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CASE STUDY

With the goal of bridging Asia and Latin America's financial industries, Finetik began laying down its plans to expand to Mexico in 2007.

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MARKET FOCUS

Mexico, a Multifaceted Country in Between Two Worlds

By Daniel Seah, Centre Director (Mexico and Central America), IE Singapore

With a history of diverse economic developments, strategic access to trade routes in the Atlantic and Pacific oceans, geopolitical connections with the United States and other Latin American countries, Mexico has always been and will continue to be a key economy for global trade.

Mexican culture is a fusion of aboriginal values, Spanish influence from the colonisation period and modern American traits, resulting in a distributed social system where the upper classes are recognised by their European or American-influenced lifestyles and the lower classes by their more indigenous ways of life.

Located on the American continent between the Gulf of Mexico and the Pacific Ocean, Mexico is bordered by the United States in the north and Guatemala and Belize in the south. It is the 14th largest country in the world with a total area of 1,964,375 sq km, which is about the size of Western and Central Europe combined.

Mexico is also the world's 12th largest economy with an annual GDP of US\$1,175,000, which translates into a per capita GDP of US\$10,700 for its 108.7 million inhabitants

Free Trade Agreements

Mexico has signed 12 Free Trade Agreements with 42 countries, making it an attractive place for investment.

The North American Free Trade Agreement (NAFTA) concluded in 1994 has been critical in attracting foreign investors. Since then more than 84.5 percent and 79 percent of export taxes on non-petrochemical and agricultural products with North American and Canadian markets respectively have been eliminated.

Treaties with Uruguay in 2004 and Japan in 2005 have reinforced Mexican presence in the Mercosur region and drove Mexican-Japanese trade by 26 percent.

In November 2008 Mexico and Peru are scheduled to conclude an FTA that will complement Reciprocal Investment Agreements and 34 agreements to avoid double taxation, including one with Singapore.

FDI from Asian economies increased by an estimated 44 percent to a then record of US\$60,000 million in 2006. That coupled with privatisation efforts in the service sector resulted in a better business climate.

Average FDI in 2007 was US\$13.63 billion, with the first semester of 2008 already receiving US\$10.54 million, of which 42 percent was streamed into the national construction sector.



6 Regions of Mexico

Northern Mexico: Extreme weather conditions, deserts and rugged mountain ranges. Several cities in the region are key industrial and business centres, as they are near the US border.

Central Mexico: Rich natural surroundings, picturesque towns and colonial cities, some of which have been declared World Heritage sites.

Southern Mexico and the Gulf of Mexico: Marshes, mangrove swamps and forests line the shores of the Gulf of Mexico, making it ideal for ecotourism and outdoor activities.

The Yucatan Peninsula: Gateway to the Mayan world and home to the world's second largest coral reef. White-sand beaches and fresh-water caverns make it a marine haven.

The Pacific Coast: Rich cultural and culinary heritage combined with some of the best beaches for surfing and fishing provide a memorable tourist experience.

The Baja California Peninsula: A place where one can play golf on world-class courses, discover the underwater sights of the Sea of Cortez, and witness the migration of the Gray Whale.

Import and Export

Spiraling petroleum prices have attracted even more investments into Mexico, which currently ranks as the fourth largest oil producer worldwide.

In December 2007 Mexico exported 1,496 thousand barrels of petroleum totaling US\$3.68 billion. The country also exported 9.831 billion cubic meters of natural gas, which is 23.7 percent of the total amount of natural gas produced by Mexico.

Mexico mainly exports to and imports from the US and Canada, with Germany and Japan as the third-largest export and import countries respectively. Main imports include electrical machinery, equipment, machinery and mechanical appliances.

Petrochemicals, building, energy, transport and telecommunications are first plan-sectors. Since the mid-1980s manufacturing has been the main driver of exports, accounting for 85.2 percent in 2005, followed by a 17.8 percent increase in 2006.

The manufacturing sector is dominated by the production of food, beverage, tobacco, metal products, machinery and equipment, chemicals, petroleum products, rubber and plastics with over 3,200 maquiladora or in-bond vehicles, electronic goods, textiles and furniture processing plants located in the US-Mexico border cities alone. This industry employs approximately 25.9 percent of the Mexican work force and has consistently contributed 19 percent of national GDP.

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