

# RESHORING MEXICO 2014

Investment Attraction Index





# About CIDAC

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CIDAC (*Centro de Investigación para el Desarrollo*) is an independent, not-for-profit think tank that undertakes research and proposes viable policy alternatives for the medium and long-term development of Mexico.



# Reshoring Mexico 2014

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The following years will be crucial for Mexico and the North American region as a whole. The great Chinese manufacturing boom is coming to an end as that country's economy is quickly integrating to global developments. Cheap and convenient manufacturing in China is on the past. On the contrary, the growing integration of the North American economies is bringing new competitive opportunities to our countries that are making more and more attractive to think about reshoring investments and production processes from Asia in general, and China in particular.



# Reshoring Mexico 2014

Looking forward to the big chances that upcoming reshoring to North America trends will pose for Mexico, CIDAC developed the Investment Attraction Index in order to map, in 19 selected states throughout Mexican territory, the main elements taken in consideration when investors are deciding where to put their money.



# Index

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- I. A Huge Chance.
- II. The Problem.
- III. What is *Reshoring Mexico*?
- IV. Going Further.



# I. A Huge Chance

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China has lost its competitive advantages as an export platform for the U.S., due to a myriad of factors (increasing salaries, Chinese currency appreciation, rising costs for transportation services, property rights).



# I. A Huge Chance

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About 54% of the major transnational corporations will be moving their production to the U.S. and neighboring zones through the next 5 years. Also, 21% of those enterprises are already in course for reshoring to North America and some of them will finish to do so within the next couple of years.



# I. A Huge Chance

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Between now and 2020, for North America, reshoring trends imply an estimated potential of 120 billion USD in investments moving back to this region. This figure is 3.5 times higher than the whole of the direct foreign investment received by Mexico during 2013 (that year, Mexico had its highest rates on the issue for the last 13 years).





# Mexico's SWOT for Investment Attraction

- Advantageous location
- Inexpensive workforce
- NAFTA
- Huge energy resources (proved and potential)



- Reshoring from China
- A good energy reform

- High energy costs (and uncertainty about the recent energy reform future outcomes)
- Poorly interconnected production networks
- Poor education system
- Weak links between education and labor markets

- Violence
- Underestimated gas prices
- Uncertain law enforcement system
- Countercyclical fiscal reform and high taxes for productive sectors



# I. A Huge Chance

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For the U.S., reshoring from China has the potential to create between 2.5 and 5 million new jobs. According to figures from The Offshore Group's Reshoring Initiative, about 10% of the newly generated manufacturing jobs correspond to assembling lines brought back from Asia to North American soil.



## II. The Problem

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Mexico seems to be ignoring these trends and is losing its chance to firmly stand as the best nearshore option for bringing back investments from China to North America. Even worse, due to the most recent tax reform pushed by President Peña Nieto, the fiscal burden for corporations and entrepreneurs will increase between 100% (for capital intensive enterprises) and 400% (for the manufacturing sector).



## II. The Problem

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Conceding that Mexican government is going on the right direction upholding its fiscal policies, and eventually could be interested in taking advantage of the reshoring opportunities, there is a critical lack of information related to key elements regarding investment attraction friendly environments:

- Functional infrastructure
- Manufacturing industry capacities
- Quality public services available



## III. What is *Reshoring Mexico*?

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### INITIATIVE GOALS



To persuade Mexican authorities for taking action in order to benefit from the reshoring investment trends.



To show why Mexico is the best nearshore option.



## III. What is *Reshoring Mexico*?

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### INITIATIVE GOALS



To align public policies in order to boost competitiveness within manufacturing sector in Mexico



To map infrastructural needs and quality public services availability throughout Mexico.



## III. What is *Reshoring Mexico*?

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### INITIATIVE CURRENT OUTCOMES



Industrial Parks Census (CIDAC-AMPIP 2014)



The “Reshoring Tour”



Development of a rigorous methodology focused on identifying those industries with higher chances for being reshored to North America.



# III. What is *Reshoring Mexico*?

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## INITIATIVE CURRENT OUTCOMES



Investment Attraction Index



Reshore-to-Mexico Website (upcoming)





## IV. Going Further

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How to translate the incoming investments in a consistent push for economic development in Mexico (i.e. through higher national aggregate value)?

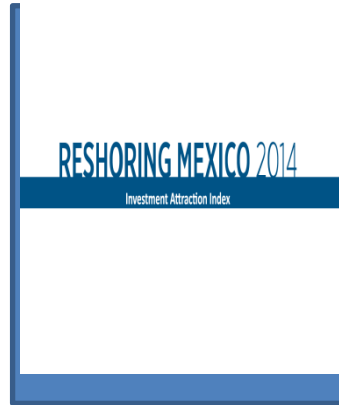


How to improve productive networks?



# Report Web Tools

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- [http://cidac.org/esp/cont/publicaciones/Reshoring\\_M\\_xico\\_2014.php](http://cidac.org/esp/cont/publicaciones/Reshoring_M_xico_2014.php) (Report in Spanish)
- <http://reshoretomexico.org/> (Interactive webpage)



# Project Contact Information

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