



México

&



Taiwan

The Taiwanese Manufacturing Industry in Mexico: Perspective and Prospective

*Presentation by
Martin Torres*

Head of Mexico Trade Services, Documentation and Cultural Office

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*National Tsing Hua University
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Geographical Position

3,152 km-border ith the U.S.



1.9K km2 (14th largest)

11,000 Kms of coastlines

Gateway to Latin America and
the Caribbean
(Borders with Guatemala and
Belize to the South)

A COUNTRY FULLY INTERTWINED WITH NORTH AMERICA

- ❑ Mexico has more than 50 land crossings with the US
- ❑ North America = Market of USD 19.8 billion
- ❑ Bilateral trade with USA of 2.3 mdd per minute
- ❑ 1 million people and 300 thousand vehicles cross daily the border legally



Infrastructure and Access to the United States

Mexico is well connected through 27,000 kilometers of railroads that connect the country with the United States to the north, Guatemala to the south, the Pacific Ocean to the west and the Atlantic Ocean to the east.

The country possesses numerous internal distribution terminals connected with the main seaports, which enables cost reductions and facilitates the entry and exit of goods.

In brief, Mexico has:



76

Operational airports
(12 domestic and
64 international airports).



117

Seaports
(49 coastal shipping ports and 68
international maritime ports).



27,000

Kilometers
Of railroads.



+393

Thousand kilometers
Of roads.



Population

126 Million

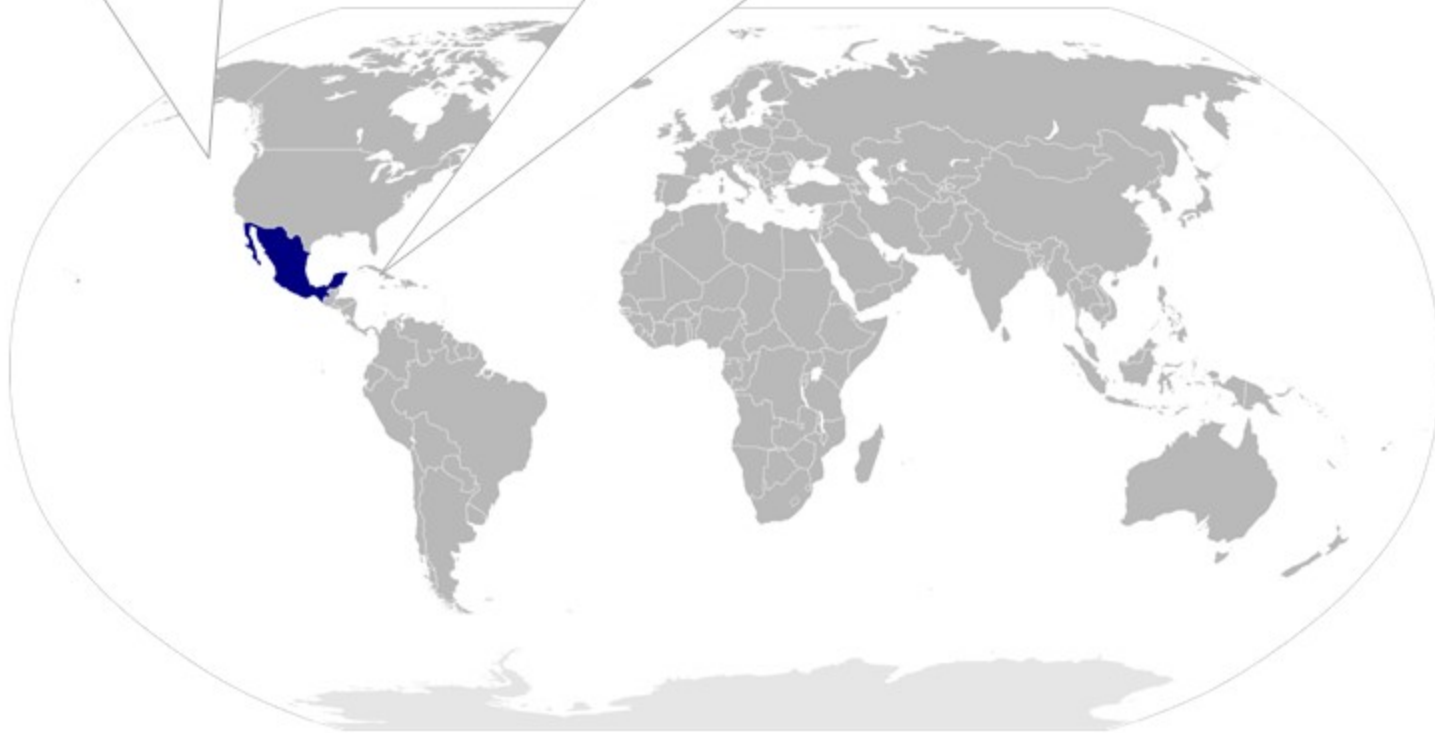
11th largest

44MM (35%) middle class; more
tan the whole population of
Canada

Mexico is the
15th
LARGEST ECONOMY
in the world

Nominal GDP (2019)

1. USA
2. China
3. Japan
4. Germany
5. India
6. UK
7. France
8. Italy
9. Brazil
10. Canada
11. Russia
12. South Korea
13. Australia
13. Russia
14. Spain
15. **México**



GDP 2020



15^o

World Economy
Ranking



1.4%

Share in Global
GDP



1.1 TRILLION USD

GDP BY SECTOR
Million USD



60%
644,961 md

Tertiary



30%
318,719 md

Secondary



4%
41,831 md

Primary

World Rankings 2019



Rankings LATAM 2019

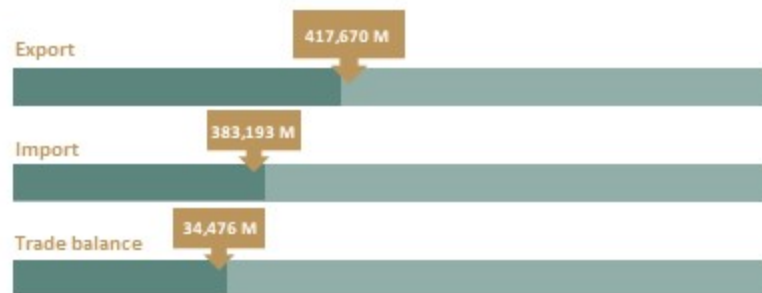


Mexico International Trade

EXPORTS 2020



2020 USD dollars



SECTORS



4.5% 19 Billion

Agriculture



1.8% 7 Billion

Mining



4.2% 1.4 Billion

Oil & Gas



89.6% 374 Billion

Manufacturing

Mexico: An Export power

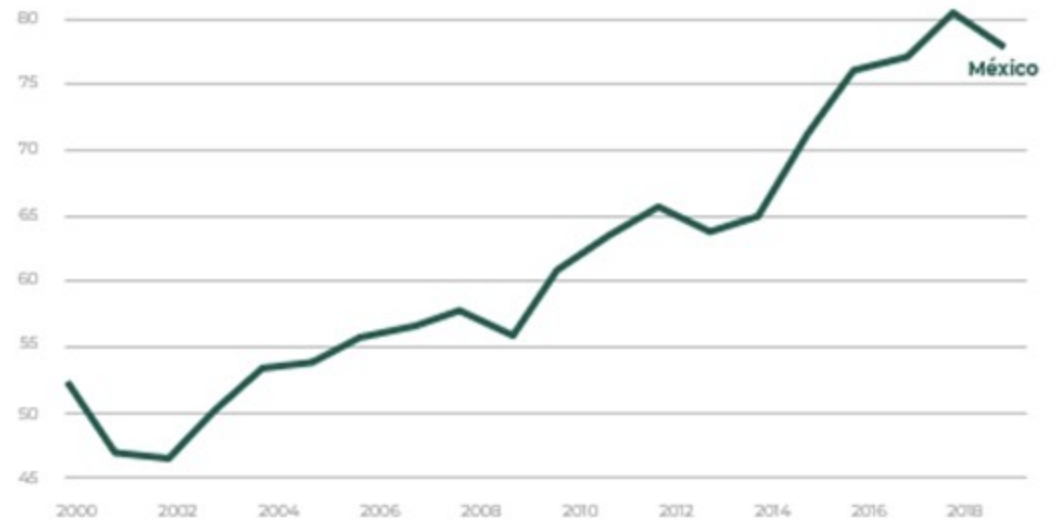
Mexico exports to the USA more than three times of what Brazil, Russia, Indonesia and South Africa combined export to the USA

(And Mexico imports from the USA more than China and Japan combined)

MAIN DESTINATIONS OF MEXICAN EXPORTS
(2020)

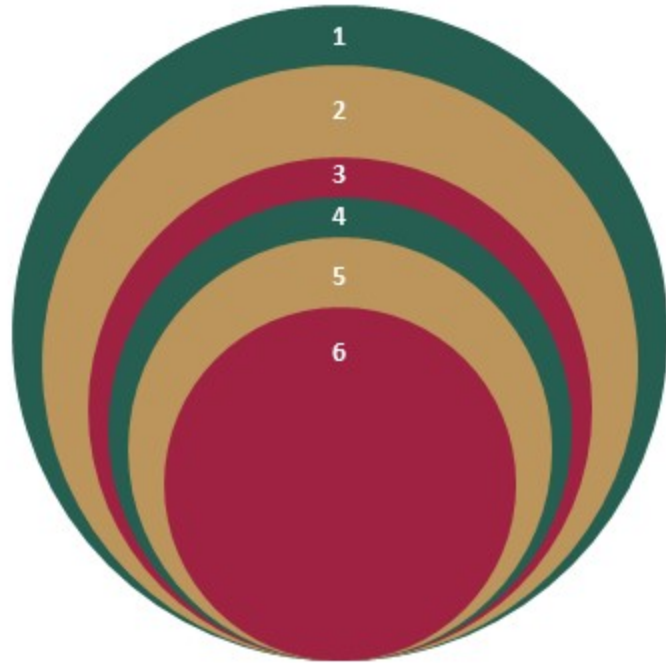


WORLD BANK TRADE AS % OF GDP (2000-2019)



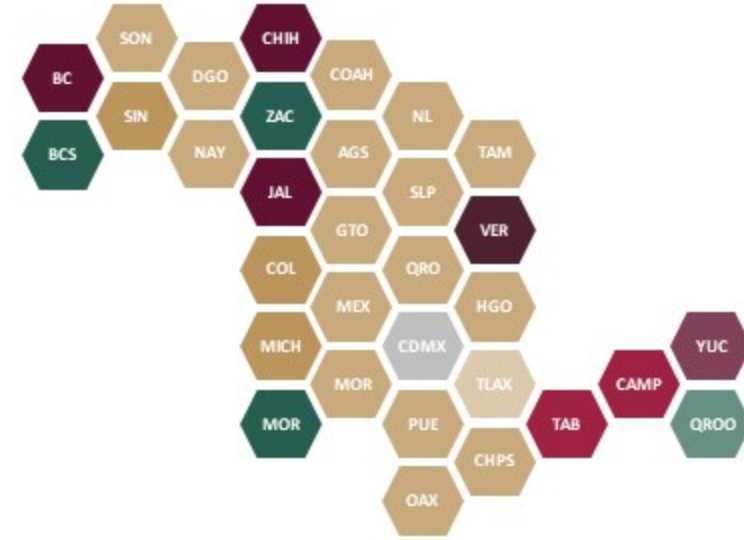
Export power

MEXICO'S TOTAL TRADE VALUE



- | | |
|--|--|
| 1. MEXICO
Commercial value (2018)
\$914 Billion USD | 5. HONG KONG
GDP (2018)
\$372 Billion USD |
| 2. TURKEY
GDP (2018)
\$743 Billion USD | 6. VIETNAM
GDP (2018)
\$261 Billion USD |
| 3. THAILAND
GDP (2018)
\$529 Billion USD | |
| 4. ARGENTINA
GDP (2018)
\$445 Billion USD | |

MAIN EXPORTING INDUSTRY BY STATE



- | | |
|---------------------------------|--|
| Basic Metallurgical industry | Food industry |
| Chemical industry | Metallica and non-metallic minerals mining |
| Clothing manufacturing | Manufacture of non-metallic products |
| Beverage and tobacco industry | Oil and gas extraction |
| Electronic device manufacturing | Manufacture of transport equipment |

Export power

Latin America and the Caribbean's foreign trade in 2020 had an important deceleration, above all because of the economic crisis prompted by the global COVID-19 pandemic. According to new projections by ECLAC, it is estimated that the value of regional exports dropped -13% in 2020 while imports shrank by -20%. It is estimated that Mexico had an imports decrease of -18%, while the Caribbean region had a decrease of -28%.



Institutional Framework

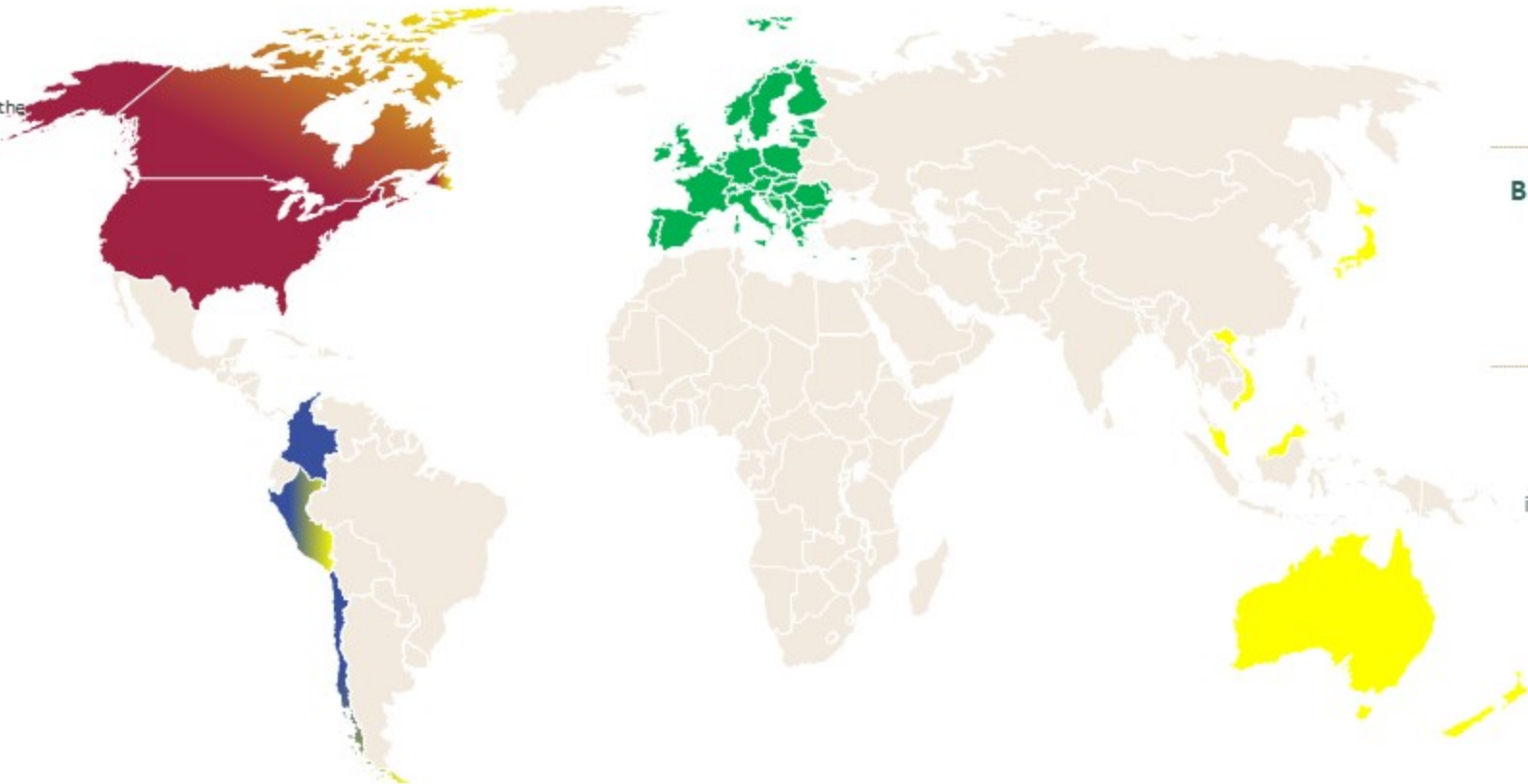
Mexican Trade Agreements

Pacific Alliance
Population: 230 million
GDP: \$2,707 billion USD
41% of Latin America and the Caribbean GDP
Exports: \$627 billion USD
% of global trade: 3.2%

FTA EU-MEX
Population: 640 million
GDP: \$19,974 billion USD
% of overall GDP: 22.9%
Exports: \$6,732 billion USD
% of global trade: 34.9%

T-MEC (former NAFTA)
Population: 492 million
GDP: \$24,440 billion USD
% of overall GDP: 28%
Exports: \$2,567 billion USD
% of global trade: 13.3%

CPTPP
Population: 507,363,034
GDP: \$11.262 billion
% of overall GDP: 12.9%
Exports: \$2,954 billion USD
% of global trade: 15.4%



13 FTAs with
50
countries

Bilateral Investment Treaties
with
33
countries

9 Limited Scope
Agreements
in the Latin American Integration
Association (LAIA)

Mexico-Taiwan Bilateral Trade (2019)

Mexican Exports to Taiwan

6,648,948 USD

Crude Oil (6.2 billion USD)

Motor cars & Vehicles

Phone sets

Automatic data processing machines

Parts and accessories for motor vehicles

Mexican Imports from Taiwan

9,309,722 USD

Electronic integrated circuits of automatic data (2.04 billion USD)

Parts and accessories of automatic data processing machines

Reception apparatus for TV's

Automatic data processing machines

Screws, bolts and nuts

Mexico – Taiwan Trade Balance

Thousands of Dollars

Year	Exports	Imports	Total Trade	Trade Balance
2015	270,246	6,630,411	6,900,657	-6,360,165
2016	246,322	6,836,852	7,083,174	-6,590,530
2017	425,023	7,442,145	7,867,168	-7,017,122
2018	413,690	7,855,231	8,268,921	-7,441,541
2019	6,648,948	9,309,722	15,958,670	-2,660,774
2019 (excluding oil)	462,974	9,309,722	9,772,696	-8,846,748

10 Main Export Products from Mexico to Taiwan

1. Crude Oil	(93%)
2. Motor cars & Vehicles	(24.8% - excluding crude oil)
3. Phone sets	(9.0% - excluding crude oil)
4. Automatic data processing machines	(7.6% - excluding crude oil)
5. Parts and accessories for motor vehicles	(6.26% - excluding crude oil)
6. Salt, sulphur, earth & stone	(4.4% - excluding crude oil)
7. Copper ores and concentrates	(4.0% - excluding crude oil)
8. Ferrous waste	(3.6% - excluding crude oil)
9. Waste from food industries	(3.5% - excluding crude oil)
10. Wastes and scrap of copper	(3.0% - excluding crude oil)

10 Main Export Products from Taiwan to Mexico

1. Electronic integrated circuits of automatic data	(22%)	
2. Parts and accessories of automatic data processing machines	(7.7%)	
3. Reception apparatus for TV's		(7.0%)
4. Automatic data processing machines	(5.7%)	
5. Screws, bolts & nuts		(4.5%)
6. Liquid crystal devices		(4.4%)
7. Storage units for automatic processing machines		(4.0%)
8. Plastics		(3.6%)
9. Commodities		(3.5%)
10. Machines for processing & transmitting voice and image	(3.0%)	

Mexico – Taiwan Partnership

41st Mexico Trading Partner



8th Mexico Provider



Bilateral Trade:

US\$15,958,670 Billion
(2019)

300+ Taiwanese Companies in México

Main Features of Taiwanese FDI in Mexico

- ❖ There are more than 300 companies of Taiwanese origin in Mexico contributing to employment generation for more than 60,000 Mexican nationals
- ❖ They have settled in Mexico considering our country as an ideal bridge between Taiwan and the USA and a secure and reliable source of investment, production and distribution
- ❖ Total investment is more than 1.1 billion USD
- ❖ Many of these companies are a full part of the value and supply chains of the American market
- ❖ Taiwan's investments in Mexico are manily concentrated in the sectors of electric-electronic, flat screens, household appliances, the textile industry, and the automotive and auto parts industries



Taiwan FDI in Mexico



A Solid Manufacturing Industry

High Tech manufacturing and management experience have made Taiwanese companies integral elements of **supply chains** for many transnational companies

FOXCONN

wistron

USI

TPV
TPV TECHNOLOGY LIMITED



DELTA

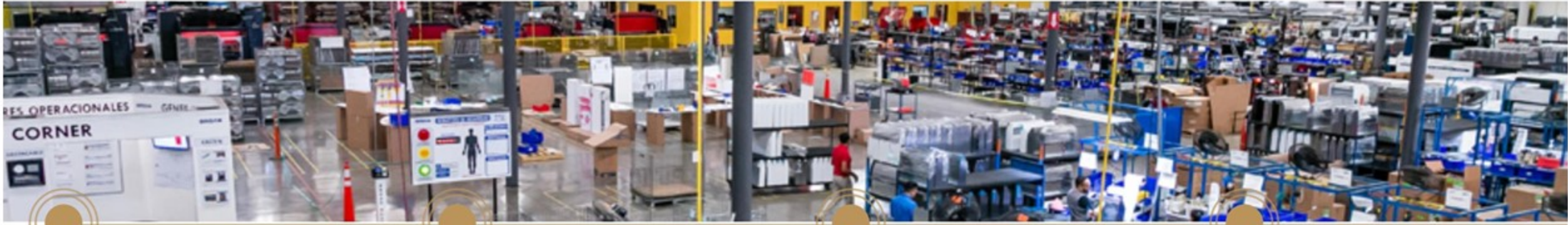
TATUNG

PEGATRON

COMPAL

英業達
Inventec

Mexico's attractiveness for foreign investors



Investment Protection

Reciprocal Investment Promotion and Protection Agreements (BIT) are part of the strategy to grant Mexican and foreign investors the regulatory framework to strengthen protection to foreign investment in Mexico.

Strategic Location

Mexico's immediate proximity to the main purchasing center worldwide is one of its biggest advantage.

Demographic bonus

Mexico has a total population of 126 million people and 57.3 million of them are in the economically active population range.

Trained personnel

Annually, 125,000 students of engineering, manufacturing and construction programs graduate from Mexican Institutions of higher learning. There are in Mexico 40% more graduates in manufacturing and engineering than in the United States, 61% more than in India and twice as many as in Brazil. (UNESCO data, 2015)

Mexico as a destination for investments



Infrastructure and connectivity

Mexico has 76 airports; 117 maritime ports; 27,000 kms of railways; 393,000 kms of roads; 3,000 kms of borderline with the United States, and 54 crossing point in the northern border.

Natural resources

Mexico has an important variety of natural resources that favors the development of multiple productive activities, such as biotechnology, renewable energy generation, and mining. Mexico is the 1st producer of silver, 7th producer of copper and 12th producer of oil worldwide.

Macroeconomic stability

Mexico has an transparent credit system. Mexico's public debt is 58.2% of its GDP, which indicates a significant healthier solvency compared to countries like Brazil, Spain or the United States.

Constant modernization

Mexico has positioned itself as the leading exporter of medium and high technology manufactured goods as percentage of GDP among G20 countries

Mexico is the largest exporter of manufacturing goods in the Americas, second only to the United States

**Mexican Exports
1980**

70%

Were directly linked to oil production
and related primary goods

**Mexican Exports
2019**

88%

Corresponded to the manufacturing sector



Constant modernization



Advanced Technology: Represents 20% of manufactured exports; 75.234 billion dollars

1



Pharmaceutical: Mexico is the 2nd largest market in the Americas; 14 of the 15 largest international companies are in the Mexico

2



Aerospace industry: In 2019, Mexican aerospace industry exports reached 9,500 million dollars. The industry had a 15% growth between 2010 and 2020

3



Automotive: From 1993 to 2017 the automotive industry's GDP grew by more than twice the manufacturing GDP and the national GDP. The country has installed production plants of light vehicles, engines, and transmissions

4



Food-processing: In the last 7 years, the industry exports have grown 20%. It is the world's 9th most important and the 3rd in America, after the United States and Brazil

5

ADVANCED TECHNOLOGY PRODUCTS (ATP) 2019



Mexico's ATP exports as percentage of total exports



Global ATP exports



Mexico's share in global ATP exports

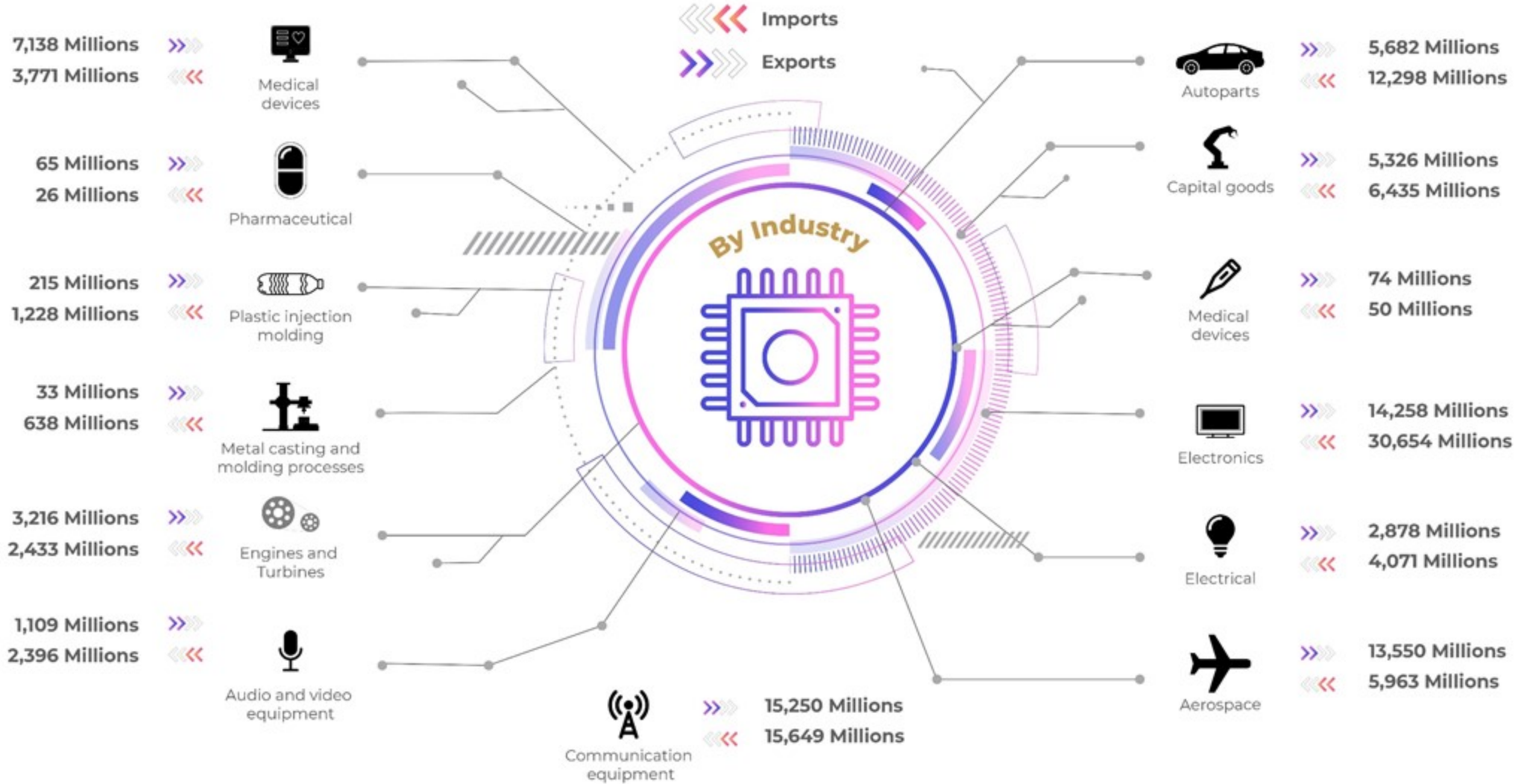


USA ranking of ATP suppliers

Mexico is the only Latin American country among the top 20 ATP suppliers in the United States

ADVANCED TECHNOLOGY PRODUCTS (ATP) 2019

Millions USD



MEXICO AND TAIWAN ARE STRIVING TO COME MUCH CLOSER TOGETHER

IN THE FINANCIAL SECTOR

At the beginning of this year, Mexico Finance Ministry announced that it was opening the international markets of 2021 by issuing a 50-year reference bond at Taiwan's *Formosa Market* (also listed in Luxembourg) for a total amount of 3 billion USD with a 3.75% coupon and a 3.75% yield rate.

This move was unprecedented and had the following highlights:

- ❖ Four Taiwan underwriters were registered
- ❖ The deal attracted 10 new investors, mostly Taiwanese insurers with long-term investment profiles who acquired nearly half of the 3 billion issued, showing an enthusiastic reception and signaling full confidence in the Mexican sovereign bond (among the insurers: Cathay Life; Fubon Life; Nan Shan Life; Taiwan Life; China Life and TrasGlobe Life)
- ❖ According to Mexico Undersecretary of Finance, the transaction would be able to cover 35% of the foreign currency funding requirements for Mexico's 2021 budget
- ❖ In this fashion, Mexico became only the third country participating with sovereign bonds in the Taiwanese market (Qatar being the first one and Israel, the second)
- ❖ Mexico's bond turned out to be highly competitive, since this 50-year bond is almost 3.55% higher than the Mexican 30-year bonds previously announced in the secondary market, and almost 3% higher than the average yield of the corporative 30-year bonds in the US
- ❖ More importantly, this was a very tangible show of bilateral confidence in the financial arena

UNPRECEDENTED CLOSE COMMUNICATION BETWEEN THE PRIVATE SECTORS OF BOTH PARTIES

THE INSTITUTIONAL LINKAGES WITH CONCAMIN

Towards the third quarter of 2019, an unprecedented activity started taking place with mutual visits of private sectors representatives to Mexico and from Mexico to Taiwan.

The most significant breakthrough was the first ever visit to Taiwan, just prior to the outbreak of the pandemic, in February 2020, of a high-level delegation of Mexico Confederation of Chambers of Industry (**CONCAMIN**), headed by his Chairman—whom seldom travels abroad—Francisco Cervantes.

CONCAMIN membership (bringing together all chambers and organizations of the private sector in Mexico linked to all types of industrial activity) **represent 35% of Mexico's GDP and 90% of its foreign trade.**

During their stay, among other things the CONCAMIN delegation:

- ❖ Met with the Chinese International Economic Cooperation Association (CIECA)'s Board of Directors
- ❖ Visited the Taiwan Electrical and Electronic Industry Association (TEEMA)
- ❖ Organized together with the Chinese Federation of Industries (CNFI) a "*Taiwan-Mexico Business Roundtable Forum*" attended by more than 100 Taiwanese business people interested in the Mexican market, which had the institutional backing and support of TAITRA and the Ministry of Economy
- ❖ Signed a "*General Cooperation Agreement*" with CNFI
- ❖ As a result, immediately thereafter a Taiwanese business delegation visited CONCAMIN in Mexico City, as well as the State of Chihuahua (as a follow-up visit of a 40+ member delegation from that Mexican State which had visited Taiwan in October 2019)



THE FOLLOW UP

Follow-up is a task bilateral parties seldom accomplish and yet it is essential towards solidifying channels of communication, cooperation and plans of mutual benefit.

Thus, it is not only surprising, but most encouraging that even within the prevalence of the pandemic at the global level, Mexico and Taiwan private sectors continued deepening their ties.

In the summer of 2020, there was another major step taken when:

- ❖ TEEMA and CONCAMIN signed a Memorandum of Understanding in the Industry of Information and Telecommunication
- ❖ CONCAMIN named TEEMA's Chairman, Richard Lee, as its representative in Taiwan

- ❖ Furthermore, in the fall of that year a *Taiwan-Mexico Business Forum* was organized between the CNFI, TEEMA and CONCAMIN, this time online, for obvious reasons, yet highly productive and massively attended

- ❖ And to close the end of 2020, TEEMA organized a *Global Networking Forum* (live here, online internationally), where both representatives of CONCAMIN and of the Chihuahua private and public sectors were represented

- ❖ These are only tangible expressions of an ongoing productive, amicable and promising relationship

THE AGRICULTURAL SECTOR ALSO HAS HAD IMPORTANT BILATERAL ENCOUNTERS AND AGREEMENTS

- ❖ As important and representative as CONCAMIN is in Mexico's industrial sector, so is the National Agricultural Council (*Consejo Nacional Agropecuario, CNA*) which is the Mexican umbrella organization of all the private organizations linked to the agribusiness sector.
- ❖ Also in the last quarter of 2019 (24-30 November) we had the unprecedented visit of the then Chairman of CNA, Bosco de la Vega, whose presence here was even more significant when one takes into account that at that moment in time the Mexican Congress was discussing the budget for the Agricultural sector. He came accompanied by his adviser, Dr. Francisco de Rosenzweig, an expert in international trade who was the Deputy Secretary of Foreign Trade at the Ministry of Economy during the NAFTA renewal negotiations as well as the updating of our free trade agreement with the European Union.
- ❖ Mr. Bosco and Dr. Rosenzweig visited key institutions in Taiwan, starting with their Taiwanese counterpart, the National Farmers' Association, which organized a forum on the Mexican Agricultural sector where Mr. Bosco was the key presenter.
- ❖ And just as in the case of CONCAMIN, there was a follow-up here: at the beginning of this year, both, Mexico National Agricultural Council and Taiwan's National Farmers' Association signed in a ceremony held online a *Memorandum of Understanding* which will be the basis for future cooperation between both parties.

