

New Mexico's Border: Status, Vision and Action
May 22, 2013



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Executive Director

www.nmiba.com

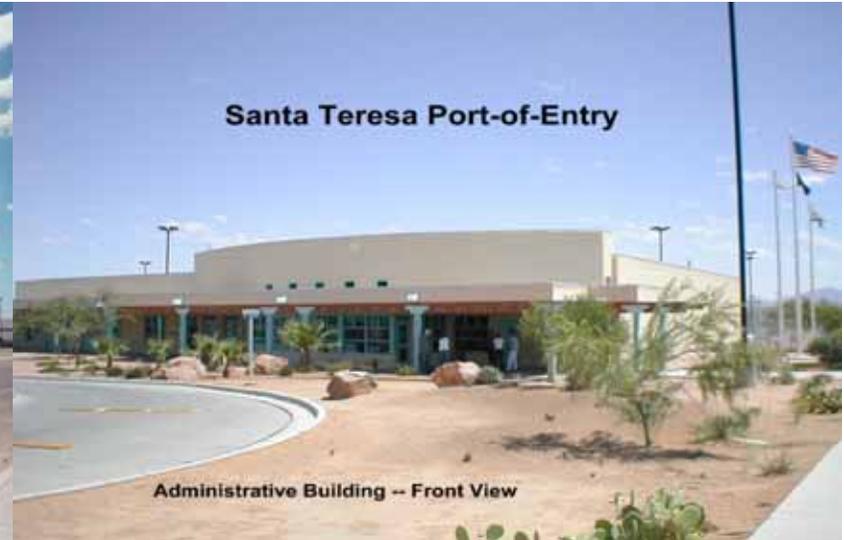
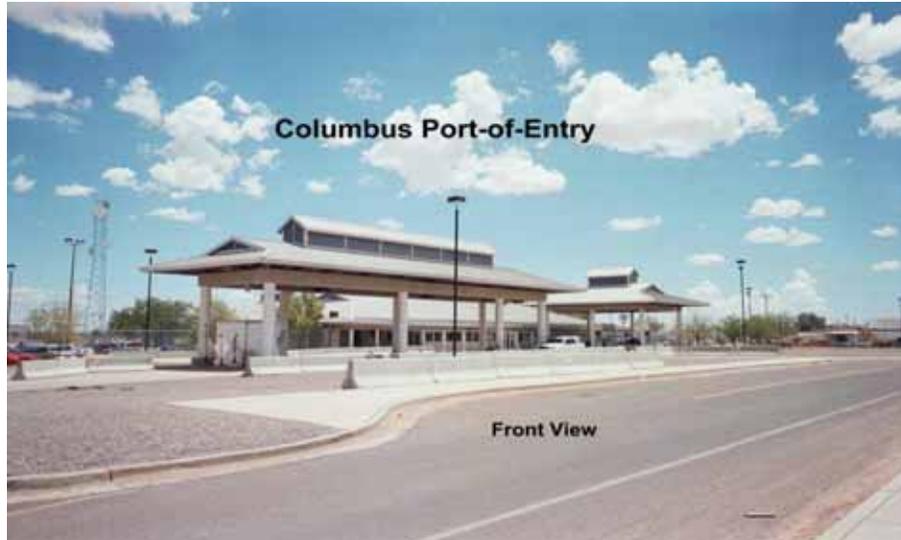
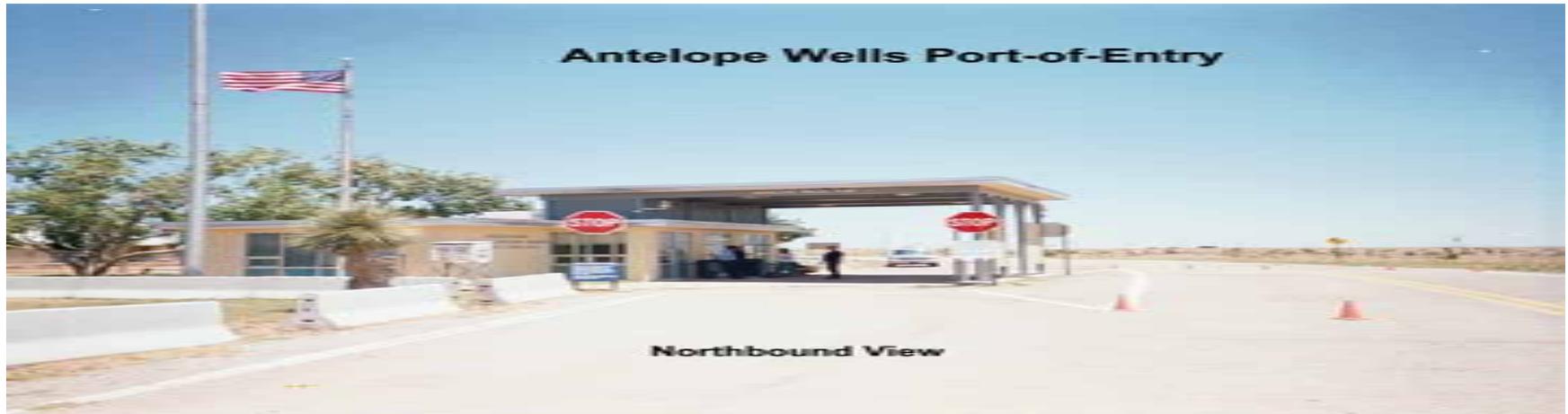
Top 20 Destinations for NM's Exports 2010 - 2012

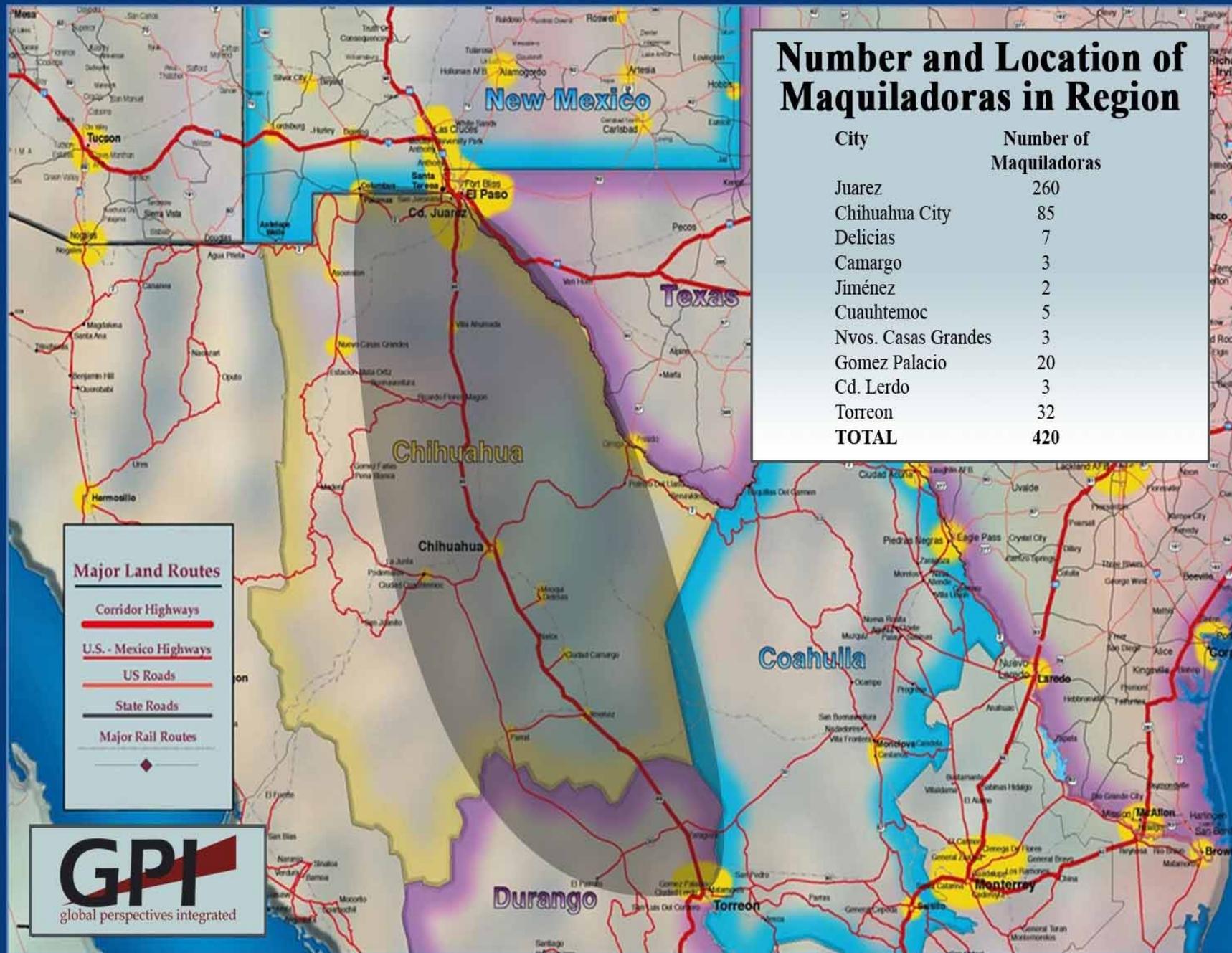
Rank	Description	2012		2011		2010	
	Total all Countries	2,979,958,233	100%	2,091,791,699	100%	1,540,970,873	100%
1	Israel	1,294,987,495	43%	442,364,037	21%	20,903,143	1%
2	Mexico	617,609,684	21%	464,454,999	22%	429,434,707	28%
3	Canada	324,058,145	11%	352,233,609	17%	283,757,163	18%
4	China	77,045,726	2.6%	89,674,589	4.3%	72,455,923	4.7%
5	Germany	73,012,649	2.5%	78,905,087	3.8%	112,066,406	7.3%
6	Japan	52,714,769	1.8%	59,466,269	2.8%	62,250,329	4.0%
7	United Kingdom	50,334,273	1.7%	80,969,524	3.9%	28,706,760	1.9%
8	Brazil	40,820,037	1.4%	13,650,121	0.7%	11,667,870	0.8%
9	Saudi Arabia	34,484,652	1.2%	14,537,204	0.7%	21,874,631	1.4%
10	Australia	30,798,874	1.0%	29,106,715	1.4%	21,128,336	1.4%
11	Chile	20,500,424	0.7%	7,903,578	0.4%	9,903,736	0.6%
12	France	19,993,255	0.7%	13,709,601	0.7%	20,631,228	1.3%
13	Singapore	19,097,366	0.6%	26,806,389	1.3%	32,612,286	2.1%
14	Netherlands	18,336,181	0.6%	14,019,864	0.7%	15,005,266	1.0%
15	Ireland	18,038,720	0.6%	14,298,734	0.7%	12,329,205	0.8%
16	Turkey	17,812,458	0.6%	8,456,922	0.4%	5,448,648	0.4%
17	United Arab Emirates	17,395,921	0.6%	15,298,601	0.7%	3,872,943	0.3%
18	Italy	17,304,661	0.6%	18,669,215	0.9%	24,804,444	1.6%
19	Hong Kong	16,629,770	0.6%	31,290,734	1.5%	25,652,405	1.7%
20	Belgium	16,303,874	0.5%	10,633,971	0.5%	11,323,690	0.7%

NM's Exports to the World by Commodity 2011 - 2012

Rank	Description	2012		2011	
	Total all Industries	2,979,958,233	100%	2,091,791,699	100%
1	Computer And Electronic Products	1,669,428,935	56%	881,139,647	42%
2	Fabricated Metal Products, Nesoi	230,326,924	7.7%	157,416,702	7.5%
3	Machinery, Except Electrical	179,529,508	6.0%	168,998,844	8.1%
4	Food And Kindred Products	178,319,198	6.0%	181,689,375	8.7%
5	Transportation Equipment	134,210,678	4.5%	165,801,044	7.9%
6	Plastics And Rubber Products	88,970,303	3.0%	45,334,685	2.2%
7	Electrical Equipment, Appliances, And Component	79,469,860	2.7%	76,224,067	3.6%
8	Chemicals	76,001,732	2.6%	72,301,657	3.5%
9	Petroleum And Coal Products	72,147,339	2.4%	76,030,231	3.6%
10	Primary Metal Manufacturing	70,002,159	2.3%	55,348,748	2.6%
11	Agricultural Products	35,294,525	1.2%	41,435,610	2.0%
12	Oil And Gas	33,553,903	1.1%	3,709,367	0.2%
13	Miscellaneous Manufactured Commodities	32,877,081	1.1%	26,103,144	1.2%
14	Minerals And Ores	26,648,810	0.9%	14,322,760	0.7%
15	Paper	25,494,757	0.9%	12,838,739	0.6%
16	Used Or Second-Hand Merchandise	8,056,259	0.3%	54,061,154	2.6%
17	Livestock And Livestock Products	7,538,041	0.3%	6,680,741	0.3%
18	Furniture And Fixtures	7,038,406	0.2%	6,583,802	0.3%
19	Waste And Scrap	6,565,507	0.2%	4,828,762	0.2%
20	Nonmetallic Mineral Products	6,199,547	0.2%	6,527,170	0.3%

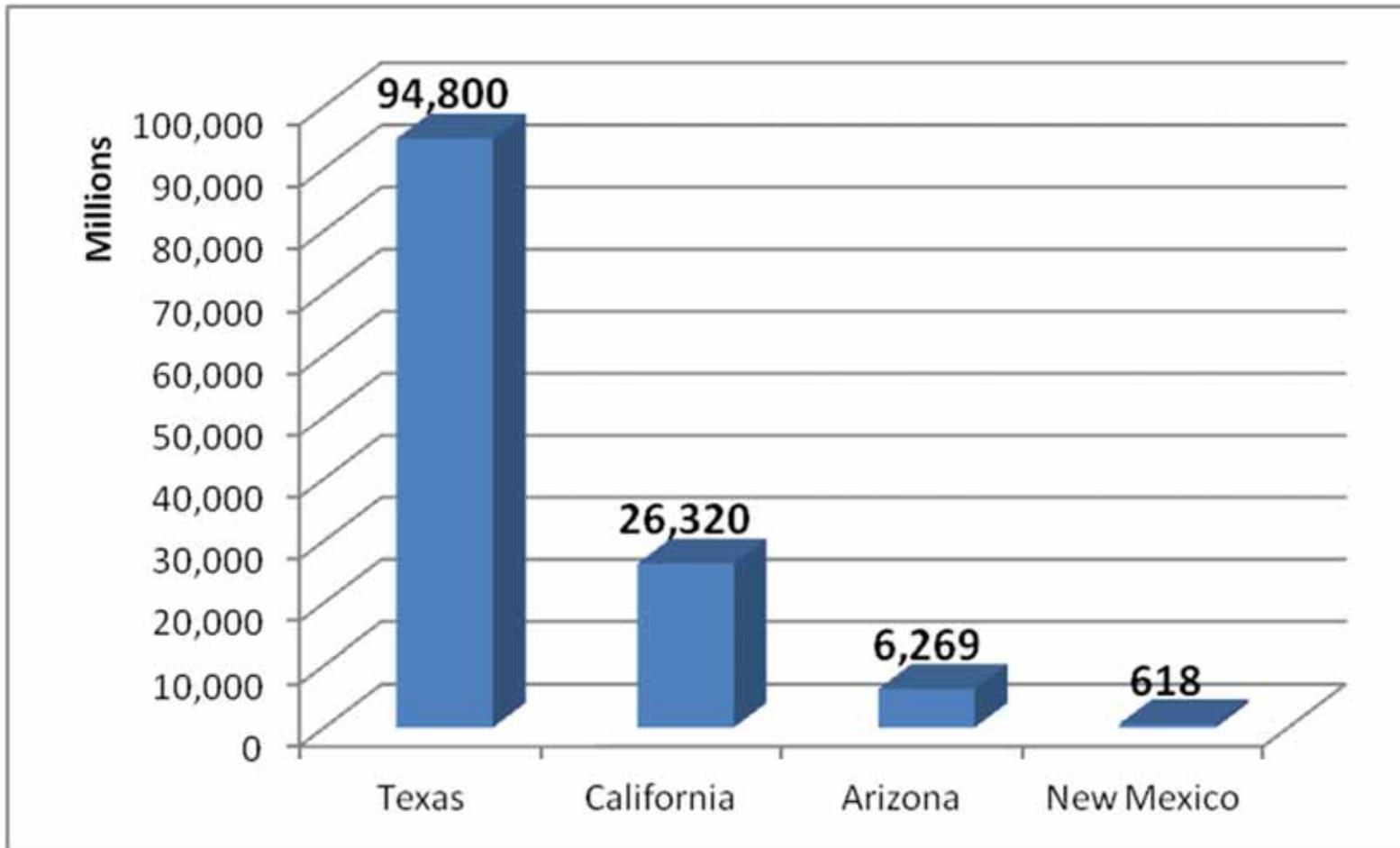
NM's Ports of Entry:





Recap of Recent Years:

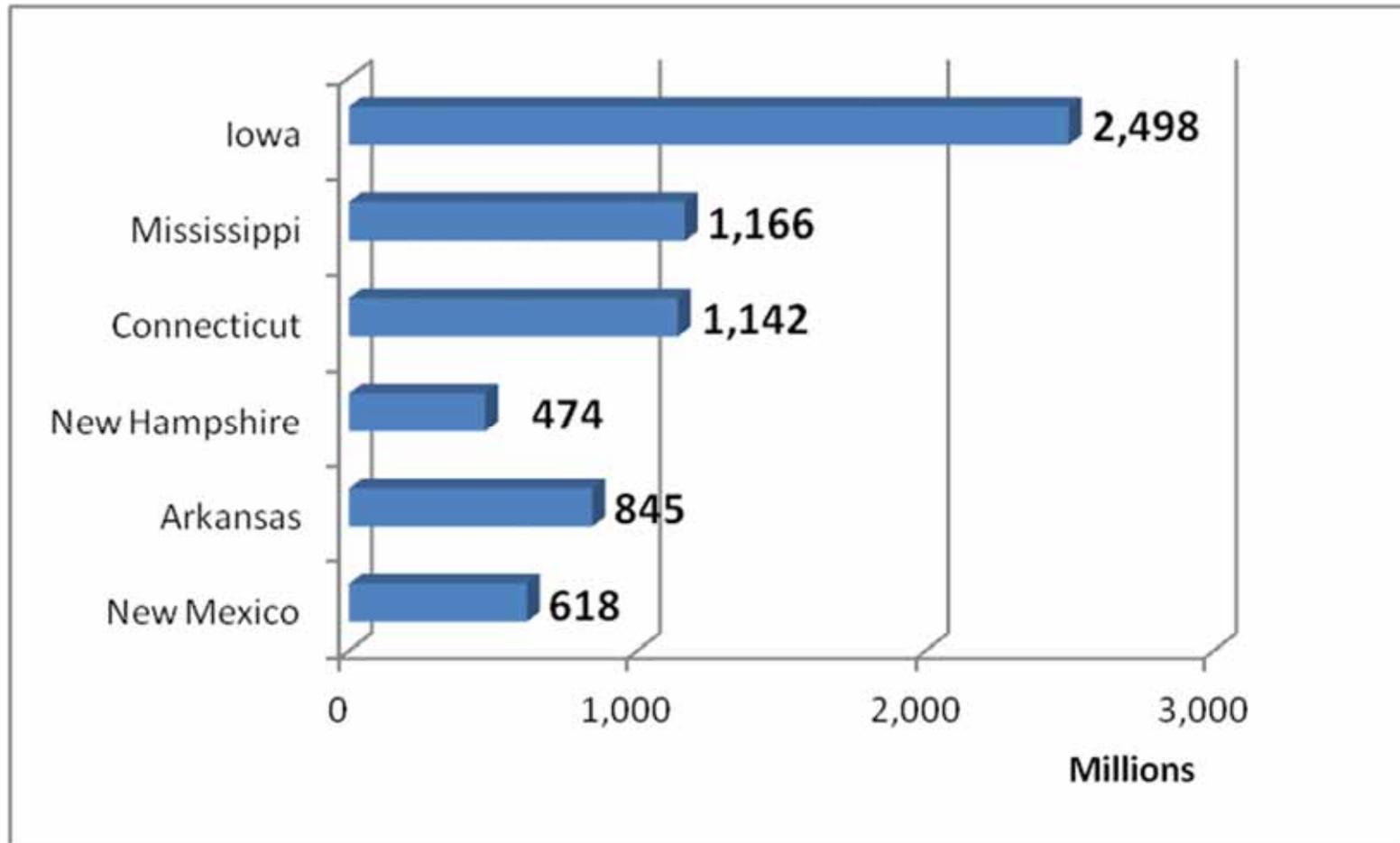
- For the first six years of NAFTA, only two states experienced a decrease in trade with Mexico – West Virginia and New Mexico. New Mexico experienced the worst decline.
- Although trade with Mexico experienced an upturn in 2000, NM is still well below the national average during the NAFTA period (US avg. growth of 16% per year - total trade tripled from 1993-2000). NM's trade went from \$102M in 1994 to \$111M in 2001 for a total 8.8% increase.
- In 2000, NM manufactured exports helped increase exports to Mexico.
 - In 2002, NM's trade with Mexico increased by 4.99%.
 - In 2003, NM's trade with Mexico increased by 107%.
 - In 2004, NM's trade with Mexico increased by 48%
 - In 2005, NM's trade with Mexico decreased by 51%
 - In 2006, NM's trade with Mexico increased by 39%
 - In 2007, NM's trade with Mexico increased by 45.5%



2012 Exports to Mexico
(Millions)

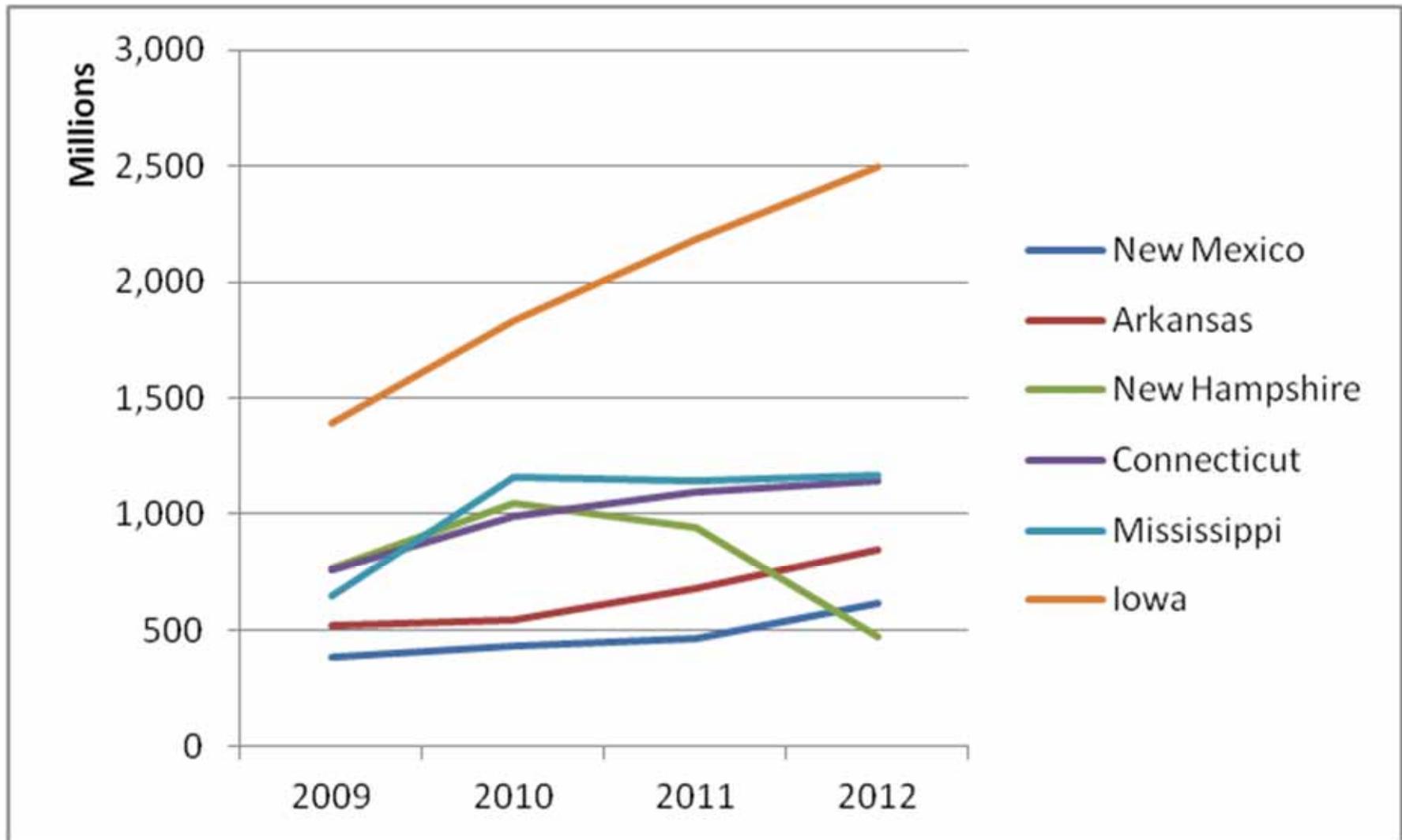
Texas	\$94,800
California	\$26,320
Arizona	\$6,269
New Mexico	\$618

Selected State Exports to Mexico 2012



Iowa	\$2,498	New Hampshire	\$474
Mississippi	\$1,166	Arkansas	\$845
Connecticut	\$1,142	New Mexico	\$618

Selected State Exports to Mexico 2009 - 2012



Exports to Mexico by State Rank 2012

Rank	State	2012	Rank	State	2012
	Total U.S.	216,330,913,275	28	Mississippi	1,165,901,018
1	Texas	94,799,549,104	29	Connecticut	1,142,110,498
2	California	26,319,672,173	30	Virginia	1,057,913,658
3	Michigan	10,459,017,599	31	Colorado	847,799,403
4	Louisiana	6,517,500,541	32	Arkansas	845,335,237
5	Unknown State	6,377,732,788	33	Oklahoma	619,943,294
6	Illinois	6,366,915,054	34	New Mexico	617,609,684
7	Arizona	6,268,880,774	35	Puerto Rico	600,760,716
8	Ohio	4,707,514,356	36	Utah	487,608,776
9	Tennessee	4,231,598,303	37	New Hampshire	473,954,776
10	Indiana	3,905,987,720	38	Maryland	382,568,396
11	Washington	2,864,069,841	39	Oregon	371,229,142
12	Pennsylvania	2,840,205,181	40	South Dakota	345,116,055
13	New York	2,622,983,668	41	Nevada	329,583,464
14	Iowa	2,498,203,739	42	North Dakota	282,471,430
15	Georgia	2,324,323,624	43	Idaho	257,003,063
16	North Carolina	2,321,485,860	44	West Virginia	238,569,463
17	Florida	2,240,347,139	45	Rhode Island	150,074,828
18	Wisconsin	2,165,245,186	46	Delaware	144,582,107
19	New Jersey	2,107,542,053	47	Vermont	129,589,435
20	Alabama	2,031,067,408	48	Wyoming	56,428,441
21	South Carolina	1,978,469,246	49	Montana	52,804,364
22	Missouri	1,818,163,037	50	Maine	34,924,065
23	Nebraska	1,812,024,263	51	Alaska	30,082,424
24	Kentucky	1,715,804,763	52	Hawaii	3,503,570
25	Massachusetts	1,607,822,960	53	U.S. Virgin Islands	3,284,168
26	Kansas	1,459,291,685	54	District Of Columbia	1,808,363
27	Minnesota	1,296,935,372			

What We Trade With Mexico:

- In the pre-NAFTA period (1989-1993):
 - NM's exports to Mexico were dominated by agricultural products, high technology/computer equipment, chemicals, and petroleum products, (mostly natural gas).
- In 1993 and 1994:
 - NM increased its exports to Mexico in the high technology, processed natural resources, extractive and miscellaneous manufacturing sectors. During this period of time, private and public entities in New Mexico became aggressive in developing the state's natural gas exports to Mexico. This resulted in oil and gas extraction exports nearly doubling from \$11.7 million in 1993 to \$21.1 million in 1994.
- In 1995:
 - When exports to Mexico were almost cut in half, nearly every export sector was impacted significantly. All sectors continued to languish until 2000, when the state's exports to Mexico hit a record \$136.91 million.

What We Trade (continued):

- In 2000, the impressive growth in Mexican exports was particularly encouraging, due to the fact that exports of manufactured products grew by 1134.79% between 1999 and 2000. The \$56 million in manufactured goods that the state exported to Mexico in 2000 were dominated by fabricated metal, rubber/miscellaneous plastics products and transportation equipment.
- In 2001, the tremendous gain in the export of manufactured products turned into a 46.41% decrease. This neutralized the 71.67% rise of high technology exports to Mexico. Overall, NM's exports to Mexico decreased by 11.77% during 2001.
- From 2002 to 2011, the state's manufactured goods exports to Mexico continued to rise.

Origin of NM's Exports to Mexico:

- Traditionally, the state's manufacturing base has been centered around New Mexico's largest metropolitan area, Albuquerque.
- Within the last ten years, the Santa Teresa Port of Entry on the state's border with Mexico has received a tremendous amount of public and private investment in infrastructure. This has resulted in Santa Teresa becoming a major export platform to Mexico. In 2011, the Santa Teresa Business Center, Intermodal Park and Business Parks are the home of more than 40 companies, most of which have a direct logistical and/or manufacturing relationship with a Mexican maquila or manufacturer.
- From the middle of 1999 to July 2003, approximately 2,000,000 square feet of new industrial space were built around the Santa Teresa Port. Nearly all of this space was dedicated to the processing of goods and/or materials for the maquila industry. Much of the increase in manufactured goods exports to Mexico can be explained by this border industrialization.

Now:

- NM led the nation in export growth percentage in 2012 (42%)
- More than 50% all New Mexico Exports to Mexico originate in Dona Ana County (Santa Teresa-Las Cruces Corridor)
- Largest exporters (by city) to Mexico:
 - #1 Detroit
 - #2 Los Angeles
 - #3 Houston
 - #4 El Paso
 - #5 San Diego

Facts/Statistics

Lion's share of the state's exports to Mexico is comprised of industrial inputs/components that New Mexico's industrial base is exporting to Mexico's maquiladora industry:

- ▶ Manufactured steel components
- ▶ Plastic injection components
- ▶ Packaging materials
- ▶ Other production inputs

Facts/Statistics:

- ▶ More than \$1 to 1.5 billion of products crosses the Santa Teresa Port monthly – three years ago this was \$1 billion per year.
- ▶ Trade with Mexico has grown steadily since NAFTA (1994), but there is room for improvement. State needs to focus on developing a stronger supplier base to the Mexican maquiladora industry, thus creating more production and jobs in New Mexico.
- ▶ NM companies must be made aware of the opportunities to supply Mexico's industrial base through an active program to promote our companies' capabilities to our southern neighbor. Industrial suppliers from other states, already with an existing relationship with Mexico that are being pressured to move closer to their buyers, must be made aware of New Mexico's business advantages, particularly on its border with Mexico.

Facts/Statistics

- ▶ Mexico's maquiladoras import approximately 95% of the billions of dollars of annual production inputs it uses to manufacture products.
- ▶ Most of these production inputs such as plastic injection components, metal parts, resins, and packaging are supplied by U.S. firms (mostly in the Midwest), which are being pressured to move closer to their Mexican buyers due to tightening supply chains.
- ▶ This presents a tremendous opportunity for New Mexico to recruit out-of-state maquiladora suppliers to the state, thus attracting new investment and creating new, high-paying manufacturing jobs.

Facts/Statistics

- ▶ While the City of Juarez and the State of Chihuahua have suffered terrible violence due to the ongoing drug wars in Mexico, both will continue to be the largest production bases for Mexico's multi-billion maquiladora industry in the future.
- ▶ The maquiladora industry is tied to the U.S. and world economy, with approximately 76 of the Fortune 100 companies in the world having some type of presence in the State of Chihuahua. In spite of the violence, the maquiladora industry continues to grow.
- ▶ Drug wars in Mexico are creating tremendous opportunities for NM.

Why We Trade So Little With Mexico:

- **Historical Factors:**
 - Historical isolation
 - Historical seat of power in Santa Fe
 - Until 1965, NM historically produced similar products to those of Chihuahua
- **Socio-economic Factors:**
 - NM's economy and population base
 - Size of NM's companies
 - Cultural and language considerations
- **Infrastructure:**
 - Until recently, lack of traditional border infrastructure
 - Lack of international flights
 - Costs of logistics for NM's rural communities
 - Lack of critical mass of trade-related support industries
 - Loss of NM's exports on paper
- **Political:**
 - Lack of a state strategy that includes Mexico
 - Underfunded state agencies
 - Trade with Mexico usually ranks 15th on a top-15 list of priorities

Negative Developments

- Slowdown in US economy, which affects the Mexican economy
- Maquila industry lost 54,000 jobs in the 2007 – 2009 time period
- 40% to 45% of Juarez manufacturing tied to auto industry
- Drug violence in Mexico (approximately 60,000 people killed in Mexico since 2008 – repercussions on commercial/housing sectors in Juarez; to a lesser extent on industrial sector)
- Perception that Mexico is a failed state (fear of doing business with this country)
- Perception that Mexico can't compete with China

Recent Developments - Mexico

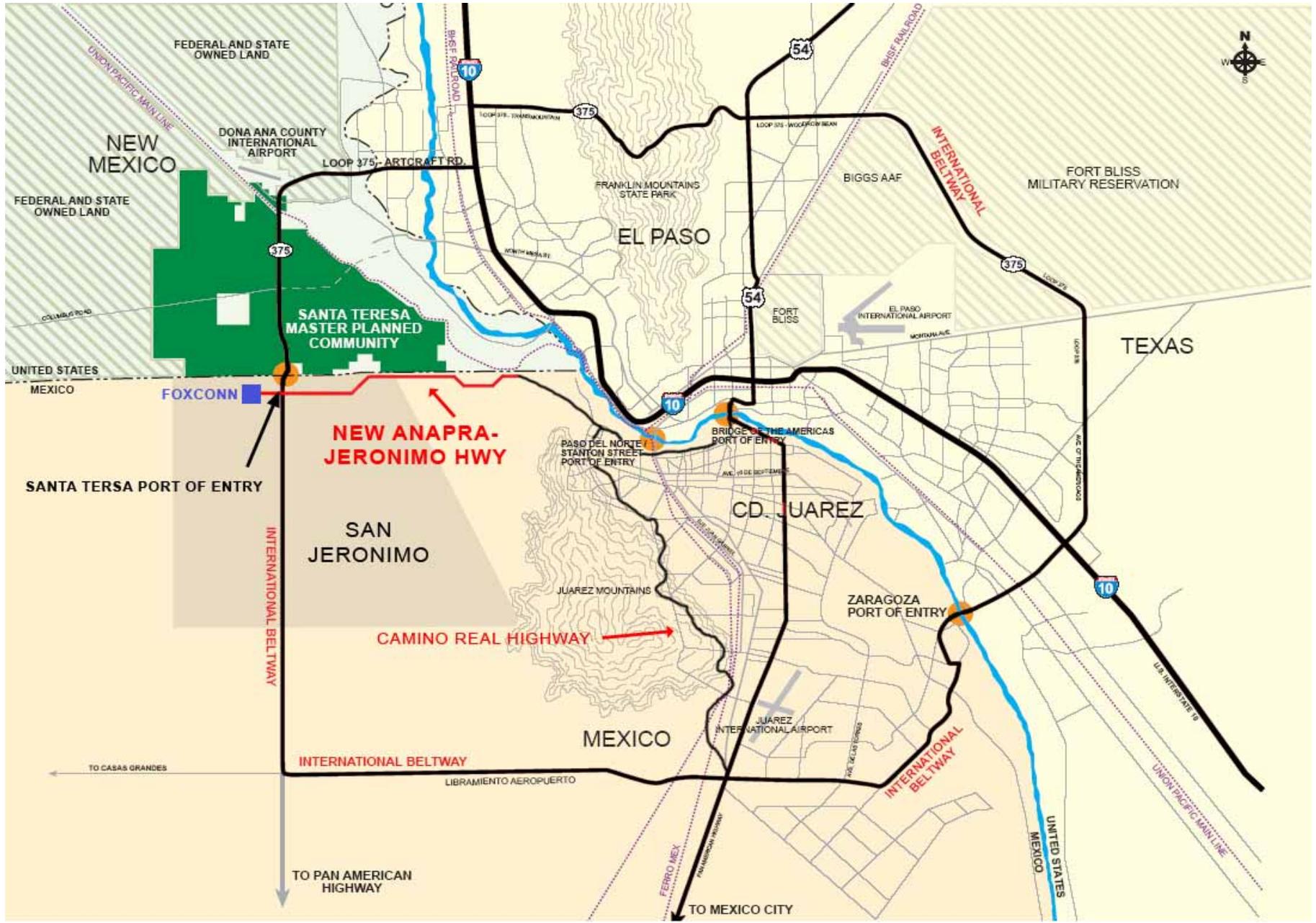
- Violence toning down?
- 2012 elections in Mexico
- Mexico's GDP grew by .8% in 1st quarter compared to last year – stagnant, but overall GDP growth higher than U.S.
- The United States is Mexico's largest trading partner and largest foreign investor. Mexico is the third largest U.S. trading partner after Canada and China, and is the U.S. second largest foreign supplier of petroleum.
- More than 8,000 jobs added in Chihuahua's maquila industry between January and March

Foxconn:

- The largest maquila in the 45-year history of the industry.
 - Assembly of computers – 55,000 per day
 - Third production plant operational
- Eventually:
- 3 million square feet
 - 20,000 employees
- Has brought new development to region:
 - Blvd. Fronterizo extension
 - \$10 million for new lanes and infrastructure at STPOE

Foxconn San Jeronimo

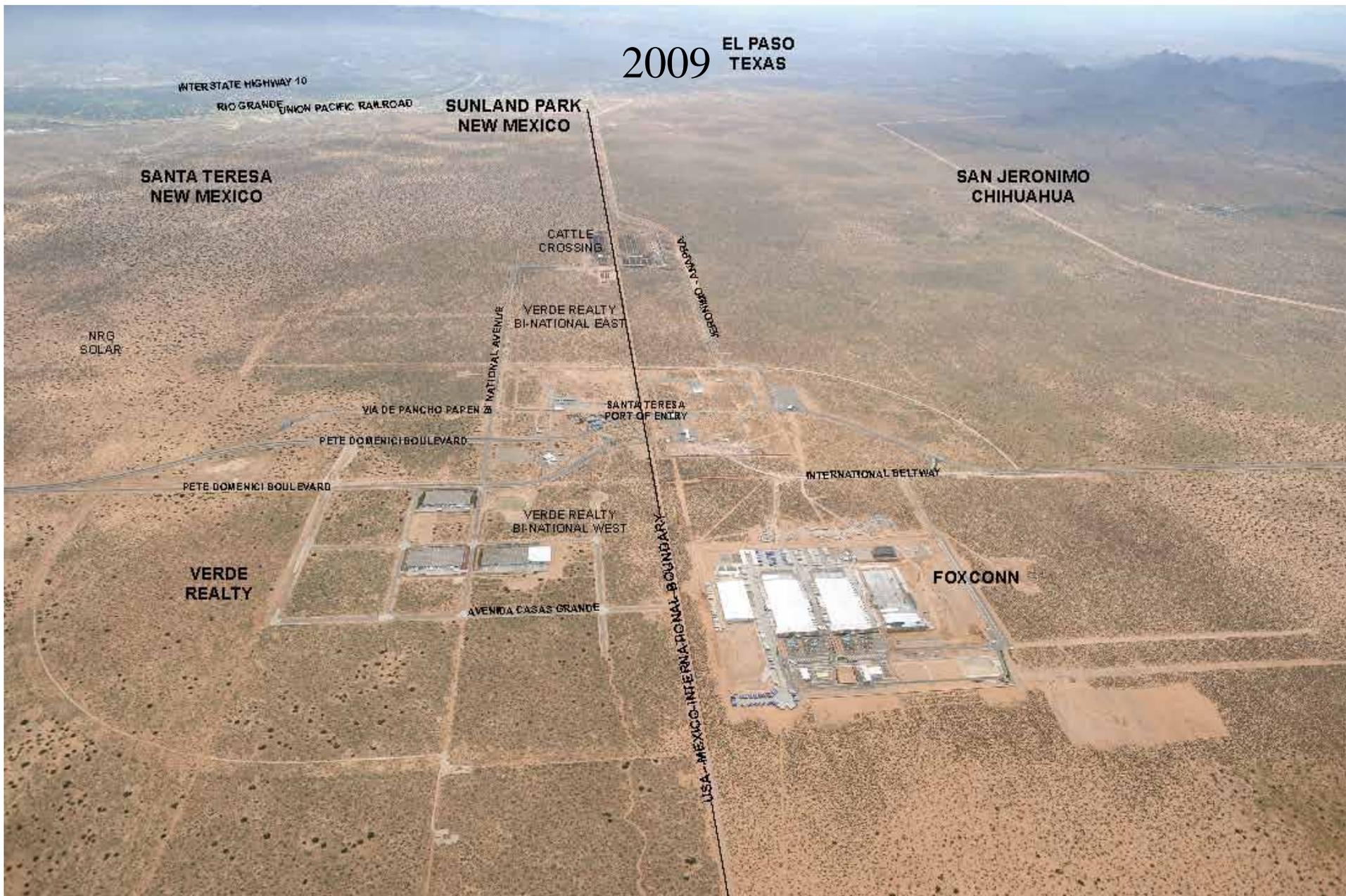




NRG Solar Farm

- One of the first large-scale solar projects built in New Mexico, and will be the state's second-largest photovoltaic facility when completed in 2011
- Built on a 210-acre privately owned parcel of industrial-zoned land near the Santa Teresa Port of Entry, about 10 miles from El Paso, Texas

2009 EL PASO TEXAS



INTERSTATE HIGHWAY 10

RIO GRANDE UNION PACIFIC RAILROAD

SUNLAND PARK
NEW MEXICO

SANTA TERESA
NEW MEXICO

SAN JERONIMO
CHIHUAHUA

CATTLE
CROSSING

DEBOW CROWDER

VERDE REALTY
BI-NATIONAL EAST

NRG
SOLAR

NATIONAL AVENUE

VIA DE PANCHO PAPER

SANTA TERESA
PORT OF ENTRY

PETE DOMENICI BOULEVARD

PETE DOMENICI BOULEVARD

INTERNATIONAL BELTWAY

VERDE REALTY
BI-NATIONAL WEST

VERDE
REALTY

FOXCONN

AVENIDA CASAS GRANDE

USA-MEXICO INTERNATIONAL BOUNDARY



BUILDING AMERICA[®]

Facility will be located near Santa Teresa, NM and will be a magnet for further growth





UP Statistics

- Overall economic impact of \$500 million for the New Mexico economy,
- Investment in the project totals more than \$400 million.
- The facility will create 3,000 jobs during the construction phase from 2011 to 2015, and will eventually be headquarters for more than 600 permanent jobs.

Union Pacific Project







- Formed early 2009
- 501 (c)6 non-profit corporation
- Comprised of businesses involved in industrial operations
- 70 members



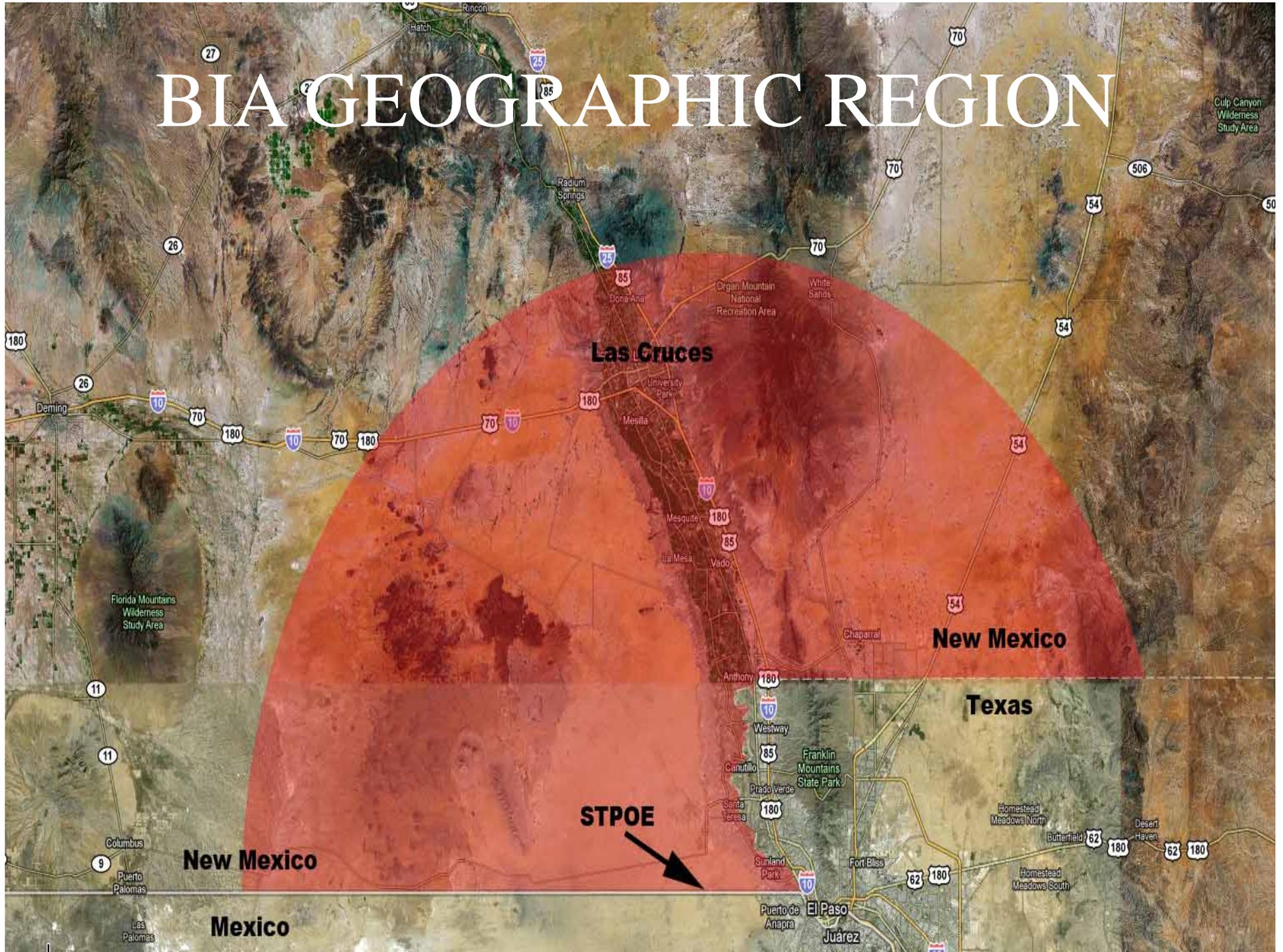
The BIA addresses issues common to our southern New Mexico industrial base including:

- Workforce
- Regulations
- Infrastructure
- Cross-border trade
- Energy costs
- Suppliers
- Inter-association networking



- Represents:
 - Approximately 2,000 jobs
 - Hundreds of millions in investment
 - Millions in annual taxes
 - Billions in annual production
- Represents the second largest industrial base in New Mexico

BIA GEOGRAPHIC REGION





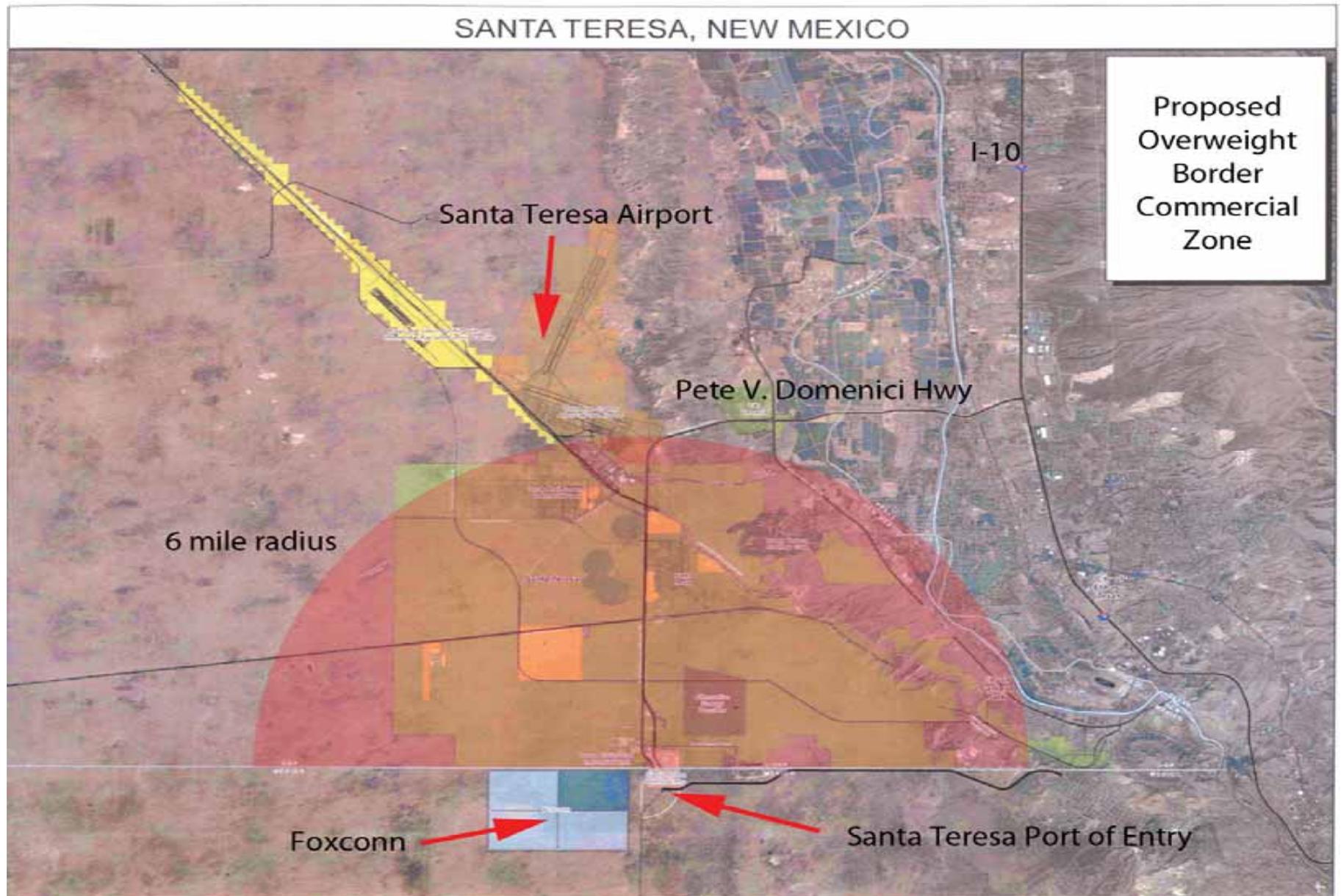
Border Industrial Association Legislative Priorities 2011

Local NM Efforts to Increase Border Competitiveness:

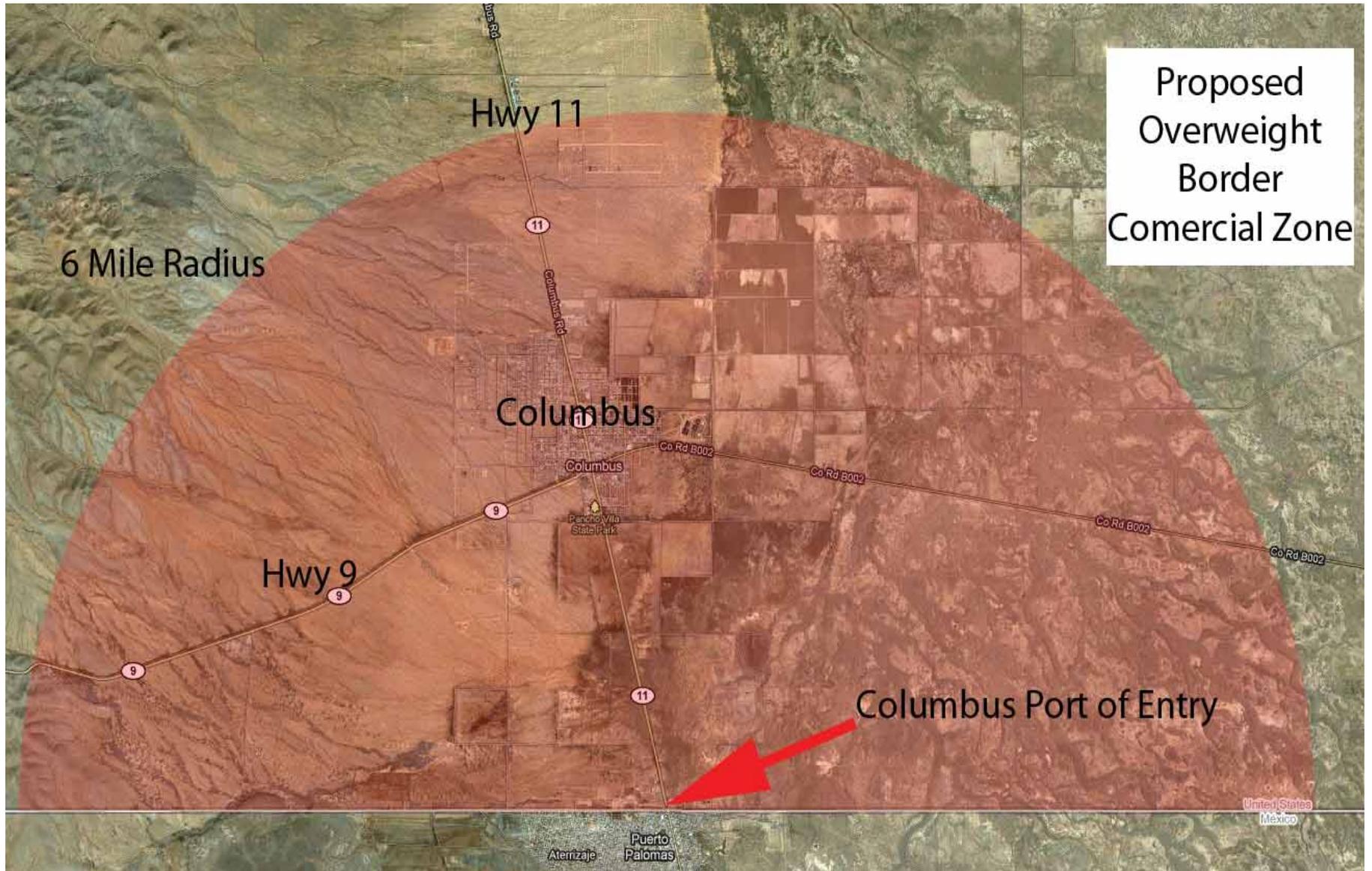
- Personal Income Tax Exemption
- Revolving border infrastructure fund
- Diesel fuel tax abatement for UP
- Capital Outlay for infrastructure



•Overweight Border Commercial Zone



- Overweight Border Commercial Zone



Factors Decreasing Our Region's Productivity

- Under-skilled workers
- Delays at ports of entry
- Aging or obsolete infrastructure
- Electricity issues
- Lack of coordination across jurisdictional lines
- Border tends to be “out of sight, out of mind”

The Reality

- Mexico is no longer a low-cost producer
- Our region needs to compete based on productivity and ability to support value-added industries
- Delays at ports of entry decrease productivity and cause companies to reconsider other options
- Under-skilled workers decrease the attractiveness of the region on behalf of industrial prospects

Factors to Increase our Region's Productivity

- Incorporation of technology into cross-border processing systems
- Access to the internet in underserved areas on both sides of the border
- Attraction of more industry to the area based on the “Disneyland Concept”
- More regional cooperation to access federal monies for infrastructure

What will stay in Mexico:

- White goods
- Products that are on a tight supply chain
- IP-sensitive products

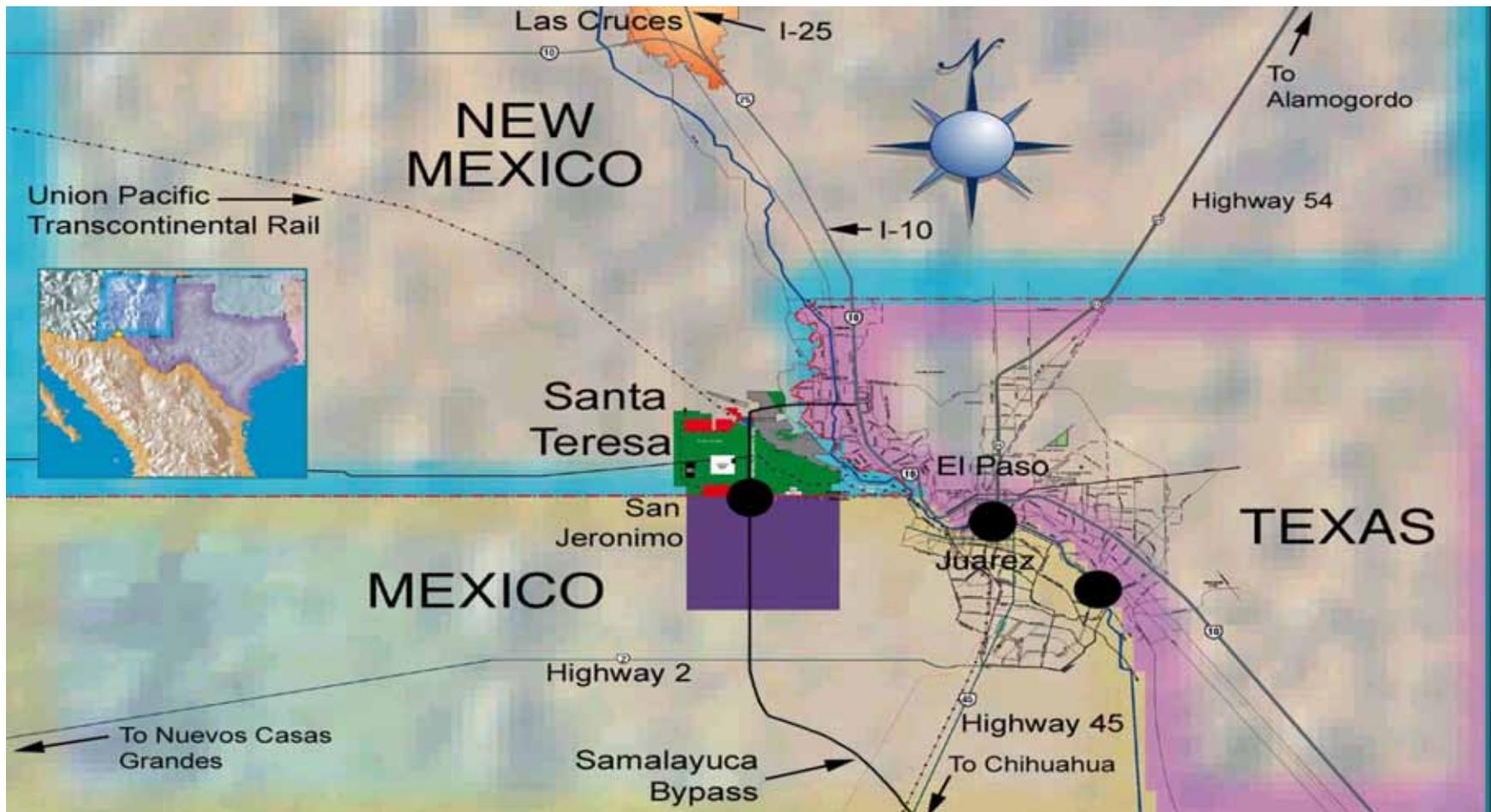
Santa Teresa Region:

- Vacancy in the Santa Teresa industrial parks has gone from 800,000 s.f. 3 1/2 years ago to only 16,000 s.f. today
- Four company expansions are underway in parks
- Recruitment pipeline as big as it has ever been
- Water/wastewater funding has been committed by the governor and legislature
- Other than the oil patches, the Santa Teresa region is one of the bright economic development spots in the state
- However, electricity and infrastructure issues need to be addressed
- Inauguration of new lanes at STPOE
- CBP pilot program in San Jeronimo

Opportunities:

Let's Become A Player:

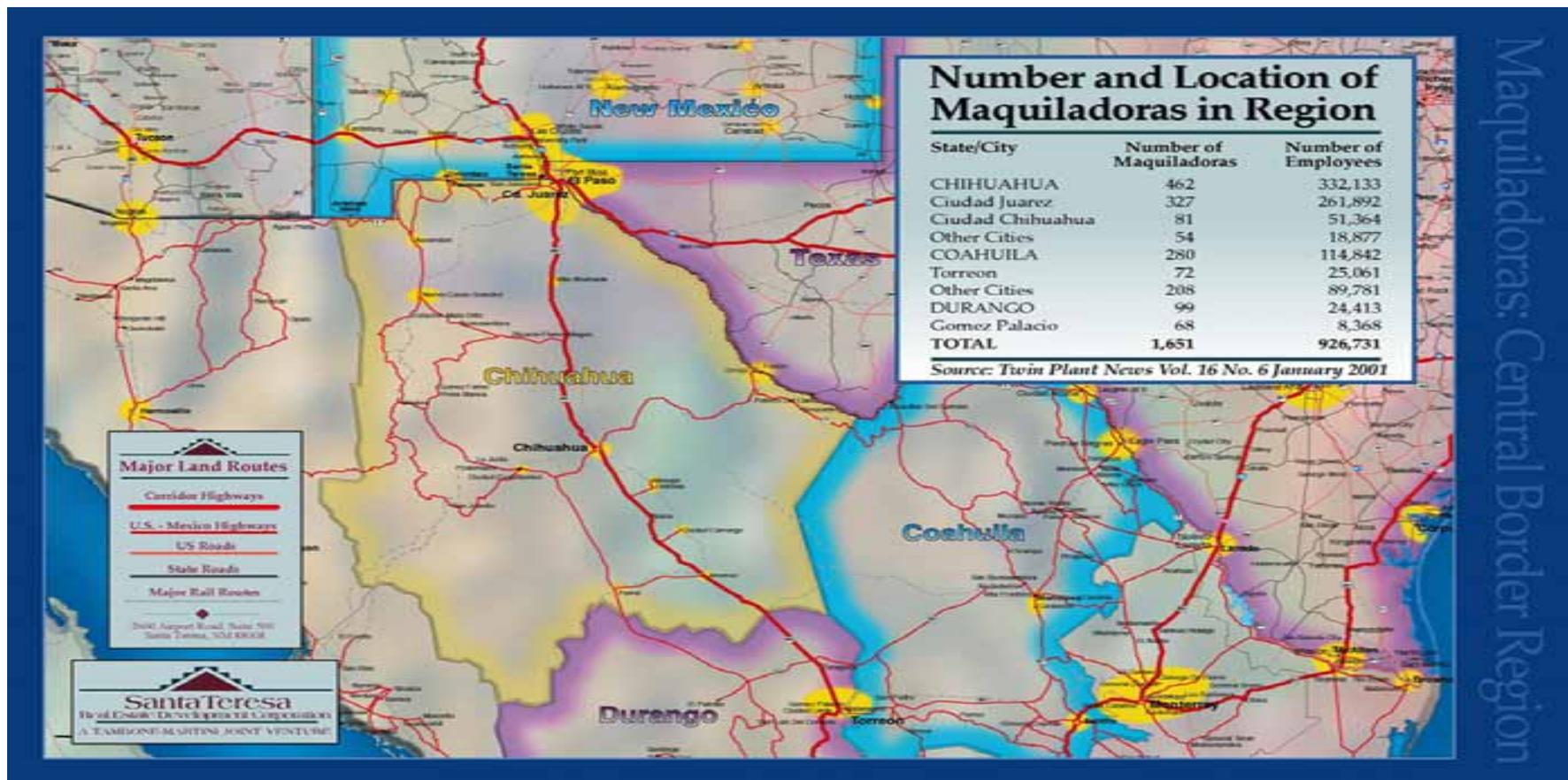
Let's use the Foxconn and UP projects to become a major border trade player for the first time. We can be proactive and start recruiting companies that need to be close to either project.



Increase NM's supplier base to Mexico:

Opportunities:

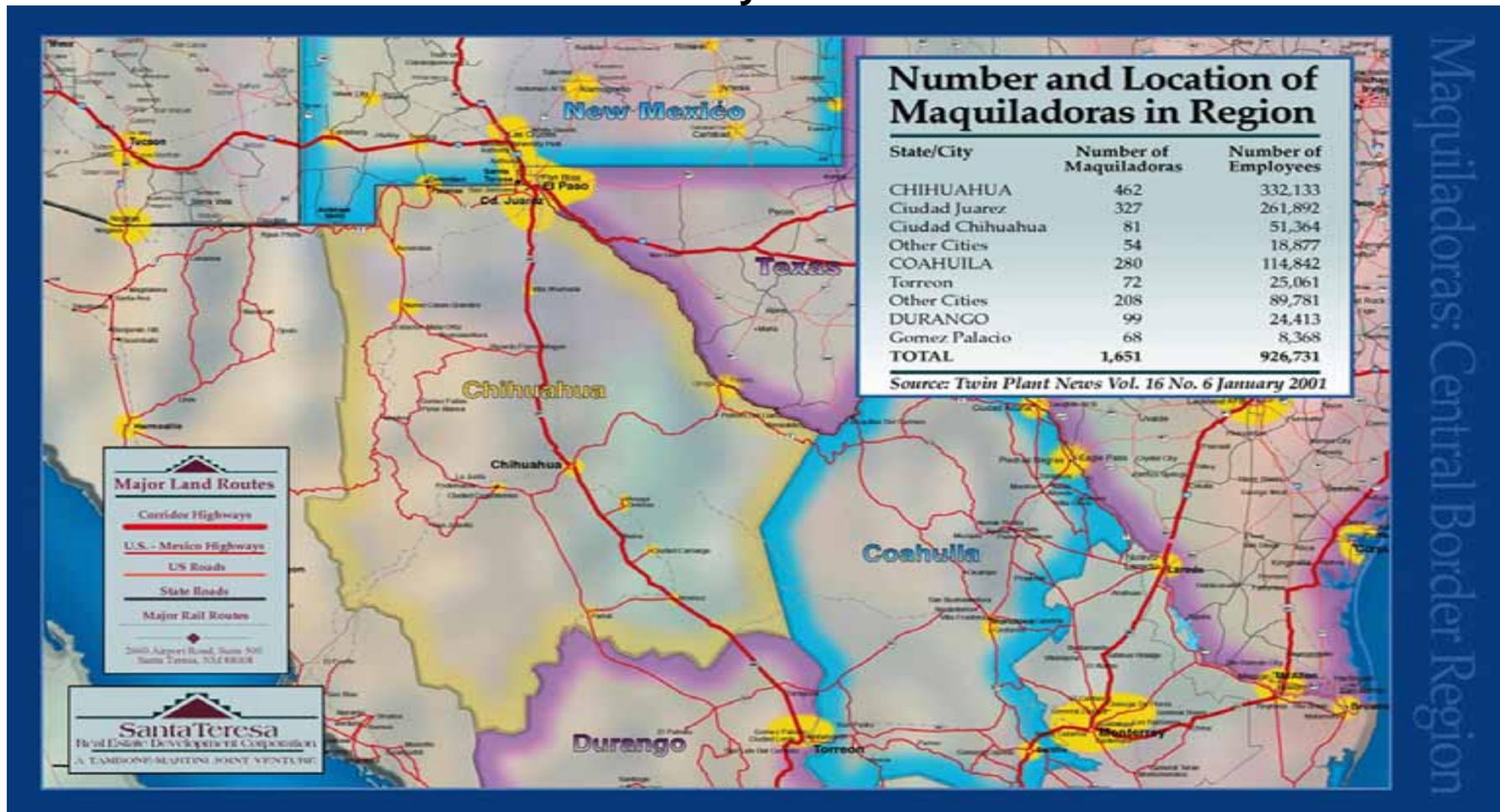
- Educate and prep NM companies
- Relocate out-of-state firms with existing supplier relationships with Mexican industries
- Take advantage of our geographic proximity to harvest business in the “bucket”



•Chihuahua is and will remain Mexico's maquila capital in the future:

Opportunities:

- Skilled workforce
- Infrastructure
- Presence of foreign multinationals
- Proximity to the U.S. market



Thanks !

Jerry Pacheco

The International Business
Accelerator

