The government of Mexico has set out to transform our country based on five major national goals: to have a peaceful, inclusive, well-educated, prosperous and globally-responsible Mexico.

In order to build the prosperous Mexico we long for, we must generate sustained high economic growth that results in more and better jobs that will improve the quality of life of our population.

Mexico has a solid foundation on which to attain these goals: healthy public finances; a manageable debt level; a budget with no fiscal deficit; a responsible and autonomous monetary policy, as well as adequate international reserves.

Our macroeconomic stability and institutional strength are enriched by a wide sociopolitical consensus that favors important transformations required to boost the development of our country. Through the Pact for Mexico, two constitutional reforms have been approved: one in education that will enhance the quality of teaching, and another in telecommunications, radio broadcasting and economic competition that will open up the sector and ensure competition throughout our economy. Furthermore, the Congress is analyzing a financial overhaul to increase the level of credit and make it more affordable.

Mexico offers certainty and confidence to investments, a business climate favoring productivity and competitiveness, and an ambitious plan to further develop infrastructure. Moreover, the country’s strategic geographic location and optimal legal framework for international trade, through a network of trade agreements with 45 countries, give us access to a potential market of over one billion people.

Mexico’s exceptional economic and geographic conditions, as well as the talent and quality of its human capital, make it the ideal destination for new productive capital to flourish.

This is the time to invest in Mexico. Investors will find the government of Mexico and ProMéxico to be allies committed to the success of projects that create quality jobs and prosperity for the country.

Enrique Peña Nieto
President of Mexico
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Bombardier, más de veinte años de éxito y compromiso con México
The North American Free Trade Agreement was, in its time, a new paradigm of regional integration; innovative and unprecedented for the era. Today it is a reference of multilateral trade and a cornerstone of the globalization and growth of our countries.

We have come a long way in these two decades: cooperation between Canada, the United States and Mexico is broader and deeper than ever. There are still many challenges to face, such as increasing trade facilitation and strengthening our global value chains, among others.

The economic partnership we have achieved has enabled us to position as the biggest, most competitive and important region in the world, which is evidenced by the facts included on the following pages.

Welcome to Negocios!

Francisco N. González Díaz
CEO
Proméxico
El Tratado de Libre Comercio de América del Norte fue, en su momento, un nuevo paradigma de integración regional, innovador y sin precedentes para la época. Hoy es un referente del comercio multilateral y pieza angular de la globalización y del crecimiento de nuestros países.

Hemos avanzado mucho en estas dos décadas: la cooperación entre Canadá, Estados Unidos y México es más amplia y profunda que nunca. Aún quedan muchos retos que debemos afrontar, como incrementar la facilitación comercial y fortalecer nuestras cadenas globales de valor, entre otras.

La alianza económica que hemos logrado nos permite posicionarnos como la región más grande, competitiva y relevante a nivel global, lo cual se demuestra con los hechos incluidos en las siguientes páginas.

¡Bienvenidos a Negocios ProMéxico!

Francisco N. González Díaz
Director General
ProMéxico

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WORKING TOGETHER, CANADA AND MEXICO ARE MAXIMIZING THE NAFTA ADVANTAGE

Through participation in the North American Free Trade Agreement (NAFTA), Canada and Mexico have become more than trade partners; the countries have strengthened their relations in all fields to become strategic partners who are now working together to further success on the international stage.

Twenty years ago, NAFTA was considered by many to be bold and ahead of its time. Now, much has changed because of this agreement – it has transformed North America from a geographical location on the map, to an integrated North American platform for trade and economic growth within the continent, and also a powerful trading force with the rest of the world.

Such was its success that in little less than one generation, NAFTA has become part of our vocabulary. This is the ‘NAFTA generation’, a generation that does not know any other way of life, and perhaps does not fully realize that it is because of NAFTA that we have the opportunities we do today: good jobs, benefits to consumers of higher-quality, lower-priced products, and greater market efficiencies that enhance our global competitiveness.

We have all benefited from NAFTA as businesses continually work to create global value chains which make our North American region among the most competitive in the world.

Since NAFTA, Canada and Mexico’s bilateral merchandise trade has grown more than six times – surpassing 30 billion dollars last year. And, according to the Government of Mexico, Canada is the fourth-largest foreign investor in Mexico.

Companies from both countries—representing all sectors of our economies—have found success within NAFTA environment, among these we find Bombardier (including Bombardier Recreational Products), Scotiabank, Goldcorp, La Costa, TransCanada, Apotex, MABE, Modelo, Palliser Furniture, Magna, Linamar, CP Rail, Canadian National (CN), and NewGold.

Canadian companies and their subsidiaries have injected wealth into the Mexican economy through the creation of good jobs, innovation, and downstream supply chain investments. Canada’s attractiveness as an investment destination is increasingly drawing the attention of Mexican companies as well. The benefits for our countries are not just for the big companies; small and medium sized companies have also benefited from increased trade and investment opportunities and integration into supply chains.

Most Canadian companies with investments in Mexico have fully integrated their Mexican production platform into their global strategy. Fully-integrated manufacturing across the continent allows individual enterprises to become more competitive globally and to participate in a globally-competitive supply chain.

NAFTA established a framework with rules to create more certainty and predictability for our trade and investment. It laid the groundwork for our future integration and has contributed to our economic growth over the last twenty years. Nevertheless, we have moved beyond our original goals of trading; we have moved from three countries merely exchanging goods and services to a region that makes things together.

Our ‘North American products’, the ones that Canada, the US and Mexico make together, are now exported globally. We have aircrafts partly made in Mexico, then exported to the US for further assembly, and transported to Canada to create a finished product for sale within our three countries as well as in the global marketplace. In fact, our markets have become so integrated, that it can be

CON TRABAJO CONJUNTO, CANADÁ Y MÉXICO MAXIMIZAN LAS VENTAJAS DEL TLCAN

Gracias a su participación en el Tratado de Libre Comercio de América del Norte (TLCAN), Canadá y México se han convertido en algo más que socios comerciales; han fortalecido sus relaciones en todos los ámbitos para transformarse en aliados estratégicos que hoy trabajan de forma conjunta para seguir cosechando éxitos en el escenario internacional.
Our cooperation has not reached its peak and the best is yet to come. Trade, borders, and infrastructure are areas where we are poised to move forward and provide an environment for our citizens to prosper as we look into the future.

Regionally, Mexico is already actively working with its neighbors further south on these goals. Mexico is a founding member of the Pacific Alliance framework agreement to consolidate further integration, strengthen bilateral relations, deepen commercial and trade exchanges, and intensify cooperation and investment flows between the countries of the Alliance, as well as with third parties.

As an active and highly-interested observer in the Pacific Alliance, Canada strongly believes that alliances like this one create prosperity in the Americas for all members. Mexico was, from the beginning, very enthusiastic about extending Canada an invitation to become an observer in the Pacific Alliance, and Canada welcomes Mexico's support.

Beyond our own hemisphere, Canada and Mexico are also working together to maintain and grow North America's active participation in the Trans-Pacific Partnership (TPP). Canada has been deeply involved in the negotiations alongside Mexico as we work together to develop a 21st century agreement that advances our shared economic interests.

As Prime Minister Stephen Harper stated at the North American Leaders' Summit in Toluca, Estado de México, in February 2014, all three governments agree that there is enormous potential to build on the success of NAFTA in new ways. Our countries will continue to work to advance our mutual competitiveness through initiatives such as a North American Transportation Plan, North American Trusted Traveler Program, and facilitated border management and regulatory cooperation.

The relationships forged through the tireless work to open markets and create partnerships by ProMéxico and the Government of Canada will carry us forward into the future. We look forward to working closely with Mexico and taking advantage of all that NAFTA has to offer, and continue our strong partnership as we build the trade and investment world of the 21st century together.

La mayoría de las empresas canadienses con inversiones en México ha integrado plenamente sus plataformas mexicanas de producción en su estrategia global. La industrialización completamente integrada en todo el continente permite a las empresas hacerse más competitivas a nivel mundial y participar en una cadena de suministro global.

El TLCAN estableció un marco dotado de normas para crear más certeza y previsibilidad para el comercio y la inversión,thus again accelerating the region’s economic development.

Nuestra cooperación no ha llegado a su punto céntrico y lo mejor está por venir. Comercio, fronteras e infraestructura son ámbitos en los que, con la mirada puesta en el futuro, estamos dispuestos a avanzar y proporcionar un entorno para que nuestros ciudadanos puedan prosperar.

sent the bases for the future integration of its societies and has contributed to the creation of economic opportunities for each of them. Sin embargo, hemos llegado más allá de nuestras metas originales: hemos pasado de ser tres países que solo intercambian bienes y servicios, a ser una región que hace las cosas en forma conjunta.

The products América del Norte –los que fabrican de manera conjunta Canadá, Estados Unidos y México– son exportados a todo el mundo. Tenemos avances hechos en parte en México que luego son exportados a Estados Unidos para continuar su montaje y finalmente transportados a Canadá para crear un producto terminado y listo para su venta en todo el mundo. De hecho los mercados se han vuelto tan integrados que es casi imposible determinar de donde es un coche en América del Norte. Durante el proceso de producción los productos cruzan nuestras fronteras varias veces antes de quedar terminados y listos para su venta.

Los negociadores del TLCAN reconocieron que una relación comercial y económica no se haya único en la participación de funcionarios de alto nivel, sino también en el encuentro de los pueblos -construidos por empresas, inversores, empresarios, consumidores, instituciones, y sociedad- entre países. Nuestros lazos entre pueblos han mejorado, y Canadá y México han demostrado que son socios de negocios eficaces y lucrativos en la plataforma de América del Norte. Esta ha sido y seguirá siendo la clave de nuestro éxito en un mercado mundial competitivo. Hemos demostrado que hay venido a trabajar juntos, conteniendo con nuestras respectivas fortalezas y habilidades complementarias.

¿Cómo se verá América del Norte en dos o tres generaciones? Creo que encontremos que hay varios hilos comunes que nos unieron mientras trabajábamos para crear prosperidad y bienestar para nuestros ciudadanos en una economía mundial dinámica. Nuestra cooperación no ha llegado a su punto céntrico y lo más importante está por venir. Comercio, fronteras e infraestructura son ámbitos en los que, con la mirada puesta en el futuro, estamos dispuestos a avanzar y proporcionar un entorno para que nuestros ciudadanos puedan prosperar.

Lo que logremos con la facilitación del comercio fronterizo, promoviendo las inversiones continentales, colaborando en la innovación y en un creciente alineamiento de nuestras normatividades.

A nivel regional México está trabajando activamente en estos objetivos con sus vecinos del sur. México es uno de los miembros fundadores de la Alianza del Pacífico –un acuerdo estructural para fortalecer las relaciones bilaterales, profundizar los intercambios comerciales e intensificar la cooperación y los flujos de inversión entre los países de la Alianza–, así como con terceros mercados.

En tanto, como observador activo y muy interesado en la Alianza del Pacífico, Canadá cree firmemente que las alianzas como ésta crean prosperidad en todo el continente. México fue desde el principio muy entusiasta con la idea de extender a Canadá una invitación para participar como observador en la Alianza del Pacífico, y Canadá acoge con beneplácito el apoyo de México.

Más allá de nuestro propio hemisferio, Canadá y México también están trabajando juntos para mantener y hacer crecer la participación activa de América del Norte en el Acuerdo de Asociación Transpacífico (TPP).

Canadá y México han participado activamente en estas negociaciones para desarrollar un acuerdo para el siglo XXI, que haga avanzar nuestros intereses económicos comunes.

Como declaró el Primer Ministro Stephen Harper en la Cumbre de Líderes de América del Norte celebrada en Toluca, Estado de México, en febrero de 2014: los tres países están trabajando en conjunto para construir nuevas formas a partir del éxito del TLCAN. Estos avances también ayudaran a Canadá y México a avanzar en la competitividad mutua, pero también de forma colectiva, para avanzar en la competitividad mutua de manera valor de medio de iniciativas como el Plan de Transporte de América del Norte, el Programa de Viajero de Confianza de América del Norte, así como en la gestión de las fronteras y la cooperación en materia de seguridad y traducción mutua.

Las relaciones forjadas a través de la incansable labor de ProMéxico y el gobierno de Canadá para abrir los mercados, y crear asociaciones nos llevará al futuro. Esperamos trabajar en estrecha colaboración con México para aprovechar todo lo que el TLCAN tiene todavía que ofrecer y continuar nuestra sólida asociación mientras nos movemos hacia el futuro y el comercio y la inversión del siglo XXI.

*Nuestro embajador en México.*
HECHO EN AMÉRICA DEL NORTE

En 2014 se celebran veinte años de la entrada en vigor del TLCAN, un acuerdo que ha impactado positivamente en la realidad económica de cada uno de los socios, que constituyó un cambio de paradigma en las negociaciones comerciales y que marcó el inicio de un nuevo esquema de integración que se ha convertido en referente mundial.

Por Francisco N. González Díaz*

2014 marks the 20th anniversary of the coming into force of NAFTA, an agreement that has positively affected the economic reality of each of its members, and which was a paradigm shift in trade negotiations that marked the start of a new integration scheme that has become a world reference.

By Francisco N. González Díaz*

There are more than enough cases to document NAFTA’s success. Mexico’s participation, for example, changed the face of Mexican exports dramatically. In 1993, Mexico exported close to 40 billion USD in manufacturing; twenty years on, that figure has multiplied eight-fold. In 1995, Mexico exported 600 million USD in medical devices to the US and Canada. In 2013, that figure increased more than ten-fold: Mexican exports to that region in this sector reached a value of 6.3 billion USD. In 1995, there were no exports from the Mexican aerospace industry; in 2013 the industry exported 4.7 billion USD to the US and Canada.

The 20th anniversary is an invitation to deepen our integration and build a more competitive region. It is also an invitation to act in accordance with the new economic order. As you know,
In this century, it is no longer valid to think in terms of products made in Canada, the US or Mexico. North America has become a single production and, in turn, export platform.

Montreal in Querétaro. Later, these huge structures are transported along highway 57 in Mexico and Interstate 35 in the US, to the Wichita plant for final assembly. The reality is that a large part of the income generated by the sale of a Mexican product on the US market goes to companies and workers in the US. A product from any of the three countries of the NAFTA region means jobs and business opportunities in the other two. Currently, 40% of the content of Mexican exports to the US is originated in US. As the Boston Consulting Group says in its Made in America study, products made in Mexico contain, on average, four times more pieces manufactured in the US than those made in China.

Hence, each of the NAFTA partners has its own label to indicate the origin of the products. Among our future objectives is to achieve “Made in North America.”

Innovation and added value will be the main growth drivers in the future. We must, therefore, not only produce together, but create and innovate as a single region. We are aware that to be more competitive, we need to add higher value and knowledge to our regional production. In this sense, companies like 3M, Dupont, General Electric and Intel are already successfully carrying out design, research and development projects in our country. The goal is to multiply the number of efforts of this kind throughout North America.

In this new age, integration is key to productivity and competitiveness. Canada, the US and Mexico have the opportunity to promote “Made in North America” as the new slogan among our countries.

*CEO, ProMéxico

*Director General of ProMéxico.

This 20th anniversary is an invitation to deepen our integration and to construct a region more competitive. It is also an invitation to act on the new global economic order. As we know, we are living a change of paradigm in the market, led by the global chains of value. In this new logic what is relevant is to add the major value to the products finally made in the three countries and not in the manufacturing process. Special regions in Mexico, Wisconsin or even Sao Paulo in Brazil are not relevant. What is relevant is to add value and knowledge to our products.

The North American region has its own label to signal the origin of products. Between Canada, the US and Mexico we have the opportunity to promote the “Made in North America” slogan. This is a regional vision of the production and exportation of goods, an invitation to act as a single region.

In this new age, integration is key to productivity and competitiveness. We are aware that to be more competitive, we need to add higher value and knowledge to our regional production. In this sense, companies like 3M, Dupont, General Electric and Intel are already successfully carrying out design, research and development projects in our country. The goal is to multiply the number of efforts of this kind throughout North America.

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On the 20th anniversary of NAFTA, the positive impact of the agreement on the development of Mexico is clear: half the country’s growth is due to exports, although they represent only 30% of the Gross Domestic Product (GDP).

Although its success is unquestionable, twenty years after NAFTA came into force there remain many unresolved issues that hinder full advantage being taken to achieve positive benefits for all regions, sectors, and segments of the country.

Going forward, success depends on:

1. Increasing market participation in exports to the US through quality, efficiency and competitiveness.

   The US has recovered the level of imports it had prior to the financial crisis of 2008-2009, although it is hard to see import growth rates returning to the levels witnessed between 2003 and 2008. Therefore, Mexico should not expect to position its products on the market of its main trading partner based on expansion of its total imports but rather on the ability of Mexican products to compete successfully in a market that continues to face major adjustments. This implies displacing, to an extent, some of the leading competitors.

   Mexican exports have increased their penetration of the US market, particularly since NAFTA came into force in 1994. It may be observed that China has displaced Japan and Mexico has displaced Canada (shifting productive capacity from the Midwestern US and Ontario in Canada) and others. The challenge is to increase, in the coming years, this share to 15%.

2. Increasing the added value per unit exported.

   It is essential that each state in Mexico discovers and boosts its production capabilities, welcomes investment flows (both domestic and foreign), and encourages innovation, creativity, and the knowledge economy. That requires a firm public commitment to competitiveness and productivity but also a commitment by the private sector, media, and civil society.

   The two most important factors for increasing domestic added value are as follows:

   a. Increasing market participation in exports to the US through quality, efficiency and competitiveness.

   b. Increasing the added value per unit exported.

   Good results are expected for all regions, sectors, and segments of the country.

   Twenty years after the entry into force of NAFTA, there is no doubt about the positive impact that the agreement has had on the development of Mexico, but it is also clear that we are facing a new reality that requires us to address new challenges in order to guarantee the agreement will continue to give good results and provide greater benefits to the country.
Mexico should not expect to position its products on the market of its main trading partner based on expansion of its total imports but rather on the ability of Mexican products to compete successfully in a market that continues to face major adjustments. This implies displacing, to an extent, some of major adjustments. This implies the ability of Mexican products partner based on expansion of its total imports but rather on Mexico should not expect to compete successfully in a market of its main trading position its products on the market.

3. Fostering a North American global export platform. While NAFTA was conceived as a preferential agreement to promote regional trade, today its members must look farther afield. To all practical purposes, the NAFTA countries grant each other few preferences, since the most favored nation tariffs are low and over the years each country has negotiated its own network of free trade agreements.

The challenge today is, therefore, to increase regional integration with a view to joint exports—principally to Asia but also to Europe, the Middle East, and Latin America—so that the strengths of the three countries contribute to their overall competitiveness and to fully take advantage of the structural changes that are contributing to the re-industrialization of North America: the low cost of energy products (natural gas and shale gas), the growing international trade liberalization (Trans-Pacific Partnership), and the demographic dividend in Mexico and—thanks to immigration—in the US.

To understand the enormous potential of this economic cooperation, we must first appreciate the unique nature of trade between Mexico and the US. While imports from most countries are what they seem—foreign products—in practice, Mexico and the US jointly manufacture products whose parts and materials cross from one side to the other of the border to complete the final product. Proof of this special relationship is the fact that, on average, 40% of the value of US imports from Mexico is made up of parts and materials originally produced in the US. In turn, the domestic content of imports into Mexico from the US is also very high.

Thus, the integration of a North American economy is the result of the linking up of its economies and the synchronization of their business cycles. For example, an improvement in productivity in Mexico reduces the cost of production of parts and materials originally produced in the US. In turn, the domestic content of imports into Mexico from the US is also very high.

Thus, the integration of a North American economy is the result of the linking up of its economies and the synchronization of their business cycles. For example, an improvement in productivity in Mexico reduces the cost of production of parts and materials originally produced in the US. In turn, the domestic content of imports into Mexico from the US is also very high.

3. Plataforma de exportación de América del Norte al mundo

Si bien el TLCAN fue concebido como un acuerdo preferencial para promover el comercio regional, hoy sus miembros deben mirar más allá. Para todos los efectos prácticos las naciones del TLCAN se otorgan las unas a las otras pocas preferencias, ya que los aranceles de la nación más favorecida son bajos y cada país ha negociado durante estos años sus propias redes de tratados de libre comercio.

Por tanto, el reto hoy es aumentar la integración con miras a la exportación conjunta —sobre todo a Asia, aunque también a Europa, Medio Oriente y América Latina—, para que las fortalezas de los tres países contribuyan a la competitividad regional y para que se puedan aprovechar cabalmente los cambios estructurales que están contribuyendo a la reindustrialización de América del Norte—como el bajo costo de los productos energéticos (gas natural y petróleo de lutitas), la creciente apertura comercial internacional (TPP) y la coyuntura del bono demográfico en México y—gracias a la inmigración—Estados Unidos.

Para entender el enorme potencial de dicha cooperación económica se debe apreciar primero la naturaleza única del comercio entre Estados Unidos y México. Mientras que las importaciones provenientes de la mayoría de los países son lo que parecen —productos extranjeros—, en la práctica Estados Unidos y México elaboran juntos productos cuyas partes y materiales originarios están conformados por partes y materiales originarios en Estados Unidos, y a su vez, el contenido doméstico de las importaciones en México provenientes de Estados Unidos también es muy alto.

México no debe anticipar el posicionamiento de sus productos en el mercado de su principal socio comercial con base en la expansión de sus importaciones totales, sino en la capacidad de los productos mexicanos de competir con éxito en un mercado que continúa enfrentando importantes ajustes.
The challenge today is to increase regional integration with a view to joint exports so that the strengths of the three countries contribute to their overall competitiveness and to fully take advantage of the structural changes that are contributing to the reindustrialization of North America.

As a result of the Mexico’s economic geography, the production structure presents specific characteristics that reflect its export orientation and the high levels of specialization in specific industries and products. The Mexican economy is very different from the United States and Canada. This is not only due to the differences in their geographic characteristics but also to the levels of institutional and economic development. Mexico’s quality products are currently produced in lower costs than in the United States and Canada, which makes them more competitive in world markets. It is due to the fact that Mexico has developed its own productive capacity and meets the challenges of the new global economy.

4. All states in Mexico should benefit from economic liberalization. Despite the progress made by the commitments to trade liberalization, it is evident that it has not reached all states in Mexico equally.

- States oriented towards the export of goods and services, such as Querétaro, Aguascalientes, Baja California Sur, Quintana Roo, Nuevo León and Coahuila, have experienced higher growth, while many others have lagged behind and even seen their average growth rate fall.

- Exports are not, of course, the only reason behind economic growth being higher in one state than in another. That does not undermine the fact that trade liberalization is an engine of development but reveals that not all the states have known how, or been able, to take advantage of the opportunities it entails.

- The international context of 2014 is very different from 1994. Mexico cannot—and does not want to—compete for investment through the supply of cheap labor. Today, Mexico attracts investment thanks to its supply of skilled labor focused on the manufacture of high-added-value goods, to the existence of public goods that foster excellence in production, and to the ability of the country to provide investors with an attractive combination of a low risk profile and a high return on investment. However, not all states are equal in that regard.

- Increasing the added value of what is manufactured in Mexico and strengthening export penetration necessarily requires us to raise the level of skills of the population through increased standards of living and improvement of educational levels, which are factors of particular relevance in the poorest states. But undoubtedly the most important, and urgent, investment that can be made in this regard by the states themselves is in terms of the rule of law. If anything, it is the portfolio of insufficient growth rates in Mexico that it is that not enough has been invested—or with the firmness required—in the rule of law.

5. Strengthening the rule of law is worth reflecting on the impact of trade liberalization on the rule of law and legality. The most buoyant sector of the Mexican economy over the last thirty years has been exports; in these, thanks to trade agreements, the rule of law and certainty of access prevail. Clear rules and reducing arbitrariness have become key elements of Mexico’s most important strategic strengths.

Thus, the most important unresolved issue, twenty years after the entry into force of NAFTA, is to consolidate the rule of law in the rest of the economy. To achieve that, the continuation of trade liberalization—in itself an instrument of legal certainty—is a key element, but no substitute for strengthening institutions and combating informality (by making formalities more attractive) and extortion—the main obstacle to development and competitiveness.

As a result, the integration of the Mexican economy of América del Norte is the key for its competitiveness and inclusion in the rules of the new world order. This requires that the Mexican authorities continue their efforts to promote the rule of law and certainty in the economic transactions in the country, and that they seek to consolidate the trade agreements, the rule of law and certainty of access, so that they can provide the necessary conditions for the development of the Mexican economy.

El reto hoy es aumentar la integración con miras a la exportación conjunta, para que las fortalezas de los tres países contribuyan a la competitividad regional y para que se puedan aprovechar cabalmente los cambios estructurales que están contribuyendo a la reindustrialización de América del Norte.
Transportation of goods between Mexico and the US is highly significant. At the end of 2013, the total value of trade between Mexico and the US amounted to 506.6 billion USD. That represented a new record in the bilateral relationship.

Every day, Mexico exported goods worth almost 769 million USD to the US—around 80% of what Mexico sells to the world. That would not be possible without NAFTA, we cannot underestimate the effect of this agreement on reducing the impact of the economic crisis on employment and deteriorating purchasing power.

Intra-regional trade flows have increased exponentially since NAFTA came into force. In 1993, trade between the countries of North America amounted to 290 billion USD; by 2013 it had reached almost 1.4 trillion USD.

Productive investment, cross-border capital flows, and the number of tourists visiting from neighboring North American countries—as well as other nations—have also seen a significant surge.

According to figures from the US Department of Commerce, Mexico regained its position as the US’ second-largest trading partner—an position it had ceded to China at the beginning of this decade—because more goods and services with its two NAFTA partners than with Japan, Brazil, Russia, China, India, and South Korea combined.

US trade with Europe amounts to over 790 billion USD, while with Canada and Mexico, the figure is 1.1 trillion USD. That is clear evidence of how trade has functioned as a key element of economic integration and complementarity in the region. Despite these positive figures, many challenges remain. The economic cycles of the three countries have become integrated. For Mexico, the negative effects of a recession or economic slowdown in its northern neighbors would be substantial, given the direct impact that would have on trade. However, having the country with the highest Gross Domestic Product (GDP) in the world—total and per capita—as a partner and neighbor makes a huge difference.

Without doubt, NAFTA has influenced the competitiveness of the region as well as improved the business environment. An interesting example is the increasingly progressive establishment of a global automotive hub in Mexico. The data is very revealing. According to Bank of Mexico’s Mexico’s central bank—Balance of Payments Report, in March 2014 non-oil exports saw an increase due to automotive

There is no doubt that NAFTA has helped to increase the flow of trade and investment in Mexico, and to strengthen regional integration and raising North America’s competitiveness. Currently there are new challenges to further exploit the advantages that this agreement has to offer in order to face the new realities of global economy.

MÉXICO, VEINTE AÑOS DE LIBRE COMERCIO

No hay duda que el TLCAN ha contribuido a incrementar los flujos de comercio e inversión en México, así como a fortalecer la integración regional y a elevar la competitividad de América del Norte frente al resto del mundo. Hoy hay nuevos desafíos para seguir aprovechando las ventajas que este acuerdo genera ante las nuevas realidades de la economía global.

El transporte de mercancías entre Estados Unidos y México es sumamente representativo. Al cierre de 2013 el valor total del comercio entre Estados Unidos y México ascendió a 596,608 millones de dólares. Este monte representó un nuevo récord en la relación bilateral.

México exportó mercancías por casi 769 millones de dólares diarios a Estados Unidos —79.9% de lo que México le vendió al mundo. Esto no podría ser posible si se hubiera suscrito el TLCAN, como también puede separarse el efecto que ha tenido el acuerdo en la reducción del impacto de la crisis en el empleo y el deterioro del poder adquisitivo.

El flujo intrarregional de comercio (incluyendo a Canadá), ha aumentado exponencialmente desde que el TLCAN entró en vigor. En 1993 el intercambio comercial entre los países de América del Norte ascendió a 290 mil millones de dólares, en 2013 alcanzó casi 1.4 billones de dólares.

La inversión productiva, los flujos transfronterizos de capital y el creciente número de turistas provenientes de los países vecinos de América del Norte —así como de otras naciones— también han tenido un repunte significativo.

Según cifras del Departamento de comercio de los Estados Unidos, México recuperó la segunda posición como socio comercial de ese país —lugar que había perdido ante China al inicio de esta década—, e intercambió más bienes y servicios con sus dos socios del TLCAN que con Japón, Brasil, Rusia, China, India y Corea del Sur combinados.

Estados Unidos comercia con Europa más de 790 mil millones de dólares, mientras que con Canadá y México, la cifra alcanza 1.1 billones de dólares. Esta realidad es una clara evidencia de cómo el comercio ha funcionado como un elemento fundamental para la integración y complementariedad económica en la región.

A pesar de que estas cifras son muy positivas, hay múltiples retos que afrentar. Los ciclos económicos de los tres países se han integrado. Para México los efectos negativos de una recesión o desaceleración económica en los países vecinos del norte serían sustantivos, dada la repercusión directa en el intercambio comercial. A pesar de ello, tener como socio y vecino al país con el Producto Interno Bruto (PIB) —total y per cápita— más alto del mundo, hace una enorme diferencia. Sin duda el TLCAN ha influido en la competitividad de la región, así como en la mejora del ambiente de negocios. Un ejemplo muy interesante es el estableci
induustry exports, with a 10.6% rise in the sector and a 1.5% climb in total non-oil exports. The report states that during 2013, non-oil exports to the US market recorded an annual growth of 6.2%, while exports to others fell by 3.6%.

According to data from Ward’s Automotive report, cited by the Mexican Automotive Industry Association (AMIA, Asociación Mexicana de la Industria Automotriz), a total of 5.1 million vehicles were sold in the US during the first quarter of 2014 –3.1% more compared to the same period in 2013. The cumulative figure shows that Mexican vehicles accounted for 11.2% of all light vehicles sold in the US, totaling 571,194 units exported.

So far in 2014, Mexico has become the second-largest supplier –after Canada– of this type of vehicle to the US. In comparison with other countries supplying vehicles to the US, Mexico had the highest growth rate, 15.5% above the same period in 2013; South Korea and Japan grew 13.9% and 3.2% respectively, while Germany fell 0.2%. The second largest export market for vehicles from Mexico is Canada, which represents 9.8% of total sales abroad.

The pharmaceutical, electronics, household appliances and equipment, electrical manufacturing, auto parts, specialist consumer goods, and cables industries, among others, have gained an important role in inter-NAFTA exports. In that context, a US-Mexico High Level Economic Dialogue (known as HLED) was established, in order to identify new opportunities to strengthen NAFTA.
The current proposal is based on cooperation mechanisms with a measurable approach and results. For example, while it is valid for members to cooperate, it has been shown that it is more efficient to pursue greater complementarity in value and supply chains in each country. The three countries can manufacture better products and provide more complete or comprehensive services together than separately. A car made in Mexico with parts from Canada and the US (or vice versa), not only improves the competitiveness of the product but also creates jobs and prosperity in the region.

**CROSS-BORDER TRADE**

Without removing surveillance of products entering the NAFTA member countries through their respective maritime, land, or air borders, dialogue is underway to consolidate the 21st Century Border Management Initiative, linked to the important role played by infrastructure in trade facilitation.

- The customs system of Mexico and the US acknowledge that delays in loading operations at the border affect businesses that rely on just-in-time delivery, especially when part of global supply chains.
- The same goes for companies that export perishable products, which require additional registration and certification paperwork to enter the US.
- The requirements to improve border infrastructure are considerable. Government budgets allocated to their development are usually small, so it was decided that the North American Development Bank (NADB) –a financial institution created under NAFTA, with contributions from the member countries– could build infrastructure to mitigate the environmental impact at the border, as well as support infrastructure projects under public-private partnerships that improve border administration and transit, in line with a financeable and sustainable model.
- Another challenge lies in the regulation and improvement of the business environment. In that context, the US-Mexico High-Level Regulatory Cooperation Council (HLRCC) was established, which obtains information from business associations and individual companies on issues ranging from food quality to nanotechnology. The purpose of the Council is to eliminate regulatory barriers that reduce or limit bilateral trade, without neglecting the applicable regulations. It is a challenging task, given that their work has to meet with regulatory approval.
- In short, NAFTA has progressively built one of the most successful economic platforms in the world. The combined GDP of the three countries amounts to 19.2 trillion pesos (~1.3 trillion if we take Mexico alone). It is expected that by 2025, the combined tri-lateral GDP will reach 30 trillion, demanding a renovation or at least a review of key issues, which may be considered in the negotiations pursued by Mexico in the context of the Trans-Pacific Partnership (TPP).

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**INTERCAMBIOS TRANSFRONTIERIZOS**

Sin haberse eliminado la vigilancia de los productos que se introducen a los países miembros del TLCAN por sus respectivas fronteras marítimas, terrestres o aéreas, se está dialogando para que se consolide la iniciativa Frontera Siglo XXI sobre administración fronteriza, vinculada con la relevancia de la infraestructura para la facilitación comercial.

El objetivo de este consejo es eliminar las trabas regulatorias que reducen o limitan el comercio bilateral, sin descuidar las normatividad aplicable que regula esta actividad. Una tarea muy ambiciosa dada que sus trabajos necesariamente concluyen con la homologación regulatoria.

En suma, el TLCAN ha construido progresivamente una de las plataformas económicas más exitosas en el mundo. El PIB combinado de los tres países suma 19.2 billones de dólares –o casi 1.3 billones de dólares, en el caso de México. Se espera que para 2025 el PIB trilateral combinado alcance los 50 billones de dólares, lo que exige la reinversión –o al menos la revisión– de temas clave, los cuales podrían considerarse en las negociaciones que realiza México en el marco del Acuerdo de Asociación Transpacífico (Trans-Pacific Partnership).

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NAFTA: TWENTY YEARS ON

NAFTA entered into force on January 1, 1994. Twenty years have passed since then and the time is right to make an assessment of the achievements and the outstanding challenges of this important instrument for the three member countries and the international economy.

By María Cristina Rosas

The context in which NAFTA between Canada, the US and Mexico saw the light was an interesting one. In 1986, 123 countries that belonged to the then General Agreement on Tariffs and Trade (GATT) launched the Uruguay Round of multilateral trade negotiations, which was a turning point in the history of trade negotiations conducted under the GATT, an institution created in 1947. By the time GATT members agreed to launch an ambitious trade agreement in Punta del Este, Uruguay, the US and Mexico —feared that a failure in the negotiations would lead to a toughening of protectionist measures around the world. That sparked the interest of various countries in engaging in regional and bilateral negotiations with leading trade partners. Thus, between 1989 and 1994, initiatives like the Southern Common Market (MERCOSUR), the Forum of Asia Pacific Economic Cooperation (APEC), the Arab Maghreb Union (AMU), the Central American Integration System (SICA) and the Southern African Development Community (SADC) emerged. All of them display a concern with liberalizing trade and promoting investment between countries that are neighbors or belong to the same region.

NAFTA stood out among all the initiatives developed over that period because it was the first time that such asymmetric countries —including a global economic power, the US— had signed such an ambitious trade agreement. While it is true that the US had already signed various free trade agreements —with Israel (1985) and Canada (1987), for example—, NAFTA was a milestone because of the countries involved and the topics it encompassed.

In 1989, the Uruguay Round stalled and GATT members —including Canada, the US and Mexico— feared that a failure in the negotiations would lead to a toughening of protectionist measures around the world. That sparked the interest of various countries in engaging in regional and bilateral negotiations with leading trade partners. Thus, between 1989 and 1994, initiatives like the Southern Common Market (MERCOSUR), the Forum of Asia Pacific Economic Cooperation (APEC), the Arab Maghreb Union (AMU), the Central American Integration System (SICA) and the Southern African Development Community (SADC) emerged. All of them display a concern with liberalizing trade and promoting investment between countries that are neighbors or belong to the same region.

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El contexto en el que el TLCAN vio la luz fue por demás interesante. Ciento veintitrés países —pertenecientes al entonces Acuerdo General sobre Aranceles Aduaneros y Comercio (GATT) — lanzaron en 1986 la Ronda Uruguay de negociaciones comerciales multilaterales, que fue un punto de inflexión en la historia de las negociaciones comerciales desarrolladas al amparo del GATT, institución creada en 1947. Para el momento en que los miembros del GATT acordaron lanzar en Punta del Este, Uruguay, una nueva y ambiciosa ronda, los principales obstáculos al comercio eran de corte cuantitativo —por ejem Açao, dumping, subsídios, cuotas, acuerdos de restricción voluntaria y consideraciones ambientales y laborales, entre otros. El núme ro de naciones involucradas en la Rond a de Uruguay era sustancialmente mayor al número de países con los que nació el GATT —23 miembros—, y la regla del consenso imperante en el GATT —una que opera también en la Organización Muni dual del Comercio (OMC)— demandaba un acuerdo de todos los participantes en cada uno de los temas y grupos negociados an tes de llegar a su satisfactoria conclusión. Entre los temas incluidos en la Ronda Uru guay estaban algunos que nunca habían sido objeto de negociaciones comerciales a nivel multilateral, tales como el comercio de servicios, las inversiones y los derechos de propiedad intelectual, entre otros. En 1989 la Ronda Uruguay se estanc ó y los miembros del GATT —entre los cuales figuraban Canadá, Estados Unidos y México— temían que un fracaso en las negociaciones redundara en un endurecimiento de las medidas proteccionistas al re de del mundo. Este hecho desencadenó el interés de diversos países por llevar a cabo negociaciones regionales y bilatera les con socios comerciales sobresalientes. Así, entre 1989 y 1994 surgieron iniciativas como el Mercado Común del Sur (MERCOSUR), el Foro de Cooperación Económica Asia-Pacífico (APEC), la Unión Árabe del Magreb (UAM), el Sistema de Integración Centroamericana (SICA), y la Comunidad para el Desarrollo del Sur de África (SADC), entre otras. En todas ellas se observa la preocupación por liberalizar el comercio y promover las inversiones entre países vecinos o pertenecientes a una misma región.

El TLCAN destacó entre todas las iniciativas desarrolladas en aquel tiempo por tratarse de la primera ocasión en que países tan asimétricos —entre ellos Estados Unidos, una de las potencias económicas...
NAFTA consists of 22 chapters divided into eight sections that provide rules to eliminate barriers to trade in agricultural products, textiles, energy, government procurement, sanitary and phytosanitary measures, services, telecommunications, financial services, and provisions for the mobility of businesspeople, among other items. The agreement also provides for the establishment of a mechanism for dispute resolution and includes parallel agreements on environmental and labor issues.

NAFTA liberalized trade in goods and services and promoted investment, but did not establish a common external tariff -as is the case with the MERCOSUR customs union-, nor the free movement of factors of production -as happens in the European Union. Trying to list the accomplishments of NAFTA twenty years on may seem ambitious, but it must be acknowledged that the deal helped ensure that the Uruguay Round -from which, incidentally, the current WTO emerged- came to a successful conclusion.

NAFTA also introduced a new type of trade negotiations. Prior to signing the agreement, most trade negotiations, or at least those that were carried out between small groups of countries, placed the emphasis on dismantling tariffs. In contrast, NAFTA touched on areas hitherto not covered by regional trade negotiations for free trade areas and so became a benchmark for future negotiations, such as those that Latin American countries -including Colombia, Chile, and Peru- engaged in with the US.

Furthermore, with the implementation of NAFTA, Mexico consolidated the ambitious program of structural reforms that it embarked on in the second half of the 1990s. Likewise, NAFTA set the pattern for how Mexico would subsequently negotiate its own agreements on trade, investment, and, in some cases, political coordination with leading trade powers such as the European Union, the European Free Trade Association (EFTA), and Japan.

For the countries of North America, NAFTA meant a strengthening of trade relations in the region and mutual investment. As an indicator we find that the number of flights between the three nations -for business, trade, investment, and for cultural and leisure reasons- grew exponentially following the entry into force of the agreement.

Thanks to NAFTA, Canada and Mexico rediscovered a relationship that for decades had maintained a low profile.

Two decades after the implementation of NAFTA, the manufacturing industries of Canada, the US, and Mexico are fully integrated; none of the three could work without the parts and supplies provided by the other two. Today, many of the exports from the region are the result of joint manufacturing. An example of that is the automotive sector. In 2013, for the first time in history, the Mexican automotive industry exported cars to the People's Republic of China with a total value of more than a billion US$. These vehicles repre

A two decades of the implementation of the TLCAN the industries manufacturera of Canadá, Estados Unidos Mexico están plenamente integradas, ninguna de las tres podría funcionar sin las partes e insumos de las otras dos.

Por si fuera poco, con la puesta en marcha del TLCAN México consolidó el ambicioso programa de reformas estructurales que inició en la segunda mitad de los años ochenta. Así, el TLCAN fue un referente para negociaciones posteriores, ya que Estados Unidos ya había suscrito secretariado, un banco de inversiones mutuas. Solo como muestra, el TLCAN marcó un hito tanto por los países involucrados en el acuerdo como por los temas en el que se incluyeron.

El TLCAN consta de 22 capítulos divididos en ocho apartados que contemplan normas para eliminar barreras al comercio en productos agrícolas, textiles, energías, compras del sector público, medidas sanitarias y fitosanitarias, servicios, telecomunicaciones y servicios financieros, además de disposiciones para el ingreso de homb-

bres de negocios, entre otros rubros.

Además, el acuerdo contempla la creación de un mecanismo para la solución de controversias y tiene acuerdos paralelos en materia ambiental, laboral y salarial. Sin ser un organismo supranacional –dado que las disposiciones del tratado claramente ratifican el intergubernamentalismo-, en el marco del TLCAN existe un secretariado, un banco de inversiones y comisiones de orden laboral y de cooperación ambiental. El TLCAN liberaliza el comercio de bienes y servicios además de promover las inversiones, pero no cuenta con un arance
globales– decidieron suscribir un acuerdo comercial ambicioso. Si bien es cierto que Estados Unidos ya había suscrito semejantes acuerdos de libre comercio con Israel (1985) y Canadá (1987), el TLCAN marcó un hito tanto por los países involucrados en el acuerdo como por los temas en el que se incluyeron.

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sent added value from throughout the region and are competitive thanks to the dynamics of manufacturing that has become established in North America. NAFTA has meant that the industries of the three countries are integrated into global value chains, contributing to the competitiveness, productivity, and prosperity of participating partners. It is clear that NAFTA has influenced not only the structure of supply chains but also the preferences of consumers in the three countries.

It is worth emphasizing that NAFTA turned Canada, the US and Mexico into reliable customers and suppliers. The treaty itself sets out a mechanism to resolve disputes to the satisfaction of the parties involved. Without a doubt, that has contributed to the growth of both trade and investment between the three countries.

In NAFTA’s first twenty years of operation, total trade between Canada, the US and Mexico has grown over 350%. In the case of trade between Mexico and the US, in 1993, a year before the start of the agreement, its value stood at 81.4 billion USD; by 2013, trade between the two countries had climbed to a value of 506.6 billion USD. If we add trade between Canada and the US and between Canada and Mexico to that figure, the total value of intraregional trade for 2013 is greater than a trillion USD, representing an increase of 265% over 1994. Thus, with a combined population of over 470 million, NAFTA has made North America responsible for almost 30% of global production and 13.2% of global exports.

NAFTA is also of major geopolitical importance. In a world where multilateralism progresses slowly, various regions have chosen to strengthen trade and investment ties with neighboring countries. The clearest evidence of that is the European Union, while Asia too shows increased interaction that has led to various intraregional trade agreements. Today, the Presidents of Mexico and the US and the Prime Minister of Canada meet regularly to discuss issues of common interest, as well as major global problems.

Twenty years on, we may ask what lies ahead on the commercial and financial horizon of the three North American partners.

There is some discussion of the possibility of creating a customs union and even advancing towards a common market, which would mean strengthening existing ties still further, while at the same time working to reduce asymmetries among member countries. A customs union would require coordination of macroeconomic policies at a trinational level, while a common market would require taking forward negotiations on migration issues. An interest has also been expressed in harmonizing positions on the major issues of international relations in the 21st century, which include the fight against organized crime and terrorism, environmental protection, and energy and food security.

Returning to the economic sphere, NAFTA has proven the importance of improving infrastructure to facilitate the flow of goods, services, and businesspeople between the three countries, an area in which good progress has been made and is recognized as of great importance in the years to come. Another area being targeted by the three North American partners is services trade, which is very dynamic and will hopefully be further stimulated by means of additional rules.

A topic of interest to all three NAFTA countries is the increasing participation of China in the North American market. Without being part of the trade agreement, China is one of the main partners of each of the NAFTA members, which has naturally led to the organization of meetings between representatives of China, the US and Mexico to explore ways to improve the competitiveness of the region and build on the momentum of Chinese trade and investment.

In short, twenty years after it came into force, NAFTA has helped transform North America into one of the world’s leading economic regions and has set the example for trade and investment negotiations worldwide, highlighting the importance of rules and parameters that strengthen reliability, certainty, economic growth, and political cooperation between countries, that despite their differences, share affinities and aspirations.

Two decades after the implementation of NAFTA, the manufacturing industries of Canada, the US, and Mexico are fully integrated; none of the three could work without the parts and supplies provided by the other two.

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NAFTA AT TWENTY
BUILDING A FUTURE OF LASTING GROWTH AND SHARED PROSPERITY

After twenty years of progress within NAFTA, it’s time to take the agreement further by taking advantage of the strong framework for cooperation and integration that Canada, the US and Mexico have built.

BY SUSAN SEGAL*

When President Clinton signed NAFTA into law twenty years ago, who would have imagined it would have such an impact?

Brought together by extraordinary bipartisan unity, NAFTA was the most comprehensive trade agreement of its time, and a shining moment for US foreign economic policy. The agreement aimed to promote trade and investment integration across Canada, the US and Mexico through the creation of what was at the time the largest unified free market in the world. And it has done just that. At the same time, it has also improved competitiveness for the continent and its companies.

In a debate over NAFTA with then Vice President Al Gore, Ross Perot famously predicted a “giant sucking sound” of jobs and businesses leaving the US. Instead, the agreement has breathed new life across North America by raising standards of living, supporting millions of good jobs, and enhancing the position of member countries and their companies in a fast changing global economy.

Since NAFTA’s entrance into force, total trade between the partners has skyrocketed three and a half times to almost 1.4 trillion USD. The US conducts over 3.2 billion USD in trade with Canada and Mexico every day. US exports of goods and services to our North American neighbors have tripled since NAFTA, so that Canada and Mexico are now our largest export markets, topping to 526.5 billion USD in goods exports in 2013. They are also our second- and third-largest import suppliers, meaning lower prices and greater product choices for US families and companies.

US services exports to Canada and Mexico more than tripled from 27 billion USD in 1993 to 89 billion USD in 2012. US agricultural exports to Canada and Mexico have tripled and quintupled, and prices and greater product choices for US families and companies. The agreement avanced a new future for the continent and its companies.

When NAFTA was enacted, US agricultural exports to Canada and Mexico were valued at just under 3.2 billion USD in trade with Canada and Mexico every day. US exports of goods and services to our North American neighbors have tripled since NAFTA, so that Canada and Mexico are now our largest export markets, topping to 526.5 billion USD in goods exports in 2013. They are also our second- and third-largest import suppliers, meaning lower prices and greater product choices for US families and companies.

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We need to invest in new infrastructure which further connects and integrates our continent. Another huge opportunity is in energy, where enhanced cooperation will lead to true energy independence for North America, which will also have a significant impact on our future competitiveness.

respectively, such that one in every ten acres on American farms feeds Canadians and Mexicans. The sheer volume of trade is impressive—and yet it is the depth of integration that adds the real value and increases competitiveness. We do not just trade together; we produce together. The accord has created a unified production platform for North America, with parts and materials passing back and forth across borders throughout the manufacturing process. A quarter of US imports from Canada consist of value added from the US. Cars assembled in the Great Lakes region frequently cross the US-Canadian border up to six times before they are fully assembled. And an incredible 40% of the value of US imports from Mexico consists of goods partly assembled in the US. For every dollar that Mexico earns from exports, fifty cents are spent on American goods. In contrast, US imports from China only contain 4% US content. We are also investing more in one another. The stock of direct foreign investment between Mexico and the US stands at over 100 billion USD. US-owned companies operating in Mexico created 25 billion USD in value added and employed nearly a million workers. Approximately 1.4 billion USD of merchandise trade and one million people cross the US-Mexico border every day. Twenty-three US states count Mexico as their first or second-largest export destination.

NAFTA’s impact on job creation in each of the member economies is a trickier subject. NAFTA has undeniably supported and created jobs in Canada and the US. The US Chamber of Commerce estimates 14 million US jobs depend on trade with Canada and Mexico. But as former Mexican President Ernesto Zedillo points out in the winter 2014 issue of Americas Quarterly, “the generation of economic opportunities is influenced by many factors, not just international trade and investment.” Of course, critics argue that NAFTA has not solved Mexico’s challenges; that since its signing, poverty rates and inequality have not been addressed, and the gap between Mexico’s GDP per capita and that of its NAFTA partners has widened. The fact is that NAFTA was only a trade agreement, and measured on those terms, it has opened each member’s economy to unprecedented trade and foreign investment, altering the composition, with 1,000 parts of a product originating in each of its NAFTA partners.

We think it is time to move beyond the generation of economic opportunities which NAFTA has undeniably supported. Mexico, that country which for decades has needed a correctional agreement, has enjoyed a solid level of economic growth since signing NAFTA. But we continue to need a comprehensive strategy that allows for improvements in incomes and wages. And to achieve it, we need to work together.

We need to invest in new infrastructure which further connects and integrates our continent. Another huge opportunity is in energy, where enhanced cooperation will lead to true energy independence for North America, which will also have a significant impact on our future competitiveness.

Tenemos que invertir en nuevas infraestructuras que conecten y que integren aún más a nuestro continente. Otra gran oportunidad se encuentra en la energía, en donde una mayor cooperación llevará a la verdadera independencia energética a América del Norte, lo que también tendrá un impacto significativo en nuestra competitividad a futuro.
The sheer volume of trade is impressive—and yet it is the depth of integration that adds the real value and increases competitiveness. We do not just trade together; we produce together.

Although Canada and Mexico were belatedly invited to join the Trans-Pacific Partnership (TPP) negotiations, the US must now work with them to align their interests with regards to Asian competitors. Canada and Mexico should also be more directly involved in US negotiations for a free trade agreement with Europe. As we look back on the last two decades under NAFTA, we see an integrated web of interdependent supply chains growing across our continent. The agreement strengthens our commitment to look outward and tightly pushes us to invest in each other’s success, for the good of all. Does NAFTA need to be updated? Certainly. As current Mexican ambassador to the US, Eduardo Medina Mora has said, the countries are engaged in a 21st century trade, operating on a 20th century policy format, with a 19th century infrastructure. We need to invest in new infrastructure which further connects and integrates our continent. Another huge opportunity is in energy, where enhanced cooperation will lead to true energy independence for North America, which will also have a significant impact on our future competitiveness.

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NAFTA was a landmark in the economic policy of Mexico that enabled it to consolidate its process of trade liberalization to transform the composition of its exports and become the principal exporter of manufactured goods in Latin America, with daily sales of a little over one billion uss.

In the 1980s, the oil industry represented around one half of all Mexican exports, while manufactured goods made up 37%. Between 1994 and 2013, the country’s total foreign trade grew by an average of 10% each year, while exports grew at an annual average of 11%. Nowadays, 81% of Mexican exports are sent to the rest of North America –with the US receiving 78.8% and Canada 2.7%.

In signing the NAFTA, Mexico’s principal objectives were to promote secure and stable access to the world’s largest market by eliminating tariff and non-tariff barriers, providing certainty to Mexican companies, and promoting foreign direct investment (FDI) in the country, together with the generation of better paid jobs.

Twenty years after the agreement entered into force, Mexico has the potential to be a major winner in the race for the market. The country enjoys a huge advantage: its border with the US, which means that products made in Mexico can reach a large part of the country within one or two days, while those manufactured in countries like China take at least twenty days by boat. Added to that, goods imported from Mexico enter free from tariffs—thanks to NAFTA—making the country’s advantage even greater.

Currently, the products Mexico most exports to the US are flat screen televisions, automobiles, auto parts, engines, modular circuits, data processing units, telephones, mobile telephones, gold, silver, refrigerators, crude oil, beer, sugar, corn, trucks, clothing, shoes, chemical and plastic products, parts and fittings for aircrafts and fruit and vegetables.

Meanwhile, the products the country imports from the US include gasoline, yellow corn, natural gas, wire, cable and other insulated electrical conductors, goods for assembly or manufacture of aircraft parts, vehicle parts, gearboxes and parts, and p-xylene.

As for Canada, Mexico is the fourth largest market for Canadian products after China, the US, and the UK, and the third largest supplier to the country after China and the US. In twenty years of NAFTA, Mexican exports to Canada have grown at an annual average rate of 11.6%. The products exported from Mexico to Canada are engines, auto parts, computers and televisions.

Canada is the fourth largest source of FDI in Mexico (12 billion usd between 1999 and 2011, representing 4.5% of FDI in the country over this period), with a dynamic presence in the mining, telecommunications, and aerospace sectors.

All this is the result of a major effort by the public and private sectors to generate the conditions that make it possible to leverage the competitive and comparative advantages of the country and use them to strengthen Mexico’s presence on international markets.

Twenty years after NAFTA was introduced, we face new challenges. Today, we must work to improve logistics processes and facilitate border crossings, strengthening customs cooperation and improving the infrastructure to become more competitive. Likewise, it is necessary to make progress in standardization of norms in productive sectors to prevent these turning into non-tariff barriers.

It is also important to increase support to small and medium enterprises (SMEs) in order to directly or indirectly incorporate them into international trade, through actions such as the promotion of their products abroad.

In the short term, companies around the world—especially US companies that manufactured goods to the US that are not subject to tariffs under NAFTA—may try to leverage the competitive advantage of the country. The US continues to be a major buyer of Mexican manufactured goods, with particular interest in the mining sector.
Twenty years after NAFTA was introduced, we face new challenges. Today, we must work to improve logistics processes and facilitate border crossings, strengthening customs cooperation and improving the infrastructure to become more competitive. Likewise, it is necessary to make progress in standardization of norms in productive sectors to prevent these turning into non-tariff barriers.

Companies must undertake a new analysis, product by product, of their global networks and take into account the total cost of production rather than focusing exclusively on labor costs. That analysis should consider worker productivity, cost, logistics and time to market, logistics risks, energy costs, and other expenses, all in a variety of scenarios. Companies must also ensure that their supply chains are flexible, dynamic, and balanced at a global level, providing leeway for changes to production.

In that context, Mexico and its North American partners have a great opportunity to increase and develop shared production processes for the benefit of competitiveness, not only for their own markets but also for the market represented by the Trans-Pacific Partnership (TPP).

*Chairman of the Mexican Business Council for Foreign Trade, Investment, and Technology (COMCE)
In the two decades that NAFTA has been in force, the Mexican economy has grown much faster than in previous periods. It has not been easy. Mexico’s position on the international stage is the result of an intense process of institutional transformation. With well formulated objectives and a discipline worthy of international recognition, over the last twenty years Mexico has driven through substantial changes that have resulted in an unprecedented framework of administrative transparency, a surge in foreign investment and a strengthening of respect for intellectual property that provides security guarantees for technology transfer to and from the country.

Mexico has modernized itself. From being a closed economy it became one of the countries with the greatest openness to international trade and a platform for tariff-free trade offering preferential access to 45 countries worldwide. In two decades we have learned to compete on the global market and the NAFTA model has become a benchmark for negotiations of great significance, such as the Pacific Alliance and the Trans-Pacific Partnership (TPP).

Today, with the structural reforms approved by the Mexican Congress, new niches are emerging that will require new goods and services, which will be able to move freely thanks to the NAFTA platform.

Recently, Mexico’s Ministry of Finance and Public Credit stated in its weekly bulletin that “the package of secondary legislation bills on energy issues will allow for greater investment and competition in the energy sector for the benefit of society.”

UN BALANCE POSITIVO
SOBRE EL TLPAN

A veinte años de la entrada en vigor del TLCAN, México contribuye a que América del Norte sea la zona más productiva y competitiva del mundo.

Flavio Díaz Mirón*

*By Flavio Díaz Mirón*

Durante estos veinte años con el TLCAN, la economía mexicana ha crecido lo que no había crecido en periodos similares. No ha sido fácil, y nuestra posición viene de un proceso intenso de transformación institucional. Con objetivos bien planteados y una disciplina digna de reconocimiento internacional, en las pasadas dos décadas México ha impulsado transformaciones sustantivas: desde un marco de transparencia administrativa sin precedentes y la liberación de inversiones extranjeras, hasta el reforzamiento del respeto a la propiedad intelectual que da garantías de seguridad a la transferencia de tecnología, hacia y desde nuestro país.

México se modernizó. De ser una economía cerrada se convirtió en uno de los países con mayor apertura al comercio internacional y actualmente es una plataforma de comercio franco, con acceso preferencial a 45 países en todo el mundo. En dos décadas hemos aprendido a competir en el mundo, y el modelo del TLCAN es utilizado como referente para nuevas negociaciones continentales y globales, como la Alianza del Pacífico y el Acuerdo de Asociación Transpacífico (TPP).

Hoy con las reformas estructurales aprobadas por el congreso mexicano surgen nuevos nichos en los que se requerirán nuevos bienes y servicios que podrán circular gracias a la plataforma del TLCAN. Recientemente la Secretaría de Hacienda y Crédito Público en su mensaje semanal informó que “el paquete de iniciativas de leyes secundarias en
Indeed, as a result of the business operations attracted by a more competitive and open energy regime, a more effective regulatory framework in the telecommunications sector, a more relevant and timely educational system and a judicial system that upholds the rule of law, Mexico will enjoy greater investment and increased competitiveness over the years to come. There will be greater demand for public goods and services, the number of business transactions in the country will multiply, and a more sophisticated social environment will emerge.

Recently, I participated in one of the most important events for the global oil industry. There, I observed a clear interest on the part of the international community to participate in the liberalization of Mexico’s energy sector.

This momentous change for Mexico, like few in the country’s history, requires a strong commitment and the consolidation of Mexico’s economic leadership in the global context.

Two decades ago, it is likely that few would have thought that Mexico would become the leading auto parts exporter and second largest exporter of light motor vehicles to the US, or the leading supplier of medical devices for that market. Very few would have imagined that by now we would be the leading producer of beer in the world and the number one exporter of fridge freezers and flat screen televisions. Today, we are all of those things and we can achieve more because we have a fairer and more competitive operational framework, where we will pay better prices for inputs such as electricity.

Liberalization implies competition; we must demonstrate that Mexicans are good suppliers and good business partners with whom it is possible to establish strategic associations to incorporate new technologies and implement international best practices in sectors such as energy. In that way, not only will we see new fields opening up to provide specialized technical services in an industry that is open to competition but also new social hubs where communities of professionals and technicians can establish themselves, right where the productive sector needs them; we will see new highways and roads being built to connect the new social centers with the new workplaces; we will require technical training centers with the international certifications demanded by industry.

The Organization for Economic Cooperation and Development (OECD) recently reported that the structural reforms undertaken by Mexico could lead to a growth in GDP of between 2.3% and 2.5% over and above that already forecast. In practical terms, that means an investment of new resources into the Mexican economy which will enable the construction of more infrastructure.

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*Minister for North America, ProMéxico.

Probablemente hace dos décadas pocos hubieran pensado que México llegaría a ser el primer exportador de autopartes y el segundo exportador de automóviles ligeros a los Estados Unidos, o el principal proveedor de instrumentos médicos para ese mismo mercado; muy pocos hubieran imaginado que a estas alturas seríamos el primer productor de cerveza del planeta o el exportador número uno de refrigeradores con congelador y televisiones planas.

pagaremos precios más competitivos por insumos como la energía eléctrica.

La apertura trae consigo competencia. Por ello debemos probar que los mexicanos somos buenos proveedores y buenos socios de negocios con quienes es posible establecer asociaciones estratégicas para incorporar nuevas tecnologías e instrumentar buenas prácticas internacionales en sectores como el energético. De esta forma no sólo veremos nuevos campos de prestación de servicios técnicos especializados en una industria que se abre a la competencia, también veremos nuevos núcleos sociales donde se asienten comunidades de profesionales y técnicos, justo donde el sector productivo lo demande; observaremos nuevas carreteras y caminos que conecten los nuevos centros sociales con los nuevos sitios de trabajo; requeriremos centros de capacitación técnica con las certificaciones internacionales requeridas que satisfagan las diferentes industrias.

La Organización para la Cooperación y Desarrollo Económicos (OCDE) publicó recientemente que las reformas estructurales emprendidas por México podrían significar un crecimiento del PIB de entre 2.3% y 2.5% adicional al esperado. En términos prácticos, esto significa una inversión de nuevos recursos en la economía mexicana, con lo que se traducirá operativamente en la construcción de nuevas infraestructura.
NAFTA:
MYTHS AND REALITIES

Two decades ago, several sectors of Mexican society rejected the idea of trade liberalization and displayed their fears about the imminent entry into force of NAFTA. Today, the benefits of Mexico’s participation in the agreement are irrefutable and, without myths or fears, the country faces new challenges to continue availing itself of the advantages and opportunities of its preferential relationship with Canada and the US.

Twenty years ago there were many fears about the entry into force of the NAFTA. It was argued that Mexico was not prepared enough to compete with the US and Canada, countries that already maintained a strong and mature business relationship and had competed for decades on international markets.

Eight years before the entry into force of NAFTA, in 1986 Mexico joined the General Agreement on Tariffs and Trade (GATT). That negotiation was instrumental in advancing the policy of liberalization that Mexico had just adopted. In this process, the position of consumers was fundamental. There was consensus on the problems of protectionism and closing borders to trade; the productive sector in Mexico, which had developed within a closed economy, had neglected the domestic market, which in its turn resulted in multiple failings in quality and service. The lack of satisfaction among consumers was evident and the country began to fall behind in its models of productivity and competitiveness.

At the outset of the liberalization process, given the prevailing circumstances in the domestic market, the false notion emerged that all imported products are better, for the mere fact that their labels promised “quality, price and durability.” However, consumers soon began to realize that not everything that glittered was gold. While many different imported items met their expectations of quality and price, there were others that fell apart or stopped working after a few days of usage. The quality of imports from other countries ranged from very good to the truly bad. Still, the door had been irreversibly opened.
To ensure the competitiveness of Mexican products in the face of liberalization, local industries were required to meet strict Mexican standards of quality certification (NOM) in all their aspects. However, during the first years, large amounts of foreign goods entered the country without regulatory controls. I witnessed this at that time, and I did so with great concern. I ran an engineering company with Mexican and US capital, a manufacturer of equipment for lifting and loading. Within a few months of Mexico signing up to the GATT, the market was flooded by competing products, mainly from Japan, China, Taiwan, South Korea, Brazil, Argentina, and several European countries. They reached the market at unfair prices.

That was how the country's opening up to foreign goods began, with the dissatisfaction of the Mexican business community and to the great satisfaction of consumers. Years passed after a comprehensive free trade agreement in North America became a possibility—and a reality. For better or worse, the foundations were already laid in the Mexican market and it was clear that allowing the importation of foreign goods and services was a necessary condition for liberalization, yet not enough to drive growth in the country. It was necessary to set out a new idea to promote investment and international capital and to do so it was necessary to raise the country's level of productivity and competitiveness.

After a long period of legal agreements, NAFTA came into force in 1994. During the negotiations, the demand of the business community was no surprise. “We need more time,” said some; the response was also immediate: “You’ve had enough time.” It was true.

It was feared that Mexican labor would be unable to compete with Canada and the US—especially because of deficiencies in education—, and that Mexico would not have the opportunity to address the challenges presented by NAFTA. The idea of NAFTA seemed reckless but for many it was clear that an agreement of this nature was necessary to modernize the country and strengthen its position to compete on the international market.

There was consensus on at least two elements that made clear the suitability of the treaty for the three countries: 1. The geographical reality. North America is significant in geographical terms, in terms of its size, its coasts and the variety and diversity of its natural resources.

2. The commercial reality. North America is an immensely important market, with a population that at the time was close to 400 million people, and which today has grown to about 740 million. So, against all the skepticism and demand by many sectors of Mexican society, NAFTA turned Canada, the US and Mexico, as a bloc, into one of the major players in terms of the supply chains of advanced industries.

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NAFTA entered into force in January 1994. Today, twenty years after its launch, the benefits of NAFTA for Mexico are obvious.

NAFTA put an end to a long period in which the three countries were economically far apart. More than a free trade agreement, what was needed was a mechanism to provide certainty to investors.

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Domestically, the anti-export mentality that had prevailed for decades disappeared, and Mexico, which until then had concentrated its exports in the oil industry, some raw materials, and a few simple manufactured goods, gradually became a top producer and exporter of advanced manufacturing.

In twenty years, Mexican exports to the US and Canada grew by 597%, increasing from 44.3 billion USD in 1993 to 310 billion USD in 2013. In the NAFTA area, intra-regional trade grew by 400%.

NAFTA has brought many benefits to all three countries, not only economically but also in the socio-cultural sphere. However, the story is not over yet: NAFTA still has much to contribute and new challenges to face as it moves forward.

Meanwhile, the average annual level of Foreign Direct Investment (FDI) in Mexico has increased tenfold. In 1993 the average annual FDI was 2 billion USD; after NAFTA came into force FDI grew to an average of 20 billion USD per year. The arrival of productive investment in Mexico undoubtedly helped generate new jobs and improve the quality of life in the country. Similar stories can be told about the other NAFTA countries; in the US, for example, more than 6 million jobs depend directly on bilateral trade with Mexico. It is a fact that none of the three countries would be what it is today without NAFTA.

To understand even better how NAFTA has contributed to Mexico, we need only look at the country’s Gross Domestic Product (GDP) figures before and after the treaty. When NAFTA began in 1994, Mexico’s GDP stood at 527.3 billion USD; forecasts indicate that Mexico will end 2014 with a GDP close to 1.3 trillion USD. The GDP per capita also shows substantial changes; it rose from 5,888 USD in 1994 to 10,767 USD in 2014.

Undoubtedly, one of the most important outcomes of NAFTA has been replacing individual work with joint economic work. Currently, Mexico and the US have consolidated joint production schemes with a very high quality model.

In twenty years, Mexican exports to Canada and the US grew from 25 billion USD to 447.4 billion USD, representing almost 60% of Mexico’s total foreign trade. Mexico has signed similar agreements with countries and regions worldwide, including the European Union and Latin American countries. Today, Mexico is the country with the largest number of trade agreements and has preferential access to 45 countries. Currently, Mexico is an important piece in the Pacific Alliance and is projected as a key player within the Trans-Pacific Partnership.

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The North American Strategy for Competitiveness is a tri-national coalition of governments, businesses and educational institutions driven by a common interest in collaboration along key freight, energy and trade networks.

Founded in 1994, North American Strategy for Competitiveness (NASCO) encourages North America’s competitiveness in the global marketplace. At NASCO, we believe the best strategy for North American competitiveness lies in freight logistics and operational efficiencies, innovative supply chain technologies, and skilled workforce training programs.

Every day of the past twenty years, we have tried to ensure that NASCO is an action- and results-oriented, realistic, cutting edge organization that focuses on critical North American issues with passion, energy, dedication, and an outrageous sense of urgency.

We have sought out the best minds, information and practices related to our focus areas and have tried to form lasting, trusting partnerships with those people and entities that have been successful in moving the issues forward. We have always been careful to not duplicate efforts and to make sure that NASCO is adding value, strength and results in all of our endeavors.

This year, our twenty year anniversary coincides with the twenty year anniversary of NAFTA. NASCO and our members have played a major role in advancing NAFTA, and we celebrate the great success of this unprecedented trade agreement. But, there remains much to be done for North American to truly become a free trading super-region. We look with excitement to the Trans-Pacific Partnership (TPP) and know that this new historic agreement will help propel North America forward for the next twenty years.

NASCO is well aware that more than half of all America’s Free Trade Agreement (FTA) partners are in Latin America. These countries also have made clear

La Estrategia de América del Norte para la Competitividad es una coalición trinacional de gobiernos, empresas e instituciones educativas impulsados por un interés común, que colaboran en redes de transporte de mercancías, energía y comercio.

Fundada en 1994, la Estrategia de América del Norte para la Competitividad (NASCO) fomenta la competitividad de América del Norte en el mercado mundial. En NASCO creemos que la mejor estrategia de competitividad para América del Norte se encuentra en la logística del transporte de mercancías y en la eficiencia operativa, las tecnologías innovadoras de la cadena de suministros y los programas de capacitación de empleados calificados.

Cada día durante los últimos veinte años hemos tratado de asegurar que NASCO sea una organización de vanguardia orientada a la acción y a los resultados, realista y centrada en temas críticos para América del Norte con pasión, energía, dedicación y sentido de urgencia.

Hemos buscado las mejores mentes, información y prácticas relacionadas con nuestras áreas de interés y hemos tratado de formar associaciones duraderas de confianza con aquellas personas y entidades que han tenido éxito en hacer avanzar estas cuestiones. Siempre hemos tenido el cuidado de no duplicar esfuerzos y asegurarnos de que NASCO está generando valor agregado, fuerza y resultados en todos nuestros esfuerzos.

Nuestro vigésimo aniversario coincide con el vigésimo aniversario del TLCAN. NASCO y sus miembros han desempeñado un importante papel en la promoción del TLCAN, y celebramos el gran éxito de este acuerdo comercial. Pero reconocemos que queda mucho por hacer para que América del Norte se convierta en una super-región de libre comercio. Esperamos con entusiasmo el Acuerdo de Asociación Transpacífico (TPP) y sabemos que este nuevo acuerdo histórico ayudará a impulsar a América del Norte durante los próximos veinte años.
At NASCO, we believe that the best strategy for North American competitiveness lies in three main focus areas—logistics, energy and a skilled workforce. NASCO has embraced these focus areas and has undertaken several different initiatives under each area.

At NASCO we seek to connect our Mexico members and partners with our vast trinational network (Canada, US, and Mexico) for business development and to raise the awareness of Mexico's growing importance in the global economy. Our current Mexico Council President is José Pablo Maauad, Secretary of Economic Development, Government of the State of Hidalgo. The Mexico Council has two main goals:

- Promote a unified trilateral agenda aligning Mexico’s logistics platform with NASCO’s international strategy in the US and Canada.
- Support an effective supply chain system in Mexico through a united national system of logistics platforms, national economic freight corridors and regional economic development efforts.

The world’s top manufacturing companies are pouring billions of dollars of capital investment into Mexico’s automotive, aerospace and energy sectors. At the same time, new visionary leadership is executing transformational reforms that promise to make Mexico, and North America, a premier global manufacturing and logistics platform. *N*®

*Director of Membership & Events, NASCO*

NASCO está muy consciente de que más de la mitad de los socios de Estados Unidos en tratados de libre comercio se encuentran en América Latina. Estos países también han hecho compromisos claros de apertura de sus mercados y de integración de las cadenas de suministros con Estados Unidos a través del TPP, la Alianza del Pacífico, y el Diálogo Económico de Alto Nivel entre Estados Unidos y México.

Además, más de 40% de las exportaciones de Estados Unidos se quedan en el continente americano, y esas exportaciones están creciendo más rápido que el comercio con el resto del mundo. Pero todavía hay más que puede y debe lograrse. En NASCO creemos que la mejor estrategia de competitividad en América del Norte reside en tres áreas principales: logística, energía y mano de obra calificada. NASCO ha adoptado estas áreas de interés y ha emprendido varias iniciativas distintas en cada área. También creemos que la única forma de obtener resultados y avanzar el éxito es partir del nivel de base –con los gobiernos locales, estatales y provinciales en asociación con la experiencia industrial. Las asociaciones públicas y privadas, y los contactos en todo el continente son lo que NASCO hace mejor.

En NASCO tratamos de conectar a nuestros miembros y socios de México con nuestra vasta red trinacional (Canadá, Estados Unidos y México) para el desarrollo de negocios y para crear conciencia sobre la importancia creciente de la economía mundial. Nuestro actual Presidente del Consejo de México es José Pablo Maauad, Secretario de Desarrollo Económico del Gobierno del Estado de Hidalgo. El Consejo tiene dos objetivos principales:

- Promover una agenda trilateral que ponga en sintonía la plataforma logística de México con la estrategia internacional de NASCO en Canadá y Estados Unidos.
- Apoyar un sistema eficaz de cadena de suministro en México a través de un sistema nacional de plataformas logísticas, corredores nacionales de intercambio económico y esfuerzos de desarrollo económico regionales.

Las empresas manufactureras más importantes del mundo invierten millones de dólares en los sectores de la industria automotriz, aeroespacial y de la energía en México. Al mismo tiempo se están llevando a cabo reformas que prometen hacer de México y de América del Norte una plataforma mundial de fabricación y logística de primer orden. *N*

*Directora de eventos y membresías, NASCO*
20 Facts about NAFTA

The NAFTA region is the most extensive free trade zone in the world. It is close to five times the size of the European Union.

NAFTA represents more than 23% of the world GDP.

The GDP of NAFTA countries has increased steadily by 2.6% a year since it came into force.

NAFTA increases trade in the region. From 1993 to 2013, Mexican exports to North America grew by 597%.

Trade between NAFTA members is estimated at more than 100 million US$ per hour.

Mexico is the third most important supplier to the US and its second most important customer.

Mexico buys from its two NAFTA partners more than it buys from China, Japan and Germany combined.

Canada and the US buy from Mexico more than they buy from Japan, Germany and Spain combined.

Currently, 11 of every 100 US$ that Canada and the US spend abroad are to buy Mexican-made products. In 1993, this figure was only six of every 100 US$.

It allows almost 474 million residents—one out of every seven people in the world—to trade freely between themselves.

Residents of the NAFTA region produce more than 19 trillion US$ in goods and services every year.

Mexico is the third most important supplier to the US and its second most important customer. Likewise, it is the third largest supplier to Canada and its fifth largest customer.

The most exported manufactured product from Mexico to Canada and the US is cars.

Sources / Fuentes: 1. United States Trade Representative (USTR); 2. US Census; International Monetary Fund (IMF) / 3-4. World Trade Organization (WTO) / 5. IMF / 6-12. Global Trade Atlas (GTA); Statistics Canada; USTR; Ministry of Economy (SE).
The NAFTA countries move close to half of their exports within the region.

The NASCO corridor—connecting Canada, the US and Mexico—is more than 4,000 kilometers long.

Mexico and the US maintain a highly integrated production chain: 40% of the content of Mexican exports to the US was originally manufactured in the US.

In the early 1990s, prior to NAFTA, FDI from Canada and the US into Mexico amounted to 10.1 billion US$. Two decades later, FDI from those countries into Mexico has almost quadrupled, reaching 38.3 billion US$.

Every year, the NAFTA region publishes 320,000 new titles; close to one book for every two residents.
NAFTA gets a bit of a rough deal. Its critics paint it as a failed experiment for Mexico, as the inequalities that separated El Paso from Ciudad Juarez or San Diego from Tijuana still largely exist today. But saying that NAFTA has failed on the basis of these continued inequalities is to fall short of grasping what it was supposed to achieve. NAFTA was never meant to be a panacea for all the economic ills of the three involved nations. It aimed to create an open market that took advantage of the different strengths found in Canada, the US and Mexico. Trade barriers between Canada, the US and Mexico look set to continue falling with President Barack Obama announcing, during the NAFTA summit in Toluca, mexico in January 2014, that he would continue to lower barriers. “We’re going to create a one-stop shop online, so companies can submit all their information in one place and save themselves time and money. We’ve agreed to keep working to make it easier for our businesspeople and tourists to trade and travel. Our countries have strengths that give North America a tremendous competitive advantage, the skills of our workers, growing manufacturing, and new sources of energy. We have to take advantage of these competitive advantages, and we need to do it together.”

For Mexico, manufacturing was the key strength it brought to NAFTA. The maquiladora industry is constantly expanding into advanced engineering and design work, with a mixture of low labor costs and highly skilled workers, and with production lines once lost to China now returning to Mexico as the country’s manufacturing competiveness is going nowhere but up.

Mexico now has almost 300 aerospace factories on its territory, and during the first quarter of 2014 overtook Japan as the second-largest exporter of cars to the US—sending 428,376 cars, compared to Japan’s 408,405. In these two industries alone, Mexico has laid down the red carpet as marque name after marque name has come to invest. The success of the automotive and aerospace industries in Mexico has come to symbolize the positive aspects of the impact NAFTA has had on Mexico. If any evidence is needed as to how much the automotive industry in Mexico has been a true beneficiary of NAFTA, the numbers do not lie. In the space of twenty years, Mexico’s automotive industry grew fivefold as foreign investment skyrocketed from 8 billion USD to almost 43 billion USD, and an additional investment of 6.2 billion USD has already been announced for the coming years. While the world was hit by economic crisis, the Mexican automotive industry stood firm and weathered the storm, as Eduardo Solís, Executive President of Asociación Mexicana de la Industria Automotriz (AMIA, Mexican Automotive Industry Association) states. “When placed on a line graph, you can see that despite the crises of 1995 and 2009, the automotive sector grew continuously after the 1980s and then exponentially after NAFTA.”

Mexico is now an automotive manufacturing powerhouse: occupying the 8th position worldwide, producing almost 3 million units in 2013, and marking a 61% growth since the treaty came into effect. NAFTA did not only open borders to encourage production and a higher complexity of manufacturing processes, it broadened the very mindset of key automotive players by showing them Mexico was a competitive op-

THE AEROSPACE AND AUTOMOTIVE SECTORS PROVE SUCCESS OF NAFTA

The automotive and aerospace industries are emblematic cases of the success of Mexico’s participation in NAFTA. Their development in the last two decades symbolizes the positive impact the trade agreement has had for the country, growth prospects and the challenges these sectors will face in the future, are an indicator of the need to push further changes to strengthen the position of North America in the global economy.

NAFTA’s 20th anniversary was the perfect moment to take stock of the impact this agreement has had on the Mexican economy, as a whole, and in particular to the industries that have come to symbolize the positive impact of NAFTA. Mexico is now the 4th largest export market for USA, and 1st for Canada. In the automotive industry, one can see a clear benefit of NAFTA. The Mexican automotive industry is now an automotive manufacturer of worldwide standards, while its 11,500 companies are now its 2nd largest employer. The success of the Mexican automotive industry has been the result of an open market with a focus on quality and innovation. NAFTA has created a level playing field for companies to operate in, and has allowed for the growth of the Mexican automotive industry.

While NAFTA has had a positive impact on the automotive industry, it has also had a positive impact on the aerospace industry. The Mexican aerospace industry is now one of the leaders in the world, with 300 companies and a workforce of 160,000. The success of the Mexican aerospace industry has been due to the combination of low labor costs, highly skilled labor, and a focus on innovation.

NAFTA has been a catalyst for the growth of the Mexican automotive and aerospace industries, and has allowed for the creation of a competitive and innovative manufacturing base. The success of these industries is a reflection of the positive impact of NAFTA, and a testament to the potential of North America as a region for growth and innovation.

The Automotive and Aerospace Industries of Mexico:

The automotive and aerospace industries are emblematic cases of the success of Mexico’s participation in NAFTA. Their development in the last two decades symbolizes the positive impact the trade agreement has had for the country, growth prospects and the challenges these sectors will face in the future, are an indicator of the need to push further changes to strengthen the position of North America in the global economy.
El departamento de trabajo con la industria para proporcionar soluciones. José Rogelio Garza, Subsecretario de Economía, Indus-
try, y Commerce, explica, “Algunos asociados como Confederación Nacional de 
Transportistas Mexicanos (CONATRAM, National Confederation of Mexican Car-
rriers) y Asociación Nacional de Productores 
de Autobuses, Camiones y Tractocamiones 
(ANPACT, National Association of Buses, Trucks, and Trailer Producers), han creado específicas normas para que los vehículos no entren al país. Un 
importante esquema que permite el manejo de vehículos del sector automotriz a 
mostrar el crecimiento de México”. El gobierno ha trabajado con la industria para brindar soluciones. José Rogelio Garza, 
Subsecretario de Economía, Industry, y Commerce, explica, “Junto con asociados como la Confederación Nacional de 
Transportistas Mexicanos (CONATRAM)
NAFTA no sólo abre las fronteras para fomentar la producción y una mayor complejidad de los procesos de manufactura, 
ampió la red de concesionarios de los clientes las 
manejar estos vehículos como base de 
la empresa automotriz que muestran México como una opción competitiva. Solis 
explique este fenómeno: “Hemos sido testigos de una gran 
transformación. Por ejemplo, cuando Audi decidió abrir una planta en el país 
vio un mensaje al mundo sobre la calidad de los vehículos producidos en México”. 
Tras haber asegurado una entrada sin 
impuestos para la industria aeroespacial, México ha logrado 
un gran éxito con el primer vuelo de prueba. Las 
principales estructuras del fuselage de esa 
aeronave–nave, como de cola, estabili-
adores verticales y horizontales–se cons-
truyeron en su totalidad en las instalaciones 
de Bombardier en Quebec, lo que 
demostró que la compañía decidió trasladar sus líneas de producción de Quebec, a esa ciu-
dad del centro de México. 
El vuelo le pareció muy alentador. En el despacho del 
subsecretario de Economía para 
que la industria creciente cinco 
veces, mientras que la 
inversión extranjera subió vertiginosamente de ocho 
millones de dólares a casi 43 mil millones, y una 
inversión adicional de 6,200 millones ya se anunció para los próximos años.

The government is working with the 
industry to provide solutions. José Rogelio 
Garza, Undersecretary of Economy, 
Industries, and Commerce explains, “Alongside 
associations like Confederación Nacional de 
Transportistas Mexicanos (CONATRAM, National Confederation of Mexican Car-
rriers) and Asociación Nacional de Produc-
tores de Autobuses, Camiones and Tracto-
camiones (ANPACT, National Association of Buses, Trucks, and Trailer Producers), we 
have created specific norms to ensure that 
truck vehicles do not enter the country. An-
other important scheme that will help the 
heavy duty sector is the scrapping program 
which began in 2014 with the objective of 
reducing 15,000 heavy duty vehicles dur-
ing the year.” NAFTA has laid a solid foun-
dation for the automotive industry despite 
considered, ranging from credits to the govern-
ment replacing old units, but the real issue 
remains that we are very close to the US.”

“México tiene acuerdos de libre comercio con más de cuarenta países, pero necesita seguir buscando nuevos mercados”, comen-
ta Solís. Para un país que exporta 80% de su producción, este es crítico, y los tractores y 
de libre comercio como el TLCAN no sólo 
le permitieron a México superar a Japón como el principal exportador de vehículos de 
los Estados Unidos, sino consolidarse como el 
cuarto exportador de vehículos más grande 
del mundo. La transformación de México 
ha impactado en la industria de manera 
positiva en el futuro. “Prevo, que México 
exporte más de 15,000 vehículos pesa-
dsos en los próximos años” dice Luis Lozai-
no, Director de Operaciones de PwC.

La apertura de la economía mexica-
a a través del TLCAN también abrió las 
puertas a la importación indiscriminada de 
vehículos usados desde los Estados Unidos. “Esto es el mayor problema y que enfrenta el 
sector automotriz mexicano ahora” dice 
Lozano, quien atiende a las diferencias 
culturales del estancamiento del mercado 
interior que resulta de la importación de 
vehículos usados, “States Unidos tiene una 
cultura en la que un coche se utiliza por 
un par de años y luego se sustituye, lo que 
significa que millones de coches están 
siendo reemplazados cada año. Los consumi-
dores mexicanos no se comportan de esta 
manera, las personas mantienen sus coches 
durante mucho más tiempo”. “A pesar de 
que el TLCAN ha beneficiado a la indus-
tria en innumerables maneras, se espera que Estados Unidos exporte más autos usados a 
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Mexicanos no se comportan de esta
Aerospace Industry). Furthermore, the 7.5 billion USD by 2015, according to Fed-
aerospace companies a long time before. 
for the Mexican aerospace industry to get go-
space industry. Although it took until 2004
Querétaro, the production having been re-
cone, and vertical and horizontal stabiliz-
craft’s major fuselage structures, nose, tail
create a knowledge based economy.

Just over two decades after NAFTA was
special edition:
nafta at tWEntY
ediciÓn especial:

Aeronáutica en Querétaro, is training more

Given the attention placed on Mexico

la atención que se presta a México como

General Electric has announced its plans of insta-
la construcción de aviones, la Secretaría de Econo-

“la importancia del compromiso industrial
de Eurocopter de México se pone de mani-

General Electric has jumped on the Mexican

Transport, for its craft, Serge Durand, CEO of Eu-

casse, one could imagine its economy looks

tude to a country that designs. We want to

tories in these other areas?

*Senior Editor, Mexico Aviation & Aerospace Review

*Editor, Mexico Automotive Review

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70

of Mexican enterprises installed in Chihuahua, the es-
to que el futuro está en el sector aeroespacial. Manual Russek Valles, Secreta-
ras de Economía del Estado de Chihuahua: "Estimamos que, dada la fortaleza de nuestra industria manufacturera de ex-

Fotos archivo

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BOMBARDIER,
MORE THAN TWENTY YEARS
OF SUCCESS AND COMMITMENT
WITH MEXICO

Bombardier’s experience in Mexico is a clear example of the effectiveness of NAFTA as a platform that promotes the integration of value chains. Today Bombardier renews its commitment with Mexico as a key part of the firm’s production processes and business strategy in North America.

Headquartered in Montreal, Canada, Bombardier is the world’s only manufacturer of both planes and trains. With a workforce of more than 75,000 employees worldwide and production and engineering sites in 27 countries, Bombardier has pushed mobility forward by creating innovative rail transportation and aerospace products and state-of-the-art technologies.

We began in 1992 with our acquisition of Constructora Nacional de Carros de Ferrocarril (Concarril), opening our first production facility in Ciudad Sahagún, Hidalgo, thereby establishing our presence in the Mexican rail market. Today, Bombardier is the most important supplier of passenger rail transportation equipment in Mexico, with almost 70% of all passenger rolling stock. In 2005, Bombardier announced the establishment of a world-class aerospace manufacturing facility in Querétaro. This federal entity was chosen because it provided solid infrastructure with a neighboring international airport, a dedicated aerospace park and skilled people through the automotive industry. Most important, it offered a strong commitment from the federal and state governments to develop a local aerospace industry.

Bombardier has had a continued presence in Mexico’s rail and aerospace manufacturing sectors for more than twenty years. We are committed to contributing to the country’s development. Over the years, our successes in Mexico have confirmed that our initial decision to invest in this country was the right thing to do for our company.

Bombardier has tenured presence continuous in the Mexican aerospace and aeronautical industry. Con construcción de fábricas de aeronaves y trenes. Con una plantilla de más de 75,000 empleados a nivel mundial, y centros de ingeniería y producción en 27 países, Bombardier ha impulsado la movilidad al crear transportes ferroviarios y productos aeroespaciales innovadores, así como tecnologías de punta.

We now have a workforce of over 4,000 highly-skilled employees participating in passenger rail projects all over North America and taking part in the development of state-of-the-art aircraft programs such as the C Series and the CSeries.

Bombardier has been a long-standing partner of the Mexican rail and aerospace industries, and we are committed to continuing to contribute to the growth and development of these sectors.

Bombardier ha tenido presencia continua en los sectores de fabricación aeroespacial y ferroviaria de México por más de veinte años, y estamos comprometidos con el desarrollo del país. Nuestros éxitos en México han confirmado que la decisión inicial de invertir en este país fue la correcta para nuestra empresa. Comenzamos en 1992 con la adquisición de la Constructora Nacional de Carros de Ferrocarril (Concarril), abriendo la primera planta de producción en Ciudad Sahagún, Hidalgo, y estableciendo así nuestra presencia en el mercado ferroviario mexicano. Hoy Bombardier es el proveedor más importante de equipos de transporte ferroviario de pasajeros en México, con casi 70% de todo el material rodante para pasajeros.

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We now have a workforce of over 4,000 highly-skilled employees participating in passenger rail projects all over North America and taking part in the development of state-of-the-art aircraft programs such as the C Series and the CSeries.

Bombardier has been a long-standing partner of the Mexican rail and aerospace industries, and we are committed to continuing to contribute to the growth and development of these sectors.

Bombardier ha tenido presencia continua en los sectores de fabricación aeroespacial y ferroviaria de México por más de veinte años, y estamos comprometidos con el desarrollo del país. Nuestros éxitos en México han confirmado que la decisión inicial de invertir en este país fue la correcta para nuestra empresa. Comenzamos en 1992 con la adquisición de la Constructora Nacional de Carros de Ferrocarril (Concarril), abriendo la primera planta de producción en Ciudad Sahagún, Hidalgo, y estableciendo así nuestra presencia en el mercado ferroviario mexicano. Hoy Bombardier es el proveedor más importante de equipos de transporte ferroviario de pasajeros en México, con casi 70% de todo el material rodante para pasajeros.

In 2005 Bombardier announced the creation of a world-class aerospace manufacturing facility in Querétaro. This federal entity was chosen because it provided solid infrastructure with a neighboring international airport, a dedicated aerospace park and skilled people through the automotive industry. Most important, it offered a strong commitment from the federal and state governments to develop a local aerospace industry.

Bombardier has had a continued presence in Mexico’s rail and aerospace manufacturing sectors for more than twenty years. We are committed to contributing to the country’s development. Over the years, our successes in Mexico have confirmed that our initial decision to invest in this country was the right thing to do for our company.

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The advantages of being able to use the NAFTA continental platform are undeniable. Being able to benefit from better tariffs for goods and services, labor mobility allowances, policies encouraging local investments, and more, have allowed us to bring to market cutting-edge technologies.

that of the Q400 NextGen, the Cseries and the Learjet 85. Bombardier sees Mexico as an intrinsic part of its overall North American strategy, which is a good example of an integrated performance, leveraging each country’s key labor skills and competitive advantages while meeting contractual requirements. With 22 production and engineering sites and over 35,000 highly skilled individuals across all three NAFTA countries, Bombardier has an important vantage point on the effectiveness of this trade agreement and the role that Mexico plays in it.

The ability to develop global value chains has allowed us to participate and compete in local economies worldwide, establishing strong footholds and local roots. For example, we currently have collaboration agreements with the Universidad Aeronáutica de Querétaro (UNAQ) and the Universidad Tecnológica de San Juan del Río, Querétaro, to develop aerospace training programs. We also have collaboration agreements that include working internships, thesis projects, recruitment programs, and job opportunities with the Universidad del Valle de México, the Instituto Politécnico Nacional, the Instituto Tecnológico de Monterrey (ITESM). We have embraced that model and applied it to both our rail and aerospace operations in North America. NAFTA has been key in helping us establish a North American value chain, which enabled us to develop and maintain a multi-site manufacturing network to handle our rolling stock production needs in the region and to support the development of new aircraft programs.

The advantages of being able to use the NAFTA continental platform are un

El TLCAN ha sido clave para ayudarnos a establecer una cadena de valor en América del Norte que nos ha permitido desarrollar y mantener una red de fabricación en múltiples sitios para satisfacer nuestras necesidades de producción de material rodante en la región y para apoyar el desarrollo de nuevos programas de aviones.

proyectos ferroviarios de pasajeros en toda América del Norte y que contribuyen al desarrollo de los más modernos programas de aeronaves, como el Q400 NextGen, el Cseries y el Learjet 85. Bombardier ve a México como parte intrínseca de su estrategia comercial en América del Norte, lo que es un buen ejemplo de un funcionamiento integrado, que aprovecha la capacitación de la mano de obra y la ventaja competitiva de cada uno de los países clave, al tiempo que cumple con los requisitos contractuales. Con 22 centros de ingeniería y de producción y más de 35,000 empleados altamente calificados en los tres países del TLCAN, Bombardier tiene mucho que decir sobre la eficacia de este acuerdo comercial y el papel que México desempeña en él.

La capacidad para desarrollar cadenas de valor mundiales nos ha permitido participar y competir en economías locales en todo el mundo, estableciendo una fuerza local y estableciendo raíces. Por ejemplo, actualmente tenemos acuerdos de colaboración con la Universidad Aeronáutica de Querétaro (UNAQ) y la Universidad Tecnológica de San Juan del Río para desarrollar programas de formación aeronáutica. También tenemos acuerdos de colaboración que incluyen pasantías de trabajo, proyectos de tesis, programas de contratación y oportunidades de empleo con la Universidad del Valle de México, el Instituto Politécnico Nacional, el Instituto Tecnológico de Querétaro, la Universidad Autónoma de Querétaro, y el Tecnológico de Monterrey (ITESM). Hemos adoptado ese modelo y lo hemos aplicado en nuestras operaciones, tanto en ferrocarriles como en aeroespacial en América del Norte. El TLCAN ha sido clave para ayudarnos a establecer una cadena de valor en América del Norte que nos ha permitido desarrollar y mantener una red de fabricación en múltiples sitios para satisfacer nuestras necesidades de producción de material rodante en la región y para apoyar el desarrollo de nuevos programas de aviones.

las ventajas de poder utilizar la plataforma continental del TLCAN son inembalables. Poder beneficiarse de mejoras en las tarifas de bienes y servicios, de programas de movilidad de la mano de obra, de políticas que fomentan las inversiones locales y de otros incentivos, nos ha permitido poner en el mercado tecnologías de vanguardia. Un ejemplo de ello es la reciente y exitosa realización del primer vuelo de prueba del nuevo Learjet 85 en Wichita, Kansas, donde tienen su sede las operaciones de nuestro Learjet. Con un diseño enteramente nuevo basado en el usuario, el avión Learjet 85 será la aeronave Learjet más grande, más veloz y de mayor capacidad. Los centros de producción en Wichita, Querétaro, Montreal y Belfast (en Irlanda del Norte) han participado en este programa de desarrollo de aeronaves, utilizando la plataforma del TLCAN. La parte de este proyecto correspondiente a Querétaro es la fabricación de fuselajes y el ensamblaje de las alas. Conviene destacar la participación de Querétaro en el desarrollo de tecnologías avanzadas y materiales compuestos para el fuselaje del Learjet 85. Estamos muy satisfechos con la calidad de estas piezas de materiales compuestos, y nos concentramos ahora en perfeccionar nuestro proceso de producción.

Desde su entrada en vigor en 1994, el TLCAN ha contribuido al aumento del comercio y las inversiones entre Canadá, Estados Unidos y México, y a una mayor competitividad de la economía en los tres países. Dicho esto, el mundo de las
deniable. Being able to benefit from better tariffs for goods and services, labor mobil-
ity allowances, policies encouraging local investments, and more, have allowed us to
be on a path to reducing the impact of globalization. Such one example is the recent and
successful completion of the new Learjet 85’s first test flight in Wichita, Kansas, where
our Learjet operations are head-
quartered. With a customer-driven clean-
sheet design, the Learjet 85 aircraft will
be the largest, fastest and most capable
Learjet aircraft ever. Production sites in
Wichita, Querétaro, Montreal, and Bel-
fast, Northern Ireland, took part in this
aircraft development program, using the
NAFTA platform. The Querétaro portion
of this project is the fuselage manufac-
turing and the wing assembly. Of note is
Querétaro’s participation in the develop-
ment of advanced composite technologies
and materials for the Learjet 85’s fuselage.
We are extremely satisfied with the quality
of these components and are now fo-
cused on refining our production process.
Since its entry into force in 1994, NAFTA
has contributed to increased trade and invest-
ment between Canada, the US and Mexico,
and to greater economic competitiveness in
each country. Having said that, new opportuni-
ties for economic and political realities have evolved and we should ensure that NAFTA does the same. The rapid growth of emerging mar-
kets has had perhaps the greatest impact on
the promise of NAFTA for Mexico. Security
concerns stemming from the 9/11 attacks
and the lingering global economic downturn
have left their mark but many opportunities
have arisen, providing the conditions needed
to realize NAFTA’s full potential. For in-
stance, the US is showing signs of economic
recovery. Mexico is also demonstrating faith
in its growth prospects with plans to spend
more than 300 billion USD in infrastruc-
ture. Most important, bilateral agreements
have experienceed processes and regulations
that new initiatives for facilitating labor mobility,
trade, and regulatory harmonization would
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INDUSTRIAS AUTOMOTRICES RC, THE IMPORTANCE OF ATTENTION TO DETAIL

This Mexican auto parts manufacturer has consolidated its operations over the last half century and currently exports 30% of its annual output to the US, Central, and South America.

Sergio Cruz attributes the company’s success to the vertical integration strategy it introduced practically from day one. “Every phase of the manufacturing process for Cardan cardan auto parts is closely overseen, from the raw materials to the finished product. We have subsidiaries for the procurement and processing of raw materials. We buy our rubber from plantations and turn it into the final product. The same goes for our steel parts. Enormous care goes into our processes and we depend very little on external suppliers.”

Three years ago, the CEO of Industrias Automotrices RC was born out of the initiative of a Mexican businessman, who couldn’t fathom why Mexico didn’t manufacture its own vibration-control auto parts. “My father was a engineer who founded the project in 1961. He had a spare parts business and he’d buy the parts he needed but they were all imported. None of them were made in Mexico,” says Sergio Cruz, CEO of Industrias Automotrices RC. And so the company began manufacturing the rubbers and metal parts that support the engine, body, suspension, shock absorbers, and other parts of a vehicle. “That does almost everything itself,” says Cruz.

Today, Industrias Automotrices RC has an extensive catalogue of some 250 auto parts, approximately one hundred of them are in high demand on the domestic and international markets. Its engine and Cardan supports are among its best-selling products. Sergio Cruz attributes the company’s success to the vertical integration strategy it introduced practically from day one. “Every phase of the manufacturing process for Cardan cardan auto parts is closely overseen, from the raw materials to the finished product. We have subsidiaries for the procurement and processing of raw materials. We buy our rubber from plantations and turn it into the final product. The same goes for our steel parts. Enormous care goes into our processes and we depend very little on external suppliers.”

Founded in 1953, every year the company produces as many as six million auto parts at its 12,000-square-meter plant in Mexico City, where it employs 250 people. Of these six million parts, 30% are destined for export to the US, Central, and South America. Industrias Automotrices RC was born out of the initiative of a Mexican businessman, who couldn’t fathom why Mexico didn’t manufacture its own vibration-control auto parts. “My father was an engineer who founded the project in 1961. He had a spare parts business and he’d buy the parts he needed but they were all imported. None of them were made in Mexico,” says Sergio Cruz, CEO of Industrias Automotrices RC. And so the company began manufacturing the rubbers and metal parts that support the engine, body, suspension, shock absorbers, and other parts of a vehicle. “That does almost everything itself,” says Cruz.

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Fabricante de piezas que ayudan a soportar la vibración en un vehículo, esta compañía mexicana ha logrado consolidarse a lo largo de medio siglo, y exporta 30% de su producción anual a Estados Unidos, Centro y Sudamérica.

POR ANTONIO VÁZQUEZ

Industrias Automotrices RC is a Mexican auto parts manufacturer that oversees every aspect of its processes from start to finish, from the purchase of the raw materials it uses to the sale of the final product to the customer. That attention to detail has helped the company earn the recognition and loyalty of international customers like Ford, Chrysler, General Motors, Volkswagen, Mazda, and Nissan, to name just a few.

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experience the before and after: a Mexico with a closed economy and a Mexico with a liberalized one. The latter has allowed us to expand internationally, something that wasn’t possible before. In our case, trade agreements have been an opportunity for growth,” says Cruz.

Mexico’s geographical location and its land, sea, and air infrastructure are other convincing factors for any one considering investing in the country, says Sergio Cruz, who acknowledges that being a neighbor of the world’s largest economy, the US, is good for business. “Also, we are a nation with an excellent workforce. Employee training is a priority for us; people in Mexico are extremely committed. One of the country’s main assets is labor, which is a ’raw material’ with the potential to drive development,” says Cruz.

Another plus for prospective investors, particularly in the automotive sector, is the economic stability the country has enjoyed since 2000 and that has fueled the expansion of several local companies. “A large part of what we have achieved can be credited to government support. We’ve worked with ProMéxico, the National Foreign Trade Bank (Bancomext) and the National Council for Science and Technology (Conacyt) and have made use of all the tools they’ve offered us,” says Cruz. Good vibrations, it seems, are on the horizon for Industrias Automotrices RC, which has opened a sales office in Michigan, US to promote its products and help it make the leap to new markets. On the home front, plans to expand its manufacturing facility and open a new operations center outside Mexico City are afoot.

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for growth,” says Cruz. “Además somos una nación con gran mano de obra. Trabajamos mucho en la capacitación del personal y la gente en México es muy comprometida. Uno de los principales activos del país es su capital humano; es una ‘materia prima’ que tenemos que impulsar y desarrollar,” expresa Cruz.

 otro beneficio para la inversión, y en particular para el sector automotriz, es la estabilidad económica que ha prevalecido desde el año 2000, y que ha abonado al desarrollo de varias compañías locales. “Gran parte de nuestros logros es gracias a que hemos trabajado con el apoyo del gobierno. Hemos hecho uso de apoyos de ProMéxico, del Banco Nacional de Comercio Exterior (Bancomext) y del Consejo Nacional para la Ciencia y la Tecnología (Conacyt); hemos sacado provecho de estas instituciones”, comenta Cruz.

Sin duda buenos tiempos se ven en el horizonte de Industrias Automotrices RC. La compañía ha abierto una oficina de ventas en Michigan, Estados Unidos, para promover su oferta de productos y buscar nuevos mercados. Aunado a eso, la empresa se encuentra en una etapa de expansión de su planta de fabricación y en la apertura de un nuevo centro de operaciones fuera de la capital del país.

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Texas Automotrices RC, which has opened a sales office in Michigan, US to promote its products and help it make the leap to new markets. On the home front, plans to expand its manufacturing facility and open a new operations center outside Mexico City are afoot. www.grupo-rc.com.mx

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CONSTRUCCIONES INDUSTRIALES TAPIA
A STEELY STORY

In less than two decades, this company has positioned itself as one of the most important companies for Mexico’s energy and industrial sector, with annual sales in the region of 130 million USD.

En menos de dos décadas esta firma se ha convertido en una de las principales empresas en el sector industrial energético de México, con una facturación anual cercana a los 130 millones de dólares.

By Antonio Vázquez

In the 17 years it has been operating, Construcciones Industriales Tapia has built a reputation for itself as un-shakeable as the steel structures it manufactures. Over the last two years alone, the company has doubled its sales, closing 2013 with earnings of some 1.8 billion pesos (almost 130 million USD).

“The owner and current director started the company from scratch, under a tree, with just four welding machines. Seventeen years later, we have over 4,000 employees and are one of the most important constructor of industrial projects in Mexico. We are a young company that has experienced tremendous growth because we started out with a purpose, a vision and put in the hard work,” says Marketing Director Carla Vilchis Munguía.

Machine shop engineer - ingeniería de taller, suministro de materiales, fabricación y montaje de estructuras de acero, instalación de tuberías y fabricación de tanques a presión, son algunos de los servicios que ofrece Construcciones Industriales Tapia.

En 17 años de existencia Construcciones Industriales Tapia ha logrado lo mismo que sus proyectos; convertirse en un referente en el sector energético e industrial en México.

Tan solo en los dos últimos años la compañía –fundada en el estado de Hidalgo– ha logrado duplicar su facturación, y cerró 2013 con ganancias cercanas a 1,800 millones de pesos (casi 130 millones de dólares).

“El dueño y director actual de la empresa empezó la compañía desde abajo, con apenas cuatro máquinas para soldar debajo de un árbol. Dieciseis años después somos una empresa con más de cuatro mil empleados. Somos de las principales empresas constructoras de proyectos industriales en México. Somos una empresa joven que ha tenido un crecimiento grande debido a que iniciamos con una fuerte inquietud, una gran visión y muchas ganas de trabajar”, detalla Carla Vilchis Munguía, gerente de comercialización de la firma.

In 2013, after a decade of work, the company decided it was time to look further afield and opened an office in Houston, with a view to making an incursion into the North American market.

“La calidad que garantiza la empresa mexicana en cada trabajo le ha valido ser una de las preferidas de clientes como Petróleos Mexicanos (Pemex), ICA Fluor, Saipem, OHL, Techimp y Odebrecht. Carla Vilchis atribuye el éxito rápido de la empresa a que se ha cuidado la calidad en cada proyecto. Plataformas marinas para Petróleos Mexicanos, la refinería de Lázaro Cárdenas –en Minatitlán, Veracruz–, el estadio Omnilife del equipo de fútbol Chivas –en Guadalajara, Jalisco– y la planta Enleno 21 –un proyecto en desarrollo que se perfila como la mayor productora de resinas termoplásticas en América Latina– son algunos de los proyectos que llevan el sello de Construcciones Industriales Tapia.

En 2013, después de poco más de tres lustros de erigir las más grandes estructuras indus-
“We have projects in Iowa for Tecnimont. We have done jobs in San Bernardino, California. Our internationalization strategy took off last year and has progressed rapidly as a result of the energy reform promoted by the Mexican government,” says Vilchis.

Other benefits of operating in Mexico for a company like Construcciones Industriales Tapia include the country’s strategic geographical location, its highly skilled workforce, and multiple trade agreements with other nations.

“We don’t have a problem exporting to the US, Canada or Latin America. Plus we can export to the US, Canada with other nations. Our internationalization strategy is focused on bolstering exports. The company has plans to open an office in Panama to serve Central and South American markets.

“We are committed to the development of our country and in favor of policy reforms regarding the energy sector that encourage foreign companies to come and bring state of the art engineering and technology with them. We want them to see what a state of the art engineering company aims to increase its competitiveness,” says Vilchis.
GLEASON, FROM FAMILY BUSINESS TO INDUSTRIAL CONglomerate

By Antonio Vázquez

Over the last six decades, Gleason has consolidated its position in the automotive industry. Today, this Mexican company posts annual sales of some ten million USD and exports approximately three quarters of its output.

“The company is 100% dedicated to the automotive industry and has been since it was founded,” says Gleason’s CEO Eduardo Trigo.

In 1963, a young Mexican entrepreneur by the name of Miguel Gleason founded a company to supply the domestic automotive industry. His family business gradually expanded to incorporate a series of processes—die-cutting, welding and assembly—that paved the way for the production of a wide range of products, from suspension, chassis, and body and engine parts to components for vehicle fenders, seats, and doors, among others.

It wasn’t until 2007 that Gleason caught the attention of a group of investors, marking its metamorphosis into an industrial conglomerate. “Back in its early days, the company serviced heavy machinery. Then it started manufacturing die-cut parts. Today we are focused on the manufacture of hi-tech, added value products,” says Trigo.

Every stage of the production process is closely monitored and each customer is given a quote for the tools required, the part requested and its assembly. “The customer used to provide us with a sketch and even his own tools. Now we don’t just make the die-cut part but are also involved in its design and provide technical support. It’s a comprehensive process right through to the finished product,” explains the director of Gleason.

Gleason has an extensive product catalogue but is known primarily as a manufacturer of parts for car interiors. “We make practically all the metal parts that you find inside an automobile but that aren’t visible,” says Trigo, adding that the company’s engine, body, and suspension supports are some of its most popular products among customers like Nissan and Chrysler. The company currently posts sales of some 114 million pesos (approximately ten million USD), half of which comes from direct and indirect exports.

“Some 70% of the products we deliver in Mexico are exported through these customers to the US, the Caribbean, and several Central and South American countries,” says Trigo.

Ventas anuales cercanas a los diez millones de dólares y casi las terceras partes de su producción destinadas a la exportación, han hecho de Gleason una empresa mexicana consolidada en el ramo automotriz a lo largo de seis décadas. “La empresa está dedicada desde su origen”, destaca Eduardo Trigo, director general de la compañía. Hacia 1963 Miguel Gleason –un joven mexicano– decidió abrir una empresa de corte familiar que proveyera a la industria automotriz nacional. Poco a poco fue incorporando distintos procesos–troquelado, soldadura y ensamblaje– que dieron paso a la producción de una amplia gama de productos: partes de suspensión, de chasis, de carrocerías, de motores, de defensa, de asientos y partes para puertas de vehículos, entre otros.

Así, en 2007 Gleason dio un giro y varios inversionistas apostaron por la firma, convirtiéndola en todo un conglomerado industrial, cuidadoso de cada detalle en su producción. “Cuando nació la empresa daba mantenimiento a maquinaria pesada. Después se convirtió en una fabricante de partes troqueladas, y el enfoque actual es fabricar productos con un alto contenido de tecnología y de valor agregado”, añade Eduardo Trigo.

El director de Gleason explica que el proceso de producción es minuciosamente vigilado en cada etapa. A cada cliente se le plantea desde la cotización las herramientas que necesitará, la pieza que solicita y el ensamblaje de la misma: “antes recibíamos sólo un boceto del cliente e incluso sus herramientas; ahora fabricamos no solo la pieza troquelada tal como la nos la plantea el cliente, sino su ensamblaje y su producto final”.

The company posts sales of some 114 million pesos (approximately ten million USD), half of which comes from direct and indirect exports. “Some 70% of the products we deliver in Mexico are exported through these customers to the US, the Caribbean, and several Central and South American countries,” says Trigo. Nissan and Chrysler are among Gleason’s regular customers, as are other leading manufacturers like Ford, General Motors and Toyota.
The company currently posts sales of some 114 million pesos (approximately ten million usd), half of which comes from direct and indirect exports.

“Being a neighbor of the largest market in the world gives us an enormous edge. NAFTA has helped too by removing the obstacles for foreign trade and enabling us to consolidate sales to the US and enter into other agreements that have allowed us to expand,” says Trigo.

Gleason employs 180 people, who manufacture quality products that boast ISO/TS 16949 certification in its plant in the central state of Estado de México. Steps are also being taken to obtain the ISO 14000 certification.

In the short term, the company plans to expand its presence on the domestic market and increase exports to the US. In order to achieve that, it has turned to ProMéxico for advice.

“The basic challenge for 2014 is indubitably productivity. We operate in a large market and our customers are expanding rapidly, which means we need to bring our productivity and production line with that of assembly plants. That implies a hefty investment for us and that is precisely where most of our resources will be channeled,” concludes Trigo. N.

www.ggleason.com

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TECNIFLEX, PREVENTING CORROSION WITH PROTECTIVE AUTO PART COATINGS

BMW, Mercedes-Benz, Chrysler, and Ford are just some of the big names in the automotive industry that have migrated to the zinc-nickel alloy coatings for auto parts developed by this Mexican company.

BY ANTONIO VÁZQUEZ

In just fifteen years, Tecniflex Ansorge de México, a company that manufactures duplex coatings for the automotive industry, has positioned itself as a leader in its field. Its products can now be found in Germany, Switzerland, Japan, and the US.

Founded in 1999 in Estado de México, Tecniflex started out as a supplier of ContiTech Fluid, which provides companies like Volkswagen with coating systems for hydraulic lines.

Back then, Tecniflex supplied ContiTech Fluid—and still does today—with duplex coatings made of zinc, nickel, and a layer of powder paint. Its work caught the eye of Ansorge, a company with more than 30 years of experience in electroplating and painting processes, enjoying great prestige in its native Germany. Ansorge invested capital, equipment, and technology in the Mexican company, giving rise to a new company by the name of Tecniflex Ansorge de México.

“The customer’s components, made of iron, steel, magnesium, aluminum, and other materials, receive a surface treatment to prevent corrosion. Tecniflex offers this service, while taking pains to preserve the aesthetics of the component,” says the CEO of the company’s Mexican operations Stefan De Bock.

The coating developed by Tecniflex has ductile properties, which is a plus because it means the hydraulic hoses on a vehicle can be bent without the coating cracking.

“When we discovered this niche market, we began working with companies like ThyssenKrupp Presta, TRW, AAM, Benteler, Kostal, Hitachi Cable and Eaton, which approved Tecniflex as a supplier of coatings for a wide variety of auto parts, such as steering columns, brake calipers, stamped parts, and springs and screws, to mention just a few,” says De Bock.

The year 2006 was a landmark one for Tecniflex Ansorge de México. In partnership with Eaton and ContiTech Fluid, it won an ambitious contract for the manufacture of hydraulic lines for BMW in Spartanburg, South Carolina. Winning the contract didn’t just broaden the company’s horizons. It was a decisive moment when it was able to apply years of research to perfect its zinc-nickel electroplating process. What was so innovative about this process was that it produced a ductile coating.

The process developed for BMW set a trend, with manufacturers like Mercedes-Benz, Chrysler, and Ford quickly adopting Tecniflex as a supplier of coating systems for hydraulic lines.

En quince años el fabricante de recubrimientos dúplex para la industria automotriz—hechos con zinc a partir de un proceso de galvanoplastia—se ha consolidado como uno de los mejores en su ramo, lo que le ha valido llegar a países como Alemania, Suiza, Japón y Estados Unidos.


Así nació Tecniflex Ansorge de México una nueva empresa con el soporte de grupo Ansorge, una firma con más de treinta años de experiencia en procesos de galvanoplastia y pintura, con gran reconocimiento en Alemania.

“Los componentes propi edad de los clientes, hechos de hierro, acero, magnesio, aluminio y otros materiales, reciben un recubrimiento. Tecniflex ofrece ese servicio de tratamiento de superficies para evitar la corrosión, siempre cuidando la crítica del componente,” explica Stefan De Bock, director general de la empresa en México.

De Bock añade que dicho recubrimiento tiene propiedades dúctiles, lo cual es un valor agregado, pues hace que una tubería hidráulica en un vehículo pueda doblarse sin tener problemas de desprendimiento.

“Al descubrir tal nicho de mercado comenzamos a trabajar con empresas como ThyssenKrupp Presta, TRW, AAM, Benteler, Kostal, Eaton y Hitachi Cable, las cuales aprobaron a Tecniflex como un proveedor de recubrimientos dúplex, para una gran variedad de autopartes como columnas de dirección, caliper de freno, estampados, resortes y tornillería, por mencionar alguna”, dice De Bock.


La obtención de tal proyecto no solo significó la ampliación de horizontes para la firma, sino el momento en que la compañía decidió hacer...
Through other manufacturers, the company’s invention has indirectly crossed borders and can now be found in German, Swiss, Japanese, and American-made automobiles.

Meanwhile, Tecniflex is on the hunt for new markets and plans to use the advantages Mexico offers to get a foot in the door. According to De Bock, the country’s strategic geographical location, its extensive network of trade agreements, the domestic automotive sector’s supply chain, skilled labor, and the economic stability of the last couple of years have been key factors for the industry’s recovery.

“We believe there are many growth and expansion opportunities to be had on international markets. Due to high demand, we have decided to increase our installed capacity so we can meet the needs of our existing and prospective customers.”

With an ISO/TS 16949 certification, 157 employees on its payroll, and a portfolio of major clients, Tecniflex is now planning to build a second plant to provide the extra installed capacity it requires. The location of the new factory has not yet been decided, but the central states of Querétaro, Puebla, and Tlaxcala are all strong contenders. This year, the company has set itself the goal of increasing sales by 10%, while maintaining quality standards at the best possible cost with a view to surpassing customer expectations.

“Over the next five years, Tecniflex Ansorge de México sees itself becoming Mexico’s number one supplier of specialized coatings,” concludes De Bock.

www.tecniflex.biz

uno apuesta más fuerte por la investigación y la innovación que venía aplicando desde años atrás. Así, Tecniflex decidió homologar un sistema de recubrimiento hecho con zinc y níquel que además fuera dúctil. El sistema creado por la compañía para BMW marcó una tendencia. Otras empresas como Mercedes-Benz, Chrysler y Ford también optaron por aplicar el recubrimiento. Poco a poco, entre 2007 y 2010, la industria automotriz migró hacia esta amalgama de elementos para sus recubrimientos.

“Hoy en día clientes como Eaton, CombiTech Fluid, ThyssenKrupp Presta, Kelsey Hayes (TRW), Gill Industries e Inaumex -entre otros- conforman un mercado potencial en expansión para el recubrimiento de aleación zinc-níquel; nuestro interés es promover el desarrollo de ese recubrimiento innovador en el país”, agrega Stefan De Bock. Así, de forma indirecta –a través de otras armaduras– la invención de Teniflex Ansorge de México ha rebasado las fronteras y se aplica en automóviles de Alemania, Suiza, Japón y Estados Unidos.

Tecniflex Ansorge ha aprovechado las ventajas que México ofrece para visualizar nuevos mercados. De acuerdo con Stefan De Bock, la localización geográfica del país, su amplia red de acuerdos comerciales, la cadena de suministros del sector automotriz local, el personal calificado y la estabilidad económica han sido clave en el repunte de la industria automotriz en México, después de la crisis financiera internacional de 2008.

“Creemos que hay muchas oportunidades de crecimiento y de expansión gracias a la penetración en mercados internacionales. Hemos decidido aumentar nuestra capacidad instalada debido a la alta demanda que existe, así podremos satisfacer las necesidades de nuestros clientes actuales y de los clientes potenciales”, dice el ejecutivo.

Con certificaciones como ISO/TS 16949, una plantilla de casi 135 operarios y 22 empleados de confianza y una cartera de clientes importantes, Tecniflex Ansorge de México ha proyectado la instalación de una segunda planta. De acuerdo con De Bock, la compañía estudia actualmente si la nueva fábrica estará en Querétaro, Puebla o Tlaxcala.

Y es que, según el director de Tecniflex Ansorge de México, el reto más importante para la compañía en 2014 es crecer sus ventas en 10% y mantener los niveles de calidad al mejor costo posible, para superar las expectativas de sus clientes.

“En los próximos cinco años Tecniflex Ansorge de Méxi-co se ve a sí misma realizando recubrimientos especializados y siendo el proveedor número uno en México de los mismos”, concluye Stefan De Bock.
NAFTA has created the formal legal commitment to pursue outward-oriented policies, rather than a protectionist economic policy. Over the course of the past twenty years, Mexico has progressively opened its economy, reducing customs tariffs not only through NAFTA, but also through trade agreements with 45 other countries.

Happily, this trade-opening policy has coincided with a shift in the way global companies view investment, changing from the concept of ‘off-shoring’ to a paradigm centered around competitive global value chains. The Mexican government consciously—and with superb timing—significantly reduced the cost of doing business in Mexico by reducing import tariffs. Thus Mexico has become a vital part of global value chains for GE and for many other companies.

As an advanced technology company, our value chain is about much more than “bending metal”; technical skills are critical. Thus, 1,700 GE engineers at our Engineering Center in Querétaro help design parts for aircraft engines or power plants that may be assembled in Cincinnati or Greenville and delivered to Argentina. Our newly-opened Global Operations Center for Latin America, located in Monterrey, employs some 200 Mexicans handling financial management tasks for our operations throughout the hemisphere.

NAFTA enables Mexico’s participation in GE’s global value chain. But more can be done to make the ‘North American Manufacturing Platform’ even more competitive. With investments in infrastructure, technology, and policy changes from both governments, the US-Mexico border can become much more efficient, allowing companies to move products across borders faster and cheaper. Our countries can also address new issues that were not contemplated twenty years ago. The dramatic set of reforms recently introduced in Mexico, the remarkable boom in energy production in the US—especially the emergence of cheap natural gas—and the advent of new technologies, including advanced manufacturing and the ‘industrial internet’—machines talking to machines—add up to a new set of opportunities that will only be fully realized when the policy environment—including NAFTA—is modernized.

Together with the CCE and the US Chamber of Commerce, Armando Garza of Alfa and GE Vice Chairman John Rice are co-leading a group of senior business executives seeking to identify and implement or advocate for precisely those measures. This CEO dialogue, launched last December in Mexico City, is already working hard to define specific recommendations that will help make our joint manufacturing platform of North America even more efficient and competitive in this ever-changing global environment.

*Senior Manager Global Government Affairs and Policy-Americas, General Electric
El TLCAN ha creado el compromiso jurídico oficial para aplicar políticas orientadas hacia el exterior, en lugar de una política económica proteccionista. En el transcurso de los últimos veinte años México ha abierto progresivamente su economía y ha reducido los aranceles aduaneros, no sólo a través del TLCAN, sino también a través de acuerdos comerciales con otros 45 países. Felizmente, esta política de apertura comercial ha coincidido con un cambio en la forma en que las empresas mundiales ven la inversión, logrando el paso del concepto deslocalización a un paradigma centrado en las cadenas de valor mundiales competitivas.

El gobierno mexicano –conscientemente y con excelente oportunidad– redujo significativamente el costo de hacer negocios en México al reducir los aranceles de importación. Así, México se ha convertido en una parte vital de las cadenas mundiales de valor de GE y de muchas otras empresas. En México no solo manufacturamos productos para el mercado interno, sino para exportarlos a Estados Unidos y otros países. Nuestras 17 fábricas en México –que emplean a unas once mil personas– son parte de una cadena global que produce, por ejemplo, piezas en la ciudad de Monterrey para su montaje en un motor de vapor en Schenectady, Nueva York, que finalmente es vendido en Japón.

Tratándose de una compañía de tecnología avanzada, nuestra cadena de valor hace mucho más que doblar metal. En la cadena de valor de GE los conocimientos técnicos son muy importantes. Así, los 1,700 ingenieros que trabajan en nuestro Centro de Ingeniería en Querétaro ayudan a diseñar partes de motores para aviones o plantas de energía que pueden ser ensambladas en Cincinnati o en Greenville, y entregadas en Argentina. Nuestro recientemente inaugurado Centro de Operaciones Mundiales para América Latina –ubicado en la ciudad de Monterrey– emplea a unos doscientos mexicanos en las tareas de gestión financiera para nuestras operaciones en todo el hemisferio.

El TLCAN ha facilitado la participación de México en la cadena de valor mundial de GE. Pero todavía se puede hacer mucho más para que la plataforma de manufactura de América del Norte sea aún más competitiva. Con inversiones en infraestructura y tecnología y cambios en las políticas de ambos gobiernos, la frontera entre Estados Unidos y México puede ser mucho más eficaz para permitir a las empresas transportar productos más rápido y a menor costo. Estados Unidos y México pueden abordar nuevas cuestiones que no fueron previstas hace veinte años. El conjunto de reformas introducidas recientemente en México, el notable auge en la producción de energía en Estados Unidos –especialmente el gas natural a bajo precio– y el advenimiento de nuevas tecnologías –entre las que se incluyen las de manufacturas avanzadas y el Internet industrial (máquinas que hablan con máquinas)–, enriquecen un nuevo conjunto de oportunidades que sólo se realizarán plenamente cuando el entorno de políticas –incluyendo el TLCAN– se modernice.

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*Gerente general, asuntos gubernamentales mundiales y políticas para las Américas, General Electric.
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