CONNECTING NEW ZEALAND & THE PACIFIC ALLIANCE
MEXICO
August 2018
MEXICO
TRADITION, INNOVATION AND CULTURE
MEXICO
AN EMERGING ECONOMY

- Stable, democratic government
- 15th largest economy; 2nd in Lat. Am.
- Largest exporter in Latin America
- Foremost trading partner in Lat. Am. for NZ
  Bilateral trade of NZ $770 m in 2017

- 127 million population
- 110,000 engineers graduate yearly
- 11 current structural reforms
- Top ten largest economy forecast by 2050

- 8th most visited country in the world
  39 million visitors in 2017
  +16K visitors from NZ
  +84K visitors from Australia in 2017

- 29.6 billion USD of FDI in 2017
  USA, 46.8%; Canada, 9.1%; Spain, 9%; Germany, 8%; Japan, 5.5%; Australia, 4.9%
MEXICO
EXPORT PLATFORM TO THE WORLD: PREFERENTIAL ACCESS

- 12 FTAs = 46 countries
- 6 ECAs
- CPTPP = 6 new markets

Source: ProMexico based on data from the Secretariat of Economy, the International Monetary Fund and government agencies of various countries
MEXICO IN THE WORLD

WORLD’S TOP EXPORTERS IN 2017

United States $1,547B
China $2,263B
South Korea $574B
Japan $698B

Mexico $410B
United Kingdom $445B
Canada $421B
Ireland $137B

How to read this map: The size of the country and the color correspond to the value of its exports according to the WTO.

Article & Sources:
https://howmuch.net/articles/largest-exporting-countries-2017
https://www.wto.org
MEXICO IN THE WORLD
Top Export Destinations

<table>
<thead>
<tr>
<th>2017</th>
<th></th>
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<tbody>
<tr>
<td>United States</td>
<td>326,976</td>
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<tr>
<td>Canada</td>
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<td>Germany</td>
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<tr>
<td>India</td>
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</tr>
<tr>
<td>Colombia</td>
<td>3,164</td>
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</tbody>
</table>
MEXICAN EXPORT EVOLUTION

Evolution of exports and international reserves in Mexico

Source: ProMexico based on data from Baxico.
MAIN MEXICAN EXPORTS
Top 12

- Light motor vehicles
- Auto parts & accessories
- Transportation vehicles
- Computers and computer parts
- Petroleum oils & bituminous minerals
- Telephones and telephone parts
- TV sets
- Electricity conductive materials
- Medical and veterinary equipment
- Tractors
- Seats and seat parts
- Refrigerators and other devices for producing cold

Source: ProMexico based on data by the Global Trade Atlas.
NEW ZEALAND AND MEXICO
COMPLEMENTARY ECONOMIES
MUTUALLY BENEFICIAL RELATIONS

- **Fluid** political dialogue at every level
- **Common** visions on global questions
- **Increasing** people-to-people relations
- **Large** potential for cooperation
- **Foremost** trading partner for NZ in Lat.Am.
- **Growing** bilateral trade and investment
- **Partners** in OECD, APEC, G-20
- **Pacific Alliance** (Associate State Negotiation)
- **CPTPP** (3 countries have ratified)
BILATERAL GROWTH
NZ - MEX TRADE 2017

Total Exports to Mexico = $444 million

Source: STATISTICS NZ, SE and MIT: https://atlas.media.mit.edu/en/
BILATERAL GROWTH
NZ - MEX TRADE 2017

Total Imports from Mexico = $ 295 million
Top 5 products represent 75% of traded goods
95% are manufactured goods

Source: STATISTICS NZ, SE and MIT: https://atlas.media.mit.edu/en/
DEEPENING BILATERAL TRADE
KEY OPPORTUNITIES
MEXICO’S CHAMPION INDUSTRIES
AGRO-INDUSTRY & BEVERAGES

- It is the world’s 12th food producer
- 2nd global exporter of green chillies and lemon
- 1st worldwide exporter of avocados, accounting for 40.6% of the global market
- It is the world’s 1st producer and exporter of tequila
- 5th global producer of chicken meat and 6th global producer of beef
- 1st worldwide exporter of beer, accounting for 21.3% of the global market

Source: ProMexico
PROCESSED FOOD

- It is the 3rd largest food producer in the Americas
- It is the 9th largest seller of processed food
- It is the world’s 11th exporter of chocolate, accounting for 2.4% of all global exports
- It is the world’s 3rd largest exporter of sweet biscuits
- It is the USA’s second food supplier
- It is the world’s 4th exporter of confectionery, accounting for 6.1% of all global exports

Source: ProMexico
AUTOMOTIVE & AUTO PARTS

- Largest manufacturer of light vehicles of Latin America
- 7th largest manufacturer of light vehicles in the world
- Contribution to the manufacturing GDP: 20%
- Mexico is home to 90 of the 100 largest auto parts companies in the world
- It is the world’s 5th manufacturer and 1st exporter of heavy-duty vehicles

Source: ProMexico
AEROSPACE

The sector is comprised of more than 330 companies and entities, and 18 R+D and training centres.

It is the USA 7th supplier of aircraft parts.

It generates over 4 billion dollars in annual sales and accounts for 0.8% of the country’s manufacturing GDP.
ELECTRONICS

- It is the world’s 2nd largest exporter of flat screens
- 8 clusters dedicated to the electronics industry
- It is Latin America’s largest exporter of electronics
- 9 of the 10 main manufacturing companies are established in Mexico
- It is the world’s 3rd largest exporter of computers

Source: ProMexico
HOUSEHOLD APPLIANCES

1st largest exporter of refrigerators with freezer compartment

2nd largest exporter of air conditioners

3rd largest exporter of 10-kg-capacity washing machines

2nd largest exporter of gas heaters

2nd largest exporter of electric water heaters

Source: ProMexico
MEDICAL DEVICES

The main exports are of medical, surgical, and dental instruments and devices. Combined, they amount to 6.9 billion dollars.

It is the world’s 3rd exporter of tubular suture needles.

Between 2005 and 2016, Mexico received investments for over 2 bnUSD in this sector.

1st largest supplier to the United States, and 1st largest exporter in Latin America.

Mexico is the world’s 8th largest exporter of medical devices.

Source: ProMexico
PHARMACEUTICALS

It is the 2nd largest pharmaceuticals market in Latin America, with a consumption equivalent to 13.595 billion dollars.

It is Latin America’s main exporter of medicine products containing alkaloids or its derivatives, with a 2.0% market participation, equivalent to 21.9 MUSD.

It is Latin American’s 1st exporter of medicine products containing vitamins or provitamins, with a 7.1% market participation, equivalent to 97.7 MUSD.

Source: ProMexico
INFORMATION TECHNOLOGY

Mexico is the world’s 3rd largest exporter of IT services.

It generates 500,000 jobs

Information technologies generate almost 2.5 billion dollars annually

The sector is comprised of 4,000 companies, 20 clusters, and 30 R+D and training centres

The main exporting states are: Mexico City, and the States of Mexico, Nuevo Leon, Queretaro, and Yucatan.

Source: ProMexico
CREATIVE INDUSTRIES

Latin America’s 1st exporter of creative goods

More than 1,500 companies providing production, post-production and animation, and digital services

Mexico produces more than 100,000 hours of television content every year, which are exported to more than 100 countries and translated into more than 30 languages

Global leader in the production of creative content in Spanish

Source: ProMexico
ENERGY

4th country with the largest nonconventional gas resources

6th country with the greatest potential shale gas exploitation & the 7th greatest potential shale oil exploitation in the world

1st Latin American country to join the OECD International Energy Agency

Expected investments for around 175,000 MUSD in hydrocarbon exploration and extraction, seismic prospecting, new gas pipelines, and new clean energy power plants, as a result of the Energy Reform.

Source: ProMexico
RENEWABLE ENERGY

Within the next 3 years, Mexico will receive 8.9 bnUSD for projects in this sector.

By 2050, this sector is expected to provide half the energy consumed in Mexico.

As a result of the Energy Reform, the volume of MW generated from renewable sources until 2017 increased six-fold.

The 9th most attractive country for renewable energy.

Mexico is the 4th country with the greatest capacity to develop photovoltaic solar energy projects.

Source: ProMexico
HYDROCARBONS

With more than 12 closed tenders and 4 farm-outs with PEMEX, there are currently in Mexico 70 new companies from 20 countries, accounting for 91 contracts and an estimated investment of 135 billion dollars.

Mexico has the highest oil-producing potential in the Americas.

It has the world’s 6th largest volume of nonconventional resources.

The average size of the recoverable reserves in offshore fields discovered in Mexico is 8 times larger than the average size of the recoverable reserves found in the United States and twice the size of the ones found in Brazil.

Source: ProMexico
**NATURAL GAS**

Mexico’s gas pipeline network will grow to 19,911 km by 2019, as a result of a 14 billion dollar investment between 2012 and 2019.

In Mexico, there are 38 million cars that can be converted to use natural gas.

It has the 6th largest untried, but technically recoverable, shale gas resources in the world - 545 billion cubic feet.

Source: ProMexico
MINING

The world’s top producer of silver, accounting for 20.74% of the global production

One of the world’s top 12 producers of 20 minerals and metals

The sector contributes with 4% of the country’s GDP, and 9% of the industrial GDP

It is the world’s 8th largest producer of gold

It is the 3rd largest mining investment destination in Latin America, and the 7th in the world

Source: ProMexico
Mexican wages in manufacturing display stable competitiveness.

Source: Bank of America Merrill Lynch Global Research, INEGI, ILO, Bloomberg
DOING BUSINESS IN MEXICO

Reliable and updated information to compete in the global economy.

MEXICO: TOP COMPETITIVE ALTERNATIVE KPMG 2016

Relocating your business?

Top countries with the lowest business costs
1. Mexico
2. Canada
3. Netherlands
4. Italy
5. Australia
6. France
7. UK
8. Germany
9. Japan
10. US

Top 3 cost competitive countries

<table>
<thead>
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<th>Major cost factors</th>
<th>1st</th>
<th>2nd</th>
<th>3rd</th>
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<tr>
<td>Labor</td>
<td>Mexico</td>
<td>Canada</td>
<td>Italy</td>
</tr>
<tr>
<td>Facility Costs</td>
<td>Mexico</td>
<td>Germany</td>
<td>Canada</td>
</tr>
<tr>
<td>Transportation</td>
<td>Japan</td>
<td>Canada</td>
<td>Germany</td>
</tr>
</tbody>
</table>
MEXICO: TOP GLOBAL RANKING TAX COMPETITIVENESS - KPMG 2016

Countries with the lowest tax costs*
1. Canada
2. UK
3. Netherlands
4. Mexico
5. Australia
6. Germany
7. United States
8. Japan
9. Italy
10. France

Top 5 countries with the lowest total effective tax rates*
1. Canada
2. Netherlands
3. UK
4. Mexico
5. Australia

Top 10 tax competitive cities*
1. Toronto, CA
2. Vancouver, CA
3. Manchester, UK
4. Montreal, CA
5. Monterrey, MX
6. Amsterdam, NL
7. Rotterdam, NL
8. Mexico City, MX
9. Cincinnati, US
10. London, UK

Source: KPMG
MEXICO: TOP 10 GLOBAL MANUFACTURING COMPETITIVENESS INDEX
DELOITTE 2016

Source: DELOITTE
Mexico is expected to emerge as the 8th best destination for growth in 2017, according to 1,379 surveyed CEOs.
“Mexico is better equipped than most other emerging markets to ride out occasional bouts of volatility and growth rates are expected to gradually rise in the coming years.”

“Mexico’s energy reforms should eventually add about 1.5% to annual growth of GDP…and the IMF expects that structural reforms will eventually lift it to 3.0 - 3.5%.”
MEXICO: EASE OF DOING BUSINESS 2016
TOP RANK IN LATIN AMERICA

Source: http://www.doingbusiness.org/data/exploreeconomies/mexico
Mexico matches or exceed best performance across the OECD sample in all areas except information availability and appeal procedures.

Improvement between 2015 and 2017 in the areas of fees and charges, documents, governance and impartiality.

Source: OECD
http://www2.compareyourcountry.org/trade-facilitation?cr=mex&lg=es
MEXICO: BOOSTING INVESTOR CONFIDENCE
IP REGULATIONS CERTIFICATIONS

Mexico has developed a strong legal infrastructure that protects intellectual property rights.

The Mexican Institute of Industrial Property is responsible for the enforcement of all industrial and intellectual property laws in Mexico.
IP Protection Commitment through multiple treaties

- World Intellectual Property Organization
- Paris Convention for the Protection of Industrial Property
- Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks
- Lisbon Agreement for the Protection of Appellations of Origin and their International Registration
- Patent Cooperation Treaty
- Singapore Treaty on the Law of Trademarks
- Trademark Law Treaty
- Vienna Agreement Establishing an International Classification of the Figurative Elements of Marks
- Strasbourg Agreement Concerning the International Patent Classification
- Locarno Agreement Establishing an International classification for Industrial Designs

MEXICO: IP CERTAINTY
MEXICO:
NUMBER OF GRANTED PATENTS 2016

Source: ProMexico based on data by the World Intellectual Property Organization (WIPO) Statistics
August 2017 - Vista Group International reaches agreement with its long-term Latin American business partner Senda Dirección Tecnológica, SA de CV. (‘Senda’) to take a controlling 60 percent share in Senda.
SECTORS WITH HIGHEST POTENTIAL

- **Education and training**: Transnational and vocational education. English language

- **Food and agribusiness**: (esp. post-TPP) highly complementary food markets; great potential once tariffs lessened and awareness of opportunities promoted. NZ land management and agriculture infrastructure highly relevant to Mexico’s macroeconomic needs

- **Energy**: oil, gas and renewables – massive opportunities for NZ investment in Mexico’s energy industries

- **IT**: potential investment by NZ private sector to support Mexican projects related to e-government, health, education, highways, safety and security and energy and environment.

- **Food and Beverages**: NZ experience and expertise highly relevant to Mexico’s challenges to compete in the modern food and beverage market.

- **Advanced Manufacturing**: especially including chemicals, automotives and aerospace

- **Insurance and bonds**: Financial services and insurance
FTA NEW ZEALAND MEXICO
MUTUAL ASPIRATIONS FOR FTA

“Mexico will immediately initiate conversations for bilateral commercial agreements with [Asia-Pacific partners (New Zealand)].”

President of Mexico, Enrique Peña Nieto, 23.01.2017

FURTHER ENGAGEMENT
FREE TRADE THROUGH THE PACIFIC ALLIANCE

July 2017

New Zealand in the process of negotiating to become an Associate State and implement preferential access of goods and services (FTA) with the Pacific Alliance.

Next round of negotiations September 2018 Auckland
FURTHER ENGAGEMENT
FREE TRADE THROUGH THE CPTPP OR TPP-11

March 2018 - Ministers from Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam sign the TPP-11 in Santiago.

July 2018 - Mexico, Japan and Singapore have ratified the agreement.
**MEXICO AS A MARKET**

**A BRIGHT FUTURE**

Working age population (2015 - 2035), % variation

- **Mexico**: 25%
- **India**: 24%
- **Brazil**: 8%
- **United States**: 4%
- **United Kingdom**: 3%
- **China**: -9%
- **Spain**: -11%
- **Japan**: -15%

Source: ProMexico based on data from the World Population Prospects: The 2017 Revision
MEXICO AND THE PACIFIC ALLIANCE
REGIONAL COMPETITIVENESS

Private consumption relative to GDP in 2016

Mexico 66.3%
Brazil 64%
Colombia 62.7%
India 59.4%
Indonesia 55.5%
China 39%

Source: ProMexico based on data by the World Bank
Mexico’s Retail Overview

- Chedraui: 268 Stores
- City Market: 56 Stores
- Premium Market: 2411 Stores
- H-E-B: 51 Stores
- Walmart: 0 Stores
Mexico’s Convenience Potential

15,774 Convenience Stores in Mexico and Colombia
10 Million customers daily
Largest store chain in Mexico and Latin America
E-Commerce in Mexico
Worth 40 Billion USD by 2019

Mexico’s online shopping market is expected to grow

Business-to-consumer e-commerce in Mexico ($ billion)

Sources: eMarketer; A.T. Kearney analysis

50 Million Users
PROMEXICO can assist your business

ProMexico Supports:
- Foreign Direct Investment
- Exports of Mexican Products & Services
- Internationalisation
Tailored Services

- Business Agenda
- Strategic Information
- Specialized Advice in Mexico
- Mexican Sourcing Assistance
- Promotional Events
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