldwide, boasting a GDP of US\$293 billion. As a member of the G-20 and the OECD, Mexico has cultivated an extensive network of 14 Free Trade Agreements spanning 48 countries, along with 30 investment protection and promotion agreements and nine economic complementation accords. This impressive array of international agreements has positioned Mexico as a formidable player in global trade, affording it enhanced access to foreign markets. Notably, Mexico ranks second in Latin America in the World Bank's Doing Business Report, trailing only Chile in the region.

In general, the removal of tariffs, strategic geographical positioning, and economic integration serve as compelling factors for reducing production and logistics expenses while fortifying the supply chains of

businesses operating in Asia. The United States-Mexico-Canada Agreement (USMCA) paints a promising picture for Mexico, making it an appealing destination for investment and production relocation.

This preferential access to the North American market has spurred the influx of new capital into northern Mexican states, including Nuevo León, Baja California, and Chihuahua. Over the past two years, this region has transformed into a manufacturing powerhouse, attracting numerous global companies.

Moreover, the Bajío region, encompassing states like Querétaro, Guanajuato, and San Luis Potosí, has exhibited remarkable dynamism. It has evolved into a hub of specialized clusters, particularly in sectors such as automotive, aerospace, and industrial manufacturing.

In the realm of Print Consumables, a prominent OEM Company, HP, recently made headlines with its decision to establish

a manufacturing facility in Mexico.

Their strategic move underscores their comprehension of the changing rules of the game and demonstrates a significant commitment to Nearshoring, a path relatively unexplored by many in our industry.

As I consistently emphasize, the Aftermarket of print consumables has consistently thrived by innovating proprietary IP solutions, creating novel products, and offering disruptive business models to our customers. I firmly believe that this time will be no different; our industry leaders will navigate the complex international markets successfully, continuing to serve as guiding lights.

Nearshoring represents just one of the myriad avenues to prosperity in the upcoming decade. For those seeking access to the world's largest market, remember this: Mexico stands as the new land of opportunity! ■

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