



Hello,

I'm Al Brown, Principal Consultant for SupplyMex.

You may recall how in the early 1990's many U.S. manufacturers rushed into Mexico after passage of NAFTA, to open U.S.-owned facilities that took advantage of the more favorable labor cost situation in Mexico.

This arrangement has served many companies well in holding down their component costs.

But at the time of the introduction of the NAFTA agreement, Mexico quite honestly, had not made the kind of national commitment to 21<sup>st</sup> century manufacturing standards that top U.S. companies insist upon.

Over the past decade a combination of disciplined centralized economic planning by the Mexican government and a continuous influx of billions of dollars of investment by foreign manufacturers have dramatically altered the manufacturing landscape in Mexico, greatly to the favor of all U.S. manufacturers.

We are pleased to present this fact-filled overview of the reasons why today Mexico should be on every Procurement Director's short list of preferred outsourcing locations.

No matter whether your company is looking for component sourcing, complete assembly outsourcing or a more efficient overall supply chain strategy, SupplyMex stands ready to assist you in developing profitable relationships with top Mexican-owned manufacturers.

**Please feel free to contact me to discuss your company's specific needs:**

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## **Does your supply chain strategy include Mexico? It should!**

Mexico's position as a world-class manufacturer of moderate to high value-added goods continues to strengthen. Mexico offers a strategic competitive advantage over other Low Cost Countries in the world. It shares a 2,000 mile border with the U.S., offers a highly developed logistics infrastructure that facilitates global trade, has 12 free trade agreements with 42 countries, a stable currency and economy, a healthy climate for investment and a strong competitive labor force. These factors make Mexico a logical choice for sourcing and OEM outsourcing supply chain strategies.

### **Logistics infrastructure**

Mexico's logistics infrastructure has improved significantly over the last 10 years due to the privatization of maritime ports, railroads, airports and toll highways. Foreign Direct Investment (FDI) by global logistics companies has played a major role in these developments. Most of the world's largest logistics companies already have significant assets and operations in Mexico. This competitive environment has served to reduce the costs of transporting goods.

### **Free trade agreements**

Mexico has signed 12 free trade agreements with 42 countries over three continents. Well-known NAFTA covers the U.S. & Canada, while LAFTA covers Latin American countries, and FTA covers the European Union. These FTAs offer companies that source from and/or have operations in Mexico preferential access to 870 million consumers worldwide. Mexico has become one of the world's primary trade hubs.

### **Global production and quality standards**

Mexico's increasing productivity, efficiency and quality standards have transformed the country into one of the world's leading manufacturing nations. Manufacturing labor productivity has averaged 4.98% during the years 1987–2005. Productivity growth in 2005 was 4% according to Banco de Mexico.

**Continued**

**Stable economic and political environment**

Economic figures indicate a well-established and sustainable economic program aimed at growth. Mexico offers a liberal government policy toward FDI, while macroeconomic policies provide a stable economic, social and political environment sought by investors worldwide. Mexico received over \$18 billion in FDI in 2005, making it the number-one recipient of FDI in Latin America.

**Skilled workforce**

Mexico's labor force is young (60% under age 25), abundant, skilled and well educated (90% of the population is literate). The working population has consistently demonstrated that it can perform any job it has been asked to perform by foreign investors. The Mexican government is committed to satisfying industries specialized needs by structuring and funding training programs and working in close coordination with businesses.