

# East West Associates and Foley & Lardner

**Leveraging Mexico to reduce dependence on Asian Automotive Suppliers**  
**Improving your Global Automotive Supply Chain Footprint**

November 17, 2021



## Webinar Agenda

### **Part 1: Brief Introduction to the Webinar**

Part 2: Brief Introduction of EWA

Part 3: Brief Introduction of Foley & Lardner

Part 4: Current State of the Mexican Automotive Market

Part 5: Roundtable Discussion

## Webinar Moderator:

**Alex Bryant**, President & Founder, East West Associates, US

## Webinar Speakers:

**Stefan Lachner**, Automotive & Electronics Specialist, East West Associates, Mexico

**Dan McLeod**, Director, East West Associates, US

**Vanessa Miller**, Partner, Foley & Lardner LLP, Detroit

**Alejandro Gomez-Strozzi**, Partner, Foley & Lardner LLP, Mexico



1. For a company familiar with sourcing from Asia, what are a few of the key differences to keep in mind when looking to establish a supplier base in Mexico?
2. What are the major changes in the Mexican automotive industry over the last 3 years? Anything that has essentially stayed the same?
3. Are you seeing growth in the industry related to companies returning to North America? Are you seeing expansion of Chinese manufacturing into North America via Mexico?
4. Are more companies moving to a regionalized supply chain? i.e., looking to source from Mexico for the North American market – rather than the traditional Global SC model which primarily focused our sourcing from China?
5. What automotive components have a solid, established supplier base in Mexico? Conversely, which are likely to be a challenge?
6. What is the Prosec program offered by the Mexican government affecting import duty reductions/exemptions?
7. What issues do you have with transparency of company ownership in Mexico? How can this manifest itself?
8. What are the unique aspects of the Mexican labor market? Is USMCA's "Facility-Specific Rapid Response Labor Mechanism" something we should be concerned with? What is the relative labor costs in Mexico vs. US vs. Asia
9. How does Mexican freight costs compare to that of US and Asian suppliers? What are predictable lead times in Mexico?
10. What are some of the advantages of Mexico for manufacturers looking to set up operations?
11. And the disadvantages – what most surprises companies looking to source or set up operations in Mexico?
12. The “Shelter Model” is frequently recommended for companies looking to establish operations in Mexico...advantages, disadvantages, limitations?
13. What are the effects of the recently approved outsourcing-ban in Mexico?

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Part 1: Brief Introduction to the Webinar

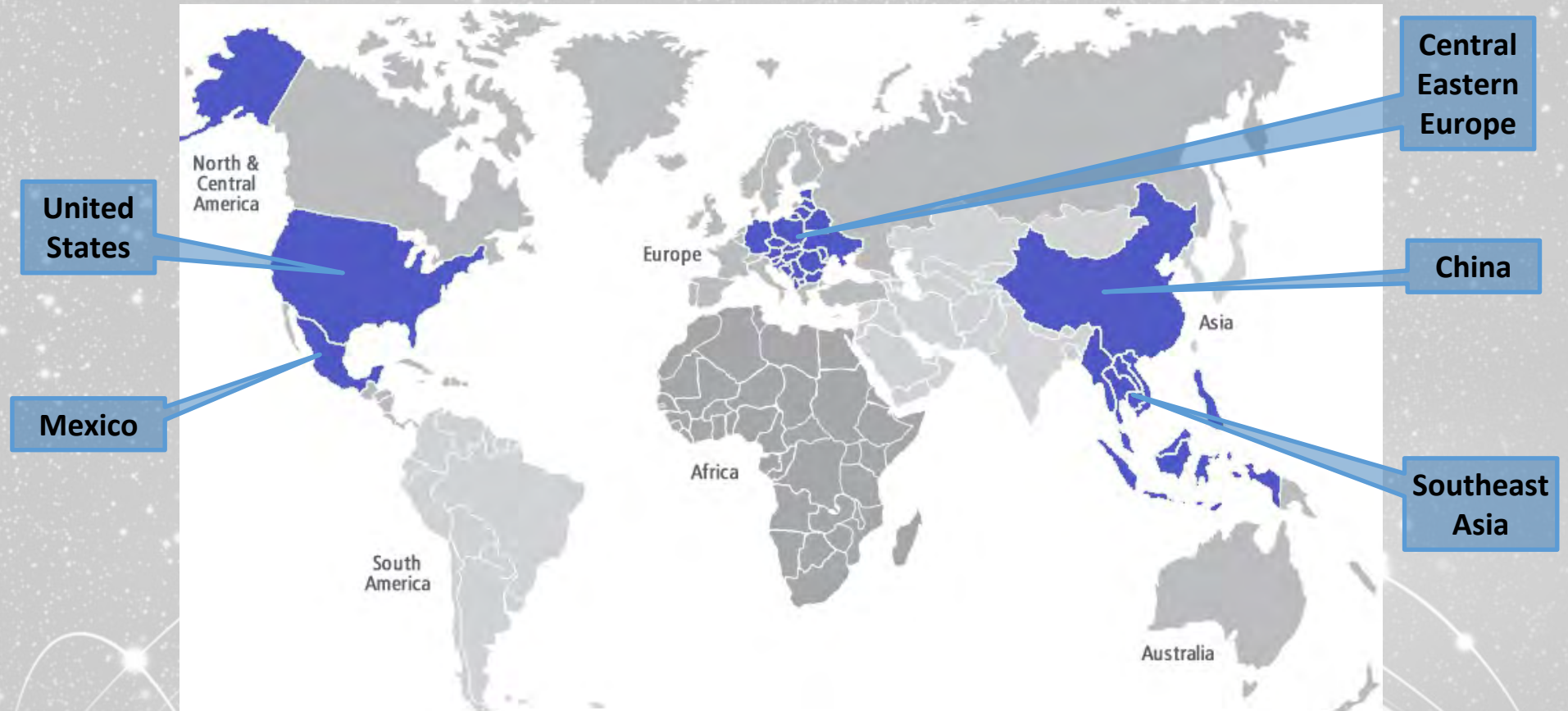
**Part 2: Brief Introduction of EWA**

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- Founded in 2005, EWA executives reside in 5 markets:  
US, China, Southeast Asia, Mexico & Central Eastern Europe
- All EWA executives have held senior management positions with P&L responsibilities for western MNCs on-the-ground in each market
- Leading provider of Supply Chain & Operational, Commercial & Risk Management implementation
- EWA has a separate automotive practice, which is currently driving projects for automotive suppliers in Mexico, Thailand, China and Poland



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## About Foley

Critical business decisions made with confidence. Foley is your trusted advisor.

- Global leaders in advising manufacturers, automotive suppliers, advanced technology, and mobility companies throughout their entire life cycle and beyond (shareholders' intentions),
- Industry thought-leaders in the automotive and manufacturing sectors at the forefront of business trends and key legal developments and regulations,
- Multi-disciplinary, cross-border teams that speak your sector language – we invest in understanding your business, markets, and goals.



**1,100 Attorneys**



**Founded in 1842**



**25 offices** across the United States and internationally, including Mexico City, Brussels, and Tokyo



## Our Cross-Border Sector Capabilities

### Automotive

- We represent the full spectrum of players key to the success of the automotive sector. From manufacturing to autonomous vehicles and emerging technologies, we can steer clients in the right direction.
- Advising clients on:
  - Supply chain management
  - USMCA and FTA compliance
  - Government trade-promotion programs
  - Not-overblown corporate and labor structures

### Manufacturing

- We help our clients manage current operations, evaluate and control emerging legal and business issues as well as maximize opportunities. Manufacturing is globally focused as is our legal advice to clients.
- Advising clients on:
  - Adaptability and redundancy
  - Geographic concentrations
  - Disruptive technologies
  - Trade disputes
  - Labor management

### Supply Chain

- Our supply chain experience is rooted with clients across all major industries whose business depends upon the reliable, high-volume flow of materials and products in an environment (not exclusively just-in-time) that meets their customers' demands.
- Advising clients on:
  - Local COVID-19 and other health and safety concerns
  - Transparency and predictability
  - Force majeure and commercial impracticability considerations
  - Reshoring, nearshoring, and regionalization



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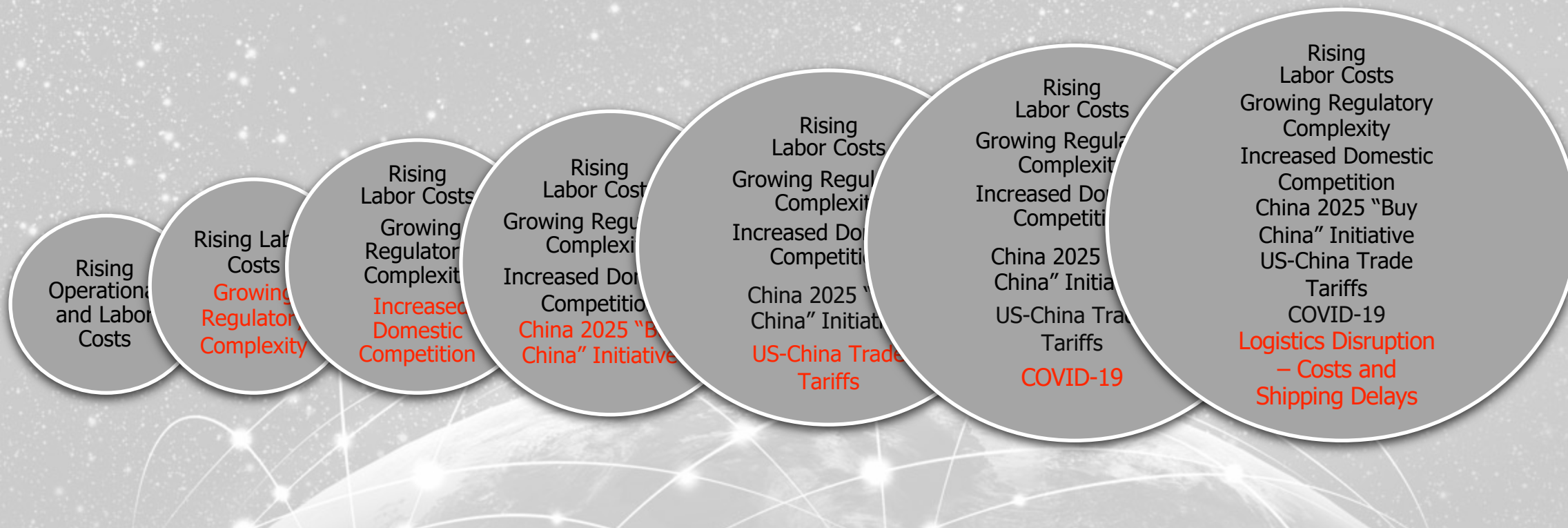
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**During the last 12 years, the economic challenges facing western companies operating in China have been continuously evolving and growing for years:**





# Automotive Market Size – Mexico

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- Approximately 4MM vehicles produced annually
- 42 brands 500 models
- All major global brands represented
- Makes up a third on Mexico exports, most going to the USA





# Mexican Automotive Industry Clusters

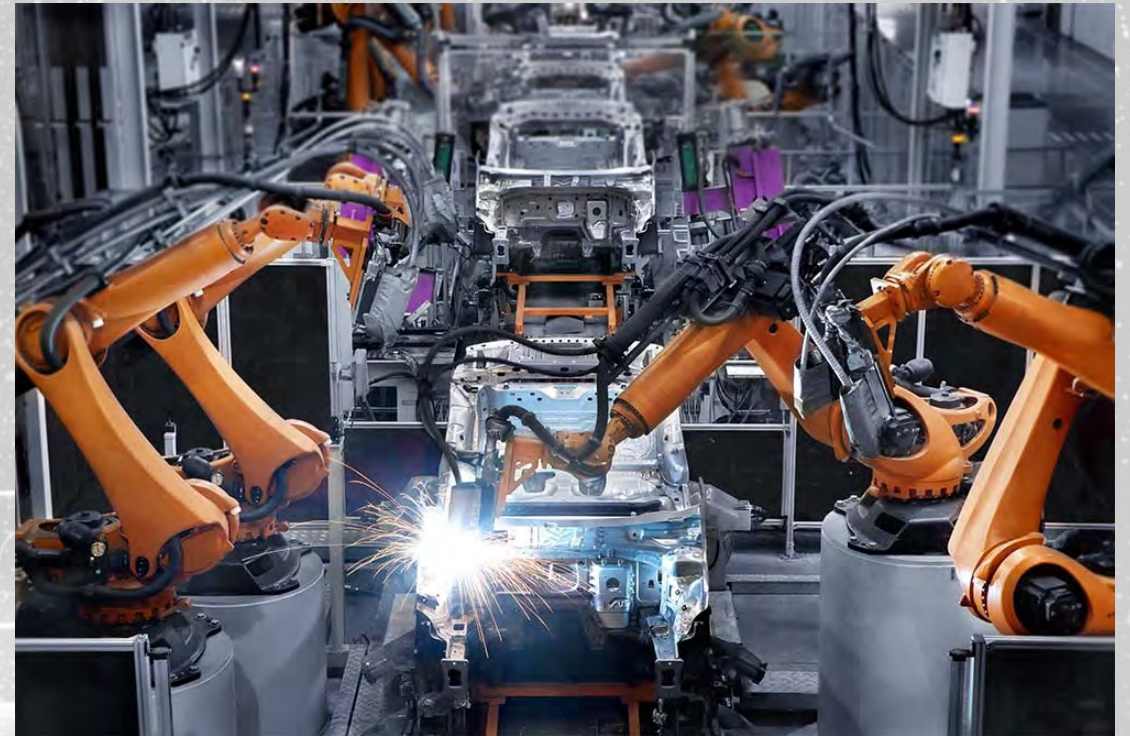
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- Has more than 400 parts-producing plants, according to U.S. government data.
- More than 2,000 companies make up the industry and 65 percent of those are foreign owned.
- 60 percent of the \$5 billion foreign direct investment in Mexico's automotive industry went into parts manufacturing, according to the U.S. government.





- With the ratification of the USMCA, the arrival of new auto parts suppliers is expected to fulfill the new rule of origin for the production of vehicles on North America....many are manufacturers from China.
- The new origin rule increased from 62.5% to 75% of the content of auto parts from Canada, the U.S., or Mexico.



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# Contact Information

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For further information as to how East West Associates and Foley & Lardner can improve your business, please contact:

**Alex Bryant**  
**President**

Charlotte, NC  
704.807.9531 (Direct)  
abryant@eastwestassoc.com

**Alejandro N. Gomez-Strozzi**  
**Partner**

Mexico  
52.55.5284.8561  
agomez@foley.com

**Vanessa Miller**  
**Partner**

Detroit, MI  
313.234.7130 (Direct)  
vmiller@foley.com



eastwestassoc.com



linkedin.com/company/east-west-associates



twitter.com/abryanteast