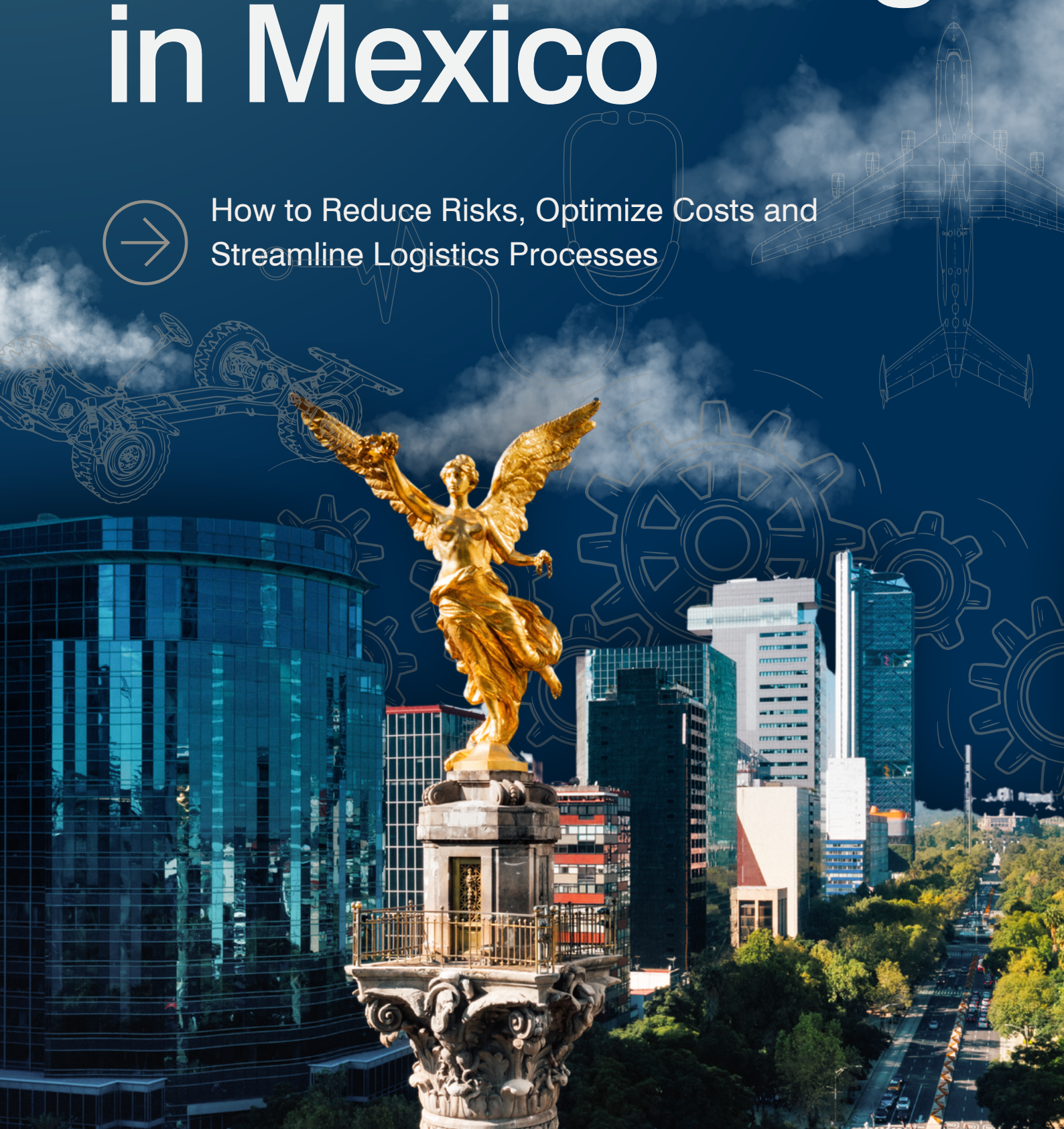


Benefits of Manufacturing in Mexico



How to Reduce Risks, Optimize Costs and
Streamline Logistics Processes



Benefits of

Manufacturing in Mexico

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1. Introduction

In light of recent disruptions in trade flows and the reorganization of global supply chains, manufacturing in Mexico has emerged as a strategic solution for companies seeking to mitigate risks and optimize cost savings. Its established soft landing culture also means that there are well-established legal, operational, and fiscal frameworks to ensure these companies can become operational quickly, making it an even more attractive option.



Geopolitical instability, economic uncertainties, and fast-paced advancements in technology have significantly impacted the manufacturing sector and forced businesses to reevaluate their decision-making models. Rather than solely focusing on cost-cutting measures, companies are now prioritizing risk management to navigate the various challenges posed by the current climate.

Mexico offers unique benefits that make it an attractive destination for international companies seeking to become more competitive. This eBook explores how manufacturing in Mexico can be a game-changer for businesses by providing cost savings, risk management, streamlined operations and logistics processes, and access to a skilled workforce.

2. Cost-Savings

In addition to some of the most well-known ways Mexico helps you minimize costs, such as its affordable labor force, logistics savings, and variety of trade agreements that allow companies to reduce tariffs and import-export taxes, there are several programs, certifications, and incentives that must also play a crucial role in any company's expansion plan. In addition to the savings below, you can also save on the raw materials, supplies and services required by your business by working with a trusted supplier of shelter services and gaining access to their economies of scale.

IMMEX

(Program of Manufacturing Industry, Maquila and Export Services). This program provides benefits to qualifying investors, such as saving on import duties on products that are subsequently exported, providing significant savings for companies manufacturing in Mexico.

Some of the program's specific benefits include:

- Deferred payment of import duties for up to 18 months (can be extended to 36 months under the OEA program)
- Ability to apply for IVA/IEPS certification to credit VAT on temporary imports.

IVA/IEPS

(VAT Certification/and Special Tax on Products and Services) Combined with the IMMEX program, the VAT certification program allows companies to receive full credit for VAT import taxes. Though it can take up to one year to obtain both certifications, it allows companies to import materials and machinery completely exempt from VAT.



2. Cost-Savings

IVA/IEPS

These programs will allow your company to take full advantage of the cost savings available to companies manufacturing in Mexico. When looking into setting up operations in Mexico, you will want to work with experts that fully understand these programs and all of Mexico's FTAs to ensure you are getting the full benefits available to you. Reach out today if you want more information on how Mexico can help your company reduce costs and gain a competitive advantage.



PROSEC

(Sectorial Promotion Program)

This program allows companies to import raw materials to be used for the production of goods in the 24 specific sectors covered in the program, including automotive, textiles and electronics, among others, at preferential ad valorem tariff rates (General Import Tax). PROSEC applies to imported goods to be used in the production of specific products, regardless of if these are destined for domestic consumption or export markets.

THE 8TH RULE

Companies that are registered in the PROSEC program can apply for an additional permit under the 8th Rule which allows them to import machinery and equipment, materials, parts, and components that will be used for a specific project for products to be manufactured or assembled in the country, exempt from import duties.

Maximize savings with Mexico's cost-cutting programs and shelter solutions.



3. Risk Management

As businesses adopt a more risk-based approach to ensuring long-term business continuity and implement strategies aimed at avoiding the large scale disruptions like those that have occurred in recent years, they're discovering that manufacturing in Mexico offers a variety of solutions to achieve this.



These include increased agility and transparency across supply chains through a well-developed, safe, and accessible network of air, land, and rail infrastructure. This allows for a variety of options for transporting goods depending on what best meets your needs. The flexibility of having multiple options, and the transparency of being able to communicate with transport carriers and track shipments in real time further reduces logistics risks.

3. Risk Management

In addition, Mexico's shared time zones, geographic location in North America neighboring one of the world's largest consumer markets, similar business cultures, and widespread use of English in business, facilitates effective communication, allows for prompt responses to consumer behavior changes, provides the ability to carry out proper due diligence, and have more control over your entire supply chain.



Additionally, Mexico's Authorized Economic Operators (OEA) certification helps further reduce risk and streamlines cross-border shipping for U.S. companies manufacturing in Mexico and international companies engaging in cross-country shipping. This program, which is promoted by the World Customs Organization, is aimed at increasing supply chain visibility and security and is Mexico's equivalent of the C-TPAT certification granted by the U.S. Customs and Border Protection. In addition to its tax savings, Mexico's IMMEX program allows companies to apply for additional incentives that grant flexibility in import and export processes with authorities that reduce the risk of non-compliance and penalties.

When manufacturing is switched to Mexico, it brings valuable benefits essential for risk reduction in logistics and production.



4. Robust Manufacturing Bases

Mexico's manufacturing industry has long been a significant contributor to the country's economy, resulting in well-developed supply chains servicing various sectors.

The automotive industry is a prime example of Mexico's manufacturing prowess. As the largest supplier of auto parts to the United States, the fourth-largest exporter of vehicles globally, and home to 21 of the world's leading automakers and over 600 tier-one suppliers, Mexico has well-developed supply chains with a wide range of processing capabilities across the country. This has created synergy and cross-development with other sectors with shared processes and capabilities, such as the electronics, aviation, aerospace, and home appliance industries.

Nearly 75% of vehicles produced in Mexico are exported to North America.



4. Robust Manufacturing Bases



USMCA

UNITED STATES - MEXICO - CANADA CENTER

Additional factors contributing to further consolidation of Mexico's industrial ecosystem include recent provisions in USMCA that allow parts to move more freely across North America, encouraging the further development of more integrated supply chains, and programs like PROSEC that help to bolster and incentivize industrial development in specific sectors by offering preferential tariffs.

4. Robust Manufacturing Bases

Mexico has also become a hub for advanced manufacturing and technology, with many manufacturers investing in research and development to improve efficiency, safety, and sustainability. The country's government, research institutions, academia, and multinational corporations are working together to enhance technological innovation in areas such as automation, Artificial Intelligence (AI), and the Internet of Things (IoT) to improve productivity and competitiveness.

Mexico's robust manufacturing base is built on a well-developed supply chain, supportive government policies, and a focus on technological innovation. As the country further strengthens its manufacturing sector, it will continue to attract more foreign investment and solidify its place as a global manufacturing hub.



5. Mexico's Skilled Workforce

Another advantage of Mexico's manufacturing base is its well-trained, productive, and affordable workforce that provides both cost savings and mitigates the risk of labor shortages and an aging labor pool. Workers are loyal, adaptable, and dedicated to their work and are well-known for their strong work ethic and commitment to quality, providing an added level of stability for companies.

Mexico offers an abundant supply of young and talented engineers, designers, machinists, and mechanics who can address the needs of businesses regardless of their complexity. Mexico has used a triple helix model approach to meet industry demands. In each region, academia, research institutions, multinational companies, and government initiatives collaborate to develop specialized vocational and technical training programs depending on each area. This means students get hands-on training in cutting-edge technology, such as automation and robotics.



This investment in regional specializations has resulted in a highly competent workforce that can execute projects with precision, efficiency, and innovation; positioning Mexico as an attractive destination for businesses seeking to achieve operational efficiency, competitive pricing, and high quality.

5. Mexico's Skilled Workforce

The Mexican government has also done its part by implementing various specialized programs, incentives, and tax breaks designed to further support the country's manufacturing industry. These programs provide funding for worker training and development, upskilling programs, and operational enhancements, making it an ideal location for businesses to establish their operations.

The country's skilled workforce, combined with its government incentivized regional specializations in high-value industries, make it a top-choice destination for companies to set up their manufacturing base.

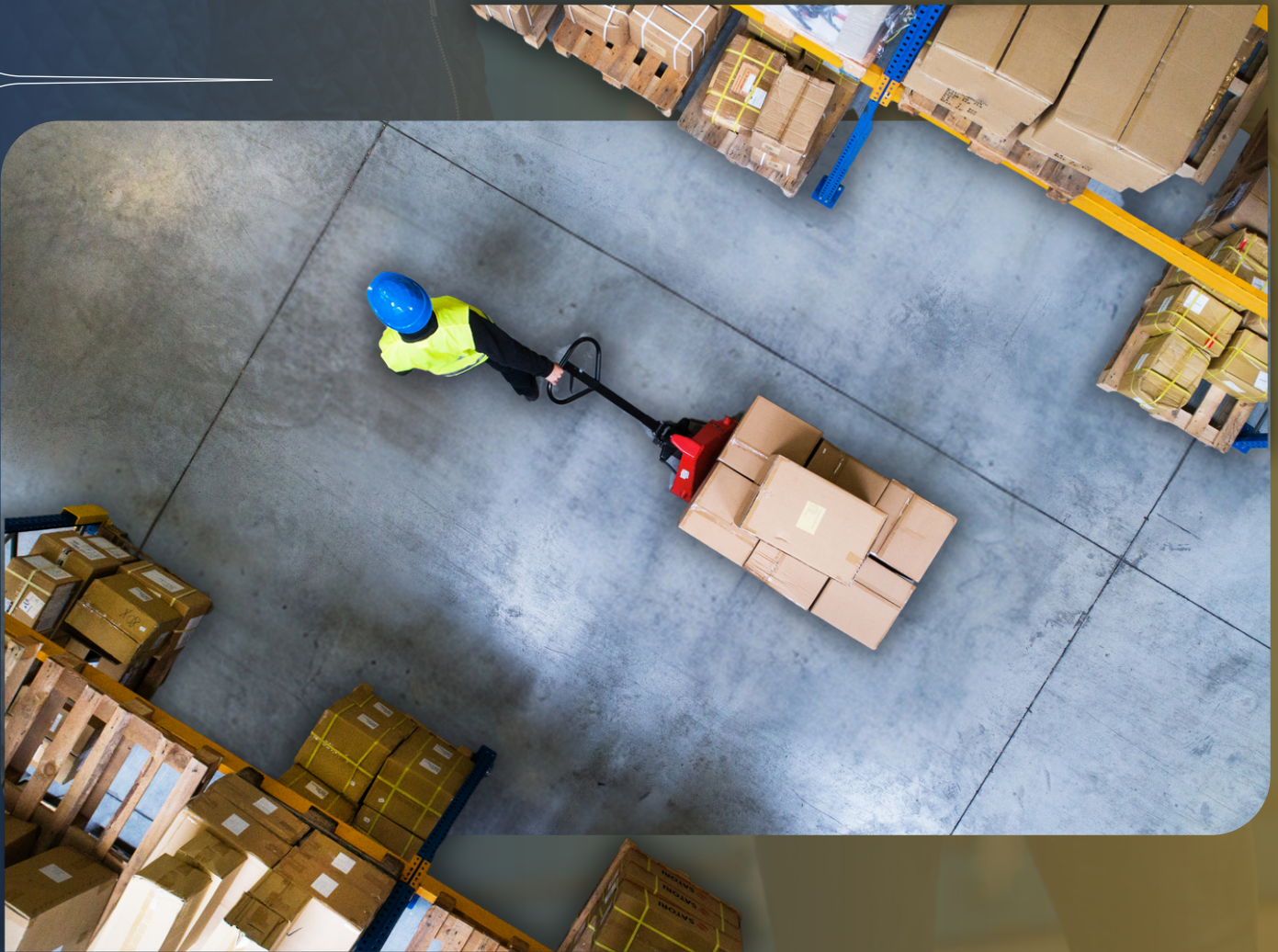
Mexico allows you to take advantage of lower labor costs without sacrificing quality.



6. Streamlined Logistics

Mexico's strategic location neighboring the world's largest consumer market and robust logistics infrastructure via air, land, and sea offer significant advantages to manufacturing companies looking to streamline their logistics processes and reduce risk. Its proximity to the U.S., the shared business language of English, and similar time zones mean shipping times and costs are just a fraction of the cost of shipping from Asia. Communication is seamless, allowing for increased responsiveness and the ability to adapt quickly.

In addition to minimizing risk, Mexico's Authorized Economic Operators certification program also helps streamline cross-border shipping by expediting customs procedures, granting priority treatment that translates to reduced inspection times and the faster release of goods, minimizing delays and saving time.



6. Streamlined Logistics

Mexico's special economic zones further enhance the country's competitiveness as a manufacturing location, offering tax incentives, streamlined regulations, and infrastructure development to attract investment. These zones promote economic growth, employment, and regional development by creating favorable conditions for businesses to operate, innovate, and grow.

Reduced shipping times and costs benefit logistics operations and help companies reduce their carbon footprint. Mexico's industrial parks offer state-of-the-art transportation, warehousing, and distribution facilities, enabling manufacturers to get their products to market quicker and more efficiently.

Mexico's logistics infrastructure, strategic location, and various incentives are other factors increasingly making the country attractive for manufacturing companies looking to streamline their supply chain operations and grow their business.

With its strategic location and cutting-edge transportation network, Mexico is a prime destination for businesses looking to improve their supply chain operations.



Mexico's Industrial
Shelter
Administrative
Services

Shelter Administrative Services

The easiest way to start up and operate as a foreign company in Mexico. Under American Industries's Shelter and Administrative Services, your company focuses on its core business: manufacturing/distribution while we manage the administrative and legal functions required for your business to succeed in Mexico.



Operating Responsibilities

Client:

- Overseeing direct operations
- Full control over production and quality
- Ownership of raw material, machinery and equipment
- Purchasing of direct materials

American Industries[®]

- Legal entity and employer of record in Mexico
- Compliance with all Mexican legal requirements
- Expert administrative support for your operation
- Solid IT platform (administrative software systems and communications data link)
- Immediate access to IMMEX, IVA and OEA certifications
- Maintains relationships with local business partners (unions, suppliers and government entities, among others)



You will want to begin estimating the specific cost for your operation in Mexico, which requires more than just adding up numbers.

We suggest you request a Complimentary Cost Model Simulation to compare the total cost of doing business in key industrial regions in Mexico.

This cost model tailored to your project in Mexico will include direct costs of:

- Direct and indirect labor
- Real estate and utilities
- Customs and Logistics
- Administrative, legal, and other indirect costs

Request yours today at
start@americanindustriessgroup.com



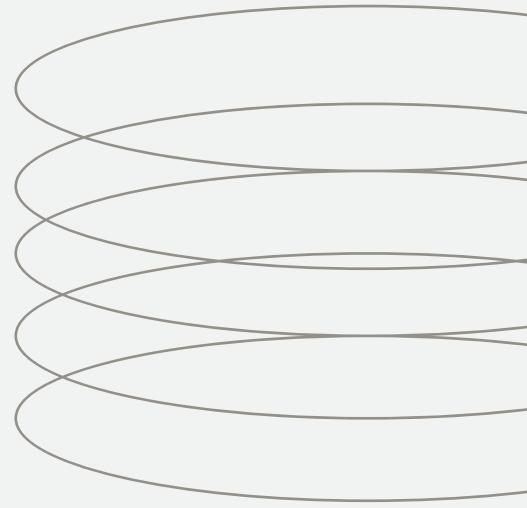


Let's talk about ***American Industries®***



American Industries is a private Mexican company established in 1976 that has helped over 250 international companies successfully start up and grow their manufacturing and distribution operations in Mexico through its Shelter Program, Administrative Services and Industrial Real Estate solutions.

Our Highlights



Shelter and Administrative Services



- Over 80 clients from more than 15 countries
- Over 20,000 employees headcount from our clients
- Over 35,000 trouble-free import /export transactions per year

Industrial Real Estate Solutions



- Over 140 buildings built and leased (20 M sq. ft. / 1.8 M m2)
- New class A buildings
- Presence in more than 15 Industrial Parks
- More than 160 tenants

OUR PRESENCE



Ai United States
★ El Paso
★ Laredo

Ai Chihuahua
★ Juarez
★ Chihuahua
📍 Delicias
📍 Camargo

Ai Nuevo Leon
★ Monterrey

Ai Tamaulipas
📍 Matamoros
📍 Reynosa

Ai Queretaro
★ Queretaro

Ai Guanajuato
★ Silao


Ai Coahuila
📍 Saltillo
📍 Torreon

Ai Jalisco
★ Guadalajara

Ai San Luis Potosi
★ San Luis Potosi

Ai Mexico City
★ Mexico City

Ai Durango
📍 Gomez Palacio

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You can count on **American Industries'** expertise to start and maintain a successful operation by avoiding unnecessary problems and costly mistakes, while maximizing savings as much as possible.

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