Open for Business

DOING BUSINESS IN MEXICO

February 4, 2015

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Mexico Snapshot

Population: 120 million

Unemployment: 5% (2014)

Inflation: 4.2% (2014)

Remittances: $22 billion (2014)

U.S. Exports to Mexico: $256.6 billion (2014)

U.S. Imports from Mexico: $304.5 billion (2014)

FDI into U.S.: $32.6 billion (2013)

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

Real GDP growth: 1.1% (2013)

Key facts

- 13th largest world economy
- 78 percent urban population
- Over 46% population under 25 *(median age of 27)*
- Poor and Extreme Poor: 45% *(under USD $10 per day)*
- Competitiveness: 61 in world (WEF)
- Corruption Perceptions Index: 106th in world (TI)

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
- Mexico accounts for roughly 15% of all U.S. exports
- 24 American states depend on Mexico as their first or second destination for exports
- More than $1.5 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

Reforms

Objectives:

1) Increase Productivity

2) Strengthen Rights

3) Strengthen Democracy

Structural Reforms	Description
Energy	Changes to the Mexican oil industry and the national electricity system.
Antitrust	Updates legislation and strengthens the agency responsible for its implementation. The catalog of anti-competitive practices was expanded and sanctions stepped up to protect consumers' rights. Promotes competitiveness.
Telecommunications and Broadcasting	It expands freedom of expression and access to information, as well as the rights of telecommunications and broadcasting service user. Promotes competition of all telecommunication services.
Tax	Changes in Public Finances designed to increase the revenue available to the state to meet the population's basic needs efficiently. Additional incentives to entrepreneurs and small rural producers.
Financial	Promotes competition in the financial sector to reduce the cost and increase the supply of credit.
Labor	Promotes job creation and establishes better working conditions for citizens.
Education	Guarantees a more inclusive and better quality education.
Legal	The Injunction Law was updated to serve as a more effective tool for citizens to defend their fundamental rights from government abuses and excesses. This reform also expands the sphere of protection and improves the effectiveness of the Mexican justice system.
Justice	National Criminal Procedures code was created to unify the criminal justice model.
Political-Electoral	Mechanisms to promote greater certainty, fairness and transparency for elections and to encourage citizen participation.
Transparency	Promotes the right of access to public information and accountability.

Source: reformas.gob.mx/en/reforms

Market Entry Strategies

- **Mexican Presence**
- **Local or Regional Representative**
- **Price**
- **Spanish**

U.S. COMMERCIAL SERVICE
United States of America
Department of Commerce

Mexico City

Distrito Federal (Federal District)

- **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

HERBALIFE

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GM

citi

COLGATE-PALMOLIVE COMPANY

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

- **Location:** NAFTA corridor
- **Environment:** Pro business with stable workforce
- **Manufacturing**: 11% of Mexico total manufacturing output. Over 1800 foreign companies.
- **Key industries**: automotive, household appliances, electronic equipment, packaging, software, specialized medical services, and biotechnology.

TECNOLÓGICO DE MONTERREY

Vitro

MATTEL

GRUPO FINANCIERO BANORTE

Whirlpool

Coca-Cola FEMSA

Coca-Cola

Environmental Technologies

Public policy

- Sustainable production and consumption.

- Integrated solid waste management.

Special Program on Sustainable Consumption and Production

Importance:

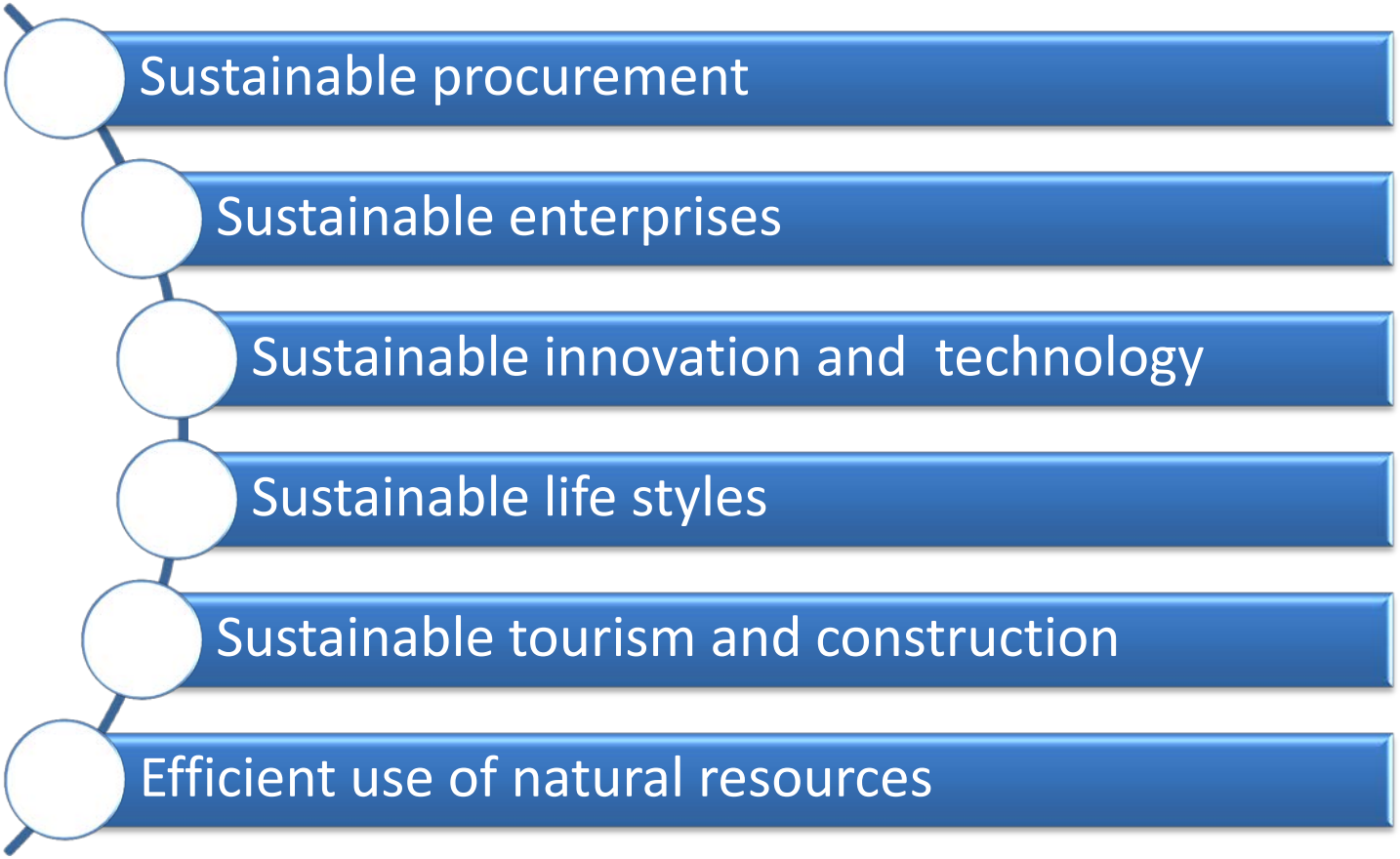
- Set Mexico's base to reach economical development in a competitive environment
- Reduce potential risks of resource scarcity.
- Promote changes in production and traditional consumption practices towards sustainable practices.

Source: SEMARNAT Presentation – Green Expo 2014

Alignment with national goals

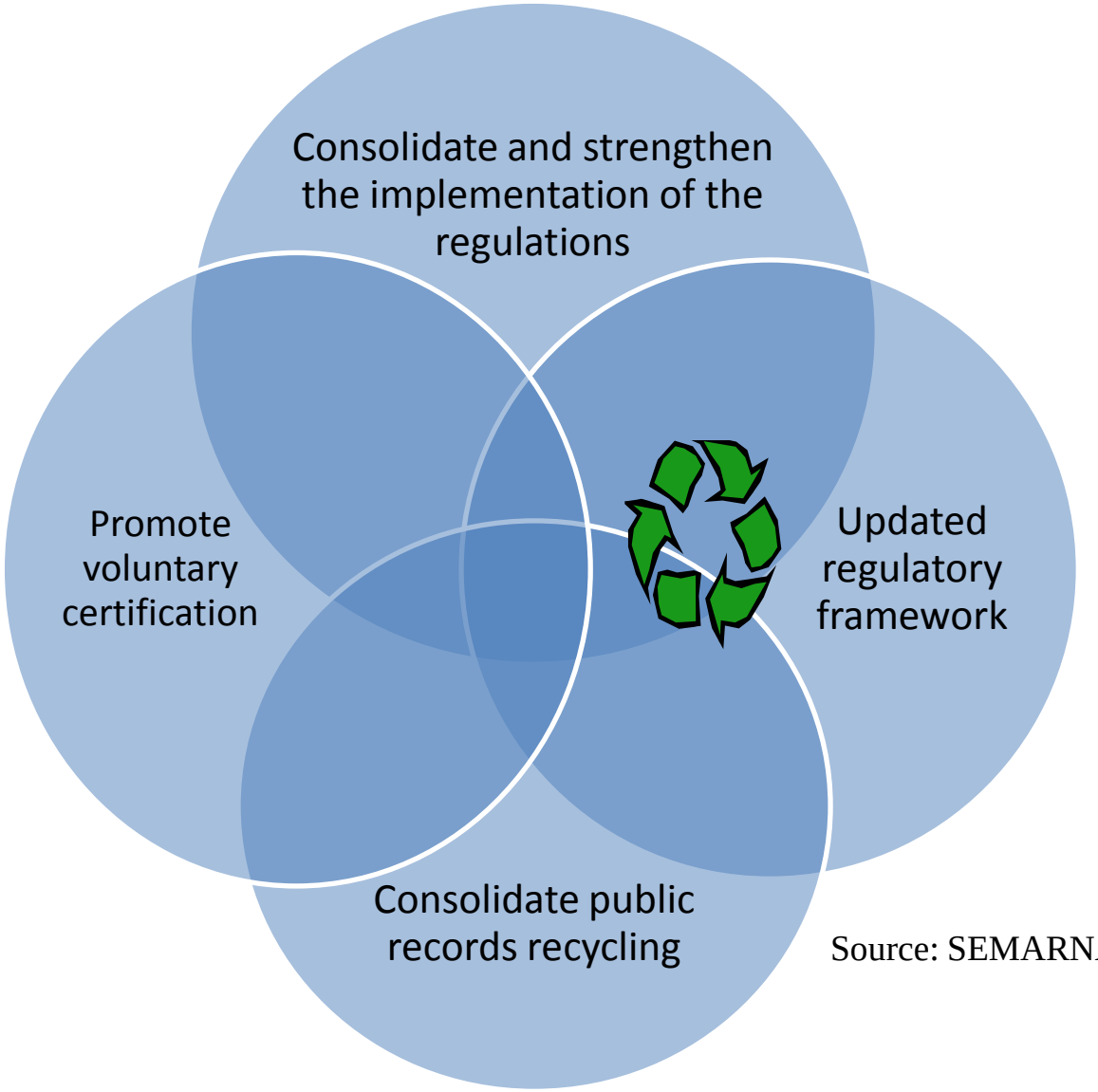
Source: SEMARNAT Presentation – Green Expo 2014

Special Program on Sustainable Consumption and Production Objectives



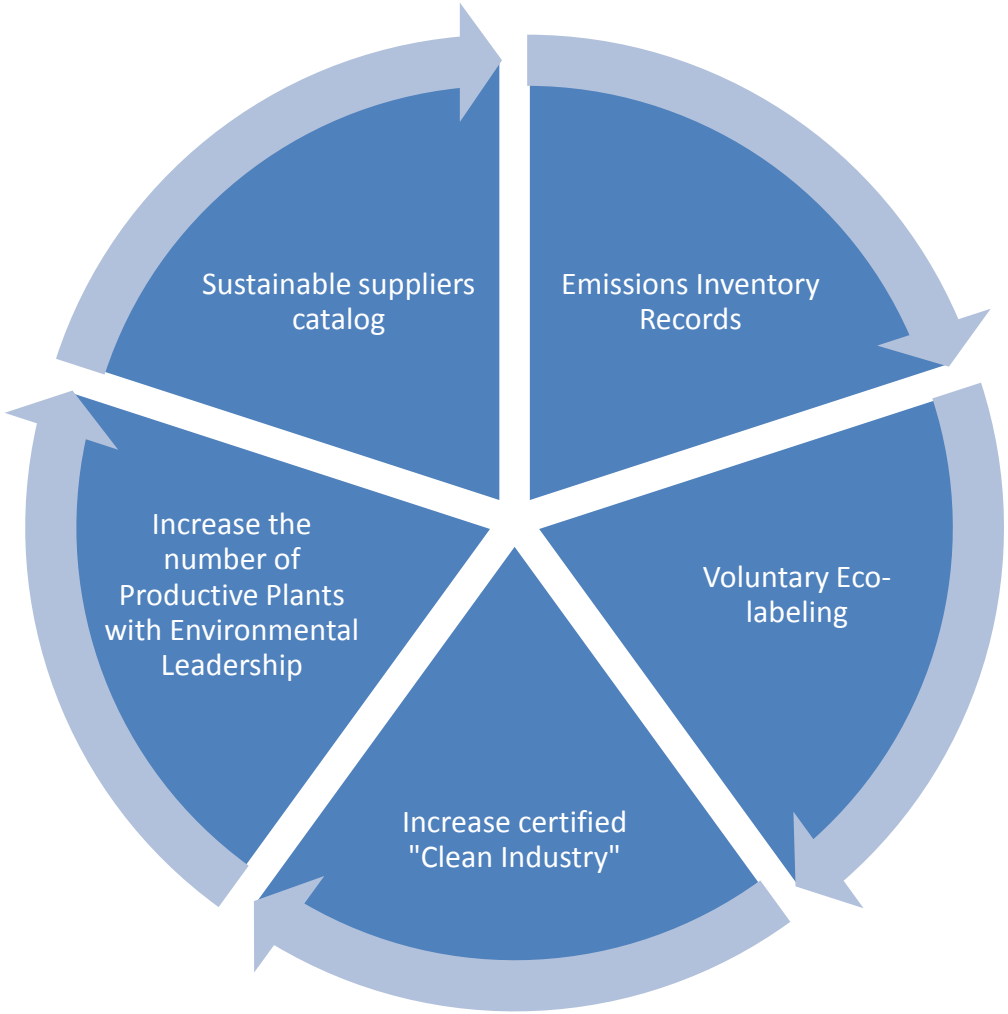
Source: SEMARNAT Presentation – Green Expo 2014

Sustainable procurement



Source: SEMARNAT Presentation – Green Expo 2014

Sustainable companies



Source: SEMARNAT Presentation – Green Expo 2014

Sustainable innovation and technology

Opportunity to set up programs to replace obsolete equipment with high efficiency ones

Source: SEMARNAT Presentation – Green Expo 2014

Sustainable life styles

Communication campaigns

Source: SEMARNAT Presentation – Green Expo 2014

Efficient use of natural resources

- To reduce the carbon footprinting: to reach 19.8 millions/tCO2e

Source: SEMARNAT Presentation – Green Expo 2014

SEMARNAT
SECRETARÍA DE MEDIO AMBIENTE
Y RECURSOS NATURALES

Generación

Recolección Separada

Fracción Orgánica

Fracción Inorgánica

Planta de Selección

Valorización

Rechazo

Reuso / Reciclaje

Mercado Ambiental

Relleno Sanitario

Aprovechamiento de Residuos Orgánicos

Compostaje

Biodigestión

Aprovechamiento Térmico

Energía y Combustibles

Water

NATIONAL WATER COMMISSION (CONAGUA)

CONAGUA (www.conagua.gob.mx) has its Headquarters in Mexico City:

It is part of SEMARNAT (Secretariat for the Environment and Natural Resources);

Has 13 Regional Offices:

-Baja California;
-Northwest;
-Pacific North;
-Balsas;
-Pacific South
-Rio Bravo;
-North Basins;
-Lerma River
-Gulf of Mexico North;
-Gulf of Mexico Central;
-South of Mexico;
Yucatan Peninsula;
-Valley of Mexico City

CONAGUA has a technical arm called Mexican Water Technology Institute.

Water Purification Plants, 2014

State	Plants in Operation	Installed Capacity (liters/s)
Aguascalientes	3	44.0
Baja California	26	12006.0
Baja California Sur	15	215.1
Campeche	2	25.0
Chiapas	4	4500.0
Chihuhua	5	710.0
Coahuila	18	2132.2
Colima	33	10.7
Durango	33	29.7
Mexico City	33	3788.5
Guanajuato	28	404.8
Guerrero	11	3278.0
Hidalgo	2	130.0
Jalisco	24	16197.0
State of Mexico	11	22164.0
Michoacan	5	3025.0
Morelos	0	0.00
Nayarit	0	0.00
Nuevo Leon	12	14571.2
Oaxaca	6	1291.3
Puebla	4	715.0
Queretaro	6	269.0
Quintana Roo	0	0.0
San Luis Potosi	14	1315.0
Sinaloa	142	9267.0
Sonora	24	4130.0
Tabasco	44	11605.0
Tamaulipas	54	14345.0
Tlaxcala	0	0.00
Veracruz	13	6912.0
Yucatan	0	0.0
Zacatecas	54	10.1
Total	631	133090.5

Source: National Water Commission-CONAGUA, February 2014

Potable Water Treatment Processes

Process	Number of Plants
Absorption	15
Conventional Purification	195
Direct Filtration	62
Purification of Patent	140
Removal of Iron and Manganese	16
Reverse Osmosis	174
Reversible Electrodialysis	1
Slow Filtering	7
Softening	21
Total	631

Source: National Water Commission-CONAGUA, February 2014

Municipal Wastewater Treatment Plants, 2014

State	Plants in Operation	Installed Capacity (m3/s)	Rate of flow of wastewater treated (m3/s)
Aguascalientes	97	3.08	2.90
Baja California	26	5.64	3.96
Baja California Sur	16	1.11	0.85
Campeche	10	0.13	0.05
Chiapas	12	1.20	0.98
Chihuhua	100	7.75	6.09
Coahuila	11	3.15	2.56
Colima	42	0.66	0.38
Mexico City	30	6.54	3.53
Durango	123	3.32	2.44
Guanajuato	29	4.53	3.40
Guerrero	33	3.21	1.80
Hidalgo	8	0.06	0.05
Jalisco	94	3.40	3.25
State of Mexico	76	7.10	4.59
Michoacan	19	1.47	0.90
Morelos	24	1.32	1.08
Nayarit	58	1.90	1.17
Nuevo Leon	57	13.06	11.12
Oaxaca	54	0.87	0.64
Puebla	41	2.97	2.28
Queretaro	60	0.97	0.75
Quintana Roo	25	2.05	1.61
San Luis Potosi	10	1.86	1.26
Sinaloa	82	4.44	3.58
Sonora	65	3.72	2.58
Tabasco	59	1.34	1.13
Tamaulipas	23	3.39	2.40
Tlaxcala	33	0.69	0.49
Veracruz	86	4.55	2.60
Yucatan	12	0.15	0.14
Zacatecas	19	0.274	0.252
Total	1434	95.87	71.80

Source: CONAGUA publications and interviews with officials, July 2014

Main Municipal Wastewater Treatment Processes, 2014

Process	Plants	Flow Treated (m3/s)
Activated Sludge	335	29.61
Anaerobic	0	0
Anaerobic Rising Flow Reactor	82	0.98
Biological	0	0
Biological Disks	7	0.53
Biological Filters	58	3.70
Dual	8	4.05
Enzymatic Reactor	42	0.08
Imhoff Tank	56	0.45
Oxidation Ditches	20	2.10
Primary	16	2.11
Primary Advanced	17	9.85
Sedimentation	0	0
Septic Tank	69	0.24
Stabilization Lagoon	592	13.32
Tertiary	0	0
Ventilation Lagoons	14	4.19
Wetland	83	0.28
Others	35	0.28
TOTAL	1,434	71.78

Source: CONAGUA publications and interviews with officials, July 2014

Water and Wastewater opportunities 2014-2018

- Feasibility Studies for the Hydro Projects for the New Airport in Mexico City
- Drinking Water Emergency/Mobile Units
- Leakages Detection Instruments and Equipment
- Water Desalination Equipment

Equipment Opportunities 2014-2018

- Aeration Equipment
- Flow Meters
- Laboratory, Microbiological Analysis
- Pipe
- Pumps
- Valves

For more information, please contact Francisco Ceron, Senior Commercial Specialist francisco.ceron@trade.gov

Energy Sector

1. Consolidates the Nation's ownership on hydrocarbons and State guidance in the energy industry. The reform to articles 25, 27 and 28 of the Mexican Constitution reaffirms the Nation's ownership of hydrocarbons in the underground. Exploration and extraction of oil and natural gas, as well as planning and control of the national electric power system and the public service of electric power transmission and distribution, are established as exclusive and strategic State activities.

2. It includes a public and private investment model in the exploration and extraction of hydrocarbons. The State may perform oil and other hydrocarbon exploration and extraction activities through assignments granted to PEMEX, contracts signed with PEMEX on its own, with PEMEX associated with private entities, and with private entities on their own. There will be at least four types of contracts: services, profit sharing, production sharing, and licenses. State enterprises or private persons may report their expected benefits for these assignments and contracts for financial and accounting purposes.

3. It allows private investment and competition in activities of hydrocarbon transport and industrial transformation. Private persons will be able to participate in oil refining and treatment, as well as in transport, storage and distribution of oil, natural gas, gasoline, diesel and other oil products.

4. State guidance is strengthened in the electric power industry and investment barriers are eliminated. Power generation is opened to a constitutional level, establishing the same grounds for competition to all participants. In power transmission and distribution, contracting options are defined where the State may sign contracts with private persons in order to extend and modernize our grids. State planning and operation control attributions are enhanced over the National Electric Power System.

5. Competition is introduced in the electric power industry to maximize its efficiency. The National Center of Energy Control (CENACE) is established as a public decentralized entity, which will be in charge of controlling the national power system, guarantee open and non-discriminatory access to the national transmission grid and distribution grids, and operate the electric power market.

6. It strengthens Mexican Petroleum (PEMEX) and the Federal Electricity Commission (CFE) by turning them into State Productive Enterprises, with technical, management and budgetary autonomy. Both enterprises will focus in creating economic value and increase Mexico's income, with social and environmental equality and accountability. PEMEX will have a new tax regime, and will incorporate the best practices in corporate governance. Workers are, and will continue to be, the main asset of PEMEX and CFE, and their labor rights will be respected at all times. Both enterprises are strengthened; they are not sold nor privatized.

7. A "Round Zero" is established to support PEMEX's investments. PEMEX will also be strengthened through a "round zero", where it can keep the most productive fields and the areas of exploration where it has made investments. PEMEX will prove the necessary technical, financial and execution capacities to explore and extract the hydrocarbons efficiently and competitively.

8. It creates the Mexican Fund of Petroleum for Stabilization and Development, which will be in charge of managing Nation's petroleum income. The Fund will secure

Mexico's public finances stability and destine resources for: long-term savings, a universal pension fund system, science and technology, infrastructure for national development, scholarships, amongst others. The fund will be a public trust managed by Mexico's Central Bank, and its Technical Committee will have 4 independent board members, as well as the Governor of Mexico's Central Bank, the Secretary of Energy, and the Secretary of Finance whom will act as Chair.

9. It introduces new transparency, accountability and anticorruption mechanisms. The procedures for contract bids will be public and transparent. These contracts will have transparency clauses, which will be available for consultation. Citizens will be able to verify payments to companies. There will be also external audits that will oversee the recovery of incurred costs and other accounting related to the operation of such contracts. Legal mechanisms will be established to prevent, identify and prosecute acts of corruption in the energy industry.

10. The National Hydrocarbons Commission (CNH) is strengthened, by granting it legal personality, technical and management autonomy, as well as budgetary self-sufficiency. CNH will perform public biddings, sign and administer oil and natural gas exploration and extraction contracts. Its commissioners will be appointed by the Senate, from a three-candidate formula proposed by the President.

11. The Regulatory Energy Commission (CRE) is strengthened, by granting it legal personality, technical and management autonomy, as well as budgetary self-sufficiency. CRE will regulate storage, pipeline transport and distribution of oil and petrochemical products. It will also assure the reliability and supply quality, and will establish wheeling tariffs to incentive efficiency in the electric power transmission and distribution grids. Its commissioners will be appointed by the Senate, from a three-candidate formula proposed by the President.

12. The Ministry of Energy is strengthened so it can define Mexico's energy policy, adjudicate assignments to PEMEX, and select the areas that can be subjected to oil and natural gas exploration and extraction contracts. It will also design the contracts and the technical guidelines for their public bidding, as well as grant permits for activities of oil treatment and refining, and for processing natural gas. In electricity, it will do the planning for the electric power sector, monitor the sector's efficient operation, and determine the requirements for clean energies and reduction of polluting emissions.

13. It prioritizes activities in the energy sector. The reform establishes an organized coexistence between different activities in the Mexican surface and underground, in which the energy sector will have preference over others. Mechanisms will be set to facilitate the coexistence of activities of the energy industry with those of other private entities or the State.

14. It promotes sustainability and environmental protection. The State will promote the environmental protection through sustainability criteria, establishing obligations for participants in the electric power industry to generate with clean energies and reduce polluting emissions. A self-determining entity will be created to regulate and oversee activities in the hydrocarbon sector related to industrial safety and environmental protection.

15. It promotes national supply-chains and industrial development. Legislation will be required to establish percentages of national content in procurement, for assignments and contracts granted to public and private enterprises. Private investment must promote the inclusion and development of national and local suppliers in the value chain of the entire industry.

Renewable Energy

- Grew from $532 million in 2011 to $2.4 billion in 2014
- Renewable vs. Clean Energy: 35% by 2024
- Hydro and wind are the most developed. Wind alone $14B towards 2018, 6 GW
- Energy Reform: need strong and thriving clean energy market
- Mexican Energy Innovation Centers: Wind, Solar & Geothermal while developing talent.
- Expert studies on Wind, Geothermal, Solar, Hydro and Bioenergy
- Renewable Energy goods typically crossing the border several times before they become finished products.

Renewable Energy Generation Plants

Estado/*State*	Bioenergía/*Bioenergy*	Eólica/*Wind*	Geotérmica/*Geothermal*	Hidráulica[1]/*Hydro*	Solar/*Solar*	Total
Oaxaca	33	2,499	-	39	-	2,571
Baja California	-	258	645	24	5	932
Tamaulipas	13	437	-	-	-	450
Veracruz	270	40	-	124	-	434
Nuevo León	28	274	-	-	-	302
San Luis Potosí	81	200	-	-	1	282
Michoacán	15	-	192	4	-	210
Jalisco	61	-	-	58	30	149
Chiapas	25	39	-	60	-	124
Puebla	15	-	52	39	-	106
Otros/*Other*	205	2	10	118	156	492
Total	745	3,749	898	467	192	6,052

Fuente/*Source:* CFE, CRE.
[1]Incluye solo hidroeléctricas <=30 MW de capacidad instalada.
[1]*Including only hydroelectric plants <=30 MW of installed capacity.*

Companies with presence in Mexico

Latest Wind Power News

Añadirán 6,949 megawatts en 4 años

Trae 14 mmdd sector eólico

La CFE construirá ocho parques con capacidad de 2 mil 300 megas

ALEJANDRA LÓPEZ

Entre 2015 y 2018, se esperan inversiones en el sector eólico por 14 mil millones de dólares en el País, dijo Adrián Escofet, presidente de la Asociación Mexicana de Energía Eólica (AMDEE), en conferencia, ayer.

Con esos recursos se instalarán 6 mil 949 megawatts de capacidad de generación eléctrica adicionales a los 2 mil 551 que ya operan en territorio nacional y sumarán un total de 9 mil 500 megawatts instalados, señaló.

Del monto total de inversión, mil 400 millones de dólares se ejercerán en 2015, año en el cual se sumarán 730 megawatts de capacidad instalada.

Hoy, hay 31 parques en operación distribuidos en los estados de Oaxaca, Baja California,

Le soplan con ganas

La instalación de parques eólicos se concentrará principalmente en Oaxaca, la zona más prometedora del País.

CAPACIDAD INSTALADA PARA 2018
(Megawatts)

Oaxaca	5,564
Tamaulipas	1,350
Coahuila	1,080
Nuevo León	642
Jalisco	399
Zacatecas	396
Yucatán	328
Baja California	268
San Luis Potosí	260
Puebla	216
Sonora	120
Durango	120
Veracruz	40
Querétaro	30
Chiapas	16

Fuente: AMDEE

Bloomberg

Trade Events 2015

- Mexico WindPower

  Mexico City, Feb 25-26
- Waste Expo. Mexican Buyer Delegation

  Las Vegas, June 1-4
- Green Expo. Certified Trade Show

  Mexico City, September 23-25

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Muchas gracias!

www.export.gov/mexico