



Doing Business In: Mexico

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Mexico's economy is a vibrant tapestry of industries, from chemicals and manufacturing, to agriculture, tourism, and technology. Despite challenges such as trade tensions and security concerns, Mexico has cemented its position as an appealing destination for foreign investment.

Mexico's strategic location and abundant workforce make it an attractive option for companies looking to optimize their supply chains. The country's extensive network of

trade agreements around the world, and in particular the United States-Mexico-Canada Agreement (“USMCA”) which entered into force on July 1, 2020, promotes greater market access and regulatory alignment.

Mexico is now more than ever benefiting from the *Nearshoring* phenomenon. Since the signing back in 1994 of the North American Free Trade Agreement (“NAFTA”), foreign investment in Mexico has been on the rise. However, various international events, notably the trade war between the US and China, the Russia-Ukraine war and increased regional value-content requirements for products commercialized in the region, have led many companies to view Mexico as an optimal location for manufacturing operations, and leverage on the benefits of North America as a strategic location. Consequently, Mexico is experiencing a resurgence in interest from multinational corporations seeking to optimize their supply chains and mitigate risks associated with global trade tensions. This surge in interest has notably led Mexico to become the largest US commercial partner worldwide.

Mexico offers various export promotion programs, with incentives for companies engaging in manufacturing and distributing products abroad. Still, navigating Mexico’s regulatory landscape may be challenging with bureaucratic hurdles, legal intricacies, and increasingly assertive tax authorities that require fine tuning from local experts with global vision.

While efforts have been made to streamline processes and enhance transparency, it is crucial to understand such export promotion programs, as well as import export schemes that can be implemented to obtain specific tax benefits and circumvent other related obligations. This understanding is vital to ensure that companies setting up operations in Mexico avoid incurring tax liabilities due to non-compliance with tax and foreign trade obligations.

Despite its economic potential, companies attempting to set foot in Mexico confront enduring risks. These challenges encompass various factors such as the upcoming election cycle, legal certainty, among other government inefficiencies.

Moreover, a deficit in public resources essential for fully leveraging the nearshoring trend, persists. Such resources include energy and communication infrastructure, water and natural gas facilities, technological hubs, and enhanced security measures, among others. Addressing these matters and continue promoting a robust rule of law may, without a doubt, significantly enhance productivity and foster long-term growth.

Also, as a go-to country to do business, Mexico has continuously carried out multifaceted efforts to tackle corruption through government strategies promoting transparency, accountability, and integrity scenarios both in public and private sectors. The creation of the National Anti-Corruption System as well as greater scrutiny from the civil society through the work performed by NGO's is a pivotal step in this direction.

It is worth noting that the Mexican legal framework mandates companies to implement integrity policies when doing business to avoid legal contingencies; this is crucial especially for those working with government agencies such as Pemex, among others. These policies must include a myriad of anti-corruption and anti-money laundering internal procedures tailored to t Mexican laws. Therefore, it is important to address and set out a plan around these matters prior to the incorporation and operation of a company in Mexico.

In conclusion, notwithstanding well-known challenges to doing business in Mexico, the country's commitment to attracting foreign investment and promoting better corporate practices is evident. With proper planning and understanding of the legal and regulatory environment, companies can rest assure they will be able to seize the opportunities Mexico offers.



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