MARICOPA ASSOCIATION of GOVERNMENTS

CONSULTING PROJECT:

ARIZONA-MEXICO SUPPLY CHAIN LANDSCAPE ANALYSIS:

A NEARSHORING STUDY

THUNDERBIRD SCHOOL OF GLOBAL MANAGEMENT

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Project Goal:

Identify Mexican owned companies in the MAG region, companies in the MAG region engaging in trade with Mexico, companies in Mexico engaging in trade with the MAG region, and the current trading (exports/imports) being done by these industries.

Identify economic development opportunities based on these industries and trading trends.

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Project Phases:

- Phase 1: Early Stage – Research & Analysis
- Phase 2: Mid Stage – In-depth Research, Analysis & Preliminary Findings
- Phase 3: Final Stage – Analysis Results, Final Recommendations
- Final Deliverable: APRIL 30TH Report

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Findings for Facilitating Opportunity:

- Partnerships between Cities/States
- Reinvestment in Border/Ports
- Incentives to attract Businesses

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Findings for Facilitating Growth:

- Interactive Supplier Database
- Cross-Border Partnerships
- Aerospace / Automotive / Metal Stamping

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Baja California
(Baja California, Baja California Sur)

Northern Mexico
(Chihuahua, Coahuila, Durango, Nuevo León, Sinaloa, **Sonora**, Tamaulipas)

The Bajio
(Aguascalientes, Guanajuato, Zacatecas, San Luis Potosi, Querétaro)

Central Mexico
(Hidalgo, Mexico City, Mexico State, Morelos, Puebla, Tlaxcala, Veracruz)

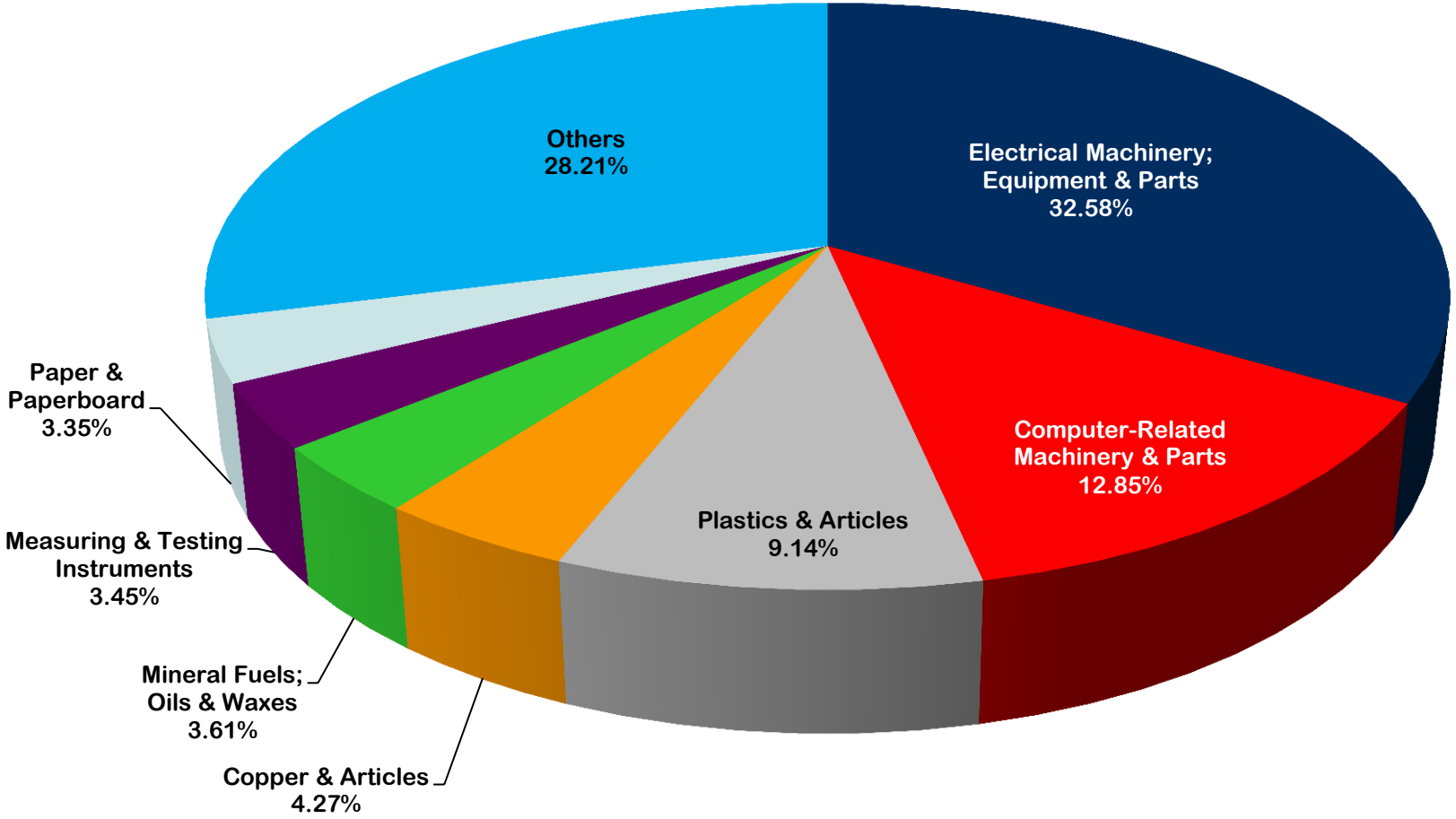
Pacific Coast
(Chiapas, Colima, Guerrero, Jalisco, Michoacan, Nayarit, Oaxaca)

Yucatan Peninsula
(Campeche, Quintana Roo, Tabasco, Yucatán)

Mexican Regions

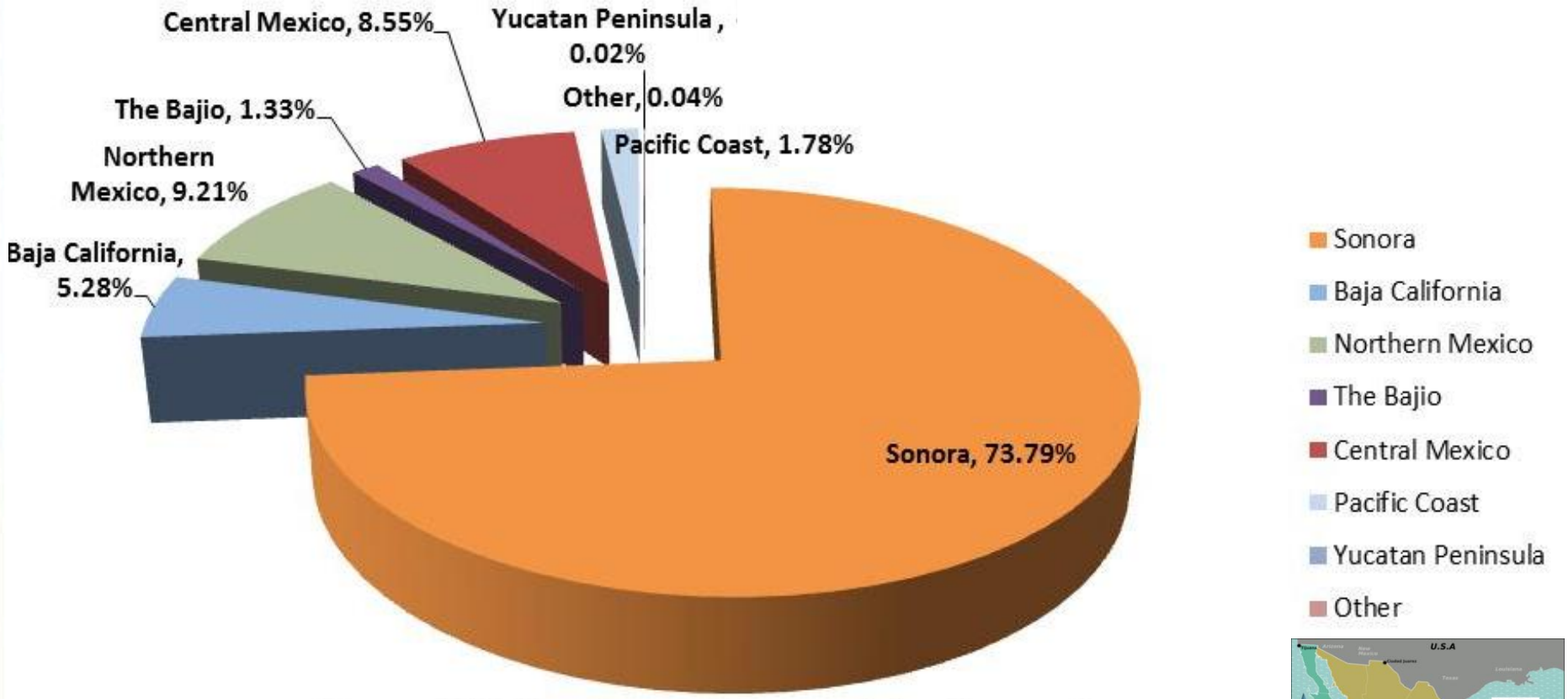
- **Population:** 114.8 Million (UN, 2011)
- **Main Exports:** Machinery and transport equipment, mineral fuels and lubricants, food and live animals
- **Gross Domestic Product:** $1.657 Trillion (2011 est.)

Percentage of AZ Exports to MX 2010: By Commodity - Total $5.05 Billion



Source: U.S. Department of Transportation, Bureau of Transportation Statistics, Transborder Surface Freight Data.

Percentage of Exports from AZ to MX 2011: By Region - Total $5.05 Billion



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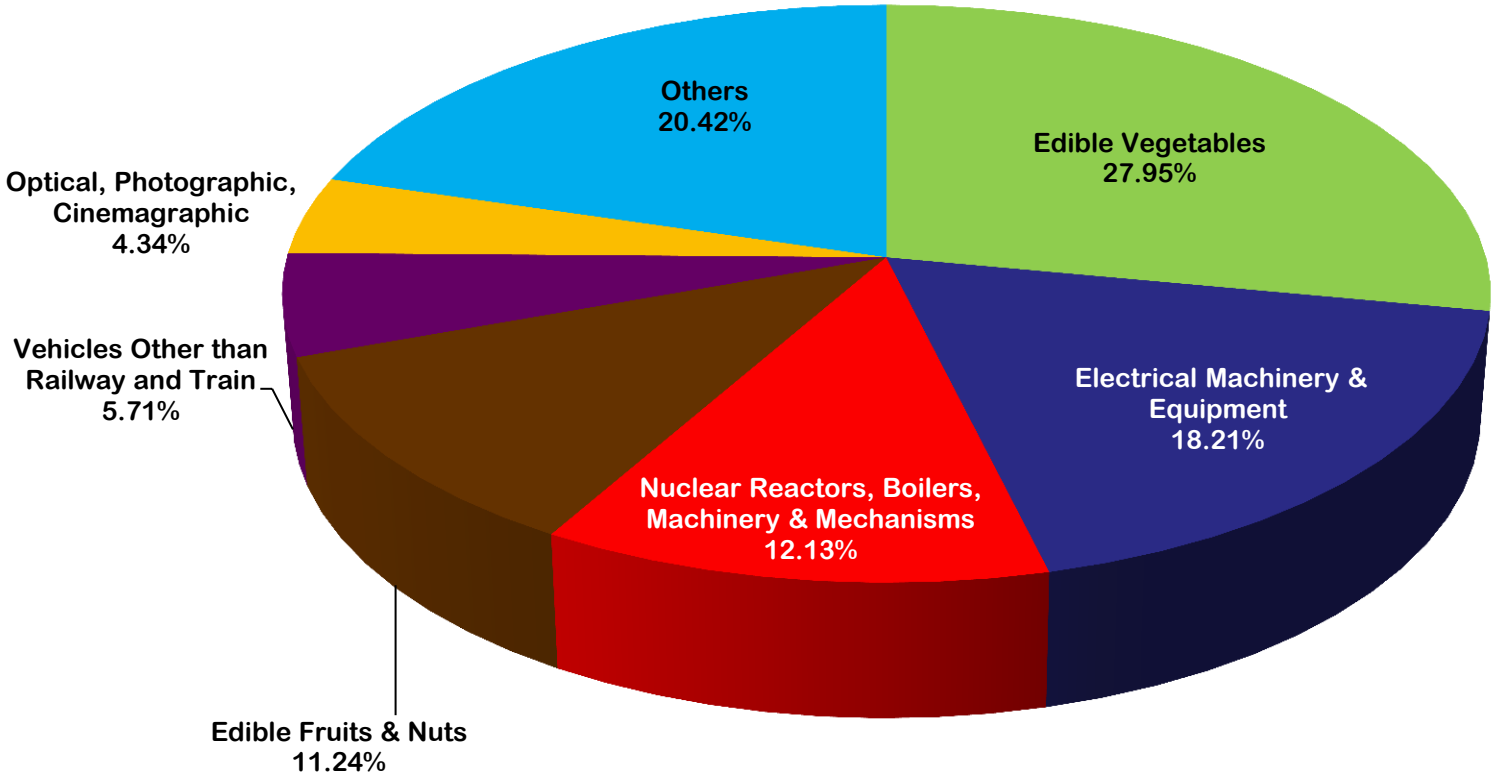
Source: U.S. Department of Transportation, Bureau of Transportation Statistics, Transborder Surface Freight Data.

Percentage of MX Imports to AZ in 2010: By Commodity - Total $5.63 Billion



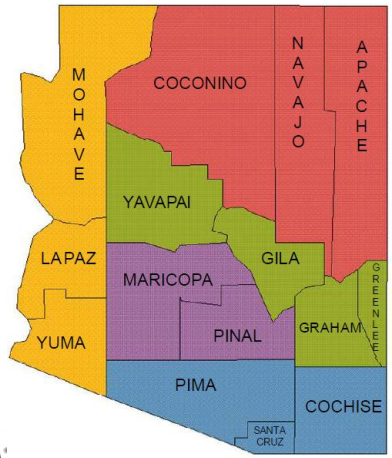
Source: U.S. Department of Transportation, Bureau of Transportation Statistics, Transborder Surface Freight Data.

Mexico's Importance to AZ

Top Origin Markets for International Travelers to the U.S. (2010 vs. 2009 & 2008)

	Origin of Visitor	2010 (mill)	10/09 (% change)	10/08 (% change)
1	Canada	20.0	11%	6%
2	Mexico	13.4	2%	-3%
	Overseas	26.4	4%	4%
3	United Kingdom	3.9	-1%	-16%
4	Japan	3.4	16%	4%
5	Germany	1.7	2%	-3%

Mexican visitors spent $2.65 Billion in AZ
from July'07 to June'08.



Arizona All Tourism Economic Impact by County

County	Direct Traveler Spending	Jobs Generated	Earnings Generated	Taxes Generated
Maricopa	$11.2 B	82,910	$3.1 B	$679.8M
Pima	$2.0 B	21,520	$509.0 M	$124.1 M
Coconino	$974.8 M	10,500	$265.5 M	67.0 M
Yavapai	$648.3 M	7,650	$170.4 M	$37.4 M
Yuma	$565.7 M	5,770	$139.9 M	$36.3 M

ARIZONA OFFICE OF TOURISM

Source: Office of Travel and Tourism Industries – US Department of Commerce

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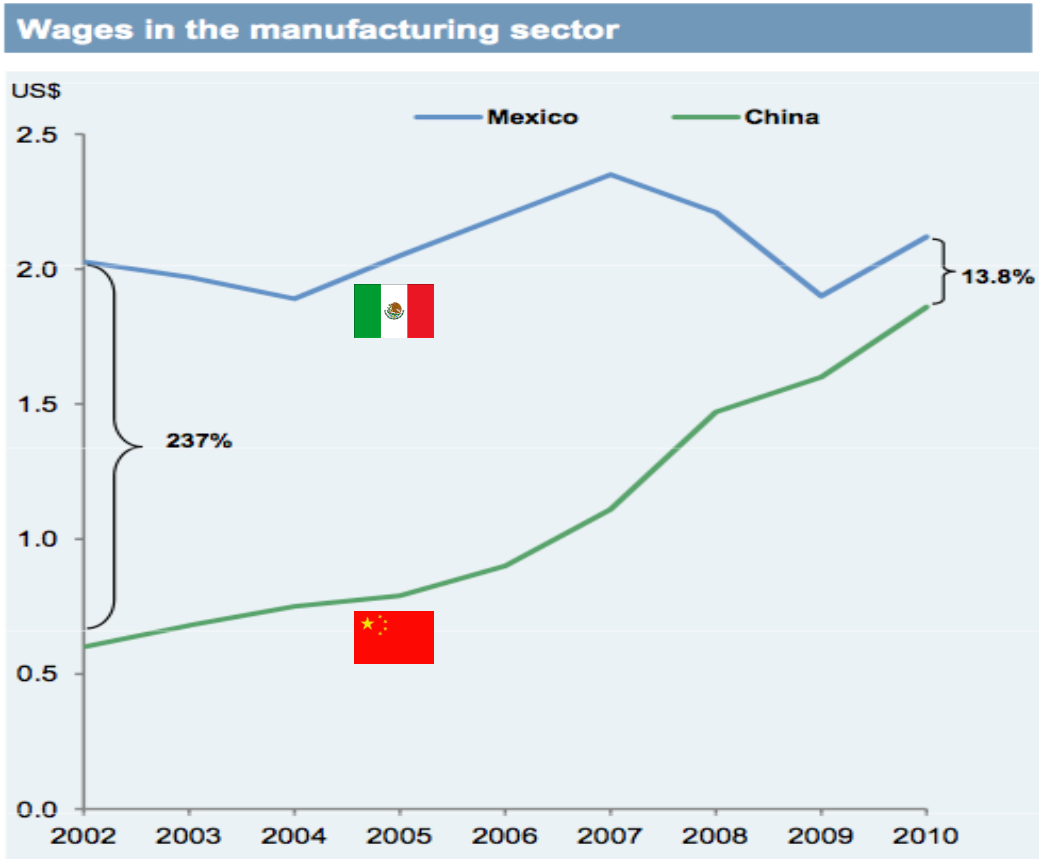
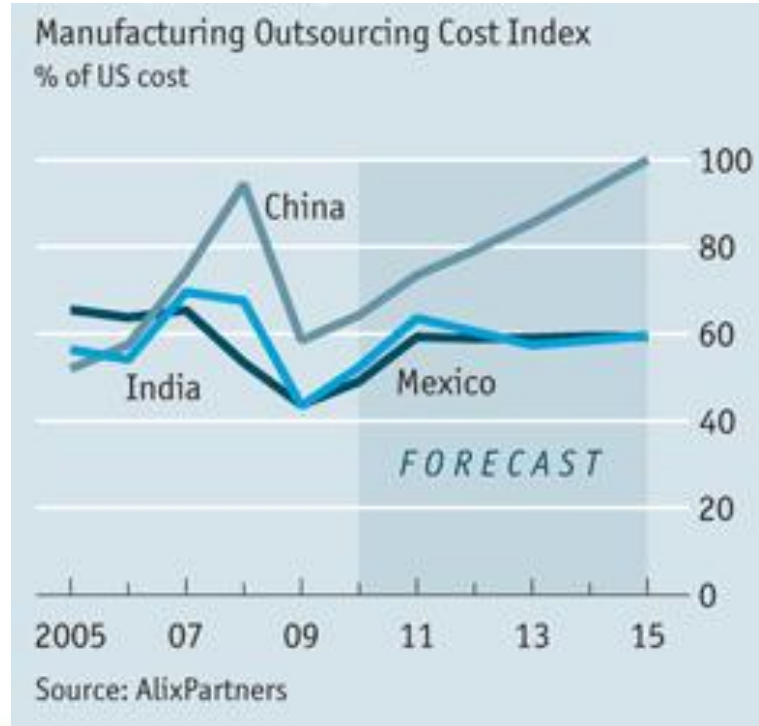
Source: University of Arizona , Mexican Visitors to Arizona: Visitor Characteristics and Economic Impacts, 2007-08

Why Mexico is Growing





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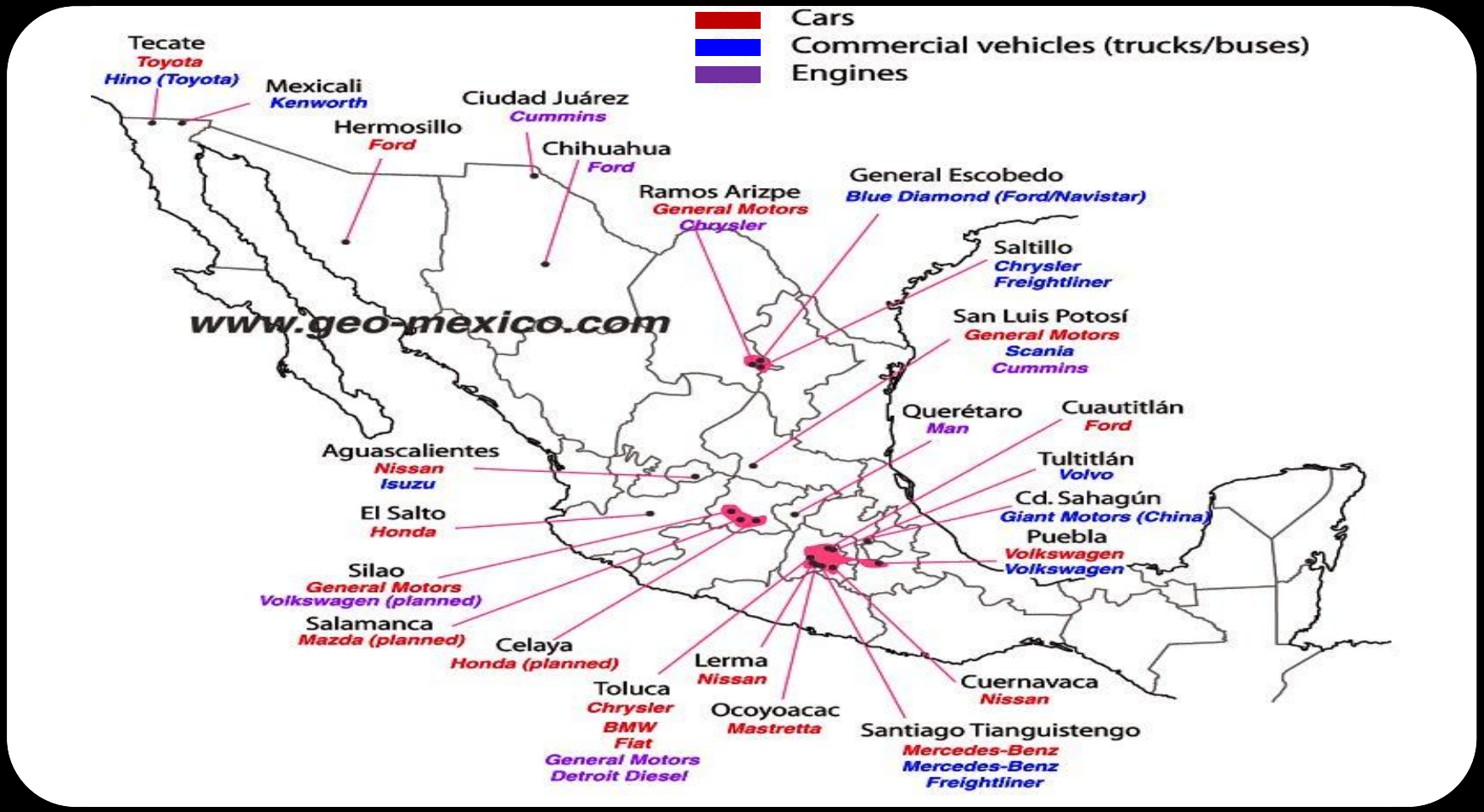
Slide content from www.teamnafta.com

Aerospace Industry within the Mexican States / Metros

Automotive Industry within the Mexican States / Metros



SONORA MEXICO

Sonora at a glance

The state with more border crossings, sharing **367 miles** with Arizona and New Mexico

Population: **2.6 million**

Largest automotive project in northwestern Mexico

Largest aerospace machining cluster in the country

Top IT infrastructure investment destination

Slide content provided by COPRESON

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Main industries

SONORA MEXICO

Automotive • Aerospace • Metal Mechanic • Electronic Medical
Biotechnology • Mining • Agribusiness • IT • Renewable Energy

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AUTOMOTIVE OPPORTUNITIES:

Ford Plant – Hermosillo

New $1.5 Billion investment

Increase capacity to 500,000 vehicles per year

North America, South America, and Middle East Fusion (Summer 2012)
Fusion Hybrid
Lincoln MKZ

500,000 cars X $25,000 = $12.5 Billion in Revenue

Metal Stamping Opportunities:

Horst Engineering

HQ in Connecticut

2006 – Horst Engineering de Mexico (Nogales, Sonora)

2009 – Horst Medical is formed

INCERTEC

HQ in Minnesota

2011 – Incertec de Mexico (Empalme, Sonora)

Impact: 20% increased business

Pursuing Certificates for:

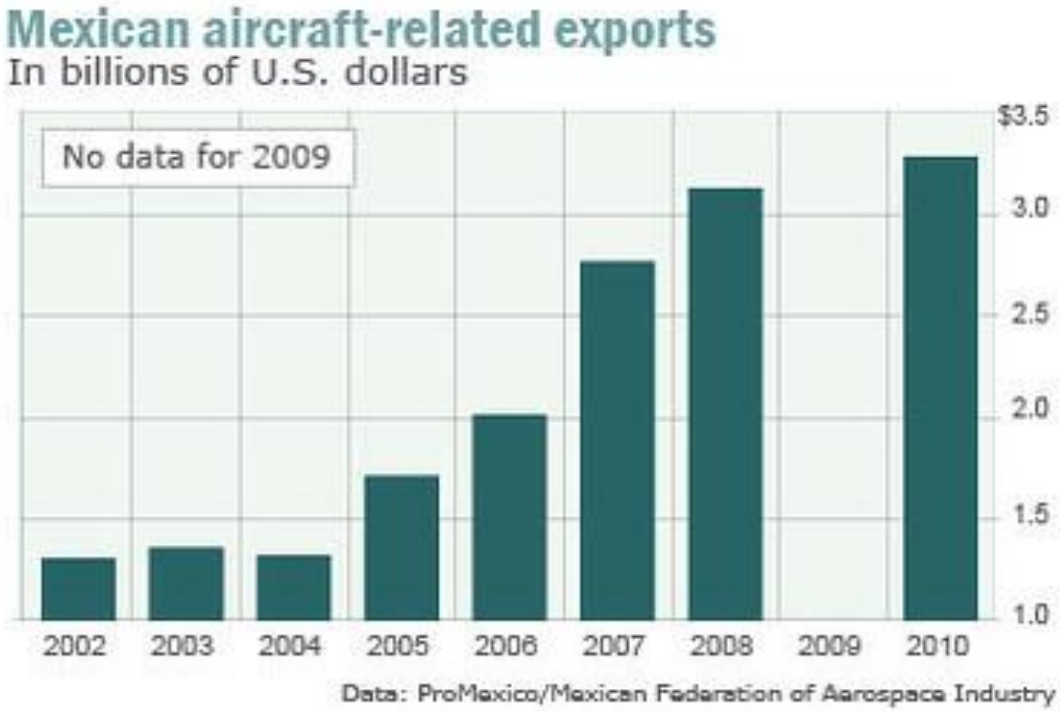
- ✓ Bombardier
- ✓ Embraer
- ✓ Cessna

Nadcap ISO 9001 AS9100 SAE RoHS COMPLIANT ITAR

AEROSPACE OPPORTUNITIES:

Precision Aerospace / *Precision Products de Mexico*

(Phoenix, Arizona) *(Guaymas, Sonora)*



Raw Materials Opportunities:

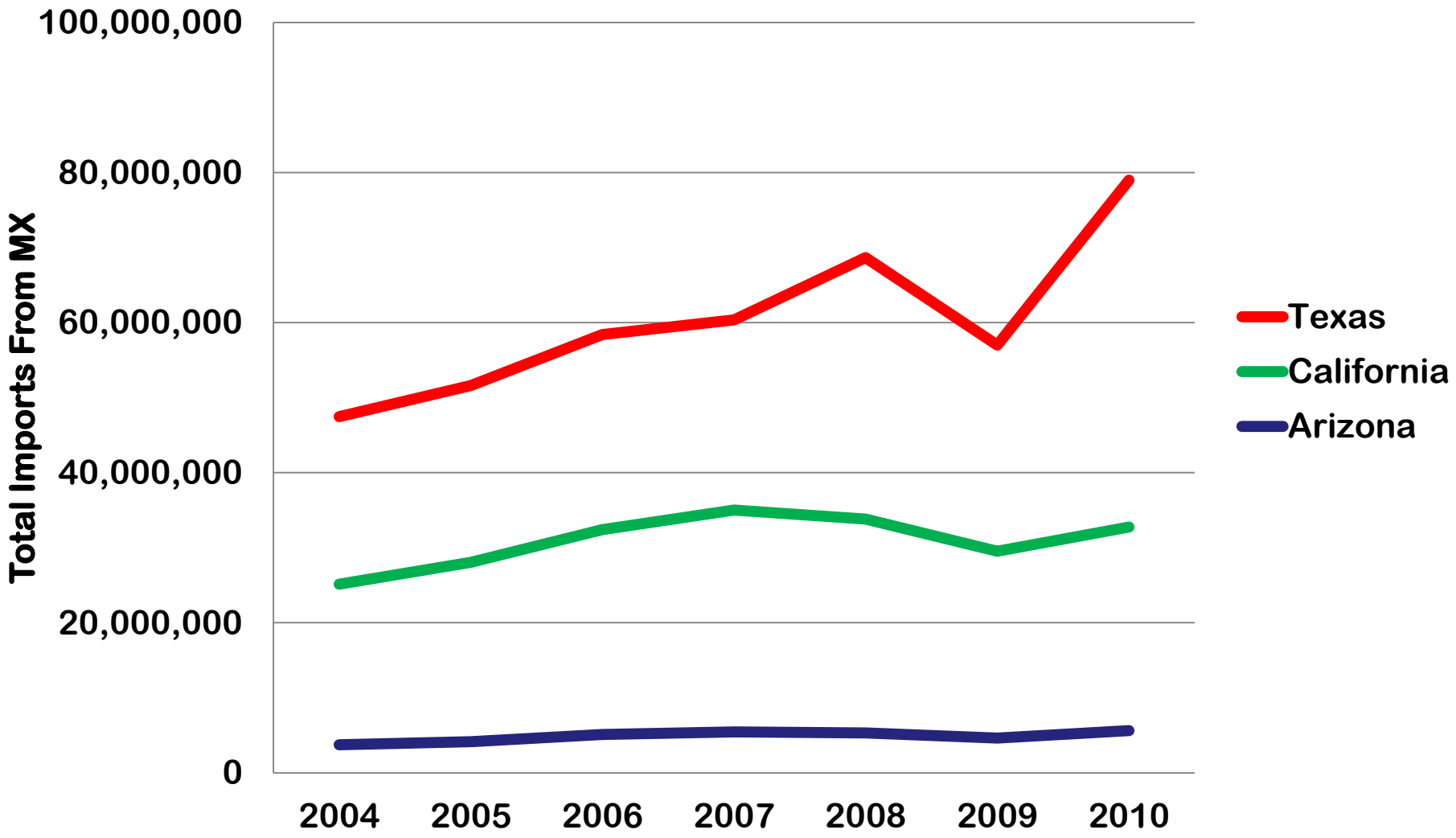
Copper Procurement

- Copper is a key material for many companies in the Sonoran region
- Procurement Managers import copper pipes from China and Germany
- These imports have up to 90 days in lead time

Opportunities For: Freeport-McMoRan Copper & Gold

Some Integration Movements

Imports from MX in US$ 2004-2010



Source: U.S. Department of Transportation, Bureau of Transportation Statistics, Transborder Surface Freight Data.

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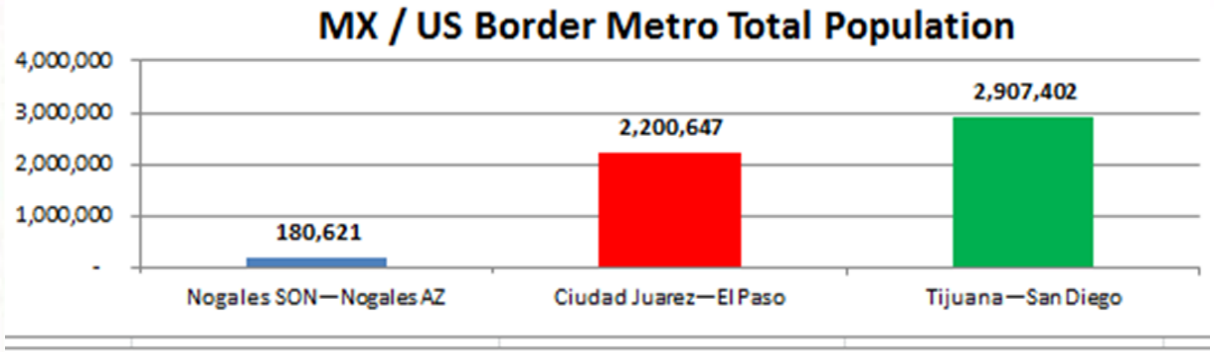
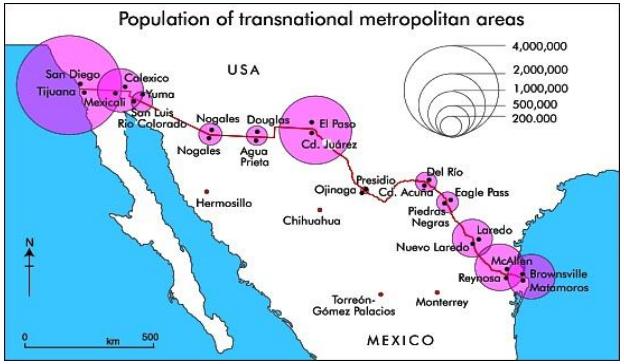
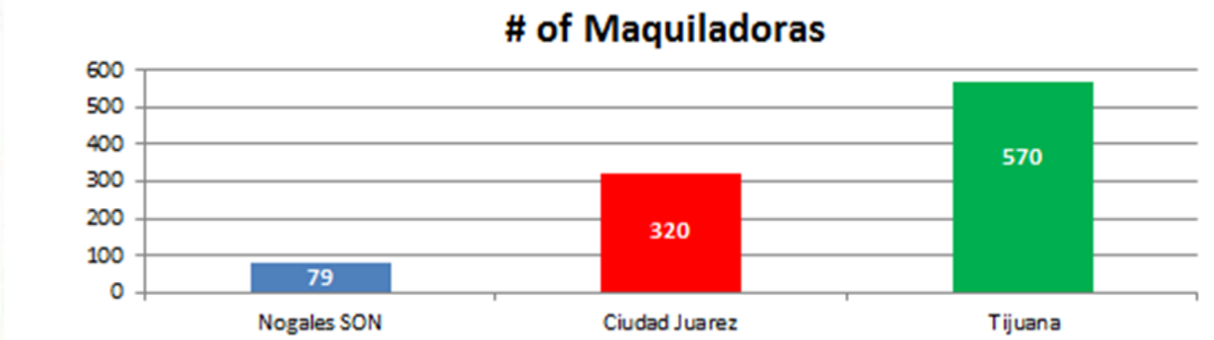
Comparison with other Border States







Source: Team Nafta and US Census

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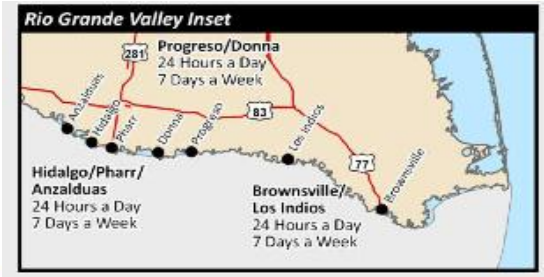
Texas Case



- Centrally Located
- 23 Tolled Ports of Entry
- Ports supported by private and public funds
- Funds used to reinforce infrastructure of bridges and surrounding port areas
- Partnerships between Texas and Mexico Cities

Source: U.S. Department of Transportation, Bureau of Transportation Statistics, Transborder Surface Freight Data.

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California Case

Baja California — San Diego

- Largest population of maquiladoras
- Baja is seeking to increase its competitiveness through Southern California suppliers
- San Diego Border Trade Office assists to facilitate new export relationships

Otay Mesa East Port of Entry

- New innovative tolled Port of Entry
- Estimated completion in 2015

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Growth Opportunities:

- Reduce Barriers during the Border Crossing Processes
  - Reinvestment in Ports
- Empower SMEs to develop Supply Relationships with Sonora
  - ATMA's 77 SMEs – only 10% exports
- Support Industrial Parks to cultivate Tier 2-3 suppliers
- Create Forum for AZ-MEX Cooperation among Economic Development Institutions
- Partnerships with Universities

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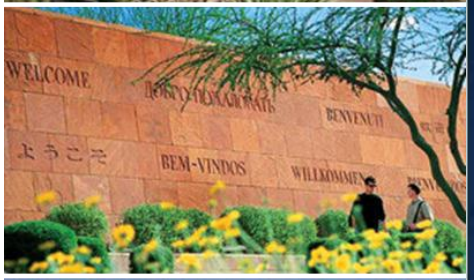
Thank You for your Time

Q & A



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