







T-MEC INVESTING IN MEXICO



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Executive Summary



Executive Summary

Investing in Mexico

Mexico is positioned as an attractive destination for investment, today it is one of the world's leading markets and the current population is 126 million¹.

We have 14 Free Trade Agreements with 50 countries, and 29 Agreements for the Promotion and Reciprocal Protection of Investments (APPRIs) with 30 countries. Mexico also actively participates in multilateral and regional organizations, and forums such as the World Trade Organization (WTO), the Asia-Pacific Economic Cooperation (APEC) as well as the Organization for Economic Cooperation and Development (OECD), among others.

In the third quarter of 2020, the services sector accounted for 63.48% of GDP, and 62% of the labour force, followed by the industrial sector, with 28.64% of GDP. and 24% of the labour force, and the primary sector, with 3.76% of GDP as well as 12% of the labour force.²

The global economic crisis caused by COVID-19 affected the Mexican economy. Nonetheless, the Mexican economy is expected to grow in 2021. The Government of Mexico's economic development strategy will strengthen this growth, which contemplates the enhancement of consumption through the effect of social programs and increased financial inclusion, as well as the promotion of private investment in infrastructure and strategic sectors.

Key sectors for the manufacturing investment

The manufacturing industry in Mexico is one of the most competitive in the world³ because it has a labour force at competitive costs and with high quality technology. The most important manufacturing sectors in Mexico are: **automotive, aerospace, medical devices, electronics, appliances, and pharmaceuticals.**

¹ According to the INEGI: <u>https://www.inegi.org.mx/temas/estructura/</u> ² Retrieved from:

https://www.proyectosmexico.gob.mx/en/why_mexican_infrastructure/solid-and-open-economy/economic-grow th/

³ Further information: <u>https://www.gob.mx/se/acciones-y-programas/industria-y-comercio</u>

Key Projects

The Mexican government is promoting the construction of new infrastructure, and the maintenance and improvement of existing infrastructure in order to support:

- 1) Balanced regional development
- 2) Sustainable urban development
- 3) Logistics integration and increased interconnectivity

Four of the megaprojects in the spotlight are in the south-southeast of Mexico, where the advantages of this region have not yet been fully explored by foreign investors.

- Isthmus of Tehuantepec Corridor
- Oaxaca Pact
- Mayan Train
- Dos Bocas Refinery
- Felipe Ángeles International Airport
- México-Toluca suburban train



Glossary



Glossary

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Glossary

Term	Definition			
AFORE	The Retirement Fund Administrators are private financial institutions in Mexico that manage saving and retirement funds for workers affiliated with the Mexican Social Security Institute and for those affiliated with the Institute of Security and Social Services for State Workers.			
AliaRSE	Alliance for Corporate Social Responsibility.			
AMSDE	Mexican Association of Economic Development Secretaries.			
APPRIs	Agreements for the Promotion and Reciprocal Protection of Investments.			
BANOBRAS	The National Bank of Public Projects and Service.			
CAMIMEX	The Mexican Mining Chamber.			
CFE	The Federal Electricity Commission.			
COFEPRIS	Federal Commission for the Protection agains Sanitary Risks.			
Commercial Attaché	A person with commercial knowledge who belongs to the diplomatic corps and serves in the embassies, commercial offices or consulates of his or her country abroad, informing and supporting the trade actions of his or her companies in that country. Also called a commercial counselor.			
СРТРР	Comprehensive and Progressive Trans-Pacific Partnership Agreement. Trade agreement between Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.			
CUSMA	Canada-United States-Mexico Agreement.			
De Minimis	Article 4.12, Rules of Origin, CUSMA			
ECLAC	The Economic Commission for Latin America and the Caribbean is the United Nations agency responsible for promoting economic and social development in the region.			
FDI	Foreign Direct Investment.			

Glossary

<u>Scuil</u>

FIFOMIMining Development Trust Fund.FONADINNational Infrastructure Fund.GDPCross Domestic Product.IMSSMexican Social Security Institute.INEGINational Institute of Statistics and Geography.INFONAVITNational Workers' Housing Fund Institute.MSMEsMicro, Small and Medium EnterprisesNAFTANorth American Free Trade Agreement.OEMOriginal Equipment Manufacturer.
GDPGross Domestic Product.IMSSMexican Social Security Institute.INEGINational Institute of Statistics and Geography.INFONAVITNational Workers' Housing Fund Institute.MSMEsMicro, Small and Medium EnterprisesNAFTANorth American Free Trade Agreement.NCFINational Commission for Foreign Investments.
IMSSMexican Social Security Institute.INEGINational Institute of Statistics and Geography.INFONAVITNational Workers' Housing Fund Institute.MSMEsMicro, Small and Medium EnterprisesNAFTANorth American Free Trade Agreement.NCFINational Commission for Foreign Investments.
INEGINational Institute of Statistics and Geography.INFONAVITNational Workers' Housing Fund Institute.MSMEsMicro, Small and Medium EnterprisesNAFTANorth American Free Trade Agreement.NCFINational Commission for Foreign Investments.
INFONAVITNational Workers' Housing Fund Institute.MSMEsMicro, Small and Medium EnterprisesNAFTANorth American Free Trade Agreement.NCFINational Commission for Foreign Investments.
MSMEsMicro, Small and Medium EnterprisesNAFTANorth American Free Trade Agreement.NCFINational Commission for Foreign Investments.
NAFTA North American Free Trade Agreement. NCFI National Commission for Foreign Investments.
NCFI National Commission for Foreign Investments.
OFM Original Equipment Manufacturer
OEM Original Equipment Manufacturer.
PROFEPAThe Mexican Federal Environmental Protection Agency, responsible for the protection and preservation of the environment throughout the country, as well as the inspection and enforcement of environmental regulations.
RFC Tax Registry Number, Alphanumeric code required by any individual or legal entity in Mexico to carry our any lawful economic activity for which it is required to pay taxes.
RVC Regional Value Content Article 4.5, Rules of Origin, CUSMA
SAT Tax Administration Service.
SMEs Small and medium-sized enterprises.







1.1 Mexico as an attractive investment destination

Mexico in numbers

FDI receiv 2020 4			By the numbers 32 States
Manufacturing	40.6 %		14th largest country in
Financial	23.2%		the world
Services	23.270		5th largest country in the
Transportation	9.8%		Americas
Commerce	7.7%		\$ 1.24 trillion nominal GDP
Mining	4.6 %		15th largest economy in
Massive media	4.3%		the world
Other	9.8%	4	2nd largest economy in Latin America

Mexico is a democratic republic that is territorially divided into states or federal entities; the 32 states that constitute the Mexican Republic are distributed by territorial organization (North, Center and South). The specific sector opportunities in each state are presented in the following chapters.

In 2018⁶, half of the national current income was concentrated in 20% of households, the states with the highest income per household are Ciudad de México, Nuevo León, Baja California and Querétaro. In the primary activities, Jalisco accounted for 12.5%, followed by Michoacán with 10.1% and Veracruz 7.4%. In secondary activities; Nuevo León, Estado de México and Jalisco made the largest contribution to the nominal amount of activities.

As for the GDP of tertiary activities, Ciudad de México accounted with 23.1%, Estado de México 9.9% and Nuevo León 7.1%.

On average, Mexicans spend the most of their income on food, beverages and tobacco, followed by transport and communications.

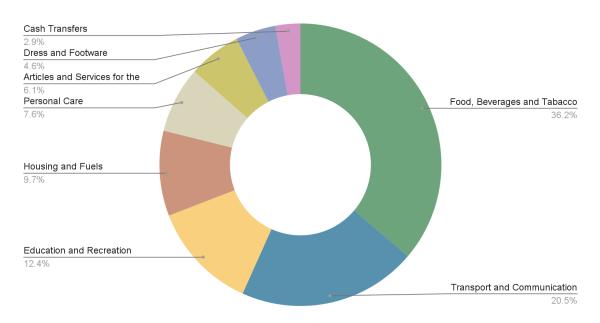
⁵ UNCTAD, World Investment Report 2020, <u>https://unctad.org/en/PublicationsLibrary/wir2020_en.pdf</u> ⁶ Updated quote by INEGI:

⁴ Statistical report of foreign direct investment behavior in Mexico, (January-December 2020), National Commission of Foreign Investment. Obtained from:

https://www.gob.mx/cms/uploads/attachment/file/619545/Informe_Congreso-2020-4T.pdf

http://en.www.inegi.org.mx/temas/ingresoshog/

1. Reasons for investing in Mexico



Household spending distribution, national average, 2018⁷

Canada - Mexico relations

Canada and Mexico have maintained diplomatic relations since 1944. The implementation of the North American Free Trade Agreement in 1994 was a milestone, as it significantly increased bilateral trade and investment.

The two countries have been cooperating through various channels such as high-level periodic meetings. The continuous dialogue has been maintained through sector-specific working groups, either through the Canada-United States-Mexico Agreement (CUSMA), or the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).⁸

In 2020 Mexico was Canada's 3rd largest trading partner⁹¹⁰. Canadian investors and exporters can be advised by the Canadian Embassy and Consulates in Mexico, the local office of Export Development Canada (EDC), The Commercial Attaché of the Mexican Secretariat of Economy in Canada and The General Directorate of Foreign investment regarding financial services and other recommendations with their operations.

⁷The data in the table are validated with the statistics of the INEGI, (constantly updated). <u>http://en.www.inegi.org.mx/temas/hogares/</u>

⁸ Global Affairs Canada:

https://www.canadainternational.gc.ca/mexico-mexique/media-presse/news-communiques_180124.aspx?lang=es ⁹ Government of Canada:

https://www150.statcan.gc.ca/t1/tb11/en/tv.action?pid=1210001101&cubeTimeFrame.startMonth=01&cubeTimeFrame.estartYear=2020&cubeTimeFrame.endMonth=12&cubeTimeFrame.endYear=2020&referencePeriods=20200101%2

¹⁰ In 2020, Canada was Mexico´s fifth trading partner. SE data.

General overview

Mexico is in the spotlight of Canadian investors because of its macroeconomic stability and strong institutions¹¹ that ensure sound fiscal and monetary policies. Furthermore, the competitive labour conditions, and a growing consumer base¹² of 126 million people¹³ are also a magnet for investors in a wide range of industries. The well-established manufacturing and production base makes Mexico the world's 15th largest exporter, deeply integrated into regional and global value chains.

During the last 12 years, Mexico grew on an average of 2.1% much of which was stimulated by foreign companies. One of the economic development strategy elements is to ensure Mexico maintains its economic ties on the global stage, while strengthening its domestic capacities at the same time.¹⁴

The abundant natural resources, and biodiversity are other advantages that allow the development of productive and industrial activities. Mexico is one of the largest oil producers in the world; in October 2020, according to the National Hydrocarbons Information Center, production was 1.6 million barrels of oil per day¹⁵.

Because of its **connectivity** with other markets across the world, and its capacity for advanced technology production, Mexico is one of the most competitive countries for investment in manufacturing.

The map below illustrates the comparative economic growth, as a percentage of the GDP. Mexico registered some of the highest rates in the American and Western European countries.



¹¹ World Bank, Mexico country profile, <u>https://www.worldbank.org/en/country/mexico/overview</u>

¹² Canada-Mexico Relations A Strategic Partner for Canada, March 2020,

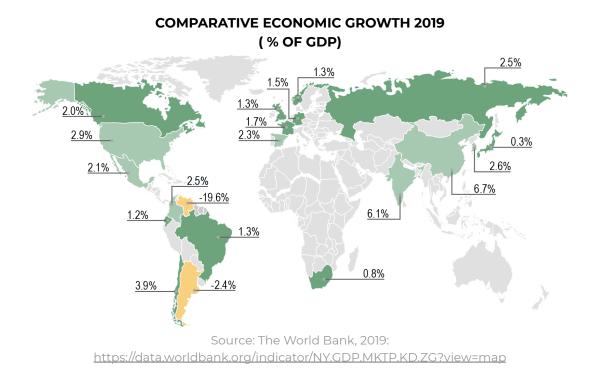
https://www.canadainternational.gc.ca/mexico-mexique/canmex.aspx?lang=eng

¹³ Information obtained from INEGI:

https://www.inegi.org.mx/temas/estructura/

¹⁴ Graciela Márquez, Mexico Business Review, <u>https://issuu.com/mexicobusinesspublishing/docs/mar_2019_book</u> ¹⁵Petroleum Production, National Commission of Hydrocarbons Information.

https://hidrocarburos.gob.mx/estadisticas/



Although Mexico's economy contracted in 2020 due to the global situation of the Covid-19 pandemic it is expected to bounce back in 2021¹⁶. However, the announced infrastructure projects will help and strengthen a faster recovery.¹⁷

FDI perspective

Worldwide investors trust and take advantage of Mexico's opportunities as an investment and manufacturing destination. In the 2020 World Investment Report, UNCTAD ranked Mexico in the **14th place as** an FDI recipient¹⁸, also the 6th out of the developing economies. In 1999-2020-4Q the United States, Spain, Canada, Germany, Japan, and the Netherlands have been the main investor countries in Mexico. The accumulated FDI that Mexico received from 1999 to 2020 (4Q) was US\$607B (Billion)¹⁹.

¹⁶ Mexico Projects:

https://www.provectosmexico.gob.mx/en/why_mexican_infrastructure/solid-and-open-economy/economic-growth/ ¹⁷ COVID-19 Economic Measures: <u>https://www.gob.mx/covid19medidaseconomicas</u>

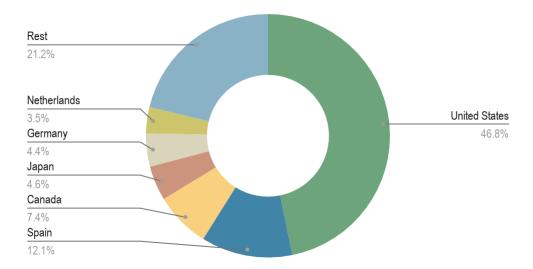
¹⁸ UNCTAD, 2020, World Investment Report, <u>https://unctad.org/system/files/official-document/wir2020_en.pdf</u> ¹⁹ Statistical report of foreign direct investment behavior in Mexico, (January-December 2020), National Commission of Foreign Investment. Obtained from:

https://www.gob.mx/cms/uploads/attachment/file/619545/Informe_Congreso-2020-4T.pdf

1. Reasons for investing in Mexico

Years	1999	2000	2001	2002	2003	2004	2005	2006
Total amount	13,935.9	18,247.4	30,056.2	24,098.3	18,270.5	25,032.1	26,056.5	21,248.2
Years	2007	2008	2009	2010	2011	2012	2013	2014
Total amount	32,483.3	29,532.6	17,854.8	27,140.5	25,573.7	21,741.1	48,216.2	30,462.5
Years	2015	2016	2017	2018	2019	2020	1999-2020	
Total amount	35,436.3	31,068.6	34,200.4	33,729.6	34,096.9	29,079.4	607,561.0	

All data reported in the table are expressed in \$USD millions



Source: Statistical report of foreign direct investment in Mexico, (January-December 2020), National Commission of Foreign Investment.

1.2 Gateway to Latin America

Mexico has a privileged location, allowing companies to establish a strategic base for operations in America. While geographically the country belongs to North America, Mexico holds cultural and historic strong ties to Central, and South America as well as also an active part of the economic integration of Latin America, through the trade agreements that grant it preferential access to those markets. In addition, Mexico has specialized in high technology manufacturing in most of the states, particularly in the northern and central states.

Mexico's strategists and negotiators have signed 14 highly favourable free-trade agreements with 50 countries granting certainty in investment projects, for investors who manufacture, and provide services from Mexico to the world, as

well as 29 Agreements for the Promotion and Reciprocal Protection of Investments (APPRIs).²⁰

Especially, in the case of Latin America the Mexican government is collaborating closely with its allies to simplify, and facilitate international business procedures and goods exchange. Therefore Mexico is positioned as an excellent export platform.²¹

Mexico's trade	Mexico's participation in multilateral and regional forums:
agreements and cooperation accords:	WTO World Trade Organization
	APEC The Asia-Pacific Economic Cooperation Mechanism
14 Free Trade Agreements with 50 countries	OECD The organization for Economic Cooperation and Development
29 Agreements for the Promotion and Reciprocal Protection of Investments (APPRIs) with 30 countries	ALADI Latin American Integration Association
	G-20 Member Country
	Pacific Alliance Member Country

Furthermore, in terms of logistics it has an **attractive infrastructure** of 76 airports, 117 maritime ports on both the Atlantic and the Pacific, stretching out on the coastline of over 11,000 km²², as well as 27,000 kms of railway **(illustrated in the map below)**. This solid infrastructure allows reduction of logistic, and inventory costs, as companies can benefit from easy access to major consumer centers worldwide. **The map below** shows Mexico's railway system and the main maritime ports.

²⁰ Secretariat of Economy,

https://www.gob.mx/se/articulos/tratados-v-acuerdos-gue-mexico-ha-firmado-con-otros-paises?idiom=es²¹ Secretariat of Economy,

https://www.gob.mx/se/articulos/tratados-y-acuerdos-que-mexico-ha-firmado-con-otros-paises?idiom=es²² Secretariat of Environment and Natural Resources, Mexican Coastline.

1. Reasons for investing in Mexico

MEXICAN PORT CONNECTION²³

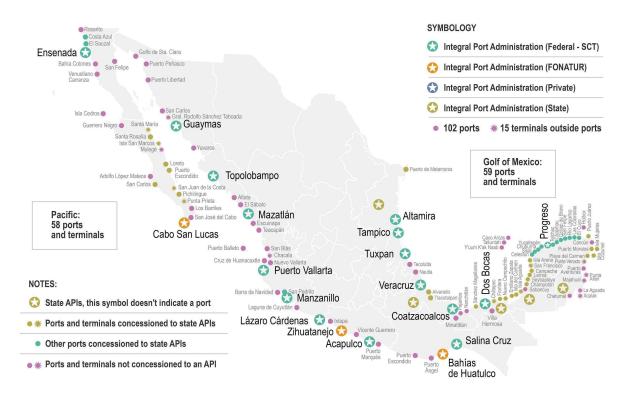


Image obtained from the Secretariat of Communications and Transport, 2020: <u>http://www.sct.gob.mx/puertos-y-marina/puertos-de-mexico/</u>



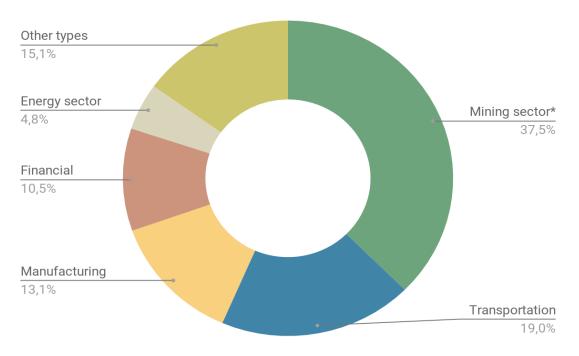
MEXICAN RAILWAY NETWORK

Image obtained from the Secretariat of Communications and Transport, 2020: <u>https://www.gob.mx/artf/documentos/mapas-del-sistema-ferroviario-mexicano</u>

²³ Secretariat of Communications and Transport.

1.3 Canadian investment in Mexico

Canadian investors have identified Mexico as a profitable investment destination. Canada is **Mexico's third largest investor**, mainly in mining and manufacturing. During the period of **1999-2020-4Q**, Canada invested US**\$44.9B** in Mexico. **In 4Q 2020,** Canadian direct investment in Mexico was approximately US**\$4.2B**.²⁴



CANADIAN INVESTMENT IN MEXICO

* (mainly metallic and non-metallic minerals)

Canada has been the 4th largest investor in the **automotive manufacturing sector in Mexico** in the past two decades: US**\$3B** approximately with 82 automotive companies.²⁵

The table below specifies Canadian investment in Mexico throughout more than the past 20 years (1999-2020), by subsector and investment destination. The map illustrates the investment in a geographic context.

²⁴ Canadian direct investment in Mexico, December 2020. Obtained from:

https://www.gob.mx/cms/uploads/attachment/file/616906/Distribucion_de_inversion_de_Canada_2020-4T.pdf ²⁵Secretariat of Economy, 2020, obtained from:

https://www.gob.mx/cms/uploads/attachment/file/119066/Sector_Industria_Automotriz.pdf

1. Reasons for investing in Mexico



Map obtained from the National Foreign Investment Registry

As illustrated on the map above, the Southeastern states of Mexico received Canadian investment in diverse subsectors. In Yucatan, and Chiapas, it was "credit intermediation institutions". In Quintana Roo, investment was made in temporary lodging services, which is directly linked to the fact that the state attracts a significant number of national and international tourists, as is the case in Oaxaca, Jalisco and Nayarit.

Campeche was one of the two states on the federal level to receive the most investment in "Generation, transmission, and electric energy distribution", the other state being Tamaulipas. Both states are important energy hubs. Between 1999-2020 4Q, pipeline transportation was an important attractive subsector in Veracruz, as well as in four other states. As it is clear from the map above, the mining subsector attracted important amounts of FDI from Canada mainly to Northern states, as well as San Luis Potosí and Guerrero.

²⁶Secretariat of Economy, DGIE, Direct investment from Canada to Mexico, February 2021. Retrieved from: https://www.gob.mx/cms/uploads/attachment/file/616906/Distribucion_de_inversion_de_Canada_2020-4T.pdf

Geographic distribution of Canadian investment in Mexico

Five Mexican states account for **51.7%**²⁷ of Canadian investment (Zacatecas, Ciudad de México, Chihuahua, Coahuila y Sinaloa), mainly in the mining sector.

There is an **opportunity** for Canadian investors to explore in the South-Eastern states of Mexico. The South-southeastern states captured 11.4% of Canadian FDI over the studied period (**1999-2020 4Q**), with Guerrero (6.3%), Veracruz (1.5%) and Puebla (1.2%) in the lead. Currently, there are projects that will promote socio-economic development and tourism in the region, the Mayan Train project will connect the main cities of the Yucatan peninsula with Tabasco, and Chiapas, benefiting the tourism, hospitality, hotel and real estate industry.

²⁷ Direct investment from Canada to Mexico, General Directorate of Foreign Investment, obtained from: <u>https://www.gob.mx/cms/uploads/attachment/file/616906/Distribucion_de_inversion_de_Canada_2020-4T.pdf</u>







Current investment opportunities in Mexico



2.1 Mining

General overview / why invest in mining in Mexico

Mining tradition in Mexico dates back to pre-hispanic period. Throughout the centuries, it has evolved to a modern and dynamic sector with plenty of business opportunities, security and legal certainty.²⁸ Likewise, in many regions of the country, mining activity is fundamental, as it contributes to the economic and social development of the localities to which its impact and area of influence extends.

On the other hand, it contributes to the professionalization and specialization of skilled and highly competitive labour, stimulating the development of infrastructure, such as roads and highways, drinking water networks, electricity, among others.

It is important to point out that Mexico is among the top three places in Latin America with availability of a skilled labour force for the development of mining.²⁹

Furthermore, 70% of the Mexican territory has not yet been explored in terms of mining for metallic minerals and precious metals which represents an important opportunity for industrial activity.³⁰

Despite the COVID-19 pandemic, investment in the mining sector did not decrease due to the existence of a strategy to recover markets through the integration of value chains and the development of new suppliers. According to data available from Mexico's General Directorate of Foreign Investment, Canadian investment in the mining sector was US\$16.7B during 1999-2020-4Q³¹. Furthermore, the states that stand out the most in the mining sector are: Sonora, Chihuahua, Zacatecas, Durango, Guerrero, Coahuila, San Luis Potosí, Hidalgo y Oaxaca.³²

Mining activity in Mexico is present in 24 of the 32 states of the Republic, in terms of concessional minerals; however, if we consider all minerals, including construction minerals, mining is present in all of Mexico's territory. The northern and central states stand out as having the main mineral deposits.

Mining clusters:

- Chihuahua
- Coahuila
- Guerrero

- Sonora
- Zacatecas

https://www.economia.gob.mx/files/gobmx/mineria/manual_del_inversionista.pdf

³¹ Direct investment from Canada to Mexico, General Directorate of Foreign Investment, page: 6, Obtained from: https://www.gob.mx/cms/uploads/attachment/file/616906/Distribucion_de_inversion_de_Canada_2020-4T.pdf

²⁸ Secretariat of Economy, Investor's Manual, 2020,

²⁹ Fraser Institute Annual Survey of Mining 2020 <u>https://www.fraserinstitute.org/categories/mining</u>

³⁰ Secretariat of Economy, Mexican Mining Projects Portfolio, 2020,

https://www.economia.gob.mx/files/gobmx/mineria/portafolio_de_proyectos.pdf

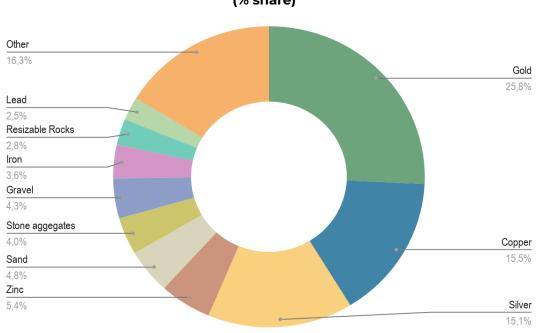
³² Secretariat of Economy, Investor's Manual, 2020, page: 3.

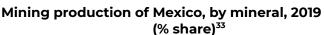
https://www.economia.gob.mx/files/gobmx/mineria/manual_del_inversionista.pdf

2. Current investment opportunities in Mexico

Mexico mining production

Mexico is a global leader in silver production, and is one of the 10 main producers of sixteen different minerals such as gold, bismuth, fluorite, celestite, wollastonite, cadmium, molybdenum, lead, zinc, diatomite, salt, barite, graphite, gypsum, and copper.





Source: M.E. Preliminary Figures

Mexico in global rankings

Mexico also has an important share of global exploration spending, and was fifth in receiving investment in mining in 2018, continuing to be one of the most attractive productive sectors to attract investment in the country.³⁴

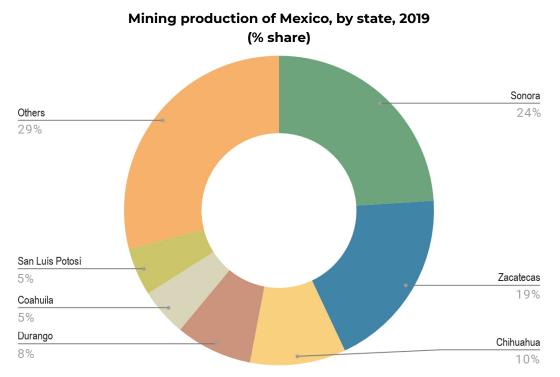
³³ Statistical Report of Mexican Mining, 2018; Edition 2019.

http://www.sgm.gob.mx/productos/pdf/Anuario_2018_Edicion_2019.pdf

³⁴ <u>https://www.gob.mx/se/acciones-y-programas/mineria</u>

Geographic distribution of production and resources

The mining production is concentrated in the states of Sonora, Zacatecas, Durango, Coahuila, Chihuahua, and Guerrero, although some general activities related to mining can be found in almost all states in Mexico.



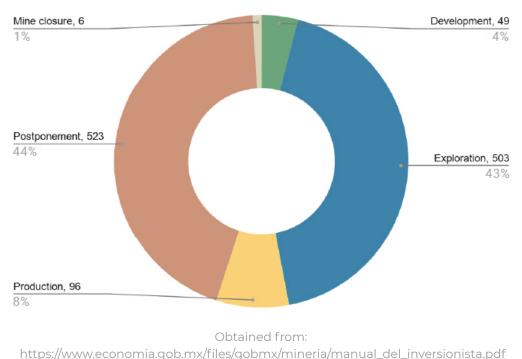
Source: M.E. Preliminary Figures



Map image obtained from: Secretariat of Economy, mining manual: <u>https://www.economia.gob.mx/files/gobmx/mineria/manual_del_inversionista.pdf</u>

Canadian mining companies in Mexico

According to the 2019 mining manual, there are currently a significant number of mining projects in the exploration phase, as well as mines in production, which require investment. At the end of 2019 a total of 1177 mining projects with foreign investment participation in various stages of development had been identified. There are 503 projects in **exploration**.³⁵



Mining projects with foreign investment, 2019

In 2020, Mexico ranked 5th in attracting mining investment and has the second highest exploration budget in Latin America.³⁶ Overall, most of the international companies are based in Sonora (272), Chihuahua (157) and Durango (126).

Gold and silver mining projects dominate the market with a 60% share of total projects, followed by 15% in copper and 14% in polymetals. In addition, 39 mining companies obtained the Socially Responsible Company (ESR) distinction through the Mexican Center for Philanthropy (CEMEFI) and the Alliance for Corporate Social Responsibility (AliaRSE). In addition, through the National Environmental Audit Program promoted by the Federal Attorney's Office for Environmental Protection (PROFEPA), which seeks to ensure effective compliance with legislation, and improve the efficiency of production processes in their environmental performance, around 40 mining companies affiliated with

https://www.economia.gob.mx/files/gobmx/mineria/manual_del_inversionista.pdf

³⁵ Secretariat of Economy, Mining Manual

³⁶ Secretariat of Economy, 2020:

https://www.gob.mx/se/acciones-y-programas/mineria#:~:text=México%20en%20el%20mundo,%2C%20yeso%2C% 20oro%20y%20cobre.

CAMIMEX have current clean industry certificates and 3 mining groups are part of the Green Index of the Mexican Stock Exchange.³⁷

Mining Project Portfolio, by state³⁸

The official directory of mining projects is compiled by the Mexican General Directorate of Mining Development, to present current investment opportunities. To access the detailed catalogue in Spanish, please visit:

https://www.economia.gob.mx/files/gobmx/mineria/portafolio_de_proyectos.pdf

South-South East Mexico

Guerrero

During its mining history, important deposits have been mined, such as Campo Morado, Huitzuco, Pinzán Morado, Tetipac, La Dicha, Poder de Dios and La Delfina, which have contributed greatly to maintaining an important position in national production.

The most important mines in the State of Guerrero are:

- Тахсо
- Media Luna
- Los Filos
- Capela
- Campo Morado

The production of limestone, dolomite, marble, gypsum, sand, gravel, clays and quarry, represents an important value that contributes to the improvement of the economy of the entity. The municipalities of Iguala, and Taxco concentrate a large amount of gold and silver sales, which have a fundamental role in the local economy.

Oaxaca

Oaxaca is rich in minerals, it has reserves of gold, silver, titanium, copper, crystalline graphite and iron. So far, gold, and silver are the most mined. There is significant Canadian investment in the mining sector.

The most important mines in Oaxaca are:

- San José
- El Águila

https://www.economia.gob.mx/files/gobmx/mineria/manual_del_inversionista.pdf

³⁸ Secretariat of Economy: <u>https://www.economia.gob.mx/files/gobmx/mineria/portafolio_de_provectos.pdf</u>



³⁷Source IMCO, 2020 edition, Investor's Manual in the Mexican Mining Sector:

Veracruz

The State has unexplored areas, which geologically present favourable characteristics to locate metallic and non-metallic deposits; attractive for both domestic and foreign investors.

To consult the main mining projects in Mexico in production and development phase, please visit:

http://www.sgm.gob.mx/pdfs/VERACRUZ.pdf

https://www.gob.mx/cms/uploads/attachment/file/532838/PROYECTOS_MINEROS_PRODUCCI_N-DESARROLLO_2do_sem_2019_.pdf

Key industry institutions

Secretariat of Economy

- The Extractive Activities Coordination Unit (La Unidad de Coordinación de Actividades Extractivas)
- General Directorate for Mining Development (Dirección General de Desarrollo Minero)
- General Directorate of Mining (Dirección General de Minas)
- Directorate for the Review of Obligations (Dirección de Revisión de Obligaciones)
- Directorate of the Public Registry of Mining and Mining Rights (Dirección del Registro Público de Minería y Derechos Mineros)

http://www.siam.economia.gob.mx/es/siam/DRO#

• Mining Law (Ley Minera)

http://www.diputados.gob.mx/LeyesBiblio//pdf mov/Ley Minera.pdf

Mexican Geological Service (Servicio Geológico Mexicano)

- Territory planning and exploration guide.
- Geological data.

Mexican Mining Chamber (CAMIMEX by its acronym in Spanish)

- Represent the general interests of the mining-metallurgical industry of the country.
- Promote the development of the national mining-metallurgical industry; to ensure its associates access to programs oriented to the development of the sector's commerce and industry.

Mining Development Trust Fund (FIFOMI by its acronym in Spanish)³⁹

• Training, technical assistance and/ or financing for the mining sector and its value chain.

https://www.gob.mx/fifomi/acciones-y-programas/programa-institucional-del-fideicomiso-de-fom ento-minero-2020-2024

³⁹ <u>https://www.gob.mx/fifomi/</u>

Mining: How to invest in Mexico⁴⁰

Investment in Mexican mining

According to Investor's Manual 2020 of the Mexican Secretariat of Economy, Mexican mining offers different investment options: formation of an exploration project through the direct application for a concession; acquisition of projects in Federal Government bids; obtaining ownership of mining concessions by transfer of rights; market acquisition of exploration projects; acquisition or association in the market of production projects; and stock exchange trading of shares in companies.

• Exploration and geological-mineral mapping

Investment in exploration is a very promising alternative to carry out a mining project in Mexico, since it not only has a great potential of mineral resources, but also valuable geological-mining information through the mapping work carried out by the Mexican Geological Service.

Below is a link that provides mapping information that allows an evaluation of the mineral resource potential.

https://www.sgm.gob.mx/GeoInfoMexGobMx/

• Project bidding

The General Directorate of Mining Development coordinates the mining projects that are openly offered to potential investors. These projects are based on considerable and rigorous exploration and evaluation work, carried out by the Mexican Geological Service (SGM), with positive results for the guarantee of the investment.

The invitation to participate in the bidding process for this type of project is open to all those who meet the requirements.

It is important to note that one of the obligations of the bid winners is the payment of a discovery fee to the SGM once the project starts production.

• Obtaining ownership of mining concessions by transfer of rights

Public Mining Registry requires an enrollment to achieve the transfer of rights. There is an opportunity for concessions which do not cover producing mines.

• Projects in exploration and producing mines

This market offers investment opportunities through various partnership mechanisms that depend on interested project and mine owners. There are a

⁴⁰ Information adapted from Investor's Manual on the Mexican Mining Sector, <u>https://www.economia.gob.mx/files/gobmx/mineria/manual_del_inversionista.pdf</u>



significant number of projects, owned solely by Mexican capital, that require resources to advance in their development.

It should be noted that some of these projects are included in the Mining Projects Portfolio of the General Directorate of Mining Development, whose database is available:

https://www.economia.gob.mx/files/gobmx/mineria/portafolio_de_proyectos.pdf

• Stock market

The acquisition of shares in Mexican mining companies is also an investment option in the sector.

This can be done not only through the Mexican Stock Exchange (BMV), but also through exchanges such as the Toronto Stock Exchange and even the London Metal Exchange; **in the case of the latter due to the presence of Fresnillo plc, the world's leading silver producer, in that market**.

Environmental protection

Mexico has consistently demonstrated its commitment to the environment and this is reaffirmed by the CUSMA as Mexico has strengthened its environmental protection policies while respecting the context of free trade. Companies and new businesses wishing to establish themselves in Mexico should take into consideration:

- Adequate environmental impact evaluation
- Protection of the ozone layer and the marine environment
- Air quality certification
- Corporate social responsibility
- Mechanisms for environmental performance
- Biodiversity Conservation
- Responsible Marine Catch Fishing
- Sustainable forest management

Benefits of certification

The certification of reserves, supports the development of a mining project through bank financing, as well as commercial operations of mining properties.⁴¹

- Detailed knowledge of the quantity and quality of the proven and probable resources or reserves of the mineral deposit.
- Value of the certified resources or reserves.
- Base support that can be used as a guarantee to access financing lines.
- Technical support for negotiations or for the constitution of trade associations.

⁴¹ Further Information: <u>https://www.gob.mx/sgm/acciones-y-programas/certificacion-de-reservas</u>

2. Current investment opportunities in Mexico

Online resources

Investors manual in mining sector: <u>https://www.economia.gob.mx/files/gobmx/mineria/manual_del_inversionista.pdf</u>

Mining projects:

https://www.gob.mx/se/acciones-y-programas/mineria-portafolio-de-proyectos-de-la-dg dm?state=published

2.2 Manufacturing

General Overview

Mexico's manufacturing industry performance has led to the rise of important clusters which have a considerable share of the global supply chain.

Over the last decades Mexico has seen the presence of many Original Equipment Manufacturer (OEMs), and tier suppliers that establish manufacturing operations in the country, and take advantage of the strategic geographic location, skilled labour, local supply partnerships and cost competitiveness.

The numerous manufacturing industry clusters located in Mexico have supported the supply chain by integrating the companies both local, and multinational, the academic institutions, and the state government agencies, sharing knowledge, good practices and commercial leads which have contributed to the consolidation of industry value chains.

The major manufacturing industry clusters in Mexico are in the following sectors:

- Automotive and auto parts
- Aerospace
- Medical devices
- Electronic
- Appliances
- Information and communication technology (ICT)
- Pharmaceutical

2.2.1 Automotive and auto parts

General Overview

2020 brought disruption in the manufacturing, and automotive industry around the world and Mexico was not an exception. However, it is important to acknowledge the situation of the Mexican industry before Covid-19 altered the markets. Over the past 10 years, the production exports, and sales increased to exponential levels. Mexico's main customers being the U.S. and Canada with 80% of exported vehicles.⁴²

Mexico was ranked as the 6th largest producer according to the International Organization of Motor Vehicle Manufacturers (OICA)⁴³, with 1,467,644 light vehicles manufactured in 2020 from January to July, positioning Mexico as one of the most competitive countries in the industry.⁴⁴

Mexico automotive industry in numbers

Export 2020

- total automobile exports from January to July (only light vehicles) was 1,274,517.
- total trade (including international sales and acquisitions) of motor vehicle parts and accessories was US\$46.6B.

https://datamexico.org/es/profile/product/parts-and-accessories-of-motor-vehicles

Total vehicle production from January 2020 to March 2021

821,824⁴⁵

The automotive manufacturers established in Mexico produce a wide range of components.

Mexico has established itself as a major manufacturer and exporter of passenger, heavy, specialized vehicles and auto parts, and an important investment destination for leading OEMs such as **Mercedes-Benz, Volkswagen (Audi FCA), Hyundai, Mazda, Toyota, Kia, Nissan, Ford** which already have their facilities in most of the Mexican states.

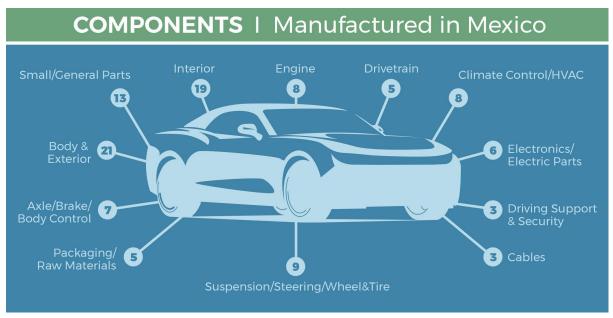
⁴² Further information: <u>https://www.inegi.org.mx/temas/vehiculos/</u>

⁴³ Based data from: <u>https://www.oica.net</u>

⁴⁴ further information:

https://www.inegi.org.mx/contenidos/saladeprensa/notasinformativas/2020/rm_raiavl/rm_raiavl2020_08.pdf ⁴⁵ Further information available <u>at: https://www.inegi.org.mx/datosprimarios/iavl/#Tabulados</u>

2. Current investment opportunities in Mexico



Source: Global Business Reports

It is also important to **keep in mind** that the majority of the vehicles produced in Mexico are exported, mainly to the United States. In 2020, the states with the most international sales of Motor Vehicle Parts and Accessories were Coahuila de Zaragoza (US\$3.5B), Querétaro (US\$3.08B), Ciudad de México (US\$3.01B), Guanajuato (US\$2.71B) and Tamaulipas (US\$2.28B).⁴⁶

Online resources to the Canadian automotive industry

For detailed information regarding the location of automotive companies.

<u>https://www.canadianautomotivefootprintmexico.com/companies-location/</u>

For the list of Canadian companies established in Mexico.

- <u>https://www.canadianautomotivefootprintmexico.com/search-by-state/</u>
- <u>https://www.canadianautomotivefootprintmexico.com/canadas-automotive</u> <u>-industry-presence-in-mexico/</u>

⁴⁶Further Information: <u>https://datamexico.org/es/profile/product/parts-and-accessories-of-motor-vehicles</u>

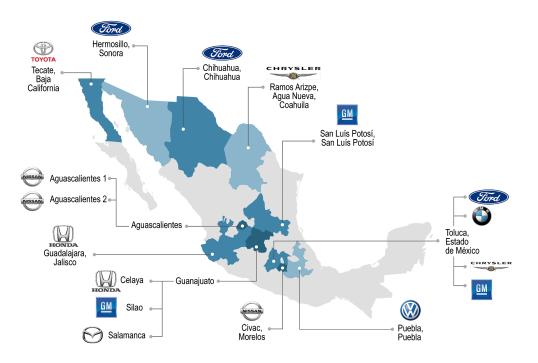
Geographic context

The North

Approximately, 81% of the export production is concentrated in only 12 metropolitan areas (including i.e. Baja California, Sonora, Chihuahua, Coahuila, Nuevo León and Tamaulipas); specifically, in the Northern part of Mexico.⁴⁷ The strategic geographic location allows manufacturers to access the US and Canadian markets more easily and has encouraged the development of the manufacturing industry.

The Center

The states of Guanajuato, Aguascalientes, Querétaro, Jalisco, San Luís Potosí, and Zacatecas, concentrating a high number of OEMs as well as Tier 1 and Tier 2 suppliers.⁴⁸



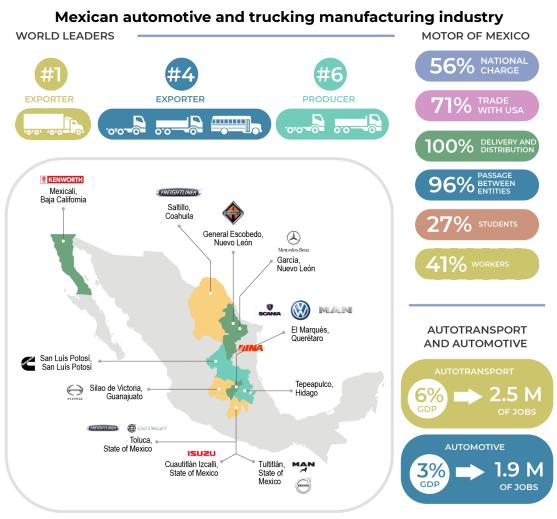
Source: Global Business Reports

⁴⁷ Secretariat of Economy,

https://www.gob.mx/se/articulos/pilares-estrategicos-de-la-secretaria-de-economia-innovacion-y-diversificacion? idiom=es

⁴⁸ Retrieved from: Mexico Business Review with the collaboration of Graciela Márquez Colín. <u>https://issuu.com/mexicobusinesspublishing/docs/mar_2019_book</u>

2. Current investment opportunities in Mexico



Source: Global Business Reports

Mexico's trade policy is based on the three pillars of: innovation, diversification and inclusion. Although the North of Mexico is the main reference for the automotive manufacturing industry and maquila, the South and South-East of the country are not to be overlooked.

Puebla

The state of Puebla is key for the automotive industry in South East Mexico, and has attracted international auto part manufacturers, positioning itself as the go-to state in the region. Puebla is committed to increase its presence and participation in the global value chain through CUSMA and is set to continue growing.⁴⁹

⁴⁹ Information obtained through in-depth interviews with local Economic Development Agencies



Veracruz

Veracruz is one of the main ports through which vehicles and auto parts are exported from Mexico to North America and Europe. This logistics center represents an opportunity for automotive companies.⁵⁰

Key industry institutions

- Mexican Automotive Cluster Network represents over 500 automotive companies in Mexico and consists of 10 automotive clusters.
- Center Bajio West Alliance represents a region with a concentration of 16.8% of the national GDP and 18 OEMs.
- Secretariat of Economy (SE by its acronym in Spanish). <u>https://www.gob.mx/se/</u>
- Mexican Automotive Industry Association (AMIA by its acronym in Spanish).

http://amia.com.mx

• Mexican Aftermarket Industry Association (ARIDRA by its acronym in Spanish).

<u>http://aridra.mx/aridra/</u>

- National Auto Parts Industry Association (INA *by its acronym in Spanish*). <u>https://ina.com.mx</u>
- National Chamber of Freight Transport (CANACAR by its acronym in Spanish).

https://canacar.com.mx

• Secretariat of Communications and Transportation (SCT by its acronym in Spanish).

https://www.gob.mx/sct

• Mexican Association of Automotive Distributors (AMDA by its acronym in Spanish).

https://www.amda.mx

- National Association of Bus, Truck and Tractor Trailer Manufacturers (ANPACT by its acronym in Spanish). http://www.anpact.com.mx
- National Association of New and Used Truck Dealers (ANCA by its acronym in Spanish).

https://www.anca.org.mx

- Canadian Transportation Equipment Association (CTEA).
 <u>https://www.ctea.ca</u>
- Canadian Vehicle Manufacturers' Association (CVMA).
 <u>http://www.cvma.ca/</u>
- The Automotive Parts Manufacturers' Association (APMA). https://apma.ca

⁵⁰ Information obtained through in-depth interviews with local Economic Development Agencies



2.2.2 Aerospace

General Overview

Mexico's rising industrial subsector is the aerospace industry, the main clusters are in Sonora, Baja California, Chihuahua, Nuevo León and Querétaro. Each of the clusters has its own specialization and plays an important part in the overall aerospace ecosystem in Mexico at large. The clusters have well developed productive linkages among themselves to share best practices, commercial leads and strategies for training. The aerospace transportation industry has received a total of US\$3.4B of FDI during the period 1999-2020-4Q. In the global context of 2020, the countries with the most FDI in this sector are the United States (63.9%), Canada (24.6%) and France (7.4%).

Further Information: <u>https://femiamx.com/#!/-inicio-4-2/</u> <u>https://www.gob.mx/se/acciones-y-programas/competitividad-y-normatividad-inversion-extranjer</u> <u>a-directa?state=published</u>

2.2.3 Medical Devices

General Overview

In Mexico, the medical device industry is formed by SMEs that have a successful performance in manufacturing and assembly processes. The medical device industry contributes to the productivity and efficiency of the health care systems, generating significant savings such as reduced hospitalization times.

There are 8 main medical device clusters in Mexico. The Northwest state of Baja California has the largest cluster with more than 60 companies. Other states with significant presence of the medical device manufacturing industry that follow closely behind Baja California in the number of companies are the US border states of Chihuahua, Coahuila, Nuevo León, Sonora and Tamaulipas and the centrally located of Jalisco. The US market is the main destination of medical device exports.

This industry has become a leader for the manufacturing and assembly of the medical device worldwide, occupying in 2019, the following positions:

- It is the main supplier of the medical device industry in the United States.
- 3rd largest exporter worldwide.⁵¹

Further Information: <u>https://datamexico.org/es/profile/product/instruments-and-appliances-used-in-medical-sciences</u>

⁵¹ Obtained from: <u>https://oec.world/en/profile/hs92/medical-instruments</u>

2. Current investment opportunities in Mexico

2.2.4 Electronics

General Overview

Mexico has eight electronics industry clusters, making it a leading electronics manufacturing center to serve the U.S. and Canadian markets. Mainly concentrated in the northwestern state of Baja California, it is one of the largest electronics manufacturing clusters in Mexico with more than 200 companies. The second largest cluster in this industry is located in the western state of Jalisco, followed by other states with high concentrations of electronics companies such as Chihuahua, Coahuila, Nuevo León, Sonora, Tamaulipas and Estado de México.

Further Information: https://datamexico.org/es/profile/product/electrical-electronic-equipment

2.2.5 Appliances

General Overview

Household appliance manufacturing in Mexico is home to some of the largest well-known makers. The 6th large clusters make Mexico one of the top exporters in the world. Coahuila and Nuevo León, northeast states have the biggest clusters followed by the central states Guanajuato, Querétaro, San Luis Potosí, and Estado de México.

Further Information:

https://datamexico.org/es/profile/industry/comercio-al-por-mayor-de-electrodomesticos -menores-y-aparatos-de-linea-blanca?fdiInvestmentSelector1=Total#inversion-extranjer a-directa

2.2.6 Information Communication Technology (ICT)

General Overview

Mexico's National Cluster Council (CNCS) and the National Chamber of the Electronics, Telecommunications and Information Technology Industry (CANIETI), are working together on a national strategy to increase the development of the industry and clusters in Mexico.

Mexico has the second largest technology sector in Latin America, behind Brazil.

In 2018, Mexico was the 2nd largest exporter of devices for the transmission or reception of voice, images, or other data, including wireless communication devices or radio (exc. cell phones) with US\$13.7B and its main export destinations were the United States, Hong Kong, Malaysia, China and Israel. In the same year, its main import partners were China, United States, South Korea, Taiwan and Canada.

Further Information:

https://datamexico.org/es/profile/product/machines-for-the-reception-conversion-and-tr ansmission-or-regeneration-of-voice-images-or-other-data

2.2.7 Pharmaceutical

General Overview

Mexico is one of the most developed pharmaceutical industries in the region and boasts more than 200 pharmaceutical companies including some large multinationals. The five clusters are located in Ciudad de México and Jalisco, being the 2nd largest clusters, and the others are located in Estado de México, Puebla, and Michoacán. We are seeing that new clusters are still coming up. This year, six generic manufacturers from the Indian pharmaceutical industry created a new cluster in the State of Hidalgo.

It should be taken into consideration that in order to conduct business in the pharmaceutical field, it is required to make the necessary arrangements with the COFEPRIS.

Further Information: https://datamexico.org/es/profile/product/pharmaceutical-products https://www.gob.mx/cofepris/acciones-y-programas/tipo

2.3 Financial Services

General Overview

In Mexico there are about 67 thousand financial institutions, and the financial services sector in 2020 represented 3.4% of the national GDP.⁵²

⁵² Data obtained from INEGI:

https://www.inegi.org.mx/contenidos/saladeprensa/boletines/2021/pib_pconst/pib_pconst2021_02.pdf

2. Current investment opportunities in Mexico

FDI in Financial Services (1999-2020-4Q) has been US\$88.3B representing a total of 14.5% of total FDI. The main countries that have invested are: United States (45.4%), Spain (34.4%), United Kingdom (7.7%), Canada (5.6%) and the Netherlands (2.5%). The states that received the most FDI in Financial Services were: Ciudad de México, Estado de México, Nuevo León, Jalisco and Queretaro.⁵³

These institutions must be authorized, regulated and supervised by the Secretariat of Finance and Public Credit, the Bank of Mexico and the National Banking and Securities Commission, in order to ensure that the financial technology institutions operate properly, provide information security and protect the interests of the public.

Further Information: https://www.gob.mx/se/acciones-y-programas/competitividad-y-normatividad-inversion-extr anjera-directa?state=published

FINTECH

In 2018 the Fintech Law (a Law to Regulate Financial Technology Institutions) was implemented:

- Promoting and regulating innovation and the use of technology in the financial sector.
- New technology offering financial alternatives.

According to Finnovista's Fintech Radar, as of March 26, 2020, Mexico has 441 Fintech, which places it slightly ahead of Brazil, being the largest Fintech cradle in Latin America. Given this, Mexico becomes a pioneer in Latin America in the implementation of norms that regulate these institutions.⁵⁴

2.4 Agribusiness sectors

General Overview

The Mexican countryside and the agribusiness sector are considered one of the best opportunities for new businesses in the economy.

The country's geographic location allows it to have contrasting ecosystems ranging from arid zones to tropical paradises. The country's ecological, and

⁵³ Data obtained from National Foreign Investment Registry:

https://www.gob.mx/cms/uploads/attachment/file/617144/Servicios_financieros_2020-4T.pdf

⁵⁴ Data obtained from: <u>https://www.finnovista.com/tag/fintech-radar-mexico/</u>

demographic capital and its geographical proximity to one of the world's main markets allow it to use its comparative advantages in agri-food production.

According to the Secretariat of Agriculture and Rural Development⁵⁵ Mexico has a world-class agricultural sector, and is the 8th largest exporter and 9th producer⁵⁶ worldwide. Despite the COVID-19 pandemic, Mexican agriculture has not stopped, it continues to work throughout the chain of seed production to the consumer, along with the distribution of the basic food supply in vulnerable areas of the country.

In the period January to December 2020, FDI in agriculture, animal breeding and farming, forestry, fishing and hunting was US\$147 millions, the states that received the most investment were Querétaro, Guanajuato and the Estado de México. The main countries of origin of investment were the United States, Chile and Panama.⁵⁷

The states that have received the most FDI in 1999- 2020 (4Q) are Querétaro, Jalisco and Sonora. The countries that contributed most to FDI were the United States, Brazil and Chile.⁵⁸

In 2020, the states with the highest degree of **specialization** were **Tabasco**, **Campeche** and **Nayarit**.⁵⁹ Likewise, the states with the highest degree of **opportunity** were **Durango**, **San Luis Potosí** and **Chihuahua**⁶⁰.

At the 16th meeting of the Mexico-Canada Agribusiness Alliance in 2020, they agreed to analyze a strategy to face together the challenges posed by growing global protectionism, and to continue working to facilitate trade between the two countries through the digitalization of permits and procedures.

It is worth mentioning that the domestic products with the highest demand in the Canadian market are avocados, tomatoes, peppers, berries and beer, which together reached sales of US\$644B representing 25.6% of Mexico's total exports to Canada.⁶¹

Further Information:

⁵⁵ Further information:

http://www.cedrssa.gob.mx/files/b/13/22Situacion_Sector_Agropecuario_México.pdf

 ⁵⁶ Page 24, retrieved from: <u>http://www.cedrssa.gob.mx/files/b/13/22Situacion_Sector_Agropecuario_México.pdf</u>
 ⁵⁷ Source, Secretariat of Economy, DataMexico:

https://datamexico.org/es/profile/industry/agricultura-cria-y-explotacion-de-animales-aprovechamiento-forestalpesca-y-caza#investment

⁵⁸ Source:

https://datamexico.org/es/profile/industry/agricultura-cria-y-explotacion-de-animales-aprovechamiento-forestal-pesca-y-caza#investment

⁵⁹DataMexico, 2020, The degree of specialization is measured using the Revealed Comparative Advantages (RCA) index, which represents the ratio between observed and expected establishments in each state for each industry.

⁶⁰ DataMexico, 2020, The Affinity index measures the distance between an industry and the current industrial composition in each state. The federative entities presented register a level of specialization lower than the (RCA < 1) unit.

⁶¹ information obtained from:

https://www.gob.mx/agricultura/prensa/refrendan-mexico-y-canada-impulso-al-desarrollo-y-crecimiento-produc tivo?idiom=es

2. Current investment opportunities in Mexico

https://datamexico.org/es/profile/industry/agricultura-cria-y-explotacion-de-animales-ap rovechamiento-forestal-pesca-y-caza#employment

2.5 Strategic projects and key sectors

Infrastructure

When considering an investment in infrastructure projects, it is necessary to analyze the Mexican market and the specific requirements.

The Mexican government is fully committed to ensuring reliable investment opportunities in infrastructure, as it recognizes the importance of cooperation with private investors to fulfill the national infrastructure plan. Moreover, the development of infrastructure projects is expected to have a positive spillover effect.

One of the main objectives of the current federal administration (2018-2024), is to allocate a significant amount of funds to projects located in South-Southeastern states to increase their economic and social development.

The President of Mexico, Andrés Manuel López Obrador, made public that his administration's most emblematic infrastructure projects include the Inter-Oceanic Isthmus of Tehuantepec Corridor, the Mayan Train and the Dos Bocas refinery, all of which are located in the south-southeast.

In order to guarantee certainty, and a favourable environment for foreign investors, the Mexican government is committed to providing:

- New infrastructure projects.
- Legal and institutional frameworks.
- Continued success of public-private partnership and diversified sources of funds.

Opportunities

Strategic projects:

- Isthmus of Tehuantepec Corridor chapter 6.11
- Mayan Train chapter 6.
- Dos Bocas Refinery
- Felipe Ángeles International Airport
- México Toluca Suburban Train

• Oaxaca Pact

Economic Reactivation Plan

This plan is a strategy to facilitate and accelerate the implementation of projects that contribute to the economic reactivation of the country. The Federal Government and the Business Coordinating Council (Consejo de Coordinación Empresarial), will work together to achieve the goal of continuous investment of 25% of GDP, based on the country's competitive advantages.

The following projects have been announced in sectors of communications and transportation, energy, tourism, potable water, sanitation and environment.

Plan for Private Participation	Developer	Project	Sector and Subsector
Investment Split	МЕТА	Highway beltway (Ventura-El Peyote)	Communications and Transport/Roads
Investment Split	ALDESA	Tuxtla Gutiérrez-San Cristóbal highway expansion	Communications and Transport/Roads
Investment Split	META	Construction of Juárez Avenue in San Luis Potosí	Communications and Transport/Roads
Rebalancing Investment	IDEAL	Tepic Villa Union highway	Communications and Transport/Roads
Investment Split	State of Zacatecas	Modernization of the Fresnillo beltway, Cuauhtémoc Osiris	Communications and Transport/Roads
Investment Split	BANOBRAS/FON ADIN	AIFA connectivity structures	Communications and Transport/Roads
Concession	Muelles del Caribe SA de CV	Construction of the cruise ship dock in Cozumel	Communications and Transport/Ports
Concession	BANOBRAS/FON ADIN	Maintenance, rehabilitation and operation of the Compostela-Las Varas highway.	Communications and Transport/Roads
Mixed	Municipality of Naucalpan	Integral and special management of urban solid waste, Naucalpan.	Water/Environment
Investment Split	META	Construction of the La Pitahaya Highway	Communications and Transport/Roads

2. Current investment opportunities in Mexico

Investment Split	COCONAL	Construction of the Ciudad Juárez highway beltway	Communications and Transport/Roads
Mixed	BANOBRAS/FON ADIN	Maintenance, rehabilitation and southeastern operation of highways in Veracruz, Tabasco, Campeche and Chiapas	Communications and Transport/Roads
Investment Split	COCONAL	Ixmiquilpan highway beltway	Communications and Transport/Roads
Concession	SCT	Construction of suburban train Lechería-AIFA	Communications and Transport/Roads
Concession	State of Mexico	Eastern connection State of Mexico (AIFA Connection)	Communications and Transport/Roads
Investment Split	PINFRA	Monterrey-Laredo Highway La Gloria-San Fernando	Communications and Transport/Roads
Investment Split	State of Nuevo León	Complementary infrastructure for the Colombia bridge	Communications and Transport/Roads
Concession	State of Quintana Roo	Nichupté vehicular bridge	Communications and Transport/Roads
Mixed	State of Hidalgo	Real del Monte-Huasca highway construction	Communications and Transport/Roads
Concession	Ciudad de México	Zaragoza viaduct	Communications and Transport/Roads
Concession	SCT	Construction of the Mexico Queretaro Train	Communications and Transport/Railways
Concession	BANOBRAS/FON ADIN	Construction of the Tepic-Compostela highway	Communications and Transport/Roads
Concession	State of Oaxaca	Oaxaca Southern Highway Beltway	Communications and Transport/Roads
Mixed	Altor Capital	Construction of the Water Supply System to the AICM	Environment/Potable Water
Concession	State of Yucatán	Expansion and Modernization of Progreso Port	Communications and Transport/Ports

2. Current investment opportunities in Mexico

Mixed	SCT	Construction of the international border- Mesa de Otay II	Communications and Transport/Roads	
Mixed	FIDEPROES	García railroad corridor at Monterrey international airport	Communications and Transport/Railways	
Strategic Joint Venture	PEMEX	Ethane terminal in Pajaritos	Energy/Industrial processing of hydrocarbons	
Strategic Joint Venture	PEMEX	Camargo Fertilizer Plant	Energy/Industrial processing of hydrocarbons	
Strategic Joint Venture	PEMEX	Installation of a coker unit at the Tula Refinery	Energy/Industrial processing of hydrocarbons	
Strategic Joint Venture	PEMEX	Rehabilitation of a coker plant at the Cadereyta refinery	Energy/Industrial processing of hydrocarbons	
Strategic Joint Venture	CFE y API	Gas liquefaction unit in Salina Cruz	Energy/Industrial processing of hydrocarbons	
	First	plan for public and private ir	nvestment:	

https://www.mzv.cz/public/fb/24/21/4143739_2512394_201001_Reactivacion_Economica_PPT_297mdp.pdf

There is a second plan for public and private investment that has projects distributed in the national territory and are additional to the three major investment projects in the southeast: Isthmus of Tehuantepec Corridor, the Mayan Train and Dos Bocas Refinery.

To participate FDI in some projects may require approval of the National Commission of Foreign Investment (Foreign Investment Law). http://www.diputados.gob.mx/LeyesBiblio/pdf/44_150618.pdf

The Investment Unit of the Secretariat of Finance and Public Credit stated that four criteria were established to select the projects:

- 1. Private investment must be greater than 50 percent of the total investment in each project.
- 2. That they are developed in the sectors of energy, communications and transport, water, sanitation and environment.
- 3. That each project has a clear definition regarding the social benefits, the scope of infrastructure, its cost and implementation time.
- 4. No impact on the public debt.

The current federal administration headed by Andrés Manuel López Obrador, aims to promote the economy, carry out strategic projects, support private

initiative and encourage foreign investment and foreign trade in the south-southeast region.

Plan for Private Participation	Developer	Project	Sector and Subsector
State Concession	Mexican State Government	Naucalpan- Ecatepec Highway	Communications and Transport/Roads
State Concession	Mexican State Government/ Aleatica	Connection to AIFA	Communications and Transport/Roads
State Concession	Mota-Engil	Cuapiaxtla- Cuacnopalan Highway	Communications and Transport/Roads
Permission	IENOVA	Natural gas liquefaction terminal Costa Azul	Energy-Hydrocarbons
Mixed	Colima Gov.	Highway Colima	Communications and Transport/Roads
Private Investment	Grupo El-Mann	T-MEC PARK	Communications and Transport/Logistic
Mixed State Investment	Mexican State Government/ Invecture/ VISE	Southern Roads - State of Mexico	Communications and Transport/Roads
Investment Split	PINFRA	Altar Highway -Sásabe	Communications and Transport/Roads
Investment Split	BANOBRAS FONADIN	Brownsville-Matamoros Vehicular Bridge	Communications and Transport/Roads
Permission	CFE	Tecolutla Lerdo Compression Stations	Energy/Electrical Subsector
Concession	DPH	Heavy components manufacturing plant	Communications and transport/Ports
Mixed	OOMSAPASLC	Water Supply in Los Cabos	Water and Environment/Potable Water
Mixed	OOMSAPASLC	Improvement of Water Management in Los Cabos B.C.	Water and Environment/Potable Water
Permission	CFE	B.C. South Cycle Power Plant	Energy/Electrical Subsector
Permission	CFE	Tuxpan Cycle Central	Energy/Electrical Subsector
Investment Split	Baja California Gov.	Modernization of Centinela Highway	Communications and Transport/Roads
Investment Split	Sinaloa Gov.	Modernization of San Miguel Sinaloa Bridge	Communications and Transport/Roads
Permission	CFE/CIIT	Transisthmian gas pipeline	Energy-Hydrocarbons

2. Current investment opportunities in Mexico

State Concession	Mexican State Gov.	Tultepec Highway	Communications and Transport/Roads
Permission	CFE	Gonzalez Ortega Cycle Plant	Energy/Electrical Subsector
Permission	CFE	Merida Cycle Power Plant	Energy/Electrical Subsector
Permission	CFE	Colorado River Cycle Power Plant	Energy/Electrical Subsector
Permission	CFE	Valladolid Cycle Plant	Energy/Electrical Subsector
Concession	PINFRA	La Gloria Highway	Communications and Transport/Roads
Mixed	Cal yMayor/ AFI, Financial Structure	Orizaba peripheral beltway	Communications and Transport/Roads
Mixed	ICA Infrastructure	La Piedad Highway	Communications and Transport/Roads
Concession	Government of Guanajuato	Silao Highway	Communications and Transport/Roads
Mixed	Interserran Highway Monterrey Concessionaire	Interserran Highway	Communications and Transport/Roads
Mixed	Productive Infrastructure Developer	Border connector of the Samalyuca beltway	Communications and Transport/Roads

Second plan for public and private investment:

https://presidente.gob.mx/presidente-presenta-segundo-paquete-de-proyectos-de-infraestructura-con-inversion -publica-y-privada/

Dos Bocas Refinery⁶²

It is a project, with construction in Tabasco, the objective of this project is to increase the production, and manufacture of products with higher added value in Mexico and thus take care of the country's trade balance.

Mexico Toluca Suburban Train⁶³

The Toluca-Valle de México intercity passenger train is a long-distance, medium-speed rail project under construction that will connect the Toluca Valley metropolitan area with the Mexico City Valley.

Felipe Ángeles International Airport⁶⁴

The Santa Lucia Air Base, located in Zumpango, Estado de México, is being transformed into the Felipe Ángeles International Airport (AIFA), to become part of an integrated network of airports in the Mexico City metropolitan area. (Mexico City International Airport, Toluca Airport, Felipe Ángeles International Airport).

The federal government plans to inaugurate the AIFA on March 21st, 2022. Construction is expected to cost \$78 billion MXN,⁶⁵ including a road connection to Mexico City's International Airport.

Investment opportunity South-Southeast Mexico

Mexico's investment path has benefited greatly from free trade, openness, extensive and modern infrastructure, proximity, and access to the world's main economy and the constant abundance of skilled and semi-skilled workers have attracted a steady flow of investment in the automotive, aerospace, machinery, and technology sectors. The Oaxaca Pact is an initiative announced in 2018, aligned with the 2019-2024 National Development Plan. The Promotion of economic development through innovation, combined with sustainable and inclusive strategies are at the heart of the Oaxaca Pact.

The Oaxaca Pact proves Mexico's commitment to adopt innovation and technology in terms of:

- Sustainability
- Infrastructure
- Knowledge society/ education

⁶⁵ Further information:

⁶² Further information: <u>https://dosbocas.energia.gob.mx</u>

⁶³ Further Information: <u>http://sct.gob.mx/index.php?id=4119</u>

⁶⁴ Further information: <u>https://www.gob.mx/nuevoaeropuertofelipeangeles</u>

https://elmirador.sct.gob.mx/despegue/santa-lucia-futuro-aeropuerto-internacional#:~:text=El%20nuevo%20aero puerto%20inició%20su.78%20mil%20millones%20de%20pesos. :

Some of the key opportunities are the following:

Category	Oaxaca Pact agreements	Opportunity for Canada
Sustainability	 Innovation and environment development strategy and research, within the lines of social inclusion and ethical responsibility. Innovation in renewable energy. 	 Waste management. Maritime resource exploration. Investment in agriculture- innovation and technology/Biotech Coastline management.
Infrastructure	 Development of the key infrastructure to ensure better energy supply and coverage. Modernization of logistical centers, maritime cabotage, multimodal connectivity and infrastructure in general. 	 Investment opportunities in energy distribution infrastructure. Real Estate/Industrial Investment in infrastructure and logistics transport/ services/Mobility. Exploration of new routes between Mexico and Canada.
Knowledge society/ education	 Knowledge society and adoption of innovation and new technologies. Digital transformation and 5.0 education model 	Technology, innovation.EdTech solutions.E-commerce.

Further Information:

https://Inppmicrositio.shinyapps.io/FacilitacionComercialMexicoCentroamerica/?_ga=2.1 95841710.382527396.1613065152-804832402.1533444214

How to invest in infrastructure projects in Mexico?

Mexico is one of the most open countries to FDI, being the 15th-largest world recipient among emerging markets.

As such, trade and investment relationships have seen strong growth since NAFTA came into force in 1994, and this is reaffirmed with the new CUSMA.

The FDI rules for Canadian investors are regulated by the provisions of the foreign investment chapter within CUSMA. These provisions grant non-discriminatory treatment of most FDI in Mexico.⁶⁶

⁶⁶Chapter 14 of CUSMA:

https://www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/cusma-aceu m/text-texte/14.aspx?lang=eng

2. Current investment opportunities in Mexico

Canadian investors have a choice of several vehicles to enter to Mexican market, among others:

Concessions

Roads, ports and airports. Operator: private sector. Investment is recovered through usage fees.

Financed public works

Hydrocarbon sector. Private investment recovery through public operators.

Joint ventures

• Risk sharing scheme.

Key institutions

- Mexico Projects Hub by Banobras (for PPAs Projects consultancy)
 - proyectosmexico@banobras.gob.mx
 - <u>https://www.proyectosmexico.gob.mx/</u>

The economic activities and companies mentioned below are reserved exclusively for Mexicans:

- National road transport of passengers, tourism and cargo, not including delivery and package services;
- 2. Development banking institutions, under the terms of the law on the matter; and
- 3. The rendering of professional and technical services expressly indicated by the applicable legal provisions.

In the economic activities foreign investment may participate in the following percentages:

Activities	Up to %
Cooperative companies for production;	10
Manufacture and commercialization of explosives, firearms, cartridges, ammunitions and fireworks, not including acquisition and use of explosives for industrial and extraction activities nor the preparation of explosive compounds for use in said activities;	49
Printing and publication of newspapers for circulation solely throughout Mexico;	49
Series "T" shares in companies owning land used for agriculture, livestock or forestry purposes;	49

2. Current investm	t opportun	ities in Mexico
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Fresh water, coastal, and exclusive economic zone fishing not including fisheries;	49
Integral port administration;	49
Port pilot services for inland navigation under the terms of the law governing the matter;	49
Shipping companies engaged in commercial exploitation of ships for inland and coastal navigation, excluding tourism cruises and exploitation of marine dredges and devices for port construction, conservation and operation;	49
Supply of fuel and lubricants for ships, airplanes, and railway equipment;	49
Broadcasting. This maximum foreign investment will be subject to the reciprocity that exists in the country of constitution of the investor or economic agent who exercise control, in the last instance, directly or indirectly; and,	49
Scheduled and non-scheduled domestic air transport service; nonscheduled international air transport service in air taxi modality; and specialized air transport service.	49

Neutral investment

Neutral investment is the investment made in Mexican companies or in trusts authorized under the Foreign Investment Law, and shall not be taken into account for determining the percentage of foreign investment in the capital stock of Mexican companies.

Neutral investment can be used in regard to activities that are reserved to Mexican individuals or Mexican entities that do not admit foreign owners, and regulated activities that admit a limited percentage of foreign investment.⁶⁷

Projects with more than 49% of participation approved by the NCFI.

A favourable resolution by the NCFI is required for foreign investment to participate in a percentage higher than 49% in the following activities:⁶⁸

- 1. Port services to vessels to carry out their inland navigation operations, such as towing, rope mooring and barging;
- 2. Shipping companies dedicated to the operation of vessels exclusively in deep-sea traffic;
- 3. Concessionary or permissive companies of airfields serving the public;
- 4. Private services of pre-school, primary, secondary, upper-middle and higher education combined;
- 5. Construction, operation and exploitation of railroads that are general communication routes, and provision of the public rail transport service; and,
- 6. Legal services.

⁶⁷ Secretariat of Economy, 2020:

https://www.gob.mx/cms/uploads/attachment/file/1492/2.2.4_Autorizaci_n_de_la_Comision_Nacional_de_Inversio nes_Extranjeras.pdf



https://www.gob.mx/cms/uploads/attachment/file/607800/Neutral_Investment_Issuance_of_Shares.pdf ⁶⁸ Secretariat of Economy, 2020, obtained from:

A favourable resolution of the NCFI is required for Mexican companies where the foreign investment intends to participate, directly or indirectly, in a proportion of more than 49% of their capital stock, only when the total value of assets of the companies in question, at the time of submitting the acquisition request, exceeds the amount determined annually by the Commission.

The objective of the Foreign Investment Law in Mexico is to determine the rules to attract foreign investment into the country and to encourage it to contribute to national development.

https://www.economia.gob.mx/files/comunidad_negocios/ied/foreign_investment_law.pdf





CUSMA Opportunities



3.1 Canada - United States - Mexico - Agreement (CUSMA) **Opportunities**⁶⁹

Introduction

World trade has been continuously evolving, and therefore many regional trade agreements have been modified, especially NAFTA which introduces new forms of international trade preserving the previous benefits, and at the same time creating new investment opportunities among the partner countries.

- I. Duty free access to Mexican market
- II. Rules of origin
- III. Temporary entry of business professionals to Mexico
- IV. Security for investment rules
- V. Trade in services
- VI. Certainty for Canadian telecommunications service providers and investors
- VII. Digital trade
- VIII. Intellectual property protection and enforcement
- IX. Agri-food sector

I. Duty free access to Mexican market

The new trade agreement seeks to further strengthen the already strong trilateral trading relationship, and to increase **support to Canadian companies** that are looking to diversify their international sales. It also benefits Canadian investment in Mexico's assembly operations through **competitive cost savings** by boosting the light manufacturing sector, which will help reduce border bureaucracy, lower cost, and increase the predictability of cross-border transactions. It increases "de minimis" customs thresholds below which Canadian companies can export to Mexico with less red tape and without paying duties or tariffs, requires customs regulations to be available online, and more.

Forestry

For Canadian providers, the forestry sector in Mexico offers a potential opportunity for lumber producers.

The main objective of the Mexican forestry protection sector is to transform itself into a more sustainable segment, improving the way natural resources are managed, and Chapter 14 turning it into an industry that can be fully utilized without endangering the country's ecosystems.

Mining

Mining is an open sector to foreign investment in Mexico. The CUSMA implements guarantee provisions that for investment projects.

⁶⁹ Based on information from the Secretariat of Economy, 2020; https://www.gob.mx/t-mec

Chapter 24 of the CUSMA

II. Rules of origin

The new disposition relating of rules of origin, benefits Canadian companies as they can export to Mexico with reduced paperwork and without paying taxes or duties (following the format established in Annex 5-A of Chapter 5 of the CUSMA Origin Procedures).

More demanding rules of origin for vehicles and auto parts to boost the manufacturing base.

New incentives to use North American materials (70% of steel and aluminum has to be purchased in North America).

Automotive sector: new, stricter rules for passenger vehicles, light trucks, and heavy trucks. The automotive rules in the CUSMA show how such rules can be used creatively to shape supply chains. Rules regarding labour value content, and research and development in the CUSMA go beyond traditional rules of origin and aim to address wages, intellectual property development, and innovation, and we are certain to see more of them.

Regional value content (RVC): 3-year period for automakers to reach a regional value content of 75% for passenger vehicles, and light trucks (Table 1) and 7-year period for heavy trucks 70% (Table 2).

Table 1

Effective Year	RVC (Net Cost Method)%
2020	66
2021	69
2022	72
2023	75

Own source, based data: CUSMA chapter 4, RVC s. APPENDIX -Regional Value Content for Passenger Vehicles, Light Trucks, and Parts Thereof.

Table 2

Effective Year	RVC (Net Cost Method)%
2020	60
2024	64
2027	70

Own source, based data: CUSMA chapter 4, RVC. APPENDIX -Regional Value Content for Heavy Trucks and Parts Thereof



3. CUSMA Opportunities

Labour Value Content (LVC): 3-year period to reach 40% LVC including 25% high-wage material, and manufacturing, 10% high-wage technology, 5% high-wage assembly. 40-45% of the total value of the vehicle must be produced by workers earning at least USD\$16 an hour.

Effective Year	High-wage Material & Manufacturing Expenditure %	Technology Expenditure %	Assembly Expenditure %	Total labour Value Content%
2020	15	10	5	30
2021	18	10	5	33
2022	21	10	5	36
2023	25 (passenger vehicle) and 30 (light and heavy trucks).	10	5	40 (passenger vehicles) and 45 (light and heavy trucks)

Own source, based data: CUSMA chapter 4, LVC for passenger vehicles and light and heavy truck

III. Temporary entry of business professionals to Mexico

With chapter 16 of the CUSMA and chapter 12 of the CPTPP, Mexico and Canada reaffirmed the principles and categories to allow temporary entry of business persons previously allowed under NAFTA.

The objective of both chapters is to facilitate the temporary entry of business persons to the territory of the Parties in order to offer commercial services, but without the intention of establishing a permanent residence.

This way, some of the main provisions of such chapters promote transparency in the processing of requests for entry, and temporary stay, others bound the parties to provide information on the requirements for said entry and stay, and others establish cooperation schemes between the parties to foster this activity.

IV. Security for investment rules

Mexico's legal framework provides Canadian investors with a transparent, predictable and conducive environment for investments, which is also guaranteed through the most recent free trade agreements: the CUSMA and the CPTPP.

The CUSMA does not contain a mechanism for the resolution of disputes that may arise between Canadian investors and the Mexican State in the implementation of the investment chapter; the CPTPP; however, does provide for said mechanism, thus strengthening investors' confidence on the fulfilment of the obligations assumed through the treaty.

The **Dispute Resolution Mechanism** provided by the **CPTPP**, investor-state dispute settlement mechanism, can be found in Section B in the investment chapter 9.

In this manner, according to the best international practices and standards in the matter, Canadian investors are protected against discriminatory or arbitrary treatment, expropriation of their investments or unjustified restrictions on capital transfers, among other acts or omissions, within the limits clearly established in the agreement itself.

Mexico offers an open, economic framework that guarantees access to the most important investment markets through free trade agreements.

V. Trade in services

Mexico and Canada have also agreed to incorporate disciplines and new provisions on cross-border trade in services, through chapters 15 of the CUSMA and 10 of the CPTPP.

The objective of such chapters is to facilitate trade in services, by ensuring that service providers will not be treated in a discriminatory manner, and that the Parties will not impose barriers which distort such trade.

To this end, these chapters include provisions on non-discrimination (National Treatment and Most Favored Nation Treatment), provisions to prohibit the imposition of quantitative limitations to trade in services, and economic need tests (Market Access), and provisions that inhibit the Parties from imposing obligations on service providers to establish or maintain a representative office, or a company in their territory as a condition for the cross-border supply of a service (Local Presence), among others.

VI. Certainty for Canadian telecommunications service providers and investors

- Non-discriminatory access to and use of telecom services also.
- Telecom regulators in Mexico must be neutral and transparent.
- Secure regulatory framework for a competitive market landscape.
- Each country is required to have a regulator of telecommunications.

Competitiveness in the market will be promoted by facilitating access to public networks that guarantee the security of investors and service providers. In addition, CUSMA protects personal data in e-commerce transactions, cyber security and the free flow of data between the signatory countries, which also includes government information.

VII. Digital trade

Chapter 19 encourages economic growth, and the opportunities offered by digital trade are recognized to reduce the potential challenges that inhibit the cross-border transfer and storage of data.

Digital products transmitted electronically are duty free.

The chapter about digital trade highlights the role of Internet platforms in the global marketplace as facilitators of international trade. It also benefits industries and the economy, as they can access multiple benefits, such as reduced transaction and communication costs, which increase the availability of products and services. In addition, it favours the growth of companies with business models focused on the creation of value chains. In this way, entrepreneurs and users will benefit from the development and use of these platforms. As well, CUSMA protects personal information of users of digital trade.

VIII. Intellectual property protection and enforcement

CUSMA guarantees transparency and protection of innovative technology through a legal framework.

According to the Secretariat of Economy, the CUSMA includes the level of protection that intellectual property rights will have, based on the model of the CPTPP, in which improvements were incorporated to ensure an adequate level of protection, taking into account the balance between rights holders, users and society in general.

http://comisiones.senado.gob.mx/puntos_constitucionales/docs/TMEC/resumen_SE_050 619.pdf

IX. Agri-food sector

The CUSMA includes provisions that will help accelerate the expansion of agri-food trade in the region. In addition, the parties recognize the value that specific products, which are only produced in the North American region:

- Canada and the United States recognize Tequila and Mezcal as distinctive products of Mexico. Accordingly, Canada and the United States shall not permit the sale of any product as Tequila or Mezcal unless it has been manufactured in Mexico in accordance with the laws and regulations of Mexico governing the manufacture of both beverages.
- Mexico and the United States will recognize Canadian Whisky as a distinctive product of Canada. Accordingly, Mexico and the United States

will not permit the sale of any product as Canadian Whisky, unless it has been manufactured in Canada in accordance with Canadian laws and regulations.

- A new feature of the Treaty is that it includes provisions on agricultural biotechnology, which reflects an interest to encourage agricultural innovation and promote transparency in trade in products of agricultural biotechnology. In addition, a working group is established for cooperation on biotechnology-related issues.
- The new chapter on agriculture establishes that countries may not adopt export subsidies on agricultural goods that are traded among themselves, and if any of the economies considers that there are financial supports for exports that are distorting trade among countries, they may request a discussion of the issue.

A modernized Committee on Agriculture Trade, which will provide a forum for Parties to address issues and trade barriers.



Preparing for investing, practical advices for investors

4



4.1 Preparing for investing, practical advice

Mexico holds a particular, and strategic position when it comes to doing business with Canada, not only as a trading partner, but also as a geostrategic partner. The Mexican economy offers a potential market, for Canadian investors, as there is a geographical proximity, and stable politics in Mexico that allows the country to be an influential intermediary, for the rest of the Latin American continent due to its privileged position.

There are numerous ways in which investors can participate in a foreign market. Successful market entry into Mexico is not different from scaling business in the United States. Currently, according to UNCTAD, Mexico is the 14th most attractive country for FDI. Most foreign investors have relocated and opened businesses in Mexico because it has presented a competitive international context that equally maintains macroeconomic and political stability, low inflation, a stable pace of economic growth, and skilled labour to generate products with high technology⁷⁰.

Mexico is an attractive, and convenient destination because it has highly qualified professionals, the size and the strength of the domestic market for its products. It can also produce advanced manufacturing products in an internationally competitive way.

Legal Steps	How?	Requirement
Legalize the name of the company.	The name of the company can be constituted online, a notary public is not required to request the name authorization, the request can be made by any citizen directly at: <u>https://www.gob.mx/se/articulos/registr</u> <u>ar-tu-marca-es-facil-rapido-y-seguro</u>	Electronic signature required https://www.sat.gob.mx/tramit es/16703/obten-tu-certificado- de-e.firma-(antes-firma-electr onica)
Tax Registry Number (RFC) in Spanish term.	This requirement can be obtained at the Tax Administration Service Servicio de Administración Tributaria (SAT) through a notary public hired, by the investor, or the investor can go to the SAT authorities and ask for the signature requirements (e.firma) in order to legalize the RFC. <u>siat.sat.gob.mx/PTSC/</u>	Hire a Notary Public or travel to Mexico to get the (e.firma) and then legalize the RFC.
Register with local tax authorities (municipality)	The company must register with the taxpayers of the Personal Income Tax. The company can register at the	 Statutes and identification of the legal representative Application form

Establish in Mexico

⁷⁰Secretariat of Economy, Foreign Direct Investment, 2020, further information:

https://www.gob.mx/se/acciones-y-programas/competitividad-y-normatividad-inversion-extranjera-directa?state =published

4. Preparing for investing, practical advices of investors

	Mayor's Office (City Hall or municipality). https://finanzas.edomex.gob.mx/inicio https://innovacion.finanzas.cdmx.gob.m x/siscon/ https://www.finanzasoaxaca.gob.mx https://egobierno.nl.gob.mx/egob/PagoR efrendo.php	 Taxpayer Identification Number (RFC) IMSS registration notification⁷¹ (e.firma)
Company registration	Registration in the Public Registry of Commerce can be made directly, by the public notary online: <u>https://rpc.economia.gob.mx/siger2/xht</u> <u>ml/login/login.xhtml</u> ; or it can be registered by yourself or the public notary in the registry office that corresponds to the business address.	Company instrument of constitution, pre-coded printed form that corresponds to the act to be registered and corresponding fees.

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Own elaboration base data from: <u>https://www.gob.mx/tuempresa</u>

Legal entities	Specifications
Sociedad Anónima (S.A.)	The Sociedad Anónima (S.A.) is the one that exists under a name, and is composed exclusively of partners whose obligation is limited to the payment of their shares. For its constitution, a minimum of two partners is required, that the social contract establishes the minimum amount of the social capital and that this is integrally subscribed.
 Sociedad de Responsabilidad Limited Liability Partnership, the capital will be the established in the social contract; it will be divided in social that will be of unequal value and category, but that in any will be of a multiple of a Mexican Peso. Another advantage is that taxes are paid through the tax ret the member persons, rather than as a collective enterprise. Individuals can enjoy significant protection of their assets, an only "responsible" for their own actions in the company, aname suggests. 	
Sociedad Civil (S.C.)	The Sociedad Civil or S.C. is the most common organization for professional service suppliers. No minimum capital requirements, no limit on the number of partners and is taxed as a corporation.
Sociedad por Acciones Simplificada	 The Simplified Stock Company, better known as S.A.S., is a figure, for those companies that are constituted with one or more individuals who are only obliged to pay their contributions represented in shares. Unlike other types of companies, such as S.A. or S.C., which necessarily require two or more persons (individuals or companies) to create them. The requirements that are considered to constitute an S.A.S are: That some of the shareholders have the authorization of the name of the company that can be obtained online.

⁷¹ Employer registration and registration in the insurance of work risks or resumption of activities for legal entities: <u>http://www.imss.gob.mx/tramites/imss02001g</u>

4. Preparing for investing, practical advices of investors

Sociedad en comandita por accionespartnership formed by one or more limited partners and one of more limited partners. The former are liable in a subsidiar unlimited and joint manner for the obligations and debts of th partnership towards third parties. The second ones can authorize and supervise the company, but they do not have the capacity to act as administrators, they ar only obliged to pay their shares.• Notice for the establishment of foreign legal entities in th Mexican Republic to provide services. https://www.qob.mx/cms/uploads/attachment/file/543573/N otice_establishment_foreign_legal_entities to provide_services ces_OMC.pdfForeign Legal Entities• Notice for the establishment of foreign legal entities in th Mexican Republic. https://www.qob.mx/cms/uploads/attachment/file/426852/N otice_establishment_foreign_legal_entities to provide_services. https://www.qob.mx/cms/uploads/attachment/file/426852/N otice_establishment_foreign_legal_entities to provide_services. https://www.qob.mx/cms/uploads/attachment/file/426852/N otice_establishment_foreign_legal_entities to provide_services. https://www.qob.mx/cms/uploads/attachment/file/426852/N otice_establishment_foreign_legal_entities to provide_services. https://www.qob.mx/cms/uploads/attachment/file/544359/E stablish_representative_offices_without_income. https://www.qob.mx/cms/uploads/attachment/file/544359/E stablish_representative_offices_without_income.pdf• Authorization for the establishment of foreign_legal entities in the Mexican Republic, intending to establis representative_offices_without_income.pdf	 (https://www.gob.mx/tuempresa/articulos/crea-tu-socieda d-por-acciones) Annual income not exceeding \$5 million MXN. Capital can be as low as \$1 Mexican peso and electronic means can be used to make agreements among shareholders. The shareholders can never be simultaneously shareholders with decision makers of other types of business companies 	
 Mexican Republic to provide services. https://www.gob.mx/cms/uploads/attachment/file/543573/Notice_establishment_foreign_legal_entities_to_provide_services_OMC.pdf Notice for the establishment of foreign legal entities in the Mexican Republic. https://www.gob.mx/cms/uploads/attachment/file/426852/Notice_establishment_foreign_legal_entities to_provide_services.pdf Authorization for the establishment of foreign legal entities in the Mexican Republic, intending to establish representative offices without income. https://www.gob.mx/cms/uploads/attachment/file/544359/Festablish_representative_offices_without_income.pdf Authorization for the establishment of foreign legal entities in the Mexican Republic, intending to establish representative_offices_without_income.pdf Authorization for the establishment of foreign legal entities in the Mexican Republic to register its bylaws in the Public 	partnership towards third parties. The second ones can authorize and supervise the company, but they do not have the capacity to act as administrators, they are	
	 Mexican Republic to provide services. https://www.gob.mx/cms/uploads/attachment/file/543573/N otice_establishment_foreign_legal_entities_to_provide_servi ces_OMC.pdf Notice for the establishment of foreign legal entities in the Mexican Republic. https://www.gob.mx/cms/uploads/attachment/file/426852/N otice_establishment_foreign_legal_entities to_provide_servi ces.pdf Authorization for the establishment of foreign_legal entities in the Mexican Republic, intending to establish representative offices without income. https://www.gob.mx/cms/uploads/attachment/file/544359/E stablish_representative_offices_without_income.pdf Authorization for the establishment of foreign_legal entities in the Mexican Republic to register its bylaws in the Public Registry of Commerce. https://www.gob.mx/cms/uploads/attachment/file/544357/R eqister_bylaws_in_Public_Registry_Commerce.pdf 	

Own elaboration base data from<u>: https://www.gob.mx/tuempresa</u> and

https://www.gob.mx/se/acciones-y-programas/competitividad-y-normatividad-inversion-extranjera-directa?state =published

It should be noted that according to ECLAC, 2019⁷² Mexico's political and macroeconomic stability has allowed the country to obtain a significant amount of FDI, which has allowed the modernization of a segment of domestic companies that have carried out mergers and partnerships with foreign companies.

⁷² Report on foreign direct investment in Latin America and the Caribbean: <u>https://repositorio.cepal.org/bitstream/handle/11362/44698/10/S1900447_en.pdf</u>





Employment in Mexico



5.1 Employment in Mexico

Employment in Mexico has great economic advantages, according to the World Bank's Doing Business 2020 report; Mexico is the regional leader in Latin America in the ease of doing business. Mexico's competitiveness is supported by its abundant skilled labour (in high-quality manufacturing) and competitive costs in the manufacturing industry (*i.e.* aeronautics, automotive, electronics, and medical device industries, among others).

There are some taxes and benefits for employees that represent between 20% and 30% of the payroll considering the minimum benefits by law, but they may vary depending on the location and the actual salary range of the employees.

The legal benefits are:

- Salary tax, this varies from 0% to 3%.
- Vacation bonus: is +25% of the salary received during the vacation days.
- Vacation days depend on the number of years the employee has worked for the company.

Years worked vacation days:

In accordance with the Federal Labour Law (Ley Federal de Trabajo), employees with more than one year of service will enjoy an annual period of paid vacation, which in no case may be less than six working days, and which will increase by two working days, until reaching twelve, for each subsequent year of service.

- Social Security, retirement and housing fund (IMSS, AFORE and Infonavit) which vary according to the salary received, but on average represents about 16-20% of the employee's base salary.
- Other complementary benefits that are commonly found are those that the law allows as income tax, except for savings funds, transportation, food aid and additional medical insurance.





5.2 Land Cost

Land cost in Mexico varies from one state to another, particularly if you select a greenfield for your business instead of an existing facility. When a business, or a company is looking for land to build a project that suits it, it needs to perform due diligence regarding ownership titles, use of land permits, access to essential utilities, and infrastructure. The best sources of information for budget purposes would be industrial parks and real estate agents at the desired state.

Before moving forward with the contracting of a facility, it is recommended to talk to the Economic Development offices of the State, where you can find advice from the Secretaries of Development⁷³. Likewise, Mexico has more than 500 industrial parks that are part of the strategic infrastructure to attract more FDI. Unlike purchasing unserviced land, the industrial park has comprehensive services under the concept of plug and play, this means that the basic services are already established for the user and so you do not have to do the paperwork individually.

It is necessary to mention that in those companies that own agricultural, cattle or forest land, foreigners can only acquire 49% of the stocks or shares through the T series⁷⁴.

⁷⁴ The capital stock is divided into a special series of common stock or shares interests identified with the letter T, which will be equivalent to the capital contributed in agricultural, livestock or forestry land or to that destined to the acquisition of such land, according to the value of the land at the time of its contribution or acquisition. http://www.diputados.gob.mx/LevesBiblio/ref/lagra.htm



⁷³ More information at Mexican Association of Secretaries of Economic Development: <u>http://amsde.mx</u>





Set-up considerations



Improving the investment environment requires an overall strategy that promotes and facilitates investor participation. This chapter will describe the considerations on the installation and investment of foreign companies in Mexico, provide information on the location of sites where investments can be placed, then describe the inter-institutional relations within the Mexican government, describing the legal frameworks, and finally discuss the relocation requirements.

6.1 Site location

The location decisions for the operation of a company are always accompanied by several questions, these implications that are usually limited to issues of cost, profitability, response times, proximity to certain locations, which is why today investors are looking for countries that have these minimum requirements to invest.

Why is Mexico a great location for investment?

Mexico is an attractive destination for private investment because it has maintained constantly growing economic levels, and has been one of the Latin American countries that has received the most foreign investment, which is explained by the rapid growth of the automotive, and financial sectors, as well as by the support and reliability provided by the federal administration.⁷⁵

Mexico is the second largest economy in Latin America⁷⁶, with a strong international trade sector, a population of more than one hundred and twenty-six million people and the recent qualification as the best jurisdiction in the region to do business⁷⁷, it positions the Mexican country as a dynamic and reliable economy for future investments.

Mexico's proximity to the United States has helped persuade international companies to favour the country as a strategic location for production and manufacturing activities. Companies and individuals seeking foreign direct investment in Mexico are attracted by the fact that the nation has a large pool of human talent covering a wide range of services and industries at all skill levels.

The regional division of the Mexican territory was established due to natural and historical-cultural factors, giving rise to different regions.

⁷⁵ Further information: <u>https://www.proyectosmexico.gob.mx/por-que-invertir-en-mexico/ubicacion-ideal/</u>

⁷⁶ further information: <u>https://www.provectosmexico.gob.mx/por-que-invertir-en-mexico/economia-solida/</u>
⁷⁷ Further information:

https://www.gob.mx/shcp%7Cgacetaeconomica/documentos/mexico-el-mejor-pais-para-hacer-negocios-en-ame rica-latina-banco-mundial

The historical-cultural factors have to do with the forms of social and economic organization that human beings have created as part of their adaptation to the natural environment in which they live.

The combination of these factors allows us to establish similarities and differences among the 32 states that make up the national territory.

If the investor is interested in receiving advice on how to establish a business in any area or state of Mexico, he/she can contact AMSDE.

- AMSDE Mexican Association of Economic Development Secretaries (for local governments consultancy)
 - <u>mlopez@amsde.mx</u>
 - o <u>http://amsde.mx/</u>

The similar physical, cultural and economic characteristics of the states give rise to the formation of three regions:

- 1. North Region
- 2. Central Region
- 3. South Region

North Region

The north region has established itself as one of the main areas of the Mexican economy and is the region with the most development. The states of the region are leaders at the national scale in the production of various sectors: agricultural, industrial and services, this comes from a strategic position of the northern region taking advantage of the potential trade agreements that Mexico has in the world, allowing it to have three of the first five states with the highest number of international sales (Nuevo León, Chihuahua and Baja California⁷⁸), below is a table with some data on what each state exports the most.

Northern States	Main exports
Nuevo León	Industrial Data processing units, air conditioning machinery, electric wires and cables, refrigeration equipment, electric accumulators, auto parts and accessories.
Coahuila	Industrial Automotive parts and accessories, convertible or non-convertible seats in beds and parts for alternative combustion engines.

⁷⁸ The main export products in 2019 were personal and transport cars and machines and data processing units, further information: <u>https://datamexico.org/es/profile/geo/mexico#economia-ventas-internacionales</u>



6. Set-up considerations

Tamaulipas	Industrial Monitors and projectors, television reception devices, data processing machines and units and liquid crystal devices.
Baja California	Industrial Instruments and devices used in medical sciences, heavy vehicles, for any vehicle and electronic integrated circuits.
Sonora	Industrial/Agricultural Electrical wires and cables, parts and accessories of motor vehicles and other vegetables, fresh or refrigerated.
Chihuahua	Industrial Machines and data processing units, not specified or included elsewhere, electrical wires and cables, and seats convertible or not into beds and parts.
Sinaloa	Agricultural Fresh or refrigerated tomatoes, fresh or refrigerated beef, and other vegetables, fresh or refrigerated.
Durango	Industrial Electrical wires and cables, men's suits, sets, jackets, blazers and pants and motor vehicle parts and accessories.
Baja California Sur	Agricultural Fresh or refrigerated tomatoes, crustaceans; peeled or not, live, fresh, refrigerated, frozen, dried, salted or in brine; smoked, cooked or not before or during the smoking and podded vegetables, even if they are peeled, fresh or refrigerated.

Source: Own elaboration based on data from: DataMexico, Secretariat of Economy⁷⁹.

Central Region

The central region is integrated by 14 of the 32 states of the country: Aguascalientes, Colima, Ciudad de México, Guanajuato, Hidalgo, Jalisco, Estado de México, Michoacán, Morelos, Nayarit, Querétaro, San Luis Potosí, Tlaxcala and Zacatecas.

The central region, through its location, operational relationship, proximity and interdependence with the regions of the North and South-East, plays a role in connecting and promoting transport routes and trade flows between the North and the South. Likewise, the economic structure of the entities in the region shows a greater performance in the services sector, however, it also has a small percentage in the agricultural and industrial sectors. For example, Morelos exports glass fibers, auto parts and has investment in the manufacturing industry, while Michoacán exports mainly in agriculture.

⁷⁹ Further information: <u>https://datamexico.org/es/explore?profile=geo&tab=1</u>

Below is a table showing the degree of each state in the central region and its importance in each sector.

State	Agricultural	Industrial	Services
Aguascalientes			
Colima			
Ciudad de México			
Guanajuato			
Hidalgo			
Jalisco			
Estado de México			
Michoacán			
Morelos			
Nayarit			
Querétaro			
San Luis Potosí			
Tlaxcala			
Zacatecas			
Red			1-15 %
Yellow			16-35%
Green			36 – 99%
Source: INEGI, Mexican S	System of National Accounts INE	. Percentages and own calcu GI. ⁸⁰	llations based on data of
ht	tp://cuentame.inegi.org.mx/r	nonografias/default.aspx?te	ma=me

http://cuentame.inegi.org.mx/monografias/default.aspx?tema=me

South-Southeast Region

The South-Southeast has a territorial extension with mountainous areas of the Sierra Madre del Sur, the Sierra de Chiapas and the Cordillera Centroamericana.

This region has enormous natural resources, culture, access to the Caribbean Sea, and the Pacific Ocean. It also stands out for its level of services in tourism and port infrastructure.

Unlike the rest of the country, the population in this region is dispersed in rural areas, especially in Guerrero, Chiapas and Oaxaca. Currently, it is one of the regions to emphasize by the present federal administration of Mexico 2018-2024.⁸¹

⁸¹ More information about the projects for the south zone:

⁸⁰ Further information:

https://datos.gob.mx/busca/dataset/sistema-de-cuentas-nacionales-de-mexico-producto-interno-bruto-pib http://cuentame.inegi.org.mx/monografias/default.aspx?tema=me

https://www.proyectosmexico.gob.mx/proyectos/#profile

One of the main programs is the Pacto Oaxaca⁸², which seeks to promote the growth of the regional economy of the South-Southeast in Mexico, through an innovative regional industrial policy. This project will strengthen local activity, increase income and employment levels, and improve the quality of life of the population throughout the **South-Southeast** of Mexico, it will also interconnect the southeast region with the internal and foreign market, improve education and digital transformation.

The coastal zone of the region has important maritime and airport infrastructure, however, in its majority, the region presents weak connectivity between the different territories that constitute it. For this reason, the federal government has created a large directory of programs and projects in which they stand out: *Customs Logistics Platforms* to strengthen the export offer, agro-logistic center clusters, new highways and roads projects, rehabilitation and modernization of roads and airports and railway projects.

The major projects are: Interoceanic Isthmus of Tehuantepec Corridor, Mayan Train and Dos Bocas refinery.

Isthmus of Tehuantepec Corridor (Desarrollo del Istmo de Tehuantepec)⁸³

The Isthmus of Tehuantepec Corridor has a key role in the development of the South-Southeast region and its integration with Central and North America, as it will have 10 development poles and a logistical platform that allows inter-oceanic movement of goods to domestic and world markets in an agile and competitive way, this logistic platform is integrated by the ports of Salina Cruz and Coatzacoalcos. It should also be noted that 6 of the 10 development poles will be in the state of Oaxaca and the remaining 4 in Veracruz.

The project is aimed at the growth of the regional economy and includes: modernizing the railroad of the Isthmus of Tehuantepec Corridor, modernizing the ports of Coatzacoalcos and Salina Cruz, strengthening highway infrastructure and rural roads, as well as the construction of a gas pipeline to supply companies and national consumers.

https://www.proyectosmexico.gob.mx/proyecto_inversion/programa-para-el-desarrollo-d el-istmo-de-tehuantepec-pdit/#:~:text=El%20Programa%20para%20el%20Desarrollo,33% 20al%20Estado%20de%20Veracruz.

⁸² Obtained from:

<u>https://www.gob.mx/presidencia/articulos/version-estenografica-del-pacto-oaxaca-hacia-un-sur-sureste-del-futuro</u> ⁸³ Further information:

https://www.proyectosmexico.gob.mx/proyecto_inversion/programa-para-el-desarrollo-del-istmo-de-tehuantepe c-pdit/#:~:text=El%20Programa%20para%20el%20Desarrollo,33%20al%20Estado%20de%20Veracruz.

Mayan Train (Tren Maya)⁸⁴

The Mayan Train Project will be a modern railroad that will transport passengers and goods, the objective of achieving a greater impact on the economic activities of the region, as well as interconnecting the area from its main cities and tourist points.

This is a project that is expected to increase the economic flow of tourism in the Yucatan Peninsula and benefit the economic development of the entire region. It is due to these works that the Mexican Southeast is attracting both national and foreign attention and investment.

https://www.proyectosmexico.gob.mx/proyecto_inversion/tren-maya/#popme

6.2 Government affairs and inter-institutional relations

In Mexico, the interactions between different orders of government are dynamic. Part of this dynamism is the effort that states and municipalities make to coordinate, horizontally and vertically. This paper focuses on the analysis of intergovernmental relations associated with infrastructure investment at the federal, state, and municipal levels.

Federal laws are those that apply in the whole Mexican territory: Customs, immigration, bankruptcy, patents and copyrights.

Each state has its own laws and courts, however, these laws cannot contradict the federal laws. Among the laws that each state manages are: indemnification, business contracts, property and real estate, etc. Local laws, which are within the municipalities and apply only within their jurisdiction, usually serve as a complement to state laws: transit regulations, rent, zoning and local security.

As a result, each location is subordinate to federal, state and local laws. Also, in matters of investment or for a concession, it must be taken in consideration if the development will be in a federal, state or local zone, depending on the zone is the entity that must be used for that license.

Level	Concession
Federal	Radio communication concessions, airports, highways, federal highways, mining, concessions natural resources, investment permits, seaports, customs and federal projects.

⁸⁴ Further Information: <u>https://www.trenmaya.gob.mx</u>

State	Public services, roads or bridges within the state budget, construction permits within a state zone.
Local	Land use concessions within the local jurisdiction and projects within the municipality that come from its budget.
	Own elaboration, based on the Mexican Government's open data. ⁸⁵

6.3 Taxation

For tax purposes, foreigners are natural persons (individuals) or legal entities (corporations, associations or civil societies, among others) governed by the laws of another country, by their nationality, address, residence, or place of operation.

Mexican Law distinguishes:

- *Natural Persons*: is an individual with real, and material existence, who has the capacity to exercise his rights and contract obligations within the framework of the law and the constitution.
- Legal Entities: is a subject possessing rights and obligations that exists physically but not as an individual but as an institution and that is conformed, by one or more natural persons.

For tax purposes Mexican Law distinguishes between:

- Residents in Mexico: Legal entities (corporations, associations and civil societies, among others) that have established in México the main of their business or their effective place of management.
- Resident abroad: Legal entities (corporations, associations and civil societies, among others) that have not established in Mexico the main of their business or their effective place of management, which are required to pay income tax and value added tax on goods and services.

Foreigners who are residents in México, and receive income in our country are considered taxpayers, and pay taxes in the same way as nationals; consequently, they must comply with the obligations that correspond to the regime by which they receive such income.

Foreigners who receive income derived from activities in Mexico will be considered as taxpayers, and the taxation process they will carry out will be similar to that of national taxpayers.

https://www.sat.gob.mx/consulta/06712/conoce-cuales-son-tus-obligaciones

⁸⁵ Further information: <u>https://datos.gob.mx/busca/dataset?tags=concesiones</u>



Customs and Excise Duties

Another indirect tax is the customs duties, this type of taxes must be paid on the import or export of goods based on the purpose of the foreign trade transactions into customs regimes for imported goods:

- 1. Definitive.
- 2. Temporary.
- 3. Transit of goods.
- 4. Fiscal deposits "in bond".
- 5. Strategic bonded warehouse.

The transaction value of the goods to be imported is understood to be the price paid for them, and that they are sold for export to Mexican territory by purchase made by the importer, a price that will be adjusted, if applicable. Which will correspond in accordance with the tariff in which the imported merchandise is classified, according to the Tariff of the Law of the General Taxes of Import and Export, or the Table of Taxation of Mexico foreseen in some free trade agreement, to the customs value of the imported merchandise.

In accordance with the CUSMA, the importation of goods originating in North America, regardless of their classification in the Tariff of the Law of General Taxes of Importation and Exportation, shall be exempt from the payment of tariffs, except for those goods where otherwise indicated in this Decree.

https://www.snice.gob.mx/cs/avi/snice/ligie.2020.html

6.4 Programs

Mexico has programs to promote investment, exports and competitiveness of the country, these programs are mentioned through the official website of the Secretariat of Economy: <u>https://www.gob.mx/se</u>

Import Tax Refund to Exporters (DRAWBACK), It offers the possibility of obtaining the refund of the General Import Tax paid for the goods that were incorporated to export goods.⁸⁶

Decree for the Promotion and Operation of the Maquiladora Export Industry (IMMEX), is an instrument through which it is permitted to temporarily import the goods necessary to be used in an industrial or service process for the preparation, transformation or repair of goods of foreign origin temporarily imported for export or for the rendering of export services, without covering the payment of the general

⁸⁶ This program is at the disposal of the CUSMA, article 2.5; Programs for Customs Duty Drawback and Tariff Deferral, for more information:

https://www.gob.mx/cms/uploads/attachment/file/560545/02_ESP_Trato_Nacional_CLEAN_Junio_2020.pdf

import tax, the value added tax and, if applicable, the compensatory quotas.Sectorial Promotion Programs (PROSEC), an instrument aimed at legal entities that produce certain goods, through which they are allowed to import with preferential ad-valorem tariffs (General Import Tax) various

goods to be used in the manufacture of specific products, regardless of whether the goods to be produced are intended for export or the domestic market.

New Certified Companies Scheme (NEEC), is a program that seeks to strengthen the security of the foreign trade logistics chain through the implementation of minimum-security standards internationally recognized in coordination with the private sector and that provides benefits to participating companies.

Mexican Digital Trade Window was established to allow foreign trade agents to carry out, through a single electronic entry point, all import, export and transit procedures for goods.

https://www.ventanillaunica.gob.mx/vucem/index.html





Local Allies and helpful links



7.1 Local Allies and helpful links

Canada and Mexico have a dynamic, vibrant, multi-faceted and prosperous relationship, which has been characterized by deep interpersonal relations, business and cultural connections and investments.

Secretariat of Economy

The Secretariat of Economy in Mexico is responsible for formulating and conducting policies on industry, innovation, diversification and commercial productive inclusion, as well as stimulating national and foreign investment.

The Undersecretary for Foreign Trade is responsible for conducting relations and trade negotiations, as well as supervising and implementing trade agreements to which Mexico is a signatory, and is the representative office of Mexico in international trade.

Contact: <u>cusmadesk@economia.gob.mx</u> <u>https://www.gob.mx/se</u>

National Commission of Foreign Investments

Constituted by the heads of other government ministries, is composed of the Secretariats of the Interior; Foreign Affairs; Finance and Public Credit; Social Affairs; Environment and Natural Resources; Energy; Economy; Communications and Transportation; Labour and Social Welfare; and Tourism.

The Commission designs political guidelines on foreign investment matters and mechanisms to promote it; resolve the feasibility for the foreign participation in activities or acquisitions with a specific regulation.

Contact:

<u>invierteenmexico@economia.gob.mx</u> <u>https://www.gob.mx/cms/uploads/attachment/file/608289/Authorization_Foreign_Invest</u> <u>ment_National_Commission.pdf</u>



Global Economic Intelligence Unit

It collaborates with agencies and entities of the Federal Public Administration, state governments and the private sector to promote export activity through strategies that contribute to increasing the productivity of Mexican companies, giving priority to SMEs. Likewise, it defines the criteria for introducing Mexican companies into international value chains in order to promote a competitive environment for them.

It is also responsible for implementing the policy for promoting foreign investment that contributes to the transfer and technological innovation of Mexican companies.

Contact: <u>uieg@economia.gob.mx</u> <u>https://www.gob.mx/se/acciones-y-programas/inteligencia-economica-global</u>

General Directorate of Investment and Export Promotion Policy

Design and implement public policy's activities for the promotion of foreign trade and attraction of foreign investment, seeking the participation and cooperation of other authorities within the federal and local governments as well as stakeholders, to contribute to the integration of Mexican companies in value chains with emphasis in MSMEs.

Contact: dgppie@economia.gob.mx

General Directorate of Foreign investment (DGIE by its acronym in Spanish)

Administer and operate the National Foreign Investment Registry, carry out registrations, evaluate investment projects, as well as issue authorizations in matters of foreign investment and legal entities.

Contact:

https://www.gob.mx/se/acciones-y-programas/competitividad-y-normatividad-inversionextranjera-directa?state=published

Embassy, Consulates and Commercial Agents

Embassies and Consulates are offices that represent the government of a country abroad, and depend on the Secretariat of Foreign Affairs in Mexico as well as on the Ministry of Foreign Affairs in Canada.

The Economic and Commercial Offices of the Diplomatic Missions are an instrument of the Mexican Administration to provide information and support to the foreign investors that invest in Mexico, to the Mexican exporters and to the projects of internationalization.

	Location	Contact
Embassy of Mexico in Canada	45 O'Connor St. Suite 1000 Ottawa, Ontario K1P 1A4	Phone: (613) 233-8988 E-mail: <u>infocan@sre.gob.mx</u> Website: <u>https://embamex.sre.gob.mx/canada/index.p</u> <u>hp/en/</u>
Commercial Attaché Office, Secretariat of Economy	45 O'Connor St. Suite 1030 Ottawa, Ontario K1P 1A4	Phone: (613) 787-5180 E-mail: <u>cusmadesk@economia.gob.mx</u> Website: <u>https://www.gob.mx/t-mec</u>
Consulate General of Mexico in Montreal Constituency: Quebec, Newfoundland, Labrador, New Brunswick, Nova Scotia, Prince Edward Island and Nunavut.	2055 Rue Peel, Bureau 1000 Montreal, QC. H3A 1V4, Canada	Phone: (514) 448-6708 E-mail:promocionmon@sre.gob.mx Website: https://consulmex.sre.gob.mx/montreal/index .php/es/
Consulate General of Mexico in Toronto Constituency: Ontario and Manitoba.	11 King Street West, Suite 350 Toronto, Ontario, M5H 4C7	Phone: (416) 368-2875 E-mail: <u>economicostor@sre.gob.mx</u> Website: https://consulmex.sre.gob.mx/toronto/index. php/es/
Consulate General of Mexico in Vancouver Constituency: British Columbia, Yukon and Northwest Territories.	411-1177 West Hastings St Vancouver, BC. V6E 2K3, Canada	Phone: (604) 684-3547 and (604) 684-1859 E-mail: <u>tradevan@sre.gob.mx</u> Website: <u>https://consulmex.sre.gob.mx/vancouver/ind</u> <u>ex.php/es/</u>

7. Local Allies and helpful links

Consulate of Mexico in Calgary	407-2nd Street SW, suite 400	Phone: (403) 264-1259 ext. 22 and 32 E-mail: <u>promocionclg@sre.gob.mx</u>
Constituency: Alberta, Saskatchewan	Calgary, AB. T2P 2Y3, Canada	Website: https://consulmex.sre.gob.mx/calgary/index.p hp/inicio
Consulate of Mexico in Leamington Constituency: Essex County (South), Ontario.	350 Highway 77 Leamington, ON. N8H 3V5, Canada	Phone: (519) 325-1460 Ext. 221 and 225 E-mail: <u>atencionpubliclolea@sre.gob.mx</u> Website: <u>https://consulmex.sre.gob.mx/leamington/in</u> <u>dex.php/inicio</u>

General Directorate of Civil Society Organizations Liaisons (DGVOSC by it acronym in Spanish)

The Secretariat of Foreign Affairs, through the DGVOSC, coordinates programs, strategies, and guidelines aimed to promote and facilitate dialogue, as well as activities with agencies and civil society organizations at the national and international level.

Contact: https://directorio.sre.gob.mx/index.php/oficinas-centrales/direccion-general-de-vinculaci on-con-las-organizaciones-de-la-sociedad-civil

General Directorate of Legal Affairs (DGAJ by its acronym in Spanish)

The Secretariat of Foreign Affairs through the DGAJ will grant permits for the incorporation of companies, in accordance with the provisions of Article 27, section I of the Political Constitution of the United Mexican States.

Contact:

https://directorio.sre.gob.mx/index.php/oficinas-centrales/direccion-general-de-asuntos-juridicos

Tax Administration Service (SAT by its acronym in Spanish)

It is an Agency in charge of collecting the tax and customs resources that the law provides. It grants taxpayers, whether individuals or companies, the necessary tools to comply with their tax obligations. They also assist in the processing of documents necessary for the establishment of companies in Mexico.

7. Local Allies and helpful links

Contact:

https://www.sat.gob.mx/residentes-en-el-extranjero/contacto

Mexican Association of Economic Development Secretaries (AMSDE by its acronym in Spanish)

Non-profit Civil Association, created with the purpose of contributing from the Mexican Entities to the promotion of entrepreneurial activity, through the implementation and development of public policies, coordinated work and the exchange of best local practices to contribute to regional economic growth.

Contact: <u>mlopez@amsde.mx</u> <u>http://amsde.mx</u>

Canadian Provincial Representations in Mexico

Canadian Provincial Representations in Mexico support organizations and companies (originating from each province) ready to export, in their interest in exploring opportunities for products and services in the Mexican market:

- Helping companies with market intelligence.
- Provide advice on market entry.
- Connecting companies in the home province with potential customers, representatives and service providers.

Province	Contact
Quebec	https://www.international.gouv.qc.ca/es/mexico#
Alberta	https://investalberta.ca/
Ontario	<u>https://www.investontario.ca/international-trade-and-investment-offices#TIOlist</u> <u>t</u>

The provinces that do not appear in the table above do not include a direct page

Export Development Canada (EDC)

Export Development Canada is a corporation dedicated to helping Canadian businesses of all sizes succeed on the world stage. As experts in international risk, with tools that require trade knowledge, financial solutions, equity, insurance and connections to grow Canadian business with confidence.

• Business Skills: providing expertise that enables clients to make informed decisions and learn more about international markets.

- Financial Solutions: helping companies access capital and credit by working with partner financial institutions.
- Insurance: provide risk reduction protection for Canadian companies doing business across borders.
- Connections: connect Canadian and international companies to help both parties make

Mexico is currently host to an EDC agency in Monterrey, Nuevo León, which helps Canadian companies access Mexican supply chains by leveraging financial and capital investment relationships and working with partners such as the Trade Commissioners Service to facilitate connections between Canadian suppliers and Mexican buyers.

Contact: https://www.edc.ca/en/tag/mexico.html







Modes of Transport and Infrastructure



8.1 Modes of Transport and Infrastructure

Mexico shares a border with the world's most important market and economy (the United States). It also has a strategic position in the Latin American continent, connecting it with the market of the region.

The strategic position of the Mexican country allows trade to save time, and distance in the Latin American and North American market. Mexico, through its extensive infrastructure in ports, railroads, and highways, allows companies to respond quickly and effectively to the challenges of foreign trade.



https://datamexico.org/es/profile/geo/mexico

The government of Mexico acknowledges the importance of transportation to increase the flow of goods **allowing** businesses to operate efficiently and effectively.

Mexico's transport sector continues under a major expansion; the increase of the physical infrastructure, and the fact that the Mexican Customs authority (Aduanas de México) has automated the customs processes have helped the growth of the export-import activities, and made the customs procedures easier.

Modes of Transportation: National Cargo

Roads

According to the Mexican Transportation Institute, 407,959 Km of roads connect the country from north to south and east to west; well developed roads link the

capital and southern states with the US border crossings; and the Pacific, Atlantic and Gulf seaports are also inter-connected by roads.

Ports

Mexico has 117 international commercial ports on the country's Pacific, Atlantic, and Gulf Coasts. The two largest ports on the Pacific Coast are Manzanillo and Lazaro Cardenas with an installed capacity of more than 40 million tons each; and on the Gulf Coast, Veracruz is the largest port and it will quadruple its installed capacity to reach more than 90 million tons by 2030.

Railways

Railways have become essential for the growth of trade with the US and Canada. The network of about 26,914 Km. is managed primarily by seven different concessionaires granted by the national government. The products that are mainly transported by rail are cereals, minerals, and metals. The railway system allows transportation of products to the main ports on the Pacific and Atlantic coasts as well as to the US border crossings.

Air

Mexico's extensive airport system includes 77 international airports located all around the country. The National Development Plan for 2019–2024 (Plan Nacional de Desarrollo, or PND) announced by President López Obrador on May 1, 2019 contains a re-envisioned large airport system for the greater Mexico City metropolitan area. Mexico's air connectivity covers the main cities in the Americas, Europe and Asia.

http://cuentame.inegi.org.mx/economia/terciario/transporte/default.aspx?tema=E









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