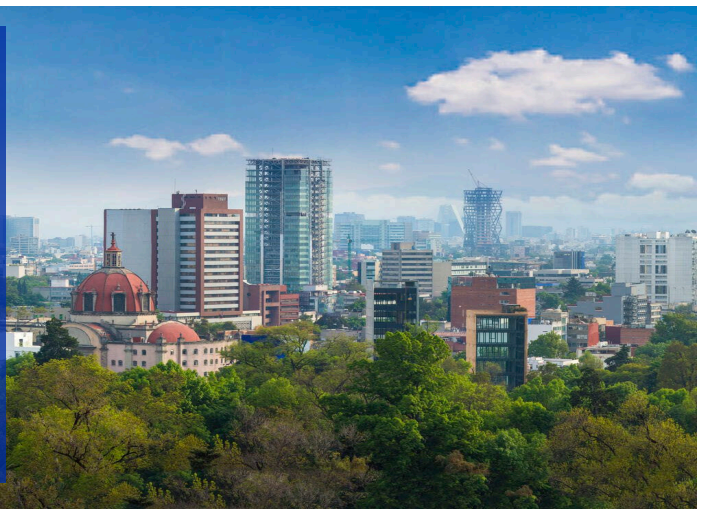




DOING BUSINESS IN MEXICO

Updated 14.3.2023



Market profile

Mexico has a free trade agreement with the United States and Canada (United States-Mexico-Canada Agreement – USTR) and a free trade agreement with the European Union. Renewed Mexico-EU trade agreement in ratification and signature process.

FACTS

- Merchandise exports 650 MEUR (2022)
- Capital: Mexico City
- Official language: Spanish
- Area: 1,972,550 km²
- Population: 130 million

Mexico is the 15th largest economy in the world and the second largest economy in the Latin America Region. Mexico has 14 free trade agreements with over 50 countries that grants access to 60% of the world's GDP. US-Mexico-Canada USMCA entered into force in July 2020, replacing NAFTA (North America Free Trade Agreement). Mexico's 2020 nominal Gross Domestic Product (GDP) was \$1.2 trillion USD, with a GDP per capita of \$10,045. 2021 GDP growth was 4.7%; and 2022 GDP growth was 2.6%. The growth forecast for 2023 is 0.9%. Mexico has a strategic location between North and South America, being a gateway to both regions.

Key industries and their trends

Mexico is a highly industrialized manufacturing hub of automotive, aerospace, medical devices, electronics, and other sophisticated sectors that require technology and know-how, providing multiple opportunities for Finnish companies. For the Finnish businesses the most important customer industries are Mining, Telecommunications, Energy, W2V/W2E, Healthcare, Cybersecurity and Digitalization. Mexico's GDP composition: services 62.7%, industry 33.8%, agriculture 3.5%. The country's main export destinations include United States, Canada, Germany, China, and Japan.

Important things to consider when doing business in Mexico

Mexico has the 2nd business friendliest environment in Latin America according to the World Bank's Doing Business study (2020). Business decisions are based in a large degree on trust and good relationships. Coming once to Mexico for getting a deal will not be enough.

Mexican business culture is hierarchical, and decisions are made only in top level. Workers are used to getting straight orders. Although management structures in Mexico remain hierarchical (at worst, they can be paternalistic), business etiquette in Mexico is marked by a combination of formality and genuine warmth, friendliness, and openness between individuals. It's beneficial to have a local partner. Mexican people do business with whom they like at a personal level, so developing solid relationships is key. A good product is

not enough, and the buyer must be convinced of the products superiority against the competitors product. Client will challenge you.

Important to note that foreigners can own 100% and establish companies under the Mexican laws. Mexico has different types of corporations that allow the structuring of foreign investments and to start-up a business in Mexico. These options can vary from legal entities to representation offices that generate no revenues. The gap between these two extremes is covered by joint venture agreements and commercial trusts. The main legal entities (corporations) that foreign investors who wish to do business in Mexico can use are: Business Corporation (S.A.), Limited Liability Corporation (S. de R.L.), General Partnership, Limited Partnership. Each of these may adopt the form of a variable capital corporation. These entities may be used to structure wholly owned subsidiaries, as well as joint companies with both Mexican and foreign partners.

Annual main trade shows and events

- Aerospace and Defense Fair (FAMEX) is organized every two years by Mexico's Ministry of Defense (26 to 29 of April 2023) <https://www.f-airmexico.com.mx/>
- Expo Seguridad (Expo Security) taking place every year (18 to 20 of April 2023) <https://www.exposeguridadmexico.com/>
- The Green Expo – Latin America's premier event for cutting-edge, sustainable solutions and technologies in an ever-increasing number of markets (5 to 7 of September 2023) <https://www.thegreenexpo.com.mx/en>
- Expo Eléctrica – International business platform for lighting, automation, control, electrical material and sustainable energy (6 to 8 of June 2023) <https://expoelectrica.com.mx/>
- Convención Internacional de Minería – one of the most important mining expos in Latin America, organized every two years by the Association of Engineers for Mines, Metallurgists, and Geologists of Mexico (AIMMGM). (24 to 27 of October 2023) <https://convencionmineramexico.mx/>
- Expo Med is the most important annual healthcare expo in Mexico, organized by Informa Markets, it focuses principally on medical devices (30 of August to 1 of September 2023) <https://www.expomed.com.mx/en/home.html>
- Expo Manufactura is the main manufacturing expo in Mexico, organized annually in Monterrey (7 to 9 of February 2023) <https://expomanufactura.com.mx/>
- Industrial Transformation Mexico – Hannover Messe's Mexico-version, focusing on Industry 4.0 and the digital transformation of the manufacturing sector, organized annually in Guanajuato (4 to 6 of October 2023) <https://industrialtransformation.mx/>

Market data sources and other useful links

- Mexican Business Council of Foreign Trade, Investment and Technology, A.C. (COMCE) <https://www.comce.org.mx/>
- Council for Business Coordination <https://cce.org.mx/>
- Mexican Hydrogen Association <https://h2mex.org>
- Mexican Chamber of Electronics, Telecommunications, and Information Technologies (CANIETI) <http://canieti.org/Inicio.aspx>

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