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Attention Japanese investors: 'This is Mexico's time'

The year 2013 marks a landmark for Mexico-Japan relations: commemorating 125 years of diplomacy and trade between the nations that is a testament to the two countries' long-standing commitment to each other as strategic and vital partners for economic growth. That commitment was renewed when Mexico's president, Enrique Peña Nieto, and Prime Minister Shinzo Abe held a summit in Tokyo in April this year. Strengthening bilateral business was at the top of their agenda.

Both leaders highlighted growing bilateral trade and an investment relationship that is increasingly vibrant and mutually beneficial. The resulting creation of quality jobs and technology transfer has contributed to significant growth for both economies. Specifically, Peña Nieto and Abe stressed the roles of the continuing international expansion of Japanese companies in relation to the Mexican automotive industry's growing presence as a global manufacturing center.

"Japanese companies — particularly from the automotive sector — have been actively investing in Mexico, with auto and auto parts manufacturers having announced major projects successively," reveals Shuichiro Megata, Japan's ambassador to Mexico. "Nissan alone has invested $2 billion to build a car production plant." In the coming years in Mexico, three of Japan's automakers — Honda, Nissan and Mazda — are set to generate thousands of jobs directly, not counting those that will be created for the industry's entire supply chain.


PRO MEXICO

The future is bright for Mexico given its strategic geographical location, growing workforce, and strengthening economy

The vigorous development of the automotive sector has also positively influenced a number of other industries, as sourcing for high-tech manufacturing in electronics, metallurgy and machinery becomes more available. Mexico's increasingly well-regarded medical tourism industry is growing, as its most internationally well-known medical centers become prime destinations for patients from abroad seeking high-quality treatment at a fraction of the cost elsewhere. The country's logistics and transport service sectors are benefiting as well. Official data released by the office of Mexico's Secretary of the Economy indicates that, from 2005 to 2013, investments in Mexico by Japanese companies alone have totaled more than $11.4 billion: much of it in these growing sectors.

Ricardo Navarro, president of the Mexico City Chamber of Commerce cites stability in the financial sector as a major driver for growth: "Mexico has a strong financial sector with $160 billion in reserves, low inflation, and a GDP growth rate that is unmatched in Latin America."

The robust flow of Japanese investment to Mexico is also largely credited to both countries' signing of an Economic Partnership Agreement (EPA) in 2004, as Japan had long recognized Mexico's domestic market and export potential. "The EPA signed by both countries has had a tremendously positive impact for both countries," says Megata. "Mexico is one of the countries with the largest number of trade agreements around the world, and Japan can take advantage of this in tapping those markets from Mexican bases."

With Mexico's manufacturing sector and established logistics infrastructure undergoing continuous renovation, the country is taking center stage as a global export node. Hideyuki Takahashi, director general of the Japan External Trade Organization (JETRO) office in Mexico City, explains: "Mexico's trade agreements, coupled with its strategic location, make it an ideal foothold for export-oriented tech companies. To its north is the world's biggest market, while to its south are the emerging economies of Central and South America." An extensive network of roads, railways and ports — linking the Gulf of Mexico and the Pacific Ocean — allows Mexico to easily access demand and production from Europe and Asia.

Peña Nieto's administration has also ultimately achieved something the country hasn't experienced in some time: political stability. Having negotiated a pact with the country's two main opposition parties — the conservative National Action Party (PAN) and the socialist Party of the Democratic Revolution (PRD) — his Institutional Revolutionary Party (PRI) is guaranteed political support as it aggressively introduces reform in the areas of labor, banking and education, while liberalizing the telecommunications and energy sectors. His administration has also made improving security a top priority — of particular importance to the Japanese business community.

"The Mexican government has long recognized the importance and contribution of the Japanese business community, and is taking an active role in making the country more conducive for foreign investment," says Koji Ishimatsu, president of the Japanese Chamber of Commerce in Mexico. "There are still areas for improvement, and I have no doubt the business relationship between Mexico and Japan will strengthen further in the coming years."

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>
> — SHUICHIRO MEGATA
> Japanese Ambassador to Mexico


EMBASSY OF JAPAN IN MEXICO

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Raul Gonzalez, Deputy Director of Economic Promotion; **Hideyuki Takahashi,** Director General of JETRO Mexico

Current government reforms are now geared at making Mexico more beneficial and, at the same time, more secure for foreign firms, and Japanese investment can now realize the full potential of what Mexico has to offer. Today, more and more Japanese companies are recognizing Mexico as the ideal place in which to plant a foothold for their global interests.

With its strategic geographical location and an abundance of resources — both human and material — as well as high-tech manufacturing in the automotive, medical and infrastructure industries, Mexico will continue to expand robustly as Japan's largest trading partner in Latin America. Ambassador Megata speaks for the entire Japanese business community, declaring: "This is Mexico's time. Pay attention to Mexico." ♦

Insuring a new crop of drivers

Mexico has over 100 million people, but less than a third of that number in cars. It is a figure that is expected to rise in the next decade, due to two main factors: its growing middle class and the wave of maturing young people now starting to enter the workforce. A predicted increase in average consumer income should lead to an accompanying increase in consumer expenditure — with owning a car on the top of many a list.

The excellent prospects for a strengthening automotive industry has more and more of the world's largest automotive companies maintaining and building manufacturing facilities in Mexico. In fact, most of the Japanese foreign direct investment (FDI) into Mexico is aimed at this sector — approximately 80 percent of total FDI from Japan.

The auto insurance sector, therefore, is also well-placed to benefit from the coming rush of more and more vehicles onto Mexico's asphalt network. And the best prepared companies in the sector are expected to grow the most in the coming years.


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Joaquin Brockman Lozano, Director General of Qualitas

Qualitas is one of those. Started in 1994 with only five employees, today it has over 8,000 agents all over the country. Building on humble beginnings, Qualitas is now Mexico's largest auto insurance provider — insuring over 2 million cars, equivalent to 20 percent of the total market.

"We had some difficulties in the beginning, especially with other well-established players already in the market," says Joaquin Brockman Lozano, director general of Qualitas. "But today we have the largest market share in the country, and this is due to our service-oriented philosophy.

"We are heavily focused on understanding, and specializing in, the Mexican market," he continues. "We continuously offer new products directly based on consumer needs and demands. We understand the market very well, and we are dedicated to providing the Mexican community with the most ideal range of services in auto insurance."

Brockman, who's been with the company since its establishment, is also optimistic of the growth of other markets in the region and the potential for Qualitas there. "We are aiming to consolidate our operations in Central America," Brockman stresses. "We are looking at markets such as El Salvador and Colombia; both of which have very attractive auto markets and growing populations."

He makes clear that Mexico remains the focus of Qualitas. "We owe much of our success to the Mexican community, and we appreciate the loyalty of both our employees and our clients," he notes. "We are quite optimistic of the market's potential, and we are very excited for what the future holds for both our industry and Qualitas. This is the ideal time to be in this field." ♦

www.qualitas.com.mx

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From Guanajuato, Mazda makes its global move

Just eight years after Mazda de Mexico started commercial operations in the country, the company is set to open a full-scale production facility in the central state of Guanajuato with an initial annual production capacity of 140,000 units.

"The new factory will symbolize Mazda's tremendous growth in Mexico's automotive sector within a relatively narrow time frame," explains Leopoldo Orellana, president and CEO of Mazda Mexico. When the plant is switched on early next year, the Japanese auto manufacturer will officially plant a foothold on its way to becoming a major player in both American continents in the coming years.

Orellana adds, "Carrying a Japanese brand here in Mexico is an advantage in itself. In the Mexican mind-set, Japanese brands are guarantees of good quality, high technology and excellent service. There is no doubt that we at Mazda Mexico are dedicated to upholding these values every day."

In fact, Japanese auto companies have helped shape many excellency standards for the Mexican automotive sector. "Prior to the signing of the North American Free Trade Agreement (NAFTA) in 1994, Mexico's auto sector was closed, and after-sales service deficient," he continues. "Afterward, major U.S. and Japanese players came in introducing better-quality cars. Along with the products, they brought in a strong after-sales service culture."

In addition, Mazda had to differentiate itself from other foreign brands in order to grow market share. With its "Zoom-Zoom" slogan, the company markets its vehicles in Mexico as sporty, enjoyable cars akin to premium European brands.

"We make cars for people who enjoy driving," Orellana says. "We have the soul of a sports car manufacturer, so we don't make cars that just take you from point A to point B."

Targeting a young demographic (company data indicates its average customer is 30 years old), Mazda Mexico currently has a 3 percent market share in the country: projected to increase to 4.5 percent once the new production facility starts.


MAZDA

With Mexico's growing domestic market, Mazda is driving to increase its presence in Mexico


MAZDA

Leopoldo Orellana, President and CEO of Mazda Mexico

A significant opportunity for Mazda in Mexico opened up in 2005, when Japan and Mexico signed an Economic Partnership Agreement. Among other things, it gradually phased out import duties for cars. For Mazda, Mexico had the potential: adequate and improving export infrastructure and an already established automotive industry.

"All signs were pointing to Mexico," Orellana exclaims. "It is one of the countries with the largest number of free trade agreements, allowing us to penetrate other markets. It is also geographically ideal. With ports in the Gulf of Mexico and the Pacific, we can access both Europe and Asia, while we have the U.S. and Canada to the north and all of Central and South America in the other direction."

Today, Mazda is embarking on the next stage of its global expansion plan, as the opening of the Mexican plant marks the company's first-ever overseas factory it will operate on its own. Coupled with a weaker Japanese yen, which has added a substantial boost to exports from Japan, and the groundbreaking SKYACTIV technology, which brings the customer fuel efficiency and low emissions without sacrificing performance, the situation for Mazda is positive at last. ♦

www.mazdamexico.com.mx

Building a country's industrial backbone, one building at a time

For over 25 years, Grupo CS has grown from a company specializing in concrete slabs, walls and foundations to become a major industrial construction group in Mexico that provides infrastructure services across different sectors. While maintaining its roots as a concrete manufacturer and installer, the group has expanded its range of services, and now provides integrated services in industrial design, supervision and construction across the country.

Its director-general, Jacobo Radoszycki, attributes the company's success to three main factors: its strong relationships with its clients, its persistence in making sure to meet every specification for clients' needs and its well-organized and highly competent pool of workers.

Never limited to the confines of his offices, Radoszycki is a hands-on leader who can often be found at construction sites with clients and engineers. "You have to constantly make sure that all aspects of the project meet the specific demands of your client," he says. "One big reason for our company's success is that firms have confidence in us. By consistently delivering our clients' specifications while maintaining the highest international construction standards in quality and safety, we have built a solid reputation for quality through the years.

"Another factor in our success lies is our personnel," Radoszycki continues. "We have an excellent team of architects, engineers, draftsmen and builders – many of whom come from different cultural and linguistic backgrounds. This efficient diversity has made us a preferred company with whom to work by international firms investing in Mexico, and has facilitated and eased doing business in the country for them."

Grupo CS's services are as diverse as its clients and staff: Mitsubishi, Procter & Gamble, Walmart, Samsung and Pirelli are just some of the high-profile companies on its client roster. Currently, the company is working as a general contractor for Calsonic Kansei — an automotive subsidiary of Nissan — to build a major project that will include a 150,000-sq.-meter production plant in the booming central Mexican state of Aguascalientes.

With the Mexican President Enrique Peña Nieto's administration now opening up the economy further to foreign investment, Grupo CS expects significant growth in logistics, automotive and energy in the coming years.

"The next five to 10 years will be very robust in terms of foreign investment pouring into Mexico, largely due to reform laws aimed at making the economy more competitive and enticing to foreign firms," Radoszycki explains. "When big companies enter Mexico, they need to buy or rent land and they need buildings. These firms will also bring along their suppliers, and they will need distribution centers. We can offer services in all aspects of the process."


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Jacobo Radoszycki, Director-General of Grupo CS

The past quarter century has seen the company grow from humble beginnings to its current role providing the backbone to industrial and commercial growth in the forward-looking economy of Mexico, as the country sidesteps the obstacles of the global economic crisis and prepares for increased growth. ♦

www.cs.com.mx

Mexico Business Report

www.worldeyereports.com

Vision for growth in medical imaging

"The relationship between Japan and Mexico started 400 years ago," says Aldo Montes, country manager of Agfa HealthCare Mexico. "With such a long history, Mexico is still strengthening its ties with Japan. Mexican President Peña Nieto's recent visit to Japan is an indication of this. For Japan, it is a perfect time to invest in Mexico — a country with strong potential in many booming sectors."

Agfa HealthCare started its operations about 120 years ago in Belgium. Today, the group maintains its two global headquarters in Germany and Belgium, producing DR (direct radiology) solutions and other computerized radiology products for hospitals.

Already a world-leading company in medical imaging, it is also striving for the leading position in the Mexican market. "Although we are in a very competitive market, with our young and strong team we are committed to becoming the Mexican leader in the next one-to-two years," says Montes.

"Most of our products have Japanese technological input," he continues. "Agfa is a European company, but very open to collaborations with companies from across the globe. Our detectors come from Japan, and most parts for our robotics come from Japan. There is no restriction for us to engage in joint ventures with Japanese companies."

Agfa HealthCare's newest product, called Agility, is its latest proprietary software for a completely unified imaging management platform designed to achieve clinical productivity, improve serviceability and streamline integration efforts across the entire medical imaging sector.

"As part of our future business expansion plans, I consider Mexico a completely open market," says Montes. "Agfa HealthCare Mexico will be the Latin American pioneer in launching a new product called Skintell — non-invasive imaging technology for visualizing skin morphology — and we are very excited. We are

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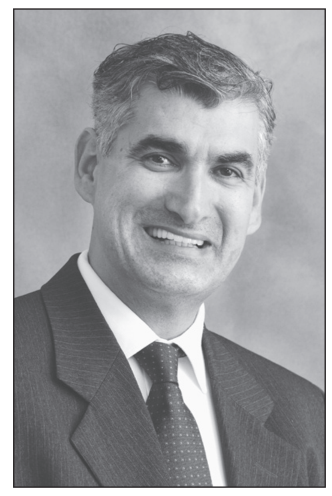
> — **ALDO MONTES**
> Country Manager
> Agfa HealthCare Mexico


AGFA HEALTHCARE

expecting to grow at least 10 to 15 percent in the Mexican market. It's huge growth for Mexico, and I am very excited and optimistic for 2014.

"The key to our success is working hard, and respecting and understanding our customers," he concludes. "It is important for us to listen to our clients. If we don't listen to them, we can produce sales but cannot create a relationship. The secret to growth in Mexico is to listen and then create solutions tailored to our customers' needs." ♦

www.agfahealthcare.com/latam/es/main/

Conditioned for success in the Mexican market

Mexico stands at the crossroads of the world. Its innate geographical advantage at the midpoint of the American continent, along with its dynamic economy and cost-effective workforce, are driving more international companies to establish both operational headquarters and manufacturing facilities in the country.

The automotive sector is expected to benefit the most from this robust growth — and it represents approximately 80 percent of total Japanese foreign direct investment in the country. It's no wonder analysts are labeling the upcoming years as "Mexico's Time."

Construction and infrastructure development have been the main themes in Mexico's current agenda. As more international investment interest continues to focus on the country, a growing number of manufacturing facilities and offices are being built to accommodate the influx of businesses. The concern for many, Japanese corporations included, is finding the ideal partner capable of supporting this growth.

One particular industry, the air conditioning sector, is now a $1 billion market in Mexico and is experiencing a rise in both interest and consumers. Although the personal air conditioning segment is still in its infancy in the country, the industrial and new construction sectors are proving to be more than enough market to bolster business for established players, as explained by Masashi Oshimo, vice president of Daikin McQuay Mexico.

"Social priorities are a key factor in the Mexican market," he says. "More and more Mexican people are still getting accustomed to needing personal air conditioners in their homes, and we see this segment having huge potential in the coming years.

"However, our main focus now is on the servicing of the industrial and new construction sectors that have grown tremendously," continues Oshimo. "Due to this influx of business, Daikin McQuay in Mexico has grown by over 300 percent since 2010. By 2015, we are expecting to grow to fully twice the size we are today."

Oshimo, who has been with Daikin for over 20 years, cred-

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>
> — **MASASHI OSHIMO**
> Vice President
> Daikin McQuay Mexico


DAIKIN MCQUAY

its his company's growth to numerous internal factors as well: "Particularly for Daikin McQuay, it has also been driven by our highly motivated and experienced staff, the synergy between Daikin of Japan and McQuay International, and our company's focus on providing the market with highly advanced and innovative products. These are some of the main competitive advantages of Daikin McQuay, and we are inviting both incoming and established businesses in Mexico to partner with us to fulfill their air conditioning needs."

Daikin McQuay Mexico is the Mexican arm of Daikin Industries, a Forbes 1,000 company. It provides a wide range of products tailored to the Mexican market's need for air conditioning, heating, ventilation, cooling and filtration. ♦

www.daikinmcquay.com.mx

Anticipating client needs: the key to success

"To be different is to be successful" is a mantra to which Yoshihito Tanaka, director general of Centro de Distribucion Nikko, strongly adheres. With established roots in Mexico since 1972, the company has grown to become one of Mexico's most well-known and trusted automotive spare parts distribution firms among local and international automotive manufacturers in the country.

It began importing used auto parts from Japan, before gradually expanding its product line to include parts from Taiwan and China. "We try to anticipate future demand of a product," says Tanaka. "For instance, we were the first company to import oil filters from China."

Today, it remains on a continuous quest to find new partners and introduce innovative products to the Mexican market. "I travel frequently to visit trade shows in Asia," Tanaka explains. "I am always searching for the right partners and suppliers for my business.

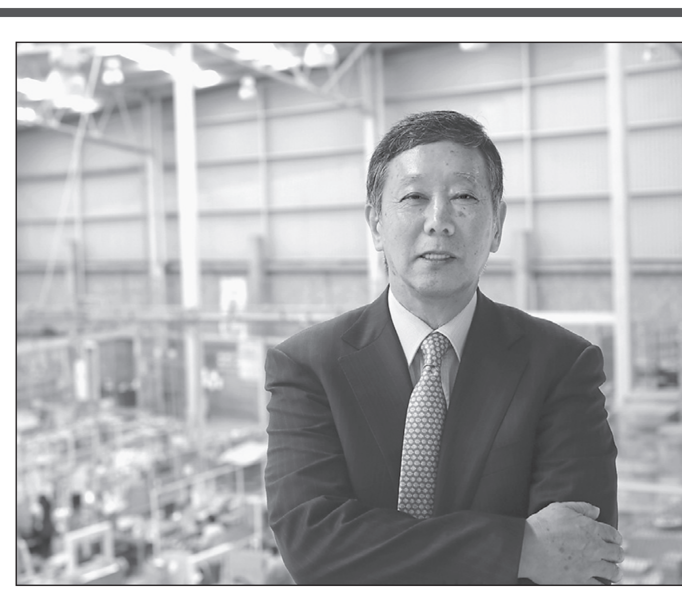
"Although there are many auto parts importers today, they only focus on the present," he adds. "It's important that I differentiate myself from everyone else in the industry. I like anticipating future opportunities and having a long-term plan for the next 10 to 20 years."

Recently, the Mexican automotive industry has surged significantly, with companies such as Nissan, Mazda, Toyota and Honda increasing investment in the country and more auto parts manufacturers looking to enter Mexico.

As the opportunities continue to grow in Mexico, Centro de Distribucion Nikko has positioned itself as an ideal distribution partner to auto parts companies, and a major supplier to automotive manufacturers.

"Japanese and international auto parts companies can trust us to build their brand in Mexico," Tanaka says. "They can count on

> "Japanese and international auto parts companies can trust us to build their brand in Mexico, they can count on us for excellent and efficient service."
>
> — **YOSHIHITO TANAKA**
> Director General
> Centro de Distribucion Nikko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us for excellent and efficient service. We have a warehouse, trucks and a strong sales team — which equips us to offer better prices and a higher quality of product.

"Our focus is not on our company's immediate benefits, but on our clients' long-term growth," he continues. "We make it a point to invest and promote the brands of our trusted partners. Sometimes it takes up to 10 years, but we are willing to invest the time and money to make it a success."

Because of the company's commitment to its customers, strong relationships have been forged: and some of them go as far back as 30 years. The strong bond between Mexico and Japan has also positively impacted the company's development. Looking ahead, Tanaka's target is to achieve 10 percent growth every year for the next five years.

"We have a strong relationship with Nissan and Toyota, as well as other manufacturers," he says. "Anticipating their needs, we are already importing new parts for them." ♦

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