

Webinar



# Free Trade Agreement Webinar Series

## Doing Business in Mexico

With **Robert Troy TD**, Minister of State for Trade Promotion, Digital and Company Regulation, **Maeve von Heynitz**, Ambassador of Ireland to Mexico, **Desmond Mullarkey**, former President SAP Mexico, **Eliel Amaya**, Customs and Indirect Tax Partner, Bakertilly, **Orla Branigan**, President, Irish Mexican Chamber, **Sara Hill**, Head of Southern US and Mexico, Enterprise Ireland



Rialtas na hÉireann  
Government of Ireland



IRISH MEXICAN CHAMBER



# Welcome!

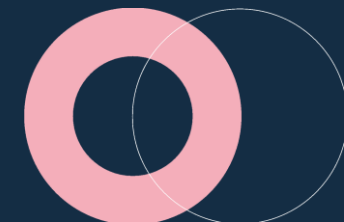


**Sara Hill**



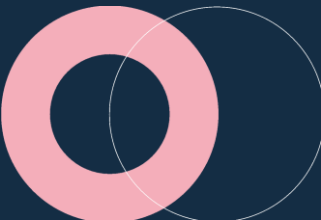
**Sara Hill**

Head of Southern  
US and Mexico  
Enterprise Ireland



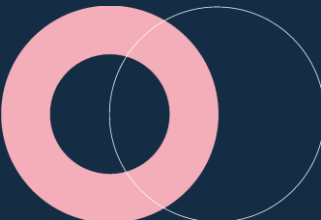
# Agenda

- + Welcome: Sara Hill, Enterprise Ireland
- + Irish Mexican Chamber Overview: Orla Branigan
- + Opening Address: Minister Robert Troy
- + Featured Speaker: Eliel Amaya
- + Featured Speaker: Desmond Mullarkey
- + Closing Address: Ambassador Maeve von Heynitz



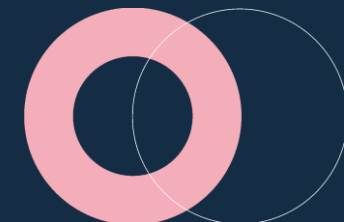
# Enterprise Ireland

- + Trade & innovation agency and venture capital arm of the Irish government
- + World's largest seed investor by deal count. (Pitchbook 2020)
- + The conduit through to the best of Irish innovation
- + Build successful long-term partnerships between leading global companies and Irish partners



# Enterprise Ireland supports

- + Market research and Go-To-Market readiness
- + Target customer research, list building and outreach
- + Visit and meeting itinerary
- + In-market events, trade missions and more



# Today's Speakers



**Robert Troy TD**

Minister of State for  
Trade Promotion, Digital  
and Company Regulation



**Maeve von Heynitz**

Ambassador  
of Ireland to Mexico



**Eliel Amaya**

Customs and Indirect  
Tax Partner  
Bakertilly



**Desmond Mullarkey**

former President  
SAP Mexico



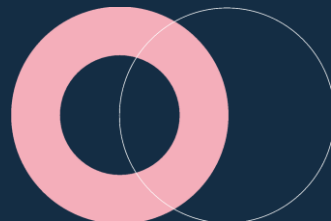
**Orla Branigan**

President  
Irish Mexican Chamber



**Sara Hill**

Head of Southern US  
and Mexico  
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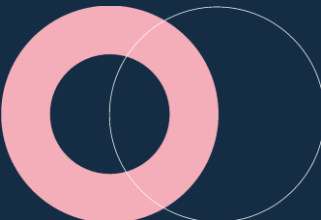


**Orla Branigan**



**Orla Branigan**

President  
Irish Mexican  
Chamber





# Overview: Irish Mexican Chamber (IMC)

Promotes enhanced economic, trade, investment & higher education opportunities between Ireland and Mexico. Builds awareness, and supports networking, advisory & collaboration opportunities for Irish/Mexican member organisations seeking market development and growth.

- Not-for-profit membership organisation, registered with the Ministry for the Economy (SE) in 2018
- IMC Board includes CEOs, founders, leaders broad representation of Mexican-LATAM business
- Irish Embassy in Mexico is key strategic partner
- IMC members are recognized Irish and Mexican corporations /brands (B2B, B2C, B2G) and organisations
- IMC collaborates with Embassy of Mexico in Ireland, Enterprise Ireland (and Education in Ireland), IDA, Bord Bia, Tourism Ireland, Latin America Trade Council of Ireland, EuroCham (EU Delegation), ICC, CCE, COPARMEX, CONCANACO Servytur, etc.

## Opportunity context Mexico

Bilateral trade opportunity and growth potential  
EU-Mexico Global Agreement (modernisation)  
BREXIT  
USCMA

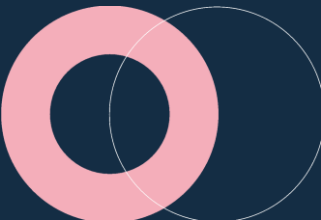


# Minister Robert Troy



## Robert Troy TD

Minister of State for  
Trade Promotion, Digital and  
Company Regulation



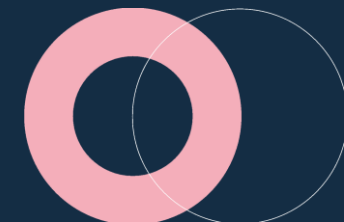


**Elie Amaya**



**Elie Amaya**

Customs and  
Indirect Tax Partner  
*Bakertilly*



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Setting Up in Mexico

Irish Mexican Chamber

June 22, 2021





# Agenda

1. Overview of current trade scenario between Mexico and Ireland
2. North America market
3. USMCA
4. Reshape of the business outlook
5. Nearshore
6. Ease of doing business in Mexico
7. Doing business key requirements
8. Relevant Irish companies in Mexico

# Current trade scenario between Mexico and Ireland

- Ireland and Mexico established diplomatic relations on August 21<sup>st</sup>, 1975.
- As of December 2017, Mexico was the 14<sup>th</sup> most important trade partner for Ireland and the most relevant in Latin America.
- Furthermore, Ireland ranks as the 8<sup>th</sup> most important destination in the European Union for Mexican exportations.
- Mexico exports telecommunications, sound equipment, scientific instruments, and medical products to Ireland.

Trade balance between Mexico and Ireland

Year	Exports (USD)	Imports (USD)
2019	816,003,084	5,546,481,636
2018	783,122,589	5,373,650,752
2017	907,556,592	3,905,876,835
2016	641,205,229	3,626,437,880
2015	576,887,966	3,532,382,291
<b>TOTAL</b>	<b>3,724,775,460</b>	<b>21,984,829,394</b>

Source: INGI (National Institute of Statistics and Geography)



- Ireland is one of the biggest food and beverage exporters to Mexico. Mexico imports cheese, milk powder and specialized nutritional products.
- Ireland exports to Mexico medical and pharmaceutical products, electric machinery, chemical products, financial services and dairy products.



# Trade scenario among North America's countries

- North America has established two trade agreements since 1994. At that time, the NAFTA constituted the largest Free Trade Agreement in the world.
- NAFTA/ USMCA is the main free trade agreement in 39 of the 48 U.S. exporting states.
- Exports under NAFTA created more than 3 million jobs for the U.S., which represent 27% of jobs created by total exports.
- Trade with Mexico and Canada has benefited more than 140,000 North American SMEs (PYMEs)
- The renewed agreement denominated as USMCA came into force on July 1<sup>st</sup>, 2020.
- During the first 100 days of the USMCA, Mexico received USD \$5,746 million of direct foreign investment.

**Table 2: Imports and Exports, NAFTA, Mexico, World, 2019**

<b>*Indicator</b>	<b>NAFTA (USD, billion)</b>	<b>Mexico (USD, billion)</b>	<b>World (USD, billion)</b>
<b>Exports</b>	2,092.6	461.1	18,883.6
<b>Imports</b>	3,032.1	467.3	19,225.1
<b>Total trade</b>	5,124.7	928.5	38,108.7

Source: Mexican Ministry of Economy

# NAFTA “Upgraded” to USMCA

## Impact on the following industries

- Automotive (Change in rules of origin)
- Pharmaceutical (Increased protection for patents)
- Chemicals (New set of rules)
- Digital business / Intellectual Property (Enhance protection)
- Agricultural products (Reenforcing regional rules)
- Small Businesses (Specific rules to promote integration)
- Energy (oil and gas regulations)

*Due to USMCA new regulations, including rules of origin and new labor cost structure in the new regulation, supply chains must be restructured.*







## Reshape of the business outlook

### Impact to business models and supply chain

- COVID-19 tested the resilience of many business models, questioning the supply chain and the source origin for manufacturing, including countries on different continents
- Local sourcing (“Nearshore”) in America for clients within the same continent is a viable option; this needs to be planned and executed thoroughly
- For most traditional MX-U.S. business models (where a key driver was focus on low-cost workforce) the reshaping of their business models and supply chain will include many other factors such as
  - Logistics & shipping
  - Intellectual property (“IP”) protection
  - Access to tax benefits or wavers
  - Customs duties (e.g. tariffs) management or deferral

# Nearshore - Moving into Mexico?

 <p><b>Current state assessment</b></p> <p><b>2-3 weeks</b></p> <ul style="list-style-type: none"> <li>• Due diligence of current state and readiness (assess Shelter or Maquila possibilities).</li> <li>• Consideration for existing plans and organizational capacity.</li> </ul>	 <p><b>Formulation of options</b></p> <p><b>1-2 weeks</b></p> <ul style="list-style-type: none"> <li>• Determine operating options (e.g. outsourcing, independent entity).</li> <li>• Business/financial model.</li> <li>• Entity selection analysis.</li> <li>• Tax and corporate.</li> <li>• structuring, including repatriation of funds, transfer pricing planning.</li> </ul>	 <p><b>Transition and execution plan</b></p> <p><b>TBD based on strategy</b></p> <ul style="list-style-type: none"> <li>• Full transition support.</li> <li>• Transfer of raw material, machinery and equipment.</li> <li>• Attainment of registration, certification and permits.</li> <li>• Labor &amp; social security transition.</li> <li>• Systems and compliance</li> <li>• Facility selection and contractor partnering.</li> </ul>	 <p><b>Compliance support</b></p> <p><b>Ongoing</b></p> <ul style="list-style-type: none"> <li>• Full maquila outsourcing support.</li> <li>• Monthly and yearly accounting and tax compliance.</li> <li>• Training.</li> <li>• Risk management and mitigation support.</li> <li>• Always available for operations-related needs, questions and assistance.</li> </ul>
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# Ease of doing business in Mexico

- Per the World Bank’s Ease of Doing Business (May 2019), **Mexico is ranked 11<sup>th</sup>** for credit easiness, therefore, Mexico is one of the countries with less bureaucracy burden when it comes to financial and credit accessibility. \*
- In addition, Mexico is positioned 43<sup>rd</sup> in relation to enforcing contracts and 69<sup>th</sup> in commerce across borders. Mexico has 12 free trade agreements with 46 countries, that facilitate trade among countries.
- To import goods into Mexico, Tax ID along with the importers register is mandatory, the operation is carried out throughout a Customs Broker.
- According to the World Bank, Mexico’s State, Aguascalientes, Colima and Puebla are the states with the best rated business easiness environments in Mexico.



\* Most International Banks operate in Mexico.

# Doing Business in Mexico

Key requirements	Response
Does a local <b>company / branch</b> require a local shareholder, local nominee director or local representative? If so, indicative typical costs.	<p>Company: It requires two shareholders (these could be local or foreign). One of the shareholders can own most of the voting rights of the company, leaving the second one with just a symbolic amount of ownership.</p> <p>Branch: It requires a local representative</p>
Any other local requirements for a <b>company or branch</b> , such as a business licence?	<p>A company starts its business transactions once it got its legal and tax incorporation.</p> <p>It depends on the main activity of the company, some additional licences could be: construction permits, getting electricity, intellectual property.</p>
Typical cost of registering a <b>company</b> including professional fees and authorities' charges?	US\$6,000 (breakdown: Legal incorporation US\$3,000 and Tax incorporation US\$2,000 and \$US1,000 for Public Notoray expenses).
Typical cost of registering a <b>branch</b> including professional fees and authorities' charges?	Tax incorporation US\$2,000.
Typical timeframe for registering a <b>company</b> once all the information has been provided	Three weeks
Typical timeframe for registering a <b>branch</b> once all the information has been provided	One week.

# Doing Business in Mexico

Key requirements	Response
Audit requirements / threshold	Local Tax statutory audit report (dictamen fiscal) is optional.
Accounting regime / GAAP	Company and Branch: Mexican FRS, US GAAP or IFRS but is mandatory to keep records in Mexican Peso regardless the functional currency.
Requirements around filing financial statements	To elaborate financial statement according to Mexican Statutory at least once per year. Also, companies must file "annual tax return" it includes financial statements.

## Exchange Control

- There are no exchange controls in Mexico. Foreign currencies may be bought and sold freely and there are no restrictions on the maintenance of foreign currency bank accounts in Mexico.

## Corporate Taxes

- Companies living in Mexico are taxed for their income.
- A company is a resident in Mexico if its main administration or place of management is in Mexico.
- Other companies are taxed for their income from sources in Mexico, subject to the terms of any relevant double taxation treaty.
- The corporate tax rate is 30%.
- General VAT rate is 16%
- Social Security cost is 25% to 30%

## Relevant Irish companies in Mexico

- One of the most important producers of cardboard packaging in the world, employs over 4K personnel, in 26 locations, had invested USD \$177M in Mexico.



Kerry Group has more than 26 years in the Mexican market and specializes in taste and nutrition, employs more than 900 people in Mexico. Beginning FY21, announced the setup of the second Global Business Service Center in Querétaro creating around 400 new jobs.

GlowDx main business line is respiratory diseases and STDs testing. CEO plans include building a Molecular Laboratory in Mexico and to launch a contract with sexual health associations.



## • Cuervo-Bushmills

- Becele, S.A.B. de C.V. bought the Irish whisky brand, Bushmills in November 2014, as the latter is one of the oldest distilleries in the world.
- The acquisition included the production lines of Black Bush, Irish Honey and 10, 16 and 21-year-editions.
- The alcoholic beverage market in Mexico is valued in approximately USD \$1,766 million, in which Jose Cuervo leads the production of tequila.
- In 2016, 8,000 million liters of alcoholic beverages were consumed in Mexico including tequila, whisky and others.
- From March 2016 to March 2017, whisky consumption increased 20.8% in Mexico.

# Jose Cuervo®





GRACIAS

**Eliel Amaya**

Partner

International trade and indirect taxes

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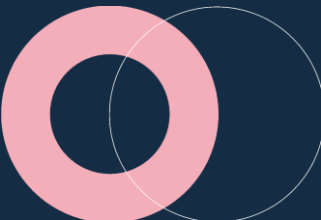
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# Questions & Answers

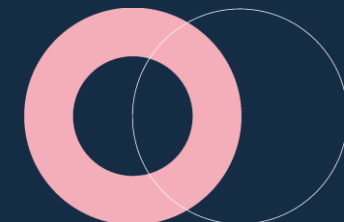


# Doing Business in Mexico



**Desmond Mullarkey**

Former President  
SAP Mexico



# St. Patrick's Irish Battalion (The San Patricios)



# High growth opportunities in Mexico

Agriculture

Machinery

Healthcare and Life Sciences

Technology and related services

Food and beverage

Manufacturing

Education

e-commerce

Fintech

Automotive

Aerospace

# What Mexico offers Irish businesses considering market development and growth:

- Growing consumer market, median age 27 years, 11th largest economy in the world, (\$2.5 trillion) / 126m population
- Economy continues to grow in spite of government policies, natural disasters and economic uncertainty:
- 2021 growth forecasts: OECD + 5% | Mexican Finance Ministry: +6.5%
- Open economy, easy to do business
- Proximity to the US, integration of southern USA with Mexico (1M vaccines from J&J)
- NAFTA updated to USMCA: Means Mexican /US industries are highly integrated
- EU - Mexico Global Trade Agreement - major opportunity for Ireland
- Plentiful, well-prepared workforce with strong work ethic
- Excellent international management skills
- Highly educated bilingual workforce, high quality engineers, architects, marketers, financial management, finance leaders, etc.
- Great communications infrastructure

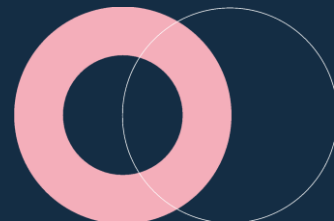
- Irish companies have been successful in Mexico (Smurfit, Kerry, IDB, Avolon, GlowDx)
- Irish consumer brands are well recognised (Baileys, Guinness, Bushmills, Jameson, Kerrygold)
- B2B: Technology Services / Medical Equipment / Powdered Milk, etc.
- Abundant natural resources and land (huge industrial parks, especially in the North)
- Mexico is highly strategic because of China (G7 summit)
- Competitive labour rates and cost to do business
- SMEs represent 80% of GDP
- USMCA (Mexico, USA, Canada) & EU: Largest trading blocks /Canadian market also very accessible
- Culturally aligned, Ireland has a strong and positive image in Mexico
- Guadalajara: Major technology hub, well linked to Silicon Valley

- Establish trusted relationships
- Have a long-term vision and plan
- Get the right advisors, understand the rules
- Business relationships can become strong relationships of trust and friendship
- Be sensitive to Mexico's rich history, diversity and culture (visit the Anthropological Museum)
- Mexicans enjoy life and doing business, come with an open mind and adaptable "can-do" attitude
- Reach out to Irish Mexican Chamber (IMC) and Enterprise Ireland for guidance and support

**Thank you ¡Muchas Gracias!**



# Questions & Answers



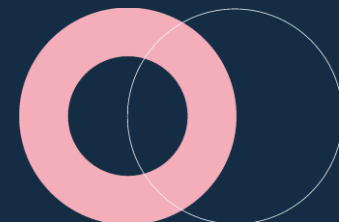


# Ambassador von Heynitz



**Maeve von Heynitz**

Ambassador  
of Ireland to Mexico





## Supports Available

+ Enterprise Ireland

<https://globalambition.ie/markets-opportunities/>

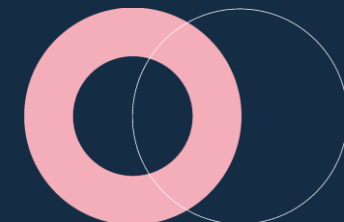
Sara Hill

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+ Irish Mexican Chamber

Cecilia Via, Operations Director, IMC

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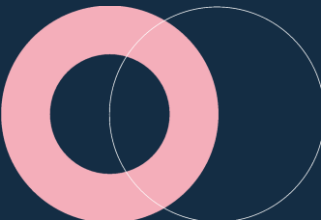
**Webinar Series: Ireland Doing Business in Mexico**

# **FINTECH IRELAND & MEXICO**

**CONNECTING GLOBAL HUBS OF  
EXCELLENCE & OPPORTUNITY**

**September 1st, 2021 (Webinar)**

**3.00pm (BST) | 9.00am (CST Mexico)**





# Thank You!

