The Aerospace Sector in Mexico: A Good Opportunity for the Japanese Manufacturing Industry

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The Japanese industrial presence in Mexico has been outstanding for the last 60 years. After the adoption of our bilateral Economic Promotion Agreement fifteen years ago, the commercial relation has almost trebled. With a strong legal structure for hosting industrial FDI, my country today is firmly inserted into the Japanese world-wide manufacturing network as a strategic partner for Japan in the North American market. Thanks to Mexico's deep insertion to the US industrial and manufacturing chains, and its geographical proximity to one of the most important markets of the world, Mexico has provided a strategic opportunity for Japanese integration into the electronics and automotive sectors in the region. We believe that the Aerospace sector possesses many similarities to these sectors, as it has been growing steadily as an emerging component of Mexico's manufacturing industrial capacities.

Specialization in the automotive industry prompted Mexican manufacturing competitiveness in different aspects, and offers new frontiers of opportunity. This is also the case of the Mexican Aerospace industry. According to the Mexican Federation of Aerospace Industries (FEMIA), at the moment Mexico only produces 5% to 6% of parts and components consumed by the national Aerospace sector, but this could rise to 50% to 60% if the industry takes the right steps. The Mexican experience and infrastructure in Automotive manufacturing guarantees a relatively easy transition to a greater Mexican aerospace industry supply chain integration.

Every year the AEM (Mexican Aerospace Agency) holds the "Mexican Aerospace Fair" (FAMEX), where many projects related to the aeronautic and satellite communications sectors are presented to the international aeronautic sector in search of investments and joint collaboration. FAMEX rapidly became the most important aerospace fair in Latin America. In 2019, before the pandemic, the fair received 635 participating firms and 52,000 visitors from 39 countries in the Aerospace sector, and hosted more than 5,800 business meetings.

This year the Fair was held in the military base of Santa Lucia and witnessed many interesting proposals for

Ambassador of Mexico to Japan since June 2019. H.E. Pría was Ambassador to India and to Indonesia before her actual position. She was born in Mexico City. Holds a Bachelor Degree in Sociology, two Masters Degrees in Public Policy and International Studies and a Post Graduate in National Security and Strategic Studies. A professional public servant who has served Mexico's public and private sectors for 40 years, the main themes of her work are embracing political and developmental objectives that focus on and address issues relating to poverty, identity and tolerance, marginalized and ethnically differentiated communities. In the Ministry of Foreign Affairs, she has worked in areas that promote the inclusion of different stakeholders in international affairs. She worked as Head of Public Diplomacy and also Director General for Mexican Diaspora. Prior to the above roles with the Ministry of Foreign Affairs, she was political and consular attaché at the Mexican Embassy in Israel and later advisor to the Foreign Minister. Ambassador Pría is the author of several books and publications.

FAMEX 2021 Pavillion, in Santa Lucía
(Source: f-airmexico.com.mx)

aeronautical and aerospace projects from companies such as Grupo SSC, Eutelsat, Airbus, among others. The event also saw the signing of MOUs on technology cooperation with governments in Latin America. This year, the University of the State of Mexico and the Polytechnic University of Puebla have integrated cooperation projects to develop satellite and Aerospace telecommunication projects with NASA.

Educating the new generations in the Aeronautical sector has been a priority of Mexico for more than a decade. In 2007 the Queretaro state government established the first National Aeronautical University with technical programs supported by public and private initiatives to focus on the constant development of the aerospace engineering and industries. The States of Chihuahua and Nuevo Leon adopted similar initiatives for their states, as did the National Polytechnic Institute, Mexico's premier institution dedicated to the formation of professional engineers and technicians.

The Mexican Federation of Aerospace Industry (FEMIA) carried out a study among one thousand manufacturing companies and found that 460 of them have a high potential to grow and develop in the Aerospace industry. Given their specialized technical support and adequate managerial structures, these companies could promptly develop specialized industry clusters with the help of federal and local governments. For example, FEMIA maintains close coordination with state and local authorities in Monterrey to promote the establishment of research and development partnerships that link the automotive and aerospace industries to the famous Tecnológico de Monterrey Institute.

There are banking institutions that can provide financial support to spur the growth of the Mexican aerospace industry through joint-ventures or the establishment of foreign enterprises. In Mexico, companies that are qualified to be part of the aerospace industry can receive loans of up to $3 billion USD for project financing and infrastructure from Bancomext, the Mexican development bank dedicated to promoting of Mexican SMEs and industry. Moreover, the Japan Bank for International Cooperation (JBIC) has expressed interest to the Embassy of Mexico to support the expansion of the Japanese aerospace industry in Mexico through Japanese and Mexican enterprises working together.

The COVID-19 crisis provided an important lesson on the need for industrial diversification and the expansion of international manufacturing networks. In moments of dire need, the scarcity of semiconductors severely impacted the Electronic and Automotive industries. This provides an area of opportunity for the Mexican semiconductor industry. The commercial frictions between the US and China have reshuffled priorities and strategies for production sites, making countries like Mexico an ideal option to shift industries that are strategically linked to the manufacture chains of the North American market. Mexico could rapidly become, without a doubt, a semiconductor manufacturer or leader in lithium production for batteries for Japanese electronics and the automotive and aerospace industries. This way, Mexico could help Japan mitigate its current unnecessary dependence on two or three production sites. The need to diversify global manufacturing centers and industrial chains can represent an opportunity to expand the Mexican industry towards new areas.

For Japan, this trend would guarantee new options with a more resilient and competitive industrial structure. That is why in times of the "new normal", Mexico continues to be a strategic partner for Japanese industry.

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