

MEXICO

Las Golondrinas Waterfalls, State of Chiapas

Major Reforms Set Stage for Growth

Mexico is a treasure trove of natural, cultural and historic attractions, and its open economy and structural reforms are fueling impressive socioeconomic development.

Having embraced comprehensive structural reforms and policies aimed at fostering greater long-term growth and attracting substantial foreign direct investment (FDI), Mexico boasts strong macroeconomic fundamentals and political, social and economic stability, and enjoys an outstanding reputation as a world-class manufacturing hub and tourism destination.

Over the past two years, President Enrique Peña Nieto has pushed through a series of ambitious reforms—in telecommunications, energy, banking and financial services, labor, education and competition policy—that are expected to generate a 2.3% rise in GDP in 2014 and a further rise of 3.5% in 2015.

In addition to the nation's vast manufacturing and industrial sectors that produce everything from automobiles and state-of-the-art computer components to hi-tech aerospace engineering parts, Mexico is a hugely popular tourist destination thanks to its countless sun-soaked beaches, ancient architecture, stunning scenery and wide range of flora and fauna.

Tourism lies at the heart of the administration's far-reaching National Infrastructure Plan, with substantial sums set aside for major new communications and transportation projects, such as the construction of Latin America's largest airport in Mexico City—a state-of-the-art



Governor of Quintana Roo Roberto Borge Angulo with President Enrique Peña Nieto.

\$9 billion facility scheduled to open within five years that will have the capacity to handle 120 million passengers a year, and function as a true international gateway for business and leisure travelers.

Golden beaches lapped by the warm turquoise waters of the Caribbean Sea on one side and the Pacific Ocean on the other are key reasons why Mexico's tourism industry has thrived in recent years, but the country's charms extend far beyond its sun-kissed shores, to stun-





Manuel Velasco Coello
Governor of Chiapas

ning Aztec and Mayan ruins, lush rainforests, cultural treasures and modern metropolises.

The beautiful State of Quintana Roo, for many years Mexico's most famous and popular destination for leisure visitors, is now welcoming increasing numbers of conference delegates for international trade fairs and exhibitions. With year-round sunshine and a world-class reputation, Cancun alone attracts around 3.5 million people each year, who relax on pristine beaches and enjoy water sports or rounds of golf during the day, and then eat, drink and

dance the night away in safe and comfortable bars, restaurants and nightclubs. The region's incredible achievements have not gone unnoticed, as Roberto Borge Angulo, Governor of the State of Quintana Roo, is happy to highlight: "The prestige and quality of our destinations—where every type of trip and activity can be realized—has seen us receive many awards," he says. "The success of the Mexican Caribbean on the coast of Quintana Roo is the result of the quality and warmth of the service that visitors receive at our tourist destinations."

Governor Borge Angulo's forward-thinking and wide-ranging socioeconomic development strategy has won him many plaudits and created waves of FDI that have increased international connectivity and touristic prospects, with new luxury hotels and beach resorts as well as golf courses, guided tours and activities that take advantage of the state's wonderful flora and fauna.

"We have been opening spaces to boost cultural research and finance infrastructure projects that preserve, rehabilitate and renew our cultural, historical and artistic heritage," Governor Borge Angulo explains. "Another important tourist diversification opportunity we have seized is ecotourism, as we have developed destinations and packages, such as tours operated by Mayan communities, that promote conservation and sustainable development. These new trends add great social, ecological and natural value to our tourist destinations."

"We have been boosting cultural research and financing projects to preserve and renew our heritage."

Roberto Borge Angulo, Governor of Quintana Roo

Home to some of the most stunning scenery and views in all of the Americas, the State of Chiapas enjoys an enviable reputation for adventure travel and ecotourism.

Manuel Velasco Coello, Governor of the beautiful Chiapas State, says that "Chiapas is a state rich with history, culture, heritage and natural resources. We have spectacular archaeological sites that are gateways to the ancient Mayan world, and recently constructed a new international airport in the historic city of Palenque to create better access to these pre-Hispanic sites. We are also promoting adventure and business tourism. We have a variety of reasons why tourists enjoy coming to Chiapas: amazing cuisine, folk art, cultural activities, various local languages and distinct ethnic groups," Governor Velasco Coello adds. "But most appealing are our spectacular natural beauty and archaeological sites."

Located at the tip of the Baja California Peninsula, Los Cabos is flanked by the Pacific Ocean and the Sea of Cortez, and its landscape comprises a rare mix of desert and ocean.

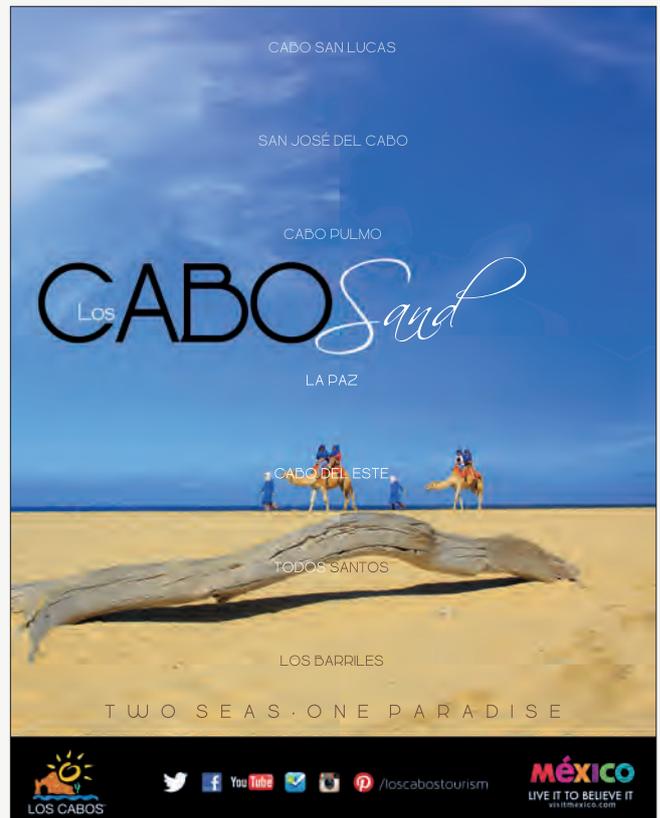


The Arch

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The area was hit by a hurricane in 2014, but the rebuilding program is well underway as the area looks to build on its success of hosting world leaders for the G-20 Summit in 2012. "We are a paradise between two oceans," comments Rubén Reachi Lugo, Secretary of Tourism for Baja California Sur.

"Los Cabos is growing at a steady pace, and has kept its character of being a boutique vacation destination," adds Renato Mendonça, President of the Los Cabos Hotel Association, emphasizing the area's appeal to those who enjoy a more high-end vacation.



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- Cancun Golf Club at Pok-ta-Pok**, Robert Trent Jones II, 18 Holes Par 72
- Iberostar Cancun Golf Club**, Isao Aoki Design, 18 Holes Par 72
- Riviera Cancun Golf Resort**, Jack Nicklaus Signature, 18 Holes Par 72
- TPC Cancun**, Nick Price Designs, 18 Holes Par 72
- Moon Spa & Golf Club**, Jack Nicklaus Signature, 27 Holes Par 72
- Vidanta Golf El Manglar Riviera Maya**, Nicklaus Design Group, 18 Holes Par 54
- Iberostar Playa Paraíso Golf Club**, P.B. Dye Design, 18 Holes Par 72
- El Camaleón Mayakoba**, Greg Norman Design, 18 Holes Par 72
- Gran Coral Golf Riviera Maya**, Nick Price Design, 18 Holes Par 71
- The Golf Club at Playacar**, Robert von Hagge, 18 Holes Par 72
- Riviera Maya Golf Club**, Robert Trent Jones II Design, 18 Holes Par 72 & 9 Holes Par 27
- Cozumel Country Club**, Nicklaus Design Group, 18 Holes Par 72
- Puerto Aventuras Golf & Tennis Club**, Thomas Leman Design, 9 Holes Par 36

The ICA logo is positioned in the top left corner, featuring the letters 'ICA' in a bold, white, sans-serif font against a dark teal square background. The overall image background is a photograph of an industrial refinery or chemical plant with several tall distillation columns and a complex network of pipes and walkways under a clear sky.

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Creating Endless Opportunities

Mexico is creating a new backbone for its economy through major public and private-sector investment in infrastructure projects across its diverse range of business sectors.

Addressing an audience of industrialists from around the country in early November, President Peña Nieto underlined the importance of ensuring a prosperous and expanding economy as a strong base: "We are transforming Mexico and laying firm foundations for new and more vigorous industrial development," he stated, building on comments a few weeks earlier in New York, when he revealed he will oversee a staggering \$520 billion of new infrastructure.

"That is the scope of the ambitious investment project we have planned from now until the end of the administration," he said, highlighting aspects like thousands of kilometers of new highways and doubling the port capacity to make Mexico a logistics destination with high added value. He also underlined the importance of a high-speed rail line and several infrastructure projects for mass transportation in major metropolitan areas, as well as the state-of-the-art international airport in Mexico City.

Given the significant level of federal, state and foreign investment in key infrastructure, companies are racing to win contracts for highways, airports, ports, schools, hospitals, hotels, telecommunications networks, sewerage systems and office blocks.

Spearheading this extensive construction and upgrade program is Ingenieros Civiles Asociados (ICA), Mexico's leading engineering, construction and infrastructure operations company, with a growing presence in other parts of Latin America, as well as the United States.

Established in 1947 and listed on the Mexican and New York stock exchanges in 1992, ICA's principal lines of business are construction—both civil and industrial, infrastructure operation, such as airports, highways and water projects, and real estate development.

"We have a track record of being the leader in our sectors; the partner of choice. We are problem solvers."

Alonso Quintana Kawage, CEO, ICA

Alonso Quintana Kawage, CEO of ICA, explains how his company builds and operates many of its projects, creating value throughout all their phases and life cycles.

"The projects ICA builds are critical for the functioning of the economy and for improving wellbeing: subway systems, highways and bridges, hydroelectric projects, combined cycle power plants, offshore oil drilling platforms, hospitals, hotels and resorts, aqueducts and deep drainage projects, refineries, natural gas processing and petrochemical plants, mining facilities, housing developments and residential high-rises," he says.

The senior executive points to the series of government reforms as the catalyst for fresh substantial investment in Mexico's infrastructure. "The transformation has begun, and we have seen [state energy giant]



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PEMEX modernizing itself and welcoming competition, which will have positive effects on the Mexican economy, through better facilities and upgraded technologies.

"Our 21st-century revolution has started on a favorable global landscape, which we will fully exploit in our deep-sea oil exploration and extraction learning curve. Mexico's stable economy and strong macroeconomic fundamentals will give us a sustainable comparative as well as competitive advantage with respect to many other countries."



Alonso Quintana Kawage
CEO, ICA

ICA's chief executive acknowledges and welcomes foreign players' participation in the transformation of Mexico's infrastructure landscape, and is certain that ICA is in an "excellent position to face this challenge and profit from it. We have a track record of being the leader in our sectors, the partner of choice. We are problem solvers, so the more our country opens up, the more foreign investors will come, the more partnerships we will establish, and the better it will be for us. Indeed, we expect to partner up with incoming players, and we will be happy to show them how things work here."

Quintana Kawage's main challenge since he took over as CEO was definitely the big scandal concerning Mexico City's metro line 12, on which ICA had been working. When its trains stopped operating, 500,000 people were left without a service each day. Even though ICA was not responsible for the problem, CEO Quintana Kawage took the decision to do all he could to solve it.

"I acted ethically and was driven by the desire to help all those people solve their transportation problem. The decision was the best I could have made at that time, and today I can say it paid off," he explains.



Germán Ahumada Russek
President, Consorcio ARA

The Mexican Institute of Infrastructure Development (IMEXDI), a non-government organization, helps integrate its members into public-private partnerships (PPPs) that involve infrastructure projects.

“Our institute was created to solve the paradox of having lots of money and real needs, but being unable to make the projects actually happen for whatever reason,” states Edmundo Gamas Buentello, IMEXDI director general.

“Mexico needs to improve its transport, energy, communications, health, education and infrastructure.

Better connectivity to the U.S. will make it cheaper, faster and easier to export goods.”

The leading force in Mexico’s vast and competitive real estate sector, Consorcio ARA is a highly successful company with a significant footprint across the country. The firm designs, develops, constructs and markets various types of housing developments. Through a co-investment scheme, ARA also develops and operates shopping malls located within or near its housing developments, which create significant added value. However, the company’s overriding priority is to develop homes and communities where people can be proud to live.

Thanks to its effective, low-leverage, conservative approach Consorcio ARA is considered Mexico’s most solid housing developer and has been the only company in the sector to maintain steady growth over the past few years, notwithstanding the industry’s crisis of 2013, which saw several construction companies, suffer significantly and even go bankrupt. Consorcio ARA President, Germán Ahumada Russek, says: “Over the past four decades we have built 306,000 houses, meaning

we have provided residences to 1.2 million Mexicans, building housing developments all over the country. We have also constructed golf courses and shopping centers—we are very diversified.

“We are present in more than half of Mexico’s 32 federal entities, and are always looking for new plots to develop housing estates and adapt them to their environment and surroundings. As shown by our performance on the Mexican as well as New York stock exchanges, we have been growing considerably, even throughout the crises, and are confident that we will keep doing so in the future.”

“We have been growing considerably, even through the crises, and are confident that we will keep doing so in the future.”

Germán Ahumada Russek, President, Consorcio ARA

One thing seen as certain is that the recent wave of reforms in the telecommunications and energy sectors bodes well for key players like Cia La Huasteca, a diversified company with interests in oil and gas, renewables, construction and telecommunications. The firm’s broad portfolio of services includes drilling, maintenance, infrastructure development, equipment provider supplies, consulting, and engineering and project development.

“The reforms will not only benefit oil companies, but also related industries. They will improve infrastructure and increase employment,

Consorcio ARA: Our solid institutional strength, flexibility and operational effectiveness establish us as the leader in the Mexican housing sector

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creating wealth across Mexico," says Salvador Gutiérrez Moreno, CEO of Cia La Huasteca. "I'm convinced that if the secondary legislation is implemented correctly we are going to see a surge of investment coming into Mexico, and this is going to benefit the entire country. The energy reform means we will have more opportunities to offer our services, not only to Mexican companies, but also to international ones, so we are delighted and welcome the change."

Spearheading innovation in the lucrative and rapidly changing information technology industry, KIO Networks is a wholly owned Mexican company that provides a wide range of mission-critical services in its state-of-the-art data centers. Founded in 2002, KIO is the largest independent data center services provider in Latin America, and offers comprehensive services and solutions for public and private sectors.

KIO Networks CEO, Sergio Rosengaus Leizgold, says tax reforms—which mean small and medium-size businesses must digitally sign paperwork and issue digital invoices and payslips—have encouraged more enterprises to go online, which has been of huge benefit to the IT industry. "We provide mission-critical IT services to several industry sectors. We have huge and sophisticated facilities—very well designed, U.S.-compliant and certified. We are continuously improving our assets and investing significantly in creating and maintaining state-of-the-art data centers, IT infrastructure, network support and talent."

One of the main beneficiaries of the huge investment in transport and telecommunications infrastructure, as well as networks, is Grupo Onest Logistics, a logistic projects integrator that provides solutions in every channel across the supply chain, particularly in fashion retail.

"We have 3.3 million square feet of capacity in our distribution centers, and operate in 22 different cities with an inventory of some of the world's best brands, such as Donna Karan, Guess, Coach and Gior

gio Armani," says Rubén Imán Treviño, Onest president. "We also provide in-house services where customers own the facility."

Rising living standards and greater disposable income resulting from Mexico's development has created opportunities in the health and leisure industry, with gym and sports club chain Sports World providing a modern, comfortable and stylish workout environment for people of all ages and backgrounds.

Fabián Bifaretti Zanetto, CEO of Sports World, comments: "The recent increase in health awareness in Mexico has seen our company grow hugely. We normally increase our presence by five or six clubs a year, but in 2014 we opened seven new facilities."

Offering countless commercial openings in all sectors of a strengthening economy, and with a strategic location on the doorstep of the U.S., competitive labor costs, modern telecommunications and transport networks and free-trade access to vast consumer markets, Mexico is the ideal base for companies looking to succeed in a pro-business climate. The series of structural reforms and legislative landmarks introduced by President Peña Nieto illustrate the government's commitment to Mexico's transformation into a global power in the political, commercial and industrial spheres.

Hundreds of billions of dollars in new infrastructure not only create investment opportunities in the short run, but also provide a solid base for medium and long-term growth and send out a clear message about the scope and extent of Mexico's ambitions.



Sergio Rosengaus Leizgold
CEO, KIO Networks

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