



CaliBaja Moving Forward Together *CaliBaja Avanzando Juntos*

Takeaways from meeting “The spillover benefits of nearshoring in CaliBaja”

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The interest in taking advantage of nearshoring in CaliBaja has intensified in recent years due to the global logistics reorganization post-pandemic, but Baja California already had the right ecosystem to attract ongoing investment thanks to its privileged location, knowledge, infrastructure, and advanced processes.

The collaboration between Baja California and California to coordinate their supply chains is a model to follow and proved essential during the pandemic. This region has a trade flow of over \$70 billion annually, and nearly 200,000 people cross the border between Tijuana and San Diego each day. It is a highly competitive region in the sectors of medical tourism, life sciences, aerospace, automotive, and semiconductors.

To capitalize on the potential of nearshoring, it is considered necessary to ensure the following factors: smart border, road, and port infrastructure; energy security; skilled labor; legal stability with clear regulations; and human security. For the continuous supply of energy, it is vital to develop infrastructure that enables the generation, transmission, and distribution of a stable energy base from natural gas combined with renewable sources like wind and solar. The development of this infrastructure should not only respond to market needs for economic growth but also aim to benefit local communities and promote complementary policies for a more equitable income distribution.

The incoming Mexican federal government identified the Gulf region, including Baja California, as a priority growth hub focused on developing semiconductors, energy, tourism, and agribusiness. The state government has as one of its goals to transition from being a cost-efficient manufacturing hub to one of added value. In its strategy, it promotes the state as part of the cross-border megaregion shared with Arizona and California. Additionally, it focuses on:

- Developing local talent. It collaborates with higher education institutions to adapt degrees and curricula to market needs, train teachers in current tools of interest, and coordinate long-term institutional changes, especially to develop the semiconductor industry.
- Promoting the CaliBaja region in partnership with local chambers of commerce, the Phoenix and San Diego chambers of commerce, and other relevant stakeholders to generate growth in the region.
- Identifying production capabilities, especially of exporting companies that can integrate processes for the complete product and adapt production to market trends.
- Building and improving infrastructure. The supply of energy and the development of renewable energy sources are priorities, as well as ensuring access to water and building road and port infrastructure.



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Despite the potential of nearshoring for regional economic growth, several considerations must be kept in mind. First, it is essential to consider how much production can really be relocated from China, given that China has used the United States-Mexico-Canada Agreement (USMCA) to get its products to the U.S. through Mexico. There is also significant competition to attract these new investments both abroad (Southeast Asia, Central Europe) and within Mexico (other border states).

Furthermore, it is important to consider how large the manufacturing sector should be in the state, considering that high-income countries' economies have increasingly tended to concentrate on the services and technical skills sectors. Rather than suggesting a single option should be chosen, the importance of developing both is highlighted as they are complementary sectors since 30% of the added value of exports comes from the services needed to export.

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