

New Mexico's Border: Status, Vision and Action



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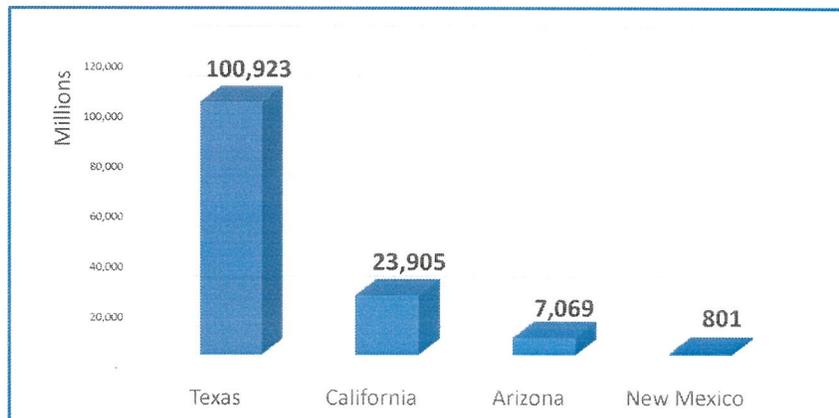
Top 25 Destinations for NM's Exports 2011 - 2013

Rank	Destination	2013		% Change from 2012 - 2013	2012		2011	
		Dollar Exports	% of Total		Dollar Exports	% of Total	Dollar Exports	% of Total
	World	\$ 2,727.52	100%	-7.79	2957.81	100%	2095.86	100%
1	Mexico	\$ 800.73	29%	35.02	593.03	20%	464.7	22%
2	Israel	\$ 788.48	29%	-39.11	1294.99	44%	444.34	21%
3	Canada	\$ 288.92	11%	-11.99	328.29	11%	352.24	17%
4	China	\$ 96.36	4%	25.14	77	3%	89.72	4%
5	Germany	\$ 67.86	2%	-5.21	71.59	2%	78.92	4%
6	Ireland	\$ 64.30	2%	256.4	18.04	1%	14.32	1%
7	Belgium	\$ 44.67	2%	173.97	16.3	1%	10.92	1%
8	Brazil	\$ 41.00	2%	0.44	40.82	1%	13.66	1%
9	Japan	\$ 40.50	1%	-23.21	52.74	2%	59.52	3%
10	Australia	\$ 40.40	1%	31.21	30.79	1%	29.11	1%
11	United Kingdom	\$ 37.62	1%	-24.99	50.15	2%	81.06	4%
12	Indonesia	\$ 28.65	1%	186.75	9.99	0%	11.11	1%
13	Netherlands	\$ 27.20	1%	50.02	18.13	1%	14.1	1%
14	Singapore	\$ 23.30	1%	22.01	19.1	1%	26.81	1%
15	Korea, South	\$ 21.23	1%	54.61	13.73	0%	29.71	1%
16	India	\$ 19.93	1%	27.04	15.69	1%	14.05	1%
17	Turkey	\$ 18.50	1%	3.85	17.81	1%	8.46	0%
18	France	\$ 16.76	1%	-16.83	20.15	1%	13.75	1%
19	Hong Kong	\$ 16.27	1%	-2.18	16.63	1%	31.29	1%
20	Thailand	\$ 15.52	1%	6.9	14.52	0%	45.17	2%
21	Spain	\$ 14.96	1%	13.15	13.22	0%	11.19	1%
22	Saudi Arabia	\$ 11.80	0%	-65.79	34.48	1%	14.54	1%
23	Algeria	\$ 9.83	0%	2551.49	0.37	0%	0	0%
24	Italy	\$ 9.40	0%	-45.66	17.3	1%	18.67	1%
25	Panama	\$ 8.89	0%	29.89	6.84	0%	7.96	0%

NM's Exports to the World by Commodity 2011 - 2012

Rank	Abbreviation	2013		% Change from 2012 - 2013	2012	
		Dollar Exports	% of Total		Dollar Exports	% of Total
	World	\$ 2,227.52	100%	-7.79	\$ 2,957.81	100%
	Top 25	\$ 1,787.64	66%	-8.53	\$ 1,954.28	66%
1	PROCESSORS AND CONTROLLERS, ELECTRONIC INTEG	\$ 789.14	29%	-38.34	\$ 1,279.93	43%
2	LT OILS, PREPS GT=70% PETROLEUM/BITUM NT BIOD	\$ 182.37	7%	156.94	\$ 70.98	2%
3	CIVILIAN AIRCRAFT, ENGINES, AND PARTS	\$ 92.09	3%	46.65	\$ 62.80	2%
4	TAPS COCKS ETC F PIPE VAT INC THERMO CONTROL	\$ 66.98	2%	-12.97	\$ 76.96	3%
5	PASS VEH SPK-IG INT COM RCPR P ENG >1500 NOV	\$ 60.34	2%	536.19	\$ 9.49	0%
6	IRON ORE CONCEN NESOI & NON-AGGLOMERATED IRON	\$ 50.58	2%	422.73	\$ 9.68	0%
7	FUEL, LUB/COOLING MED PUMPS FOR INT COMB PIST	\$ 43.19	2%	21.68	\$ 35.49	1%
8	ARTICLES OF PLASTICS, NESOI	\$ 42.64	2%	18.7	\$ 35.92	1%
9	WHEY & MODFD WHEY WHET/NT CNCNTRTD CNTG ADD S	\$ 42.15	2%	103.65	\$ 20.70	1%
10	CHEESE, NESOI, INCLUDING CHEDDAR AND COLBY	\$ 40.36	1%	13.01	\$ 35.71	1%
11	MACHINES FOR MAN. SEMICONDUCTOR DEVICES/ELEC I	\$ 32.49	1%	316.66	\$ 7.80	0%
12	ELECT APPR F PRCT TO ELECT CIRCT NOV 1000 V	\$ 31.83	1%	2.52	\$ 31.04	1%
13	ARTICLES OF IRON OR STEEL NESOI	\$ 31.82	1%	-3.65	\$ 33.02	1%
14	INSTR & APPLF MEDICAL SURGICAL DENTAL VET, N	\$ 31.72	1%	259.58	\$ 8.82	0%
15	SILVER, SEMIMANUFACTURED	\$ 31.51	1%	-10.69	\$ 35.28	1%
16	CHEM ELEM DOPED, USED IN ELECTRON, DISCS WAFE	\$ 28.22	1%	-32.91	\$ 42.05	1%
17	MINERAL OR CHEMICAL FERTILIZER, POTASSIC, NES	\$ 26.93	1%	56.36	\$ 17.22	1%
18	ARTICLES OF ALUMINUM, N.E.S.O.I.	\$ 24.11	1%	30.17	\$ 18.52	1%
19	APP FOR THE TRANS/RECEP OF VOICE/IMAGES/DATA	\$ 21.70	1%	38.17	\$ 15.71	1%
20	PHOTOSNSITVE SEMICNDCTR DVICE INC PHTVLTC CEL	\$ 21.42	1%	25.19	\$ 17.11	1%
21	ELECTRIC MOTORS OF AN OUTPUT NOT EXCEEDING 37	\$ 20.77	1%	31.83	\$ 15.75	1%
22	MEAS & CHECKNG INSTRUMENT, APPLIANCES & MACH	\$ 19.55	1%	18.15	\$ 16.54	1%
23	MLK & CRM,CNTD,SWT,POWDR,GRAN/SOLIDS,NOV 1.5%	\$ 18.84	1%	-43.71	\$ 33.47	1%
24	PRINTED CIRCUITS	\$ 18.63	1%	-0.55	\$ 18.74	1%
25	PARTS FOR BORING OR SINKING MACHINERY, NESOI	\$ 18.27	1%	229.33	\$ 5.55	0%

Border State Exports to Mexico 2013 (millions)



Texas	\$100,923
California	\$23,905
Arizona	\$7,069
New Mexico	\$801

Exports to Mexico by State Rank 2012

Rank	State	Exports	Rank	State	Exports
1	Texas	\$ 100,922,640,000	27	Mississippi	\$ 1,301,440,000
2	California	\$ 23,904,840,000	28	Connecticut	\$ 1,213,260,000
3	Michigan	\$ 12,171,190,000	29	Nebraska	\$ 1,157,310,000
4	Illinois	\$ 7,317,520,000	30	Virginia	\$ 1,051,560,000
5	Arizona	\$ 7,069,010,000	31	Colorado	\$ 917,800,000
6	Unidentified	\$ 6,595,460,000	32	Arkansas	\$ 870,360,000
7	Louisiana	\$ 6,391,490,000	33	New Mexico	\$ 800,730,000
8	Ohio	\$ 5,018,370,000	34	Oklahoma	\$ 612,940,000
9	Tennessee	\$ 4,325,120,000	35	Utah	\$ 546,910,000
10	Indiana	\$ 4,000,870,000	36	Maryland	\$ 493,870,000
11	Pennsylvania	\$ 3,447,890,000	37	Peurto Rico	\$ 445,720,000
12	Washington	\$ 3,198,290,000	38	New Hampshire	\$ 409,270,000
13	North Carolina	\$ 2,718,340,000	39	Nevada	\$ 389,340,000
14	Georgia	\$ 2,583,330,000	40	South Dakota	\$ 374,450,000
15	Wisconsin	\$ 2,515,810,000	41	Oregon	\$ 336,340,000
16	Alabama	\$ 2,221,060,000	42	West Virginia	\$ 323,570,000
17	New York	\$ 2,201,690,000	43	Idaho	\$ 273,210,000
18	Florida	\$ 2,197,130,000	44	North Dakota	\$ 238,740,000
19	New Jersey	\$ 2,187,570,000	45	Rhode Island	\$ 166,200,000
20	Iowa	\$ 2,171,230,000	46	Delaware	\$ 131,250,000
21	Missouri	\$ 2,005,200,000	47	Vermont	\$ 129,860,000
22	Kentucky	\$ 1,865,370,000	48	Montana	\$ 55,810,000
23	Massachusetts	\$ 1,860,110,000	49	Wyoming	\$ 48,940,000
24	South Carolina	\$ 1,837,460,000	50	Maine	\$ 42,670,000
25	Kansas	\$ 1,532,930,000	51	Hawaii	\$ 2,230,000
26	Minnesota	\$ 1,474,790,000	52	Virgin Islands	\$ 1,620,000

Origin of NM's Exports to Mexico:

- Traditionally, the state's manufacturing base has been centered around New Mexico's largest metropolitan area, Albuquerque.
- Within the last ten years, the Santa Teresa Port of Entry on the state's border with Mexico has received a tremendous amount of public and private investment in infrastructure. This has resulted in Santa Teresa becoming a major export platform to Mexico. Almost all of the companies in Santa Teresa have a direct logistical and/or manufacturing relationship with a Mexican maquila or manufacturer.
- From the middle of 1999 to July 2003, approximately 2,000,000 square feet of new industrial space were built around the Santa Teresa Port. Nearly all of this space was dedicated to the processing of goods and/or materials for the maquila industry. Much of the increase in manufactured goods exports to Mexico can be explained by this border industrialization.

Facts:

- NM led the nation in export growth percentage in 2012 (42%), but saw a net decrease in exports in 2013 (\$2.96B to \$2.71B)
- However, NM exports to Mexico grew 33% (\$603M to \$802M)
- More than 50% all New Mexico Exports to Mexico originate in Dona Ana County (Santa Teresa-Las Cruces Corridor)
- Largest exporters (by city) to Mexico:
 - #1 Detroit
 - #2 Los Angeles
 - #3 Houston
 - #4 El Paso
 - #5 San Diego

Facts/Statistics

Lion's share of the state's exports to Mexico is comprised of industrial inputs/components that New Mexico's industrial base is exporting to Mexico's maquiladora industry:

- ▶ Manufactured steel components
- ▶ Plastic injection components
- ▶ Packaging materials
- ▶ Other production inputs

Facts/Statistics:

- ▶ More than \$1 to 1.5 billion of products crosses the Santa Teresa Port monthly – three years ago this was \$1 billion per year.
- ▶ Trade with Mexico has grown steadily since NAFTA (1994), but there is room for improvement. State needs to focus on developing a stronger supplier base to the Mexican maquiladora industry, thus creating more production and jobs in New Mexico.
- ▶ NM companies must be made aware of the opportunities to supply Mexico's industrial base through an active program to promote our companies' capabilities to our southern neighbor. Industrial suppliers from other states, already with an existing relationship with Mexico that are being pressured to move closer to their buyers, must be made aware of New Mexico's business advantages, particularly on its border with Mexico.

Facts/Statistics

- ▶ Mexico's maquiladoras import approximately 95% of the billions of dollars of annual production inputs it uses to manufacture products.
- ▶ Most of these production inputs such as plastic injection components, metal parts, resins, and packaging are supplied by U.S. firms (mostly in the Midwest), which are being pressured to move closer to their Mexican buyers due to tightening supply chains.
- ▶ This presents a tremendous opportunity for New Mexico to recruit out-of-state maquiladora suppliers to the state, thus attracting new investment and creating new, high-paying manufacturing jobs.

Facts/Statistics

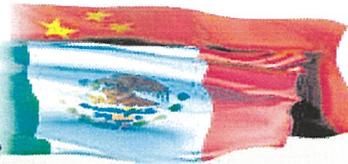
- ▶ While the City of Juarez and the State of Chihuahua have suffered terrible violence due to the ongoing drug wars in Mexico, both will continue to be the largest production bases for Mexico's multi-billion maquiladora industry in the future.
- ▶ The maquiladora industry is tied to the U.S. and world economy, with approximately 76 of the Fortune 100 companies in the world having some type of presence in the State of Chihuahua. In spite of the violence, the maquiladora industry continues to grow.
- ▶ Drug wars in Mexico created tremendous opportunities for NM.

Mexican Miracle

- Violence toning down.
- Mexico's GDP 3.8% during next two years - higher than U.S. (3% growth).
- U.S. is Mexico's largest trading partner and largest foreign investor. Mexico is 3rd largest U.S. trading partner after Canada and China, and U.S.'s 2nd second largest foreign supplier of petroleum.
- Mexico had record exports to the U.S. in 2013 (\$280.4 billion); Mexico also imported \$226.1 billion from the U.S.
- U.S.-Mexico trade relationship \$506 billion per year - increase of 2.6% over 2012. The main sectors driving exports: automotive, automotive parts, and aerospace.
- Goldman Sachs and Nomura predict that the Mexican economy will enter the 10 ten largest in the world by 2020
- Moodys Investors Service increased Mexico's debt rating to A3 from Baa1- 2nd country in Latin America behind Chile.

MEXICAN MAQUILAS*

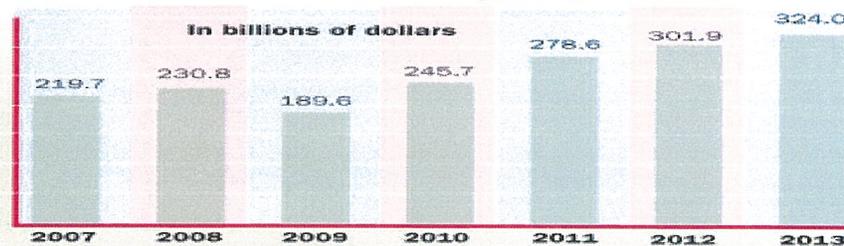
Proximity to U.S. markets, increased efficiency and lower transportation costs are causing a steady "re-shoring" of industry investment from China to Mexico.



Foreign investment in Mexican maquilas 2007-2013



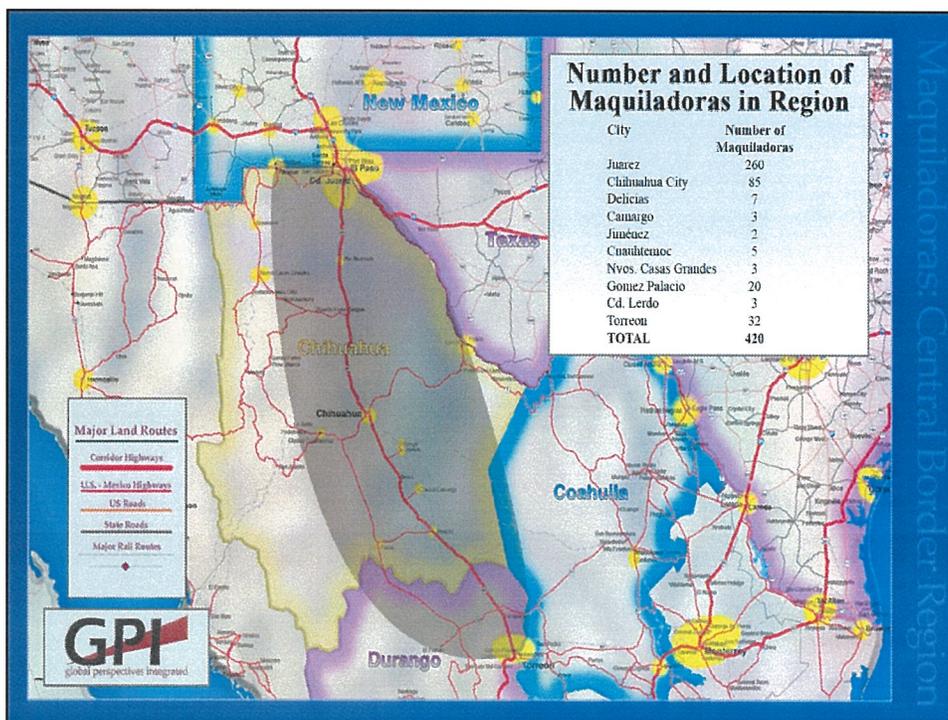
Value of exports from Mexican maquilas 2007-2013



*MAQUILAS: Assembly factories, many run by foreign investors, where manufacturers take advantage of low labor costs and tax breaks on the import of raw materials, parts and services, and the export of finished goods.

SOURCE: Mexico's national statistics institute, Instituto Nacional de Estadística y Geografía

RUSS BALE / JOURNAL



The Santa Teresa Region



Santa Teresa Region Overview:

- Vacancy in the Santa Teresa industrial parks has gone from 800,000 s.f. six years ago, to 32,000 s.f. - 99% occupancy rate.
- Four company expansions just completed
- \$12.5 M water/wastewater funding has been committed by the governor and legislature
- Other than the oil patches, the Santa Teresa region is one of the bright economic development spots in the state
- CBP pilot program in San Jeronimo
- Recruitment pipeline as big as it has ever been

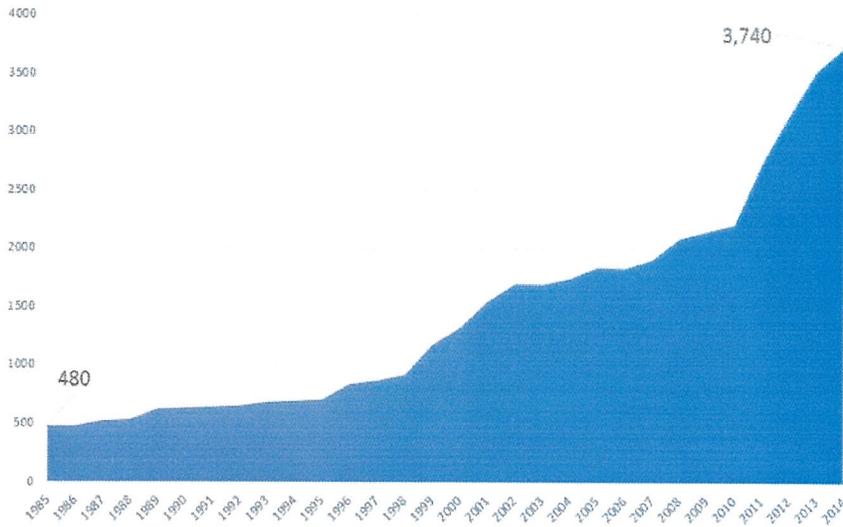
Snap Green Industries	2011	40	Chaparral	Rural	plastic recycling	Manufacturing	BTS
Kalisch Chatarra	2011	60	Santa Teresa	Rural	metals recycling	Manufacturing	BTS
TE Connectivity (expansion)	2011	100	Santa Teresa	Rural	telecommunications	Distribution warehouse	Lease
	2012	30		Rural	tile distribution center	Distribution warehouse	Lease
Interceramic	2012	12	Santa Teresa	Rural	shortline railroad/logistics services	Distribution warehouse	BTS
Southern NM Shortline Railroad (Ironhorse)	2012	70	Santa Teresa	Rural	wire harnesses	Manufacturing	BTS
Bizlink	2012	30	Santa Teresa	Rural	Transloading/transporting	Distribution warehouse	BTS
Ferza	2012	20	Santa Teresa	Rural	third-party logistics	Distribution warehouse	Purchase
JH Rose Logistics (expansion)	2013	30	Santa Teresa	Rural	Steel slitter and steel coils	Manufacturing	Purchase
Southwest Steel Coil (expansion)	2013	20	Santa Teresa	Rural	Metal fabrication	Manufacturing	Purchase
Mallory Metals (expansion)	2013	15	Chaparral	Rural	Metal recycling	Recycling processing center	Lease
CMP	2013	50	Santa Teresa	Rural	Transloading/transporting	Container yard and terminal	Purchase
Twin Cities	2013	20	Santa Teresa	Rural	Metal recycling	Recycling processing center	Purchase
W Silver Recycling	2014	9	Santa Teresa	Rural	Trucking/logistics	Logistics yard	Purchase
Stagecoach	2014	50	Santa Teresa	Rural	Logistics	Logistics yard	Purchase
ERO Resources	2014	15	Santa Teresa	Rural	Logistics	Logistics yard	Purchase
Transmaritime	2014	300	Santa Teresa	Rural	Wire manufacturing	Manufacturing	Purchase
CN Wire	2014	100	Las Cruces	Urban	Automotive tape manufacturing	Manufacturing	Purchase
CertoPlast	2013	34	Santa Teresa	Rural	Lodging/hospitality	Hospitality	Purchase
Oak Tree Inn Hotel and Penny's Restaurant	2011	600	Santa Teresa	Rural	Railroad	Logistics	Purchase
Union Pacific							
TOTAL		1605					

Deals That Are Strong

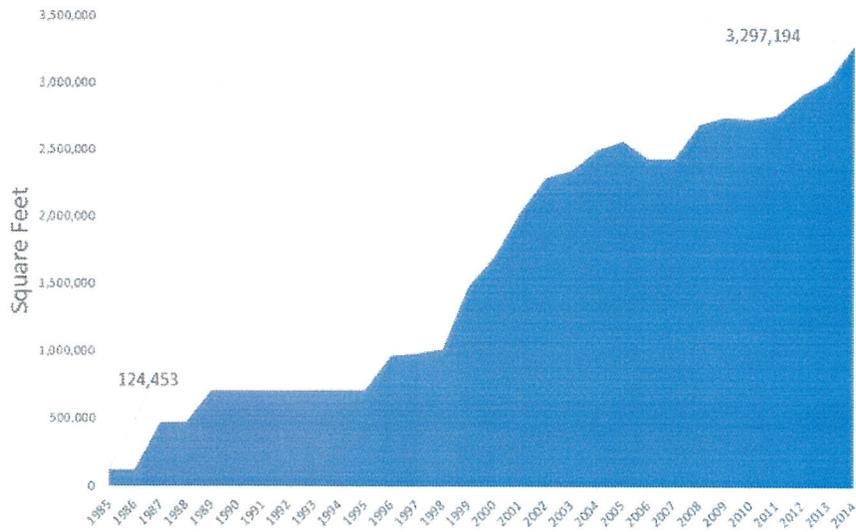
- Project Fairbanks (steel fabrication)
- Project Nut (confections)
- Project Valve (valves)
- Project Hank (fertilizer)
- Project Truck (logistics)
- Project Surge (logistics)
- Project Wildcat (manufacturing)
- Two large deals (40 acres+ and 200+ employees)
- Several others are being worked on

Santa Teresa Historical Job Creation (Industrial)

Total Jobs in Santa Teresa
1985 - 2014



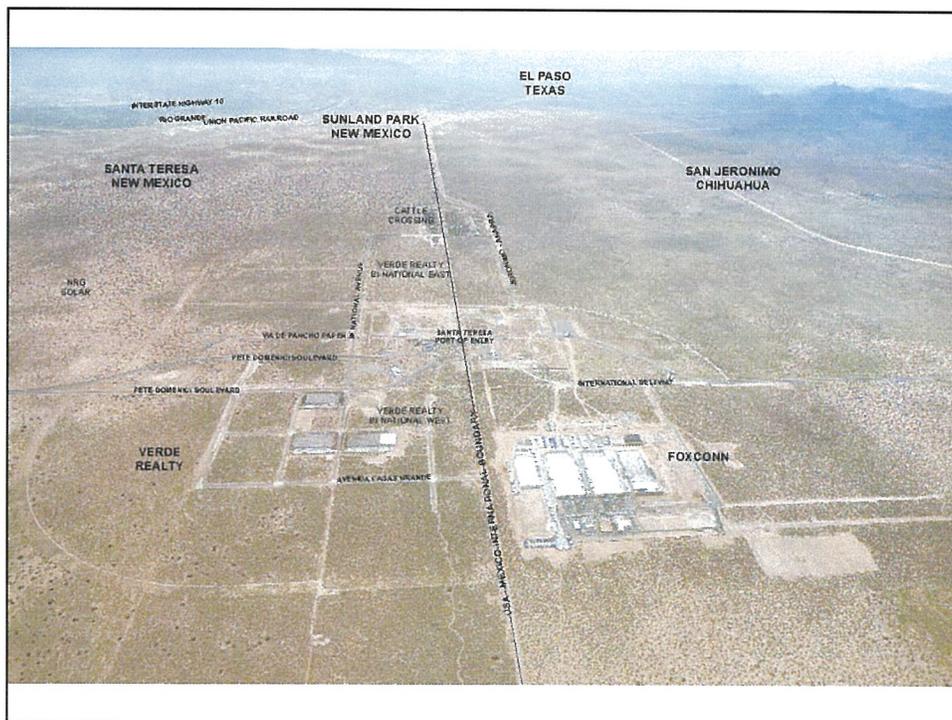
Total Occupied Space in Santa Teresa
1985 - 2014



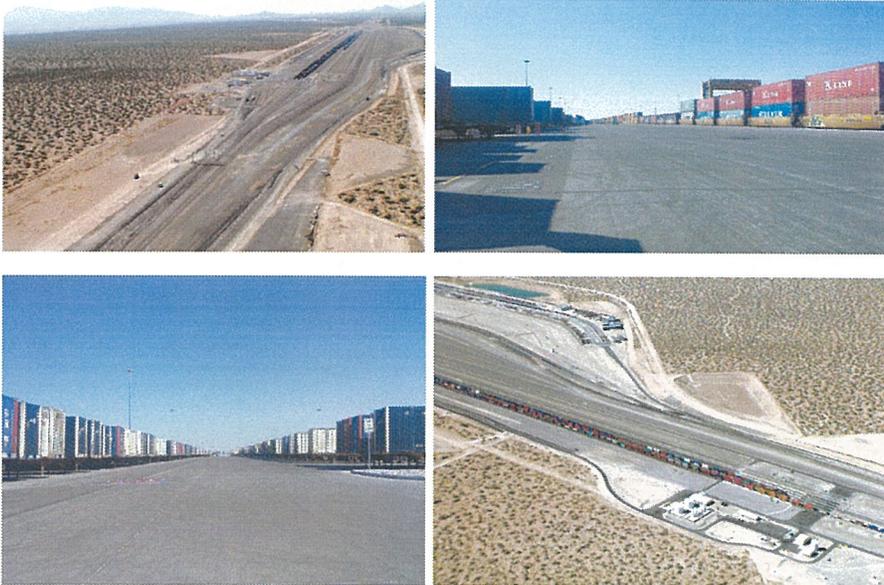
* Note does not include the UP project or Foxconn

Foxconn:

- Largest maquila in the 45-year history of the industry.
- Assembly of Dell computers – 55,000 per day
- 9,700 employees – approximately 300 northbound trucks through STPOE
- Eventually: 3 million square feet/20,000 employees
- Just announced that it is shutting its Juarez HP operations down and moving them to San Jeronimo
- Customs preclearance project

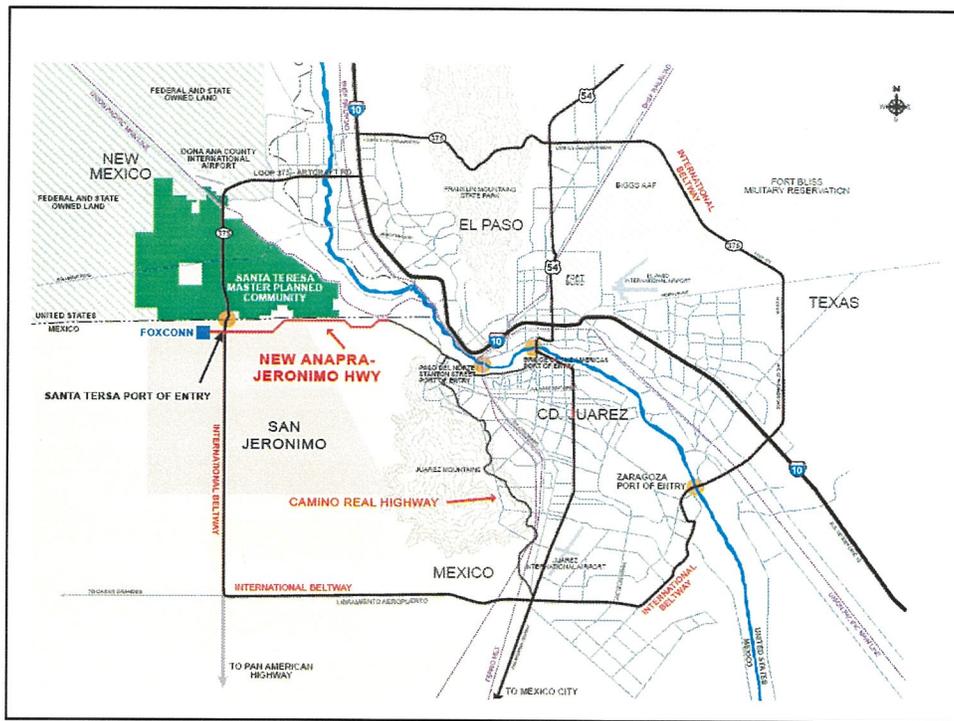


Union Pacific



UP Statistics

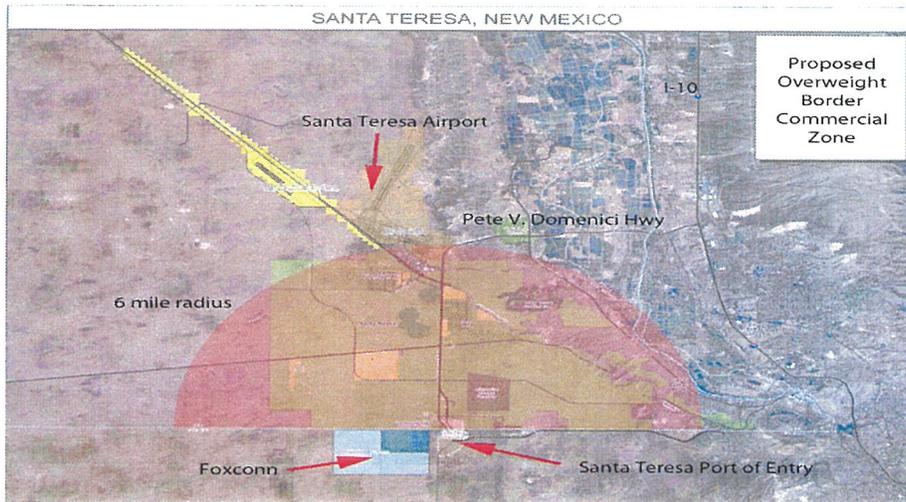
- Overall economic impact of \$500 million for the New Mexico economy,
- Investment in the project totals more than \$418 million.
- The facility created 3,000 jobs during the construction phase from 2011 to 2014, and will eventually be headquarters for more than 600 permanent jobs.
- Fully operational on April 1, 2014, inauguration May 28th



BORDER INDUSTRIAL ASSOCIATION

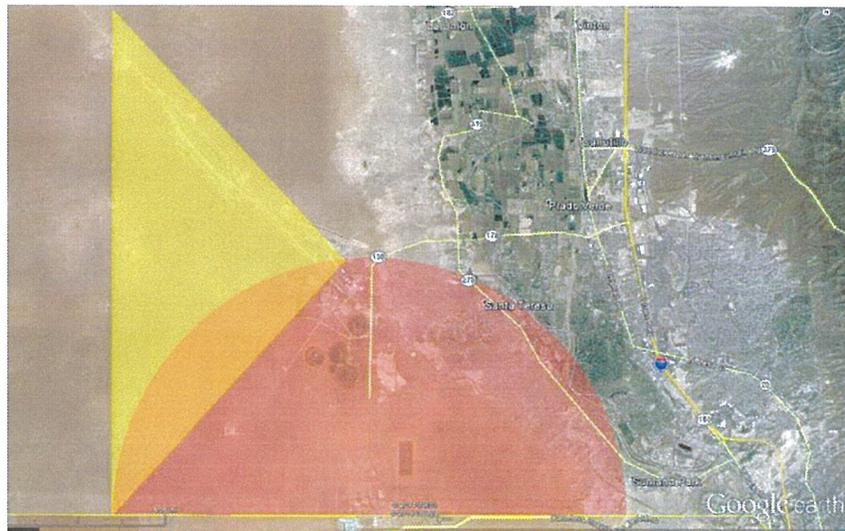
- Formed as 501(c)6 in 2009
- Comprised of businesses involved in industrial operations
- 100 members
- Represents:
 - Approximately 3,000 jobs
 - Hundreds of millions in investment
 - Millions in annual taxes
 - Billions in annual production
- Represents the 2nd largest industrial base in New Mexico

•Overweight Border Commercial Zone



- 12 companies have been recruited using the Overweight Zone since inception three years ago
- 606 jobs are tied to these 12 companies (does not include UP project)

Proposed Extension of Overweight Zone



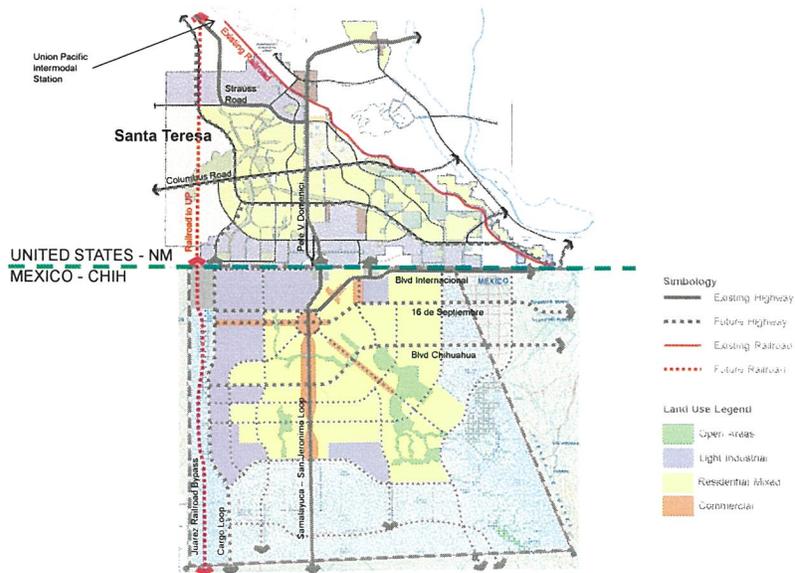
San Jeronimo - Santa Teresa

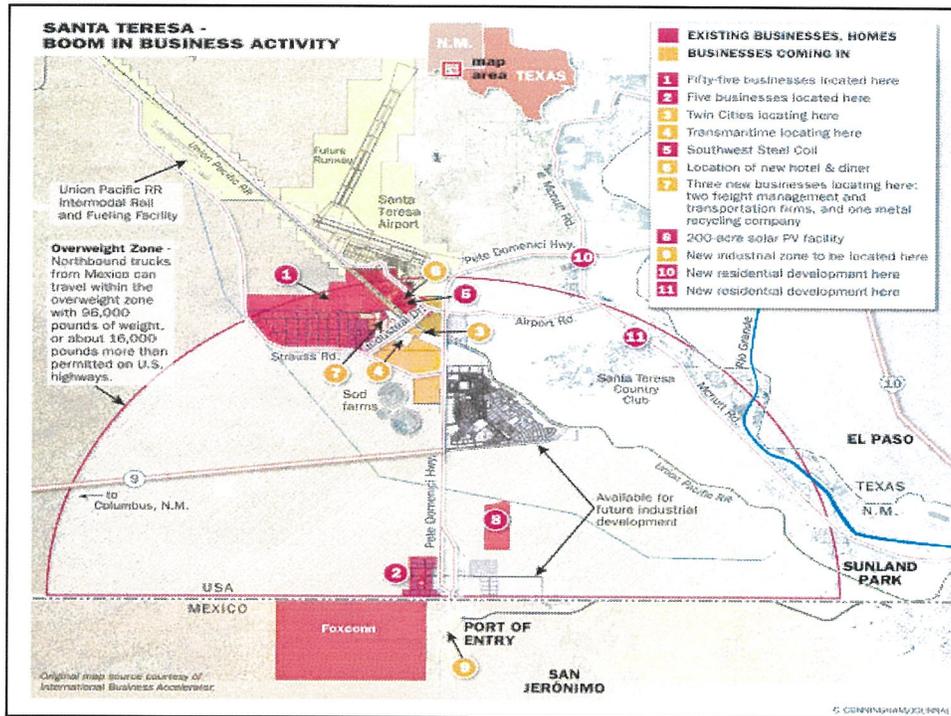
Bi-National Community

Chihuahua Governor Cesar Duarte and New Mexico Governor Susana Martinez
Signed a Bilateral Agreement to Begin Promotion in 2013
 to Facilitate Economic Development of both Border States by Consolidating
 a New Industrial Anchor to Boost the Region's Economy at the San Jeronimo-Santa Teresa Port of Entry



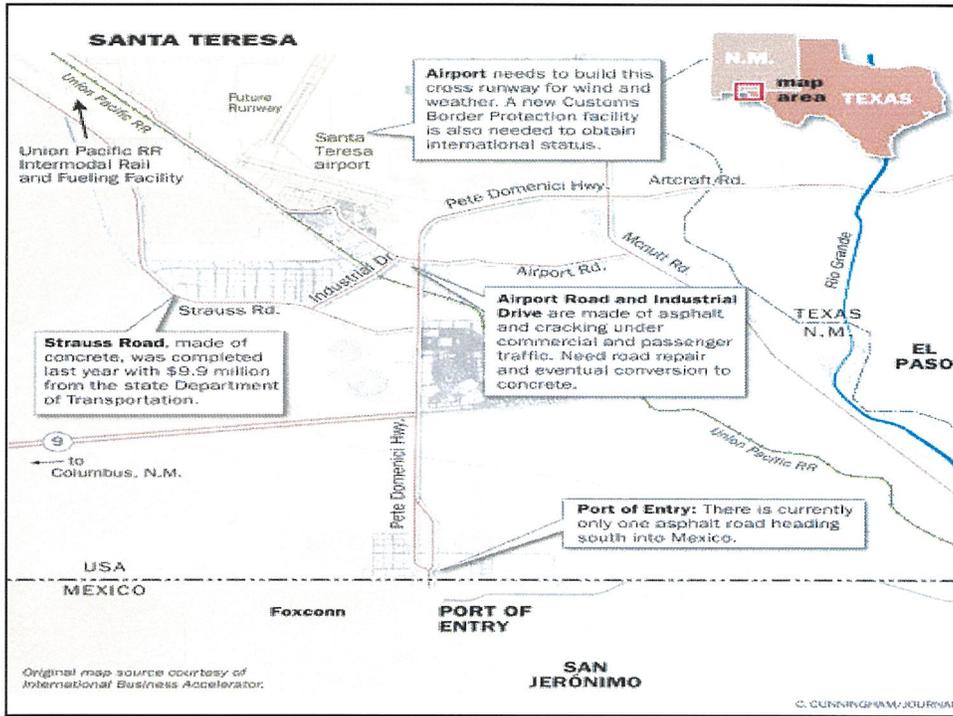
San Jeronimo/Santa Teresa Master Plan





Factors Decreasing Our Region's Productivity

- Under-skilled workers
- Delays at ports of entry
- Electricity issues
- Lack of coordination across jurisdictional lines
- Border tends to be “out of sight, out of mind”
- Aging or obsolete infrastructure



Roads:



The Reality

- Mexico is no longer a low-cost producer
- Our region needs to compete based on productivity and ability to support value-added industries
- Delays at ports of entry decrease productivity and cause companies to reconsider other options
- Under-skilled workers decrease the attractiveness of the region on behalf of industrial prospects

Factors to Increase our Region's Productivity

- Incorporation of technology into cross-border processing systems
- Access to the internet in underserved areas on both sides of the border
- Attraction of more industry to the area based on the "Disneyland Concept"
- More regional cooperation to access federal monies for infrastructure

What will stay in Mexico:

- White goods
- Products that are on a tight supply chain
- IP-sensitive products

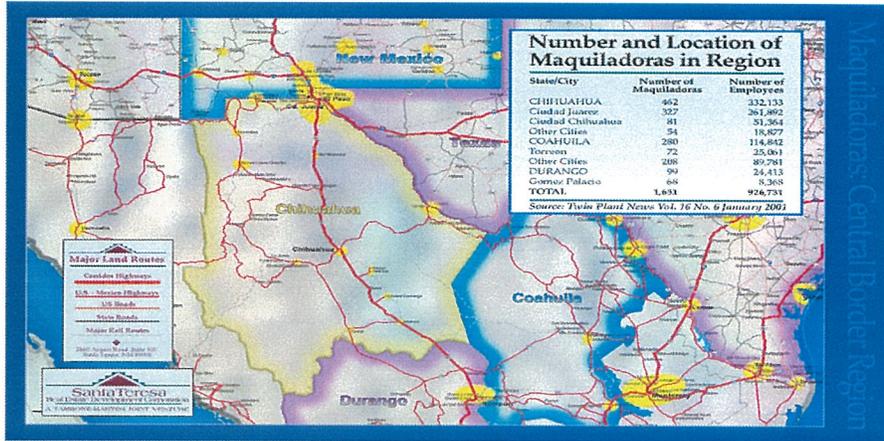
Opportunities:

Let's Become A Player:

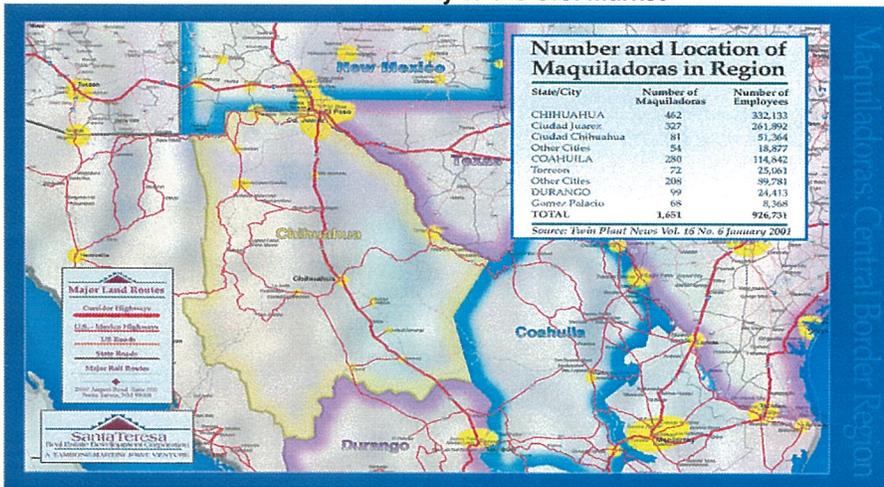
Let's use the Foxconn and UP projects to become a major border trade player for the first time. We can be proactive and start recruiting companies that need to be close to either project.



- Opportunities:**
- Educate and prep NM companies
 - Relocate out-of-state firms with existing supplier relationships with Mexican industries
 - Take advantage of our geographic proximity to harvest business in the “bucket”



- Opportunities:**
- Chihuahua is and will remain Mexico’s maquila capital in the future:
 - Skilled workforce
 - Infrastructure
 - Presence of foreign multinationals
 - Proximity to the U.S. market



Thanks!



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