Doing Business in Mexico:

2013 Country Commercial Guide for U.S. Companies


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- Chapter 2: Political and Economic Environment
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Chapter 1: Doing Business In Mexico

- Market Overview
- Market Challenges
- Market Opportunities
- Market Entry Strategy
- Market Fact Sheet

Market Overview
- The North American Free Trade Agreement (NAFTA), which was enacted in 1994 and created a free trade zone for Mexico, Canada, and the United States, is the most important feature in the U.S.-Mexico bilateral commercial relationship.
- Mexico is the United States’ 3rd largest trade partner and 2nd largest export market for U.S. products.
- U.S-Mexico bilateral trade increased from $88 billion in 1993, the year prior to the implementation of NAFTA, to $494 billion in 2012, an increase of 461 percent.
- Negotiations are now underway for the Trans-Pacific Partnership (TPP), with U.S. and Mexican participation. The U.S. and Mexico seek to boost U.S. and Mexican economic growth by increasing exports in a region that includes some of the world’s most robust economies and that represents more than 40 percent of global trade. The TPP presents an opportunity to go beyond NAFTA and is anticipated to be finalized by 2014.
- In May 2013, President Obama visited Mexico at which time he and Mexican President Enrique Peña Nieto announced a new High Level Economic Dialogue (HLED). The HLED will help to further identify barriers to trade between our two countries, to reduce such barriers, and improve opportunities for both U.S. and Mexican companies in our two markets.
- Mexico is the most populated Spanish speaking country in the world and has 115 million people with 78% living in urban areas. 10% of the population is considered wealthy and about 45% in poverty earning less than USD $10 per day. The remaining 45% of the population is considered middle class. Mexico has a very young population with a median age of 27. It offers a large market with a GDP of approximately USD $1.16 trillion. Per capita income is USD $15,100.
- With a shared Western and Hispanic culture U.S. producers find it easier to market and sell their services and products in Mexico.
- There is a large installed base of manufacturing in a wide range of sectors.
- Mexico is a stable democracy.
- Mexico’s economy continues to grow with 4% growth in GDP in each of the past two years. Growth is expected to be lower in 2013.
- Labor, education, and telecom reforms as well as proposed energy and fiscal reforms have people optimistic that the country will increase its competitiveness.

Market Challenges
- Mexico’s size and diversity are often under-appreciated by U.S. exporters. It can be difficult to find a single distributor or agent to cover this vast market.
- The Mexican legal system differs in many significant ways from the U.S. system. U.S. firms should consult with competent legal counsel before entering into any business agreements with Mexican partners.
- The banking system in Mexico has shown signs of growth after years of stagnation, but interest rates remain relatively high. In particular, small and medium-sized enterprises (SMEs) find it difficult to obtain financing at reasonable rates despite Mexican Government efforts to increase capital for SMEs. U.S. companies need to conduct thorough due diligence before entering into business with a Mexican firm, and should be conservative in extending credit and alert to payment delays. As one element in a prudent due diligence process, the U.S. Commercial Service offices in Mexico can conduct background checks on potential Mexican partners. U.S. companies should assist Mexican buyers explore financing options, including Export-Import Bank programs.
- Mexican customs regulations, product standards and labor laws may present pitfalls for U.S. companies. U.S. Embassy commercial, agricultural and labor attachés are available to counsel firms with respect to regulations that affect their particular export product or business interest.
- Continued violence among transnational criminal organizations has created insecurity in some parts of Mexico, particularly in some border areas. Prior to traveling to Mexico it is strongly recommended to review the Department of State’s travel guidance related to Mexico: [http://travel.state.gov/travel/cis_pa_tw/cis/cis_970.html](http://travel.state.gov/travel/cis_pa_tw/cis/cis_970.html), [http://travel.state.gov/travel/cis_pa_tw/tw/tw_5815.html](http://travel.state.gov/travel/cis_pa_tw/tw/tw_5815.html)

**Market Opportunities**

- Abundant market opportunities for U.S. firms exist in Mexico; trade totals almost $1.4 billion a day between the two countries.
- Mexico inaugurated a new President in December 2012. A national infrastructure plan has been unveiled. Sales opportunities to the Mexican federal government will likely increase in the next few years.
- Mexico’s geographic proximity to the United States has propelled the maquiladora industry near the U.S.-Mexico border and currently gives U.S. businesses an alternative to Asia-based manufacturing and opportunities to sell into the supply chain.
- Some of Mexico’s most promising sectors include: agribusiness; auto parts & services; education services; energy; environmental; franchising; housing & construction; packaging equipment; plastics and resins; security & safety equipment and services; technology sectors; transportation infrastructure equipment and services; travel & tourism services and the agricultural sector.
- A complete list of the top prospects in Mexico is provided in Chapter Four. However, given the size of the Mexican market, there are numerous other promising prospects, including food processing equipment, architectural and engineering services and more. If an industry is not explicitly mentioned as a “best prospect,” it does not necessarily mean that there are not ample opportunities in the Mexican market.
To do business in Mexico it is key to develop and maintain close relationships with clients and partners. Mexicans prefer direct communication such as telephone calls or face-to-face meetings. However, e-mail is widely used.

Mexican companies are extremely price conscious, seek financing options, tend to desire exclusive agreements, and value outstanding service and flexibility.

U.S. firms wishing to export to Mexico will find a variety of market entry strategies. Many factors help determine the best strategy, such as the product/service, logistics & customs, distribution, marketing, direct or indirect sales, exporting experience, and language proficiency, among others.

The U.S. Commercial Service can assess market potential of products and service, provide advice on export strategies, and facilitate business agreements with potential clients and/or partners through our three offices in Mexico: Mexico City, Guadalajara, and Monterrey.
COUNTRY FACT SHEET: MEXICO

PROFILE
Population in 2011 (Millions): 114
Capital: Mexico City
Government: Republic

ECONOMY
<table>
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<tr>
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<th>2009</th>
<th>2010</th>
<th>2011</th>
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<tbody>
<tr>
<td>Nominal GDP (Current Billions $U.S.)</td>
<td>883</td>
<td>1,035</td>
<td>1,154</td>
</tr>
<tr>
<td>Nominal GDP Per Capita (Current $US)</td>
<td>7,979</td>
<td>9,219</td>
<td>10,146</td>
</tr>
<tr>
<td>Real GDP Growth Rate (% change)</td>
<td>-6.0</td>
<td>5.6</td>
<td>3.9</td>
</tr>
<tr>
<td>Real GDP Growth Rate Per Capita (% change)</td>
<td>-7.5</td>
<td>4.0</td>
<td>2.6</td>
</tr>
<tr>
<td>Consumer Prices (% change)</td>
<td>5.3</td>
<td>4.2</td>
<td>3.4</td>
</tr>
<tr>
<td>Unemployment (% of labor force)</td>
<td>5.5</td>
<td>5.4</td>
<td>5.2</td>
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Economic Mix in 2011: 34.1% All Industries; 18.2% Manufactures; 62.2% Services; 3.7% Agriculture

FOREIGN MERCHANDISE TRADE ($US Millions)

<table>
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<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico Exports to World</td>
<td>229,712</td>
<td>298,305</td>
<td>349,569</td>
</tr>
<tr>
<td>Mexico Imports from World</td>
<td>234,385</td>
<td>301,482</td>
<td>350,842</td>
</tr>
<tr>
<td>U.S. Exports to Mexico</td>
<td>128,892</td>
<td>163,473</td>
<td>198,378</td>
</tr>
<tr>
<td>U.S. Imports from Mexico</td>
<td>176,654</td>
<td>229,908</td>
<td>262,864</td>
</tr>
<tr>
<td>U.S. Trade Balance with Mexico</td>
<td>-47,762</td>
<td>-66,435</td>
<td>-64,487</td>
</tr>
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</table>

Position in U.S. Trade:
Rank of Mexico in U.S. Exports: 2 2 2
Rank of Mexico in U.S. Imports: 3 3 3
Mexico Share (%) of U.S. Exports: 12.2 12.8 13.4
Mexico Share (%) of U.S. Imports: 11.3 12.0 11.9

Principal U.S. Exports to Mexico in 2011:
1. Computer & Electronic Products (18.3%)
2. Transportation Equipment (12.1%)
3. Chemicals (10.8%)
4. Petroleum & Coal Products (10.2%)
5. Machinery, Except Electrical (7.9%)

Principal U.S. Imports from Mexico in 2011:
1. Transportation Equipment (23.3%)
2. Computer & Electronic Products (19.8%)
3. Oil & Gas (15.1%)
4. Electrical Equipment, Appliances & Components (7%)
5. Primary Metal Mfg (5.5%)

FOREIGN DIRECT INVESTMENT

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<th>2009</th>
<th>2010</th>
<th>2011</th>
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<tbody>
<tr>
<td>U.S. FDI in Mexico (US $Millions)</td>
<td>82,286</td>
<td>84,288</td>
<td>91,402</td>
</tr>
<tr>
<td>FDI in U.S. by Mexico (US $Millions)</td>
<td>11,111</td>
<td>11,267</td>
<td>13,763</td>
</tr>
</tbody>
</table>

DOING BUSINESS/ECONOMIC FREEDOM RANKINGS
World Bank Doing Business in 2012 Rank: 48 of 185
Heritage/WSJ 2012 Index of Freedom Rank: 54 of 179

Source: Created by USDCC/ITA/OTII-TPIS from many sources: FDI from USDCC, Bureau of Economic Analysis. US Trade from USDCC/Census Bureau, Foreign Trade Division. Mexico Trade with World from United Nations where available. National Macroeconomic data from IMF/World Bank databases including World Economic Outlook and World Development Indicators. WORLD and other country aggregates are summaries of available UN COMTRADE, IMF and other data, and coverage varies over time and by source, but typically represents greater than 85 percent of world trade and production. Note: Principal U.S. Exports and Imports Are 3-digit NAICS Categories

Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

http://www.state.gov/r/pa/ei/bgn/35749.htm
Chapter 3: Selling U.S. Products and Services

- Using an Agent or Distributor
- Establishing an Office
- Franchising
- Direct Marketing
- Joint Ventures/Licensing
- Selling to the Government
- Distribution and Sales Channels
- Selling Factors/Techniques
- Electronic Commerce
- Trade Promotion and Advertising
- Pricing
- Sales Service/Customer Support
- Protecting Your Intellectual Property
- Due Diligence
- Local Professional Services
- U.S./Mexico Border Trade Initiative
- Web Resources

Using an Agent or Distributor

Many U.S. firms find it useful and/or necessary to use a distributor to distribute their products in Mexico. They can be used to distribute products in various regions and to a variety of businesses. Using a distributor is also efficient when products are required to be in stock and readily available.

Some U.S. firms sell their products through a sales agent. Usually, a sales agent is an individual. However, some Mexican firms are interested in serving as sales agents for U.S. firms. Sales agents can be effective in reaching smaller cities and remote locations in Mexico.

Selection of an appropriate agent or distributor requires time and effort. There may be many qualified candidates and U.S. firms should be careful and use high standards in order to select a qualified and appropriate agent/distributor. Since most Mexican firms sell in a limited area, U.S. companies should consider appointing representatives in multiple cities to broaden distribution. It is usually not advisable to grant an exclusive, national agreement. It is important to develop a close working relationship with the appointed agent/distributor. Providing appropriate training, marketing support, samples, product support, and timely supply of spare parts is critical for success. There are no indemnity laws to prevent a company from canceling an agent or distributor agreement, but the cancellation clause should be specific. Sales performance clauses in agent/distributor agreements are permitted, and failure to meet established standards can be a reasonable cause for contract cancellation.

Before signing an agent/distributor agreement, all parties should fully understand the terms and conditions and the relationship to be developed. Many relationships are
strained because insufficient time is invested in developing a full understanding of what is expected.

The Commercial Service and other organizations, such as the American Chamber of Commerce in Mexico and U.S. state government representative offices, maintain lists of Mexican agents/distributors, manufacturers, Mexican government offices, and private sector trade organizations. After identifying a suitable agent/distributor, the U.S. exporter is strongly encouraged to conduct a commercial background check on the Mexican firm. The U.S. Commercial Service offers an International Company Profile report that provides background information on a potential business partner.

If the product is new to the market, or if the market is extremely competitive, advertising and other promotional support should be negotiated in detail with your representative. Product and industry knowledge, track record, enthusiasm, and commitment should be weighed heavily. It is suggested that the U.S. exporter schedule annual visits of Mexican personnel to the U.S. company for training. Another factor to consider is financing, as credit from Mexican banks is limited and when available has high interest rates. Joint venture arrangements should also be investigated to strengthen market penetration. Direct marketing is another popular and accepted marketing strategy. Telemarketing is a still evolving marketing strategy, but is gaining in popularity and scope.

**Establishing an Office**

For U.S. companies interested in establishing a presence in Mexico, the General Law of Mercantile Organizations (or the Civil Code) regulates many different forms of business entities. The type of business incorporation that a U.S. company or individual chooses is extremely important, as it determines the operations they are allowed to perform in Mexico and, among other liabilities, the amount of taxes they pay.

Some of the most commonly used types of business classifications are the Sociedad Anonima (Corporation) identified with "S.A." at the end of the company name, and the Sociedad Anonima de Capital Variable (Corporation with Variable Capital) identified with "S.A. de C.V." One of the advantages of the latter is that the minimum fixed capital can be changed subsequent to the initial formation.

Limited Liability Partnership (Sociedad de Responsabilidad Limitada) identified with "S. de R.L." is similar to a closed corporation in the United States and has the option of having variable capital (S. de R.L. de C.V.). As this is an organization formed by individuals, it has similar characteristics to a partnership with the exception of unlimited liability.

Civil Partnership (Sociedad Civil) is the most common organization for professional service providers. It has no minimum capital requirement and no limit on the number of partners, but it is taxable in the same way as a corporation. It is identified with "S.C."

Civil Association (Asociación Civil) is the form that charitable or nonprofit organizations adopt to operate and is identified with "A.C." A foreign company may open a branch ("sucursal") in Mexico as an alternative to incorporating. A branch can provide rights and responsibilities similar to a corporation, including tax liability and access to local courts, but requires the approval of the National Foreign Investment Commission.
It is recommended to consult with a law firm in Mexico prior to establishing an office here. A partial list of law firms operating in Mexico can be found at: http://export.gov/mexico/businessserviceproviders/index.asp?bsp_cat=80120000

Franchising

The franchise sector in Mexico grew 12% in 2012, continuing to be one of the most important sectors in the country’s economic growth. Conservative estimates indicate that this sector will grow at least 10 percent in 2013.

Franchises in Mexico are regulated by Article 142 of the Industrial Property Law and Article 65 of its Regulations. Franchise agreements must be registered before the Mexican Institute of Industrial Property in order to be effective against third parties.

In January 2006, an amendment to the Mexican Franchise Regulations (Article 142) was published in the Mexican Official Gazette, stating a new definition of franchise, mandating requirements for franchise agreements, and providing new standards for pre-sale franchise disclosure.

Business opportunities for franchises encompass many sectors: food (fast food/casual restaurants), personal care services, education, and entertainment sectors for children, etc. Franchising in Mexico, as in any other country, requires a long-term commitment. Franchisors must commit human and financial resources, patience and time to make their concept succeed in the Mexican market.

Foreign franchisors not having a permanent establishment for tax purposes in Mexico, but obtaining an income from a source located within the Mexican territory are normally taxed on income (federal tax), and the tax is paid in Mexico by the foreign franchisor through retention or withholding (10%) made by the corresponding franchisee. There are no barriers to franchisers of any products or services in Mexico.

For more information on franchising in Mexico, please see Chapter 4 of this Country Commercial Guide: Leading Sectors for U.S. Export and Investment – Franchising.

Direct Marketing

With the establishment of large international firms in Mexico and their emphasis in adopting similar marketing strategies to those of their international home base – in addition to more and better educated consumers with higher quality expectations – the marketing services industry has evolved into a more segmented and specialized sector offering U.S. companies a complete array of possibilities from which to choose.

Today, the choices firms have for promoting their products range from marketing campaigns through one-to-one contact at point-of-sale displays, to mass exposure through billboards or internet campaigns.

Companies in Mexico invested $139 billion pesos (about $10.7 billion USD) in marketing services to promote their products and services in 2011, with Electronic Media and in Point of Sale Promotion (POP) as the most important vehicles of promotion:

Breakdown of Marketing Tools in Mexico, 2011
Publicity (printed & electronic media) 73.6%
Direct Marketing 18.8%
In order to satisfy clients’ demands, direct marketing has evolved combining different methods of promotion, including internet promotional campaigns. The most important promotional tools chosen by companies were direct mail and telemarketing.

Medium and small-sized U.S. companies that enter the Mexican market should work closely with their local distributor/representative in the creation of their marketing plan in order to have a strong presence in the market.

Public Relations agencies have become an alternative way of marketing to support organizations branding, mainly in the IT, Financial, Health, Hospitality and Government segments.

The leading association in Mexico that coordinates the activities of local/international marketing associations is CICOM (Confederation of the Industry for Marketing Communication).

CICOM  
Confederación de la Industria de la Comunicación Mercadotécnica  
Gabriel Mancera 835  
Col. Del Valle  
C.P. 03100, México D.F.  
Tel: (55) 5669.00.67  
e-mail: informacion@cicom.org.mx  
http://cicomweb.org/

Joint Ventures/Licensing  
Given the flexibility of engaging in joint venture agreements, joint venturing and licensing are common approaches for U.S. firms interested in establishing a presence in Mexico.
Although some Mexicans rely on verbal agreements when doing business, it is highly recommended to have a written joint venture agreement with your Mexican business partner. According to Mexican law, joint ventures are considered separate entities from their parent companies and must register separately to pay taxes.

To safeguard a license or patent against third parties, all licenses and patents in Mexico must be registered with the Mexican Institute of Intellectual Property (IMPI). Registering a license or patent entails a government review that can take up to twenty weeks. For more information on IMPI, please see the “Intellectual Property” section below.

**Selling to the Government**

The Mexican government purchases large volumes of raw material, repair parts, finished goods, and hired services, to execute important infrastructure and construction works. In 2013, Mexico’s federal budget authorized by the Mexican Congress is $248.52 billion, of which 31% will be used for the purchase of goods, 46% for personal services and 23% for construction and investment, according to official estimates.

Traditionally, the entities and enterprises with the largest purchasing budgets have been:

Public entities:
- Secretariat of Communications and Transport (SCT)
- Secretariat of Public Education (SEP)
- Treasury Department (SHCP)
- Secretariat of Health (SS)
- Secretariat of Public Security (SSP)
- Secretariat of National Defense (SEDENA)
- Navy (SEMAR)

Public enterprises:
- Mexican Petroleum (PEMEX)
- Federal Commission of Electricity (CFE)
- Mexican Social Security Institute (IMSS)
- The State Worker’s Security and Social Services Institute (ISSSTE)

While maintaining a representative or office in Mexico is not a prerequisite to obtaining government contracts, it can simplify obtaining the information needed to prepare bid documents and support after-sales service and parts supply. It is strongly recommended that U.S. companies seeking government contracts work with a partner in Mexico. The U.S. Commercial Service can assist in identifying potential partners for U.S. companies. More information about these services can be found in Chapter 10.

U.S. firms are encouraged to carefully analyze with their representative the tender specifications. They may differ from entity to entity, depending on the value of operation, type of goods or services, budget limitations, etc. A bid will be disqualified if not received within the specified period of time. Stipulated bids can also be disqualified for not meeting technical details. Likewise, each tender includes a specific period of time for participants to ask questions. By paying attention to all the details, firms can avoid unnecessary disqualifications during the tender process. In some tenders, only written questions are permitted. Replies are given to all purchasers of the tender documents.
If a tender specifies a certain brand or gives preference to a supplier, a complaint can be filed with the General Directorate of Complaints before the contract is awarded. Each bid should only consider the exact specifications listed in the tender. "Additional solutions" and/or specifications not listed will disqualify the bid.

Finally, U.S. firms should communicate regularly with their Mexican representative and fine-tune all details related to the required documents. There have been numerous cases of disqualification based upon seemingly insignificant failures on the part of bidders to comply with tender regulations and procedures to the letter of the law.

Distribution and Sales Channels

Mexico has an adequate transportation network that is being modernized. The main land-border crossings with the United States are: Nuevo Laredo, Ciudad Juarez, Piedras Negras, Mexicali, and Tijuana. Tijuana is the world’s busiest border crossing. However, the greatest value of goods pass through the Laredo/Nuevo Laredo land-border crossing, where approximately 60% of all U.S.-Mexican trade clears customs. The Government of Mexico and some state governments are trying to promote other border crossings, in order to decrease the concentration in Laredo and to offer future options to the increasing commercial traffic between the two countries.

Mexico has a modern highway system, primarily comprised of toll roads connecting the main industrial areas located in the Mexico City-Guadalajara-Monterrey triangle. Outside this area, road transportation is fair-to-poor. However, the Mexican government has enacted an aggressive program to improve Mexico’s infrastructure, giving priority to the construction of new highways and modernization of existing roads to create an efficient road network across the nation.

The main maritime ports are Altamira, Tampico, Veracruz and Progreso on the Gulf Coast of Mexico, and Ensenada, Lazaro Cardenas, Manzanillo and Puerto Madero on the Pacific Coast. All these ports have the infrastructure and equipment to facilitate intermodal, door-to-door merchandise transportation. The government’s Infrastructure Program also includes important projects to modernize and expand existing ports and to build a new port in Punta Colonet Baja California, to attract container movement in transit from Asia to the United States. New multimodal corridors will be developed to connect Gulf and Pacific ports, and production and consumer centers, with NAFTA corridors.

Transportation-logistic services are expensive in Mexico: it is estimated that 8 to 15 percent of product cost in Mexico is related to logistics, compared to 5 to 7 percent in more developed countries.

According to figures provided by the Secretaria de Comunicaciones y Transportes (Secretariat of Communications and Transports) on April 23, 2013, a large portion of Mexican products shipped domestically travel by land: 55.8% were moved by trucks, 12.5% by trains, 31.6% by ship and only 0.1% by airplane. Given this distribution, the Peña administration is planning to increase the volume of cargo using railroad transportation. North-South NAFTA trade has tripled over the past decade, straining the limit of Mexico's old transportation infrastructure. The Mexican government is fully committed to develop the necessary infrastructure and to promote private participation in the sectors that can help to make industry and exports more competitive.
**Selling Factors/Techniques**

In addition to developing strong working relationships with Mexican partners, it is highly recommended that U.S. firms use Spanish-language materials and speak Spanish whenever possible while doing business in Mexico. Hiring local staff can help facilitate these relationships and provide U.S. companies with insight on selling to the Mexican market.

**Electronic Commerce**

E-commerce between organizations and companies, either business to business (B2B) or government to business (G2B), has been developing much faster than e-commerce with consumers (B2C). Companies and the Mexican Government are investing heavily in their IT infrastructure to promote e-commerce between clients, suppliers, government, and individuals. Given that this market will grow in the future, there are great opportunities for suppliers of specialized and segmented solutions based on economic activity. The biggest market is enterprise solutions to help companies integrate and automate their communications within their organizations as well as with business partners (clients and suppliers).

Geographically, the three largest cities represent the highest density of Internet users in the country. Mexico City, Guadalajara, and Monterrey have over 50% of the 41 million Internet users in Mexico, 76% of whom are under the age of 35. In 2012 only 2.2 million people used the internet to purchase goods. 2.7 percent performed their banking online. A mere 1.1 percent of all users reported doing government business online.

**Associations**


**Financial Institutions**

VISA: [http://www.visa.com](http://www.visa.com)


**Trade Promotion and Advertising**

U.S. Commercial Service Mexico provides on-line advertising for U.S. and Mexican companies under the Business Service Provider (BSP) and Featured U.S. Exporter (FUSE) programs. For more information:


In order to have a better understanding of the Mexican market, it is also important to participate in industry trade events, seminars, and/or conferences in Mexico. Participating in such events gives you the opportunity to talk to suppliers, industry experts, and end users. It also provides business exposure and brand recognition.

A listing of trade shows in Mexico can be found at:
Mexico City: http://www.biztradeshows.com/mexico/mexico/
Guadalajara: http://www.biztradeshows.com/mexico/guadalajara/
Monterrey: http://www.biztradeshows.com/mexico/monterrey/

The following companies organize trade shows in Mexico:

AMFAR: http://www.amfar.com.mx
Centro Impulsor de la Construcción y la Habitación A.C.: http://www.cihac.com.mx
Expopublicitas: http://www.expopublicitas.com
Grupo MFV: http://fif.com.mx
Grupo Salpro, S.A. de C.V.: http://www.mexicandesign.com

Pricing

U.S. exporters should look carefully at import duties, brokers’ fees, transportation costs, and taxes to determine if the product/service can be priced competitively. U.S. companies shipping goods not made in the United States could be subject to duties.

For more information about import duties go to chapter 5.

Value Added Tax (IVA)

Mexican Customs collects a value-added tax (IVA) from the importer on foreign transactions upon entry of the merchandise into Mexico. This IVA is assessed on the cumulative value consisting of the U.S. plant value (f.o.b. price) of the product(s), plus the inland U.S. freight charges, and any other costs listed separately on the invoice such as export packing, insurance, plus the duty, if applicable.

The IVA is 11% for products exported to the “border zone,” defined as 20 km from the U.S.-Mexico border. Ports of entry (Cancun, Cozumel, Los Cabos) are also assessed the 11% IVA rate. For final shipping points other than the border zone or ports of entry, a 16% IVA is charged. The importer will pay other fees for such services as inland Mexico freight, warehousing, and custom brokerage fees, if applicable. The IVA typically is recovered at the point of sale when the product is sold. The IVA is a pass-along tax. It is ultimately paid by the end-user. Each time the product is sold the buyer is charged the IVA. If resold, the company will then be reimbursed. Sales of real property (real estate) within the border zone are taxed at the 16% IVA rate.

Note that the Government of Mexico will likely introduce a fiscal reform bill in fall 2013, which may affect tax rates, including the IVA.
Service and price are extremely important to Mexican buyers. In many industries the decision to select a supplier depends on the demonstrated commitment to service after the sale has been made. This has been the most effective tool that third country manufacturers, have used to penetrate the market. They offer to have their maintenance personnel at the clients' plant in no more than 48 hours after a service call is made.

Mexican customers demand uniform quality control, compliance with international standards, productivity, lower production costs, just-in-time deliveries, and above all, reliable local service and maintenance programs. This last factor has become, in many instances, even more important than pricing or financing. Many Mexican firms employ English-speaking staff, but it is a good idea for the U.S. company to employ Spanish-speaking sales representatives. Providing appropriate training, product support, and timely supply of spare parts is critical for success. The U.S. exporter should also schedule annual visits of Mexican personnel to the U.S. companies for training. All Mexicans traveling to the United States for training or other business purposes need a visa – more information on the visa process is provided in Chapter 8. Another factor to consider is financing, as credit from Mexican banks is limited and when available can be quite high.

**Protecting Your Intellectual Property**

Several general principles are important for effective management of intellectual property rights in Mexico. First, it is important to have an overall strategy to protect IPR. Second, there are different legal standards for protection of IPR in Mexico and the United States. Third, rights must be registered and enforced in Mexico, under local laws.

It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government generally cannot enforce rights for private individuals in Mexico. It is the responsibility of the right-holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. While the U.S. Government is willing to assist, there is little it can do if the right-holders have not taken the fundamental steps necessary to securing and enforcing their IPR in a timely fashion. Moreover, in many countries, right-holders who delay enforcing their rights on a mistaken belief that the U.S. Government can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a right-holder to promptly pursue their case.

It is always advisable to conduct due diligence on partners. It is recommended to negotiate from the position of your partner and give your partner clear incentives to honor the contract. Issues such as who will register and own the rights to the intellectual property in Mexico should be determined before entering into a business relationship with local partners. A good partner is an important ally in protecting and enforcing IP rights. It is recommended to keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Mexico require constant attention. Work with legal counsel familiar with Mexican law to create a solid contract that includes non-compete clauses and confidentiality/non-disclosure provisions.
It is also recommended that small and medium-sized companies understand the importance of working with trade associations and organizations to support efforts to protect IPR and stop counterfeiting. There are a number of these organizations including:

- The U.S. Chamber of Commerce
- The American Chamber of Commerce in Mexico
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)
- Institute for the Protection of Intellectual Property and Legal Commerce (IPPIC)
- Mexican Association of Research Pharmaceutical Industries (AMIIF)
- Mexican Association of Phonogram Producers (AMPROFON)
- Motion Picture Association of America (MPAA)
- Business Software Alliance (BSA).

IPR Resources
A wealth of information on protecting IPR is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the U.S. and other countries -- call the STOP! Hotline: 1-866-999-HALT or register at: www.StopFakes.gov.

- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: 1-800-786-9199.
- For more information about registering for copyright protection in the US, contact the U.S. Copyright Office at: 1-202-707-5959.
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov. This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IPR-infringing products) and allows you to register for Webinars on protecting IPR.
- For information about registering a patent or trademark in Mexico, visit the Mexican Institute of Industrial Property’s website at: http://www.impi.gob.mx/.
- For information about registering for copyright protection in Mexico, visit the National Institute of Author Rights (Mexican Copyright Office) at: http://www.indautor.gob.mx.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. To contact the official IP Attaché who covers Mexico, please email: michael.lewis@trade.gov. The Commercial Specialist covering these issues may be reached at: claudia.rojas@trade.gov.
IPR Climate in Mexico
Mexico continues to suffer from rampant commercial piracy and counterfeiting and weak enforcement of intellectual property rights. The Mexican government has committed to strengthening protection of IPR, and the relevant federal agencies are working in a more integrated and aggressive manner. Nonetheless, a number of barriers to effective enforcement remain, including legislative loopholes, the need for improved coordination with state and municipal governments, issuance of more deterrent penalties, long and cumbersome judicial processes, and widespread public acceptance of illicit commerce. Mexico is working closely with the U.S. government and other partners to address these and other areas of mutual concern.

Two different laws provide the core legal basis for protection of intellectual property rights (IPR) in Mexico -- the Industrial Property Law (Ley de Propiedad Industrial) and the Federal Copyright Law (Ley Federal del Derecho de Autor). Multiple federal agencies are responsible for various aspects of IPR protection in Mexico. The Office of the Attorney General (Procuraduría General de la Republica, or PGR) has a specialized unit that pursues criminal IPR investigations. The Mexican Institute of Industrial Property (Instituto Mexicano de la Propiedad Industrial, or IMPI) administers Mexico’s trademark and patent registries and is responsible for handling administrative cases of IPR infringement. The National Institute of Author Rights (Instituto Nacional del Derecho de Autor) administers Mexico’s copyright register and also provides legal advice and mediation services to copyright owners who believe their rights have been infringed. Mexico Customs Service (Aduana México) plays a key role in ensuring that illegal goods do not cross Mexico’s borders.

Mexico is a signatory of at least fifteen international treaties, including the Paris Convention for the Protection of Industrial Property, NAFTA, and the WTO Agreement on Trade-related Aspects of Intellectual Property Rights. Mexico has also recently joined the negotiations of the Trans-Pacific Partnership which will also include specific provisions regarding IPR. Although Mexico signed the Patent Cooperation Treaty in Geneva, Switzerland in 1994, which allows for simplified patent registration procedure when applying for patents in more than one country at the same time, it is necessary to register any patent or trademark in Mexico in order to claim an exclusive right to any given product. A prior registration in the United States does not guarantee its exclusivity and proper use in Mexico, but serves merely as support for the authenticity of any claim you might make, should you take legal action in Mexico.

The USPTO has a permanent Patent Prosecution Highway (PPH) agreement with IMPI. Under the PPH, an applicant receiving a ruling from either the IMPI or the USPTO that at least one claim in an application is patentable may request that the other office fast track the examination of corresponding applications. The PPH leverages fast-track patent examination procedures already available in both offices to allow applicants in both countries to obtain corresponding patents faster and more efficiently. The PPH will permit USPTO and IMPI to benefit from work previously done by the other office, which reduces the examination workload and improves patent quality.

An English-language overview of Mexico’s IPR regime can be found on the WIPO website at: http://www.wipo.int/wipolex/en/profile.jsp?code=MX
Although a firm or individual may apply directly, most foreign firms hire local law firms specializing in intellectual property. The U.S. Commercial Service’s Business Service Provider program has a list of local lawyers. http://export.gov/mexico/businessserviceproviders/index.asp?bsp_cat=80120000

**Due Diligence**

U.S. firms are strongly advised to conduct due diligence on a Mexican firm or individual before entering in any type of agreement. In Mexico’s larger cities, it is possible to find a local consulting or law firm that can find information on a firm or individual. Also, local chambers and associations can assist U.S. firms in locating economic reports on a particular firm.

There are only a few private firms that conduct due diligence countrywide. U.S. firms should know that the U.S. Commercial Service has a service called International Company Profile (ICP) that can be ordered from our domestic U.S. Export Assistance Centers or our offices in Monterrey, Guadalajara, and Mexico City. The ICP is a report in English that includes financial and commercial information on a Mexican firm.

**Local Professional Services**

The U.S. Commercial Service Mexico maintains a list of business service providers for companies looking to do business in Mexico. These service providers can be found at: http://export.gov/mexico/businessserviceproviders/index.asp.

Additionally, the following associations can be helpful for U.S. firms seeking more information on professional services:

- The Mexican Association of Accounting Firms: http://www.amcp.org.mx
- The Mexican Association of Electrical and Electronic Communications Engineers: http://www.amicee.org.mx
- The National Chamber of Consulting Companies: http://www.cnec.org.mx

**U.S./Mexico Border Trade Initiative**

Mexico’s maquiladora and manufacturing export industry is the country’s largest foreign currency income source, exceeding petroleum and tourism. As the U.S. and Mexican economies experience further integration, the more than 5,000 maquiladora plants throughout Mexico, 60% of which are located along the U.S.-Mexico border, will have an ongoing need to source quality inputs, equipment and services from U.S. industry. The border region also offers a myriad of export opportunities in other areas such as smart border technologies, security products and services, and technologies of interest to government customers such as waste management, energy savings solutions, and public safety products, to name a few.

The proximity of the U.S./Mexico border offers a cost-effective market entry opportunity, particularly for New to Export and New to Market companies. The U.S./Canada and U.S./Mexico borders are often the first step for companies breaking in to the international market given the accessibility and proximity the border economies afford.
In an effort to better assist U.S. businesses in tapping into the excellent sales opportunities offered by the maquiladora and manufacturing export industry, the Commercial Service created the Border Trade Initiative (BTI). The BTI extends the strong trade promotion programs that already exist throughout Mexico to include the significant manufacturing clusters in the Mexican states bordering California, Arizona, New Mexico and Texas. The BTI offers matchmaking services, hands-on border programs, special events, market research and other tools to help U.S. businesses succeed along the border in this important growing market.

In 2009 the BTI's border presence was enhanced by the opening of the first Export Assistance Center in El Paso, Texas. This office provides direct assistance to U.S. companies in Texas and also assists them and companies from throughout the United States in the neighboring state of Chihuahua. The El Paso Office has developed innovative methods of putting U.S. sellers together with maquiladora and manufacturing export industry buyers in Chihuahua (given the security challenges in this border region through export webinars in industry specific sectors). Similar programs also exist in Arizona and California.

For general information on BTI services or upcoming events, please contact in the U.S.: Daniel.Rodriguez@trade.gov or Robert.Queen@trade.gov and in Mexico: John.Howell@trade.gov or visit http://www.export.gov/mexico.

**Web Resources**

**U.S. Government**

**Mexican Government**
- The Mexican Institute of Industrial Property: [http://www.impi.gob.mx](http://www.impi.gob.mx)

**International and Private Industry**
- International Anti-Counterfeiting Coalition: [http://www.iacc.org/](http://www.iacc.org/)
- Pharmaceutical Research and Manufacturers of America: [http://www.phrma.org/](http://www.phrma.org/)
- Mexican Maquila Information Center: [http://www.maquilaportal.com](http://www.maquilaportal.com)
America’s Data Systems Global: http://www.maquilamarket.com
Industrial Directories: http://www.solunet-infomex.com
Mexico’s Industrial Magazine: http://www.twin-plant-news.com
Bajamak Trade Show in Tijuana: http://bajamak.com

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Chapter 4: Leading Sectors for U.S. Export and Investment

Commercial Sectors

- Agribusiness
- Automotive Parts and Supplies
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- Energy Sector (Traditional)
- Environmental Sector
- Franchising Sector
- Internet and IT Services
- IT Health Care
- Medical Devices
- Packaging Equipment
- Plastic Materials/Resins
- Renewable Energy
- Security and Safety Equipment and Services
- Smart Grid
- Telecommunications Equipment
- Transportation Infrastructure Equipment and Services
- Travel and Tourism Services
- Agricultural Sector
Agribusiness

Overview

Mexico is among the top 15 world leaders in the agribusiness industry with 27,300 hectares of permanent cropland. Mexico is also 10th in the world in terms of meat production, providing a total of 4,911 metric tons of red meat alone. In 2012, Mexico was rated 5th in poultry production and 3rd in egg production globally. In 2011, Mexico reached 4th place in poultry products, producing 2.8 million tons worldwide, 6th place in beef production with 1.8 million tons, and 17th in pork production with 1.2 million tons. Other sub-sectors that registered the most dynamic growth were: corn production with an increase of 17.6%, beans with an increase of 17.9 %, dairy sector with an increase of 2.7%, and cattle 2.1%.

In 2010, Mexico showed an increase of 5.8% in the production of its 50 most important crops, which represented 86% of the total national agricultural production.

The growing agribusiness sector demands modern agricultural machinery, more efficient technology, fertilizers, enhanced pesticides to protect crops, animal feed, and packaging equipment. A table on tractor by power follows:

**Agricultural Heavy Equipment (tractors with models before 2010) HS Code 87019003**

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Exports</td>
<td>7,106,409</td>
<td>6,008,976</td>
<td>5,882,994</td>
</tr>
<tr>
<td>Total Imports</td>
<td>45,142,513</td>
<td>58,940,034</td>
<td>57,961,129</td>
</tr>
<tr>
<td>Imports from the U.S.</td>
<td>37,379,887</td>
<td>50,609,646</td>
<td>48,934,932</td>
</tr>
</tbody>
</table>

**Agricultural Heavy Equipment (tractors with HP between 140 & 180 HP) HS Code 87019005**

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Exports</td>
<td>3,157,925</td>
<td>1,277,558</td>
<td>228,209</td>
</tr>
<tr>
<td>Total Imports</td>
<td>1,410,899</td>
<td>1,623,601</td>
<td>739,347</td>
</tr>
<tr>
<td>Imports from the U.S.</td>
<td>213,412</td>
<td>268,252</td>
<td>475,777</td>
</tr>
</tbody>
</table>

**Agricultural Heavy Equipment (tractors with HP between 106 & 140 HP) HS Code 87019006**

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Exports</td>
<td>348,020</td>
<td>0</td>
<td>6,541,546</td>
</tr>
<tr>
<td>Total Imports</td>
<td>3,646,013</td>
<td>2,899,301</td>
<td>792,003</td>
</tr>
<tr>
<td>Imports from the U.S.</td>
<td>2,948,766</td>
<td>2,863,174</td>
<td>273,444</td>
</tr>
</tbody>
</table>

**Agricultural Heavy Equipment (all other tractors) HS Code 87019001+ Code 87019099**

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
</table>
### Total Exports

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Exports</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>222,852,455</td>
<td>340,437,230</td>
<td>396,674,389</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>137,345,273</td>
<td>171,657,071</td>
<td>181,544,491</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>74,319,297</td>
<td>101,846,590</td>
<td>95,518,153</td>
<td></td>
</tr>
</tbody>
</table>

**Figures are in U.S. dollars.**

**Source:** Secretaria de Economia-SIAVI

### Best Prospects/Services

The agribusiness industry in Mexico is a sector in continuous and steady expansion with an average annual growth of 2%, driven in part by strong consumer demand and limited production potential due to reduced land availability, poor transportation infrastructure and high feed prices. With 9% of the nation’s foreign direct investment devoted to agribusiness, there is significant long-term growth potential. In addition, the government has invested over $700 million in the sector during the past 5 years. With a large land area and a diverse range of climates, Mexico is well suited to large-scale agricultural production. The highly fragmented state of Mexican farming leaves significant room for consolidation and increasing yield.

**Modern Agricultural Machinery:** This particular sector presents suppliers with strong opportunities, as 70% of Mexican agriculture is still harvested through manual labor utilizing rudimentary tools. Less than 20% of croplands are irrigated, leaving crops dependent on seasonal rains or irrigation through mobile water pumps. Federal government infrastructure development programs have provided this sector with $300 million for this purpose alone.

With sales in the U.S. predicted to flatten, Mexico holds strong promise in comparison. U.S. firms lead in irrigation technology, commercial mowers and farm dairy equipment. Focused effort to uncover sales opportunities on the part of U.S. exporters of such equipment has the potential for long term rewards as the Mexican agribusiness market begins to build capacity to meet growing local demand.

**Fertilizers:** Mexico has no national fertilizer industry which results in farmers either fertilizing their crops with traditional products or not fertilizing at all. During 2010, farmers and organizations continued to express their discontent with the high price of imported fertilizers. Affordable fertilizers have strong market potential for U.S. firms in the agricultural sector.

**Pesticides:** Pesticides is another sector with virtually no national competition, and with harvestable land increasing yearly, there is strong market demand. These products have also received heavy subsidies by the federal government for small producers.

**Packaging Equipment:** General packaging equipment has also had a very considerable increase in demand due to producers’ desire to begin packaging their own products. This is the case for the poultry and meat processing industry. Exports require standardized packaging and labeling requirements, which needs advanced technology and machinery that is not produced in Mexico.

### Opportunities

There is virtually no national competition for agribusiness technology and equipment since 90% of products in this sector are imported, presenting an enormous opportunity for U.S. firms. U.S. products are most often the first choice for Mexican companies due in large part to the U.S. product reputation for excellent quality, innovation, and efficiency.
The government's focus on improving infrastructure can only improve Mexico's agrribusiness market in the long-term, creating a more attractive location for foreign direct investment. In addition, laws are slowly changing to allow for majority foreign ownership in some circumstances.

The performance of the Mexican economy is one of the most important factors affecting future agrribusiness related purchases. The large number of free trade agreements that Mexico signed has created a more open and globalized economy, affecting local producers’ demand and ability to compete with international and subsidized products.

Mexico’s large population of more than 110m provides a large and growing opportunity for U.S. agrribusiness products and machinery. Almost 55% of the Mexican population is 24 years old and younger and represent a strong voice in the family’s purchasing decisions. Per capita consumption and total food consumption is expected to grow between 24% - 30% (in nominal, local currency terms), driven by population growth as well as a growing prevalence of grocery retail chains.

With rising disposable incomes, increasing ownership of refrigerators and microwaves and busier lifestyles, new and innovative food products are eagerly embraced in the Mexican marketplace. Based on these consumer trends, forecasts are highly optimistic for growth in prepared food consumption in the Mexican market for the medium and long-term.

Resources

Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación  
www.sagarpa.gob.mx/  
Comisión Federal para la Protección contra Riesgos Sanitarios  
www.cofepris.gob.mx/  
Asociación Nacional de Comercializadores de Fertilizantes  
www.anacofer.com.mx/  
Administración General de Aduanas  
www.aduanas.sat.gob.mx  
Asociación Mexicana de Horticultura Protegida  
www.amhpac.org  
Union Nacional de Avicultores  
www.una.org.mx  
International Egg Commission  
www.internationalegg.com

Events

Mexico  
Agrosinaloa  
February 11-14, 2013  
www.expoagro.org.mx  
ExpoCarnes  
February 13-14, 2013  
www.expocarnes.com  
Expo ANTAD  
March 14-16, 2013  
www.expoantad.net  
Feria Int'l del Huevo  
October TBD  
www.feriadelhuevo.org  
FIGAPP  
October 22-24, 2014  
www.figap.com  
Agro Alimentaria  
November 1-4, 2013  
www.expoagrogto.com

United States
World Ag Expo  February 11-13, 2014  www.worldagexpo.com

For more information on the agribusiness sector in Mexico, please contact:

Mr. Juan Herrera, Commercial Specialist
U.S. Commercial Service, U.S. Consulate Guadalajara
Juan.Herrera@trade.gov
Tel: (011-52-33) 3615-1140 ext. 103
Fax: (011-52-33) 3615-7665
Automotive Parts and Supplies

Overview

Auto Parts Production for OEM and Aftermarket

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013 (est.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Market Size</td>
<td>45.6</td>
<td>54.6</td>
<td>67.0</td>
<td>65.0</td>
</tr>
<tr>
<td>Total Local Production</td>
<td>57.5</td>
<td>67.9</td>
<td>75.0</td>
<td>76.0</td>
</tr>
<tr>
<td>Total Exports</td>
<td>37.9</td>
<td>45.1</td>
<td>45.9</td>
<td>46.0</td>
</tr>
<tr>
<td>Total Exports to the US</td>
<td>27.7</td>
<td>40.2</td>
<td>41.1</td>
<td>42.4</td>
</tr>
<tr>
<td>Total Imports</td>
<td>26.0</td>
<td>31.8</td>
<td>33.1</td>
<td>35.0</td>
</tr>
<tr>
<td>Total Imports from the US</td>
<td>16.9</td>
<td>18.4</td>
<td>18.2</td>
<td>18.6</td>
</tr>
</tbody>
</table>

Figures in USD billions.
Source: National Auto Parts Industry Association (INA)

Total Number of Vehicles – Automobiles and Trucks

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013 (est.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Units Produced</td>
<td>2,260,774</td>
<td>2,557,550</td>
<td>2,884,869</td>
<td>3,150,000</td>
</tr>
<tr>
<td>Total Units Sold in Country</td>
<td>820,406</td>
<td>905,886</td>
<td>987,747</td>
<td>1,086,521</td>
</tr>
<tr>
<td>Total Units Imported</td>
<td>848,000</td>
<td>873,440</td>
<td>898,440</td>
<td>923,440</td>
</tr>
<tr>
<td>Total Units Exported</td>
<td>1,859,517</td>
<td>2,143,879</td>
<td>2,355,564</td>
<td>2,400,000</td>
</tr>
</tbody>
</table>

Figures in units.
Source: Mexican Association of Automotive Industry (AMIA)

Mexico ranks as the eighth largest vehicle producer in the world, which accounts for 19.8 percent of the manufacturing sector and 3.5 percent of national GDP contribution. Mexico’s auto parts industry is closely related to the U.S. industry and economic growth. There are currently nine manufacturers in Mexico including General Motors, Chrysler, Ford, Nissan, Fiat, Renault, Honda, Toyota, and VW. This manufacturing base produces 42 brands and 500 models in 20 manufacturing plants. Nissan and Daimler might be partnering and opening another manufacturing plant in Mexico to increase passenger car production. Nissan, GM, VW and Honda plan to increase their production in Mexico. Fiat and Mazda will open plants for vehicle production in Mexico later in 2013. BMW and Audi will also open manufacturing plants in Puebla.

Mexico produces more than 2.5 million cars on a yearly basis. Out of this number, 83 percent of its production is devoted to exports and the remaining 17 percent for the local market. The National Auto parts Industry Association (INA) reported that Mexico surpassed South Korea and ranks fifth worldwide in auto parts production with 75 million auto parts. This represents a ten percent increase in the auto parts industry from 2011 to 2012. Mexico exports 90 percent of auto parts production to the United States, followed by Canada with four percent and the six percent to Brazil, Germany, Japan, China, Australia, Colombia, among others.

In 2012, the Mexican automotive industry experienced 12.8% growth of local vehicle production because of higher demand, not only from the internal market but also through a 9.9% increase in exports. Mexican vehicle exports went to: United States (63.9%), Canada (6.8%), Latin America (15.5%), Europe (9%), Asia (2%), Africa (1.5%), and others (1.3%).
Mexican vehicle sales in 2012 increased nine percent compared with 2011. Market realities have led to new trends in car manufacturing, including smaller car sizes and increased fuel efficiency.

The aftermarket keeps growing, as Mexico imposed new duties and requirements on the importation of used-vehicles since 2009. As a result, repairing and maintenance of used vehicles will require varied parts. In addition, other opportunities exist for U.S. exporters of spare parts, equipment and new technologies oriented toward reducing costs and time. Parts, equipment and first and second-tier components from the U.S. might experience an increase in exports due to a forecasted Mexican increase of vehicle production that has shifted from U.S. assembly plants.

The economic outlook for 2013 is promising. According to the Mexican National Auto Parts Industry Association, the auto parts industry is expected an increase of 4% in local production, and imports to increase by 6% by the end of 2013. Last year, Mexico surpassed South Korea in auto part production and ranks fifth in the world as a producer.

**Best Prospects/Services**

The greatest opportunities include spare and replacement parts for gasoline and diesel engines, electrical parts, collision repair parts, gearboxes, drive axles, and steering wheels. In the first and second-tier supply chain sector, opportunities include: OEM parts and components, precision assembly devices, machined parts, hybrid vehicle components, suspension systems, and pre-assembly components such as small and progressive stampings. Other products in demand include electronic components, specialized tooling, systems that eliminate waste and green technologies such as new combustion systems to reduce gas emission and oil consumption. Finally, repair shops are looking for diagnostic equipment. Tools needed include scanners, electronic measure systems, tools, pneumatic tools, among others. Shops that handle collision repair need welding equipment, cutting tools, welding for plastic repair, adhesives, plastic and glass repair kits, spray guns, batch ovens, and other equipment related to body repair.

**Opportunities**

Despite the economic recovery, the lack of financing, high interest rates and competition has made the market more price-sensitive for new vehicles. In Mexico, 50 percent of new cars are purchased on credit. Because of the credit shortage, new car sales have decreased and many consumers choose to maintain their vehicles for a longer period of time. As a result, former President Calderon eliminated the ownership tax imposed each year to consumers, except for luxury cars, effective December 31, 2011. This measure stimulated the domestic market and increased the purchasing of new vehicles. In addition, OEMs located in Mexico will continue implementing strategic actions such as expanding their manufacturing base and upgrading their brand vehicles with new technologies to make them more efficient and affordable to consumers.

The number of used vehicles imported into Mexico, especially after the NAFTA allowance for newer models, provides opportunities for exports of repair equipment and replacement parts.
Effective January 2009, Mexico imposed a 10 percent duty on imports of used vehicles, which decreased to 3 percent only for the border zones in March 2009. In July 2011, newer vehicle models were allowed from 10 to 8 years old. Used vehicles destined for the border zone are allowed if five to nine years old with a one percent ad-valorem tax and those 10 years or older with a 10% ad-valorem tax. All vehicle categories are mandated to remain in that zone. Used vehicles aged eight to ten years are permitted in the rest of Mexico for resale. A new decree issued on January 2013 postponed the regulation expansion to cars aged 6-10 years old for at least two years.

U.S. companies still face some barriers when exporting to Mexico. The most significant requirements include having a Certificate of Origin, and the 10 or one percent tariff based on a minimum estimated price, or “reference price” for the given year, make, and model of the car. Importers of used vehicles must post a guarantee representing any difference in duties and taxes if the declared customs value is less than the established reference price. Used vehicles of a condition which are restricted or prohibited from circulating in their own country of origin, are prohibited from importation into Mexico. Effective November 2011, the Mexican government set up a mandatory emission control standard for the import of used vehicles. To avoid red tape, U.S. exporters can attach emission control state certificates from Arizona, California, Texas and New Mexico as those states show very strict standards which are compliant with Mexican standard 041. Therefore, U.S. exporters are advised to work closely with their importers and customs brokers to ensure that all specific requirements are met.

Participation in Mexican automotive trade shows or business-to-business events provide excellent opportunities to introduce new products and services in Mexico, after appointing regional distributors.

**Resources**

National Auto parts Industry Association:
http://www.ina.com.mx

Mexican Association of Automobile Distributors:
http://www.amda.org.mx

Mexican Association of Automotive Industries:
http://www.amia.com.mx

Global Trade Atlas
http://www.gtis.com

Office of Transportation and Machinery
http://www.trade.gov/auto

For more information on the automotive parts and supplies sector in Mexico, please contact:
Monica Martinez, Commercial Specialist
Monica.Martinez@trade.gov
U.S. Commercial Service, Mexico City
Tel: (011-52-55) 51402628
Fax: (011-52-55) 55661115
Building Materials and Services

Overview

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013 (estimate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Market Size</td>
<td>83.37</td>
<td>86.22</td>
<td>90</td>
</tr>
<tr>
<td>Total Local Production</td>
<td>81.09</td>
<td>82.88</td>
<td>85</td>
</tr>
<tr>
<td>Total Exports</td>
<td>35.34</td>
<td>36.76</td>
<td>38</td>
</tr>
<tr>
<td>Total Imports</td>
<td>37.94</td>
<td>38.14</td>
<td>40</td>
</tr>
<tr>
<td>Imports from the U.S.</td>
<td>27.53</td>
<td>28.19</td>
<td>29</td>
</tr>
</tbody>
</table>

Figures in USD Billions based on official information, meetings and statistical data from the next sources: SHCP (Secretariat of Treasury and Public Finance), INEGI Import/Exports statistics, Mexico Central Bank (Banco de Mexico) Import/Export statistics, Secretariat of Economy, BANCOMEXT, CMIC (Mexican Chamber for the Construction Industry), CNEC (National Chamber for Consulting Firms), CONAVI (National Housing Commission) and CANADEVI (National Chamber for Housing Development).

Construction

According to official figures presented by Mexico’s Central Bank, National Institute for Statistics and Figures (INEGI), Mexican Chamber for the Construction Industry (CMIC), National Chamber for the Consulting Firms (CNEC), and the Secretariat of Treasury and Public Finance (SHCP), the Mexican construction industry grew 4.4% in 2012 compared to 2011.

Mexico’s goal is to be ranked in the top 30 of the World Economic Forum’s Infrastructure Index. In order to attain that, Mexico has developed a new strategic plan that will help raise the coverage and quality of its infrastructure network. According to that index, Mexico was ranked 68th overall out of 144 countries in terms of infrastructure development in 2012-2013, with the following itemization: Highways 50th; Railways 60th; Airports 64th; Ports 64th; and Telecommunications 73rd.

The aim of the National Infrastructure Plan (NIP) for 2013-2018 is to increase economic growth as well as permanent job creation by developing construction, transportation, communications, water and energy projects to provide the necessary support for infrastructure to facilitate trade and tourism on a national and regional level. Updated official figures regarding the financial requirements for the over 250 major infrastructure projects to be included in the 2013-2018 NIP indicate that $300 billion are expected to be sourced as follows:

$45 billion: Private Investment
$19 billion: National Infrastructure Fund (FONADIN)
$16 billion: National Development Bank (BANOBREAS)
$220 billion: National Budget

This investment is intended not only to spur the economy, but also to address the lack of infrastructure investment projects in the past and to demonstrate the importance of public works to support the competitiveness of the country. The Mexican construction industry is expected to grow by 3.5% in 2013 based on the upcoming National Infrastructure Program (NIP) for 2013-2018. Key infrastructure projects sponsored by the government and large private projects developed and executed by local and foreign investors (shopping malls, retail stores, industrial plants, distribution centers, mixed-use buildings, mid and high-income housing as well as other small projects) will be the best opportunities for investment during 2013.
The total value of the construction sector in 2012, according to Mexican government sources totaled $95 billion. Most (45%) was allocated to Mexican oil parastatal PEMEX investment projects, followed by highway construction (16%), and then the building of houses and multi-use buildings (15%). The Mexican states that received the majority of investment were Estado de Mexico (19%), Mexico City (18%), Nuevo Leon (13%), Jalisco (9%) and Veracruz (9%).

In December 2012, Mexico published the guidelines for a new Public-Private Partnership Law (PPP Law), which allows the government to enter into infrastructure and service provision contracts with private companies for up to 40 years. The Public-Private Partnership Law provides more legal certainty to private investors through an equal distribution of risk, facilitates access to bank loans, and harmonizes existing state public-partnership models into one federal law. All investors will be allowed to participate in bidding processes, except for some restricted sectors according to the existing Foreign Direct Investment Law.

**Housing**
Solving Mexico’s housing deficit of over 6 million units countrywide was a major focus of the previous Administration. All housing agencies, both government and private, continue to promote projects and seek private investment to address the country’s housing deficit.

For the housing sector the best business opportunities are in the mid and high-income markets, where several local and international firms and funds have been investing with great success across the country. New housing initiatives announced by President Peña Nieto are intended to propel the housing industry in the short and medium term. These initiatives will offer support to the largest Mexican housing developers focused on the low-income market (i.e., Sare, Urbi, ICA, Ara, Geo and Homex) who have faced some financial problems in recent months and help them to accomplish the housing goals of the current Administration.

Some of the initiatives are: a) support for the 6 million workers not affiliated with the two Mexican housing funds, Infonavit and Fovissste; b) a major subsidy (as of yet undetermined) for houses valued between $12,000 and $25,000; and c) more subsidies for green housing projects (up to 20% of the mortgage). Based on these initiatives, industry estimates that construction will grow 5% from 2013 to 2018. However, as has occurred globally, inflation impacted construction costs by 9 percent in 2012, according to the Index of Prices to Builders (Banco de Mexico). An inflation rate of 3.5 percent is expected in 2013.

For U.S. firms interested in entering Mexico’s construction industry, one of the best options is to sign a joint venture agreement with a Mexican housing developer or construction firm that is active in the housing industry. Mexican companies’ knowledge of the market and the labor and legal aspects involved in this industry is invaluable to U.S. firms.

**Green Building**
Similar to other emerging economies, Mexico is moving towards “green” or friendlier environmental activities. The construction industry has embraced the green building movement. Mexico has joined the World Green Building Council (WGBC) and is learning best practices from Europe, Canada and the United States in order to reap the cost and health benefits of green buildings. It also aims to demonstrate to other countries how to use simple, moderate-cost strategies from its own longstanding building practices to achieve green building advantages.

Mexico has a tradition of architecture that favors environmentally sensitive, small-footprint building practices and designs. However, policy efforts to promote green buildings are relatively
new and generally focused on the housing sector. Mexico’s National Housing Commission (CONAVI), INFONAVIT (the largest housing fund for workers in Mexico), the Mexican Chamber for the Construction Industry (CMIC), the National Chamber for Consulting Firms (CNEC), the National College for Architects, the Mexican Council for Sustainable Edification and the Association of Firms for the Saving of Energy on Construction and Buildings are documenting green practices and working to define criteria for green buildings and homes. Additionally, INFONAVIT has created a “green mortgage” program, supported by mandatory employer and employee contributions.

Although green construction in Mexico continues on a positive trend, the actual numbers for sustainable construction remain small. Currently Mexico has only seven buildings with LEED certification and over 150 subscribed for the certification process with an investment of $25 million, while rating programs, market surveys, and anecdotal evidence indicate tremendous growth in this field. Projects include real estate branches for tourism, marine, thematic and recreational parks, golf courses, residential areas and housing, town planning, industrial and commercial. Without widespread performance data and agreed upon performance benchmarks for comparison, no method exists to determine precisely how many buildings are green. Like many other countries, Mexico will continue supporting green initiatives for construction and sustainable development. Several investors and developers are moving towards the construction of green buildings, some of them will be LEED certified and others will only be eco-friendly buildings.

The best sales opportunities for U.S. manufacturers of building materials are:

<table>
<thead>
<tr>
<th>Description</th>
<th>HT Code</th>
<th>U.S. Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC systems</td>
<td>841582</td>
<td>83%</td>
</tr>
<tr>
<td>Air filters for AC systems</td>
<td>842139</td>
<td>67%</td>
</tr>
<tr>
<td>Aluminum doors, windows and frames</td>
<td>761010</td>
<td>75%</td>
</tr>
<tr>
<td>Bulbs for incandescent lamps</td>
<td>701110</td>
<td>52%</td>
</tr>
<tr>
<td>Clear glass with UV protection and thickness over 6mm</td>
<td>700490</td>
<td>95%</td>
</tr>
<tr>
<td>Kitchen cabinets and fixtures</td>
<td>940340</td>
<td>25%</td>
</tr>
<tr>
<td>Prefab construction systems</td>
<td>940600</td>
<td>30%</td>
</tr>
<tr>
<td>Solar panels for lighting</td>
<td>854140</td>
<td>15%</td>
</tr>
<tr>
<td>Solar water heaters</td>
<td>841919</td>
<td>15%</td>
</tr>
<tr>
<td>Steel doors, windows and frames</td>
<td>730830</td>
<td>62%</td>
</tr>
<tr>
<td>Toilet articles of porcelain or china</td>
<td>691090</td>
<td>27%</td>
</tr>
<tr>
<td>Tubes and pipes – copper</td>
<td>741110</td>
<td>85%</td>
</tr>
</tbody>
</table>

The largest housing developers listed on Mexico’s stock market announced an average of 5% income growth in 2012. Representatives from Mexico’s main housing stakeholders (ARA, GEO, HOMEX, URBI, SARE and ICA) have indicated that the housing sector in Mexico will need a major investment to continue its growth and that the best market in the housing industry exists for houses between $26,000 and $50,000.
Although the housing sector has been particularly affected during the first quarter of 2013, the
global economic slowdown and the change in administrations have also hit other segments of
the construction industry in Mexico. Estimated effects include the delay or postponement by the
Mexican government of some major infrastructure projects proposed under the previous
administration, due to final cost estimate increases resulting from the increased cost of raw
materials, including cement, steel bar, and glass.

Resources

National Chamber for Housing Development: http://www.canadevi.org.mx
National Housing Council: http://www.conavi.org.mx
Mexican Chamber for the Construction Industry: http://www.cmic.org
National Chamber for Consulting Firms: http://www.cnec.org.mx
Construction and Housing Development Center: http://www.cihac.com.mx
Institute of National Housing Fund for Workers: http://infonavit.gob.mx
Secretariat of Communications and Transports: http://sct.gob.mx

For more information on the housing and construction industry in Mexico, please contact:

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Commercial Specialist
U.S. Commercial Service - Mexico City
E-Mail: Adrian.Orta@trade.gov
Mexico is the ninth country of origin for students studying in the United States, with over 13,800 Mexican students enrolled, primarily in undergraduate programs. Mexican students choose to study in the United States because of the strong ties between the countries, proximity, and the prestige of the higher education system in the United States. Approximately two percent of foreign students in the United States are from Mexico.

Schools in Mexico are now more open to internationalizing their programs; most universities, either public or private, are developing international collaboration with foreign universities. Student exchange will increase in the coming years because there is more information available, competitive education is growing and study and work experiences gained in foreign countries are more accepted in the business community.

There is also a demand for English language competency within Mexican higher education. Several Mexican private universities use the TOEFL Institutional exam as a requirement for students in all fields of study to increase the knowledge of a second language in this competitive market. It is estimated that about 5% of Mexican ESL students travel abroad for intensive English programs.

Opportunities for community colleges and boarding schools are also arising among Mexican students that are looking for education opportunities at younger ages or interested in two year programs.

In March 2011, President Barack Obama launched “100,000 Strong in the Americas,” an initiative to increase international study in Latin America and the Caribbean. The purpose of 100,000 Strong is to foster region-wide prosperity through greater international exchange of students, who are our future leaders and innovators. The U.S. Government is working to
implement 100,000 Strong in the Americas through partnerships – with foreign governments, with universities and colleges, and with the private sector. We are working with institutions in the United States and Mexico to encourage expanded exchanges and closer partnerships between U.S. and Mexican universities and colleges, including community colleges and technical institutions.

**Best Prospects/Services**

- Short term ESL programs for students
- Student recruitment for engineering, business administration and environment/energy areas, science, design
- Corporate training programs in management, as well as executive-level language proficiency programs
- Dual-degree programs / collaborative programs in international business & management, engineering programs, environmental technology, robotics, (Undergraduate and graduate levels)
- Technical programs

**Opportunities**

Mexican public and private colleges are focusing on alliances and agreements with foreign schools to provide joint programs, dual certification and exchange programs for students and professors. These programs have become more important as Mexico has become a key player in the world economy.

It is highly recommended to travel and participate in recruitment fairs as well as visits to schools to promote U.S. undergraduate programs.

**Resources**

- Secretaría de Educación Pública: [http://www.sep.gob.mx](http://www.sep.gob.mx)
- Asociación Nacional de Universidades y Escuelas de Educación Superior: [www.anuies.mx](http://www.anuies.mx)
- “100,000 Strong in the Americas”: [http://mexico.usembassy.gov/eng/resources/100k-strong.html](http://mexico.usembassy.gov/eng/resources/100k-strong.html)

For more information on the education/training sector in Mexico, please contact:

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Tel: (011-52-55) 5140-2621
Fax: (011-52-55) 5566-1111
martha.sanchez@trade.gov
### Energy Sector

#### Energy Market

**USD Million**

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013** (estimated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Market Size</td>
<td>9,781.5</td>
<td>10,159.3</td>
<td>9,990.0</td>
<td>11,350.0</td>
</tr>
<tr>
<td>Total Local Production</td>
<td>3,974.6</td>
<td>4,082.9</td>
<td>4,250.0</td>
<td>4,640.0</td>
</tr>
<tr>
<td>Total Exports</td>
<td>11,849.9</td>
<td>12,100.2</td>
<td>12,500.0</td>
<td>13,080.0</td>
</tr>
<tr>
<td>Total Imports</td>
<td>17,656.8</td>
<td>18,176.6</td>
<td>18,240.0</td>
<td>19,790.0</td>
</tr>
<tr>
<td>Imports from the U.S.</td>
<td>11,904.9</td>
<td>12,202.3</td>
<td>12,332.0</td>
<td>13,526.0</td>
</tr>
<tr>
<td>Exchange Rate: 1 USD*</td>
<td>12.34</td>
<td>13.86</td>
<td>13.90</td>
<td>14.00</td>
</tr>
</tbody>
</table>

#### Oil and Gas Market

**USD Million**

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013** (estimated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Market Size</td>
<td>6,151.5</td>
<td>6,456.7</td>
<td>6,550.0</td>
<td>7,020.0</td>
</tr>
<tr>
<td>Total Local Production</td>
<td>1,924.6</td>
<td>1,991.9</td>
<td>1,950.0</td>
<td>2,100.0</td>
</tr>
<tr>
<td>Total Exports</td>
<td>1,329.9</td>
<td>1,369.8</td>
<td>1,520.0</td>
<td>1,980.0</td>
</tr>
<tr>
<td>Total Imports</td>
<td>5,556.8</td>
<td>5,834.6</td>
<td>6,120.3</td>
<td>6,900.0</td>
</tr>
<tr>
<td>Imports from the U.S.</td>
<td>3,954.9</td>
<td>4,093.3</td>
<td>4,454.0</td>
<td>4,761</td>
</tr>
<tr>
<td>Exchange Rate: 1 USD*</td>
<td>12.34</td>
<td>13.86</td>
<td>13.90</td>
<td>14.00</td>
</tr>
</tbody>
</table>

#### Electric Power Sector

**USD Million**

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013** (estimated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Market Size</td>
<td>3,630.0</td>
<td>3,702.6</td>
<td>3,440.0</td>
<td>4,330.0</td>
</tr>
<tr>
<td>Total Local Production</td>
<td>2,050.0</td>
<td>2,091.0</td>
<td>2,300.0</td>
<td>2,540.0</td>
</tr>
<tr>
<td>Total Exports</td>
<td>10,520.0</td>
<td>10,730.4</td>
<td>10,980.0</td>
<td>11,100.0</td>
</tr>
<tr>
<td>Total Imports</td>
<td>12,100.0</td>
<td>12,342.0</td>
<td>12,120.0</td>
<td>12,890.0</td>
</tr>
<tr>
<td>Imports from the U.S.</td>
<td>7,950.0</td>
<td>8,109.0</td>
<td>7,878.0</td>
<td>8,765.0</td>
</tr>
<tr>
<td>Exchange Rate: 1 USD*</td>
<td>12.34</td>
<td>13.86</td>
<td>13.90</td>
<td>14.00</td>
</tr>
</tbody>
</table>

*Central Bank’s Statistics and Projections (Banco de Mexico).
** Based on statistics available from January to April 2013

Sources of information: BANCOMEXT, Mexican Import/Export Bank statistics, Secretary of Economy statistics; Global Trade Atlas; information and interviews with PEMEX, CFE, and SENER officials; 2012 PEMEX and CFE Budget; interviews with oil and gas contractors, members of the College of Petroleum Engineers, and representatives of U.S. companies in Mexico.
In 2013, the demand for imported energy-related equipment and services as a whole will increase by approximately 8.4 percent while U.S. exports to Mexico will grow by an estimated 9.6 percent during the same period of time. The demand for imported oil and gas equipment and services will increase by approximately 12.7 percent while U.S. exports to Mexico will grow by an estimated 6.8 percent during the same period.

Oil and gas infrastructure will continue to be a priority for Mexico’s federal government during the period 2012-2018. The state-owned energy company, Petroleos Mexicanos (PEMEX), has been granted a 2013 budget of $28 billion for new infrastructure and the maintenance of existing refineries, oil and gas pipelines, etc. (see “Opportunities” below)

In the electric power sector, the demand for imported equipment and services for this subsector will increase by approximately 6.3 percent during 2013, while U.S. exports to Mexico will grow an estimated 11.2 percent during the same period.

Best Prospects/Services

In the oil and gas subsector, PEMEX will continue to make large investments in oil exploration and production in order to maintain falling production levels. PEMEX already relies heavily on imported products and services and is expected to continue to invest heavily in developing deepwater reserves as well as advanced extraction of maturing on shore fields. Also, natural gas capture at well heads is an opportunity for U.S. companies.

Mexico is expected to pass an energy reform bill in summer/fall 2013, which may open up additional opportunities for U.S. technology and services.

Opportunities

A number of major projects will drive investment in the sector and offer U.S. companies opportunities either as contractors, sub-contractors, or suppliers of equipment/technology:

Oil Exploration and Production:
53 exploration wells in the Chicontepec area with a budget of $530 Million
6 mature fields exploration Wells in the North Region with a budget of $220 million
10 deep water exploration projects (including the Perdido Area) with a budget of $300 million
40 offshore platforms on the Gulf of Mexico with a budget of $1 billion

Shale Gas Exploration:
10 wells in the State of Coahuila, Tamaulipas, Veracruz, and Nuevo Leon with a budget of $150 million

Pipe Rehabilitation and New Pipelines:
600 km natural gas pipeline project from Veracruz to Tamaulipas and Nuevo Leon with an estimated budget of $700 million
2,000 new kilometers of gas pipelines to link U.S. natural gas suppliers and PEMEX gas pipeline system for states on the Gulf of Mexico and states on the Pacific

Refineries:
Reconfiguration of the Salina Cruz Refinery and the Salamanca Refinery, and continued work at the Tula New Refinery.
Others: Pemex will increase the demand of Christmas Trees Control Systems (offshore); Wellheads; Drilling Rigs; Valves systems; Well shooting etc. The estimated budget is US$90 million.

**Power Generation**

According to the 2013-2027 National Energy Strategy, there is an emphasis on diversifying the sources of power generation by increasing the use of combined cycle equipment, by modernizing outdated electricity plants with the installation of clean and efficient technologies, and by increasing the supply of power generation sources, primarily natural gas. Furthermore, the new administration has recognized the need to expand the electricity network in order to include those areas of the country that are poorly served or where the electricity supply has been difficult and costly. To accomplish the electricity network expansion, which is intended to serve 130 million inhabitants by 2027, there is a focus to promote energy efficiency and renewable technologies. There is also a recognition that the three levels of the government, federal, state and municipal, must collaborate in order to accomplish these objectives.

**Resources**

<table>
<thead>
<tr>
<th>Secretariat of Energy:</th>
<th><a href="http://www.energia.gob.mx">http://www.energia.gob.mx</a></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexican oil parastatal - PEMEX:</td>
<td><a href="http://www.pemex.gob.mx">http://www.pemex.gob.mx</a></td>
</tr>
<tr>
<td>College of Petroleum Engineers of Mexico:</td>
<td><a href="http://www.cipm.org.mx">http://www.cipm.org.mx</a></td>
</tr>
<tr>
<td>National Infrastructure Plan:</td>
<td><a href="http://www.infraestructura.gob.mx">http://www.infraestructura.gob.mx</a></td>
</tr>
<tr>
<td>Federal Electricity Commission (electricity parastatal)</td>
<td><a href="http://www.cfe.gob.mx">http://www.cfe.gob.mx</a></td>
</tr>
</tbody>
</table>

For more information please contact:

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Claudia Salgado, Commercial Specialist (Electric Power)
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Claudia.Salgado@trade.gov
Environmental Sector

Overview

Water Technologies

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Market Size</td>
<td>3,820.0</td>
<td>3,915.3</td>
<td>3,940.0</td>
<td>4,515.0</td>
</tr>
<tr>
<td>Total Local Production</td>
<td>1,225.0</td>
<td>1,255.6</td>
<td>1,210.0</td>
<td>1,515.0</td>
</tr>
<tr>
<td>Total Exports</td>
<td>765.0</td>
<td>787.9</td>
<td>790.0</td>
<td>850.0</td>
</tr>
<tr>
<td>Total Imports</td>
<td>3,360.0</td>
<td>3,477.6</td>
<td>3,940.0</td>
<td>4,515.0</td>
</tr>
<tr>
<td>Imports from the U.S.</td>
<td>2,010.0</td>
<td>2,086.6</td>
<td>2,288.0</td>
<td>2,502.5</td>
</tr>
<tr>
<td>Exchange Rate: 1 USD*</td>
<td>12.34</td>
<td>13.86</td>
<td>13.90</td>
<td>14.00</td>
</tr>
</tbody>
</table>

The total market for the water and wastewater subsectors is estimated to grow by 14.5% from 2012 to 2013 and U.S. exports to Mexico are expected to increase by 9.3% during the same period.

The 2013 total budget from the Federal government to CONAGUA (National Water Commission) will reach over $4.1 billion for new investment in water supply and wastewater treatment for the municipal and industrial sectors. In addition, investment from large private sector contractors is estimated to reach $900 million during the same period of time to participate in concessions largely due to a new Public and Private Partnership Law, for which guidelines were published in December 2012.

Environmental Technologies

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Market Size</td>
<td>2,072.0</td>
<td>2,176.2</td>
<td>2,215.0</td>
<td>2,465.5</td>
</tr>
<tr>
<td>Total Local Production</td>
<td>1,295.0</td>
<td>1,340.0</td>
<td>1,445.0</td>
<td>1,670.0</td>
</tr>
<tr>
<td>Total Exports</td>
<td>413.0</td>
<td>425.5</td>
<td>520.0</td>
<td>655.0</td>
</tr>
<tr>
<td>Total Imports</td>
<td>1,190.0</td>
<td>1,231.7</td>
<td>1,290.0</td>
<td>1,450.0</td>
</tr>
<tr>
<td>Imports from the U.S.</td>
<td>809.2</td>
<td>837.6</td>
<td>877.2</td>
<td>986.0</td>
</tr>
<tr>
<td>Exchange Rate: 1 USD*</td>
<td>12.34</td>
<td>13.86</td>
<td>13.90</td>
<td>14.00</td>
</tr>
</tbody>
</table>

*Central Bank’s Statistics and Projections (Banco de Mexico)
** Based on statistics available from January to April 2013. Source of information: BANCOMEXT, -Mexican Import/Export Bank statistics, Secretary of Economy Statistics; statistics from the Secretariat for the Environment and Natural Resources –SEMARNAT;Global Trade Atlas; Border Environmental Cooperation Commission (BECC); CONAGUA National Water Commission (CONAGUA); National Council of Environmental Executives- CONIECO and interviews with importers, distributors and end-users of water and wastewater equipment and services.

Climate Change
The General Climate Change Law, which was first signed by former President Felipe Calderon on June 2012, currently has the support of the current administration. President Enrique Peña Nieto announced on February 2013 an Inter-Secretarial Climate Change Commission, with the objective of designing a National Climate Change Strategy to be presented in the International Environmental Day on June 5, 2013. Mexico is committed to increase its international climate change leadership through this strategy, which will include a low emissions agenda for all the levels of the government, federal, state and municipal, and an inclusive climate change policy. It is considered that all industries will have to comply and will be requested to participate in national inventory of emissions.

Best Prospects/Services

The best prospects for US companies are in the sub-sectors of water resources equipment and services (WRE). See “Opportunities” below.

Opportunities

Water Purification Plants
CONAGUA will invite companies to bid in the upgrading of 80 of the existing 631 plants. The estimated budget is $90.5 million for plants in the states of Morelos, Puebla, Guerrero, Coahuila, Sinaloa, Tamaulipas, Zacatecas and Veracruz.

Desalination Plants:
CONAGUA is planning to invite private companies to bid in desalination plants for the cities of Hermosillo and Puerto Peñasco in the state of Sonora and Los Mochis and Mazatlan in the state of Sinaloa. CONAGUA has indicated that the new desalination plants will be built using as a framework the new Public and Private Partnership Law.

Wastewater Treatment:
CONAGUA will invite companies to bid in the upgrading of 170 municipal wastewater treatment plants in the states of Aguascalientes, Chihuahua, Guanajuato, Jalisco, Nuevo Leon, Oaxaca, Puebla and others. The estimated budget is $70 million. For new plants in the states of Puebla, Colima, Yucatan, Quintana Roo, State of Mexico, Nayarit, Guerrero, Colima, and others, CONAGUA has a budget of $300 million.

Private companies in the cities of Tijuana, Mexicali, Ciudad Juarez, Reynosa, Matamoros, Villahermosa, Leon, Irapuato, Queretaro, Toluca, Morelia, Jalapa, etc., will invest $90 million in upgrading their wastewater treatment plants to meet the wastewater discharge environmental standard.

Urban Solid Waste and Special Handling Waste
The Mexican Secretariat of Environment and Natural Resources (SEMARNAT) will continue the funding to support states and municipalities in projects such as the development of environmental infrastructure for solid waste handling, and the operative and administrative modernization of solid waste collection, treatment and disposal. SEMARNAT’s Environmental, Urban and Touristic Promotion Department has prepared a document with the guidelines to receive funds for these projects, to learn more please visit http://www.semarnat.gob.mx/apoyossubsidios/residuos/Documents/Lineamientos-ProyRSU-SEMARNAT-2013.pdf
For more information about which entities have already received funding for what type of projects, please visit: [http://www.semarnat.gob.mx/apoyossubsidios/residuos/Paginas/beneficiarios.aspx](http://www.semarnat.gob.mx/apoyossubsidios/residuos/Paginas/beneficiarios.aspx)

### Resources

| Attorney General for Environmental Protection: | [http://www.profepa.gob.mx/](http://www.profepa.gob.mx/) |
| Mexican Institute for Water Technology: | [http://www.imta.gob.mx/](http://www.imta.gob.mx/) |
| Border Environmental Cooperation Commission | [http://www.becc.org](http://www.becc.org) |

For more information on the water and wastewater sector, please contact:

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Commercial Service, U.S. Embassy in Mexico City  
E-mail: Francisco.ceron@trade.gov

For more information on the environmental equipment (except water and wastewater), please contact:

Claudia Salgado  
Commercial Service, U.S. Embassy in Mexico City  
E-mail: Claudia.salgado@trade.gov
Franchising Sector

Overview

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of Brands</th>
<th>Points of Sale</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>Over 2,500</td>
<td>825,000</td>
<td>18 million</td>
</tr>
<tr>
<td>Brazil</td>
<td>1,855</td>
<td>86,365</td>
<td>Over 770,000</td>
</tr>
<tr>
<td>France</td>
<td>1,477</td>
<td>58,531</td>
<td>335,700</td>
</tr>
<tr>
<td>Mexico</td>
<td>1,300</td>
<td>70,000</td>
<td>800,000</td>
</tr>
</tbody>
</table>

* Source: Feher&Feher Consulting Firm

Franchised businesses represent approximately 6.2% of GDP, which makes Mexico the 5th largest market for franchises in the world.

The franchise sector in Mexico grew by 12% in 2012; the industry employs over 800,000 people and is considered one of the most important industries in supporting the growth of the Mexico’s economy.

According to the Mexican Franchise Association, Mexico has approximately 1,300 franchise concepts, including international brands that are mainly from the United States. About 80% of the franchises operating in the country are Mexican brands, 10% are from the U.S., 3% from Spain, and the other 7% of the market is shared by Canada, Central & South America and Europe. Firms from other Latin American countries are finding Mexico as their best option to expand internationally and are focused on exploring secondary markets.

The Mexican Franchise Association (AMF) has worked very closely with the Ministry of the Economy to develop the National Franchise Program (PNF). This program promotes the development of franchise concepts in Mexico with the goal of increasing employment and investment in the country. It provides opportunities to Mexican entrepreneurs to create or re-engineer a franchise concept, which not only supports growth and modernization of existing franchises, but provides support to investors looking to acquire international franchise concepts.

Current legislation creates a favorable environment for the development of domestic and international franchises. In 2006, the Mexican Congress amended the Law of Industrial Property to provide a clearer definition of a franchise, mandate requirements for franchise agreements, and provide standards for pre-sale franchise disclosures. These amendments help to protect franchisees who report abuse from franchisors when executing or terminating agreements. This has allowed further expansion of the franchise sector as the previous lack of regulation limited growth.

Franchising in Mexico, as in any other country, requires a long-term commitment. U.S. franchisors must commit human and financial resources, patience and time to make their concept succeed in the Mexican market.

U.S. franchises must be aware that since the Mexican market is dominated by local franchises, a requirement for a successful franchise concept in Mexico is to adapt, or customize, the concept and characteristics to Mexican tastes.
Although the food/restaurant sector in the franchise industry in Mexico has always been a very popular business model, the services sub-sector is rapidly growing. Services such as entertainment concepts for children and personal and home care services, have a great potential in the Mexican market.

<table>
<thead>
<tr>
<th>Industry</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food &amp; Beverages</td>
<td>31%</td>
</tr>
<tr>
<td>Services</td>
<td>17%</td>
</tr>
<tr>
<td>Retail</td>
<td>9%</td>
</tr>
<tr>
<td>Education</td>
<td>5%</td>
</tr>
<tr>
<td>Health and Personal Care</td>
<td>12%</td>
</tr>
<tr>
<td>Entertainment</td>
<td>2%</td>
</tr>
<tr>
<td>Others</td>
<td>24%</td>
</tr>
</tbody>
</table>

*Source: Asociación Mexicana de Franquicias*

Mexico is a diverse country that offers excellent business opportunities especially for U.S. franchise concepts due to the commercial ties between the countries and the recognition and acceptance of U.S. brands by the Mexican population.

Resources

Asociación Mexicana de Franquicias: www.franquiciasdemexico.org
Feria Internacional de Franquicias: www.fif.com.mx
Programa Nacional de Franquicias: www.franquicia.org.mx

For more information on the franchising sector in Mexico, please contact:

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Fax: (011-52-55) 5566-1111
martha.sanchez@trade.gov
Mexico had 45.1 million internet users at the end of 2012; 76% of them are under 35 years of age. Top online activities include e-mail (87% of users), web searches (84%), social networks (82%), instant messaging (61%), and online shopping (37%). The E-commerce market had a value of $6.5 billion in 2012, with the tourism sector registering the highest amount of transactions, followed by the entertainment industry (show tickets), consumer electronics, and apparel.

Six out of every 10 internet users access social networks, with Facebook, YouTube and Twitter being the most popular. Awareness of the marketing potential of social networks was slow to start, but has increased over the last year. Social network apps are also among the most popular, along with news and photo editing apps. Mexico is in 7th place among global apps markets and local app development is being pushed by different organizations and universities.

The IT services & outsourcing market in Mexico continues to show great opportunities given the increased implementation and renovation of IT infrastructure in all types and sizes of organizations, both in the private and public sectors. Mexico is becoming an attractive market for U.S. technology products in the IT services industry and a stronger global player in the Business Process Outsourcing (BPO) markets. It is also developing IT clusters around the country to offer IT, software development, call center, high-tech manufacture and engineering services to users in industrialized economies in North America and Europe.
Mexico is following a strong trend to have a service-centric IT industry where most technologies are offered under a service contract or lease. We are seeing a growing interest of Software as a Service (SaaS) or Infrastructure as a Service (IaaS), and Platforms as a Service (PaaS). The main driver for users to support this new business model is cost reduction in areas that are not mission critical and represent cost without value added.

Verticals with the highest growth potential are the public and financial sectors, healthcare, the chemical industry, utilities and SMEs.

Best Products/Services

Demand of IT services will grow into service contracts in different areas such as:

1. Security Services
2. Training (bundled with an overall solution).
3. Tailored SW APPS.
4. Leased Infrastructure (NOCs, SOCs).
5. Wireless APPS (mainly focused on mobile broadband, such as TV)
6. Maintenance
7. Consulting & IT/Systems Integration
8. CATV Network APPS
9. Business Intelligence SW

As mentioned above, technology as a service will be the predominant business model for users and suppliers. SaaS, IaaS, and PaaS will provide the best opportunities. General technology trends also affecting Mexico will create opportunities in:

1. WEB 2.0
2. Social Networks
3. Cloud computing and network terminals using web-based applications.
4. Virtualization
5. Online Advertising
6. Mobile Broadband
7. Green IT
8. Health IT

Opportunities

The main opportunities for IT solutions (products and services) are in those sectors that are intensifying the use of IT and include: healthcare, transportation, security, manufacturing, energy, retail and financial services. Both public and private organizations are good targets of opportunity. Additionally, improved competition in IT and telecommunications will drive demand for core network and other infrastructure solutions.

Currently the strongest driver for IT is government at every level (local, state and federal), seeking solutions to increase transparency, effectiveness and communication with citizens. Governments also have relatively large budgets to plan, design and implement technological tools. Most public agencies will seek to forego capital investments (CAPEX) and identify IT service providers that can integrate turn-key solutions under a lease contract.
Cloud-based solutions have seen growing demand among Small and Medium-Sized Enterprises (SMEs), who see them as a means to increase their competitiveness and align their IT capabilities with those of larger partners and buyers.

**Resources**

**ISPs**
http://www.alestra.com.mx
http://www.axtel.com.mx
http://www.cablevision.net.mx
http://www.maxcom.com.mx
http://www.megacable.com.mx
http://www.telmex.com

**Regulators / Government**
http://www.cofetel.gob.mx
http://www.sct.gob.mx

**Chambers / Associations / Government Programs**
http://www.amiti.org.mx
http://www.anatel.org.mx
http://www.canieti.org.mx
http://www.canitec.org
http://www.nic.mx
http://www.nyce.org.mx

For more information:

Teresa Verthein
Commercial Specialist
U.S. Commercial Service
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teresa.verthein@trade.gov
The market for Health IT (HIT) in Mexico is an emerging market as most health care institutions have recently started the process of identifying technologies that can help them to be more efficient and competitive in the services they offer. Currently, the technologies that are most popular in the sector are those for patient control, electronic health records (HER), supplies inventory control, pharmacy inventory and services control, and security systems.

Potential clients for HIT are mainly the large hospitals in the public and private sector with resources to purchase sophisticated technologies to automate patient service and administrative and supplies control systems. In the public sector there are 1,169 hospitals of which, 194 are highly specialized medical units. In the private sector, of the 3,560 hospitals, only about 100 have over 50 beds and offer highly specialized medicine. Most of the hospitals offering specialty health care services are located in medium and large Mexican cities. There are also some medium sized private hospitals that offer specialty services and focus on high income, insured patients. These hospitals also represent potential users of HIT applications.

Based on surveys and market information, the private consulting company Select estimated that in 2012, the Mexican healthcare sector invested approximately $508 million in HIT systems. This market is expected to continue growing, as automating technologies increase in the Mexican healthcare sector.

**Information Technology**

Health IT is a growing trend in Mexico, mainly with private hospitals and clinics. Some of the biggest and more recognized hospitals are focusing on implementing the Electronic Health Record (EHR) as well as other automation and control systems. These hospitals are also evaluating technologies and integrated systems that can provide real-time information and communication with staff and patients.

Depending on the size of the hospital, the average cost to upgrade IT platforms is $6 million. Clinics focus more on productivity and efficiency systems for billing and data transmission.

IMSS (Mexican Institute of Social Security) and ISSSTE (Institute of Social Security and Services for Public Employees) are also upgrading their systems to manage and improve the network of hundreds of clinics, huge medicine inventories, appropriate billing systems and supplier relationships. Other government health care institutions are also seeking improvements in their operations, including greater transparency, efficiency, and effective use of resources.

In order to extend healthcare to remote or hard to reach locations, Government programs have also created demand for telemedicine solutions in the public health care sector.

**Best Products/Services**

Products and systems that offer opportunities in the market include:
• Automation hardware and software
• Billing systems
• Data protection systems
• Electronic Health Record (EHR)
• EPR systems (Enterprise Resource Planning)
• Green IT-systems to reduce energy consumption
• Hands-free and wireless communication mobile devices
• Imaging transferring systems
• Medical data exchange solutions
• Mobile devices for medical use
• Nursing systems
• Patient tracking systems
• Real-time database update accessible from multiple devices
• Telemedicine solutions

**Opportunities**

Main opportunities are found with the private hospital networks, mainly with the large groups such Grupo Angeles and Star Médica. Other private hospitals are also good targets for innovative communications and automation solutions. Most private hospital groups are in the process of updating technologies to improve efficiency and services.

In the government sector there are also opportunities to offer specific solutions for the public social security and healthcare institutions (IMSS, ISSSTE, and Pemex, State social security and health services). Given the more limited budget in the public sector, these institutions are seeking solutions that can effectively manage their resources such as medicines, clinics, personnel, facilities, and patient management.

**Resources**

Useful links for public institutions

www.salud.gob.mx
www.imss.gob.mx
www.issste.gob.mx
www.cenetec.salud.gob.mx

For private hospitals

www.grupoempresarialangeles.com
www.starmedica.com.mx
www.hsj.com.mx
www.abchospital.com.mx
www.hespanol.com.mx
www.amerimed-hospitals.com
www.christusmuguerza.com.mx
www.medicasur.com.mx
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Medical Devices

Overview

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Market Size</td>
<td>5,251</td>
<td>6,119</td>
<td>6,754</td>
</tr>
<tr>
<td>Total Local Production</td>
<td>7,963</td>
<td>8,528</td>
<td>9,077</td>
</tr>
<tr>
<td>Total Exports</td>
<td>5,929</td>
<td>6,324</td>
<td>6,701</td>
</tr>
<tr>
<td>Total Imports</td>
<td>3,217</td>
<td>3,915</td>
<td>4,378</td>
</tr>
<tr>
<td>Imports from the U.S.</td>
<td>1,911</td>
<td>2,025</td>
<td>2,097</td>
</tr>
</tbody>
</table>

Figures in USD million


Mexico imported medical equipment, instruments, disposable and dental products worth $4.4 billion in 2012. This represented 90 percent of the medical equipment and instrument market and about 40 percent of medical disposable products and dental materials. Of these imports 48% or $2.1 billion, were of U.S. origin. The main foreign suppliers of medical devices are Brazil, Canada, China, France, Germany, Israel, Italy, Japan, Netherlands, South Korea and the United Kingdom.

U.S. medical products are highly regarded in Mexico due to their high quality, after sales service, and good price compared to competing products of similar quality. Consequently, U.S. medical equipment and instruments have a competitive advantage and are in high demand in Mexico.

Public health care institutions account for 70 – 80% of total medical services provided nationwide while private health care institutions cover approximately 25-30% of the Mexican population, including 32 million people with private medical and accident insurance. In 2012, Mexico had 3,560 accredited private hospitals, of which only about 100 had more than 50 beds and the capacity to offer highly specialized services.

Best Products/Services

Best prospects include the following:

- Anesthesia equipment
- Defibrillators
- Electrocardiographs
- Electroencephalographs
- Electro surgery equipment
- Gamma ray equipment
- Incubators
- Lasers for surgery
- MRI equipment
- Patient monitors
- Respiratory therapy equipment
- Suction pumps
• Ultrasound equipment
• X ray equipment

Key factors in order to successfully compete are quality, after sales service, warranty and price.

Opportunities & Challenges

Most large public and private hospitals are regularly seeking the most modern and highly specialized medical devices. Some medium and small private hospitals with limited budgets buy used or refurbished equipment. However, public hospitals by law, cannot buy used or refurbished products. In order to reduce costs many public and private hospitals are outsourcing surgery supplies and support to companies that offer “integral surgery services”. This is delivered as a “pay per event”, which includes all the necessary products required to perform a surgery. As such, hospitals are able to avoid big capital investments in materials, implants, pharmaceuticals, and instruments, and at the same time gain access to some of the most modern specialized surgical products.

Most medical and health care products need to be registered with COFEPRIS, the Mexican agency in charge of providing market approval for all medical products prior to sale or use in Mexico. In addition, foreign medical device manufactures require a legally appointed distributor/representative in Mexico responsible for the product and registration process. Lastly, there can be delays in receiving registration/marketing approvals from COFEPRIS.

Resources

Useful links for public institutions
www.salud.gob.mx
www.imss.gob.mx
www.issste.gob.mx
www.cenetec.salud.gob.mx

For private hospitals
www.grupoempresarialangeles.com
www.starmedica.com.mx
www.hsj.com.mx
www.hespanol.com.mx
www.amerimed-hospitals.com
www.christusmuguerza.com.mx
www.medicasur.com.mx

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MEXICO’S PACKAGING MACHINERY MARKET (Figures are expressed in millions of U.S. dollars.)

<table>
<thead>
<tr>
<th>(HS 842220 &amp; 842290)</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Total Market Value</td>
<td>$579</td>
<td>$488</td>
<td>$611</td>
<td>$692</td>
<td>$720</td>
</tr>
<tr>
<td>Estimated Total Imports</td>
<td>$501</td>
<td>$478</td>
<td>$532</td>
<td>$535</td>
<td>$625</td>
</tr>
</tbody>
</table>

*Estimated - Official figures are difficult to find on the total value of the Mexican packaging machinery market. It has long been estimated that 85% of Mexico’s packaging equipment is imported; therefore the total market value for the sector has been extrapolated from historical import data.

In 2010, the packaging production industry represented 1.5% of Mexico’s national gross domestic product (GDP), 5.2% of the industrial sector GDP and 8.5% of manufacturing GDP. The latest statistics show that total Mexican packaging production reached 9.1 million tons of containers and materials for a value of $10.1 billion, of which $2.5 billion was imported. According to reports from the Packaging Machinery Manufacturers Institute (PMMI), referring to HS Codes 842220 and 842290, Mexico is the second largest buyer of U.S. packaging equipment, second only to Canada.

Since 85% of Mexico’s packaging equipment is imported, the sector experiences wide fluctuations due to economic influences. The recent economic downturn of 2008-2009, for example, caused packaging imports to drop from their peak of $579 million in 2009 to $478 million in 2010. The sector has largely recovered during the last 3 years with imports reaching another peak in 2012 to $532 million. It is predicted that Mexico’s dynamic economy will likely lead to increased equipment purchases in 2013. This year companies are expected to invest in equipment and technology at an average rate of 18%. The United States is now the third largest supplier of packaging equipment to Mexico ($111 million) behind Italy ($155 million) and Germany ($117 million). U.S. equipment is perceived as designed for large-scale production, offering low customization and suffers from high energy consumption and rigid sales policies. In 2013, Mexico’s market is expected to grow imports of packaging equipment by at least 4%.

Mexico’s competitiveness for manufacturing and exporting to the U.S. is improving vis-a-vis. China. Higher manufacturing wages, higher transportation costs, product delays and quality issues are some of the factors causing U.S. manufacturers to begin shifting their sourcing preferences. This presents new opportunities for U.S. equipment manufacturers.

PACKAGING GOODS STATISTICS (metal, plastics, glass, wood, cardboard)

<table>
<thead>
<tr>
<th>(Production)</th>
<th>2010</th>
<th>2011 (Estimated 3.9% growth)</th>
<th>2012 (Estimated 3.9% growth)</th>
<th>2013 (Forecast 4.0% growth)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Total Market Size</td>
<td>$10,795.5</td>
<td>$11,216.52</td>
<td>$11,653.97</td>
<td>$12,120.13</td>
</tr>
<tr>
<td>Estimated Total Local Production</td>
<td>$9,706.4</td>
<td>$10,084.95</td>
<td>$10,478.26</td>
<td>$10,897.39</td>
</tr>
<tr>
<td>Total Exports</td>
<td>$1,319.5</td>
<td>$1,370.96</td>
<td>$1,424.43</td>
<td>$1,481.41</td>
</tr>
<tr>
<td>Total Imports</td>
<td>$2,408.6</td>
<td>$2,502.54</td>
<td>$2,600.13</td>
<td>$2,704.14</td>
</tr>
</tbody>
</table>
Mexican Imports from the U.S. **(According to Mexico)  
$99.90 $103.80 $107.84 $112.16  
Mexican Imports from the U.S. **(According to the U.S.)  
$126.40 $131.33 $136.45 $141.91  

**It is estimated the discrepancy could be caused by undervaluation of goods for customs purposes when entering into the Mexican market.**


The Mexican packaging products market is very dynamic. According to AMEE, the breakdown in sub-sectors in 2010 is as follows:

**The cardboard and paper packaging sector** represented 37.03% of total sales in the industry. Sales value increased 17% compared to 2009.

**The plastic packaging sector** (bags, films, boxes, bottles, containers) represented 25.14% of all sales in the industry. It increased sales by 2.7%.

**The metal packaging sector** holds 20.62% of the industry grew 7.1%.

**The glass-packaging sector** represented 16.77% of all sales in the industry and is expected to become a fast-growing sub-sector in Mexico. Sales value grew by 0.8%. This was one of the most prosperous sub sectors, especially considering that Mexico is the world’s third largest beer producer and second largest soda consumer. The beer sector alone reported an increase by 5.3%, producing 3,704 million of bottles in 2010.

**Wood packaging sector** represents 0.45% of all sales in the industry, and is the only sub-sector in which local production is decreasing because of a shortage of wood. Nonetheless, imports of wooden products, mostly pallets, increased by 72.89%
The food industry is the largest packaging machinery buyer in Mexico; this industry includes a mix of international food manufacturers and several large Mexican food companies (Kraft Foods, Nestle, Grupo Gamesa, Sigma Alimentos, Sabritas, Conservas la Costeña, Hersheys, Proteina Animal, McCormick, Pilgrim’s Pride, American Beef, Qualitia Alimentos, Deimex, Frexport, Herdez and Bimbo).

This industry represents 22% of Mexico’s manufacturing GDP, and it has the most demanding and fastest growing packaging product needs. Mexico represents the 10th most important market globally in this sub-sector at $70.3 billion in 2011 and is forecasted to be $96.5 billion in 2015.

The beverage industry rank 2nd in packaging machinery, this industry has followed global patterns of consolidation through mergers and acquisitions. In the last two years several of the largest soft drink bottlers merged: Arca and Continental; FEMSA acquired Grupo Tampico and CIMSA merged with Grupo Fomento Queretano. Also the Mexican beer industry passed to foreign ownership. Heineken merged with Cervecería Cuahutemoc Moctezuma several years ago and Anheuser-Busch Inbev acquired Grupo Modelo in 2012. Mexico is currently the 6th largest soft beverage market in the world with estimated annual sales of $11,501.7 billion in 2011 and a forecast of $15,972.1 going forward to 2015.

Personal care companies ranked third in packaging machinery imports with 20% of the total import value. This industry is formed mostly by large multinational companies who have a strong base of manufacturing in Mexico to serve the Mexican, North American and Latin American markets. However within this industry, global production consolidation is taking place and some of the largest companies are producing selected products for the global market.

The largest 2012 importers from this industry included L'oreal, with its new plant (investing over $12 million in packaging equipment), Colgate and Procter & Gamble who also made considerable investments and each imported over $10 million. Other large packaging machinery importers included S.C. Johnson and Son, Grupo Alen, Kimberly Clark, Unilever, Avon, Cosbel, BDF Mexico and a few local soap, cosmetics and paper manufacturers.

Packaging machinery investments in this sector are dynamic as the industry is constantly launching new products or new product presentations.

The Pharmaceutical sector is still a significant packaging machinery buyer in the country with 11% of the import value. Mexico and Brazil are the largest producers of medicines in Latin America. Mexico’s pharmaceutical industry ranks among the top 10 industries in the country and is the 4th largest manufacturing activity in the country representing 1.2% of the total GDP and 7.2% of the manufacturing GDP.

This sector is the most sophisticated in terms of packaging requirements as local and international regulations become stricter; thus it represents heavy continual investments in complete lines, systems and high specialization in packaging technologies. Most packaging machinery in Mexico’s pharmaceutical industry comes from Italy and Germany.

Companies such as Laboratorios Pisa, Fresenius, Promecoe, Quimica y Farmacia, Pfizer, Laboratorios Grossman, Omnifile, Novag, Schering Plough, and Becton Dickinson were the largest packaging machinery importers in this sector during 2012.
The remaining 16% of the packaging machinery demand is by companies manufacturing other consumer products such as toys, paints, automotive and car-care products, oils, manufacturers of packaging materials and containers.

**Opportunities**

Mexico is striving to provide higher and higher quality in the packaging sector. The glass packaging industry has become the main focus for many companies because of its competitive prices as compared to plastic containers and its environmentally friendly manufacturing process.

Companies involved in food processing or even agribusiness (Tyson, BACHOCO, Driscolls, Sunny Ridge, etc) are demanding more and better packaging products and technology, in most cases to help extend the shelf life of their products or to fulfill the marketing trends or requirements of major retailers such as Wal Mart.

With this trend in the packaging sector, machinery is more in demand. However, the United States has lost some of its market share to Mexico’s first-ranked supplier Italy and now Germany. When asked why a Mexican company would prefer a European supplier (farther from the United States and pricier in Euros), some executives told FCS that it was because of flexibility in terms of adapting equipment to local needs, better after-sales service from centers located in Mexico, and availability of financing options. U.S. firms should keep these critical points in mind while continuing to take advantage of the American reputation for having the newest technologies, geographic proximity, extensive trade relationship and NAFTA preferences.

Dollar denominated machinery currently has a competitive price advantage if compared to one or two years ago. The Mexican peso has been appreciating against the U.S. Dollar more than the Euro, making packaging machinery from the U.S. less expensive in peso terms; this represents an enormous opportunity for U.S. firms.

The top 10 largest users of packaging in the world have a strong presence in Mexico:

<table>
<thead>
<tr>
<th>Company</th>
<th>Annual Revenues 2010 (US$ Billions)</th>
<th>Country</th>
<th>Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nestlé</td>
<td>105.267</td>
<td>Switzerland</td>
<td>Food</td>
</tr>
<tr>
<td>Procter &amp; Gamble</td>
<td>79.689</td>
<td>United States</td>
<td>Personal &amp; Household Products</td>
</tr>
<tr>
<td>Pfizer</td>
<td>67.809</td>
<td>United States</td>
<td>Pharmaceutical</td>
</tr>
<tr>
<td>Johnson &amp; Johnson</td>
<td>61.587</td>
<td>United States</td>
<td>Pharmaceutical</td>
</tr>
<tr>
<td>Unilever</td>
<td>58.823</td>
<td>UK/Netherlands</td>
<td>Pharmaceutical</td>
</tr>
<tr>
<td>PepsiCo</td>
<td>57.838</td>
<td>United States</td>
<td>Beverages</td>
</tr>
<tr>
<td>Novartis</td>
<td>51.561</td>
<td>Switzerland</td>
<td>Pharmaceutical</td>
</tr>
<tr>
<td>Kraft Foods</td>
<td>49.542</td>
<td>United States</td>
<td>Food</td>
</tr>
<tr>
<td>Roche Group</td>
<td>47.171</td>
<td>Switzerland</td>
<td>Pharmaceutical</td>
</tr>
<tr>
<td>Bayer</td>
<td>46.473</td>
<td>Germany</td>
<td>Pharmaceutical</td>
</tr>
</tbody>
</table>

The 48th and 71st largest users are fully headquartered and owned by Mexicans.

<table>
<thead>
<tr>
<th></th>
<th>Company</th>
<th>Annual Revenues (US$ Million)</th>
<th>Country</th>
<th>Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>48</td>
<td>FEMSA</td>
<td>13,705</td>
<td>Mexico</td>
<td>Beverages</td>
</tr>
<tr>
<td>71</td>
<td>Grupo Bimbo</td>
<td>9,600</td>
<td>Mexico</td>
<td>Food</td>
</tr>
</tbody>
</table>
Resources

Packaging Machinery Manufacturers Institute  www.pmmi.org/
Mexican Packaging Association:  www.amee.org.mx
Institute of Packaging Professionals:  http://iopp.org
Mexican Institute of Packaging Professionals:  www.envaseyembalaje.com.mx
CIAJ  www.ciaj.org.mx
Business Monitor International  www.businessmonitor.com

Specialized Media

Enfasis Packaging Online  www.packaging.enfasis.com
El Empaque  www.elempaque.com
EnvaPack  www.envapack.com
Conversion  www.conversion.com
Industria Alimenticia  www.industriaalimenticia.com
Revista Bebidas  www.bebidaspub.com

Events


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Plastic Materials/Resins

Overview

Figure 1. U. S. A. - Mexico trade activity in U.S. dollars (www.tse.export.gov)

Mexico ranks as the 12th largest plastics consumer in the world. Plastics accounts for 5.3% of Mexico’s manufacturing sector and one percent of Mexico’s GDP. According to Mexico’s National Plastic Industry Association (ANIPAC), Mexico has over 4,100 plastics companies. Out of that number, 60% are micro companies, 24% are small, 12% are medium-sized and 4% percent are large companies. Mexico consumes around 5.3 million tons of plastic products each year and 4 million tons for raw materials. Direct plastic consumption per capita in Mexico is 48 kg. a year.

Figure 2. Distribution of Plastic Manufacturers in Mexico
The Mexican plastics industry has undergone mergers and acquisitions in an effort to survive Asian competition. The plastics industry is known to have one of the smallest margins in the manufacturing sector; their survival resides solely in their ability to produce at lower costs. Productivity in Mexican plastics manufacturers has risen 56 percent over the last five years.

The plastics industry has seen an average annual investment of more than $1 billion over the last 10 years, with $1.4 billion invested in 2011, a clear indication of the increased strength of this industry. Most recent investments have arrived from Europe, primarily the Netherlands, the United Kingdom, Switzerland, Denmark and Belgium. Although foreign direct investment in Mexico dropped 35% in 2012, authorities expect to capture $24 billion in 2013 (Ministry of Economy).

While there are domestic producers of Poly-Propylene, PVC, PET, and polystyrene, their production capabilities are still low compared to the national gross demand which amounts to 2.8 million tons. The Mexican plastics industry has to rely on their commercial partners, U.S. and Canada, to complete their raw material needs.

**Best Products/Services**

The packaging segment remains the key growth driver; however, the arrival of companies in the aeronautics, aerospace and medical device manufacturing sectors are taking a leading position in Mexico’s overall component parts production.

The U.S. exporter of resins still finds substantial opportunities in Thermoplastics (PE, PP, PVC, PS, PET, ABS/SAN Nylon and Engineering Plastics); and Thermoset (PU, Epoxy, Melamine, Unsaturated PE, Phenolic and Poly Lactic Acid).

Specialized and reliable mold makers are in great demand. Despite good Mexican mold makers, a number of Mexican-based companies are still buying molds from Canada, the United States, Germany, Portugal, Japan and China. Repair and maintenance are in moderate demand. Machine retrofitting activity is becoming an outdated practice and manufacturers are modernizing their equipment.

**Opportunities**

Despite the abundant crude oil reserve and a 20 million ton capacity for petrochemical production, Mexico continues importing millions of dollars in oil derivatives; this includes not only finished materials but also primary products that could be generated domestically. Mexico is exporting Ethylene and importing Polyethylene thus showing the need for polymerization technology.

Biopolymer resins and blends for flexible packaging are becoming very popular and more material producers are fulfilling that demand.

Mexican imports by June 2012 amounted to $180,364,906 of injection molding machines from Germany, China, and Japan; $92,032,245 of extruders from the United States, Italy and China; and $644,885,545 of molds predominantly from the United States, Canada, China, South Korea and Japan.
Resources

The World Manufacturing Industry Today http://www.usitoday.com/
TradeStats Express http://tse.export.gov

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US Commercial Service, Mexico City
Phone: 011-52-55-5140-2628
Monica.martinez@trade.gov
Renewable Energy Sector

Overview

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Market Size</td>
<td>969.8</td>
<td>1,667.4</td>
<td>2,051.5</td>
<td>27,164</td>
</tr>
<tr>
<td>Total Local Production</td>
<td>412.5</td>
<td>1,135.4</td>
<td>1,423.3</td>
<td>12,633</td>
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<tr>
<td>Total Exports</td>
<td>73.5</td>
<td>82.1</td>
<td>85.8</td>
<td>2,840</td>
</tr>
<tr>
<td>Total Imports</td>
<td>630.8</td>
<td>613.9</td>
<td>714.0</td>
<td>17,371</td>
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<tr>
<td>Imports from the U.S.</td>
<td>173.7</td>
<td>196.1</td>
<td>262.1</td>
<td>7,896</td>
</tr>
</tbody>
</table>

Figures listed in USD millions

<table>
<thead>
<tr>
<th>Wind Energy Market</th>
<th>2011</th>
<th>2012</th>
<th>2013 (estimated)</th>
<th>2020 (estimated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Market Size</td>
<td>668</td>
<td>1,336</td>
<td>1,670</td>
<td>13,360</td>
</tr>
<tr>
<td>Total Local Production</td>
<td>327.2</td>
<td>1018</td>
<td>1302.4</td>
<td>7,159</td>
</tr>
<tr>
<td>Total Exports</td>
<td>0.6</td>
<td>0.7</td>
<td>0.8</td>
<td>2,335</td>
</tr>
<tr>
<td>Total Imports</td>
<td>341.4</td>
<td>318.7</td>
<td>368.4</td>
<td>8,536</td>
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<tr>
<td>Imports from the U.S.</td>
<td>38.1</td>
<td>74.4</td>
<td>145.3</td>
<td>3,914</td>
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</tbody>
</table>

Figures listed in USD millions

<table>
<thead>
<tr>
<th>Geothermal Energy market</th>
<th>2011</th>
<th>2012</th>
<th>2013 (estimated)</th>
<th>2020 (estimated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Market Size</td>
<td>190</td>
<td>180</td>
<td>177</td>
<td>7,632</td>
</tr>
<tr>
<td>Total Local Production</td>
<td>42</td>
<td>43</td>
<td>44</td>
<td>3,304</td>
</tr>
<tr>
<td>Total Exports</td>
<td>52</td>
<td>53</td>
<td>53</td>
<td>235</td>
</tr>
<tr>
<td>Total Imports</td>
<td>200</td>
<td>190</td>
<td>186</td>
<td>4,563</td>
</tr>
<tr>
<td>Imports from the U.S.</td>
<td>104</td>
<td>90</td>
<td>80</td>
<td>2,120</td>
</tr>
</tbody>
</table>

Figures listed in USD millions

<table>
<thead>
<tr>
<th>Hydro Energy market</th>
<th>2011</th>
<th>2012</th>
<th>2013 (estimated)</th>
<th>2020 (estimated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Market Size</td>
<td>36</td>
<td>43</td>
<td>80</td>
<td>1,672</td>
</tr>
<tr>
<td>Total Local Production</td>
<td>35</td>
<td>36</td>
<td>37</td>
<td>535</td>
</tr>
<tr>
<td>Total Exports</td>
<td>11</td>
<td>18</td>
<td>28</td>
<td>135</td>
</tr>
<tr>
<td>Total Imports</td>
<td>12</td>
<td>25</td>
<td>43</td>
<td>1,272</td>
</tr>
<tr>
<td>Imports from the U.S.</td>
<td>5</td>
<td>4</td>
<td>6</td>
<td>264</td>
</tr>
</tbody>
</table>

Figures listed in USD millions

<table>
<thead>
<tr>
<th>PV Energy market</th>
<th>2011</th>
<th>2012</th>
<th>2013 (estimated)</th>
<th>2020 (estimated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Market Size</td>
<td>75.8</td>
<td>78.4</td>
<td>93.5</td>
<td>1,500</td>
</tr>
<tr>
<td>Total Local Production</td>
<td>8.3</td>
<td>8.5</td>
<td>9.1</td>
<td>435</td>
</tr>
<tr>
<td>Total Exports</td>
<td>9.9</td>
<td>10.3</td>
<td>3.8</td>
<td>135</td>
</tr>
<tr>
<td>Total Imports</td>
<td>77.4</td>
<td>80.2</td>
<td>95.2</td>
<td>1,200</td>
</tr>
<tr>
<td>Imports from the U.S.</td>
<td>26.6</td>
<td>27.7</td>
<td>30.8</td>
<td>753</td>
</tr>
</tbody>
</table>

Figures listed in USD millions
As illustrated in the tables above, the demand for imported renewable energy-related equipment and services will increase in general terms, but will differ widely among sub-sectors. While U.S. exports to Mexico will grow, this will be determined by the policies defined by the Mexican government. The National Energy Strategy made public by Mexico’s Energy Secretariat (SENER) has set a goal of receiving 35% of Mexico’s energy from clean sources by 2026 and up to 50% by 2050. Mexico is expected to pass an energy reform in summer/fall 2013, which may give indications of the current Administration’s commitment to meet these lofty goals.

The Federal Electricity Commission (Comisión Federal de Electricidad - CFE), the state-owned electric power company, controls 63.7% of the overall capacity. This percentage is becoming smaller as more independent producers and other players invest. By law, CFE is obligated to produce electricity at the lowest possible cost considering power optimal stability, quality and security for the public service, which can act as a disincentive for CFE to aggressively pursue renewables. CFE has nearly 480,000 miles of transmission lines countrywide, 98,000 employees and 35.9 million customers representing over 100 million users. While only 2% of the population is without power, CFE adds one million new customers every year due to population growth. There are a few incentives to promote renewable energy, such as accelerated depreciation, but some players prefer to avoid those and ensure a clean competition playing field.

Mexico is within the select group of top-5 countries in terms of attractiveness to export wind power equipment and services from the U.S. Wind power accounts for 73% of all renewable energy development in Mexico. As of December 2012, a total of 157 renewable permits have been issued to the private sector with a capacity of 5002 MW, from which 1942 MW are already in operation. The following table contains the details of the permits granted by the Mexican Federal Energy Regulatory Commission (CRE).
According to the Federal Electricity Commission (CFE), Mexico’s total wind power potential is around 71 GW. The region with the best geographic conditions is the Isthmus of Tehuantepec, in the State of Oaxaca. Currently this is where the majority of wind power development and construction is taking place. The Mexico Wind Power Association (AMDEE) estimates that 10 GW could be developed in this region alone. Another attractive region is in the State of Baja California, at La Rumorosa. This site has an estimated wind potential of more than 5 GW. Other viable areas include the Bay of Campeche and the Yucatan Peninsula. The northern and central regions of Mexico have lower capacity factors in the range of 20% to 30%. All in all, the forecast is that Mexico will reach 12 GW by 2020, equivalent to 1.1% of the country’s GDP, generating more than 45,000 jobs and reducing 8%-15% of CO2 emissions.

Energy production and infrastructure will continue to be a priority for Mexico’s federal government and will even be more so with the approval of the energy reform expected before the end of 2013. Given Mexico’s proximity to the United States, the absence of import duties on U.S. exports to Mexico (as a result of NAFTA), and the lack of manufacturing capacity currently in Mexico’s renewable energy industry, this market offers great opportunities for U.S. exports.

Best Prospects/Services

Energy sub-sectors: WindPower, Hydropower, Solar, Geothermal, and Biomass renewable energy sub-sectors continue to grow and represent opportunities for US exporters.

• Potential for wind power industry deployment with an end-to-end value chain beyond generation only projects. According to ProMexico, construction, power generation equipment, metal fabrication, machining and equipment, plastic industry, IT equipment and other smaller sectors would add up to a potential market size of $167 billion if the wind power industry supply chain consolidates in Mexico. First wind power projects are reaching the end of their warranty and will need servicing. Large players are requesting government authorities to boost Mexico capacities in transportation and crane equipment.

• The Energy Regulatory Commission (CRE) has stated that they will soon publish regulations to support small producers. This will likely boost solar competitiveness as 70% of the country has insolation levels greater than 4.5 kWh/m2/day, which makes Mexico stand within the world’s top-five.

• Utility scale solar projects will be built as the price of technology justifies the investment. Companies with large energy needs in Mexico are being approached as the first large solar project is being built. Ultimately, customers want a more competitive energy sourcing that includes energy cost savings, predictable electricity rates, no capital commitments, a proven technology with appropriate warranty, and even the satisfaction of knowing that their footprint is not damaging the environment.

• Small solar installations, specifically net-metering residential and commercial rooftops up to 500 kWp that require simplified permitting, are starting to appear with price-competitive equipment but mostly without reliable performance.

• Opportunities for cross-border energy projects.

Challenges in the Market

• The biggest challenge is the high cost of debt. Ex-Im Bank, Mexican development banks (e.g. BANOBRA$ and NAFINSA), private financial institutions and international
multilateral institutions (e.g. IFC and IDB) are willing to finance renewable energy projects in Mexico.

- There is a slowdown of projects in Oaxaca likely due to a lack of community engagement in early projects.
- Transmission infrastructure may be insufficient in some crowded areas, particularly in Oaxaca where the wind power projects will be requiring more transmission lines, as there are also other hydro energy projects up and running.

Resources

Secretariat of Energy: http://www.energia.gob.mx
Federal Electricity Commission: http://www.cfe.gob.mx
National Infrastructure Plan: http://www.infraestructura.gob.mx
Fund for Energy Saving-FIDE http://www.fide.gob.mx
AMDEE http://www.amdee.org
ANES

For more information please contact:
Miguel Vazquez, Commercial Specialist (Renewable Energy)
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Miguel.Vazquez@trade.gov
The safety and security sector includes equipment, solutions, and services used for public security, personal protection, residential security, industrial safety, corporate protection (access control, ID, perimeter security), as well as diverse solutions designed for law enforcement and defense agencies.

In 2012, Mexico experienced steady growth in the security and safety industry with an average expansion of 10% in comparison with 2011. However, the national economy grew by only 3.9%, according to the National Institute of Statistics and Geography (INEGI). The growth trend for the sector in 2012 was positive, but on track to be out-paced in 2013, with a projected estimate of around 12%. The demand for security and safety products and services has expanded in all categories of the industry, but mainly in surveillance systems, personal protection, and perimeter protection equipment. Other residential and industrial security solutions represent leading market segments, but their demand depends on specific conditions, such as better income levels, new projects implementation, new investments, etc. Organizations and individuals have increased their awareness to create security policies that keep their assets safe. The security and safety market offers diverse solutions for all types of consumers, but the sector has seen new players looking to enter the market.

The private sector considered 2012 to be a good year for the industry. Some segments were more dynamic than others, such as CCTV, alarms, perimeter and personal protection devices, and GPS multiple applications. In fact, the industry has maintained its position as one of the most dynamic industrial sectors in the country. The outlook for 2013 is also positive, despite a lower estimated national growth rate of around 3%.

Opportunities for government procurement contracts are also expected to continue growing throughout 2013. The federal government has been modifying the structure of public security entities; new security plans include the division of the country into five regions with much better coordination among all levels of government. Federal and state governments have been modernizing their infrastructure, and police elements have been receiving training to attain better results and offer enhanced protection for civil society. However, such projects have had moderate budgets and will need to prove their effectiveness before being able to obtain new funds. The operations of Centers of Control, Command and Communications (C4) around the country were installed in the last three years and may represent business opportunities for
maintenance, integration services, and improvement projects. Some state governments will be following the modernization trend though it is forecast that by the end of the year their own police groups will have the support of the new gendarmerie. The new gendarmerie will be officially announced shortly and it is expected to be a group of around 10,000 officers (first stage) with military and naval backgrounds focused on working together with state police groups to increase protection for citizens and reduce the levels of violence.

Although Mexico has been slow to develop an industrial safety culture, there are a growing number of national and international organizations that are implementing certified safety, health and environmental protection measures. In fact, many Mexican companies are requiring safety certifications from government agencies, such as the Mexican Ministry of Labor or accredited institutions as a prerequisite to doing business. This is particularly relevant for the automotive, pharmaceutical, iron and steel industries and the oil and gas sectors. The two main safety and environmental management standards being required are OHSAS 18001 (Occupational Health and Safety Assessment Series) or ISO 14001 respectively. Moreover, given the heightened concern for a safer working environment, there are growing market opportunities for fire detection systems, fire-fighting equipment, protective masks and gear, helmets, special glasses and gloves. U.S. companies offering high-tech and high-quality safety products such as these will be well positioned to tap into an emerging Mexican market.

**Best Prospects/Services**

Best prospects for products and services in the security and safety sector include:

**Government:**
- Access control solutions
- Perimeter surveillance
- Electronic devices for mobile phones
- Biometric solutions
- Tactical equipment
- Personal protection products
- Communications systems (wireless, internet, GPS, etc.)
- Integrated security solution (compatibility/integration services)
- High-tech night vision tactical equipment
- Infra-red cameras/equipment

**Commercial**
- CCTV
- Perimeter protection solutions
- Access control
- Alarms
- Digital system (analog systems are being displaced)
- Residential solutions
- Personal protection devices
- Industrial protection accessories (safety goggles and earplugs)
- Industrial protection suits and gloves
- Communication integration services
• Anti-static uniforms/apparel

**Opportunities**

The scope of security and safety products is diverse, but the consumption of personal protection products, alarms, CCTV, residential protection solutions, and even electronic security devices is expected to increase significantly in the commercial market. Government purchases continue to be large for body protection equipment, combat systems, CCTV, personal and transportation GPS (chip), security vehicles and maintenance services, as well as for military and defense equipment.

**Resources**


Citizen Institute of Insecurity Studies, A.C. (ICESI) [http://www.icesi.org.mx](http://www.icesi.org.mx)


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Overview

Mexico is considered one of the top global markets offering high potential for US smart grid technology exports. First of all, the country’s state-owned utility, CFE, has already taken significant steps in what will be a nationwide rollout of the smart grid. Efforts began in 2010 with the application of Carnegie-Melon’s Smart Grid Maturity Model, which provided CFE an assessment of the status of Mexico’s electrical grid within a specific conception of a mature smart grid. Since then CFE has worked on developing a unified vision of the Mexican smart grid and establishing a roadmap that would define objectives, specific technologies, a rollout schedule, and priority projects. A final version of the roadmap is currently in revision and should be published in 2013; however, CFE has been moving ahead in implementing smart metering pilots, control and automation systems, and grid monitoring solutions such as PMUs, among many other technologies. Additionally, important policy drivers are also in place. The smart grid is specifically mentioned in the country’s National Energy Strategy as a means to reduce power losses to internationally accepted standards and enabling the integration of energy generated from intermittent renewable sources. Lastly, the country’s energy regulator, CRE, received a grant from the U.S. Trade and Development Agency to develop a smart grid and renewable energy integration regulatory roadmap in 2012 and has already made significant progress working with a U.S. consultancy.

CFE’s goal as one of the world’s largest fully vertically integrated utilities in an emerging economy is to leverage smart grid technologies to delivery electric power more efficiently. Consequently, the company is looking to grid modernization to reduce costs, increase quality and reliability, deliver electricity to remote regions and support the country’s transition to a clean energy economy.

Market Challenges

One of the most important challenges to the development of the smart grid market in Mexico has been the absence of a specific legal framework and smart grid mandate, which has contributed to a prevalence of isolated efforts and a lack of coordination. The regulatory roadmap currently being developed by the regulator, CRE, is expected to provide the necessary framework. In conjunction with CFE’s smart grid roadmap for the utility’s implementation of technologies, it should lead to a more coordinated and focused rollout.

A second challenge lies in CFE’s budgetary constraints. The company has a specific mandate to provide electricity to the Mexican people at the lowest possible cost, which creates difficulties in integrating new technologies into its congressionally approved annual budget. CFE must convince the Ministries of Finance (which regulates power fees) and Energy that new technologies will eventually be more cost effective and improve the quality of service to consumers.

Standards are also a crucial topic and one that CFE has not yet really addressed. CFE is currently part of the Smart Grid Interoperability Panel and numerous efforts are being made by the U.S. Department of Commerce, the Commercial Service at the American Embassy in Mexico and U.S. trade associations such as NEMA to create more awareness.
CFE has identified 5 priority projects in its rollout of the smart grid. Opportunities are available to U.S. firms offering technologies in the following areas:

- Reduction of technical and non-technical losses.
- Enterprise IT and communications architecture
- Strengthening of the billing system
- Asset management
- GIS implementation

U.S. firms should also be encouraged by their privileged geographic location, the interconnection of the Mexican and American electrical grids along the border, CFE’s longstanding relationship with many U.S. firms, competitive advantages created by NAFTA, collaboration at a government level between both countries on energy issues, and the business potential brought about by a single utility covering a quickly-expanding customer base of 40 million clients.

An outline of CFE’s smart grid roadmap has been made available to government and industry. It creates short and mid-term opportunities for:

- Smart meters and AMI
- Demand response
- Energy storage
- Microgrids
- EV pilots
- SCADA systems
- Data management
- Cybersecurity
- IT services
- Business Process Management
- Customer based solutions.

CFE’s procurement process can be either by invitation or by open international tender. The company is open to new technologies and welcomes commercial presentations, which may lead to invitations or specific technology recommendations in tenders. A local distributor or partner is recommended to track tender announcements and complete bids, which are very complicated to submit. Foreign companies often form consortiums with Mexican vendors to compete in CFE tenders, benefitting from their partners’ local expertise.

For more information:

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Telecommunications Equipment

Overview

**Mexican Telecommunications Market**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Cellular Mobile Phone Subscribers</td>
<td>91.362</td>
<td>94.565</td>
<td>100.611</td>
<td>104.132</td>
<td>107.256</td>
<td>109.938</td>
<td>112.137</td>
<td>113.819</td>
</tr>
<tr>
<td>Prepaid Mobile Phone Subscribers</td>
<td>78.325</td>
<td>78.902</td>
<td>84.439</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Postpaid Mobile Phone Subscribers</td>
<td>12.496</td>
<td>13.948</td>
<td>16.161</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Wireless Service and Wireless Equipment Revenues</td>
<td>15.959</td>
<td>13.633</td>
<td>14.402</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Number of Internet Users</td>
<td>34.873</td>
<td>40.605</td>
<td>45.107</td>
<td>47.664</td>
<td>49.703</td>
<td>51.176</td>
<td>53.203</td>
<td>55.843</td>
</tr>
</tbody>
</table>

Source: Business Monitor International. Figures are in millions.

Since 2010, the Mexican telecommunications market has consistently grown at a rate above the country’s GDP growth, driven to a large extent by mobile telephony, broadband and broadcasting. Mexico is now considered a medium maturity market for wireless telephony; over the last year, wireless operators have seen 8.6% growth in their revenue and the number of mobile lines in the country topped the 100-million threshold in 2012. Although Mexico is one of the top telecommunications markets among Spanish speaking countries and despite consistent growth in internet users, mobile broadband penetration is only at 9.8 subscriptions per 100 inhabitants and fixed broadband at 11.1 subscriptions per 100 inhabitants, placing Mexico in last and second-to-last place respectively among OECD countries. There are 19 million smartphones in use in Mexico. The Blackberry operating system still dominates the market with a 40% share, followed by Symbian at 23%, Android at 15%, iOS at 12% and Windows at 10%. It is expected that by 2015, 68% of all mobile devices will be smart.

The Mexican telecommunications market is dominated by a few players in fixed and mobile telephony as well as broadcasting. Telmex, the state telephone monopoly that was privatized in 1990, currently has a 77% market share of fixed telephony and 61% of fixed broadband subscriptions. In the mobile market, Telcel, sister company to Telmex, has a 70% share, while Movistar, the brand name of the Spanish company Telefonica, has 20% and Iusacell 5% (both Telcel and Telefonica operate LTE networks). Televisa and TV Azteca’s dominance in of broadcasting has gone relatively unchallenged, but tenders for two new open television channels should be launched by 2014.

A sweeping telecommunications reform bill proposed by the new Administration, now in the final phases of approval, is expected to boost growth and create a more open market. The reform’s main objectives are to close the digital divide, improve the regulatory environment, and increase competition. Infrastructure investments by the public sector are expected to grow substantially as part of the effort to provide universal access to broadband and to carry out many of the e-government strategies at federal, state, and...
local levels. The integration of information and communication technologies with many government services such as healthcare, security, power, etc., will also drive increased infrastructure spending and implementation of telecommunications equipment. In the private sector, Telcel is set to invest close to $4 billion in network upgrades and even smaller companies, such as Alestra are investing in fiber optic networks to meet increased customer demand.

Further developments in the sector include a mandated migration to Digital Terrestrial Television that has begun to be implemented in Northern Mexico, with a full analog blackout scheduled for 2015, and the MexSat program, which contemplates the launch of three new C, L and Ku-band satellites destined for Mexican national security use. The first of these, Bicentario, was launched in December 2012. Two more, Morelos and Centenario, are scheduled to be launched in 2013 and 2014. This satellite system will be operated by Telecomunicaciones de Mexico, formerly Telégrafos de México, part of the Secretariat of Communications and Transportation.

Best Products/Services and Opportunities

For U.S. companies offering software, hardware, applications or other products or services to operators, the main companies in the telecom market in Mexico are:

- **Wireless**: Telcel, Movistar, Iusacell, Nextel
- **Fixed**: Telmex, Alestra, Axtel, Maxcom
- **Cable TV**: Megacable, Cablemás, Cablevisión
- **Internet**: Telmex, Axtel
- **Triple/Quadruple Play**: Telmex, TV Azteca/Total Play, Megacable, Cablevisión

For the above-mentioned carriers, the demand for services will grow in different areas such as:

1. Business Intelligence Software
2. CATV Network APPS
3. Consulting & IT/Systems Integration
4. Information Security Services
5. Telecomm Infrastructure
6. Leased Infrastructure (NOCs, SOCs)
7. Maintenance & Service
8. Tailored Software Applications for Vertical Markets
9. Training (bundled with an overall solution).
10. Wireless APPS (mainly focused on mobile broadband, such as TV).

Service contracts are the predominant business model in the Mexican user market. Software, Infrastructure and Platform as a Service (SaaS, IaaS, and PaaS) will provide the best opportunities. General global technology trends are also reflected in Mexico and will lead to opportunities in:

2. Green IT equipment for Data Centers
3. Mobile Broadband
4. Online Advertising
5. Social Networks
6. Virtualization
7. WEB 2.0
8. WiMax equipment, 3G and LTE (4G) equipment for mobile carriers

**Opportunities**

There are various opportunities in the telecom sector. Carriers are increasing their spectrum capacity and LTE (4G) networks will continue expanding. Network and infrastructure projects are carried out by telecom equipment OEM’s (Nokia-Siemens, NEC, Cisco, Ericsson, Huawei, Alcatel-Lucent, ZTE, and Juniper Networks) acting as integrators. They actively pursue opportunities and US companies looking to enter the Mexican market can reach out to them directly or partner with smaller local distributors who are vendors of OEM integrators.

Other opportunities include cloud computing solutions, mobile applications, equipment maintenance, services, data center and energy efficiency solutions (hardware, software, and services).

**Resources**

Comisión Federal de Telecomunicaciones – Telecom Regulator: www.cofetel.gob.mx

Cámara Nacional de la Industria Electrónica de Telecomunicaciones e Informática: www.canieti.org

AMIPCI – Asociacion Mexicana de Internet (Mexican Association of Internet): www.amipci.org.mx

CANITEC – Cámara Nacional de la Industria de Televisión por Cable: www.canitec.org

For more information:

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The Mexican transportation sector is facing one of the most important challenges in its history. The huge increase in Mexican foreign trade, in addition to the increase in traffic of merchandise arriving at Mexican ports with final destinations in the U.S. and Canada, are requiring a quick response from the transportation sector to improve efficiency, cost savings and cargo security.

In the port sector, several important projects started in 2013, including the expansion of the Port of Veracruz, that will take about 15-20 years to be completed, and will require investments of over $1.2 billion. This includes the construction of new port facilities in the Vergara Bay, next to the current port location. The Port of Lazaro Cardenas granted in 2012 a concession for the construction of a new container terminal; the Port of Guaymas will open public bids for the construction of a new terminal and facilities to handle mineral bulks; the Port of Mazatlan will modernize its multipurpose use terminal; and a new concessioner will start the construction of a second container terminal in the Port of Manzanillo. Many projects that were on standby during 2010-2012 will be taken up by private investors, including improving facilities and building new private multimodal terminals and distribution centers.

Although railroads have increased their participation in the transportation sector, they still have low participation in cargo movement in Mexico. According to the Secretaria de Comunicaciones y Transportes (Secretariat of Communications and Transportation) and the Secretaria de Economia (Secretariat of Economy), of the 893.5 million tons in goods that were transported across Mexico, 56% was moved by trucks, 12% by railroads, and 32% through maritime ports. Currently, Mexico has 74 intermodal terminals operating, including 30 interior multimodal terminals, 18 railroad terminals, 18 port terminals, and eight private automotive terminals. The goal of President Peña Nieto is to increase the volume of cargo using railroad transportation by at least 18-20% by the year 2015, and to build new interior cargo terminals, new port terminals, and new multimodal corridors.

Although several infrastructure projects were affected by the economic crisis and, more recently, by the change of Administration, the forecasted continued economic growth will allow the public and private sectors to continue with initial plans to develop important transportation infrastructure projects.

The Government of Mexico just announced that from 2013-2018, there will be an investment of $200 billion dollars in infrastructure projects. Roads, airports, maritime ports and railways construction will be the main areas of opportunity for new construction and modernization projects. Another $2.5 billion will be invested by public-private joint ventures.
One of the main goals of President Enrique Peña Nieto is to develop the railroad industry in Mexico for cargo and passenger transportation. The Mexican Secretariat of Communications and Transports announced the following seven projects as the key ones to develop the Mexican railroad system during the 2013-2018 period:

<table>
<thead>
<tr>
<th>PROJECT</th>
<th>STATUS</th>
<th>DETAILS</th>
<th>VALUE US MILLIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico - Queretaro</td>
<td>Feasibility study has been authorized. Public tender to be announced at the end of 2013.</td>
<td>Passenger train</td>
<td>$2,400</td>
</tr>
<tr>
<td>Mexico - Toluca</td>
<td>Feasibility study in progress. Public tender to be announced at the end of 2013.</td>
<td>Passenger train</td>
<td>$1,500</td>
</tr>
<tr>
<td>Yucatan, Quintana Roo Transpeninsular</td>
<td>Feasibility study has been authorized. Public tender to be announced at the beginning of 2014.</td>
<td>Passenger train</td>
<td>$1,500</td>
</tr>
<tr>
<td>Chiapas – Quintana Roo (Chiapas – Mayab)</td>
<td>Potential international tender to be announced at the end of 2013.</td>
<td>Repair railroad track</td>
<td>$520</td>
</tr>
<tr>
<td>Line 3 In Monterrey (Metro Line)</td>
<td>Public tender to be announced at the end of 2013.</td>
<td>Expansion project</td>
<td>$560</td>
</tr>
<tr>
<td>Chalco – La Paz (Estado de Mexico – Electric Train)</td>
<td>Feasibility study under revision. International tender to be presented at the beginning of 2014.</td>
<td>Light passenger train</td>
<td>$2,456</td>
</tr>
<tr>
<td>Electric Train In Guadalajara</td>
<td>Feasibility study under revision. Public tender to be presented at the beginning of 2014.</td>
<td>Light passenger train</td>
<td>$1,600</td>
</tr>
</tbody>
</table>

**ESTIMATED INVESTMENT**: $10,536

*Source: Mexican Secretariat of Communications and Transports.*

Mexico’s Secretary for Communications and Transports recently announced that 105 new projects for roads and highway projects will be tendered during 2013 and 2014 under the Public Private Partnership and concession schemes. According to the Mexican Secretariat of Communications and Transports these projects will be included in the Mexican National Infrastructure Program (NIP) that will be formally presented in June 2013 by President Enrique Peña Nieto. These projects will improve Mexico’s social and economic conditions in many regions.

Local and international pharmaceutical companies established in Mexico are planning to develop new logistics services for pharmaceutical and medical supply chains that need special conditions for transportation, warehousing and handling. This niche could represent important opportunities for U.S. companies that are already offering these services or offer products for this kind of specialized logistics service.

Additionally, most transportation entities are looking for the best technologies to improve their services, increase customer satisfaction, assure cargo security, and promote an efficient transportation system that supports Mexico’s competitiveness in a global world economy. Even with the current economic crisis, these trends have resulted in an important demand for all kinds of equipment and services that can help increase the efficiency of the transportation and logistical sector in Mexico.
All these projects and economic trends will gradually result in the recovery of the domestic production and the imports of equipment for the transportation sector that recovered about 10 percent during 2012. The import figures for year 2012 already reflect this recovery and are expected to continue increasing during 2013 due to the growing of imports and exports between Mexico, U.S.A. and Canada.

**Best Products/Services**

Domestic production comprises low-tech equipment (such as front loaders, non-sophisticated traffic control systems, open and closed freight cars, and rail track fixtures) and strong production of trucks and trailers, including international corporations such as Chrysler, Freightliner, Mercedes Benz, International, and Kenworth that are producing mainly for export. However, all high-capacity cranes, railroad and lifting equipment are imported. Under NAFTA, most equipment for intermodal transportation manufactured in the U.S. can be imported duty free.

Products having the best prospects in this market include: frame, mobile and rotary cranes, self-propelled cranes on tires, front loaders with a capacity of over 7 tons, mobile platforms, traffic control equipment, diesel electric locomotives, railway maintenance service vehicles, rail and tramway freight cars, automatic unloading wagons, covered and closed cars, assemblies for railway vehicles, containers, chassis, and trailers.

**Opportunities**

During 2012 U.S. manufacturers and exporters supplied 63 percent of the sector's total imports, an eight percent increase over the 2011 market share of 55 percent of the import market. This share could be increased if U.S. firms take full advantage of NAFTA conditions and become more aggressive in the sector. The U.S. Commercial Service can provide information on new projects and support introduction of products into this market.

**Resources**

Secretary of Communications and Transportation: www.sct.gob.mx
National Association of Private Transportation: www.antp.org.mx
National Cargo Transportation Chamber of Commerce: www.canacar.com.mx
Expo Carga: www.expo-carga.com

For more information on the transportation sector in Mexico, please contact:

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Fax: (011-52-55) 5566-1111  
Adrian.Orta@trade.gov
Travel and Tourism Services

Overview

Mexican Arrivals to the U.S. (in millions of travelers)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013 (forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Arrivals from Mexico</td>
<td>13.49</td>
<td>14.51</td>
<td>14.80</td>
</tr>
<tr>
<td>Percent Change</td>
<td>0%</td>
<td>8%</td>
<td>2%</td>
</tr>
<tr>
<td>Total Air Arrivals</td>
<td>1.94</td>
<td>2.09</td>
<td>2.213</td>
</tr>
<tr>
<td>Percent Change</td>
<td>16%</td>
<td>8%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Source: U.S. Department of Commerce, ITA, Office of Travel and Tourism Industries; Bureau of Economic Analysis.

The United States is the most important destination for Mexican travelers. In 2012, 14.51 million Mexicans traveled to the United States, representing over 20 percent of the total foreign arrivals to the country. Mexico remained the second largest source of international travelers to the United States just after Canada. In 2012, Mexico visitor volume expanded for the third consecutive year and surpassed the 2000 record of 14.3 million. It is expected that total arrivals will grow another 2% in 2013.

In 2012 visitors from Mexico spent a record-breaking $10.1 billion in the United States, an increase of 9% when compared to 2011 and the first time Mexico has breached the $10 billion barrier. Approximately 75% of this total is tied to the 2.09 million Mexicans who traveled to the United States via air. U.S. travel and tourism companies are advised to consider this when preparing marketing strategies and promotional packages to potential Mexican tourists.

Best Products/Services

It is important to differentiate between land and air Mexican travelers to the United States. Mexican land tourists usually travel to the southern states for a short time period in order to visit relatives or friends and to shop. In contrast, air travelers usually stay longer and buy packages that include transportation, lodging, shopping, and recreational activities. These tourists are particularly lucrative since they are the ones who generate most of the travel and tourism receipts to the United States.

The Pacific and the Atlantic regions maintained the largest market shares for Mexican travelers to the United States. The top destinations that are not strictly border visits are California, Texas, Florida and New York in addition to Nevada, New Mexico, Colorado, Illinois and Georgia.

Opportunities

Mexicans are drawn to the United States because of its destination diversity, infrastructure, and excellent travel and tourism services. In particular, Mexicans enjoy destinations that offer shopping, gaming, entertainment, amusement parks, and a
cosmopolitan environment. Natural parks and other outdoor destinations are typically not popular among Mexicans with skiing the notable exception – Mexicans flock to resorts in Colorado, New Mexico, and Utah in the winter months to ski.

Wholesale operators in Mexico continue to be an important distribution channel in the Mexican travel and tourism market. Wholesalers sell their packages to travel agents who provide their services to the end consumers. Mexicans prefer to buy vacation packages through a travel agency, though purchasing airfare and hotel packages online is slowly becoming more common. U.S. wholesalers and tour operators are key players in the Mexican market because they negotiate directly with U.S. travel and tourism service companies and are able to offer better prices and packages. Wholesalers in Mexico are now buying products and services from receptive tour operators in the United States to save money and facilitate processes.

However, the younger population in Mexico is becoming more attracted to buying travel packages on the internet. There are a few Mexican and Latin American companies that sell hotel rooms, air tickets, and travel packages through their own websites and offer good deals to the end consumer. Travelers have the option to pay for their travel to the United States by debit or credit card in fixed installments with no interest.

Social networking has become important for the promotion of travel and tourism services. Mexico has become one of the top countries in terms of use of social networks. In this regard, several U.S. destinations and travel and tourism services providers represented in Mexico have launched promotional campaigns in the most popular social networks such as Facebook, Twitter, YouTube and Instagram. Most of these promotional campaigns are done in Spanish and include interaction with the end consumer and travel agents.

It is crucial to establish and maintain a personal relationship with the travel and tourism companies in Mexico. U.S. travel and tourism companies are advised to travel to Mexico and develop a comprehensive follow-up strategy to obtain sufficient exposure in the Mexican market and increase sales. Distributing promotional material at one trade show is not likely to generate meaningful results.

**Events**

Feria Internacional de Turismo de las Americas, FITA 2013 [http://www.fitamx.com](http://www.fitamx.com)
September 26-29, 2013
Mexico City, Mexico

February 4-5, 2014
Mexico City, Mexico

April 5-9, 2014
Chicago, IL

**Resources**

Office of Travel and Tourism Industries: [http://tinet.ita.doc.gov](http://tinet.ita.doc.gov)
U.S. Travel Association: [http://www.usta.org](http://www.usta.org)
Visit USA Committee Mexico: http://www.visitusa.com.mx
United States Travel and Tourism http://www.thebrandusa.com

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Agricultural Sectors

Overview

With a growing population, an expanding economy and an increasingly market-oriented agricultural sector, Mexico remained the United States’ third largest agricultural trading partner in 2012 accounting for nearly 13% of total U.S. agricultural exports. The United States remains Mexico’s principal agricultural trading partner receiving almost 80% of Mexico’s total exports. Specifically, Mexico exported a record $17.1 billion worth of agricultural products to the United States in 2012. Mexican demand for U.S. agricultural products increased a 3.2 percent in 2012 over 2011 % in 2012 with total U.S. exports valued at a record $19.5 billion. The United States’ overall market share is not likely to change as the geographic and tariff advantages that are enjoyed in Mexico are likely to continue to make the United States the best import option for most major agricultural goods.

Since NAFTA was implemented in 1994, bilateral agricultural trade between the United States and Mexico has expanded dramatically. Mexico’s agricultural exports to the United States have seen, on average, double-digit growth rates per year – growth rates twice as large as before NAFTA. At the same time, U.S. agricultural exports to Mexico have grown at similar rates, reflecting the mutually beneficial outcomes NAFTA has provided to both countries agricultural sectors.

The United States’ major agricultural exports to Mexico in 2012 were: wheat ($1.1 billion), coarse grains ($3.3 billion), rice ($341 million), soybeans ($1.8 billion), peanuts ($64 million), soybean meal ($629 million), sugar/sweeteners ($833 million), snack foods ($432 million), breakfast cereals ($112 million), fresh/chilled/frozen red meats ($1.9 billion), poultry meat ($1 billion), dairy products ($1.2 billion), eggs and products ($52 million), fresh fruit ($514 million), processed fruit and vegetables ($570 million), tree nuts ($200 million), wine and beer ($118 million), nursery products ($48 million), other consumer oriented products ($632 million), feeds and fodders ($570 million) value added wood products ($158 million), and canned salmon ($2 million).

The following tables summarize the market situation of commonly exported U.S. agricultural products to Mexico:

**Table 1. Mexico: Dairy Products (1000 Metric Tons)**

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Production</td>
<td>11,719</td>
<td>11,952</td>
<td>11,945</td>
</tr>
<tr>
<td>Total Imports</td>
<td>376</td>
<td>409</td>
<td>420</td>
</tr>
<tr>
<td>Total Exports</td>
<td>22</td>
<td>25</td>
<td>22</td>
</tr>
<tr>
<td>Total Dom. Consumption</td>
<td>12,213</td>
<td>12,343</td>
<td>12,350</td>
</tr>
</tbody>
</table>

Dairy consumption in Mexico stabilized in 2012, with fluid milk as one of the strongest pillars of consumption. The shift toward specialized dairy products, such as lactose-free products, high calcium, and even milk products that help control weight or promote weight loss continued, meaning that increasing amounts of fluid milk and Non-fat Dry Milk are being directed to processing use. Although the domestic industry has been
observing steady production growth, Mexico is a milk production deficit nation and will continue to be an attractive market for U.S. dairy and dairy product exporters.

Table 2. Mexico: Meat (Beef and Pork) (1000 Metric Tons CWE)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Production</td>
<td>2,286</td>
<td>3,035</td>
<td>3,070</td>
</tr>
<tr>
<td>Total Imports</td>
<td>859</td>
<td>975</td>
<td>1030</td>
</tr>
<tr>
<td>Total Exports</td>
<td>234</td>
<td></td>
<td>290</td>
</tr>
<tr>
<td>Total Dom. Consumption</td>
<td>3,779</td>
<td>3,720</td>
<td>3,765</td>
</tr>
</tbody>
</table>

Mexican red meat consumption is forecast to decrease due to higher production costs, tighter domestic and imported supplies, and anticipated further beef price increases. Beef imports are expected to rise as Mexican domestic production falls. Mexico is considered a price sensitive market for beef products. As the wealth distribution among consumers is disparate, many American beef products are priced out of the market as consumers lack purchasing power and are turning to other proteins like pork and poultry.

Mexican pork production is expected to rise due to better farm management and strong demand from Asia. Pork consumption has been growing in step with Mexico’s economy as increased discretionary income allows Mexican consumers to buy more expensive proteins, like pork. The majority of Mexico’s pork imports consists of hams and mechanically deboned meat for the preparation of sausages, deli hams, and other cold cuts. A large share of Mexican pork imports continues to be hams and it is growing.

Table 3. Mexico: Poultry Meat (Chicken and Turkey) (1000 Metric Tons)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Production</td>
<td>2,919</td>
<td>2,972</td>
<td>2988</td>
</tr>
<tr>
<td>Total Imports</td>
<td>730</td>
<td>786</td>
<td>795</td>
</tr>
<tr>
<td>Total Exports</td>
<td>12</td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>Total Dom. Consumption</td>
<td>3,637</td>
<td>3,752</td>
<td>3,774</td>
</tr>
</tbody>
</table>

In 2012, Mexico became the first $1 billion export market for U.S. poultry. The United States will remain the main supplier of poultry exports to Mexico in 2013. Mexican poultry consumption is expected to increase in 2013 as economic growth enables consumers to purchase more of cheaper proteins, although consumption growth is expected to slow in the coming years. Mexico is currently not imposing any anti-dumping duties on U.S. chicken leg quarters due to a tight domestic supply situation resulting from an outbreak of highly pathogenic avian influenza (HPAI). This HPAI outbreak has also slowed Mexican poultry exports as foreign markets refuse to accept Mexican poultry. Although imports of poultry products are increasingly diversified, the top two products imported by Mexico are fresh or chilled mechanically deboned chicken meat and CLQs (both chilled and frozen).

Table 4. Mexico: Soybeans (1000 Metric Tons)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
</table>

77
The United States is the dominant exporter and supplier of soybeans in Mexico. Mexican soybean production is expected to increase as a result of a government soybean support program. Soybean oil and meal production are also expectedly to rise, albeit slightly. Domestic soybean consumption will increase moderately due to an upswing in feed demand. The soybean import forecast for 2013 is up approximately 4 percent compared to last year due to growing demand from the domestic poultry and pork sectors, as well as population growth.

Table 5. Mexico: Fresh Fruits (Apples, Pears, and Grapes) (1000 Metric Tons)

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Production</td>
<td>824</td>
<td>853</td>
<td>670</td>
</tr>
<tr>
<td>Total Imports</td>
<td>348</td>
<td>360</td>
<td>398</td>
</tr>
<tr>
<td>Total Exports</td>
<td>172</td>
<td>138</td>
<td>317</td>
</tr>
<tr>
<td>Total Dom. Consump.</td>
<td>903</td>
<td>962</td>
<td>848</td>
</tr>
</tbody>
</table>

The United States is the largest supplier of apples, pears, and grapes to the Mexican market and this trend should continue. Apple import levels depend heavily on the peso/dollar exchange rate, but the U.S. apple industry has successfully marketed U.S. apples through in-store promotions to retain their dominant market position. The domestic supply of pears is supplied by imports, primarily from the United States, and wholesale markets remain the most important fruit distribution channel for U.S. pears. Mexico is an important market for both U.S. and Chilean grapes. Promotional efforts have increased consumption, creating space for increased imports (70 percent U.S. origin) and increased domestic production.

Best Products/Services

In 2012, Mexico imported almost $18 billion worth of U.S. agricultural, fishery, and forestry products – an increase of 25% from the previous year. Exports are expected to increase even higher in 2013 now that Mexico’s imposition of punitive tariffs has been completely eliminated and Mexican economy is more stabilized.

The increase in U.S. exports to Mexico in 2012 has occurred across many product categories, such as coarse grains; red meats; soybeans and products including meal and oil; dairy products; wheat; poultry meat; cotton; sugar and sweeteners; feeds and fodder; processed fruits and vegetables; animal fats; fresh fruit; snack foods; and wood products.

Demand for organic food products in Mexico has been growing over the last few years along with the overall trend of healthier eating. Organic foods are perceived by many Mexican consumers to be healthier than conventional foods. Mexico is now considered the second most obese country in the world and the Mexican government has made it a
priority to reverse this through education campaigns and new food nutrition laws targeting school children. As a result, a growing number of Mexican consumers are pursuing healthier lifestyles which include better eating habits. This makes Mexico an attractive market for U.S. exporters of organic and other healthy food products.

A wine culture is developing in Mexico making this an attractive market for U.S. wine exporters. Market analysts estimate an annual 12% growth rate in consumption in the next few years. This is the result of a rapid growth in consumer interest in wine, supported by growth of the middle class.

Mexico’s transition to more wine consumption over other alcoholic beverages, increased interest among different consumer sectors including women and young adults, and growing interest among consumers in trying novel wines makes Mexico an excellent market for the promotion and sales of U.S. wines.

Table 6. Mexico: Ag Imports from the United States, In Thousand USD, CY 2008-11

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Coarse Grains</td>
<td>2,506,280</td>
<td>2,064,554</td>
<td>1,996,406</td>
<td>2,868,707</td>
<td>3,272,407</td>
<td>14.07</td>
</tr>
<tr>
<td>Red Meats, FR/CH/FR</td>
<td>1,513,953</td>
<td>1,550,575</td>
<td>1,611,329</td>
<td>1,766,635</td>
<td>1,943,280</td>
<td>10.00</td>
</tr>
<tr>
<td>Soybeans</td>
<td>1,783,595</td>
<td>1,347,726</td>
<td>1,493,871</td>
<td>1,735,322</td>
<td>1,796,153</td>
<td>3.51</td>
</tr>
<tr>
<td>Dairy Products</td>
<td>928,088</td>
<td>635,474</td>
<td>823,033</td>
<td>1,095,350</td>
<td>1,224,208</td>
<td>11.76</td>
</tr>
<tr>
<td>Wheat</td>
<td>1,028,123</td>
<td>478,446</td>
<td>583,247</td>
<td>924,410</td>
<td>1,125,915</td>
<td>21.80</td>
</tr>
<tr>
<td>Poultry Meat</td>
<td>570,954</td>
<td>560,727</td>
<td>665,691</td>
<td>801,461</td>
<td>997,576</td>
<td>24.47</td>
</tr>
<tr>
<td>Other Intermediate Products</td>
<td>800,219</td>
<td>828,880</td>
<td>772,183</td>
<td>808,295</td>
<td>888,153</td>
<td>9.88</td>
</tr>
<tr>
<td>Cotton</td>
<td>475,253</td>
<td>397,213</td>
<td>608,523</td>
<td>789,335</td>
<td>462,871</td>
<td>-41.36</td>
</tr>
<tr>
<td>Feeds &amp; Fodders</td>
<td>402,090</td>
<td>384,373</td>
<td>401,283</td>
<td>559,554</td>
<td>569,789</td>
<td>1.83</td>
</tr>
<tr>
<td>Soybean Meal</td>
<td>560,847</td>
<td>528,795</td>
<td>505,439</td>
<td>609,698</td>
<td>629,846</td>
<td>3.30</td>
</tr>
<tr>
<td>Other Consumer Oriented</td>
<td>471,457</td>
<td>462,376</td>
<td>505,922</td>
<td>547,521</td>
<td>632,348</td>
<td>15.49</td>
</tr>
<tr>
<td>Processed Fruit &amp; Vegetables</td>
<td>465,326</td>
<td>435,451</td>
<td>457,472</td>
<td>515,427</td>
<td>569,736</td>
<td>16</td>
</tr>
<tr>
<td>Animal Fats</td>
<td>383,557</td>
<td>331,025</td>
<td>421,496</td>
<td>533,074</td>
<td>448,707</td>
<td>-15.08</td>
</tr>
<tr>
<td>Fresh Fruit</td>
<td>429,907</td>
<td>321,071</td>
<td>377,392</td>
<td>386,154</td>
<td>513,943</td>
<td>33.09</td>
</tr>
<tr>
<td>Snack Foods</td>
<td>350,925</td>
<td>326,101</td>
<td>315,147</td>
<td>378,770</td>
<td>431,713</td>
<td>13.98</td>
</tr>
<tr>
<td>Rice</td>
<td>352,978</td>
<td>343,346</td>
<td>310,020</td>
<td>355,546</td>
<td>341,572</td>
<td>-3.93</td>
</tr>
<tr>
<td>Planting Seeds</td>
<td>222,498</td>
<td>265,923</td>
<td>261,417</td>
<td>269,995</td>
<td>227,633</td>
<td>-15.69</td>
</tr>
<tr>
<td>Other Bulk Commodities</td>
<td>193,401</td>
<td>146,476</td>
<td>229,751</td>
<td>258,236</td>
<td>229,595</td>
<td>-11.09</td>
</tr>
<tr>
<td>Red Meats, Prep/Pres</td>
<td>59,116</td>
<td>121,464</td>
<td>205,869</td>
<td>227,269</td>
<td>92,920</td>
<td>-59.11</td>
</tr>
<tr>
<td>--------------------------------</td>
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<td>--------</td>
<td>--------</td>
<td>--------</td>
<td>--------</td>
</tr>
<tr>
<td>Soybean Oil</td>
<td>286,004</td>
<td>162,841</td>
<td>200,612</td>
<td>198,305</td>
<td>189,485</td>
<td>-4.45</td>
</tr>
<tr>
<td>Tree Nuts</td>
<td>163,202</td>
<td>127,519</td>
<td>170,419</td>
<td>198,784</td>
<td>16.64</td>
<td></td>
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<tr>
<td>Panel Products (Incl Plywood)</td>
<td>164,934</td>
<td>166,848</td>
<td>167,321</td>
<td>176,158</td>
<td>5.28</td>
<td></td>
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<tr>
<td>Other Value-Added Wood Prod</td>
<td>141,957</td>
<td>122,279</td>
<td>151,429</td>
<td>158,393</td>
<td>4.60</td>
<td></td>
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<tr>
<td>Fresh Vegetables</td>
<td>171,512</td>
<td>161,851</td>
<td>141,873</td>
<td>83,585</td>
<td>-13.70</td>
<td></td>
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<tr>
<td>Softwood and Treated Lumber</td>
<td>113,709</td>
<td>112,154</td>
<td>149,271</td>
<td>25.84</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tobacco</td>
<td>40,697</td>
<td>96,099</td>
<td>126,305</td>
<td>83,585</td>
<td>-33.82</td>
<td></td>
</tr>
<tr>
<td>Wine and Beer</td>
<td>107,433</td>
<td>102,356</td>
<td>118,249</td>
<td>6.76</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vegetable Oils (Ex Soybean)</td>
<td>129,146</td>
<td>103,294</td>
<td>106,158</td>
<td>39.98</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Breakfast Cereals</td>
<td>74,543</td>
<td>104,961</td>
<td>112,012</td>
<td>2.93</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Live Animals</td>
<td>120,034</td>
<td>101,751</td>
<td>103,107</td>
<td>-0.96</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hides &amp; Skins</td>
<td>92,170</td>
<td>115,615</td>
<td>110,732</td>
<td>14.35</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hardwood Lumber</td>
<td>82,592</td>
<td>86,315</td>
<td>85,131</td>
<td>-1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pulses</td>
<td>83,079</td>
<td>101,238</td>
<td>176,110</td>
<td>110.49</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fruit &amp; Vegetable Juices</td>
<td>54,751</td>
<td>54,783</td>
<td>65,079</td>
<td>55,278</td>
<td>-15</td>
<td></td>
</tr>
<tr>
<td>Peanuts</td>
<td>37,464</td>
<td>53,540</td>
<td>63,922</td>
<td>19,39</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nursery Products</td>
<td>32,251</td>
<td>28,976</td>
<td>48,087</td>
<td>37.65</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eggs &amp; Products</td>
<td>26,939</td>
<td>41,146</td>
<td>52,484</td>
<td>27.56</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wheat Flour</td>
<td>17,509</td>
<td>25,379</td>
<td>27,358</td>
<td>-27.64</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Edible Fish &amp; Seafood</td>
<td>51,666</td>
<td>33,719</td>
<td>36,032</td>
<td>4.32</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Logs and Chips</td>
<td>16,716</td>
<td>4,769</td>
<td>2,720</td>
<td>-31.61</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salmon Whole or Eviscerated</td>
<td>3,039</td>
<td>2,814</td>
<td>2,304</td>
<td>-18.13</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crab &amp; Meat</td>
<td>3,651</td>
<td>1,850</td>
<td>2,446</td>
<td>32</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salmon Canned</td>
<td>1,126</td>
<td>1,429</td>
<td>1,525</td>
<td>6.69</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Roe &amp; Urchin (Fish Eggs)</td>
<td>809</td>
<td>1,484</td>
<td>714</td>
<td>-51.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surimi (Fish Paste)</td>
<td>87</td>
<td>34</td>
<td>19</td>
<td>-43</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>16,088,130</td>
<td>13,396,316</td>
<td>15,126,258</td>
<td>18,212,799</td>
<td>19,504,297</td>
<td>7.09</td>
</tr>
</tbody>
</table>

Sources: U.S. Bureau of the Census Trade Data, Foreign Trade Statistics. USDA BICO Report

Resources

The USDA’s Foreign Agricultural Service offices in Mexico, including Agricultural Trade Offices in Mexico City and Monterrey and the Office of Agricultural Affairs at the U.S. Embassy in Mexico City, publish more than 100 publicly accessible market reports annually. The reports can be accessed at:
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Chapter 5: Trade Regulations and Standards

- Trade Agreements
- Import Tariffs
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- Temporary Entry
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- Prohibited and Restricted Imports
- Customs Regulations and Contact Information
- Standards
- Web Resources

Trade Agreements

An important feature of the U.S.-Mexico bilateral relationship is the North American Free Trade Agreement (NAFTA), which created a free trade zone for Mexico, the United States, and Canada. Since the enactment of NAFTA in January 1994, U.S. goods exports to Mexico have grown exponentially, totaling $216 billion in 2012. U.S. exports to Mexico are greater than U.S. exports to the rest of Latin America combined, and also greater than U.S. exports to the BRIC countries (Brazil, Russia, India, and China) combined. The U.S. share of Mexico’s trade has likewise increased with NAFTA, accounting for nearly 75% of Mexico’s total trade.

NAFTA continues to boost trade between the three member countries and improve Mexico’s overall economic standing. Since the enactment of NAFTA in January 1994, total trade between the United States and Mexico has grown 461%. In 2012, there was 493 billion dollars in two way goods trade, with almost $1.4 billion of goods crossing the border each day.

Mexico has more free trade agreements (FTA’s) than any other country in the world. Mexico has FTA’s with 43 countries (officially), including the European Union, European Free Trade Area, Israel, and 10 countries in Latin America. The agreement with the European Union was modeled after NAFTA and provides EU goods with the same benefits as NAFTA. The significance of this for U.S. exporters is that many of our strongest international trade competitors enjoy duty free access to the Mexican market equivalent to that provided by NAFTA – or if they do not today, they might in the near future. Mexico’s membership in the WTO, the APEC, the OECD, and its pursuit of bilateral investment treaties give further testimony to Mexico’s commitment to economic liberalization.

Mexico, along with the United States and several other countries, is involved in the Trans Pacific Partnership (TPP) negotiations. Once completed, the TPP will provide further economic integration both within North America and between North America and the broader Asia-Pacific region.
Import Tariffs and Taxes

Under the terms of the NAFTA, there are no tariffs for products made in the United States that meet NAFTA rules of origin requirements. However, there are a number of exceptions and caveats noted below that may affect overall pricing of U.S. exports. Please see: http://export.gov/FTA/nafta/index.asp for a thorough explanation of NAFTA certificates of origin as well as a "What's my tariff" tool.

A few U.S. exports are subject to antidumping duties that limit access to the Mexican market. A list of these products can be found at: http://ia.ita.doc.gov/trcs/foreignadcvd/mexico.html

To prevent potential dumping practices, the Mexican authorities have set minimum prices for a wide range of imported products, including textiles, clothing, leather products, shoes, some metals, stationary products, tools, some glass products, bicycles, children's accessories, and others. These minimum prices will be taken as the base for calculating any duty or tax, if applicable, for all products imported under certain Harmonized System Codes.

Mexico has also implemented what are called “Sectoral Promotion Programs (PROSEC)” which reduce Most Favored Nation (MFN) tariffs to 0 or 5% on a wide range of important inputs needed by Mexico’s export manufacturing sector. This program includes some 20 different industry sectors and affects 16,000 tariff line items. Mexican companies must be registered under this program to participate.

All NAFTA-compliant products imported definitively into Mexico no longer need to pay the customs processing fee (CPF). Products temporarily imported for processing and re-export may be subject to the CPF since the imports are not considered “definitive.”

The import duty, if applicable, is calculated on the U.S. plant value (f.o.b. price) of the product, plus the inland U.S. freight charges to the border and any other costs listed separately on the invoice and paid by the importer. These can include charges such as export packaging, inland freight cost, and insurance.

In addition, Mexico has a value-added tax (IVA) on most sales transactions, including sales of foreign products. The IVA is 11% for products staying in the Mexican border region, within twenty miles of the border, as well as within ports of entry (Cancún, Cozumel and Los Cabos) and 16% for products that enter the interior of Mexico. Basic products such as food and drugs are exempt from the IVA.

A special tax on production and services (IEPS) is assessed to the importation of alcoholic beverages, cigarettes and cigars, among others. This tax may vary from 25 to 160% depending on the product.

Where an "arms length" transaction does not exist between seller and importer, such as intra-company sales or transfers, Mexico applies valuation rules that are compatible with the Brussels Customs Valuation Code. Goods for which the NAFTA preferential tariff treatment is not requested are valued on a C.I.F. basis.
Under the NAFTA, there are virtually no tariff barriers for U.S. exports to Mexico, with some exceptions as noted above.

Minimum estimated prices, also referred to as a “reference price”, no longer affect goods other than used cars, as per resolution published in the Diario Oficial on January 26, 2009.

With regards to vehicle imports, a decree issued in July 2011 includes new requirements such as a Vehicle Identification Number (VIN, or NIV) confirming that the vehicle was manufactured in the United States, Mexico or Canada; compliance with standard vehicle categories; and the payments of IVA (value added tax), ISAN (vehicle’s acquisition tax), as well as a 10% ad-valorem tax (one percent for border zone*) based on reference pricing established for the given year, make, and model of the vehicle.

Used vehicles destined for the border zone are allowed if five to nine years old with a one percent ad-valorem tax and those 10 years or older with a 10% ad-valorem tax. All categories are mandated to remain in that zone. Used vehicles aged eight and nine years old with a 10% ad-valorem tax are permitted in the rest of Mexico for resale. A new decree issued in January 2013 postponed the expansion to cars aged 6-10 years old for at least two years. Used vehicles of a condition which are restricted or prohibited from circulating in their own country of origin, are prohibited from importation into Mexico.

Please refer to the market report on regulations for the importation of used vehicles and trucks into Mexico for further details.  http://www.buyusainfo.net/docs/x_3353354.pdf

Certain sensitive products must obtain an import license for which the difficulty varies according to the nature of the product. Periodically, the Mexican government publishes lists that identify the different items that have a specific import control. Items are identified according to their Harmonized System (HS) code number; therefore, it is important that U.S. exporters have their products correctly classified. U.S. exporters are encouraged to check with customs brokers as to the accurate classification of their products.

The following are examples of import licenses required and the Mexican government agencies that administer the particular licenses. Note that this is not a complete list.

- The Secretariat of Economy requires import licenses for weapons and ammunition, used goods, and refurbished equipment, among others.
- The Secretariat of Agriculture (SAGARPA) requires prior import authorization for some leather and fur products, fresh/chilled and frozen meat, and agricultural machinery among others.
- The Secretariat of Health (SSA) requires either an “advance sanitary import authorization” or “notification of sanitary import” for medical products and equipment, pharmaceuticals, diagnostic products, toiletries, processed food, and certain chemicals. Food supplements and herbal products are highly regulated in Mexico, unlike in the United States.
• The Secretariat of the Environment (SEMARNAT) requires import authorizations for products made from endangered species such as eggs, ivory, certain types of wood, furs, etc.
• Toxic and hazardous products have to comply with import authorization from an interagency commission called CICOPALFEST which has representation from the four agencies mentioned above. This list includes a large number of organic and inorganic chemicals.

Commercial samples of controlled products shipped by courier are also subject to these regulations. Liquid, gas, and powdered products cannot be shipped by courier, even in small quantities. Instead, these products must be shipped as a regular full-scale shipment would, with the use of a customs broker. Some special treatment may apply in the case of samples intended for research, product registration or certification. Unless returned at the sender's expense, Customs often confiscates or destroys samples lacking the proper documentation.

Import Requirements and Documentation

For tax purposes, all Mexican importers must apply and be listed on the "Padrón de Importadores" (importers’ register), maintained by the Secretariat of Finance and Public Credit (Hacienda). In addition, Hacienda maintains special sector registries. To be eligible to import more than 400 different items, including agricultural products, textiles, chemicals, electronics, and auto parts, Mexican importers must apply to Hacienda to be listed on these special industry sector registries. Infrequently, U.S. exporters have encountered problems when products are added to the list without notice or importers are summarily dropped from the registry without prior notice or subsequent explanation.

The basic Mexican import document is the "pedimento de importación." Mexico requires import and export documentation including a completed "pedimento" or import/export form for all commercial crossings. This document must be accompanied by a commercial invoice (in Spanish), a bill of lading, documents demonstrating guarantee of payment of additional duties for undervalued goods (see "Customs Valuation") if applicable, and documents demonstrating compliance with Mexican product safety and performance regulations (see "Standards"), if applicable. The import documentation may be prepared and submitted by a licensed Mexican customs house broker or by an importer with sufficient experience in completing the documents.

Products qualifying as North American must use the NAFTA Certificate of Origin in order to receive preferential treatment. This must be completed by the exporter and does not have to be validated or formalized. Mexican tax authorities are conducting fiscal audits on certain exporters in sensitive industries. One resource is the Mexican Tax Authority’s website in English regarding processes for verification of NAFTA Certificates of Origin: http://www.sat.gob.mx/verificacion_origen/index_en.html

Unless the importer is accredited to act as a Mexican customs broker, the participation of a professional customs broker is necessary to ensure compliance with Mexico's customs regulations. Mexican customs law is very strict regarding proper submission and preparation of customs documentation. Errors in paperwork can result in fines and even confiscation of merchandise as contraband. Exporters are advised to ensure that Mexican clients employ competent, reputable Mexican importers or customs house brokers. Because customs brokers are subject to sanctions if they violate customs laws,
some have been very restrictive in their interpretation of Mexican regulations and standards.

**U.S. Export Controls**

Mexico is not subject to any special U.S. export control regulations, and is designated as a Category I country (the least restrictive) for receipt of U.S. high technology products.

**Temporary Entry**

Temporary imports for manufacturing, transformation, and repair, under the IMMEX (Industria Maquiladora para Exportacion Maquila) program, are subject to payment of duties, taxes and compensatory fees. Other temporary imports from the United States, however, do not pay import duties, taxes or compensatory fees, but they must comply with all other obligations set forth in Article 104 of the Mexican Customs Law. There are different types of temporary imports into Mexico, including:

a) Temporary imports to be returned in the same condition;
b) Instruments of foreign artists;
c) Temporary imports for cultural and sporting events;
d) Temporary imports for conventions, congresses and trade shows; and
e) Temporary imports for the press, journalism, and cinematography.

The procedures for category (a) are as follows: Category (a) applies to temporary imports that remain in Mexico for a limited time and with a specific purpose and are returned to the United States in the same condition and within the time limits established in the Law (Art. 106). Such is the case of demonstration equipment that is temporarily imported into Mexico for exhibitions or sales visits. In such cases, U.S. representatives do not need to contract the services of a Mexican customs broker, and may themselves do the declaration of the products to Mexican Customs, using the declaration lane at the time of entry. Overlooking this requirement may result in the confiscation of the products without possibility of recovery, unless a high penalty fee is paid to the Mexican Government. Temporary imports may remain in Mexico for up to six months.

In the case of medical devices, interested parties need to request an import permit for the specific show. The request needs to be submitted by a Mexican company authorized to sell/distribute medical devices in Mexico.

The import is processed under a temporary importation form and there are basic requirements to obtain the clearance from Customs, including:

1. A list of the products for temporary importation into Mexico;
2. A letter from the U.S. company stating that the product(s) is for temporary entry into Mexico and that it will not be sold;
3. A letter from the Mexican partner or company indicating that they take full responsibility for ensuring that the products are returned to the United States within the period allowed. The letter should also indicate that there is a business relationship between the Mexican party and the importer;
4. Preparation of a Temporary Customs Entry form (Pedimento de Importación Temporal);
5. The list of the products to be temporarily imported into Mexico must also be presented to U.S. Customs before the equipment enters Mexico in order to facilitate the duty free return to the United States.

For temporary imports related to the manufacture, transformation, or repair under the IMMEX program, exporters should obtain expert advice from a Mexican customs broker or other consultant with expertise in this area. More detailed information on this and the other categories of temporary imports may be obtained by contacting Manuel Velazquez of the U.S. Commercial Service Mexico Monterrey office. (Manuel.velazquez@trade.gov.)

Effective May 2011 Mexico joined the ATA Carnet program enabling temporary import to Mexico through this program. More information about this program is available in Chapter 8.

Labeling and Marking Requirements

All products intended for retail sale in Mexico must bear a label in Spanish prior to their importation to Mexico. Products that must comply with commercial and commercial/sanitary Mexican technical regulations (Normas Oficiales Mexicanas or NOMs) must follow the guidelines, as specified in the applicable NOM.

For more detailed information see the “Labeling and Marking” in the Standards section below.

Prohibited and Restricted Imports

There are very few prohibited items in Mexico. A list of these items can be found at:

http://www.aduanas.sat.gob.mx/aduana_mexico/2008/pasajeros/139_16781.html

In the case of medical devices and health care products, in addition to complying with applicable standards, foreign manufactured products need to have a legally appointed representative/distributor in Mexico and be registered with the Secretariat of Health (SSA), prior to being sold in Mexico. With the exception of blood, blood derivate products and organs, almost all medical products can be imported into Mexico, if they comply with the regulations.

Customs Regulations and Contact Information

U.S. exporters continue to be concerned about Mexican Tax Administration (Servicio de Administración Tributaria or SAT) procedures, including insufficient prior notification of procedural changes, inconsistent interpretation of regulatory requirements at different border posts, and uneven enforcement of Mexican standards and labeling rules. Agricultural exporters note that Mexican inspection and clearance procedures for some agricultural goods are long, burdensome, non-transparent and unreliable. Customs procedures for express packages continue to be burdensome, though Mexico has raised the de minimus level to fifty dollars from one dollar. However, Mexican regulation still holds the courier 100 percent liable for the contents of shipments.

Contact Information:
The Secretariat of Economy (Secretaria de Economia), through the Mexican Bureau of Standards (DGN - Dirección General de Normas), is the organization with the authority to manage and to coordinate the standardization activities in Mexico. Its authority is derived from the Ley Federal de Metrología y Normalización (LFMN), enacted in 1988 to provide greater transparency and access by the public and interested parties to the standards development process. The implementing regulations (Reglamento de la Ley Federal sobre Metrología y Normalización) were published in Mexico’s Official Gazette (DOF - Diario Oficial de la Federacion). In accordance with the Federal Law, the Law of Metrology and Standardization and its Regulation (Reglamento de la Ley Federal sobre Metrología y Normalización), the National Program of Standardization (PNN - Programa Nacional de Normalización) is published annually in the DOF, which is the official document used to plan, inform and coordinate the standardization activities, both public and private, carried out by the Mexican Government.

Finally, two definitions are important to keep in mind:

1. NOMs – literally: Mexican Official Standards – these are Technical Regulations, including labeling requirements, issued by government agencies and ministries. Compliance is mandatory.

2. NMX – Mexican “Voluntary” Standards – these are voluntary standards issued by recognized national standards-making bodies. Compliance is mandatory only when a claim is made that a product meets the NMX, when a NOM specifies compliance, and whenever applicable in government procurement.
Standards Organizations

The Mexican government entities that develop NOMs – Technical Regulations include:

- ECONOMIA (Commerce)
- SAGARPA (Agriculture)
- STPS (Labor)
- SCT (Communications & Transportation)
- SECTUR (Tourism)
- SEDESOL (Social Development)
- SEMARNAT (Environment)
- SENER (Energy)
- SSA (Health)

The DGN publishes the National Standardization Plan (PNN – Plan Nacional de Normalización) twice a year. It is available on the DGN website. Contact information is listed at the end of this chapter.

Organizations that develop NMX – Mexican “Voluntary” Standards include:

- ANCE (Electrical)
- IMNC (Quality Systems)
- INNTEX (Textiles)
- ONNCE (Construction)
- NORMEX (Food Products and Quality Systems)
- NYCE (Electronics)

NIST Notify U.S. Service
Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. Notify U.S. is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: http://www.nist.gov/notifyus/

Conformity Assessment

Under the NAFTA, Mexico was required, starting January 1, 1998, to recognize conformity assessment bodies in the United States and Canada on terms no less favorable than those applied in Mexico. After years of negotiations, two U.S. certification bodies were finally accredited. More recently, on August 17, 2010, the Secretariat of Economy published in the Mexican Official Gazette an executive order and amendments to the foreign trade general regulations to unilaterally accept as equivalent product certifications from U.S. and Canadian certifying bodies. The three Mexican technical regulations included in this equivalency executive order are NOMs 001-SCFI (audio and video equipment), 016-SCFI (office electrical appliances) and 019-SCFI (information technology equipment-safety). This executive order is expected to facilitate U.S. exports to Mexico.
Currently, only certificates issued by the following three U.S. based certifying bodies have been accepted as equivalent by the Mexican government:

1) Intertek Testing Services NA, Inc.
2) TÜV Rheinland of North America, Inc.
3) Underwriters Laboratories, Inc.

Given the differences between US and Mexican conformity assessment systems, significant custom-import logistical challenges remain unresolved.

Based on agreements with other agencies, as well as with other certification organizations, the DGN has established procedures for the certification of products to both Technical Regulations (NOMs) and Voluntary Standards (NMXs).

Conformity Assessment procedures issued by the SE/DGN tend to be more fully developed and cover a significantly greater range of NOMs than those of other ministries that develop NOMs.

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In 1999, the Mexican government authorized the first private organization to accredit conformity assessment bodies (calibration laboratories, certification bodies, testing laboratories, and verification/inspection units). This private non-profit institution is known as EMA (Entidad Mexicana de Acreditación - Mexican Accreditation Entity).

**Calibration Laboratories:**
Calibration laboratories are responsible for transferring the precision of reference standards to the measurement instruments used in the commercial and industrial sectors. The calibration laboratories can be sponsored by public or private organizations, including universities, professional associations and private companies. Individuals interested in performing calibration activities can obtain certification after meeting the certification requirements set by law.

Committees, made up of technicians and specialists in metrology, evaluate applications for certification as calibration laboratories. These committees make recommendations to the DGN for final decisions on certification. The committees also establish the technical specifications for the evaluation of calibration laboratories, set the precision requirements for the calibration chains and set the methods for comparison of standards.

**Certification Bodies:**
EMA has accredited several organizations for certifying compliance in different fields. The accreditation list includes but it is not limited to the following organizations:

ANCE – Asociación de Normalización y Certificación (product certification body for the electric sector NOMs)

CALMECAC - Calidad Mexicana Certificada, A.C. (Certified Mexican Quality).

CNCP - Centro Nacional Para la Calidad del Plástico (Mexican Center for the Quality of Plastic).
CRT - Consejo Regulador Del Tequila (Tequila Regulation Council).

IMNC - Instituto Mexicano De Normalización y Certificación, A.C. (Mexican Institute of Standardization and Certification).

INNTEX - Instituto Nacional De Normalización Textil, A.C. (Mexican Institute of Textile Standardization).

NORMEX - Sociedad Mexicana de Normalización y Certificación, S.C. (Mexican Society of Standardization and Certification).

NYCE - Normalización y Certificación Electrónica (Electronic Standardization and Certification).

ONNCCE - Organismo de Normalización y Certificación de la Construcción y Edificación (Building and Construction Standardization and Certification Body)

UL de Mexico - Underwriters Laboratories de Mexico, S.A. de C.V. (Product certification body for electric and electronic equipment)

Intertek (Product certification body for electric and electronic equipment)

On July 6, 2007, the Secretariat of Economy published foreign trade rules and general criteria in the DOF, which lists all products by tariff number that must comply with a NOM at the point of entry into Mexico. This document is constantly updated to reflect cancellations or changes in NOMs or the application of new ones.

Testing Laboratories:
Testing laboratories are responsible for certifying that products meet Mexican standards and are normally commercial entities that make a profit from the testing of samples. The DGN through EMA is responsible for granting authorizations to test laboratories after receiving the recommendations of the Testing Laboratory Evaluating Committees (Comités de Evaluación de Laboratorios de Pruebas).

Each committee oversees a group of evaluators who visit the testing laboratories, review their organization, capabilities, staffs, etc. Testing laboratories must fully comply with standard NMX-EC-17025-IMNC-2006/ISO 17025:2005, which sets the requirements testing laboratories must comply with. Once the evaluators have made their review, they submit a report to the committee. Then, the committee writes its recommendations to the DGN, which, in turn, informs the laboratory of the results. Those applicants not receiving authorization are permitted to make the necessary modifications to their facilities in order to comply with standard NMX-EC-17025-IMNC-2006/ISO 17025:2005. After the committee verifies that the laboratory meets the requirements, a second report is prepared for the DGN.

Authorizations as testing laboratories are valid for two years and can be renewed upon written request. Testing laboratories are required to maintain their technical capabilities and to make any modifications that the committee may set. Testing laboratories must notify the DGN of any change in equipment, location, and administration. Laboratories have the option to withdraw their certification.
Verification Units:
Verification or inspection units check and provide a report or proof of compliance corroborated either visually or by sampling, measuring, testing in laboratories, or examining documents. Labeling NOMs, for example, do not require products to obtain a certificate of compliance; however, verification units can determine whether or not a technical regulation has been correctly applied.

On June 18, 2001, the Mexican standard NMX-EC-17020-IMNC-2000 (equivalent to ISO/IEC 17020:1998) went into effect to make the accreditation process of verification units consistent with international standards. Therefore, as of January 2002, the procedure to evaluate and accredit verification units became effective.

Publication of Technical Regulations

Publication of Proposed Technical Regulations:
In accordance with the Regulation of the Federal Law of Metrology and Standardization (Reglamento de la Ley Federal sobre Metrología y Normalización, LFMN), the National Program of Standardization (Programa Nacional de Normalización, PNN) is the official document used to plan, inform and coordinate the standardization activities, both public and private, carried out by the Mexican government. The PNN is made up of a list of topics that will be developed into technical regulations (NOMs), Mexican Standards (NMX's), and Reference Standards (NRF's)--as well as an approximate working calendar for each respective topic. The program is equally composed of information from the National Consulting Standardization Committees (Comités Consultivos Nacionales de Normalización), which are responsible for the creation of NOMs; the Technical Committees of National Standardization (Comités Técnicos de Normalización Nacional) and the National Standardization Bodies (Organismos Nacionales de Normalización), both of which are responsible for the creation of NMXs; and 2 Standardization Committees (Comités de Normalización), responsible for the creation of NRF's - standards created by governmental entities for government procurement.

The PNN is annually developed by the Technical Secretariat of the National Standardization Commission, revised by the Technical Council of the aforementioned entity, and approved by the National Standardization Commission (CNN, Comisión Nacional de Normalización) in its first meeting of every year.

The LFMN and its Regulation establish a time frame for each step of the NOM-making process (development, draft publication in the DOF, and publication of modified and definitive technical regulations and standards) and within the PNN framework. The accomplishment of these tasks is limited to the span of a year. The actual NOM-making period, however, is contingent upon various factors, including the complexity of the topic and the uncertain period between each step (i.e. publishing period in the DOF, draft response, comments, and final technical regulation and standard). Therefore, evaluations of the PNN indicate, more often than not, that the standardization process requires more than a year in order to adequately meet its objectives.

U.S. entities can participate in the process in several ways. They can:

- Review the PNN to learn about the proposed standards.
- Participate in the applicable technical working group (requires physical presence).
Submit commentaries during the 60-day public consultation period.
Solicit the making, modification, or cancellation of technical regulations and standards (NOM and NMX) to the appropriate government office or to a National Standardization Body.

**Labeling and Marking**

All products intended for retail sale in Mexico must bear a label in Spanish prior to their importation to Mexico. Products that must comply with commercial and commercial/sanitary information NOMs must follow the guidelines as specified in the applicable NOM. Most NOMs require commercial information to be affixed, adhered, sewn, or tagged onto the product, with at least the following information in Spanish:

- Name or business name and address of the importer;
- Name or business name of the exporter;
- Trademark or commercial name brand of the product;
- Net contents (as specified in NOM-030-SCFI-2006 DOF November 4, 2006);
- Use, handling, and care instructions for the product as required; and
- Warnings or precautions on hazardous products.

This information must be attached to the product, packaging or container, depending on the product characteristics. This information must be affixed to products as prepared for retail sale. Listing this information on a container in which a good is packed for shipment will not satisfy the labeling requirement.

NOMs do not explicitly state that country of origin is required on the label prior to importation. However, Mexican fiscal regulations do require country of origin designation, and the U.S. Department of Commerce recommends that exporters include this information, in Spanish, on the labels they are preparing for goods destined for retail sale in the Mexican market. Including the importer's taxpayer number (commonly known as RFC) is also recommended.

The commercial and commercial-sanitary NOMs currently in force are:

NOM-003-SSA1-2006, Environmental health - Sanitary requirements with which paints, inks, varnishes, lacquers, and enamels must comply, published in the DOF on August 4, 2008.


NOM-051-SCFI/SSA1-2010, General labeling specifications for pre packed food products and non-alcoholic beverages, published in the DOF on April 5, 2010.


Contacts

The following is key contact information for the most relevant organizations in both the public and private sectors. For additional organizations, please contact the post.
Mexican Public Sector:
SE-Secretaria de Economía (Secretariat of Economy)

DGN-Dirección General de Normas (Mexican Bureau of Standards)
URL: http://www.economia.gob.mx/?P=85

SEMARNAT- Secretaria de Medio Ambiente y Recursos Naturales (Secretariat of the Environment and Natural Resources)
URL: http://www.semarnat.gob.mx

SCT – Secretaria de Comunicaciones y Transportes (Secretariat of Communications and Transportation)
URL : http://www.sct.gob.mx

COFEPRIS (FDA's Mexican Counterpart)
URL: http://www.cofepris.gob.mx/wb/cfp/ingles

Mexican Private Sector:
ANCE – Asociación de Normalización y Certificación del Sector Eléctrico, A.C.
(National Association for the Standards & Certification of the Electrical Sector)
URL: http://www.ance.org.mx

COMENOR - Consejo Mexicano de Normalización y Evaluación de la Conformidad, A.C.
(Mexican Council of Standardization and Conformity Assessment)
URL: http://www.comenor.org.mx

NYCE – Normalización y Certificación Electrónica, A.C.
(Electronic Standards & Certification)
URL: http://www.nyce.org.mx

IMNC – Instituto Mexicano de Normalización y Certificación, A.C.
(Mexican Standards & Certification Institute)
URL: http://www.imnc.org.mx

NORMEX – Sociedad Mexicana de Normalización y Certificación, S.C.
(Mexican Standards & Certification Society)
URL: http://www.normex.com.mx

ONNCCE – Organismo Nacional de Normalización y Certificación de la Construcción y Edificación, S.C. (National Body for the Standardization and Certification of Construction and Buildings)
URL: http://www.onncce.org.mx

INNTEX- Instituto Nacional de Normalización Textil, A.C.
(National Institute of Textile Standards)
URL: http://www.cniv.org.mx/inntex

Post Standards Contacts:
U.S. Embassy – U.S. Commercial Service

Everett Wakai, Standards Attaché
The following is key contact information for the most relevant organizations’ websites in both the public and private sectors. For additional organizations, please contact the U.S. Commercial Service Mexico.

**Mexican Public Sector:**

- **Secretaria de Economia (Ministry of Economy):** [http://www.economia.gob.mx](http://www.economia.gob.mx)
- **DGN-Direccion General de Normas:** [http://www.economia.gob.mx/?P=85](http://www.economia.gob.mx/?P=85)
- **–Text of NOMs:** [http://www.economia-noms.gob.mx](http://www.economia-noms.gob.mx)
- **–Under secretariat of International Trade Negotiations** [http://www.economia.gob.mx/?P=5100](http://www.economia.gob.mx/?P=5100)
- **SAGARPA (Agriculture):** [http://www.sagarpa.gob.mx](http://www.sagarpa.gob.mx)
- **SCT – Secretaria de Comunicaciones y Transportes:** [http://www.sct.gob.mx](http://www.sct.gob.mx)
- **–NOMs, regulations, and requirements for telecomm equipment:** [http://www.cofetel.gob.mx](http://www.cofetel.gob.mx)
- **SECTUR (Tourism):** [http://www.sectur.gob.mx](http://www.sectur.gob.mx)
- **SEDESOL (Social Development):** [http://www.sedesol.gob.mx](http://www.sedesol.gob.mx)
- **SEMARNAT – Secretaria de Medio Ambiente, Recursos Naturales:** [http://www.semarnat.gob.mx](http://www.semarnat.gob.mx)
- **SENER (Energy) also SEDE:** [http://www.sener.gob.mx](http://www.sener.gob.mx)
- **SSA (Health)
  –NOMs, regulations and more of the Ministry of Health:** [http://www.ssa.gob.mx](http://www.ssa.gob.mx)
STPS (Labor): http://www.stps.gob.mx

**Mexican Private Sector:**

Asociación de Normalización y Certificación del Sector Eléctrico, A.C.  
(National Assoc. for Standards & Certification of the Electrical Sector)  
http://www.ance.org.mx


Instituto Mexicano de Normalización y Certificación, A.C.  
(Mexican Standards & Certification Institute)  
Focus areas: general and quality systems: http://www.imnc.org.mx

NORMEX – Sociedad Mexicana de Normalización y Certificación, S.C.  
(Mexican Standards & Certification Society)  
Focus areas: foods, beverages, packaging, packages, and quality systems  
http://www.normex.com.mx

ONNCCE – Organismo Nacional de Normalización y Certificación de la Construcción y Edificación, S.C.  
(National Body for the Standardization and Certification of Constructions and Buildings)  
Focus area: construction: http://www.onncce.org.mx

**U.S. Standards Bodies with Representation in Mexico:**


Intertek Testing Services de México, S.A. de C.V.: http://www.intertek.com

NEMA— Electrical Equipment Standards: http://www.nema.org


UL— Underwriters Laboratories Inc.: http://www.ul.com

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Chapter 6: Investment Climate

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Openness to, and Restrictions Upon, Foreign Investment

Mexico is open to foreign direct investment (FDI) in most economic sectors and has consistently been one of the largest recipients of FDI among emerging markets. Mexico’s macroeconomic stability and its proximity to one of the largest markets in the world have attracted investors. Mexico’s new PRI government, led by President Enrique Pena Nieto, will prioritize structural economic reforms and competitiveness. The new president, along with the leaders of the country’s three main political parties: the Institutional Revolutionary Party (PRI), the National Action Party (PAN) and the Party of the Democratic Revolution (PRD), signed the Pact for Mexico, an agreement that details 95 priority commitments. On November 13, 2012, Mexico’s legislature passed a comprehensive labor reform, which was signed into law by former President Felipe Calderon on November 29, 2012. In the first half of 2013, the Peña Nieto government introduced the telecommunications and fiscal reform to Congress. Mexico is currently looking at expanding trade with pacific countries. On October 6, 2012, Mexico formally joined the Trans-Pacific Partnership negotiations and in July it formed the Pacific Alliance with Peru, Colombia and Chile.

Foreign investment in Mexico has largely been concentrated in the northern states close to the U.S. border where most maquiladoras are located, and in the Federal District (Mexico City) and surrounding states, where most headquarters are located. According to the Secretariat of the Economy, Mexico is currently the top destination for aerospace manufacturing investments in the world. Financial services, automotive and electronics
have received the largest amounts of FDI. Recently, Mexico’s auto industry gained attention from investors as Mexico became the eighth world producer of automobiles in the world. Historically, the United States has been the main source of FDI in Mexico. In the first nine months of 2012, U.S. investors accounted for 49 percent of all FDI in Mexico.

ProMexico is the country’s federal entity charged with promoting Mexican exports around the world and attracting foreign direct investment to Mexico. Through ProMexico, federal and state government efforts, as well as related private sector activities, are coordinated with the goal of harmonizing programs, strategies and resources while supporting the globalization of Mexico's economy. ProMexico maintains an extensive network of offices abroad as well as a multi-lingual website (http://www.investinmexico.com.mx) which provides local information on establishing a corporation, rules of origin, labor issues, owning real estate, the maquiladora industry, and sectoral promotion plans. From 2011, ProMexico attracted 104 investment projects totaling $13.52 billion, a 27% percent increase from 2010. In the first quarter of 2012, ProMexico attracted 54 projects totaling $7 billion.

The Secretariat of the Economy also maintains a bilingual website (www.economia.gob.mx) offering an array of information, forms, links and transactions. Among other options, interested parties can download import/export permit applications, make online tax payments, and chat with online advisors who can answer specific investment and trade-related questions. State governments have also passed small business facilitation measures to make it easier to open businesses. In 2012, the Secretariat of Economy opened its International Trade Single Window to simplify import, export, and transit-related operations, increase efficiency, and reduce costs and time for international traders. The mechanism allows companies to send electronic information only once to a single entity to comply with all requirements of foreign trade. For more information on the Single Window please visit http://www.ventanillaunica.gob.mx/envucem/index.htm.

According to the most recent World Bank Study “Doing Business 2012”, Mexico succeeded in easing the procedure to start a business, and improving in trading across borders, enforcing contracts, and getting electricity. Mexico moved up five positions, from 52 to 48, scoring better than Brazil, India, China and Russia. More information on the ranking can be found at: http://www.doingbusiness.org/rankings.

The 1993 Foreign Investment Law is the basic statute governing foreign investment in Mexico. The law is consistent with the foreign investment chapter of NAFTA (the North American Free Trade Agreement). It provides national (i.e. non-discriminatory) treatment for most foreign investment, eliminates performance requirements for most foreign investment projects, and liberalizes criteria for automatic approval of foreign investment. The Foreign Investment Law identifies 704 activities, 656 of which are open for 100 percent FDI stakes. There are 20 activities in which foreigners may only invest 49 percent; 13 in which Foreign Investment National Commission approval is required for a 100 percent stake; five reserved only for Mexican nationals; and 10 reserved for the government of Mexico. Below is a summary of activities subject to investment restrictions:

Sectors Reserved for the State in Whole or in Part:
A. Petroleum and other hydrocarbons;
B. Basic petrochemicals;  
C. Telegraphic and radio telegraphic services;  
D. Radioactive materials;  
E. Electric power generation, transmission, and distribution;  
F. Nuclear energy;  
G. Coinage and printing of money;  
H. Postal service;  
I. Control, supervision and surveillance of ports of entry  

Sectors Reserved for Mexican Nationals:  
A. Retail sales of gasoline and liquid petroleum gas;  
B. Non-cable radio and television services;  
C. Development Banks (law was modified in 2008);  
D. Certain professional and technical services;  
E. Domestic transportation for passengers, tourism and freight, except for messenger or package delivery services.  

U.S. and Canadian investors generally receive national and most-favored-nation treatment in setting up operations or acquiring firms in Mexico. Exceptions exist for investments in which the Government of Mexico recorded its intent in NAFTA to restrict certain industries to Mexican nationals. U.S. and Canadian companies have the right under NAFTA to international arbitration and the right to transfer funds without restrictions. NAFTA also eliminated some barriers to investment in Mexico, such as trade balancing and domestic content requirements. Local governments must also accord national treatment to investors from NAFTA countries.

Mexico is also a party to several OECD agreements covering foreign investment, notably the Codes of Liberalization of Capital Movements and the National Treatment Instrument.

Approximately 95% of all foreign investment transactions do not require government approval. Foreign investments requiring applications and not exceeding $165 million are automatically approved, unless the proposed investment is in a sector subject to restrictions by the Mexican constitution and the Foreign Investment Law that reserve certain sectors for the state and Mexican nationals. The National Foreign Investment Commission under the Secretariat of Economy determines whether investments in restricted sectors may go forward, and has 45 working days to make a decision. Criteria for approval include employment and training considerations, technological contributions, and contributions to productivity and competitiveness. The Commission may reject applications to acquire Mexican companies for national security reasons. The Secretariat of Foreign Relations (SRE) must issue a permit for foreigners to establish or change the nature of Mexican companies.

Despite Mexico's relatively open economy, a number of key sectors in Mexico continue to be characterized by a high degree of market concentration. For example, telecommunications, electricity, television broadcasting, petroleum, beer, cement, and tortillas feature one or two or several dominant companies (some private, others public) with enough market power to restrict competition. The Mexican Congress passed some amendments to the law to strengthen the enforcement powers of the Federal Competition Commission (COFECO) in 2011, but COFECO remains weak relative to its OECD counterparts in terms of enforcement. President Pena Nieto has publicly committed his government to strengthening COFECO and to opening four key sectors
(telecommunications, transportation, financial services and energy) to more competition. For more information on competition issues in Mexico please visit COFECO's bilingual website at: www.cfc.gob.mx.

Energy: The Mexican constitution reserves ownership of petroleum and other hydrocarbon reserves for the Mexican state. The energy reform package approved by the Mexican Congress in October 2008 made some progress but did not address this prohibition, and oil and gas exploration and production efforts remain under the sole purview of Pemex, Mexico's petroleum parastatal. President Pena Nieto plans to introduce a comprehensive energy reform to address these shortcomings. Many analysts believe the energy reform proposals outlined in the Pact will require constitutional amendments. While Pemex had previously contracted with foreign companies to perform specific tasks such as drilling wells, platform construction or equipment maintenance on a fee-for-service basis, the 2008 reform allowed some private participation in exploration and production of oil fields through so-called "integrated service contracts" (ISCs). In 2011, Pemex successfully completed its first bidding process for three integrated contracts for mature oil fields in Southwest Mexico. In 2012, Pemex announced its second round of ISCs. The list of companies included major oil corporations such as Chevron, Schlumberger, Halliburton and Baker Hughes. The third round of integrated service contracts is now in process, which will include the Chicontepec field. For most of the 20th century, Mexico figured among the world’s largest oil producers and has been a major exporter for much of that time. Currently, however, Mexico is facing the prospect of becoming a net importer of petroleum within a decade, according to the Energy Information Agency (EIA).

The constitution also states that most electricity service may only be supplied by a state-controlled company, the Federal Electricity Commission (CFE). Earlier reforms have led to some opening to private capital. Private electric co-generation and private or municipal power projects for self-supply are now allowed; companies involved in self-supply from renewable energy sources are also permitted to generate power to be fed into CFE’s grid at one location and take off the equivalent amount of power at different locations for a nominal “postage stamp” charge. Companies or households producing up to 15 kilowatts of energy are allowed to supply the excess to CFE’s grid and receive credit for the energy produced. Private investors may build independent power projects, but all of their output must be sold to CFE in wholesale transactions or for self-supply. Private construction of generation for export is permitted, including generation from renewable sources of energy, particularly wind. In 1995, amendments to the Petroleum Law opened transportation, storage, marketing and distribution of natural gas imports and issued open access regulations for Pemex's natural gas transportation network. Retail distribution of Mexico's natural gas is open to private investment, as is the secondary petrochemical industry. Pemex and CFE are also making plans to construct billions of dollars in new natural gas pipelines and are putting together tenders for financing and construction of these pipelines. In 2012, CFE awarded three pipeline contracts to U.S. companies to supply natural gas from Arizona to the western part of Mexico. Since the government's announcement in August 2001 that national and foreign private firms will be able to import liquefied petroleum gas duty-free, LNG terminals in Tamaulipas state and Baja California have begun operations, and a third facility in Manzanillo on Mexico's Pacific Coast was just completed in late 2012.

Finance Public Works Contracts (COPFs), formerly Multiple Service Contracts (MSCs) designed to comply with the country's constitution, are Mexico’s most ambitious effort to
attract private companies to stimulate natural gas production by developing non-associated natural gas fields. Under a COPF contract, private companies will be responsible for 100% of the financing of a contract and will be paid for the work performed and services rendered. However, the natural gas produced in a specific field remains the property of Pemex. Examples of work that contractors can perform include seismic processing and interpretation, geological modeling, fields engineering, production engineering, drilling, facility design and construction, facility and well maintenance, and natural gas transportation services. Some Mexican politicians still oppose COPFs as a violation of the Mexican constitution's ban on concessions. Some contracts have failed to attract any bids, demonstrating the limited success of COPFs.

Telecommunications: Mexico allows up to 49% FDI in companies that provide fixed telecommunications networks and services. A bill to completely open fixed telecommunications networks to foreign investors has been introduced in Congress, but the bill has been delayed several times due to a demand to include a “reciprocity clause” that would open the sector in partner countries to Mexican companies. This includes the Cable TV (CATV) industry, with one exception: companies can issue Neutral or "N" stocks up to 99%, which can be owned by a foreign company. In fact, one CATV company operates under this ownership scheme. There is no limit on FDI for companies providing cellular/wireless services. However, Telmex and Telcel (América Móvil) continue to reign as the dominant telecom fixed and wireless providers and wield significant influence over key regulatory and government decision makers. Mexico's dominant landline and wireless carriers are traded on the New York Stock Exchange. Several large U.S. and international telecom companies are active in Mexico, partnering with Mexican companies or holding minority shares. Following a 2004 WTO ruling, international resellers are authorized to operate in Mexico and some companies are also looking to sell wholesale minutes to resellers. Telcel (technically independent, but majority owned by Telmex owner's Grupo Carso - Carso Global Telecom) still retains a great majority share (over 70%) of the cellular market. However, Spain's Telefonica Movistar, among others, continues to grow and challenge the status quo, deploying extensive mobile infrastructure to increase coverage across the country. Telmex continues to dominate the market in Long Distance (domestic and international), Internet access through DSL, and bundle services. The Convergence Accord, published in October 2006, allowed Telmex to offer broadcasting or TV services. However, the Federal Telecommunications Commission ruled that Telmex must first comply with interconnection, interoperability and number portability requirements before receiving permission to complete its triple-play offering. The accord has elicited strong concerns from the CATV industry, which fears that it will push CATV operators to consolidate. Under the accord, CATV operators (including TV duopolist Televisa's Cablevision) are allowed to independently offer Triple Play Service (VoIP-Telephony, Data-Internet and TV-Video), which might increase competition in the telephony market.

As in telecommunications, there are concerns that the two dominant television companies -- Televisa and TV Azteca, who share duopoly status in the sector -- continue to exercise influence over Mexican judicial, legislative and regulatory bodies to prevent competition. However, in August 2007 the Mexican Supreme Court ruled against the most blatant anti-competition measures of the April 2006 Radio and Television Law. Among other decisions, the Court ruled that it was unfair for broadcasting companies to keep and use at no cost analog spectrum freed from the digitalization process. The Supreme Court mandated that the Mexican Legislature draft a new media law based on its ruling. At present, U.S. firms remain unable to penetrate the Mexican television
broadcast market, despite the fact that both Televisa and TV Azteca benefit from access to the U.S. market. The new telecommunications reform, which seeks to further open up the sector to foreign direct investment and create two new national channels, may reverse this trend.

In 2010, the Mexican government completed the much-awaited spectrum auction of the 1.7 GHz and 1.9 GHz bands. However, a domestic wireless operator aggressively challenged the Mexican courts on the awarding of the GHz band to a U.S. wireless operator. The barrage of lawsuits delayed the company’s plan to expand its wireless services. However, at the end of 2011 both companies reached an out-of-court settlement.

Real Estate: In April 2013, Mexico’s Congress passed an amendment to Article 27 of Mexico’s Constitution that loosens the restrictions on the buying and ownership of land by foreigners along Mexico’s coast, allowing foreigners direct ownership of land and property for residential use. The amendment still must be approved by Mexico’s states in order to become law. If the law is approved by Mexico’s states, foreigners must obtain a permit from the (Secretariat of Foreign Relations) SRE to acquire real estate and must agree to be subject to the Mexican laws and not invoke the protection of their foreign government. Sanctions for properties used for other than residential purposes, may forfeit ownership of the real estate in favor of the Mexican government.

Under the current real estate law, investment restrictions still prohibit foreigners from acquiring title to residential real estate in so-called "restricted zones" within 50 kilometers (approximately 30 miles) of the nation’s coast and 100 kilometers (approximately 60 miles) of the borders. In all, the restricted zones total about 40% of Mexico’s territory. Nevertheless, foreigners may acquire the effective use of residential property in the restricted zones through the establishment of a 50-year extendable trust (called a fideicomiso) arranged through a Mexican financial institution that acts as trustee.

Under a fideicomiso, the foreign investor obtains all rights of use of the property, including the right to develop, sell and transfer the property. Real estate investors should, however, be careful in performing due diligence to ensure that there are no other claimants to the property being purchased. Fideicomiso arrangements have led to legal challenges in some cases. U.S. issued title insurance is available in Mexico and a few major U.S. title insurers have begun operations here. Additionally, U.S. lending institutions have begun issuing mortgages to U.S. citizens purchasing real estate in Mexico.

Transportation: The Mexican government allows up to 49 percent foreign ownership of 50-year concessions to operate parts of the railroad system, renewable for a second 50-year period. The Mexican Foreign Investment Commission and COFECO must approve ownership above 49%. Consistent with NAFTA, foreign investors from the U.S. and Canada are now permitted to own up to 100 percent of local trucking and bus companies, however, several companies have encountered long wait times and legal tie-ups when trying to obtain permits.

On July 6, 2011 then SCT Secretary Perez-Jacome and DOT Secretary Ray LaHood signed an MOU creating the second Long-Haul Cross-Border Trucking Program. The program is an effort to end a bilateral dispute over the free access of U.S. trucks to
Mexican roads and vice versa. The first Mexican truck crossed in October of 2011 and currently six Mexican companies and a similar number of U.S. companies participate.

CINTRA, the government holding company for the Mexican airline groups, Mexicana and Aeromexico, sold Grupo Mexicana to Grupo Posadas in December 2005. Grupo Aeromexico was sold to a consortium led by Citibank-owned Banamex in October 2007. In 2010, Mexicana filed for a bankruptcy process and suspended its flights. Grupo Posada was forced to sell the airline to a new group of investors, and although there have been several interested and potential investors, the airline and the government have been so far unable to close a deal. Aeromexico obtained almost the 50% of the market since Mexicana de Aviacion suspended its operations in 2010. The emergence of low-cost domestic airlines such as Volaris and Interjet have increased competition and led to lower prices. However, foreign ownership of Mexican airlines remains capped at 25% and foreign ownership of airports is limited to 49%. Foreign express delivery service companies continue to complain that Mexican legislation unfairly favors Mexican companies by restricting the size of trucks international carriers are allowed to use.

Infrastructure: Mexican infrastructure investment, with certain previously noted exceptions, is open to foreign investment. The Mexican government has been actively seeking an increase in private involvement in infrastructure development in numerous sectors, including transport, communications, and environment. Improving Mexico’s infrastructure is one of President Pena Nieto’s goals during his presidency. In 2011, the Public-Private Associations Law was approved by the lower house of Congress; the law had been approved by the Senate in October 2010. The Public-Private Partnership Law allows the government to enter into infrastructure and service provision contracts with private companies for up to 40 years. The law provides more legal certainty to private investors by equally distributing risks, facilitates access to bank loans, and harmonizes existing state public-partnership models under a single federal law. National and foreign investors alike will be allowed to participate in the bidding process, except in restricted sectors as set forth by the Foreign Direct Investment law. More information on the Public-Private law can be found at: www.infraestructura.gob.mx.

Conversion and Transfer Policies

Mexico has open conversion and transfer policies as a result of its membership in NAFTA and the OECD. In general, capital and investment transactions, remittance of profits, dividends, royalties, technical service fees, and travel expenses are handled at market-determined exchange rates. Peso/dollar foreign exchange is available on same day, 24- and 48-hour settlement bases. Most large foreign exchange transactions are settled in 48 hours. The establishment of an automated clearinghouse for cross-border financial transactions between the U.S. Federal Reserve and the Bank of Mexico has facilitated payments between financial institutions in both countries. In 2010, in an effort to control money laundering activities, Mexico imposed limits on the deposit of U.S. dollars. This was extremely effective, reducing the quantity of dollars repatriated to the United States by over 50%. In a further effort to combat illicit finance, President Calderon introduced a series of laws which would establish reporting requirements for cash purchases of certain types of goods over specific monetary limits. The laws would also require “gatekeeper” professions, such as lawyers and notaries, to report on suspicious transactions. The laws have been passed by the Congress and are currently pending approval by the Senate.
Expropriation and Compensation

Under NAFTA, Mexico may not expropriate property, except for public purpose and on a non-discriminatory basis. Expropriations are governed by international law, and require rapid fair market value compensation, including accrued interest. Investors have the right to international arbitration for violations of this or any other rights included in the investment chapter of NAFTA.

There have been thirteen arbitration cases, of which six are still pending, filed against Mexico by U.S. and Canadian investors who allege expropriation, and other violations of Mexico's NAFTA obligations. Details of the cases can be found at the Department of State Website, Office of the Legal Advisor (www.state.gov/s/l).

Dispute Settlement

Chapter Eleven of NAFTA contains provisions designed to protect cross-border investors and facilitate the settlement of investment disputes. For example, each NAFTA Party must accord investors from the other NAFTA Parties national treatment and may not expropriate investments of those investors except in accordance with international law.

Chapter Eleven permits an investor of one NAFTA Party to seek money damages for measures of one of the other NAFTA Parties that allegedly violate those and other provisions of Chapter Eleven. Investors may initiate arbitration against the NAFTA Party under the Arbitration Rules of the United Nations Commission on International Trade Law ("UNCITRAL Rules") or the Arbitration (Additional Facility) Rules of the International Center for Settlement of Investment Disputes ("ICSID Additional Facility Rules"). Alternatively, a NAFTA investor may choose to use the registering country's court system.

The Mexican government and courts recognize and enforce arbitral awards. The Embassy has heard of no actions taken in the Mexican courts for an alleged Chapter 11 violation on behalf of U.S. or Canadian firms. There have been numerous cases in which foreign investors, particularly in real estate transactions, have spent years dealing with Mexican courts trying to resolve their disputes. Often real estate disputes occur in popular tourist areas such as the Yucatan Peninsula. American investors should understand that under Mexican law many commercial disputes that would be treated as civil cases in the United States could also be treated as criminal proceedings in Mexico. Based upon the evidence presented, a judge may decide to issue arrest warrants. In such cases Mexican law also provides for a judicial official to issue an "amparo" (injunction) to shield defendants from arrest. U.S. investors involved in commercial disputes should therefore obtain competent Mexican legal counsel, and inform the U.S. Embassy if arrest warrants are issued.

Performance Requirements and Incentives

The 1993 Foreign Investment Law eliminated export requirements (except for maquiladora industries), capital controls, and domestic content percentages, which are prohibited under NAFTA. Foreign investors already in Mexico at the time the law
became effective can apply for cancellation of prior commitments. Foreign investors who failed to apply for the revocation of existing performance requirements remained subject to them.

The Mexican federal government has eliminated direct tax incentives, with the exception of accelerated depreciation. A fiscal reform package was passed in September 2007 that includes a Flat Rate Corporate Tax (IETU). This tax limits the deductions that companies are allowed, though changes made at the behest of the business community still allow some credits for previous inventories and investments, as well as for companies that fall under the maquiladora scheme. In 2010, the IETU increased to 17.5%. Investors should follow IETU developments closely.

Most taxes in Mexico are federal; therefore, states have limited opportunity to offer tax incentives. However, Mexican states have begun competing aggressively with each other for investments, and most have development programs for attracting industry. These include reduced price (or even free) real estate, employee training programs, and reductions of the 2% state payroll tax, as well as real estate, land transfer, and deed registration taxes, and even new infrastructure, such as roads. Four northern states -- Nuevo Leon, Coahuila, Chihuahua and Tamaulipas -- have signed an agreement with the state of Texas to facilitate regional economic development and integration. Investors should consult the Finance, Economy, and Environment Secretariats, as well as state development agencies, for more information on fiscal incentives. Tax attorneys and industrial real estate firms can also be good sources of information. U.S. Consulates have reported that the states in their consular districts have had to modify their incentive packages due to government decentralization. Many states have also developed unique industrial development policies.

Mexico's maquiladora industry is governed by the Ministry of Economy's, IMMEX program. Please refer to the Ministry of Economy's IMMEX program website at http://www.economia.gob.mx/?P=immex for more information. Companies interested in investing in industrial activity in Mexico need to follow the new IMMEX guidelines closely, preferably in close consultation with locally based legal advisors. The Mexican government’s recent modifications to the industry’s tax regime provide companies with financial and operational benefits, such as development of Mexico’s maquila-servicing and supply industries. Other modifications to the IMMEX Program include: reducing the grounds for which the government can terminate a company’s inclusion in the IMMEX Program (and exempts certain qualified companies from being excluded at all); eliminates the requirement that companies submit certain information to both the Secretariat of Economy and the Mexican Tax Service (companies will now only be required to submit the information one time); and extends the temporary importation term for raw materials from 18 months to 36 months for certified companies (or 60 months for companies registered in the Inventory Control System, SECIIT).

In order to maintain competitiveness of maquiladora companies and comply with NAFTA provisions, Mexico has developed "Sectoral Promotion Programs" (PROSEC). Under these programs, most favored nation import duties on listed inputs and components used to produce specific products are eliminated or reduced to a competitive level. These programs comply with NAFTA provisions because import duty reduction is available to all producers, whether the final product is sold domestically or is exported to a NAFTA country. PROSECs supported 24 sectors, including electronic and home appliances, automotive, and auto parts, textile, and apparel, footwear and others. However, since 2008, the government has eliminated some tariffs included in the
PROSECs that have not been used for several years or that already have a most favored nation low import duty thanks to a new trade policy implemented by the government. The reduction of PROSECs concluded in 2012. In December 2008, former President Felipe Calderon issued in the Official Gazette (Diario Oficial) an immediate and gradual reduction of import duties for more than 10,000 tariffs in order for companies to obtain inputs at competitive prices. When the gradual elimination and reduction of import duties concludes in 2013, the tariff structure will have six basic rates: 0, 5%, 7%, 10%, 15% and 20%. On December 26, 2011 a decree was issued to eliminate 230 tariffs included in 21 of the 24 PROSECs since they already have an equal or higher most favored nation import duty. (http://www.economia.gob.mx/?P=944).

Right to Private Ownership and Establishment

Foreign and domestic private entities are permitted to establish and own business enterprises and engage in all forms of remunerative activity in Mexico, except those mentioned in Section One. Private enterprises are able to freely establish, acquire and dispose of interests in business enterprises. The two most common types of business entities are corporations (Sociedad Anonima) and limited partnerships (Sociedad de Responsabilidad Limitada). Under these legal entities a foreign company may operate an independent company, a branch, affiliate, or subsidiary company in Mexico. The rules and regulations for starting an enterprise differ for each structure.

For a corporation (Sociedad Anonima):

A) Can be up to 100% foreign-owned;

B) Must have a minimum of 50,000 Mexican pesos in capital stock to start;

C) Must have minimum of two shareholders, with no maximum. Board of Directors can run the administration of the company;

D) The enterprise has an indefinite life span;

E) Free transferability of stock ownership is permitted;

F) Operational losses incurred by the Mexican entity or subsidiary may not be used by the U.S. parent company;

G) Limited liability to shareholders.

Limited Liability Company (Sociedad de Responsabilidad Limitada):

A) Can be up to 100% foreign-owned;

B) Must have a minimum of 3,000 Mexican pesos in capital stock to start;

C) Must have a minimum of two partners to incorporate a corporation with limited liability. The partners must manage the company but 50 is the maximum number of shareholders;
D) Exists only when the business purpose and partners remain the same;

E) Restricted transferability of partnership shares. Any changes in the partnership composition may cause the partnership to be liquidated;

F) If structured properly, it may offer tax advantages by allowing operational losses incurred by the Mexican entity to be used by the U.S. parent company;

G) Limited liability is afforded the partners.

**Protection of Property Rights**

Two different laws provide the core legal basis for protection of intellectual property rights (IPR) in Mexico -- the Industrial Property Law (Ley de Propiedad Industrial) and the Federal Copyright Law (Ley Federal del Derecho de Autor). Multiple federal agencies are responsible for various aspects of IPR protection in Mexico. The Office of the Attorney General (Procuraduría General de la Republica, or PGR) has a specialized unit that pursues criminal IPR investigations. The Mexican Institute of Industrial Property (Instituto Mexicano de la Propiedad Industrial, or IMPI) administers Mexico's trademark and patent registries and is responsible for handling administrative cases of IPR infringement. The National Institute of Author Rights (Instituto Nacional del Derecho de Autor) administers Mexico's copyright register and also provides legal advice and mediation services to copyright owners who believe their rights have been infringed. The Mexican Customs Service (Aduanas México) plays a key role in ensuring that illegal goods do not cross Mexico's borders.

Despite strengthened enforcement efforts by Mexico's federal authorities over the past several years, weak penalties and other obstacles to effective IPR protection have failed to deter the rampant piracy and counterfeiting found throughout the country. The U.S. Government continues to work with its Mexican counterparts to improve the business climate for owners of intellectual property.

Mexico is a signatory to at least sixteen international treaties that deal with IPR, including the Paris Convention for the Protection of Industrial Property, the NAFTA, and the WTO Agreement on Trade-related Aspects of Intellectual Property Rights. Though Mexico signed the Patent Cooperation Treaty in Geneva, Switzerland in 1994, which allows for simplified patent registration procedure when applying for patents in more than one country at the same time, it is necessary to register any patent or trademark in Mexico in order to claim an exclusive right to any given product. A prior registration in the United States does not guarantee its exclusivity and proper use in Mexico, but serves merely as support for the authenticity of any claim you might make, should you take legal action in Mexico. Mexico signed the Anti-Counterfeit Trade Agreement (ACTA) on July 12, 2012. It is still pending ratification by the Mexican congress. Although a firm or individual may apply directly, most foreign firms hire local law firms specializing in intellectual property. The U.S. Embassy's Commercial Section maintains a list of such law firms in Mexico at:
http://export.gov/mexico/businessserviceproviders/index.asp
The Federal Commission on Regulatory Improvement (COFEMER), within the Secretariat of Economy, is the agency responsible for reducing the regulatory burden on business. The Mexican government has been making steady progress on this issue in the last few years. On a quarterly basis, these agencies must report to the President on progress achieved toward reducing the regulatory burden. In December 2006, President Calderon replaced the Regulatory Moratorium Agreement, issued by the previous administration, to ensure agencies streamline their regulatory promulgation processes, with the Quality Regulatory Agreement. The new agreement intends to allow the creation of new regulations only when agencies prove that they are needed because of an emergency, the need to comply with international commitments, or obligations established by law.

The federal law on administrative procedures has been a significant investment policy accomplishment. The law requires all regulatory agencies to prepare an impact statement for new regulations, which must include detailed information on the problem being addressed, the proposed solutions, the alternatives considered, and the quantitative and qualitative costs and benefits and any changes in the amount of paperwork businesses would face if a proposed regulation is to be implemented.

The Mexican government, with the OECD, the private sector and several think tanks, has worked to streamline bureaucracy and procedures, with a particular focus on several Mexican states. Thanks to this effort, Mexico improved its ranking in the 2013 World Bank Doing Business Report going from 53 in 2012 to 48. Mexico made significant improvements in business registration and registration of new firms, such as the elimination of the requirement to have minimum capital to create a new business and the creation of a collateral registry. Although Mexico still needs to approve some legal reforms to make this registry stronger, it was a step in the right direction to unify information on collateral under some sort of centralized registry. Despite these measures, many difficulties remain. Foreign firms continue to list bureaucracy, slow government decision-making, lack of transparency, and a heavy tax burden among the principal negative factors inhibiting investment in Mexico, particularly in states and municipalities. However, the OECD and the new administration will continue working to improve the regulatory process at the subnational level. The Secretariat of Public Administration, which will disappear under the Pena administration to make room to a new National Anti-Corruption Agency, made considerable strides in improving transparency in government, including government contracting and involvement of the private sector in enhancing transparency and fighting corruption. The Mexican government has established several Internet sites to increase transparency of government processes and establish guidelines for the conduct of government officials. "Normateca" provides information on government regulations; "Compranet" allows for on-line federal government procurement; "Tramitanet" permits electronic processing of transactions within the bureaucracy thereby reducing the chances for bribes; and "Declaranet" allows for online filing of income taxes for federal employees.

The Mexican banking sector has strengthened considerably since the 1994 Peso Crisis left it virtually insolvent. Since the crisis, Mexico has introduced reforms to buttress the
banking system and to consolidate financial stability. These reforms include creating a more favorable economic and regulatory environment to foster banking sector growth by reforming bankruptcy and lending laws, moving pension fund administration to the private sector, and raising the maximum foreign bank participation allowance. The bankruptcy and lending reforms passed by Congress in 2000 and 2003 effectively made it easier for creditors to collect debts in cases of insolvency by creating Mexico’s first effective legal framework for the granting of collateral. Pension reform allows employees to choose their own pension plan. Allowing banks or their holding companies to manage these funds provides additional capital to the banking sector, while the increased competition permits fund managers to focus on investment returns. In December 2007, the Mexican Congress approved amendments to the Law of Credit Institutions (LIC) that included creating a new limited banking license and transferring power from the Mexican tax authority to the Banking and Securities Commission (CNBV), the primary banking regulator.

The financial profile of the banking sector has improved due to the reduction in the problem assets brought about by write-offs, problem loan sales, and the conclusion of most debt-relief programs. These developments, combined with more stringent capital requirements, have contributed to an improvement in the level and composition of capital across the banking system, particularly among the larger institutions. The banking sector remains highly concentrated, with a handful of large banks controlling a significant market share, and the remainder comprised of regional players and niche banks. The Mexican Tax Authority has approved the opening of several new banks since 2006, including Wal-Mart Bank and Prudential Bank, but the sector’s competitive dynamics and credit quality are still being driven by six large banks (Banamex, Bancomer, Santander, HSBC, Banorte and Scotiabank)—five of which are foreign-owned. The newcomers are mostly focused on the unbanked population and will present only limited competition to the group of old banks. Bank lending, especially consumer lending and mortgages, grew rapidly in 2005 and 2006, fueled by lower interest rates and historically low inflation. However, the global financial crisis slowed down all types of lending in 2008 and 2009. According to the CNBV, total loan balances rose to 2.358 trillion pesos ($172 billion dollars) at the end of October 2011, a 13% increase from 2010. Businesses and consumers are demanding more credit as the economy enjoys an export-led rebound, with 2011 posting gross domestic product (GDP) growth of 3.9%. Economists widely expect an expansion of 3.9% for 2012. The Mexican Bank Association has forecast further double digit loan growth this year.

Small- and medium-sized businesses still complain of a lack of access to credit, but government-owned development banks have begun to expand their lending to this sector. Despite the expansion, such lending remains low 1% of GDP, compared to 28% in Brazil. Private banks argue that due diligence in lending to such business is difficult given the large amount of revenue they keep off the books to avoid increased tax liability. This position may reflect the healthy profits the banks earn from existing business models, currently more than 8% return on assets compared to 2.5% in the United States.

Commercial loans to established companies with well-documented accounts are available in Mexico, but many large companies utilize retained earnings to fund growth. Supplier credit is the main source of financing for many businesses. The largest companies are able to issue debt for their financing needs on domestic markets, tapping into a growing pool of pension funds looking for investment options. Non-bank financing
is generally available, however, to large companies with strong credit ratings and important commercial ties with their suppliers -- i.e., companies that could easily procure bank financing. The Secretariat of Finance and Public Credit sets regulatory policy and oversees the CNBV. Mexico's central bank, the Bank of Mexico (Banxico), also has a regulatory role in addition to setting monetary policy. The Institute for the Protection of Bank Savings (IPAB) handles deposit insurance for up to 400,000 Mexican pesos. Reforms creating better regulation and supervision of financial intermediaries and fostering greater competition have helped strengthen the financial sector and capital markets. These reforms, coupled with sound macroeconomic fundamentals, have created a positive environment for the financial sector and capital markets, which have responded accordingly. The implementation of NAFTA opened the Mexican financial services market to U.S. and Canadian firms. Foreign institutions hold more than 70 percent of banking assets and banking institutions from the U.S. and Canada have a strong market presence. Under NAFTA's national treatment guarantee, U.S. securities firms and investment funds, acting through local subsidiaries, have the right to engage in the full range of activities permitted in Mexico.

Foreign entities may freely invest in government securities. The Foreign Investment Law establishes, as a general rule, that foreign investors may hold 100 percent of the capital stock of any Mexican corporation or partnership, except in those few areas expressly subject to limitations under that law. Regarding restricted activities, foreign investors may also purchase non-voting shares through mutual funds, trusts, offshore funds, and American Depositary Receipts. They also have the right to buy directly limited or nonvoting shares as well as free subscription shares, or "B" shares, which carry voting rights. Foreigners may purchase an interest in "A" shares, which are normally reserved for Mexican citizens, through a neutral fund operated by a Mexican Development Bank. Finally, state and local governments, and other entities such as water district authorities, now issue peso-denominated bonds to finance infrastructure projects. These securities are rated by international credit rating agencies. This market is growing rapidly and represents an emerging opportunity for U.S. investors.

**Competition from State Owned Enterprises**

The Mexican Constitution constrains private investment in the hydrocarbon sector. Articles 27 and 28 specifically establish the monopoly control of the State. Mexico’s energy sector faces one of the most restrictive regimes in the world. During the past 15 years, there have been changes in the law to allow some private investment in electric co-generation and self-supply, as well as power generation for export, and, as part of the 2008 energy reform, to permit companies to enter into "performance-linked" contracts for hydrocarbon exploration and drilling. Amendments to the Petroleum Law opened transportation, storage, marketing and distribution of natural gas imports and issued open access regulations for Pemex's natural gas transportation network, as well as retail distribution of Mexico's natural gas and secondary petrochemical industry. Since 2001, the government allowed national and foreign private firms to import liquefied petroleum gas duty-free.

There are two main state-owned companies in the energy sector. Mexican Petroleum (Pemex) is in charge of running the hydrocarbons (oil and gas) sector, which includes upstream, mid-stream, and downstream operations, and is the most important fiscal contributor to the country. In 2011 and 2012, Pemex contributed 34% to the Mexican government’s budget, but current declines in productivity will have major consequences
for the Mexican government as Pemex is Mexico’s largest taxpayer. The Federal Electricity Commission (CFE) is the other main state-owned company and is in charge of the electricity sector. As required by the Constitution, the electricity sector is also federally owned, with CFE controlling most of installed generating capacity. CFE also holds a monopoly on electricity transmission and distribution. It operates Mexico’s national transmission grid, which consists of 27,000 miles of high voltage lines, 28,000 miles of medium voltage lines, and 370,000 miles of low voltage distribution lines. It generates electric power for almost 33.8 million customers (or 100 million people). The infrastructure to generate electric power is made up of 177 generating plants, having an installed capacity of 51,081 megawatts. Reforms to the electricity sector now permit independent power producers to develop projects and sell their electricity to CFE, and for CFE to solicit bids from private companies for new power plant construction: 22.41% of CFE’s current installed capacity stems from 21 plants which were built using private capital by Productores Independientes de Energía (PIE). Attempts to reform the sector, including the subsidized rates provided to agricultural users and some consumers, have traditionally faced strong political and social resistance in Mexico, even though the existence of subsidies for residential consumers absorbs substantial fiscal resources.

The President of the United Mexican States appoints the Director General or Chief Executive Officer (CEO) of PEMEX. The Mexican Government closely regulates and supervises the operations of PEMEX through three Ministries and one Commission: The Secretary of Energy (Sener) monitors the company’s activities, and serves as the chairman of Pemex’s Board of Directors; the National Hydrocarbons Commission (CNH), which is independent but report to Sener’s Secretary of Energy, evaluates Pemex’s reserve estimates and provides regulations for Pemex’s operations in all areas, including deep-water exploration and drilling and gas flaring; the Secretary of Finance and Public Credit (SHCP) reviews and incorporates the annual budget and financing program of Pemex and its subsidiaries; and the Secretary of Environment and Natural Resources (Semarnat), in coordination with other federal and state authorities, regulates Pemex’s activities that affect the environment.

Pemex has a board of directors, which includes government representatives from the Secretary of Energy, Secretary of Finance, the Secretary of Public Function, and the Office of the President; four professional members; five representatives from the union; one commissioner; and one independent auditor, which in this case is the private consulting group, KPMG. Pemex’s accounting and balance sheets are subject to internal and external audits. The Audit and Performance Evaluation Committee of PEMEX’s Board of Directors appoints PEMEX’s external auditors. Pemex’s financial reports are issued in accordance with Mexico’s Generally Accepted Accounting Principles (GAAP), which differ somewhat from U.S. GAAP. PEMEX has registered bond issuances in the Securities and Exchange Commission (SEC). Thus, in order to maintain its registration with the SEC, PEMEX has the obligation to file several international standard forms, such as the Form 20-F, on an annual basis. Pemex has also issued bonds in the domestic market, and in accordance with the Stock Market Law, it also has to submit audited quarterly and annual reports to the National Banking and Securities Commission. These reports, along with the annual Hydrocarbons Reserves Report and the Primary and Financial Balance, are published on Pemex’s webpage. The state-owned oil company has moved forward in incorporating best corporate and social responsibility practices.
The CFE is a decentralized government agency, duly incorporated, and controls its own assets. Like Pemex, CFE has a Board of Directors, which includes representatives from the Secretariats of Energy, Environment, Social Development, Economy, Finance; Pemex's CEO; and three representatives from the union. CFE's books are also subject to domestic general accounting rules and are reviewed by independent auditors. The Energy and Finance Secretariats approve and submit Pemex's and CFE’s budgets to the lower house for approval.

The Servicio Postal Mexicano (Sepomex), or Correos de Mexico, is the national postal service of Mexico and officially retains a monopoly on all mail items under one kilogram. The mail is regulated under Mexico's Communications and Transport Secretariat, and postal service is reserved to the state under Mexico's Constitution. Private delivery under one kilogram is officially illegal, but loopholes in the law have allowed some domestic and foreign privately-owned shippers to provide some delivery services through certified delivery and other advanced-service options to differentiate their business from that of a standard postal delivery. In the past, there were calls for legal reforms that would give Correos de Mexico a strictly enforced monopoly on packages weighing 350 grams or less and require private couriers to charge up to seven times Correos de Mexico’s prices, but the government has not moved ahead on this front. Technically, Correos de Mexico is responsible for financing itself, but the government does subsidize the agency if there is insufficient revenue. Liberalization and privatization of postal markets are not currently on the agenda in Mexico. Correos de Mexico has a Board of Directors presided over by the Ministry of Communications and Transportation. Other members of the Board are: the Secretary of Foreign Affairs, the Secretary of the Economy, the Secretary of Finance, and the Under Secretary of Communications. The Director General is appointed by the President.

Corporate Social Responsibility

Both the private and public sector have taken several actions to promote and develop Corporate Social Responsibility (CSR) in Mexico during the past decade. CSR in Mexico began more as a philanthropic effort, but it has gradually evolved to a more holistic approach, trying to match international standards, such as the OECD Guidelines for Multinational Enterprises and the United Nations Global Compact. The Mexican Center of Philanthropy (CEMEFI), a well-respected NGO for the promotion of CSR and philanthropy, was created in 1998, and among its achievements has been the creation of the CSR distinctive award in 2001 to those companies that comply with CSR best practices in Mexico and Latin America. Other awards that recognize companies’ CSR work in Mexico are the Great Place to Work rank and Expansion magazine’s Super Empresas list. Some of the domestic and foreign companies, of the more than one hundred that have received awards, are: Bimbo, Nestlé, Coca Cola, WalMart, Hewlett Packard, General Electric, Pfizer, and many more.

In 2005, the Mexican Standards Institute (IMNC) officially issued the CSR standard NMX-SAST-004-IMNC. On November 26, 2010, Mexico officially launched the ISO 26000 Guidance on Social Responsibility, an international standard that offers guidance on socially responsible behavior and possible actions; it does not contain requirements and, therefore, in contrast to ISO management system standards, is not certifiable. Corporate social responsibility reporting has made progress in the last few years with more companies developing a corporate responsibility performance strategy. The government has also made an effort to implement CSR in state-owned companies such
as PEMEX, which has published corporate responsibility reports since 1999.

**Political Violence**

Peaceful mass demonstrations are common in the larger metropolitan areas such as Mexico City, Guadalajara, and Monterrey. While political violence is rare, narcotics- and organized-crime-related violence has skyrocketed since 2006. Transnational criminal organizations (TCOs) fighting each other and the government for control of drug smuggling routes have carried out violent acts unprecedented both in number and nature. 2012 saw more than 12,000 organized crime-related homicides, a similar level as 2011, according to widely cited press reports. Cartels use torture and the public dumping of bodies to intimidate their rivals. As the Mexican government increases the pressure, TCOs are expanding their operations into any available money-making venture, including kidnappings, extortion, human trafficking, and hijacking cargo shipments, often targeting business owners and others innocent of any involvement in narcotics trafficking.

The United States is working with Mexico to combat organized crime and enhance rule of law through the Merida Initiative. This initiative is a three year-old program to provide equipment and training to support law enforcement operations and technical assistance for long-term reform and oversight of security agencies, as well as to build a 21st century border and help rebuild communities torn apart by violence. So far the U.S. Congress has appropriated over $1.5 billion for this initiative, which has provided, among other things, helicopters and surveillance aircraft, non-intrusive inspection equipment, technical assistance, and training to strengthen investigative techniques, prison systems, border management, and judicial practices. In addition, the Merida Initiative has supported Mexican investments in job creation programs, engaging youth in their communities, expanding social safety nets, and building community confidence in public institutions to create a culture of lawfulness and undercut the allure of the cartels. Though the violence is not political in nature, U.S. Embassy Mexico notes that general security concerns remain an issue for companies looking to invest in the country. Many companies choose to take extra precautions for the protection of their executives. They also report increasing security costs for shipments of goods. The Overseas Security Advisory Council (OSAC) monitors and reports on regional security for American businesses operating overseas. OSAC constituency is available to any American-owned, not-for-profit organization, or any enterprise incorporated in the U.S. (parent company, not subsidiaries or divisions) doing business overseas (https://www.osac.gov/).


**Corruption**

Corruption is pervasive in almost all levels of Mexican government and society. Aggressive investigations and operations have exposed corruption at the highest levels of government. President Pena Nieto through PRI lawmakers submitted to the Mexican congress proposals to reorganize his cabinet, among which is the creation of a National Anti-Corruption Commission, which will absorb the duties of the present Secretariat of Public Function/Administration, which currently has the government’s anti-corruption
oversight role. The aim is to have an impartial and autonomous entity with full capacity to combat corruption.

Former president Felipe Calderon signed into law the Federal Anti-corruption law in June 2012 and the anti-money laundering law (or the illicit finance law) in October 2012. The anti-money laundering law obligates Designated Non-Financial Businesses & Professions (DNFBP) to identify their clients and report suspicious operations or transactions about designated thresholds to the Secretariat of Finance (SHCP), establishes a Specialized Financial Analysis Unit (UEAF) in the Office of the Attorney General (PGR), restricts cash operations in Mexican pesos, foreign currencies and precious metals for a variety of “vulnerable” activities, and imposes criminal sanctions and administrative fines on violators of the new legislation. For more information on the anti-money laundering law, please consult http://www.dof.gob.mx/nota_detalle.php?codigo=5273403&fecha=17/10/2012

Mexico ratified the OECD Convention on Combating Bribery in May 1999. The Mexican Congress passed legislation implementing the convention that same month. The legislation includes provisions making it a criminal offense to bribe foreign officials. Mexico is also a party to the OAS Convention against Corruption and has signed and ratified the United Nations Convention against Corruption. The government has enacted or proposed strict laws attacking corruption and bribery, with average penalties of five to ten years in prison. The Transparency and Access to Public Government Information Act, the country’s first freedom of information act, went into effect in June 2003 with the aim of increasing government accountability. Mexico’s 31 states have passed similar freedom of information legislation that mirrors the federal law and meets international standards in this field. Transparency in public administration at the federal level has noticeably improved, but access to information at the state and local level has been slow.

According to Transparency International’s 2012 Index of Corruption Perception, Mexico scored 3.4 on a scale of 1 to 10 where lower numbers represent a greater perception of corruption. The tally places Mexico in 105th place out of 176 nations, a drop from 100th place out of 183 nations, in 2011. Local civil society organizations focused on fighting corruption are still developing in Mexico. A handful of Mexican non-governmental organizations, including Mexico Without Corruption and the FUNDAR Center for Analysis and Investigation, work to study issues related to corruption and raise awareness in favor of transparency. The Mexican branch of Transparency International also operates in Mexico. The best source of Mexican government information on anti-corruption initiatives is the Ministry of Public Administration (www.funcionpublica.gob.mx).

**Bilateral Investment Agreements**

Bilateral Investment Agreements cover investment protection. In addition to NAFTA, most of Mexico’s eleven other free trade agreements (FTAs) cover investment protection, with a notable exception being the Mexico-European Union FTA. The network of Mexico’s FTAs containing investment clauses include Bolivia, Chile, Costa Rica, Colombia, El Salvador, Guatemala, Honduras, Japan, and Nicaragua. A Free Trade Agreement with Peru and also a combined agreement with Central America passed Mexico’s Congress in December 2011.
Mexico has enacted formal bilateral investment protection agreements with 27 countries: 15 European Union countries (Austria-Belgium, Luxembourg, Denmark, Finland, France, Germany, Greece, Italy, Netherlands, Portugal, Spain, Sweden, United Kingdom and the Czech Republic), as well as Australia, Argentina, Belarus, China, Cuba, Iceland, India, Panama, Slovakia, South Korea, Switzerland, Trinidad and Tobago, and Uruguay. Mexico continues to negotiate bilateral investment treaties with Russia, Saudi Arabia, Malaysia, Singapore, Brazil and the Dominican Republic.

The United States and Mexico have a bilateral tax treaty to avoid double taxation and prevent tax evasion. Important provisions of the treaty establish ceilings for Mexican withholding taxes on interest payments and U.S. withholding taxes on dividend payments. The implementation of the flat tax on January 1, 2008 has led to questions as to whether the new tax meets the requirements of the bilateral tax treaty. The U.S. Internal Revenue Service presently allows businesses to credit flat tax against their U.S. taxes and has stated that it will issue a ruling at some future date. Businesses should continue to monitor this issue. In November 2012, Mexico and the United States signed a bilateral agreement that will implement the provisions of the Foreign Account Tax Compliance Act (FATCA). The objective of the Foreign Account Tax Compliance Act (FATCA) is to reduce tax evasion by U.S. individuals with respect to income from financial assets held outside the United States, by inducing “foreign financial institutions” (FFIs) to report U.S. owners to the U.S. Internal Revenue Service (IRS). FATCA imposes a 30% U.S. withholding tax on certain payments to FFIs (including banks, brokers, custodians and investment funds) that fail to comply with FATCA. Under the bilateral agreement, Mexican FFIs will report the relevant account information to the Mexican Ministry of Finance for exchange with the IRS.

Mexico and the United States also have a tax information exchange agreement to assist the two countries in enforcing their tax laws. The Financial Information Exchange Agreement (FIEA) was enacted in 1995, pursuant to the Mutual Legal Assistance Treaty. The agreements cover information that may affect the determination, assessment, and collection of taxes, and investigation and prosecution of tax crimes. The FIEA permits the exchange of information with respect to large-value or suspicious currency transactions to combat illegal activities, particularly money laundering. Mexico is a member of the financial action task force (FATF) of the OECD and has made progress in strengthening its financial system through specific anti-money-laundering legislation enacted in 2000 and 2004. In 2010, Mexico implemented restrictions on U.S. dollar deposits which reduced by 70% the amount of bulk cash repatriated to the United States from the Mexican financial system. In October 2012, Mexico’s Senate passed the Law for the Prevention of Illicit Finance Operations. This law limits peso cash purchases, gives the Attorney General’s office sole jurisdiction over the investigation and prosecution of money laundering cases, and requires certain gateway professions, such as notaries, consultants, and attorneys, to report suspicious operations. The law and reporting requirements enter into force in July 2013.

**OPIC and Other Investment Insurance Programs**

In August of 2004, Mexico and the U.S. Overseas Private Investment Corporation (OPIC) finalized an agreement that enables OPIC to offer all its programs and services in the country. Since then, OPIC has pursued potential investment projects in Mexico, and the country rapidly became one of the top destinations for projects with OPIC support. OPIC is actively providing over $730 million in financing and political risk
insurance support to 17 projects in Mexico. In addition, OPIC-supported funds are among the largest providers of private equity capital to emerging markets. OPIC’s current active projects in Mexico are worth $681 million. For more information on OPIC’s projects in Mexico, please consult OPIC’s website at www.opic.gov.

**Labor**

After months of negotiations in the Mexican Congress, former President Felipe Calderon signed a sweeping labor reform bill into law on November 29, 2012. The new law encompasses major changes to make Mexico’s labor market flexible and incorporate modern statutes such as non-discrimination. Included in the 300 articles are provisions for the easing of hiring-and-firing of workings, establishing an apprenticeship system, establishing an hourly wage system, and regulating outsourcing. The labor reform also prohibits job discrimination based on sex, health, sexual preference, age, and disability. It makes it illegal for employers to require pregnancy tests of their female workers and job candidates. The new law also makes it a federal offense to employ children under the age of 14. The reform also restructures Mexico’s labor courts and incorporates the International Labor Organization’s (ILO) concept of decent work. The full text of the new law can be found at http://www.stps.gob.mx/bp/micrositios/reforma_laboral/ref_lab.html.

There is a large surplus of labor in the formal economy, largely composed of low-skilled or unskilled workers. On the other hand, there is a shortage of technically skilled workers and engineers. Labor-management relations are uneven, depending upon the unions holding contracts and the industry concerned. Many actors also note that the Mexican government wields veto power in the supposedly neutral and balanced tripartite arrangement of labor-business relations. Mexican manufacturing operations in the textile and garment sectors are experiencing stiff wage competition from Central America and India, but gaining relative wage competition with China in high technology sectors. Mexico’s minimum wage averages around $5 per day and is less than a living wage in this OECD country. It is set by the tripartite National Commission for Minimum Wage each year.

**Foreign Trade Zones/Free Ports**

In addition to the IMMEX programs that operate as quasi-free trade zones, in 2002 Mexico approved the operation of more traditional free trade zones (FTZ). Unlike the previous "bonded" areas that only allowed for warehousing of product for short periods, the new FTZ regime allows for manufacturing, repair, distribution, and sale of merchandise. There is no export requirement for companies operating within the zone to avail themselves of tax benefits. Regulatory guidance for FTZs can be found under Mexico’s Customs Law, article 14-D. Most major ports in Mexico have bonded areas ("recinto fiscalizados") or customs agents ("recintos fiscal") within them. Mexico currently has four approved FTZ’s, located in San Luis Potosi, Mexico City, Monterrey, and Guanajuato.

**Foreign Direct Investment Statistics**

(Source: Mexico’s Secretariat of Economy)

Foreign Direct Investment in Mexico (USD Million)
<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>3Q2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total FDI Inflow</td>
<td>26564.9</td>
<td>15829.2</td>
<td>19792.1</td>
<td>20823.3</td>
<td>13045.1</td>
</tr>
<tr>
<td>New Investments</td>
<td>11567.7</td>
<td>7103.8</td>
<td>12995.4</td>
<td>12298.8</td>
<td>4547.3</td>
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<tr>
<td>Earnings Reinvestment</td>
<td>7518.6</td>
<td>4247.1</td>
<td>2656.6</td>
<td>6960.3</td>
<td>4713.5</td>
</tr>
<tr>
<td>Inter-company Investment</td>
<td>7861.7</td>
<td>4224.3</td>
<td>3974.6</td>
<td>1564.2</td>
<td>3784.3</td>
</tr>
</tbody>
</table>

Foreign Direct Investment Realized in Mexico by Industrial Sector Destination (USD Million)

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>3Q2012</th>
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<tbody>
<tr>
<td>Total FDI Inflow</td>
<td>26564.9</td>
<td>15829.2</td>
<td>19792.1</td>
<td>20823.3</td>
<td>13045.1</td>
</tr>
<tr>
<td>Extractive</td>
<td>4734.1</td>
<td>725.6</td>
<td>933.2</td>
<td>2076.6</td>
<td>467.9</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>7898.6</td>
<td>5519.2</td>
<td>11318.2</td>
<td>9628.3</td>
<td>5070.8</td>
</tr>
<tr>
<td>Electricity and Water</td>
<td>460.8</td>
<td>60.6</td>
<td>4.2</td>
<td>-218.8</td>
<td>126.3</td>
</tr>
<tr>
<td>Construction</td>
<td>1350.7</td>
<td>702.8</td>
<td>122</td>
<td>1673.5</td>
<td>1230.9</td>
</tr>
<tr>
<td>Transportation</td>
<td>381.3</td>
<td>101.1</td>
<td>159</td>
<td>285.2</td>
<td>205.1</td>
</tr>
<tr>
<td>Financial Services</td>
<td>4154.8</td>
<td>2445.7</td>
<td>1796.3</td>
<td>2470</td>
<td>1930.2</td>
</tr>
</tbody>
</table>

Foreign Direct Investment Inflows Realized By Country/Economy of Origin (USD Million)

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>3Q2012</th>
<th>5 Year totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total FDI</td>
<td>26564.9</td>
<td>15829.2</td>
<td>19792.1</td>
<td>20823.3</td>
<td>13045.1</td>
<td>96054.6</td>
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<tr>
<td>United States</td>
<td>11038</td>
<td>7178</td>
<td>5356</td>
<td>10618</td>
<td>6403</td>
<td>40593</td>
</tr>
<tr>
<td>Spain</td>
<td>4882</td>
<td>2677</td>
<td>1450</td>
<td>332.7</td>
<td>212.3</td>
<td>9554</td>
</tr>
<tr>
<td>France</td>
<td>197.4</td>
<td>239.6</td>
<td>112.6</td>
<td>204</td>
<td>335</td>
<td>1088.6</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1288.4</td>
<td>345.5</td>
<td>520</td>
<td>641</td>
<td>402.3</td>
<td>3197.2</td>
</tr>
<tr>
<td>Canada</td>
<td>3055.4</td>
<td>1608.8</td>
<td>1134.7</td>
<td>750.6</td>
<td>589</td>
<td>7138.5</td>
</tr>
<tr>
<td>Switzerland</td>
<td>224.3</td>
<td>82.3</td>
<td>234.8</td>
<td>1157.7</td>
<td>145.9</td>
<td>1845</td>
</tr>
<tr>
<td>Germany</td>
<td>608.5</td>
<td>37.1</td>
<td>306.7</td>
<td>376.8</td>
<td>713.6</td>
<td>2042.7</td>
</tr>
<tr>
<td>Japan</td>
<td>142.4</td>
<td>221.4</td>
<td>225</td>
<td>766</td>
<td>676.2</td>
<td>2031</td>
</tr>
</tbody>
</table>

The following chart summarizes well-regarded indexes and rankings (MCC refers to the Millennium Challenge Corporation).

<table>
<thead>
<tr>
<th>Measure</th>
<th>Year</th>
<th>Index/Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>TI Corruption Index</td>
<td>2012</td>
<td>105</td>
</tr>
<tr>
<td>Index</td>
<td>Year</td>
<td>Score</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>------</td>
<td>-------</td>
</tr>
<tr>
<td>Heritage Economic Freedom</td>
<td>2013</td>
<td>67</td>
</tr>
<tr>
<td>World Bank Doing Business</td>
<td>2012</td>
<td>48</td>
</tr>
<tr>
<td>MCC Gov’t Effectiveness</td>
<td>2011</td>
<td>64</td>
</tr>
<tr>
<td>MCC Rule of Law</td>
<td>2011</td>
<td>38.97</td>
</tr>
<tr>
<td>MCC Control of Corruption</td>
<td>2011</td>
<td>45</td>
</tr>
<tr>
<td>MCC Regulatory Quality</td>
<td>2011</td>
<td>61</td>
</tr>
</tbody>
</table>

**Web Resources**

- ProMexico: [www.promexico.gob.mx](http://www.promexico.gob.mx)
- Federal Competition Commission: [www.cfc.gob.mx](http://www.cfc.gob.mx)
- Department of State Legal Advisory: [www.state.gov/s/l](http://www.state.gov/s/l)
- Nacional Financiera Development Bank: [www.nafin.com](http://www.nafin.com)
- Sec. of Economy’s IMMEX Program: [www.economia.gob.mx](http://www.economia.gob.mx)

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Chapter 7: Trade and Project Financing

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- How Does the Banking System Operate
- Foreign-Exchange Controls
- U.S. Banks and Local Correspondent Banks
- Project Financing
- Web Resources

How Do I Get Paid (Methods of Payment)  Return to top

U.S. exporters should be aware that Mexican lending rates are significantly higher than in the U.S., ranging from 25 - 30% per year. Requiring payment either by Confirmed Letter of Credit or Cash In Advance can cost U.S. exporters sales opportunities. While favorable payment terms are important, U.S. companies should consider all financing options available in order to be as competitive as possible.

The economic downturn has put increased pressure on Mexican importers to request longer payment terms as they struggle to finance their operations. In the case of existing contracts, many importers are defaulting on payment deadlines, paying 30 to 45 days late. Exporters are advised to protect themselves from the risk of default by obtaining foreign buyer financing or export insurance from the U.S. Ex-Im Bank (see below for more information).

It can be difficult to collect from Mexican buyers in cases of non-payment. The U.S. Commercial Service Mexico is currently assisting dozens of U.S. companies in their efforts to obtain payment for products/equipment delivered. It is often necessary to travel to Mexico to meet with the buyer and in many cases to hire a lawyer to handle the case.

U.S. exporters are advised to be cautious and seek counsel when negotiating contracts in Mexico. Once negotiated, be prepared for the unexpected as access to credit in Mexico is limited or costly. Moreover, 90% of the Mexican private sector is comprised of small or medium sized companies, most of which have limited access to credit.

A detailed trade finance guide (in English and Spanish) for U.S. exporters is available at: http://export.gov/TradeFinanceGuide/

A detailed report on financing and payment mechanisms is available at: http://export.gov/mexico/doingbusinessinmexico/financingu.s.exports/index.asp

How Does the Banking System Operate  Return to top

Commercial Banks:
Mexico's commercial banks offer a full spectrum of services ranging from deposit accounts, consumer and commercial lending, corporate finance, trusts and mutual funds, to foreign exchange and money market trading.
Currently, 42 banks are operating in Mexico; seven of them have 78% of the market share by total assets and four banks are linked with retail stores.

Mexico’s commercial banking sector has been opened to foreign competition. The North American Free Trade Agreement (NAFTA) permits U.S. and Canadian banks or any other foreign bank with a subsidiary in the United States or Canada to establish wholly owned subsidiaries in Mexico. Further, they are allowed to undertake financial intermediation and to solicit customers for their parent bank. Almost all major banks, with the exception of Banorte, are under the control of foreign banks.

Following the 1994 peso crisis, banks in Mexico have been very cautious in their lending, preferring to provide loans only to their most sound customers. However, now banks are beginning to implement programs for lending to a wider range of companies, although at relatively high rates. In general, small and medium enterprises (SMEs) have trouble accessing credit.

According to a 1st quarter 2013 survey of established companies (where companies could select more than one option) by the Bank of Mexico (BANXICO), their main sources of financing were: suppliers 83.6%, commercial banks 35.8%, other companies and/or HQs 28.9%, foreign banks 6.6%, development banks 7.4%, and debt issuance 1.8%.

The Mexican Government has enacted several incentives to encourage more lending to SMEs, and banks have followed suit with new lending policies, but it remains to be seen whether the largest segment of the Mexican economy will gain better access to credit.

In May 2013, President Ernesto Peña Nieto announced the introduction of a Financial Reform Bill in the Mexican Congress to redefine the mission of development banks; promote private financing and the competitiveness of the financial industry and encourage financing with lower rates. The four goals of the Financial Reform Bill are: 1) promote the lending through the Development Banks 2) expand credit from private financial institutions 3) increase competition in the financial sector, and 4) ensure the security of the Mexican financial system.

The Secretariat of Finance & Public Credit (SHCP), the National Banking and Securities Commission (CNBV), and the Bank of Mexico (BANXICO) are the principal regulators of the banking system. The Secretariat of Finance & Public Credit is concerned with institutional issues such as licensing and sets credit and fiscal policies. The National Banking and Securities Commission, a semi-autonomous government agency, is responsible for supervision and vigilance. The Bank of Mexico (the Central Bank) implements these policies and also operates inter-bank check clearing and compensation systems.

The Institute for the Protection of Bank Savings (IPAB, replacing the former institution FOBAPROA) acts as a deposit insurance institution. The Mexican Banking Association (ABM) represents the interests of Mexico’s banks.

**Development Banks:**
The mission of development banks is to fill financing shortfalls in the commercial banking sector. Mexico has seven government-owned development banks that provide services
to specific areas of the economy. The dominant institutions are Nacional Financiera (Nafinsa) and the Foreign Trade Bank (Bancomext). These institutions have become primarily second-tier banks that lend through commercial banks and other financial intermediaries such as credit unions, savings and loans, and leasing and factoring companies. Nafinsa’s primary program funds micro, small and medium-sized businesses. Nafinsa also undertakes strategic equity investments and contributes equity to joint ventures. Bancomext provides financing to Mexican exports and to small and medium-sized companies. It also offers working capital, project lending, and training to firms in several specific sectors that require support, such as textiles and footwear.

The other Mexican development banks are BANOBRA (National Development Bank for Public Works and Services), FINANCIERA RURAL (Rural Agriculture Bank), BANSEFI (National Savings and Financial Services Bank), BANJERCITO (Mexican Army, Air Force and Navy Bank), and HIPOTECARIA FEDERAL (which finances Mexican homeownership through financial intermediaries).

Non-Banks:
The non-traditional banking sector in Mexico is comprised of exchange houses, credit unions, leasing, factoring companies, financial lending networks with limited objectives (SOFOLES), and financial lending networks with multiple objectives (SOFOMES); SOFOMES are divided in two categories: Regulated Entities (SOFOM ER) and Non Regulated Entities (SOFOM NR).

SOFOLEs must convert to a SOFOM or a traditional lending institution at the latest in 2013. SOFOMEs may offer financial factoring, leasing, loans and/or other credit services but are not allowed to receive deposits from the public.

Foreign-Exchange Controls
There are no controls on the transfer of U.S. dollars into and out of Mexico. This means that profits can be repatriated freely.

However, in an effort to prevent money laundering, the Minister of the Secretariat of Finance & Public Credit (SHCP) issued a regulation governing the deposit and exchange of U.S. dollars in Mexican Banks.

The regulation was published in the Official Gazette on June 16, 2010 and was implemented in two stages: a) for individuals from June 21st, 2010 b) for companies within 90 days after the publication of the banking law (September 13, 2010).

Dollar transactions that are processed through on-line banking will not change. According to the new regulation banks must observe the following limits:

- Individuals that are account holders of the bank can deposit no more than $4,000 per month in all banking branches.
- National citizens that are non-account holders of the bank can deposit $300 dollars daily, but no more than $1,500 monthly.
- Tourists that are not account holders of the bank can exchange no more than $1,500 monthly in cash.
It is important to mention that there is no restriction upon the sale of dollars. It is also important to note that when entering or departing Mexico with large amounts of cash the money must be declared and documented.

**U.S. Banks and Local Correspondent Banks**

There are many U.S.-based banks active in the Mexican market, particularly U.S. brokers and banks working with Ex-Im Bank programs.

The U.S. Commercial Service Mexico maintains a list of these banks. Please contact Sylvia Montano, Sylvia.Montano@trade.gov for more information.

**Project Financing**

Banks, investor groups, large institutional investors such as insurance companies, public offerings of bonds, and other capital market instruments often provide financing. Such financing is in its infancy in Mexico as the Government of Mexico (GOM) has previously been the owner of these types of projects. The financing required by the GOM has been handled either through large international loan syndication direct to the federal government or its operating entities or through multilateral credits.

Mexico has entered a new era in granting concessions for seaports, airports, railroads, satellite communications, power generation plants, and natural gas distribution systems. In general, Mexican and foreign firms that win bids and tenders need to finance major purchases of both equipment and services.


The Export-Import Bank of the United States (Ex-Im Bank), an independent agency of the federal government, offers various short, medium and long-term export finance and insurance programs. Of specific interest to U.S. exporters are the guarantees for medium-term loans to foreign buyers of capital equipment. Most loans are made by U.S. banks with Ex-Im Bank’s guarantee. More than 85 percent of Ex-Im’s transactions in recent years directly benefited small businesses.

Much of Ex-Im Bank’s activity is under so-called bundling facilities. A bundling facility is a large medium-term loan made to a Mexican bank by a U.S. bank with the guarantee of Ex-Im Bank. The Mexican bank then makes loans for the purchase of American capital goods to Mexican companies. There also are a number of U.S.-based banks that extend Ex-Im Bank credits in Mexico. The major Mexican commercial banks have signed agreements with Ex-Im Bank to grant lines of credit to Mexican firms that purchase U.S.-made products. Many major Mexican banks (Santander, BBVA-Bancomer, and others) have Master Guarantee Agreements. Such credits generally are available only to Mexican blue chip companies and to their suppliers with firm contracts.

Additionally, Ex-Im has made financing for renewable energy a top priority since the inception of its Environmental Exports Programs in 1994 offering competitive financing terms (up to 18 years in some cases) to international buyers for the purchase of U.S. originating environmental goods and services.

The United States is Mexico’s biggest trading partner accounting for nearly 50% of the country’s imports. In the Fiscal Year 2012 Ex-Im Bank’s total exposure in Mexico was $9.5 billion. Mexico remains the largest market in Ex-Im Bank’s portfolio and is the ranked first in Latin American/Caribbean portfolio.

The Overseas Private Investment Corporation, OPIC, provides medium- to long-term funding through direct loans and loan guaranties to eligible investment projects in developing countries and emerging markets. By complementing the private sector, OPIC can provide financing in countries where conventional financial institutions often are reluctant or unable to lend on such a basis.

OPIC also offers insurance to U.S. investors, contractors, exporters and financial institutions involved in international transactions. Political risk insurance can cover currency inconvertibility, expropriation and political violence, and is available for investments in new ventures, expansions of existing enterprises, privatizations and acquisitions with positive developmental benefits.

Typically, OPIC requires that U.S. investment in a given project represent at least 25% of the total investment value in order to be eligible for assistance. The Overseas Private Investment Corporation (OPIC) offers its full range of programs services in Mexico, in Fiscal Year 2012, Mexico exposure was approximately $6 billion.


The U.S. Trade and Development Agency (USTDA) provide funding for feasibility studies and other forms of technical assistance to help promote U.S. exports. By assisting U.S. firms to become involved in the early stages of project development, USTDA leverages U.S. exports during the implementation stages. USTDA works closely with the various development banks, including the World Bank and the Inter-American Development Bank, to help U.S. firms take advantage of those banks’ projects. Additionally, in the case of a competitive bid for a large infrastructure project, USTDA can offer a de minimums training grant, or another form of technical assistance, to help the U.S. Company or consortium make their bid more attractive. USTDA has an active program in Mexico, funding projects in a wide range of sectors. During 2012, USTDA funded two definitional trade missions in Transportation and Energy and supported desk studies on smart grid projects.


The U.S. Small Business Administration (SBA) provides financial and business development assistance to encourage and help small businesses in developing export markets. The SBA assists businesses in obtaining the capital needed to explore, establish, or expand international markets. SBA’s export loans are available under SBA’s guaranty program. Prospective applicants should tell their lenders to seek SBA participation, if the lender is unable or unwilling to make the loan directly.

SBA also offers an Export Revolving Line of Credit (ERLC) program that is designed to help small businesses obtain short-term financing to sell their products and services abroad. The program guarantees repayment to a lender in the event an exporter defaults. The ERLC protects only the lender from default by the exporter; it does not cover the exporter should a foreign buyer default on payment. Lenders and exporters must determine whether foreign receivables need credit risk protection.

**Inter-American Development Bank** [http://www.buyusa.gov/idb/](http://www.buyusa.gov/idb/)

The Inter-American Development Bank (IADB) finances public sector projects in Mexico and the other 25 borrowing countries in Latin America and the Caribbean. In 2013 the
total amount in projects in Mexico was valued at approximately $6.6 billion. The IADB has focused its lending programs on infrastructure needs in Mexico, while the World Bank has favored human resource development and structural reform initiatives.

U.S. companies are eligible to compete for contract awards from public sector executing agencies. However, in contrast to trade finance institutions, U.S. companies do not apply directly to the IADB. U.S. companies interested in competing for public sector projects financed by the IADB may maximize their chances of winning by contracting a local partner in Mexico. The U.S. Commercial Service maintains an office in the IADB to assist U.S. companies in taking advantage of IADB funded projects.

**World Bank**  [www.worldbank.org](http://www.worldbank.org)
The World Bank is a multi-lateral development bank that provides loans to developing countries with the stated goal of reducing poverty. World Bank is comprised of two institutions: the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). IBRD is active in Mexico, supporting large-scale infrastructure projects such as highways, airports, and power plants.

As of February 28th, 2013, Mexico was the Bank’s largest borrower, with $14.7 billion debt outstanding, representing 10% of the World Bank’s total portfolio. Mexico has the sixth largest portfolio. During FY2012, the Bank approved six projects for a total of approximately $1.45 billion.

The International Finance Corporation (IFC), the private sector arm of the World Bank, promotes infrastructure development, particularly water and renewable energy as well as inclusive markets such as microfinance, housing, health and education.

Particularly given the tight credit market, it is common for governments to leverage financing from several sources, (The World Bank, Export Credit Agencies, private equity funds, etc.) when developing large projects.

**Web Resources**
- Inter-American Development Bank: [http://www.iadb.org](http://www.iadb.org/)

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Chapter 8: Business Travel

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- Health
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Business Customs

Mexican businesspeople in major cities give a great deal of importance to appearances and therefore we advise wearing professional attire when meeting with prospective business partners in Mexico.

Participation in business lunches is very important to succeed in Mexico. Before beginning a business discussion, it is common to discuss family, recent events or other social themes. Mexicans are accustomed to smoking and drinking freely at business meals. Business lunches can span two hours or more and usually don’t begin until 2 or 3 p.m.

Patience is key to doing business in Mexico. Business meetings in Mexico will often take longer than they would in the United States. Etiquette often includes small talk before business.

Mexican social etiquette makes it difficult to say no. Therefore, yes does not always mean yes. In conversation, Mexicans emphasize tactful and indirect phrasing, and may be more effusive than Americans with praise and emotional expressions. Do not be overly aggressive while negotiating. It is considered rude.

The concept of time is flexible in Mexico. Guests to social events (except in the case of cities in the North) can arrive up to an hour late. However, punctuality is observed for most business and government appointments.

Business cards are used extensively. Come with a large supply.

Travel Advisory

For detailed information about travel advisory information from the State Department, please click on: http://travel.state.gov/travel/cis_pa_tw/tw/tw_5815.html

Visa Requirements
All U.S. citizens must have a passport or passport card to enter Mexico.

There is a single visa form for tourist and business visitors, valid for 30 days upon entry with no fee. This form is normally distributed on all arriving aircraft.

If a U.S. businessperson wants to reside in Mexico and work on a more permanent basis, it is necessary to obtain an FM-3 immigration form. This form may be obtained with validity up to one year, renewable up to a total of five years. The cost is about $165 at the current exchange rate.

To obtain the FM-3 the traveler must present any of the following documents:
- Valid passport, or
- Proof that the traveler is engaged in international business and that he will receive his income from the U.S. company (e.g. a letter from the U.S. employer). A verbal declaration may be acceptable.

IMPORTANT NOTE: All foreign visitors should keep their Visitor Card (FMM) bearing the official "FEE PAID" stamp as it must be surrendered upon departure from the country. It is extremely important to keep this form in a safe location. Upon exiting the country at a Mexican Immigration (INM) departure check point, U.S. citizens are required to turn in this form. We are aware of cases where U.S. citizens without their FMM have been required to change their flight (at personal expense), file a police report with local authorities regarding the missing document, and visit an INM office to pay a fine and obtain a valid exit visa. In other cases, travelers have been able to continue their journey after paying a fine.

If you enter Mexico by land and expect to depart by air or land, be sure to request the FMM when entering Mexico, either at the initial border entry or at the interior checkpoint 21 km past the border. It is not automatically given and if you then return to the United States by air you are subject to a fine of up to $400, or will likely have difficulty exiting the country by car/bus.

For further information please visit the Mexican Ministry of Tourism web site at: http://www.sectur.gob.mx/.

U.S. Companies that require travel of foreign businesspersons to the United States should allow for sufficient time for visa issuance if required. Visa applicants should go to the following links.

State Department Visa Website: http://travel.state.gov/visa/visa_1750.html

U.S. Embassy Mexico Visa Information: http://mexico.usembassy.gov/visas.html

**Telecommunications**

Telephone Services:
Telephone service is usually reliable and most parts of Mexico have direct dialing to the United States. Telephone service is heavily taxed in Mexico, and fees are relatively high. MCI and AT&T calling cards may be used in Mexico. Cellular telephones are available and widely used.
While traveling throughout Mexico, the two main mobile carriers, Telcel and Movistar have national coverage and international roaming services. Best reception is found on federal highways and the top 50 cities in the country, including beach resorts. Nevertheless, the CDMA operator, Iusacell, has countrywide coverage and roaming agreements in the U.S. with Sprint and Verizon. If you bring your mobile phone, chances are that you will be able to use it while traveling to Mexico, regardless of the company and technology (GSM, CDMA or PTT) you use.

For mobile office device users (Blackberry, iPhone, etc.) roaming services not only apply for voice services, but also for data services. This means you can also receive email on your mobile phone if you have contracted such a service in the U.S. However, if you do not have an international plan, (voice and data) roaming fees can be substantial.

Local Mobile Operators are:
Telcel (GSM / TDMA):  http://www.telcel.com
Iusacell (CDMA / 3G):  http://www.iusacell.com.mx
Comisión Federal de Telecomunicaciones:  http://www.cofetel.gob.mx

Internet Services:
Tourist and business hotels provide Internet services, sometimes wirelessly, in rooms, or at a minimum, in business centers. Internet hotspots are now becoming more common. Because Internet penetration in residential areas is relatively low, Mexico has a proliferation of Internet cafés that offer Internet access.

Transportation

Mexico City, Guadalajara, Monterrey, Tijuana, Queretaro, and other Mexican cities have frequent direct and non-stop flights from major U.S. cities. American carriers to Mexico include: American, Delta, U.S. Airways, and United. Mexican carriers providing scheduled service within Mexico include Aeromexico, Volaris, and Interjet.

It is important to ONLY use registered “sitio” taxi services throughout the country, including using only the taxi vendor booths located INSIDE the airports. Hotels and restaurants can also call a sitio taxi for you. The driver will provide you with a receipt (un recibo) upon request. For airport taxis, it is usually the stub from your ticket. Please see safe taxi recommendations under the “Threats to Safety and Security” section at: http://travel.state.gov/travel/cis_pa_tw/cis/cis_970.html#safety

Airport Arrivals:
The Mexico City Benito Juarez International Airport offers a fixed price (varying widely depending on destination) taxi service to any point in the city. You can pay with a credit card or pesos and tickets are purchased at one of several taxi company booths just after exiting the customs area.

The Monterrey General Mariano Escobedo Airport has a very similar taxi service. The fare to most locations in Monterrey is about 250-300 pesos. With your ticket in hand, exit the lobby, and an attendant from the taxi company will guide you to your taxi. Not all taxis are marked, but rest assured that taxis these taxis are safe and secure. Airport and Flight Information: +52-81-8345-4434
The fare from Guadalajara International Airport to most locations in Guadalajara is about 260-420 pesos. The trip from the airport to Guadalajara can take up to 45 minutes, depending upon traffic. Airport and Flight Information: +52-(33)-3688-5894

Sitio taxi services are available at other airports/hotels around the country.

Language

Spanish is the official language of Mexico. While many people in the large cities speak some English, it may be difficult for them to conduct detailed discussions. Non-Spanish-speaking visitors to Mexico may wish to hire an interpreter. It is considered courteous for U.S. business people to speak a few words of Spanish. Many mid and high-level government officials and business executives speak English, and many are U.S.-educated.

Health

A high standard of medical care is available in the principal cities from private hospitals and doctors. Many private Mexican doctors have U.S. training and speak English. The Centers for Disease Control and Prevention maintains a website with health recommendations for travelers at: http://wwwnc.cdc.gov/travel/.

In Mexico City, U.S. Embassy staff requiring urgent medical care generally visit the ABC Hospital (tel: 5230-8000; emergency ward 5230-8161). Other good private hospitals and clinics located around the city include the Angeles Group (various locations); Medica Sur (south Mexico City); and Clinica Londres (central).

In Monterrey, the Consulate recommends the following hospitals: Christus Muguerza, CIMA Santa Engracia, and San Jose. All are well-equipped and offer good quality care comparable to hospitals in the United States.

In Guadalajara, U.S. Consulate staff requiring urgent medical care can select from the following options: Hospital Puerta de Hierro (tel: (33) 3848-2100), Hospital Angeles del Carmen (tel: (33) 3813-1224), and Hospital San Javier (tel: (33) 3669-0222).

U.S. citizens may call American Citizen Services at any U.S. Embassy or Consulate for help in case of a medical emergency. Please find additional information/contacts for all U.S. consulate locations in Mexico at: http://mexico.usembassy.gov/locations.html

Visitors should follow standard international dietary precautions in Mexico. It is best to drink bottled beverages without ice. Bottled water is readily available. Raw salads should not be consumed, all fruits should be peeled, only pasteurized dairy products should be consumed, and meat should be ordered well done. Hotels and business restaurants in general cater to foreign visitors and fulfill all sanitary requirements. Many American fast food chains have franchises in Mexico with similar standards as in the United States.

Air pollution in the Valley of Mexico (Mexico City and adjacent areas) is chronic. Contaminants in excess of U.S. and Mexican standards pollute the air many days during the year. Air pollution is at its peak from November to April, during the dry season, and
may aggravate allergy and cardiopulmonary problems. The relatively high altitude of Mexico City, a long winter dry season, and air pollution can cause irritation of the respiratory tract, nose, and eyes - the latter especially for those who use contact lens.

Visitors to Mexico City should remember the high altitude and be prepared to move slowly and get sufficient rest, until they have adjusted. Upon arrival in Mexico City, increased respiration, rapid heart rate, and mild dizziness may occur while visitors acclimate to the higher altitude. Insomnia, fatigue, circulatory problems, symptoms of dehydration, and nausea are common, but pass quickly. Alcoholic beverages have a stronger effect. Newcomers may find it beneficial to drink plenty of water.

Local Time, Business Hours, and Holidays

Mexico spans several time zones, as does the United States. From the Yucatán Peninsula to Tijuana, there is a three-hour time difference. Mexico City and Central Mexico is Central Standard Time (CST).

Listed below are Mexican holidays for 2013-14. On these days, banks will not open and most businesses will be closed. Be aware of the popular "puentes" ("bridges"). When holidays fall near the weekend, they are rapidly converted into long weekends and are not a good time to schedule business trips.

2013-14 Mexican Holiday Schedule (June 2013-May 2014)

<table>
<thead>
<tr>
<th>Date</th>
<th>Day of Week</th>
<th>Holiday</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 16</td>
<td>Monday</td>
<td>Mexican Independence Day</td>
</tr>
<tr>
<td>November 2</td>
<td>Saturday</td>
<td>All Souls’ Day</td>
</tr>
<tr>
<td>November 18</td>
<td>Monday</td>
<td>Anniversary of the Mexican Revolution</td>
</tr>
<tr>
<td>December 25</td>
<td>Wednesday</td>
<td>Christmas Day</td>
</tr>
<tr>
<td>January 1</td>
<td>Wednesday</td>
<td>New Year’s Day</td>
</tr>
<tr>
<td>February 3</td>
<td>Monday</td>
<td>Anniversary of the Mexican Constitution</td>
</tr>
<tr>
<td>March 17</td>
<td>Monday</td>
<td>Birthday of Benito Juarez</td>
</tr>
<tr>
<td>April 17</td>
<td>Thursday</td>
<td>Holy Thursday</td>
</tr>
<tr>
<td>April 18</td>
<td>Friday</td>
<td>Good Friday</td>
</tr>
<tr>
<td>May 1</td>
<td>Thursday</td>
<td>Mexican Labor Day</td>
</tr>
<tr>
<td>May 5</td>
<td>Monday</td>
<td>Anniversary of the Battle of Puebla</td>
</tr>
<tr>
<td>May 10</td>
<td>Saturday</td>
<td>Mother’s Day</td>
</tr>
</tbody>
</table>

Temporary Entry of Materials and Personal Belongings

Temporary imports for manufacturing, transformation, and repair under the Maquila and Pitex programs are subject to payment of duties, taxes and compensatory fees. Other temporary imports from the U.S., however, do not pay import duties, taxes or fees, but they must comply with all other obligations set forth in Article 104 of the Mexican Customs Law. Please see Chapter 5, Temporary Entry, for more details.

Mexico began accepting ATA Carnets on May 16, 2011 for the temporary import of commercial samples, professional equipment and booths and other materials for exhibitions and fairs. Goods can stay in Mexico for up to six months without having to
pay any import duties or taxes. Carnets will need to be registered before entering Mexico. Mexican customs has authorized the following ports of entry to process carnets: Tijuana, Juarez, Nuevo Laredo, Altamira, Veracruz, Manzanillo, Monterrey, Guadalajara, Cancun, Mexico City Airport, Cabo San Lucas and Santa Rosalia. Carnet users and freight forwarders planning to use carnets to Mexico are strongly advised to contact a Carnet Specialist well in advance to discuss their needs and the requirements of Mexican customs. More information about the program can be found at: http://www.atacarnet.com/advisory/mexico-carnet-details or by emailing Info@ATACarnet.com.

Web Resources

State Department Travel Advisory: http://travel.state.gov/travel/cis_pa_tw/tw/tw_5815.html
Mexican Embassy in the U.S.: http://www.embassyofmexico.org
Mexican Ministry of Tourism: http://www.sectur.gob.mx
State Department Visa Website: http://travel.state.gov/visa/visa_1750.html
U.S. Embassy in Mexico, visa information: http://mexico.usembassy.gov/visas.html

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Chapter 9: Contacts, Market Research, and Trade Events

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- Market Research
- Trade Events

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http://export.gov/mexico/

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http://www.mexico-usda.com/  

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U.S. Consulate General, Guadalajara  
World Trade Center  
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44530 Guadalajara, Jalisco  
Phone: (011-52-33) 3615-1140  
Fax: (011-52-33) 3615-7665  
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Brownsville, TX 78520-0901  
E-mail: linda.caruso@trade.gov  
http://export.gov/mexico/  

Mexico Business Information Center (BIC):  
GOVERNMENT OF MEXICO:
Secretaría de Economía (SE)
(Secretariat of Economy): http://www.economia.gob.mx

Instituto Mexicano de la Propiedad Industrial (IMPI)
(Mexican Institute of Industrial Property and Technological Development): http://www.impi.gob.mx

Secretaría de Educación Pública (SEP)
(Secretariat of Public Education): http://www.sep.gob.mx

Secretaría de Energía (SENER)
(Secretariat of Energy): http://www.energia.gob.mx

Secretaría de Medio Ambiente, Recursos Naturales (SEMARNAT)
(Secretariat of the Environment, Natural Resources): http://www.semarnat.gob.mx

Secretaría de Comunicaciones y Transportes (SCT)
(Secretariat of Communications and Transport): http://www.sct.gob.mx

CHAMBERS OF COMMERCE:
American Chamber of Commerce in Mexico, A.C.: http://www.amcham.com.mx

U.S.- Mexico Chamber of Commerce: http://www.usmcoc.org

Cámara de Comercio Hispana de los Estados Unidos
United States Hispanic Chamber of Commerce: http://www.ushcc.com

Cámara Nacional de Comercio de la Ciudad de México (CANACO)
(National Chamber of Commerce of Mexico City): http://www.ccmexico.com.mx

Confederación de Cámaras Nacionales de Comercio, Servicios y Turismo
(Confederation of National Chambers of Commerce): http://www.concanacored.com

Cámara Nacional de la Industria de la Transformación

Confederación de Cámaras Industriales de los Estados Unidos Mexicanos
(Confederation of Industrial Chambers of Mexico): http://www.concamin.org.mx

Asociación Nacional de Importadores y Exportadores de la República Mexicana, A.C.
Association of Importers and Exporters of Mexico: http://www.anierm.org.mx

It should be noted that there are hundreds of specialized and regional associations and chambers in Mexico, which could not be included here.

To view market research reports produced by the U.S. Commercial Service please go to the following website: http://export.gov/mrktresearch/index.asp
Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

**Trade Events**

Please click on the link below for information on upcoming trade events.  
http://export.gov/tradeevents/index.asp

For a listing of trade events in Mexico: http://export.gov/mexico/tradeevents/eventsinmexico/eg_mx_031541.asp

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Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

For more information on the services the U.S. Commercial Service offers U.S. businesses, please go to: http://www.buyusa.gov/mexico/en/business_opportunities_mexico.html

http://mexico.usembassy.gov/

U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest Export Assistance Center or the U.S. Department of Commerce’s Trade Information Center at (800) USA-TRADE, or go to the following website: http://www.export.gov

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, The Department of Commerce does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. The Department of Commerce can assist companies in these endeavors.