

01 July 2014

## San Diego robotics company expands in Mexico to make drones

Chuck Green, The Business Journals

Co-Founder Jordi Munoz finds Mexico to be a more optimal location than China to build drones/UAV's.



It appears Mexico's not just for U.S. tourists anymore, especially as the government there goes to considerable lengths to attract foreign investors, including American businesses.

"Mexico's on fire for foreign direct investment," said Lou Longo, a partner and practice leader of Global Services at Plante & Moran in Chicago.

Longo credited the country's new popularity largely to the number of free trade agreements it has established with other countries — "more than any (other) in the world, and far beyond ours in the U.S."

One U.S. company that has found Mexico to be attractive is San Diego-based 3D Robotics, which last year opened a site in a formerly vacant space in an industrial park outside of downtown Tijuana, Mexico.

The company, which specializes in fully autonomous aircraft and open-source UAV technology, initiated operations there to produce affordable drones and electronic parts for customers in the U.S. and throughout the world, according to co-founder Jordi Munoz

"Mexico made sense from the beginning," Munoz said. "It was easier than traveling 10,000 miles to China, paying for hotels, and (meeting) new people I knew nothing about — or (whether) I could trust them."

Munoz, who is a native of Mexico and still had connections there, said he was short on capital and intrigued by the low costs to start-ups in the country.

It used to be that China was the place U.S. companies looked to for low-cost manufacturing, but Longo said costs have increased in the Asian country.

"At one point, everyone thought everything would be made in China and shipped to the world," Longo said. "But costs have gone up. And you just can't get over (Mexico's) close proximity to the U.S., versus 30 days on the water."

3D Robotics' Tijuana facility was started with only about \$30,000, according to General Manager Guillermo Romero. The company later invested about \$150,000 into the new site and added around \$400,000 in fixed assets like computer equipment and machinery.

Romero said capital equipment purchases are financed through U.S. banks. Longo said Mexican bank loans are difficult to secure, plus Mexican banks charge interest rates that are generally 5 percentage points higher than U.S. rates.

According to the Ministry of Economy's promexico.gob web site, Mexico has signed trade agreements on three continents and stands as a gateway to a potential market of more than 1 million consumers and 60 per cent of the world GDP. Mexico has a network of 11 Free Trade Agreements covering 43 countries.

Foreign direct investment brought \$5.82 billion into Mexico in the first quarter, according to preliminary data from the Economic Ministry — which was 17 percent higher than the preliminary result for the first quarter of 2013, the ministry said. The United States is the largest investor at 47 percent. President Enrique Pena Nieto put through a gaggle of economic reforms through Congress last year, which lured investors to Mexico

In March, the site naftamexico.net reported that the trade relationship between Mexico and the U.S. demonstrated another solid performance as products traded between both countries set a new historical record at \$506 billion in 2013. Over the 20 years of NAFTA, trade between Mexico and the U.S. has more than sextupled, growing nearly 10 percent

annually.

