Nearshoring 2024: Unlocking Mexico’s Potential
Candidates and proposals

In the debate on April 28, under the slogan “Mexico’s path to development,” the presidential candidates agreed that the country must take greater advantage of the process of relocating value chains, known as nearshoring. Below, I detail the proposals of the candidates and the candidate for the presidency (presented in alphabetical order).

Xóchitl Gálvez

- She pointed out that a key factor for nearshoring is to offer legal certainty to investors.
- It proposes digitizing municipal procedures to speed up the release of new investments and proposes the creation of a North American agency to attract foreign investment, considering the United States and Canada as Mexico’s main trading partners.
- It seeks to standardize the use of natural gas and hydrogen for large consumption.
- Finally, it seeks the investment of 2 million solar panels and legal certainty for nearshoring, betting on education, science, technology and good public finances.

Jorge A. Maynez

- He pointed out that the country needs to lower electricity costs and favor clean and renewable energies, as part of the process of attracting global chains.
- It proposes that the nearshoring phenomenon be taken advantage of by attending to and ensuring for companies:
  a. Security, working against militarization.
  b. Solar and wind energy as alternatives for a model that supplies Mexico.
  c. Water Infrastructure Plan.
  d. Educational revolution with equal opportunities.
- For nearshoring, he commented that the modernization of border infrastructure such as that of the municipality of Colombia, Nuevo León; and the city of Tijuana, one of the most important borders.

Claudia Sheinbaum

- It will continue to promote Foreign Direct Investment as an engine of job creation.
- It advocates replacing Asian imports with regional production, promoting fair and dignified jobs while respecting labor rights and protecting the environment.
- To take advantage of the relocation of companies, the policy of developing industrial accommodation infrastructures in the southeast of the country will continue through the strengthening of the 12 industrial parks located in that region and the creation of another 10 development poles adjacent to the Interoceanic Train. In addition, it proposes the construction of 100 industrial parks linked to education and research activities.
- It also proposes the construction and maintenance of road projects connecting key ports in the country, with the aim of improving land connectivity and enabling greater connectivity to take advantage of the nearshoring phenomenon.
- Construction of more airports and a major development of two ports, one on the Pacific coast and one on the Gulf of Mexico to bring goods to the U.S.
EY Analysis

Mexico has established itself as a strategic point for foreign investment, thanks to various factors that make it attractive in the global panorama. First, its privileged geographical location makes it a natural bridge between North America and Latin America, sharing an extensive border with the United States, the world's leading economy.

Since the signing of the North American Free Trade Agreement, Mexico has worked tirelessly to improve its attractiveness to foreign investment, taking advantage of its cultural similarities with Canada and the United States to facilitate trade relations. Proof of this is that accumulated FDI during 2023 reached an all-time high of 110,744 million dollars, which is equivalent to 6.7% of Mexico's gross domestic product (GDP).

Energy Transition for Growth

Mexico recognizes the need for an energy transformation to maintain the momentum of nearshoring. The current infrastructure is closely linked to foreign trade, but modernization is required, especially in the energy and water sectors. The presidential candidates are contemplating the promotion of renewable energies and the energy transition, which is positive for the future. In this sense, it is key to focus on environmental protection and the development of energy projects to take advantage of Mexico's potential in attracting foreign investment. The local factors of attraction of investments have changed positively in recent decades and it can be expected that in the coming years investments will arrive in Mexico that promote a transition and consolidation of renewable energies.

Additionally, the management of natural resources, such as water, is an issue that will have an impact on the use of nearshoring. In the short term, work must be done on the proper management of scarce resources in the country, and investment must be made in the necessary infrastructure for energy and water efficiency.

Have the necessary skills

The Mexican workforce is another point to highlight, with a large number of young and skilled workers, in addition to competitive labor costs compared to other countries. However, in order to make the most of the productive capacity, the focus must be on the education proposals that will be developed in the coming years, since there is a significant increase in the demand of the business sector for technical job profiles.

In the coming years, there will be a need for human capital that can operate in the manufacturing or service companies that are established in the country on a daily basis; in other words, vocational technicians are required to generate value in production chains through the operation of specialized machinery and manual labor, but managerial profiles will also be required, with command of one or more languages and soft skills such as leadership, teamwork, global vision, agility and adaptation. A solid education plan that develops opportunities for all sectors of the population and boosts qualified talent will consolidate the operation of new companies in the country in the long term.

The Asian Effect

Nearshoring, while not new, is experiencing a new phase due to global industrial reorganization. In the coming years, a significant increase in investments from Asia is expected, reflecting the attractiveness that Mexico represents for companies in the region. The trend is clear: in 2023, 40% of investment announcements came from the United States and 12% from China, with a significant flow of Chinese investments in the first months of 2024.

Into the future

Looking ahead, it is anticipated that investments will continue to flow in the next decade, as long as Mexico maintains and improves the factors that make it attractive for nearshoring. At the same time as investment increases, it will also improve infrastructure and other aspects that make our country an attractive destination for companies looking to expand in the global market.

The various trade agreements, public policies and infrastructure plans around attracting investment lay the foundations for maintaining the country's growth and those who aspire to reach the presidency must maintain the course of nearshoring as a key strategy to maintain growth, with a focus on the energy transition, the training of talent and the soundness of the national regulatory framework.
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