

AGN Global Business Voice: Business Alert

Mexico - An Open Door To Foreign Investment



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With an open environment to foreign participation, a range of tax and other incentives are available in aerospace, food processing, renewable energy, pharmaceuticals and electronics. But the most significant incentive for foreign companies to do business in Mexico is the IMMEX Maquiladora (factories) initiative. The program allows foreign manufacturers to import raw materials and components into Mexico, tax and duty free, under the condition that 100% of all finished goods will be exported out of Mexico within a government mandated timeframe.

BENEFITS INCLUDE:

- Duty-free imports for up to 18 months for raw materials and supplies for IMMEX certified companies;
- A zero-rate value-added tax on exports, even when physically exported to a third party;
- Value-added tax refunds within a 20-working day period for IMMEX certified manufacturers, rather than the customary 90 working days;
- Import duty refunds for inputs integrated into finished products exported by the manufacturer or sold to another entity for export;
- Streamlined security for supply chains, including shipment security, reduced number of inspections, access to exclusive FAST lanes at the border, reduced shipment times, etc;
- Preferential support from the Foreign Trade Bank for loan guarantees, export policy/program development assistance, financial assistance for direct exporters.

In addition to NAFTA, Mexico offers investors many opportunities for global commerce with free-trade agreements in place with many countries, including Colombia, Costa Rica, Nicaragua, Chile, the European Union, Israel, El Salvador, Guatemala, Honduras, Iceland, Norway, Liechtenstein, Switzerland, Uruguay, and Japan. This feature is among the investment incentives in Mexico that apply to manufacturer and non-manufacturer alike.

OTHER ATTRACTIVE SECTORS IN MEXICO INCLUDE:

Mexican Aerospace: 300 aerospace companies currently exist. There are particular opportunities in engine manufacturer, design, components and manufacturing processes.

Food: The main food products exported from Mexico are cane sugar, bakery products, pastry and biscuit, confectionery and chocolate. Mexico offers nearly 10% savings in the cost of manufacturing processed foods compared to the costs of other countries.

Renewable energy: Mexico has abundant resources for the generation of electricity with renewable sources. Mexico ranks as one of the most attractive countries in the world to invest in photovoltaic solar energy projects.

Electronics: Mexico is among the top 3 electronics suppliers for the United States. The largest transnational electronics manufacturing companies operate in Mexico, ranking as one of the largest exporters of flat screens, computers, microphones, headphones and speakers worldwide and this represents more than 20% of the country's non-oil exports.

Pharmaceutical sector: Mexico has become an attractive destination to invest in the pharmaceutical industry due to the improvement of the regulatory framework and the increase in quality certifications. Currently 80% of the world's leading pharmaceutical companies operate in Mexico, as the country is one of the largest markets in Latin America and is a major producer of high-tech medicines.

Foreign investment is permitted in all sectors except those specifically reserved for the Mexican government or Mexican nationals or companies. In other cases, foreign investors may hold up to 100% of the capital stock of a Mexican corporation or a 100% partnership share. The Foreign Investment Law (Ley de Inversion Extranjera or LIE) sets out exceptions and the registration process.

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