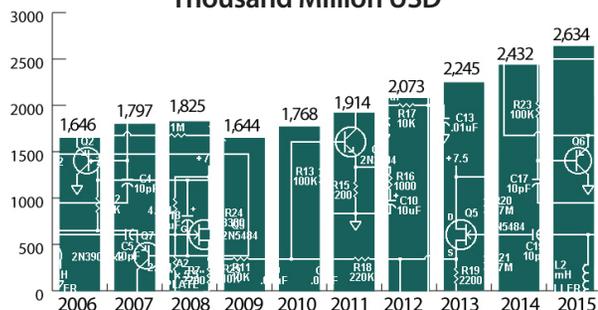


Electronics Global Industry

In 2010, the global electronic manufacturing sector reported a **1,767,700 million USD** market value and is expected to grow at an average **8.3%** annual rate over the next five years.

Source: Datamonitor. Global electronic equipment and instruments, June 2011

**Market Value of Electronics Sector
Thousand Million USD**



Products Considered Part of the Sector

Flat-screen television sets, cellular phones, computers, data processing machines, control units or adaptors, telephone components, semi-conductors, transmission and receptor equipment, automatic machines for data processing, microwave receivers, or signals via satellite, modular circuits and video game consoles

Most Important Regions for the Industry

In 2010, the region with the largest share of the electronic market was Asia-Pacific with 62.8%, followed by Europe with 17.6% and the United States with 17.1%.¹

Major Companies

The largest companies in the sector are: LG, Sony and Samsung Electronics, among others.

The largest electronic manufacturing enterprises [EMS –electronic manufacturing services] are: Foxconn, Flextronics, Jabil, Celestica, Sanmina, among others.

1. Source: Datamonitor. Global electronic equipment and instruments, June 2011.
2. Source: Global Insight
3. The difference between production and exports values is due the use of different products classification systems.

Mexico Production

Our country has a solid installed capacity for manufacture of electronic products, which was valued at **53,988 million USD²** in 2010.

According to Global Insight's estimates, the electronics production in Mexico will increase by an annual average rate of **6.1%** over the next four years.

Mexico provides great opportunities for manufacturing. Our country has **728 economic units⁴** specializing in the electronic industry and located mainly in Baja California, Tamaulipas, Chihuahua.

This sector employed a total of **312,913 people⁵** in 2009



Consumption

The consumption of electronics in Mexico in 2010 was reported at **45,852 million USD**. This value is expected to grow at an average annual rate of **7.4%** over the next four years, reaching **65,397 million USD** by 2015.²

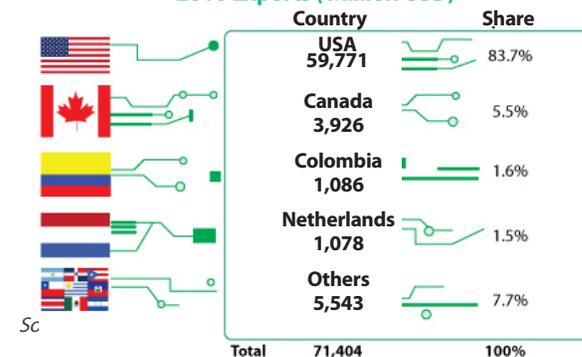
International Trade⁶

In 2010, the sector's **exports** totaled **71,404 million USD³**, representing a 20% growth rate over the previous year and **28%** of non-oil exports of the country

The United States was the main destination for Mexican exports with a market share of **83%**, followed by Canada, Colombia and Holland.

4. Manufacturing, sales and distribution companies.
5. Source: National Institute of Statistics and Geography (INEGI). 2009 Economic Census.
6. Source: Global Trade Atlas.

2010 Exports (Million USD)



The major electronic products exported by Mexico were:

Product	Exports 2010 Million USD	Export Share
Flat-screen television sets	17,430	24.4%
Computers	9,599	13.5%
Cellular telephones	9,223	13%
Control units or adaptors	2,400	3.4%
Video game consoles	420	0.5%
Others	32,332	45.2%
Total	71,404	100%

Source Global Trade Atlas

Mexico also reported **imports** in the electronics sector totaling **74,116 million USD** in the same year.

Foreign Direct Investment (FDI)

Between 2000 and 2010, the accumulated foreign investment amounted to **20,508 million USD**.

Product	Accumulated FDI 2000-2010 Million USD	FDI 2010 Million USD
Computers and peripheral equipment	3,421	595
Communication equipment	14,265	215
Audio and video equipment	1,750	329
Others	1,072	162.2
Total	20,508	1,301.2

Source: Secretariat of Economy.

Success Stories⁷

In May 2011, Samsung announced an expansion of its plant in Tijuana representing an investment of **70 million USD** and generating **1,000 jobs**.



This plant will focus primarily on the production of flat-screen television sets with the latest technology such as the Smart TV.



In February 2011, company Jabil announced the opening of its third plant in Jalisco dedicated to manufacture circuit components.

The company expects to invest **7 million USD** in this project and create **250 new jobs**.

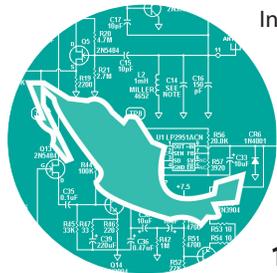
Competitiveness

Mexico is the most competitive country in the world in terms of **manufacturing costs** which are approximately **25%** lower than in the United States and even lower than in the BRIC countries.⁸

According to the World Bank, **Mexico is the best** country in **Latin America** for doing business, and also is ranked 35th in the world.

Only **9 days** and **6 processes** are required to start a new business, and this performance is demonstrably better compared to all Latin America region and the BRICs (Brazil, Russia, India and China)⁹

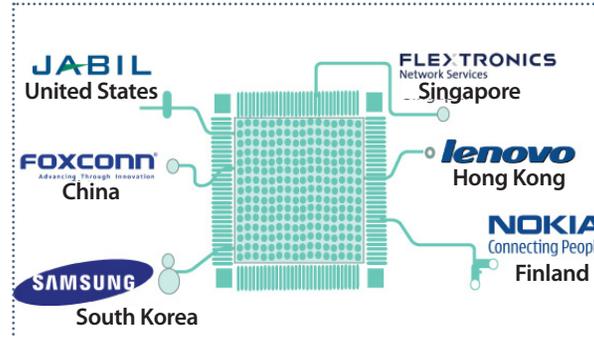
Mexico is one of the most open economies in the world, as its international trade is equal to **58%** of the **GDP** and represents more than 40% of the total trade in Latin America.⁵



In the past decade, the average annual growth rate of engineering graduates in Mexico was **7%** which places it above the population growth rate.¹¹ In 2010, the number of engineering graduates in the country totaled approximately **114,000**.¹²

A Message to the Investor

In 2010, Mexico occupied **first place** in the world for the value of its exports of **flat-screen television sets** and **third place** as far as **cellular telephones** were concerned.⁶



Prominent foreign companies have been successfully established in our country. **Eight out of ten** of the most important transnational companies of manufacturing services for the electronic industry operate in Mexico, including Flextronics, Jabil Circuit, Lenovo, Samsung, Celéstica and Sanmina SCI.¹³

As a result of free trade agreements (FTAs) with **more than 40 countries**, Mexico has access to a **potential market** of more than one thousand million consumers, and 63% of the world GDP, positioning it as an important export platform.

Mexico's proximity to the US, Canada and Latin America allows the reduction in logistical costs for products, due to their weight and volume, are more costly to transport and store. Also, Mexico's access to the Atlantic and Pacific Oceans distinguish it as a strategic location to do business and exchange goods with Europe and Asia.

México is a safe place for foreign investment. Our country has signed **28 IPPAs** (Investment Promotion and Protection Agreements) and **DTTs** (Double Taxation Treaties) with more than 40 countries.¹⁴

Mexico is the **8th** most **attractive** country for foreign **investors** worldwide.¹⁰

Shelter Services: these allow businesses to start operations more easily, as they issue the necessary permits for them to begin operations without having to worry about customs, legality and administrative topics.

Support Programs¹⁵

Refund of Taxes on Imports and Exports (Drawback)

In a case where the producer has imported materials which are incorporated into merchandise for export, the program offers the possibility of a refund of the general import tax on these materials.

Sectorial Promotion Programs (PROSEC)

In a case where the producer has imported materials which are incorporated into merchandise for export, the program allows the import of such materials at a preferential ad-valorem rate.

Manufacturing Industry, Bonded Assembly and Export Services (IMMEX)

It simplifies the procedures and requirements of the bonded assembly regime for those companies which already have a structured business plan. It allows for the temporary importation of goods or services used in the industrial process; it is geared towards the development, transformation or repair of imported foreign merchandise.

Chambers & Associations

The National Council for the Bonded Assembly and Export Manufacturing Industry (CNIMME)

An organization which represents more than 1,200 established businesses, employing 80% of the work force in the bonded assembly industry.

The National Chamber for Electronics, Telecommunications and Information Technologies (CANIETI)

A public interest institution involved in the competitive development of the telecommunications and technologies electronic industry.

Mexico's Electronics Supply Chain Organization (CADELEC)

An agency that intends to facilitate the development and integration of local, national, and international companies into the electronic industry's supplier chain and strategic sectors of the regional and domestic economy.

7. Source: Bonded Assembly Portal [Maquila Portal]

8. Source: Alix Partners 2010

9. Source: Doing Business, The World Bank [WB] 2010

10. Source: Foreign Direct Investment [FDI] Confidence Index, A.T. Kearney, 2010

11. 1.4% annual average for the period 2000-2010, National Institute of Statistics and Geography (INEGI)

12. Source: National Council on Science and Technology (CONACYT).

13. Source: Manufacturing Market Insider

14. Source: Secretariat of Economy/Secretariat of Finance and Public Credit

15. Source: Secretariat of Economy