

NEWSLETTER

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LETTER FROM THE PRESIDENT BY LARRY RUBIN

GOVERNMENT LEADERS SERIES

- Pepe Merino
- Kenia López Rabadán

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LETTER FROM THE PRESIDENT

Dear Readers,

At the close of the first quarter, we find ourselves entering a very active phase in terms of national and international politics, with more than 50 countries holding elections sometime this year, Mexico included. That's why, it is with great interest we are continuing our Government Leaders Series.

This month I met with political scientist Pepe Merino, businesswoman Altagracia Gómez, and members of the Public Affairs Task Force to share opinions and concerns about the challenges posed by advances in digital technological applications. Among the topics addressed were cybersecurity, digital inclusion, self-sufficiency and digital innovation.



LARRY D. RUBIN
President & Chairman of the Board
American Society of Mexico

For her part, Patricia González, Vice President of the American Society, held a meeting with Senator Kenia López Rabadán and members of the Public Affairs Task Force to discuss the amnesty, *amparo* and *afores* initiatives, as well as nearshoring and the administration plan for the first 100 days of presidential candidate Xóchitl Gálvez.

It is with great pleasure that we announce the launch of a partnership between Great Culture to Innovate® Mexico, United Way Mexico and the American Society of Mexico. As part of this effort, 10 organizations from the Steering Group will participate in the Innovation Lab. We are eager to learn about the initiative proposed by Great Culture to Innovate and United Way Mexico, which includes promoting social innovation projects, such as the ChildTech Challenge, a project established jointly by Impactus Ventures and United Way Mexico that addresses social problems of children and young people in Latin America and the Caribbean.

In this run up to elections in both Mexico and the United States, EY offers a highly relevant article analyzing how election results might impact the private sectors in both countries, issuing a timely warning about the financial risks.

This month, Nextshore proffers valuable recommendations for Mexico on how to strike the right balance between Deregulation and Smart Expansion, while avoiding the pitfalls other countries stepped into. The article also provides a sage advice on how Mexico can make the most of the nearshoring boom.

What better time of year for the trip described by our dear Deby Beard. She shares her experiences in "Exploring the Heart of Japan", describing the unique and harmonious conjunction of ancient culture with modern sophistication amid the stunning natural setting that is the land of the rising sun. Closer to home, in the heart of Mexico City, she recommends the Hotel Círculo Mexicano, by Habita Group, a nineteenth architectural jewel, completely remodeled and updated by Ambrosi Etchegaray Architects. More than a hotel, it is a satisfying cultural experience, offering uniquely appointed rooms, traditional homemade cuisine, and a permanent exhibition of many outstanding works by photographer Manuel Álvarez Bravo.

Whether it is for business or leisure, we hope you find this newsletter useful and interesting. Please send your suggestions to: newsletter@amsoc.mx

Best regards, Larry Rubin



PEPE MERINO

In the ongoing “Government Leaders Series” sponsored by the American Society of Mexico (AmSoc), Society President Larry Rubin held a meeting with the political scientist Pepe Merino, entrepreneur Altagracia Gómez, and members of the Public Affairs Task Force.

- The meeting of the political scientist Pepe Merino and Altagracia Gómez with the Public Affairs Task Force is part of the ongoing series of engagements held under the banner of “2024 Government Leaders” organized by AmSoc.
- Participants in the meeting exchanged their views and concerns with regard to emergent digital trends.
- Larry Rubin, President of the American Society of Mexico, underscored the importance of maintaining an open dialogue.
- Pepe Merino spoke on the importance of digital autonomy and self-sufficiency.



In the meeting, attended by executives of the leading American companies in Mexico, participants discussed fostering of innovation, digital payment efficiency and competition, promotion of digitalization of the global financial system, cybersecurity, digital medical prescriptions, and the single digital medical file.

President Rubin highlighted the importance of coordination and dialogue with the private sector to address digital issues and protect investment, while encouraging actions that benefit the relationship between Mexico and the United States.

In the same tenor, Pepe Merino explained that a public technology that does not confer rights is useless, since one of the central functions of technology is to serve the interests of the people.

He urged companies to promote specialized face-to-face courses and, in this way, open up opportunities for well-paid jobs for Mexican workers, while putting the brakes on excessive market segmentation.

He stressed the importance of digital inclusion working hand-in-hand with financial inclusion of MSME entrepreneurs, especially those run by women and young people, something too many companies still ignore, adding that promotion of

digital investment is key to economic growth. He also emphasized the importance of advocating for simplification of the regulatory environment before the three levels of government in order to institute new models and mechanisms to accommodate on-line consultations.

This can be achieved, he stated, by ensuring the entire country has access to the internet. This goal, he said, is simply indispensable to prevent discrimination, and it is a duty of the State to prioritize those remote places where private companies have little or no reach.

The development of a national model to address and alleviate the uncertainty of Mexico's citizenry, a system that streamlines paperwork and provides prompt responses to emergencies, will be key to Mexico's near- and medium-term development.

Finally, he stressed the importance of coordination of the private sector with state and federal authorities, with the aim of aligning objectives in the area of digital cooperation with the United States, reiterating his commitment to open dialogue and working to serve Mexico. For its part, AmSoc emphasized its complete willingness to join forces for the common good.



KENIA LÓPEZ RABADÁN



Vice President of the American Society of Mexico (AmSoc) Patricia González held a meeting with Senator Kenia López Rabadán and members of the Public Affairs Task Force as part of the ongoing Government Leaders Series.

The “2024 Government Leaders” meeting with Senator Kenia López Rabadán and members of the Public Affairs Task Force is the latest in the ongoing Government Leaders Series sponsored by AmSoc.

Meeting participants shared their views and concerns surrounding the amnesty, injunction (amparo) and afores initiatives; also addressing nearshoring and presidential candidate Xóchitl Gálvez’s plan for the first 100 days of her administration.

Patricia González, Vice President of the American Society of Mexico, stressed the importance of fostering the support and commitment of private sector companies to join in for the common good.

Kenia López spoke about the importance of the participation of women and first-time voters in the upcoming elections.



In the meeting, executives of leading American companies in Mexico discussed a broad range of topics, including: public security, health, nearshoring, mental health and foreign investment, while also focusing on the importance of working to combat insecurity in the first 100 days of the new administration, approval of the federal budget, and efforts to forge international agreements that guarantee the security of both individual citizens and companies investing in Mexico.

The 100-day work plan focuses on public health, since the right to health services necessarily underpins a healthy economy and society. In this light, the plan calls for redoubling the government's efforts to bring mental health services to the population through innovative public policies.

Participants concluded that in addition to the basics of clean water and abundant energy, nearshoring requires the rule of law. When these precursors are in place, companies will be able to improve work conditions, provide job security, and expand job opportunities throughout the country.

Several participants discussed the importance of voting in order to strengthen the country's democracy. Finally, they highlighted efforts to build stronger international ties and improve conditions in Mexico in order to attract foreign investment.



TOGETHER WE CREATE A POSITIVE IMPACT ON #INNOVACIÓN SOCIAL!

In today's world, innovation is key to promoting social development, which is why we celebrate the launch of the American Society of Mexico's alliance with Great Culture to Innovate® Mexico and United Way Mexico, whose aim is to catalyze the social impact of companies and organizations by harnessing innovation.

AmSoc joins forces with these organization in order to strengthen the focus, practices and construction of innovation models in 10 organizations members of the Steering Group that will participate in the Innovation Lab. We have seen firsthand the innovation strategy deployed by Great Culture to Innovate® and United Way Mexico as they strive to develop and certify innovative cultures in companies and thereby promote social innovation projects such as the ChildTech Challenge.



The launch of our alliance was held at the Innovation Center of 3M Mexico, a company well-known for its commitment to promoting innovation exerting a positive impact in every community where it operates. One notable example of this would be the STEAM projects for children and young people in Mexico.



Working in partnership Impactus Ventures and United Way Mexico, has launched the ChildTech Challenge, an open innovation project involving the social development ecosystem of organizations and business, whose aim is to connect Startups and Scaleups worldwide with a focus on technology-based solutions to complex societal problems. This project is especially relevant in light of the current state of exploitation of children, especially girls and young women, in Latin America and the Caribbean.

Solutions are urgently needed. Suffice it to say that more than 14 million children are not registered for school in the region, while around 3.6 million children between 3 and 4 years are developmentally stunted. Moreover, nearly 54 million young people between the ages of 15 and 29 live in poverty or extreme poverty, and 25 million of these have no formal education or employment. The call to action is clear.

The scope of this initiative has allowed us to learn about more than 130 startups from 15 countries, each offering proven solutions with positive impacts on more than 4000 families served. Notably, In Mexico, organizations have launched projects to address the problems facing small children and young people, always through the lens of equity, inclusion and human rights. Thanks to the use of diverse technological solutions, these initiatives serve to enhance the child care abilities of parents, while fostering affective bonding between parents and



their children. Moreover, technological resources have been deployed to strengthen children’s reading and mathematics competences as well as to enhance those skills required for independent living for children and young people with intellectual disabilities. Other projects have focused on supporting the socio-emotional health and interpersonal dynamics of transient refugee families.

This partnership represents a significant step toward a future where innovation and collaboration are fundamental pillars for the sustainable development and well-being of our communities.

Together, we can transform realities and build a better future!

Learn more: @UnitedWayMexico @GreatCulturetoInnovate

ELECTIONS IN 2024 AND THEIR IMPACT ON MEXICAN AND U.S. BUSINESS

With elections slated in more than 50 countries around the world, 2024 will bring many opportunities to reconfigure international economic relations among democratic societies and the markets they represent.

In this light, the private sector must brace itself against likely financial difficulties, including market volatility, exchange rate risk, inflation, and new fiscal regulations. Despite these challenges, it is important to note that 64% of CEOs globally expect reasonable revenue growth.

In Mexico, however, this optimism declined considerably against the figure reported in 2023, moving from 66% to 46% of business leaders expecting an increase in their profits this year.

CAUTION IN THE FACE OF TRANSITION

Regardless of the candidates running for office in 2024 in Mexico and the United States, the private sector appears to be playing a waiting game, something that could elain this waning optimism. Although in recent years many companies have become more sophisticated and nimbler in how they allocate capital, they will always be cautious when faced with changes in markets and the regulatory environments.

Regarding the application of AI technology in the political sphere, fully 76% of CEOs globally are concerned about the misuse of artificial intelligence to impact on elections in the next 12 months; while 64% of CEOs in Mexico agree that artificial intelligence will bring benefits in terms of efficiency, while exerting scant impact on revenue growth. As a result of the instability of the economy, 76% of CEOs

globally expect limited or next to no economic expansion. In Mexico, this figure is very similar (78%), and about the same percentage believe inflation will continue to be a major thorn, causing interest rates to remain high for some time.

STRATEGIC INVESTMENTS CHANGE COURSE

Strategic priorities for CEOs globally include effective working capital management (42%) and the adoption of artificial intelligence technology to drive efficiency and improve business performance (41%). The latter, coming in at 46%, is the number one priority for leaders in Mexico.

Globally, CEOs are taking a much more cautious approach to investments. To put it in perspective, 42% of CEOs are postponing planned investments or transactions, and 38% have put a stop on them altogether. In Mexico, these percentages came in at 52% and 46%, respectively.

Currently, to stave off or prevent many pitfalls, it is critical decision-making must be properly informed about geopolitical risks. In this light, 47% of CEOs globally believe they possess the processes and expertise needed to monitor such threats, while 46% believe they have only some capacities with room for improvement. As for the regularity of assessments of the impact of geopolitical risks on their companies, 46% conduct these reviews frequently, and 45% have in place defined processes to manage them.

Designing and executing a value strategy has never been more challenging. CEOs face a growing number of emerging risks and challenges triggered by external events and other disruptions. Faced with this scenario, they must adapt quickly in order to lead their organizations with a clear purpose that is, moreover, properly enunciated to all stakeholders.

Olivier Hache

Strategy and Transactions Managing Partner,
EY Latin America



BALANCING ACT: DEREGULATION AND SMART EXPANSION

(2nd article in the series)

BY DANIEL MICHAN, *Founder & CEO, Nextshore.io*



As we continue our exploration of Mexico’s nearshoring boom, we focus on the crucial issue of striking the right balance between deregulation and smart expansion. This equilibrium is vital in the decision making that will define Mexico’s economic future. While deregulation can attract nearshoring businesses and foster short-term economic growth, the lack of smart expansion policies to ensure inclusive, sustainable growth, may bring the country merely ephemeral benefits. This piece examines the strategies Mexico can deploy to achieve this balance, while leveraging global lessons learned in pursuit of a prosperous nearshoring future.

THE BALANCING ACT

Deregulation, i.e., the reduction of bureaucratic barriers, can serve as an economic catalyst, making Mexico a more attractive nearshoring option. Deregulation, however, must be approached with care in order to avoid the pitfalls such as environmental degradation and exacerbating social disparities. Smart expansion that advocates for innovation, infrastructure, and workforce training and development, pursues a broader set of societal benefits. Mexico’s task is to harmonize these approaches, ensuring long-term prosperity that goes hand in hand with strict environmental and social standards.

DEREGULATION VS. SMART EXPANSION

Mexico faces a pivotal choice: quick gains through deregulation or sustainable growth through smart expansion. While deregulation aims to simplify business operations and reduce costs, which doubtless could enhance Mexico’s nearshoring appeal, it must not be allowed to compromise long-term sustainability. Smart expansion, in contrast, offers a holistic strategy, emphasizing investments in education, training, infrastructure and innovation. A nuanced approach, integrating both concepts, can position Mexico globally as a sustainable development model.

GLOBAL LESSONS: LEARNING FROM CHINA’S EXPERIENCE

It can be useful to study China’s rapid ascent as a manufacturing powerhouse. China’s aggressive deregulation and incentives for foreign investment transformed its economy, attracting massive nearshoring operations. This growth, however, came with significant environmental and social costs. Rapid industrialization led to widespread environmental degradation, while labor practices often fell short of international standards, raising the alarm worldwide about workers’ rights and conditions.

China’s experience underscores the importance of balanced growth. The environmental repercussions of unchecked industrial expansion have prompted Chinese authorities in recent years to implement more stringent regulations and green policies. Moreover, social unrest driven by poor labor conditions has led to a reevaluation of labor laws and practices. These adjustments reflect a shift toward a more sustainable and equitable growth model.



For Mexico, China's journey offers critical lessons. It highlights the risks of prioritizing economic growth without equal emphasis on environmental sustainability and social welfare. Mexico has the opportunity to learn from these pitfalls and challenges, adopting proactive economic policies that foster not only growth but also protect the environment and improve labor conditions.

In this way, Mexico can avoid China's mistakes and position itself as the world leader in sustainable nearshoring practices.

INSIGHTS FOR MEXICO'S PATH FORWARD

To capitalize on the nearshoring boom, Mexico must consider not only opportunities but also global cautionary tales. The strategy must entail much more than simply attracting investment through deregulation: It requires erecting policies to ensure growth is sustainable and equitable. Key strategies include:

- **Regulatory Reform with Foresight:** Streamline business processes while protecting the environment and workers' rights, drawing lessons from China in order to strike a balance between growth with sustainability.
- **Sustainable Infrastructure Development:** Focus investments on creating resilient, eco-friendly infrastructure, supporting future economic activities without compromising on the quality of the environment.

- **Education and Workforce Development for the Future:** Prioritize STEM and vocational training, preparing the workforce for a sustainable economy, and supporting green industries and digital innovation.

- **Promoting Innovation within a Sustainable Framework:** Encourage innovation that contributes to sustainable development, supporting startups and businesses focused on clean technologies and practices.

By integrating these insights into its nearshoring strategy, Mexico can avoid the pitfalls experienced by countries like China and chart a course toward sustainable and inclusive economic growth. This balanced approach will not only enhance Mexico's competitiveness as a nearshoring option, but it will also ensure its long-term prosperity and resilience.

At this pivotal juncture, Mexico has the opportunity to harness the nearshoring boom for transformative growth. By thoughtfully balancing deregulation with smart expansion, and learning from global experiences, Mexico can develop a nearshoring ecosystem that is both attractive to investors and sustainable. Strategic foresight, innovation, and adherence to environmental and social standards are essential. By making the nearshoring opportunity a legacy of growth and innovation, Mexico can secure a leading role in the global economy, while ensuring lasting prosperity. For a deeper dive into how Mexico can navigate this complex landscape, read the expanded piece here.

<https://www.nextshore.io/learning-center/mexicos-nearshoring-balancing-act>

GRUPO HABITA'S HOTEL CÍRCULO MEXICANO: DESIGN AND HISTORY

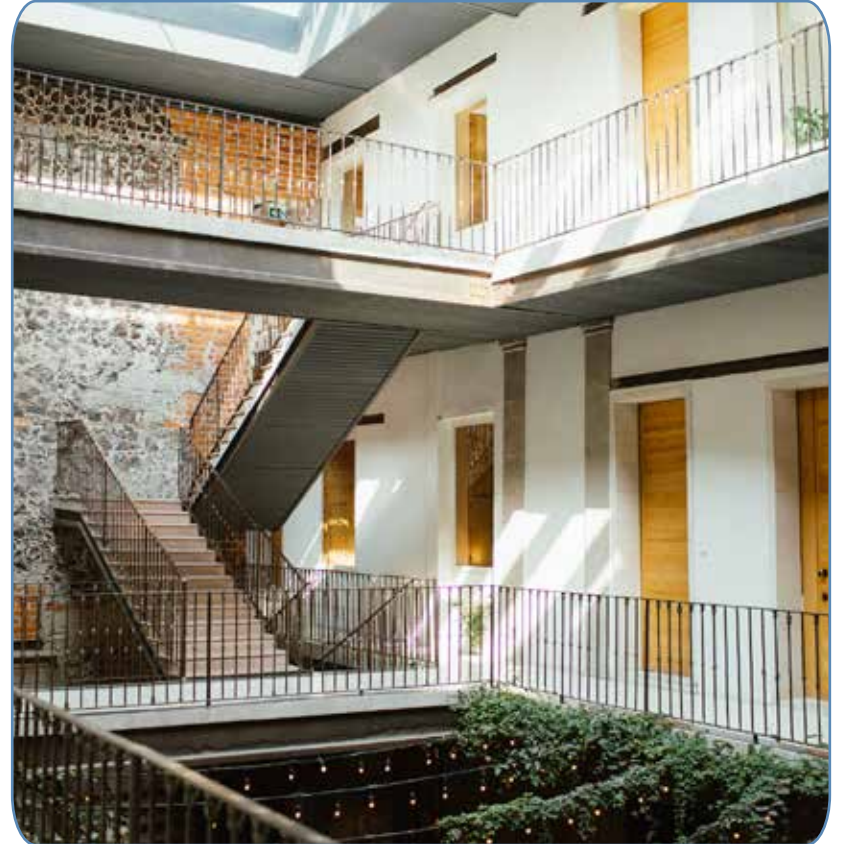
Deby Beard

Located in the heart of Mexico City's historic downtown district, where pre-Hispanic ruins intersect with the National Palace and the first cathedral in the Americas, Grupo Habita's Hotel Círculo Mexicano offers travelers a unique brand of hospitality. Ambrosi Etchegaray's architectural project reimagines the 19th century residential building as a modern marketplace on the ground floor, featuring custom details that accentuate the original building's splendor, while the room interiors on the upper floors are inspired in Shaker austerity.



Standing at Guatemala No. 20, the hotel is the birthplace of renowned Mexican photographer Manuel Álvarez Bravo, and where in 1931 the future master photographer took the celebrated photo known as the “El Ensueño” (Daydreaming). Paying tribute to the artist, the hotel has joined with the Manuel Álvarez Bravo Foundation to offer a permanent exhibit of a selection of key works by Álvarez Bravo.

Círculo Mexicano is a member of Design Hotels, a beautiful collection of unique hotels dotted around the world. Eighteen of the twenty-five rooms have their own patio with natural light, the remaining rooms with balconies overlooking Guatemala Street, which is now a pedestrian walkway.



Inspired in the idea of eating a home-cooked meal made with local, seasonal ingredients, Comedor Mexicano, the hotel’s new restaurant, often features traditional cuisine from all around the country.

Standing near the vortex of historical events that helped forge the Mexican nation, the Hotel Círculo Mexicano offers travelers a sublime design experience, top-shelf hospitality, and a truly distinctive selection of gastronomy.



EXPLORING THE HEART OF JAPAN

Deby Beard

Japan is a country of vivid, fascinating contrasts, where one can get lost in the cobblestone streets of oldtown Kyoto, marvel at skyscrapers of Tokyo, or enjoy a meditative stroll through the flowering gardens surrounding the shogunate castle of Osaka. In Japan, the past and future stand in stark contrast, though a deeper harmony always seems to inform it all.



Arashiyama lies in the northwest sector of Kyoto and is renowned for its lush bamboo and maple forests, attracting thousands of visitors every year, many staying at the charming Suiran Luxury Collection Hotel perched above the meandering Hozu River against the backdrop of the bamboo and maple festooned Arashiyama Hill.





Originally built during the Meiji Restoration as an imperial summer residence, the Suiran, a Luxury Collection Hotel, is without a doubt Arashiyama’s most exquisite gem. The hotel’s contemporary design aesthetics envelope guests in an ineffable sense of history, while the matchless cuisine lets us know that Japan really understands the meaning of luxury. As night falls, Arashiyama lights up, and the lush mountain forests sparkle in the lazy waters of the river, where lanterns of traditional fishing boats appear like wandering stars.



The traditional Japanese architecture of its sister property Shisui, also a Luxury Collection Hotel, transports guests to a faraway, but not forgotten, age. Located in charming city Nara, often overlooked by tourists, the hotel and city are quite simply a stunning sight to behold.

The first permanent capital of Japan, Nara played a key role in the historical and cultural development of Japan. Since ancient times, explorers have gazed in awe at the region’s panoramic vistas. This exceptional resort, intimately associated with the Nara proper, offers the visitor both scenic beauty and enthralling history. “Shisui” refers to the landscape bejeweled with purple tree trunks and contrasting green leaves.



The hotel’s traditional gardens coexist with the contemporary interiors; and many of the hotel’s elegantly appointed suites offer a healing private *onsen*, or hot spring bath with a view of gently swaying trees .

Another Luxury Collection Hotel is the IRAPH SUI, found on the Island of Miyakojima, the largest in the Okinawa archipelago, widely renowned for its stunning white-sand beaches and as a paradise for snorkelers. In addition to natural beauty, Miyakojima, an ancient melting pot of traditions and customs, offers a rich cultural heritage, traditional Ryukyuan architecture, local festivals and warm hospitality.

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