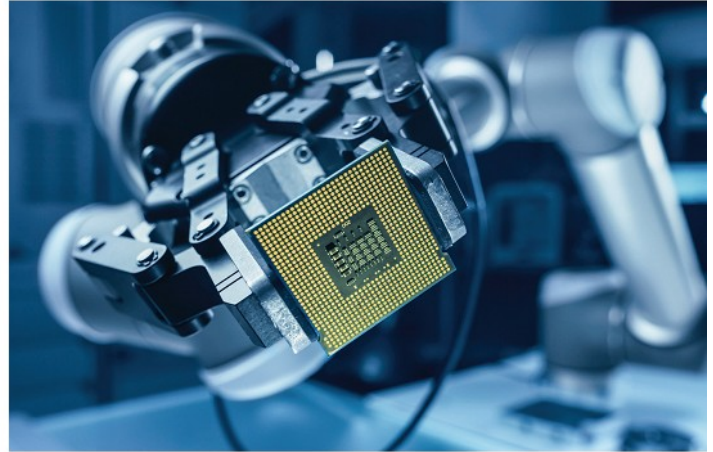


# TECHNOLOGY TODAY

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## WHY MEXICO MANUFACTURING IS FAVORED IN TODAY'S WORLD

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*The idea of what makes manufacturing in one country better than the other changes as industry trends come and go. However, Mexico manufacturing has always been the perfect region for U.S. manufacturers who need a low-cost solution in close proximity to their end market.*

This in addition to favorable trade relations between the U.S. and Mexico are unique factors that often makes this option preferable versus operating in Asia, for example. Other advantages include:

- Lower labor costs and higher availability of technically skilled workers
- Lower overhead and transportation costs
- Intellectual property protection through the USMCA

### **LOWER LABOR COSTS AND HIGHER AVAILABILITY OF SKILLED WORKERS**

The low cost of industrial labor in China is one of the primary reasons U.S. manufacturers expanded operations there years ago. However, over time, wages in China have steadily increased and are now approximately 20 percent higher than manufacturing labor costs in Mexico.

Furthermore, over 110,00 engineers graduate in Mexico each year. With advanced technical education and specialized training programs in place, it results in a larger pool of skilled workers to choose from than what's available in Asia or even the U.S.

### **LOWER OVERHEAD AND TRANSPORTATION COSTS**

Secondly, there are savings with overhead and transportation costs when manufacturing in Mexico vs. Asia. Currently, it's \$6,000 to \$10,000 USD per container landing in the U.S. vs. \$200 USD for trucking services if you are located near the border. U.S. companies can also expect to save an estimated:

- 60 percent in natural gas costs
- 40 percent in lease rates
- 4 percent in energy costs

Additionally, Mexico offers the valuable option of shelter services. By working with a shelter services provider, there is direct access to preferred, reputable vendors to help align with a manufacturer's budget and project needs. Moreover, a manufacturer can use the shelter operation's IMMEX maquiladora licenses already in place. Operating under a maquiladora offers an immediate tax exemption from the 16 percent value added tax on temporary imports of raw goods, materials, and equipment.

### **INTELLECTUAL PROPERTY PROTECTION**

Another main factor that makes Mexico manufacturing favorable is intellectual property protection. China has frequently faced problems with copyright infringements and counterfeit products that have affected U.S. and other foreign companies that have manufactured there.

Conversely, Mexico has held a strong reputation regarding intellectual property protection, which has been further reinforced by the recently updated provisions set forth by the USMCA. Per the office of the United States Trade Representative, the USMCA sets the highest standard and most comprehensive of any U.S. trade agreement for strong, effective protection and enforcement of intellectual property rights.

#### **MEXICO MANUFACTURING DELIVERS ON CURRENT INDUSTRY TRENDS**

In addition to the built-in benefits, the deciding factor comes down to what makes most sense for a company based on their size and product offerings. Mexico manufacturing is a strategy many foreign companies have benefited from for decades. And the ability to keep current with industry trends has made it a consistently favorable option.

For example, U.S. companies that produce large equipment and appliances often choose manufacturing in Mexico over Asia. It simply makes more logistical sense to ship large volume, heavy products from Mexico to the U.S. versus shipping them overseas. Same-day shipping and textile customization are two other modern-day trends that are important in today's manufacturing world.

#### **Same-Day Shipping**

Manufacturers can often receive same-day shipping of their finished goods when sent from their facility in Mexico to their final destination in the U.S. And the cost is usually cut in half, if not more, compared to shipping costs from elsewhere, due to the closer distance and reduced weight per shipment. U.S. companies can take advantage of these lower costs of production without sacrificing quality.

#### **Textile Customization**

It's not only large product manufacturing that benefits from Mexico manufacturing. An increased demand for textile customization is causing many operations to relocate factories from Asia to Mexico. One example is the substantial increase of jeans imports from Mexico to the U.S., which jumped 54.8 percent in the first half of 2021, accounting for over 18 percent of the market share. Experts say this has been driven by a desire for a localized supply chain and concerns over production bottlenecks occurring in Asia due to the coronavirus pandemic.

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The new USMCA requirements include sourcing sewing thread, narrow elastic fabrics, pocketing, and coated fabrics within North America to help strengthen the existing supply chains for textiles and apparel. Plus, the close proximity between the U.S. and Mexico is valuable since customization takes labor intensive work with a need for more designers and close oversight over production.

Simply put, businesses analyze what their customers value most and find suppliers that can meet the demand quickest and at the highest quality and most cost-effective rate. For many, this means at least considering what makes Mexico manufacturing better.

About the Author: Sergio Tagliapietra has spent the last 40 years pioneering manufacturing solutions in Mexico as the head and founder of IVEMSA. He has helped over 150 companies set up successful operations throughout Mexico and collaborates closely with IMMEX, the National Maquiladora Association, as the President of the Shelter Committee, promoting better business practices for the industrial community, nationwide.

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