



Open for Business



DOING BUSINESS IN MEXICO

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U.S. Embassy, Mexico City

How People Frequently View Mexico



Mexico's "Handicrafts" in 2014



Mexico snapshot

Population: 120 million

Unemployment: 5% (May 14)

Inflation: 4.2% (February 14)

Remittances: \$22 billion (2013)

U.S. Exports to Mexico: \$226 billion (2013)

U.S. Imports from Mexico: \$283 billion (2013)

FDI into U.S.: \$29.2 billion (2012)

GDP per capita (PPP): \$15,600 (2013)

Real GDP growth: 1.3% (2013)

Key facts

- 13th largest world economy
- 78 percent urban population
- Over 50% population under 25 (*median age of 27*)
- Poor and Extreme Poor: 45% (*under USD \$10 per day*)
- Competitiveness: 55th in world (WEF)
- Corruption Perceptions Index: 106th in world (TI)



Mexico compared to BRIC nations

- U.S. exports to Mexico exceed the total of all U.S. exports to the BRICs.
- GDP Growth in 2014 expected to be 2-3%
- Growth in U.S. exports to Mexico over the last 3 years exceeds growth in exports to the BRICs combined
- U.S. content in exports from Mexico is exponentially higher than in exports from BRICs.



Country	World Bank Ease of Doing Business Rank (2013)
Mexico	53
China	96
Russian Federation	92
Brazil	116
India	134

U.S.-Mexico relationship

- **The North American Leaders Summit**
 - “A new era of cooperation and partnership”
 - “Shared responsibility” in the drug wars
- **High Level Economic Dialogue**
- **Areas of cooperation**
 - Economic/Commercial
 - Immigration
 - Security
 - Environmental issues



“It is difficult to overstate the depth of ties between our two nations or the extraordinary importance of our relationship. It’s obviously a simple fact of geography that we share a border and we have always been bound together by that geography. But it’s not just that shared border that links us together. It’s also culture, it’s also immigration patterns that have taken place that have become so important. Our economic ties mean that whatever steps that we’re going to take moving forward have to be taken together.”

President Barack Obama
Mexico City, April 16, 2009



REFORMS



Telecom secondary legislation was approved last week. Energy secondary legislation is expected in August.



The Peña agenda

Area	Status	Nature of reform
Anti-monopoly*	Secondary laws approved	Creates new competition authorities. Increases jail terms for offenders
Banking	Approved	Improves competition among Mexico's big, mostly foreign-owned banks. Strengthens development banks
Education*	Secondary laws approved	Introduces evaluation of teachers in order to improve standards. Creates autonomous regulator
Energy*	Secondary legislation not yet approved	Ends state monopolies of Pemex and CFE. Enables foreign firms to drill in deepwater fields and shale beds. Existing regulators to be strengthened
Fiscal	Approved	Raises taxes, raises spending, cuts tax loopholes
Political	Approved in Congress†	Allows re-election of members of Congress and more federal oversight of local elections
Telecoms and broadcasting*	Secondary legislation not yet approved	Aims to increase fixed-line, mobile and internet penetration in Mexico. Special regulations for América Móvil and Televisa

Source: *The Economist*

*Constitutional changes †Many states still need to ratify

U.S.-Mexico trade relationship



- Mexico is the United States' 3rd largest trading partner
- Mexico is the 2nd destination of exporters, accounting for 15% of all U.S. exports
- In 2013, U.S. Exports to Mexico were up 4.5%, totaling over \$226 billion
- 22 American states depend on Mexico as their first or second destination for exports
- More than \$1.47 billion a day in two-way trade
- Nearly 50,000 U.S. small and medium-sized enterprises export to Mexico

Why export to Mexico



- Location / Access to U.S. Goods/Services/Market
- Size, Diversify, and Vast Market
- Shared Culture: Western, Hispanic
- Manufacturing base in various sectors
- Stronger legal protections
- Politically stable
- Macroeconomic stability
- Free Trade

The impact of NAFTA

- World's largest free trade area: 470 million people
- No tariffs on U.S. exports to Mexico
- Clarifies and simplifies rules of trade
- Institution of Dispute Resolution Process
- U.S.-Mexico trade has increased five-fold since adoption of NAFTA:
from \$88 billion in 1993 to around \$509 billion in 2013.
- Trade has grown faster than infrastructure
- Mutual Recognition Agreements for testing/certification in some sectors



Best prospects for U.S. exporters

Agriculture

Agribusiness

Automotive Parts & Supplies

Building Materials and Services

Education & Training Services

Energy (Traditional & Renewable)

Environmental Technologies and Water

Franchising

Infrastructure

Internet & IT Services

Health Care IT/Medical Devices

Packaging Equipment

Plastic Materials/Resins

Security and Safety Equipment/Services

Smart Grid

Telecommunications Equipment

Transportation Infrastructure Equipment & Services

Travel and Tourism Services

MEXICO MAP



Safety and security:

A changing environment



- The changing security environment in Mexico can present challenges for some U.S. companies
- Border cities are particularly vulnerable, such as Nuevo Laredo, Juarez, Reynosa, Matamoros, and Tijuana
- Businesses in Mexico are investing more in security for their personnel, facilities
- Visitors need to use common sense and be aware
- Despite security perceptions, foreign investment is increasing
- Brazil's per capita murder rate is almost twice Mexico's
- State Department Website for Travel Advisories: <http://travel.state.gov/travel>

Mexico City

- **Location:** One of the largest cities in the world with over 22 million people
- **Capital:** Political Capital and Financial Center of Mexico
- **Manufacturing:** Manufacturing and distribution powerhouse
- **Industrial location:** Centrally located near other major industrial areas including Toluca, Puebla, and Queretaro



Guadalajara

“Mexico’s Silicon Valley”

- **Size:** Second largest market in Mexico
- **Business Culture:** Bilingual, open to U.S. goods and services
- **Multinational Investors:** GE, IBM, Intel, HP, Flextronics, Jabil, Oracle
- **Logistics:** Major distribution center
- **Major Industries:** Electronics, industrial process controls, packaging, agribusiness and food processing equipment
- **Largest Exposition Center in Latin America:** Regional shows



Monterrey

“Mexico’s Industrial Heartland”



- Strategic location in NAFTA corridor
- Pro business environment with stable workforce
- 11% of Mexico’s total manufacturing output
- Over 1800 foreign companies
- Key industries: automotive, household appliances, electronic equipment, packaging, software, specialized medical services, and biotechnology.

Tijuana

“Cali-Baja”

- **Main Manufacturing Industries:** Medical, Electronics, Aerospace and Automotive
- **Sub sectors:** Plastics (injection molding, blow molding, thermal molding, extrusion), metal-mechanic and packaging
- **Manufacturing Companies:** More than 500 in Tijuana (State has approximately 900+)
- **Tijuana Manufacturing Workforce:** 160,000 employees
- **Areas of Opportunity:** Food and beverage, IT, telecomm, construction, medical tourism, energy, integrated supply chains
- **Business Culture:** Ease of doing business and affinity to working with American suppliers, bicultural and bilingual businesspeople



Tip: market entry strategies

- **Mexican Presence:** The best strategy to enter the Mexican market is to find a local representative or distributor; with this, buyers feel secure that initial training, spare parts and service will be provided
- **Local or Regional Representative:** Due to regional concentration throughout Mexico, representation locally will yield better results than a single, nationwide distributor
- **Price:** Price is important, but not necessarily the deciding factor
- **Spanish:** Be prepared to provide brochures, catalogs, and printed materials in Spanish; keep websites international-user-friendly

Tip: financing



- **Financing Options:** Expect to negotiate on payment terms; consider full spectrum of options
- **Finance Guide:** Review the U.S. Commercial Service's Finance Guide for Latin America
http://export.gov/tradeamericas/eg_ta_030568.asp
- **Know Ex-Im:** Export-Import Bank finances exports through various term loan, guarantee and insurance programs; Ex-Im works through commercial banks in the U.S. and Mexico



Tip: Mexican business culture



- **Indirectness:** Difficulty in saying “no”
- **Financing:** Expect to negotiate on payment terms
Consider full spectrum of options; financing options important
- **Follow-up:** Follow up quickly with your Mexican partner – there is abundant international competition
- **Language:** Use a qualified interpreter if needed
- **Patience:** Good things come to those that wait-
patience pays off
- **Build Relationships:** Personal relationships valued



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