



INFOCARD ELANBiz Invest in Mexico

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Mexico is an open country to foreign direct investment (FDI) in most economic sectors and is the second receptor of FDI in Latin America. Besides that, it's one of the most competitive countries for productive investments worldwide due to its macroeconomic and political stability, low inflation, size and strength of the domestic markets, rate of economic growth and its capacity for generating advanced manufactures. It has an extensive network of trade agreements that allows the access to different international markets and allows the offering of some of the most competitive costs in North America.¹

To this, we must add that the Mexican government has prioritized the structural and improvement of competitiveness reforms. On 2013, there were laws approved for the tax reform and the liberalization of telecommunications and energy sectors, although the regulations for those laws have not been approved yet and doubts persist about the scope and details of the liberalization. There have also been some considerations for the approval of some regulations for promoting competitiveness in the audio-visual and telecommunications sectors that strengthen the regulators capacity.

According to the most recent publication of the "Doing Business" ranking from the World Bank, Mexico is in the 45th place worldwide².

Topic	Ranking
Starting a Business	72
Dealing with Construction Permits	87
Getting Electricity	84
Registering Property	111
Getting Credit	5
Protecting Minority Investors	51
Paying Taxes	112
Trading Across Borders	60
Enforcing Contracts	42

¹ ProMéxico: [Why Mexico?](#) y ProMéxico: [Reasons to Invest in Mexico](#)

² *Doing Business 2017*



Investment Opportunities

In 2016, the FDI in Mexico was concentrated in the following cities: Mexico City (21.96%), State of Mexico (7.01%), Jalisco (8.29%), Chihuahua (6.50%), and Nuevo Leon (11.32%). The rest of the states accumulated 44.91% of the FDI.³

In general, **the key economic sectors** are automotive parts, machinery and equipment, chemical industry, and finance and insurance services.

The **high potential sectors** are: after-sales automotive sector (repair, maintenance, sale of parts, and accessories), electronic components, distribution chain, food, beverages and snuff, professional services, and specialized technical personnel service. The banking sector is also growing rapidly and represents an opportunity for investors.⁴ According to ProMéxico, strategic sectors that have been promoted because of their strategic importance are tourist residences and electrical-electronics industry.⁵ In addition, the sectors of processed food, aerospace, automotive, life sciences, electrical household and renewable energies are listed as priority sectors.⁶

During 2016, the total amount of FDI was of 19,772.6 million USD. Of these totals 7,881.2 million USD were reinvested profits, 5,496.6 million USD were from intercompany accounts and 6,400.9 million USD from new investments. The FDI flows were channelled to the following sectors⁷: manufacturing industry (12,101.7 million USD), Finance services (2,377.5 million USD), and mining (835.1 million USD),

For the period of 2016, the investment by sectors behaved as follows:

FDI in Mexico, 2016	
Sector	FDI, US\$ (Billion USD)

³ *Informe Estadístico sobre el Comportamiento de la Inversión Extranjera Directa en México (enero-septiembre 2016)*

⁴ Santander, *Trade Portal*

⁵ ProMéxico, *Razones para Invertir en México*

⁶ ProMéxico, *Mexico Investment Map*

⁷ *Informe Estadístico sobre el Comportamiento de la Inversión Extranjera Directa en México (enero-diciembre 2014)*



Agriculture, animal husbandry and exploitation, forestry, fishing and hunting	93.6
Mining	1,436.0
Generation, transmission and distribution of electric energy, water and gas supply by pipelines to the final consumer	1,159.8
Construction	2,433.3
Manufacture Industry	17,323.5
Trade	1,444.6
Transportation, mail and storage	1,749.1
Information in Mass Media	932.9
Finance and insurance service	2,564.1
Real-state and rent of furniture and intangible assets	381.3
Professional, scientific and technical services	279.1
Support services to business and waste management and remediation services	47.3
Educational services	0
Health and social assistance services	15.08
Cultural and sporting services, entertainment, and other recreational services	44.6
Providing temporary accommodation and food preparation and drinks	573.4
Other services except government activities	7.0

Source: Secretariat of Economy; [IED en México a partir de 1999](#)

The flows issued by the EU Member States were directed to finance and tourism services followed by the manufacture sector.⁸

Main Investor Countries

The United States and Spain are the main investors in Mexico. As for the European investment, it has also been important in Mexico. Since the signing of the Free Trade Agreement between EU-Mexico, the annual average of European investment has tripled.⁹ By the end of 2016 the total flows summed up 26,738.6 millions of USD from which 8,305.9 million USD were European investments representing 31.06%. The main investing⁷ members of the EU are Germany, Spain and Netherlands.

⁸ Delegation of the European Union to Mexico - [Trade](#)

⁹ Delegation of the European Union to Mexico - [Trade](#)



Main Investor Countries in Mexico, 2016

País	Cumulated FDI, USD\$
United States	10,968.0
Spain	2,870.9
Canada	1,724.9
Netherlands	413.9
Germany	2,418.9
Japan	1,556.9
Belgium	1,088.4
Luxemburg	14.8
France	545.8
Brazil	802.3

Source: Secretariat of Economy; [IED en México a partir de 1999](#)

The European Investment and the Free Trade Agreement

According to the Free Trade Agreement: "On the subject of investment, the parties have the obligation not to impose restrictions on payments related to foreign direct investment, which did not exist on the date the treaty entered into force. " ¹⁰ However, certain exceptions were agreed to relating to "difficulties and monetary policy change" and "difficulties in their balance of payments". These measures will only be used to remedy the situation of the balance of payments; they shall be applied to a strictly necessary extent and should not be discriminatory.

¹¹

On the other hand and according to article five of the Mexican Law on Foreign Investment ¹², and the regulation provided by the articles 27, paragraph seven, and 28, paragraph four of the Constitution of the United Mexican States and the respective regulations law, the activities saved for the Mexican government are: exploration and extraction of oil and other hydrocarbons, planning and control of the national electricity system and the public service transmission and distribution of electricity, nuclear power generation, radioactive minerals, telegraph, radio-mails, ticketing, coinage, and, monitoring, supervision and surveillance of ports, airports and heliports.

¹⁰ [SICE/Descripción de las disciplinas establecidas en el TLCUEM](#)

¹¹ [Free Trade Agreement, Title III](#)

¹² [Law on Foreign Investment](#)



The article six of the same law establishes the activities saved for Mexican citizens and societies: domestic land transportation of passengers, tourism and flights without including package delivery services, institutions and development banks providing the professional and technical services expressly applicable by legal provisions.

The article seven of the same law establishes the activities in which foreign investment is restricted:

- Up to 10%: production corporative societies
- Up to 25%: air national transport, air taxi and specialized air transport.
- Up to 49%:
 - Making and marketing of explosives, firearms, cartridges, ammunitions and fireworks, excluding the acquisition or utilization of explosives for industrial and extractive activities, or elaboration of explosive mixtures for consumption of such activities

Printing and publication for exclusively national circulation.

- Series "T" of companies that own agricultural, livestock and forest lands.
- Integral port administration.
- Port pilot services to the boats for navigation operations inside in the terms of the corresponding law.
- Shipping companies engaged in the commercial exploitation of boats for inland navigation and, with exception of cruise tourism and exploitation of dredges and maritime devices for the construction, conservation or port operations.
- Supplies of fuels and lubricants for ships, airplanes and railway equipment
- Broadcasting



Relevant Links

- [ProMéxico: Invest in Mexico¹³](#)
- [ProMéxico, Why Mexico?](#)
- [ProMéxico, Investment Map](#)
- [Law on Foreign Trade](#)
- [FreeTrade Agreement EU-Mexico](#)
- [Delegation of the European Union to Mexico](#)
- [Santander Trade Portal](#)
- [Doing Business, México's Economy Profile 2015](#)



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