Doing Business in Mexico:

2014 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business in Mexico

Market Overview

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- 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 trading 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 $507 billion in 2013, an increase of 476 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 in 2014.
- In May 2013, President Obama and Mexican President Peña Nieto announced the High Level Economic Dialogue (HLED), which was launched by Vice President Biden and his Mexican counterparts on September 20, 2013 in Mexico City. The HLED involves several government agencies from the United States and Mexico that are working together to promote competitiveness and connectivity; foster economic growth, productivity, and innovation; and partner for regional and global leadership. Within the framework of the HLED, our governments are working to identify and reduce barriers to trade between our two countries and to increase opportunities for both U.S. and Mexican companies in our two markets. To learn more about the HLED work plan visit www.trade.gov/hled and if you have suggestions for possible areas for binational governmental cooperation, please submit them to hled@trade.gov.
- To further HLED efforts to promote entrepreneurship, stimulate innovation, and encourage the development of human capital to meet the needs of the 21st Century economy, Presidents Obama and Peña Nieto also announced a Bilateral Forum on Higher Education, Innovation, and Research, which was officially launched in May 2014. Through the Bilateral Forum, the U.S. and Mexican governments seek to expand student, scholar, and teacher exchanges; increase joint research in areas of mutual interest; and share best practices in higher education and innovation.

- Mexico is the most populated Spanish speaking country in the world. Mexico has a population of over 120 million people, 78 percent of whom live in urban areas. Ten percent of the population is considered wealthy and about 45 percent live in poverty earning less than $10 per day. The remaining 45 percent 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 $1.33 trillion. Per capita income is $15,600.
- With a shared Western and Hispanic culture, U.S. producers may 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 GDP growth slowed from a strong average of 4.3 percent between 2010 and 2012 to 1.1 percent in 2013, but is expected to rebound to a range of 2 to 3 percent in 2014 and over 4 percent within a few years.
- Energy, telecom, labor, financial, and education reforms are positioning Mexico to increase its competitiveness.

Market Challenges Return to top

- 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, intellectual property rights, standards, and labor officers are available to counsel firms with respect to regulations that affect their particular export product or business interest.
- Continued violence involving criminal organizations has created insecurity in some parts of Mexico, including 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/tw/tw_5815.html

Market Opportunities

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- Abundant market opportunities for U.S. firms exist in Mexico; trade totals almost $1.5 billion a day between the two countries.
- The current administration came into office in December 2012. In April 2014, President Peña Nieto announced a consolidated National Infrastructure Plan. The plan focuses on major sectors: transportation, water, energy, health, urban development, communications, and tourism with an anticipated total investment of $586 billion. As these projects develop, opportunities to participate in major projects, sub-contracts, and sales to the federal government will grow.
- Mexico's geographic proximity to the United States has propelled the maquiladora industry near the U.S.-Mexico border. This phenomenon, as well as global economic factors, are providing U.S. businesses with increasing alternatives to Asia-based manufacturing and opportunities to sell into regional supply chains. Labor rates are competitive with China and a robust logistics network allows rapid transit of goods to U.S. consumers.
- Some of Mexico's most promising sectors include: agriculture; 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; and travel & tourism services.
- 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.

Market Entry Strategy

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- 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.

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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

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Chapter 3: Selling U.S. Products and Services

Using an Agent or Distributor Return to top

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

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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

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The franchise sector in Mexico grew 9 percent in 2013, continuing to be one of the most important sectors in the country´s economic growth. Conservative estimates indicate that this sector will grow at between 11 and 13 percent in 2014.

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

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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.

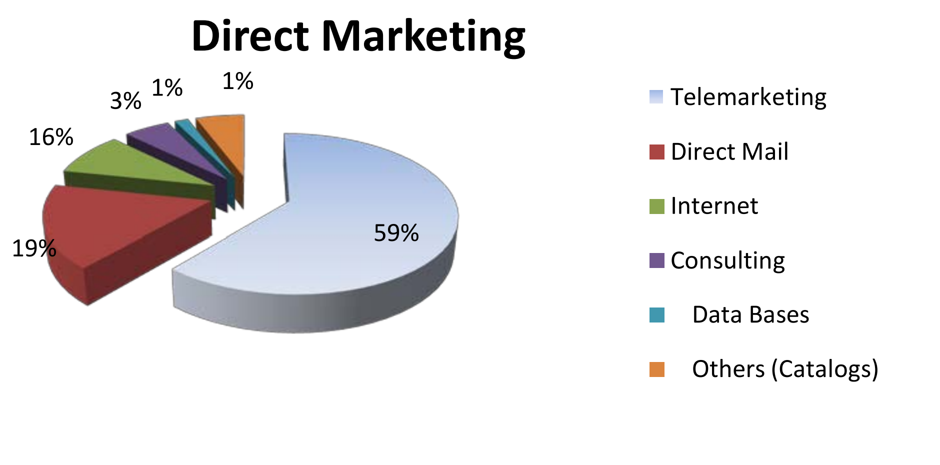
Companies in Mexico invested $153 billion pesos (about $11.7 billion) in marketing services to promote their products and services in 2012, with Electronic Media and in Point of Sale Promotion (POP) as the most important vehicles of promotion:

Table 1. Breakdown of Marketing Tools in Mexico
(Figures in USD billions)

Marketing Tool	2012
Publicity (printed & electronic media)	73%
Direct Marketing	19%
Market Research	4%
Public Relations	3%
Design	1%

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.

Graph 1. Breakdown of Direct Marketing in Mexico



Source: Confederation of the Industry for Marketing Communication (CICOM)

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: (52 55) 5669 0067
E-mail: informacion@cicom.org.mx
http://www.cicomweb.org

Joint Ventures/Licensing Return to top

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 Return to top

The Mexican government purchases large volumes of raw material, repair parts, finished goods, and hired services, to execute important infrastructure and construction works. In 2014, Mexico's federal budget authorized by the Mexican Congress is $342 billion.

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

Public entities:

- Secretariat of Communications and Transportation (SCT)
- Secretariat of Public Education (SEP)
- Secretariat of Treasury and Public Finance (SHCP)
- Secretariat of Health (SSA)
- Secretariat of Public Security (SSP)
- Secretariat of National Defense (SEDENA)
- Navy (SEMAR)

Public enterprises:

- Mexican Petroleum (PEMEX)
- Federal Electricity Commission (CFE)
- Mexican Institute of Social Security (IMSS)
- Institute of Social Security and Services for Public Employees (ISSSTE)

While maintaining a representative or office in Mexico is not a prerequisite to obtaining most 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

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To sustain and support its vast commercial trade, Mexico is modernizing its national transportation network. The National Infrastructure Plan outlines planned improvements to the highways, railways, and ports. 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 passes through the Laredo/Nuevo Laredo land-border crossing, where approximately 60 percent 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, Guaymas, 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, including a large project to expand the Port of Veracruz to more than double its current capacity. Proposed projects also include the improvement of existing multimodal corridors and the development of some new corridors 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 eight to fifteen percent of product cost in Mexico is related to logistics, compared to five to seven percent in more developed countries.

According to figures from the Mexican Secretariat of Communications and Transportation (Secretaria de Comunicaciones y Transportes), a large portion of

Mexican products shipped domestically travel by land: 55.8 percent were moved by trucks, 12.5 percent by trains, 31.6 percent by ship and only 0.1 percent by airplane. Given this distribution, the Peña Nieto 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

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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

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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 percent of the 5.1 million Internet users in Mexico, 73 percent of whom are under the age of 35. According to the Mexican Internet Association (AMIPCI) e-commerce accounts for 37 percent of Mexican internet users' online activities and online banking accounts for 33 percent.

Associations

Mexican Association of E-commerce (AMECE)	http://www.gs1mexico.org
Mexican Internet Association (AMIPCI)	http://www.amipci.org.mx

Trade Promotion and Advertising

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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:

U.S. Commercial Service Mexico BSP Directory:
http://export.gov/mexico/businessserviceproviders/index.asp

U.S. Commercial Service Mexico FUSE Directory:

http://www.buyusa.gov/mexico/oportunidadesdenegociosconlosestadosunidos/index.asp

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 are some of the companies that organize trade shows in Mexico:

Amfar	http://www.amfar.com
National Association of Natural Products (ANIPRON)	http://www.anipron.org.mx
Center for the Promotion of Construction and Habitation	http://www.cihac.com.mx
E.J. Krause of Mexico	http://www.ejkrause.com.mx
Expo Mexico	http://www.expomexico.com.mx
Expo Publicitas	http://www.expopublicitas.com
MFV Group	http://www.fif.com.mx
Salpro Group	http://www.mexicandesign.com
Tradex International Expositions	http://www.tradex.mx

Pricing

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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, see 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. Temporary imports of raw materials intended for export in final goods may be exempt from IVA under certain conditions.

Note that the Government of Mexico introduced a fiscal reform bill in fall 2013 that affected tax rates, including the IVA.

The IVA is now 16 percent country-wide. The importer will pay other fees for such services as inland Mexico freight, warehousing, and custom brokerage fees, if applicable. The IVA is a pass-along tax, typically recovered at the point of sale when the product is sold to the end-user. Each time the product is sold the buyer is charged the IVA. If resold, the company will then be reimbursed.

Sales Service/Customer Support

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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. For example, they often 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. Ideally, 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, interest rates can be quite high.

Protecting Your Intellectual Property

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Several general principles are important for effective management of intellectual property (IP) rights in Mexico. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in Mexico than in the U.S. Third, rights must be registered and enforced in Mexico, under local laws. Your U.S. trademark and patent registrations will not protect you in Mexico. There is no such thing as an "international copyright" that will automatically protect an author's writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Mexico market. 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 rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Mexican law. The U.S. Commercial Service can provide a list of local lawyers upon request.

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal 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 rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. 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 laws 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 together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Mexico and U.S.-based. These include:

- 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)

IP Resources

A wealth of information on protecting IP 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 US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or visit **www.STOPfakes.gov**.

- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**, or visit http://www.uspto.gov/.

- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**, or visit http://www.copyright.gov/.

- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, please visit the "Resources" section of the STOPfakes website at http://www.stopfakes.gov/resources.

- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: **www.stopfakes.gov**/businesss-tools/country-ipr-toolkits. The toolkits contain detailed information on protecting and enforcing IP in specific markets and also contains contact information for local IPR offices abroad and U.S. government officials available to assist SMEs.

- 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.

Intellectual Property Rights (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 la 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 República, 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 (Servicio de Administración Tributaria, or SAT) 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, the WTO Agreement on Trade-related Aspects of Intellectual Property Rights Rights (TRIPS) and the Madrid Protocol, which is a trademark filing treaty that provides a cost effective and efficient way for trademark holders – individuals and businesses – to apply for protection for their trademarks in up to 89 countries through the filing of one application with a single office, in one language, with one set of fees, in one currency. Mexico has also joined the negotiations of the Trans-Pacific Partnership (TPP) 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 Mexico's Institute for Industrial Property (IMPI in Spanish). 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 permits 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 partial list of local lawyers at: http://export.gov/mexico/businessserviceproviders/index.asp?bsp_cat=80120000

Due Diligence Return to top

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

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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:

Mexican Association of Accounting Firms	http://www.amcp.org.mx
Mexican Association of Electrical and Electronic Communications Engineers	http://www.amicee.mx
Mexican Association of Information-Technology Industries	http://www.amiti.org.mx
Mexican Association of Insurance Institutions	http://www.amis.com.mx
National Chamber of Auto-Freight-Transport	http://www.canacar.com.mx
National Chamber of Consulting Companies	http://www.cnec.org.mx

U.S.-Mexico Border Trade Initiative

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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 percent 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 Ciudad Juarez and the surrounding area. Similar programs also exist in Arizona and California.

Effective in 2014, the U.S. Commercial Service Mexico is offering contact facilitation services, such as the Gold Key Service, in the Mexican states of Chihuahua and Sonora.

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

Web Resources

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U.S. Government

U.S. Commercial Service Mexico	http://www.export.gov/mexico
U.S. Department of Commerce IPR Portal	http://www.stopfakes.gov

Mexican Government

Mexican Government Procurement Portal	http://www.compranet.gob.mx
Mexican Institute of Industrial Property	http://www.impi.gob.mx

International and Private Industry

American Chamber of Commerce in Mexico	http://www.amcham.com.mx
Confederation of the Industry for Marketing Communication	http://www.cicomweb.org
World Intellectual Property Organization	http://www.wipo.int
International Intellectual Property Alliance	http://www.iipa.com
International Trademark Association	http://www.inta.org
National Association of Manufacturers	http://www.nam.org
Coalition Against Counterfeiting and Piracy	http://www.thecacp.com
International Anti-Counterfeiting Coalition	http://www.iacc.org
Pharmaceutical Research and Manufacturers of America	http://www.phrma.org
Biotechnology Industry Organization	http://www.bio.org

Mexican Association of Research Pharmaceutical Industries	http://www.amiif.org.mx
Mexican Association of Phonogram Producers	http://www.amprofon.com.mx
Mexican Maquila Information Center	http://www.maquilaportal.com
Industrial Directories	http://www.solunet-infomex.com
Bajamak Trade Show in Tijuana	http://www.bajamak.com

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

Commercial Sectors

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Automotive Parts and Supplies

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Table 1. Auto Parts Production for OEM and Aftermarket
(Figures in USD billions)

Indicator	2010	2011	2012	2013	2014[e]
Total Market Size	69.4	81.2	88.7	96.8	102.0
Total Local Production	57.5	67.9	73.1	76.8	81.4
Total Exports	37.9	45.1	51.8	55.0	56.6
Total Exports to the U.S.	27.7	33.9	38.9	51.6	53.1
Total Imports	26.0	31.8	36.2	35.0	36.0
Total Imports from the U.S.	17.4	21.4	24.3	20.9	21.5

[e] Estimated data

Source: National Auto Parts Industry Association (INA) & Office of Transportation and Machinery (OTM)

Table 2. Total Number of Vehicles – Automobiles and Trucks
(Figures in thousands of units)

Indicator	2010	2011	2012	2013	2014[e]
Total Units Produced	2,260.8	2,557.6	2,884.9	2,933.5	3,100.0
Total Units Sold in Country	820.4	905.9	987.7	1,063.4	1,105.0
Total Units Imported	848.0	873.4	898.4	923.4	948.4
Total Units Exported	1,859.5	2,143.9	2,355.6	2,423.1	2,490.6

[e] Estimated data

Source: Mexican Automotive Industry Association (AMIA)

The automotive industry has shown significant growth in the last two years. Today, Mexico is ranked the eighth largest vehicle producer in the world and second in Latin America. According to the Mexican Association of Automotive Industry (AMIA), by 2020, Mexico may surpass South Korea and Brazil, becoming the sixth largest worldwide vehicle producer. The auto sector accounts for 20.3 percent of Mexico's manufacturing sector and 3.6 percent of national GDP. Furthermore, Mexico's auto parts industry is closely tied to its American counterpart and economic growth in the U.S.

There are currently ten manufacturers in Mexico, including General Motors, Chrysler, Ford, Nissan, Fiat, Renault, Honda, Toyota, VW, and Mazda. This manufacturing base produces 42 brands and 500 models in 21 manufacturing plants and has a network of 1,700 dealers. In the next two years, BMW and Audi will also open plants in the country. Recently, Nissan and Daimler signed a joint venture agreement for Nissan to produce Mercedes Benz and Infiniti vehicles in Mexico.

Mexico produces more than 2.5 million cars annually. Approximately 82 percent of production is devoted to exports with the remaining 18 percent going to the domestic market. In 2013, the Mexican automotive industry experienced 1.7 percent growth in vehicle production due to higher demand from the domestic market, as well as a nine percent increase in exports. The primary export markets are: the United States (68%), Canada (8%), Latin America (13%), Europe (6%), Asia (3%), Africa (1%), and others (1%).

Domestic sales of vehicles increased eight percent in 2013. Market trends have focused on smaller vehicles and increased fuel efficiency.

The National Auto Parts Industry Association (INA) reported that in auto parts production, Mexico ranks fifth worldwide with local production of over $76 billion in auto parts, surpassing South Korea. This represents a five percent increase in the auto parts industry from during 2013. Mexico exports 90 percent of auto parts production to the United States, four percent to Canada, and the remaining 6 percent to Brazil, Germany, Japan, China, Australia, and Colombia, among others.

In 2009, the Mexican Government imposed new duties and requirements for the importation of used vehicles. Despite these changes, the aftermarket has continued to grow, with the repair and maintenance of used vehicles fueling the demand for parts. In addition, other opportunities exist for U.S. exporters of spare parts, specifically in equipment and new technologies geared toward reducing costs and time. Parts, equipment and first and second-tier components from the U.S. may also increase due to the surge in vehicle production in Mexico.

The sector outlook for 2014 continues to be promising. According to the Mexican National Auto Parts Industry Association, local production of auto parts is expected to grow six percent and imports of auto parts are expected to grow three percent in 2014.

Market Challenges

There are still some challenges ahead, including high interest rates, higher taxes, lack of credit and increased competition, which have made the market more price-sensitive for new vehicles. In Mexico, 50 percent of new cars are purchased on credit.

Due to the recent fiscal reforms, Mexico’s value-added tax (VAT) is now applicable at a rate of 16 percent throughout the country. The vehicle ownership tax is only applicable to vehicles with a value greater than $30,000.

In 2009, Mexico imposed duties on imports of used vehicles. In July 2011, the import of used vehicles five to nine years old was allowed with one percent ad-valorem tax and a ten percent ad-valorem tax for vehicles ten years or older. Both categories of imports were mandated to remain within the border zone. However, used vehicles, aged eight or nine years old, are permitted in the rest of Mexico for resale with a ten percent ad-valorem tax. A new decree issued on January 2013 postponed the expansion of the regulation to cars aged six to ten years old for at least two years.

The most recent requirements, as of July 2011, require a Certificate of Origin, NIV number, standard vehicle categories, and the one or ten ad-valorem tax 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, whose condition restricts or prohibits from circulating in their own country of origin, are prohibited from being imported into Mexico.

Effective November 2011, the Mexican government established 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 or New Mexico, as those states have very strict standards that are compliant with Mexican Standard 041. U.S. exporters are advised to work closely with their importers and customs brokers to ensure that all specific requirements are met.

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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 plastic engineered parts, 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 that are needed include scanners, electronic measure systems, tools, and 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.

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Vehicles sales are expected to grow by the end of 2014. In an effort to increase sales of new vehicles, the Mexican government will facilitate access to credit through financing programs.

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, has given way to new opportunities for exports of repair equipment and replacement parts.

Participating in Mexican automotive trade shows or business-to-business events can provide excellent opportunities to introduce new products and services in Mexico, once regional distributors have been appointed.

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

Events

Paace Automechanika July 16-18, 2014 July 15-17, 2015 Mexico City, Mexico	http://www.paaceautomechanika.com
B2B Automotive Meetings February 23-25, 2015 Queretaro, Queretaro	http://www.automotivemeetings.com

For more information on the Automotive Parts and Supplies sector in Mexico, please contact:

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Building Materials and Services

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The Mexican construction industry experienced minimal growth in 2013 due to several internal and external factors, including the global economic slowdown, the transition to a new presidential administration, the delay or postponement of some major infrastructure projects initiated during the previous presidential administration, and little investment on new major projects. Some major projects were also delayed due to the increase of the final costs compared to original estimates. According to industry sources, another factor that affected the sector was that only 40 percent of the federal infrastructure projects were offered on public tenders. About 60 percent of tenders were said to have been issued by invitation or directly assigned to local firms during 2013.

According to official figures, the Mexican construction industry grew by only 2 percent in 2013. As during other periods of government transition, Mexican private industry carried the sector. During 2013, the private sector invested in mix-use buildings (commercial, offices and housing), logistics and distribution centers, industrial hubs around the country and housing developments (in all income levels) near new industrial and commercial centers.

The building and construction sector in Mexico is highly affected by federal government infrastructure and development programs. The President recently announced a new National Infrastructure Program (NIP) for 2014-2018 with a planned investment of $586 billion (see Infrastructure section). Few of these projects have yet been put out for bid.

As this plan is implemented, the majority of the new government infrastructure projects will be carried under public-private partnerships. A 2012 modification to 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 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 are to be allowed to participate in bidding processes, except for some restricted sectors outlined in the existing Foreign Direct Investment Law.

The total value of federal government construction projects during 2013 is estimated at $110 billion, of which 43 percent was allocated to PEMEX (government owned oil company); 18 percent to highway construction; and another 18 percent to housing developments and multi-purpose buildings. The Mexican states that received the most funds were Veracruz, 8.3 percent; Mexico City, 7.6 percent; State of Mexico, 7.3 percent; Nuevo Leon, 6.9 percent and Jalisco, 6.8 percent.

During 2014, the best opportunities will be related to key infrastructure projects sponsored by the federal government - primarily low, mid and high income housing and government buildings. Large private projects, developed and executed by local and foreign investors, will also offer opportunities related to the construction of shopping malls, retail stores, industrial and manufacturing facilities, distribution centers, and mixed-use buildings.

Table 1. Building Materials and Services Market Overview

(Figures in USD billions)

Indicator	2012	2013	2014[p]
Total Market Size	86.22	87.94	90.40
Total Local Production	82.88	85.47	87.86
Total Exports	36.76	36.72	37.74
Total Imports	38.14	40.29	41.42
Total Imports from the US	28.19	30.90	31.82

[p] Projected data

Source: Secretariat of Treasury and Public Finance (SHCP), National Institute for Statistics and Geography (INEGI), Central Bank of Mexico (Banco de Mexico), Secretariat of Economy, National Bank for International Trade (BANCOMEXT), Mexican Chamber for the Construction Industry (CMIC), National Chamber for Consulting Firms (CNEC), National Housing Commission (CONAVI), & National Chamber for Housing Development (CANADEVI)

General Construction

Construction techniques in Mexico differ from those in the U.S. Most of the houses, commercial and public buildings, industrial facilities (industrial manufacturing plants, logistical and distribution centers) and mix-use buildings in Mexico are built with bricks and concrete, the traditional building materials in Mexico. Demand for cement, steel bars and glass is also growing and not always met by local suppliers. This presents a market opportunity for U.S. firms, especially in industrial areas along the Mexican-U.S. border where the majority of facilities are currently being built with raw materials from both countries.

There is also a high demand for plywood, another important raw material for the construction industry. Potential niche markets exist in the furniture manufacturing sector, the construction sector (which consumes large quantities of wood for concrete forming purposes), and the interior decoration sector, with its large number of manufacturers and traders of flooring, paneling and molding.

Housing

Mexico’s housing sector is dominated and funded by large independent government and parastatal agencies such as: CONAVI (National Housing Commission), INFONAVIT (the largest housing fund for private workers in Mexico), FOVISSSTE (the largest housing fund for state workers in Mexico), PEMEX (government owned oil and gas company), CFE (government utility owned company), some state government housing agencies, private banks and other financial institutions. Government institutions provide almost 68 percent of the funds for the Mexican housing sector. The other 32 percent is covered by private banks and other financial institutions.

The new housing initiatives announced in the NIP by President Peña Nieto are intended to address a shortfall of an estimated seven million housing units; to promote growth in the housing industry in the short and medium-term; as well as to increase vertical housing developments in major cities across the country. These initiatives will offer opportunities to the largest Mexican housing developers focused on the low-income market (i.e. Sare, Urbi, ICA, Ara, Geo, and Homex).

Some of these initiatives are: a) support for six million workers not affiliated with the two Mexican housing funds - Infonavit and Fovissste; b) a major subsidy (an eight percent increase compared to 2013) for houses valued between $12,000 - $25,000; and c) more subsidies for green housing projects (up to 20 percent of the mortgage). Based on these initiatives, industry sources estimate that the housing market will increase five percent from 2014 to 2018.

Although the construction industry has suffered over the past several years, the largest housing developers experienced an average of two percent growth in 2013. Assuming increased federal government spending, housing industry sources expect the largest growth to be in the construction of houses valued at $26,000 - $50,000.

There are no major barriers to the importation of housing building materials if they comply with the Certificate of Origin to receive the benefits of NAFTA.

For U.S. firms interested in entering Mexico's housing industry, one of the best options is to partner with a Mexican housing developer or construction firm that is active in the housing industry. Mexican companies' knowledge of the market, the labor and legal aspects involved in this industry is invaluable to U.S. firms. The primary business opportunities available are in providing housing for the mid and high-income segment of the housing industry.

Companies, which have successfully entered the Mexican market typically, have a representative to sell to the major distributors and construction companies in the country. In addition, it is important that manufacturers register as building materials suppliers with INFONAVIT, FOVISSSTE, FONHAPO, PEMEX, CEF, and State housing institutes.

<u>Green Building</u>

Similar to other emerging economies, Mexico is moving towards green, or environmentally-friendly, activities. The construction industry has embraced the green building movement. Mexico joined the World Green Building Council (WGBC) and is learning best practices from Europe, Canada and the United States, in order to lower the costs and increase health benefits of green buildings. The Mexican construction industry also aims to demonstrate to other countries how to use simple, moderate-cost strategies acquired through 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. Nonetheless, policy efforts to promote green buildings are relatively new and generally focused on the housing sector. The country's National Housing Commission (CONAVI), the National Workers Housing Fund Institute (Infonavit), 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, the largest housing fund for workers in Mexico, has created a "green mortgage" program, supported by mandatory employer and employee contributions.

Although green construction growth in Mexico continues on a positive trend, the numbers for sustainable construction remain small. Mexico currently has only twelve buildings with LEED certification. During 2013, over 190 construction projects with an investment of $33 million subscribed to the certification process. Projects include tourism real estate branches, marine projects, thematic and recreational parks, residential, industrial and commercial.

Like many other countries, Mexico will continue supporting green initiatives for construction and sustainable development. Given that end-users are seeking these projects, the investors and developers are moving towards the construction of green buildings, some buildings in Mexico will be LEED-certified and others will only be eco-friendly.

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Table 2. Best Products for Manufacturers of Building Materials in the U.S.
(% of Market Share of the Construction Industry in the U.S.)

Description	HS Code	Market Share
AC systems	841582	83%
Air filters for AC systems	842139	67%
Aluminum doors, windows and frames	761010	70%
Bulbs for incandescent lamps	701110	47%
Clear glass with UV protection and thickness over 6mm	700490	90%
Kitchen cabinets and fixtures	940340	28%
Prefab construction systems	940600	33%
Solar panels for lighting	854140	20%
Solar water heaters	841919	19%
Steel doors, windows and frames	730830	65%
Toilet articles of porcelain or china	691090	30%
Tubes and pipes – copper	741110	85%

Source: Secretariat of Treasury and Public Finance (SHCP), National Institute for Statistics and Geography (INEGI), Central Bank of Mexico (Banco de Mexico), Secretariat of Economy, Mexican Chamber for the Construction Industry (CMIC), National Housing Commission (CONAVI), & National Chamber for Housing Development (CANADEVI)

Opportunities Return to top

U.S. building and construction products have always been well-received in Mexico by local construction companies seeking to improve and offer houses with better equipment and quality to their clients. Mexican buyers are searching for quality homes with more green products, yet that are affordable. Housing developers and construction companies located in border-states have greater access to the latest trends in design, products, and accessories, which they can incorporate to their projects. Nonetheless, developers and construction companies in Central Mexico are also interested in U.S. products that can improve the quality of the final product they offer their clients.

Opportunities for U.S. suppliers include: wooden windows, doors, flooring, and frames from sustainable woods; ecological paints, coverings and coatings; ecological concrete pipes for potable water and sewage; energy saving light bulbs; ecological pipes and fixtures for electrical applications; sky lights; green-certified electrical devices and home appliances; permeable concrete; green roof systems and equipment; high-efficiency air conditioning systems and equipment; high-efficiency HVAC equipment for commercial buildings and hospitals; ecological water purification systems and devices; ecological indoor and outdoor furniture; natural insulation materials; ecological blocks and bricks; and insulation, acoustics, and thermal protection materials that are also fire-retardant.

There are also other great business opportunities in engineering, design, architectural, electrical, plumbing, foundation, landscape, and other green services and technologies.

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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
National Institute for Statistics and Geography	http://www.inegi.gob.mx
Institute of National Housing Fund for Workers	http://infonavit.gob.mx
Secretary of Communications and Transportation (SCT)	http://sct.gob.mx

Events

AHR Expo 2014 September 23-25, 2014 Mexico City, Mexico City	www.ahrexpomexico.com
Expo CIHAC 2014 October 14-18, 2014 Mexico City, Mexico City	www.cihac.com.mx
Remodeling Show 2014 Baltimore October 22-24, 2014 Baltimore, Maryland	www.remodelingshow.com
The International Builders Show 2015 January 20-22, 2015 Las Vegas, Nevada	www.buildersshow.com
World of Concrete 2015 February 03-06, 2015 Las Vegas, Nevada	www.worldofconcrete.com
SAIE 2015 International Building Show February 20-23, 2015 Mexico City, Mexico City	www.saiemexico.com.mx
Concrete Show Mexico 2015	www.concreteshowmexico.mx

May 20-25, 2015
Mexico City, Mexico City

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Education and Training Services

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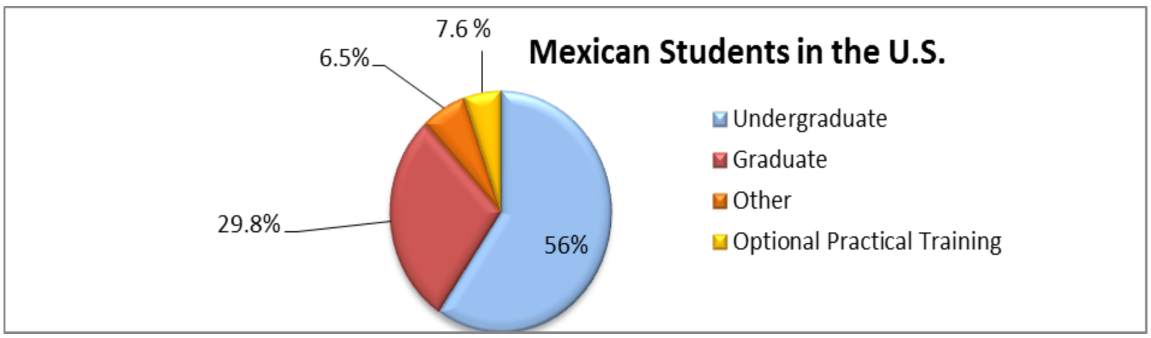
Table 1. Mexican Student Enrollment in the U.S.

Indicator	2010-2011	2011-2012	2012-2013
Number of Mexican Students	13,713	13,893	14,199
% Change from Previous Year	3.4	1.3	2.2

Source: Institute of International Education Open Doors 2013

Mexico is the ninth largest country of origin for students studying in the United States, with over 14,000 Mexican students enrolled, primarily in undergraduate programs. Approximately two percent of foreign students under student visa status in the U.S. are from Mexico. Mexican students choose to study in the U.S. because of the strong ties and proximity between the countries and the prestige of the American higher education system.

Graph 1. Mexican Students in the U.S.



Source: Institute of International Education's Open Doors 2013

Schools in Mexico are now more open to internationalizing their programs. Most universities, both public and private, are developing international collaborations with foreign universities. Student exchanges will increase in the coming years, for 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 proficiency within higher education in Mexico. Several Mexican private universities use the Test of English as a Foreign Language (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 five percent of Mexican English as a Second Language (ESL) students travel abroad for intensive English programs.

Opportunities for community colleges and boarding schools are also rising, especially among Mexican students who are looking for educational opportunities at a younger age or are interested in two year programs.

In March 2011, President Barack Obama launched "100,000 Strong in the Americas." The initiative, focused on Latin America and the Caribbean, seeks to foster regional 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, universities and colleges, and the private sector.

In May 2013, President Obama and President Enrique Peña Nieto announced the Mexico-U.S. Bilateral Forum on Higher Education, Innovation and Research, which seeks to strengthen educational, research, and economic engagement between the two countries. This effort underpins the countries' efforts to make North America the most competitive region in the world and to integrate the economies effectively, in order to create jobs both in the United States and Mexico.

U.S. government agencies are working with institutions in the U.S. and Mexico to encourage greater exchanges and closer partnerships between U.S. and Mexican universities and colleges, including community colleges and technical institutions.

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

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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 to visit schools to promote educational opportunities.

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Education USA	http://www.usembassy-mexico.gov/educationusa
Secretariat of Public Education (SEP)	http://www.sep.gob.mx

National Association of Universities and Higher Learning Institutions	http://www.anuies.mx
100,000 Strong in the Americas	http://mexico.usembassy.gov/eng/resources/100k-strong.html

Events

Mexico College Fair Tour American School Foundation September 18-30, 2014 Mexico City, Mexico	https://sites.google.com/site/mexicocollegefairtour
EduExpos October 2-10, 2014 Puebla, Mexico City, Guadalajara, Monterrey, Queretaro	http://www.fppmedia.com/upcoming_events
Linden Boarding School Tours & Fairs September 23-25, 2014 (Mexico City) October 6-7, 2014 (Puebla) October 9, 2014 (Monterrey)	http://www.boardingschooltours.com
TABS Boarding School Fair February 2015 Mexico City, Mexico	http://tabs.org/MexicoCity

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Energy

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Table 1. Energy Market Overview
(Figures in USD billions)

Indicator	2011	2012	2013	2014[p]
Total Market Size	10.16	9.99	10.83	11.35
Total Local Production	4.08	4.25	4.72	5.30
Total Exports	12.10	12.50	13.32	13.85
Total Imports	18.18	18.24	19.43	19.90
Total Imports from the U.S.	12.20	12.33	13.15	13.42

[p] Projected data

Source: National Bank for International Trade (BANCOMEXT); Secretariat of Economy; Global Trade Atlas; the Federal Electricity Commission (CFE), and the Secretariat of Energy (SENER)

Table 2. Oil and Gas Market Overview
(Figures in USD billions)

Indicator	2011	2012	2013	2014[p]
Total Market Size	6.46	6.55	6.95	7.26
Total Local Production	1.99	1.95	2.10	2.32
Total Exports	1.37	1.52	1.82	1.95
Total Imports	5.83	6.12	6.67	6.89
Total Imports from the U.S.	4.09	4.45	4.86	4.96

[p] Projected data

Source: National Bank for International Trade (BANCOMEXT); Secretariat of Economy; Global Trade Atlas; interviews and information from officials from PEMEX; the Secretariat of Energy (SENER).

Table 3. Electric Power Market Overview
(Figures in USD billions)

Indicator	2011	2012	2013	2014[p]
Total Market Size	3.70	3.44	3.88	4.09
Total Local Production	2.09	2.30	2.62	2.98
Total Exports	10.73	10.98	11.50	11.90
Total Imports	12.34	12.12	12.76	13.01
Total Imports from the U.S.	8.11	7.88	8.29	8.46

[p] Projected data

Source: National Bank for International Trade (BANCOMEXT); Secretariat of Economy; Global Trade Atlas; interviews and information from officials at the Federal Electricity Commission (CFE), and the Secretariat of Energy (SENER).

Since the expropriation of oil companies by the Mexican government in 1938, the energy markets in Mexico had been state-owned and closed to private investment. However, in 2013, Mexico adopted large-scale reforms across multiple sectors, including energy. These reforms represent historic change in Mexico and will offer new opportunities for U.S. companies.

In December 2013, the Mexican Congress and state legislatures approved constitutional changes governing the energy sector, including the ratification of nine new laws, along with amendments to 12 existing ones. In order for these measures to be enacted, Congress must now ratify secondary laws that will define the manner in which the new mandates will be implemented and carried out. Debates in Congress on the proposed laws are expected to conclude in late June 2014 when both houses will vote on them. When implemented, the reform is expected to result in an inflow of private capital, technology, and technical expertise into Mexico's upstream and downstream oil and gas industries, as well as a transformation of its electric power sector into a competitive wholesale market.

This sweeping reform is a multi-agency effort in Mexico. The Energy Secretariat (SENER) is tasked with developing the contract rules, the Treasury Secretariat (SHCP) defining the fiscal and economic parameters, the Hydrocarbon National Commission the bidding rules, project assignment and contract management, while the Mexican Oil Fund, a Central Bank fiduciary, is to be in charge of the payments to private companies. It is important to note that even after the secondary laws are enacted, there will be a transitional period that will extend well into 2015 before the impact is fully implemented and understood.

Apart from growth in trade, greater competition is anticipated in the oil and electric energy sub-sectors, directly resulting from the ending of the monopolistic hold of Mexican Petroleum (Petróleos Mexicanos, or PEMEX) and the Federal Electricity Commission (CFE) on their respective markets. Even though PEMEX and the CFE will remain government owned, they will be both independent enterprises, capable to plan their own budgets, engage into contracts with private parties and compete with the new players in the market. Most notably, the constitutional reforms transformed them into a for-profit company that will depend on its revenues for operation. The rules will also include preferential treatment to national content of at least 25 percent by 2025.

Despite having priority in oil and gas contracts, PEMEX will be required to compete in tenders with private enterprises and be held accountable for its performance and execution of projects. As a for-profit enterprise, PEMEX will be allowed to enter into agreements with private companies or independent investors. Meanwhile, CFE expects a new electrical industry law where entry barriers to the sector may be slashed and where qualified users could buy power from either private players or CFE, allowing a seamless interaction between public and private participants. To ensure open access to the national transmission network to private companies, the National Center of Energy Control (CENACE) will be transferred from CFE to the Ministry of Energy.

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Under the current framework (tables 1-3) the demand for imported energy-related equipment and services is expected to increase by 2.4 percent in 2014. Specifically, demand for imported oil and gas equipment should grow 3.3 percent in 2014, with U.S. exports expected to grow by two percent. In the electric power sector, 1.9 percent growth in imports of equipment and services is expected; U.S. exports should grow by two percent.

The recent energy reform and the secondary regulations to be approved by the Mexican Congress will open up opportunities for American manufacturers of exploration equipment for crude oil, natural gas, and shale gas projects; drilling equipment for onshore and offshore projects, including deep water; as well as storage, transportation, and distribution of gasoline, diesel, turbosine, etc.

Mexico's oil and gas industry is expected to grow an average of five percent annually, during the period 2014-2018. In the oil sub-sector, PEMEX will continue to make large investments in oil exploration and production, in order to address falling production levels. Foreign companies will also be allowed to participate in exploration and extraction projects of the country's largely unexplored crude territory. U.S. companies will be able to develop a stake in mid and downstream activities, including refining, transportation, pipelines, storage, and gas stations.

PEMEX, which already relies heavily on imported products and services, is being reorganized to facilitate greater participation of the private sector in exploration, drilling, production, and refining. The company is expected to continue investing in developing deep-water reserves, as well as advanced extraction of maturing onshore fields. As for natural gas, capture at well heads is an opportunity for U.S. companies.

The reorganization of PEMEX means new responsibilities for the National Hydrocarbon Commission and the Energy Regulatory Commission, as well as the creation of a Petroleum Environmental Agency to ensure that PEMEX and its contractors obtain the proper environmental permits before exploration, drilling, and extraction activities can begin. PEMEX's authorized budget for 2014 is $28 billion, and it is expected to increase by four percent annually from 2014-2018.

Mexico's electrical power industry offers opportunities for U.S. products, services and technologies in the generation, cogeneration, energy efficiency, and gas supply sub-sectors. The approved energy reform in Mexico allows the private sector to participate in the generation of electricity of over 30 megawatts for public use, in which traditionally, only the CFE was allowed. According to the Energy Information System of the Secretariat of Energy (SENER), the power generation for public use is expected to grow 2.6 percent in 2014.

Opportunities

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The opening of the market will provide opportunities for joint ventures and/or partnerships between U.S. companies and PEMEX. Although at this point there is an understanding that there will be preferential treatment for Mexican firms, U.S. companies and investors are encouraged to monitor progress and seek out opportunities, that may include joint ventures, production sharing contracts, and/or concessions.

Despite the pending status of the completion of secondary laws in Mexico, banks in Mexico have announced broad support. For example, in May 2014 commercial banks HSBC and Banorte announced programs to fund energy investments in Mexico. HSBC has established a fund worth $2 billion for small and medium-size energy companies that wish to expand their business. Similarly, Banorte expects to invest $500 million in energy and infrastructure projects.

Significant oil reserves have been documented in Mexico, which will drive investments in the energy sector and offer U.S. companies opportunities, either as contractors, sub-contractors, or suppliers of equipment and/or technology.

	Cumulative production	1P reserves	3P reserves	Prospective resources
Southeast	45	12	24	20
Tampico Misantla	7	1.2	17	3
Burgos and Sabinas	2.4	0.4	0.8	3
Veracruz	0.7	0.1	0.3	2
Deepwater		0.1	2	27
Shale				60
Total	**55***	**14***	**45***	**114***

****Prospective Resources: 114 Billion barrels of reserves;

***3P: Possible Potential, 45 Billion of barrels of reserves;

**1P: High potential, 14 Billion of barrels of reserves;

*Historical Production: 55 Billion barrels of production

Source: PEMEX

As for the electrical power sub-sector, there will be an emphasis on diversifying the sources of power generation by increasing the use of combined-cycle equipment, modernizing outdated electricity plants with the installation of clean and efficient technologies, and increasing the supply of power generation sources, primarily natural gas. Furthermore, the Peña Nieto Administration has recognized the need to expand the electricity network to include those areas of the country that are underserved or where supplying electricity has been difficult and costly. To accomplish the electricity network expansion, meant to serve 130 million inhabitants by 2027, energy efficiency and renewable technologies will most likely be utilized. .

CFE recently confirmed that nine power plant projects will be announced in 2014-2015. Five of these projects will require that the winning company finance the construction of the plant, which CFE will later purchase once the first megawatt of electricity generated by this plant is transmitted. The remaining four will be awarded as construction, operation and maintenance contracts. These nine projects, which are expected to generate 4102MW, are expected to be completed between 2016-2018.

CFE is also planning an expansion in gas pipelines between 2014 and 2016 to supply power generation plants. CFE will promote fourteen projects; eleven to be tendered in Mexico and three in the United States. In total, these projects will account for 4,576 km expansion of gas pipelines and $9.8 billion of investment.

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Secretariat of Energy (SENER)	http://www.energia.gob.mx
Energy Regulatory Commission (CRE)	http://www.cre.gob.mx
Mexican Petroleum (PEMEX)	http://www.pemex.com
College of Petroleum Engineers of Mexico (CIPM)	http://www.cipm.org.mx
National Infrastructure Trust	http://www.fonadin.gob.mx
Mexican Association of Petroleum Service Companies	http://www.amespac.org.mx
Federal Electricity Commission (CFE)	http://www.cfe.gob.mx

Events

International Electric Expo June 10-12, 2014 Mexico City, Mexico	http://www.expoelectrica.com.mx
Power-Gen December 9-11, 2014 Orlando, FL	http://www.power-gen.com
Petroleum Exhibition & Conference of Mexico (PECOM) April 14-15, 2015 Villahermosa, Tabasco	http://pecomexpo.com
Offshore Technology Conference (OTC) May 4-7, 2015 Houston, TX	http://2015.otcnet.org
Louisiana Gulf Coast Oil Exposition (LAGCOE) October 27-29, 2015 Lafayette, LA	http://www.lagcoe.com

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Environmental Technologies and Water

Overview

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Table 1. Water Technologies Market Overview
(Figures in USD billions)

Indicator	2011	2012	2013	2014[p]
Total Market Size	3.92	4.36	5.63	5.82
Total Local Production	1.26	1.21	1.84	1.92
Total Exports	.79	.79	.93	.97
Total Imports	3.48	3.94	4.72	4.87
Total Imports from the U.S.	2.09	2.29	2.78	2.92

[p] Projected data

Source: Central Bank of Mexico (Banco de Mexico), National Bank for International Trade (BANCOMEXT), Secretariat of Economy, Global Trade Atlas, Border Environment Cooperation Commission (BECC), National Water Commission (CONAGUA), National Council of Industrial Ecologists (CONIECO), & interviews with importers, distributors, and end-users of water and wastewater equipment and services.

The market for the water and wastewater sub-sectors is estimated to grow by 3.5 percent from 2013-2014, while exports from the U.S. to Mexico are expected to increase by 4.9 percent.

In April 2014, the National Water Commission (CONAGUA) published the National Water Plan 2014-2018. The plan highlights the need to secure the provision of water to a growing population through sustainable practices. For 2014, the Mexican Government has allocated over $6 billion to CONAGUA, which will primarily be used for new investments in water supply and wastewater treatment. In addition, investment from large private sector contractors, seeking to take advantage of public-private partnerships, is estimated to reach $950 million in 2014. Companies will seek to participate in public-private partnerships due to the new Public and Private Partnership Law approved by the Mexican Congress. This law allows for cooperation between the Mexican government and the private sector in federal infrastructure construction projects, as well as related services.

The main water issues in Mexico are over-exploitation and contamination of water resources. Furthermore, nine million people do not have access to potable water and 11 million are beyond the range of sewage lines. To address these issues, as part of the National Water Plan 2014-2018, the Mexican Government is promoting the modernization of the sub-sector through public policies, the development of the National System of Environmental and Natural Resources Information (SNIARN), and other new initiatives, such as systems for measurement and the management of water projects. In addition, there are discussions to amend the current legislation that impacts water.

Table 2. Environmental Technologies Market Overview
(Figures in USD billions)

Indicator	2011	2012	2013	2014[p]
Total Market Size	2.18	2.22	2.80	2.99
Total Local Production	1.34	1.45	1.86	1.98

Total Exports	.43	.52	.69	.72
Total Imports	1.23	1.29	1.64	1.73
Total Imports from the U.S.	.84	.88	1.11	1.18

[p] Projected data

Source: Central Bank of Mexico (Banco de Mexico), National Bank for International Trade (BANCOMEXT), Secretariat of Economy, Secretariat of Environment and Natural Resources (SEMARNAT), Global Trade Atlas, Border Environment Cooperation Commission (BECC), National Water Commission (CONAGUA), National Council of Industrial Ecologists (CONIECO), & interviews with importers, distributors, and end-users of water and wastewater equipment and services.

The Secretariat of Environment and Natural Resources (SEMARNAT) has been very active in promoting green development in Mexico. Its objective is not only to advance economic growth in Mexico but also to further development in the county by promoting a more competitive, sustainable, and low carbon emissions economy. Overall, SEMARNAT has promoted the Climate Change Strategy, which is the guiding national instrument for climate change policy for the medium to long-term with 10, 20, and 40 year goals. The objectives of the Climate Change Strategy are the following: a minimum of 35 percent of electricity should be generated from renewable energy sources by 2015, greenhouse gas (GHG) emissions must be reduced by 50 percent (compared to GHG emissions in 2000) by 2050, and at least 50 percent of electricity must be derived from clean sources.

Federal resources to finance environmental projects at the federal, state, and municipal levels of government have been allocated through an environmental enhancement program operated by SEMARNAT. The program, known as the Program for the Strengthening of the Environment of the States ("Programa de Fortalecimiento Ambiental de las Entidades Federativas"), is accessible to all Mexican states, municipalities, and the suburbs of Mexico City.

To qualify for this program, the projects must promote the following: 1) compliance with environmental guidelines (local, regional and maritime); 2) adequate assessment and payment for environmental services; 3) sustainable development and biodiversity conservation, in accordance with the Mexican Standard NOM-059-SEMARNAT-2010; 4) rooting of rural population to their communities, in order to reduce migration by encouraging economic activities that encourage the sustainable use of natural resources; 5) measures of adaptation and mitigation of climate change; 6) strengthening of environmental federalism; 7) access to environmental justice; and 8) generation and validation of useful information for the National System of Environmental and Natural Resources Information (SNIARN). Qualifying projects must be approved by the Mexican Congress' Environmental and Natural Resources Commission. The approved projects will be integrated into the federal budget, which will be subject to debate as Congress deliberates its approval at the end of the year.

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The best prospects for U.S. companies are in water resources equipment and services (WRE) and environmental technologies, such as solid waste management, soil remediation, recycling and air monitoring. U.S. products and services are considered competitive in the Mexican market due to NAFTA preferential tariffs, quality, post-sale services and guarantees offered by U.S. companies. Moreover, cross-market interaction is further prompted by the constant collaboration of government entities, such as

SEMARNAT and CONAGUA with the U.S. Environmental Protection Agency (EPA) and the Border Environment Cooperation Commission (BECC). This allows Mexican and American companies to share best practices, knowledge, and technologies in complying with environmental regulations.

Opportunities

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Water Purification Plants
CONAGUA - Upgrade of 200 of the existing 900 plants. The estimated budget for the project is $200 million for plants in the states of Morelos, Puebla, Guerrero, Coahuila, Sinaloa, Tamaulipas, Zacatecas, Mexico City, and Veracruz.

Desalination Plants
CONAGUA - Desalination plants in the states of Baja California Norte (Ensenada), Baja California Sur (La Paz), Sonora (Hermosillo and Puerto Peñasco), and Sinaloa (Los Mochis and Mazatlán). CONAGUA has indicated that the new desalination plants will be built within the framework of the new Public and Private Partnership Law.

Wastewater Treatment
CONAGUA - Upgrade of 200 city wastewater treatment plants in the states of Aguascalientes, Chihuahua, Guanajuato, Jalisco, Nuevo Leon, Oaxaca, Puebla, and Mexico City among others. The estimated budget for the projects is $150 million.

CONAGUA - Construction of new plants in the states of Puebla, Colima, Yucatan, Quintana Roo, the State of Mexico, Nayarit, Guerrero, Colima, Mexico City, among others. The estimated budget for the projects is $500 million.

Waste Management and Recycling
SEMARNAT fosters the integrated management of urban solid, special handling, and hazardous waste by promoting the following objectives: prevention, economic assessment, and maximization of waste usage and its adequate disposal.

In 2014, the Mexican Government has earmarked over $40 million to SEMARNAT in support of projects in this area. These funds are available to all Mexican states, municipalities, and the suburbs of Mexico City through the “Program for the Prevention and Management of Waste (Prevención y Gestión Integral de Residuos). Some of the initiatives that can be financed with these funds are environmental studies, prevention programs, waste management programs, projects to increase the installed capacity of waste collection, and adequate disposal projects.

Web Resources

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Secretariat of Environment and Natural Resources (SEMARNAT)	http://www.semarnat.gob.mx
National Water Commission	http://www.cna.gob.mx
National Institute of Ecology and Environmental Change (INECC)	http://www.inecc.gob.mx

Attorney General for Environmental Protection (PROFEPA)	http://www.profepa.gob.mx
Mexican Institute of Water Technology (IMTA)	http://www.imta.gob.mx
National Bank for Public Works (Banobras)	http://www.banobras.gob.mx
Border Environment Cooperation Commission (BECC)	http://www.becc.org
National Council of Industrial Ecologists of Mexico (CONIECO)	http://www.conieco.com.mx
National Association of Water and Sanitation Companies of Mexico (ANEAS)	http://www.aneas.com.mx

Events

The Green Expo September 24-26, 2014 Mexico City, Mexico	http://www.thegreenexpo.com.mx
WEFTEC September 27 – October 1, 2014 New Orleans, LA	http://www.weftec.org
ANEAS Expo & Conference November 10-14, 2014 Merida, Yucatan	http://www.aneas.com.mx
Waste Expo June 2-4, 2015 Las Vegas, NV	http://www.wasteexpo.com

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Franchising

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Table 1. Franchising Sector (2013)

Country	Number of Brands	Points of Sale	Number of Employees
United States	2,500+	825,000	18 million
Brazil	2,000	86,365	830,000
Mexico	1,400	73,000	750,000

Source: Feher & Feher Consulting

The Mexican franchise industry represents one of the largest franchise markets in the world. The sector, which employs over 800,000 people, represents about five percent of GDP. The sector grew nine percent in 2013.

According to the Mexican Franchise Association (AMF), Mexico has approximately 1,400 franchise concepts, including international brands that are predominately from the U.S. About 85 percent of the franchises operating in the country are Mexican brands, six percent are from the U.S., three percent from Spain, and the remaining six percent of the market is shared by Canada, Central and South America, and Europe. Firms from other Latin American countries are finding Mexico to be their best option to expand internationally and are focused on exploring secondary markets.

The Mexican Franchise Association has worked closely with the Secretariat of Economy to create new programs to support the development of the sector. In 2008, the National Franchise Program (PNF) was created to promote the creation, re-engineering, or acquisition of franchise concepts. This program helped approximately 800 franchise concepts (mostly national) to increase their presence in the Mexican market. In 2012, the last year of the PNF, the sector reported a growth of 12 percent.

Under the Peña Nieto Administration, the Secretariat of Economy created the National Institute of the Entrepreneur (INADEM) to further growth in the sector. In January 2014, INADEM announced the Financing Program for Franchises, a collaborative effort with the commercial banking sector. This initiative will support investors and entrepreneurs through finance programs for the acquisition of local or international franchise concepts.

Current legislation has created a favorable environment for the development of domestic and international franchises. A 2006 amendment to the Law of Industrial Property provided a clearer definition of a franchise and mandated requirements for franchise agreements and 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 for further expansion of the franchise sector. Franchise agreements must be registered with the Mexican Institute of Industrial Property, in order to be effective against third parties

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 for their concept to succeed in the Mexican market.

U.S. franchises must be aware that the Mexican market is dominated by local franchises. For a franchise concept to be successful in Mexico, the concept and its characteristics must be adapted or customized to suit Mexican tastes.

Sub-Sector Best Prospects

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Although the food and restaurant segments of the franchising sector in Mexico have always been very popular franchise concepts, the services segment is rapidly growing. Services, such as entertainment concepts for children, and personal and home care services, have great potential in the Mexican market.

Table 2. Market Share by Segment (2013)

Segment	Market Share
Food & Beverage	32%
Services	16%
Retail	9%
Education	6%
Health & Personal Care	12%
Entertainment	2%
Others	23%

Source: Mexican Franchise Association

Opportunities

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Mexico is a diverse country that offers excellent business opportunities, especially for franchise concepts from the U.S., given the commercial ties between the two countries and the recognition and acceptance of U.S. brands by Mexican consumers. Traditionally, large cities, such as Mexico City, Monterrey, and Guadalajara have been the first option for locating a new franchise concept. Nevertheless, the creation or development of franchise business opportunities has also been successful in smaller cities. This trend is due to these populations looking for new products or brands, including international concepts.

Web Resources

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Mexican Franchise Association (AMF)	http://www.franquiciasdemexico.org
International Franchise Fair	http://www.fif.com.mx
National Institute of the Entrepreneur (INADEM)	http://inadem.gob.mx

Financing Program for Franchises http://franquicias.economia.gob.mx

Events

International Franchise Expo http://www.ifeinfo.com
June 19-21, 2014
New York, NY

International Franchise Fair http://www.fif.com.mx
March 5-7, 2015
Mexico City, Mexico

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Internet and IT Services

Overview

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Table 1. Internet and IT Services Market Overview
*(*Figures in USD billions)*

Indicator	2009	2010	2011	2012
Total Market Size*	9.62	10.87	12.86	14.39
% Growth	1.26%	12.99%	18.31%	11.90%
Domestic Market*	5.9	6.72	7.92	8.83
% of GDP	0.68%	0.69%	0.77%	0.88%
Total Exports*	3.72	4.15	4.94	5.56

Source: Secretariat of Economy, Select Consulting Firm, & A.T. Kearney

Table 2. Internet Users in Mexico
*(*Figures in millions)*

Indicator	2011	2012	2013[e]	2014[p]	2015[p]	2016[p]	2017[p]	2018[p]
Internet users*	40.6	45.1	47.7	49.7	51.2	53.2	55.8	59.2
Per 100 inhabitants	35	39	41	42	43	44	46	46
Broadband Subscribers*	12.6	13.8	16.2	18.2	20.2	21.9	23.3	28.9
Per 100 inhabitants	11	12	14	15	17	18	19	22

[e] Estimated data
[p] Projected data
Source: Business Monitor International

Mexico had 45.1 million internet users at the end of 2012 (latest data available), 76 percent of which are under 35 years of age. Top online activities for users include e-mail (87 percent), web searches (84 percent), social networks (82 percent), instant messaging (61 percent), and online shopping (37 percent). In 2012, the e-commerce market had a value of $6.5 billion, with the tourism sector registering the highest amount of transactions, followed by the entertainment industry (show tickets), consumer electronics, and apparel.

Six of every ten 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 applications (apps) are also among the most popular, along with news and photo editing apps. Mexico is ranked seventh among global apps markets, and local app development is being promoted by different organizations and universities.

The IT services and outsourcing market in Mexico continues to offer 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 technology products from the U.S. related to the IT services industry and a stronger global player in the Business Process Outsourcing (BPO) markets.

Mexico is also developing IT clusters throughout 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. The country is following a strong trend in developing a service-centric IT industry, where most technologies are offered under a service contract or lease. There is a growing interest in Software as a Service (SaaS), 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 costs without value-added.

Vertical industries with the highest growth potential are the public, financial, healthcare, chemical, and utility sectors, as well as small and medium enterprises (SMEs).

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- Security services
- Training (bundled with an overall solution)
- Tailored software apps
- Leased infrastructure (NOCs, SOCs)
- Wireless apps (mainly focused on mobile broadband, such as TV)
- Maintenance
- Consulting & IT/Systems integration
- CATV network apps
- Business intelligence

As previously mentioned, 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:

- Web 2.0
- Social networks
- Cloud computing and network terminals, using web-based apps
- Virtualization
- Online advertising
- Mobile broadband
- Green IT
- Health IT

Opportunities Return to top

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

Currently the strongest driver of IT is local, state, and federal government, 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 a growing demand among small and medium enterprises, which see these solutions as a means to increase their competitiveness and align their IT capabilities with those of larger partners and buyers.

Web Resources Return to top

Internet service provider (ISP)

Alestra	http://www.alestra.com.mx
AXTEL	http://www.axtel.com.mx
Cablevision	http://www.cablevision.net.mx
Maxcom	http://www.maxcom.com.mx
Megacable	http://www.megacable.com.mx
Telmex	http://www.telmex.com

Regulators

Secretariat of Communications and Transportation	http://www.sct.gob.mx

Associations & Government Programs

Mexican Associations for the IT Industry	http://www.amiti.org.mx
National Association for Telecommunications	http://www.anatel.org.mx
National Chamber for the Telecommunications and IT Electronics Industry	http://www.canieti.org.mx
National Chamber for the Telecommunications Industry	http://www.canitec.org
National Agency for Standardization and Certification in Information Technology, Electronics and	http://www.nyce.org.mx

Telecommunications

Events

ITT Expo September 24-26, 2014 Mexico City, Mexico	http://www.ittexpo.com.mx
WCIT 2014 September 29 – October 1, 2014 Guadalajara, Jalisco	www.wcit2014.com
Expo Data Center 2015 Mexico City, Mexico	www.expodatacenter.com

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Healthcare IT

Overview

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The market for Healthcare IT (HIT) in Mexico is emerging, as most healthcare 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 (EHR), supplies inventory control, pharmacy inventory and services control, and security systems.

Although there are no published statistics currently available for this sub-sector, private sector industry sources indicate that the Mexican healthcare sector invested approximately $523 million in HIT systems in 2013. This market sector is expected to continue growing, as automation technologies increase in the Mexican healthcare sector.

Potential clients for the HIT sector are primarily large hospitals in the public and private sector with resources to purchase sophisticated technologies to automate patient services 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 healthcare 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.

Healthcare IT has been a growing trend in Mexico mainly among private hospitals and clinics. Some of the biggest and most 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.

The Mexican Institute of Social Security (IMSS) and the Institute of Social Security and Services for Public Employees (ISSSTE) are also upgrading their systems to manage and improve their networks of hundreds of clinics, 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 a demand for telemedicine solutions in the public health care sector.

Sub-Sector Best Prospects

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Products and systems that offer opportunities in the market include:

- Automation hardware and software
- Billing systems
- Data protection systems
- Electronic Health Record (EHR)
- Enterprise Resource Planning (ERP) systems
- 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 Return to top

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

In the public sector, there are also opportunities to offer solutions for the public social security and healthcare institutions (IMSS, ISSSTE, PEMEX, as well as State social security and health services). Given the more limited budget in the public sector, public institutions tend to seek solutions to more effectively manage resources, including pharmaceutical inventories, clinics, personnel, facilities, and patients.

Web Resources Return to top

Public Institutions

Secretariat of Health	http://www.salud.gob.mx
Mexican Institute of Social Security (IMSS)	http://www.imss.gob.mx
Institute of Social Security and Services for Public Employees (ISSSTE)	http://www.issste.gob.mx
National Center for Health Technology Excellence	http://www.cenetec.salud.gob.mx

Private Institutions

Select	http://www.select.com.mx
Grupo Empresarial Angeles	http://www.grupoempresarialangeles.com
Star Medica	http://www.starmedica.com
Hospital San Jose	http://www.hsj.com.mx
Centro Medico ABC	http://www.abchospital.com
Hospital Español	http://www.hespanol.com
Amerimed Hospitales	http://www.amerimed.com.mx
Grupo Christus Muguerza	http://www.christusmuguerza.com.mx
Medica Sur	http://www.medicasur.com.mx

Events

WCIT 2014
September 29 – October 1, 2014
Guadalajara, Jalisco

www.wcit2014.com

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Medical Devices

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Table 1. Medical Devices Market Overview
(Figures in USD millions)

Indicator	2011	2012	2013
Total Market Size	5,660	6,170	6,337
Total Local Production	7,275	8,380	8,039
Total Exports	5,456	5,535	6,029
Total Imports	3,842	4,325	4,328
Total Imports from the U.S.	1,981	2,061	2,199

Source: Secretariat of Economy's Tariff Information System via Internet (SIAVI) & ProMexico

Mexico's imports of medical equipment, instruments, disposable and dental products totaled $4.3 billion in 2013. This represented about 90 percent of the medical equipment and instrument market and approximately 40 percent of medical disposable products and dental materials. About 50 percent, or approximately $2.2 billion of imports, came from the United States. The main third country suppliers of medical devices are: Brazil, Canada, China, France, Germany, Israel, Italy, Japan, the Netherlands, South Korea, and the United Kingdom.

Medical products from the U.S. are highly regarded in Mexico due to high quality, after-sales service, and pricing, 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 healthcare institutions account for 70-80 percent of all medical services provided nationwide, while private healthcare institutions serve approximately 25-30 percent of the Mexican population, including the 32 million people with private medical and accident insurance. In 2013, Mexico had 1,169 public hospitals, of which 194 were highly specialized medical centers, and 3,560 accredited private hospitals, of which only about 100 had more than 50 beds and the capacity to offer highly specialized services.

Sub-Sector Best Prospects

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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

In order to successfully compete, key factors include quality, after-sales service, warranty, and price.

Opportunities Return to top

Large public and private hospitals regularly seek out the most modern and highly-specialized medical devices. Some medium and small private hospitals with limited budgets buy used or refurbished equipment. Public hospitals cannot buy used or refurbished products by law.

In order to reduce costs, many public and private hospitals are outsourcing surgical procedures to companies that offer "integral surgery services." These services are delivered as a "pay per event" and include all of the necessary equipment and personnel required to perform a surgery. As a result, hospitals are able to avoid big capital investments in materials, implants, pharmaceuticals, and instruments, while gaining access to some of the most modern specialized surgical products.

The majority of medical and healthcare products need to be registered with the Federal Commission for the Projection against Sanitary Risk (COFEPRIS), the Mexican agency in charge of providing market approval for all medical products prior to sale or use in Mexico. Some companies have experienced significant delays in receiving registration/marketing approvals from COFEPRIS. In addition, foreign medical device manufacturers require a legally appointed distributor or representative in Mexico, responsible for the product and its registration process. It is highly recommended that U.S. companies ensure that they carefully submit all documents the first time and exactly as requested to COFEPRIS, as small errors or omissions have resulted in long delays in some cases.

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Public Institutions

Secretariat of Health	http://www.salud.gob.mx
Federal Commission for the Projection against Sanitary Risk (COFEPRIS)	http://www.cofepris.gob.mx
Mexican Institute of Social Security (IMSS)	http://www.imss.gob.mx

Institute of Social Security and Services for Public Employees (ISSSTE)	http://www.issste.gob.mx
National Center for Health Technology Excellence	http://www.cenetec.salud.gob.mx

Private Institutions

Grupo Empresarial Angeles	http://www.grupoempresarialangeles.com
Star Medica	http://www.starmedica.com
Hospital San Jose	http://www.hsj.com.mx
Centro Medico ABC	http://www.abchospital.com
Hospital Español	http://www.hespanol.com
Amerimed Hospitales	http://www.amerimed.com.mx
Grupo Christus Muguerza	http://www.christusmuguerza.com.mx
Medica Sur	http://www.medicasur.com.mx

Events

Expo Med June 18-20, 2014 June 10-12, 2015 Mexico City, Mexico	www.expomed.com.mx
Expo DICLAB September 18-19, 2014 Mexico City, Mexico	http://www.expodiclab.com
AMIC Dental Expo November 12-16, 2014 May 12-15, 2015 Mexico City, Mexico	www.amicdental.com.mx

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Packaging Equipment

Overview

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Table 1. Packaging Goods Market Overview**
*(*Figures in USD billions)*

Indicator	2010	2011	2012	2013e
Total Market Size*	10.80	11.22	11.65	12.12
Growth	-	3.9%	3.9%	4.0%
Total Local Production*	9.71	10.08	10.48	10.90
Total Exports*	1.32	1.37	1.42	1.48
Total Imports*	2.41	2.50	2.60	2.70

** Includes metal, plastics, glass, wood, and cardboard

e Estimated data

Source: Packaging Machinery Manufacturers Institute (PMMI)'s Mexico Packaging Machinery Market Study 2013 & Mexican Packaging Association (AMEE)

Table 2. Packaging Machinery Market Overview**
(Figures in USD millions)

Indicator	2009	2010	2011	2012	2013e
Total Market Size	579	488	611	692	720
Total Imports	501	478	532	535	625

** Includes HS 842230 (Machinery for filling, closing, sealing or labeling, etc.) and HS 842240 (Other packing or wrapping machinery)

e Estimated data

Source: Packaging Machinery Manufacturers Institute (PMMI)'s Mexico Packaging Machinery Market Study 2013 & Mexican Packaging Association (AMEE). Note: There are no official figures indicating the value of the Mexican packaging machinery market.

The Mexican packaging machinery market continues to present opportunities for U.S. exporters. According to the Packaging Machinery Manufacturers Institute (PMMI), almost 85 percent of the Mexican market demand is satisfied by imported machinery. In 2012, Mexico imported $535 million in packaging equipment with estimates for 2013 reaching nearly $625 million. Additionally, an estimated $100 million in packaging machinery parts and accessories were imported into Mexico in 2012.

Mexican companies increased their expenditure significantly in 2013 to make up for the downturn of the market in recent years. Industry experts estimate that the Mexican packaging machinery market in Mexico grew between six and eight percent in 2013, resulting in a peak in imports of packaging machinery into Mexico that broke the historical high of $579 million in 2008. This was partly due to Mexican companies investing an average of 18 percent more in packaging machinery in 2013, compared to 2012, in support of pending modernization and expansion projects.

In 2012, the packaging production industry represented 1.5 percent of Mexico's GDP, 5.2 percent of the industrial sector GDP, and 8.5 percent 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 PMMI, referring to HS Codes 842220 and 842290, Mexico is the second largest buyer of U.S. packaging equipment after Canada.

In 2013, imports of packaging equipment into Mexico grew by four percent. According to the PMMI, the U.S. is now the third largest supplier of packaging equipment to Mexico ($111 million), behind Italy ($155 million) and Germany ($117 million). U.S. equipment suffers from the perception that it is designed only for large-scale production; rigid sales policies that do not allow for customization; and high energy consumption.

Table 3. Mexico: Market Segmentation of Packaging Machinery Imports

Country	Market Share
Primary Packaging Machinery (HS 842230)	
Italy	28%
Germany	26%
United States	19%
Spain	5%
Secondary Packaging Machinery (HS 842240)	
Italy	28%
United States	22%
Germany	14%
Denmark	9%

Note: HS 842230 includes machinery for filling, closing, sealing or labeling, etc., while HS 842240 refers to other packing or wrapping machinery.

Source: Packaging Machinery Manufacturers Institute (PMMI)'s Mexico Packaging Machinery Market Study 2013

Mexico's competitiveness for manufacturing and exporting to the U.S. is improving vis-a-vis China. In China, increasing wages, high 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 to sell to Mexican companies in the metal, plastics, glass, wood, and cardboard industries.

Sub-Sector Best Prospects Return to top

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 (e.g. Mondelez, Nestle, Grupo Gamesa, Sigma Alimentos, Sabritas, Conservas la Costeña, Hersheys, Proteina Animal, McCormick, Pilgrim's Pride, American Beef, Qualtia Alimentos, Deimex, Frexport, Herdez, and Bimbo). Representing 22 percent of Mexico's manufacturing GDP, the food industry has the most demanding and fastest growing packaging product needs. Mexico is the tenth most important market, globally, in this sub-sector, forecasted to be worth $96.5 billion by 2015.

In 2012, the beverage industry was ranked second in packaging machinery imports, following global patterns of consolidation through mergers and acquisitions. In the last two years, several of the largest soft drink bottlers merged: Arca merged with Continental, while FEMSA acquired Grupo Tampico and merged with Grupo CIMSA and Grupo Fomento Queretano. Furthermore, the Mexican beer industry passed to foreign ownership. Heineken merged with Cervecería Cuahutemoc Moctezuma in 2010, and

Anheuser-Busch Inbev acquired Grupo Modelo in 2012. Mexico is currently the sixth largest soft drink market in the world with a forecast of annual sales of $15,972 billion by 2015.

As of 2012, personal care companies were the third largest importers of packaging machinery accounting for 20 percent of the value of total imports. Packaging machinery investments in this sector are dynamic as the industry is constantly launching new products or new product presentations. Moreover, the industry is formed mostly by dominant multinational companies, who have a strong manufacturing base 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 specialized, or niche, products for the personal care global market.

The principal importers from this industry included Loreal with invests in packaging equipment that surpassed $12 million for the opening of its second plant in the state of San Luis Potosi in 2012. Colgate and Procter & Gamble also made considerable investments, each importing over $10 million in packaging equipment. Other large packaging machinery importers included S.C. Johnson and Son, Industrias AlEn, Kimberly Clark, Unilever, Avon, Cosbel, BDF Mexico, and several local soap, cosmetics, and paper manufacturers.

The pharmaceutical sector is still a significant packaging machinery buyer in the country with 11 percent of the import market. Mexico and Brazil are the largest producers of medicines in Latin America. Mexico's pharmaceutical industry stands among the top ten industries in the country and is the fourth largest manufacturing activity in the country, representing 1.2 percent of total GDP and 7.2 percent of manufacturing GDP.

The pharmaceutical sector is the most sophisticated in terms of packaging requirements as local and international regulations become stricter, thus representing heavy continual investments in complete lines, systems, and high specialization in packaging technologies. Most packaging machinery in Mexico's pharmaceutical industry originates from Italy and Germany. During 2012, the largest packaging machinery importers in the sector were Laboratorios Pisa, Fressenius, Promeco, Quimica y Farmacia, Pfizer, Laboratorios Grossman, Omnilife, Novag, Schering Plough, and Becton Dickinsonwere.

The remaining 16 percent of demand for packaging machinery is divided among manufacturers of other consumer products, such as toys, paints, automotive and car-care products, oils, and manufacturers of packaging materials and containers.

Opportunities

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

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

With this trend in the packaging sector, machinery is more in demand. However, the U.S. has lost some of its market share to Mexico's chief supplier, Italy, and now Germany, as well. Despite the higher costs of European products, Mexican companies prize flexibility, in terms of adapting equipment to local needs; better after-sales service from centers located in Mexico; and availability of financing options that European competitors provide. U.S. firms should keep these critical points in mind, while continuing to take advantage of the U.S. 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 American firms.

Table 4. Largest Users of Packaging Worldwide
(Figures in USD billions)

	Company	Annual Revenue 2010	Country	Sector
1	Nestle	105.3	Switzerland	Food
2	Procter & Gamble	79.7	United States	Personal & Household Goods
3	Pfizer	67.8	United States	Pharmaceutical
4	Johnson & Johnson	61.6	United States	Pharmaceutical
5	Unilever	58.6	UK/Netherlands	Pharmaceutical
6	PepsiCo	57.8	United States	Beverages
7	Novartis	51.6	Switzerland	Pharmaceutical
8	Mondelez	49.5	United States	Food
9	Roche Group	47.2	Switzerland	Pharmaceutical
10	Bayer	46.5	Germany	Pharmaceutical
48	FEMSA	13.7	Mexico	Beverages
71	Grupo Bimbo	9.6	Mexico	Food

Source: Packaging Machinery Manufacturers Institute (PMMI)'s Mexico Packaging Machinery Market Study 2013

As evidenced by Table 4, the top ten largest users of packaging worldwide have a strong presence in Mexico. The 48th and 71st largest users are Mexican companies.

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Packaging Machinery Manufacturers Institute (PMMI)	http://www.pmmi.org
Mexican Packaging Association (AMEE)	http://www.amee.org.mx
Institute of Packaging Professionals	http://www.iopp.org

(IOPP)

Mexican Institute of Packaging Professionals (IMPEE)	http://envaseyembalaje.com.mx
Chamber of the Food Industry of Jalisco (CIAJ)	http://www.ciaj.org.mx
Business Monitor International	http://www.businessmonitor.com

Magazines

Enfasis Packaging	http://www.packaging.enfasis.com
El Empaque + Conversion	http://www.elempaque.com
EnvaPack	http://www.envapack.com
Industria Alimenticia	http://www.industriaalimenticia.com

Events

Expo Pack Mexico June 17-20, 2014 Mexico City, Mexico	http://www.expopack.com.mx
Pack Expo International November 2-5, 2014 Chicago, IL	http://www.packexpointernational.com
Expo Pack Guadalajara March 10-12, 2015 Guadalajara, Mexico	http://www.expopackguadalajara.com.mx

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Plastic Materials/Resins

Overview

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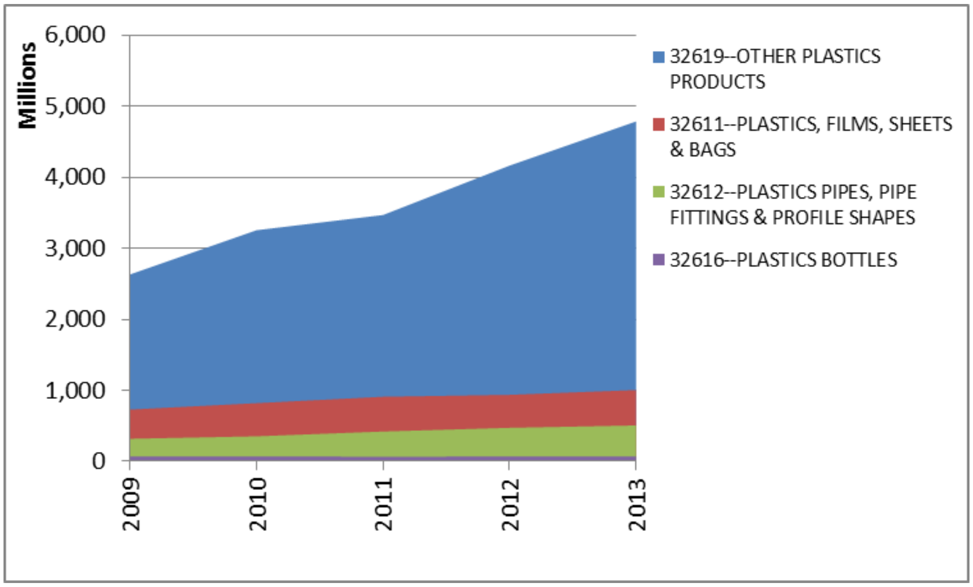
Graph 1. U.S. Plastic Product Exports to Mexico



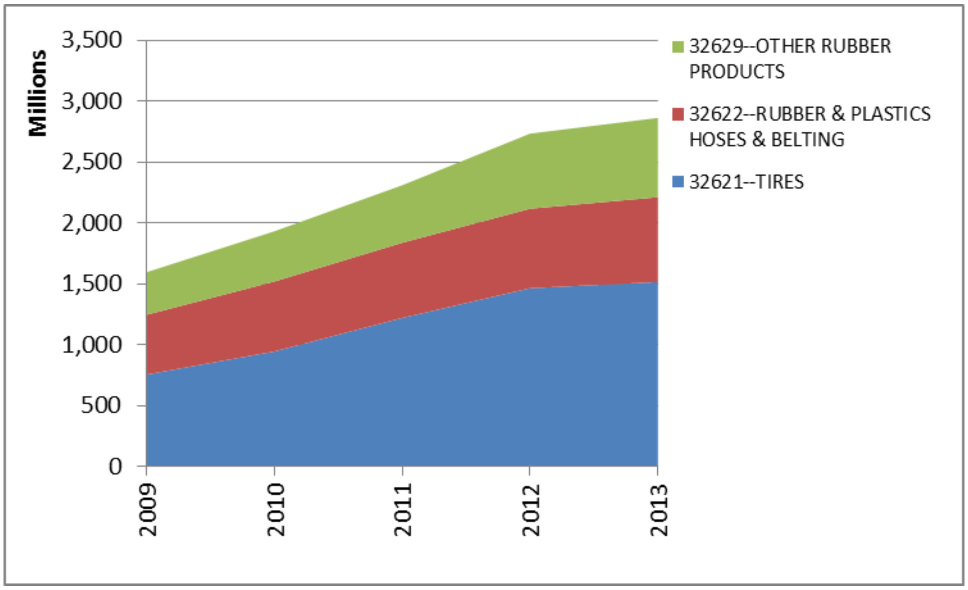
Source: U.S. Department of Commerce's TradeStats Express

Table 1. Plastic Commodities Exports from the U.S. to Mexico
(Figures in USD millions)

Product	2010	2011	2012	2013
Plastics, films, sheets & bags (32611)	820.62	910.19	937.16	1,005.54
Plastic pipes, pipe fittings & profile shapes (32612)	354.03	421.76	473.57	507.33
Plastic bottles (32616)	70.64	66.69	69.42	72.55
Other plastic products (32619)	3,254.05	3,467.71	4,162.96	4,785.57
Total	4,499.35	4,866.35	5,643.10	6,371.00

Source: U.S. Department of Commerce's TradeStats Express

Graph 2. U.S. Rubber Product Exports to Mexico



Source: U.S. Department of Commerce's TradeStats Express

Table 2. Rubber Commodities Exports from the U.S. to Mexico
(Figures in USD millions)

Product	2010	2011	2012	2013
Tires (32621)	944.72	1,219.75	1,464.27	1,515.43
Rubber & plastic hoses & belting (32622)	574.65	618.19	652.85	696.87
Other rubber products (32629)	411.70	471.66	616.66	650.79
Total	1,931.07	2,309.60	2,733.77	2,863.09

Source: U.S. Department of Commerce's TradeStats Express

Mexico has a significant shortage of plastic resins. About 50 percent of the demand from the Mexican manufacturing sector is met by imports. A total of 2.6 billion tons of plastic resins were imported in 2013, in keeping with the ascending trend since 2008.

Two petrochemical plants located along the Mexican coast in Coatzacoalcos and Altamira are the main Mexican producers of resin (i.e. poly-propylene, PVC, PET, and polystyrene) for plastic manufacturing, though their output is insufficient to cover the national gross demand of 2.8 million tons. The Mexican plastics industry relies on their commercial partners, including the U.S., Canada and Asian countries, to fulfill their raw material needs. According to the National Association of the Plastic Industry (ANIPAC), Mexico's national production and imports of resins have contributed to the country's supply of two percent of world plastic production, amounting to 5.3 million tons with a market value of nearly $20 billion.

According to Mexico's National Plastic Industry Association, Mexico has over 3,500 plastics companies. Of this number, 60 percent are micro-companies, 24 percent are small, 12 percent are medium, and four percent are large companies. Direct plastic consumption per capita in Mexico is 48 kg per year.

The Mexican plastics industry averaged about $1 billion in annual investment from 2001-2011. The Secretariat of Economy reported 5.8 percent growth in 2012 and 6.2 percent growth in 2013. The most recent investments have come from Europe, primarily the Netherlands, the United Kingdom, Switzerland, Denmark, and Belgium. The domestic manufacturing sector is expected to grow as the new energy policy is implemented in coming years.

Sub-Sector Best Prospects Return to top

U.S. exporters of resins will find 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 having good Mexican mold makers, a number of Mexican-based companies are still buying molds from Canada, the U.S., Germany, Portugal, Japan, and China. Repair and maintenance services are in moderate demand. It is important to note that new OEMs prefer to do business with suppliers from their own countries, at least during their first years in Mexico.

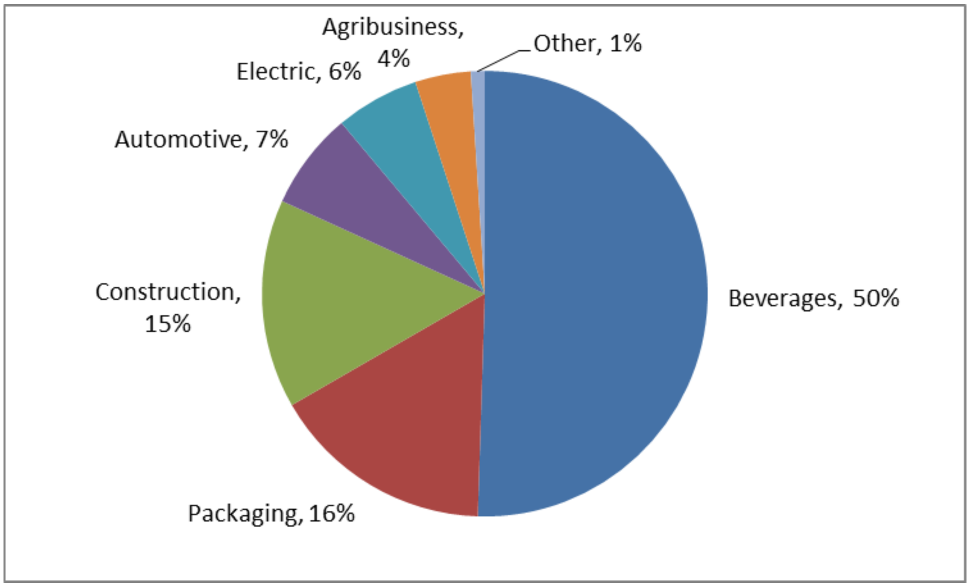
Machine retrofitting activity is becoming an outdated practice. The current trend is the acquisition of new machinery and equipment.

Opportunities Return to top

Until Mexico is able to achieve its full potential in petrochemical production, exports from the U.S. will continue to grow at an average rate of 31 percent per year. Data from the U.S. Department of Commerce's TradeStats Express demonstrates that the two main American exports of plastic products to Mexico in the 326 series of the North American Industry Classification System (NAICS) are plastic and rubber products. In 2013, U.S. exports of plastic products and rubber totaled $9.2 billion with $4.78 billion corresponding to NAICS 32619 (other plastic products) and $1.5 billion to NAICS 32621 (tires).

According to industry sources, the Mexican plastic industry is driven heavily by the automotive sector, which has reported a record output in manufactured units, as well as the food and beverage industries that have increased plastic packaging consumption. Sources contend that 45 percent of national consumption of plastics corresponds to packaging, while the remaining balance is shared among agriculture, construction and home appliances. ProMexico, the Mexican Government's trade promotion agency, provides the following breakdown:

Graph 3. Consumption of Plastics by Segment (2013)



Source: Promexico

The largest demand, by volume, of general plastic products originates from the states of Nuevo Leon, Jalisco, and the State of Mexico, as well as Mexico City. However, when the automotive sector is included, the list grows to include the states of Puebla, Queretaro, San Luis Potosi, and Guanajuato.

Web Resources Return to top

National Association of the Plastic Industry	http://www.anipac.com
National Institute for Statistics and Geography	http://www.inegi.org.mx
Scientific Electronic Library Online	http://www.scielo.org.mx
U.S. Department of Commerce's TradeStats Express	http://tse.export.gov
Manufactura Magazine	http://www.manufactura.mx/industria
Ingenieria Plastica (online magazine)	http://www.ingenieriaplastica.com
Industry Today	http://industrytoday.com

Events

Expo Plasticos 2014 http://www.expoplasticos.com.mx
November 4-6, 2015
Guadalajara, Jalisco

Plastimagen 2014
November 18-21, 2014
Mexico City, Mexico

http://www.plastimagen.com.mx

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Renewable Energy

Overview

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Table 1. Renewable Energy Market Overview
(Figures in USD millions)

Indicator	2011	2012	2013[e]	2020[p]
Total Market Size	969.8	1,667.4	2,051.5	27,164.0
Total Local Production	412.5	1,135.4	1,423.3	12,633.0
Total Exports	73.5	82.1	85.8	2,840.0
Total Imports	630.8	613.9	714.0	17,371.0
Total Imports from the U.S.	173.7	196.1	262.1	7,896.0

[e] Estimated data

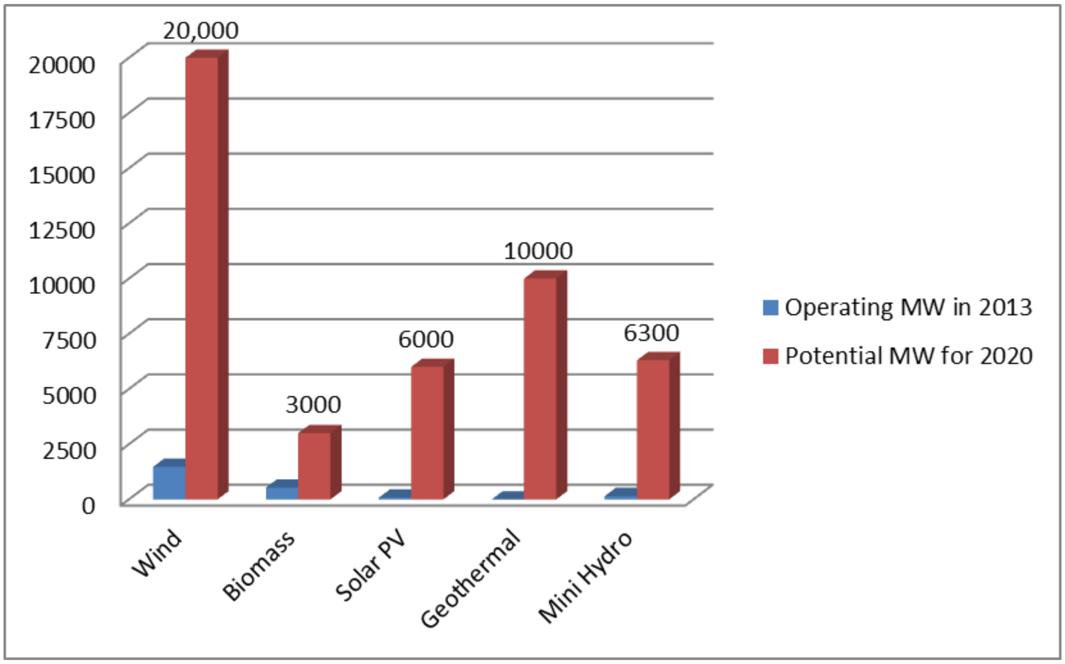
[p] Projected data – Secretariat of Energy (SENER)

Source: Secretariat of Energy (SENER), Energy Regulatory Commission (CRE), Federal Electricity Commission (CFE), National Bank for International Trade (BANCOMEXT), Secretariat of Economy, Central Bank of Mexico (Banco de Mexico) officials, Mexican Association for Wind Energy (AMDEE), National Association for Solar Energy (ANES), & representatives from American companies in Mexico.

The renewable energy market in Mexico is currently shaped by the General Law on Climate Change, enacted in June 2012. The law affirmed Mexico's intent to increase electricity generated from clean energy sources, including nuclear energy, to 35 percent by 2024 and 50 percent by 2050. As a result of the legislation, international investment in Mexico's renewable energy market increased sharply, rising from just $532 million in 2011 to $2.9 billion in 2012 (latest figures available).

Historically, most of the renewable energy investment in Mexico has supported the wind industry, which in 2012, received nearly 78 percent of global investment in Mexico's renewable energy sector. Yet, other sectors have also benefited from opportunities created by the law. In fact, Mexico generated 28 percent more renewable energy in 2012 than the prior year and future growth is highly anticipated.

Graph 1. Renewable Energy Operating vs. Potential Capacity in Mexico
(Figures in megawatts)



Source: Secretariat of Energy (SENER), Energy Regulatory Commission (CRE), Federal Electricity Commission (CFE), National Bank for International Trade (BANCOMEXT), Secretariat of Economy, Central Bank of Mexico (Banco de Mexico) officials, Mexican Association for Wind Energy (AMDEE), National Association for Solar Energy (ANES), Mexico Energy and Sustainability Review, & representatives from American companies in Mexico.

The National Energy Strategy published by the Secretariat of Energy (SENER) has set a goal of generating 35 percent of Mexico's energy from clean sources by 2024 and up to 50 percent by 2050. The Mexican Congress passed an energy reform in December 2013, indicating the current Administration's commitment to meet these ambitious goals. However, secondary laws are crucial to initiate new projects. The content of these laws is expected to be released between the third and fourth quarters of 2014. Once they are announced, a transitional period will extend well into 2015 before the impact is fully understood. In the interim, as implementing regulations are approved, exporters are encouraged to further develop their contacts in Mexico and position themselves for opportunities, should new renewable energy investment begin to materialize.

Based on language of the recent energy reform, Mexico's renewable energy market is expected to be strengthened – but only slightly. The reform bill is largely focused on PEMEX, Mexico's state-run oil company, and is designed to facilitate foreign investment in unconventional oil and gas development. However, some changes to electricity regulations could support new renewable energy development as well. As with any reform effort, early adopters of the reform regulations will likely capture new opportunities, ahead of other competitors.

As of September 2013, a total of 182 renewable energy permits have been issued to the private sector with a capacity of 6,369 megawatts (MW), of which 2244 MW are already in operation. The following table contains the details of the permits granted by the Mexican Federal Energy Regulatory Commission (CRE).

Table 2. Renewable Energy Permits Issued in Mexico
(Figures in megawatts, where labeled MW)

Renewable Energy	Permits Issued	MW in Operation	MW in Development	Inactive MW	Sum (MW)	% of Total
Wind	44	1,474.2	2,876.2	0	4,350.4	68.3
Biomass	55	536.4	115.4	0	651.8	10.2
Photovoltaic (PV)	25	40.7	393.7	0	434.4	6.8
Geothermal	2	0	65	0	65	1
Hydro	36	147.5	578.3	23	748.8	11.8
Biogas	20	45.8	73.7	0	119.5	1.9
Total	**182**	**2,244.6**	**4,102.2**	**23**	**6,369.8**	**100**

Note: Figures as of September 15, 2013.
Source: Energy Regulatory Commission (CRE)

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After the secondary laws of the energy reform are enacted, the renewable energy sub-sectors are expected to grow. As a result, the following sub-sectors will represent opportunities for U.S. exporters: wind, mini-hydro, photovoltaic/solar, geothermal and biomass.

In the wind power industry, there will be opportunities in the deployment of projects, including financing, servicing of equipment, etc. According to ProMexico, the Mexican Government's trade export promotion agency, construction, power generation equipment, metal production, machinery and equipment, plastics, IT equipment, and other smaller sectors would amount to a potential market of $167 billion, if the wind power industry supply chain consolidates in Mexico. Wind power components are reaching the end of their warranty and will soon need servicing. Key stakeholders are requesting government authorities to boost Mexico's capacity 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 percent of the country has insolation levels greater than 4.5 kWh/m2/day, placing Mexico among the top five countries in the world for solar project investment. Although, in most cases, solar energy has still not reached grid parity, it is advisable for U.S. companies to develop a market entry strategy in order to take advantage of opportunities as soon as secondary laws are enacted.

As the price of technology justifies the investment, utility-scale solar projects will be built; consequently, companies with large energy needs in Mexico are being approached. The first large-scale solar project, Aura Solar I, was completed in March 2014 by Gauss Energia in La Paz, Baja California Sur. The $100 million project has a capacity of 39 MW and will produce 82 GW annually.

Ultimately, customers want more competitive energy sourcing that includes energy cost savings, predictable electricity rates, no capital commitments, proven technology with an 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 for the most part, their performance is unreliable.

Other opportunities include those for cross-border energy projects.

The main challenge is the high cost of debt. However, the Export-Import Bank of the United States, Mexican development banks (such as the BANOBRAS for public works and the NAFINSA for small and medium-sized enterprises), private financial institutions, and multilateral development institutions (such as the Inter-American Development Bank, the International Finance Corporation, and the North American Development Bank) are willing to finance renewable energy projects in Mexico.

The state of Oaxaca is experiencing a slowdown in projects, likely due to a lack of community engagement in early projects. Transmission infrastructure may be insufficient in crowded areas, particularly in Oaxaca, where wind power projects require more transmission lines and there are active hydro energy projects.

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According to SENER, Mexico will invest $300 billion in clean energy infrastructure over the next four years to increase clean energy generation to 32.9 percent of the country's total. CFE has expressed interest in engaging in strategic partnerships with private companies in the development of renewable energy generation projects. In July 2014, the Director of CFE will announce a 296 MW wind project known as 44 CE in La Rumorosa, Baja California with an expected investment of $634 million. Currently, the proposals are due to CFE by January 2015 and companies the submitted proposals would be expected to be in operation by December 2016.

The Mexican Government has prioritized wind, solar and geothermal power development projects. The markets in these three subsectors are relatively mature, allowing U.S. companies to sell related products into the Mexican project pipeline. Currently, there are some private sector projects in the early phase of implementation. Nevertheless, most renewable energy companies are waiting for the passage of the secondary legislation related to energy reform to understand the new rules that will dictate the sector.

In June 2014, SENER announced a public tender for 32 million energy efficient light bulbs to promote energy efficiency usage. According to SENER, Mexico will stop selling regular light bulbs by 2015.

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

Federal Electricity Commission (CFE) http://www.cfe.gob.mx

Energy Regulatory Commission (CRE)	http://www.cre.gob.mx
National Development Plan	http://www.pnd.gob.mx
Fund for Energy Saving (FIDE)	http://www.fide.gob.mx
Mexican Association for Wind Energy (AMDEE)	http://www.amdee.org
National Association for Solar Energy (ANES)	http://www.anes.org
National Commission for the Efficient Use of Energy	http://www.conuee.gob.mx

Events

National Week of Solar Energy October 6-10, 2014 Queretaro, Queretaro	http://www.anes.org http://solarthermalworld.org/content/38th-national-week-solar-energy-queretaro
Border Energy Forum XXI October 15-17, 2014 Monterrey, Nuevo Leon	http://www.glo.texas.gov/border-energy-forum
MiaGreen Expo February 11-12, 2015 Miami, FL	http://www.miagreen.com
Mexico WindPower Expo February 25-26, 2015 Mexico City, Mexico	http://www.mexicowindpower.com.mx
Lightfair International May 3-7, 2015 New York, NY	http://www.lightfair.com
WindPower May 18-21, 2015 Orlando, FL	http://windpowerexpo.com/wp15
Mexican International Renewable Energy Congress (MIREC) Late May 2015 Mexico City, Mexico	http://www.greenpowerconferences.com

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Security and Safety Equipment and Services

Overview

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Table 1. Security and Safety Equipment and Services Market Overview
(Figures in USD billions)

Indicator	2011	2012	2013[e]	2014[p]
Total Market Size	2.44	2.39	2.29	2.44
Total Local Production	2.23	2.30	2.33	2.37
Total Exports	2.09	2.35	2.43	2.33
Total Imports	2.35	2.44	2.40	2.40
Total Imports from the U.S.	.89	.86	.79	.85

[e] Estimated data

[p] Projected data

Note: The safety and security equipment and services market encompass several different industrial sectors, including defense.

Source: Global Trade Atlas

The safety and security industry includes equipment, solutions, and services used for public security, personal protection, residential security, industrial safety, corporate and infrastructure protection (e.g. access control, ID, and perimeter security), as well as various solutions and systems designed for law enforcement and defense agencies.

Economic growth in Mexico fell to 1.2 percent in 2013, below that of previous years. However, the security and safety market performed well, with an average expansion of 16 percent, driven primarily by private sector consumption. In comparison, government consumption was restricted through the end of the year, which had a moderate effect on overall sector growth. Demand for security and safety equipment and services continues to be linked to current security conditions, expectations, and perceptions by Mexican end-users.

The security industry has quickly evolved in recent years due to several factors, which include new threats and risks and technological advances in the sector. However, in Mexico, this market is not new, and currently, an increased number of suppliers are searching for opportunities to obtain large projects, new clients, and government tenders.

The Mexican market offers a variety of security equipment options, from pepper spray to complex communications platforms and database management solutions. Nevertheless, cargo ground transportation robberies have caused an increase in the use of vehicle tracking systems (38 percent, according to the National Association of Vehicle Tracking), while security software sales increased 3.5 percent, according to industry sources. Private security services are estimated to represent approximately one percent of the gross national product (over $8 billion), according to the National Council of Private Security (CNSP). In addition, several sub-sectors have experienced steady demand in Mexico, such as CCTV and alarms, perimeter protection devices, access control, and personal protection devices.

The federal government has been modifying the structure of public security entities; new security plans include the division of the country into three regions with improved coordination among all levels of government. As a result, opportunities for government procurement contracts are expected to improve in 2014. New federal officers for certain states (e.g. Michoacán) have been appointed to resolve local conflicts and reestablish social order. Federal and state governments have been modernizing their infrastructure, and police elements are receiving training to obtain better results and strengthen the protection of civil society. Furthermore, the new administrations at the state level have been installing video surveillance networks for enhanced coverage and to offer advanced public security. Nonetheless, local and state police units continue to be trained in honesty and commitment to their missions.

Recently, the National Commission for Security (CNS) reported that a new gendarmerie will be operational in July 2014 with 5,000 troops supporting state and local governments. The gendarmerie will be trained under police and military programs and will have mobile capabilities. The new force will be the seventh division of the federal police.

Mexico's culture is slowly undergoing a transitional phase in the safety industry. For family-owned and small businesses, this transition has not yet occurred, mainly due to the lack of economic resources. Furthermore, the Mexican Secretariat of Labor lacks sufficient inspectors to perform regular industrial security audits or inspections. With regard to products, a high volume of safety products, such as safety glasses, gloves, and shoes, are made locally or imported from Asia at low prices.

In the fire sub-sector, there are several limitations, including the number of firefighters, insufficient resources, low wages, and insufficient training or education. The Secretariat of the Interior (SEGOB), through the National Coordination of Civil Protection, regulates national emergencies, while each local and state government has its own civil protection unit. The National Coordination of Civil Protection oversees the Natural Disasters National Fund (FONDEN), whose annual budget is approximately $360 million. The objective of the fund is to support the rapid restoration of federal and state infrastructure damaged by natural disaster events. Acquisitions for these projects are procured through federal tenders.

Large industries, such as oil and gas, construction, chemical, automotive, and infrastructure, comply with the Secretariat of Labor's safety regulations, which are based on international and domestic standards. In Mexico, domestic standards are referred to as NOMs, or Official Mexican Standards. International standards include those of the National Fire Protection Association (NFPA) and the Underwriters Laboratories (UL). Private and public entities in the aforementioned industries have the resources to invest in safety products.

Sub-Sector Best Prospects

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Best prospects for products and services in the industry include:

Public sector:

- Access control solutions

- Perimeter surveillance
- Biometric solutions
- Tactical equipment
- Communications systems (wireless, internet, GPS, etc.)
- Integrated security solutions (compatibility and integration services)
- High-tech night vision tactical equipment
- CCTV
- Advanced applications

Private sector:

- CCTV
- Perimeter protection solutions
- Access control
- Alarms
- Digital security systems (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 and apparel
- Fire alarms, detectors, suppressors, etc.
- Special gloves and safety goggles

Opportunities

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The universe 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 Mexico. The Mexican government continues to focus purchases on body protection equipment, combat systems, CCTV, personal and transportation solutions, security vehicles, and maintenance services, as well as military and defense equipment.

Web Resources

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National Institute for Statistics and Geography (INEGI)	http://www.inegi.org.mx
Secretariat of the Interior (SEGOB)	http://www.segob.gob.mx
Latin American Association for Security (ALAS)	http://www.alas.org.mx
American Association for Industry Security (ASIS)	http://www.asis.org.mx

Mexico United against Crime http://www.mucd.org.mx

National Council for Private Security (CNSP) http://www.cnsp.org.mx

Events

Expo Mundo de la Seguridad
November 5-7, 2014
Monterrey, Nuevo Leon
http://www.expomundodelaseguridad.com

Expo Security
April 28-30, 2015
Mexico City, Mexico
http://www.exposeguridadmexico.com/en

Expo Industrial Security
April 28-30, 2015
Mexico City, Mexico
http://www.exposeguridadindustrial.com/en

NFPA Mexico Fire Expo
April 28-30, 2015
Mexico City, Mexico
http://www.mexicofireexpo.com

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Smart Grid

Overview

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Mexico is considered one of the top emerging global markets for smart grid technology exports from the U.S. Mexico's Federal Electricity Commission (CFE), the State-owned utility company, has taken significant steps in what will be a nationwide rollout of smart grid technology and capabilities. Efforts began in 2010 with the implementation of Carnegie Mellon's Smart Grid Maturity Model, which provided the CFE with an assessment of Mexico's electrical grid. Since then, the CFE has worked on developing a unified vision of the Mexican smart grid and establishing a roadmap that will define objectives, specific technologies, a rollout schedule, and prioritize projects. A final version of the roadmap is currently under review; however, the CFE has moved ahead in implementing smart metering pilots, control and automation systems, and grid monitoring solutions, such as phasor measurement units (PMU), among several other technologies.

Important policy drivers are also in place. Smart grid implementation is specifically mentioned in the National Energy Strategy as a means to reduce power losses to internationally-accepted standards and enable the integration of energy generated from intermittent renewable sources. The Mexican Energy Regulatory Commission (CRE) received a grant from the U.S. Trade and Development Agency to develop a smart grid and a renewable energy integration regulatory roadmap in 2012. Currently, the CRE is working with a U.S. consulting firm on this project.

As one of the world's largest fully vertically-integrated utility companies in an emerging economy, the goal of the CFE is to leverage smart grid technologies to deliver electric power more efficiently. Consequently, the company is looking towards 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.

Additionally, the secondary laws for the energy reform, which was ratified in December 2013, are currently under review in Congress. These laws are expected to facilitate the complete opening of power generation to the private sector, as well as the retail of electricity by public and private entities, which will support the CFE's efforts to become more competitive. The National Center for the Control of Energy (CENACE), the country's grid operator and currently, part of the CFE, will become an independent organization under the Mexican Secretariat of Energy.

The CFE's procurement process can be either by invitation or through 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, since these are very complicated to submit. Foreign companies often form consortiums with Mexican vendors to compete in the CFE tenders, benefitting from their partners' local expertise.

Sub-Sector Best Prospects

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An outline of the CFE's smart grid roadmap has been made available to government entities and industry stakeholders. 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

Opportunities Return to top

The CFE has identified five 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 U.S. electrical grids along the border, the CFE's longstanding relationship with many firms in the U.S., 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 company covering a quickly-expanding customer base of 40 million clients.

Although mentioned in the National Energy Strategy, one of the main challenges to the development of the smart grid market in Mexico is the absence of a specific legal framework and smart grid mandate. This has contributed to a prevalence of isolated efforts and a lack of coordination. The regulatory roadmap currently being developed by the CRE is expected to provide the necessary framework. This roadmap, in conjunction with the CFE's smart grid roadmap for the company's implementation of technologies and changes brought upon by the energy reform, should lead to a more coordinated and focused rollout.

A second challenge lies in the budgetary constraints under which CFE operates. The company has a specific mandate to provide electricity to the Mexican people at the lowest possible cost; this creates difficulties in integrating new technologies into its congressionally-approved annual budget. The CFE must convince the Secretariat of

Treasury and Public Finance (which regulates power fees) and the Secretariat of 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 the CFE has not yet addressed. The CFE is currently part of the Smart Grid Interoperability Panel and numerous efforts are being made by the U.S. Department of Commerce, the U.S. Commercial Service in Mexico, and American trade associations, such as the National Electrical Manufacturers Association (NEMA), to generate increased awareness.

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Secretariat of Energy (SENER)	http://www.energia.gob.mx
Federal Electricity Commission (CFE)	http://www.cfe.gob.mx
Energy Regulatory Commission (CRE)	http://www.cre.gob.mx
National Electrical Manufacturers Association (NEMA)	http://www.nema.org

Events

DistribuTECH February 3-5, 2015 San Diego CA	www.distributech.com
Electric Forum Expo 2015 Boca del Rio, Veracruz	http://www.expoforoelectricocaname.org.mx

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Telecommunications Equipment

Overview

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Table 1. Mexican Telecommunications Market Overview
(Figures in millions)

Indicator	2011	2012	2013	2014[e]	2015[p]	2016[p]	2017[p]	2018[p]
Fixed Lines	19.7	20.1	20.1	19.9	19.6	19.5	19.5	19.4
Mobile Subscribers	94.6	100.6	102.8	105.9	108.6	110.7	112.4	113.5
3G & 4G Subscribers	3.9	6.5	8.8	10.4	11.9	13.8	16.2	19.1
Internet Users	40.6	45.1	47.7	49.7	51.2	53.2	55.8	59.2
Broadband Subscribers	12.6	14.7	17.2	20.0	22.6	24.8	26.9	28.9

[e] Estimated data

[p] Projected data

Source: Business Monitor International

Since 2010, the Mexican telecommunications market has consistently outpaced GDP growth, driven to a large extent by mobile telephony, broadband, and broadcasting. Mexico is now considered a medium-maturity market for wireless telephony; wireless operators experienced 8.6 percent growth in their revenue and the number of mobile lines in the country topped the threshold of 100 million 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 14 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 member countries of the Organization for Economic Co-operation and Development (OECD). There are more than 32 million smartphones in use in Mexico.

The Mexican telecommunications market is dominated by a handful of players in fixed and mobile telephony, as well as broadcasting. Telmex, the once State-owned telephone monopoly that was privatized in 1990, currently holds 77 percent of the market share in fixed telephony and 61 percent of fixed broadband subscriptions. In the mobile market, Telcel, the sister company to Telmex, has a 70 percent share of the market, while Movistar, the Mexican division of the Spanish company Telefonica, holds 20 percent, followed by Iusacell with five percent. (Both Telcel and Telefonica operate LTE networks.) Televisa and TV Azteca's dominance in broadcasting has gone relatively unchallenged, but tenders for two new open television channels were launched in March 2014.

A sweeping telecommunications reform bill proposed by the current Administration was ratified in 2013. However, the secondary laws that will implement the constitutional reform are currently being reviewed by Congress and may be passed in summer 2014. These reforms are expected to boost growth and create a more open market, for their main objectives are to close the digital divide, improve the regulatory environment, and increase competition.

Infrastructure investments by the public sector should grow substantially as part of the effort to provide universal access to broadband and to carry out many of the e-government strategies at the local, state and federal 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 the 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 is being implemented in Northern Mexico and a full analog blackout is scheduled for 2015. In addition, the MexSat program contemplates the launch of three new C, L, and Ku-band satellites, destined for Mexican national security and commercial use. The first of these, Bicentario, was launched in December 2012. Two more, Morelos and Centenario, are scheduled to be launched in 2014 and 2015. This satellite system will be operated by Telecommunications of Mexico, formerly Telegraphs of México, part of the Secretariat of Communications and Transportation.

Finally, the two most promising government projects for U.S. telecommunications equipment manufacturers are the building of a national trunk line and a shared network using the recently liberated 700 MHz band. These projects should be completed before 2018 but the details are yet to be defined.

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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 telephony	Telcel Movistar Iusacell Nextel
Fixed telephony	Telmex Alestra AXTEL Maxcom
Cable TV	Megacable Cablemas Cablevision
Internet	Telmex AXTEL
Telecommunications service bundles	Telmex TV Azteca (Total Play)

("triple or quadruple play")	Megacable Cablevisión AXTEL

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

- Business intelligence software
- CATV network applications
- Consulting & IT Systems integration
- Information security services
- Telecommunications infrastructure
- Leased infrastructure (NOCs, SOCs)
- Maintenance & service
- Tailored software applications for vertical markets
- Training (bundled with an overall solution)
- Wireless applications (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:

- Cloud computing and network terminals, using web-based applications
- Green IT equipment for data centers
- Mobile broadband
- Online advertising
- Social networks
- Virtualization
- Web 2.0
- WiMax equipment, 3G and LTE (4G) equipment for mobile carriers

Opportunities

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There are several opportunities in the telecommunications sector. Carriers are increasing their spectrum capacity, and LTE (4G) networks will continue expanding. Network and infrastructure projects are carried out by telecom equipment OEMs (including Nokia-Siemens, NEC, Cisco, Ericsson, Huawei, Alcatel-Lucent, ZTE, and Juniper Networks) acting as integrators. They actively pursue opportunities and U.S. 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).

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Federal Institute for Telecommunications	http://www.ift.org.mx
Mexican Association for Internet	http://www.amipci.org.mx
National Chamber for the Telecommunications and IT Electronics Industry	http://www.canieti.org.mx
National Chamber for the Telecommunications Industry	http://www.canitec.org

Events

ITT Expo September 24-26, 2014 Mexico City, Mexico	http://www.ittexpo.com.mx
WCIT 2014 September 29 – October 1, 2014 Guadalajara, Jalisco	www.wcit2014.com
Expo Data Center 2015 Mexico City, Mexico	www.expodatacenter.com

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Transportation Infrastructure Equipment and Services

Overview

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Table 1. Transportation Infrastructure Equipment and Services Market Overview
(Figures in USD billions)

Indicator	2012	2013	2014[p]
Total Market Size	2.27	2.29	2.36
Total Local Production	4.31	4.35	4.48
Total Exports	3.79	3.83	3.94
Total Imports	1.32	1.33	1.37
Total Imports from the U.S.	.84	.85	.88

[p] Projected data

Note: Data includes trucks for semi-trailers.

Source: National Bank for International Trade (Bancomext) & Secretariat of Economy

The Mexican transportation sector is facing one of the most important challenges in its history. The huge growth in Mexican foreign trade, in addition to the increase in traffic of merchandise arriving at Mexican ports for export to the U.S. and Canada, require a transportation sector able to provide efficiency, cost savings, and cargo security.

Within the Mexican port system, several important projects began in 2013, including the expansion of the Port of Veracruz, which 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. In 2012, the Port of Lazaro Cardenas granted a concession for the construction of a new container terminal. Additionally, the Port of Guaymas opened a public tender for the construction of a new terminal and facilities to handle bulk mineral shipments. Also, the Port of Mazatlan will modernize its multi-purpose use terminal. In the Port of Manzanillo a new concessioner will start the construction of a second container terminal. Many projects, including improving facilities and building new private multimodal terminals and distribution centers, that were on standby during 2010-2012 and part of 2013 will be taken over by private investors.

Figure 1. Map of the Mexican Port System

Source: Secretariat of Communications and Transportation

Although railroads have played an increasingly larger in the transportation sector, their participation in cargo movement in Mexico remains low. According to the Secretariat of Communications and Transportation (SCT) and the Secretariat of Economy, of the more than 900 million tons in goods that were transported across Mexico, 85 percent was moved by trucks, 12 percent by railroads, and three percent by maritime and air shipments.

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 the Administration is to increase the volume of cargo using railroad transportation by at least 18-20 percent by 2015 and to build new interior cargo terminals, port terminals, and multimodal corridors.

Although several infrastructure projects were affected by the 2008-2009 economic downturn and more recently, by the change of presidential administrations, the projected economic growth will allow the public and private sectors to continue with initial plans to develop important transportation infrastructure projects.

The President of Mexico recently announced a planned investment of $586 billion in infrastructure projects during the period from 2014-2018 (See the Infrastructure section). The plan includes a heavy focus on the construction and modernization of roads, airports, maritime ports and railways.

One of the main goals of the Administration is to develop the railroad industry in Mexico for cargo and passenger transportation. SCT has announced the following seven projects for 2013-2018 as key to the development of the Mexican railroad system.

Table 2. Projects to Develop the Mexican Railroad System 2013-2018
(Figures in USD billions)

Project	Status	Details	Value
Mexico – Queretaro	Public tender was announced at the beginning of April 2014.	Passenger train	2.4
Mexico – Toluca	Public tender was announced on March 19, 2014.	Passenger train	1.5
Yucatan- Quintana Roo Transpeninsular	Feasibility study has been completed and submitted for analysis. Public tender is to be announced during the second half of 2014.	Passenger Train	1.5
Chiapas – Quintana Roo (Chiapas – Mayab)	Mexican federal government named Ferrocarril del Itsmo de Tehuantepec the provider of operation, maintenance and cargo services. Investment to upgrade the tracks will be announced in the second half of 2014.	Repair railroad track	.52
Linea 3 Monterrey (metro line)	The consortium formed by Constructora Garza Ponce, Constructora Moyeda, and Alstom Mexicana signed the contract for the construction of the project.	Expansion project	.56
Chalco – La Paz (Estado de Mexico electric train)	Feasibility study under review. International tender to be presented during the second half of 2014.	Light passenger train	2.5
Electric train in Guadalajara	Public tender was announced early in March 2014. The winning concessionaire will be announced in May 2014 and work will begin during the second half of 2014.	Light passenger train	1.6
		Estimated Total Investment	**10.5**

Source: Secretariat of Communications and Transportation

SCT also announced 105 new projects for roads and highways to be tendered in 2013 and 2014 under the Public Private Partnership and concession schemes. The projects were included in an earlier National Infrastructure Program presented in June 2013 by President Peña Nieto.

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Domestic production in the sector consists of low-tech equipment (i.e. front loaders, non-sophisticated traffic control systems, open and closed freight cars, and rail track fixtures) and the manufacture of trucks and trailers, including international brands. These include Chrysler, Freightliner, Mercedes Benz, International, and Kenworth, all of which mainly produce for export. On the other hand, all high-capacity cranes and railroad and lifting equipment are imported. Under NAFTA, most equipment for intermodal transportation manufactured in the U.S. can be imported duty-free.

Products with the best prospects in this market include: frame, mobile, and rotary cranes; self-propelled cranes on tires; front loaders with a capacity of over seven 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; and assemblies for railway vehicles, containers, chassis, and trailers.

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National and international pharmaceutical companies established in Mexico plan to develop new logistics services for pharmaceutical and medical supply chains that require special conditions for transportation, warehousing, and handling. This niche could represent important opportunities for American companies that already offer these services or products related to 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 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.

During 2013, U.S. manufacturers and exporters supplied 64 percent of the sector's total imports, a five percent increase in market share over 2012. The U.S. Commercial Service can provide information on new projects and support introduction of products into this market.

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Secretariat of Communications and Transportation (SCT)	http://www.sct.gob.mx
Secretariat of Economy (SE)	http://www.economia.gob.mx
National Association of Private Transportation	http://www.antp.org.mx
National Cargo Transportation Chamber of Commerce	http://www.canacar.com.mx

Events

Expo Carga June 3-5, 2014 Mexico City, Mexico	http://www.expo-carga.com

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Travel and Tourism Services

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Table 1. Arrivals of Mexican Travelers to the U.S.
(Figures in millions of travelers)

Indicator	2011	2012	2013	2014[p]
Total Arrivals from Mexico	13.49	14.28	14.34	14.77
% Change	0%	5.9%	1%	3%
Total Air Arrivals from Mexico	1.94	2.11	2.13	2.19
% Change	16%	9%	1%	3%

[p] Projected data

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

The United States is the primary destination for Mexican travelers. In 2013, 14.34 million Mexicans traveled to the United States, representing over 20 percent of the total of foreign arrivals to the country. Mexico remained the second largest source of international travelers to the United States, after Canada. Once again, the volume of Mexican travelers to the U.S. increased and surpassed the 2000 record of 14.3 million. It is expected that total arrivals to the U.S. from Mexico will grow another three percent in 2014.

According to the U.S. Department of Commerce Office of Travel and Tourism Industries, in 2013, visitors from Mexico spent an estimated $10.5 billion in the U.S., an increase of five percent compared to 2012. Approximately 75 percent of this total is tied to the 2.13 million Mexicans who traveled to the United States via air. U.S. travel and tourism companies are advised to take this into consideration, when preparing marketing strategies and promotional packages for potential Mexican tourists.

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It is important to differentiate between land and air Mexican travelers to the U.S. 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.

The Pacific and the Atlantic regions maintain the largest market shares for Mexican travelers to the U.S. by air. The top destinations are California, Texas, Florida and New York, followed by Nevada, New Mexico, Colorado, Illinois, and Georgia.

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Mexicans are drawn to the U.S. because of diversity in destinations, infrastructure, and excellent travel and tourism services. More specifically, 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 being 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, for they negotiate directly with U.S. travel and tourism service companies and are able to offer better prices and packages. To save money and facilitate processes, wholesalers in Mexico are now buying products and services from tour operators in the U.S., who deal directly with local tourism service providers to develop travel packages.

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 often have the option to pay for their travel to the U.S. 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 providers of travel and tourism services 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 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.

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Office of Travel and Tourism Industries	http://tinet.ita.doc.gov
U.S. Travel Association	http://www.ustravel.org
Visit USA Committee Mexico	http://www.visitusa.com.mx
Brand USA	http://www.thebrandusa.com

Events

International Tourism Fair of the Americas (FITA) Brand USA Pavillion	http://www.fitamx.com

September 4-7, 2014
Mexico City, Mexico

Business Week by ExpoVacaciones http://www.visitusa.com.mx
February 2015
Mexico City, Mexico

International Pow Wow http://www.ipw.com
May 30 – June 3, 2015
Orlando, FL

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Agribusiness

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Mexico is a priority target market for American agricultural and food machinery and equipment. According to the Department of Commerce's Office of Transportation and Machinery, this market was expected to grow 4.3 percent in 2013 to $1.9 billion.

Major end-uses for agricultural equipment include production in agriculture for cultivating crops (e.g. food, fiber, and fuel), raising livestock, and some immediate post-harvest processing (e.g. grading and sorting fresh produce). Agricultural equipment encompasses products with both agricultural and non-agricultural end-uses, such as commercial mowers and irrigation equipment.

In food and beverage manufacturing, food processing and packaging machinery is employed for the production of semi-finished ingredients and finished food and beverage products. Other end-uses include pharmaceuticals manufacturing and the packaging of a wide range of other consumer packaged goods.

Commercial and industrial refrigeration equipment and commercial food service equipment is used in distribution and point-of-sale. Specifically, this equipment can be used in the distribution of fresh, frozen, and refrigerated food and beverage products, and in the delivery of these products to consumers at the final point-of-sale in commercial or institutional catering and retail settings.

The agricultural and food machinery and equipment in the end-use descriptions mentioned include the following products, as codified by the North American Industry Classification System (NAICS):

- Farm Machinery & Equipment Manufacturing (NAICS 333111)
- Food Product Machinery Manufacturing (NAICS 333294)
- Packaging Machinery Manufacturing (select codes within NAICS 333994)
- Commercial & Industrial Refrigeration Equipment (select codes within NAICS 333415*)
- Commercial Food Service Equipment Manufacturing (NAICS 333319**)

U.S. suppliers account for 68.8 percent of this sector's market share.

Table 1. Mexico: Market Segmentation of Agricultural Equipment Imports

Country	Market Share
United States	68.8%
Italy	4.4%
India	4.2%
Germany	3.3%
Spain	3.3%

Note: 2012 data

Source: United Nations via Global Trade Atlas

The table below details the major U.S. export categories into Mexico by type of equipment:

Table 2. U.S. Agricultural Equipment Exports: Major Export Categories
*(*Figures in USD millions)*

Product	2010*	2011*	2012*	2013*	% Change 2012-2013	CAGR** 2009-2013
Irrigation Equipment (Other)	43.86	58.02	69.74	67.72	-2.9%	17.3%
Combine Harvesters (Self-Propelled)	20.19	37.27	46.90	51.10	9.0%	17.9%
Irrigation Equipment (Center Pivot)	55.45	46.61	66.95	45.34	-32.3%	10.6%
Sprayers (Capacity greater than 20L)	27.12	24.86	27.36	33.99	24.2%	7.9%
Sprayers (Other)	22.67	38.00	31.02	33.52	8.0%	1.5%
Wheeled Agricultural Tractors (Used)	22.11	36.88	29.77	33.03	11.0%	13.2%
Balers	13.40	18.08	27.08	18.96	-30.0%	28.5%
Engines and Motors	2.45	6.45	9.18	18.60	102.7%	47.2%
Other Agricultural Equipment	7.91	12.16	14.69	17.99	22.5%	34.6%
Poultry (Keeping Machinery)	11.57	19.55	12.10	14.45	19.5%	21.7%
AgParts	383.91	380.25	502.80	544.33	8.3%	21.9%
Total	742.16	845.27	988.33	1,021.47	3.4%	16.7%

**Compound Annual Growth Rate

Source: U.S. Department of Commerce's Bureau of the Census

The portion of the Mexican labor force devoted to agriculture is estimated to be 13.7 percent, with the industry capturing 23.4 percent of the labor force and 62.9 percent of services. According to the CIA World Factbook, in terms of arable land, of the country's total 1,943,945 km^2, approximately 12.98 percent is arable and 64,600 km^2 is already irrigated.

With 27,300 hectares of permanent cropland, Mexico is among the top 15 world leaders in the agribusiness industry. Major agricultural products in Mexico include those listed in Table 3.

Table 3. Mexico: Major Agricultural Products

Product	Value *(USD billions)*	Volume *(metric tons)*
Beef (meat)	5.56	2.06
Chicken (meat)	3.93	2.76
Cows' milk	3.35	10.72
Eggs (chicken)	2.04	2.46
Pork (meat)	1.85	1.20
Sugar cane	1.63	49.73
Mangoes, mangosteens, guavas	1.09	1.83
Green chillies, peppers	1.00	2.13

Tomatoes	.90	2.44
Avocados	.88	1.26

Note: 2011 data

Source: United Nations Food and Agriculture Organization

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With growth averaging 3.4 percent in 2013 and a five year average growth of nearly 17 percent, the agribusiness industry in Mexico is a sector in continuous and steady expansion. The agribusiness landscape is driven in part by strong consumer demand by a large population and a steadily growing middle class. 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 continues to present U.S. suppliers with opportunities, albeit more muted than in years past. Approximately 70 percent of Mexican agriculture is still harvested through manual labor, utilizing rudimentary tools. Less than 20 percent of croplands are irrigated, leaving crops dependent on seasonal rains or irrigation through mobile water pumps.

In May 2014, President Peña Nieto announced over $7 billion in programs to provide water to over 1.3 million hectares of land to support agribusiness. Another federal government agricultural program (previously known as PROCAMPO, now named PROAGRO) will provide this sector with $1.2 billion for fertilizers and seeds distributed in kind.

U.S. firms lead in irrigation technology, commercial mowers, and farm dairy equipment. Focused efforts by U.S. exporters to uncover sales opportunities for such equipment will be met with long term success, 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 foregoing fertilizing altogether. While potash demand has experienced volatile swings in recent years in the region, nitrogen (and to a lesser extent, phosphate) has experienced steady demand. According to the Business Monitor International Agribusiness Report for 2014, use of these fertilizers has experienced significant growth over the past decade and will continue to grow in the coming years. Affordable fertilizers have strong market potential in the agricultural sector.

Pesticides

Pesticides is another sub-sector with virtually no national competition. With harvestable land increasing yearly, there is strong market demand for pesticides. These products have also received heavy subsidies from the federal government for small producers.

Packaging Equipment

General packaging equipment has also had a very considerable increase in demand due to producers' desires to begin packaging their own products. This is the case for the poultry and meat processing industry. Exports require standardized packaging and have specific labeling requirements, which need advanced technology and machinery that is not produced in Mexico.

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Since 90 percent of agribusiness technology and equipment is imported, there is virtually no domestic competition for products in this sector. U.S. products are most often the first choice for Mexican companies due in large part to their reputation for excellent quality, innovation, and efficiency.

The following sectors present the best opportunities for U.S. companies.

- Protected Agricultural-Green House Equipment
- Greenhouses and Shades
- Irrigation equipment
- Fertilizers
- Tractor Spare Parts

Web Resources

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Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA)	http://www.sagarpa.gob.mx
Federal Commission for the Protection against Sanitary Risk (COFEPRIS)	http://www.cofepris.gob.mx
Tax Administration Service (SAT)	http://www.sat.gob.mx
National Association of Fertilizer Traders (ANACOFER)	http://www.anacofer.com.mx
Mexican Association for Protected Horticulture (AMHPAC)	http://www.amhpac.org
National Union of Poultry Farmers	http://www.una.org.mx
International Egg Commission	https://www.internationalegg.com

Events

FIGAP October 22-24, 2014 October 21-23, 2015 Guadalajara, Jalisco	http://www.figap.com
Expo Agro Alimentaria November 11-14, 2014	http://www.expoagrogto.com

Irapuato, Guanajuato

International Production & Processing Expo January 27-29, 2015 Atlanta, GA	http://www.ippexpo.org
Expo Agro Sinaloa February 9-12, 2015 Culiacan, Sinaloa	http://www.expoagro.org.mx
World Ag Expo February 10-12, 2015 Tulare, CA	http://www.worldagexpo.com
Expo Carnes February 18-20, 2015 Monterrey, Nuevo Leon	http://www.expocarnes.com
Expo ANTAD March 18-20, 2015 Guadalajara, Jalisco	http://www.expoantad.net

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Agricultural Sectors

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With a growing population, an expanding economy, and an increasingly market-oriented agricultural sector, Mexico remained the U.S.' third largest agricultural trading partner in 2013, accounting for nearly 13 percent of total American agricultural exports. The U.S. remains Mexico's principal agricultural trading partner, receiving almost 80 percent of Mexico's total exports. Specifically, Mexico exported a record $17.7 billion worth of agricultural products to the U.S. in 2013. Mexican demand for agricultural products from the U.S. remained strong, although it fell by six percent in 2013 from 2012 with total exports from the U.S. valued at $18.1 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 1994, when NAFTA entered into effect, bilateral agricultural trade between the U.S. 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, agricultural exports from the U.S. to Mexico have grown at similar rates, reflecting the mutually beneficial outcomes NAFTA has provided to both countries' agricultural sectors.

Table 1. Major Agricultural Exports from the U.S. to Mexico in 2013
(Figures in USD millions)

Product	Value
Corn	1,764.8
Soybeans	1,543.6
Dairy products	1,429.0
Poultry meat & products	1,164.8
Wheat	907.2
Sugar/sweeteners	764.8
Soybean meal	672.5
Fresh Fruit	625.9
Rice	404.6
Processed fruit & vegetables	367.1
Snack foods	265.3
Coarse grains	265.1
Tree nuts	206.5
Eggs & products	199.1
Wine & beer	147.5

Source: U.S. Foreign Agricultural Service's Global Agricultural Trade System

Table 2. Dairy Products* Market Overview
(Figures in thousands of metric tons)

Indicator	2012	2013	2014[p]
Total Local Production	12,093	12,081	12,162
Total Domestic Consumption	12,480	12,472	12,564
Total Exports	23	19	20
Total Imports	410	410	422

*Aggregate of all dairy products

[p] Projected data

Source: Foreign Agricultural Service's Production, Supply and Distribution (PSD) online database

Dairy consumption in Mexico should remain stable in 2014, with fluid milk being one of the commodities most in demand. The shift toward specialized dairy products, such as lactose-free, high calcium, and weight-control or loss goods, continued. As a result, increasing amounts of fluid milk and non-fat dry milk are being directed toward processing use. Although the domestic industry has experienced steady production growth, Mexico is a milk production-deficit nation and will continue to be an attractive market for dairy and dairy product exporters from the U.S.

Table 3. Beef & Pork Meat Market Overview
(Figures in thousands of metric tons CWE)*

Indicator	2012	2013	2014[p]
Total Local Production	3,060	3,089	3,105
Total Domestic Consumption	3,686	3,827	3,820
Total Exports	295	277	305
Total Imports	921	1,015	1,020

*Carcass-Weight Equivalent (CWE)

[p] Projected data

Source: Foreign Agricultural Service's Production, Supply and Distribution (PSD) online database

Mexican red meat consumption is projected to decrease due to higher production costs, tighter domestic and imported supplies, and further increases in the price of beef. However, beef imports are expected to rise as domestic production in Mexico stagnates. Mexico is considered a price-sensitive market for beef products. The disparate distribution of wealth among Mexican consumers impedes many American beef products from entering the market, for consumers lack the purchasing power required and instead, turn to other proteins, including pork and poultry.

Pork production in Mexico is expected to rise due to better farm management and strong demand from Asia. Furthermore, pork consumption has grown in step with Mexico's economy, as increased discretionary income allows Mexican consumers to buy more expensive proteins, such as pork. Pork imports in Mexico consist primarily of hams and mechanically deboned meat for the preparation of sausages, deli hams, and other cold cuts.

Table 4. Poultry* Meat Market Overview
*(Figures in thousands of metric tons CWE**)*

Indicator	2012	2013	2014^{p}
Total Local Production	2,972	3,012	3,070
Total Domestic Consumption	3,921	3,848	3,921
Total Exports	6	6	6
Total Imports	776	683	857

*Include chicken and turkey

**Carcass-Weight Equivalent (CWE)

^{p} Projected data

Source: Foreign Agricultural Service's Production, Supply and Distribution (PSD) online database

In 2014, the U.S. will remain the main supplier of poultry exports to Mexico, which represents a $1 billion export market for American suppliers. Although consumption growth in Mexico is expected to slow in the coming years, Mexican poultry demand will continue growing in 2014, as economic prosperity enables consumers to purchase a greater volume of cheaper proteins. Despite imports of poultry products being increasingly diversified, the top two products imported by Mexico are fresh or chilled mechanically deboned chicken meat and chilled or frozen chicken leg quarters.

Currently, Mexico does not impose anti-dumping duties on chicken leg quarters from the U.S. due to the state of Mexican supply, which contracted as a result of an outbreak of highly pathogenic avian influenza (HPAI). The HPAI outbreak also slowed Mexican poultry exports, as foreign markets refuse to accept Mexican poultry.

Table 5. Soybean Market Overview
(Figures in thousands of metric tons)

Indicator	2012	2013	2014^{p}
Total Local Production	657	653	690
Total Domestic Consumption	840	844	880
Total Exports	4	4	4
Total Imports	145	194	190

^{p} Projected data

Source: Foreign Agricultural Service's Production, Supply and Distribution (PSD) online database

The U.S. serves as the primary exporter and supplier of soybeans to Mexico. As a result of a government soybean support program, Mexican soybean production is expected to increase. Soybean oil and meal production should also rise slightly. Moreover, due to an upswing in feed demand, domestic soybean consumption will increase moderately. Consequently, the forecast for soybean imports for 2014 is approximately 2 percent greater than last year, given a growing demand from the domestic poultry and pork sectors, as well as population growth.

Table 5. Fresh Fruit* Market Overview
(Figures in thousands of metric tons)

Indicator	2012	2013	2014[p]
Total Local Production	824	853	670
Total Domestic Consumption	903	962	848
Total Exports	172	138	317
Total Imports	348	360	398

*Includes apples, pears, and grapes

[p] Projected data

Source: Foreign Agricultural Service's Production, Supply and Distribution (PSD) online database

The U.S. is the largest supplier of apples, pears, and grapes to the Mexican market, and this trend is projected to continue. Apple import levels depend heavily on the peso to dollar exchange rate; nonetheless, the apple industry in the U.S. has successfully marketed American apples through in-store promotions retaining its dominant market position.

The domestic supply of pears is stocked through imports, primarily from the U.S. Wholesale markets remain the most important fruit distribution channel for U.S. pears.

As for grapes, Mexico is an important market for grapes from the U.S. and Chile. Promotional efforts have increased consumption, leading to greater domestic production and imports, of which 70 percent are of U.S. origin.

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In 2013, Mexico imported almost $19 billion worth of agricultural, fishery, and forestry products from the U.S., representing a slight decrease from 2012. As the Mexican economy stabilizes, exports are expected to increase in 2014.

The strengthening of U.S. exports to Mexico in 2013 occurred across several product categories, including coarse grains, red meats, soybeans and by-products (e.g. soybean 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.

With the rising trend in healthier eating, demand for organic food products in Mexico has grown in recent years, for Mexican consumers perceive organic foods as being healthier than conventional foods. Presently, Mexico is considered the most obese country in the world, and the Mexican government has made it a priority to reverse this through educational campaigns and new food nutrition laws that target school children. As a result, a growing number of Mexican consumers are pursuing healthier lifestyles, which include better eating habits, making Mexico an attractive market for American exporters of organic and other healthy food products.

The developing wine culture in Mexico creates an attractive market for U.S. wine exporters. Expanding consumer interest in wine and a thriving middle class have contributed to the expansion of this industry. Market analysts estimate an annual growth rate of 12 percent in consumption in the coming years. Furthermore, analysts rank Mexico among the countries with the fastest growing wine consumption in the world.

Mexico's transition to more wine consumption over other alcoholic beverages, increased interest among different consumer sectors (e.g. women and young adults) and growing interest among consumers in trying novel wines has also led to new opportunities for wine exports from the U.S.

Table 6. Major Agricultural Exports from the U.S. to Mexico
(Figures in USD millions)

Product	2011	2012	2013
Bulk Products			
Corn	2,635.2	2,553.3	1,764.8
Soybeans	1,650.3	1,862.9	1,543.6
Wheat	1,018.9	1,120.5	907.2
Cotton	778.6	397.5	418.6
Rice	356.4	364.4	404.6
Intermediate Products			
Sugar, sweeteners, bev. bases	791.2	942.8	764.8
Soybean meal	582.5	646.3	672.5
Distillers grains	443.0	418.7	378.8
Animal fats	515.5	439.9	353.6
Planting seeds	263.0	234.5	252.4
Consumer Oriented Products			
Dairy products	1,164.8	1,227.8	1,429.0
Pork & pork products	1,041.4	1,128.5	1,222.0
Poultry meat & products*	845.5	1,050.6	1,164.8
Beef & beef products	985.2	822.2	925.3
Prepared food	584.3	641.9	676.9
Agricultural Related Products			
Forest products	530.1	596.0	617.5
Ethanol (non-bev.)	86.4	98.0	81.8
Fish products	44.0	43.7	50.8
Distilled spirits	46.9	77.0	47.4
Biodiesel (B100 equiv.)	0.0	1.1	0.9
Total			
Agricultural products	18,345.1	18,920.8	18,098.8
Agricultural & related products	19,052.5	19,736.7	18,897.2

*Excludes eggs

Note: This list of products is excerpted from the USDA's BICO Report. Consequently, the totals for "Agricultural products" and "Agricultural & related products" are not equivalent to the sum of the figures included in this table, for the totals account for all products.

Source: U.S. Foreign Agricultural Service's Global Agricultural Trade System

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U.S. Department of Agriculture's Foreign http://www.fas.usda.gov

Agricultural Service

USDA Foreign Agricultural Service's Global Agricultural Trade System (GATS)	http://apps.fas.usda.gov/gats/default.aspx
USDA Foreign Agricultural Service's Production, Supply and Distribution (PSD) online database	http://apps.fas.usda.gov/psdonline
USDA Global Agriculture Information Network (GAIN)	http://gain.fas.usda.gov/Pages/Default.aspx

Events

Agro Baja (Agriculture and Fishing) March 2015 Mexicali, BC	http://www.agrobaja.com
ABASTUR (Hospitality) September 1-4, 2014 Mexico City, DF	http://www.abastur.com
Alimentaria (Food and Beverage) June 2015 Mexico City, DF	http://www.alimentaria-mexico.com
ExpHotel (Hospitality industry) June 2015 Cancun, QR	http://exphotel.com/en
ExpoRestaurantes (Restaurants) June 2015 Mexico City, Mexico	http://www.exporestaurantes.com.mx
Confitexpo (Confectionary) July 29-Aug. 1, 2014 Guadalajara, Jalisco	http://confitexpo.com
MexiPan (Bread) Aug 27-30, 2014 Mexico City, DF	http://www.mexipan.com.mx/index.php

For more information on Agricultural sectors in Mexico, please contact:

Agricultural Trade Office - Mexico City
Tel.: (52 55) 5080 2000 ext. 5282
E-mail: atomexico@fas.usda.gov

Agricultural Trade Office - Monterrey

Tel.: (52 81) 8333 5289
E-mail: atomonterrey@fas.usda.gov

Office of Agricultural Affairs – Mexico City
Tel.: (52 55) 5080 2532
E-mail: agmexico@fas.usda.gov

Mexico's National Infrastructure Program

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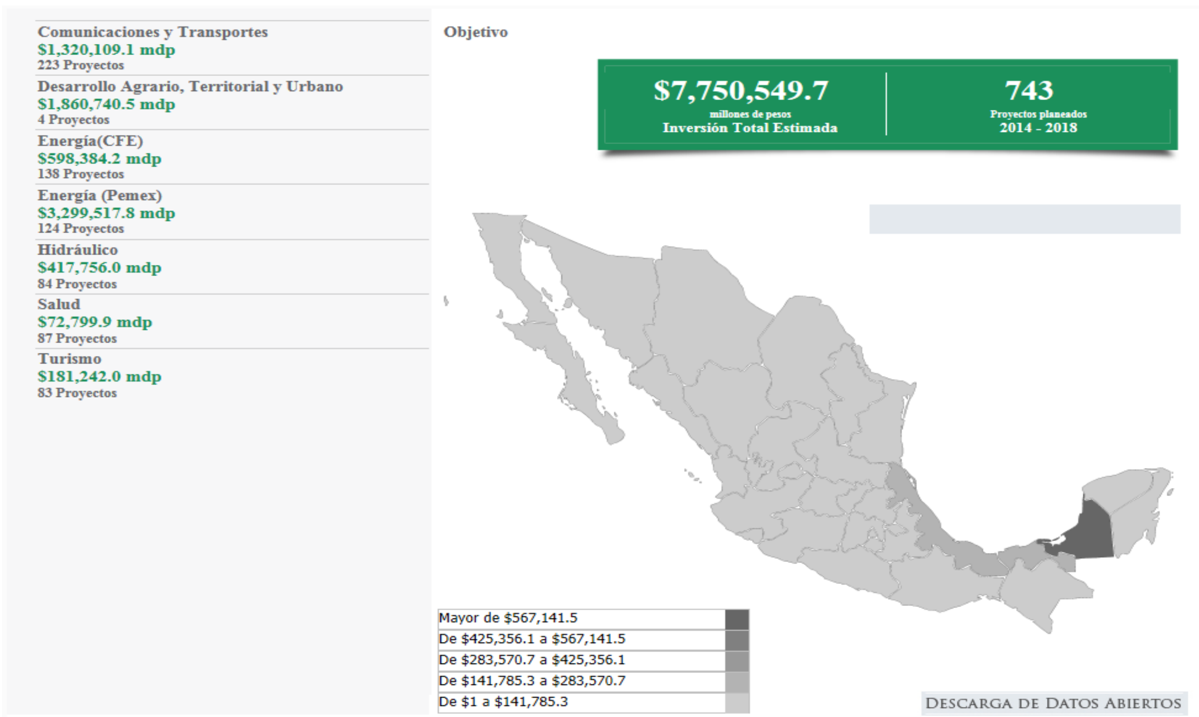
MEXICAN GOVERNMENT ANNOUNCES
"MEXICO'S NATIONAL INFRASTRUCTURE PROGRAM 2014-2018"

On April 29, 2014 Mexico's President, Enrique Peña Nieto, announced Mexico's **National Infrastructure Program (NIP) 2014-2018** http://presidencia.gob.mx/pni/

Mexico's NIP states that the combined public and private investment of $586 billion in infrastructure projects will be focused on six main sectors: transportation and communications, energy, water treatment and infrastructure, public health, housing and urban development and tourism.



Source: Mexico's ***National Infrastructure Program (NIP) 2014-2018*** *http://presidencia.gob.mx/pni/*

The program includes projects worth approximately $586 billion and covers six sectors:

1) <u>Transportation and communications</u> - 223 projects, investment of $105 billion. Projects included are highways (new projects and upgrade of existing ones), ports (new and expansion of existing ones-Guaymas, Lazaro Cardenas, Altamira and Manzanillo), railways (Aguascalientes-Guadalajara cargo, Chalco-La Paz passenger light train, Mexico City-Queretaro high-speed passenger train, Mexico City-Toluca high-speed passenger train, Coatzacoalcos freight rail bypass

project), aviation projects (Chetumal modernization project, Hidalgo expansion project, Xalapa expansion project, Atlangatepec modernization project).

2) Energy (CFE & PEMEX) - 262 projects, investment $305 billion. Additional five special gas pipelines on border-states with an investment of $2.5 million;

3) Water treatment and infrastructure (CONAGUA) - 84 projects, investment of $33 billion;

4) Health - 87 projects, investment of $6.1 billion. Projects include the upgrade of several hospitals and clinics as well as the construction of new main and specialized hospitals;

5) Housing and urban development - several projects, investment of $104 billion; and

6) Tourism - 83 projects, investment of $16 billion.
• Mexico plans to execute the 743 projects over the next four years.
• In order to accomplish the mentioned goals the government of Mexico is looking to the private sector to invest in many of these projects. Half of the investment will be done by Mexico's government and the other half by private investors.

The majority of Mexico's NIP projects will be executed as Private-Public Partnerships with durations varying from 15 to 30 years.

U.S. companies interested in participating in Mexico's National Infrastructure Program as prime- or sub-contractors, suppliers, and service providers, are encouraged to stay abreast of developments in their sectors of interest.

For further information please contact: Mr. Adrián Orta, Infrastructure Business Leader at:

Mr. Adrián Orta
Commercial Specialist
U.S. Commercial Service – Mexico
U.S. Embassy in Mexico
Tel: (52-55) 5080-2000 ext. 5220
E-mail: Adrian.Orta@trade.gov

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Chapter 5: Trade Regulations, Customs and Standards

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Under the terms of the North American Free Trade Agreement (NAFTA – see "Trade Agreements" section later in this chapter for more information), 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 zero or five percent 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 rate is 16 percent for the entire Mexican territory. Basic products, such as food and drugs and some services, are exempt from the IVA.

A special tax on production and services (IEPS) is assessed on the importation of alcoholic beverages, cigarettes and cigars, among others. Recently, IEPS was expanded to include a tax on soda and junk food. This tax may vary from 25-160 percent depending on the product.

Where an "arm's 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.

Trade Barriers

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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 "reference prices", no longer affect goods other than used cars, as per a resolution published in the Official Gazette (Diario Oficial de la Federacion, or DOF) on January 26, 2009.

In regard 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 payment of IVA (16 percent value-added tax), ISAN (vehicle's acquisition tax), as well as a ten percent ad-valorem tax (one percent for the 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 ten years or older with a ten percent ad-valorem tax. All categories are mandated to remain in that zone. Used vehicles aged eight and nine years old with a ten percent ad-valorem tax are permitted in the rest of Mexico for resale. A new decree issued in January 2013 postponed the tax expansion to cars aged six to ten 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_2773761.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 National Defense (SEDENA) requires an authorization to import guns, arms, ammunitions, explosives, and defense equipment, as well as special military vehicles (new or used).
- The Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (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 Environment and Natural Resources (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 CICOPLAFEST 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 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.

Effective in 2014, the Mexican Customs authorities are requesting more information on steel products in their effort to process legitimate shipments of steel from the United States. Mexican importers are now required to present detailed material information prior to the shipment’s arrival in customs.

The U.S. exporter should provide their Mexican client with either a Mill Test Report or a Material Quality Certificate from the steel mill from which the raw material has been sourced. This is independent of whether the products are secondary or tertiary; (i.e. screws made out of steel bar are tertiary since the bar itself is a secondary product from the mill). Tertiary producers must require the test report from their secondary producers who in turn get the report from the mill.

It is the Mexican importer’s responsibility to issue their Automatic Notification (Aviso Automatico) through the one-stop online import/export system Single Window (Ventanilla Unica, or VUCEM) five days before the goods arrive in Mexican customs. Otherwise, shipments will face delays. Thus, the U.S. exporter is advised to send all necessary paperwork related to the steel export, either the Mill test Report or the Mill Quality

Certificate as well as the commercial invoice, in advance, to the Mexican importer in order to avoid delays.

For more information about the new regulations, please see: Overview of new steel regulations (English) and Mexico's official notice (Spanish).

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For tax purposes, all Mexican importers must apply and be listed in the Official Register of Importers (Padrón de Importadores), maintained by the Secretariat of Treasury and Public Finance (SHCP). In addition, the Secretariat of Treasury and Public Finance 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 the Secretariat of Treasury and Public Finance to be listed on these special industry sector registries. U.S. exporters have occasionally 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://www2.sat.gob.mx/verificacion_origen/index_en.html

In 2014, a change was instituted to Mexican Customs Law, whereby beginning in 2015, any Mexican importer in the Official Register of Importers can be in charge of all of their import paperwork and compliance with Mexico's customs regulations. Use of a customs broker for importation transactions is no longer a requirement. However, 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. As a result, a custom broker's services may still be needed for the import process. U.S. 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 Return to top

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 Return to top

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 (Ley Aduanera). 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
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 Customs 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 exhibition and/or sales visit. 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:

- A list of the products for temporary importation into Mexico
- 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
- 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
- Preparation of a Temporary Customs Entry form (Pedimento de Importación Temporal)
- 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

On January 1, 2014 The Secretariat of Treasury and Public Finance (SHCP) published the Resolution of Modifications to the General Rules on International Trade, which contains a modification regarding the payment of the value-added tax at the time of importation for temporary imports. The rules also implement changes in some of the reforms of the IVA Law regarding how to obtain a certificate to avoid IVA payment on temporary imports.

The IVA and the Special Tax on Production and Services (IEPS) laws require that these taxes be paid on temporary imports as of January 1, 2015 by deposit, bond or tax credit; in this last case, only provided that the company has a certification.

Companies interested in obtaining the certification should work throughout 2014 to comply with all the legal requirements and obtain certification before January 1, 2015. The certification grants the benefit of not having to pay IVA or IEPS at the time of importation by obtaining a tax credit for the payment of these taxes.

For temporary imports related to 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 imports to Mexico through this program. More information about this program is available in Chapter 8.

Labeling and Marking Requirements

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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

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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

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U.S. exporters continue to be concerned about Mexican Tax Administration Service (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 $50 from $1. However, Mexican regulations still hold the courier 100 percent liable for the contents of shipments.

Mexican Customs Authority (Aduanas de Mexico)
Open line for questions
Tel.: 52 1877 448 8728
Monday-Friday / 8:00 A.M.-9:00 P.M. (in Spanish)
http://www.sat.gob.mx/contacto/orientacion_en_linea/Paginas/default.aspx

General Customs Administration (Administración General de Aduanas)
Tax Administration Service (Servicio de Administración Tributaria)
Tel.: 1877 448 8728 (from the U.S.)
http://www.sat.gob.mx
http://www.aduanas.sat.gob.mx

Tax Administration Service (Servicio de Administración Tributaria)
Representation Office
Embassy of Mexico
1911 Pennsylvania Ave., NW
Washington DC 20006
Tel.: (202) 728-1621
Fax: (202) 728-1664

Standards

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The Secretariat of Economy (SE), through the Mexican Bureau of Standards (Dirección General de Normas, or DGN), is the organization with the authority to manage and coordinate standardization activities in Mexico, although COFEMER (The Federal Commission for Regulatory Improvement) also has an important technical role in developing new standards. The Secretariat's authority is derived from the Federal Law of Metrology and Standardization (Ley Federal de Metrología y Normalización, or 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 (Diario Oficial de la Federacion, or DOF). In accordance with the federal law, the Federal Law of Metrology and Standardization, and its Regulation (Reglamento de la Ley Federal sobre Metrología y Normalización), the National

Standardization Program (Programa Nacional de Normalización, or PNN) is published annually in the Official Gazette, 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: Mexican Official Standards – these are Technical Regulations, including labeling requirements, issued by government agencies and secretariats. 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.

Any bureau, person or council can propose the creation or modification of an official Mexican standard (NOM) to the appropriate committee.

Standards Organizations

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The National Standardization Commission (Comision Nacional de Normalización, or CNN)
The CNN is coordinating body for standards policy at the national level (http://www.economia.gob.mx/standards). Currently, it is comprised of 43 members, including federal administration entities, chambers, national standardization bodies and associations related to standardization.

The CNN's main function is to approve the National Standardization Program; establish the coordination guidelines between agencies and entities at the federal level; prepare and diffuse standards; resolve any differences between the national consulting standardization committees; and comment on the registration of national standardization bodies.

The National Standardization Technical Committees (Comités Técnicos de Normalizacion, or CTE)
The committees are bodies recognized by the Secretariat of Economy and their main function is to create Mexican voluntary standards (NMX) in those areas where the National Standardization bodies do not exist.

The Mexican government entities that develop NOMs include:

- Secretariat of Economy (SE)
- Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA)
- Secretariat of Labor and Social Welfare (STPS)
- Secretariat of Communications and Transportation (SCT)
- Secretariat of Tourism (SECTUR)
- Secretariat of Social Development (SEDESOL)
- Secretariat of Environment and Natural Resources (SEMARNAT)

- Secretariat of Energy (SENER)
- Secretariat of Health (SSA)

The DGN publishes the National Standardization Program (Programa Nacional de Normalización, or PNN) annually in the first quarter of the year. It is available at: http://www.economia.gob.mx/comunidad-negocios/competitividad-normatividad/normalizacion/nacional/procesos-de-normalizacion/programa-nacional-de-normalizacion-y-suplemento.

Organizations that develop voluntary standards (NMXs) include:

- Electrical - Association of Standardization and Certification (ANCE)
- Quality systems - Mexican Institute of Standardization and Certification (IMNC)
- Textiles - Mexican Institute of Textile Standardization (INNTEX)
- Construction - Building and Construction Standardization and Certification Body (ONNCCE)
- Food Products and Quality Systems - Mexican Society of Standardization and Certification (NORMEX)
- Electronics - Electronic Standardization and Certification (NYCE)

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 Return to top

Certain NOMs require products to obtain a certificate of compliance issued by an accredited certification body. In the case of products manufactured outside Mexico, this certificate must accompany the import documentation at the port of entry.

All products, processes, methods, installations, services or activities must comply with Mexican Official Standards. The Federal Law of Metrology and Standardization established the possibility for private entities to perform the conformity assessment function through visual verification, sampling, measurement, laboratory testing or documentary examination.

Accredited conformity assessment bodies are classified in the following categories:

a) Certification Bodies
b) Testing Laboratories
c) Calibration Laboratories
d) Verification Units

Under 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. On August 17, 2010, the Secretariat of Economy published in the Official Gazette an executive order and amendments to the foreign trade general regulations to unilaterally accept product certifications from U.S. and Canadian certifying bodies as equivalent. 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). Currently, only certificates issued by the following three U.S.-based certifying bodies have been accepted as equivalent by the Mexican government:

- Intertek Testing Services NA, Inc.
- TÜV Rheinland of North America, Inc.
- Underwriters Laboratories, Inc.

Given the differences between U.S. 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 Secretariat of Economy/DGN tend to be more fully developed and cover a significantly greater range of NOMs than those of other secretaries that develop NOMs.

Product Certification and Accreditation

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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)

The Secretariat of Economy publishes foreign trade rules and general criteria in the Diario Oficial (Mexico's Federal Register notice equivalent), 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. These labs 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. As of January 2002, the procedure to evaluate and accredit verification units became effective.

Publication of Technical Regulations

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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, or LFMN), the National Program of Standardization (Programa Nacional de Normalización, or 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 mandatory technical regulations (NOMs), Mexican voluntary 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 two 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 (Comisión Nacional de Normalización, or CNN) 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). 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

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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. The importer's taxpayer number (commonly known as RFC) is also recommended.

You can search for all NOMs in place at the following link: http://www.economia-noms.gob.mx/noms/inicio.do

Contacts Return to top

Post Standards Contacts:

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http://www.export.gov/mexico

U.S. Embassy – U.S. Commercial Service
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U.S. Embassy – U.S. Department of Agriculture
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Trade Agreements Return to top

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 $226.2 billion in 2013. 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 percent 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 476 percent. In 2013, there was $507 billion in two way goods trade, with almost $1.4 billion of goods crossing the border each day.

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. More information on the status of TPP negotiations can be found at: http://www.ustr.gov/tpp.

Mexico has more free trade agreements (FTAs) than any other country in the world. Mexico has FTA's with 44 countries (officially), including the European Union, European Free Trade Area, Japan, the Pacific Alliance, Israel, and ten 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.

Web Resources

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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

Secretariat of Economy (SE)	http://www.economia.gob.mx
Mexican Bureau of Standards (DGN)	http://www.economia.gob.mx/comunidad-negocios/competitividad-normatividad/normalizacion/dgn
Text of NOMs	http://www.economia-noms.gob.mx/noms/inicio.do
Text of NMXs	http://www.economia-nmx.gob.mx/normasmx/index.nmx
Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA)	http://www.sagarpa.gob.mx
Secretariat of Communications and Transportation (SCT)	http://www.sct.gob.mx
Secretariat of Tourism (SECTUR)	http://www.sectur.gob.mx
Secretariat of Social Development (SEDESOL)	http://www.sedesol.gob.mx
Secretariat of Environment and Natural Resources (SEMARNAT)	http://www.semarnat.gob.mx
Secretariat of Energy (SENER)	http://www.sener.gob.mx

Secretariat of Health (SSA)	http://www.salud.gob.mx
Secretariat of Labor and Social Welfare (STPS)	http://www.stps.gob.mx
Federal Commission for the Projection against Sanitary Risk (COFEPRIS) - Mexican counterpart of FDA	http://www.cofepris.gob.mx/wb/cfp/ingles
Federal Telecommunications Institute (IFT) - NOMs, regulations, and requirements for telecom equipment	http://www.ift.org.mx/iftweb

Mexican Private Sector

National Association for the Standards & Certification of the Electrical Sector (ANCE)	http://www.ance.org.mx
Mexican Council of Standardization and Conformity Assessment (COMENOR)	http://www.comenor.org.mx
Electronic Standards & Certification (NYCE)	http://www.nyce.org.mx
Mexican Standards & Certification Institute (IMNC) - focus on general and quality systems	http://www.imnc.org.mx
Mexican Standards & Certification Society (NORMEX) - focus on foods, beverages, packaging, packages, and quality systems	http://www.normex.com.mx
National Body for the Standardization and Certification of Construction and Buildings (ONNCCE)	http://www.onncce.org.mx
National Institute of Textile Standards (INNTEX)	http://www.cniv.org.mx/inntex

U.S. Standards Bodies with Representation in Mexico

American Society for Testing and Materials (ASTM)	http://www.astm.org
Intertek Testing Services de México, S.A. de C.V.	http://www.intertek.com
Electrical Equipment Standards (NEMA)	http://www.nema.org
National Fire Protection Association (NFPA)	http://www.nfpa.org

Underwriters Laboratories Inc. (UL) http://www.ul.com

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Chapter 6: Investment Climate

Openness to Foreign Investment Return to top

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 government, led by President Enrique Peña Nieto, has prioritized structural economic reforms and competitiveness. During 2013, Mexico's legislature passed several reforms including fiscal reform, energy reform, and telecommunications reform. Secondary legislation for these reforms has yet to be passed and many important specifics regarding their implementation are still unknown. The legislature is also considering a new anti-trust bill which would empower autonomous regulators with more tools for creating competition in Mexico's markets – particularly telecommunications and broadcasting. On October 6, 2012, Mexico formally joined the Trans-Pacific Partnership negotiations, and in July 2013, 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 Mexico's Secretariat of Economy, Mexico has been the world's top destination for aerospace manufacturing investments in each of the last four years. Financial services, automotive, and electronics have typically also received large amounts of FDI. In the first quarter of 2014, Mexico's auto industry overtook Japan's as the second-biggest vehicle exporter to the United States and remains the world's eighth largest producer of vehicles. Historically, the United States has been one of the largest sources of FDI in

Mexico. In 2013, U.S. investors accounted for 32 percent of the $35.2 billion of 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.

The Secretariat of Economy (SE) 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 2013," Mexico improved its standing in enforcing contracts and in trading across borders while it lagged in registering property and in access to electricity. Overall, Mexico dropped two positions in the global ranking, from 51 to 53. It trails both Colombia and Peru in the Latin America region. 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 which business activities are open to foreign investors and to what extent. Pending secondary legislation will amend the law to conform with the constitutional changes allowing greater foreign investment in particular sectors. Below is a summary of activities subject to investment restrictions:

Sectors Reserved for the State in Whole or in Part:

- Petroleum and other hydrocarbons
- Basic petrochemicals
- Telegraphic and radio telegraphic services
- Radioactive materials
- Electric power generation, transmission, and distribution
- Nuclear energy

- Coinage and printing of money
- Postal service
- Control, supervision and surveillance of ports of entry

Sectors Reserved for Mexican Nationals:

- Retail sales of gasoline and liquid petroleum gas
- Non-cable radio and television services
- Development Banks (law was modified in 2008)
- Certain professional and technical services
- 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 percent 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. This provision is subject to change depending on the outcome of legislation governing anti-trust and merger review. 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. In 2013, Mexico created two constitutionally autonomous regulators – the Federal Telecommunications Institute (IFT) and the Federal Commission for Economic Competition (COFECE) – to govern matters of competition. IFT is chartered with governing the broadcasting and telecommunications

sectors while COFECE is chartered with all other sectors. For more information on competition issues in Mexico please visit COFECE's bilingual website at:
www.cfc.gob.mx

Energy

The Mexican constitution previously reserved hydrocarbon activities exclusively for the Mexican state. The constitutional energy reform approved by the Mexican Congress and Mexican states in December 2013 made significant changes to allow for private sector participation in hydrocarbon activities through a contractual framework that includes service, profit sharing, production sharing, and license contracts. The reform still reserves subsoil resource ownership to the Mexican state.

By September 2014, Mexico’s Secretariat of Energy and National Hydrocarbon Commission will award through a “Round Zero” process, oil and gas fields to Mexico’s State-owned petroleum company, PEMEX. Subsequent to this allocation, the remaining oil and gas fields as well as new fields will be opened to private sector bidders for development rights during successive rounds each year through 2019.

Changes to the Mexican constitution will also open up power generation to the private sector and allow competition with the national public utility, the Federal Electricity Commission (CFE), to generate electricity. The constitutional reform transitions the CFE from a state monopoly to a State-owned company, which, while still controlling transmission and distribution, will no longer be the sole electricity provider. The reform pulls out the National Energy Control Center (CENACE) from the CFE and establishes it as the independent system operation (ISO) which will control the national wholesale electricity market and ensure non-discriminatory open access to the grid for competitors.

Independent power generators were authorized for operation in 1992, but were required to sell all their output to the CFE or use it for self-supply. Under the reform, private power generators may now install and manage interconnections with the CFE’s existing State-owned distribution infrastructure. The reform also requires the government to implement a National Program for the Sustainable Use of Energy as a transition strategy to encourage clean technology and fuel development and reduce pollutant emissions. Forthcoming secondary legislation is required to encourage the exploration and expansion of geothermal resources in the pursuit of cleaner energy.

With the energy reform’s implementation, private investment will also be permitted in downstream operations to include oil and natural gas treatment and refining as well as transportation, storage, and distribution of natural gas, gasoline, and other oil products. The energy reform establishes a National Center for Natural Gas Control (Cenegas) which will administer and manage Mexico’s natural gas pipeline network. Forthcoming legislation is also expected to establish national content percentages to promote the development and inclusion of Mexican suppliers to the industry.

Telecommunications

Mexico previously allowed up to 49 percent FDI in companies that provide fixed telecommunications networks and services. The reform of the telecommunication sector last year now allows for 100 percent foreign investment in telecommunications or satellite communications. FDI of up to 49 percent in the broadcast sector was approved on a reciprocal basis in the reform. Also as part of the reform, at least two new television networks with national coverage must be created. For companies providing cellular/wireless service, there is no limit on FDI. 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. In March, the IFT exercised its new authority by declaring the company a preponderant economic agent asserting that it wielded undue dominance in its market.

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 percent) 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. Telefonica has also expressed interest in purchasing Iusacell which could potentially create a true nationwide competitor for Telcel. 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 previous Federal Telecommunications Commission (Cofetel) 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. In March, the IFT also declared Televisa a preponderant economic agent wielding undue influence over its market. At present, U.S. firms have not penetrated the Mexican television broadcast market, despite the fact that both Televisa and TV Azteca benefit from access to the U.S. market. Dish Mexico, jointly owned by MVS Communicaciones and EchoStar, also delivers broadcast service to Mexican subscribers via satellite.

In 2010, the Mexican government completed the much-awaited spectrum auction of the 1.7 GHz and 1.9 GHz bands. As part of recent reform legislation, the 700MHz and 2.5GHz bands will be reorganized including through a spectrum auction to assure the optimal use under the principles of universal, non-discriminatory, shared and continual usage.

<u>Transportation</u>

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 COFECE must approve ownership above 49 percent. 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, SCT Secretary Perez-Jacome and U.S Department of Transportation 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 13 Mexican companies participate which have since made a total of over 20,000 crossings. The pilot concludes in October 2014, and both the Department of Transportation and their Mexican counterparts have commented positively about the success of the program.

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. In April 2014, the court accepted its petition and ordered the airline's assets liquidate. Mexicana's maintenance and repair operation (MRO) will continue to operate as a separate entity with proceeds funding a trust for former Mexicana employees. 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 percent and foreign ownership of airports is limited to 49 percent. The U.S. and the Government of Mexico are currently negotiating a revised civil aviation agreement intended to liberalize the sector.

<u>Infrastructure</u>
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 Peña 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 infrastructure can be found here:
www.export.gov/MEXICO/mexicoinfrastructureopportunities

The U.S. Trade and Development Administration also held an infrastructure conference focused on the transportation and telecommunications sectors on May 29-30, 2014. More information can be found at: www.connectmex2014.com.

Table 1. Mexico: International Rankings and Indices
*(*Figures in USD)*

Measure	Year	Index/Rank	Website
TI Corruption Perceptions Index	2013	(106 of 177)	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation's Economic Freedom Index	2013	(55 of 178)	http://www.heritage.org/index/ranking
World Bank's Doing Business Report "Ease of Doing Business"	2013	(53 of 189)	http://doingbusiness.org/rankings
Global Innovation Index	2013	(63 of 142)	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNI per capita*	2012	$9,640	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

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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 percent. In a further effort to combat illicit finance, Congress passed 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.

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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 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).

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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.

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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 passed a new fiscal reform package in 2013 which eliminated the Flat Rate Corporate Tax (IETU) and the cash deposit tax (IDE); raised the value-added tax (VAT) in the border region from a rate of 11 percent to 16 percent; and increased the income tax (ISR) to as high as 35 percent for individuals earning more than 3 million pesos ($231,852) annually. The government also imposed a ten percent tax on capital gains from stock sales and eliminated consolidation for holding companies. Firms will now be authorized to deduct only 50 percent of expenses related to employee benefits. Other changes include the imposition of a 16 percent VAT on temporary imports except for certified maquiladoras. For more information on obtaining certification, consult the Official Gazette (Diario Oficial de la Federacion, or DOF) dated January 1, 2014.

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 two percent 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 Secretaries, 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 Secretariat of Economy's, IMMEX program. Please refer to the Secretariat of Economy's IMMEX program website at www.economia.gob.mx/comunidad-negocios/industria-y-comercio/instrumentos-de-comercio-exterior/immex for more information. Companies interested in investing in industrial activity in Mexico need to follow the IMMEX guidelines closely, preferably in close consultation with locally based legal advisors. As part of the recent fiscal reform, maquiladoras must obtain a certification from Mexico's tax authority (SAT) to be exempted from duties on temporary imports. Additional information can be found on SAT's website at:
www.sat.gob.mx/comext/certificacion_exportadoras/Paginas/default.aspx

The Mexican government's tax regime provides the industry with financial and operational benefits, such as development of Mexico's maquila-servicing and supply industries. Other recent changes include the elimination of the partial income tax exemption for maquiladoras which are now required to pay the normal corporate rate of 30 percent rather than the previously reduced rate of 17.5 percent.

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. PROSEC's supported 23 sectors include electronics, auto parts, textiles and apparel, footwear, and others. The gradual elimination and reduction of import duties concluded in 2013, and the tariff structure now has six basic rates: 0, 5%, 7%, 10%, 15% and 20%. (http://www.economia.gob.mx/industry/foreign-trade-instruments/prosec)

Right to Private Ownership and Establishment Return to top

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, or SA) and limited partnerships (Sociedad de Responsibilidad Limitada, or SRL). 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):

- Can be up to 100 percent foreign-owned;
- Must have a minimum of 50,000 Mexican pesos ($3,864) in capital stock to start;

- Must have minimum of two shareholders, with no maximum. Board of Directors can run the administration of the company;
- The enterprise has an indefinite life span;
- Free transferability of stock ownership is permitted;
- Operational losses incurred by the Mexican entity or subsidiary may not be used by the U.S. parent company;
- Limited liability to shareholders.

Limited Liability Company (Sociedad de Responsabilidad Limitada):

- Can be up to 100 percent foreign-owned;
- Must have a minimum of 3,000 Mexican pesos in capital stock to start;
- 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;
- Exists only when the business purpose and partners remain the same;
- Restricted transferability of partnership shares. Any changes in the partnership composition may cause the partnership to be liquidated;
- 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;
- Limited liability is afforded the partners.

Protection of Property Rights Return to top

Mexico has four legal categories of land tenure which are private ownership, communal tenure (known as "ejido"), publicly owned and ineligible for sale or transfer, and publicly owned and eligible for sale or transfer. In 1992, Mexico eliminated the constitutional right to form ejidos which had historically been a common mechanism for villages to accumulate agricultural land. As part of the reform, ejido members could lease land to non-ejido members or acquire full rights to the land including the right to sell. A 2001 census by Mexico's National Institute for Statistics and Geography (INEGI), found that 50 percent of all land in Mexico was held by ejidos.

There have been numerous disputes over the transfer, ownership, and use of ejido land. Purchases of ejido land by non-ejido members can occur only after the property has been regularized, parceled, and titled to individuals who may then offer it for sale. Another complication with ejidos is the fact that they are governed by Mexico's Agrarian Law rather than its property code.

Despite a proposal in 2013 to do away with the restriction, foreigners are still prohibited 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 percent 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 property use rights, 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.

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 de 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 receive protection under local law and claim an exclusive right to any given product based on intellectual property. The U.S. Patent and Trademark Office and IMPI have work sharing agreement in place to help applicants expedite the examination of patents in each country. The Patent Prosecution Highway agreement allows a patent holder in one country to fast track the examination of that same patent in the other country in order obtain the corresponding patents faster and more efficiently. Mexico also 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

Transparency of Regulatory System Return to top

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, the government replaced the Regulatory Moratorium Agreement 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 Organisation for Economic Co-operation and Development (OECD), the private sector and several think tanks, has worked to streamline bureaucracy and procedures, with a particular focus on several Mexican states. 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 Function/Administration (SFP), which the Peña Nieto Administration has proposed to eliminate in order to make room for 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.

Efficient Capital Markets and Portfolio Investment Return to top

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 somewhat 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. Mexico's fiscal reform, passed in 2013, consisted of 34 financial and banking laws which strengthened banking regulations and the legal framework with the intention of increasing competition and transparency in the sector.

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 with a total market share of 74 percent. As part of the 2013 fiscal reform, Mexico became one of the first countries to implement the Basel III accord which establishes standards for bank capital and liquidity. Other aspects of the law establish clearer procedures for the support and liquidation of troubled banks, and also provide more certainty to the process by which banks can recover collateral in cases of default. Despite having high levels of liquidity, banks in Mexico have historically been reluctant to provide credit in part due to limited consequences for nonpayment and lengthy legal processes for collection. For the period 2009 to 2013, Mexico's banks had an average core capital ratio of 10.4 percent.

Businesses still complain of a lack of access to credit despite year-over-year credit growth of 6.7 percent through April 2013. Overall commercial lending to the private sector remains low at 15 percent of GDP, compared to almost 50 percent in Brazil. Commercial loans to established companies with well-documented accounts are available in Mexico, but many large companies instead 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. The Secretariat of Treasury and Public Finance (SHCP) 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.

In 2013, Congress approved a financial reform to increase bank lending to priority areas and projects such as to small and medium size enterprises, infrastructure projects, technology innovation and patent development. The reform will facilitate that commercial banks make more and lower interest loans, thus giving a more active role to the Mexican development banks, which will have a more flexible mandate to focus on financial inclusion. It will also boost competition in the sector. Commercial banks would be subject to periodic lending reviews and the banking regulator would have the powers to punish those lenders that offer credits below the required levels. The bill also makes it easier for banks to collect on bad loans, one of the obstacles that was hindering more lending to the private sector. The reform will streamline the bankruptcy process, foster more expeditious resolution of cases through the creation specialized commercial courts, and strengthen protection for financial users with the creation of a Bureau of Financial Institutions. The modifications free the Mexican stock market (BMV) to establish linkages with foreign bourses, allowing it to proceed with the Integrated Latin American Market (MILA).

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 Return to top

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. PEMEX has historically contributed over one-third of the Mexican government’s budget, but declines in productivity have diminished this amount over the past decade. The Federal Electricity Commission (CFE) is the other main State-owned company and is in charge of the electricity sector. As stated in the 2013 constitutional reform, the CFE remains a State-owned entity contributing a significant proportion of power generation and controlling most of the country’s installed distribution and transmission network. Mexico’s national transmission grid 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 33.8 million customers (or 100 million people) for a resulting electrification rate of 97.9 percent of the population. Access is particularly limited in some Mexican states such as Oaxaca and Guerrero where electricity still fails to reach at least five percent of the population and almost half of all communities. Nationally, there are still nearly 130,000 small communities without access to electricity reflecting the disparity in both population density and living standards between urban and rural living standards. As of October, 2013 Mexico has an installed capacity of approximately 62 gigawatts of which 53 gigawatts is allocated to public service. Approximately 70 percent of Mexico’s capacity is from conventional thermal sources with another 20 percent generated by hydro. The National Energy Strategy outlines Mexico’s goal to increase the generating capacity of clean energy (renewables and nuclear) to 35 percent by 2024.

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 secretaries and one commission: The Secretariat 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 reports to the Secretariat 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 Secretariat of Treasury and Public Finance (SHCP) reviews and incorporates the annual budget and financing program of PEMEX and its subsidiaries; and the Secretariat 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 Secretariat of Energy, Secretariat of Finance, the Secretariat of Public Administration, 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, the CFE has a Board of Directors, which includes representatives from the Secretaries of Energy, Environment, Social Development, Economy, Finance; PEMEX's CEO; and three representatives from the union. The CFE's books are also subject to domestic general accounting rules and are reviewed by independent auditors. The Energy and Finance Secretaries approve and submit PEMEX's and the 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 Secretariat of Communications and Transportation (SCT), 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 Secretary of Communications and Transportation. Other members of the Board are: the Secretary of Foreign Relations, the Secretary of Economy, the Secretary of Treasury and Public Finance, and the Under Secretary of Communications. The Director General is appointed by the President.

Corporate Social Responsibility Return to top

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, Plantronics, 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 Return to top

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 risen dramatically 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. According to Mexico's statistics agency (INEGI) the country suffered 26,037 intentional homicides in 2012, down by 4.3 percent from the 2011 record high of 27,213 murders. The homicide rate fell to 21 per 100,000 residents, a slight decline from 22 per 100,000 in 2011. Cartels use torture and the public dumping of bodies to intimidate their rivals. As the Mexican government increases the pressure, TCOs continue to expand 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, which began in 2008. This initiative provides training and equipment to support the rule of law and law enforcement operations, as well as technical assistance for long-term reform and oversight of security agencies, assistance to build a 21st century border and help in rebuilding communities torn apart by violence. So far the U.S. Congress has appropriated over $2.1 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/).

The Department of State maintains a Travel Warning for U.S. citizens traveling and living in Mexico, available at:
http://travel.state.gov/content/passports/english/alertswarnings/mexico-travel-warning.html

Corruption Return to top

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

Corruption is pervasive in almost all levels of Mexican government and society. Former President Calderon pledged that his government would fight against corruption in government agencies at the federal, state and municipal levels. Aggressive investigations and operations exposed corruption at the highest levels of government.

The current Administration submitted to the Mexican Congress a proposal to reorganize the cabinet, including the creation of a National Anti-Corruption Commission. It will absorb the duties of the present Secretariat of Public Function/Administration (SFP), 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.

Mexico's Congress passed 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 transact ions about designated thresholds to the Secretariat of Treasury and Public 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

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 2013 Index of Corruption Perception, Mexico scored 34 on a scale of 1 to 100 where lower numbers represent a greater perception of corruption. The tally places Mexico in 106th place out of 177 nations, a drop from 105th place out of 176 nations in 2012. 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 Secretariat of Public Administration (SFP) (www.funcionpublica.gob.mx).

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at:
http://www.justice.gov/criminal/fraud/

OECD Antibribery Convention: The OECD Antibribery Convention entered into force in February 1999. As of March 2009, there are 38 parties to the Convention including the United States (see http://www.oecd.org/dataoecd/59/13/40272933.pdf). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. 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.

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 158 parties to it as of November 2011 (see http://www.unodc.org/unodc/en/treaties/CAC/signatories.html). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. Mexico has signed and ratified the United Nations Convention against Corruption.

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 34 parties (see http://www.oas.org/juridico/english/Sigs/b-58.html) Mexico is also a party to the OAS 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.

Free Trade Agreements: While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: http://www.ustr.gov/trade-agreements/free-trade-agreements. On January 1, 1994, the North American Free Trade Agreement between the United States, Canada, and Mexico (NAFTA) entered into force.

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department's U.S. and Foreign Commercial Service can provide assistance with navigating the host country's legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company's overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department's Advocacy Center and State's Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center "Report a Trade Barrier" Website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA: The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at http://www.ogc.doc.gov/trans_anti_bribery.html. More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

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Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a "Lay-Person's Guide to the FCPA" is available at the U.S. Department of Justice's Website at: http://www.justice.gov/criminal/fraud/fcpa.

- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html. See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: http://www.oecd.org/dataoecd/11/40/44176910.pdf.

- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.

- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2009. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See http://www.transparency.org/publications/gcr.

- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 213 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See http://info.worldbank.org/governance/wgi/index.asp. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: http://data.worldbank.org/data-catalog/BEEPS.

- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See http://www.weforum.org/s?s=global+enabling+trade+report.

- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at http://www.state.gov/g/drl/rls/hrrpt/.

- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 106 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: http://report.globalintegrity.org/.

Bilateral Investment Agreements Return to top

NAFTA governs U.S. and Canadian investment in Mexico. In addition to NAFTA, most of Mexico's 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 and in April 2014, Mexico signed a free trade pact with Panama.

Mexico has enacted formal bilateral investment protection agreements with 29 countries: 16 European Union countries (Austria, Belgium-Luxembourg, Czech Republic, Denmark, Finland, France, Germany, Greece, Italy, Netherlands, Portugal, Slovakia, Spain, Sweden, and the United Kingdom), 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.

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 50 percent the amount of bulk cash repatriated to the United States from the Mexican financial system. However, Mexico needs to approve the proposed Law for the Prevention of Illicit Finance Operations, pending in Congress, to limit peso cash purchases, give the Attorney General's office sole jurisdiction over the investigation and prosecution of money laundering cases, and to oblige more economic agents, such as notaries, consultants, and attorneys to report suspicious operations.

OPIC and Other Investment Insurance Programs

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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 has provided over $750 million in financing and political risk insurance support to 22 projects in Mexico. In addition, OPIC-supported funds are among the largest providers of private equity capital to emerging markets. For more information on OPIC's projects in Mexico, please consult OPIC's website at www.opic.gov.

Labor

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The Mexican Congress enacted a sweeping labor reform bill into law on November 29, 2012. The 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 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

In 2014, Mexico's Congress approved constitutional changes to raise the minimum work age from 14 to 15 which will allow Mexico to ratify Convention 138 of the International Labor Organization. State legislatures will need to approve the reform before it is enacted into law.

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 and union issues can be complex in Mexico. Mexican law allows only one union to operate in any business establishment. 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

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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 Return to top

Table 2. Key Macroeconomic Data: U.S. Foreign Direct Investment (FDI) in Mexico
*(*Figures in USD millions)*

	INEGI www.inegi.org.mx		World Bank data.worldbank.org	
Economic Data	**Year**	**Amount**	**Year**	**Amount**
Mexico GDP*	2012	1,185,046	2012	1,178,000
	Secretariat of Economy www.economia.gob.mx		**U.S. Government Data Source****	
FDI	**Year**	**Amount**	**Year**	**Amount**
U.S. FDI in Mexico*	2012	N/A	2012	101,030
Mexican FDI in U.S.*	2012	N/A	2012	14,883
Total inbound stock of FDI as % of Mexican GDP	2012	N/A	2012	8.58%

**U.S. Bureau of Economic Analysis (BEA)

Table 3. Sources & Destinations of FDI: Mexico 2012
*(*Figures in USD millions)*

Direct Investment from/in Counterpart Economy Data From Top Five Sources to Top Five Destinations					
Inward Direct Investment			**Outward Direct Investment**		
Total Inward	361,234	100%	Total Inward	131,106	100%
United States	198,833	55%	United States	43,773	33%
Spain	42,543	12%	Brazil	22,377	17%
Netherlands	36,482	10%	Spain	17,457	13%
Canada	14,789	4%	Netherlands	13,665	10%
United Kingdom	12,808	4%	Switzerland	4,909	4%

Note: "0" reflects amounts rounded to +/- $500,000.

Source: http://cdis.imf.org/

Table 3. Sources of Portfolio Investment: Mexico 2012
*(*Figures in USD millions)*

Portfolio Investment Assets Top Five Partners								
Total			Equity Securities			Total Debt Securities		
World	49,469	100%	World	1,310	100%	World	48,159	100%
United States	41,921	85%	Luxembourg	687	52%	United States	41,455	86%
Luxembourg	687	1%	United States	467	36%	Cayman Islands	435	1%
Cayman Islands	435	1%	Brazil	59	4%	Brazil	242	1%
Brazil	301	1%	United Kingdom	33	2%	Spain	207	0.43%
Spain	211	0.43%	Ireland	25	2%	United Kingdom	69	0.14%

Source: http://cdis.imf.org/

Contact Point at Post Return to top

Economic Counselor
U.S. Embassy - Mexico City
Paseo de la Reforma 305, Cuauhtémoc
06500 Ciudad de México, Distrito Federal
Mexico
Tel.: (52 55) 5080 2999
E-mail: MexInvestmentClimate@state.gov

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Chapter 7: Trade and Project Financing

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U.S. exporters should be aware that Mexican lending rates are significantly higher than in the U.S. 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. Export-Import 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 has supported U.S. companies in their efforts to obtain payment for products/equipment delivered, but 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 percent 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

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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 percent of the market share by total assets (Bancomer, Banamex, Santander, Banorte, HSBC, Inbursa, and Scotia Bank), 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 first quarter 2014 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 84.5 percent, commercial banks 34.8 percent, other companies and/or HQs 24.6 percent, foreign banks 4.3 percent, development banks 5.9 percent, and debt issuance 1.7 percent.

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.

On January 9th 2014, President Enrique Peña Nieto announced major financial reforms, which aim to redefine the mission of development banks, promote private financing and encourage financing with lower rates. It is expected that these reforms will have a favorable impact on the Mexican economy, making credit cheaper and easier for companies and the Mexican population.

The four goals of the financial reform are: 1) promote 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.

Other important aspects of the reform are:

- Strengthening the role of the National Commission for the Protection of Users of Financial Services (CONDUSEF)
- Increasing the role of banking agents ("corresponsales bancarios")
- Strengthening and modernizing the operation of credit unions
- Promoting the investment funds market
- Establishing a new legal framework for financial entities
- Maintaining the optimal levels of capitalization under Basel III

To view the Spanish version of the financial reform: http://www.presidencia.gob.mx/wp-content/themes/presidencia/assets/frontend/other/reforma_financiera.pdf.

The Secretariat of Treasury and Public Finance (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 Treasury and Public Finance 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 National Bank for International Trade (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 Banobras (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 (SOFOMs)

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

Due the financial reform, regulation and supervision for SOFOMs increased in supervision and registration. SOFOMs will have the obligation to maintain up-to-date information with the National Commission for the Protection of Users of Financial Services (CONDUSEF) and they are required to give information about their borrowers to at least one credit bureau.

SOFOMs may offer financial factoring, leasing, and loans and/or other credit services but are not allowed to receive deposits from the public.

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There are no controls on the transfer of U.S. dollars into or out of Mexico. This means that profits can be repatriated freely. However, in an effort to prevent money laundering, the Secretariat of Treasury and Public Finance (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; and 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 are not affected. According to the 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 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

There is no restriction on the sale of dollars. However, upon entering or departing Mexico with large amounts of cash the money must be declared and documented.

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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 Return to top

For large infrastructure projects, a number of financing instruments are available. Project consortiums often develop a finance mix between development banks, multilaterals, commercial banks, and national export credit agencies, such as the U.S. Export-Import Bank.

U.S. Export Import Bank (http://www.exim.gov)
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. origin environmental goods and services.

The United States is Mexico's biggest trading partner accounting for nearly 50 percent of the country's imports. In Fiscal Year 2013 Ex-Im Bank's total exposure in Mexico was $9.5 billion and guarantees authorizations were $1.8 billion. Mexico remains the largest market in Ex-Im Bank's portfolio.

Overseas Private Investment Corporation (http://www.opic.gov)
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 percent 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. OPIC's current financial exposure in Mexico is $480 million.

U.S. Trade and Development Agency (http://www.ustda.gov)
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 minimis 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 2013, USTDA funded two reverse trade missions in Solar Power and Unconventional Gas Development, two definitional missions and supported desk studies on Water and ITS Technology. In May 2014, USTDA hosted a major conference in Mexico City, ConnectMEX, which highlighted upcoming Mexican Government projects in the transportation and telecommunications sectors (www.ConnectMEX2014.com).

U.S. Small Business Administration (http://www.sba.gov)
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)
The Inter-American Development Bank (IADB) finances public sector projects in Mexico and the other 25 borrowing countries in Latin America and the Caribbean. 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 (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. The 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.

Mexico is currently the Bank's largest borrower in terms of exposure with $15.1 billion in outstanding debt as of January 2014. The active portfolio is composed of 18 projects including six standalone Global Environment Facility (GEF) projects totaling U.S. $2.1 billion in net commitments. A $300 million Development Policy Loan in the education sector was approved on December 2013. (www.worldbank.org/en/country/mexico).

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 (World Bank, export credit agencies, private equity funds, etc.), when developing large projects.

Web Resources	Return to top
Export-Import Bank of the U.S.	http://www.exim.gov
Country Limitation Schedule	http://www.exim.gov/tools/country/country_limits.html

Overseas Private Investment Corporation (OPIC)	http://www.opic.gov
Trade and Development Agency	http://www.tda.gov
SBA's Office of International Trade	http://www.sba.gov/oit
USDA Commodity Credit Corporation	http://www.fsa.usda.gov/ccc/default.htm
U.S. Agency for International Development	http://www.usaid.gov
Federal Trade Commission	http://www.ftc.gov
World Bank	http://www.worldbank.org
Inter-American Development Bank	http://www.iadb.org

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Chapter 8: Business Travel

Business Customs Return to top

Mexican businesspeople in major cities give a great deal of importance to appearances. 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 Return to top

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

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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 a Temporary Mexico Resident Card. This form may be obtained with validity up to one year, renewable up to a total of five years.

To obtain the Temporary Mexico Resident Card the traveler must present any of the following documents:

- Valid passport, and
- 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 or bus.

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

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links.

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

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

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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

Telcel (GSM / TDMA)	http://www.telcel.com
MóviStar (GSM / CDMA)	http://www.telefonicamovistar.com.mx
Iusacell (CDMA / 3G)	http://www.iusacell.com.mx
Nextel-Trunking Services	http://www.nextel.com.mx

Internet Services

Tourist and business hotels provide Internet services, sometimes wireless, 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 Return to top

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. 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 and hotels around the country.

Language Return to top

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 in English. 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 Return to top

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 (telephone (52 55) 5230 8000; emergency ward (52 55) 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 (telephone (52 33) 3848 2100), Hospital Angeles del Carmen (telephone (52 33) 3813 1224), and Hospital San Javier (telephone (52 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 U.S. 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 will find it beneficial to drink plenty of water.

Local Time, Business Hours, and Holidays Return to top

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 2014-15. 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.

Mexican Holiday Schedule (June 2014-December 2015)

Date	***Day of Week***	***Holiday***
September 16	Tuesday	Mexican Independence Day
November 2	Sunday	All Souls’ Day
November 17	Monday	Anniversary of the Mexican Revolution
December 24	Wednesday	Christmas Eve
December 25	Thursday	Christmas Day
January 1, 2015	Thursday	New Year’s Day
February 2	Monday	Anniversary of the Mexican Constitution
March 16	Monday	Birthday of Benito Juarez
April 2	Thursday	Holy Thursday
April 3	Friday	Good Friday
May 1	Friday	Mexican Labor Day
May 10	Sunday	Mothers’ Day
September 16	Wednesday	Mexican Independence Day
November 2	Friday	All Souls’ Day
November 16	Monday	Anniversary of the Mexican Revolution
December 24	Thursday	Christmas Eve
December 25	Thursday	Christmas Day

Temporary Entry of Materials and Personal Belongings Return to top

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 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 in 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	Return to top
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
Secretariat 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
U.S. Embassy in Mexico (U.S. citizens)	http://mexico.usembassy.gov/eng/citizen_services.html
Centers for Disease Control and Prevention (CDC)	http://wwwnc.cdc.gov/travel/destinations/mexico.aspx

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Chapter 9: Contacts, Market Research and Trade Events

Contacts Return to top

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Mail: P.O. Box 9002
Brownsville, TX 78520-9002
E-mail: atomonterrey@usda.gov
http://www.mexico-usda.com/

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Principal Commercial Officer
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Fax: (52 81) 8047 3188 / 8047 3355
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Brownsville, TX 78520-9002
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http://export.gov/mexico/

Ms. Linda Caruso
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World Trade Center
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Fax: (52 33) 3615 7665
Mail: P.O. Box 9001
Brownsville, TX 78520-0901
E-mail: Linda.Caruso@trade.gov
http://export.gov/mexico/

Mexico Business Information Center (BIC):
http://export.gov/mexico/mexicobic/index.asp

Government of Mexico

Mexican Office of the President	www.presidencia.gob.mx
Secretariat of Economy (SE)	http://www.economia.gob.mx
Mexican Institute of Industrial Property and Technological Development (IMPI)	http://www.impi.gob.mx
Secretariat of Public Education (SEP)	http://www.sep.gob.mx
Secretariat of Energy (SENER)	http://www.energia.gob.mx
Secretariat of Environment and Natural Resources (SEMARNAT)	http://www.semarnat.gob.mx
Secretariat of Communications and Transportation (SCT)	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
U.S. Hispanic Chamber of Commerce	http://www.ushcc.com
National Chamber of Commerce of Mexico City (CANACO)	http://www.ccmexico.com.mx
Confederation of National Chambers of Commerce, Services, and Tourism	http://www.concanaco.com.mx
National Manufacturing Industry Chamber	http://www.canacintra.org.mx
Confederation of Industrial Chambers of Mexico	http://www.concamin.org.mx
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.

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To view market research reports produced by the U.S. Commercial Service please go to the following website: http://www.export.gov/mrktresearch/index.asp and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Access to the site is free, but registration is required.

`Trade Events

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Please click on the link below for information on upcoming trade events.

http://www.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 President's National Export Initiative marshals Federal agencies to **prepare U.S. companies to export successfully**, **connect them with trade opportunities** and **support them once they do have exporting opportunities**.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. 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
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link:
http://www.export.gov/mexico/servicesforu.s.companies/index.asp

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD(E).**

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