



Supply Chain Competitiveness: **Where Mexico Stands**

March 15, 2011



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“Trade, like blood, should circulate and flow freely.”

– John Dryden, 1666

Trade Drives the World's Economic Engine



Global Growth



Job Creation



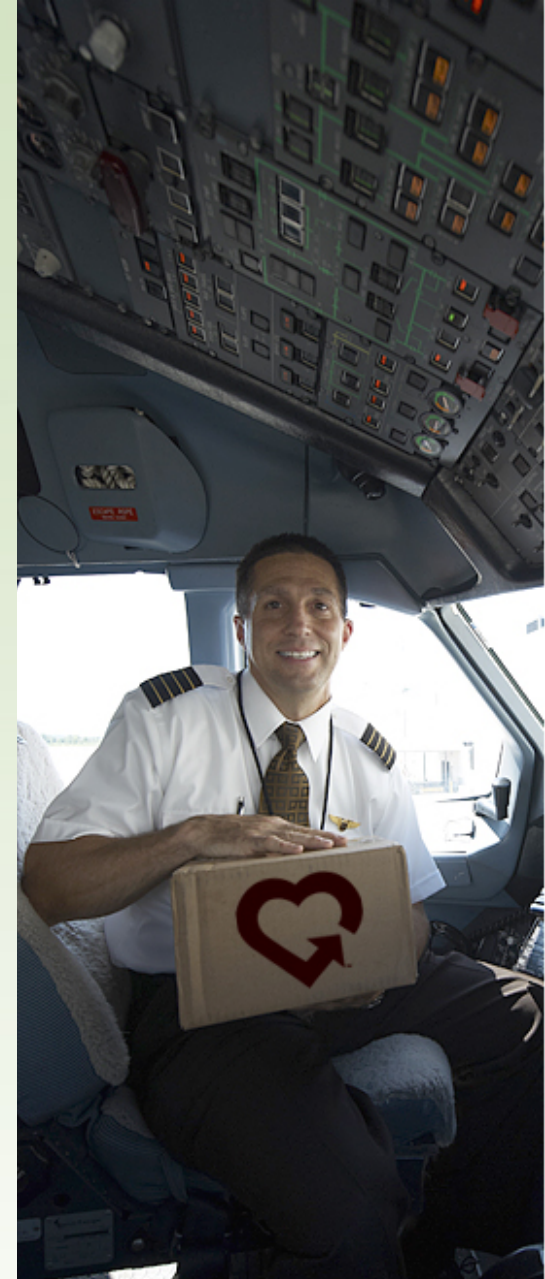
Living Standard



The UPS networks handles at any given moment:

6% of U.S.
GDP

2% of Global
GDP



Mexico on the Global Stage

- 2010 Total Exports: **US\$303 bn**
- **15th largest** exporter in the **world**
- **Geographic** and **economic** position increasing Mexico's position over **China** for favorable labor and transportation costs.



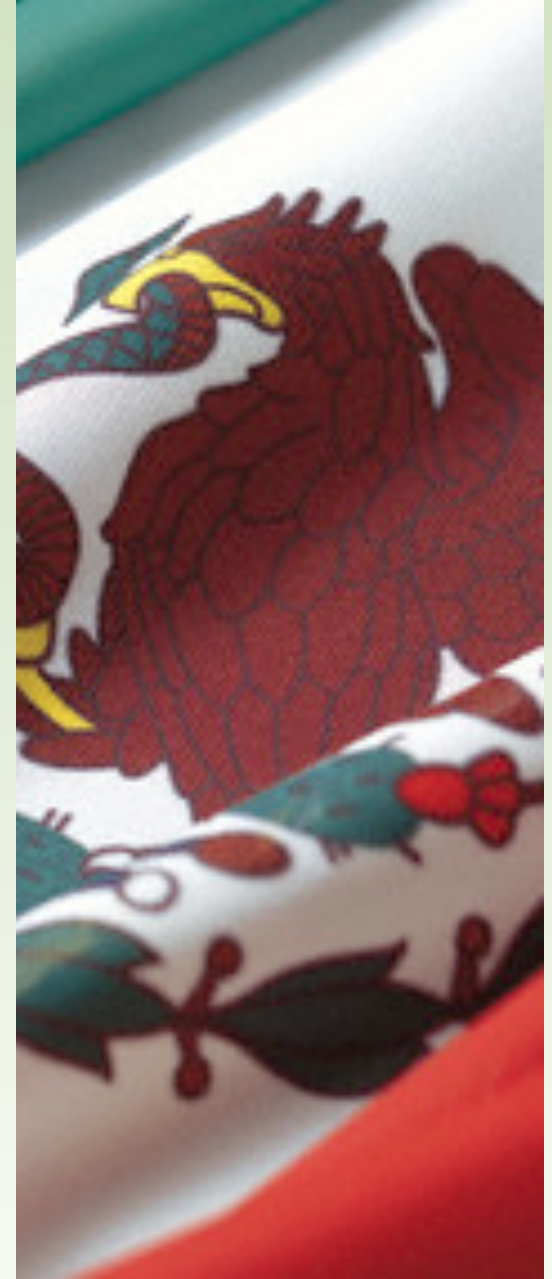
Mexico vs. Asia

- **Fuel costs continue to rise**, offsetting the advantages of the low labor costs in China and other Asian countries.
- Manufacturers will re-evaluate operational costs and business risks.
- **Viable Alternative? = Mexico**



Logistics Processes

- Logistics sector set to drive Mexican economy.
- Logistics players like UPS are investing in Mexico.
- **Modernized** and **streamlined** logistics infrastructure and customs processes can catapult Mexico's logistics industry.
- Current state of the industry plagued with **inefficiencies**.
- **Costs** of transportation and logistics account for nearly **9% of the Mexican GDP**.



High logistics infrastructure costs reduce *competitiveness*.

Competitiveness is what keeps countries *profitable*.



The High Cost of Trade



Mexico's Logistics Sector

8% Decline:

2008 = **\$65.7** bn

2009 = **\$60.7** bn

Increase:

2010 = **\$65.4** bn



Mexico's Logistics Sector

- Typical logistics cost with Tier Trading Partners can be anywhere from **4 – 8%**
- Logistics costs in Mexico: **12 – 18%**



Cost Drivers

Infrastructure Constraints

Trade Processes

Current Regulatory Framework





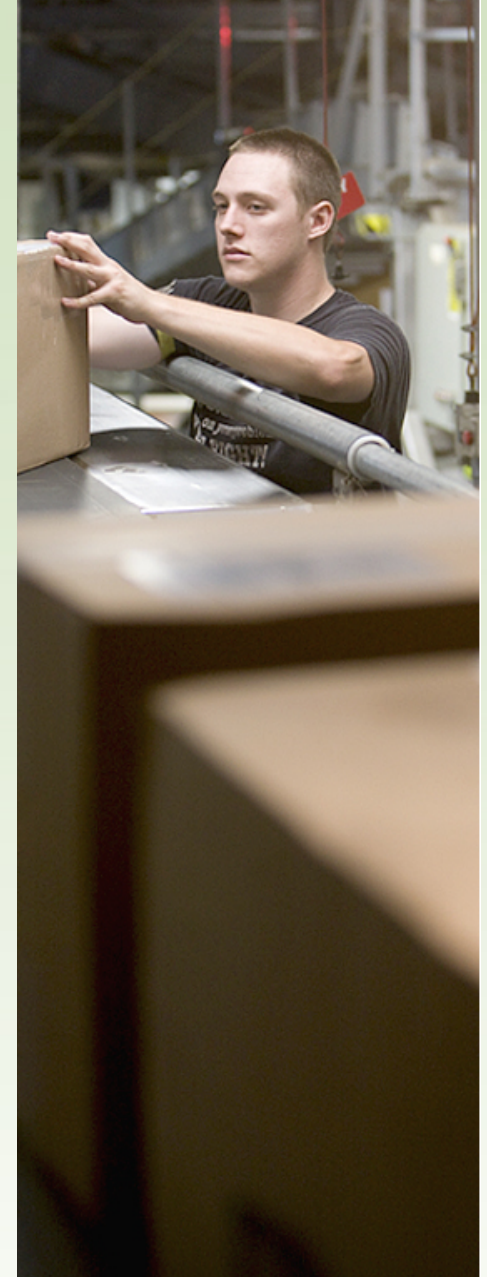
- UPS works with governments to show the impacts of regulatory frameworks and promote the adoption of WTO recommendations.
- WTO initiatives: **automated customs processes** to reduce manual tasks, and a **deminimus** to separate duty collection from customs clearance.

Customs Modernization



Mexico's Progress

- **National Infrastructure Program:
2007 – 2012**
- **Proposed Investments:**
 - US \$6 billion for construction of 5 new ports
 - New terminals in existing ports
 - Modernization of 22 port facilities.



Physical infrastructure is only half the battle – investments in **technology are also necessary.**

- Investments to ensure streamlined customs and transportation processes:

- **Electronic Customs Clearance**
- **Risk Assessment Software**



Mexico vs. Asia

- It takes an average of **15 minutes** for many manufactured goods to move across Taiwan's borders.
- It can take many **hours**, even **days**, for similar goods to move across Mexico.

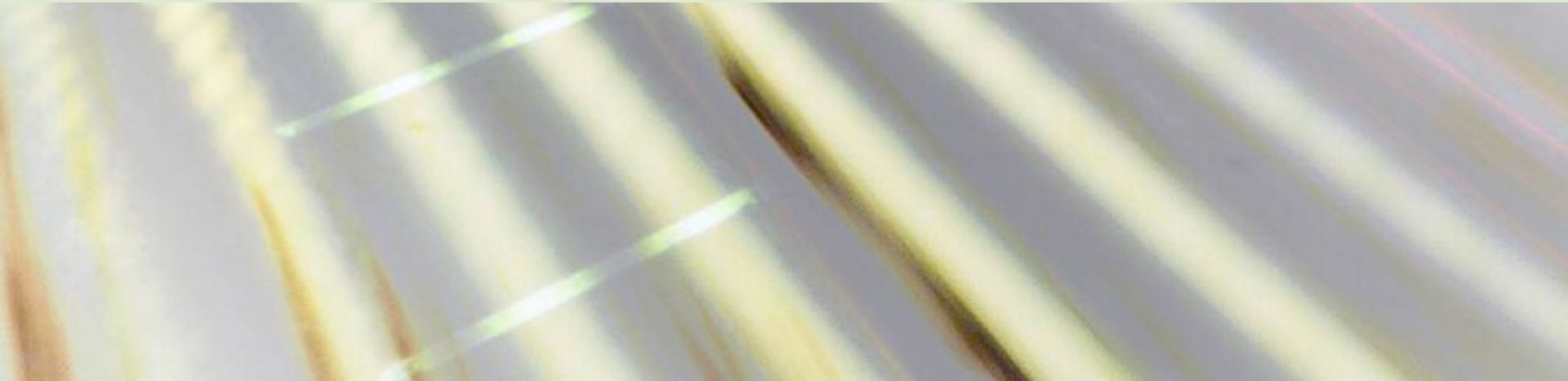


UPS Technology

- US\$1 billion invested in technology in 2010 to:
 - Improve UPS operations
 - Improve speed of delivery
 - Expedite trade
 - Improve security
 - Reduce human element
 - Long-term cost reductions



Trade Accords



Mexico's Trade Accord



- Trilateral trade bloc between Mexico, the U.S., and Canada.
- Eliminated tariffs on more than 50% of goods imported into the U.S. from Mexico.
- And roughly 1/3 of all goods exported to Mexico from the U.S.

Mexico's Trade Accord

**NAFTA
Goal**

**Completely eliminate U.S.-
Mexico trade tariffs within
the next decade.**

Thank You



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