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Living Mobility

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## *Living Mobility is Unifying* Spotlight on trade and supply chains

In conversation with Juan Francisco Torres-Landa, partner and Leader Latin America

Living Mobility is Unifying. The automotive sector is an example of interconnectedness as supply chains are global and players along those supply chains depend on each other. But manufacturing globally means playing by the rules of the jurisdictions your consumers call home. Trade agreements can facilitate global supply chains, but they involve a myriad of legal issues. Technology and business models also “travel” internationally. Juan Francisco Torres-Landa discusses some of the issues relating to the impact of trade on the future of mobility in Latin America.

*Why is trade so critical to the mobility and transportation industry in Latin America?*

**Torres-Landa:** Mexico plays a significant part in the global mobility and transportation industry, specifically the automotive industry. This industry is particularly interconnected because the product manufactured – the automobile – culminates from so many companies along the supply chain.

This is one reason a free-trade agreement (FTA) can positively impact the mobility and transportation industry. The interconnected supply chain requires nimble companies with the ability to pivot in order to accommodate market needs and varying trade rules to operate on a global scale. An FTA is one way industry can achieve this adaptability.

*What is a free-trade agreement?*

**Torres-Landa:** A free-trade agreement (FTA) lays out rules for economic activity among participating countries. To boost trade, partnering countries agree to reduce barriers to trade among participating countries by lowering tariffs and eliminating non-tariff barriers, for example. To foster investments, the FTA includes preferential rules of origin to incentivize use of local suppliers – that is, suppliers located in countries within the FTA.

*How might free-trade agreements generate industry resiliency?*

**Torres-Landa:** Trade flexibility can positively impact economic development and the mobility and transportation industry by helping industry pivot where necessary to meet changing market conditions. What enables adaptability – or resiliency – is a level of certainty that the public sector provides and the private sectors requires to adopt good business decisions and benefit the community. The Mexico-United States-Canada Treaty (USMCA) represents an opportunity for industry to evolve and adapt during a time of industry disruption.

*Within Latin America, how might public and private sectors work together to advance electrification and shared services?*

**Torres-Landa:** For shared services, compliance is critical. One example of this is the performance of micromobility companies in Latin America. For example, micromobility used to be very visible in Mexico City. But certain micromobility ventures were not successful in part because some companies entered the process without getting fully licensed and thus experienced compliance issues. There were four to five visible micromobility players; now there are only two.

In contrast, transition to electric vehicles (EVs) is well under way in Latin America. In Mexico, we are already seeing some practical ways public and private sectors are working together to advance electrification. New vehicle and ownership taxes have been eliminated for EVs and street charging stations in Mexico are free of charge. Internal combustion engine (ICE) vehicles may not be driven one day a week in certain areas, a restriction that does not apply to EVs. And published import duties on EVs have been reduced from 15% to zero.

But hurdles remain. Two significant challenges to electrification are price point and a limited number of charging stations, particularly outside of main urban areas. A strategic growth plan is needed. While servicing EVs is simple compared with ICE vehicles, service shops where repairs can be made are limited and that increases operational costs and resulting inconveniences.

Urban congestion is an overarching issue that needs collaboration between the public and private sectors. In cities like Mexico City we still see overreliance on individual vehicles causing congestion, while the extensive subway system is insufficient because it requires more connections to other transit systems to match actual consumer needs. This combination triggers an urban planning nightmare.

There is a huge opportunity to do things better, but it will require significant investments. Just as economies are increasingly integrated around the world through the irreversible process that is

globalization, unifying efforts between public and private sectors at the national level will become increasingly important in the future of mobility. The trend is permanent, but a pragmatic and technically savvy planning process is required to maximize benefits.

## Featured Speaker



**Juan Francisco Torres-Landa**

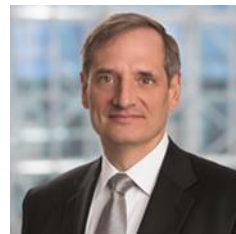
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