

**A GUIDE TO INVEST
IN MEXICO: TIJUANA,
BAJA CALIFORNIA.
2023**

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The industry of manufacturing in Tijuana, Baja California, Mexico, started **+40** years ago, with a big investment from Asian companies directly for the industry of the television (electronics). An important development was done for the industry in terms of knowledge, expertise, education and infrastructure due receiving different companies from all parts of the world.



HOW THIS CITY STARTED TO ATTRACT INVESTMENT FROM DIFFERENT PARTS OF THE WORLD?

First of all, Mexico has 12 trade agreements with **50** countries, one of the most important was the NAFTA (**Now USMCA**), celebrated with the United States of America, Canada and Mexico. Signed around the mid90's and triggered a strong relationship and business development between these three countries.

Each of the agreements with the different countries may differ on some topics regarding the exportation and importation of goods and other regulations depending on each case. Particularly with the USMCA it is allowed to import machinery, tools, raw materials, and goods for manufacturing under the concept of "temporarily imported". Once the goods are manufactured, they can be exported back to the United States or Canada, tax free.

Thanks to these trade agreements, different industries with more technical processes and new technology on the manufacturing field, were arriving to the city to accommodate local needs and suppliers and to enhance an effective local HUB of manufacturing.

WHY BAJA CALIFORNIA?

Adding to this, the proximity to the city of San Diego, California, was one of the main attractions for companies established in the city of Tijuana, their products were produced, packed & distributed through all United States.

Connectivity to other important cities of the United States is easy from the city of Tijuana.

Los Angeles

2 hours driving or 3 hours by train.

San Francisco

Airplanes are available and take less than an hour (departing from San Diego).

Las Vegas

5 hour driving or less than 2 hours flight.

New York

5 hours flight (departing from San Diego).



WE ARE HERE



- #1 **State Exporter** manufacturer in Mexico.
- #1 North America's **Medical Device MFG Capital**.
- +150 **Contract Manufacturing** companies in Baja.
- +120 **Industrial Parks** in Baja California.
- #1 Exporter of displays **Tv's sets**.
- 2nd **Computers** exporter.
- #1 **Aerospace Manufacturing** state (High Mix - Low Volume).
- +60 Years of **manufacturing experience**.
- X3 Seaports available (**San Diego, Long Beach & Ensenada**).
- X5 **Ports of entry to USA** (a six one under construction).
- X3 **International Airports** (San Diego, Tijuana & Mexicali).
- 29 Agreements for the Promotion and Reciprocal Protection of Investment (**APPRI's**) with **30 countries**.
- 14 Free Trade Agreements in Mexico with **50 countries**.

- 1 PORT OF SAN YSIDRO
- 2 CROSS BORDER EXPRESS (CBX)
- 3 TIJUANA INTERNATIONAL AIRPORT
- 4 OTAY BORDER CROSSING



With time, more companies were benefiting from the connectivity, the great quality of manufacturing, flexibility and adaptability of the industry of Tijuana, this also developed an increase in the experience of operators, technicians, engineers and management that were working directly in the manufacturing industry, improving their skill set in different fields, just imagine a person that worked inside the electronics industry, the automotive industry, later into the aerospace & defense industry and the medical device industry.

In just 20 years the city evolved from doing basic assembly to managing high and advanced manufacturing, where a company can have different divisions, such as:

- **Design**
- **Research & development**
- **Testing**
- **Prototyping**
- **New product implementation and some of them are even developing software**

The main industries that are gathered in the city of Tijuana are more into the most important industries that will still growing and will suffer many changes to the market worldwide:



MEDICAL DEVICES



AEROSPACE & DEFENSE



ELECTRONICS



AUTOMOTIVE

Some of the big players located in Tijuana, Baja California and with headquarters in CA:

- Foxconn
- Poly
- Bose
- Benchmark Electronics
- Esterline
- Samsung
- Medtronic
- Solar Turbines
- Safran Aerospace
- Toyota
- DJO
- Flex
- Nypro
- Sanyo
- Hyundai
- Among others.

Step by step, the Tijuana Economic Development Corporation has supported **+250** companies established in the last **+33** years.



Since Mexico is a foreign country, there are some important topics to take into consideration in order to establish a company effectively, the next information will serve as an overview to understand:

“How to invest in Baja California, Tijuana”

LEGAL FRAMEWORK

There are two ways to invest in Baja California, Tijuana, Mexico:

1. With legal presence through a wholly-owned affiliate or subsidiary.
2. Without a legal presence, entering into a service agreement with a shelter company or a contract manufacturing company.

LEGAL PRESENCE

If a company is willing to establish by themselves, they could get support in order to comply with Mexican regulations and be allowed to manufacture with the benefits the city of Tijuana, Baja California offers, and need to take in consideration the next topics:

- Legal Framework
- Tax & Accounting
- Customs
- Labor Force
- Real State/Industrial Development

LEGAL FRAMEWORK

First of all, a company needs to incorporate a Mexican entity, in which two or more shareholders or members are required to be in the incorporation instrument. (These can be foreigners and may own 100% of the corporate capital with certain exceptions).

The company will need to define the type of entity that suits the best for them and their operation, and formalize and register with the Mexican governmental registries.

TAX & ACCOUNTING

Once a foreign entity has incorporated a Mexican company, it will be allowed to start operations of manufacturing, and for that, it will need to comply with corporate taxes, mainly the Income Tax (IT) and Value Added Tax (VAT) that nationally are applied for companies. Is important to mention that the rates of the taxes could be different in the north of Mexico, in which Baja California, Tijuana offers an attractive reduction for the main taxes such as Value added Tax, Payroll Tax, and duties, as well as benefits for companies that export products/services.

Based on the details of the project, different configurations of federal or state taxes can be applied for companies, and even companies are sometimes exempt from some of the taxes mentioned above.

US/MX CUSTOMS BROKER

A customs broker is a highly trained import representative with the Mexican and US customs, in charge of inspecting the materials that are entering into Mexico to determine the correct HTS code classification, verify their documentation such as certificates of origin, cost, tariffs, duties of all the materials that are going to be manufactured. Once the products or goods are transformed or manufactured, the customs broker will be able to prepare the documentation needed to export back the goods to the US in a correct manner.

LABOR

It is known that prices of labor around the world have been going up in the recent years, especially in countries like Asia. Still, Mexico offers a very competitive labor force with a competitive low cost, which is not the cheapest one, but is the most suitable for high quality requirements.

The labor force of Tijuana, Baja California is very young, among the 30 years average, and most of the people is open to learn and adapt to new strategies, industries, technical equipment, and most important, they are very loyal. If a company applies high retention programs where the labor force is appreciated, motivated, and awarded, they will put their best effort to the company.

As we mentioned earlier in this document, one of the most attractive topics of Tijuana, Baja California is how the labor force got trained in different industries, which allows them to be very effective in manufacturing and sometimes they even come up with some ideas to reduce time, cost, or efficient the process of manufacturing inside a company.

1.9 M people living in Tijuana

Unemployment rate is 2%

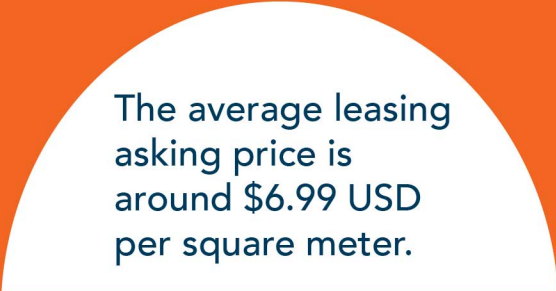
Average age is 30 years

REAL STATE / INDUSTRIAL DEVELOPMENT

One of the most important topics to consider, is where the company is going to be located, the city of Tijuana offers world class industrial buildings, with more than **80** approved industrial parks around the city.

Approved industrial park it means that they offer a building with international standards, security 24/7, flexibility to grow inside the industrial park, electricity, amenities, nearby roadways, among others.

The total industrial development constructed to date is more than **8'115,185** square meters, and as the market demands, construction of new sites will be in a continuous way in the following months/years.



The average leasing asking price is around **\$6.99 USD** per square meter.

Take in consideration that the asking price is an average calculation and it could change depending.

The industrial developer, the building, the years of the contract, the project, the amenities, the office space, among others.

CONSTRUCTION SERVICES

Also, there are options for companies that will require a custom building to fit a project, in which, a standard building could not fit the requirements due to specific needs. A local construction company can provide Build to Suit services, which allows a company to request exactly how they want their facility.

Construction services can be provided by various companies in Tijuana, at the most professional and experienced way to the industry.

Key points to consider before construction plan:

- Generate the land survey.

- Generate the environmental impact statement.

- Generate geological study.

- Find a land that could be connected to water & electricity sources and easy access to highway system.

- Find a location that offers proximity to worker housing and appropriate public transportation.

- Generate the documentation necessary for permits to construct.

The construction company will take care of the topics mentioned above.

WITHOUT LEGAL PRESENCE

SHELTER

Companies also have the option to use a Shelter to start operations in Tijuana, Baja California. A Shelter company is basically a company that offers as service their Mexican legal entity for manufacturing purposes. This particular strategy helps foreign companies to minimize risk, learn how to do all the processes before mentioned, which are not hard to do it, but starting would be a bit of a challenge, and getting the support of a company that offers the complete service is very attractive, even though the price or fees of a shelter will be a bit higher.

With that being said, the shelter company can or could provide the following:

- Legal entity
- Human Resources especially for the project
- Accounting & Taxes
- Customs, Import/Export
- Industrial development building or construction

And the foreign company can focus on:

- Machinery, equipment, tools
- Raw Materials, suppliers
- Technical Support and Training
- Production and Quality Management
- New Product Introduction

CONTRACT MANUFACTURING

Another option for foreign companies to start an operation in Tijuana, Baja California, is a contract manufacturing service, which is a great option for companies that wants to explore the price, quality, time effectiveness, flexibility and customer service from the main industries.

The process of finding a contract manufacturing provider requires an expert on the field, it will take time and detail, some of the most important topics to consider when a company is looking for a provider are:

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- Define the process of manufacturing required for the project.
 - Define the industry (Aerospace, Medical device, Automotive).
 - Volumes needed (Low & High).
 - Certifications needed (If applies).
 - Extras (These can be services that the client or the company requires plus of the process of manufacturing.)
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The primary process of manufacturing can be from:

1. Assembly
2. Transformation/Fabrication
3. Molding

And these processes can be detailed from a wide variety of combinations, such as:

- A. Electronics
- B. Plastics
- C. Metal Mechanics
- D. Composites
- E. Textiles
- F. Prototyping
- G. Chemical processes

INDUSTRIAL SECTORS

ELECTRONICS

120,000 EMPLOYEES

184 COMPANIES

UL, NOM, ROHS

MED-DEVICE

80,000 EMPLOYEES

80 COMPANIES

FDA, ISO-13485

AUTOMOTIVE

36,000 EMPLOYEES

55 COMPANIES

ISO/TS 16949

AEROSPACE & DEFENSE

15,000 EMPLOYEES

55 COMPANIES

AS-9100, ITAR

#1

State Exporter
manufacturer in
Mexico

#1

North America's
Medical Device
MFG Capital

#1

Exporter of
displays
TV's sets

#1

Aerospace Manufacturing
state (High Mix -
Low Volume)

IT & SOFTWARE PROFESSIONAL SERVICES

Tijuana offers a well integrated IT Cluster, which includes infrastructure, skilled Software Engineers and Technicians.

This industry grows at a rate of **11%** yearly, with about **150** companies in the Tech Ecosystem providing services ranging from software outsource to system integration.

Also companies offer professional services that goes from sales support, marketing strategies, multimedia services, BPO, ITO, KPO, among others.

TIJUANA, BAJA CALIFORNIA IS A ONE STOP SOLUTION.



This guide has the purpose to educate in a general manner to foreign companies on “How to invest in Tijuana, Baja California” It is important to mention, that in order to understand in detail the process of establishing a manufacturing company in Tijuana, Baja California, support can be provided by the Tijuana Economic Development Corporation.

Tijuana EDC, is a non-profit private organization, founded in 1989, dedicated to facilitate industrial operations landing and promoting business opportunities in the Tijuana-San Diego region.

It is the only certified corporation in Mexico by the International Economic Development Corporation based in Washington D.C. **AEDO.**

Members committed to the region’s promotion and economic development comprise our corporation. Among them, are leading local companies and international firms working together to strengthen Tijuana, Baja California industry.

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