



MEXICO

What's happening in this economy

Mexico is Australia's second-largest trade and investment partner in Latin America. Australia's commercial interests are weighted towards investment, although our exports are benefiting from new opportunities under the CPTPP, the first FTA between our two countries.

Mexico is currently the 15th largest economy in the world. The country has enjoyed a long period of macroeconomic stability, although GDP growth has slowed markedly in the last 12 months. This is due to a combination of domestic and global factors.

Deeply embedded in regional supply chains, Mexico's economic integration with the US has attracted foreign investment from companies looking to tap into the North American market. Companies exposed to US demand have been less affected by slowing domestic conditions. However, Mexico's economic dependence on its northern neighbour presents its own risks—such as US policy changes or a US recession. Ratification of the USMCA (replacing NAFTA) will be key to reducing external risk factors.

Mexico grapples with structural issues like low levels of education and a large informal workforce. Growth continues to diverge sharply by region. While escalating insecurity in Mexico is a major constraint on the economy, investors can and do manage these risks.

The Mexican Government's agenda focuses on addressing corruption and systemic inequality. The government wants to attract high-quality jobs to less well-developed areas of Mexico, namely Mexico's southern states. Companies looking to do business in Mexico should be prepared to identify the social benefits that their operations will bring, such as jobs, wages and better community conditions. In terms of fiscal management, the Mexican Government is committed to a program of cutting expenditure and increasing tax effectiveness without increasing tax rates.

Trade, investment, and commercial opportunities and activities

- More than 80 Australian companies are operating in Mexico across a range of market sectors. This includes:
 - infrastructure financing
 - commercial property
 - resources and mining services
 - health
 - digital exports (including FinTech), and
 - education.
- Commercial opportunities include:

Key facts and figures

- Population: 124.7 million (2018)
- Real GDP growth: 2.0% (2018)
- GDP per capita: USD 9807.4 (2018)
- Political system: federal presidential republic
- Two-way trade: AUD 3,741 million (2018)
- Two-way investment: AUD 45,046 million (2018)



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- agricultural services: Mexico’s drive to improve productivity is good news for Australian expertise, particularly for sensors (enabling real time traceability for crops), automation, robotics, drones, smart irrigation and data analytics
 - meat and premium food: tariff reductions in TPP-11 will consolidate growth in this sector
 - ruminant genetic material: strong interest in Australian imports
 - defence and advanced manufacturing: Mexico is a global leader in the aerospace industry
 - education: the number of Mexican students studying in Australia has grown by an average of 13 per cent a year for the past five years. Mexican students are increasingly looking for alternative study destinations beyond the US, and Australia’s experience with vocational education is highly regarded
 - Mexico is a major mining destination and strong growth is expected to continue in the mining equipment, technology and services sector (gold, silver, zinc, copper and iron), and
 - e-commerce and digital industries: Australian companies are already present in digital retail and FinTech is firming as a prospective market. The Mexican FinTech ecosystem is sophisticated, well-resourced and operates as a hub for Latin America.
- Domestic factors as well as challenging global conditions have led to a slowdown in investment. In the past three years, Australia has ranked as the seventh largest source of foreign investment flows into Mexico, with investors like:
 - BHP
 - IFM
 - Macquarie
 - Worley
 - Orica
 - GroundProbe
 - Immersive Technologies
 - Cochlear
 - Flight Centre
 - Ansell
 - Amcor
 - Carsales.com
 - ALS
 - Seek, and
 - Aristocrat.
 - Mexico’s outward FDI flows are small. Gruma (Mission Foods) and Riverina Oils are the only major Mexican investors in Australia.
 - The Australian Embassy advises and helps Australian companies in Mexico as well as those considering the market:
 - the Australian Embassy promotes Australia as a trustworthy commercial partner for Mexico (whose companies are bound by strict foreign bribery, anti-corruption and modern slavery laws), that operates to the strictest labour, environmental and corporate social responsibility standards.



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Trade policy and negotiations

With entry into force of the TPP-11 on 30 December 2018, Australia and Mexico are now FTA partners for the first time. Among many benefits, the agreement will improve market access for Australian sugar and beef into Mexico. TPP-11 underscores Mexico's export diversification strategy (around 80 per cent of its exports are currently directed to the US).

Australia is also in negotiations with Pacific Alliance countries (Mexico, Colombia, Peru and Chile) to become an associate state. Australia is seeking ambitious outcomes on market access in areas such as agriculture (particularly dairy, beef and wine) and mining.

Mexico has reached an in-principle agreement with the US and Canada to replace NAFTA with the USMCA. The agreement includes several new provisions that set it apart from its predecessor, but it will not fundamentally alter the business environment in North America or disrupt existing supply chains.

Mexico is a proponent of new WTO rules on investment facilitation and has been heavily involved in WTO reform efforts.

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