

# Tesla's arrival accelerates Mexico 'nearshoring' boom

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'Welcome Tesla' reads a billboard in Mexico's northern city of Monterrey, where US electric car maker plans to open a giant factory.

Governor Samuel Garcia is a man in a hurry, juggling his daughter's birth and Tesla's arrival in northern Mexico, which hopes to benefit from

a new wave of foreign investment.

Production of Tesla electric vehicles could begin next January at the giant new factory outside the city of Monterrey, the 35-year-old Nuevo Leon state governor said.

It is part of the "nearshoring" trend of US companies—and their suppliers—choosing production sites closer to markets in the world's largest economy, instead of in Asia.

Work to build the new Tesla plant could begin in April, Garcia told AFP in an interview, just hours before rushing to the maternity ward.

The fresh-faced politician later posted a video of his daughter's birth on Instagram, where he had also shared a photo of himself meeting Tesla boss Elon Musk in early March.

Little more than a week after Musk confirmed at the start of this month plans to build a new "giga factory" in Mexico, his teams were already inspecting land outside Monterrey.

While Musk gave few details about the new plant, Mexico's government said the investment would total about \$5 billion.

"It's a huge piece of land where they're going to build the biggest factory in the world," Garcia said, adding that the plot was believed to cover more than 1,600 hectares (around 4,000 acres).

The politician hopes the investment will create 7,000 direct—and some 40-50,000 indirect—jobs in Monterrey.

The city, located about 200 kilometers (124 miles) from the US border, and 600 kilometers from Tesla's headquarters in Austin, Texas, is

already an industrial powerhouse.



Nuevo Leon Governor Samuel Garcia talks during an interview with AFP about Tesla's plan to open a factory in his northern Mexican state.

Now Tesla is expected to bring with it many of the companies that make parts for the [electric vehicles](#).

Between November and February, around 30 Tesla suppliers arrived in the region, Garcia said.

Taiwanese firm Quanta, which makes the "brain" inside electric cars, has

already recruited 2,500 people since starting operations in Nuevo Leon in December 2021—a pace that one of its managers called "crazy."

French windshield maker Saint-Gobain is already present in the region and will soon be followed by Faurecia, which manufactures car seats.

## **Societal challenges**

Civil society activists, however, inject a note of caution into excitement among the elites of Nuevo Leon.

The region, home to 5.7 million people, was hit by a [severe drought](#) last year, and clouds of pollution regularly shroud the mountains around Monterrey.

"The state must be able to respond in record time" to the "demand for housing, water, mobility, health, schools" due to a likely demographic boom, said Sandrine Molinard, director general of Civic Council, a local civil society group.

Mexican President Andres Manuel Lopez Obrador said last month that Tesla had promised to address the problem of water scarcity, with measures expected to include the use of recycled water.

The "Tesla effect" and nearshoring trend are being felt several hundred kilometers northwest of Monterrey, in Ciudad Juarez.





Monterrey is an industrial hub that was hit by a severe drought last year.

The border city is the cradle of "maquiladoras"—factories set up mainly by US companies using Mexican labor to manufacture finished products such as electronic components for export to the United States.

Mounting US-China tensions and the crippling impact of the coronavirus pandemic on international supply chains, among other factors, have given new impetus to the several hundred such factories in Juarez.

"It's a boom," said the city's director general of economic development, Ivan Perez, who is worried about a labor shortage.

"We need 30,000 employees," he said.

New warehouses are springing up in the industrial parks built along the wall along the border between Juarez and El Paso, Texas.

Four Taiwanese companies, including Apple subcontractor Foxconn and Tesla supplier Pegatron, "are in the process of building 70,000 square meters of facilities," said Jorge Bermudez, a developer of industrial hangars.

Eduardo Cinco, who works for a real estate firm helping companies looking for new locations, has also noticed a dramatic change.

"In 20 years, I'd never seen availability fall below five percent of the available surface area," he said.

But the boom may not be quite as beneficial as it appears, according to Jesus Manuel Salayandia, outgoing president of the local branch of the National Chamber of the Transformation Industry.

In the decades since the maquiladoras arrived in northern Mexico, "there hasn't been a true technology transfer" that aided the country's industrial development, he said.

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