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Overview of Mexico's Aerospace Industry



www.InnovateCalifornia.net

Background:

The commercial relationship between Mexico and the United States has flourished since the signing of the North America Free Trade Agreement (NAFTA) in 1994. Bilateral trade between the two nations exceeds \$1billion/day. Mexico is the second largest export market for US goods/services.

The Government of Mexico (GoM) has targeted aerospace as a strategic industry in its economic development strategy. Government, industry and academia are coordinated in their approach to attract foreign investment in this sector. Universities, technical colleges and other higher education institutions are developing aeronautics/aerospace engineering programs to develop a pipeline of highly qualified aerospace workers with a focus on innovation. In 2006, the GoM eliminated all import duties on aeronautic components. The *Wall Street Journal* reports that Mexico pumped \$1.2 billion into the industry between 2006-2007.

Generally speaking, Mexico is economically and politically stable, offers a relatively inexpensive yet qualified workforce, stands in close proximity to the US and the southern California aerospace cluster in particular, and implements liberal trade agenda. Including NAFTA, Mexico has established 12 Free Trade Agreements with more than 40 countries including the European Union. In 2007, the US and Mexico signed a Bilateral Aviation Safety Agreement enabling aerospace companies in Mexico to certify aerospace designs and components in accordance with US standards and in compliance with FAA regulatory issues. This agreement aims to streamline production and avoids costly re-certifications or secondary reviews.

With over 120 aerospace companies in Mexico and a workforce approaching 20,000, the Mexican aerospace sector is making its mark. In the last couple of years, it has attracted significant investments from Goodrich Corp (US) seeking to expand its production capabilities in response to increased aircraft deliveries, Honeywell Aerospace (US) is establishing a \$40 million systems integration and testing lab, GE (US) is establishing a \$100 million aerospace park, and Bombardier (Canada) manufactures fuselages in Queretaro, among others.

Mexico's core competencies in aerospace include: engine components, harnesses and cables, landing system components, plastic injection, heat exchangers, precision machining, electronic components, A/V systems and fuselage insulation. It strives to develop the capacity to assemble executive jets in the next 6-8 years, and it is striving to develop a globally competitive R&D sector. US aircraft, spacecraft, and aircraft parts exports supply the aerospace manufacturers and the export volume is expected to continue to increase.

Mexico

Basic Statistics:

Population: 109,995,400 million

Per Capita GDP: \$12,800

Unemployment: 3.7%

Baja California:

Mexico's aerospace industry spreads across the country with the largest concentration in [Baja California](#). Baja California accounts for 35% of Mexico's aerospace companies (40 firms) and 50% of aerospace employment in Mexico (over 12,000 people). The region's capabilities include manufacturing, assembling, repairing & designing aircraft's parts & components, while development of the military applications and private jet sub-assemblies are growing at a fast pace. Baja California is an attractive destination because of its close proximity to California and North American markets.

Market Opportunities:

Market opportunities exist for US aerospace suppliers and equipment providers. NAFTA provides free trade on nearly all products and services between the US and Mexico. Relationships are important to doing business in Mexico. Exporters are advised to use agents, distributors or representatives or a Mexican partner/counterpart.

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Sources: CIA World Factbook, US Commercial Service, *Wall Street Journal*, [Baja California](#)

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