

# U.S. Country Commercial Guides



Mexico  
2019

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**September 2019**

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## Doing Business in Mexico

The U.S. Commercial Service helps U.S. firms identify and navigate opportunities for selling products and services in Mexico. This section provides a market overview for doing business in one of the largest and most vibrant markets for U.S. products in the world.

### Market Overview

There are four key reasons why U.S. companies should consider exporting to Mexico:

1. Mexico is the 15th-largest economy in the world with further growth potential from its young population (median age 28).
2. Given Mexico's large, diversified market, most U.S. products and services have ample opportunities. The new U.S.–Mexico–Canada Agreement (USMCA, see below) seeks to generate even more opportunities for U.S. companies.
3. Mexico generally enjoys stable economic growth, despite softening in 2019.
4. Close cultural, social, and economic ties make Mexico a natural market to consider for first-time and expanding exporters.

Mexico's USD 1.2 trillion economy is the second-largest economy in Latin America and the 15th-largest economy in the world. Mexico has a large, diversified economy that is linked to its deep trade and investment relations with the United States. Mexico is an upper-middle-income G-20 and OECD member with a per capita GDP of USD 9,807. Still, Mexico's 2.5 percent average annual GDP growth rate since the signing of NAFTA in 1993 has been slower than most emerging markets, due in part to its high rates of labor informality (57 percent), poverty (43 percent), and declining oil production.

In 2018, Mexico was our third-largest trading partner (after Canada and China) and second-largest export market. Two-way trade in goods and services totaled USD 678 billion, and this trade directly and indirectly supports millions of U.S. jobs. The United States sold USD 265 billion of U.S. products to Mexico in 2018 and USD 34 billion in services, for a total of USD 299 billion in U.S. sales to Mexico. Mexico is the first or second-largest export destination for 27 U.S. states. Top U.S. product exports include electronics, vehicles, fuels, minerals, plastics, and machinery. Mexico is the second-largest agricultural export market for the United States, importing USD 19.5 billion in U.S. agricultural products, including corn, soybeans, dairy, pork and beef products in 2018.

Both countries have over USD 144 billion in bilateral, reciprocal foreign direct investment (FDI). Mexico is the 20th-largest investor in the United States, having invested a total stock of USD 37.2 billion at the end of 2018. U.S. affiliates of Mexican-owned firms, in such diverse sectors as food, communications, plastics, metals, auto components and business services, employed 79,900 American workers in 2017. Over the last 20 years our supply chains have become increasingly integrated.

In July 2018, Andrés Manuel López Obrador won the Mexican presidential election with the largest margin in decades. President Lopez Obrador took office on December 1, 2018 and has moved quickly to implement his ambitious agenda to reduce corruption and violence while boosting public investment and social program spending. His National Regeneration Movement party (*Movimiento de Regeneración Nacional* or MORENA) and its coalition partners hold 64 percent of seats in the lower house and 54 percent in the Senate. MORENA has majorities in 16 of 32 state congresses and is the largest block in five more. Public expectations remain high Lopez Obrador will use his mandate to address Mexico's corruption, security, and economic challenges.

The North American Free Trade Agreement (NAFTA), signed by the United States, Canada, and Mexico (the Parties), entered into force on January 1, 1994. Under NAFTA, tariffs on nearly all goods were eliminated progressively, with all final duties and quantitative restrictions eliminated, as scheduled, by January 1, 2008.

The United States entered into negotiations with the Parties seeking to update and rebalance NAFTA in August 2017. The United States-Mexico-Canada Agreement (USMCA) was signed on November 30, 2018 and will replace NAFTA to better serve the interests of American workers, farmers, ranchers, and businesses. The USMCA modernizes and rebalances U.S. trade relations with Mexico and Canada to benefit American workers and businesses and reduces incentives to outsource by providing strong labor and environmental protections, innovative rules of origin, and revised investment provisions. The Agreement also brings labor and environment obligations into the core text of the agreement and makes them fully enforceable. The Agreement is a mutually beneficial win for North American farmers, ranchers, businesses, and workers. Once implemented, it will create more reciprocal trade with Mexico and Canada, support high-paying jobs for Americans, and help grow the U.S. economy.

The USMCA expands U.S. access in Canada for certain U.S. dairy, poultry, and egg products and, once implemented, will help reduce costs and facilitate trade via new commitments on customs inspections, automation, and the treatment of low-value goods. In addition to these achievements, the Agreement upgrades NAFTA in key areas. For example, the USMCA establishes the strongest and most advanced provisions on intellectual property and digital trade ever included in a trade agreement. Finally, the USMCA also includes several groundbreaking provisions to combat non-market practices—such as subsidies and currency manipulation—that have the potential to disadvantage U.S. workers and businesses. Mexico’s Senate ratified the USMCA on June 19, 2019.

For more information, see our USMCA Highlights below and visit the Office of United States Trade Representative website ([www.ustr.gov](http://www.ustr.gov)).

Mexico is a member of the World Trade Organization (WTO), Asia-Pacific Economic Cooperation (APEC), G-20, and Organization for Economic Cooperation and Development (OECD). Mexico has 13 FTAs covering 50 countries including the 11-country Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP, formerly known as the Trans-Pacific Partnership). For U.S. exporters, Mexico’s participation in these international agreements means that, in general, the Mexican market is one of the most open and competitive in the world.

In terms of demographics, Mexico is the most populous Spanish speaking nation in the world. Seventy-nine percent of its inhabitants live in urban areas. Ten percent of the population is considered wealthy, and about 44 percent lives in poverty. The remaining 46 percent of the population is considered middle class. Mexico has a young population, with a median age of 28.

## **Market Challenges**

Mexico’s size and diversity are often under-appreciated. It can be difficult to cover this vast market with a single distributor or agent. As with any new commercial endeavor, U.S. firms should consult with legal counsel before entering into any business agreements.

The López Obrador Administration has moved forward with several changes in government procurement, the healthcare system, economic development policy, energy policy, and infrastructure priorities. Please see the relevant sections of this guide for more information on the specific opportunities and questions raised by the new administration’s policies.

The banking system in Mexico has shown signs of growth after years of stagnation, but interest rates remain comparatively high. Small and medium-sized enterprises (SMEs) find it particularly difficult to obtain financing at affordable rates despite Mexican Government efforts to increase access to capital for SMEs. U.S. companies

need to conduct thorough due diligence, and they 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 help Mexican buyers explore financing options. Options should include U.S. Export-Import Bank (EXIM) programs, especially since Mexico is the largest market for EXIM in the world.

Mexican customs regulations, product standards, and labor laws may present challenges for U.S. companies. At the U.S. Embassy and U.S. consulates in Mexico, United States Foreign Service Officers from the Departments of Commerce, State, and Agriculture are available to guide firms on regulations that affect their export product or business sector—from commercial, agricultural, and labor matters to intellectual property rights and standards.

Continued violence involving criminal groups has created heightened insecurity in some parts of Mexico, including in some border areas, in certain port zones, and along truck and rail corridors. The State Department provides a security assessment of every state in Mexico, and the American Chamber of Commerce in Mexico (AmCham) conducts an annual survey of security trends affecting businesses. All U.S. travelers to the country are strongly encouraged to visit the Department of State's [Travel Warning website](#).

## **Market Opportunities**

Abundant market opportunities for U.S. firms exist in Mexico.

Mexican companies, government agencies, and entire industries are deeply familiar with and receptive to U.S. products and services. U.S. producers often find it straightforward to market and sell their services and products in Mexico.

## **Key Sectors**

Mexico's most promising sectors for U.S. exporters include agriculture; agribusiness; auto parts and services; aerospace; education services; energy; environmental technology; franchising; housing and construction; packaging equipment; plastics and resins; security and safety equipment and services; information technology; transportation infrastructure equipment and services; and travel and tourism services. However, given the size of the Mexican market, there is almost no product a company cannot sell successfully in Mexico with the right preparation, commitment, pricing, and service.

## **United State-Mexico-Canada Agreement (USMCA) Highlights**

When fully approved, the USMCA will improve market access for U.S. companies in several important ways.

- **Intellectual Property Rights (IPR).** The agreement provides for strong, effective protection and enforcement of IP rights. Canada and Mexico agreed to strong enforcement provisions against counterfeiting and piracy, ensuring protection of trade secrets, and *ex officio* authority for law enforcement officials to stop suspected in-transit counterfeit goods. The agreement also established 10 years of data protection for biologic drugs.
- **Digital Trade.** The agreement contains the strongest disciplines on digital trade of any international trade agreement, including rules to ensure that data can be transferred cross-border and minimizing limits on where data can be stored and processed.
- **Labor.** A new chapter brings labor obligations into the core of the agreement and makes them fully enforceable. The agreement requires parties to adopt and maintain labor rights recognized by the International Labor Organization, an Annex on Worker Representation in Collective Bargaining in Mexico, and new provisions prohibiting importation of goods produced by forced labor as well as violence against workers exercising their labor rights.

- **Environment.** With the most comprehensive set of enforceable environmental obligations of any U.S. trade agreement, provisions will combat illegal trafficking in wildlife, timber, and fish. They will also enhance customs inspections, prohibit harmful fisheries subsidies, and combat illegal and unregulated fishing. Further, the agreement addresses environmental issues such as air quality and marine litter.
- **Automotive Manufacturing.** Through updated automotive rules of origin, the agreement encourages U.S. manufacturing and regional growth by requiring that 75 percent of auto content be produced in North America and that key core parts always originate on the continent. The agreement encourages higher automotive manufacturing wages by requiring 40–45 percent of automotive content be made by workers earning an average base-wage of at least \$16 per hour.

## **Market Entry Strategy**

Successful market entry into Mexico is not entirely different from establishing sales channels in the United States. The strategy should be based on establishing an agent, representative, or authorized distributor for products and services in Mexico or opening a representative office. Given the size of the market, the strategy should consider specific regional territories. Most firms assign Mexican agents or distributors in different locations. Many companies find it works well to use three or four specific territories, often centered in Mexico City for central and southern Mexico, in Guadalajara for western Mexico, in Monterrey for northeastern Mexico, and in Baja California for the northwestern border and maquiladora (twin plant manufacturing) zones. For selling to the government, it can be important to have a local office or representative. For regulated products or services such as healthcare solutions, it is necessary to allow time for and utilize local support to obtain regulatory approvals.

Exporters also need to consider promotional plans. Trade shows, advertising, social media campaigns, and sales calls all work well in Mexico. Mexican buyers are generally price sensitive, and government buyers have strict rules for favoring lowest-price offers, so establishing an effective pricing structure is key. Legal counsel, protection of intellectual property, sales, shipping, and after sales support all need to be elements of your strategy. We recommend the following considerations:

- To do business in Mexico, it is crucial to develop and maintain close relationships with clients and partners. Mexicans prefer regular direct communication, especially in the initial stages of establishing rapport. Email is widely used, and platforms such as WhatsApp are very popular for quick interactions.
- Mexican consumers are generally quite knowledgeable about U.S. products and services and popular U.S. brands are widely recognized in Mexico. Leverage and build upon this familiarity.
- The U.S. Commercial Service can assess market potential of products and services, provide advice on export strategies, and facilitate business agreements with potential clients and/or partners through our three offices located in Mexico City, Guadalajara, and Monterrey.

## **Contacts and Web Resources**

The U.S. Commercial Service in Mexico prepares this Country Commercial Guide annually. Our mission is to help U.S. companies, states, cities, and non-profit organizations benefit from expanding their exports to and investment attraction from Mexico. To contact your local U.S. Export Assistance Center, visit [Export.gov: http://export.gov/usoffices/index.asp](http://export.gov/usoffices/index.asp).

### **Our Offices**

We have offices in the major commercial centers of Mexico City, Monterrey, and Guadalajara.

#### **U.S. Embassy Mexico City**

U.S. Trade Center

Calle Liverpool #31, Col. Juárez  
Mexico City, 06600  
Tel: +52 (55) 5080-2000 ext. 5207  
Fax: +52 (55) 5566-1115

### **U.S. Consulate General Guadalajara**

U.S. Commercial Service Office in Guadalajara  
World Trade Center  
Av. Mariano Otero No. 1249; Torre Pacífico - Piso 4  
Guadalajara City, Jalisco 44530  
Tel: +52 (33) 3615-1140 ext. 102  
Fax: +52 (33) 3615-7665

### **U.S. Consulate General Monterrey**

U.S. Commercial Service Office in Monterrey  
Prol. Ave. Alfonso Reyes No. 150 Col. Valle Poniente  
Monterrey City, Nuevo Leon 66196  
Tel: +52 (81) 8047-3100

The U.S. Commercial Service in Mexico offers specialists covering virtually every industry to assist you in entering the Mexican market. You can find their contact information and more information on our top-prospect sectors by reviewing the *Leading Prospects* section of this guide. You can also see our list of specialists at our [Leading Industry Sectors](#) online at Export.gov.

If you have specific questions about customs and documentation issues, ASK MANNY. Mr. Manuel Velazquez, Commercial Assistant in our Monterrey office, counsels U.S. companies every day regarding customs and shipping. He can be reached at [manuel.velazquez@trade.gov](mailto:manuel.velazquez@trade.gov) or +52 (81) 8047-3248.

### **General Web Resources**

U.S. Commercial Service Mexico	<a href="http://www.export.gov/mexico">www.export.gov/mexico</a>
U.S. Embassy Mexico	<a href="https://mx.usembassy.gov">https://mx.usembassy.gov</a>
U.S. Commercial Service Office Locator	<a href="http://www.export.gov/locations">www.export.gov/locations</a>
U.S. International Trade Administration	<a href="http://www.trade.gov">www.trade.gov</a>
U.S. Export Statistics – Trade Stats Express	<a href="http://tse.export.gov">http://tse.export.gov</a>

### **Political Environment**

For background information on the political and economic environment of the country, please use this link to access the [U.S. Department of State Mexico page](#).

### **Selling U.S. Products & Services**

#### **Using an Agent to Sell U.S. Products and Services**

Some U.S. firms sell their products through individual sales agents, and there are many Mexican firms interested in serving this role for U.S. firms. The use of sales agents can be an effective way to reach smaller cities and remote locations in Mexico.

Selecting an appropriate agent or distributor requires time and effort. There may be many qualified candidates, and U.S. firms should set high standards to select the best suited agent/distributor. Since most Mexican firms sell in limited areas, U.S. companies should consider appointing representatives in multiple cities to broaden

the distribution network. It is usually not advisable to grant an exclusive, national agreement. It is essential to develop a close working relationship with the appointed agent/distributor and maintain continuous communication. Appropriate training, marketing support, samples, product support, and timely supply of spare parts (depending upon the industry) are critical for success. There are no indemnity laws to prevent a company from canceling an agent or distributor agreement, but cancellation clauses 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 how the relationship is to be developed. Many international commercial relationships become strained because insufficient time is invested in developing a full understanding of what is expected.

The U.S. Commercial Service and other organizations—such as the American Chamber of Commerce in Mexico and U.S. state government trade representatives—maintain lists of Mexican agents/distributors, manufacturers, Mexican government offices, and private sector trade organizations. After identifying a suitable agent/distributor, we encourage the U.S. exporter to conduct a commercial background check on the Mexican firm. The U.S. Commercial Service offers an [International Company Profile](#) that provides background information on a potential business partner. Commercially available services, such as Dun & Bradstreet, may list larger Mexican firms.

If a 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. We suggest the U.S. exporter schedule annual visits of Mexican personnel to the U.S. company headquarters for training. (More information on the visa process is provided in the *Business Travel* section in Visa Requirements.) Another important factor to consider is financing, as credit from Mexican banks is limited, and, when available, is often expensive. Joint venture agreements may also be considered to strengthen market penetration. Direct marketing is another popular marketing strategy. Telemarketing is evolving and gaining in popularity and scope. While internet penetration has not yet reached U.S. levels (the Mexican Government estimates internet access by 71 percent of the population over the age of six), social media marketing is becoming increasingly important and should be factored into marketing plans when appropriate.

### **Establishing an Office**

For U.S. companies interested in establishing a presence in Mexico, the General Law of Mercantile Organizations (or 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 may perform in Mexico and, among other liabilities, the amount of taxes owed.

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

The 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.' The Civil Association (*Asociación Civil*) is the form that charitable or nonprofit organizations adopt to operate, and is identified with 'A.C.'

A Limited Liability Partnership (*Sociedad de Responsabilidad Limitada*), identified with 'S. de R.L.,' is similar to an LLP in the United States and has the option of having variable capital, indicated by 'S. de R.L. de C.V.' As this

is a partnership structure—in other words, an organization formed by individuals as partners—it has similar characteristics to a Civil Partnership apart from unlimited liability.

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 (*Comisión Nacional de Inversiones Extranjeras* or CNIE).

Consulting with a law firm in Mexico prior to establishing an office in the country is important. A partial list of Mexican law firms with international business focus and experience can be found at the U.S. Commercial Service [Mexico Business Providers List](#). For other types of legal representation, contact our U.S. Commercial Service office in Mexico City to obtain the Embassy's attorney list.

## **Franchising**

The Mexican market is mature and competitive but also very receptive to the franchise model, which has continued to see sustained growth in recent years. U.S. franchise concepts are well regarded in the Mexican market due to brand familiarity as well as the strong relationship between the two countries. The franchise sector in Mexico grew 9.8 percent in 2018 and experts predict that, despite economic challenges, this sector will grow by at least 10 percent by 2020. According to the Mexican Franchise Association, the franchise industry is responsible for around 6 percent of Mexico's GDP with more than 100,000 points of sale throughout the country from over 1,500 franchise concepts, including international brands that are predominately from the United States. About 85 percent of the franchises operating in the country are Mexican brands, 10 percent are from the United States, and the remaining percentage is shared by brands from Europe and Latin America.

The food and beverage sector represents about 30 percent of the Mexican franchise market, followed by retail, and then services in the personal care, health, education and business consulting sectors. The franchise model has been particularly successful for concepts that do not require high investment fees. Concepts with investment fees ranging from USD 50,000 to USD 250,000 have more opportunities to grow in the market than high-fee models.

Traditionally, large cities such as Mexico City, Monterrey, and Guadalajara have been the first options for positioning a new franchise concept, comprising about 70 percent of the total number of franchises in country. Nevertheless, the creation or development of franchise business opportunities has also been successful in smaller cities as these regions are experiencing important economic growth and the local populations are looking for new products and brands, including international concepts.

Franchising in Mexico, as in any other country, requires a long-term commitment. U.S. franchisors must commit human and financial resources to develop a business plan (including market research) to identify the best strategy to grow in the Mexican market, as well as flexibility to adapt to the local culture. Given that Mexico is so large and diverse, it is challenging to grant just one master franchisee contract to develop the entire country. It is highly recommended to grant at least three regional rights covering Northern, Western, and Central Mexico. U.S. franchisors must support the master/regional franchisees throughout the business relationship if they want to be successful in country. One of the main complaints from franchisees is the lack of support from franchisors once the agreement is signed. Close communications with the partners, constant training, and regular visits to the country will provide good results for the franchisor/franchisee relationship.

## **Legal Framework**

Franchises in Mexico are regulated by Article 142 of the Industrial Property Law (*Ley de la Propiedad Industrial* or LPI) and Article 65 of its Regulations. Under Article 142 of the LPI, a franchise exists when, in conjunction with a written license to use a trademark, technical knowledge is transmitted to enable the franchisee to sell goods or render services using the operating, commercial, and administrative methods established by the

holder of the trade mark, with the aim of maintaining the quality, prestige and image of the products or services distinguished by the trademark. A 2006 amendment to the Industrial Property Law provided a clearer definition of a franchise and mandated requirements for franchise agreements and standards for pre-sale franchise disclosures.

It is important to register trademarks in Mexico to protect brands with the Mexican Institute of Industrial Property (*Instituto Mexicano de la Propiedad Industrial* or IMPI). According to the applicable law, a trademark must be used by either its owner, the licensee, or the franchisee of record, or it may be subject to cancellation due to non-use. Franchising and licensing agreements involving Mexican trademark applications or registrations must be recorded with IMPI. The time frame for registering a trademark in Mexico is approximately four to six months.

### **Local Association**

The Mexican Franchise Association (*Asociación Mexicana de Franquicias* or AMF) is a private entity with over 25 years in the market. The AMF's main purpose is to promote and develop franchising in Mexico, as well as to establish regulations to promote professionalism in the industry, and work with public and private sectors to develop, implement and promote programs to benefit the industry. It is mostly comprised of Mexican franchisors and franchisees as well as franchise consulting firms. More information about the AMF's activities can be found at: [www.franquiciasdemexico.org](http://www.franquiciasdemexico.org).

For more information on franchising opportunities in Mexico, please contact Commercial Specialist Martha Sanchez at [Martha.Sanchez@trade.gov](mailto:Martha.Sanchez@trade.gov).

### **Direct Marketing**

With the establishment of large international firms in Mexico and their emphasis on adopting similar marketing strategies to those employed in their home market, the marketing services industry has become more segmented and specialized, offering U.S. companies a complete array of marketing options. The most important promotional tools employed by companies include 'above-the-line' (ATL) methods such as paid digital media (and to a lesser extent conventional advertising) and 'below-the-line' (BTL) methods such as targeted marketing, trade shows, and direct marketing.

Small and medium-sized U.S. companies entering the Mexican market should work closely with their local distributor/representative in the creation of marketing plans. The leading association in Mexico that coordinates the activities of communication agencies is the Mexican Advertising Association (AMAP):

AMAP – *Asociación Mexicana de Agencias de Publicidad*

Cerrada de Palomas 36, Col. Reforma Social

11650 Mexico City

Phone: +52 (55) 2623-0561

[contacto@amap.com.mx](mailto:contacto@amap.com.mx)

<https://amap.com.mx>

### **Joint Ventures/Licensing**

Given the flexibility of engaging in joint venture agreements, U.S. firms frequently use joint ventures and licensing agreements to establish a presence in Mexico. Although some Mexicans rely on verbal agreements when doing business, we highly recommend you sign 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 Industrial Property (*Instituto Mexicano de la Propiedad Industrial* or IMPI). Registering

a license or patent entails a government review that can take four to six months. For more information on IMPI, please see the *Intellectual Property* section.

U.S. professional licenses (e.g., engineer, architect, lawyer) are not generally recognized in Mexico. One must become accredited in Mexico or have a Mexican counterpart co-sign or validate the U.S. work. For example, a U.S. architect may draw up plans for a building, but a licensed Mexican architect must sign off on them. A list of local professional associations can be found in the *Principal Business Association* section of this guide. Instructions to register your professional degree in Mexico (information is in Spanish) can be found at the [Secretariat of Education website](#). For additional information, please contact the U.S. Commercial Service in Mexico.

## **Selling to the Government**

The Mexican Government purchases large volumes of raw material, repair parts, finished goods, and hired services to execute important infrastructure and construction works, not to mention supplies for the broad scope of government functions, including a government-run hospital and healthcare network, schools, defense, police, research, international affairs, and more.

## **Procurement Centralization**

Upon being sworn in December 1, 2018, the López Obrador Administration announced a new system of centralized procurement to support government anti-corruption efforts, increase transparency and accountability, and reduce costs. As of June 2019, significant aspects of the centralized procurement system were still being worked out, including consistency of the new system with procurement provisions of the Mexican Constitution and Mexico's obligations under its various free trade agreements including NAFTA and the still-to-be-ratified U.S.–Mexico–Canada Agreement. This section provides an overview of what we know of this new centralized system together with the government procurement system as laid out in Mexican law.

In December 2018, the Government took two actions to kick off centralized procurement. First, the then-Minister of Finance, Carlos Urzúa, assigned Raquel Buenrostro as the Comptroller General (*Oficial Mayor*) and centralized procurement authority for all procurement. Second, the Mexican Government signed an agreement with the United Nations Office for Project Services (UNOPS) to advise on tenders for strategic projects, provide technical assistance on tracking contracts, and increase transparency.

As noted, the Lopez Obrador Administration is still working on the new centralized procurement system. However, on May 24, 2019, Buenrostro announced the “Integrated Strategy for the New Public Procurement System” (*Estrategia Integral del Nuevo Sistema de Contrataciones Públicas*). This strategy sets forth two main objectives. These are (a) Improve the transparency of the public procurement process; and (b) contribute to economic development having a procurement system with strategic planning, social responsibility, and a greater, more diverse number of potential suppliers. (Supplier diversity is thought to mean reducing reliance on suppliers from the United States and other traditional source countries such as Spain.)

The strategy includes the following actions:

### **1. Strengthen the procurement planning process**

- Integrate annual programs for public procurement & acquisitions.
- Improve the methodologies for market research.
- Create procurement strategies with strategic planning.

### **2. Support small and medium-sized companies (SMEs) with social responsibility programs**

- Increase the participation of SMEs and cooperatives in the procurement process.

- Develop new suppliers through a strategic plan.

### **3. Establish strong coordination with procurement units**

- Adopt international best practices to coordinate the procurement policies and guidelines of each Finance Administration Unit (*Unidades de Administración de Finanzas* or UAF)
- Centralize the procurement system to improve the coordination and tracking of public spending.

### **4. Consolidate procurements**

- Consolidate 80 percent of public spending in procurement.

### **5. Adopt technology tools**

- Automate the public procurement process in each step as acquisition planning, management, spending, contracting and evaluation.
- Improve the process to increase transparency and reduce costs.

### **6. Improve transparency in public administration**

- Train and certify the government officials, acquisition, and contracting personnel in purchasing units.
- Improve the culture of honesty and integrity in suppliers and government employees.
- Evaluate and track government employees in purchasing units.

### **7. Create a flexible legal framework**

- Develop a more transparent framework through the automatization of the contracting process.
- Improve tracking mechanisms.

## **Government Budgets and Spending**

As announced in the Government's [2019 Economic Program](#), Mexico's 2019 overall federal budget authorization is MXN 5.78 trillion, or approximately USD 301 billion (up from USD 287 billion in the 2018 budget). This does not include state or municipal spending, nor does it include private investment in public-private infrastructure projects. However, it does include direct federal spending, spending tied to state-owned enterprises such as Pemex, and transfers to state and municipal governments. The budget includes increased spending for security, balanced in some instances by reductions in specific federal agencies.

A smaller subset of the budget are the amounts set aside for public contracting (as opposed to salaries, facilities, and other non-contracted expenses). This table depicts the 2019 approved budget for federal public contracting by category, roughly 17 percent of the overall federal budget:

Category	2019 (MXN billions)	2019 (USD billions)	Percentage
Operating Materials & Supplies	\$331.2	\$1.69	33.2%
General Services	\$260.7	\$1.35	26.1%
Equipment	\$35.7	\$.185	3.6%
Public Works	\$370.3	\$1.92	37.1%
Total	\$997.9	\$5.18	100.0%
Exchange rate (using 2018 average)	19.227		

*Sources: Estrategia Integral del Nuevo sistema Nacional de Contrataciones Públicas, Secretariat of Finance, May, 2019, p. 6; Central Bank of Mexico (Banco de Mexico)*

Traditionally, the entities and enterprises with the largest procurement budgets have been the following public entities:

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

Certain state-owned enterprises also drive significant spending:

- The Mexican national oil company (Pemex)
- Federal Electricity Commission (CFE)
- Mexican Institute of Social Security (IMSS)
- Institute of Social Security and Services for Public Employees (ISSSTE)

State and municipal spending should not be ignored. The largest states and cities in terms of economic size include Mexico City and the states of México, Nuevo León, Jalisco, Veracruz, Campeche, and Guanajuato, which together account for more than 50 percent of national GDP.

### **Using Local Partners for Government Sales**

For most opportunities, it is not required to have a local representative or an office in Mexico to bid on a tender and sell to the Mexican Government. However, a local office can simplify obtaining bid documents and supporting after-sales service and parts, in addition to tracking competitors and reassuring the procuring agency of your long-term commitment to the market. Frequently, the tender requires some type of local presence and Spanish-language skills. For these reasons, we strongly recommend 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 the *Trade Promotion & Advertising* section.

## Navigating Mexican Government Procurement

The U.S. Commercial Service Mexico City has a guide to Public Procurement in Mexico. The guide has not been updated as we await more clarity on the evolving centralized procurement system. However, please contact us to inquire about an updated copy. Below is a summary of key points for U.S. exporters based on the Mexican procurement system as stated in existing law.

### *The Mexican Government Procurement Process*

Mexican Government procurement and contracts are governed by Article 134 of the Mexican Constitution, the Public Procurement Act (*Ley de Adquisiciones, Arrendamientos y Servicios Del Sector Público*, or LAASSP), and Public Works Act (*Ley de Obras Públicas y Servicios Relacionados con las Mismas*, or LOPSRM). The Secretariat for Public Administration (*Secretaría de la Función Pública*, or SFP) is responsible for defining, monitoring, and enforcing procurement and contracting rules, including managing any objections or disagreements with the legality of the procurement process. Depending on the sector, other government ministries and agencies may have oversight on the process. For example, in the energy sector the Electricity Commission (*Comisión Federal de Electricidad*, or CFE) and the National Electric System (*Sistema Eléctrico Nacional*, or SEN) significantly regulate tenders in their respective areas of responsibility.

The Mexican Government makes purchases based on a **documented** need. Any agency engaging in public tenders or other procurement methods is required to post all listings on *CompraNet* (see the section on tracking tenders, below). The government must set a procurement budget, enter its information into an Annual Procurement Program (APP) on *CompraNet*, consider any relevant standards for regulated products, and address the agency's objective in the short-, medium- and long term. Prior to preparing a tender, the procuring agency must complete a comprehensive market study to establish market prices and specifications. There are three types of procurement procedures agencies can use: public tender, restricted invitation, and direct award. A public tender is the preferred method; however, there are twenty exceptions that allow for an agency to bypass public tenders. A restricted tender is invitation-only but must include at least three bidders. A direct award is a sole-source procurement and requires approval of a specific justification such as national security. When a single supplier does not exist that can fulfill the required need, the procuring agency can offer a joint bid and/or split award.

An agency seeking to procure a product or service will evaluate the bid on point-based, cost-benefit, or binary criteria. Through a point-based process, every component of a bid is weighted differently (50 points in total), and the experience of a supplier is 10 percent to 15 percent of the final score. The cost-benefit evaluation monetizes the benefit of each component of the bid to enable cost-benefit scoring. The binary process is typically used for commodity purchases in which the procuring agency first determines bids that meet all technical requirements and then automatically awards the purchase to the lowest price bid.

Prior to the final version of the tender publication, the procuring agency has the option to post a draft tender to *CompraNet* for 10 days. Once this period is over, the final tender will be published. Tenders are published on the agency's website, *CompraNet*, and the Official Gazette.

### *Tracking Tenders and Bidding*

The Mexican Federal Government uses an online procurement information management tool called [CompraNet](https://compranet.funcionpublica.gob.mx) (<https://compranet.funcionpublica.gob.mx>), similar to the United States FedBizOpps system. *CompraNet* is a repository for all official tender information and documents by all bidders, and it is managed with oversight by Mexico's Secretariat of Public Administration (SFP). *CompraNet* stores each tender listing, procurement procedure, and procurement type (e.g. purchase, lease or service contracts), records on submissions and announcements. As of June 2019, the government is still using *CompraNet* to manage purchasing processes.

Companies should complete the following to pursue a Mexican Government procurement contract:

1. Go to CompraNet and press “Register your Company” (accept the terms and conditions).
2. Select the ‘Foreign Company’ tab (*Extranjera Incorporar*) and enter all corresponding data and document in the space provided.
3. Attach the required file to process a digital certificate from the SFP.
4. Send the form with all registration information.
5. Wait one to two business days to receive account information and a digital certificate.
6. Access CompraNet.

U.S. firms are encouraged to carefully analyze tender specifications. They may differ from entity to entity as well as the value of the purchase, type of goods or services, and regulatory requirements. A bid will be disqualified if not received within the specified period. Bids can also be disqualified for not meeting technical requirements—even items as small as a discrepancy in a comma between a bidder’s corporate name and the name appearing in its certifications. Likewise, each tender includes a specific schedule for participants to ask questions.

If a tender specifies a certain brand or gives preference to a supplier, a complaint can be filed with the Directorate General of Complaints (*Dirección General de Quejas*) at the procuring agency before the contract is awarded. Bids should only include the exact specifications listed in the tender. “Additional solutions” and/or specifications not listed in the tender request can 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 cases of disqualification based upon seemingly insignificant omissions on the part of bidders to comply with tender requirements and procedures.

#### *Corruption in Government Procurement*

Corruption exists in many forms in Mexico, and it can, at times, influence tenders. The use of exceptions such as shortened procurement windows and sole source awards are common. Generally federal-level procurements have better oversight and anti-corruption safeguards than at the sub-national level. Despite these concerns, U.S. companies regularly win government contracts based on the strength of their bid. Please see the sections on *Corruption* and *Regulatory Transparency* in the *Investment Climate Statement* section.

#### *Advocacy*

U.S. companies bidding on a Mexican Government tender may also qualify for U.S. Government advocacy. A unit of the U.S. Commerce Department’s International Trade Administration, the Advocacy Center, coordinates U.S. Government interagency advocacy efforts on behalf of U.S. exporters bidding on public sector contracts with international governments and government agencies.

The Advocacy Center works closely with our network of domestic U.S. Commercial Service Export Assistance Centers and with the U.S. Commercial Service in Mexico to ensure that exporters of U.S. products and services have the best possible chance of winning government contracts. Advocacy assistance can take many forms but often involves the U.S. Embassy or other U.S. Government agencies expressing support for the U.S. bidders directly to the foreign government.

Useful information about the Advocacy Center’s work in support of U.S. companies—as well as the instructions and application form to apply for advocacy—can be found at their website: <http://export.gov/advocacy>.

### *Multilateral Development Banks and Financing Government Sales*

Price, payment terms, and financing can be a significant factor in winning a government contract. Many governments finance public works projects through borrowing from the Multilateral Development Banks. Please refer to the *Project Financing* topic in the *Trade and Project Financing* section for more information.

### **Sector-Specific Procurement Developments**

As noted at the beginning of this section, the new centralized public procurement mechanism is still evolving. However, as of June 19, 2019, we have observed significant changes in key procurement-heavy sectors.

#### *Defense*

The Mexican Secretariat of National Defense (*Secretaría de la Defensa Nacional* or SEDENA) and the Mexican Navy (*Secretaría de la Marina* or SEMAR) will handle the defense procurement process through their internal offices, led by their own General Comptroller's Office (*Oficial Mayor*) rather than the Secretariat of the Treasury (*Secretaría de Hacienda y Crédito Público* or SHCP). SEDENA and SEMAR will be more independent in the procurement process than other cabinet agencies and government offices. Both institutions will use the annual budgets assigned by SHCP and will follow the requirements of the Public Procurement Act and Public Works Act, outlined above. The requirements to register new suppliers in CompraNet remains the same as in past administrations. SEDENA has also been managing the procurement to equip the new National Guard. In short, defense procurements will remain similar to the prior administration and will have expanded scope with respect to supporting the National Guard. See our *Aerospace* and *Safety & Security* sections for more information and contacts for our team.

#### *Health*

The López Obrador Administration is reorganizing the public healthcare sector to expand access to healthcare services and medicines for all Mexicans and to fight corruption in health system procurement. As part of this reorganization, there are several changes underway that impact the government procurement process more significantly than for other government agencies.

First, the administration is planning to substitute the *Cuadro Basico* and the *Catálogo de Medicamentos* (the official government approved supply lists) with a new list of products that can be purchased by government healthcare institutions. Second, the healthcare system is among the first areas in which the government is implementing centralized procurement through SHCP rather than from the Secretariat of Health and its related health networks IMSS, ISSTE, and Seguro Popular (please see our *Healthcare Products and Services* section for an overview of the industry).

As of June 2019, the Mexican healthcare system is facing a growing number of projected shortages of medications, vaccines, and hospital and clinic supplies. SHCP has attempted to issue multi-product tenders to address these potential shortages, but the process has raised several concerns. These tenders have included open international sourcing from low-cost countries (rather than phased procurement favoring domestic providers and trade agreement countries including the United States), low-price requirements, short response timelines, separation of product supplies from essential services (such as dialysis supplies separated from dialysis services), and direct supply rather than the use of wholesalers or distributors. Pharmaceutical and medical device / supply companies express concern about the exclusion of distributors since they are reliant upon Mexico's wholesale distribution system to guarantee controlled storage, inventory, and cold-chain handling. CS Mexico is actively monitoring these developments and communicating with the Mexican Government to implement fair procurement practices that ensure quality-controlled and efficacious products from reputable suppliers. See our *Healthcare* section for more information and to reach our team.

## *Infrastructure*

As outlined in the National Development Plan, Mexico is planning a wide variety of infrastructure projects for the 2018-2024 Period (see our sections on *Transportation Infrastructure, Water, Energy, and Oil & Gas* for more details). As of June 2019, procurement for the most prominent of these projects appears to be taking a somewhat different route than either defense or healthcare. It appears tenders for these projects will appear in CompraNet and may be managed to some degree by SHCP. However, we have seen indications that agencies managing the various projects may opt for direct award solicitations when directed by President López Obrador or to focus on preferred identified suppliers. We encourage you to contact your CS Mexico team in the relevant sector for assistance.

## **Distribution & Sales Channels**

This section reviews several different factors in selecting and managing your distribution and sales in Mexico.

### **Retail**

It is a challenging environment for retail sales, with the impact of a strong U.S. dollar, the proliferation of interest-free financing offers (*meses sin intereses* or MSI), mobile retailing, and continued company activity in the form of mergers, acquisitions, and expansions. Notwithstanding these challenges, the market grew by five percent in 2018. The retail channels with the highest growth rates during the year included internet retailing, convenience stores, and department stores.

A common practice in Mexico is to offer consumer financing in the form of interest-free layaway / MSI. Originally extended primarily by national retailers during special events such as the 'Hot Sale' and 'el Buen Fin,' the practice has become widespread among both local and international companies. Mexico has several large retail stores and chains including El Palacio de Hierro, Saks Fifth Avenue, Coppel, Grupo Comercial Chedraui, and Sears Roebuck de México.

Mexican retailers plan continued investments to build new stores and remodel others into 2019, supported by expectations that sales growth will remain above 2017 levels. Members of the retail association ANTAD, who operate 59,300 stores, plan to invest USD 3.25 billion this year, up from an estimated USD 3.1 billion in 2019. Close to 70 percent of the total will be invested in new stores and upgrades of existing ones, and the balance in logistics, technology and other areas.

Walmart de México leads retailing, with its share value more than twice as high as that of the second biggest player (FEMSA Comercio). Walmart's performance was especially impressive given Mexico's fragmented competitive environment, relevance of traditional sales, and small independent retailers.

Meanwhile, online shopping in Mexico is anticipated to more than double by 2022 to nearly USD 18 billion, with the major global eCommerce players moving into high gear following the 2016 recession.

Key players vying for a bigger stake in this exciting eCommerce market are MercadoLibre, Amazon, Walmart, and Alibaba. The Argentina-based MercadoLibre is by far the most popular online retailer in the region, with operations in 18 markets. With more than 55 million unique visitors per month in 2017, it outpaced Amazon and Brazilian B2W. Still, MercadoLibre saw its market share plummet since 2012 as Amazon and Walmart surged. Amazon reported USD 253 million in sales in Mexico in 2017, more than double the previous year.

### **Importers and Wholesalers**

Key retail chains are among the largest importers and wholesalers, including Walmart de México, Costco de México, El Puerto de Liverpool SAB de CV, El Palacio de Hierro, Sanborns de México SAB de CV, and Sears Roebuck de México. The official database of Mexican importers features approximately 3,200 import firms as of December 2017 (the most recent year for which figures are available).

## **Geographic Segmentation**

Mexico is a large market to cover, whether for distribution or for sales channels. The U.S. Commercial Service in Mexico recommends that U.S. exporters consider splitting the country into distinct territories rather than trying to sign a single agent or distributor with exclusive national rights.

## **Logistics and Distribution Infrastructure**

Mexico is a leading global logistics center, in large part based upon its 13 trade agreements with 50 countries. Shipping logistics work well in Mexico, though not without some concerns. The World Bank's [Logistics Performance Index](#) for 2018 places Mexico in 51st place out of 160 countries in terms of logistics efficiency. Transportation-logistics services are expensive in Mexico, representing eight to 15 percent of product costs in Mexico, compared to five to seven percent in the United States. According to the Mexican Secretariat of Communications and Transportation (SCT), 60 percent of Mexican products for domestic consumption travel by land on trucks, 14 percent travel by train, and 26 percent are transported by ship.

The Mexican Government seeks to reduce transport costs across the economy to increase competitiveness and facilitate supply chains. To do so, Mexico is modernizing its national transportation network. The López Obrador Administration's National Development Plan seeks to improve cargo transport infrastructure, particularly in Southern Mexico. This plan builds upon the prior Administration's National Infrastructure Plan, which launched improvements to highways, railways, and ports. These infrastructure projects are described in further detail in our section on transportation infrastructure.

Currently, Mexican transport infrastructure includes:

- Approximately 390,000 km of highways and roads
- More than 26,700 km of railroads
- A total of 64 international commercial airports; 1,424 airfields (including military and small private owned fields) and nearly 500 heliports
- More than 100 seaports and intermodal terminals
- Nearly 27,000 km of oil and gas pipelines

### *Logistics and Land Borders*

The main land border crossings with the United States are Nuevo Laredo-Laredo, Ciudad Juárez-El Paso, Piedras Negras-Eagle Pass, Mexicali-Calexico, and Tijuana-San Diego. Tijuana is the busiest border crossing by volume of traffic; however, the Nuevo Laredo-Laredo border crossing is the largest by value, accounting for approximately 53 percent of all U.S.-Mexican trade in merchandise.

The Government of Mexico and some state governments are trying to promote other border crossings to decrease the concentration in Laredo and to offer options for expanding bilateral commercial traffic, such as Colombia, Nuevo Leon. At the federal level, the U.S. and Mexican Governments meet regularly in various working groups focused on the border to advance joint efforts increasing the capacity, efficiency, and speed of border crossings for people and goods. One result was the establishment of the Unified Customs Processing (UCP) program. The UCP brings together Mexican Customs (*Aduanas*) and U.S. Customs & Border Protection agents at the same location to jointly clear cargo. This has the potential to dramatically speed cargo inspections and increase border security. Despite this progress, as of June 2019, shippers have reported intermittent delays for truck and rail crossings as border personnel respond to a variety of priorities.

## *Highways*

Sixty percent of goods are distributed by trucks. Mexico has a modern highway system, primarily comprising toll roads, connecting the main industrial areas located in the Mexico City–Guadalajara–Monterrey triangle. Outside this area, road transportation is more challenging.

## *Ports*

The main maritime ports on the Gulf Coast of Mexico are Altamira, Tampico, Veracruz, and Progreso. On the Pacific Coast they are Ensenada, Guaymas, Lazaro Cardenas, Manzanillo, and Puerto Madero. All these ports have the infrastructure and equipment to facilitate intermodal, door-to-door merchandise transportation. The Government's infrastructure program includes major projects to modernize and expand existing ports, including doubling capacity of the Port of Veracruz, improving existing multimodal corridors, connecting Gulf and Pacific ports, and linking production and consumer centers with NAFTA corridors.

## **Express Delivery**

The parcel and messaging sector in Mexico traditionally operated as a basic courier service, with broad service windows and minimal guarantees on delivery timing and verification. For a variety of reasons, the sector has rapidly modernized as it has in the United States, extending the range of services and focusing on logistics efficiency.

According to data from the Mexican Association of Couriers and Parcels (*Asociación Mexicana de Mensajería y Paquetería* or AMMPAC), Mexican express delivery companies transported 67 million pieces in 2018. About 80 percent of local providers offer door-to-door service, while the remaining 20 percent provides complementary services such as intermediary transport and parcel tracking. In Mexico about 190 million shipments are made per year, representing MXN 220 billion (approximately USD 11.3 billion) in expenditures for logistics, operation and storage. The courier and parcel delivery market alone has an estimated value of MXN 73 billion (approximately USD 3.8 billion), of which 77 percent is national and 33 percent international.

International express delivery services have grown even faster than domestic service, averaging double-digit growth annually. Analysts forecast the industry overall will grow in Mexico 15–20 percent through 2021; however, the largest companies will grow at a higher rate due to their current strengths and capacity to invest in infrastructure and technology.

Around 2,700 courier and parcel delivery companies currently operate in Mexico. They compete for a market of approximately MXN 67 billion (USD 3.5 billion), providing local, regional, and international coverage. Competition is strong and varied in terms of supply, prices, and guarantees. Still, local courier companies complain that they do not face a level playing field when providing international services. They particularly cite terms negotiated under the original NAFTA—granting equal access to Mexican motor carriers entering the United States—which have not transpired. There are signs of some consolidation, as the number of courier firms shrank from a high of nearly 3000 in 2018, though revenues are growing at a rate of 20 percent per year.

## *Express Delivery Investments*

According to AMMPAC, recent investments in technology and infrastructure have driven the sector's expansion. To match the growth of foreign providers, Mexican companies have invested significantly more than their foreign competitors. The total domestic and foreign investment in the sector is impressive. In 2017 and 2018, DHL, UPS, and FedEx increased their presence in Mexico with more e-customer shipping centers; however, the local firms Estafeta Mexicana, RedPack and others continued to invest in technology, infrastructure, fleet modernization, points of sale, operating centers, and customer service. These investments come on top of more than USD 2.15 billion invested by these companies between 2013 and 2017.

The goal of these companies is to differentiate based on their ability to know in real time the location of the package and to harness big data intelligence to minimize the level of misdirected shipments, incorrect routes, and losses and damage to packages. For example, the national incidence of package losses and damages is two percent.

#### *Extension of Express Delivery Services*

Another reason for the growth of the sector is the incorporation of a wider range of services. Companies are competing aggressively on shorter and guaranteed delivery times, efficiencies through route consolidation, customs clearance expertise, geographic scope in cities served, and service reliability through technological improvements such as satellite tracking. Altogether, this competition has increased domestic penetration for same day or overnight service to more than 50 key Mexican cities.

Several sectors have particularly benefited from expansion of express services. These include computers, spare parts, high-value products, and industries using just-in-time supply chains such as high technology, automotive, pharmaceuticals, textiles, and manufacturing. Consequently, these sectors have been key to driving ever-greater cargo volumes through express services.

#### *Future Express Delivery Trends*

For a variety of reasons—from the extent of rural areas to high security costs protecting shipments from organized crime—Mexico is a country with relatively high logistics costs in contrast to labor costs and customer demand for ever lower pricing. To support further growth of the sector, AMMPC is calling for progress on several challenges. These include improvements in the legal framework for express delivery and progress in combatting organized crime.

In the short term, the sector will continue to work on a wider range of integrated logistics solutions beyond transportation. It will also seek improvements in customer service, improved communications tools, and faster response times to requests. The sector further plans to tailor services to the diversity of industries that most demand express service, from banking services, textiles, and apparel to electronics, pharmaceuticals, and cosmetics. Each sector wants specific solutions, and all demand increasingly shorter delivery windows of two to four hours.

### **Selling Factors & Techniques**

Despite the strong similarities with selling in the United States and familiarity with U.S. brands and ways of doing business, it is essential to remember language and culture when you sell. In addition to developing strong working relationships with Mexican partners, U.S. firms should use Spanish-language materials and communicate in Spanish whenever possible while doing business in Mexico. Be conscious of distinct cultural practices, such as customary hours for breakfast and lunch. Pay attention to pricing. Address worries about after-sales support. Hiring local staff can help facilitate relationships and provide U.S. companies with insight on selling to the Mexican market.

### **eCommerce**

According to the Mexican Internet Association's latest available data, the Mexican eCommerce market had a value of USD 21 billion in 2017 and grew at an annual rate of 20 percent. The market is expected to continue growing because of improvements in connectivity, enhanced financial inclusion, more streamlined logistics, and increased digital literacy. Multichannel brick-and-mortar (brick-and-click) retailers have reportedly seen their online sales grow to account for 25 percent of overall sales. In 2018, there were 82 million internet users, representing 71 percent of the population over the age of six. Surveys conducted by the Mexican Internet Association in 2018 indicate that 60 percent of internet users report engaging in eCommerce within the previous three months.

## **Current eCommerce Market Trends**

Transportation services lead the categories of reported online purchases, followed by digital downloads, event tickets, travel, and apparel. Debit cards, and personal credit cards are the preferred methods of payment. However, due to a low rate of financial inclusion, many online retailers offer payment alternatives such as cash payments at convenience stores. The top incentives for online shoppers are secure payment options, free shipping, and a guaranteed return policy. There is a growing trend towards purchasing through mobile devices. The Mexican Central Bank (Banxico) mandated all financial institutions with over 3,000 clients to provide commission-free payments via quick response (QR) code on their mobile applications starting September 30, 2019.

### *Popular eCommerce Sites*

Online marketplaces such as [www.mercadolibre.com.mx](http://www.mercadolibre.com.mx), [www.linio.com.mx](http://www.linio.com.mx) and [www.amazon.com.mx](http://www.amazon.com.mx) are widely used. Additionally, some brick-and-mortar retailers have been very successful in expanding their eCommerce sales. Among the most popular are [www.walmart.com.mx](http://www.walmart.com.mx) and [www.liverpool.com.mx](http://www.liverpool.com.mx).

### *Domestic eCommerce (B2C)*

Online marketplaces such as Amazon, MercadoLibre and Linio are among the most popular sites used for domestic eCommerce in Mexico. Amazon opened its first Mexican storefront and fulfillment center in 2015, launched Amazon Prime in 2017, and opened a logistics center outside Mexico City in 2019. Local department stores have expanded their online operations. However, buyers still report a higher number of purchases from international retailers.

### *Cross-Border eCommerce*

In 2016, the most recent year for which figures are available, 67 percent of Mexican online shoppers reportedly purchased from international retailers, and 75 percent of those purchases were made on U.S. sites. Mexico's current *de minimis* level is USD 50, much lower than the *de minimis* of USD 800 in the United States. However, cross-border eCommerce stands to benefit from the ratification of the USMCA, as Mexico will continue to provide USD 50 tax free *de minimis* and also provide duty free shipments for values up to USD 117. The International Chamber of Commerce Customs Guideline #11 defines *de minimis* as a valuation ceiling for goods, including documents and trade samples, below which no duty or tax is charged, and for which clearance procedures, including data requirements, are minimal.

### *B2B eCommerce*

There is minimal B2B eCommerce activity in Mexico. Some start-ups, mostly from the United States, have focused on U.S.-Mexico B2B eCommerce, but they have not gained much traction thus far.

### *Mobile eCommerce*

Mobile eCommerce is growing in Mexico. It is estimated that 31 percent of online purchases are conducted through mobile devices. Buyers access their social networks predominantly through mobile devices, and growth of mobile transactions has also been driven by the popularity of ridesharing networks.

## **eCommerce Considerations**

### *eCommerce Services*

Both international and domestic companies support eCommerce start-ups of established retailers that want to expand to online sales. They provide services such as search engine optimization, inbound marketing strategies, lead nurturing, and marketing automation.

### *eCommerce Intellectual Property Rights*

Products sold online are covered by Mexico's Federal Copyright and Industrial Property Law. The law also protects online original content and domain names.

### *Online Payment*

Personal credit cards and debit cards are the most common methods of payment.

### *Social Media and Digital Marketing*

Use of social media is widespread in Mexico. It is the most popular online activity, followed by e-mail. Facebook is the most-used social network, followed by YouTube, Twitter, and Instagram. Mexican buyers report being highly influenced by social networks when making their purchases. Shoppers go online to conduct price comparisons, research product features, or find nearby stores before making purchasing decisions. The growing trend toward mobility will likely increase this influence.

### *Major Online Buying Holidays*

Retailers report the highest number of eCommerce sales during the December holiday season. The second-largest online shopping event is 'El Buen Fin,' a full-weekend promotion adopted by most Mexican retailers modeled in part after Black Friday in the United States and held in mid-November. The third-largest event is 'Hot Sale,' an initiative of the Mexican Association of Online Retailers where eCommerce vendors offer significant discounts over three to four days. It is held in late May/early June. Other major buying holidays are Cyber Monday and Mother's Day.

## **Trade Promotion & Advertising**

Mexico has several resources for trade promotion and advertising which include trade shows, articles in printed media, TV and radio advertisements and advertorials, outdoor advertising, and digital advertising.

### **Trade Shows**

There are more than 1,500 trade shows per year in Mexico which include industry trade shows and consumer-related trade shows.

Mexico City is the top destination for major trade shows. Key cities such as Querétaro, Guadalajara, Monterrey, Veracruz, and Puebla mainly host specialized industry fairs related to the types of industries in their area. Tourist destinations such as Cancun, Acapulco, and Los Cabos are popular for conventions, seminars, and hospitality trade fairs.

According to AMPROFEC (Mexican Association of Trade Fair Promotion) there is a total of 150 trade show organizers in Mexico divided into three regions: North, South and Central. For more information about Trade Show organizers and Trade Shows please consult the [AMPROFEC website](#).

Trade shows offer a good opportunity for U.S. exporters to build market insights, research competition, view marketing trends, and network. Participating in a trade show requires investment in time, money, and human resources. The Commercial Specialists of the U.S. Commercial Service can help you identify events and recommend market strategies for your company. In addition, the U.S. Commercial Service organizes U.S. pavilions in several major trade fairs in Mexico and brings delegations of Mexican buyers to major shows in the United States. Please refer to the *Events* section of each best prospect industry.

### **Advertising**

Print media is popular for advertising in Mexico. According to the National Chamber of the Publishing Industry (*Cámara Nacional de la Industria Editorial Mexicana* or CANIEM) there are 420 newspapers and 1600

magazines published in Mexico. Specialized and industry-related magazines are good ways to advertise a service or a product. Articles in these magazines can be paid advertorials. Some magazines directly contact associations or companies for content, offering a space in their publication at a lower cost or as an exchange for content.

Some chambers and associations publish their own magazines in printed and electronic versions distributed to their members. Industry-specific directories can generate traffic to the company website.

According to the specialized marketing magazine *Merca2.0*, advertising content in Mexico in the first half of 2018 was distributed as follows: 55.8 percent television, 19.2 percent internet/digital, 8.9 percent radio, and 16.1 percent other forms including outdoor advertising. Digital advertising appeared on social media such as Facebook and Twitter, in browsers such as Google, and digital content and advertising in YouTube. (For more details on digital advertising see our *eCommerce* section). Billboards are used extensively for outdoor advertising in Mexico. Both plain-paper billboards and digital signage are noticeable on the streets. Mexico City, for instance, has a total of 3,600 billboards.

The Mexican Association of Advertising Agencies (*Asociación Mexicana de Agencias de Publicidad* or AMAP) is a good source to identify the proper advertising agency for your company marketing and advertising strategies, for additional information please visit the [AMAP website](#).

## **Pricing**

U.S. exporters should look carefully at broker 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 (or goods produced in multiple countries outside NAFTA) could find their products subject to duties. For more information about import tariffs, see the *Customs, Regulations & Standards* topics in the *Trade Barriers* section.

It is also important to take into consideration the value-added tax (*impuesto al valor agregado* or IVA). With a few exceptions for border transactions or re-export, Mexican Customs (*Servicio de Administración Tributaria* or SAT) collects 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 of the product (Free On Board or FOB price), plus the inland U.S. freight charges, and any other costs listed separately on the invoice, such as export packing and 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.

The IVA is 16 percent country-wide. The importer will pay other fees for such services as inland Mexico freight, warehousing, and customs 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 importing company will then be reimbursed.

## **Sales Service/Customer Support**

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.

Mexican customers demand uniform quality, compliance with international standards, timely 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 U.S. companies to work with 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 host periodic visits by Mexican representatives to their headquarters. 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 the *Business Travel* section under the heading *Visa Requirements*.

## Protecting Intellectual Property

Intellectual Property Rights (IPR) in Mexico are covered by the Industrial Property Law (*Ley de la Propiedad Industrial*) and the Federal Copyright Law (*Ley Federal del Derecho de Autor*). Responsibility for IPR protection is spread across several government agencies. The Office of the Attorney General (previously known as the PGR, now called the *Fiscalía General de la República* or FGR) oversees a specialized unit, UEIDDAPI (*Unidad Especializada en Investigación de Delitos contra los Derechos de Autor y la Propiedad Industrial*), that prosecutes IPR crimes. The Mexican Institute of Industrial Property (*Instituto Mexicano de la Propiedad Industrial* or IMPI) administers patent and trademark registrations and handles administrative enforcement cases involving allegations of IPR infringement. The National Institute of Copyright (*Instituto Nacional del Derecho de Autor* or INDAUTOR) administers copyright registrations and mediates certain types of copyright disputes, while the Federal Commission for the Protection Against Sanitary Risks (*Comisión Federal para la Protección contra Riesgos Sanitarios* or COFEPRIS) regulates pharmaceuticals, medical devices and processed foods. The Mexican Customs Service (*Aduanas*, part of the *Servicio de Administración Tributaria* or SAT) ensures that illegal goods do not cross Mexico's borders.

Mexico faces widespread commercial-scale infringement that results in significant losses to Mexican, U.S., and other IPR owners. Obstacles to improving IPR enforcement in Mexico include legislative loopholes, lack of coordination between federal, state, and municipal authorities, cumbersome judicial processes, and pervasive presence and use of pirated and counterfeit goods in the informal marketplace. In addition, Trans-National Criminal Organizations (TCOs), which control the piracy and counterfeiting markets in parts of Mexico, continue to impede federal government efforts to improve IPR enforcement. TCO involvement has further illustrated the link between IPR crimes and illicit trafficking of other contraband, including arms and drugs. Mexico continues to rely on arrests and prosecutions of counterfeiters *in flagranti* as opposed to mounting proactive investigations that seek to dismantle pirating and counterfeiting networks.

There are still needed reforms—such as granting *ex officio* authority to Mexican customs officials to seize suspected infringements in-transit—that remain key industry priorities. The Lopez Obrador Administration, in its 2019 budget, reduced funds dedicated to combatting piracy and contraband. The unit prosecuting IPR crimes, UEIDDAPI, received USD 1.4 million—a cut of roughly USD 285,400 or 16.9 percent from the previous year's budget. Mexican IP specialists recommend the government could reinforce its fight against piracy and contraband with greater investments in technology and training.

Mexico remains on the Watch List in 2019 because there has not been a significant change in the level of intellectual property (IP) protection and enforcement since last year. However, Mexico agreed to important IP provisions in the United States–Mexico–Canada Agreement (USMCA). When the USMCA is fully implemented by Mexico, these commitments will substantially improve the IP environment in Mexico, including with respect to enforcement against counterfeiting and piracy, protection of pharmaceutical-related IP, recording of movies, satellite and cable signal theft, damages, transparency with respect to new geographical indications (GIs), copyright protection, and enforcement of IP rights in the digital environment. Piracy and counterfeit goods are widespread in Mexico, including online and at notorious physical marketplaces, such as Tepito in Mexico City and San Juan de Dios in Guadalajara. U.S. brand owners also continue to be confronted with bad-faith trademark registrations, although the 2018 amendments to the Industrial Property Law that provide grounds for refusal, opposition, and cancellation of bad-faith applications and registrations should be a useful tool for all brand owners.

Unauthorized camcording in Mexico remains a serious concern. Mexico is still reportedly the second-largest foreign source of unauthorized camcording in the world, fueling unlawful availability of first-run movies online, which damages the market for new releases. Similarly, Mexico is reportedly among the top countries for online sharing of infringing video game files and for online music piracy, including via unauthorized stream-ripping.

Although Mexico ratified the World Intellectual Property Organization (WIPO) Internet Treaties in 2002, it has not enacted legislation to protect against the circumvention of technological protection measures and rights management information. Investigation and prosecution of IP crimes, particularly with regard to online IP crimes, continue to be inadequate, due in part to continued government-wide budget cuts. Rights holders express concern about the length of administrative and judicial patent infringement proceedings and the persistence of continuing infringement while cases remain pending. In administrative procedures on infringement, preliminary measures can be lifted without any burden of proof on the alleged infringer if the alleged infringer posts a counter-bond, which renders injunctions against continued infringement ineffective.

Mexico made some progress in 2018, including amendments to its Copyright Law to provide for preliminary injunctions in civil cases and *ex parte* preliminary injunctions. In addition, Mexico instituted amendments to its Industrial Property Law to strengthen the oppositions system and protect non-traditional marks. The United States urges Mexico to fully modernize its copyright, trademark, patent, and IP enforcement systems. With respect to GIs, Mexico must ensure that any protection of GIs, including those negotiated through free trade agreements, may only be granted after a fair and transparent examination. The United States remains highly concerned about countries negotiating product-specific IP outcomes as a condition of market access and reiterates the importance of each individual IP right being independently evaluated on its individual merit. Finally, to combat growing levels of IP infringement in Mexico, the United States also encourages Mexico to improve coordination among federal and sub-federal officials, devote additional resources to enforcement including the specialized IP unit within the Attorney General's office, bring more IP-related prosecutions, and impose deterrent penalties against infringers. The United States looks forward to working with Mexico to address these and other IP concerns.

For information on the USMCA's IPR provisions, please visit the Office of United States Trade Representative website at [www.ustr.gov](http://www.ustr.gov).

### **Guiding Principles for Effective Protection and Enforcement of Your IPR**

In any foreign market, companies should consider several general principles for effective protection of their intellectual property. For general background and more information, please review our article on [Protecting Intellectual Property](#) and our IPR protection website [Stopfakes.gov](http://Stopfakes.gov).

Several general principles are important for effective management of IPR in Mexico. First, it is important to have an overall strategy to protect your rights. Second, IPR is protected differently in Mexico than in the United States, so you need to understand the specific procedures for Mexico. Third, rights must be registered and enforced in Mexico under national legislation. Your U.S. trademark and patent registrations will not protect you in Mexico. On the other hand, signatories of the Berne Convention for the Protection of Literary and Artistic Works provide protection to each other's nationals' copyrighted works and provide that nationals of all signatory countries be provided with the same rights as Mexicans.

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 Mexican 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, and where relevant, retain 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 in Mexico maintains a [list of local attorneys](#) but assumes no responsibility for the professional ability or integrity of the providers listed.

While the U.S. Government stands ready to assist, there is little we can do if 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 U.S. Government 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 lawsuit. In no instance should U.S. Government advice be 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 with a full understanding of 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:

- U.S. Chamber of Commerce
- American Chamber of Commerce in Mexico (AmCham)
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- 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 for the Protection of Intellectual Property (AMPPI)
- National Association of Corporate Lawyers (ANADE)
- 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 United States and other countries—call the Department of Commerce’s STOP! Hotline at +1-866-999-HALT or visit [www.STOPfakes.gov](http://www.STOPfakes.gov).

- For more information about registering trademarks and patents (both in the United States as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at +1-800-786-9199 or visit <http://www.uspto.gov/>.
- For more information about registering your copyright in the United States, contact the U.S. 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 <http://www.stopfakes.gov/business-tools/country-ipr-toolkits>. The toolkits contain detailed information on protecting and enforcing IP in specific markets and contain contact information for local IPR offices abroad and U.S. Government officials available to assist small and medium-sized enterprises (SMEs). Also see the [Mexico IP Snapshot](#).
- An English-language overview of Mexico's IPR regime can be found on the [WIPO website](#).
- Although a firm or individual may apply for example, for a patent or trademark 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](#).

Additional resources for rights holders:

**Intellectual Property Rights Attaché for Mexico, Central America and the Caribbean**

Cynthia C. Henderson  
 Regional PTO Attaché  
 U.S. Trade Center  
 Liverpool No. 31 Col. Juarez  
 C.P. 06600 Mexico City  
 Tel: +52 (55) 5080-2189

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 Tel: +52 (55) 5080-2000, ext. 5222  
[Claudia.Rojas@trade.gov](mailto:Claudia.Rojas@trade.gov)

**American Chamber of Commerce Mexico**

Paseo de la Reforma 295 Col. Cuauhtémoc  
 C.P. 06500 Mexico City  
 Tel.: +52 (55) 5141-3820  
[amchammx@amcham.org.mx](mailto:amchammx@amcham.org.mx)

**National Institute of Copyright (INDAUTOR)**

Puebla No. 143 Col. Roma, Del. Cuauhtémoc  
 C.P. 06700 Mexico City  
 Tel: +52 (55) 3601-8270

[h.contreras@cultura.gob.mx](mailto:h.contreras@cultura.gob.mx)  
[www.indautor.gob.mx](http://www.indautor.gob.mx)

### **Mexican Institute of Industrial Property (IMPI)**

Periférico Sur No. 3106 Piso 9, Col. Jardines del Pedregal  
C.P. 01900 Mexico City  
Tel: +52 (55) 5624-0401 / 04  
+52 (55) 5334-0700  
[juan.lozano@impi.gob.mx](mailto:juan.lozano@impi.gob.mx)  
[anel.valencia@impi.gob.mx](mailto:anel.valencia@impi.gob.mx)  
[www.impi.gob.mx](http://www.impi.gob.mx)

For more information, contact ITA's Office of Intellectual Property Rights Director, Stevan Mitchell at [Stevan.Mitchell@trade.gov](mailto:Stevan.Mitchell@trade.gov).

### **Due Diligence**

U.S. firms are strongly advised to conduct due diligence on a Mexican firm or individual before entering into any type of agreement. In Mexico's larger cities, it is possible to hire a local consulting or law firm to obtain information about a company or individual. In addition, 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. The U.S. Commercial Service offers a due-diligence service called an International Company Profile (ICP), which 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, along with ownership information, reputational insights, and a report on legal actions against the firm or its owners.

### **Local Professional Services**

U.S. Commercial Service in Mexico's [Business Service Providers Directory](#) is designed to help U.S. companies identify professional service providers to assist them in the assessment, completion, and/or financing of an export transaction.

The directory at the link above lists several business support organizations and service firms with the experience and expertise to help U.S. exporters and investors interested in Mexico. Although these lists are not comprehensive, they are a useful starting point for firms that need professional services in Mexico.

### **Principal Business Associations**

Mexico has an extensive roster of business associations. For some general associations and function-specific associations, here is a selected list, though there are dozens more in specific sectors. Please refer to the other sections of this guide for and sector- and issue-specific resources.

American Chamber of Commerce ( <i>Cámara Americana de Comercio</i> or AmCham)	<a href="http://www.amcham.org.mx/">www.amcham.org.mx/</a>
Business Coordination Council ( <i>Consejo Coordinador Empresarial</i> or CCE)	<a href="http://www.cce.org.mx/">www.cce.org.mx/</a>
Mexican Council of Foreign Trade ( <i>Consejo Empresarial Mexicano de Comercio Exterior</i> or COMCE)	<a href="http://comce.org.mx/">http://comce.org.mx/</a>
National Chamber of the Transformation Industry ( <i>Cámara Nacional de la Industria de la Transformación</i> or CANACINTRA)	<a href="http://www.canacindra.org.mx/camara/">http://www.canacindra.org.mx/camara/</a>

Mexican Republic Employers Confederation ( <i>Confederación Patronal de la República Mexicana</i> or COPARMEX)	<a href="http://www.coparmex.org.mx">www.coparmex.org.mx</a>
National Association of Importers and Exporters ( <i>Asociación Nacional de Importadores y Exportadores de la República Mexicana</i> or ANIERM)	<a href="http://www.anierm.org.mx/">www.anierm.org.mx/</a>
Mexico City National Chamber of Trade, Services and Tourism ( <i>Cámara Nacional de Comercio, Servicios y Turismo de la Ciudad de México</i> or CANACO)	<a href="http://www.ccmexico.com.mx/">www.ccmexico.com.mx/</a>
Mexican Association of Accounting Firms ( <i>Asociación Mexicana de Contadores Públicos</i> or AMCP)	<a href="http://www.amcp.mx">www.amcp.mx</a>
Mexican Confederation of Customs Brokers ( <i>Confederación de Asociaciones de Agentes Aduanales de la República Mexicana</i> or CAAAREM)	<a href="http://www.caaarem.mx">www.caaarem.mx</a>
Mexican Association of Electrical and Electronic Communications Engineers ( <i>Asociación Mexicana de Ingenieros en Comunicaciones Eléctricas y Electrónica</i> or AMICEE)	<a href="http://www.amicee.org.mx">www.amicee.org.mx</a>
Mexican Association of Industrial Parks ( <i>Asociación Mexicana de Parques Industriales</i> or AMPIP)	<a href="http://www.ampip.org.mx">www.ampip.org.mx</a>
Mexican Association of Information Technology Industries ( <i>Asociación Mexicana de la Industria de las Tecnologías de Información</i> or AMITI)	<a href="https://amiti.org.mx/">https://amiti.org.mx/</a> or <a href="https://www.facebook.com/AMITIMex/">www.facebook.com/AMITIMex/</a>
Mexican Association of Insurance Institutions ( <i>Asociación Mexicana de Instituciones de Seguros</i> or AMIS)	<a href="http://www.amis.com.mx/amiswp">www.amis.com.mx/amiswp</a>
National Chamber of Auto-Freight Transport ( <i>Cámara Nacional de Autotransporte</i> or CANACAR)	<a href="https://canacar.com.mx">https://canacar.com.mx</a>
National Chamber of Consulting Companies ( <i>Cámara Nacional de Empresas de Consultoría</i> or CNEC)	<a href="http://www.cnec.org.mx">www.cnec.org.mx</a>
U.S.-Mexico Chamber of Commerce ( <i>Cámara de Comercio México-Estados Unidos</i> or USMCOC)	<a href="http://usmcoc.org/">http://usmcoc.org/</a>

## Limitations on Selling U.S. Products and Services

Under NAFTA, the Mexican market is substantially open to most all U.S. products and services, and this will continue under the United States–Mexico–Canada Agreement, when fully implemented. Please contact the Agricultural Trade Office (ATO) of the U.S. Embassy to learn more about any restrictions on U.S. food and commodity exports. For future developments and information on eventual agreements in connection with the USMCA, visit the Office of United States Trade Representative website at [www.ustr.gov](http://www.ustr.gov).

U.S. investors receive national and most-favored-nation treatment in setting up operations or acquiring firms in Mexico. Exceptions exist for investments restricted under NAFTA. The United States, Canada, and Mexico have the right to settle any dispute or claim under NAFTA through international arbitration. NAFTA also eliminated some barriers to investment in Mexico, such as trade balancing and domestic content requirements. Local Mexican governments must also accord national treatment to investors from NAFTA countries.

Some sectors are limited to ownership or control exclusively by the Mexican Government or Mexican national citizens. There are 11 sectors reserved for the Mexican Government, in whole or in part:

- A. Petroleum and other hydrocarbons
- B. Basic petrochemicals

- C. Planning and control of the national electric system, as well as the public services of transmission and distribution of electricity
- D. Generation of nuclear energy
- E. Radioactive materials
- F. Telegraphic services
- G. Radiotelegraphy
- H. Postal service
- I. Bank note issuing
- J. Coinage and printing of money
- K. Control, supervision and surveillance of ports, airports and heliports

There are three sectors reserved for ownership or control by entities run by Mexican Nationals:

- A. Domestic transportation of passengers, tourism and freight, except for messenger or package delivery services
- B. Development banks
- C. Certain professional and technical services

### **Web Resources on Foreign Trade and Investment**

- Secretaría de Economía (SE) [Office of the Under Secretary for Foreign Trade](#)
- Secretaría de Economía guide to [Mexican Foreign Investment Law](#) (PDF document)
- [Foreign Trade Information System \(SICE\)](#)
- [Office of the United States Trade Representative](#)

### **Leading Sectors for US Exports & Investments**

Mexico offers an extraordinary range of sectors that represent opportunities for U.S. exporters. From 21 leading-prospect sectors, the U.S. Commercial Service Mexico has identified six clusters of these sectors that represent a high priority for U.S. Government support for export promotion and market access.

- **Energy.** This priority cluster combines oil & gas, renewables, and electricity, each of which has a best prospect summary below. For 2019 we see a number of new oil & gas projects and growing interest in clean energy, including civil nuclear.
- **Infrastructure/Construction.** Please see our sections on construction and transportation infrastructure. This year, the López Obrador Administration has several new infrastructure projects requiring design and construction—from ports and airports to rail, refineries, and natural gas pipelines.
- **ICT/Digital Technologies.** In our best prospect sections, we have overviews for the internet/IT and telecommunications sectors. There is continuing modernization of ICT in Mexico, with U.S. firms introducing new financial technology (FinTech) and cybersecurity technologies.
- **Aerospace/Defense.** Mexico's civilian aerospace market is huge, with nearly 50 percent U.S. share. The country is the largest market for U.S. defense products, equipment, and services in Latin America,

and Mexico has one of the most dynamic aerospace sectors in the world. Please see our *Aerospace* and *Safety & Security* sections for more information.

- **Industrial Materials.** The growth of advanced manufacturing in Mexico, together with heightened interest in product quality and productivity, are generating demand for diverse industrial materials, systems, and services.
- **Automotive.** The auto sector is anticipating new auto supply chain opportunities and inward investment resulting from the U.S.–Mexico–Canada Agreement (USMCA).

## Aerospace

Aerospace has been a major focus in Mexican economic development, both as an industrial sector and in connection to commercial, private, and defense aviation growth. All these factors combine to make aerospace a key part of our priority sector strategy and a best prospect industry sector for Mexico.

### Overview

The following table provides the most recent statistics for the aerospace industry in Mexico. Please note that these figures include aviation products and services, as well as military-related purchases, but they do not include airport construction products and services.

### Mexico Aerospace Industry Market Size

*(Figures in USD billions)*

	2016	2017	2018	2019 (Estimated)
Total Local Production	3.0	3.0	3.1	3.1
Total Exports	3.7	3.8	4.9	4.2
Total Imports	3.5	3.4	3.6	3.5
Imports from the U.S.	2.1	2.2	2.4	2.2
Total Market Size*	2.8	2.6	1.8	2.4
Exchange Rates	18.68	18.91	19.22	19.15

*\*Total market size = [(total local production + imports) – exports]*

*Note that 2018-2019 reductions in the value of the Mexican Peso mask growth in these numbers.*

*Source: Global Trade Atlas 2019*

The aerospace industry is relatively young in Mexico, but its roots are deep. In the State of Baja California, for example, one firm has been in the market for 60 years, and aerospace is one of its leading business divisions. Mexico’s aerospace industry is an excellent example of growth, foreign investment attraction, and job creation: 20 percent average annual export growth 2013-2015, 63,000 jobs created as of 2016, and up to USD 6 billion in accumulated direct foreign investment (2007-2017). Moreover, global demand for new aircraft and maintenance services—and growing air passenger flows worldwide—support a positive future for the industry.

### *Aerospace Supply Chains and Production*

Mexico’s aerospace sector grew from 100 manufacturing firms and organization in 2004 to 350 by mid-2019, according to estimates from the Mexican Aerospace Industry Federation (*Federación Mexicana de la Industria Aeroespacial* or FEMIA). Today these firms primarily include maintenance-repair-overhaul facilities (MROs), technical schools, research centers, and universities, as well as related service providers. In general terms, 72.2 percent of all firms are manufacturers, 13.2 percent focus on design and engineering, 11.2 percent are in MRO services, and 3.4 percent are other support entities. Although Mexico does not currently produce large aircraft,

there is manufacturing for aircraft parts and components (commercial, private, and military), design and engineering services, and research and development (R&D). It is estimated that direct foreign investment per country of origin has been 46.8 percent from the United States, and 36 percent from Canada. (FEMIA, 2019).

Various developments contributed to this recent explosive growth, from the 2004 arrival of the French aerospace firm Bombardier to various government programs including business incentives, workforce training programs, and new universities. The Mexican Government called this effort the “three helixes,” forging close collaboration between the private sector, government, and academia. However, the foundation for the sector goes back to the late sixties when the Mexican Government’s Maquiladora Export Program triggered expanding industrialization, employment, and regional development. The Maquiladora Program allows the duty-free importation of goods to assemble products for export. Aerospace firms moved to new industrial parks in northern border cities to take advantage of ‘*maquila*’ cost savings and efficiencies. These parks evolved into diversified aerospace hubs, or clusters. Aerospace companies with a long-term presence include Rockwell Collins (1969, now Collins Aerospace), Safran Group (1991), Labinal (1996/now Safran Labinal), and Beechcraft (2007).

The sector is divided into original equipment manufacturers (OEMs, producing final aircraft), followed by companies involved in Tier 1 production (principal aircraft systems), Tier 2 (producers of sub-assemblies), and Tier 3 (parts and supplies). In contrast with the United States, the Mexican aerospace industry does not include local contractors developing entire projects in defense and space; rather, the Mexican niche is for aerospace parts and assemblies that are integrated into final systems. However, in the space arena, the Mexican Space Agency (AEM) has led projects with academia to produce mini nanosatellites and other projects with NASA.

The Mexican aerospace industry has five main hubs, located in the states of Baja California (Tijuana-Mexicali), Sonora, Chihuahua, Querétaro, and Nuevo León. Baja California is the largest, with 110 aerospace firms supporting more than 35,000 direct jobs. Together with an increased number of OEMs and Tier 1 production, we see moderate growth of Tier 2 and Tier 3 suppliers. Aerospace hubs continue to attract new aerospace players responding to Mexico’s promotion of logistical advantages, labor, and government incentives.

Mexico has improved its aerospace manufacturing capabilities, moving from production of components, small parts, and harnesses, to manufacturing of airframes, flight surfaces, small drones, and flight control and avionics assemblies. Among the multinationals, GE and Rolls Royce produce new turbine systems in Mexico, Fokker Aerostructures manufactures wings for jets, and Safran Group—with 10 facilities in the country and seven in the State of Querétaro—manufactures landing systems, engine parts, jet engine components, and jet housings.

Some local firms have obtained global certifications that allow them to diversify their manufacturing processes. Successful engineering and design activities have extended to production of small unmanned aerial vehicles (UAVs) and light aircraft projects. For instance, Aernnova produces airframe and flight structures. Light aircraft prototypes have also been developed, such as the sport model produced by the Mexican firm Horizontec/CENTA, and light attack planes for military training and acrobatics, made by the local company Oaxaca Aerospace. In the long-term, the Mexican Government and domestic industry hope to produce large commercial aircraft.

#### *Regulatory Harmonization and Sector Development*

Regulatory harmonization has advanced in recent years. The 2012 Bilateral Aviation Safety Agreement (BASA) has achieved mutual recognition of aerospace standards between the United States and Mexico, such as the National Aerospace and Defense Contractors Accreditation Program (NADCAP) and the AS9100 aerospace quality management system, as well as certifications from the U.S. Federal Aviation Administration (FAA) and its Mexican counterpart, the *Dirección General de Aeronáutica Civil* (DGAC). Altogether, these developments have facilitated growth of manufacturing operations in the North American region. In addition, Mexico’s

accession to the Wassenaar Arrangement (2012) provides regulations to effectively control the exportation of sensitive dual-use aerospace products exports.

In 2012, the Mexican Secretariat of Economy (SE) introduced the Aerospace Industry National Strategic Program 2012-2020, called Pro-Aéreo. The program has sought to elevate Mexico to the top 10 global aerospace suppliers by 2020. The program still appears in Mexican government websites, though a restructuring of the program may take place under the new administration.

### *Aviation Growth*

A further factor in the growth of Mexico's aerospace industry is the rapid growth of the country's aviation sector. Mexican commercial aviation and related demand for maintenance, repair, and overhaul (MRO) has been driven by several factors, including the expansion of low-cost carriers such as Volaris and Interjet, the 2016 approval of the Delta-Aeromexico partnership, the 2015 conclusion of the U.S.-Mexico Bilateral Air Transport ("Open Skies") Agreement, and increased use of Mexico as a regional hub. The Open Skies agreement eliminated restrictions on routes between the two countries, allowing passenger airlines and all-cargo carriers to serve any combination of city pairs in the United States and Mexico. In addition, it allows cargo carriers to begin or end routes outside the two countries. Another profound change in the aviation industry has been the success of low-cost airlines vis-a-vis traditional airlines.

Since 2016, Volaris, Viva Aerobus, and Interjet have invested in new assets and modernized their fleets, being able to absorb a good portion of market share vis-a-vis the traditional dominant airline Aeromexico. In 2018, Interjet announced a business deal with American Airlines to jointly offer routes and connecting flights. Airline passenger flows reported by DGAC show annual average growth of nearly 10 percent 2015-2017. In 2018, national and international passenger volume grew 7.6 percent, from 89.6 million in 2017 to 96.4 million in 2018.

However, the direction of aviation's future growth in Mexico was called into question when the López Obrador Administration cancelled construction of the Mexico City New International Airport (NAIM) as one of his first official acts. The new president specifically questioned Mexico's role as a transportation hub in the region and the value of expanding air transportation in existing population centers rather than focusing on development of southern Mexico. (Further information on the current Administration's new plans for an airport system for the Valley of Mexico is available in our *Transportation Infrastructure* section.) The country has a network of 64 international commercial airports and 1,424 airfields including military bases and small private airports. The 64 international commercial airports are operated by private-sector companies with long-term concession agreements and others are managed directly by the government. It is estimated that in 2018, the top five airports by passenger volume were Mexico City (44.7 million), Cancún (25.2 million), Guadalajara (10.3 million), Monterrey (10.7 million), and Tijuana (7.9 million). Some of the larger groups operating the international commercial airports include the following:

- **Grupo Aeroportuario del Centro Norte (OMA)** manages 13 airports in northern and central Mexico that handled 21.5 million passengers in 2018. Improvement projects are taking place for the period 2016-2020, mainly for the Monterrey, Culiacan, and Acapulco airports.
- **Grupo Aeroportuario del Pacifico (GAP)** manages 12 Pacific coast airports handling 40.7 million passengers in 2017 (more recent figures unavailable). GAP has worked on improvement projects at the Guadalajara and Tijuana airports in 2015-2019.
- **Grupo Aeroportuarios del Sureste (ASUR)** manages nine airports in the Gulf of Mexico and southern Mexico, and one international airport in San Juan, Puerto Rico. Nationally it served 47 million passengers in 2018. In 2019-2023 ASUR continues infrastructure investment in Cancun, Merida, and Oaxaca airports.

- **Aeropuertos y Servicios Auxiliares (ASA)** is a government agency that operates 19 airports, co-operates five additional airports, and supplies fuel to 63 airports. The additional five airports it co-operates include Toluca, Querétaro, Cuernavaca, Palenque, and Tuxtla Gutierrez. ASA airports handled 2.8 million passengers in 2018.
- **The Benito Juarez Airport is known in Spanish as *Aeropuerto Internacional de la Ciudad de Mexico (AICM)*** and is one of the largest in the world, logging 47.1 million passengers in 2018. AICM operates under a concession structured as a majority state participation company with the name of *Grupo Aeroportuario de la Ciudad de México, S.A. de C.V. (GACM)*. The *Transportation Infrastructure* section of this guide describes the new administration's plan for the new International Airport System for the Valley of Mexico that includes the current AICM.

### *The Space Program*

The Mexican space program is a further consideration for aerospace suppliers. The space program is managed by the Mexican Space Agency (*Agencia Espacial Mexicana, AEM*). The AEM, in its current form, was only established in 2010 with specific, modest goals. However, its efforts to expand the country's satellite network for communications, space science development, environmental modeling, and surveillance have generated opportunities for U.S.-produced space systems and suppliers. AEM has several cooperation agreements with NASA on space education. It has managed a nanosatellite program with local educational institutions and academia to motivate new programs among space professionals. In 2017, the AEM, the Secretariat of Economy (SE), and ProMexico published the *Plan de Orbita 2.0 (Orbit Plan 2.0)*, a strategic space sector development program outlining niche opportunities and recommendations on specific space projects. To the extent the program continues into the new administration, the program will be led by the Mexican Space Agency.

### **Leading Sub-Sectors**

Leading sub-sectors for aerospace opportunities in Mexico include supplying manufacturing and assembly plants, the entire aviation ecosystem, and the defense sector.

Despite the rapid growth of Mexico's aerospace industry—or perhaps because of it—the mix of local Tier 2 and Tier 3 suppliers is still lacking. Large OEMs are unable to find specialized, fully certified local suppliers with advanced capabilities and with sufficient logistics capabilities. This fact, combined with evolving government regulations supporting supply chain growth, creates sales opportunities across Tier 2 and 3 suppliers.

In terms of supply chains, FEMIA estimated in 2016-2017 that Boeing had 26 Mexican suppliers, Airbus had 36, and Embraer 13. Large aerospace OEMs continue looking to expand their supply chain in Mexico to support global business continuity and establish middle- and long-term production programs. Other aerospace firms need partners to reach growth, project size, and investment targets.

Recently, research centers have been created to support R&D, not only for new turbines, motors, and components, but also to drive technological solutions for other complex systems, software, and engineering applications in manufacturing processes. In early 2018, the Center of Aeronautical Technologies of Querétaro (*Centro Nacional de Tecnologías Aeronáuticas* or CENTA) was inaugurated with the support of the National Council of Science and Technology (*Consejo Nacional de Ciencia y Tecnología* or CONACYT). It will provide services for the aerospace industry, as well support new projects led by small and medium firms. In mid-2017, the Spanish company Indra also opened a new Center of Technological Development in the State of Querétaro to increase offerings for transportation, infrastructure, energy, and other industrial sectors. Starting in mid-2019, aerospace firms in Tijuana will have a new innovation and design center supported by the Mexican Confederation of Industrial Chambers (*Confederación de Cámaras Industriales* or CONCAMIN) and the Mexico-France Chamber of Commerce.

These opportunities go hand-in-hand with growth of the aviation sector, where we see growth of demand for flight and maintenance training, parts and maintenance services, airport needs, and supply of a variety of aircraft including both fixed-wing and helicopters.

## **Opportunities**

The U.S. Commercial Service Mexico is happy to assist you in exploring market opportunities, particularly in the following sub-sectors.

### *Supply Chain Opportunities*

Some of the best prospects for products and services in the aerospace industry are:

- Thermal and hydro forming
- Surface treatments
- Nitro-carburized materials and nitrocarburizing
- Motors and rotors
- Testing equipment
- Special composites and processes
- Metal treatments
- Aerospace molding
- Special tooling
- Advanced composites
- Specialized aerospace services

### *Aviation Sector Opportunities*

The growth of Mexican aviation may generate additional opportunities in and around airports:

- MRO services and maintenance programs
- Airport construction (see the *Infrastructure* section)
- Aircraft and helicopter flight training and MRO
- Aircraft supply and provisioning services
- Airport equipment, supply, provisioning, and concessions
- Small aircraft, executive aircraft, and helicopter sales, parts, and services

### *Defense Sector Opportunities*

Another area of potential business opportunity is in defense aerospace. The Mexican National Defense Secretariat (*Secretaría de la Defensa Nacional* or SEDENA), which includes both the Army and the Air Force and the Secretariat of the Navy (*Secretaría de la Marina* or SEMAR), received 2019 budgets of around USD 6.1 billion and USD 1.4 billion, respectively. Both SEDENA and SEMAR have growing R&D and manufacturing programs. These programs appear to be continuing strongly. We foresee supply opportunities for manufacturing radars, cannon prototypes, two-seater airplanes, experimental training airplanes, air-to-surface missiles, and launchers for military aircraft. In addition, we have identified military spending needs that include the following:

- Aerial surveillance radars
- C-295 airplanes for military transportation
- Helicopters for high impact operations
- Tactical operations assets
- Cargo and personal transportation helicopters
- Cargo and military transportation airplanes
- Systems and equipment for maritime surveillance

### Web Resources

Mexican Secretariat of Communications and Transportation (SCT)	<a href="http://www.gob.mx/sct">www.gob.mx/sct</a>
Mexican Secretariat of National Defense (SEDENA)	<a href="http://www.gob.mx/sedena">www.gob.mx/sedena</a>
National Institute of Statistics and Geography (INEGI)	<a href="http://www.inegi.org.mx">www.inegi.org.mx</a>
Mexican Federation of the Aerospace Industry (FEMIA)	<a href="http://www.femia.com.mx">www.femia.com.mx</a>
Mexican Space Agency (AEM)	<a href="http://www.gob.mx/aem">www.gob.mx/aem</a>
Mexico Now (magazine)	<a href="http://www.mexico-now.com">www.mexico-now.com</a>
JetsNews (Aerospace supplements)	<a href="http://www.jetnews.com.mx">www.jetnews.com.mx</a>
Vuela Magazine	<a href="http://www.vuela.com.mx">www.vuela.com.mx</a>
Revista Manufactura	<a href="https://manufactura.mx">https://manufactura.mx</a>

### Events

To explore these market niches and develop essential contacts, we recommend two activities. First, organize site visits to Mexican aerospace hubs and meetings with companies directly involved with the industry. Second, attend one or more of the upcoming commercial events in the sector. In some, the Commercial Service Mexico will participate with U.S. Pavilions:

- [Mexico Aerospace Summit 2019](#), August 14–15, 2019, Querétaro Congress Center, Querétaro City, Querétaro
- [Engines Forum Sonora 2020](#), February 29–29, 2020, (TBC), Expo Forum Hermosillo, Hermosillo, Sonora
- [FAMEX 2021](#), April 21–24, 2021, U.S. Pavilion, Venue TBC, Mexico

### Contacts

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

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## Agribusiness

### Overview

Mexico is a priority market for U.S. agricultural and food machinery and equipment. The agribusiness industry in Mexico has been in continuous and steady expansion, with the agribusiness landscape driven in part by strong consumer demand and a steadily growing middle class. Mexico is well-suited to large-scale agricultural production with its large land mass and a diverse range of climates. The highly-fragmented state of Mexican farming leaves significant room for consolidation and increasing yields.

According to [production estimates](#) by Mexico's Secretariat of Agriculture and Rural Development (*Secretaría de Agricultura y Desarrollo Rural* or SADER, previously *Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación* or SAGARPA), Mexico's agricultural and fishing output is expected to grow by about 4.6 percent in 2019. This growth in a market, already replete with export opportunities for U.S.-made equipment, opens more doors for U.S. exporters.

SADER states that Mexico is the world's 11th-largest agricultural and livestock producer, and the 3rd-largest in Latin America. Of the country's total 60,8 million acres of arable land, 53,3 million acres are being planted, 51.4 million acres are being harvested, and only 1.5 million acres use irrigation technologies. A significant portion of the Mexican labor force is devoted to agriculture.

### Mexican Employment by Sector

Industrial Sector	Agribusiness	Industry	Services
Employment Percentage	13.4	24.1	61.9

Source: [CIA World Factbook](#)

### Agribusiness Statistics

Total U.S. exports of agricultural equipment and parts to Mexico totaled USD 1.6 billion in 2018. Of that total, USD 1.2 billion (73 percent) included agricultural equipment parts and components. U.S. exports of tractor and engine parts totaled USD 1.08 billion, or 67 percent. U.S. exports of agricultural equipment and components amounted to \$98.7 million in 2018. The high proportion of parts in U.S. agricultural equipment exports to Mexico underscores the extensive agriculture equipment manufacturing operations maintained by major U.S. OEMs in the country.

U.S. agricultural equipment exports rose 13.5 percent in 2018, compared with 2017. U.S. exports grew at a slightly slower—but still robust pace—in the first three months of 2019, by 12.4 percent over the same period in 2018. According to U.S. Census Bureau's Foreign Trade Division, below are the largest exports of equipment to Mexico, by value. (Source: Trade Policy Information System TPIS Database, USHS EXPORTS, Revised Statistics for 1989-2019. TPIS is designed and operated by the Office of Trade and Economic Analysis for the U.S. Department of Commerce International Trade Administration.)

- Tractor parts, engines, and engine parts
- Mowers and power equipment
- Equipment for produce and high-value crops
- Equipment for grains, oilseeds, and other commodity crops
- Equipment for raising livestock
- Sprayers

- Low- and medium-HP tractors

### *Market Entry*

The best way for U.S. suppliers of agribusiness equipment to enter the Mexican market is through regional distribution by representatives or distributors. The Mexican market is distinct from the U.S. market in that farms are smaller and therefore require different equipment than is customarily sold in the United States. U.S. fertilizer manufacturers should also be prepared to spend at least one growing season testing small plots in Mexico to prove the efficacy of their products.

### *Barriers*

There are no major trade barriers in the agribusiness sector, although Mexico's size and diversity are often underappreciated by U.S. exporters. As with any commercial endeavor, firms should consult with a competent legal counsel before entering into any legal agreement with a Mexican entity. The U.S. Commercial Service in Mexico offers services to conduct background checks on potential Mexican partners.

### **Leading Sub-Sectors**

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

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

Commercial and industrial refrigeration equipment and commercial food service equipment are 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.

The agricultural and food machinery and equipment in the end-use descriptions mentioned above 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)

### **Opportunities**

Modern agricultural machinery presents U.S. suppliers with strong opportunities, albeit more muted than in years past due to increased foreign competition and the extension of better credit terms from other foreign exporters. Approximately 70 percent of Mexican agriculture is harvested through manual labor, utilizing rudimentary tools. Since only 1.5 million acres of arable land use irrigation technologies, there is demand for them, so crops are not left dependent on seasonal rains or irrigation through mobile water pumps.

In December 2018, Mexico's President Lopez Obrador changed the name of the agriculture secretariat from SAGARPA to SADER and launched the "Bienestar para el Campo" program that intends to bring benefits to 2.8 million small farmers by providing subsidies of up to \$80 per hectare.

## *Recommendations*

U.S. firms in irrigation technology, commercial mowers, and farm dairy equipment have particularly strong sales opportunities in Mexico, where the agribusiness market continues to build capacity to meet growing domestic demand.

Assembly plants producing new parts commonly require that their supplier base be as close to them as possible to reduce inventory volumes and to facilitate just-in-time and just-in-sequence deliveries. This trend opens a new field of opportunity to U.S. suppliers of production machinery and equipment, materials, pre-assembled components, molds and tooling, cutting tools, automation process equipment, raw materials, engineering and design, finished parts, and accessories sold through local representatives or distributors.

We particularly highlight six areas of opportunity:

- **Tractor Parts, Engines, and Engine Parts.** These products currently dominate U.S. exports and support major U.S. and other OEM tractor assembly operations in Mexico. Major component exports (steering, mufflers, radiators, etc.) have been growing strongly.
- **Sprayers.** Mexico's diverse agricultural economy offers many applications for sprayers. Mexico is the largest U.S. export market for agricultural sprayers.
- **Mowers and Other Power Equipment.** Steady growth has characterized this category over the last decade. This equipment will continue to find widespread application.
- **Equipment for Produce and High-Value Crops.** Drip and micro-irrigation equipment account for more than half of U.S. exports of irrigation products.
- **Fertilizers.** The Government of Mexico is seeking to boost fertilizer production, as local manufacturing is not sufficient to meet national demand. Of the 55 million planted acres of land nationwide, 66.8 percent are fertilized. Six states make up 43 percent of total fertilized land: Jalisco (8.3%), Sinaloa (8.1%), Veracruz (7.2%), Michoacán (6.8%), Chihuahua (6.8%), and Guanajuato (5.9%). According to independent projections, use of fertilizers has experienced significant growth over the past decade and will continue to grow in the coming years. Thus, we continue to predict strong market potential for affordable fertilizers in the Mexican agricultural sector.
- **Pesticides.** Pesticides have become more regulated in Mexico. Despite on-going efforts to reduce their use in most of Mexico's harvested land, there is strong market demand for pesticides. These products need three registrations: Federal Commission for the Protection against Sanitary Risk (*Comisión Federal para la Protección contra Riesgos Sanitarios* or COFEPRIS), Secretariat of Environment and Natural Resources (*Secretaría del Medio Ambiente y Recursos Naturales* or SEMARNAT), and SADER. The process for registering the products has to be conducted by a Mexican company and the steps are listed on the following link: <https://www.gob.mx/cofepris/acciones-y-programas/registro-sanitario-de-plaguicidas-nuevos>.

## *Main Competitors*

Competition in Mexico stems mainly from European manufacturers who present more favorable financing options for sales. For a list of U.S.-based banks active in the Mexican market, particularly U.S. brokers and banks working with Export-Import Bank of the United States (EXIM) programs, please contact Commercial Specialist Sylvia Montaña ([Sylvia.Montano@trade.gov](mailto:Sylvia.Montano@trade.gov)).

Mexican companies have financing options through the Trust Fund for Rural Development (*Fideicomisos Instituidos en Relación con la Agricultura* or FIRA), which was established by the Mexican Government in 1954.

FIRA is a second-tier development bank that offers credit, loan guarantees, training, technical assistance, and technology-transfer support to the agriculture, livestock, fishing, forestry, and agribusiness sectors in Mexico.

Despite strong foreign competitors active in the Mexican market, U.S. suppliers account for 68.8 percent of this sector's market share, representing by far the top supplier.

### Market Segmentation of Agricultural Equipment Imports in Mexico

Country	Market Share
United States	69%
Italy	5%
India	4%
Germany	3%
Spain	3%
Other	16%

### Web Resources

Secretariat of Agriculture and Rural Development (SADER)	<a href="http://www.gob.mx/agricultura">www.gob.mx/agricultura</a>
Federal Commission for the Protection Against Sanitary Risks (COFEPRIS)	<a href="http://www.cofepris.gob.mx">www.cofepris.gob.mx</a>
Tax Administration Service (SAT) & Customs	<a href="http://www.sat.gob.mx">www.sat.gob.mx</a>
National Association of Fertilizer Traders (ANACOFER)	<a href="http://www.anacofer.com.mx">www.anacofer.com.mx</a>
Mexican Association for Protected Horticulture (AMHPAC)	<a href="http://www.amhpac.org">www.amhpac.org</a>
National Union of Poultry Farmers	<a href="http://www.una.org.mx">www.una.org.mx</a>
International Egg Commission	<a href="http://www.internationalegg.com">www.internationalegg.com</a>
Consejo Mexicano de la Carne	<a href="http://www.comecarne.org">www.comecarne.org</a>

### Events

- [Expo Agroalimentaria Guanajuato](#) (Agro Industrial), November 12–15, 2019, Irapuato, Guanajuato
- [International Production & Processing Expo](#), January 28–30, 2020, Atlanta, Georgia
- [FIGAP Mexico 2020](#), October 21–23, 2020, Guadalajara, Jalisco

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### Agriculture

The agriculture sector is large, diversified, and heavily integrated with the United States, making it a best prospect industry sector for U.S. companies in Mexico.

## Overview

Mexico became the United States' second-largest agricultural partner in 2018. U.S. agricultural and related product exports to Mexico totaled USD 19 billion with overall bilateral agricultural trade of USD 45 billion. The United States remains Mexico's principal agricultural trading partner, receiving almost USD 26 billion of Mexico's total agricultural exports. Overall U.S. market share in Mexico has remained high, as geographic advantages continue to make the United States the best supplier for most major agricultural goods.

However, Mexico actively looks for alternate sources of supply given bilateral trade uncertainties. In recent years, competition emerged from the European Union, South America, and Asia. Additionally, with President Andrés Manuel López Obrador taking office in December 2018, Mexico shifted its focus domestically, promoting programs and incentives to enhance both local small-scale production and consumption with a goal of becoming self-sufficient in core agricultural products.

## Leading Sub-Sectors

The United States enjoys a commanding market share for several sub-sectors. Mexico is the top destination for U.S. agricultural exports of corn, dairy products, poultry meat and eggs, sugar and sweeteners, distillers dried grains, and rice. It is the second or third-largest market for another 25 key product groups such as soybeans, beef, pork, wheat, horticulture, and many processed foods or beverages. Below are short summaries of a few of these selected sub-sectors of the agricultural market in Mexico. Additional information on each of these topics (as well as other agricultural sectors) is available on the U.S. Department of Agriculture's (USDA) Global Agricultural Information Network (GAIN) at <https://gain.fas.usda.gov/>.

## Major Agricultural Exports from the United States to Mexico

(Figures in USD millions)

Product	Calendar Years (January–December)					January–April Comparisons		
	2014	2015	2016	2017	2018	2018	2019	% Chg
Bulk total	6,002.0	5,375.8	5,710.4	6,197.3	6,479.3	1,778.7	2,133.4	19.9
Wheat	857	650.9	611.5	854.7	668.6	223.0	252.6	13.3
Corn	2,255.0	2,302	2,549.8	2,651.7	3070.2*	755.0	918.0	21.6
Coarse Grains (ex. corn)	36	78.3	132.3	78.7	39.2	3.1	19.1	524.8
Rice	325	283.6	266.5	291.7	262.3	79.2	80.4	1.4
Soybeans	1,817.0	1,432.2	1,462.2	1,568.2	1,722.7	470.1	643.8	37.0
Oilseeds (ex. soybean)	61	42.7	60.3	52.3	35.2	6.8	9.5	41.1
Cotton	411	332	339.6	403.9	371.7	117.6	105.2	-10.5
Pulses	81	73.2	89.5	111.8	89.6	33.3	21.7	-35.0
Tobacco	46	54.1	69.8	52.5	90.7	49.6	40.8	-17.7
Other Bulk Commodities	114	126.5	128.8	131.8*	127.2	40.9	42.1	2.9
Immediate Total	4091.0	3,941.9	4,065.0	4,062.3	3,946.1	1,376.4	1,229.4	-10.7
Soybean Meal	848.0*	800.2	800.8	579.1	671.4	247.7	203.9	-17.7

Soybean Oil	186.0	210.8	225.8	202.0	129.0	48.8	38.5	-21.2
Vegetable Oils (ex. soybean)	207.0	223.6	196.6	210.1	183.4	70.0	53.8	-23.1
Animal Fats	303.0	242.9	240.0	213.6	232.2	76.0	69.2	-9.0
Live Animals	153.0	127.1	121.8	128.5	115.3	41.5	34.1	-17.8
Hides & Skins	137.0	130.2	153.2	140.5	135.3	44.9	38.4	-14.5
Hay	0.0	0.3	0.3	0.5	0.2	0.0	0.1	23.2
Distillers Grains	374.0	346.3	355.8	374.4	415.4	143.2	143.2	0
Feeds % Fodders NESOI	162.0	146.4	153.6	158.1	184.2	62.3	53.9	-13.4
Planting Seeds	238.0	250.7	297.7*	264.7	246.8	91.8	78.0	-15.0
Sugar, Sweeteners, Bev. Bases	630.0	632.5	620.5	664.8	648.9	217.0	184.7	-14.9
Other Intermediate Products	854.0	830.8	897.9	1,125.9*	984.0	333	331.7	-0.4
Consumer Oriented Total	9,271.0*	8,377.7	8,051.5	8,341.3	8,593.4	2,814.5	2,735.5	-2.8
Beef & Beef Products	1,166.0	1092.5	977.3	979.1	1,058.4	342.4	372.4	8.8
Pork & Pork Products	1555.0*	1,268.2	1,359.5	1,514.1	1,310.8	505.4	356.5	-29.5
Poultry Meat & Prods. (ex. eggs)	1,280.0*	1,029.0	931.5	932.6	955.9	324.7	304.1	-6.3
Meat Products NESOI	98.0*	96.3	90.9	83.4	86.8	28.7	27.7	-3.5
Eggs & Products	192.0	186.4	181.0	169.4	166.1	56.1	58.0	3.3
Dairy Products	1,644.0*	1280.1	1217.8	1,312.30	1,397.60	436.9	461.4	5.6
Fresh Fruit	583.0	560.3	501.1	570.4	618.6	168.5	149.5	-11.3
Processed Fruit	122.0	119.4	112.0	120.3	125.9*	39.4	43.7	10.8
Fresh Vegetables	143.0	122.6	100.8	134.1	141.4	34.1	59.1	73.6
Tree Nuts	222.0	269.1	253.3	256.2	370.7	124.6	111.0	-10.9
Chocolate & Cacao Products	277.0	236.8	239.1	231.0	218.2	66.2	71.5	8.1
Snack Foods NESOI	287.0	293.2	296.1	282.9	319.3*	101.3	110.5	9.1
Breakfast Cereals	41.0	39.7	50.2*	39.1	41.5	13.5	12.5	-7.4
Condiments & Sauces	186.0	218.3	220.6*	214.0	215.1	70.6	74.2	5.1
Prepared Food	708.0	704.6	709.6	678.5	743.4*	225.4	270.5	20.0
Wine & Beer	144.0	205.2*	184.8	170.1	178.7	72.8	33.7	24.6
Non-Alcoholic Bev. (ex. Juices)	157.0	137.3	116.0	139.4	123.1	31.2	49.0	57.2
Dog & Cat Food	50.0	67.1	76.9	85.1	89.6	27.1	33.7	24.6
Other Consumer Oriented	70.0	85.8	80.4	76.9	94.9	25.1	28.4	13.3

Agricultural Related Products	827.0	877.1	868.3	870.6	885.4*	283.2	299.5	5.8
Distilled Spirits	45.0	47.2	38.1	44.4	60.9	16.3	18.9	16.2
Ethanol (non-bev.)	72.0	67.2	58.3	56.5	51.2	14.8	19.2	30.0
Biodiesel & Blends > B30*	1.0	18.0*	13.7	11.6	6.3	5.1	0.8	-84.1
Forest Products	656.0	694.6	692.4	700.8	710.6*	226.0	236.4	4.6
Fish Products	53.0	50.0	65.7	57.3	56.4	21.1	28.4	13.3
Agricultural Products	19,364.0*	17,695.3	17,826.9	18,600.8	19018.8	5,969.5	6,098.4	2.2
Agricultural & Related Products	20,191.0*	18,572.4	18,695.2	19,471.5	19904.20	6,252.7	6,397.9	2.3

Prepared by: Global Policy Analysis Division/OGA/FAS/USDA

Source: U.S. Census Bureau Trade Data \*Denote Highest Export Levels Since at Least CY 1970 +Values of \$0.05 million or more are rounded to \$0.1 million.

\*Biodiesel aggregate includes only higher-level and pure biodiesel HTS chapter 28 codes; biodiesel blends below 30% by volume (aka. petroleum oils containing biodiesel) found in chapter 27 are excluded.

### Mexico Soybean Market Overview

(Figures in thousands of metric tons CWE\*)

Indicator	2017	2018	2019 (Estimated)
Total Local Production	433	340	400
Total Domestic Consumption	5,285	5,535	5,695
Total U.S. Exports to Mexico	4,533	4,900	5,200
Total U.S. Imports from Mexico	0	305	0

\*Carcass-Weight Equivalent (CWE)

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

The United States serves as the main exporter and supplier of soybeans to Mexico. Growth in Mexico's livestock sector has driven growth in demand for U.S. soybeans in recent years. Soybeans are generally imported and crushed in Mexico for use as edible oil for human consumption and soy meal for livestock feed. We expect growth of approximately three percent in the oilseed meal and oils sectors over the coming year, driven by strong meal demand from the poultry and livestock sectors. Mexican oilseed crushers are expected to continue increasing oil production to keep up with population growth and meal demand. Given continued demand for soybeans for crushing, steady growth in imports is likely.

### Mexico Corn Market Overview

(Figures in thousands of metric tons)

Indicator	2017	2018	2019 (Estimated)
Total Local Production	27,569	26,700	27,100
Total Domestic Consumption	42,500	43,900	45,500
Total U.S. Exports to Mexico	15,525	16,200	17,000
Total U.S. Imports from Mexico	958	800	1,500

Source: Foreign Agricultural Service's Production, Supply and Distribution (PSD) online database, and U.S. Census Data

### Mexico Wheat Market Overview

(Figures in thousands of metric tons)

Indicator	2017	2018	2019 (Estimated)
Total Local Production	3,494	3,000	3,200
Total Domestic Consumption	7,700	7,700	7,500
Total U.S. Exports to Mexico	3,054	3,000	3,300
Total U.S. Imports from Mexico	1,147	700	1,000

Source: Foreign Agricultural Service's Production, Supply and Distribution (PSD) online database, and U.S. Census Data.

Mexico continues to be an excellent market for U.S. grains exports, despite also being a producer of these grains. Mexico was the top export destination for corn, wheat, and rice by volume in 2018. Grains imports in Mexico continue steady growth trends, with expansion in the animal feed sector driving growth for feed grains (particularly corn) rather than for food grains. Between 2019-2020, imports are expected to continue their modest growth to meet growing demand for feed and food grains. The United States is poised to remain Mexico's principal supplier due to logistical advantages and existing business relationships.

### Mexico Dairy Products Overview

Mexico is the number one export market for U.S. dairy products. Although Mexico's domestic industry has experienced production growth, the country is a milk production-deficit nation and will continue to be an attractive market for dairy and dairy product exporters from the United States. The dairy processing industry competes for inputs and uses dairy imports to close the gap between demand and production. For example, about 97 percent of the skim milk powder consumed in Mexico is imported from the United States. Import diversification is on the horizon given the Mexico-European Union FTA modernization and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTTP). The new U.S.-Mexico-Canada agreement was signed in November 2018 and, as of 2019, has been ratified by the Mexican Government. For future developments on ratification and implementation of the U.S.-Mexico-Canada Agreement (USMC), as well as the transition from NAFTA provisions, check the relevant pages at the Office of United States Trade Representative ([www.ustr.gov](http://www.ustr.gov)).

The Government of Mexico has a subsidized milk program, called *Liconsa*, for the neediest segment of their population. This government-owned and operated subsidized milk program has eleven thousand outlets across Mexico, serving more than six million of the neediest consumers.

The Mexican dairy industry is working in changing consumer perception of dairy products by the domestic consumption dairy products rather than just fluid milk. This effort is set not only in advertising campaigns but also in development and innovation of new dairy products appealing to different sectors of the society.

### Mexico Poultry Market Overview

Strong growth is expected in the poultry and egg sectors for 2018, building on recent expansion and vertical integration. Mexico closed 2018 with a steady growth of the poultry and egg production. Chicken is still the preferred animal protein for domestic consumption due to its lower price and versatility in the Mexican kitchen. Mexico is currently the number one consumer of eggs in the world. Most of imports in poultry sectors continue to originate from the United States, while exports by Mexico are limited. A tariff quota for chicken meat has allowed Brazil to export mainly breasts and wings to Mexico.

### *Processing Ingredients Market Overview*

Mexico continues to be a growth market and one of the best opportunities globally for U.S. processing ingredients with a strong processing sector demanding an array of inputs. U.S. processed food exports to Mexico for 2018 totaled USD 8.9 billion representing an increase of 3.6 percent from exports in 2017.

While Mexico remains a growth market for U.S. processing ingredients, the processing industry itself in Mexico remains stable with low growth as it is large and well established. However, the sector is diversifying to provide tailored products for consumers, moving away from one highly branded product line to multiple lines and niche products. Two examples include a proliferation of types of peanut butter (both in brands and varieties), and a number of independent craft beer companies bought by big brands such as AMBEV and Heineken yet maintaining their independent name. Please see the report on processing ingredients published by the Foreign Agricultural Service ([GAIN: Mexico Food Processing Ingredients 2019](#)).

### *Mexico Fresh Fruit Market Overview*

The United States is the largest supplier of apples, pears, and grapes to the Mexican market, and this trend is expected to continue. As Mexico is a price sensitive market, apple import levels depend heavily on the peso to dollar exchange rate. The U.S. apple industry has retained its dominant market position by successfully marketing American apples through in-store promotions. The domestic supply of pears is supported by imports, primarily from the United States. Wholesale markets remain the most important fruit distribution channel for U.S. pears.

Mexico is an important market for grapes from the United States as well as Chile and Peru. The volume of Mexican grapes on the local market depends on export volumes, as producers tend to supply the international market before the domestic market. Promotional efforts have increased consumption, leading to greater domestic production and imports, of which the majority are of U.S. origin.

### **Opportunities**

The U.S. Foreign Agricultural Service in Mexico is happy to assist you in exploring market opportunities. Two developing areas worth mentioning are healthy foods and the wine market.

With the rising trend in healthier eating, demand for organic and other niche food products in Mexico has grown in recent years. Presently, Mexico has some of the world's highest indexes for obesity and diabetes, especially among children. A growing number of Mexican consumers are pursuing healthier lifestyles, which include better eating habits, making Mexico an attractive market for American exporters of healthy and/or organic 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. Mexico's transition to more wine consumption over other alcoholic beverages, increased interest among different consumer sectors (i.e., women and young adults), and growing interest among consumers in trying novel wines has also led to new opportunities for wine exports from the United States.

For further information about best prospects for foods in Mexico, please see USDA's country Exporter Guide. For additional information about specific market entry sectors, see the Retail Foods, Food Processing Ingredients, or Food Service reports. These and many other useful reports are available at <https://gain.fas.usda.gov/>.

## Web Resources

U.S. Department of Agriculture (USDA)	<a href="#">Foreign Agricultural Service (FAS)</a>
USDA DAS	<a href="#">Global Agricultural Trade System (GATS)</a>
USDA FAS Production, Supply and Distribution online data base	<a href="#">(PSD) online database</a>
USDA Global Agriculture Information Network	<a href="#">(GAIN) website</a>

## Events

- [Confitexpo](#) (Confectionary), July 30–August 2, 2019, Guadalajara, Jalisco
- [ABASTUR](#) (Hospitality), Sep 3–6, 2019, Mexico City
- [Agro Baja](#) (Agriculture and Fishing), March 7–9, 2019, Mexicali, Baja California
- [ANTAD & Alimentaria](#) (Retail, Food and Beverage), March TBD, 2020, Guadalajara, Jalisco
- [Expo Restaurantes](#) (Restaurants), June 12–14, 2019, Mexico City

## Contacts

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## Automotive Parts and Supplies

With a well-established and integrated automotive sector, Mexico represents a best prospect sector for auto parts and supplies.

### Overview

The Mexican automotive industry is split between the passenger vehicle sector and heavy vehicles for construction and agriculture. Mexico is the seventh-largest passenger vehicle manufacturer in the world, producing nearly four million cars annually. It is also the fifth-largest auto parts producer worldwide with USD 92 billion in revenues annually and the second-largest export market for U.S. auto parts. Mexico is the fifth-largest manufacturer and exporter for heavy and specialized vehicles and parts in the construction and agriculture industries. This overview focuses on passenger vehicles, and we cover heavy vehicles among the sub-sector descriptions below.

The size of Mexico's passenger vehicle market and our shared border provide an excellent market for U.S. original equipment (OE) and aftermarket parts. In addition, recent investments by established automakers and

new Original Equipment Manufacturers (OEMs) have increased business opportunities throughout the country and have attracted Tier 1 and Tier 2 supplier bases. Vehicle production levels are forecasted to reach five million units by 2020, given the new players and expanding manufacturing capabilities.

### Mexico Passenger Vehicle Sales in Mexico

(Figures in thousands of vehicles)

	2016	2017	2018	2019 est.
Total Local Production	3,465	3,932	3,908	4,896
Total Exports	2,768	3,102	3,449	3,846
Total Imports	886.7	906.3	929.8	949.0
Imports from the U.S.	174.8	159.3	140.6	140.0
Imports Used Vehicles	147.8	123.6	141.7	150.6
Total Market Size*	1,584	1,736	1,388	1,999
Exchange Rates	18.68	18.91	19.22	19.15

\*Total market size = (total local production + imports) - exports

Source: Mexican Automotive Industry Association (AMIA) & United States Department of Commerce, Bureau of the Census, Foreign Trade Division.

### Vehicle Market in Mexico

(Figures in USD Billions)

	2016	2017	2018	2019 estimated
Total Local Production*	35.0	33.0	41.1	49.0
Total Imports	32.7	33.7	37.5	41.0
<b>New Passenger Vehicle &amp; Light Trucks</b>				
Total Exports**	40.8	46.9	52.6	58.3
Imports from the U.S.	3.6	3.4	3.2	3.0
<b>Medium &amp; Heavy-Duty Trucks</b>				
Total Exports	8.9	10.7	12.1	14.0
Imports from the U.S.	0.4	0.3	0.4	0.4
Total Market Size***	N/A	N/A	N/A	N/A
Exchange Rates	18.68	18.91	19.22	19.15

\*Local production is calculated by applying the Mexican Government estimate of automotive production as a percent of GDP and converting the figure to U.S. Dollars. This is a rough estimate that cannot be directly compared to the export and import figures in the remainder of the table.

\*\*The pronounced jump in exports from 2016 to 2018 coincides with the NAFTA renegotiation. OEMs decided to export more to maximize revenues in anticipation of new duties or a change in rules of origin for automobiles.

\*\*\*Total Market Size cannot be calculated due to the lack of comparable Local Production figures.

Sources: Country economy, Mexican Automotive Industry Association & U.S. Department of Commerce, Bureau of the Census, Foreign Trade Division.

The Mexican Automotive Industry Association estimates that Mexico will become the fifth-largest worldwide vehicle producer by 2021 due to new OEM players. In 2018 Mexico ranked as the sixth-largest vehicle producer with nearly four million units. Established automakers include Audi, Baic Group, FCA Group, Ford, General

Motors, Honda, Kia, Mazda, Nissan, Toyota and Volkswagen. Mercedes Benz’s production is in partnership with Nissan–Daimler. Hyundai produces through its Kia partner and BMW will open their first plant in San Luis Potosi in 2019. Toyota will open its second plant in Mexico in Apaseo el Alto, Guanajuato. Baic Group has expressed interest in producing electric vehicles in Mexico by 2020. Together, these companies produce more than 40 brands and 500 models. Around 88 percent of the vehicle production in Mexico is devoted to exports, with the remaining 12 percent destined for the domestic market.

Auto sales decreased by seven percent with 1.4 million units in 2018 compared to 1.5 million units in 2017. Additionally, sales of electric and especially hybrid vehicle are increasing and expected to continue to grow due to the clean energy requirements mandated by Mexico’s Energy Reform. Among domestic vehicle sales, Nissan is the top seller, followed by General Motors, Volkswagen, Toyota, Kia, FCA Group, Honda, Ford, and others. These brands represent 81 percent of the market in terms of sales.

### **Mexico Auto Parts Market for OEM and Aftermarket**

*(Figures in USD billions)*

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019 est.</b>
Total Local Production	85.0	92.0	94.0	98.0
Total Exports	62.2	73.5	79.3	86.2
Total Imports	40.0	49.1	54.1	59.0
Imports from the U.S.	28.3	29.7	26.7	28.0
Total Market Size*	62.8	67.6	68.8	70.8
Exchange Rates	18.68	18.91	19.22	19.15

*\*Total market size = (total local production + imports) - exports*

*Source: National Auto Parts Industry Association (INA) & United States Department of Commerce, Bureau of the Census, Foreign Trade Division.*

### **Leading Sub-Sectors and Opportunities**

Once the United States-Mexico-Canada Agreement (USMCA) is approved by all three countries, we anticipate increases in U.S. and Mexican exports in this sector. USMCA changes rules of origin for autos, requiring that 75 percent of auto content be produced in North America and that key core auto parts always originate from the United States, Canada, or Mexico. This means that—after a phase-in period—only goods with this content will receive duty-free access. For additional information on the USMCA automotive manufacturing provisions, please visit the Office of United States Trade Representative website at [www.ustr.gov](http://www.ustr.gov).

There are seven major sub-sectors in Mexico’s automotive industry: original equipment, aftermarket parts, electric & hybrid vehicles, specialty equipment, remanufactured products, and heavy vehicles. Of these sub-sectors, CS Mexico sees strong opportunities in the following:

#### *Original Equipment and OE Opportunities*

The OE market represents USD 79 billion dollars, making Mexico the fifth-largest auto parts producer, with 2,500 companies in the sector. Over 600 of these companies are Tier 1 suppliers. U.S. auto parts manufacturers operating in Mexico represent one-third of all companies in this sector, followed by Japan, Germany, Canada, France and South Korea. The industry is deeply integrated between our two countries. Mexico imports 49 percent of all auto parts from the United States. Mexico, in turn, exports 87 percent of its auto parts production to the United States. There are no major trade barriers in the auto sector for parts and related equipment. U.S. exporters are advised to work closely with their partner in Mexico to comply with Mexican standards for

electrical and electronic safety measures, as well as with labeling requirements, to avoid any delays. Imports of used vehicles are subject to local regulations.

The most effective way for U.S. suppliers of automotive parts and equipment to enter the Mexican market is through local representation or regional distribution. Assembly plants typically prefer suppliers who are located closely to minimize inventory volumes and to facilitate just-in-time or just-in-sequence deliveries. ISO and TS certifications are required by OEMs. It is easier to serve OEMs in Mexico if the U.S. exporter is already supplying them in the United States and has a supplier number. Automotive parts for components for Tier 2 suppliers represent the most exported items. However, opportunities exist for production machinery and equipment, materials, pre-assembled components, molds and tooling, cutting tools, automation process equipment, raw materials, engineering and design, finished parts, and accessories sold through local representatives or distributors. As the technology becomes more sophisticated, Mexico will search for solutions including big data, wireless technologies, innovation for high production volumes, smart packaging, and track and trace systems in logistics. Additionally, electric and hybrid vehicle production trends will continue to create demand for clean energy technologies. The main competition for OE parts is from domestic manufacturers as well as those from China, Japan, South Korea, Germany, Canada and Brazil, among others. As the Government of Mexico has implemented measures to increase consumer access to loans through financing programs, new car sales are expected to increase, leading to additional opportunities for U.S. auto part suppliers.

#### *Opportunities in Repair & Replacement Parts (Aftermarket)*

The Mexican Aftermarket Industry Association (*Asociación Nacional de Representantes, Importadores y Distribuidores de Refacciones y Accesorios para Automóviles* or ARIDRA) estimates that the aftermarket industry market size represented USD 30 billion in 2018. They predict that the industry could experience a slowdown with a decrease in vehicle usage due to occasional gas shortages and owners putting off servicing their vehicles. Nonetheless, new vehicle sales from previous years will continue to generate aftermarket growth after the five-year warranty expiration. Distribution takes place through local aftermarket parts distributors. Mexico is a price-driven market with heavy competition from China, Taiwan, Korea and local manufacturers. Only authorized dealerships can sell aftermarket parts approved by the OEM. Dealerships also provide car repair services and purchase parts from large spare part distributors. E-commerce is still nascent in Mexico although it is expected to grow by three percent by 2020.

ARIDRA estimates that there are approximately 32.2 million vehicles in operation with model years ranging from 1960 to 2019. Given the length of time that Mexican consumers keep their cars (15 years on average), consumers often need parts for vehicle repairs after the warranty periods expire. This creates opportunities, notably for passenger vehicles, SUVs, minivans, pick-ups and commercial vehicles.

#### *Electric & Hybrid Vehicles and Parts*

The market in Mexico for EV and hybrid vehicles continues to develop. The Mexican Government has started to offer incentives to Mexican consumers including the exemption of local taxes and emission control verifications. In 2018 the market for electric, plug-in hybrid vehicles and hybrid vehicles reached sales of 17,807 units. Sales represented a 69 percent growth compared with 2017. Hybrid vehicle sales are particularly significant. Heavy traffic conditions and long driving distances combined with the lack of an extensive charging station network creates opportunities for new players. Market opportunities include electric motors, motor drive, battery power converter, on-board charger, auxiliary battery, charger port, traction battery bank and power electronic controllers.

#### *Specialty Equipment and Opportunities*

Vehicle modifications are limited due to government regulations. Some of these limitations include neon headlights, tailgate LED light bars, emergency and warning lighting, underbody lights, loud sound systems,

dark-tinted glass, loud exhaust systems, and metal tires. Vehicles with drivetrain modifications done by the consumer will lose their original warranty. Therefore, modifications are usually carried out only on older vehicles. The most common include chrome, fiber glass, hydraulics, suspension, doors, body car, vinyl wrapping, rims, candy painting finishing, and application of ceramic and film protectants. Trends in vehicle modification follow the European style with lowered wheels and shaved features to enhance body styling. Due to exchange rates and income levels, it can take years for a consumer to customize a vehicle. Some of the most popular brands for customization are VW, Nissan, Chevrolet, and antique cars. Specialists look for sliding sunroof systems, convertible power tops and related motors, dashboard kits and custom mounted instruments, interior trim, custom shift knobs, LED lighting, and window security film with UV protection and heat reduction.

#### *Remanufactured Parts*

Remanufactured parts are those that have been repaired with new components which may have originated in different countries. While this is a significant sub-sector, there are limited opportunities for U.S. exporters due to the local remanufacturing services available at lower costs. This niche market is price-driven. In addition, producing a Certificate of Origin can be difficult for U.S. exporters since the part numbers are so numerous and Mexico's Free Trade Agreements typically require a majority of the content originating from a single FTA partner to obtain preferential treatment. Local companies in the market already remanufacture diesel and gasoline engines and their parts, including rotors and other high tolerance components. Other OEMs of parts or engines also remanufacture so they can offer competitive prices to their customers.

#### *Used Automotive Products*

Current Mexican regulations limit the importation of used vehicles into Mexico. These measures were adopted by local governments and private vehicle associations in response to concerns about the condition of older used vehicles, including high emissions, fuel efficiency limitations, higher maintenance costs, and poor mechanical condition. Used vehicles also have a negative impact on new car sales, and there is an inherent difficulty in tracking and identifying used vehicles involved in criminal activity. The combination of these factors has prompted the Mexican Government to put these regulations in place.

As a mature market with auto parts sold by OE parts manufacturers and aftermarket sellers, there are limited opportunities for used parts exporters to Mexico. Although used parts can be imported into Mexico, local auto parts distributors require a warranty and do not generally import large volumes as they only import parts not found locally. Although there are limited opportunities, repair equipment and replacement parts are still needed.

#### *Heavy Duty Vehicle Products*

Mexico's heavy vehicle sector principally consists of tractor-trailers, specialty commercial vehicles, and passenger buses. Although the principal global producers of heavy vehicles include China, Japan, Germany, and the United States, Mexico is the leading exporter of tractor-trailers used in the trucking industry. In a country where most products are transported by truck, Mexico builds 35 percent of the commercial vehicles (including trucks) sold in North America and is the fourth-largest exporter of commercial vehicles worldwide. Tractor-trailers exported from Mexico account for 58 percent of transportation vehicles sent outside of the country's borders.

Several major global manufacturers of tractor-trailers have manufacturing facilities, spare parts shops, and maintenance shops in Mexico. These include Cummins, Daimler Vehiculos Comerciales, Detroit Diesel Allison de México, DINA de México, Freightliner México, FOTON México, HINO de México, ISUZU de México, Kenworth Mexicana, Mack Trucks, MAN Truck and Bus, Volkswagen México, Navistar de México, SCANIA de México, and Volvo México.

Mexico is the fifth-largest manufacturer and exporter for specialized vehicles and parts in the construction and agriculture industries. Mexico has a large manufacturing base across the country, and exports for this equipment and machinery account for more than USD 550 million. Major markets include the United States, South Africa, Thailand, Switzerland, Australia, Uruguay, Venezuela, Chile, Paraguay, and Guatemala among others. John Deere and Caterpillar are the leading manufacturers in Mexico with over 200 dealers across the country. CNH (Case and New Holland), AGCO (Massey Ferguson), McCormick, and FOTON are other firms with a solid market presence due to their manufacturing facilities and dealers well-located to serve their clients.

Passenger bus production has a long and historic manufacturing tradition in Mexico, with manufacturing facilities across the country. Leading firms are Volvo Autobuses, Dina Camiones, Mercedes-Benz Autobuses, Scania Autobuses, MAN Latin America, Grupo Autofin, Isuzu Motors Mexico, Hino Motors Sales, American Coach de Mexico, Irizar Mexico, Beccar, Autopartes y Componentes AYCO, and RECO. Major export markets for buses manufactured in Mexico include Guatemala, Argentina, Chile, Paraguay, and South Africa.

### Web Resources

Mexican Automotive Industry Association (AMIA)	<a href="http://www.amia.com.mx">www.amia.com.mx</a>
Mexican Aftermarket Industry Association (ARIDRA)	<a href="http://www.aridra.com">www.aridra.com</a>
National Auto Parts Industry Association (INA)	<a href="http://www.ina.com.mx">www.ina.com.mx</a>
Service Tax Administration (SAT)	<a href="http://www.sat.gob.mx">www.sat.gob.mx</a>
National Chamber of Freight Transport (CABACAR)	<a href="http://www.canacar.com.mx">www.canacar.com.mx</a>
National Association of Private Transportation (ANTP)	<a href="http://www.antp.org.mx">www.antp.org.mx</a>

### Events

- [INA Paace Automechanika Show](#) (OE / Aftermarket / Accessories), July 10–12, 2019, Mexico City
- [Expo Transporte Anpact](#) (transportation and buses) October 2–4, 2019, Guadalajara, Jalisco
- [Expo Carga](#) (logistics and transportation) June 25–27, 2019, Mexico City
- [Logistic Summit](#) (logistics and transportation) March 2020, Mexico City

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## Construction

The construction sector, including building materials and specialized expertise such as sustainable building technologies and seismic stabilization, is a best prospect industry sector for Mexico. This section includes a market overview and trade data.

### Overview

The López Obrador Administration continues focusing on development projects that will stimulate demand for construction materials and services. The President announced a series of priority national development initiatives, of which roughly half involve transportation infrastructure development or other types of construction. These range from housing and commercial building construction—such as September 2017 earthquake reconstruction and urban development in marginalized communities—to large infrastructure projects such as a newly proposed airport in Mexico City, development of the Isthmus of Tehuantepec, the “Maya Train” on the Yucatan Peninsula, rural roads, and various sector-specific developments in oil and gas production, refinery development, agricultural production, and mines.

The following table provides the most recent statistics for construction sector products and services in Mexico.

### Mexico Building Materials and Services Statistics

(Figures in USD billions)

	2016	2017	2018	2019 (Estimated)
Total Local Production	90.13	90.3	90.4	90
Total Exports	37.95	38.1	38.3	38
Total Imports	42.43	42.7	42.7	42
Imports from the U.S.	32.23	32.5	32.3	32
Total Market Size*	94.61	94.9	95	94.8
Exchange Rates	18.68	18.91	19.22	19.15

\*Total market size = (total local production + imports) - exports)

Sources: Secretariat of Finance and Public Credit (SHCP), National Institute for Statistics and Geography (INEGI), Central Bank of Mexico (Banco de Mexico), Secretariat of Economy (SE), 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)

The first half of 2018 showed a positive outlook for construction, even exceeding expectations by rising above the level of the economy. However, in the third and fourth quarters, the GDP results from this sector showed a slowdown, generating growth of only 0.6 percent during that year.

As this has been continuing for almost a decade, building works is the component that exhibits modest but positive growth. In contrast, the number of civil engineering works continues to fall, at lower rates, but still at negative levels. On the building side, the construction of higher value housing and productive building has helped the sector to a modest extent. Meanwhile, lower public investment keeps infrastructure works lagging behind, although there could be a slight upturn if the 2019 Federal Expenditure Budget (*Presupuesto de Egresos de la Federación* or PEF) is implemented.

The slowdown in the production activity of the construction sector is reflected in its demand for labor. For the first time in several years, the number of employees in the sector is decreasing. Companies are demanding fewer workers. We expect the slowdown to continue for at least the first two quarters of 2019. This may also be influenced by a drop in work factor productivity as measured by the number of employed persons, which is

already negative in its annual comparison. In terms of hours, productivity is also slowing, but remains positive. This contributes to the prospect of less employment in the sector, at least in the short term.

These factors include global economic conditions and the drop in international oil prices, both affecting the value of the peso. Due to the large number of private projects in 2018 (mainly housing buildings, mixed-use buildings, commercial malls, industrial and distribution facilities), it was primarily the private sector that drove overall industry growth. It is expected that the private sector will continue to invest in mixed-use buildings (commercial space, 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.

Growth of the building and construction sector in Mexico is highly influenced by federal government infrastructure and development programs. As of the writing of this guide, the National Development Plan (*Plan Nacional de Desarrollo* or PND) for the 2019-2024 administration of Mexican President Andrés Manuel López Obrador was announced with a planned investment of USD 586 billion. A significant portion of these projects have already been put out for bid, and much of the work involves private sector funding and/or formal public-private partnerships (Various sections in this Country Commercial Guide include sector-specific PND information, including the section on energy and the one on transportation infrastructure). Leading private sector organizations also presented an infrastructure plan, including 1,600 projects, for the Lopez Obrador Administration's consideration.

It is important to keep in mind that the majority of PND projects are being completed as 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 by distributing risk more evenly, facilitating access to bank loans, and harmonizing existing state public-partnership models into one federal law. All investors can participate in the bidding process, except for some restricted sectors outlined in the existing Foreign Direct Investment Law.

The total value of Federal Government construction projects during 2018 was estimated at USD 110 billion, of which 30 percent was allotted to Pemex (government-owned oil company); 35 percent to highway construction; another 22 percent to housing developments and multi-purpose buildings; and the remaining 13 percent was assigned to other infrastructure projects. The Mexican states that received the most funds were Guanajuato (9.1%), State of Mexico (8%), Nuevo Leon (7.3%), Veracruz (7%), Mexico City (6.8%), and Jalisco (6.5%).

Mexico ranks second among top markets for U.S. building product exporters due to its proximity, established transport links, and duty-free status under NAFTA. For 2019, we will continue to see opportunities related to major PND government infrastructure projects, including work on specific highways and roads, airports, ports, oil and gas-related infrastructure, telecommunications, and housing projects. In the private sector, we continue to see opportunities in mixed-use buildings (retail, corporate and housing), corporate offices, logistic and manufacturing hubs, shopping malls, retail stores, and other small projects. The large private projects will be developed and executed by local and foreign investors. Most public projects will be developed and executed by local investors and a minority by foreign investors.

### **Leading Sub-Sectors**

We see three leading sub-sectors in the construction industry: general construction, housing, and green building.

#### *General Construction*

Construction techniques in Mexico differ from those in the United States. Most of the houses, commercial and public buildings, industrial facilities (industrial manufacturing plants, logistical and distribution centers), and

mixed-use buildings in Mexico are built with bricks and concrete, which are the traditional building materials in Mexico. Demand for cement, steel bars, glass, and air conditioner systems are 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 most facilities are being built with raw materials from both countries. Nonetheless, state-of-the-art panel systems for mixed-use buildings and facilities are gaining market share due to trends toward flexible spaces and areas in offices, distribution centers, as well as in luxury apartments.

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, particularly in flooring, paneling, and molding.

### *Housing*

The housing market is still undergoing growth originally projected at a five percent annual average from 2014 to 2018. Housing industry sources continue to expect future growth primarily in the construction of houses valued at USD 26,000 to USD 50,000.

Mexico's housing sector is dominated and funded by large independent government and parastatal agencies. These include the National Housing Commission (*Comisión Nacional de Vivienda* or CONAVI), INFONAVIT (*Instituto del Fondo Nacional para la Vivienda para los Trabajadores*, the largest housing fund for private workers in Mexico), FOVISSSTE (*Fondo de la Vivienda del Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado*, the largest housing fund for state workers in Mexico), FONHAPO (*Fideicomiso Fondo Nacional de Habitaciones Populares*, a government fund for creating low-income housing options), CFE (*Comisión Federal de Electricidad*, the government owned utility company), Pemex (*Petroleros Mexicanos*, the state-owned oil company), some state government housing agencies, and large private banks and other financial institutions. Government institutions provide almost 60 percent of the funds for the Mexican housing sector. The other 40 percent is covered by private banks and other financial institutions.

The housing initiatives announced during the prior administration were 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; and to increase vertical housing developments in major cities across the country. While it remains to be seen how policies will evolve in the López Obrador Administration, we might see a continuation of (1) housing support for six million workers not covered by the INFONAVIT and FOVISSSTE housing funds; (2) a subsidy for houses valued between USD 12,000 and USD 25,000; and (3) subsidies for green housing projects (up to 25 percent of the mortgage). These initiatives have been offering opportunities to the Mexican housing developers focused on the low-income market (e.g., Consorcio Ara, Gicsa, Frisa, Gigante Grupo Inmobiliario, Inmuebles Carso, ICA, Inmobiliaria Vinte, Thor Urbana Capital, and Acciona Parque Reforma, among several others).

The economic downturn has continued in the housing market. As long as there is no recovery in this type of housing, there will be no expansion phase. The construction plans, along with the housing inventories shown to us by the *Registro Único de Vivienda* (National Housing Registry), show that units remain below the initial plans from the housing developers and the Federal Government.

There are no major barriers to the importation of housing building materials if they comply with NAFTA (or in the future USMCA) Certificate of Origin rules. Certain regulated products will need to comply with local standards testing (e.g., wires, switches, back-up power batteries), so it is good to check the requirements for your particular product.

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 and labor and legal aspects is invaluable to U.S. firms. Despite the Government's focus

on subsidized housing, there are outstanding business opportunities in providing housing for the mid- and high-income segment of the housing industry.

Building materials suppliers which have successfully entered the Mexican market typically have hired 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, CFE, and state housing institutes.

### *Green Building*

Like other emerging economies, Mexico is moving rapidly towards green, or environmentally-friendly, construction 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 to lower costs and enjoy health benefits derived from green and sustainable 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 top organizations documenting and implementing green practices, as well as working to define criteria for green buildings and homes include CONAVI, INFONAVIT, the Mexican Chamber for the Construction Industry (*Cámara Mexicana de la Industria de la Construcción* or CMIC), the National Chamber for Consulting Firms (*Cámara Nacional de Empresas de Consultoría* or CNEC), the National College for Architects (*Colegio Nacional de Arquitectos de la Ciudad de México*), the Mexican Council for Sustainable Construction (*Consejo Mexicano para la Edificación Sustentable*), Sustainability for Mexico (*Sustentabilidad para México* or SUME), and the Association of Firms for the Saving of Energy on Construction and Buildings. Additionally, INFONAVIT has created a “green mortgage” program, supported by mandatory employer and employee contributions.

The worldwide green building certification program developed by the United States Green Building Council—a program known as LEED for “Leadership in Energy and Environmental Design”—is increasingly used in Mexico. As a result of these efforts and developments, Mexico is home to over 755 LEED certified projects totaling 15,946,290 gross square meters of space. From hospitality to retail, whether single projects or LEED volume certification, the projects in Mexico represent the diversity and breadth inherent in LEED.

In February 2019, the U.S. Green Building Council announced during its annual meeting that Mexico moved forward one position from last year evaluations and now is ranked eighth globally, with a total of 370 new LEED project certifications alone in 2018, representing over 8.41 million square meters with an estimated investment of USD 99 million. Projects included tourism real estate development, marine projects, and thematic and recreational parks, along with more standard residential, industrial, and commercial developments.

With the aim of promoting sustainable architecture and increasing buildings of this type, Mexican public authorities have developed specific regulations and certifications to promote energy efficiency and buildings that respect the environment.

One of them is the Certification of Sustainable Buildings Program (*Programa de Certificación de Edificaciones Sustentables* or PCES), an instrument developed by the Secretariat of the Environment (*Secretaría del Medio Ambiente* or SEDEMA), aimed at incorporating systems that ensure the energy efficiency of current and future buildings, so that they adapt to the sustainability criteria.

## Opportunities

The U.S. Commercial Service Mexico is happy to assist you in exploring construction sector opportunities. Residential U.S. building and construction products are generally 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 into 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.

There are opportunities for U.S. suppliers in both residential and non-residential construction/building. These 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; skylights; 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 fire retardant thermal protection materials. Business opportunities in engineering, design, architectural, electrical, plumbing, foundation, landscape, and other green services and technologies are also significant.

The following table provides additional details on specific opportunities.

### Best Prospects in Mexico for U.S. Manufacturers of Building Materials

*(% of U.S. Market Share in Mexico's Construction Industry)*

Description	HS Code	U.S. Market Share
AC systems	841582	78%
Air filters for AC systems	842139	63%
Aluminum doors, windows and frames	761010	69%
Bulbs for incandescent lamps	701110	30%
Clear glass with UV protection, thickness >6mm	700490	80%
Kitchen cabinets and fixtures	940340	28%
Prefab construction systems	940600	31%
Solar panels for lighting	854140	25%
Solar water heaters	841919	21%
Steel doors, windows and frames	730830	68%
Toilet articles of porcelain or china	691090	28%
Tubes and pipes – cooper	741110	84%

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

## Web Resources

National Chamber for Housing Development (CANADEVI)	<a href="http://www.canadevi.org.mx">www.canadevi.org.mx</a>
National Housing Commission (CONAVI)	<a href="http://www.conavi.org.mx">www.conavi.org.mx</a>
Mexican Chamber for the Construction Industry (CMIC)	<a href="http://www.cmic.org">www.cmic.org</a>
National Chamber for Consulting Firms (CNEC)	<a href="http://www.cnec.org.mx">www.cnec.org.mx</a>
Construction and Housing Development Center (CIHAC)	<a href="http://www.cihac.com.mx">www.cihac.com.mx</a>
National Institute for Statistics and Geography (INEGI)	<a href="http://www.inegi.gob.mx">www.inegi.gob.mx</a>
National Workers Housing Fund Institute (INFONAVIT)	<a href="http://www.infonavit.org.mx">www.infonavit.org.mx</a>
Secretariat of Communications and Transportation (SCT)	<a href="http://www.sct.gob.mx">www.sct.gob.mx</a>

## Events

We recommend the following events to connect with Mexican buyers, representatives, and industry officials.

- [Expo Ferretera 2019](#), September 5–7, 2019, Guadalajara, Jalisco
- [Expo CIHAC 2019](#), October 15–19, 2019, Mexico City

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## Cosmetics

Cosmetics represent a best prospect industry sector for Mexico. This section includes a market overview and trade data.

### Overview

Mexico is ranked in the top 10 markets in the world for cosmetics and personal care products, and it continues to be the second-largest market for beauty products in Latin America. Due to a strengthening economy and availability of a variety of both domestic and imported brands, consumption of cosmetics in Mexico has grown steadily over the past 15 years (Euromonitor 2017). Nevertheless, current market conditions such as uncertainty of the policies of the new Mexican administration, a strong U.S. dollar, and the renegotiation of the North American Free Trade Agreement have resulted in more moderate growth forecasts for the industry at least until 2020. Instead of an eight percent annual growth rate, experts now believe the beauty sector in Mexico could possibly grow up to four percent annually over the next two years (El Financiero 2018), which still represents opportunities for U.S. exporters in the sector.

Mexico continues to attract large multinational companies that have established both manufacturing and distribution facilities in-country and use Mexico as their distribution center for Latin America. This is the case for multinationals that supply the mass market such as Procter & Gamble, Unilever, L'Oréal, and Beiersdorf. Mexico's National Chamber of the Cosmetics Industry (*Cámara Nacional de la Industria de Productos Cosméticos* or CANPIEC) maintains good data on trends in the cosmetics industry. According to its 2019 data, the number

of Mexican personal care brands has tripled since 2013, with several appealing to a younger audience looking for locally-sourced, environmentally-conscious products.

Since Mexico has free trade agreements with 50 nations, the Mexican consumer has been exposed not only to U.S. brands, but also to European, South American, and Asian brands. Mexico is a mature market with opportunities for select products that can differentiate themselves from products currently being manufactured locally, though it is important to take into consideration the fact that Mexico continues to be a price-driven market. Exporters can expect to face heavy competition and must be prepared to invest in marketing, through both traditional and nontraditional channels, to gain brand recognition.

Having a wide selection of beauty products at affordable prices has contributed to changing the taste, preference, and purchasing decisions of the Mexican consumer. The increased participation of women in the workforce, the popularity of beauty video blogs, and a change in perception from male consumers who are now comfortable investing in grooming products continue to motivate Mexico's production of cosmetics and personal care products. Industry specialists note that the average consumer has gone from using only one hair care product in their daily routine to no less than three. According to CANIPEC, the Mexican consumer spends on average close to USD 90 annually in cosmetics and personal care products. Of that, only 10 percent is spent on premium products. Locally-manufactured products mean lower prices than imported goods, and this is a critical element to consider if a U.S. exporter is planning on entering the Mexican market. It is a highly competitive market, but also one in constant evolution, and consumers are eager to follow world trends for beauty products (CANIPEC 2017).

### **Cosmetics and Personal Care Products Market in Mexico**

*(Figures in billions of USD)*

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019 (estimated)</b>
Total Local Production	6.7	6.9	7.1	7.1
Total Exports	2.5	2.55	2.67	2.67
Total Imports	2.77	2.76	2.87	2.87
Imports from the U.S.	.90	.89	.90	.90
Total Market Size*	6.97	7.11	7.3	7.3
Exchange Rates	18.68	18.91	19.22	19.15

*\*Total market size = (total local production + imports) - exports)*

*Sources: Mexican Secretariat of Economy (SE), Mexican Internet Trade Data System (SIAVI), and CANIPEC*

### **Leading Sub-Sectors**

#### *Skin care*

Historically a focus for women, the skin care segment maintains a solid position in the beauty industry. As with hair care, men's interest in looking well-groomed and youthful has contributed to increased sales in this sub-sector. Additionally, CANIPEC has made efforts to educate the consumer on the benefits of using skin care products from a younger age to prevent, rather than correct, skin damage. Solar exposure awareness has been one of the areas that CANIPEC has particularly promoted in recent years. This has contributed to the growth of products with a dual functionality such as cosmetics and skin care preparations that also include solar protection. This sub-sector represents 20 percent of the market for personal care products.

#### *Hair care*

The demand for hair care products has increased due to Mexican men's increasing adoption of grooming products and the popularity of beards. It represents 20 percent of the personal care market. In recent years,

there has been a boom in barber shops and specialty stores catering specifically to men and their hair care needs. Additionally, hair extensions have become quite popular among the common consumer who now has access to both affordable low quality synthetic options and high-end natural hair extensions.

### *Fragrances*

Perfumes and body splashes continue to be a strong segment, especially with the presence of online retailers like Amazon Mexico, Vorana, Linio, Mercado Libre, and specialty stores such as Sephora, which have opened in Mexico and are quickly expanding across the country. Unfortunately, it is also one of the segments that is most affected by counterfeiting as well as being very mature. As a result, the introduction of new fragrances requires hefty marketing budgets that many smaller independent manufacturers cannot afford. Fragrances represent 14 percent of the market share.

### *Makeup and nails*

Color cosmetics including nails account for 15 percent of the market. They are sold mainly through retail channels and direct sales, but online retailers are quickly gaining popularity, especially since younger Mexican consumers follow the trends they see on the internet, where they primarily learn about popular U.S. brands. Many companies successfully enter the market by forming alliances with internet personalities (influencers) in the country to promote their brand among the younger population.

The market for nails and related products continues to grow with local manufacturers leading the way, such as Organic Nails and several independent nail polish brands. There is also demand for popular U.S. nail polish brands that consumers discover through online video tutorials and blogs. Related accessories such as nail stamping plates and tools are also sought after by the Mexican consumer.

## **Opportunities**

Mexico's FDA equivalent, the Federal Commission for the Prevention of Sanitary Risks (*Comisión Federal para la Protección contra Riesgos Sanitarios* or COFEPRIS), updated regulatory standards that apply to cosmetics, perfumes, and personal care products in 2015. The objective was to harmonize Mexican requirements for cosmetics and personal care products with international standards to facilitate trade. With this update, several products that used to require sanitary registration to be imported into Mexico no longer do. This has resulted in cost savings as well as expedited import times since obtaining sanitary registrations can take at least six months when using an experienced broker. When only cosmetic claims are made, regulations for the import of cosmetics and personal care products are not complex and generally only require complying with labeling standards outlined in NOM-141-SSA1/SCFI-2012. Standard NOM 141 specifies the information that must be provided to let the consumer understand the function of the product and how it should be used, which must be in Spanish. The ingredients list can appear in the International Nomenclature Cosmetic Ingredient (INCI) format. Before exporting to Mexico, it is important to work with a Mexican importer of record to review the specific requirements that the product might have and ensure that the products are compliant with all applicable Mexican standards.

Emerging niche sectors represent the best opportunities for growth without having to compete fiercely with multinational companies that dominate the mainstream market and spend considerable sums in marketing. Since the Mexican beauty sector is not a global trendsetter, niches that are more developed in the United States are in their early stages in Mexico, providing an opportunity for suppliers to pioneer in this arena.

Sunscreens and cosmetics with added sun block are both expected to increase in demand in the coming years. CANIPEC is boosting consumer awareness through educational campaigns about the risks of sun exposure. The Mexican consumer is becoming more savvy on this issue and is starting to look for products that include SPF. Since this segment currently only represents one percent of market share, there is much room for growth.

Beauty products for men, especially for hair grooming, have gained popularity in the last five years. In Mexico, this segment is expected to grow at rates of over 10 percent in the following five years due to the positive image that media trends have helped create among younger generations (Euromonitor 2017). Mexican brands have taken advantage of this trend and male grooming products made in Mexico are booming.

Finally, just as in the United States, organic and natural products have strong potential due to the international trends towards environmentally-friendly products. The biggest impetus for buying natural or organic personal care products is the perceived health benefit. The potential buyer is trying to make healthier choices and a positive contribution to the environment as well as preventing health issues that are perceived to be caused by chemicals used in mainstream personal care products. U.S. brands interested in selling to the Mexican consumer must be aware that there are several natural and organic Mexican brands that are gaining momentum, and more are created every month. These brands do not aim to compete with well-established commercial brands and do not invest heavily in marketing since they rely on social media and video bloggers to gain consumer awareness and brand recognition. These Mexican natural ingredient brands invest in well-designed packaging and can compete with international brands of the same category. The challenge for the U.S. exporter is to compete with locally-made products benefitting from considerably lower freight costs.

It is important to note that in the natural product sub-sector there is great uncertainty and expectation regarding the import of personal care products containing cannabidiol (CBD) oil. Marijuana- and hemp-derived products containing specified amounts of the chemical compound THC remain illegal under U.S. federal law, including the transport of those products over state and international borders. However, a [2018 directive from the U.S. Drug Enforcement Administration](#) may signal an evolving approach towards regulation of these products. Meanwhile, the Mexican Government published regulations in October 2018 allowing for their import without cumbersome processes. Under the López Obrador Government starting in December 2018, there has been a retraction on this front, and in March 2019, the Mexican Secretariat of Health (*Secretaría de Salud*) announced that the guidelines were revoked until further notice to be reviewed by the new government authorities. There has been no announcement on the publication date of the new guidelines. As of May 2019, permits for the import of personal care products containing CBD oil are not being granted. Involvement in exportation and importation of CBD may subject you to criminal penalties until both the United States and Mexico have finalized their regulatory regimes. Please contact us for the latest developments.

## Web Resources

Cosmetology Chemist Association (SQM)	<a href="http://www.sqcm.org.mx">www.sqcm.org.mx</a>
Federal Commission for the Prevention of Sanitary Risks (COFEPRIS)	<a href="http://www.gob.mx/cofepris">www.gob.mx/cofepris</a>
Mexican National Chamber of the Cosmetics Industry (CANIPEC)	<a href="http://www.canipece.org.mx">www.canipece.org.mx</a>
Mexican Internet Trade Data System (SIAVI)	<a href="http://www.economia-snci.gob.mx">www.economia-snci.gob.mx</a>
Mexican Standardization and Certification Laboratory (NYCE)	<a href="http://www.nycelaboratorios.com.mx">www.nycelaboratorios.com.mx</a>

## Events

- [Expo Spa](#), Latin American Spa Association, May 24–25, 2019, Mexico City
- [EBIO](#), Expo Belleza Internacional de Occidente, June 2–3, 2019, Guadalajara, Jalisco
- [EBS](#), Expo Beauty Show, October 27–29, 2019, Mexico City
- [The Mexican Healthy Products Summit](#), January 25–27, 2020, Puerto Vallarta, Jalisco
- [Expo Belleza Monterrey](#), May 2020, Monterrey, Nuevo León

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## Education and Training

From education technology for school-age children to professional training for adults, U.S.-supplied education and training represent a best prospect industry sector in Mexico.

### Overview

Mexico is the ninth-largest country of origin for students studying in the United States. In 2018, 15,468 Mexican students were enrolled in U.S. schools, primarily in undergraduate programs, contributing USD 633 million to the U.S. economy. Mexican students often choose to study in the United States due to the prestige of the American higher education system, as well as the strong ties and proximity between the countries.

### Mexican Students in U.S. Colleges and Universities 2017-2018 Academic Year

Academic Level	Number of Students from Mexico
Undergraduate	8,802
Graduate	3,839
Other / Non-Degree	1,137
Optional Practical Training	1,690
Total	15,468

Source: IIE Open Doors 2018

Mexico has prioritized international education, fostering student mobility and academic exchanges with institutions abroad, to become more competitive in the international market. The U.S.-Mexico Bilateral Forum on Higher Education, Innovation and Research (*Foro Bilateral sobre Educación Superior, Innovación e Investigación* or FOBESII), launched in 2014, has brought together the public and private sectors, as well as the education community, to promote educational and research cooperation with U.S. institutions, as well as improving access to quality post-secondary education to underserved demographic groups in the science, technology, engineering, and math (STEM) fields. The Forum has signed over 100 collaboration agreements between higher education institutions in Mexico and the United States, as well as joint projects and programs in innovation and research implemented by Mexico's National Council of Science and Technology (*Consejo Nacional de Ciencia y Tecnología* or CONACYT) and the National Science Foundation (NSF).

Mexican higher education institutions actively participate in regional education consortia to increase their knowledge and collaboration with institutions in the hemisphere and to develop mobility strategies to increase exchange of students, faculty and collaborative programs. The most recent example of regional collaboration is the Hemispheric University Consortium (HUC) created in 2018 by 10 universities from the United States, Canada, Mexico, Latin America, and the Caribbean. The HUC mission is to facilitate collaborations in education and research to generate the knowledge and solutions to challenges in public health, climate change, sustainability, and innovation.

Mexican higher education institutions are active in the 100,000 Strong in the Americas Innovation Fund, a public-private sector collaboration between the U.S. Department of State, U.S. Embassies, Partners of the Americas, NAFSA, corporations, and foundations working together to develop partnerships between the United States and the rest of the Western Hemisphere.

Given FOBESII's focus on workforce development, opportunities for community colleges and boarding schools are increasing, particularly among Mexican students looking for educational opportunities at a younger age or interested in two-year programs. Mexico's community college equivalent, the *Universidades Tecnológicas* system, features several bilingual technical universities that are particularly interested in collaborative programs with U.S. institutions.

Workforce and professional training are also provided by employers in Mexico. With an eye towards global competitiveness, employers and economic development organizations are interested in training opportunities for the Mexican workforce. Employers in Mexico seek training to improve their business processes, reduce costs, improve workforce effectiveness, innovate, and strengthen their relationship with clients. Customized training in information technologies, quality control, management, and language programs are in high demand. In addition to traditional training methods, Mexico is investing in technology and opening the market for on-line or blended courses.

The Lopez Obrador Administration is particularly focused on skills and talent development to spur economic productivity and competitiveness. Its *Jóvenes Construyendo el Futuro* (Young People Building the Future) program seeks to train young people between 18 and 29 years of age at work. Local and multinational companies are partnering with the Mexican Secretariat of Labor to incorporate over two million people into this program and increase productivity, primarily in technical work positions. The Mexican Government provides monthly scholarships of MXN 3,600 (USD 190) to each participant for one year of training in private companies or public institutions to enhance their future employment opportunities. Finally, as part of the Mexican education model, technology plays a key role in providing learning tools to students and fostering interactive experiences. The Mexican Government, through the Secretariat of Education and private educational institutions, is investing in equipment and technology solutions such as software, applications, and digital content in English at all levels.

Private schools in Mexico have evolved to educational models that incorporate innovative digital classrooms, laboratories (robotics, language), and digital libraries as part of their strategies to improve the teaching and student experience.

### **Leading Sub-Sectors**

There are three key sub-sectors in the education sector:

- Academic-related training in the United States is the largest sub-sector and can be split into undergraduate, graduate, and non-degree programs, and practical training. There are niche opportunities for Mexican enrollment in high school level boarding/private schools. Mexican enrollment in U.S. elementary schools is insignificant.
- Education and training services in Mexico represent significant opportunities for U.S. educational providers, which can include partnerships with educational institutions, training programs through employers, and development of independent training centers.
- The education supplies and technologies sector offers strong opportunities for U.S. solutions providers, particularly in the areas of software, online learning, classroom or field education tools, and distance learning services.

## Opportunities

The U.S. Commercial Service in Mexico has identified the following key opportunities:

- ESL programs for students, both short-term and longer courses of study, to address Mexico's critical shortage of English-language teachers.
- Student recruitment for undergraduate and graduate programs for STEM disciplines, aeronautical sciences, business administration, environment/energy, agriculture, and design.
- Collaborative programs for technical/vocational programs in engineering and technology.
- Dual-degree programs and collaborative programs in international business and management, engineering, environmental technology, and aerospace at the undergraduate and graduate levels.
- Corporate training programs in management, as well as executive-level language proficiency programs.
- Technology applied to K12 education, including applications, software, and digital content, as well as software for school administrative processes.

To pursue these opportunities, we highly recommend traveling to Mexico and participating in one of several available education recruitment fairs. We encourage U.S. institutions to visit schools to promote educational opportunities and build relationship with education organizations, education agencies, and Mexican grant institutions. We see opportunities in smaller geographic regions in Mexico (outside of the major cities) where students are increasingly seeking quality education programs abroad.

U.S. training companies have successfully partnered with Mexican institutions/universities to develop continuing education programs. However, training companies need to be flexible and sensitive to the specific characteristics of the Mexican market and typically need to work with a partner in country. The demand is for tailor-made programs conducted in Spanish.

## Web Resources

Education USA	<a href="http://www.educationusa.state.gov">www.educationusa.state.gov</a>
Mexican Secretariat of Public Education (SEP)	<a href="http://www.sep.gob.mx">www.sep.gob.mx</a>
National Association of Universities and Higher Learning Institutions	<a href="http://www.anuies.mx">www.anuies.mx</a>
U.S. Embassy education and English programs	<a href="http://mx.usembassy.gov/education-culture">mx.usembassy.gov/education-culture</a>
COMEXUS–Fulbright–García Robles Scholarships	<a href="http://www.comexus.org.mx">www.comexus.org.mx</a>
National Council of Science and Technology (CONACYT)	<a href="http://www.conacyt.gob.mx">www.conacyt.gob.mx</a>
Consortium for North American Higher Education Collaboration	<a href="http://www.conahec.org">www.conahec.org</a>
100,000 Strong in the Americas Innovation Fund	<a href="http://www.100kstrongamericas.org">www.100kstrongamericas.org</a>
Peace Corps in Mexico	<a href="http://www.peacecorps.gov/mexico">www.peacecorps.gov/mexico</a>

## Events

- Linden Educational Services Boarding Tours, various times and locations in the Mexican cities of Cancún, Querétaro, and Mexico City
- [Bett Latin America Leadership Summit 2019](#), October 10–11, 2019, Centro Citibanamex, Mexico City

## Contacts

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## Electricity

### Overview

From 2013 through 2018, Mexico embarked on a reform of its power sector. These reforms continue in force, and the López Obrador Administration has been developing a set of priorities and principles for operation of the market from 2019 through 2033. Below we summarize the changes already implemented and those anticipated in coming years. The market for power generation equipment in Mexico is estimated to grow by 1.75 percent from 2019-2020. The growth is driven by Mexico's demand for efficient and cost-effective electricity. Exports from the United States to Mexico are expected to stay flat or increase slightly in the near term.

#### *Energy Reform 2013-2018*

In 2013, energy reforms became constitutional reforms and entered into force. In 2014, the secondary reforms were officially published with the corresponding laws and regulations. The reform objectives included favoring the lowest cost provider and decreasing electricity prices. The reform planted the seeds for a competitive wholesale market, with the aim of creating a modern, productive, efficient, and competitive electric power industry capable of reducing overall electricity supply costs. A key focus is attracting investment, particularly in power generation projects serving power-heavy manufacturing and commercial industries.

The 2013/2014 reform mandated the transformation of the Federal Electricity Commission (*Comisión Federal de Electricidad* or CFE), the state-owned monopoly of the electric power sector, into a state productive enterprise with technical, management, and budgetary autonomy. CFE became a fully competitive entity, retaining its electric power plants and transmission facilities. CFE was structured into nine subsidiaries, including five for power generation, one for Independent Power Producer (IPP) contracts, one for transmission, one for distribution, and one for basic electricity supply (residential users). In addition, CFE has four affiliated companies, one for natural gas, one for international affairs, one to manage interconnection contracts signed before the energy reform, and one to sell electricity to "Qualified Users" (industrial and commercial buyers of electricity that require large amounts of electricity and have a load center of at least 1 MW).

The 2013/2014 energy reform promoted compliance with national goals of sustainable development and emissions reduction included in [Mexico's General Climate Change Law](#). The law, known as *Ley General de Cambio Climático* in Spanish, is Mexico's guiding instrument for climate change policy for the medium- to long-term with 10-, 20-, and 40-year goals. The specific objective for the power sector is to generate at least 35 percent of electricity from clean energy sources by 2024, and 50 percent by 2050. To accomplish its clean energy goals, the Mexican Government created Clean Energy Certificates (*Certificados de Energías Limpias* or CELs), which is the mechanism through which the Secretariat of Energy (*Secretaría de Energía* or SENER) established the requirements to use a percentage of clean energy in power generation projects. CELs are used to promote new investments in clean energy and advance national goals of generating clean energy efficiently and at the lowest cost for the country.

**Wholesale Electricity Market.** To ensure open access for private companies to the national transmission network, the National Center of Energy Control (*Centro Nacional de Control de Energía* or CENACE) was

transferred from CFE to SENER in November 2014. CENACE became responsible for managing the Wholesale Electricity Market. Known as *Mercado Eléctrico Mayorista* (MEM) in Spanish, you can learn more about the Wholesale Electricity Market in the official electricity market rules ([Bases del Mercado Eléctrico](#) published in the Mexican Gazette (*Diario Oficial de la Federación* or DOF) on September 8, 2016. CENACE guarantees open and non-discriminatory access to the national transmission grid and distribution grids, and it regulates the delivery of electricity from power plants to load points. CFE's transmission and distribution infrastructure continues to be used. In addition to CFE, private power generators were authorized to install and manage interconnections with the existing state-owned distribution infrastructure.

The objective of the Wholesale Electricity Market is to achieve a harmonious development of the electricity grid with sufficient diversity of generation sources, competitive prices, optimized generation capacity, development of clean energy, and compliance with reliability standards. The participants of the Wholesale Electricity Market are categorized as Generators, Qualified Users, Qualified Service Providers (companies that buy the electricity from the Wholesale Electricity Market and sell it to Qualified Users), the Exempt Generators (generators with small power plants with an electricity production of less than 0.5 MW), and Basic Service Suppliers (who provide service to users who don't require large amounts of electricity).

All Wholesale Electricity Market participants are required to register or have a permit with Mexico's Energy Regulatory Commission (*Comisión Reguladora de Energía* or CRE). The prices of the Wholesale Electricity Market are nodal prices, calculated in each node of the system based on generation cost, electricity grid congestion, and transmission losses. The Wholesale Electricity Market promotes contractual freedom between all the participants through an instrument known as Electric Coverage Contracts, which sets future dates and agreed-upon prices for the purchase and sale of electricity and associated products.

You can learn more about CENACE's approach to grid development in the [CENACE Presentation](#) from the April 2017 Mexican Geothermal Opportunities Workshop. On January 9, 2017, the U.S. Department of Energy (DOE) and the Federal Energy Regulatory Commission (FERC), along with SENER, CRE, and CENACE, signed an [MOU](#) on the principles to promote the reliability and security of the interconnected power systems of the United States and Mexico. The DOE announced it in this [news release](#). It may also be useful to review the CRE's Frequently Asked Questions or [Preguntas Frecuentes Sobre la Nueva Regulación de Electricidad](#).

**Long-Term Auctions.** Long-term auctions were a mechanism that allowed the basic electricity service providers to enter into contracts competitively in order to satisfy the demands for Power and Cumulative Electric Power (*Energía Eléctrica Acumulable* or EEA) and CELs. Those demands must be covered through long-term contracts according to the requirements established by CRE. The long-term auctions were considered an important channel to attract investment, promote competition, and ensure efficiency for the buyer. The contracts awarded through the long-term auctions were designed to have a duration of 15 years for EEA, and 20 years for CELs. Three long-term auctions took place between 2015 and 2018 in the open electricity market in Mexico. The Lopez Obrador Administration cancelled the planned power auctions in February 2019, emphasizing instead government investments in CFE-owned generation projects. Some U.S. companies were successful in these auctions when they partnered with Mexican firms and presented their offers as part of a consortium.

#### *Development Program of the National Electrical System 2019-2033*

On May 31, 2019, SENER published an updated [Development Program of the National Electrical System](#) (*Programa de Desarrollo del Sistema Eléctrico Nacional* or PRODESEN) for 2019–2033. This document contains the planning for the National Electric System (*Sistema Eléctrico Nacional* or SEN) for electricity generation, transmission, distribution and commercialization. The López Obrador Administration intends not only to meet electricity demand, but also to maximize power generation, transmission, and distribution practices to contribute to sustainable economic growth.

According to the PRODESEN, there are eleven priorities for the development of the electric power industry over the next 15 years:

1. Apply the same regulations to CFE as have been applied to private power producers to secure the same conditions of competition, equity and equality.
2. Rehabilitate transmission and distribution capabilities.
3. Treat state productive enterprises as public service companies.
4. Secure the profitability and return on investment of all the companies that participate in the electricity market.
5. Establish transparency and better industrial practices for all the participants of the SEN.
6. Increase power generation from clean energy sources and renewables and comply with international sustainability and emissions reduction commitments.
7. Comply with the efficiency, quality, reliability, continuity, security and sustainability of the electricity system.
8. Coordinate between SENER and CRE the criteria for new permits and authorizations based on the existing energy policy.
9. Establish a responsible balance in electricity tariffs in relation to the costs, considering transmission-distribution, back-up power generation, and the cost of fuels.
10. Guarantee open and non-discriminatory access to the General Distribution Lines (*Redes Generales de Distribución* or RGD) and consider reinforcements to the RGDs and related costs for any new applicants for power generation plants.
11. Develop a complementary photovoltaic-distributed power generation system for battery charging of electrical vehicles in the medium and long-term.

The administration is considering the infrastructure required to support population growth in Mexico. It is estimated that the population will grow 0.8 percent annually for the next 15 years, which will drive an increase in electricity users from 44.1 million in 2019 to approximately 55.1 million in 2033. In 2018, the total energy production accounted for 317,278 GWh.

The PRODESEN specifically includes provisions concerning the modernization of the electrical system that allows for increased use of electrical vehicles and electrical transportation, energy efficiency, distributed generation, and energy storage.

As part of the modernization process for the national electrical infrastructure, CENACE has identified 13 expansion projects for national transmission lines. These projects include capacity increase, power compensation, interconnection, reduction of the electricity network, and limitation of the transmission capacity. The projects are located throughout the country. To learn more about the projected projects for 2019-2033, specific location, and estimated date, please see the [PRODESEN planning document](#).

## Mexico Power Generation Equipment

(Figures in USD Billions, HS Codes 8501, 8502, 8503)

	2016	2017	2018	2019 (Estimated)
Total Local Production	10.21	10.42	10.82	11.0
Total Exports	3.27	4.22	4.36	4.44
Total Imports	4.04	4.51	7.15	7.28
Imports from the U.S.	1.43	1.30	1.63	1.78
Total Market Size*	10.98	10.71	13.61	13.84
Exchange Rates	18.68	18.91	19.22	19.15

\*Total market size = [(total local production + imports) – exports]

Source: Banco de México, PROMEXICO, INEGI, SENER, U.S. International Trade Administration, World Trade Atlas and interviews with importers, distributors, and end-users of electrical equipment and power generation equipment and services.

### Leading Sub-Sectors

Key sub-sectors relevant for U.S. exporters include the following:

- Clean energy and renewables
- Energy efficiency
- Transmission and distribution equipment
- Charging stations for electromobility
- Distributed generation
- Energy storage technologies

### Opportunities

Mexico's electrical power industry offers opportunities for U.S. products, services, and technologies in all the leading sub-sectors outlined above. The U.S. Commercial Service Mexico is happy to assist you in exploring these opportunities.

For the electrical power sector, there is an emphasis in Mexico on diversifying the sources of power generation. The highest-potential power generation technologies are combined cycle, gas turbine, wind and solar. The focus of the Mexican Government is to gradually increase the use of clean energy and renewables, refurbish outdated or inefficient power plants, and modernize transmission and distribution networks to secure a reliable electrical power system.

Another area of opportunity for U.S. companies is in offering electricity supply alternatives for large industrial and commercial users of electricity (known as qualified users or *usuarios calificados*), as they are being impacted by high electricity rates. Qualified users of electricity tend to evaluate among different proposals before signing the required PPA with a supplier of electricity (known as a qualified supplier or *suministrador calificado*). Most competitive alternatives offer a tailored package of power, capacity, cost-effectiveness, energy efficiency and clean energy certificates, according to the manufacturing or business needs of the qualified user.

## Web Resources

Mexican Secretariat of Energy (SENER)	<a href="http://www.sener.gob.mx">www.sener.gob.mx</a>
National Control Center for Energy (CENACE)	<a href="http://www.cenace.gob.mx">www.cenace.gob.mx</a>
Federal Electricity Commission (CFE)	<a href="http://www.cfe.gob.mx">www.cfe.gob.mx</a>
Energy Regulatory Commission (CRE)	<a href="http://www.cre.gob.mx">www.cre.gob.mx</a>
Mexican Electric Research Institute (IIE)	<a href="http://www.iie.org.mx">www.iie.org.mx</a>
Trust for Electric Energy Saving (FIDE)	<a href="http://www.fide.org.mx">www.fide.org.mx</a>
National Commission for Energy Efficiency (CONUEE)	<a href="http://www.conuee.gob.mx/wb">www.conuee.gob.mx/wb</a>
Federal Commission for Regulatory Improvement (COFEMER)	<a href="http://www.cofemer.gob.mx">www.cofemer.gob.mx</a>

## Events

- [Power-Gen International](#), November 19–21, 2019, New Orleans, Louisiana
- [Energy Mexico – Expo and Congress](#), January 28–30, 2020, Mexico City

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## Environmental Technologies

This best prospect industry sector includes water technologies, air pollution control, waste management, and recycling. This summary includes a market overview and trade data.

### Overview

The environmental technologies and water markets in Mexico are poised for growth over the next few years because of Mexico's commitment to addressing climate change, political will to fund projects in the sector, and a strong need for infrastructure modernization. Public and private-sector stakeholders are keen to address many of Mexico's greatest challenges in these sectors with the latest products, technology, and expertise. As a result, these sectors provide excellent immediate business opportunities for U.S. companies.

### *Water*

The market for water and wastewater sub-sectors in Mexico is estimated to grow by 1.2 percent from 2018–2019, while exports from the United States to Mexico are expected to increase by 1.5 percent. The National Water Commission (*Comisión Nacional de Agua* or CONAGUA) reports that 77 percent of available water is used in the agricultural sector, nine percent in the industrial and services sector, and 14 percent in urban areas.

CONAGUA's budget for 2019 is approximately USD 4.4 billion, which will be used to fund improvements to the existing potable water and municipal wastewater infrastructure, and to increase infrastructure for water irrigation projects in Mexico's agriculture areas. The Government also plans on investing in nine public-private investment projects in municipal wastewater treatment plants projects as well as potable water treatment plants valued at USD 1.0 billion.

The main water challenges in Mexico are over-exploitation, inadequate infrastructure, and contamination of water resources. Nine million people do not have access to potable water, and eleven million are not connected to sewage lines. To address these issues, as part of the National Water Plan (*Plan Nacional Hydric* or PNH) for 2019 that runs through 2024, the Government seeks to modernize the country's infrastructure through public policies and other new initiatives, such as systems to measure consumption and improve water management in urban and agriculture areas of the country.

### **Mexico Water Technology Market Size**

*(Figures in USD billions)*

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019 (Estimated)</b>
Total Local Production	1.06	1.07	1.40	1.42
Total Exports	0.91	0.95	1.70	1.75
Total Imports	4.16	4.24	4.30	4.38
Imports from the US	2.40	2.46	2.58	2.62
Total Market Size*	4.31	4.36	4.00	4.05
Exchange Rates	18.68	18.91	19.22	19.15

\*Total market size = (total local production + imports) – exports

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.

### *Environmental Technologies*

The market for environmental technologies in Mexico is estimated to grow by 2.0 percent from 2018 to 2019, while exports from the United States to Mexico are expected to increase by 1.7 percent over the same period.

The Secretariat of Environment and Natural Resources (*Secretaría de Medio Ambiente y Recursos Naturales* or SEMARNAT) continues to actively promote green development in Mexico. Its objective is to advance economic growth and development in Mexico by promoting a more competitive, sustainable, and low-carbon-emissions economy. SEMARNAT implements the General Climate Change Law (*Ley General de Cambio Climático*), which is the national guide for climate change policy for the medium- to long-term with 10-, 20-, and 40-year goals. The objectives of the General Climate Change Law are to generate at least 35 percent of electricity from clean energy sources by 2024, reduce greenhouse gas (GHG) emissions by 50 percent (compared to GHG emissions in 2000) by 2050, and derive at least 50 percent of electricity from clean sources by 2050.

In addition to the General Climate Change Law, SEMARNAT continues to actively promote the General Law for Prevention and Integrated Waste Management (*Ley General para la Prevención y Gestión Integral de los Residuos* or LGPGIR) and the General Law for Equilibrium and Environmental Protection (*Ley General del Equilibrio Ecológico y la Protección al Ambiente* or LGEEPA). The LGPGIR was originally enacted in 2003 and has undergone several revisions and reforms; the latest took place on January 19, 2018. One reform states that the Mexican Federal Government, states, and municipalities will promote ecological awareness and implement LGPGIR through joint actions with the community focusing on integrated waste management and the use of materials that meet the criteria for environmental efficiency. To accomplish this, the three levels of government may initiate cooperative agreements with urban and rural communities, as well as various social organizations.

## Mexico Environmental Technologies: Air, Waste Management, Recycling

(Figure in USD billions)

	2016	2017	2018	2019 (Estimated)
Total Local Production	1.93	1.95	2.10	2.14
Total Exports	0.71	0.73	1.0	1.03
Total Imports	1.71	1.74	2.80	2.85
Imports from the US	1.23	1.25	1.90	1.96
Total Market Size*	2.93	2.96	3.90	3.96
Exchange Rates	18.68	18.91	19.22	19.15

\*Total market size= (total local production + imports) – exports

Source: Central Bank of Mexico (Banco de Mexico), National Bank for International Trade (BANCOMEXT), Mexican Secretariat of Economy (SE), Mexican Secretariat of Environment and Natural Resources (SEMARNAT), Mexican Congress (Cámara de Diputados), Mexican Tax Authority (SAT), Mexican Geography and Statics Institute (INEGI), U.S. International Trade Administration, World Bank, International Monetary Fund, Organization for Economic Cooperation and Development, United Nations, Business Monitor, World Trade Atlas, bank reports and interviews with importers, distributors, and end-users of air, waste management and recycling equipment and services.

### Leading Sub-Sectors

The leading sub-sectors for U.S. companies are in water resources equipment and services 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 quality, post-sale services, and guarantees offered by U.S. companies. 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 collaborative environment allows Mexican and U.S. companies to share best practices, knowledge, and technologies in complying with environmental regulations.

### Opportunities

The U.S. Commercial Service Mexico is happy to assist you in exploring market opportunities for environmental technologies. Here are some highlights.

#### *Upgrading of Municipal Wastewater Treatment Plants*

CONAGUA and the Agriculture and Rural Development Secretariat (*Secretaría de Agricultura y Desarrollo Rural* or SADER) will continue with upgrades to existing municipal wastewater treatment plants that are in over 1,400 municipalities in the states of Guerrero, Oaxaca, Veracruz, Tabasco, Coahuila, Sonora, Sinaloa, Chiapas, and Michoacán. The estimated budget for the project is USD 300 million.

#### *Upgrading of Potable Water Treatment Plants*

In 2019, CONAGUA will launch a program to upgrade existing potable water treatment plants located in the states of Oaxaca, Veracruz, Chiapas, Puebla, Coahuila, Sonora, Sinaloa, and Guerrero. The estimated budget for the project is USD 400 million.

#### *Air Pollution Control*

The LGEEPA states that the authorities must implement programs to reduce air pollutant emissions from sources under federal jurisdiction. With this objective, management programs to improve air quality,

collectively known as *ProAire*, were developed by the Federal Government in major Mexican cities. *ProAire* programs incorporate specific measures for the reduction and control of pollutant emissions. The programs are based on the relationship between emission pollutants, their sources, their impact on the air quality, and health of communities. Additionally, in coordination with other federal agencies, SEMARNAT is responsible for implementing programs that reduce emissions from industries under federal jurisdiction and programs for verifying vehicle emissions. U.S. companies can access detailed information on *ProAire* programs by visiting SEMARNAT's [webpage](#). There, companies can find a map of current programs, descriptions, locations, contact information, and future projects.

On June 3, 2019, the Mexico City Government presented the Emissions Reduction Plan for the Mobility Sector, which is the framework for implementing more sustainable transport systems and improving existing technology to reduce emissions. Mexico City's mayor, Claudia Sheinbaum, commented during the presentation that the [estimated investment for the mobility plan is 55 billion pesos](#) (approximately 2.8 billion USD) and it will require the support of several private financing schemes. The objective is to improve operability and mobility in Mexico City and the metropolitan area and to reduce 30 percent of contaminant emissions by 2024.

### *Waste Management and Recycling*

On February 1, 2019, SEMARNAT published a program called "Zero Waste Vision." The [document](#) includes six guiding principles and a roadmap to transform the traditional waste management model into a circular economy, in order to rationalize the use of natural resources and promote more sustainable development in the country.

As part of the "Zero Waste Vision" program, the government expects to create efficient infrastructure for urban cleaning services. They will identify the installed capacity of the infrastructure and strengthen whatever else is needed, such as personnel, trucks, sweepers, containers, front loaders, compactors, transfer stations, separation plants, treatment or recovery and recycling facilities, and sanitary landfills. However, there are still not specific guidelines to determine how the infrastructure will be acquired. We recommend U.S. companies to continue monitoring SEMARNAT's implementation.

### **Web Resources**

Secretariat of Environment and Natural Resources (SEMARNAT)	<a href="http://www.semarnat.gob.mx">www.semarnat.gob.mx</a>
National Water Commission (CNA)	<a href="http://www.cna.gob.mx">www.cna.gob.mx</a>
National Institute of Ecology and Environmental Change (INECC)	<a href="http://www.inecc.gob.mx">www.inecc.gob.mx</a>
Attorney General for Environmental Protection (PROFEPA)	<a href="http://www.profepa.gob.mx">www.profepa.gob.mx</a>
Mexican Institute of Water Technology (IMTA)	<a href="http://www.imta.gob.mx">www.imta.gob.mx</a>
National Bank for Public Works (BANOBRAS)	<a href="http://www.banobras.gob.mx">www.banobras.gob.mx</a>
Border Environment Cooperation Commission (BECC)	<a href="http://www.becc.org">www.becc.org</a>
National Council of Industrial Ecologists of Mexico (CONIECO)	<a href="http://www.conieco.com.mx">www.conieco.com.mx</a>
National Association of Water and Sanitation Companies of Mexico (ANEAS)	<a href="http://www.aneas.com.mx">www.aneas.com.mx</a>
Mexico City Secretariat of Environment (SEDEMA)	<a href="http://www.sedema.cdmx.gob.mx">www.sedema.cdmx.gob.mx</a>

### **Events**

- [The Green Expo](#), September 3–5, 2019, Mexico City

- [Aquatech Mexico](#), September 3–5, 2019, Mexico City
- [WasteExpo](#), May 4–7, 2020, New Orleans, Louisiana
- American Water Works Association (AWWA) Conference & Exposition, June 14–17, 2020, Orlando, Florida

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## Healthcare Products and Services

The Mexican healthcare sector represents an important market for all types of products and services, though as of mid-2019 the public sector side of the market was undergoing a broad series of changes in the procurement system and structure of distribution with unclear ultimate outcomes. Overall, the import market for medical devices and supplies reached USD 5.7 billion in 2019, and the pharmaceutical import market was USD 4.6 billion in 2018. Neither of these estimates includes the import value for healthcare services. However, the entire sector is facing some challenges.

### Overview

Mexico's healthcare sector consists of three different sub-sectors: medical devices and supplies, healthcare services, and pharmaceutical/bio-pharma. In 2018, we listed medical devices as a top-prospect sub-sector. Demand for imported medical devices was increasing, and there were not significant barriers to introducing new products into the market. Similarly, the services and pharmaceutical sub-sectors represented markets with large U.S. presence. This year, with changes announced or envisioned by the López Obrador Administration, suppliers for all health sector products and services are grappling with significant changes in the procurement process, heightened receptivity to generics and low-cost providers, uncertain product approval and registration timings, and continued issues in intellectual property protection. We strongly recommend any new entrants into the market contact CS Mexico for updated guidance.

### *Mexico's Healthcare System and Trends*

Mexico operates a universal healthcare system that evolved through Federal Government actions in the mid-2000s and was fully enacted in 2012. The system is split between an extensive government-run healthcare network and private sector providers and insurers. The government network covers both the provision of care and pharmaceuticals. As of June 2019, the government-run system is further split between multiple public healthcare networks. One is a network for government employees and their families called the Institute of Social Security and Services for Public Employees (*Instituto de Seguridad Social de Trabajadores del Estado* or ISSSTE) covering some 13 million people. The Mexican Institute of Social Security (*Instituto Mexicano de*

*Seguridad Social* or IMSS) covers the rest of the employed population and their families, roughly 60 million people. A system called *Seguro Popular* provides basic health insurance coverage for the remainder of the informally employed or unemployed population. Individual Mexican states also provide independent healthcare services and the Mexican Armed Forces have their own independent healthcare system.

The López Obrador Administration seeks to combine the three federal level systems into a single national system for all families regardless of employment status and has pushed forward staffing reductions through the public health system. At the same time, the President has made significant changes to the procurement system in an effort to reduce alleged widespread corruption and to force reductions in the cost of drugs, devices, supplies, and services.

In the prior administration, Mexico dedicated 4.2 percent of its GDP to the health care sector. Due to the various proposed changes of the current administration, the budget for the medical sector is uncertain. In all, 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, which includes the overlaps between the two systems and includes the 32 million people with private medical and accident insurance. In 2014 (most recent data available), Mexico had 22,831 public health care units, including 1,386 hospitals, of which 194 were highly specialized medical centers, and 2,960 accredited private hospitals. Only about 100 private hospitals had more than 50 beds and the capacity to offer highly specialized services. Major private health provider groups include Grupo Empresarial Angeles, Star Medica, Hospital San Jose, Centro Medico ABC, Hospital Español, Amerimed Hospitales, Hospitales San Angel Inn, Grupo Christus Muguerza, and Medica Sur.

Mexico's epidemiological profile has changed dramatically over the past 20 years. In the 1990s the main causes of premature death were communicable diseases such as diarrhea and respiratory infections or birth complications. However, in 2016, obesity and diabetes were declared epidemics, the first noncontagious diseases to be considered as such. Deaths associated with these diseases caused 17.4 percent of deaths in 2014, according to the Mexican National Institute of Statistics and Geography, INEGI. However, a quarter of deaths stem from a range of cardio-pulmonary diseases including ischemic and hypertensive heart disease, stroke, and chronic obstructive pulmonary disease. Obesity is the major risk factor for all the above, affecting seven in 10 Mexicans. Interpersonal violence is also a relatively high killer, accounting for 5.4 percent of deaths, or 32.7 deaths per thousand. Cirrhosis of the liver, kidney disease, and road injury round out the top 10 lists of killers, at 4.1 percent, 2.5 percent, and 2.3 percent of deaths, respectively. Both the Organization for Economic Cooperation and Development (OECD) and WHO (World Health Organization) maintain a wide range of health indicators for Mexico and other countries that may be useful for U.S. companies assessing this sector.

The growth of medical tourism is also significant in Mexico. While estimates vary, Patients Beyond Borders estimates that 200,000 to 1.1 million patients travel to Mexico yearly. Most are Hispanics living in the United States, but others are U.S. citizens seeking lower-cost healthcare options, and a smaller group of individuals from Canada and the United Kingdom seeking fast treatment options combined with a tourism destination.

Healthcare partnerships also drive cross-border healthcare, including hospital affiliations with educational institutions, partnerships for specialized care, and franchise or network activity.

#### *Market Access for Healthcare Products*

Mexican public healthcare does not use a reimbursement system as in the United States. Public healthcare institutions purchase the products for their services and do not charge patients per product or event. Patients receive all the products included in their attention with no charge. Reimbursement only exists for patients with private insurance coverage. Patients pay for care and are later reimbursed. There is not a general reimbursement policy for all insurance companies. Each company determines prices and reimbursement according to its own policies.

As noted above, the López Obrador Administration is reorganizing the public healthcare sector in a bid to improve nationwide access to healthcare services and medicines. In addition to the proposed consolidation of all public providers, there are some specific administrative changes already underway as of June 2019.

All purchasing for government healthcare has drawn from two annually updated official government supply and pricing lists called the *Cuadro Básico* (Basic Formulary) and the *Catálogo de Medicamentos* (Catalog of Medicines). The Secretariat of Health intends to replace these with a single list, though the process for establishing this list is still largely unclear.

The Secretariat of the Treasury (*Secretaría de Hacienda y Crédito Público* or SHCP) has taken steps to establish a centralized procurement system for all government purchasing of medical devices, supplies, medications, and services. Please see our *Selling to the Government* section for further information.

SHCP intends to use low-cost criteria for health sector purchases and has begun to issue tenders for devices and medications that would be open to suppliers from all countries without a rigorous process for screening quality or efficacy.

The food and health safety regulator, the Federal Commission for the Protection Against Sanitary Risk (*Comisión Federal para la Protección contra Riesgos Sanitarios* or COFEPRIS), has not been fully staffed or budgeted in the new administration, and changes to product approval, registration, and testing are unclear.

Aside from the uncertainty these changes pose, the government low-price guidelines and general price sensitivity in the market can cause pricing challenges for U.S. companies, particularly at the current value of the peso. This has increasingly driven purchases to lower-cost and often lower-quality producers.

Under current Mexican law, government purchasing rules provide preference to suppliers from countries with which Mexico has a free trade agreement. This benefits U.S. suppliers under NAFTA, and the new United States-Mexico-Canada Agreement provides additional benefits. However, it is unclear how the Mexican Government will adapt its health sector changes to its trade treaty obligations. For future developments on ratification and implementation of the U.S.–Mexico–Canada Agreement (USMCA), check the relevant pages at the Office of United States Trade Representative ([www.ustr.gov](http://www.ustr.gov)).

In terms of regulatory approvals and market access, Mexico remains sovereign as to setting and maintaining its regulations. For anything applied to or entering the body—whether a device, instrument, or pharmaceutical—a sanitary registration is mandatory. The Mexican regulatory framework for the medical and pharmaceutical sectors includes norms and registration requirements:

- **Mexican Official Standards.** Compliance with Mexican Official Standards (*Normas Oficiales Mexicanas* or NOMs) is mandatory for all products sold in the Mexican territory.
- **Sanitary Registration.** In addition to Official Standards, medical devices as well as pharmaceutical products such as active ingredients, finished medicines in bulk, and finished medicines in retail packages, must be registered with COFEPRIS. Intellectual property protection is a separate process with a different government agency (see our Intellectual Property sections in this guide). COFEPRIS has been driving a process of unilateral recognition of market authorizations to streamline product approvals for devices and pharmaceuticals containing active ingredients that have not been commercialized before in Mexico and that are already approved by the U.S. Food and Drug Administration and the European Medicines Agency, among others. This process has made the process of importation faster and easier. If continued in the new administration, it should continue to benefit U.S. exporters and Mexican consumers of U.S. healthcare products. CS Mexico and U.S. industry representatives have provided ongoing input to COFEPRIS. FDA approval may speed-up the Mexican

approval process, but it does not exempt a product from Mexican sanitary registration requirements. Products not yet approved by FDA or other recognized agencies will undergo the standard process. For the registration of generic drugs, it is important to note that drugs are not covered by this streamlined process, and that there is a requirement to conduct the corresponding bioequivalence studies in Mexico. Only in some cases, such as personal use or research, are products exempted from being registered.

- **Import Permit.** Once the product has obtained a sanitary registration code, the importer must file an import permit application with COFEPRIS to have access to the Mexican territory. This process also applies to import of products for personal use or research exempted from sanitary registration.
- **Certificate of Origin.** Until the United States–Mexico–Canada Agreement (USMCA) is fully implemented, products qualifying as North American under NAFTA must use the NAFTA Certificate of Origin to receive NAFTA beneficial treatment. This certificate may be issued by the exporter or freight forwarder and does not have to be validated or formalized. Only North American products, as defined by the rules of origin, are eligible for preferential tariff treatment. In general, 51 percent or more NAFTA content by value is required to get a NAFTA Certificate of Origin. For information on the USMCA, and its impact on rules of origin, check the Fact Sheets and USMCA pages at the Office of United States Trade Representative ([www.ustr.gov](http://www.ustr.gov)).

Some companies have experienced significant delays in receiving registration/marketing approvals from COFEPRIS, and this is compounded by the current uncertainty over COFEPRIS' staffing and future role. 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 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. When in doubt, contact CS Mexico for updates on the market.

### Leading Sub-Sectors

Leading sub-sectors are split between medical devices, pharmaceutical industry products, and healthcare services. Right now, under the new government policies to select and purchase products, none of these sectors could be considered a best prospect, but there is still a significant market and opportunities for these sectors in Mexico.

#### *Medical Devices, Equipment, and Instruments*

The following table provides the most recent statistics for medical devices in Mexico.

#### **Medical Device and Equipment Market Size in Mexico**

*(Figures in USD billions)*

	2016	2017	2018	2019 (Estimated)
Total Local Production	13.7	14.8	15.5	15.8
Total Exports	11.43	11.6	13.2	13.3
Total Imports	6.9	5.4	5.7	5.6
Imports from the U.S.	5.4	3.6	3.9	3.9
Total Market Size*	9.2	8.6	8.0	8.1
Exchange Rates	18.68	18.91	19.22	19.15

*\*Total market size = (total local production + imports) - exports*

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

Mexico's market for medical equipment, instruments, disposable, and dental products has fluctuated significantly in recent years in the mix of local production, exports, and imports. Imports of these products totaled nearly USD 5.7 billion in 2018 after dropping 22.7 percent from 2016 to 2017. However, the U.S. share remained about two-thirds of the import total. These spikes may be due not only to one-time purchases by the government healthcare system but also to construction of hospitals in both the public and private healthcare networks. U.S. suppliers sell a wide range of categories from dental instruments, hemodialysis, and electrocardiogram equipment to miscellaneous surgical and treatment items such as sutures, catheters, and syringes. 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. A growing competitive problem for U.S. suppliers is low-cost and frequently lower-quality supply from third countries.

Medical products from the United States 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.

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. By law, public hospitals cannot buy used or refurbished products.

To reduce medical device costs, public health care institutions are consolidating purchases for several institutions in one public tender. This forces suppliers to reduce prices to be more competitive. See also the *Healthcare Services* topic immediately below.

The 103 medical schools located nationwide represent an additional market. The most important are housed at the National Autonomous University of Mexico (UNAM), Universidad La Salle, the Popular University of Puebla, the National Polytechnics Institute (IPN), the University of Guadalajara, and the schools of the Army and the Navy.

#### *Healthcare Services*

In a drive to reduce costs and improve healthcare outcomes, there has been a trend towards outsourcing specialized procedures and care. For instance, most dialysis services in Mexico are provided by private sector companies under contract to public healthcare agencies. We have also seen increasing agreements with U.S. healthcare providers to deliver cardiac care, cancer treatment, and other specialized care either in Mexican facilities or for patients to travel to the United States. Many public and private hospitals are outsourcing surgical procedures to companies that offer integral surgery services or surgery centers. These services are delivered as "pay-per-event" and include all the necessary equipment and personnel required to perform a surgery. Thus, hospitals can avoid big capital investments in plant and equipment, materials, pharmaceuticals, and instruments, while gaining access to some of the most modern specialized surgical procedures.

However, in the government-run health network these trends may change under the new presidential administration. In an effort to crack down on perceived contract corruption, the López Obrador Administration is trying to reduce the presence of large private companies as suppliers to public healthcare institutions.

#### *Pharmaceuticals*

Mexico is the eleventh-largest market for pharmaceuticals in the world and the second in Latin America after Brazil. The pharmaceutical market in Mexico is divided into patented medicines, which represent 51 percent of the market by value, generics with 35 percent, and OTC products with the remaining 14 percent. COFEPRIS reports that generics represent more than 80 percent of the market in terms of volume.

Despite uncertainties about the future structure of the government-run portion of Mexico's public health system and its purchasing of pharmaceuticals, most analysts remain bullish about long-term prospects.

According to BMI Research, the value of Mexico's pharmaceutical market should have reached USD 10.4 billion in 2018 and will grow to USD 19.2 billion by 2027. Mexico's pharmaceutical imports will remain important while demand for foreign specialized medicines increases. Mexico's pharmaceutical industry is one of the most developed in Latin America, though it is still behind in terms of technology and innovation compared to the top pharmaceutical manufacturing countries. Through 2027, analysts expect pharmaceutical sales to grow at a compound annual growth rate of 6.2 percent, mostly driven by Mexico's aging population and the increasing incidence of chronic diseases.

The United States is the largest foreign supplier of pharmaceutical products to the Mexican market. In 2018, the United States exported just over USD 1 billion to Mexico, accounting for 22.6 percent share of the total import market. Imports from the United States grew 7.8 percent compared to 2017.

### Pharmaceutical Products Market in Mexico

*(Figures in USD billions)*

	2015	2016	2017	2018
Pharmaceuticals Sales*	9.373	9.675	10.026	10.415e
Total Exports	1.958	1.587	1.358	1.540
Total Imports	4.804	4.143	4.242	4.649
Imports from the US	1.083	.904	.973	1.049
Total Market Size*	N/A	N/A	N/A	N/A
Exchange Rates	15.89	18.68	18.91	19.22

*\*Note that the total market size cannot be calculated, as a local production figure is not available. The pharmaceutical sales figures come from the local industry sources below. They are calculated at constant 2017 exchange rates, and the figures approximate the total market size.*

*Source: Global Trade Atlas, CANIFARMA, AFAMELA, AESGP, BMI*

Approximately 400 laboratories manufacture pharmaceuticals in Mexico, and they are concentrated in the Mexico City metropolitan area, and the states of Jalisco, México, Puebla and Morelos. The Mexican pharmaceutical industry stands out because of the presence of 20 out of the 25 largest companies worldwide.

The pharmaceutical industry in Mexico is one of the most developed in Latin America, with significant local production of active ingredients and finished products. Earlier Mexican health regulations only allowed manufacturers to register to sell in Mexico if they produced the medication locally. When local and international manufacturers established themselves to sell products in Mexico, they made decisions about whether to source from their own Mexico-based manufacturing facility or to import. Over time, and particularly after the passage of NAFTA, local pharmaceutical production expanded dramatically even though importation became easier.

The USMCA has included protection for biologic drugs from generic competition for at least 10 years compared to the previous protection included in NAFTA, which offered eight years in Canada and five in Mexico. Additionally, once implemented, the USMCA will include language preventing generic copies of prescribed medicines to be sold for at least one decade.

Mexico is one of the most biodiverse countries in the world, with an extensive tradition of research in biological applications and life sciences. There are about 180 firms that develop and/or use modern biotechnology in Mexico. Many of these firms are international corporations that have biotechnology-related activities with important applications in the following sectors: human healthcare, agriculture, marine resources, energy production, and other areas. The sector benefits from government and private sector modernization and research and development programs involving research institutions and private industry.

There are four strategic life science regions identified in Mexico: Guanajuato, Jalisco, Morelos, and Nuevo Leon. Each boasts strong clinical research clusters, along with other clusters driven by foreign investment specifically oriented to pharmaceutical manufacturing. More recently, Baja California has developed industrial and academic potential in biotechnology. For instance, the city of Ensenada has cultivated R&D centers focusing on areas such as marine science and marine biotechnology, optics, applied physics, and agricultural biotechnology.

Mexico's pharmaceutical market growth will be driven in part by growth in biosimilars, for which sales are expected to surge in the coming years. Since June 2012, when Mexico published new guidelines for bio-comparable medicines, local R&D and production in the biosimilars sub-sector have significantly improved, and several multinational companies have announced investment and product launches.

### **Opportunities**

The U.S. Commercial Service Mexico is happy to assist you in exploring healthcare market opportunities. Below are some highlights. Although the market faces a number of short-term uncertainties and challenges for public sector purchasing, in general we see demand in the following areas, including for private sector purchasing.

#### *Devices and Equipment*

Best prospects in the healthcare sector devices, equipment, and instruments include the following:

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

There may also be niche opportunities for pharmaceutical production, testing, and quality assurance equipment and supplies. The establishment of research clusters in Mexico can generate demand for equipment and technology to support the increasing research and development of new pharmaceuticals and biotechnology products.

To successfully compete across the device and equipment space, key factors include quality, after-sales service, warranty, and price.

## *Pharmaceutical Industry and Healthcare Services*

The best sales prospects for pharmaceutical industry products and healthcare services are more variable than for medical devices. Export of U.S. pharmaceuticals to Mexico is not a best prospect area due to the growth of domestic manufacturing in Mexico and the trends for biosimilars, even though the United States remains a major supplier.

However, pharma sector opportunities include products and services for the large and growing pharmaceutical production industry. This may extend to management of clinical trials for pharmaceuticals and biopharmaceuticals specially designed for the Latin and specifically the Mexican population.

As of June 2019, the López Obrador Administration has taken steps to centralize public sector pharmaceutical and drug purchases. The Government claims this is an effort to reduce escalating wholesale costs and perceived corruption that took in previous administrations, allegedly driven by the principal pharmaceutical distributors in Mexico. For further background and trends, please see the *Selling to the Government* section of this guide.

In healthcare services, the trends we outlined above in epidemiology, cost/quality initiatives, and medical tourism are generating demand for new treatment products and services, including niche opportunities for specialized medical service companies (notwithstanding the uncertainties in the public sector). Some opportunities may also exist for remote medicine, healthcare IT, and other technology-related offerings.

### **Web Resources**

#### *Public Institutions*

Secretariat of Health	<a href="http://www.salud.gob.mx">www.salud.gob.mx</a>
Federal Commission for the Protection Against Sanitary Risks (COFEPRIS)	<a href="http://www.cofepris.gob.mx">www.cofepris.gob.mx</a>
Mexican Institute of Social Security (IMSS)	<a href="http://www.imss.gob.mx">www.imss.gob.mx</a>
Institute of Social Security and Services for Public Employees (ISSSTE)	<a href="http://www.issste.gob.mx">www.issste.gob.mx</a>
National Center for Health Technology Excellence (CENETEC)	<a href="http://www.cenetec.salud.gob.mx">www.cenetec.salud.gob.mx</a>

#### *Private Hospital Chains*

Hospital San Angel Inn	<a href="http://www.hospitalsanangelinn.mx">www.hospitalsanangelinn.mx</a>
Centro Medico ABC	<a href="http://www.abchospital.com">www.abchospital.com</a>
Medica Sur	<a href="http://www.medicasur.com.mx/">www.medicasur.com.mx/</a>
Grupo Angeles	<a href="http://www.gass.com.mx/">www.gass.com.mx/</a>
Hospitales Star Medica	<a href="http://www.starmedica.com/">www.starmedica.com/</a>
Christus Muguerza	<a href="http://www.christusmuguerza.com.mx/">www.christusmuguerza.com.mx/</a>
Beneficencia Española	<a href="http://www.beneficenciaespanola.com.mx/">www.beneficenciaespanola.com.mx/</a>
Amerimed Hospitals	<a href="http://www.amerimedcancun.com/">www.amerimedcancun.com/</a>

#### *Private Institutions*

Mexican Association of Medical Device Innovation Industries (AMID)	<a href="http://amid.org.mx">http://amid.org.mx</a>
National Chamber of the Pharmaceutical Industry (CANIFARMA)	<a href="http://www.canifarma.org.mx">www.canifarma.org.mx</a>
Mexican Association of Pharmaceutical Research Industries (AMIIF)	<a href="http://www.amiif.org.mx">www.amiif.org.mx</a>
National Association of Drug Manufacturers (ANAFAM)	<a href="http://www.anafam.org.mx/">www.anafam.org.mx/</a>
Mexican Pharmaceutical Association (AFMAC)	<a href="http://afmac.org.mx">http://afmac.org.mx</a>

## Events

- [AMIC Dental Expo](#), November 13–17, 2019, Mexico City
- [Expo Med](#), June 2020, Mexico City
- [Expo DICLAB 2018](#), September 8–9, 2019, Mexico City
- [Expo Farma 2020](#), April 2020, Mexico City

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## Internet and IT Services

Mexico is a large and consistently developing middle-income market, making internet and information technology services a best prospect industry sector for this country.

### Overview

With the goal of universal connectivity, the 2013 telecommunications reform classified Internet access as a constitutional right for all Mexican citizens. In 2018, the country had 82.7 million Internet users, representing 71 percent of the population over the age of six and reflecting a growth rate of 4 percent from 2016 figures. Efforts to improve market competition resulted in a 26 percent drop in prices for communications services in 2016, according to Mexico's telecommunications regulator, the Federal Institute of Telecommunications (*Instituto Federal de Telecomunicaciones* or IFT). Mexico mirrors global trends toward mobility. Ninety-two percent of Internet users connect through a smart phone, and there are currently 83.5 million active smart phones in the country, according to IFT statistics.

Increased connectivity has spurred the growth of Mexico's emerging digital economy. According to market intelligence firm IDC, cloud computing is expected to grow 25 percent by 2020. Currently, 44 percent of Mexican businesses use public or private clouds and 32 percent expect to adopt cloud computing within the next year. According to industry analysts, Mexico is among the three most competitive mobile app markets in the Americas along with Brazil and the United States in terms of the number of apps opened per user per month, as well as the number of times an app is opened per user per month. Communications apps are the most frequently used.

The Mexican eCommerce market was worth USD 21 billion at the end of 2017. Surveys conducted by the Mexican Internet Association indicate that 60 percent of Internet users report conducting eCommerce transactions within the last three months. Mexican brick and mortar retailers are ramping up their eCommerce divisions as their share of online sales has grown to 30 percent. The Mexican Government is in the process of

defining Internet-related policies and regulations on issues such as privacy, net neutrality, server localization, and intellectual property. Practices such as zero-rating are commonplace, and there are currently no safe harbors regarding intermediary liability. Mexico’s adoption of Internet of Things (IoT) technologies has been driven by its strong industrial sector, which invested USD 1.6 billion in IoT solutions in 2016. The Mexican Government’s IoT investments in 2015 (the most recent year for which figures are available) totaled USD 154 million and were concentrated in smart cities and smart grid technologies.

The IT services and outsourcing market in Mexico continues to offer great opportunities. Mexico is an attractive market for technology products from the United States related to the IT services industry and a strong global player in the Business Process Outsourcing (BPO) market. Research and advisory firm Gartner ranks Mexico third globally for nearshoring and offshoring services, behind India and the Philippines. Mexico is also developing IT clusters throughout the country to offer IT, software development, call center, high-tech manufacture, and engineering services to domestic users as well as to countries in North America and Europe. The country is following the global trend towards 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 adopt this new business model is cost reduction in areas that are not considered mission-critical and fail to add value.

The data center market in Mexico was worth USD 2 billion in 2015 and is expected to grow 30 percent by 2020. Mexico is a leader in data infrastructure investment and is the second-largest market in Latin America in terms of data center square footage with approximately 25 percent of the region’s overall data center surface.

#### **Mexico Internet and IT Service Market indicators**

*(Figures in millions)*

	<b>2017</b>	<b>2018</b>	<b>2019 (Estimated)</b>
Fixed lines	19.9	20.6	20.4
Mobile Subscribers	114.3	118.2	121.1
3G and 4G Subscribers	74.7	78.2	84.2
Broadband Subscribers	17.1	18.1	19.3

*Source: BMI Research*

#### **Mexico IT Market Overview**

*(Figures in USD billions)*

	<b>2017</b>	<b>2018</b>	<b>2019 (Estimated)</b>
IT Market Value	11.4	12.1	12.9
Computer Hardware Sales	4.3	4.4	4.6
Personal Computer Sales	1.9	1.9	2.0
Software Sales	1.2	1.3	1.4
Services Sales	5.8	6.3	6.8

*Source: BMI Research*

#### **Leading Sub-Sectors**

As in the United States, this sector is extraordinarily dynamic and diverse. The following list represents key sub-sectors where we see growth and opportunity:

- IT security services

- Training
- Tailored software apps
- Leased infrastructure (NOCs, SOCs)
- IT system maintenance
- Consulting and systems integration
- CATV network apps
- Business intelligence
- Cloud analytics
- Virtualization
- Digital advertising

### **Opportunities**

The main opportunities for IT solutions (products and services) are in those sectors that are intensifying the use of IT, including manufacturing, transportation, security, energy, retail, and financial services. Improved competition in IT and telecommunications will drive demand for core-network and other infrastructure solutions.

Most government agencies and businesses will seek to forego capital investments and identify IT service providers that can integrate turnkey solutions under a lease contract. Cloud-based solutions have seen a growing demand among small and medium-sized enterprises, which utilize these solutions to increase their competitiveness and align their IT capabilities with those of larger partners and buyers.

In addition, the U.S.-Mexico-Canada Agreement (USMCA) will further improve opportunities in the sector. When NAFTA was negotiated, the digital revolution was in its infancy, and consequently NAFTA did not specifically address digital trade. The USMCA's new chapter on digital trade contains the strongest outcomes of any international agreement and provides a firm foundation for the expansion of trade and investment in innovative products and services in North America.

Specifically, the provisions

- Prohibit the application of customs duties and other discriminatory measures to digital products distributed electronically (e-books, videos, music, software, games, etc.).
- Ensure that suppliers are not restricted in their use of electronic authentication or electronic signatures, thereby facilitating digital transactions.
- Guarantee that enforceable consumer protections, including for privacy and unsolicited communications, apply to the digital marketplace.
- Ensure that data can be transferred cross-border, and that limits on where data can be stored and processed are minimized, enhancing and protecting the global digital ecosystem.
- Promote collaboration in addressing cybersecurity challenges, while seeking to promote industry best practices with respect to network security.
- Protect the competitiveness of digital suppliers by limiting the ability of the United States, Mexico, or Canada to require disclosure of proprietary computer source code and algorithms.

- Promote open access to government-generated public data, thereby enhancing its innovative use in commercial applications and services.
- Enhance the viability of Internet platforms that depend on interaction with users by limiting the platform's civil liability with respect to third-party content, except regarding intellectual property enforcement.

## Web Resources

Federal Institute of Telecommunications (IFT)	<a href="http://www.ift.org.mx">www.ift.org.mx</a>
Mexican Internet Association	<a href="http://www.asociaciondeinternet.mx">www.asociaciondeinternet.mx</a>
National Chamber of the Electronics, Telecommunications, and IT Industry (CANIETI)	<a href="http://www.canieti.org">www.canieti.org</a>
IT Industry Association (AMITI)	<a href="http://www.amiti.org.mx">www.amiti.org.mx</a>

## Events

- Expo Data Center, 2020 date TBD, Mexico City
- InfoSecurity Mexico, 2020 date TBD, Mexico City

## Contacts

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## Mining and Minerals

Mexico's rich mining industry dates back more than 500 years and continues today, making it a best prospect industry sector for U.S. companies. This section provides a market overview and trade data on this historic sector.

### Overview

Mexico's mining industry is an important revenue generator, contributing 8.3 percent to the industrial GDP and 2.5 percent to the national GDP. It is also a major employment generator, supporting over 379,000 direct jobs and almost 2 million indirect jobs in 2018.

Mexico contains outstanding geological potential for mining, which contributes to making Mexico the world's fourth-largest recipient of foreign direct investment (FDI) for mining and the second destination of such FDI in Latin America. In 2018, of the total USD 32.7 billion of FDI inflow into Mexico, mining accounted for USD 1.4 billion, with a small percentage of that invested in exploration. Most of these investments were made by companies from Canada (which has the largest overall stock of mining investments in the country), the United States, Spain, Germany, and Japan. The majority of this FDI is directed to mining gold, copper, zinc, and uranium. Companies such as Newmont, Fresnillo PLC, Agnico Eagle, and Alamos Gold produce over 100,000 tons of gold each year. In 2018, 6,100 tons of silver was produced in Mexico, mined by Fresnillo, Newmont, Coeur D'Alene and others. Mexico's copper production amounts to 3 percent of global production, mined primarily by Grupo Mexico, Cobre del Mayo, and Capstone.

According to the Mexican Mining Chamber (*Cámara Minera de México* or CAMIMEX), Mexico leads the world's production of silver. Mexico was the ninth-largest producer of gold and seventh-largest producer of copper in 2018. Mexico is also an important producer of coal with an annual coal production of 82,537 tons.

Mexico's National Institute of Statistics and Geography (*Instituto Nacional de Estadística y Geografía* or INEGI) tracks production in four distinct mining categories: precious metals, non-ferrous, metallurgy, and non-metals. In 2018, Mexico's mining production totaled USD 12.57 billion. Two major groups of minerals account for 86 percent of total production: precious metals mining with USD 5.6 billion (45 percent of total production) and non-ferrous minerals with USD 4.91 billion (39 percent).

Mexico is a major producer of 12 minerals, three of which are critical for U. S. demand: fluorspar, graphite, and strontium. Mexico is the second-largest producer of fluorspar in the world and has a calculated reserve of 32,000 tons, with 72 percent of production exported to the United States. Mexico has 3,100 tons of reserves of graphite and is the world's eighth-largest producer, exporting 33 percent of its production to the United States. The third most important mineral imported by the United States is strontium. Mexico produced 56,500 tons in 2016 (the latest data available), with the United States importing 55 percent. Mexico is the world's second-largest producer of strontium.

In 2018, Mexico imported USD 1.74 billion worth of minerals and ores (NAICS 212) from the United States, with copper ores and concentrates comprising 85 percent. The total U.S.-Mexico trade of minerals and ores totaled USD 2.15 billion.

### **Mexico Mining Production and Market Size**

*(Figures in USD billions)*

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019 (Estimate)</b>
Total Local Production	13.45	12.56	12.78	12.57	12.62
Total Exports	11.6	11.88	12.43	13.05	13.10
Total Imports	2.39	2.15	2.25	3.06	3.07
Imports from the U.S.	2.10	2.13	1.56	1.74	1.76
Total Market Size*	4.24	2.83	2.60	2.58	2.59
Exchange Rates	15.89	18.68	18.91	19.227	19.15

*\*Total market size = (total local production + imports) – exports*

*\*2019 per IMF forecast*

*Source: INEGI*

Mexico's mining industry is dominated by Canadian companies, although there is also substantial Mexican capital involved in some of the most important mines producing silver, gold, and other important metals, and non-metal minerals. The U.S. presence is represented by Newmont, with their recent acquisition of a large gold mine, and Coeur Mining, both among the eight-largest mining companies in Mexico. U.K. miners like Bacanora Lithium are also exploring the Mexican market for investment.

Foreign suppliers to the mining industry have very few barriers to entering this market. NAFTA has made it easy for U.S. suppliers to sell in Mexico without complications, and this will not change when the USMCA is ratified. In fact, most of the bureaucratic burden falls on the Mexican importer, and U.S. suppliers must only expedite their products to the arranged port of entry or U.S. border. U.S. exporters typically quote EXWORKS or DAP prices to their Mexican clients (see the International Chamber of Commerce website for a list of these INCOTERMS). For future developments and information on eventual agreements in connection with the USMCA, visit the Office of United States Trade Representative website at [www.ustr.gov](http://www.ustr.gov).

When selling to Mexico's mining industry, the foreign exporter must consider that mining companies have a purchasing department at their mining site, which has the authority to purchase maintenance, repair, and overhaul items (MRO), while capital equipment purchases are managed and decided on at corporate offices. Since many mining companies are foreign, the U.S. supplier may find these corporate offices abroad. Some suppliers approach their potential buyers through the regional mining clusters that are comprised by most of the major mining companies and their suppliers.

In Mexico, the mining industry is susceptible to criminal activity. Robbery and cargo hijacking are risks which require larger investments in security services and provisions. CAMIMEX suggests that foreign suppliers should notify state and municipal authorities, as well as local industry clusters, of their intention and nature of work/service to be provided prior to any visit to mining locations.

### **Leading Sub-Sectors**

Top sub-sectors of opportunity in the mining sector are machinery; safety and security equipment; technology for modeling, simulation, and environmental control; and parts and service for repair.

**Machinery.** Aside from being one of the leading investors in the Mexican mining sector, the United States also benefits from its massive exports of mining machinery and equipment to that sector. Construction machinery and mining machinery represented 13.2 percent of the total U. S. machinery exports to Mexico, which amounted to USD 22.36 billion in 2018 (ITA, 2018).

**Safety and Security.** Mining operators are striving to find ways to maximize productivity while also improving their workforce safety and minimizing damage to the environment. Between 2015-2017, Mexico encountered five major mining disasters which could have been avoided with proper safety procedures and technologies. An increase in criminal activity around this industry also brings opportunities for technologies to secure large infrastructure and cargo transport.

**Technology.** Mining companies are seeking to improve their operations and shorten project construction times. Therefore, this demand opens opportunities for sophisticated tools for modeling and simulation to be applied in new mining operations. In 2016–2017 Mexico also implemented a new round of stringent environmental control measures for mining companies. To comply with these regulations, mine operators must use gas detection products, soil stabilizers, dust removal systems, ventilation, water filtration, and erosion control systems.

**Repair.** Operating mines in Mexico need to have replacement and service parts available in the fastest possible time. Some dealers have agreed to a permanent inventory in consignment at mining locations. Specialized technicians and repair service companies often locate their shops and plants near the mining locations to provide the fastest technical service and support.

### **Opportunities**

The U.S. Commercial Service Mexico is happy to assist you in exploring opportunities in the mining sector. Opportunities for U.S. mining equipment and service companies vary between large projects and capital equipment during boom times and MRO services and parts during lean times.

### *Investments*

Mining is a long-term, high-risk investment. Exploration can take 10 years or longer, and the probability of success is very low. Once mining operations start, the life of the mine might be 20 to 30 years, depending on its size and mineral content. Safely closing an exhausted mine also takes time. Mexican government officials have expressed concern about the decrease in exploration investment over the last few years. CAMIMEX reported Mexico's exploration investment declined from USD 1.16 billion in 2012 to USD 384 million in 2018. In 2018, Mexico dropped to 29th place in the Fraser Institute's ranking of foreign investment attraction

(factors include political perceptions, geological potential, and best practices). Note that CS Mexico does not directly assist with making investments in Mexico but we can assist with market entry activities.

### *Sales*

The mining industry is highly dependent on the global market and international prices of minerals with its volatility between high and low production years. For that reason, suppliers of large infrastructure projects or capital equipment should act aggressively in times of high production. During times of low production, miners focus on maintaining their equipment and machinery, creating an ideal environment for MRO sales. Mexico's mining industry is integrating new technologies in a conservative way. The sector lacks reliable suppliers of exploration services and perforation technologies, including solutions for a faster supply chain and production flow to maintain low production costs.

### **Web Resources**

Mexico Mining Chamber (CAMIMEX)	<a href="http://www.camimex.org.mx">www.camimex.org.mx</a>
Assoc. of Mining Engineers, Metallurgists and Geologists of Mexico (AIMMGM)	<a href="http://www.aimmgm.org.mx">www.aimmgm.org.mx</a>
Info Mine	<a href="http://www.infomine.com">www.infomine.com</a>
National Institute of Statistics and Geography (INEGI)	<a href="http://www.inegi.gob.mx">www.inegi.gob.mx</a>
Chihuahua Mining Cluster (CLUMIN)	<a href="http://www.clumin.org">www.clumin.org</a>
Zacatecas Mining Cluster (CLUSMIN)	<a href="http://www.clusterminerodezacatecas.org">www.clusterminerodezacatecas.org</a>
Sonora Mining Cluster	<a href="http://www.clusterminerosonora.com.mx">www.clusterminerosonora.com.mx</a>

### **Events**

- [33a. Convención Internacional de Minería](#), October 22–25, 2019, Mundo Imperial, Acapulco, Guerrero

### **Contacts**

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### **Oil and Gas**

The oil and gas sector is a best prospect industry sector for Mexico. This section includes a market overview and trade data on the sector.

### **Overview**

Mexico is one of the largest oil producers in the world (1.8 million barrels per day in 2018), and the fourth-largest in the Americas after the United States, Canada, and Brazil. In 2018, the United States imported over 210 million barrels of Mexico's heavy crude and exported over 1.2 million barrels of refined petroleum products (more than 70 percent of Mexico's domestic gasoline, diesel and jet fuel consumption) to Mexico. Oil is a crucial component of Mexico's economy and earnings from the oil industry accounted for about 32 percent of total government revenues in 2018.

Mexico boasts significant oil reserves, which will continue to drive investment from the private sector and offer opportunities for U.S. companies as contractors, sub-contractors or suppliers of equipment and/or technology.

### **Mexico Upstream Oil and Gas Equipment and Services Market Overview**

*(Figures in USD billions)*

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019 (Estimated)**</b>
Total Local Production	2.14	2.33	2.10	2.14
Total Exports	1.89	2.00	2.05	2.11
Total Imports	6.89	7.01	7.03	7.17
Imports from the U.S.	4.95	4.94	4.92	5.16
Total Market Size*	7.14	7.34	7.08	7.20
Exchange Rates	18.68	18.91	19.22	19.15

\*Total market size = (total local production + imports) – exports

Source: (Mexican) National Bank for International Trade (BANCOMEXT), Secretariat of Economy, Global Trade Atlas, interviews and information from officials from *Petróleos Mexicanos (Pemex)*, the Secretariat of Energy (SENER), and National Hydrocarbons Commission (CNH) Contractors.

#### *Mexican Energy Reform and the New Administration in 2019*

In December 2013, Mexico amended its constitution to allow both local and foreign private investment into the energy sector for the first time since its nationalization in 1938. The reforms permit international energy companies to operate in Mexico and include provisions for competitive production sharing contracts and licenses. In addition to increasing the demand for technology and technical expertise for the development of upstream deep water and shale oil and gas fields, the energy reform also allows for greater private investment in retail fuel distribution.

The López Obrador Administration has indicated that it will respect the current legal framework of the energy reform, which provides greater certainty to oil and gas contractors already in Mexico. The Secretariat of Energy (*Secretaría de Energía* or SENER) completed the review of the 107 contracts awarded between 2015-2018 as well as the environmental permits and land rights required by the Agency for Security, Energy and Environment (*Agencia de Seguridad, Energía y Ambiente* or ASEA). However, as of the writing of this report, the Government has not announced any new bid rounds.

#### *Regulatory Agencies*

As a result of the energy reform, the National Hydrocarbons Commission (*Comisión Nacional de Hidrocarburos* or CNH) is responsible for regulating, overseeing, and evaluating all hydrocarbons exploration and production activities in the country. The reorganization of national petroleum company Pemex means new responsibilities for CNH and the Energy Regulatory Commission (*Comisión Reguladora de Energía* or CRE), as well as the creation of ASEA. This reorganization helps ensure that Pemex, its contractors, and companies bidding and awarded projects by CNH obtain the proper environmental permits before exploration, drilling, and extraction activities can begin.

#### *Production Sharing Contracts: Pemex and Round Zero Farmouts*

A “Round Zero” hydrocarbon resource asset allocation process was completed in March 2014 when Pemex presented to SENER the areas in which they intended to retain exclusive rights to production or to develop production at a future date. Round Zero farmouts allowed Pemex to maintain control of 83 percent of reserves (1P, 2P, 3P) for current and future investment and development. Under the energy reforms, Pemex can partner with other private companies in developing these resources.

Round Zero included the migration of contracts that Pemex formalized in 2013 with private companies for crude oil and gas mature fields exploration and production. In December of 2016 and in 2017, SENER awarded deep water exploration blocks to Statoil, PC Carigali, Murphy Energy, China National Offshore Oil, Chevron, and ExxonMobil. Under the first Farm Out project, CNH-A1-TRION/2016, the award was granted to Pemex in an alliance with BHP Billiton.

*Market Competition: Rounds One, Two, and Three*

CNH, aided by SENER and the Secretariat of Finance and Public Credit (*Secretaría de Hacienda y Crédito Público* or SHCP), completed four phases of the “Round One” and “Round Two” tendering process, as well as one phase of “Round Three.” The Rounds involved tendering of selected sub-sectors of available and potential hydrocarbon resources that include shallow water, onshore mature fields, and deep water. There are 183 blocks, made up of exploration (109 blocks), extraction (60 blocks), and Pemex farmouts (14 blocks), with total estimated prospective resources of 19,945 million barrels of oil equivalent (MMBOE).

In July 2018, CNH postponed until February 2019 two bid rounds for oil and gas blocks. The López Obrador Administration announced the cancelation of these two bid rounds in December 2018. The timing of any future bid rounds is uncertain.

Status of PEMEX-Farm Outs:

- CNH-A1-TRION: Deep water, awarded in March 2017
- CNH-A4-OGARIO: Land areas, awarded in October 2017
- CNH-02-AYIN-BATSIL: Deep water, will be awarded in March 2020
- CNH-A3-CARDENAS MORA; Land areas, will be awarded in March 2020
- CNH-A5-NOBILIS-MAXIMINI-CHACHIQUIN: Deep water, will be awarded in July 2020

Status of Round One:

- CNH-R01-L01/2014: 14 shallow water areas, awarded in July 2015
- CNH-R01-L02/2014: Nine land areas, awarded in September 2015
- CNH-R01-L03/2015: 25 land areas, awarded in December 2015
- CNH-R01-L04: 10 deep water areas, eight awarded in December 2016

Status of Round Two:

- CNH-R02-L01/2016: 15 shallow water areas, 10 awarded in June 2017
- CNH-R02-L02/2016: 10 land areas, awarded in July 2017
- CNH-R02-L03/2016: 14 land areas, awarded in July 2017
- CNH-R02-L04: 29 deep water areas, 19 awarded in January 2018

Status of Round Three:

- CNH-R03-L01/2017: 35 shallow water areas, 16 awarded in March 2018

Note: Please contact CS Mexico for a map of oil and gas installations, including refineries, inland and port storage, private and Pemex terminals, pipelines for gasoline, diesel and petrochemical products; and petrochemical plants.

## *Gas Market Overview*

Mexico has an estimated 17 trillion cubic feet (Tcf) of proven natural gas reserves. Natural gas is increasingly replacing oil as a feedstock in power generation. However, higher levels of natural gas consumption will likely depend on more pipeline imports from the United States or liquefied natural gas (LNG) imports from other countries. Mexico has an estimated 545 Tcf of technically recoverable shale gas resources, the sixth-largest in the world.

The Lopez Obrador Administration announced a ban on using hydraulic fracturing technologies to develop Mexico's abundant shale natural gas resources. Furthermore, the true potential of accessing and developing shale gas in Mexico is hindered by low availability of the required technology, infrastructure, and water resources, and an abundant supply of low-cost natural gas from the United States.

Please contact CS Mexico for a map of Mexico's natural gas infrastructure.

### **Leading Sub-Sectors**

The demand for imported upstream oil and gas equipment and services is expected to increase by two percent in 2019, and U.S. exports are expected to grow by five percent. The energy reform is driving market growth in that large investments will be required in order to comply with the award schedules for shallow water, onshore, deep water, and heavy oil and gas projects. In the upstream oil and gas sub-sector, Pemex is no longer the only player. Large and mid-sized private sector companies require suppliers to register with them to sell their equipment and services.

There are opportunities in the upstream sub-sector for U.S. companies to sell technology and services to private companies such as Chevron, ExxonMobil, Marathon Oil, Murphy, Premier Oil, and third country companies such as BHP Billiton, BP Exploration, Ecopetrol, Eni International, Japan Oil, Japan Petroleum, and Pacific Rubiales, which have bid on the shallow water tenders. Equipment needed includes derricks for oil and gas fields, drilling equipment for oil and gas fields, Christmas tree assemblies, drilling rigs, oil and gas field drilling machinery, and equipment, and geological services companies.

Regarding selling geological services, CNH requires companies to register on its [website](#) so that bidding companies can submit a bid with CNH pre-authorization. CNH has created a program called "Authorizations for Recognition and Exploration of Upstream Oil and Gas" (*Autorizaciones de Reconocimiento y Exploración Superficial* or ARES).

### **Opportunities**

Pemex's investment plan for 2019 in shallow waters includes the development of 16 new oil and gas fields; construction of 13 platforms; installing 14 pipelines (175 kilometers); and eight interconnections to the existing shallow water platforms in the Gulf of Mexico.

Onshore projects include constructing three new platforms and drilling in existing fields; installing 13 new pipelines (88 kilometers long). The Lopez Obrador Administration has identified increasing Mexico's refinery capacity as a top priority for his term. The government increased Pemex's budget in an effort to modernize the country's six refineries and build a new, multi-billion-dollar refinery at the Port of Dos Bocas in the State of Tabasco. These significant projects will create new opportunities for U.S. suppliers of relevant equipment, technologies, and services.

The opening of the upstream oil and gas market will provide opportunities to sell technology and services to private companies or for joint ventures and partnerships between U.S. companies and Pemex. In the event upstream auctions are reinitiated, companies may bid individually on CNH tenders. Current tenders require a Mexican local content of 25 percent when there is local production, increasing to 35 percent by the end of 2025. When there is no local production, the local content requirement may be waived. U.S. suppliers and investors

are encouraged to monitor progress and seek out opportunities that may include joint ventures, production sharing contracts, and/or concessions.

### Web Resources

Secretariat of Energy (SENER)	<a href="http://www.energia.gob.mx">www.energia.gob.mx</a>
Energy Regulatory Commission (CRE)	<a href="http://www.cre.gob.mx">www.cre.gob.mx</a>
Petroleras Mexicanas (Pemex)	<a href="http://www.pemex.com">www.pemex.com</a>
College of Petroleum Engineers of Mexico (CIPM)	<a href="http://www.cipm.org.mx">www.cipm.org.mx</a>
Pemex Procurement International	<a href="http://www.pemexprocurement.com">www.pemexprocurement.com</a>
Mexican Association of Hydrocarbon Companies (AMEXHI)	<a href="http://www.amexhi.org">http://www.amexhi.org</a>
Agency for Security, Energy and Environment (ASEA)	<a href="http://www.asea.gob.mx">http://www.asea.gob.mx</a>

### Events

- [LAGCOE 2019](#), October 9–11, 2019, New Orleans, Louisiana
- [Energy Mexico 2019](#), January 28–30, 2020, Mexico City
- [Offshore Technology Conference \(OTC\)](#), May 4–7, 2020, Houston, Texas

### Contacts

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## Packaging Machinery Industry

With Mexico's significant packaged goods production, packaging machinery is a best prospect industry sector in Mexico. This section includes a market overview and trade data on the sector.

### Overview

The Mexican packaging machinery market is very dynamic, as it grows and diversifies with the Mexican economy. Primary (processing), and secondary (handling) packaging equipment purchases have been growing about 5 percent per year, due in part to strong foreign direct investment in the food processing industry. The packaging machinery industry provides good opportunities for U.S. exporters. According to the Packaging Machinery Manufacturers Institute (PMMI), Mexico is the second-largest buyer of U.S. packaging equipment, with Germany and Italy serving as other important suppliers.

In 2017, the most recent year for which data are available, the packaging material production industry represented 1.7 percent of Mexico's GDP, 5.8 percent of the industrial sector GDP, and 8.5 percent of manufacturing GDP. In terms of 2017 volume, Mexico produced 11.9 million tons of packaging containers and packaging materials with a value of USD 14.6 billion.

In the table below, we show the size of the Mexican market for production of packaging materials to highlight the production trends relevant for U.S. sellers of packaging machinery. The subsequent table shows Mexican packaging machinery imports. Although the second table shows declining U.S. exports 2014–2017, the ten-year

period starting in 2008 saw significant year-to-year fluctuation in exports from supplier countries. U.S. sales in 2015 reflected an historic high for U.S. packaging machinery exports to Mexico—a whopping 35 percent of all Mexican purchases. Sales returned to more usual levels in 2016 and 2017. Italy, Germany, Japan, and Spain post percentage gains and losses against the United States in any given year, but U.S. suppliers have remained competitive in this industry, and we recommend continued action to maintain market share.

### **Mexico Packaging Materials Market Size\***

*(Figures in USD Billions)*

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Total Imports	678.1	696.1	757.6	764.1
Imports from the U.S.	239.4	182.8	150.9	155.00
Exchange Rate	N/A	N/A	N/A	N/A

*\*This table covers Mexican packaging machinery imports.*

*\*\*Data originally reported in USD.*

*Source: Association for Packaging and Processing Technologies (PMMI) with Mercado Integrado Latinoamericano (MILA), Mexican Customs, and Secretariat of Economy.*

### *Market Entry*

The best way for U.S. suppliers of packaging machinery to enter the Mexican market is through representation or regional distribution, with a partner that can offer after-sales service, maintenance, and spare parts on-site and in Spanish.

### *Barriers*

U.S. packaging exporters have faced several challenges in Mexico over the last few years, and 2019 will be no exception. Competition in this sector is increasing, and a strong dollar makes U.S. equipment more expensive vis-à-vis European equipment (though cost is often secondary to other purchasing decisions). Because of tightening domestic markets, European and Asian companies are increasingly offering customization and payment terms to compete and gain market share in the Mexican packaging machinery market. Offering financing options to Mexican buyers greatly enhances the competitiveness of the offerings from U.S. packaging machinery manufacturers.

Mexican small and medium-sized companies tend to perceive U.S.-made equipment as designed only for large-scale production. Additionally, they believe that U.S. companies have rigid sales policies which do not allow for customization. Finally, Mexican buyers believe that U.S. industrial equipment generally has higher-than-average energy consumption. These perceptions create specific hurdles for U.S. equipment sales.

### **Leading Sub-Sectors**

According to the Mexican Association for Bottling and Packaging (*Asociación Mexicana de Envase y Embalaje* or AMEE), paper, cardboard, and plastic remain the most dynamic materials used by all industries that utilize packaging products.

### **Mexico Packaging Material Demand by Type**

Packaging Material	Percentage Demand
Paper & Cardboard	34%
Plastic	28%
Glass	20%
Metal	18%
Wood	0%

*Source: Asociación Mexicana de Envase y Embalaje*

Concerning end-use segments for packaging equipment, the food and beverage industries exhibit the greatest demand for packaging materials, representing 58 percent of Mexican packaging machinery imports by value. This is followed by machinery for general packaging (14%), for personal care products (7%), and for pharmaceuticals (6%).

### **Opportunities**

Major opportunities for U.S. companies exist in processing equipment and materials for the food and beverage industry, and for plastic container manufacturers. The U.S. Commercial Service Mexico is happy to assist you in exploring opportunities in this sector.

Mexico's market evolution is leading to demand for higher quality materials and production standards in the packaging sector. For instance, 63 percent of food products utilize flexible packaging which is recording growth rates of over 10 percent per year. Companies involved in food processing and agribusiness (Tyson, Bachoco, Driscolls, Sunny Ridge, etc.) are demanding better and greener packaging technology. In most cases, flexible packaging is designed to help extend the shelf life of food products or to fulfill other market trends such as higher quality graphics. In addition, major retailers such as Walmart often demand that packages take up less space on the shelf. Innovation and flexibility are key to acquiring a competitive edge in packaging machinery sales in Mexico.

Many companies are looking at glass packaging, given its competitive prices compared to plastic containers, as well as its environmentally-friendly manufacturing process.

Despite the relatively high cost of European packaging products compared to U.S. equipment, Mexican companies regularly choose European solutions due to the barriers mentioned above, stronger after-sales service from European service centers in Mexico, and the flexible financing options that European competitors provide. This leads some Mexican customers to adapt European equipment to local needs rather than choosing what may be a better priced and better designed U.S. solution for the Mexican market.

U.S. firms should keep these critical points in mind, while continuing to take advantage of the U.S. reputation for innovative technology, geographic proximity, and the close bilateral trade relationship.

## Web Resources

### *Organizations*

Packaging Machinery Manufacturers Institute (PMMI)	<a href="http://www.pmmi.org">www.pmmi.org</a>
Mexican Packaging Association (AMEE)	<a href="http://www.amee.org.mx">www.amee.org.mx</a>
Institute of Packaging Professionals (IOPP)	<a href="http://www.iopp.org">www.iopp.org</a>
Mexican Institute of Packaging Professionals (IMPEE)	<a href="http://envaseyembalaje.com.mx">http://envaseyembalaje.com.mx</a>
Chamber of the Food Industry of Jalisco (CIAJ)	<a href="http://www.ciaj.org.mx">www.ciaj.org.mx</a>
Centro de Innovación Diseño Empaque (ABRE)	<a href="http://www.udem.edu.mx/Esp/Investigacion-y-Desarrollo/Centro-Innovacion-Diseno-Empaque-ABRE/Pages/Informacion-General.aspx">http://www.udem.edu.mx/Esp/Investigacion-y-Desarrollo/Centro-Innovacion-Diseno-Empaque-ABRE/Pages/Informacion-General.aspx</a>

### *Magazines*

Enfasis Packaging	<a href="http://www.packaging.enfasis.com">www.packaging.enfasis.com</a>
El Empaque + Conversion	<a href="http://www.elempaque.com">www.elempaque.com</a>
EnvaPack	<a href="http://www.envapack.com">www.envapack.com</a>
Industria Alimenticia	<a href="http://www.industriaalimenticia.com">www.industriaalimenticia.com</a>

## Events

- [Pack Expo Las Vegas](#), September 23–25, 2019, Las Vegas, Nevada
- [Expo Pack Mexico City](#), June 2–5, 2020, Mexico City

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## Plastics and Resins

The Plastics and Resins industry is a best prospect industry sector for Mexico. This section includes a market overview and trade data for this sector.

### Overview

In 2018, Mexico was the largest market for U.S. exporters of plastics products (HS-39) totaling USD 17.9 billion (TSE), and the second-largest destination for rubber (HS-40) with USD 3.6 billion. Plastics were among the five top U. S. export categories to Mexico in 2018. The International Trade Administration's Industry and Analysis office considers Mexico to be a top destination:

- Largest destination for U.S. plastic and rubber equipment
- Largest destination for U.S. tools, dies, and jigs
- Largest destination for U.S. industrial molds
- Fifteenth-largest destination for U.S. additive manufacturing equipment

According to Mexico's National Institute of Statistics and Geography (*Instituto Nacional de Estadística y Geografía* or INEGI), Mexico's economy grew 2.0 percent in 2018, while the value of total production in the plastics industry grew by 6.9 percent. In 2019, this industry faces the challenge of a more environmentally-conscious society. Despite that, manufacturers see an opportunity to rebound to higher growth rates as Mexico negotiates additional free trade agreements with key economies. For future developments and information on eventual agreements in connection with the USMCA, visit the Office of United States Trade Representative website at [www.ustr.gov](http://www.ustr.gov).

According to Mexico's Plastics Industry Association (*Asociación Nacional de Industrias de Plástico, A.C.* or ANIPAC), Mexico's plastics market will continue to increase as Mexican imports of U.S. plastic resins and plastic parts supply the growing automotive and aerospace industries. Mexico's plastics industry relies heavily on imports which predominantly come from the United States. In 2018, the United States exported \$21.5 billion in plastics and rubber parts and materials, comprising 67 percent of Mexico's total imports of plastics and rubber materials.

U. S. plastics exporters to Mexico partake in a market worth over USD \$40 billion in 2018, with opportunities for continued U.S. participation in the sale of capital equipment, resins, plastic materials, and plastic parts. Recycling technology is also booming in the Mexican market, motivated by China having closed its doors to plastic waste and the urge to create circular economies to satisfy the sector's recent commitments to the Ellen MacArthur Foundation and the United Nations.

### **Mexico's Plastics and Resins Production and Market Size**

*(Figures in USD billions)*

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019 (Estimate)</b>
Total Local Production	19.10	20.77	21.83	22.27
Total Exports	10.88	11.81	12.70	12.95
Total Imports	28.25	30.03	32.32	32.97
Imports from the U.S.	19.34	20.02	21.52	22.06
Total Market Size*	36.48	38.99	41.46	42.29
Exchange Rates	18.68	18.91	19.23	19.15

*\*Total market size = (total local production + imports) - exports*

*Sources: INEGI; \*2019 estimates in USD from the IMF*

### **Leading Sub-Sectors**

#### *Capital Equipment*

One year after NAFTA was implemented, ANIPAC reported that Mexico imported a total of USD 600 million worth of capital equipment. By the end of 2017, Mexico's total import of capital equipment totaled USD 2.9 billion. Of that amount, nearly 50 percent corresponds to plastic primary processing machinery and equipment worth USD 1.48 billion. The other 50 percent includes molds and tooling totaling USD 1.43 billion. Mexico's major trading partner for capital equipment is Germany, followed by the United States and China.

#### *Plastic Resins*

Mexico produces 80 percent of domestic demand for PE, PP, PET, and PVC. Two large companies, Alpek and Braskem/IDESA, are responsible for the majority of the produced volume. In 2018, Mexico produced 4.3 million tons of the various resins, with PET, PVC, and HDPE comprising over 50 percent of total production. Despite Mexico's capacity for resin production, a similar amount was imported, reaching 4.2 million tons.

### *Plastic Materials and Parts*

Mexico manufactures a large variety of secondary and tertiary plastic materials including PP film, PVC pipe and fittings, laminates, and acrylic materials. The manufacture of plastic autoparts is significant and growing, particularly in the area of central Mexico known as the Bajio region. In the last two years, the Bajio region of Mexico has seen new FDI in the auto industry, increasing demand of autoparts and hence plastic parts.

### *Plastics Recycling*

According to ECOCE (*Ecología y Compromiso Empresarial* or Businesses Committed to Environmentalism), a non-profit organization devoted to creating recycling awareness, Mexico has Latin America's largest recycling ratio of plastic waste at around 58 percent; however, that is only a portion of the country's 17 percent overall recycling rate. Almost 40 percent of recycled PET materials are exported. After China banned 24 types of solid waste including PET, many other major producers of plastic waste, including Mexico, are trying to increase their recycling capacity.

## **Opportunities**

### *Capital Equipment*

In 2018, Mexico imported USD 1.2 billion worth of industrial machinery made in the United States. U.S. exports of primary processing machinery and equipment to Mexico is low, though U.S. exporters do provide most of the auxiliary equipment demanded by this industry. Mexico's plastics manufacturers are attractive prospects for extruders, blenders, mixers, and automation solutions for primary and secondary plastics processing.

### *Plastic Resins*

OEM clients provide the best opportunities in Mexico for foreign suppliers of plastic resins. Most of these deals are executed by headquarters-based buyers who concentrate purchasing decisions for the company's worldwide operations. Foreign suppliers establish distribution centers near their larger customers' plants. For small producers, selling to OEMs in Mexico may not be the best approach. Instead, U.S. exporters should target the numerous small and medium-sized manufacturers operating in the various industrial regions in Mexico.

### *Plastic Materials and Parts*

Because of the increased demand of plastic parts by new foreign companies establishing plants in Mexico, supply of plastic automotive components is an opportunity for U.S. manufacturers. Buyers of autoparts have a tendency to require that suppliers establish operations near their plants, and tend to prefer the experience and capabilities of certified suppliers.

### *Plastics Recycling*

Most of Mexico's exports of recycled PET and other resins are manufactured by small and medium-sized recyclers. Large recyclers produce for their own consumption to ensure compliance with health and environmental standards (NMX-E-263-CNCP-2016, ISO 17422:2002, ISO 15270:2008, among others). Plastic recycling technologies and high purity recycles will be in demand in the next few years, including waste-to-energy technologies that can aid in the reduction of plastic waste ending up in landfills.

### *Customs and Environmental Regulations*

Most plastic resins and materials pertaining to HS3901 through HS3926 originating in the NAFTA region are duty free when exported to Mexico, although some products are subject to tariffs of 5–15 percent. Additionally, at the date of this report, 17 Mexican states have implemented a ban on single-use plastics including bags, straws, and expanded polystyrene (EPS), while the remainder are considering implementing similar such bans by 2020.

## Web Resources

Asociación Nacional de Industrias del Plástico (ANIPAC)	<a href="http://www.anipac.com">http://www.anipac.com</a>
U.S. Dept. of Commerce Trade Stats Express	<a href="http://tse.export.gov/tse/tsehome.aspx">http://tse.export.gov/tse/tsehome.aspx</a>
Manufactura Magazine	<a href="http://www.manufactura.mx/industria">http://www.manufactura.mx/industria</a>
Ingeniería Plástica (online magazine)	<a href="http://www.ingenieriaplastica.com/">http://www.ingenieriaplastica.com/</a>
Plastics Technology Mexico	<a href="https://www.pt-mexico.com">https://www.pt-mexico.com</a>
Ecología y Compromiso Empresarial, A. C. (ECOCE)	<a href="http://www.ecoce.org.mx/">http://www.ecoce.org.mx/</a>
Ellen MacArthur Foundation	<a href="https://www.ellenmacarthurfoundation.org/">https://www.ellenmacarthurfoundation.org/</a>

## Events

- [Expo Plásticos 2020](#), Expo Guadalajara, March 11–13, 2020, Guadalajara, Jalisco
- [Plastimagen 2020](#), Centro Citibanamex, November 10–13, 2020, Mexico City
- [Expo Pack Guadalajara 2019](#), Expo Guadalajara, June 11–13, 2019, Guadalajara, Jalisco
- [Meximold](#), November 20–21, 2019, Querétaro Congress Center, Querétaro City, Querétaro

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## Renewable Energy

With Mexico's commitment to fight climate change, legal requirements to reduce energy costs, and abundant wind and solar resources, renewable energy has become a best prospect industry sector for Mexico. The López Obrador Administration has begun to refine its priorities for the power sector, which will have some potentially significant positive effects on renewable energy prospects. This section includes a market overview and trade data on this dynamic sector.

### Overview

From 2013 through 2018, Mexico embarked on a reform of its power sector. These reforms continue in force, and the new administration has been developing priorities for 2019 through 2033. Below we summarize the changes already implemented and those anticipated in coming years. As an immediate goal, the López Obrador Administration's goal is to have 35 percent of Mexico's electricity generated from clean energy sources by 2024. The Government's plans for the sector are influenced by Mexico's [General Climate Change Law](#), known as *Ley General de Cambio Climático* in Spanish. The law established national goals for sustainable economic growth and emissions reduction. Please see our *Electricity* section for further background.

#### *Energy Reform 2013-2018*

The country's energy reforms in 2013 were designed to liberalize the electricity generation market and encourage private sector involvement, thereby creating competition among energy producers. Before the reforms took place, most of Mexico's electricity was generated by the Federal Electricity Commission (*Comisión*

*Federal de Electricidad* or CFE), Mexico's state-owned utility company. The reform package created an independent grid operator, the National Energy Control Center (*Centro Nacional de Control de Energía* or CENACE), which controls a new wholesale market and enables customers to purchase power directly from generators. The creation of CENACE established an independent power producer market in Mexico for the first time in the country's history.

In order to comply with national sustainable development and emissions reduction goals outlined in Mexico's General Climate Change Law, the Mexican Government created Clean Energy Certificates (*Certificados de Energías Limpias* or CELs). A CEL is granted per each MW/h of electricity produced by a generator using clean energy technologies. Large consumers of electricity (primarily industrial and commercial, also known as Qualified Consumers) are required to consume electricity generated from clean energy sources. In 2019 the requirement is for 5.8 percent of electricity generated to come from clean energy sources.

Long-term auctions were designed as a mechanism that allowed the basic electricity service providers to enter into contracts competitively to satisfy the demands for power and CELs through the long-term contracts. The long-term auctions were considered an important channel to attract investment for renewable energy. The contracts awarded through these long-term auctions were planned to have a duration of 15 years, and 20 years for CELs.

Three long-term auctions took place between 2015 and 2018 in Mexico. U.S. companies were successful in these auctions when they partnered with Mexican firms and presented their offers as part of a consortium. Solar and wind energy projects were the primary auction winners, but geothermal energy was also favored in the second auction, when the offers packaged not only CELs plus electricity MWh, but also capacity. The auctions were highly competitive with each one setting a new record low prices for solar and wind projects. The Lopez Obrador Administration cancelled the scheduled long-term auction shortly after taking office.

#### *Development Program of the National Electrical System 2019-2033 – Renewable Energy Potential*

On May 31, 2019, SENER published an updated [Development Program of the National Electrical System](#) (*Programa de Desarrollo del Sistema Eléctrico Nacional* or PRODESEN) for 2019–2033. This document contains the planning for the National Electric System (*Sistema Eléctrico Nacional* or SEN) for electricity generation, transmission, distribution and commercialization. The López Obrador Administration intends not only to meet electricity demand, but also to maximize power generation, transmission and distribution practices to contribute to sustainable economic growth.

PRODESEN emphasizes Mexico's multiple commitments to sustainable development, including commitments made in the United Nations Framework Convention on Climate Change, the Kyoto Protocol, the United Nations Climate Change Conference (COP 21) in Paris, the 2030 Agenda for Sustainable Development, and the Intergovernmental Panel on Climate Change.

Mexico has an enormous resource potential for renewable energy projects, according to the [National Inventory of Renewable Energies](#) (INERE, an application launched by the Mexican Secretariat of Energy or SENER), which recognizes a proven and probable power generation of 125,984 GWh per year. In 2018, Mexico registered a total power generation of 317,278 GWh, which included the gross generation from CFE and the net generation from independent power producers. Out of the total of electricity generated, 51 percent belonged to combined cycle, with the remaining sources ranked as: conventional thermal (13.2%), hydroelectric (10.2%), carbon (9.2%), nuclear(4.3%), wind (3.9%), gas turbine (2.7%), efficient cogeneration (2.2%), geothermal (1.7%), to photovoltaic (0.7%), internal combustion (0.7%), and bioenergy (0.2%).

#### *Other Potential Opportunities for Renewable Energy*

Another important element for renewable energy development in Mexico expected to contribute to emission reductions commitments is electromobility. The Mexican Government is interested in further exploring

opportunities and designing a strategy to promote the use of hybrid and electric cars and other transportation. The Mexican Secretariat of Environment (*Secretaría del Medio Ambiente y Recursos Naturales* or SEMARNAT) leads in developing a strategy for electromobility and is working together with other government agencies and stakeholders.

CFE has been working on the deployment of electric charging stations for some time. CFE has presented an initiative known as the Program for the Promotion of Electromobility through the Investment of Recharging Infrastructure (*Programa para la Promoción de Electromobilidad a través de la Inversión en Infraestructura de Recarga* or PEII), which was developed with government agencies, the Mexico City Government, industry associations and private companies.

At the local level, in May 2019 the Mexico City Government presented their Solar City initiative (*Ciudad Solar* in Spanish), which includes several small- to medium-scale solar projects for water heating and power and generation. The Solar City initiative also includes a photovoltaic system of 4 MW to supply 100 percent of the electricity needed for municipal light rail. The Solar City initiative is aligned with Mexico City's goal to reduce 30 percent of contaminant emissions from mobile sources by 2024.

### **Leading Sub-Sectors**

The renewable energy sub-sectors with the most potential for U.S. exporters are wind, solar, hydro, and geothermal. Other relevant technologies that offer the best potential according to Mexican government initiatives are energy storage, distributed generation and electromobility. In the past, there has been significant U.S.-Mexico bilateral cooperation on renewable energy. CS Mexico is monitoring these developments in the new administration. Please contact us for the latest information.

### **Opportunities**

U.S. expertise in renewable energy, energy storage, distributed generation and electromobility technologies is highly valued. We encourage companies to connect to the U.S. Commercial Service Mexico to discuss the best strategy for your company take advantage of current and upcoming programs and activities.

### **Web Resources**

Secretariat of Energy (SENER)	<a href="http://www.gob.mx/sener">www.gob.mx/sener</a>
Federal Electricity Commission (CFE)	<a href="http://www.cfe.gob.mx">www.cfe.gob.mx</a>
Energy Regulatory Commission (CRE)	<a href="http://www.cre.gob.mx">www.cre.gob.mx</a>
National Energy Control Center (CENACE)	<a href="http://www.gob.mx/cenace">www.gob.mx/cenace</a>
National Institute for Electricity and Clean Energy (INEEL)	<a href="http://www.ineel.mx">www.ineel.mx</a>
Fund for Energy Saving (FIDE)	<a href="http://www.fide.gob.mx">www.fide.gob.mx</a>
Mexican Association for Wind Energy (AMDEE)	<a href="http://www.amdee.org">www.amdee.org</a>
National Association for Solar Energy (ANES)	<a href="http://www.anes.org">www.anes.org</a>
Mexican Solar Photovoltaic Association (ASOLMEX)	<a href="http://www.asolmex.org">www.asolmex.org</a>
Mexican Geothermal Association (AGM)	<a href="http://www.geotermia.org.mx">www.geotermia.org.mx</a>
Mexican Hydro Power Association (AMEXHIDRO)	<a href="http://amexhidro.org">amexhidro.org</a>
National Commission for the Efficient Use of Energy (CONUEE)	<a href="http://www.conuee.gob.mx">www.conuee.gob.mx</a>

### **Events**

- [Solar Power International](#), September 23–26, 2019, Salt Lake City, Utah
- [Mexico WindPower Expo](#), February 25–26, 2020, Mexico City

- [MIREC Week](#), May 2020, Mexico City

## Contacts

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## Safety and Security

The sale of both safety and security equipment and services represent terrific opportunities in Mexico, making this a best prospect industry sector for this country. This section includes a market overview and trade data.

### Overview

The safety and security market shows strong demand for products and services by government, private enterprise, and consumer buyers. For purposes of this report, ‘security’ means preventing and responding to criminal threats. By ‘safety’ we mean addressing risk of accidents, workplace protection, and natural threats.

The safety and security sector includes equipment, solutions, and services used for public security, personal protection, residential security, industrial safety, corporate facilities, and infrastructure protection (access control, ID, perimeter security), as well as diverse solutions and systems designed for law enforcement and defense usage.

New technologies have entered the market in response to security trends and consumer habits. Increased demand in this sector accelerates competition among suppliers, but it is also driving more sophisticated buying decisions and interest in advanced solutions. The security market reflects the local conditions present in the country in terms of its large population at urban centers, development levels, public security policies, and strength of local and state authorities. There are many additional factors in the country’s evolving approaches to rule of law, from historic attitudes and education levels to criminal justice reform and law enforcement challenges.

The following tables provide the most recent estimates indicating approximate market size for the range of safety and security products and services in Mexico.

### Mexico Safety and Security Products and Services Market Size Estimates

*(Figures in USD billions)*

	2016	2017	2018	2019 (Estimated)
Total Local Production	2.4	2.4	2.5	2.5
Total Exports	3.0	3.1	3.0	3.0
Total Imports	1.6	1.7	1.8	1.8
Imports from the U.S.	0.6	0.7	0.6	.6
Total Market Size*	1.0	1.0	1.3	1.4
Exchange Rates	18.68	18.91	19.22	19.15

\*Total market size = (total local production + imports) - exports

Source: Global Trade Atlas 2018 / June

*Note: The safety and security equipment and services sector encompasses several different segments, including some defense products.*

Mexico is one of the most important security markets in Latin America due to its size, leading industries, development, and total demand. Moreover, security is one of the most dynamic sectors in the economy. Since 2015–2016, sales of security systems and solutions have grown, on average, about 10 percent according to domestic industry figures, far outpacing growth in the overall economy. However, in 2018 and the first half of 2019, market growth slowed as both government and private sector decisions on purchasing paused due to the Mexican federal election and awaiting implementation of planned changes by the new Mexican president, Andres Manuel López Obrador.

With an upturn in violent crime and ongoing supply chain threats in recent years in Mexico, safety and security remain a constant concern for the general public, companies, and all levels of government. Security spending is some aspect of nearly all household and organization budgets. In 2018, analysts highlighted declining security as the top factor that could limit the country's economic development. Mexico's National Statistics and Geographic Institute (*Instituto Nacional de Estadística y Geografía* or INEGI) annually prepares a National Survey of Victimization and Perception About Public Security (known as ENVIPE for its acronym in Spanish). The latest report published September 2018 shows that 64.5 percent of Mexicans consider insecurity and crime the most important problem affecting their cities.

Sales in this sector have grown across end-user segments. The 2018 national security portion of the Mexican federal budget—which includes all the principal law enforcement agencies and the Mexican Secretariat of Defense—grew to USD 7.7 billion over USD 5.6 billion in 2017. This includes plans to improve security through the creation of a new National Guard.

Private sector spending drove purchasing growth in this sector. This was due to certain factors, such as the spread of crime, limited public security resources, expanded private sector actions to protect assets, higher civic consciousness, and the widespread recognition of shared citizen and corporate responsibilities in crime prevention and education.

A major development in 2018 was the new administration's announcement of the National Peace and Security Plan 2018-2024 (*Plan Nacional de Paz y Seguridad*), which includes eight specific areas of action to address Mexico's security challenges:

- Combat corruption and restore justice systems
- Guarantee employment, education and health conditions through economic development
- Respect and promote human rights
- Re-cultivate societal ethics
- Restructure the war on drugs
- Establish a council for rebuilding domestic peace
- Restore the function and dignity of the penal system
- Implement the specific actions of the 2018-2024 plan

This new Security and Peace Plan has five main elements:

- Reconsider the role of the armed forces in national security
- Create the National Guard (*Guardia Nacional*), with the goals of preventing crime, preserving public security, and combating criminal activity

- Form 266 national, state, and regional Coordination Zones (*Coordinadas*) across the country by 2021
- Establish operational guidelines

These changes effectively rolled back the prior administration's national Internal Security Law (*Ley de Seguridad Interior*), which added a formal law enforcement mission to the Mexican Secretariat of Defense (SEDENA) and the Secretariat of the Navy (SEMAR). The López Obrador Administration envisions the National Guard taking on these functions as a civilian force.

During the first months of 2019, the López Obrador Administration worked with the Mexican Congress to ratify creation of the National Guard, to approve several changes to the Mexican Constitution, and to enact new laws necessary to implement the National Guard and changes in the structure of public security operations in Mexico. In addition, the Government announced the leadership of the National Guard as well as a new Secretary of Security and Citizen Protection (*Secretaría de Seguridad y Protección Ciudadana* or SSPC) in the Cabinet, a position now completely independent from the prior placement of this role under the National Commission of Security in the Secretariat of the Interior (*Secretaría de Gobernación* or SEGOB).

The National Guard itself is an entirely new body that has been authorized and budgeted to include 72,000 or more personnel by the end of 2019. To stand up the force swiftly, the Government will draw 18,000 or more units from the Federal Police, 8,000 from the Navy Military Police, and 34,000 from the Army Military Police. Some officials familiar with the longer-term plan say that the ultimate size of the National Guard is envisioned to exceed 300,000 by 2024. The Guard's Commander is recently retired Army General Luis Rodríguez Bucio. The Guard has been authorized with strictly a civilian command, but the appointment of Gen. Rodríguez Bucio solidifies the Guard's ties with the Mexican Army. Further, the Guard has an Operational Coordination system composed of three top chiefs from the Federal Police, the Mexican Army, and the Mexican Navy.

We noted that the Security and Peace Plan establishes 266 Coordination Zones (*Coordinadas*) across Mexico into which Guard units will be deployed. The Guard will commence operations in 150 of the *Coordinadas* in 2019. In 2020, the plan is to deploy additional units to 50 more *Coordinadas* (for a total of 200 deployed zones), and by 2021, Guard forces are expected in all 266 *Coordinadas*. As a result of a joint Mexico-U.S. declaration in June 2019, the Guard has deployed 6,000 units to Mexico's southern border area. The Guard also has initiated a rapid deployment to the State of Jalisco.

In 2019, Mexico's public security strategy is likely to evolve as the Guard's deployments and other aspects of the security plan take shape, as well as any delays in budget and spending authorizations. The reform of the jail system reform and the other six areas of action already mentioned will demand attention, resources, and results. Both the public sector and private security market will continue demanding solutions to reduce security risks at different levels, particularly to contain and eventually decrease kidnapping, homicide, extortion, robbery, assault, and other high-impact crimes frequently connected with the illegal drug trade.

### **Leading Sub-Sectors**

For purposes of this report, the security sub-sector consists of goods and services responding to criminal threats. The safety sub-sector is for goods and services addressing risk of accidents (and certain emergencies), manufacturing protection standards, and some natural threats (such as fires, floods). As in the United States, we further segment the market between government, private enterprise, and consumer end-users.

#### *Security*

The country's security challenges and official policies influence market trends and developments. For reasons we detail below, we anticipate increased demand in several product and service categories. These include private security services, armored cars/vans, robbery prevention, CCTV, communications technologies, and cyber security solutions linked to IT applications. Mobile technologies and internet-connected devices have

spread to advanced security applications, forcing organizations and individuals to replace older systems and adopt new security practices.

**Personal and Household Security.** As noted in the overview, INEGI conducts an annual survey of public security perception (ENVIPE, for its Spanish acronym). According to the latest survey data from September 2018, it is estimated that household security spending represents 1.65 percent of the GDP, and 25.4 million people were victims of a crime. In addition, 30.1 million crimes took place in Mexico during the survey period (keeping in mind that one person can be subject to more than one crime). The main crimes were assaults and robberies in public spaces (28.1%), extortion (19.6%), fraud (13.6%), and partial and total vehicle robberies (11.4%). Moreover, when asked about the top problem in their state, 64.5 percent of respondents cite “lack of security and criminality” as the top problem, followed by inflation, unemployment, corruption, health issues, poverty, and injustice.

INEGI also compared survey responses to official crime reports and noted that only 10.4 percent of crimes were officially reported to law enforcement agencies, implying that 89.6 percent of crimes were unreported or without investigation. The INEGI survey also shows how perceptions of crime vary by state and by city. The riskier cities based on the survey are Hermosillo, Puebla, Acapulco, and Tapachula. The more dangerous Mexican states based on survey responses were Baja California, State of Mexico, State of Mexico City, Sonora, Jalisco, Tabasco, and Guerrero.

**Business Security.** Even though security data varies slightly depending on sources used, it is estimated that private sector companies dedicate 10–12 percent of total spending on security equipment. This spending is mainly used to enhance facility and asset protection, such as robust alarm systems, employee / contractor / visitor identification tools, CCTV systems, and high-quality perimeter protection. Other top categories are cargo theft surveillance, GPS mobile tracking systems, better logistics communications, and emergency applications. Recently, the business organization COPARMEX stated that 57.9 percent of its members have fallen victim to a security-related crime, and the organization has demanded stronger government action against crime and insecurity.

Corporate perceptions are tracked in an annual security report prepared by the American Chamber of Commerce (AmCham). It is based on a survey of more than 300 local and multinational firms based in Mexico. In the most recently published 2017-2018 survey periods, the top private sector security incidents were these six (percentages represent number of companies reporting incidents):

1. Transport and supply chain attacks (42.1%)
2. Virtual extortion (39.9%)\*
3. Theft (39.9%)
4. Third party offense or threat to employees (30.3%)
5. Facilities intrusion (23.7%)
6. Protest, blockades, social unrest (23.2%)

*\*Virtual extortion is a type of telephone-based extortion.*

Other incidents reported in the double-digits were information leaks, vandalism, and cyber-attacks. Direct extortion reached 9.6 percent and represents a serious recurring security problem for private companies.

AmCham’s security report showed that companies were increasingly addressing external threats by adopting internal security measures using their own resources. These security measures included safety management systems; risk assessment and prevention planning; crisis management and business continuity planning; employee security awareness; improved hiring process screening; and implementation of executive protection

programs. Overall, the AmCham survey respondents state their core spending is focused on risk analysis, trip protocols, physical security training, security awareness, and crisis management actions. The report underlined that today only 53.9 percent of the companies surveyed have a security department specifically for physical assets. AmCham's 2019 Security Report will be available in late 2019.

CS Mexico monitors security developments based on issues reported by private firms and incidents reported in the news media. Among the concerns we follow have been railroad attacks to commit large-scale robbery of shipments, illegal tapping of oil and fuel pipelines, highway blockades and assaults, kidnapping, and cyber-attacks. In 2018-2019 the new administration launched an initiative to halt gas and oil theft, an illegal activity called "*huachicol*."

### *Safety*

Industrial and facility safety protection is significantly higher than household safety and generalized civil protection (i.e., more money is spent on fire suppression systems in commercial buildings than on home smoke alarms or fire department equipment). There continues to be significant evolution of new safety standards to protect lives, improve workplace environmental conditions, reduce labor risk levels, and to create an industrial safety culture. For this reason, this section focuses on business and government purchases for facility and employee safety. The U.S. Commercial Service in Mexico can assist U.S. exporters with other types of consumer safety and civil protection, and we offer market research on these sub-segments as well.

**Workplace Protection and Safety.** Workplace safety is a major concern. The Secretariat of Labor and Social Oversight (*Secretaría del Trabajo y Previsión Social* or STPS)—with data from the Mexican Institute of Social Security (*Instituto Mexicano de Seguridad Social* or IMSS)—reported more than 270,600 work accidents and risks nationally in 2018. The industries that have recorded the most accidental deaths are transportation (driving heavy-load trucks), construction, metalworking, mining, textiles, stores and warehouses (lifting heavy weight), and delivery services (i.e., messengers riding motorcycles).

According to Mexico's Secretariat of the Economy, Mexico has more than four million enterprises, of which micro and small firms represent 99.8 percent, and they contribute 42 percent of GDP and 78 percent of total employment. Private sector spending on safety is dominated by multinational firms, which must follow international safety standards and have resources to provide training, programs, and emergency responses. OEMs and large companies in most major are familiar with safety regulations, such as NFPA, OSHA, NEC and the United Nations Globally Harmonized System of Classification and Labelling of Chemicals (GHS/2003).

STPS requires all manufacturing plants and companies to comply with official Mexican safety standards (NOMs). STPS performs regular safety audits on these larger types of enterprises. Nevertheless, STPS does not have the resources or inspectors to perform regular safety audits on every company, nor are they able to keep the current NOMs up to date or adopt new ones from the United Nations GHS. Regularly, the STPS conducts industrial safety consultations at the national level to examine safety-related NOMs such as NOM-011-STPS-2001, NOM-015-STPS 2001, and NOM-020-STPS-2011. New international standards and more technical training for large employers have also been promoted by associations and safety experts looking to expand their services for auditing safety standards and consulting on best practices and procedures.

**Consumer Safety and Micro and Small Enterprise Safety.** Unfortunately, Mexico's four million micro and small businesses generally neglect the importance of workplace safety policies, making them a less attractive target market for U.S. exporters. The same is true of general consumers. For the most part, we see these small market sub-segments purchasing low price, low quality products that are manufactured in Asia or locally. For instance, many buyers will purchase simple, small fire extinguishers rather than more extensive fire suppression systems, and cheaper fire-retardant fabrics rather than materials with higher fire protection ratings such as Kevlar.

**Civil Protection.** Civil protection is constrained by government budgets and policy, making this segment a less dynamic market than might otherwise be assumed. However, regular earthquakes remind authorities, organizations, and citizens about the importance of effective emergency preparedness and response plans. The most common types of accidents and natural disasters in Mexico are earthquakes, volcanic explosions, gas explosions, fires, floods, and hurricanes. Emergency and first-aid kits are part of the regular equipment acquired by many organizations to be prepared, as well as conduct of regular emergency drills.

The federal program for natural disaster response is the responsibility of the Mexican Secretariat of National Defense (*Secretaría de la Defensa Nacional* or SEDENA) under its Plan DNIII, so this market sub-segment is part of the overall defense budget (USD 6.1 billion in 2019). On the civilian side, firefighters, civil rescue organizations, and the Mexican Red Cross generally depend on grants and donations for equipment and assets rather than government budgets. In recent years, both the Federal Government and state authorities have reinforced civil protection units. Coordination among rescue groups and governments has improved, civil protection is attaining wider coverage, and protection plans are better known by citizens. There may be specific opportunities for U.S. exporters, but be aware that agency resources are limited with respect to expensive equipment.

There is also need for increasing expenditures on residential and corporate fire prevention. Although building construction standards imply solid safety rules, Mexico has had safety incidents due to human errors. Firefighters in Mexico received better wages in 2018 versus prior years, but in some small communities they work on a volunteer basis. The Mexican Firefighters Association estimates that there are 14,000 firefighters nationwide (2017), but only 50 percent receive a salary. In Mexico City the number of firefighters is still small for the size of the city (around 2,100 firefighters in 2017). Higher education and regular training are not common among fire crews. The federal Civil Protection Unit of SEGOB regulates firefighters and emergencies at a national level, and each state and municipality manages and budgets its own civil protection unit and local firefighters.

At the same time, Mexico is moving towards better public safety communications and warning technologies. In January 2017, Mexico completed implementation of a national 911 emergency number system. Responses to medical, security, rescue, and fire emergencies are timelier, though false reports through the 911 system are still a problem. Missing children are also reported through an “[Alerta Amber](#)” program based on the U.S. Amber Alert. Media channels broadcast the alerts, and the program has successfully located lost children. Some opportunities exist at the municipal and state levels for monitoring and emergency response technologies. For instance, Mexico City has a network of more than 15,000 video cameras in operation, and there is significant local attention across the country to command, control, and communications centers for emergency response. Some states have created command centers to improve police response times and security surveillance.

## **Opportunities**

The U.S. Commercial Service Mexico is happy to assist you in exploring opportunities in the safety and security market here. This section highlights specific opportunities in both sub-sectors. Business opportunities are mainly in medium-sized and large urban areas, and potential suppliers should prepare an effective market entry strategy. This strategy should keep in mind local and foreign competitors, address changing consumer preferences and worries, and make available complete after-sales service. In general terms, U.S. security products have a good market reputation, and end-users are familiar with U.S. brands and market trends, but other large foreign firms provide stiff competition. Potential suppliers should become familiar with Mexico’s geographic markets by visiting and attending commercial events around the country. After-market service and system warranties can make a difference in gaining advantage over other suppliers. Suppliers should also consider how mobile security applications are impacting buying habits and modifying end-user expectations and demand.

The scope of security and safety products is diverse, but overall in coming years we expect significant increases in consumption of personal protection products, alarms, CCTV, residential protection solutions, physical protection, and new electronic security devices. In fact, CCTVs and video-surveillance systems for residential, government, and industrial use are some of the most purchased goods in the security/safety sector, as well as electronic physical security products. Security solutions such as GPS and tracking systems for transport logistics will remain popular to reduce cargo theft, track assets, and aid rapid response to threats. We anticipate government purchases will continue through 2019 for body protection equipment, firearms, ammunition, CCTV, transportation and communication equipment, and a range of military equipment. Spending on consumable products will continue. The new National Guard will require a large quantity of all forms of supplies and equipment that will be purchased, at least initially, by SEDENA.

In certain applications, such as employee ID systems, we see rapid movement to integrated biometrics instead of standard physical credentials and basic smart card applications. Access control systems and surveillance cameras have been installed at many public spaces, not only in Mexico City, but also in medium-size cities. In addition, personal protection and private security services continue to expand among corporate and government end-users, with spending now reaching approximately one percent of GDP.

### *Security*

Security solutions with business potential include:

- CCTV
- Access control solutions
- Alarms (residential, industrial, buildings)
- Perimeter protection and surveillance
- Fire systems
- Smart homes and buildings
- Cybersecurity
- UAVs and drones
- Communications systems (wireless, internet, GPS, etc.)
- Integrated security solutions (compatibility/integration services)
- High-tech night vision tactical equipment
- Tactical equipment
- Communications integration services

### *Safety*

Safety-related equipment and services with particular potential include the following, though several of these items may be difficult for U.S. suppliers to sell at competitive prices:

- Emergency response training
- Protective gloves, suits, and footwear
- Eye and ear protection
- Breathing protection equipment for gas and fine dust

- Protective gear for welding activities
- Equipment and gear to protect against falling objects and electrical hazards
- Smoke detectors, fire alarms, and fire suppression systems
- Certified inspection services and testing equipment (NOMs compliance)

## Web Resources

National Institute of Statistics and Geography (INEGI)	<a href="http://www.inegi.org.mx">www.inegi.org.mx</a>
Secretariat of Interior (SEGOB)	<a href="http://www.segob.gob.mx">www.segob.gob.mx</a>
AmCham Mexico	<a href="http://www.amcham.org.mx">www.amcham.org.mx</a>
National Citizen Observatory (ONC)	<a href="http://onc.org.mx">onc.org.mx</a>
Mexico United Against Crime ( <i>Mexico Unido Contra la Delincuencia</i> )	<a href="http://www.muccd.org.mx">www.muccd.org.mx</a>
American Association for Industry Security (ASIS) Mexico Chapter	<a href="http://www.asis.org.mx">www.asis.org.mx</a>
Latin America Security Association (ALAS) Mexico Chapter	<a href="http://www.alas.org.mx">www.alas.org.mx</a>
National Council of Private Security, A.C. (CNSP)	<a href="http://www.cnsp.org.mx">www.cnsp.org.mx</a>
International Institute for Risk Management (IAR)	<a href="http://www.seguridadindustrial.com.mx">www.seguridadindustrial.com.mx</a>
Federal Civil Protection Secretariat	<a href="http://www.gob.mx/proteccioncivil">www.gob.mx/proteccioncivil</a>

## Events

- [Expo Seguridad Mexico \(ESM\) 2020](#) (including a U.S. Pavilion, Expo Seguridad Industrial, and NFPA Fire Expo), April 21–23, 2020, Centro Citibanamex, Mexico City
- [Constructo 2019](#) Safety Pavilion, August 21–22, 2019, CINTERMEX, Monterrey, Nuevo León

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## Telecommunications Equipment

Telecommunications equipment continues to represent a best prospect industry sector for Mexico. This section provides a market overview and trade data.

### Overview

Since 2010, the Mexican telecommunications market has consistently outpaced GDP growth, driven in large part by mobile telephony, broadband, and broadcasting. Mexico has a wireless penetration of 93.3 percent with more than 117 million active lines. According to the Mexican Federal Institute of Telecommunications (*Instituto Federal de Telecomunicaciones* or IFT), at the end of 2018, Mexico had 18 million fixed broadband subscriptions, 67 mobile broadband subscriptions per 100 inhabitants, 83.5 million active smart phone lines, and 82.7 million internet users.

Mexico is the second-largest export destination after Hong Kong for U.S. telecommunications equipment (HS 8517), accounting for 12 percent of U.S. total export sales in this category. The value of U.S. exports of telecommunications equipment to Mexico was USD 2 billion through May 2018, compared to USD 988 million annually in 2017 and USD 1.3 billion in 2016. Growth over the last four years has been driven by recent investments in infrastructure and increased connectivity, as well as competition resulting from a sweeping reform of the telecommunications sector enacted in 2013 and 2014.

Mexico's telecommunications sector has historically been plagued by near monopolistic agents. By establishing measures to improve competition and strengthening IFT's regulatory powers, the telecommunications reform created a more attractive investment climate that motivated new players to enter the market. In 2015, AT&T acquired Iusacell and Nextel Mexico, Mexico's third- and fourth-largest carriers, with a combined market share of eight percent. AT&T has since modernized and expanded its network in Mexico through investments totaling more than USD 3 billion. Mexico's dominant wireless carrier, Telcel, is in turn investing USD 6 billion in technology and infrastructure.

Further growth in the sector is expected because of IFT's award of advanced wireless services (AWS) spectrum to AT&T and Telcel in February 2016. This spectrum is ideal for bandwidth-intensive applications such as video streaming, VoIP, and music downloads. Given optimistic growth projections of bandwidth requirements in Mexico, the regulator is expected to continue reassigning spectrum to optimize its use. In 2018, IFT auctioned spectrum in the 2.5 GHz band for the provision of 4G and 5G services. AT&T won those auctions and is now the market leader in terms of spectrum. Telcel's market share in terms of revenue has not been significantly reduced since the reform. It still holds 70 percent of the market, while AT&T holds 19 percent. In terms of users, Telcel still dominates the market with a 62 percent share versus AT&T's 14.5 percent.

The Mexican Secretariat of Communications and Transportation (*Secretaría de Comunicaciones y Transportes* or SCT) awarded the tender for the National Shared Wholesale Network (NSWN), known as *Red Compartida* in November 2016. Construction of the Red Compartida was mandated by the telecommunications reform to address the reform's objectives of providing near-universal broadband coverage and increasing access to services in regions neglected by commercial carriers. The Red Compartida is a wholesale-only carrier, deploying infrastructure throughout the country and selling wholesale services to retail commercial carriers and Mexican Government agencies. Two consortia bid on the Red Compartida, and the project was awarded to Grupo Altan. Roll out of the network will continue until a goal of 92 percent coverage by 2024 is provided. At the end of 2018, the network had achieved a coverage of 35.2 percent.

The current policy of the Mexican Government is to provide universal connectivity, mostly through a program called *Internet para Todos* (Internet for All), which aims to establish internet hot spots in public areas such as town squares, schools, hospitals, and government buildings. According to SCT, the *Internet Para Todos* project will be "technology-neutral" and use any technology that covers the most people. This could include wireless broadband, fiber optic lines, satellites, or other mixed solution and could represent opportunities for U.S. companies.

Opportunities for television broadcasting equipment have grown since the Mexican Government auctioned two new national television networks. The first was awarded in May 2015 to Mexican media conglomerate Grupo Imagen. The second was divided into 32 channels that were awarded in 2017 to 13 different companies, among them, Mexican companies Telsusa and Grupo Multimedios, who were awarded more than half of the channels. These new players compete with Mexico's established broadcasters Televisa and TV Azteca.

Radio broadcasting is also expecting infrastructure deployments as IFT is reorganizing the radio broadcasting spectrum to allow more stations to operate. IFT auctioned 191 FM and 66 AM stations in 2016 and is continuing to grant concessions for community radio broadcasters.

## Leading Sub-Sectors

### *Carriers*

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

- **Wireless telephony.** There are seven key wireless players, including Telcel, Movistar, AT& T, Maxcom, and Axtel. There two mobile virtual network operators (MVNOs) are Virgin Mobile and Megacel.
- **Internet.** There are 10 Internet service providers in Mexico: Infnitum (Telmex), Movistar, Maxcom, Axtel, Izzi, Cablevision, Bestel, Megacable, Alestra, and TotalPlay.
- **Fixed telephony.** There are nine providers of fixed services: Telmex, Movistar, Axtel, Izzi, Cablevision, Bestel, Megacable, Alestra, and TotalPlay.
- **Pay TV.** Several of the fixed providers also play in the pay TV space: Dish, Maxcom, Axtel, Izzi, Cablevision, Bestel, Megacable, Alestra, and TotalPlay.
- **Telco-OTT Providers.** OTT or “Over-The-Top” refers to telecommunications service provider that deliver one or more services and/or types of content across an IP (internet protocol) network. Mexico has 10 OTT providers: Claro Video, Claro Musica, Blim, Spotify, Max Diversion, Axtel TV, Veo, Megacable Play, Netflix, and Totalmovie.

### *Cross-Sector Demand*

The carriers listed above have demand for services in the following areas:

- Business intelligence software
- CATV network applications
- Consulting & IT systems integration; 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)
- Data center infrastructure
- Cybersecurity

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 several areas:

- Cloud computing and network terminals, using web-based applications
- Green IT equipment for data centers
- Mobile broadband, online advertising, social networks, virtualization
- 3G and LTE (4G) equipment for mobile carriers
- Internet of things

## Opportunities

The U.S. Commercial Service Mexico is happy to assist you in exploring telecommunications market opportunities. Carriers are increasing their spectrum capacity and LTE (4G) networks will continue expanding. Telcel and AT&T are expected to deploy 5G networks by 2019. Network and infrastructure projects are carried out by telecom original equipment manufacturers (OEMs) acting as integrators (including Nokia Network, NEC, Cisco, Ericsson, Huawei, ZTE, and Juniper Networks). These OEMs actively pursue opportunities. U.S. companies looking to enter the market can reach out to them directly or partner with smaller local distributors who are vendors for the OEM integrators. Nokia and Huawei are the main equipment providers for the Red Compartida.

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

## Web Resources

Federal Institute of Telecommunications (IFT)	<a href="http://www.ift.org.mx">www.ift.org.mx</a>
Mexican Internet Association (AMI)	<a href="http://www.amipci.org.mx">www.amipci.org.mx</a>
National Chamber of the Electronics, Telecommunications, and IT Industry (CANIETI)	<a href="http://www.canieti.org.mx">www.canieti.org.mx</a>
National Chamber of Cable Television (CANITEC)	<a href="http://www.canitec.org">www.canitec.org</a>
Mexican IT Industry Association (AMITI)	<a href="http://www.amiti.org.mx">www.amiti.org.mx</a>

## Events

- Expo Data Center, 2020 date TBD, Mexico City

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## Textiles

Although Mexico is a major producer and exporter of textile products, the Mexican textile sector is so large (and with tariff-free treatment under NAFTA) that it represents a best prospect industry sector for U.S. exporters of specialty fabrics, yarns, and equipment. This section includes a market overview and trade data on the industry.

### Overview

Mexico is a major textile producer, with an industry based on competitive labor costs and geographic proximity to the United States. U.S. specialty textile producers can capitalize on the large Mexican sector but should understand certain technical requirements, including rules of origin, verification audits, and reference prices.

According to the Mexican National Institute of Statistics and Geography (*Instituto Nacional de Estadística y Geografía* or INEGI), 63 percent of the Mexican textile industry is concentrated in the central and north-eastern parts of the country, including Puebla, Mexico City, and the states of Mexico, Hidalgo, Tlaxcala, Guanajuato, Nuevo Leon, and Coahuila. The textile sector represents around 3 percent of Mexico's GDP.

## U.S. Textile Sector Exports to Mexico

(Figures in USD Billions)

	2017	2018	2019 (Estimated)
Total Textiles & Apparel	5.99	6.35	1.53
Apparel	0.88	.99	0.24
Total Textile Mill Products	5.11	5.36	1.28
Yarn	0.54	.65	0.14
Fabrics	3.87	4.00	0.96
Exchange Rates*	18.91	19.22	19.15

\*Original data in USD for 2017, 2018, and annualized 2019 only.

Source: Office of Textiles and Apparel

## U.S. Textile Sector Imports from Mexico

(Figures in USD Billions)

	2017	2018	2019 (Estimated)
Total Textiles & Apparel	2.46	2.58	0.66
Apparel	0.83	0.84	0.20
Non-Apparel Textiles	1.63	1.73	0.45
Yarns	0.26	.30	0.10
Fabrics	0.58	.59	0.17
Exchange Rates*	18.91	19.22	19.15

\*Original data in USD for 2017, 2018, and annualized 2019 only.

Source: Office of Textiles and Apparel, Major Shippers Report, Mexico

### Rules of Origin and the NAFTA Certificate of Origin

In line with NAFTA obligations, Mexico has gradually reduced its tariffs on textile imports from the United States that meet the NAFTA rules of origin (i.e., wholly processed in the United States, Canada, or Mexico). Many textile and apparel exporters are not familiar with the rules of origin, or the implications of issuing a NAFTA certificate of origin without knowing if the product qualifies as of NAFTA origin. U.S. exporters should be aware that labeling such as "Made in the USA" is not the same as qualifying for a NAFTA certificate of origin.

Qualification for preferential duty treatment under NAFTA depends on whether the textile may qualify as goods produced in the North America region. NAFTA rules concerning textiles are complex and detailed. For a U.S. product to be eligible for duty-free entry into Mexico or Canada, the product must be produced in the United States, entirely of NAFTA component parts, or if foreign components are used, the foreign component must undergo sufficient processing in the United States to meet the rules of origin as provided in the Chapter Four Annex 401 of NAFTA. Annex 401 aims to ensure that most of the production relating to textiles and apparel occurs in North America. The basic rule of origin is "yarn forward."

The United States–Mexico–Canada agreement (USMCA) will open new opportunities for U.S. exporters in yarns, fabrics and apparel. Details on the agreement can be found in the Office of the U.S. Trade Representative's [USMCA fact sheet on textiles and apparel](#).

### *Verification Audits*

Since 2012, the Mexican Tax Administration (*Servicio de Administración Tributaria* or SAT) has been conducting extensive NAFTA verification-of-origin audits for textile and apparel imports. Letters or questionnaires sent by SAT requesting information on a product's rules of origin should be answered promptly. U.S. exporters must also ensure they keep complete and clear records showing they are complying with SAT's deadlines. Mexican importers that do not answer may be subject to large fines.

### *Textile Decree and Reference Prices*

Several measures affect Mexican textile importers, and collaterally, U.S. exporters. These measures include an importer registry, the establishment of reference prices (not to be applied to products entering Mexico under a NAFTA Certificate of Origin), and a five-day waiting period for all imports.

Importers of textiles and apparel products must be registered in the Official Registry No.11 for the textile/apparel sector.

### **Leading Sub-Sectors**

The technical textile industry in Mexico is experiencing remarkable growth brought about by increasing domestic demand and the shifting of production. This increase in demand has resulted in demand for greater investments in the technical textile market and is a great opportunity for U.S. exporters to increase their presence in Mexico.

### *Specialty and Industrial Fabrics*

Since 2008, Mexico has been the top export market for U.S. specialty and industrial fabrics. In 2016, U.S. specialty and industrial fabric exports to Mexico accounted for approximately 50 percent of total specialty and industrial textile exports from the United States, representing a 1.13 percent increase over the previous year.

### *Medical Textiles*

Mexico is the largest market for U.S. medical textiles, accounting for 27 percent of the total Mexican textile market share in 2017.

### **Opportunities**

The U.S. Commercial Service in Mexico is happy to assist you in exploring textile and apparel sector opportunities. Due the growth of the automotive and aerospace sectors, industrial fabrics for upholstery and protective fabrics represent an opportunity for U.S. companies. Some opportunities in raw materials include synthetic fibers, fabrics with textured polyester dyes, fabrics with artificial fibers, and fine wool fabrics.

In addition, since Mexican yarn producers cannot meet domestic demand, a significant amount of yarn is imported (mostly polyester/viscose and polyester/cotton), creating niche opportunities for U.S. yarn suppliers.

Finally, the United States is the second-largest supplier of textile machinery to the Mexican market. Medium- and large-sized companies are investing in new technology and machinery to improve their production and supply chains. There are some opportunities in product design and the introduction of modern technology to yarn and textile production processes.

## Web Resources

Mexican Apparel Association (CANAIVE)	<a href="http://canaive.mx">http://canaive.mx</a>
Mexican Textile Association (CANAINTEX)	<a href="http://www.canaintex.org.mx">www.canaintex.org.mx</a>
Mexican Tax Administration (SAT)	<a href="http://www.sat.gob.mx">www.sat.gob.mx</a>
Secretariat of Economy (SE)	<a href="http://www.gob.mx/se">www.gob.mx/se</a>

## Events

- [Exintex 2020](#), 2020 date TBD, Puebla, Puebla
- [Expo Produccion 2020](#), 2020 date TBD, Mexico City

## Contacts

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## Transportation Infrastructure Equipment and Services

The wide-ranging category of equipment and services for transportation infrastructure is a best prospect industry sector for Mexico. This section includes an overview of several key dimensions of this sector, together with selected trade data.

### Overview

The following table provides the most recent statistics for transportation infrastructure equipment and services in Mexico. Please note that these figures combine data from the country's air, rail, trucking, and marine transport networks and represent our best estimate of the combined market size of this blended "sector."

### Mexico Transportation Infrastructure Equipment and Services Market Overview

*(Figures in USD Billions)*

	2016	2017	2018	2019 (Estimated)
Total Local Production	4.77	4.80	4.79	4.75
Total Exports	4.03	4.05	4.03	4.00
Total Imports	1.40	1.42	1.48	1.45
Imports from the U.S.	0.88	0.89	0.91	.90
Total Market Size*	2.14	2.17	2.24	2.23
Exchange Rates	18.68	18.91	19.227	19.15

\*Total market size = (total local production + imports) - exports

Note: Data includes trucks for semi-trailers.

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

The Mexican transportation sector continues to offer significant opportunities for U.S. exporters due to the sizeable growth in Mexican foreign trade and travel over the past 20 years and an increase in the transportation

of merchandise arriving at Mexican ports for domestic consumption and for export to the United States, Canada, and other final destinations. This requires a transportation sector positioned to provide efficiency, cost savings, capacity, and cargo security.

The National Development Plan for 2019-2024 (*Plan Nacional de Desarrollo*, or PND) was announced by President López Obrador on May 1, 2019. Based on this plan, the administration intends to continue focusing on transportation infrastructure development, though with a major emphasis on the states of southern Mexico, particularly Tabasco (the president's home state), Chiapas, and the Yucatán Peninsula states of Campeche, Quintana Roo, and Yucatán. The president announced 25 priority national development initiatives, of which roughly half involve transportation infrastructure development or other types of physical infrastructure construction. These include a re-envisioned airport system for the greater Mexico City metropolitan area and surrounding states, development of a multi-modal cargo corridor across the Isthmus of Tehuantepec, a passenger and cargo "Maya Train" on the Yucatan Peninsula. There is also a program for rural roads, and developments in various sectors including oil and gas production, refinery development, agricultural production, and mines.

With an initial planned investment of USD 586 billion in infrastructure, many of these projects will require major investment or financing from the private sector in order to be accomplished. The PND includes a heavy focus on the construction and modernization of roads, airports, maritime ports and railways. Although 2018 saw several infrastructure projects affected by low international oil prices and a presidential election year, current projected economic growth and the new administration's ambitious plans for economic development will allow the public and private sectors to continue developing many important transportation infrastructure projects.

Exporters should also track developments related to the new USMCA. For future developments and information on eventual agreements in connection with the USMCA, visit the Office of United States Trade Representative website at [www.ustr.gov](http://www.ustr.gov).

### **Leading Sub-Sectors**

We break down our overview of leading transportation infrastructure sub-sectors into airports, ports, rail, and roads.

#### *Airports*

As highlighted in the *Aerospace* portion of the *Leading Prospects* section, there are several airport expansion projects initiated by the Peña Nieto Administration and the private concessionaire airport groups.

#### *Mexico City Airports*

Mexico City does not have enough runways and terminal capacity to support aviation demand for this metropolitan region of more than 23 million residents. Most analysts agree that, with 61 landings and takeoffs per hour, the current Benito Juárez Mexico City International Airport (known as AICM for its acronym in Spanish) has reached maximum capacity and is unable to handle more planes and more passengers, despite demand for both.

In 2018, AICM served 47.7 million of passengers, with an increase of 6.7 percent versus 2018. The airport managed 458,488 commercial and general aviation flights. Of these flights, 423,474 were commercial, equivalent to 1,160 operations per day. AICM reported that they reached a record number of operations per on December 14, 2018, with a total of 1,279 flight operations.

President Andrés Manuel López Obrador cancelled construction for a New International Airport for Mexico City (NAIM) in the enormous, undeveloped Texcoco basin just east of the current airport. He then instructed his team to pursue a three-fold strategy to develop an "Airport System for the Valley of Mexico" based on a paper produced by an engineer named José María Riobóo Martín.

Mexico City airport projects are run by the Mexico City Airport Group (*Grupo Aeroportuario de la Ciudad de Mexico* or GACM), which operates as a concession with government participation.

**NAIM Status.** As of June 2019, NAIM is one-third complete and remains on hold, with a judicial order enjoining the government to continue to protect the building site pending decisions on the rest of the plan. In January 2019, Lopez Obrador Administration confirmed an agreement with NAIM's bond holders (MexCat) to refund their bond exposure from the cancellation and penalties incurred. NAIM was designed to transport up to 68–72 million passengers per year at the end of its first phase (2020). This phase included a new terminal building, three parallel runways, a multi-modal transportation center, and green environmental planning to attain LEED Platinum green building certification. Due to multiyear exchange rate fluctuations, the project was known to have exceeded the original budget in USD terms, with estimates of USD 13 billion to USD 15 billion. The project had significant participation by U.S. companies including Parsons and AECOM, totaling well over three-quarters of a billion U.S. dollars in new business.

The incoming administration called the NAIM project a white elephant, rife with corruption. This was despite years of careful study of options and a public oversight committee reviewing all bidding with participation by international observers from the Organization for Economic Cooperation and Development (OECD).

**A New Airport Plan.** In October 2018, even before being sworn in, President López Obrador announced NAIM's cancellation and three-fold strategy to expand airport capacity. The first element of the plan is for the Mexican Secretariat of Defense (*Secretaría de Defensa Nacional* or SEDENA) to build two commercial runways and a commercial passenger terminal at the Santa Lucia military airport located in the municipality of Zumpango, State of Mexico. The Santa Lucia airport is located around 45 kilometers north of AICM.

The second and third elements were not officially announced until a press conference in April 2019. Secretary of Communications and Transportation Javier Jiménez Espriú announced the following:

- GACM will construct a third Terminal Building (T3) at AICM using the current land used for the presidential hangar. This will expand the number of gates at AICM, though it will not expand runway capacity for departures and arrivals capacity. T3 will be connected to the current Terminal 2 (T2). GACM will renovate AICM facilities to the extent possible and will repair the current runways. Among the AICM renovations are improved runway drainage systems and electricity network, rehabilitation of runway B, remodeled sewage services, upgraded takeoff and landing navigation systems, and engineering improvements to address subsidence under the T2 building.
- The Santa Lucia airport will be converted to a commercial airport with military facilities and will take the name of “Felipe Angeles.” The first runway will be completed in three years (2021).
- The Toluca International Airport will expand its services, though Jiménez Espriú did not elaborate. (Separately, the International Air Transport Association, IATA, is on record opposing expansion of Toluca service due to the economics of serving this smaller, high altitude airport.)

The French firm Navblue and Mexican air traffic agency SENEAM are preparing an interconnection study for proposing shared service for the three airports, seeking to warrant the best airspace usage. Aéroports de Paris (ADP) is preparing the Master Plan for the three-airport concept.

SEDENA operates the Santa Lucia military airport and participated in the April 2019 press conference. General Brigade Ricardo Vallejo Suárez, Director of SEDENA' Engineering Military School, explained their plans for the Santa Lucia Base to reach 190,000 takeoff and landing operations per year in conjunction with the other two airports. He stressed that Santa Lucia will be an austere, logic, rational, sustainable, and efficient airport:

- SEDENA will design and build the new commercial section of the airport using pre-fabricated and modular construction materials, with a budget of USD 3.8 billion and set for June 2021 operations.

- Santa Lucia airport will have PBN navigation systems, with a 50-year lifespan.
- It will have three runways with an initial capacity to serve 20 million passengers, but with the possibility to expand to 80 million passengers.
- Santa Lucia airport will have an intermodal transportation passenger station, which will include a light train, bus lines, and an underground metro system. There will be a dedicated 46-kilometer ground interconnection to AICM envisioned to require 35 minutes transit time to make flight connections. (Subsequent discussions have floated the idea of a high-speed train.)
- The airport will have one fuel terminal, 30 gates (with the possibility to increase to 60 gates), a control tower, and a parking structure for 4,000 vehicles.
- SEDENA will rely on technical support from other federal agencies including SCT, traffic control (SENEAM), the Mexican equivalent to the FAA (DGAC), Airports and Auxiliary Services (ASA), the Federal Treasury (SHCP), environment and natural resources (SEMARNAT), Public Function (SFP, for auditing and legality), and territorial status and urban development (SEDATU).

The López Obrador Administration has underscored the improved resource use for this plan. They assert that the AICM and Santa Lucia projects will total a combined USD 5 billion, and the NAIM's cancellation cost totaled another USD 5 billion. In contrast, they argue, the NAIM would have had a total cost of USD \$15.4 billion for only its first stage. They also point out that in three years the new airport system will have six runways: three in Santa Lucia, one in Toluca, and two in Mexico City (AICM) whereas only three runways were planned for NAIM. (These numbers do not necessarily reflect true comparisons as the cancellation costs for NAIM are higher than announced and the number of commercial runways counting NAIM and Toluca would have been four.)

GACM will continue with the AICM concession. It is managing the new contracts for AICM, as well as the Toluca international airport arrangements. GACM has recently tended to use the option of direct assignments rather than open bidding. Potential suppliers have been invited by GACM to bid on AICM contracts. The Santa Lucia airport will be handled by SEDENA (General Vallejo) and its engineering team.

As of June 2019, coinciding with the injunction (known as an *amparo*) to protect NAIM, a coalition of NGOs have sued to place an *amparo* on Santa Lucia work. The injunction requires the government to provide a full environmental impact report and to conduct a judicial review in Santa Lucia. More than 140 other *amparos* have been lodged against the Santa Lucia project. The Federal Government has alleged these *amparos* are simply evidence of corruption in airport contracting and has assured all legal, social, and environment concerns will be addressed under Mexican law.

Due to the extremely fluid nature of these projects, potential U.S. suppliers are strongly urged to contact the U.S. Commercial Service in Mexico City for updated information and assistance on bidding.

#### Other Airports

The growth in demand driving Mexican airport development is clear. The entire Mexican airport network transported some 96.4 million passengers in 2018, up from 90.4 million passengers in 2017. From 2013–2017, the number of passengers transported grew by 59.3 percent overall, an annual average of 9.8 percent. This growth rate is accelerating, with the most recent five years representing the highest growth rates over the past 25 years. This growth reflects both passenger demand and the growth in carriers serving Mexico.

Mexico's airports are managed by four regional airport groups, plus a fifth group running small federal airports.

**Grupo Aeroportuario del Cento Norte (OMA)** manages 13 airports in northern and central Mexico, and it carried 21.5 million passengers in 2018. According to OMA's development plan (2016-2020), construction improvement projects for 2019–2020 included the following:

- Monterrey. Infrastructure modernization, cargo area new systems, and security improvements.
- Acapulco. Improvement of pluvial drainage system after large modernization works completed in 2017. Relevant maintenance program in the passenger terminal building.
- Culiacán. Rehabilitation of the commercial aviation platform and road surface.

**Grupo Aeroportuario del Pacífico (GAP)** manages 12 Pacific coast airports, which handled 44.9 million passengers in 2018, 10.4 percent over 2017. GAP is working on several improvement projects, and its development plan for the period 2019-2023 was announced in March 2019:

- Tijuana. Continued expansion of national departures and boarding areas at main Terminal, ending in late mid-2019. The airport offers 30 domestic connections not covered by San Diego or Los Angeles airports. Tijuana airport is the third-largest international airport of the country.
- Guadalajara. A second runway is planned but only if land availability is resolved. Five remote boarding areas are planned, as well as extension and remodeling in large areas, including the domestic terminal. The estimated budget in 2019 represents a value of USD 42.7 million. GAP foresees that Guadalajara can be the country's aviation hub after NAIM's cancellation.
- Other GAP projects include Los Cabos airport international terminal building expansion (USD 32 million), and other small projects for Aguascalientes airport and La Paz airport.

**Grupo Aeroportuarios del Sureste (ASUR)** manages nine airports in the Gulf of Mexico and southern Mexico, as well as an international airport in San Juan, Puerto Rico, and six airports in northern Colombia. ASUR served 47 million passengers in 2018. For the period 2019-2023, ASUR will allocate new resources to all its airports, but the most relevant works will take place at the Cancún airport, with a program of investments of around USD 300 million; Mérida airport with an invested planned of USD 100 million; and Oaxaca airport with investments estimated at USD 39 million.

**Aeropuertos y Servicios Auxiliares (ASA)** is a government agency that runs 19 airports, co-operates five additional airports (Tuxtla Gutierrez International, Toluca International, Querétaro International, Ciudad del Carmen International, and Cuernavaca International), and supplies fuel to 63 airports. The ASA network handled approximately 2.8 million passengers and performed more than 132,000 flight operations in 2018. ASA's top airports by passenger volume were Puebla, Ciudad del Carmen, Ciudad Obregon, Chetumal, Puerto Escondido, and Tepic. ASA had plans to announce concessions for five of its 19 airports. With the new airport system, the priority will be given to expand Toluca airport capabilities, taking advantage of its unused transportation capacity. At the same time, the supply of jet fuel is moving to a private distribution framework under private concessions as part of the country's energy reform. Also, in March 2019 President Lopez Obrador pledged development of a new tourism airport in the state of San Luis Potosí to serve the Huasteca region, If the president follows through on this pledge, ASA may support feasibility studies for this airport at Tamun or at Ciudad Valles.

#### *Ports*

Mexico's port system has 24 Integrated Port Authorities, known as APIs (*Administración Portuario Integral*), covering more than 40 cargo and passenger ports on the country's Pacific, Atlantic, and Gulf Coasts. Of these, there are 16 international commercial cargo and passenger ports in the federal system. On the Gulf Coast, these ports are Altamira, Tampico, Tuxpan, Veracruz, Coatzacoalcos, Dos Bocas, and Progreso. On the Pacific Coast, they are Ensenada, Guaymas, Topolobampo, Mazatlan, Puerto Vallarta, Manzanillo, Lazaro Cardenas, Salina

Cruz, and Puerto Madero. The Mexican port system has been continuing with a number of projects initiated under a USD 4 billion plan begun under the Peña Nieto Administration. The already announced PND did not go into detail on port projects or budgets, but contact CS Mexico for details on the new National Port Development Plan announced as this guide was going to print.

Mexico's ports are already riding a wave of growth from the prior administration of Enrique Peña Nieto. In 2012, port cargo volumes were 260 million tons and by 2017 SCT's Ports and Merchant Marine Administration reported 470 million tons moved through the country's ports. Based on continuing work and announcements related to the PND, we summarize some of the key port projects below.

**SIPCOs.** The Mexican Federal Port Coordination Administration has announced creation of five Intermodal Port Coastal Systems, or SIPCOs, to promote regional economic development and mitigate migration pressures by establishing special economic development zones into the port areas managed by the APIs. The SIPCOs will promote investment in industrial parks, logistic platforms, energy plants, and inland ports. They will be granted the necessary land, resources, and authority to coordinate with municipal, state, and federal governments. The five regions will be: North (Ensenada, Guaymas, Topolobampo, Mazatlan and Puerto Vallarta); North East (Altamira and Tampico); Central (Manzanillo, Lazaro Cardenas, Tuxpan and Veracruz); South East (Coatzacoalcos, Dos Bocas, Salina Cruz and Puerto Madero); and Peninsular (Progreso).

**Shipyards.** In June 2019, the Federal Ports Coordinator announced a plan to redevelop 17 Mexican shipyards to improve the country's ship construction and maintenance capacity. The project, estimated at USD 5 billion, would make improvements at 12 private shipyards, 4 Navy shipyards, and one shipyard operated by the state-owned oil company PEMEX.

**Ports of Coatzacoalcos and Salina Cruz.** These ports are destined for significant improvements as part of the Isthmus of Tehuantepec Interoceanic Multimodal Corridor. See below our section on this multi-model project.

**Port of Veracruz.** We expect the port to continue the final work on a USD 1.6 billion project to construct five new terminals and a new cargo processing and logistics zone. The first vessel should arrive at the new port area later in 2019. The port is also working on a USD 5 billion project through 2030 that will quadruple its installed capacity to reach more than 90 million tons in its last stage by 2030.

**Port of Tuxpan.** The Port of Tuxpan is increasing its installed capacity from 13 million tons to more than 24 million, with facilities to manage more than 700,000 TEUs, 100 thousand vehicles per year, and a new natural gas pipeline.

**Port of Manzanillo.** The Port of Manzanillo is the second-largest port in Mexico, with projects underway to achieve the goal of more than 44 million tons of installed capacity by the end of the expansion. Served by 23 steamship lines, Manzanillo can handle ships to New Panamax size, or 12,500 TEUs. The port has been developing a new industrial zone with additional rail capacity and an entirely new port area in a natural lagoon to quadruple the developed port zone.

**Port of Lázaro Cárdenas.** Lázaro Cárdenas is in the process of bringing online a newly-built container and multi-use terminal and is putting the finishing touches on two projects to be completed in 2019 to increase the installed capacity from 27 million tons to 47 million.

**Port of Progreso.** In Puerto Progreso, more than USD 51.6 million is being invested to complete 12 projects for port infrastructure and roadway improvements. These include deepening of the port, construction of a new natural gas terminal, construction of a highway overpass, development of a high technology industrial park, and the creation of a tourist marine route to improve infrastructure for tourist boats, small vessels, and pleasure craft.

**Other Ports.** As reported in our 2018 guide, the Port of Mazatlán has been carrying out construction works valued at more than USD 39 million to improve passenger cruise facilities. The Port of Matamoros is undergoing more than USD 22 million in improvements. Altamira Port is pursuing an expansion to increase its installed capacity from 15 million tons to 36 million. Other ports with improvement projects include the Port of Isla del Carmen, Puerto de Seybaplaya, and a large passenger terminal in Puerto Vallarta intended to receive 148 cruises and up to 900,000 passengers per year.

#### *The Isthmus of Tehuantepec–Trans-Isthmus Interoceanic Multimodal Corridor*

The Isthmus of Tehuantepec is the narrowest portion of Mexico and of North America overall, separating the Pacific Ocean from the waters of the Gulf of Mexico and the Atlantic Ocean. Spanish efforts to make this an interoceanic trade route date to the early 19th Century, and a rail line across the Isthmus operated profitably between 1907 and the opening of the Panama Canal in 1914. The López Obrador Administration intends to make the Trans-Isthmus route competitive with the Canal, thereby boosting regional economic growth in the states of Oaxaca and Veracruz.

The Trans-Isthmus project would create a modernized and upgraded Interoceanic Multimodal Corridor that would provide an alternative to the Canal for northbound and Post-Panamax shipping. As part of this project, the Mexican Government seeks to modernize the railroad of the Isthmus of Tehuantepec; expand cargo handling and storage capacity at the ports of Coatzacoalcos, Veracruz, and Salina Cruz, Oaxaca; expand the trans-isthmus highway from two to four lanes; improve the airports at Minatitlán and Ixtepec; establish a fiber optic telecommunications connection and cellular / data connectivity; and construct a gas pipeline for commercial and private use. Alongside the route between both oceans, special economic zones will be created to attract private sector investment. As part of this program, the 76 Oaxaca and Veracruz municipalities involved will lower their VAT (value-added tax) and income tax rates in addition to offering petroleum at reduced prices. Over the course of 2019, MXN 30 billion (USD 1.5 billion) will be invested in the project.

#### *Rail*

Mexico has a freight railway system owned by the national government and operated by various entities under concessions (charters) granted by the national government. The railway system provides freight and passenger service throughout the country (though most of the service is freight-oriented). The network connects major industrial centers with ports and with rail connections at the United States border.

Mexico is experiencing a rail freight revival after the privatization of the sector in the 2000s. Although railroads have played an increasingly larger role in the transportation sector, their participation in Mexican cargo movement remains relatively low. According to SCT and the Secretariat of Economy, of the more than 900 million tons of goods that were transported across Mexico, 85 percent was moved by trucks, 12 percent by railroads, and three percent by maritime and air shipments.

Based on the figures presented by the Railroad Transport Regulatory Agency, in 2018 915 million tons (87,958 million containers) were moved by train in Mexico (an increase of 14% compared to 2017). The movement of cargo transported per kilometer increased 1.85% with respect to 2017 (86,332 million containers), which represents an increase of 1,626 thousand million-tons kilometers transported. Regarding the railway load of foreign trade, in 2018, 128 million tons were transported, of which 91.5 million tons (71.5%) correspond to foreign trade traffic, while the remaining 36.5 million tons (28.5%) are for local traffic.

Currently, Mexico operates 74 intermodal terminals, including 30 inland multimodal terminals, 18 railroad terminals, 18 port terminals, and eight private automotive terminals. The Government's stated goal is to increase the volume of cargo using railroad transportation by at least 10 percent by the end of 2018, and to build new inland cargo terminals, port terminals, and multimodal corridors. A broader goal likely to gain

traction with the López Obrador Administration is to develop the railroad industry in Mexico for both cargo and passenger transportation.

Mexico's rail cargo system is comprised of eight concessionaire companies: Kansas City Southern de Mexico, Ferromex, Ferrosur, Ferrovalle, Coahuila-Durango, Ferrocarril Chiapas Mayab, Ferrocarril del Istmo, and Ferrocarril Tijuana-Tecate.

As confirmed by the Secretariat of Economy in 2019, these companies have announced combined investment plans of USD 630 million (up from USD 485 million in 2018). These resources will improve rail-related infrastructure such as connecting roads, rehabilitation and maintenance of the railway network, purchase of new locomotives, as well as purchase and rental of rail equipment. The improvements focus on improving services for the automotive industry and refined oil and gas products. To expand cargo capacity, rail companies reinforced the tracks and adopted double stack rail. There are only five countries where double stack is used to improve cargo capacity: Mexico, USA, Canada, Panama and Australia.

Mexico's rail cargo improvements coincide with the expansion of Mexico's foreign trade. One big driver of trade growth is the automotive industry (currently trains move seven out of 10 cars produced in the country, while a decade ago it was only three out of 10). Expansion of the oil and gas sector is a major emerging driver. Rail is already the main means of transporting fuels, cereals, minerals, and metals. The top four product sectors by volume are industrial (47.6%), agricultural (25.1%), mineral (12.9%), and oil and its derivative (8.1%), the latter growing 19 percent over 2016. Total 2017 cargo volume was 126.9 million tons, four percent more than in 2016, and 62.8 percent of this amount (79.8 million tons) was import or export cargo. Imports took up the vast majority of the foreign trade cargo at 61.2 million tons, which mainly moved across the borders of Nuevo Laredo, Tamaulipas (19.6 million tons), and Piedras Negras, Coahuila (13.3 million tons), as well as the port of Veracruz (8.1 million tons). The export load reached 18.6 million tons, of which 77.3 percent transited land border crossings.

A standard freight measure is the metric ton-kilometer (tkm), which measures not only volume but distance the cargo moves. In 2018, Mexican rail lines moved 87.95.2 billion tkms, two percent higher than 2017. On a tkm basis, transport of oil and derivatives grew the most sharply, with an increase of 13.9 percent, which not only shows growth of rail service for the sector but also evolution of the railcar fleet. In 2018, tank cars were the fastest growing railcar type (+13.8%). Mexican rail is also getting more fuel-efficient. In 2018, rail cargo registered 122 ton-kilometers per liter, the highest fuel efficiency level in the last eight years.

Passenger rail, though limited, transported 57.75 million passengers in 2018, 1.1 percent more than in 2017. Regular Interurban and Special Tourism service grew 61 percent since 2016, going from 188,252 to 303,098 passengers. Launch of the Tourist Train Puebla-Cholula in April 2017 contributed to this growth.

The administration's plan focuses on six railway projects, of which three are dedicated to freight rail.

- The most significant would cover railway construction and modernization on the Isthmus of Tehuantepec, with a length of 215 kilometers and intended to connect the Pacific and Gulf coasts.
- A second signature project of the new administration is a tourist train service known as the "Maya Train." It would connect Palenque in Chiapas with a route circling the Yucatán Peninsula and connecting Escárcega and Campeche City in Campeche with the Yucatan cities of Mérida and Valladolid, and onward to the Quintana Roo cities of Cancún, Playa del Carmen, Tulum, and Chetumal, before connecting back across the Peninsula through the region's largest Mayan archeological site, called Calakmúl.
- Another new line will connect the ports of Tampico and Veracruz, a distance of 475 kilometers.

- A fourth significant project is the proposal for a Mexico City–Querétaro mixed-use train, which revisits what was previously planned to be a high-speed rail project for this route. Passenger rail service is planned for this 250km Mexico City–Querétaro run, together with a 50km Mexico City–Teotihuacán line.
- A major effort is underway to finish the 57.7km standard-gauge interurban line from Toluca to Mexico City, with the final stage developed by the end of 2019. The line will carry 230,000 passengers a day with a 39-minute trip between Zinacantepec and an interchange with Mexico City Metro Line 1 at the Observatorio Metro station.
- The railway industry also seeks to improve security at rail crossings by building 25 overpasses in the country totaling an extraordinary 600 kilometers. The full project would require USD 2.4 billion for construction, to be negotiated with the Federal Government. In addition, private funding and development is envisioned for construction of a new line from Guadalajara to Monterrey through Zacatecas, enhancing rail connections between these two major industrial cities, the Mexican Pacific coast, Mexico City, and the United States.

### *Roads*

According to SCT, a total investment of USD 2.227 billion will be made during 2019 in different projects that include major maintenance of 10 concessioned highways, finishing 22 freeways under construction, the upgrade and modernization of another 86 freeways, and other minor maintenance programs that will improve connectivity between central Mexico and the rest of the country. The main freeways for these improvements are Arriaga-Tapachula (Chiapas), Coatzacoalcos-Villahermosa (Veracruz and Tabasco), San Luis Potosi-Matehuala (San Luis Potosi), Tampico-Ciudad Victoria (Tamaulipas).

Fifteen more public-private projects in different parts of the country will take place or continue their construction with an investment of USD 780 million. These PPPs include Tuxpan-Tampico (Veracruz and Tamaulipas), Cardel-Poza Rica (Veracruz), Atizapán-Atlacomulco (State of Mexico). These and others will be finished in 2019 or the first quarter of 2020.

### **Opportunities**

The U.S. Commercial Service Mexico is happy to assist you in exploring opportunities in transportation infrastructure in Mexico. Below are a few highlights.

#### *Logistics*

Opportunities abound for specialized logistics service providers or cold chain service providers (i.e., those that transport, warehouse, and handle time and temperature-sensitive products). As firms that require these products proliferate throughout Mexico, they require a dependable and efficient supply chain. U.S. logistics firms that currently offer specialized supply chain services are well-positioned to take advantage of this niche market.

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 a weak peso and low government revenues, 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.

#### *Ports*

Products and services with the best prospects in the Mexican ports sub-sector include container cranes, heavy materials handling equipment, environmentally-friendly waste management systems, security systems, IT

services, design and construction services, dredging, and many other products and services involved in port operations. There will also be significant opportunities for port terminal operators. Concessions to operate terminals in several ports will become available in the near future. Concessions to operate terminals at the Port of Veracruz are expected to become available in 2019 and 2020.

### *Rail*

Domestic production in this sub-sector consists of low-tech equipment (e.g., open and closed freight cars and rail track fixtures). It is important to note that all high-capacity cranes, railroad, and lifting equipment are imported. Under NAFTA, most equipment for intermodal transportation manufactured in the United States can be imported duty-free.

Products with the best prospects in the Mexican rail sub-sector include frame, mobile, and rotary-cranes; self-propelled cranes on tires; front loaders with a capacity of over seven tons; mobile platforms; 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.

### *Roads*

Domestic production in this sub-sector consists of low-tech equipment (i.e., front loaders and unsophisticated traffic control systems) and the manufacture of trucks and trailers. International brands manufactured in Mexico include Chrysler, Freightliner, Mercedes Benz, International, and Kenworth. These are primarily produced for export. Conversely, all high-capacity crane equipment is imported. Under NAFTA, most equipment for intermodal transportation manufactured in the United States can be imported duty-free.

Products with the best prospects in the Mexican roads sub-sector include mobile and rotary-cranes, self-propelled cranes on tires, front loaders with a capacity of over seven tons, mobile platforms, and traffic control equipment.

### *Airports*

Please see the *Aerospace* portion of the *Leading Prospects* section.

### **Web Resources**

Secretariat of Communications and Transportation (SCT)	<a href="http://www.gob.mx/sct">www.gob.mx/sct</a>
Secretariat of Economy (SE)	<a href="http://www.gob.mx/se">www.gob.mx/se</a>
Association of Mexican Railways (AMF)	<a href="http://amf.org.mx/">http://amf.org.mx/</a>
Inter-American Port Commission, Organization of American States (OAS)	<a href="http://www.oas.org/cip/">www.oas.org/cip/</a>
National Association of Private Transportation (ANTP)	<a href="http://www.antp.org.mx">www.antp.org.mx</a>
National Cargo Transportation Chamber of Commerce (CANACAR)	<a href="http://canacar.com.mx">http://canacar.com.mx</a>

### **Events**

For aerospace and aviation-related events, please see our *Aerospace* section. There are no major tradeshows covering road, rail, or seaport infrastructure in Mexico, though there are at times various government and industry association conferences on various specific aspects throughout the year. The U.S. Commercial Service in Mexico also organizes delegations covering various aspects of the sector, including site visits to Mexican ports. Please contact the individuals below for more information on tapping these opportunities.

### **Contacts**

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## Travel and Tourism

With Mexico’s proximity to and familiarity with the United States, it is no surprise that travel and tourism represent a best prospect sector for U.S. destinations attracting Mexican travelers.

### Overview

The United States is the primary destination for Mexican travelers. In 2018, 18.5 million Mexicans traveled to the United States, representing 23 percent of total foreign arrivals to the United States. Mexico remains the second-largest source of international travelers to the United States after Canada. Experts predict that total arrivals to the United States from Mexico will grow by 2022 to reach over 19 million visitors.

According to the U.S. Department of Commerce’s National Travel and Tourism Office (NTTO), spending by Mexican travelers in 2018 (the most recent year for which data is available) totaled USD 20.9 billion, representing a two percent growth over 2017 figures. Travel and tourism exports account for 61 percent of all U.S. service exports to Mexico. The top destinations for Mexican travelers are California, Nevada, Texas, Florida, and New York, followed by New Mexico, Colorado, Illinois, and Georgia.

### Arrivals of Mexican Travelers to the United States

*(Figures in Millions of Travelers)*

	2016	2017	2018	2019 (Estimated)
Total Arrivals from Mexico	19.15	17.28	18.50	18.64
% Change	4%	-9%	4%	3%
Total Air Arrivals from Mexico	2.54	2.51	2.75	2.83
% Change	-3%	-1%	10%	3%

*Source: U.S. Department of Commerce National Travel and Tourism Office.*

## Leading Sub-Sectors

It is important to differentiate between land and air travelers to the United States. Mexican land tourists typically travel to the southwestern states for shorter visits for family or shopping purposes. On average, Mexican air travelers tend to stay longer and purchase packages that include transportation, lodging, shopping, and recreational activities.

## Opportunities

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

Wholesale operators continue to be an important distribution channel in the Mexican travel and tourism market. Wholesalers sell packages to travel agents who provide services to consumers. Mexican travelers prefer to purchase vacation packages through travel agencies, though purchasing airfare and hotel packages online has become much more common in recent years. U.S. wholesalers and tour operators are key players in the Mexican market, in part because they can negotiate directly with U.S. travel and tourism service companies and therefore offer competitive prices and packages. To save money, wholesalers in Mexico are now buying products and services from tour operators in the United States, who deal directly with local tourism service providers that develop travel packages. The younger Mexican population is much more comfortable buying travel packages over the Internet. The biggest online travel agencies (OTAs) in Mexico now offer hotel rooms, air tickets, and travel packages through their own websites. Travelers often have the option to pay for their travel to the United States by debit or credit card in fixed installments with no interest.

Social networking is increasingly important for the promotion of travel and tourism services. Several U.S. destinations and providers of travel and tourism services represented in Mexico have launched promotional campaigns through social networks including Facebook, Twitter, YouTube, and Instagram. Most of these promotional campaigns are in Spanish and include interaction with the end-consumer and travel agents.

In order to be successful in the market, it is crucial to establish and maintain personal relationships with travel and tourism companies in Mexico. U.S. travel and tourism firms are advised to travel to Mexico and develop a comprehensive follow-up strategy in order to gain sufficient exposure in the Mexican market.

According to the U.S. Department of Commerce Office of Travel and Tourism Industries, 35 million U.S. citizens traveled to Mexico in 2017. This travel may also present business opportunities to U.S. firms offering packages and travel services geared towards U.S. travelers to Mexico.

## Web Resources

U.S. National Travel and Tourism Office	<a href="http://travel.trade.gov">http://travel.trade.gov</a>
U.S. Travel Association	<a href="http://www.ustravel.org">www.ustravel.org</a>
Brand USA	<a href="http://www.thebrandusa.com">www.thebrandusa.com</a>

## Events

- [International Pow Wow \(IPW\)](#), May 30–June 3, 2020, Las Vegas, Nevada
- Brand USA Annual Mission to Mexico, January 2020, Mexico City

## Contacts

For more information on the travel and tourism services sector, please contact:

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## Customs, Regulations & Standards

### Trade Barriers

Under NAFTA, there are virtually no tariff barriers for U.S. exports to Mexico, with some exceptions as noted elsewhere.

On May 17, 2019, the United States announced an agreement with Canada and Mexico to remove the Section 232 tariffs for steel and aluminum imports from those countries and for the removal of all retaliatory tariffs imposed on American goods by Canada and Mexico. The agreement provides for aggressive monitoring and a mechanism to prevent surges in imports of steel and aluminum. If surges in imports of specific steel and aluminum products occur, the United States may re-impose Section 232 tariffs on those products. Any retaliation by Canada and Mexico would then be limited to steel and aluminum products.

### Import Licenses

[This section deals with licenses for sensitive products. For general import requirements, see the section *Import Requirements & Documentation* and the section on *Prohibited & Restricted Imports*.]

Certain sensitive products entering Mexico 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 Secretariat of National Defense (*Secretaría de Defensa Nacional* or SEDENA) requires an authorization to import guns, arms, munitions, explosives, and defense equipment, as well as special military vehicles (new or used). This would be in addition to the export license required by U.S. export controls.
- The Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (*Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación* or SAGARPA) requires the *Hoja de Requisitos Zoo-Sanitarios*, which acts as an import permit prior to import authorization for some leather and fur products, and fresh/chilled and frozen meat. Agricultural machinery does not require approval from SAGARPA.
- The Secretariat of Health (*Secretaría de Salud* or SSA), through its Federal Commission for the Protection Against Sanitary Risks (*Comisión Federal para la Protección contra Riesgos Sanitarios* or COFEPRIS), 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 (*Secretaría de Medio Ambiente y Recursos Naturales* or SEMARNAT) requires import authorizations for products made from endangered species, such as certain eggs, ivory, certain types of wood, and furs.

- Toxic and hazardous products require an import authorization from an interagency commission called CICOPLAFEST (*Comisión Intersecretarial para el Control del Proceso y Uso de Plaguicidas, Fertilizantes y Sustancias Tóxicas* or the Intersecretarial Commission for Process Control and Use of Pesticides, Fertilizers, and Toxic Substances) which has representation from the four agencies mentioned above (SEDENA, SAGARPA, SSA, and SEMARNAT). This list includes many 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 shipment by 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.

A resolution published in the DOF on January 26, 2009, abolished minimum estimated prices, also referred to as “reference prices” in all industries except for used cars and textiles.

Several measures regulating Mexican textile importers also collaterally affect other U.S. exporters. These measures include an importer registry, the establishment of reference prices (though they should not be applied to products coming in under a NAFTA Certificate of Origin), and a five-day waiting period for all imports.

Importers of textiles and apparel products must be registered in the Official Registry No.11 for textile/apparel sector. The instructions to register can be found in the [Guide to Textile Sector Production](#).

### **Used Vehicles**

Regarding used vehicle imports, a decree issued in April 2015 included new requirements, such as the following:

- A Vehicle Identification Number (VIN, or NIV) along with a visible digital picture
- Confirmation that the vehicle was manufactured in the United States, Mexico, or Canada
- The use of a customs agent affiliated with the customs house of entry of the vehicle
- The bill of lading for permanent importation for each vehicle
- An invoice stamped “shipper export” by U.S. Customs
- The RFC (the Mexican federal tax identification number), CURP (the identity number), and INE (the voter registration number) of the importer
- Proof of address of the Mexican importer including postal code
- Proof of payment of the IGI (*Impuesto General de Importación* or General Import Tax)
- Compliance with Mexican standard vehicle categories
- Payment of the 10 percent ad-valorem tax (one percent for the border zone) based on a minimum estimated price or “reference price”

This estimated reference price is determined based on the vehicle’s year, make, and model. Importers of used vehicles must post a guarantee or bond representing the difference between the duties and taxes if the declared customs value is less than the established reference price. The importer must show payment of the IVA (16 percent value-added tax), the ISAN (vehicle’s acquisition tax) listed in the bill of lading, and the one or 10 percent ad-valorem tax based on the minimum estimated price. Used vehicles destined for the border zone are allowed if they are not older than nine years old. If they are less than 10 years old, they are assessed a one percent ad-valorem tax. Those older than 10 years are subject to a 10 percent ad-valorem tax. Used vehicles

aged five to nine years old are permitted in the rest of Mexico for resale. Used vehicles which are prohibited from circulating in their own country of origin cannot be imported into Mexico. These requirements and regulations are in effect through March 31, 2019, or until further notice.

Please refer to our U.S. Commercial Service Mexico City [Market Report on Regulations for the Importation of Used Vehicles and Trucks](#) for further details.

## **Steel**

Since 2014, Mexican Customs has been requiring 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.

U.S. exporters 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 was sourced. This is independent of whether the products are secondary or tertiary (i.e., screws made of steel bar are tertiary since the bar itself is a secondary product from the mill). Tertiary producers must request 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 automático*) through the one-stop online import/export system single window (*ventanilla única*, or VUCEM) at least five days before the goods arrive in Mexican customs, or shipments will face delays. Thus, to avoid delays we advise U.S. exporters to send to the Mexican importer in advance all necessary paperwork related to the steel export, the mill test report, or the mill quality certificate, as well as the commercial invoice.

On January 2017, due to changes in Mexican customs law, Mexican importers—in addition to being an authorized entity to import—must be registered in the Sectoral Promotion Programs (*Programas de Promoción Sectorial* or PROSEC) for the steel industry.

## **Trade Barrier Contacts**

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<http://trade.gov/enforcement/>

## Import Tariffs

There are no tariffs for products made in the United States that meet NAFTA rules of origin requirements. However, there are several exceptions and caveats noted below that may affect overall pricing of U.S. exports. See <http://export.gov/FTA/nafta/index.asp> for a thorough explanation of NAFTA certificates of origin as well as the “What’s My Tariff” tool. The U.S.–Mexico–Canada Agreement (USMCA) will adjust rules of origin for some products, thus affecting their tariff treatment. For future developments and information on eventual agreements in connection with the USMCA, visit the Office of United States Trade Representative website at [www.ustr.gov](http://www.ustr.gov). Few U.S. exports are subject to antidumping duties that limit access to the Mexican market. A list of these products may be found at the U.S. International Trade Administration’s page on [Mexico Anti-Dumping and Countervailing Duty Measures](#).

Mexico has implemented the Sectoral Promotion Programs (*Programas de Promoción Sectorial* or PROSEC), which reduces 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 20 different industry sectors and affects 16,000 HS codes. Mexican companies must be registered under this program to participate. In January 2017, the list of PROSEC programs was updated. The complete list of HS codes and sectors that must comply with PROSEC can be found in [Annex 10 of the 2018 General Rules for Foreign Trade](#) via the Mexican Tax Administration Service’s website.

All NAFTA-compliant products “definitively” imported into Mexico are no longer assessed 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 (FOB 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.

We strongly urge all U.S. companies planning to bring samples, equipment, displays, or any other item into Mexico on a temporary basis to utilize an [ATA Carnet](#). Mexico signed onto the international carnet system in 2014, and companies have had temporary import goods impounded by Mexican Customs when those goods were not accompanied by an ATA Carnet. See our *Temporary Entry* topic below for more information on temporary imports.

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 all of Mexico. 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. In 2013, IEPS was expanded to include a tax on soda, high calorie foods, and junk foods. This tax may vary from 25 to 160 percent depending on the product.

In 2016, the Government officially announced the creation of Special Economic Zones (*Zonas Económicas Especiales* or ZEEs) to support economic development in certain regions and cities around the country. The López Obrador Administration is in the process of retooling economic zones. The federal zones authorized in the prior administration will come under state jurisdiction. All states will have the authority to develop their own zones. As of June 2019, the only federally-managed zones are in the Trans-Isthmic Interoceanic Corridor. See the section on *Transportation Infrastructure* for more information.

## Import Requirements & Documentation

For tax purposes, all Mexican importers must register and be listed with the Official Register of Importers (*Padrón de Importadores*), maintained by the Secretariat of Finance and Public Credit (SHCP), which also 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

SHCP to be listed in these 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. It is important to keep in mind that in many cases releasing goods from Mexican customs can take more time than expected.

The basic Mexican import document is the *Pedimento de Importación*. Mexico requires import and export documentation including a completed *pedimento* 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 if applicable (see the *Customs Valuation* section of this guide), and, if applicable, documents demonstrating compliance with Mexican product safety and performance regulations (see the *Standards* section). The import documentation should be prepared and submitted by a licensed Mexican customs broker or by an importer with sufficient experience in completing such documents.

Products qualifying as North American must use the NAFTA Certificate of Origin to receive preferential treatment. This must be completed by the exporter and does not have to be validated or formalized. Mexican tax authorities conduct fiscal audits on certain exporters in sensitive industries. A good source of information is the Mexican Tax Administration Service's website regarding [Verification of NAFTA Certificates of Origin](#). For future developments and information on eventual agreements in connection with the USMCA, visit the Office of United States Trade Representative website at [www.ustr.gov](http://www.ustr.gov).

Following a 2015 change in the law, the Mexican importer (registered in the Official Register of Importers or *Padrón de Importadores*) must assume responsibility for their own import paperwork and compliance with Mexico's customs regulations. Thus, the use of a customs broker for import 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, customs broker services may still be needed for the import process. Since customs brokers are subject to sanctions if they violate customs laws, some have been very restrictive in their interpretation of Mexican regulations and standards. Please also see our *Temporary Entry* topic below.

In the case of the textiles, apparel, and footwear sectors, the importer must be registered in the *Padrón* for textile, apparel, and footwear products. Companies not registered in the *Padrón* are not allowed to import the product.

On December 3, 2015, the Mexican Government initiated a special program to strengthen the Mexican textile-apparel industry. The main purpose of this program is to protect local industry against counterfeiting from Asia and to promote the financing programs of the Mexican Development Bank to support small and medium-sized companies in the sector. A number of these measures affect Mexican textile importers, including the use of an importer registry, the establishment of reference prices (though they should not be applied to products coming in under a NAFTA Certificate of Origin), as well as a five-day waiting period for all imports.

As is the case with steel products, notice of importation must be provided to the Mexican Government at least five days prior to the shipment and must include the invoice, complete supplier information, and other documents.

The following links provide access to the three versions of the textile, apparel, and footwear Mexican reference price lists:

- [5/10/2016 - Annex 4](#)
- [3/15/2016 - Annex 4](#)
- [1/6/2016 - Annexes 3 & 4](#)

## **Labeling/Marking Requirements**

All products intended for retail sale in Mexico must be labeled in Spanish prior to importation. Products that must comply with commercial and sanitary technical regulations (*Normas Oficiales Mexicanas*, or NOMs) must follow the guidelines, as specified in the applicable NOM. For more detailed information see *Labeling and Marking* in the *Standards* section.

## **U.S. Export Controls**

Mexico is not subject to any special U.S. export control regulations, and it is designated as a Category I country (the least restrictive) for receipt of U.S. high-technology products. Please see the [consolidated screening list](#) for guidance on controlled products and technology. The list consolidates eleven export screening lists of the Departments of Commerce, State and the Treasury into a single data feed as an aid to industry in conducting electronic screens of potential parties to regulated transactions.

## **Temporary Entry**

There are three types of temporary import documentation: under the maquiladora manufacturing program, under a temporary import permit for samples and other goods to be returned to the United States, and under an ATA Carnet.

## **Maquiladora Imports**

Mexico's maquiladora program, officially known as Manufacturing, Maquila and Export Service Industry (*Industria Manufacturera Maquiladora y de Servicio de Exportación* or IMMEX), allows manufacturers in Mexico to import raw materials and equipment into Mexico as a temporary import tax and duty free (including the value added tax, IVA). To receive this benefit, the goods to be temporarily imported must be used in an industrial or service process intended to produce, transform, or repair goods for subsequent export. These temporary imports must end up being part of a final export. Further information is at the [Secretariat of Economy website](#).

## **Temporary Import Permits**

Other temporary imports from the United States, however, are not assessed 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:

- Temporary imports to be returned in the same condition
- Musical instruments for artists
- Temporary imports for cultural and sporting events
- Temporary imports for conventions, congresses and trade shows
- Temporary imports for press, journalism, and cinematography

The first category 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 equipment for demonstration that is temporarily imported into Mexico for exhibitions or sales visits. U.S. representatives do not need to contract the services of a Mexican customs broker, and may complete the declaration themselves, using the declaration lane at the time of entry. Overlooking this requirement may result in the confiscation of the products, with a high penalty fee for recovery. 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 Mexican Customs, including:

- A list of the products for temporary importation into Mexico.
- A letter from the U.S. company stating that the product is for temporary entry into Mexico and that it will not be sold.
- A letter from the Mexican partner or company indicating the nature of the business relationship with the United States indicating they take full responsibility for returning the product to the United States within the designated period.
- 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.

The laws on IVA and the Special Tax on Production and Services (*Impuesto Especial sobre Producción y Servicios* or IEPS) as enacted in 2015 require that these taxes be paid on temporary imports by deposit, bond, or tax credit (the latter only applying provided that the company has a certification). The benefit of the certification is not having to pay IVA or IEPS at the time of importation by obtaining a tax credit for the payment of these taxes.

The [website of Mexican Customs](#) provides the steps and requirements to follow for almost all circumstances and sectors that involve temporary imports into Mexico, though this material is only in Spanish.

### **The ATA Carnet Option**

For temporary imports for trade shows, sales promotion, commercial samples, exhibitions, and demos, U.S. exporters have the ATA Carnet as a resource to ship and use equipment and merchandise in Mexico duty free and tax-free for up to 6 months. “ATA” stands for the combined French and English words “*Admission Temporaire*-Temporary Admission.” Mexico acceded to the ATA Carnet system in 2014, and Mexican Customs officers are very familiar with the process. Many U.S. companies have had samples or equipment impounded when attempting to import the goods without an ATA Carnet, so we urge you to consider this option.

The ATA Carnet can be used in two ways. A passenger can directly show the equipment or merchandise to the Mexican Customs authority without needing to contract a Mexican customs broker. In this way one obtains approval directly from Mexican customs officers upon arrival. Alternately, if the equipment or merchandise is shipped via cargo airplane, ship, or in considerable volume, it is recommended to contract a customs broker to support the import process, Then using an ATA Carnet will eliminate the paperwork involved in a regular import operation.

There are several advantages of the ATA Carnet:

- Duty- and tax-free temporary import of goods.
- No need to use a customs broker for clearance in the import process.
- Easy steps to arrange customs clearance, without losing time.
- For shipments arriving in the morning, goods can be cleared on the same day.
- Replacement of regular customs documentation for temporary entry—i.e., the traveler or the Mexican importer simply provides the ATA Carnet to Mexican Customs officers.

The [ATA Carnet website](#) provides more detail on how to obtain an ATA Carnet for Mexico.

## **Prohibited & Restricted Imports**

The following items are prohibited or restricted:

- Narcotics
- Live fish
- Predators of any size
- Images representing children in a degrading or ridiculous way
- Used clothes that are not part of your personal luggage
- Firearms and ammunitions.

A complete list of these items can be found at the [Prohibited Items List](#) at the Mexican Customs website.

In the case of medical devices and health care products, there are additional requirements. First, the products must comply with applicable standards. Second, foreign manufactured products need to have a legally appointed representative/distributor in Mexico. Third, the products must be registered with the Secretariat of Health (*Secretaría de Salud* or SSA) prior to being sold in Mexico. Except for blood, blood derivative products, and organs, almost all medical products can be imported into Mexico, provided they comply with existing regulations. See our *Healthcare* section for more information.

## **Customs Regulations**

Some U.S. exporters have expressed concerns about the Mexican Tax Administration Service's (*Servicio de Administración Tributaria*, or SAT) procedures. These concerns include insufficient prior notification of procedural changes, inconsistent interpretation of regulatory requirements at different border posts, and uneven enforcement of Mexican standards and labeling rules. SAT has made efforts to increase transparency and communication and reduce corruption and fraud.

Agricultural exporters note that Mexican inspection and clearance procedures for some agricultural goods can be long, burdensome, non-transparent and unreliable. Customs procedures for express packages continue to be burdensome, though Mexico has raised the de minimis level to USD 50 from USD 1. However, Mexican regulations still hold the courier 100 percent liable for the contents of shipments.

[Mexican Customs Authority](#) (*Aduanas de Mexico*) Helpline:

Tel: +52 1 (87) 7448-8728

Tel: +52 1 (84) 4287-3803

Monday-Friday / 9:00–14:30 / 15:30–18:00 (in Spanish)

[Tax Administration Service](#) (*Servicio de Administración Tributaria*)

Tel: +1 (877) 448-8728 (from the United States)

## **Standards for Trade**

### **Overview**

Plans for standards development in Mexico are published annually in a publicly-available standards workplan and the country has a well-established process for notification, public comment, and amendment of standards before they are finalized.

Three definitions are important to keep in mind:

1. **Official Mexican Standards (*Normas Oficiales Mexicanas, or NOMs*).** NOMs are technical regulations, including labeling requirements, issued by government agencies and secretariats. Compliance with NOMs is mandatory. Any bureau, person, or council can propose the creation or modification of a NOM to the appropriate committee.
2. **Mexican Standards (*Normas Mexicanas, or NMXs*).** NMXs are voluntary standards issued by recognized national standards-making bodies. Compliance is mandatory only when a claim is made that a product meets the requirements of the NMX, when a NOM specifies compliance with an NMX, and whenever specified in government procurement.
3. **Reference Standards (*Normas de Referencia Federal, or NRFs*).** NRFs are applied to goods and services acquired, leased, or hired, when Mexican or international standards do not cover their requirements, or their specifications become obsolete.

In the information below, we review the government bodies involved in the setting and enforcement of standards, the standards development process, and ways in which U.S. companies can participate in the process.

## **Standards**

The Mexican Government has a prominent role in Mexico's standards system. The Secretariat of Economy (SE), through the General Directorate of Standards (*Dirección General de Normas, or DGN*), is the organization with the authority to manage and coordinate standards development in Mexico. The Secretariat's authority is derived from the Federal Metrology and Standardization Law (*Ley Federal de Metrología y Normalización, or LFMN*). DGN participates actively in international fora, including the International Organization for Standards (ISO), Codex Alimentarius, the Pan American Standards Commission (COPANT), and the International Electrotechnical Commission (IEC).

## **Publication of Technical Regulations**

In accordance with the LFMN, the National Standardization Plan (*Programa Nacional de Normalización, or PNN*) is the official document used to plan, inform and coordinate standardization activities, both public and private, carried out by the Mexican Government. The PNN is published annually in Mexico's Official Gazette (*Diario Oficial de la Federación, or DOF*).

The PNN includes a list of topics that will be developed into NOMs and NMXs as well as an approximate working calendar for each respective topic. The Technical Secretariat of National Standardization develops the PNN each year, approved by the National Standardization Commission (*Comisión Nacional de Normalización, or CNN*).

The LFMN and its implementing regulation establish a timeframe 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 actual NOM-making period, however, is based on various factors. These include the complexity of the topic and the inherent uncertainty about the amount of time needed for each step in the process (i.e. publishing period in the DOF, draft response, comments, and final technical regulation).

Any bureau, person, or council can propose the creation or modification of a NOM to the appropriate committee. Federal agencies wanting to propose a new NOM must create a committee, known as a National Standardization Advisory Committees (*Comités Consultivos Nacionales de Normalización, or CCNNs*). The committee drafts the NOM and registers it in the PNN. Then the draft NOM is published in the DOF for a 60-day comment period.

After the comment period, the CCNN analyzes the comments, publishes them in the DOF, and authorizes the final NOM.

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

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

These links provide a PDF copy of Mexico's 2019 National Standardization Program:

- [2019 National Standardization Program - Section 2](#)
- [2019 National Standardization Program - Section 3](#)
- [2019 National Standardization Program - Section 4](#)
- [2019 National Standardization Program - Section 5](#)

#### *Standards Bodies*

**The National Standardization Commission (*Comisión Nacional de Normalización, or CNN*)** is the coordinating body for standards policy at the national level. More information can be found at the [Mexican Secretariat of Economy's Standards Page](#). Currently, the CNN is comprised of 43 members, including federal agencies, chambers, national standards bodies and associations related to standardization. The CNN's main functions are to approve the National Standards Program, establish the coordination guidelines between agencies and entities at the federal level, prepare and publish standards, resolve any differences between CCNNs, and comment on the registration of national standardization bodies.

**The National Standardization Technical Committees (*Comités Técnicos de Normalización, or CTNs*)** are bodies recognized by the Secretariat of Economy and their main function is to create NMXs in those areas where National Standardization bodies do not exist.

The principal Mexican Government entities that develop NOMs include the following:

- Secretariat of Economy (SE)
- Secretariat of Agriculture and Rural Development (SADER, formerly SAGARPA)
- Secretariat of Labor and Social Welfare (STPS)
- Secretariat of Communications and Transportation (SCT)
- Secretariat of Tourism (SECTUR)
- Secretariat of Agrarian, Land, and Urban Development (SEDATU)
- Secretariat of Environment and Natural Resources (SEMARNAT)
- Secretariat of Energy (SENER)
- Secretariat of Health (SSA)
- Secretariat of Interior (SEGOB)
- Energy Regulatory Commission (CRE)

- National Industrial Safety and Environmental Protection Agency for the Hydrocarbon Sector (ASEA)

Organizations that develop 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)
- Dairy Products—Council for Milk Quality and Dairy Products (COFOCALEC)
- Steel—National Chamber of the Iron and Steel Industry (CANACERO)

#### *Standards Classifications*

Mexican standards are classified into economic sectors according to the following table:

<b>Industrial Sector</b>	<b>Letter</b>
Textile Industry	A
Environmental Protection	AA
Graphic Arts	AG
Steel Products	B
Metal Blinds, Shutters and Rods	BA
Products and Equipment for Medical, Hospital and Laboratory Use	BB
Construction Materials	C
Quality Systems	CC
Control, Measurement and Statistics Apparatus	CH
E-Business	COE
Vehicles (incl. auto parts)	D
Automotive Locksmith Services	DA
Blueprint and Photocopying	DD
Technical Drawing	DT
Plastics and their Products	E
Conformity Assessment	EC
Container and Packaging Products	EE
Electronic Data Exchange	EDI
Solar Energy	ES
Food Products	F
Non-Industrialized Food Products for Human Use	FF
Pharmaceutical Products	G
Cranes and Lifting Devices	GR
Technology Management	GT

Metalwork, Welding and Metallic Coating Products	H
Electronics Industry	I
Electricity Industry	J
Chemical Products	K
Oil Refining, Distillation and Exploration Products	L
End-Use Chemicals	M
Equipment and Materials for Offices and Schools	N
Equipment for General Use in Industry and Agriculture	O
Glass Industry	P
Items Used for Optics	PA
Handicrafts and Pottery	PP
Products and Equipment for Domestic Use	Q
Miscellaneous Industries	R
Security	S
Environmental Administration Systems	SAA
Industrial Hygiene	SS
Health and Safety at Work Management Systems	SAST
Rubber Products	T
Tourism	TT
Paints, Varnishes and Lacquers	U
Alcoholic Drinks	V
Non-Ferrous Metal Products	W
Toys	WW
Equipment for the Handling and Use of LP and Natural Gas	X
Agricultural Industry	Y
Basic Standards and Symbols	Z

*Source: Secretariat of Economy*

#### *Conformity Assessment*

Certain NOMs require companies to obtain for their product(s) 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 applicable NOMs. The LFMN 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:

- Certification Bodies
- Testing Laboratories
- Calibration Laboratories

- Verification Units

Under NAFTA, Mexico recognized conformity assessment bodies in the United States and Canada on terms no less favorable than those applied in Mexico. However, only Underwriters Laboratories, Inc., and Intertek Testing Services NA, Inc., have been accredited.

Based upon agreements with other agencies, as well as with other certification organizations, DGN has established procedures for the certification of products to both technical regulations (NOMs) and voluntary standards (NMXs). Conformity assessment procedures issued by the DGN tend to be more fully developed and cover a significantly greater range of NOMs than those of other secretariats that develop NOMs.

*NOM Annex 2.4.1.*

On October 23, 2018, the Mexican Government published in its Official Gazette an amendment to Annex 2.4.1. (known as the “NOM Annex”) of the “General Import and Export Tax Law,” which identifies the HS codes of imported products subject to NOM compliance. The changes became effective on June 3, 2019. One key change is that importers can no longer use the exceptions listed previously in Article 10, Section VII (products imported for the company’s own use) and Section VIII (products that will be used for professional use, industrial or manufacturing process) of the Annex to import the product without a compliance certificate.

The change was published in the [Official Gazette in Spanish on October 23, 2018](#). The deadline extension was published in the [Official Gazette in Spanish on February 28, 2019](#).

We encourage U.S. companies to work with their Mexican importer to confirm if their product must comply with mandatory NOM certification.

*Product Certification and Accreditation*

The Mexican Government authorizes private organizations to accredit conformity assessment bodies (calibration laboratories, certification bodies, testing laboratories, and verification/inspection units). The first authorized entity’s private non-profit institution is the Mexican Accreditation Entity (*Entidad Mexicana de Acreditación*, or EMA).

*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.* (certifies Mexican quality)

- CNCP—*Centro Nacional Para la Calidad del Plástico* (Mexican Center for the Quality of Plastics)
- 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* (for electronic standardization and certification)
- ONNCCE—*Organismo de Normalización y Certificación de la Construcción y Edificación* (the building and construction standardization and certification body)
- UL de México—*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 DOF, which lists all products by tariff number that must comply with NOMs 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.

*National Institute of Standards and Technology (NIST) 'Notify U.S.' Service*

Members of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to notify the WTO of proposed technical regulations and conformity assessment procedures that could affect trade. Notify U.S. ([www.nist.gov/notifyus](http://www.nist.gov/notifyus)) is a free, web-based e-mail registration service that captures and makes available for review and comment key information on draft regulations and conformity assessment procedures. Users receive customized e-mail alerts when new notifications are added by selected countries and industry sectors of interest and can also request full texts of regulations. This service and its associated website are managed and operated by the USA WTO TBT Inquiry Point housed within the National Institute of Standards and Technology, part of the U.S. Department of Commerce.

**CS Mexico Standards Contacts**

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## Trade Agreements

For U.S. exporters, Mexico's trade liberalization efforts mean that the Mexican market is one of the most open and competitive in the world.

The United States, Mexico, and Canada are parties to the North American Free Trade Agreement (NAFTA) and there are no tariffs for qualifying goods and services traded among the three countries (Note: As of June 2019, there are tariffs in place for specific categories of products. See the Trade Barriers Sections). The North American Free Trade Agreement (NAFTA), signed by the United States, Canada, and Mexico (the Parties), entered into force on January 1, 1994. Under NAFTA, tariffs on nearly all goods were eliminated progressively, with all final duties and quantitative restrictions eliminated, as scheduled, by January 1, 2008. After signing the NAFTA, the Parties concluded supplemental, and largely unenforceable, side agreements on labor and the environment.

The United States entered into negotiations with the Parties seeking to update and rebalance NAFTA in August 2017. The United States–Mexico–Canada Agreement (USMCA) was signed on November 30, 2018 and will replace NAFTA to better serve the interests of American workers, farmers, ranchers, and businesses. The USMCA modernizes and rebalances U.S. trade relations with Mexico and Canada, and it reduces incentives to outsource by providing strong labor and environmental protections, innovative rules of origin, and revised investment provisions. The Agreement also brings labor and environment obligations into the core text of the agreement and makes them fully enforceable.

The Agreement upgrades NAFTA in a number of key areas. For example, the USMCA establishes the strongest and most advanced provisions on intellectual property and digital trade ever included in a trade agreement. Finally, the USMCA also includes a number of groundbreaking provisions to combat non-market practices—such as subsidies and currency manipulation—that have the potential to disadvantage U.S. workers and businesses. In addition, through updated rules of origin, the USMCA requires that 75 percent of auto content be produced in North America and that key auto core parts always be originating in North America. For more information visit the Office of United States Trade Representative ([www.ustr.gov](http://www.ustr.gov)).

Mexico is a member of the World Trade Organization (WTO), the Asia-Pacific Economic Cooperation (APEC), the G-20, and the Organization for Economic Cooperation and Development (OECD). Mexico has 13 Free Trade Agreements (FTAs) with 50 countries—including NAFTA and FTAs with the European Union, European Free Trade Area, Japan, Israel, 10 countries in Latin America, and the 11-country Comprehensive and Progressive Agreement for Trans-Pacific Partnership. Mexico is also a member of the Pacific Alliance, a trade bloc formed by Mexico, Chile, Colombia, and Peru in 2011.

## Licensing Requirements for Professional Services

U.S. professional licenses are not generally recognized in Mexico (e.g. engineer, architect, and lawyer). One must become accredited in Mexico or have a Mexican counterpart co-sign or validate the U.S. work. For example, a U.S. architect may draw up plans for a building, but that must also get a “Stamp of Approval” by a licensed Mexican architect. A list of local professional associations can be found in the *Principal Business Associations* section of this guide. A guide to register your professional degree in Mexico (information is in Spanish) can be found at the [Secretariat of Education website](#). For additional information, please contact your nearest U.S. Export Assistance Center or the U.S. Commercial Service in Mexico City ([www.export.gov/locations](http://www.export.gov/locations)).

## Web Resources

- Mexican Standards—[Mexican Secretariat of Economy Standards Page](#)
- Mexican Standards Workplan—[2018 Mexico National Standardization Plan](#)

- United States National Institute of Standards and Technology—[Notify U.S. Service](#)
- Office of the United States Trade Representative—[USTR NAFTA Page](#)

## **Investment Climate Statement**

The U.S. Department of State's Investment Climate Statements provide information on topics including openness to investment, legal and regulatory systems, dispute resolution, intellectual property rights, transparency and corruption. To view the 2019 Mexico Investment Climate Statement, visit <https://state.gov/reports/2019-investment-climate-statements/Mexico>.

## **Trade & Project Financing**

This section covers a range of financing topics for selling to Mexico. It covers payment methods, things to know about banking systems in Mexico, foreign exchange controls, U.S. and correspondent banking, and project financing.

### **Methods of Payment**

U.S. exporters should be aware that Mexican lending rates are significantly higher than in the United States. 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 to be as competitive as possible. Intermittent volatility in the MXN/USD exchange rate has led to Mexican importers requesting longer payment terms as they struggle to finance their operations. When the peso drops in value, some importers under existing contracts may default 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 in 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.

For more information, see *Web Resources* in this section or contact the U.S. Commercial Service in Mexico City.

### **Banking Systems**

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, 48 banks are operating in Mexico; seven of which (BBVA Bancomer, CitiBanamex, Santander, Banorte, HSBC, Inbursa, and Scotia Bank) control 78 percent of the market share by total assets. Mexico's commercial banking sector is open to foreign competition. Almost all major banks, except for 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 valued customers. However, banks are now beginning to implement programs for lending to a wider range of companies, although at relatively high rates. Average interest rates on loans in Mexico hover around 25 percent and are some of the highest in Latin America. In general, small and medium-sized enterprises (SMEs) have trouble accessing credit.

According to a first-quarter 2019 Bank of Mexico (BANXICO) survey of established companies, their main sources of financing were suppliers (76.9%), commercial banks (32.2%), other companies and/or their own headquarters (19.5%), foreign banks (5.7%), development banks (4.3%), and debt issuance (1.8%).

The Mexican Government has enacted several incentives to encourage more lending to SMEs, and banks have followed suit with new lending policies, but it remains to be seen whether the largest segment of the Mexican economy will gain better access to credit. In January 2014, then-President Enrique Peña Nieto announced [a set of financial reforms](#) to redefine the mission of development banks, promote private financing, and encourage financing with lower rates. Now more than five years later, these reforms have started to reduce borrowing costs and to increase access to credit, albeit slowly. The four goals of the financial reform are to 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.

The Secretariat of Finance and Public Credit (*Secretaría de Hacienda y Crédito Público* or SHCP), the National Banking and Securities Commission (*Comisión Nacional Bancaria y de Valores* or CNBV), and BANXICO are the principal regulators of the banking system. SHCP is concerned with institutional issues, such as licensing, and sets credit and fiscal policies. CNBV, a semi-autonomous government agency, is responsible for supervision and vigilance. BANXICO (the Central Bank) implements these policies and operates inter-bank check clearing and compensation systems. The Institute for the Protection of Bank Savings (*Instituto para la Protección al Ahorro Bancario* or IPAB, replacing the former institution FOBAPROA) acts as a deposit insurance institution. The Mexican Banking Association (*Asociación Bancaria Mexicana* or ABM) represents the interests of Mexico's banks.

### **Mexican Payments System (SPEI)**

One objective of the Central Bank is to promote the development of the Mexican payments system. The Central Bank supervises the operation of the Inter Banking Electronic Payments System (*Sistema de Pagos Electrónicos Interbancarios* or SPEI), not only for large but also for retail payments transactions and it also regulates the retail payments systems which include electronic funds transfers, card payments, direct debits and checks. SPEI is an electronic funds transfer system owned and operated by the Central Bank. The system has allowed participants to transfer money in real time since August 2004. The system is used for both large-value payments and low-value transactions such as payrolls and person-to-person transfers. SPEI is a hybrid system, clears operations every few seconds, and the results are settled immediately on the participants' cash accounts.

### **Digital Payment System (*Cobro Digital* or CoDi)**

In January 2019, the Central Bank, the Secretariat of Finance and the Mexican Banking and Securities Commission announced a new payments system through QR (Quick Response) code. The system called *Cobro Digital* or CoDi is part of the Government's efforts to increase financial inclusion and reduce cash economy. CoDi's users/customers must have a smartphone, and a level 2 bank account (accounts that can be opened with customer's basic information). The sellers must have a static QR Code, a smartphone to download the CoDi app (for face-to-face transactions) or a web page to generate the CoDi requests for online sales. Mexican authorities expect that this new platform will be completely operational in the last quarter of 2019. The CoDi system was officially launched in March 2019 during the Annual Convention of the Mexican Banking Association. On September 30, Banxico announced all banks required to offer CoDi on their mobile platforms were in compliance.

### **Mexican Financial Technologies (Fintech) Law**

With over nearly 400 fintech start-ups, Mexico is currently the second-largest fintech market in Latin America after Brazil. In 2018, the Mexican fintech industry grew by 23.4 percent. Most of the Mexican fintech companies focus on payments and remittances, personal financial management, crowdfunding and lending. According to

*Fintech Radar Mexico 2018*, the segments with most activity and dynamism in Mexico are payments and remittances (30%), lending (20.6%), enterprise financial management (13%), crowdfunding (7.4%), insurance (6.6%), identity fraud (4.1%), digital banks (3.8%), trading & capital markets (3.3%), wealth management (2%).

In addition to these fintech segments, the Mexican market has activity in personal finance management, financial education and saving, and scoring solutions.

Due the growing importance of the fintech industry in Mexico, in 2017 and 2018 financial regulators drafted Mexico's first financial technology regulation law to reduce operational risk, enhance transparency and improve security. On March 10, 2018 the Fintech Law was published in the Official Gazette.

The law covers four broad areas of fintech services. They include crowdfunding and P2P lending, electronic money services, virtual assets, and application programming interfaces (APIs). The law was drafted to foster financial inclusion, consumer protection, financial stability, competition, and financial integrity.

The law allows companies and financial entities to obtain a special temporary authorization to offer financial services using technological tools through a regulatory sandbox. The Fintech Law also mentions the creation of a Financial Innovation Group formed by financial authorities and the private sector to share ideas, discuss innovations in the financial arena between the private and public sectors, and achieve better planning and development of the law. The law also establishes that SHCP, CNBV, and BANXICO are the main regulators for the fintech sector.

The Fintech Law includes an option to obtain a special temporary authorization to offer financial services using technological tools subject to certain terms and conditions. The CNBV reported in late September 85 fintechs applied for this authorization. The Fintech Law was approved in March 2018 but most of the substantive content was established by secondary regulations published in September 2018.

According to *Fintech Radar Mexico*, following the passage of the Fintech Law, the payments and crowdfunding sectors grew by 18% in 2019 over the previous year. As noted above, payments and remittances are the most active industries in the sector, and digital banking has experienced the most important growth (around 200%) compared to 2018.

## **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 Bancomext (*Banco Nacional de Comercio Exterior* or National Bank for International Trade). 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 SMEs and micro businesses. Nafinsa also undertakes strategic equity investments and contributes equity to joint ventures. Bancomext provides financing to Mexican exports and to SMEs. 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 (*Banco Nacional de Obras y Servicios Públicos* or National Development Bank for Public Works and Services), Financiera Rural (*Financiera Nacional de Desarrollo Agropecuario, Rural, Forestal y Pesquero* or Rural Agriculture Bank), Bansefi (*Banco del Ahorro Nacional y Servicios Financieros* or National Savings and Financial Services Bank), Banjercito (*Banco Nacional del Ejército* or 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 authority to operate multiple business lines for extending credit (known collectively under the acronym SOFOMs, for their legal corporate structure called *Sociedad Financiera de Objeto Múltiple*). SOFOMs are divided in two categories: *Entidades Reguladas*, or Regulated Entities (SOFOM ER); and *Entidades No Reguladas*, or Non-Regulated Entities (SOFOM NR).

Due to the financial reform, regulation and supervision of SOFOMs has increased. SOFOMs 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 they are not allowed to receive deposits from the public.

## **Foreign Exchange Controls**

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, to prevent money laundering, SHCP maintains a regulation governing the deposit and exchange of U.S. dollars in Mexican banks. 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 USD 4,000 per month in all banking branches.
- National citizens that are non-account holders of the bank can deposit USD 300 daily, but no more than USD 1,500 monthly.
- Tourists that are not account holders of the bank can exchange no more than USD 1,500 monthly in cash.

Border and tourist-area businesses can exceed the USD 14,000 per month cash deposit limit if they meet three criteria. They must 1) have been operating for at least three years; 2) provide additional information to financial institutions justifying the need to conduct cash transactions in U.S. dollars; and 3) provide three years of financial statements and tax returns. The limit on individual account holders remains unchanged. There is no restriction on the sale of dollars. However, upon entering or departing Mexico, cash amounts of USD 10,000 or more must be declared and documented. For more information on the regulation in Spanish, see the [Official Gazette notice on this subject](#).

## **U.S. Banks & Local Correspondent Banks**

There are many U.S.-based banks active in the Mexican market, particularly U.S. brokers and banks working with EXIM Bank programs. The U.S. Commercial Service Mexico maintains a list of these banks. Please contact Sylvia Montaña ([Sylvia.Montano@trade.gov](mailto:Sylvia.Montano@trade.gov)) for more information.

## **Project Financing**

For large infrastructure projects, several 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 (EXIM), 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 EXIM's guarantee. More than 85 percent of EXIM's transactions in recent years directly benefited small businesses. In Fiscal Year 2018, EXIM Bank's total exposure in Mexico was USD 5.48 million and guarantee authorizations were USD 33 million. Mexico remains one of the largest markets in EXIM's portfolio.

Much of EXIM'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 EXIM. The Mexican bank then makes loans to Mexican companies for the purchase of American capital goods. There also are several U.S.-based banks that extend EXIM bank credits in Mexico. The major Mexican commercial banks have signed agreements with EXIM bank to grant lines of credit to Mexican firms that purchase U.S.-made products. Many major Mexican banks have Master Guarantee Agreements. Such credits generally are available only to Mexican blue-chip companies and to their suppliers with firm contracts.

Additionally, EXIM 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.

#### **U.S. Trade and Development Agency (<http://www.ustda.gov>)**

The U.S. Trade and Development Agency (USTDA) provides grant funding for infrastructure project planning activities to help promote U.S. exports. By assisting U.S. firms to become involved in the early stages of project development, USTDA increases awareness of upcoming projects for the U.S. business community, growing the probability that U.S. exports will be used during the implementation stages. USTDA works closely with multilateral development banks, including the World Bank and the Inter-American Development Bank, to help U.S. firms take advantage of projects financed by those banks. Additionally, USTDA organizes reverse trade missions to introduce Mexican project sponsors to U.S. technology and companies. USTDA has an active program in Mexico, funding projects in a wide range of sectors, including energy, transportation, telecommunications, and the environment.

USTDA has published a comprehensive [Resource Guide for U.S. companies on Priority Infrastructure Projects in Mexico](#).

#### **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 develop an export component to their businesses. The SBA assists businesses in obtaining the capital needed to explore, establish, or expand in 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.

#### **Multilateral Development Banks:**

The U.S. Commercial Service maintains Commercial Liaison Offices in each of the main Multilateral Development Banks, including the Inter-American Development Bank and the World Bank. These institutions lend billions of dollars in developing countries on projects aimed at accelerating economic growth and social development by reducing poverty and inequality, improving health and education, and advancing

infrastructure development. The Commercial Liaison Offices help American businesses learn how to get involved in bank-funded projects, and advocate on behalf of American bidders. Learn more by contacting the Commercial Liaison Offices to the Inter-American Development Bank (<http://export.gov/idb>) and the World Bank (<http://export.gov/worldbank>).

## Financing Web Resources

Export-Import Bank of the United States	<a href="http://www.exim.gov">www.exim.gov</a>
EXIM Country Limitation Schedule	<a href="http://www.exim.gov/tools/country/country_limits.html">www.exim.gov/tools/country/country_limits.html</a>
Overseas Private Investment Corporation (OPIC)	<a href="http://www.opic.gov">www.opic.gov</a>
U.S. Trade & Development Agency (TDA)	<a href="http://www.tda.gov">www.tda.gov</a>
SBA's Office of International Trade	<a href="http://www.sba.gov/oit">www.sba.gov/oit</a>
USDA Commodity Credit Corporation	<a href="http://www.fsa.usda.gov/ccs/default.htm">www.fsa.usda.gov/ccs/default.htm</a>
U.S. Agency for International Development	<a href="http://www.usaid.gov">www.usaid.gov</a>
Federal Trade Commission	<a href="http://www.ftc.gov">www.ftc.gov</a>
Commercial Liaison Office to the World Bank	<a href="http://export.gov/worldbank">http://export.gov/worldbank</a>
Commercial Liaison Office to the Inter-American Development Bank	<a href="http://export.gov/idb">http://export.gov/idb</a>
Trade Finance Guide for U.S. Exporters	<a href="http://www.export.gov/TradeFinanceGuide">www.export.gov/TradeFinanceGuide</a>
Financing and Payment Mechanisms Report	<a href="http://www.uscis.gov/US-Commercial-Service-Mexico-Website">U.S. Commercial Service Mexico Website</a>

## Business Travel

This section on business travel provides an overview of business customs and travel tips that may be useful during your time working in Mexico.

### Business Customs

Mexican business people in major cities place a great deal of importance on appearances, and in many settings generally dress more formally than in most U.S. cities. We recommend wearing professional attire when meeting with prospective business partners in Mexico and avoiding overly casual clothes and athletic shoes when going out to business meals.

Being sensitive to typical business hours and mealtimes is extremely important. It is not uncommon for offices to open at 9:30 or 10:00 a.m. and for people to work until 8 p.m. or later. This means that during the week, many Mexicans follow a pattern of five meals, with *desayuno* consisting of fruit or a pastry between 7 a.m. and 9 a.m. before going to work, a somewhat heavier *almuerzo* around 10:30 or 11:30 a.m., a heavy lunch called *comida* generally after 2 p.m., an evening snack called *merienda*, and/or a light dinner or *cena* after 8 p.m. Don't try to schedule a meeting between 2 p.m. and 4 p.m. unless you intend for it to be a lunch meeting.

The business lunch is a key tool in Mexico. Use it to build relationships and discuss matters in greater leisure. Before beginning a business discussion, it is common to discuss family, recent events, or other social themes. Mexican business people and government contacts may smoke and drink during business meals. Business lunches can span two hours or more and, again, usually do not begin until 2 or 3 p.m. Many restaurants do not open for lunch before 1:30 p.m. and most restaurants will not even begin offering dinner before 7:30 p.m.

Patience is key when doing business in Mexico. Business meetings in Mexico will often take longer than they would in the United States. Mexican social etiquette often includes more small talk before business. Social custom 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. Email communication may be significantly more formal than it is in U.S. practice, and it is courteous to mirror this formality in your own emails. The mobile messaging application WhatsApp is popular for quick, informal communications. 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 the norm for most business and government appointments.

Business cards are used extensively. Come with a large supply. Mexican pesos are used throughout the country. It is not legal or common to pay with U.S. dollars (although in border areas and tourist areas dollars are sometimes accepted).

## **Travel Advisory**

The State Department provides a security assessment of every state in Mexico. All U.S. travelers and investors to the country are strongly encouraged to visit the Department of State's [Travel Warning website](#). We also recommend you register your trips through the [Safe Traveler Enrollment Program](#), which will allow you to receive security updates and instructions in the event of a natural disaster or other incident.

## **Visa Requirements**

If a U.S. business person 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.

For definitive immigration regulations from the Mexican Government, please review the information on the [immigration work permit form](#) and the overall [immigration law and regulations](#).

All U.S. citizens must have a passport or passport card to enter Mexico. Passport cards can be used only to cross into Mexico within 13 miles from the border. Passports are required for air travel or for land border travel when visiting any State of Mexico that is more than 13 miles from the border. There is a single visa form for tourist and business visitors, valid for 180 days upon entry with no fee. This form is normally distributed on all arriving aircraft. The bottom portion of this form will be torn off and handed back to you to become your Visitor Card (*Forma Migratoria Múltiple* or FMM), which you should keep in your passport.

**IMPORTANT NOTE:** All foreign visitors should keep their Visitor Card (FMM) bearing the official entry 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 (*Instituto Nacional de México* or 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 receive the FMM when entering Mexico, either at the initial border entry or at the interior checkpoint 21 km past the border. While it is always provided at Mexican international airports as part of immigration procedures, it is not always automatically given at land crossing. If you then try to return to the United States by air without the card you can be subject to a fine of up to USD 400 or may be detained and deported if stopped in the interior of the country.

For further information please visit the [Mexican Secretariat of Tourism website](#).

U.S. companies that require travel of foreign business persons to the United States should ensure the Mexican or third-country national applies for their U.S. visa well in advance. Applicants for a U.S. visa should go to the following links:

- State Department Visa Website <https://travel.state.gov/content/visas/en.html>
- U.S. Embassy Mexico Visa Information <https://mx.usembassy.gov/visas/>

## **Expedited Entry into the U.S. and Mexico**

Members of the U.S. Global Entry program know how convenient it is for entry to the United States. Global Entry allows U.S. citizens and residents of select countries, including Mexico, who have applied and been approved to have expedited entry at airport immigration and customs facilities when returning to the United States. Global Entry membership also gives you access to SENTRI lanes at the U.S.-Mexico land border. If you are not a Global Entry member, you can get more information and apply at through the [Global Entry website](#). Mexico has a similar program for frequent travelers entering Mexico by air. It's called the *Programa Viajero Confiable* (Trusted Traveler Program). Members of Viajero Confiable who are Mexican Nationals can now also apply for NEXUS to have expedited entry at airports in Canada.

Viajero Confiable provides similar benefits for entering Mexico and is in operation at airports in Mexico City, San Jose del Cabo, and Cancun. The application may be made online. Once preapproved, applicants must undergo an interview at an enrollment center at one of the three Mexican airports for final approval. Membership is good for five years and you can apply at <https://www.inm.gob.mx/viajero-confiable/publico/solicitud.html>.

NEXUS offers benefits at airport and land border ports of entry in Canada. For more information visit the NEXUS site: [www.cbsa-asfc.gc.ca/prog/nexus/menu-eng.html](http://www.cbsa-asfc.gc.ca/prog/nexus/menu-eng.html).

Those who cross the U.S. land border regularly but don't need the full benefits of Global Entry might be interested in membership in SENTRI, open to all nationalities who meet membership criteria. The program is available at <https://www.cbp.gov/travel/trusted-traveler-programs/sentri>.

## **Currency**

Mexico's currency is the Mexican peso. In the first half of 2019, the average exchange rate was 19.25 pesos to the U.S. dollar. In most cities and tourist areas, credit and debit cards are widely accepted in established businesses. There is usually easy access to ATMs that accept U.S. ATM networks. Take the usual precautions to prevent skimming or theft of your card and banking information, including your PIN, and be cautious of anyone approaching you when at ATM machines.

## **Telecommunications/Electronics**

### **Telephone Services**

Telephone service is usually reliable, though certain remote locations in Mexico do not have direct dialing to the United States. Telephone service is heavily taxed in Mexico, and fees are relatively high. Select calling cards may be used in Mexico. More commonly, cellular telephones and smart phones are available and widely used. On mobile devices, country codes may be dialed with a plus sign (+) before the country code. Mexico's country code is +52 and it is +1 for the United States. In August 2019, the Mexican telephone system simplified dialing prefixes for Mexican numbers. To dial or send a message to a Mexican you are now required to enter only the 10-digit number consisting of the area code and phone number.

The three main mobile carriers, Telcel, Movistar, and AT&T offer national coverage and international roaming services. Telcel and AT&T offer packages with no roaming charges throughout North America available through T-Mobile and AT&T in the United States. The best reception is found on federal highways and in the top 50 cities in the country, including beach resorts. It is very likely that you will be able to use your mobile phone while traveling to Mexico, regardless of the company and technology (GSM, CDMA or PTT) you use.

Roaming services apply to both voice and data services. You can use data on your mobile phone if you have contracted such a service in the United States. However, if you do not have an international plan, roaming fees (voice and data) can be substantial.

### **Internet Services**

Tourist and business hotels provide internet services in rooms, or at a minimum, in business centers. Internet hotspots are now common. Free Wi-Fi is offered in select public spaces through the government-sponsored *Mexico Conectado* program, and most restaurants and cafés offer free Wi-Fi to patrons. Because internet penetration in residential areas was relatively low until recently, Mexico still has many internet cafés that offer internet access for a fee.

### **Electricity**

Mexico uses the same voltage (120v) and the same size wall plugs as the United States.

### **Transportation**

Mexico City, Guadalajara, Monterrey, Tijuana, Querétaro, 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, United, Jet Blue, and Southwest. Mexican carriers providing scheduled service within Mexico include Aeromexico, Volaris, Interjet, and Viva Aerobus.

### **Taxis, Uber, and Road Transportation**

It is important to ONLY use registered *sitio* taxi services or application-based car services such as Uber throughout the country, including using only the taxi vendor booths located INSIDE the airports. For Uber or other app-based services such as Cabify, you will need to check there is service in your city of destination, download the app, and configure a profile and payment account (preferably prior to arrival). Hotels and restaurants can also call a sitio or radio taxi for you. The taxi driver will provide you with a receipt (*un recibo*) upon request. For airport taxis, the receipt is usually the pre-paid stub from your ticket. App-based services may face local resistance. For more information, please see the Travel Advisory as well as the *Travel and Transportation* section at <https://travel.state.gov/content/passports/en/country/mexico.html>.

### **Airport Arrivals**

The Mexico City Benito Juárez International Airport offers a fixed price taxi service to any point in the city. You can pay with a credit card or pesos, and you purchase tickets at one of several taxi company booths just after exiting the customs area. The fare from the airport to most areas within the city can vary widely as Mexico City is so large but should average MXN 200-350 for car service (rates are higher for an SUV). Alternatively, travelers can use the Uber app for an airport pickup and to move around Mexico City. Allow time for travel to and from the airport to major hotels. While the trip can take as little as 20 minutes in light traffic in the middle of the night, the same trip can take nearly two hours if accidents, demonstrations, rain, or other occurrences disrupt traffic.

The Monterrey General Mariano Escobedo Airport has a very similar taxi service. The fare to most locations in Monterrey is about MXN 250-300. With your ticket in hand, exit the lobby, and an attendant from the taxi company will guide you to your taxi. Alternatively, travelers can use the Uber app for an airport pickup and to move around Monterrey. Airport and Flight Information is available by calling +52 (81) 8345 4434.

The fare from Guadalajara International Airport to most locations in Guadalajara is about MXN 260-420. The trip from the airport to Guadalajara can take up to 45 minutes, depending upon traffic. Alternatively, travelers can use the Uber app for an airport pickup and to move around Guadalajara. For airport and flight information, call +52 (33) 3688-5894.

Sitio taxi services and Uber (depending upon location) are available at other airports and hotels around the country as well.

## **Language**

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

## **Health**

A high standard of medical care is available in the principal cities, especially from the main 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/>.

The Embassy and Consulates maintain lists of hospitals. For the three top cities, you can consult the following links:

- [Mexico City](#)
- [Guadalajara](#)
- [Monterrey](#)

The U.S. Embassy does not assume responsibility for the professional ability or integrity of the persons or firms whose names appear on the above lists.

In case of medical emergency, U.S. citizens may call the American Citizen Services at any U.S. Embassy or Consulate for help. Please find additional information and contacts for all U.S. consulate locations in Mexico at <https://mx.usembassy.gov/u-s-citizen-services/find-your-consular-location/>.

Mexico does have health concerns. You should take normal tourist precautions regarding drinking water and eating uncooked items such as fresh fruits, vegetables, and salads. Some individuals react to the pollution and high altitude of various cities, so take things slowly at first. Travelers to Mexico City may require some time to adjust to the altitude (7,400 ft.), which can adversely affect blood pressure, digestion, sleep, and energy level. Individuals with sickle cell trait should consult with the appropriate medical unit or their personal physician before commencing travel. Visitors on short-term assignments carry an added risk because of the lack of time to acclimatize. Dehydration, stress, or illnesses compound the basic risks of high altitude. For more information, contact your health provider.

Please note that health insurance is an important consideration. Travelers are responsible for ensuring that they have adequate health coverage while in Mexico.

All travelers should be aware that the CDC has issued a Travel Alert Level 2 "Practice Enhanced Precaution for Mexico." Comprehensive information regarding Zika and risks to travelers is posted on the CDC website at <http://www.cdc.gov/zika/index.html>.

## **Local Time, Business Hours, and Holidays**

Mexico spans several time zones, as does the United States. From the Yucatán Peninsula to Tijuana, there is a three-hour time difference. Mexico City and Central Mexico are on Central Standard Time (CST). Mexico has Daylight Savings time, though there is a difference of a few weeks from when it changes in the United States, except for certain border regions.

Listed below are Mexican holidays for 2019-2020. On these days, banks will not open and most businesses will be closed. Be aware of the popular "*puentes*," which is the local term for when holidays fall near the weekend. As in the United States, holidays falling on a Thursday, Friday, Monday, or Tuesday are rapidly converted into long weekends and are not a good time to schedule business trips. Also review the *Business Customs* topic above for notes on business hours and meal times.

### **Mexican Holiday Schedule (July 2019-December 2020)**

#### 2019

- September 16, Monday, Mexican Independence Day
- November 1, Friday, All Souls' Day
- November 18, Monday, Anniversary of the Mexican Revolution
- December 12, Thursday, Day of the Virgin of Guadalupe

#### 2020

- January 1, Wednesday, New Year's Day
- February 5, Wednesday, Anniversary of the Mexican Constitution
- March 16, Monday, Birthday of Benito Juarez
- April 9, Thursday, Holy Thursday
- April 10, Friday, Good Friday
- May 1, Friday, Mexican Labor Day
- September 16, Wednesday, Mexican Independence Day
- November 2, Monday, All Souls' Day
- November 16, Monday, Anniversary of the Mexican Revolution
- December 12, Saturday, Day of the Virgin of Guadalupe
- December 25, Friday, Christmas Day

### **Temporary Entry of Materials or Personal Belongings**

Please refer to the *Customs, Regulations and Standards* topic in the *Temporary Entry* section.

## Travel Related Web Resources

State Department Travel Advisory	<a href="https://travel.state.gov/content/travel/en/traveladvisories/traveladvisories/mexico-travel-advisory.html">https://travel.state.gov/content/travel/en/traveladvisories/traveladvisories/mexico-travel-advisory.html</a>
Mexican Embassy in the U.S.	<a href="http://www.embassyofmexico.org">www.embassyofmexico.org</a>
Secretariat of Tourism	<a href="http://www.sectur.gob.mx">www.sectur.gob.mx</a>
State Department Visa Website	<a href="https://travel.state.gov/content/travel/en/us-visas.html">https://travel.state.gov/content/travel/en/us-visas.html</a>
U.S. Embassy in Mexico (visa information)	<a href="https://mx.usembassy.gov/visas/">https://mx.usembassy.gov/visas/</a>
U.S. Embassy in Mexico (U.S. citizens)	<a href="https://mx.usembassy.gov/u-s-citizen-services/">https://mx.usembassy.gov/u-s-citizen-services/</a>
Centers for Disease Control and Prevention (CDC)	<a href="http://wwwnc.cdc.gov/travel/destinations/mexico.aspx">http://wwwnc.cdc.gov/travel/destinations/mexico.aspx</a>