RESTRICTED

WT/TPR/S/429

10 August 2022

(22-6034)

Trade Policy Review Body

TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

MEXICO

This report, prepared for the seventh Trade Policy Review of Mexico, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from Mexico on its trade policies and practices.

Any technical questions arising from this report may be addressed to Mr Angelo Silvy (tel.: 022 739 5249), Ms Eugenia Lizano (tel.: 022 739 6578) and Ms Stephanie Dorange-Patoret (tel.: 022 739 5497).

Document WT/TPR/G/429 contains the policy statement submitted by Mexico.

CONTENTS

CHARTS

TABLES

BOXES

APPENDIX TABLES

SUMMARY

1. The Mexican economy experienced a severe downturn starting in mid-2018, followed by a slight contraction in real GDP in 2019 due in particular to a fall in gross capital formation, a reduction in public spending and a slowdown in private consumption. In 2020, the economy was badly affected by the COVID-19 pandemic, which caused GDP to shrink by 8.2% during the year. In 2021, the Mexican economy rebounded, with GDP growth of around 4.8%, thanks in large part to the measures adopted to deal with the pandemic, which were aimed primarily at assisting the hardest-hit families and businesses, particularly small and medium-sized enterprises. These measures include the opening of facilities to provide an adequate level of liquidity, incentives for the restructuring of bank loans and the implementation of social programmes and business support programmes, such as the Financial Support Programme for Family-Run Microenterprises.

2. With the exception of pandemic response measures, Mexican fiscal policy remained tight in order to keep the fiscal balance under control. In November 2019, the Federal Law on Republican Austerity was adopted. Its purpose is to contribute to the sound management of public resources, focusing mainly on reducing non-priority current expenditure. In 2020, the federal government introduced fiscal measures to attenuate the effects of the COVID-19 pandemic on health and the economy, in an amount estimated to be equivalent to 2% of GDP. Furthermore, measures were taken to cut spending, apart from on priority programmes. Overall, the Mexican federal government's finances improved between 2018 and 2019, when a deficit of around 2% of GDP was recorded. Through the Federal Law on Republican Austerity, an attempt was made to reduce the deficit; however, as a result of the economic recession caused by the pandemic, there was a decline in revenue collection and an increase in spending (albeit moderate). The federal government deficit rose to 2.5% and 3.1% of GDP in 2020 and 2021, respectively. The public sector's net total debt has remained modest; in December 2021, it amounted to 46.3% of GDP.

3. The Bank of Mexico operates an inflation targeting scheme to provide a framework for the implementation of monetary policy, with a permanent target of reaching an annual inflation rate of 3%, plus or minus 1 percentage point, as measured by the national consumer price index (INPC). This target has not changed during the review period. In 2019, in response to declining inflation, a series of cuts were made to the target interest rate, the main monetary policy instrument, as part of a trend that intensified during the pandemic. A number of additional measures were implemented to promote orderly functioning of the financial markets, strengthen credit channels and provide liquidity. Against a backdrop of growing inflation, June 2021 marked a turning point in monetary policy, with the target interest rate being raised six times between then and February 2022. On 30 September 2021, the additional measures expired, with the exception of those that remain available to the Bank of Mexico indefinitely. During the review period, the end-of-period INPC exceeded the inflation target in some years, while in others it was within the range of variability. Inflation accelerated in the last quarter of 2021, with the INPC increasing at an annual rate of 7%. The annual rate of change in the INPC in Mexico stood at 7.7% in May 2022.

4. The current account of Mexico's balance of payments recorded a modest shortfall during 2017-19, but experienced a sizeable surplus in 2020, before slipping back into a deficit, albeit a small one, in 2021. The COVID-19 pandemic caused a sharp contraction in exports and imports of goods and services in 2020. However, the decline in imports was greater, and resulted in a surplus in the balance-of-payments current account of USD 26,210 million, or 2.4% of GDP. In 2021, the trade balance posted a deficit of USD 14,491 million (0.9% of GDP) and there was a current account deficit of 0.4% of GDP. Developments in the financial account enabled reserves to be accumulated throughout most of the period. During most of the period under review, annual foreign direct investment (FDI) flows remained at around USD 30 billion. The main FDI-recipient sectors were manufacturing industries, financial and insurance services, trade, transportation, mining and energy.

5. During the period under review, trade in goods experienced a slowdown, followed by a contraction, as a consequence of the COVID-19 pandemic, and a recovery in 2021. Merchandise exports in 2021 amounted to USD 494,225 million (18.5% higher than in 2020), while imports totalled USD 505,716 million (32% above the 2020 level). Mexico's exports continue to be dominated by manufactured products, which accounted for more than 85% of the total in 2021, while agricultural products made up 5%, and mineral products (mainly oil products) and those of the extractive industries, 7.5%. Imports and exports have similar structures. The main import products are electrical machinery and appliances (35.7% of imports in 2021), and transport equipment (8.0% of total imports). Mexico's export markets remain highly concentrated. The

United States is still Mexico's main trading partner, with a share of total exports and imports in 2021 of 80.7% and 43.8%, respectively. Mexico's services trade continued to be in deficit during the review period, owing mainly to shortfalls in transport and insurance. Travel, traditionally in surplus, was heavily affected by the pandemic.

6. Mexico's trade policy objectives are to promote foreign trade, defend its trade interests, and negotiate, implement and administer trade agreements. The use of trade as a tool to reduce poverty and socio-economic inequalities has not yielded the expected results because of the export activities are predominantly focused on certain goods produced in a limited number of regions of the country. To promote export diversification, one of the trade policy objectives is to attract investment to sectors and regions that have historically had little export share and to continue to maximize the benefits granted under existing incentive programmes, specifically export promotion schemes. As part of its trade strategy, Mexico also promotes women's empowerment. The scope of trade policy will also depend on the development of an adequate transport and logistics infrastructure.

7. Mexico is a founding Member of the WTO and grants, as a minimum, most-favoured-nation (MFN) treatment to all its trading partners. Mexico participates actively in the regular activities of the WTO, negotiations and discussions on new trade-related topics, and, given its high degree of integration in international trade, attaches great importance to the smooth functioning of a rules-based multilateral trading system that contributes to inclusive and sustainable development. In 2016, Mexico ratified the Trade Facilitation Agreement and undertook to implement all the agreed provisions immediately. In 2021, it established its National Trade Facilitation Committee. Mexico is not a party to the Agreement on Government Procurement or the Agreement on Trade in Civil Aircraft, nor does it have observer status in the respective committees. Mexico is not a party to the Information Technology Agreement either. Since its last trade policy review in 2017, Mexico has submitted various notifications to the WTO, in compliance with the different Agreements, and has not made frequent use of the dispute settlement mechanism.

8. Regionalism is considered of utmost importance for Mexico's trade relations, as evidenced by the large number of preferential trade agreements signed. Since 2017, three new treaties have entered into force for Mexico: the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP); the Mexico-United States-Canada Agreement (T-MEC), which replaced the North American Free Trade Agreement (NAFTA); and the Trade Continuity Agreement with the United Kingdom.

9. Mexico's investment regime is relatively open, although there are still some exceptions and restrictions with regard to FDI. Certain activities, mainly in the energy and services sectors, are still reserved to the State or to Mexican legal and natural persons, while in other sectors the share of FDI is limited (to 10%, 25% or 49%), or a majority share of FDI is subject to the authorization of the National Foreign Investment Commission (CNIE). Between 2017 and 2022, no changes were made either to FDI caps, except in the case of domestic airlines, or to the activities and companies in relation to which they are applied. Despite the restrictions, and to allow the capitalization of Mexican companies, Mexico continues to use the neutral investment mechanism, through which foreigners may invest in sectors reserved to Mexicans or beyond the ceilings imposed on FDI, without the investment being regarded as foreign. However, this mechanism gives foreign investors limited rights.

10. During the review period, the main change in the customs domain was the creation, in 2021, of the Mexican National Customs Agency (ANAM), which replaced the General Customs Administration (AGA). Since 2022, customs clearance for the import and export of goods has been carried out by ANAM. Despite the institutional change, the requirements for importing and exporting, and the procedures for determining the customs value of imported goods, have not changed substantially since the last review in 2017. However, since then, Mexico has continued to implement measures to facilitate trade, such as electronic customs clearance (paperless customs), the use of consolidated customs forms and the improvement of the Single Window for Mexican Foreign Trade (VUCEM).

11. There was a significant reduction in the number of tariff lines during the review period. In 2016, Mexico's tariff schedule contained 12,275 lines at the 8-digit level of HS 2012, while in 2021, this number fell to 7,802 lines at the HS 8-digit level of HS 2017. However, the MFN tariff structure has not changed substantially. Mexico uses mostly *ad valorem* tariffs, with the exception of 45 tariff lines for which it uses compound or specific tariffs; the two types of tariffs continue to apply to the

same category of products as in 2016. Mexico also uses seasonal tariffs for three tariff lines. The average applied MFN tariff rose during the review period, from 5.5% in 2016 to 6.7% in 2021. Despite the rise in the average tariff, the protection afforded to agricultural products (WTO definition) fell from 14.3% in 2016 to 13.2% in 2021. As in 2016, non-agricultural products are subject to a lower average tariff than agricultural products, although during the review period it increased from 4.6% to 5.9%.

12. The duty-free status granted under all the free trade agreements (FTAs), except that with Panama and under the CPTPP, covers over 90% of the total tariff schedule, and in some cases even reaches 99% or 100%. Despite the large number of trade agreements signed by Mexico, the low rates of preferential tariffs negotiated and the high degree of trade liberalization provided for in these agreements, the percentage of imports receiving preferential treatment remained at around 36% in both 2020 and 2021. The low take-up of preferential tariff could be attributed to the existence of other preferential regimes to promote production and exports, or to tariff concessions granted, for example, to some of the goods imported into the border region and the northern border zone. In addition, nearly 50% of the tariff lines in Mexico's MFN schedule already have a tariff of 0%, which could have eroded the preferences granted under the FTAs. As a result of tariff concessions and preferential trade, the share of tariffs as a percentage of Mexico's total tax revenues has remained steady at around 2% during the period under review.

13. The use of anti-dumping, countervailing and safeguard measures is central to Mexico's trade policy. Nevertheless, during the period 2017-21, Mexico reduced recourse to these measures. For example, in the period in question, it initiated 28 anti-dumping investigations, which is fewer than in the previous review period (2012-16), when it initiated 34 investigations. Most of the investigations initiated concern products from China (39.3%), the EU (14.3%), the United States (10.7%), Japan and the Republic of Korea (both 7.1%). During the review period, Mexico imposed 28 final measures. As of December 2021, Mexico had 78 anti-dumping duties and two price undertakings. With regard to countervailing measures, Mexico did not initiate any investigations and has only three measures in force, with an average duration of eight years and two months. Moreover, Mexico did not initiate any safeguard investigations and has no measures in force, nor did it use the special safeguard provisions of the Agreement on Agriculture.

14. The federal government can prohibit imports (or exports) or impose non-tariff regulations and restrictions (RRNAs) when it sees a pressing need to do so. RRNAs may consist of: prior permits, maximum quotas, Mexican Official Standards (NOMs), compensatory quotas, certifications, marking of the country of origin or other instruments considered appropriate for the purpose of achieving national trade policy objectives. The reasons why this type of measure is imposed have not changed since 2017. For example, Mexico continues to prohibit the import of certain products, in particular chemicals and drugs, to protect human life and health. Mexico uses both automatic licensing (automatic permits) and non-automatic licensing (prior permits). In principle, the use of one type of licence does not exclude the other, i.e. both licences may be required to import the same good, since they serve different purposes. Mexico continues to require the use of both licences for textiles, footwear and metals.

15. In 2021 (as in 2017), the general export tax (IGE) was levied on just two tariff lines (two types of petroleum products). It is levied in order to guarantee supplies to the domestic market or to protect human health, the environment, fauna, flora and cultural heritage. To these same ends, Mexico regulates exports of certain products through automatic licensing (automatic permits) and non-automatic licensing (prior permits). Other types of permit may be required in addition to licensing, such as plant or animal health certificates, the health certificate for food or a certificate issued by the regulatory councils for exports of tequila, mezcal and coffee.

16. Mexico has continued to implement, without substantial changes, export promotion programmes, through which it offers tariff and tax concessions, particularly to the manufacturing sector. The purpose is to promote productivity and increase competitiveness, thereby enabling Mexican products to be further incorporated into the global market. The main programmes remain the programme for manufacturing, maquila and export services industry (IMMEX) and the import duty drawback programme for exporters. During the period under review, Mexico notified the WTO of various export subsidy programmes. Under the IMMEX programme, producers of goods for export or companies providing services for export may import, on a temporary basis, various goods free of general import tax and, where applicable, of anti-dumping or countervailing duties, so that these goods may be used in the production of export products. They may also obtain a 100% tax credit

for VAT and/or the special tax on production and services (IEPS). This programme continues to be of great importance for Mexican trade. Over the period 2016-21, firms benefiting from the IMMEX programme were on average responsible for 55.8% of exports and 43.3% of imports. The main imports and exports were machinery, mechanical appliances or electrical goods under HS chapters 84 and 85.

17. In addition to the export promotion programmes, Mexico has other programmes to attract investment and create jobs, a number of which have been notified to the WTO. Most of these programmes were already in place and had been notified when the previous review was carried out in 2017. These include the sectoral promotion (PROSEC) programmes, under which inputs and machinery needed to produce specific goods can be imported under a preferential tariff, irrespective of whether the final good is consumed on the domestic market or exported. The only change since the previous review was the introduction of a programme for the fertilizer sector. As of May 2021, a total of 2,487 tariff lines were covered by PROSEC programmes. The most common preferential tariff rates in 2021 were 0% and 5%, which were applied to 76.2% and 19.1% of the tariff lines covered, respectively.

18. In 2020, the Federal Law on Metrology and Standardization (LFMN), which regulated the national quality system, was repealed and replaced by the Law on Quality Infrastructure (LIC). However, the regulations implementing the LIC have not yet been finalized, and those implementing the LFMN continue to be used, unless they conflict with the LIC. Since the previous review, there has been no change to the procedure for preparing, issuing or revising Mexican Official Standards (NOMs) (technical regulations) and Mexican Standards (NMXs) (specifications or standards). In 2017-21, certain Members posed questions about NOMs in the WTO TBT Committee on four occasions. The procedures for preparing sanitary and phytosanitary (SPS) measures are also stipulated in the 2020 LIC and in specific laws on the matter. Between 2017 and 2021, six specific trade concerns on measures adopted by Mexico were submitted to the WTO SPS Committee.

19. Mexico continues to have two bodies that promote and protect competition: the Federal Economic Competition Commission (COFECE) and the Federal Telecommunications Institute (IFT). Although the law clearly sets out the powers of each of the bodies, conflicts between the COFECE and the IFT have arisen in recent years in relation to their remits, mainly concerning the analysis of concentrations in the digital markets. Medicine and electricity prices are still regulated. Retail price controls on liquefied petroleum gas (LPG), which had been eliminated in 2017, were reintroduced in 2021.

20. During the review period, the federal government procurement regime has sought to promote the use of the consolidated procurement process and framework agreements, with the aim of rationalizing public spending and fostering efficiency and transparency. However, government procurement through the direct awarding of contracts increased substantially in 2020 and 2021 due to the pandemic. In 2018, the tasks of formulating and implementing government procurement policy and administering the online procurement platform, which had until then been the responsibility of the Ministry of Public Administration, were transferred to the Ministry of Finance and Public Credit (SHCP). In general, government procurement procedures remain decentralized. However, consolidated procurement may be carried out by the SHCP. State-owned production enterprises (EPEs), Petróleos Mexicanos (PEMEX) and the Federal Electricity Commission (CFE) have their own procurement regimes.

21. The Federal Law on Industrial Property Protection (LFPPI) was promulgated in 2020, which strengthened the industrial property rights regime. Few patents were granted to residents during the review period. The registration of utility models continues to be the method most commonly used by residents to protect their inventions; in 2020 the protection period for utility models was extended from 10 to 15 years. With regard to enforcement, new preventive measures were introduced and administrative dispute proceedings streamlined during the period under review. Moreover, the protection of copyright and related rights in the digital sphere was strengthened through the implementation of new anti-piracy tools. However, the purchase of products that infringe intellectual property rights is not penalized, which means that this practice continues to be commonplace and incurs economic and tax losses.

22. The agricultural sector is of great importance to Mexico, not so much because of its contribution to GDP (3.8% in 2021), but because around 28 million inhabitants in rural areas rely on agricultural activities. It is thus important for social, economic and environmental equity. Mexico

is also a net importer of agricultural products. The country therefore has a series of support programmes for the sector, as well as tariff protection levels that are above both the overall tariff average (6.7%) and the tariff average for non-agricultural products (5.9%); the protection granted to agricultural products (WTO definition) was 13.2% in 2021. On average, the highest tariffs by WTO category continue to be applied to sugar and confectionery, and to dairy products, with tariffs of 30% and 22.1% respectively.

23. Mexico provides support to the agriculture, livestock and fishery sector through a series of programmes. Since 2019, Mexico's agricultural policy has focused even more heavily on achieving food self-sufficiency and supporting small producers. To that end, various support programmes were merged, others were abolished and new one created. In general, the programmes have components and subcomponents that change from year to year, as provided for in their rules of operation. Some of these programmes have been notified as domestic support to the WTO Committee on Agriculture and others to the Committee on Subsidies and Countervailing Measures. Mexico also notified the WTO that it had granted subsidies to agricultural exports in 2017 and 2018, but did not grant them over the remainder of the review period.

24. Competition in all energy sector activities has been permitted since 2013, except in those reserved to the State: the exploration and extraction of hydrocarbons, the use of nuclear energy to produce electricity, and the transmission and distribution of electricity. However, the energy policy since 2017 has sought to further boost the participation of State-owned enterprises in the sector by adopting measures to encourage PEMEX and the CFE to participate in the various activities in which the private sector is engaged. PEMEX is still the main operator in the hydrocarbons sector and the biggest contributor to Mexico's public purse. However, the company is facing financial and operational challenges, which has led the State to take steps to guarantee the profitability and ensure the sustainability of the company. Mexico is a major producer of crude oil, but its limited capacity to refine the crude oil it extracts means that it exports much of its production and imports refined products. One of the main objectives of the sectoral policy is therefore to improve refining capacity in order to become self-sufficient.

25. Since the previous review in 2017, the Mexican financial system has continued to perform well. As of 30 March 2022, the financial system in Mexico was composed of 4,973 entities. The main financial system intermediary is the commercial (multiple) banking system, whose assets represent 42.3% of GDP. Non-bank financial intermediaries accounted for 34% of assets. Subject to a favourable opinion from the Bank of Mexico, the commercial presence of foreign banks is permitted through the establishment of subsidiaries, under conditions of reciprocity, in accordance with the provisions of the free trade agreements signed by Mexico and other agreements. No restrictions are imposed on the operations of a subsidiary, which may offer the same services and products as a domestic commercial bank. Foreign banks are also permitted to establish representative offices. The commercial banking system remains highly concentrated. As of December 2021, the five largest banks (three of which were foreign-owned) held 67% of assets. As in the commercial banking system, Mexico allows for the commercial presence of foreign insurance companies through subsidiaries and representative offices. In July 2018, a second stock exchange began to operate in Mexico: the Bolsa Institucional de Valores, S.A. de C.V. (BIVA). Companies have the option of listing their debt or equity securities on either exchange and their securities are traded on both.

26. The telecommunications market in Mexico is highly concentrated; there is still a dominant economic operator, the operations of which are subject to asymmetric regulatory measures in order to foster competition among all operators. During the review period, the implementation of these measures led to a certain level of competition being achieved in fixed services. However, the same outcome was not seen in the mobile services market.

27. In the area of transport, Mexico wishes to establish itself as a new gateway for multimodal traffic between Asia and the east coast of the United States, and has therefore begun work on the creation of a multimodal transport corridor in the isthmus of Tehuantepec. In the air transport sector, between 2017 and 2022, Mexico allowed greater foreign participation in domestic airlines (raising the FDI limit from 25% to 49%) and competition in the jet fuel market. Mexico has also continued to expand international air connectivity to encourage tourism and trade; the degree of openness of services has been increased in new air services agreements and certain existing agreements have been revised. The metropolitan area of Mexico City (CDMX) has been served by three international airports since 2022. However, the original project for a new international airport in Mexico City was abandoned and, instead, a military base was converted into one. In the maritime-port sector, since

2021, all ports have been managed and operated by the State. Prior to this, a private operator held the concession for the port of Acapulco, but this concession was not renewed. Moreover, foreign participation in the provision of certain port services is still limited or subject to conditions. Despite this, the majority of Mexico's foreign trade and cabotage freight is usually transported by foreign vessels.

28. Tourism is a highly important sector for the Mexican economy. It has traditionally been one of Mexico's main sources of foreign exchange. During the pandemic, Mexico did not restrict the entry of foreign tourists, thereby becoming one of the world's top tourist destinations in 2020. The sector did not receive any governmental support to deal with the effects of the health crisis, although it is the biggest recipient of financial aid granted by the federal development bank

1 ECONOMIC ENVIRONMENT

1.1 Main Features of the Economy

1.1.1 Sectoral developments in production and employment

1.1. During the review period, the Mexican economy grew relatively slowly, exacerbated by fallout from the COVID-19 pandemic, leading to a sharp contraction in gross domestic product (GDP) in 2020 followed by a partial recovery in 2021. The authorities responded to the impact of the pandemic by implementing a series of measures to promote more orderly market behaviour and to help, above all, the families and businesses most affected, particularly micro, small and medium-sized enterprises (MSMEs). Such measures included opening facilities to provide an adequate level of liquidity in short-term funding markets, fostering the orderly functioning of financial markets and strengthening credit access channels, along with temporary relief from credit card payments, a moratorium on principal and interest payments for borrowers whose income source was affected by the pandemic, incentives for bank loan restructuring, and implementing social programmes and support programmes for businesses, including the Financial Support Programme for Family Microenterprises (see below).[1]

1.2. Regarding the sectoral composition of GDP, while the share of goods production grew during the review period (2017-21), that of services shrank (Table 1.1). This reflects the fact that, even though all economic sectors were adversely affected by the COVID-19 pandemic, and despite steps taken to slow its spread, services were hardest hit.

1.3. The GDP share of agriculture increased slightly during the review period, from around 3.4% of GDP at basic prices in 2017 to 3.8% in 2020 and 2021. The manufacturing share also grew, accounting for 18.0% of GDP in 2021, up from 17.4% in 2017. Likewise, the share of mining, including hydrocarbons, rose during the period, accounting for 5.2% of GDP at basic prices in 2021, compared to 4.1% in 2017, largely reflecting the upturn in the oil sector and the improved performance of metallic and non-metallic mineral mining as a share of GDP.

1.4. The pandemic took a heavy toll on service output, the GDP share of which shrank from 60.1% in current prices in 2017 to 58.4% in 2021.[2] Hotel and restaurant services, business support services, and real estate services were particularly affected. The GDP share of health services, however, increased from 2.2% in 2017 to 2.5% in 2021.

Table 1.1 Basic economic indicators, 2016-22 (Q1)

	2016	2017	2018	2019	2020	2021[a]	2022 (Q1)[a]
Gross domestic product (GDP)							
Current GDP (MXN thousand million)	20,129	21,934	23,524	24,446	23,416	26,274	27,644
Current GDP (USD thousand million)	1,078	1,159	1,222	1,269	1,090	1,296	1,347
Real GDP, growth rate (%)	2.6	2.1	2.2	-0.2	-8.1	4.8	1.8
Per capita GDP (MXN)	163,989	176,913	189,750	194,750	183,617	205,268	215,515
Per capita GDP (USD)	8,786	9,347	9,860	10,110	8,546	10,126	10,502
By branch of economic activity (percentage of current GDP)							
Primary activities	**3.3**	**3.4**	**3.4**	**3.4**	**3.8**	**3.8**	**3.7**
Crop farming, animal breeding and raising, forestry, fishing and hunting	3.3	3.4	3.4	3.4	3.8	3.8	3.7
Crop farming	2.1	2.2	2.2	2.2	2.4	2.5	2.4
Animal breeding and raising	1.1	1.0	1.0	1.0	1.1	1.1	1.1
Forestry	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Fishing, hunting and trapping	0.1	0.1	0.1	0.1	0.1	0.1	0.1

[1] Official Journal of 24 and 27 April and of 7 May 2020, respectively; and National Council for Social Development Policy Evaluation (CONEVAL), 2020, *La política social en el contexto de la pandemia por el virus SARS-CoV-2 (COVID-19) en México*. Viewed at: https://www.coneval.org.mx/Evaluacion/IEPSM/Documents/Politica_Social_COVID-19.pdf.

[2] The authorities noted that the 1.7 percentage point (p.p.) fall in the GDP share of services occurred chiefly between 2020 and 2021, following the impact of and partial recovery from the pandemic. Business support services also accounted for 0.8 p.p. of the fall. (1.1 p.p. from 2020 to 2021).

	2016	2017	2018	2019	2020	2021[a]	2022 (Q1)[a]
Services related to agricultural and forestry activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Secondary activities	**29.6**	**30.9**	**31.1**	**30.8**	**29.7**	**31.9**	**34.2**
Mining	3.6	4.1	4.1	4.3	4.0	5.2	6.4
Petroleum and gas extraction	2.1	2.6	2.6	2.8	2.1	3.3	4.2
Mining of metallic and non-metallic minerals	1.1	1.1	1.1	1.1	1.4	1.5	1.5
Services incidental to mining	0.4	0.4	0.3	0.4	0.5	0.4	0.7
Generation, distribution and transmission of electricity, supply of water and gas	1.5	2.0	2.0	2.2	2.1	1.9	1.8
Construction	7.4	7.4	7.5	7.1	6.4	6.8	7.0
Manufacturing	17.2	17.4	17.5	17.3	17.3	18.0	19.0
Food industry	3.6	3.5	3.5	3.5	3.8	3.8	4.1
Beverages and tobacco industry	1.0	1.0	1.0	1.1	1.1	1.1	1.1
Textile inputs and textile finishing	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Textile products, other than clothing	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Clothing	0.4	0.3	0.3	0.3	0.2	0.3	0.3
Tanning, finishing and manufacturing of hides and skins	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Wood industry	0.1	0.1	0.1	0.1	0.1	0.2	0.2
Paper industry	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Printing and related industries	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Petroleum and coal products	0.2	0.6	0.7	0.6	0.6	0.9	1.1
Chemical industry	1.3	1.1	1.0	1.0	1.0	1.0	1.1
Rubber and plastics industry	0.5	0.5	0.5	0.5	0.5	0.6	0.6
Non-metallic mineral products	0.4	0.5	0.4	0.4	0.4	0.4	0.5
Basic metal industries	1.0	1.0	1.1	1.0	1.0	1.3	1.4
Metal products	0.6	0.6	0.6	0.6	0.6	0.7	0.8
Machinery and equipment	0.7	0.7	0.7	0.7	0.7	0.7	0.6
Computer, communication, measurement equipment, etc.	1.6	1.6	1.6	1.6	1.6	1.6	1.7
Electronical equipment and accessories, etc.	0.6	0.6	0.6	0.5	0.6	0.6	0.6
Manufacture of transport equipment	3.7	3.9	3.9	3.9	3.6	3.5	3.7
Furniture, mattresses and blinds	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other manufacturing industries	0.4	0.4	0.5	0.4	0.4	0.5	0.4
Services	**60.8**	**60.1**	**59.9**	**60.0**	**60.2**	**58.5**	**56.7**
Wholesale trade	9.3	9.4	9.5	9.2	9.3	9.7	9.8
Retail trade	9.2	9.4	9.3	9.4	9.3	9.7	9.2
Transport, postal and warehousing services	6.0	6.1	6.2	6.2	5.5	5.8	6.0
Information in mass media	1.6	1.6	1.6	1.5	1.5	1.5	1.4
Financial and insurance services	3.7	3.9	4.0	4.0	4.2	3.8	3.9
Real estate, rental and leasing of movable and intangible property	10.5	10.0	9.7	9.7	10.3	9.6	9.4
Professional, scientific and technical services	1.9	1.8	1.8	1.8	1.9	1.8	1.7
Corporate services	0.6	0.6	0.6	0.6	0.7	0.6	0.6
Business support and waste management services	3.2	3.3	3.3	3.4	3.6	2.5	0.9
Educational services	3.9	3.7	3.6	3.7	3.9	3.5	3.5
Health and social services	2.2	2.2	2.2	2.3	2.6	2.6	2.5
Recreational, cultural and sporting services, etc.	0.4	0.4	0.4	0.4	0.3	0.3	0.3
Hotel and restaurant services	2.2	2.2	2.2	2.3	1.4	1.7	2.0
Other services except public administration	2.0	1.9	1.9	1.9	1.8	1.7	1.7
Public administration, etc.	3.8	3.7	3.7	3.6	4.0	3.7	3.7
Gross value added	**93.7**	**94.5**	**94.5**	**94.2**	**93.7**	**94.2**	**94.6**
Net taxes on products	**6.3**	**5.5**	**5.5**	**5.8**	**6.3**	**5.8**	**5.4**
Other economic indicators (percentage of current GDP)							
Gross national savings	23.6	22.9	22.7	21.2	19.2	20.2	..
Domestic savings	21.4	21.1	20.7	20.8	21.5	19.8	..
Employment							
Employment rate (%)	96.2	96.6	96.7	96.5	95.6	95.9	96.5
Unemployment rate (%)	3.8	3.4	3.3	3.5	4.4	4.1	3.5
Employment by economic activity (%)							
Crop farming, livestock farming, forestry, hunting and fishing	13.1	12.8	12.5	12.2	12.6	12.3	11.5
Extractive and electricity industries	0.8	0.8	0.8	0.7	0.7	0.7	0.7

	2016	2017	2018	2019	2020	2021[a]	2022 (Q1)[a]
Manufacturing	16.3	16.8	16.8	16.7	16.5	16.5	16.7
Construction	8.2	8.2	8.2	7.8	7.6	7.9	7.7
Services	61.0	60.9	61.2	62.0	62.1	62.0	62.7
Trade	18.9	18.4	18.7	19.4	19.1	19.2	19.3
Hotel and restaurant services	7.4	7.5	7.5	8.0	7.1	7.5	7.9
Transport, communications, postal and warehousing services	5.1	5.1	5.3	5.1	5.2	5.1	5.4
Professional, financial and corporate services	6.9	7.0	7.2	7.1	7.2	7.5	7.7
Social services	8.0	8.2	8.1	7.8	8.0	8.4	8.4
Miscellaneous services	10.4	10.4	10.2	10.3	10.2	9.9	10.1
Government and international organizations	4.4	4.3	4.2	4.3	5.1	4.4	3.9
Not specified	0.5	0.6	0.6	0.6	0.5	0.6	0.6
Memorandum item							
Economically active population (%)	59.8	59.4	59.6	60.1	55.4	58.6	58.6
Total population (million, end of period)	122.7	124.0	124.0	125.5	127.5	128.0	128.3

.. Not available.

a Preliminary figures.

Source: National Institute of Statistics and Geography (INEGI) and International Monetary Fund (IMF), International Financial Statistics (IFS) database.

1.5. Even though economic activity picked up in the first two quarters of 2021, it slowed down in the second half of the year.[3] The main impact of the pandemic-induced economic contraction on the labour market was a sharp drop in the workforce, amid the measures taken to contain the pandemic. Most notably, the average participation rate slipped from 60.2% in 2019 to 57.7% in 2020, and partially bounced back to 58.5% in 2021. It also led to a jump in the unemployment rate from 3.5% of the economically active population in 2019 to 4.4% in 2020, before coming down to 4.1% in 2021. In January 2022, the unemployment rates for men and women stood at 3.65% and 3.33%, respectively, the former higher than the unemployment rates in the first quarter of 2020, the latter slightly lower. While a number of labour market indicators continued to show improvements in the fourth quarter of 2021 compared to the third quarter, in early 2022, in view of a spike in Omicron variant COVID-19 infections, some of these indicators showed declines, which varied by sector of activity. For example, while the labour market participation rate of people aged 15 and over showed a gradual recovery during the last quarter of 2021, averaging 59.5%, it shrank to 58.3% in January 2022. The labour participation rate also remains well below its (pre-pandemic) level of the first quarter of 2020, when it stood at 59.9%. Moreover, although underemployment and extended unemployment rates have fallen, they remain at high levels, resulting in a labour informality rate of 55.9% in the fourth quarter of 2021, close to levels preceding the health emergency.

1.6. Following a surge in the second quarter of 2020, largely on account of the reduction in employment resulting from the pandemic, labour productivity in the economy as a whole fell during the last two quarters of 2020 and in 2021. This reflected a recovery in hours worked at a faster pace than the increase in GDP.

1.7. As a result of Article IV consultations in 2021, in November of that year the International Monetary Fund (IMF) noted that the Mexican economy is rebounding from its deepest recession in decades, driven by strong US growth and the pandemic-related re-opening of sectors. IMF Executive Directors commended the authorities for maintaining economic stability during the pandemic, underpinned by strong macroeconomic policies and institutional frameworks. However, they emphasized that while the economy continues to recover, there is a need to safeguard the recovery and promote stronger, more inclusive and greener growth. The Directors saw merit in additional fiscal support targeting health and education, social safety nets and quality public investment, along with enhanced spending efficiency, and reform of the business strategy and governance of State-owned company, Petróleos Mexicanos (PEMEX). They also urged Mexico to implement a medium-term tax reform as the economy strengthens, which would help finance needed social and

[3] Bank of Mexico, *Informe Trimestral, octubre-diciembre de 2021*. Viewed at: https://www.banxico.org.mx/publicaciones-y-prensa/informes-trimestrales/%7B9CE4F0BD-2CE1-0A7C-9A88-7FBFC2411A53%7D.pdf.

public investment spending and put the public-debt-to-GDP ratio on a firm downward trajectory. The authorities were encouraged to tackle impediments to productivity growth through structural reforms, such as by promoting labour market formality, narrowing gender gaps, fostering financial inclusion and improving governance.[4]

1.8. During the review period, Mexico signed three agreements with the IMF under the Flexible Credit Line (2017, 2019 and 2021), having made nine arrangements of this type thus far, which Mexico intends to treat as precautionary. As noted by the IMF, in recent years, Mexico has been on a path of gradually reducing access under its Flexible Credit Line arrangements, and the new arrangement continues on this path. The most recent arrangement was signed on 19 November 2021, designed for crisis prevention, for two years under the Flexible Credit Line, and for an amount equivalent to SDR (special drawing rights) 35,650.8 million (about USD 50 billion, equivalent to 400% of Mexico's quota). Mexico also cancelled the previous arrangement. The IMF notes that the authorities have successfully maintained external, financial, and fiscal stability, despite the pandemic-related challenges. Nevertheless, the Mexican economy remains exposed to external risks, which could increase yields, risk premia, and capital outflows from Mexico. Therefore, the new arrangement under the Flexible Credit Line plays a role in supporting the macroeconomic strategy by providing insurance against tail risks and bolstering market confidence. The previous arrangement under the Flexible Credit Line of 22 November 2019 was approved for an access amount equivalent to SDR 44,563.5 million, equivalent to USD 61 billion.[5] The arrangement of 29 November 2017 was approved for an original access amount equivalent to SDR 62,388.9 million (USD 88 billion)[6], which, at the request of the Mexican authorities, was reduced to SDR 53,476.2 million (USD 74 billion) on 26 November 2018.

1.9. As regards the OECD, in its most recent report published in February 2022, it commended Mexico for safeguarding macroeconomic stability amid the COVID-19 pandemic through its solid macroeconomic policies, underpinned by innovative debt management, sound monetary policy and a flexible exchange rate regime.[7] The OECD notes that Mexico's potential to be a high-growth economy is large, having transitioned from an oil dependent economy in the early 1990s to a manufacturing hub integrated in global value chains. However, it notes that such potential remains unrealized and growth over the most recent decades has been low. The OECD recommendations to help realize this potential, include: further improving macroeconomic policies, by increasing public investment over the medium-term, and spending on social programmes, education and health, with a special focus on low-income households; broadening tax bases by phasing out exemptions and by reducing informality; introducing a long-term debt anchor and widening the share of public spending covered by the spending rule; establishing an independent fiscal council; strengthening PEMEX and other SOEs' governance; improving regulatory stability; strengthening the credit registry system; strengthening competition; promoting the formalization of firms; establishing a federal unemployment insurance scheme; and promoting renewables generation, among others.[8]

1.1.2 Measures to address the pandemic

1.10. The Mexican Government implemented a series of measures to mitigate the adverse economic effects of the COVID-19 pandemic. The measures were mainly aimed at providing support for families and enterprises, in particular MSMEs, increasing credit and the liquidity available to the economy, and accelerating the implementation of the budget. Mexico did not implement substantial

---

[4] IMF Press Release No. 21/323: *IMF Executive Board Concludes 2021 Article IV Consultation with Mexico*, 5 November 2021. Viewed at: https://www.imf.org/en/News/Articles/2021/11/05/pr21323-mexico-imf-executive-board-concludes-2021-article-iv-consultation-with-mexico.

[5] IMF Press Release No. 19/431: *IMF Executive Board Approves New Two-Year US$61 Billion Flexible Credit Line Arrangement with Mexico*, 25 November 2019. Viewed at: https://www.imf.org/en/News/Articles/2019/11/25/pr19431-mexico-imf-executive-board-approves-new-two-year-us-61-billion-fcl-arrangement.

[6] IMF Press Release No. 17/459: *IMF Executive Board Approves New Two-Year US$88 Billion Flexible Credit Line Arrangement with Mexico*, 30 November 2017. Viewed at: https://www.imf.org/en/News/Articles/2017/11/30/pr17459-mexico-imf-executive-board-approves-new-two-year-us-88-billion-fcl-arrangement.

[7] OECD (2022), *OECD Economic Surveys: Mexico*, February 2022. Viewed at: https://read.oecd-ilibrary.org/economics/oecd-economic-surveys-mexico-2022_2e1de26c-en#page11.

[8] OECD (2022), *OECD Economic Surveys: Mexico*, February 2022. Viewed at: https://read.oecd-ilibrary.org/economics/oecd-economic-surveys-mexico-2022_2e1de26c-en#page14.

support packages, as other countries did, but instead opted to remain on the path of fiscal and financial stability. However, this came at a high price in terms of economic contraction.

1.11. The IMF estimates that the measures introduced by Mexico directly to address the health crisis represented an increase in public spending amounting to 0.4% of GDP in 2020. Other measures adopted included: advancing payments of old-age and disability pensions by eight months; expediting procurement processes and VAT reimbursements; granting loans to enterprises and workers in both the formal and informal sector (see below); and providing liquidity support and guarantees from the development bank for a total of MXN 257.1 billion. The IMF estimates that "above-the-line" budgetary measures represented 0.7% of GDP in 2020, while "below-the-line" measures were equivalent to 1.2% of GDP.[9] This support was limited, in comparison with that received by other economies.

1.12. The measures implemented to support MSMEs included the Financial Support Programme for Family Microenterprises and the two amendments thereto, published in the Official Journal of 24 and 27 April and 7 May, respectively, which granted direct financial support to formal and informal enterprises in urban areas.[10] The Financial Support Programme for Family Microenterprises was a response by the federal government to the economic crisis resulting from the pandemic, to ensure the sustainability of microbusinesses, enterprises, self-employed persons, service providers, domestic workers and independent workers, in order to safeguard their economic activity and to maintain the jobs created. In 2020, the Programme comprised two schemes, with specific eligibility criteria and requirements: (a) the Family Microenterprise Scheme (*Modalidad Microempresa Familiar*), the criteria for which were: preferably to be part of the Wellness Census (*Censo para el Bienestar*); to have a non-agricultural microbusiness, or, otherwise, to be a self-employed person or an individual providing services, that has been operating for at least six months; to be located in certain municipalities or territorial demarcations; and to have work premises, a work establishment or a work tool; and (b) the Solidarity Support Scheme (*Modalidad Apoyo Solidario a la Palabra*), for which solidarity-based enterprises (registered enterprises which, at 15 April 2020, had the same number of employees as the average number of employees in the first quarter of 2020) in the formal sector, and domestic and independent workers, were considered eligible.

1.13. In 2021, three schemes were implemented under the Programme, which aimed to help maintain economic activities, and which mainly benefited enterprises that met their fiscal and employer obligations in accordance with the following: (a) the Family Microenterprise Scheme, the eligibility criteria for which were similar to those in 2020; (b) the Compliant Enterprises Scheme (*Modalidad Empresas Cumplidas*), aimed at formally registered microenterprises that had retained, at 30 November 2020, at least the average number of employees registered with the Mexican Social Security Institute (IMSS) during the period from August to October 2020 for microenterprises engaged in essential activities, and at least 85% for microenterprises engaged in non-essential activities; (c) the Women's Solidarity Scheme, aimed at women over 18 years of age who were registered under one of the active fiscal regimes and who did not receive financial support under the programme in the fiscal year 2020.

1.14. The loans granted in both financial years amounted to MXN 25,000, with rates adjusted according to the size of the enterprise and the support scheme, with reimbursement in 33 monthly payments as from the fourth month. The authorities estimate that the programme delivered 1,396,251 grants between January and December 2020 for a total of MXN 34,906.2 million. In 2021, the programme approved 61,650 grants for a total of MXN 1,541.25 million.

1.15. Furthermore, in alliance with the Rural Sector Capitalization and Investment Fund (FOCIR), in 2020, the Ministry of Economic Affairs developed and implemented the first call for applications under the Emergency Programme for Economic Recovery UDP-FOCIR[11],which granted loans of up

[9] IMF, *Policy Responses to COVID-19*. Viewed at: https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#.

[10] Official Journal of 24 and 27 April and 7 May 2020, respectively (Official Journal, 2020g; Official Journal, 2020i; Official Journal, 2020j) and National Council for Social Development Policy Evaluation (CONEVAL), 2020, *La política social en el contexto de la pandemia por el virus SARS-CoV-2 (COVID-19) en México*. Viewed at: https://www.coneval.org.mx/Evaluacion/IEPSM/Documents/Politica_Social_COVID-19.pdf.

[11] Government of Mexico, Fondo de Capitalización e Inversión del Sector Rural. Acciones y Programas. Programa Emergente de Reactivación Económica UDP FOCIR. Viewed at: https://www.gob.mx/focir/acciones-y-programas/programa-emergente-de-reactivacion-economica-udp-focir.

to MXN 180,000 at an ordinary annual rate of 10%, to formal enterprises registered under the tax inclusion regime (RIF) or the business regime (RAE) with up to 50 employees, in order to cover their short-term requirements in terms of liquidity, working capital and fixed assets (machinery and equipment). The following sectors and production activities were considered as priority for this programme: retail trade; accommodation and food and beverage services; the restaurant sector; the manufacturing industry; and the dough and tortilla industry. In 2021, the second call for applications under the programme was published and the following federative entities participated: Campeche, Chihuahua, Ciudad de México, Estado de México, Guanajuato, Michoacán, Morelos, Puebla, Quintana Roo, Tabasco and Tamaulipas. In November 2021, authorization was given for the programme to be extended until 31 March 2022, in view of the economic situation resulting from the health emergency. On 3 February 2022, a third call for applications was published, in which the Secretariats of Economic Development or their equivalent in the federative entities of the country were invited to participate in the Emergency Programme for Economic Recovery UDP-FOCIR, to combine efforts on a 1:1 (one to one) ratio between the state governments and the federal government. The resources will be channelled in order to grant financing of up to MXN 250,000 to formal MSMEs which have between one and 50 employees, and which are engaged in production activities with the potential to contribute to the economic recovery of the State. In February 2022, 896 loans totalling MXN 55.48 million from federal resources were granted.

1.16. Another initiative to assist MSMEs was the introduction of the Solidarity Market (*Mercado Solidario*), which is a government platform providing a virtual space where micro, small and medium-sized enterprises can find local markets in which to carry out transactions, outside the platform, with potential consumers of their products and services. This project is part of the interministerial response of the Mexican Government to the health and economic emergency.[12] The government also introduced a loan scheme (CRÉDITOS FONACOT) through the National Fund for Workers' Consumption (FONACOT), to support consumption during the health emergency. The loan, which amounts to MXN 10,000, will be paid in 33 monthly instalments with a grace period of three months. The total annual cost of the loan is 10%. Beneficiaries must have worked for at least one year, on an indefinite-term or permanent contract, in the same enterprise or place of work, which must be affiliated with FONACOT.[13]

1.17. The FOVISSSTE (Housing Fund of the Social Security and Social Services Institute for State Workers) loan scheme has granted targeted assistance to workers employed in the service of the State and their families during the COVID-19 health emergency. The release of financing is part of the COVID-19 Emergency Economic Plan approved by FOVISSSTE, which, *inter alia*, provides for the suspension, until further notice, of the deadlines established for borrowers to choose their home and sign the property deed. The plan includes credit transaction payments to beneficiaries with financing, and for providers, as well as a guarantee for the continuity of the origination and formalization of loans, the validation of appraisals and the release of new financing. The support was allocated by means of a draw. In order to participate, it is necessary to be a government worker, or a retiree or pensioner registered with the Social Security and Services Institute for Government Workers (ISSSTE), and to have no existing personal loans, or any debts with ISSSTE in this regard. The support consists of an 18% increase in the amount of the ordinary loans issued by ISSSTE, with an interest rate lowered by 1.5%.[14] A programme entitled *Construyes Tu Casa* (Build Your House), which is a credit line enabling beneficiaries to build a home to meet their needs, was also implemented. Under this scheme, loans of up to MXN 1,133,000 are granted, with an annual interest rate of between 4% and 6% and a time frame of one year to complete the property.

1.18. Other measures implemented include the partial or total deferral of capital and interest payments with the support of the National Banking and Securities Commission for loans classified as current at 28 February 2020. This support applies to mortgage-backed housing loans, revolving and non-revolving credit for natural persons, such as: car loans, personal loans, payroll loans, credit card loans and microcredit; and trade credits for legal or natural persons engaged in different types of business activity, including agriculture. The support, which consists of freezing payments with no interest charges, was granted for up to four months, with the possibility of an extension for

[12] Government of Mexico, *COVID-19 Medidas Económicas. Acciones y Programas. Mercado Solidario.* Viewed at: https://www.gob.mx/covid19medidaseconomicas/acciones-y-programas/mercado-solidario.

[13] Information from the Government of Mexico. Viewed at: https://www.gob.mx/covid19medidaseconomicas/acciones-y-programas/creditos-fonacot.

[14] Information from FOVISSSTE. Viewed at: https://www.gob.mx/fovissste/articulos/libera-fovissste-20-000-creditos-mas-en-beneficio-de-los-trabajadores-de-la-economia-y-del-sector-vivienda-241018.

two additional months, for the total amount payable including incidentals.[15] Furthermore, the Ministry of Finance and Public Credit (SHCP) extended the deadline for the declaration of natural persons under the Law on Income Tax (ISR) until 30 June 2020. The Bank of Mexico (Banxico) also introduced a series of liquidity and credit support measures (see below).

1.2 Recent Economic Developments

1.2.1 Real sector

1.19. During the period 2017-21, Mexico's real GDP grew at a real average annual rate of barely 0.2%. Excluding 2017, the period saw a real average annual decrease of -0.46%. This result was greatly influenced by the effects of the COVID-19 pandemic, which caused GDP to contract by 8.2% in 2020. This contraction was one of the greatest in history and came on the back of an already depressed economy in 2019. In spite of this, Mexico's nominal per capita income remained around USD 10,000 throughout most of the review period.

1.20. During the period between 2016 and 2018, economic growth in Mexico continued to be driven mainly by domestic demand, in particular private consumption, as growth in gross capital formation was weak, and public spending remained tightly controlled. The sharp decline in economic growth experienced from mid-2018, which led to a slight contraction in real GDP in 2019, was partly due to weak domestic demand, in particular the steep drop in gross capital formation, a contraction in public spending, and a slowdown in private consumption, which was only partially offset by a positive contribution from net exports.

1.21. In 2020, the Mexican economy contracted by 8.2%, as a result of the negative impact of the COVID-19 pandemic on production, consumption and employment.[16] The pandemic had a strong adverse effect on domestic demand, particularly on gross capital formation and private consumption, as government spending increased modestly in real terms. Net exports made a positive contribution to GDP, as imports fell at a faster rate than exports.

1.22. In 2021, the Mexican economy rebounded, with GDP growth of around 4.8%, despite a stagnation of GDP in the fourth quarter following a contraction in the third quarter, compared with the second quarter. In the fourth quarter of 2021, services contracted while manufacturing exports and oil exports rebounded as a result of an increase in sales of products other than crude oil. The value of imports continued to grow, with increases recorded in imports of consumer, intermediate and capital goods.[17]

1.23. Regarding growth prospects, as a result of relatively weak growth in the fourth quarter of 2021, which led to a lower base for growth for 2022, Banxico downgraded its growth forecast ranges for economic activity in 2022 and 2023. The Bank of Mexico expects Mexico's GDP to grow by between 1.6% and 3.2% in 2022, with a point estimate of 2.4%.[18] GDP growth of between 1.9% and 3.9% is expected for 2023, with a point estimate of 2.9%. It is expected that, during the course of 2022, economic activity will return to a path of gradual growth, supported by both external and domestic demand. However, the performance of Mexico's economy will continue to be shaped by the evolution of the pandemic. Banxico projects that, if GDP in 2022 grows at a rate close to the upper end of the estimated range, in the third quarter of 2022, economic activity will return to the level observed at the end of 2019. If the growth rate is close to the point estimate for 2022, this recovery will occur around the fourth quarter of the year, and if it is close to the lower end of the

---

[15] National Banking and Securities Commission (CNBV), *Diferimiento parcial o total de pagos de capital y/o intereses hasta por 4 meses.* Viewed at: https://iprofi.com.mx/bancos-mexicanos-diferir-pagos-e-intereses.

[16] Bank of Mexico (2021), *Compilación de Informes Trimestrales correspondientes al año 2020.* Viewed at: https://www.banxico.org.mx/publicaciones-y-prensa/informes-anuales/%7B5C76A1AD-7080-9B9B-B2E7-2D97BFDD5B34%7D.pdf.

[17] Bank of Mexico (2022), *Resumen Ejecutivo del Informe Trimestral, octubre-diciembre 2021*. Viewed at: https://www.banxico.org.mx/publicaciones-y-prensa/informes-trimestrales/%7BFA4C74D3-AE21-FDAD-8A49-989F1F44F671%7D.pdf.

[18] Bank of Mexico (2022), Informe Trimestral, octubre-diciembre 2021. Viewed at: https://www.banxico.org.mx/publicaciones-y-prensa/informes-trimestrales/%7B9CE4F0BD-2CE1-0A7C-9A88-7FBFC2411A53%7D.pdf.

estimated range, the level observed at the end of 2019 will be achieved in the second quarter of 2023.[19]

1.24. Private consumption grew faster than GDP every year in the review period, with the exception of 2020, when it contracted even more than GDP, by around 10.5% (Table 1.2). After recovering in 2016, growth in private consumption sharply declined between 2017 and 2019, in line with GDP growth. Household consumption continued to be buoyed by the positive trends in employment, with a relatively low unemployment rate (although under-employment remained high), developments in real wages, and facilitated access to credit. In 2020, levels of private consumption plummeted due to the interruption in economic activity caused by the pandemic, as well as the reduced willingness of the population to spend and its preference to save due to economic uncertainty. The domestic savings rate increased from 17.4% of GDP in the first quarter of 2020 to 25.4% in the third quarter, and 24.4% in the fourth quarter, before declining in 2021, accounting for 21.3% of GDP in the fourth quarter of 2021. In line with the reduction in spending levels and the increase in disposable income, private consumption expenditure increased by 7.4% in 2021, well above the increase in real GDP (4.8%).[20] Despite the rebound, at the end of 2021, private consumption was below the level recorded in February 2020. Although the consumption of goods continued to increase and was above the levels observed prior to the pandemic, the consumption of services remained very low. Family remittances continued to be a major source of financing for consumption, totalling USD 51,586 million or 4% of GDP in 2021.

Table 1.2 Structure of GDP by expenditure, 2016-21

	2016	2017	2018[a]	2019[a]	2020[a]	2021[a]
As a percentage of current GDP						
Private consumption	65.5	65.2	64.8	64.9	63.0	64.5
Government consumption	12.0	11.6	11.6	11.4	12.5	11.8
Gross fixed capital formation	22.8	22.1	22.0	20.6	18.9	19.8
Changes in inventory	0.8	0.8	0.7	0.6	0.2	0.4
Exports of goods and services	37.0	37.7	39.3	38.8	39.5	40.3
Imports of goods and services	39.0	39.5	41.3	39.1	37.5	41.8
Statistical discrepancy	0.8	2.1	3.0	2.8	3.1	4.8
Real growth rate (based on 2013 prices)						
Private consumption	3.7	3.2	2.6	0.4	-10.5	7.4
Government consumption	2.6	0.7	2.9	-1.8	0.1	1.0
Gross fixed capital formation	0.8	-1.2	0.8	-4.7	-17.8	10.0
Changes in inventory	-6.3	-2.3	-8.9	-22.6	-76.0	150.4
Exports of goods and services	3.6	4.2	6.0	1.5	-7.3	6.9
Imports of goods and services	2.9	6.4	6.4	-0.7	-13.7	13.7
Statistical discrepancy	n.a.	n.a.	47.8	13.0	48.9	-1.8

n.a. Not applicable.

a Preliminary figures.

Source: National Institute of Statistics and Geography (INEGI).

1.25. Gross fixed capital formation contracted in real terms during the period under review, with a cumulative decline of 5.1% between 2017 and 2019, followed by a significant contraction of 17.8% in 2020. Even though private investment picked up in 2021, with an increase of 11.2%, at the end of 2021, it was almost 4% below the level recorded in February 2020. This result reflects in particular the low share of investment in construction, which, in December 2021, was still 7.8% below the level observed before the pandemic, while the share in machinery and equipment recovered and, in December, was above the pre-pandemic level, in line with the seasonally adjusted series of the monthly indicator of gross fixed investment. Exports grew at a real average annual rate of 2% in the period 2017 to 2021, which was similar to the rate for imports of goods and services. Both exports and imports contracted significantly during the pandemic, and rebounded in 2021.

[19] Bank of Mexico (2022), *Informe Trimestral, octubre-diciembre 2021*. Viewed at: https://www.banxico.org.mx/publicaciones-y-prensa/informes-trimestrales/%7B9CE4F0BD-2CE1-0A7C-9A88-7FBFC2411A53%7D.pdf.

[20] Bank of Mexico (2022), *Informe Trimestral, octubre-diciembre 2021*. Viewed at: https://www.banxico.org.mx/publicaciones-y-prensa/informes-trimestrales/%7B9CE4F0BD-2CE1-0A7C-9A88-7FBFC2411A53%7D.pdf.

1.2.2 Fiscal policy

1.26. The Ministry of Finance and Public Credit is responsible for fiscal policy. The Federal Budget and Treasury Accountability Law and its amendments, the most recent being of 27 February 2022, is the most important fiscal legislation.[21] This Law requires the Federal Executive to submit a draft Revenue Law and a draft Expenditure Budget for approval by Congress each year. The Federal Budget and Treasury Accountability Law contains provisions on fiscal discipline and defines budgetary balance as the key objective of the public sector. In exceptional circumstances the Ministry of Finance and Public Credit can put forward a budget that is in deficit. However, in such cases the Ministry must inform Congress of the specific amount of funding needed to cover the deficit with the corresponding justifications, and specify the actions and number of fiscal years needed to restore the fiscal balance. Overall, the projected revenue and expenditure amounts contained in the draft and the Expenditure Budget are expected to help achieve the annual target for the public-sector borrowing requirement (PSBR). At the close of the financial year, any deviation from the PSBR target of more than the equivalent of 2% of the total approved net expenditure must be justified by the Ministry of Finance and Public Credit in the last quarterly report of the financial year. Investment expenditure by Petróleos Mexicanos (PEMEX), and its subsidiary production enterprises is not taken into account in balancing the budget.

1.27. The Federal Budget and Treasury Accountability Law requires the estimated amount of oil revenues to be included in each Revenue and Expenditure Budget Law. Should oil revenues decline owing to a fall in oil prices during the financial year, stabilization funds may be drawn down; but when these run out, expenditure cuts must be made. Adjustment mechanisms are also contained in the Federal Budget and Treasury Accountability Law.

1.28. The Federal Budget and Treasury Accountability Law was amended a number of times during the review period. The amendment of November 2019 was introduced through the Federal Law on Republican Austerity.[22] The purpose of this Law is to regulate the austerity measures to be observed in the exercise of federal public spending and contribute to the sound management of public resources. Its provisions apply to all departments, entities, bodies and other agencies comprising the Federal Public Administration.[23] The objectives of the Law include establishing republican austerity as a fundamental value and guiding principle of the Mexican public service; determining the basis for the application of such policy; and establishing measures to generate savings in public spending in order to direct resources to meet general needs. It is the responsibility of each public body to comply with the Law. The Ministry of Public Administration of the Federal Executive and Ministry of Finance and Public Credit have the authority to interpret the Law. The austerity measures of the Federal Law on Republican Austerity should preferably target non-priority current expenditure, and avoid reducing investment in responding to emergencies and natural or human-caused disasters. The Law provides that in the acquisition of movable and immovable property, its lease or the procurement of services and public works, the highest level of economy, efficiency and functionality must be sought, in accordance with the principles of austerity. Procurement, leasing and services must, as a general rule and as a matter of priority, be awarded through public tenders, and exceptions to this rule must be fully justified. The Ministries of Finance and Public Credit and of Public Administration, in their respective areas of competence, shall issue guidelines for the procurement of goods and services for general use by public bodies, on a consolidated basis, to achieve optimum prices, quality and timeliness. Public bodies shall adjust their organizational and employment structures in accordance with the principles of rationality and republican austerity, thereby eliminating duplication.

1.29. The Law contains a raft of austerity measures: it prohibits the purchase or lease of luxury vehicles or vehicles the commercial value of which exceeds 4,343 current daily Units of Measure and

[21] The most recent amendment was published in the Official Journal of 30 December 2015.

[22] Decree issuing the Federal Law on Republican Austerity, and amending and adding various provisions of the General Administrative Accountability Law and the Federal Budget and Treasury Accountability Law (Official Journal of 19 November 2019).

[23] In the absence of any express provision in this Law, the Federal Budget and Treasury Accountability Law, the Law on Government Procurement, Leases and Services, the Law on Public Works and Related Services, the Law on the Organization of the Federal Public Administration, the Federal Law on Administrative Procedures, and the General Administrative Accountability Law, in that order, shall be applied on a supplementary basis and where appropriate (Article 2 of the Federal Law on Republican Austerity).

Update for the transport and transfer of public servants.[24] It also prohibits unnecessary office expenses. Furthermore, the Law prohibits the constitution or execution of trusts or mandates in the areas of health, education, law enforcement, social security and public security without prior authorization from the Ministry of Finance and Public Credit. All trusts, funds, mandates or similar contracts in receipt of public resources in the Centralized Federal Public Administration, without exception, must be constituted by the Ministry of Finance and Public Credit and report on a quarterly basis. The Law provides for the creation of an Evaluation Committee to promote and evaluate the austerity policies and measures of public bodies.

1.30. In 2020, the Federal Budget and Treasury Accountability Law was amended in order to implement support measures in response to the COVID-19 pandemic and other emergency situations. The Ministry of Finance and Public Credit may authorize expenditure beyond that approved in the Expenditure Budget, using any surpluses resulting from the revenues authorized in the Revenue Law or from surpluses in the bodies' own revenue. It also stipulates that the draft Expenditure Budget shall include provisions for carrying out preventive actions or executing programmes and projects to deal with damage caused by natural phenomena. It further provides that 20% of transfers made from the Mexican Petroleum Fund for research on hydrocarbons and energy sustainability be used, through the Ministry of Energy, to support research activities carried out by the National Hydrocarbons Commission to identify areas with hydrocarbon potential, and to support scientific research, technological development and innovation projects in the exploration, extraction and refining of hydrocarbons, and petrochemicals production; 15% for research activities of the Mexican Petroleum Institute; and 65% to finance projects on renewable energy sources, energy efficiency, the use of clean technologies and the diversification of primary energy sources.[25]

1.31. The federal government introduced a number of fiscal measures to attenuate the health and economic effects of the COVID-19 pandemic, which can be classified into three main groups: (a) prevention and response to the health emergency; (b) support for Mexican households and businesses, particularly those in vulnerable sections of the population; and (c) support for states and municipalities. Banxico initially estimated the total amount of these measures to be MXN 242,000 million or 1% of GDP. Resources allocated to the health sector accounted for 0.16% of GDP; support to households and businesses 0.76%; and the advance of federal transfers to states and municipalities 0.08%.[26] A more recent IMF estimate takes the total amount of these measures to MXN 498,955 million or 2% of GDP. Resources to the health sector accounted for 0.45% of GDP; support to households and businesses 0.21%; and measures to stimulate the liquidity of the economy 1.25%.[27]

1.32. Cuts in non-priority expenditure were also introduced to avoid excessive public spending increases. The Decree establishing austerity measures to be observed by federal government departments and bodies using criteria indicated therein, establishes: a progressive reduction in the salaries of senior public officials by up to 25%; that 75% of the available budget for general services

[24] The Unit of Measure and Update (UMA) is a unit of account calculated by the National Institute of Statistics and Geography, which issues the daily, monthly and annual value of the unit. The daily value of the UMA as of 1 February 2022 was MXN 96.22, the monthly value was MXN 2,925.09 and the annual value was MXN 35,101.08 (Official Journal of 10 January 2022). Viewed at: https://www.dof.gob.mx/nota_detalle.php?codigo=5640427&fecha=10/01/2022#:~:text=Con%20base%20en%20lo%20anterior,partir%20del%201%C2%BA%20de%20febrero.

[25] Decree amending and repealing various provisions of the Law for the Protection of Human Rights Defenders and Journalists; Law on International Cooperation for Development; Hydrocarbons Law; Law on the Electricity Industry; Federal Budget and Treasury Accountability Law; General Law on Civil Protection; Organic Law of the National Agricultural, Rural, Forestry and Fisheries Development Bank; Law on Science and Technology; Customs Law; Law Regulating the Railway Service; General Law on General Physical Exercise and Sport; Federal Law on the Film Industry; Federal Law on Duty; Law on the Mexican Petroleum Fund for Stabilization and Development; Law on Biosafety of Genetically Modified Organisms; General Law on Climate Change; General Law on Victims and repeal of the Law creating the trust for the administration of the Social Support Fund for Former Mexican Migrant Workers (Official Journal of 6 November 2020). Viewed at: https://www.diputados.gob.mx/LeyesBiblio/ref/lfprh.htm.

[26] Bank of Mexico, Políticas Económicas Consideradas en México para Enfrentar el Panorama Adverso Generado por la Pandemia de COVID-19. Extracto del Informe Trimestral Enero - Marzo 2020, Recuadro 7, pp. 81-85, mayo 2020. Viewed at: https://www.banxico.org.mx/publicaciones-y-prensa/informes-trimestrales/recuadros/%7B455A13D4-524F-84CE-704E-8045ED092A0C%7D.pdf.

[27] IMF (2021), *Fiscal Monitor Database of Country Fiscal Measures in Response to the COVID-19 Pandemic*. IMF Fiscal Affairs Department, October. Viewed at: https://www.imf.org/en/Topics/imf-and-covid19/Fiscal-Policies-Database-in-Response-to-COVID-19.

and materials and supplies not be used; and that government actions and spending be postponed, with the exception of priority programmes.[28] The measures remained in force until 31 December 2020.

1.33. Mexican federal government finances improved between 2018 and 2019, which saw a primary surplus and a deficit of around 2% of GDP. Efforts were made to reduce the deficit by means of the Federal Law on Republican Austerity. However, due to the pandemic-induced economic recession, revenue collection suffered and spending increased, albeit modestly, to mitigate the effects of the COVID-19 pandemic on the most vulnerable segments of the population. The federal government deficit stood at 2.5% and 3.1% of GDP in 2020 and 2021, respectively, while the primary deficit was 0.1% and 1.1% of GDP, respectively (Table 1.3).

Table 1.3 Balance of the federal government, 2016-21

(Percentage of GDP)

	2016	2017	2018	2019[a]	2020[a]	2021[a]
Total expenditure	**20.8**	**18.5**	**18.6**	**18.4**	**20.0**	**19.6**
Programmable expenditure[b]	15.4	13.0	12.7	12.6	13.9	14.1
Current expenditure	5.0	4.7	4.7	4.4	4.8	4.5
Personal services[c]	4.0	3.7	3.7	3.6	3.9	3.7
Materials and supplies	0.1	0.1	0.1	0.1	0.1	0.1
General and other services	0.9	0.8	0.9	0.8	0.7	0.7
Capital expenditure	2.8	1.4	0.9	1.0	0.9	1.8
Physical investment	0.6	0.4	0.5	0.4	0.5	0.4
Movable and immovable property	0.1	0.1	0.0	0.0	0.0	0.0
Public works	0.4	0.3	0.2	0.2	0.2	0.1
Other outgoings	0.1	0.1	0.2	0.1	0.3	0.2
Financial investment	2.2	0.9	0.5	0.6	0.5	1.4
Subsidies and transfers	7.6	7.0	7.1	7.2	8.2	7.8
Current[d]	6.2	5.8	5.9	6.2	6.9	6.7
Capital	1.4	1.2	1.2	1.0	1.3	1.1
Non-programmable expenditure	5.4	5.5	5.9	5.8	6.1	5.5
Shareholdings	3.4	3.5	3.6	3.6	3.6	3.5
Arrears from prior fiscal years (*Adefas*), other[e]	0.1	0.1	0.3	0.1	0.1	0.0
Of current expenditure	0.1	0.1	0.1	0.0	0.0	0.0
Of capital expenditure	0.1	0.0	0.2	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
Financial cost	1.8	1.9	2.0	2.2	2.4	2.0
Internal	1.5	1.6	1.7	1.8	2.0	1.7
External	0.4	0.3	0.3	0.3	0.4	0.3
Total revenue	**17.7**	**17.5**	**16.5**	**16.4**	**17.5**	**16.4**
Tax	13.5	13.0	13.0	13.1	14.3	13.6
Income tax (ISR)	7.1	7.2	7.1	6.9	7.5	7.2
Flat-rate business tax (IETU)	0.0	0.0	0.0	0.0	0.0	0.0
Tax on cash deposits (IDE)	0.0	0.0	0.0	0.0	0.0	0.0
Income tax levied on contractors and allocation holders	0.0	0.0	0.0	0.0	0.0	0.0
VAT	3.9	3.7	3.9	3.8	4.2	4.3
Special tax on production and services (IEPS)	2.0	1.7	1.5	1.9	2.0	1.5
IEPS gasoline and diesel	1.4	1.0	0.8	1.2	1.3	0.8
IEPS other than gasoline and diesel	0.7	0.7	0.7	0.7	0.7	0.7
Foreign trade taxes	0.3	0.2	0.3	0.3	0.2	0.3
Imports	0.3	0.2	0.3	0.3	0.2	0.3
Exports	0.0	0.0	0.0	0.0	0.0	0.0
Oil revenues tax (IRP)[f]	0.0	0.0	0.0	0.0	0.0	0.0
Tax on hydrocarbon exploration and extraction activities (IAEEH)[g]	0.0	0.0	0.0	0.0	0.0	0.0
Other[h]	0.2	0.2	0.2	0.2	0.3	0.3
Non-tax	4.2	4.5	3.4	3.3	3.2	2.9
Transfers from the Mexican Petroleum Fund for Stabilization and Development (FMPED)[i]	1.5	2.0	2.3	1.8	0.8	1.4
Duties	0.3	0.3	0.3	0.3	0.3	0.3
Hydrocarbons	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.3	0.3	0.3	0.3	0.3	0.3
Fees (*productos*)	0.0	0.0	0.0	0.0	0.0	0.0
Other revenue (*aprovechamientos*)	2.4	2.2	0.8	1.1	2.0	1.1
Accessories	0.0	0.0	0.0	0.0	0.0	0.0

[28] Decree establishing austerity measures to be observed by federal government departments and bodies using criteria indicated therein.

	2016	2017	2018	2019[a]	2020[a]	2021[a]
Economic balance	**-3.0**	**-1.0**	**-2.1**	**-2.0**	**-2.5**	**-3.1**
Primary balance	**-1.2**	**0.8**	**-0.1**	**0.1**	**-0.1**	**-1.1**
Federal government primary expenditure	**18.9**	**16.7**	**16.6**	**16.3**	**17.6**	**17.6**

a Preliminary figures.
b The programmable expenditure of the federal government corresponds to the certified accounts payable (CLC) and agreements for the disbursement of funds paid by the Treasury. Therefore, it may differ from actual expenditure, which is measured on the basis of the CLCs submitted to the Treasury and does not include the disbursement agreements, which are settled through the CLCs in the ensuing months. For autonomous bodies, the figures reflect those reported as paid expenditure through the Integrated Public Revenue and Expenditure Information System.
c Includes spending by departments, together with federal contributions for federal bodies and municipalities, and transfers granted to bodies under indirect budgetary control for the payment of personal services.
d Excludes transfers granted for the payment of personal services.
e Includes arrears from prior fiscal years (*Adefas*) and net expenditure incurred by the federal government on behalf of third parties (non-budgetary accounts).
f Oil revenues tax.
g Tax on hydrocarbon exploration and exploitation activities.
h Includes taxes on new motor vehicles, export taxes, taxes not included in the above items and accessories.
i Mexican Petroleum Fund for Stabilization and Development.

Note: In the balance, (-) represents deficit and (+) surplus.

Source: Bank of Mexico, Economic Information System (SIE) database.

1.34. The overall public sector deficit increased in 2020 and 2021, to 2.9% of GDP in both years (Table 1.4). This reflects an increase in spending from 23.7% of GDP in 2019 to 25.7% in both 2020 and 2021. The increased spending was largely attributable to pandemic support programmes, resulting in a rise in current spending and in grants and transfers. Although the share of budget revenues in GDP increased in 2020, this mainly reflects the fact that revenues contracted by less than GDP.

Table 1.4 Public sector budgetary expenditure and revenue, 2016-21

(Percentage of GDP)

	2016	2017	2018	2019[a]	2020[a]	2021[a]
Budgetary expenditure	**26.6**	**23.6**	**23.8**	**23.7**	**25.6**	**25.6**
Programmable expenditure	20.7	17.6	17.3	17.3	19.0	19.5
Current expenditure	11.2	10.9	11.3	11.2	12.1	11.7
Personal services[b]	5.5	5.2	5.2	5.0	5.5	5.1
Materials and supplies	1.2	1.4	1.6	1.5	1.4	1.5
Other[c]	4.5	4.3	4.6	4.7	5.2	5.1
Capital expenditure	4.5	2.4	1.9	2.0	2.1	3.4
Direct physical investment	2.3	1.5	1.5	1.3	1.5	1.6
Other direct capital expenditure	2.2	0.9	0.4	0.7	0.6	1.8
Subsidies and transfers	5.0	4.3	4.2	4.1	4.7	4.4
Current	3.6	3.1	2.9	3.1	3.5	3.4
Capital	1.4	1.2	1.2	1.0	1.3	1.1
Non-programmable expenditure	5.9	6.0	6.5	6.4	6.6	6.1
Shareholdings	3.4	3.5	3.6	3.6	3.6	3.5
Arrears from prior fiscal years (*Adefas*), other	0.1	0.1	0.3	0.1	0.1	0.0
Financial cost	2.3	2.4	2.6	2.7	2.9	2.6
Internal	1.6	1.7	1.8	1.9	2.0	1.8
External	0.7	0.7	0.8	0.8	0.9	0.9
Budgetary revenue	**24.1**	**22.6**	**21.7**	**22.0**	**22.8**	**22.7**
Total federal government revenue	17.7	17.5	16.5	16.4	17.5	16.4
Tax	13.5	13.0	13.0	13.1	14.3	13.6
Non-tax	4.2	4.5	3.4	3.3	3.2	2.9
Organizations and firms	6.3	5.1	5.3	5.6	5.3	6.3
Total revenue	8.9	7.8	8.2	8.7	8.8	9.6
Subsidies and transfers[d]	2.6	2.7	2.9	3.1	3.5	3.3
Public sector balance	**-2.5**	**-1.1**	**-2.1**	**-1.6**	**-2.9**	**-2.9**
Budgetary balance	-2.5	-1.1	-2.0	-1.7	-2.8	-2.9
Entities under indirect budgetary control[e]	**0.0**	**0.0**	**-0.1**	**0.1**	**-0.1**	**0.1**
Non-budgetary balance	0.0	0.0	0.0	0.0	0.0	0.1
Differences with financing sources	0.0	0.0	-0.1	0.0	-0.1	0.0
Primary balance	**-0.1**	**1.4**	**0.6**	**1.1**	**0.1**	**-0.3**
Primary balance, budgetary	-0.1	1.4	0.6	1.1	0.1	-0.3

	2016	2017	2018	2019[a]	2020[a]	2021[a]
Primary balance, entities under indirect budgetary control	0.0	0.0	0.0	0.0	0.0	0.1
Budgetary primary expenditure	**24.2**	**21.2**	**21.1**	**21.0**	**22.7**	**23.0**

a Preliminary figures.
b Includes budgetary spending by departments and bodies, together with federal contributions for federal bodies and municipalities, and transfers granted to bodies under indirect budgetary control for the payment of personal services.
c Includes expenditure on general services and other current expenditure.
d Grants and transfers to agencies and enterprises under direct budgetary control.
e Entities under indirect budgetary control.

Source: Ministry of Finance and Public Credit, Government Finance and Budget.

1.35. Total public sector net debt totalled MXN 12,145.67 million in December 2021, equivalent to 46.3% of GDP. External public debt stood at MXN 4,493.83 million in the same period (17.1% of GDP), while domestic public debt totalled MXN 7,652.83 million (26.2% of GDP).[29] The government has laid emphasis on a conservative fiscal stance aimed at containing debt. The gross debt of the public sector (as defined by the IMF) is estimated to be at around 60% of GDP.[30]

1.2.3 Monetary and exchange-rate policy

1.36. The prime objective of the Bank of Mexico (Banxico), which is responsible for formulating, implementing and supervising monetary policy, is to maintain stability in the purchasing power of the local currency, in accordance with Article 28 of the Constitution. Banxico is governed by the Law on the Bank of Mexico. Under Article 51 of this Law, in the month of January each year, Banxico must send to the Federal Executive and Congress a document setting out the monetary policy to be pursued in the year ahead. Since 2014, Banxico has also been required to submit to the Federal Executive and Congress, no later than 45 business days after the end of each quarter, a report on inflation, economic trends, and the behaviour of the country's economic indicators in the quarter in question, and on the implementation of monetary policy for the quarter.

1.37. Since 2001, Banxico has been operating an inflation targeting scheme to provide a framework for the implementation of monetary policy. Banxico's permanent target is to reach an annual inflation rate of 3%, plus or minus 1 percentage point, as measured by the national consumer price index (INPC). This target remained unchanged during the review period. Banxico uses a target for the overnight interbank interest rate as its main monetary policy instrument. The conditions under which liquidity is supplied to the money market are modified, for example, through open-market operations, in order to situate the interbank funding rate at the desired level. Furthermore, the target for the overnight interbank interest rate is adjusted in order for inflation to converge towards its target over the monetary policy timeline.[31]

1.38. During the review period, as many as four subperiods can be identified in relation to the conduct of monetary policy. Between 2016 and the end of 2017, in response to inflationary pressure, the Bank of Mexico restricted monetary policy. During this period, there were 11 hikes in the overnight interbank interest rate (target interest rate), which increased by 4 percentage points from 3.25% to 7.25%.[32] In 2018, the Bank of Mexico increased, to a lesser extent, the target interest rate. More specifically, the Board of Directors increased this rate from 7.25% to 8.25% during the year. In 2019, in response to a decrease in inflation as foreseen by the central institution in the second half of the year, and weaker economic activity, the Board of Directors initiated a cycle to lower the target interest rate, bringing it down to 7.25% in February 2020. Between March 2020 and February 2021, in light of the impact of the shocks stemming from the pandemic, the Board of

[29] Bank of Mexico, Economic Information System (SIE). Viewed at: https://www.banxico.org.mx/SieInternet/consultarDirectorioInternetAction.do?accion=consultarCuadro&idCuadro=CG7&.

[30] IMF, *IMF Executive Board Concludes 2021 Article IV Consultation with Mexico*. Press Release No. 21/323, 5 November 2021. Viewed at: https://www.imf.org/en/News/Articles/2021/11/05/pr21323-mexico-imf-executive-board-concludes-2021-article-iv-consultation-with-mexico.

[31] Interest rate on overnight interbank funding operations.

[32] Bank of Mexico, *Anuncios de las decisiones de política monetaria*. Viewed at: https://www.banxico.org.mx/publicaciones-y-prensa/anuncios-de-las-decisiones-de-politica-monetaria/anuncios-politica-monetaria-t.html.

Directors further reduced its target rate to 4%. Furthermore, in March and April 2020, the central institution announced the implementation of a series of additional measures with the aim of promoting the orderly functioning of the financial markets, strengthening credit channels and providing liquidity for the sound development of the financial system. June 2021 marked a turning point in monetary policy, when economic growth resumed and inflation increased. Between June 2021 and February 2022, Banxico increased the target interest rate six times, bringing it up to 6%.

1.39. As the overnight interbank interest rate is the Bank of Mexico's main monetary policy instrument, the development of the monetary base is determined primarily by the demand for money. In this regard, the monetary base grew at an average annual rate of 11.4% during the period 2017-21, with distinct trends observed prior to and during the pandemic. In particular, the growth of the monetary base accelerated in 2020 (21.6%) and 2021 (15.2%) compared to previous years, owing mainly to an increase in demand for money for precautionary reasons.[33] The monetary aggregates M1 and M4 behaved in a similar way (Table 1.5).

Table 1.5 Main monetary indicators, 2016-22 Q1

	2016	2017	2018	2019	2020[a]	2021[a]	2022 Q1[a]
Monetary aggregates							
Monetary base, end of period (MXN billion)[b]	1,420	1,546	1,674	1,742	2,118	2,441	2,512
Monetary base (annual variation, %)	14.4	8.8	8.3	4.1	21.6	15.2	15.3
M1 (MXN billion)	3,868	4,264	4,492	4,702	5,646	6,377	6,352
M4 (MXN billion)	10,811	11,712	12,263	13,200	14,420	15,339	15,382
Interest rates (period average %)							
28-day Cetes (treasury bill) rate[c]	4.1	6.7	7.6	7.8	5.3	4.4	5.9
28-day TIIE rate (Interbank Equilibrium Interest Rate)[d]	4.5	7.1	8.0	8.3	5.7	4.6	6.0
Three-year bond rate (fixed rate)	5.5	7.0	7.8	7.5	5.2	5.8	7.9
10-year bond rate (fixed rate)	6.2	7.2	7.9	7.8	6.2	6.9	8.1
20-year bond rate (fixed rate)	6.7	7.5	8.1	7.9	6.9	7.5	8.3
Inflation (12-month variation, end of period)							
Inflation target	3.0+/-1.0	3.0+/-1.0	3.0+/-1.0	3.0+/-1.0	3.0+/-1.0	3.0+/-1.0	3.0+/-1.0
National consumer price index (INPC, end of period)	92.0	98.3	103.0	105.9	109.3	117.3	120.2
National consumer price index (INPC, annual average)	90.1	95.6	100.3	103.9	107.4	113.5	119.0
Inflation rate (annual %)	2.8	6.0	4.9	3.6	3.4	5.7	7.3
Exchange rate							
Exchange rate, end of period (MXN/USD)	20.7	19.8	19.7	18.8	19.9	20.6	20.0
Exchange rate, average (MXN/USD)	18.7	18.9	19.2	19.3	21.5	20.3	20.5
Real effective exchange rate based on the consumer price index	79.0	80.9	81.0	83.7	77.4	81.9	81.7
Real effective exchange rate, annual variation (%)	-12.9	2.3	0.1	3.3	-7.6	5.9	1.0

a Preliminary figures.
b Monetary base consisting of banknotes and coins in circulation and current account deposits held by commercial banks at the Bank of Mexico.
c Tax-exempt rates of return.
d The Interbank Equilibrium Interest Rate (TIIE) is determined by the Bank of Mexico on the basis of quotations submitted by credit institutions, with the start date being the date of publication in the Official Journal. The procedure for calculating this rate is established in Title 3, Chapter IV of Circular No. 3/2012 issued by the Bank of Mexico, and in the Official Journal of 23 March 1995.

Source: Bank of Mexico, Economic Information System (SIE), and IMF.

1.40. In March and April 2020, in the light of the impact of the shocks stemming from the COVID-19 pandemic, the Bank of Mexico announced a series of measures aimed at promoting orderly financial

[33] Bank of Mexico (2021), La Demanda de Billetes y Monedas en México Durante la Pandemia de COVID-19. Extracto del Informe Trimestral Abril - Junio 2021, Recuadro 4, pp. 52-55, August 2020. Viewed at: https://www.banxico.org.mx/publicaciones-y-prensa/informes-trimestrales/recuadros/%7B709FD59A-AA0D-D45C-59A3-97D3CEFFB68B%7D.pdf.

market behaviour, strengthening credit channels and providing liquidity for the sound development of the financial system (Box 1.1). These measures were implemented in response to the major impact on the financial markets, tighter liquidity and the decline in the operating conditions of the foreign exchange and fixed income markets.[34] The measures adopted by the central institution included operations authorized under the Law on the Bank of Mexico, and measures to improve the functioning of the foreign exchange market in accordance with the decisions of the Foreign Exchange Commission. At 25 February 2022, the current committed amount for these measures was MXN 112 billion for local currency facilities and USD 7.5 billion for the rest. If maturities and refinancing operations are included, the total amounts allocated were MXN 692.2 billion and USD 22.7 billion, respectively. On 30 September 2021, the additional measures expired, with the exception of those that remain available to the Bank of Mexico indefinitely.[35] Furthermore, the Board of Directors of the National Banking and Securities Commission (CNBV), to which the Bank of Mexico belongs, issued, in March 2020, temporary special accounting criteria, which were applicable to loans granted by credit institutions to households and businesses whose source of income was affected by the pandemic. The special accounting criteria included the partial or total deferral of capital and/or interest payments for up to four months, with the possibility of an extension for two additional months, on loans granted under the programme. After the special accounting criteria had expired at the end of 2020, the CNBV implemented regulatory incentives to facilitate the restructuring of bank loans for households and businesses that could face problems in the payment of their debts. The new facility, to which credit institutions voluntarily adhered, aimed to improve the quality of the banking book, by means of greater flexibility for the payment of restructured loans.

Box 1.1 Measures implemented by the Bank of Mexico to address the COVID-19 pandemic

Banxico adopted, in total, 15 measures between March and May 2020, which the authorities grouped under four main objectives:
(a) Provide liquidity and re-establish operating conditions in money markets:
(i) reduce the monetary regulation deposit, which commercial and development banking institutions are required to hold at Banxico, by MXN 50 billion, from MXN 320 billion to MXN 270 billion, thereby releasing liquidity to support the activities of commercial and development banks and maintain or extend credit lines. Banxico would "sterilize" or offset the monetary impact of this measure.
(ii) reduce the interest rate for the Ordinary Additional Liquidity Facility (FLAO) that supplies liquidity to commercial banking institutions through secured loans or repos, from between 2 and 2.2 times the target for the overnight interbank interest rate to 1.1 times this rate.
(iii) increase liquidity during operating hours to facilitate the functioning of the financial markets and payment systems, in order to avoid pressure on the operational target for the implementation of monetary policy and the overnight interbank funding rate.
(iv) extend the securities eligible for the FLAO, foreign exchange hedging operations and credit operations in dollars.
(v) increase the number of counterparties eligible for the FLAO; in particular, access is extended to development banking institutions to enable them to obtain liquidity through secured loans or repos.
(vi) implement a temporary securities swap facility, for up to MXN 100 billion, with the aim of providing liquidity for trading instruments whose operability and liquidity on the secondary market have declined. On 15 September 2020, the size of this facility was decreased by MXN 50 billion. As a result, as from this date, the resources available through this facility were reduced to MXN 50 billion.
(b) Promote orderly behaviour in government and corporate securities markets:
(i) strengthen the Market Makers Programme for government debt, in collaboration with the Ministry of Finance and Public Credit, by means of two changes: the implementation of government securities swaps for market makers, to enable them to better manage their securities holdings; and the modification of the call option

[34] Bank of Mexico (2020), Políticas Económicas Consideradas en México para Enfrentar el Panorama Adverso Generado por la Pandemia de COVID-19. Extracto del Informe Trimestral Enero - Marzo 2020, Recuadro 7, pp. 81-85, mayo 2020. Viewed at: https://www.banxico.org.mx/publicaciones-y-prensa/informes-trimestrales/recuadros/%7B455A13D4-524F-84CE-704E-8045ED092A0C%7D.pdf.

[35] Bank of Mexico (2021), Modificación de la vigencia de las medidas orientadas a promover un comportamiento ordenado de los mercados financieros, fortalecer los canales de otorgamiento de crédito y proveer liquidez para el sano desarrollo del sistema financiero, 25 February 2021. Viewed at: https://www.banxico.org.mx/publicaciones-y-prensa/miscelaneos/%7B606E5612-53D1-90D0-7993-B1A76BF714D2%7D.pdf.

rights on government securities of market makers, in order for the call option to be exercised on the second banking day following the primary auction, instead of the first day.
(ii) implement a facility for repurchases of term government securities, for up to MXN 100 billion, to supply liquidity to debt-holding financial institutions. On 15 September 2020, the size of this facility was increased by MXN 50 billion. As a result, as of this date, the resources available through this facility increased to MXN 150 billion.
(iii) implement government securities swap operations, for up to MXN 100,000, through which Banxico receives long-term securities (10 years or over) and delivers other securities with maturities of up to three years.
(iv) implement the Corporate Securities Repurchase Facility (FRTC), for up to MXN 100 billion, in order to supply liquidity for short-term corporate bonds and long-term corporate debt, whose operability and liquidity on the secondary market has decreased.
(c) Strengthen credit channels:
(i) provide resources of up to MXN 250 billion for banking institutions, in order to channel credit to MSMEs and individuals affected by the pandemic. To this end, Banxico was authorized to release resources associated with monetary regulation deposits, and to grant financing for terms of between 18 and 24 months to commercial and development banking institutions.
(ii) implement a financing facility of up to MXN 100 billion to commercial banking institutions secured by corporate loans, for the financing of MSMEs.
(d) Promote the orderly functioning of the foreign exchange market:
(i) extend the programme on foreign exchange hedges in dollars to be settled in local currency, from USD 20 billion to USD 30 billion.
(ii) conduct USD credit auctions. Facility financed through the temporary foreign currency swap mechanism established with the United States Federal Reserve for USD 60 billion.
(iii) foreign exchange hedges settled by differences in USD with counterparties not domiciled in the country, making it possible to operate during the hours when domestic markets are closed.
In accordance with Banxico, in total, the shares expressed in local currency provided support for the functioning of the financial system for up to MXN 800 billion, equivalent to 3.3% of GDP in 2019.

Source: Bank of Mexico (2020), *Políticas Económicas Consideradas en México para Enfrentar el Panorama Adverso Generado por la Pandemia de COVID-19. Extracto del Informe Trimestral Enero - Marzo 2020, Recuadro 7, pp. 81-85, mayo 2020*. Viewed at: https://www.banxico.org.mx/publicaciones-y-prensa/informes-trimestrales/recuadros/%7B455A13D4-524F-84CE-704E-8045ED092A0C%7D.pdf; Bank of Mexico (2020), *Extensión de la vigencia de las medidas orientadas a promover un comportamiento ordenado de los mercados financieros, fortalecer los canales de otorgamiento de crédito y proveer liquidez para el sano desarrollo del sistema financiero*, 15 September 2020. Viewed at: https://www.banxico.org.mx/publicaciones-y-prensa/miscelaneos/%7B510746A8-3C9B-68A0-B6C2-9E83CB110E19%7D.pdf.

1.41. During the review period, inflation, measured using the national consumer price index (INPC) at the end of period, exceeded the inflation target in various periods and, in other periods, was within the range of variability. More specifically, the variation of the INPC exceeded the target in 2017 (6% annual average) and 2018 (4.9%), and again in 2021 (5.7%), while it remained within the range in 2019 (3.6%) and 2020 (3.4%). Inflation accelerated in the last quarter of 2021, with the INPC increasing at an annual rate of 7%. For the first quarter of 2022, annual inflation is forecast at 6.9% with a core inflation rate of 6.4%.

1.42. In view of the 0.5 percentage point increase in the overnight interbank interest rate in February 2022, Banxico stressed that the inflationary pressures in the previous months had been greater in magnitude and lasted longer than anticipated (7.07% in January 2022). Consequently, the inflation expectations for 2022 and 2023 increased, while the medium-term inflation expectations decreased slightly and the long-term expectations remained stable at levels above the target. The forecasts for general and core inflation were revised upwards, particularly for 2022 and the first quarter of 2023. Banxico considers that, with the revision of the target for the overnight interbank interest rate to 6%, the monetary policy stance is in line with the trajectory required for inflation to converge to its target of 3% by around the third quarter of 2023.[36] Banxico hopes that

[36] Bank of Mexico, *Anuncio de Política Monetaria*. Press Release, 10 February 2022. Viewed at: https://www.banxico.org.mx/publicaciones-y-prensa/anuncios-de-las-decisiones-de-politica-monetaria/%7B33C58779-7EFB-ACB7-4BC0-9B7F2444DE1D%7D.pdf.

the effects of the pandemic on core inflation will fade away over the course of 2022, and that core inflation will decrease during the remainder of the forecast period, to reach around 3% in the second quarter of 2023. Upside risks for inflation include: (i) persistently-high core inflation; (ii) external inflationary pressures associated with the evolution of the pandemic and the measures adopted to contain its effects, which may result in higher input or transport costs, and logistics issues in global production chains; (iii) greater pressure, resulting from the recent geopolitical conflict, on the prices of commodities, in particular energy, or on the prices of agricultural products; (iv) currency depreciation episodes; and (v) cost pressures caused by supply chain disruptions, or by higher costs associated with hiring conditions or wages, which could be passed on to consumer prices.[37]

1.43. The Foreign Exchange Commission, which comprises officials from the Ministry of Finance and Public Credit (SHCP) and Banxico, is responsible for exchange-rate policy in Mexico. Since the end of 1994, Mexico has had a flexible exchange-rate regime, in which the exchange rate is determined freely in the market. However, the Foreign Exchange Commission intervenes in the market by holding dollar auctions in situations of volatility, to avoid excessive fluctuation. The nominal MXN/USD exchange rate remained stable during the review period, with minor fluctuations. The real effective exchange rate increased slightly (by 3.7%) between 2017 and 2021, as Mexican inflation was a little above that of the country's main trading partners.

1.2.4 Balance of payments

1.44. The current account of Mexico's balance of payments recorded a modest shortfall throughout the 2017-19 period, but experienced a sizeable surplus in 2020, before slipping back into deficit, albeit a small one, in 2021 (Chart 1.1). Developments in the financial account enabled reserves to be accumulated throughout most of the period.

1.45. The balance-of-payments current account deficit exceeded USD 20 billion per year in 2016-18, representing between 1.7% and 2.2% of GDP (Table 1.6 and Chart 1.1). These deficits can be explained by the performance of the oil balance, the services balance and the balance of primary incomes. However, the surplus of the secondary income account, particularly remittances, continued to increase. The COVID-19 pandemic caused a sharp contraction in exports and imports of goods and services in 2020. However, the decline in imports was greater, and resulted in a surplus in the balance-of-payments current account, amounting to USD 26,210 million, or 2.4% of GDP. In 2021, the trade balance posted a deficit of USD 14,491 million (0.9% of GDP).

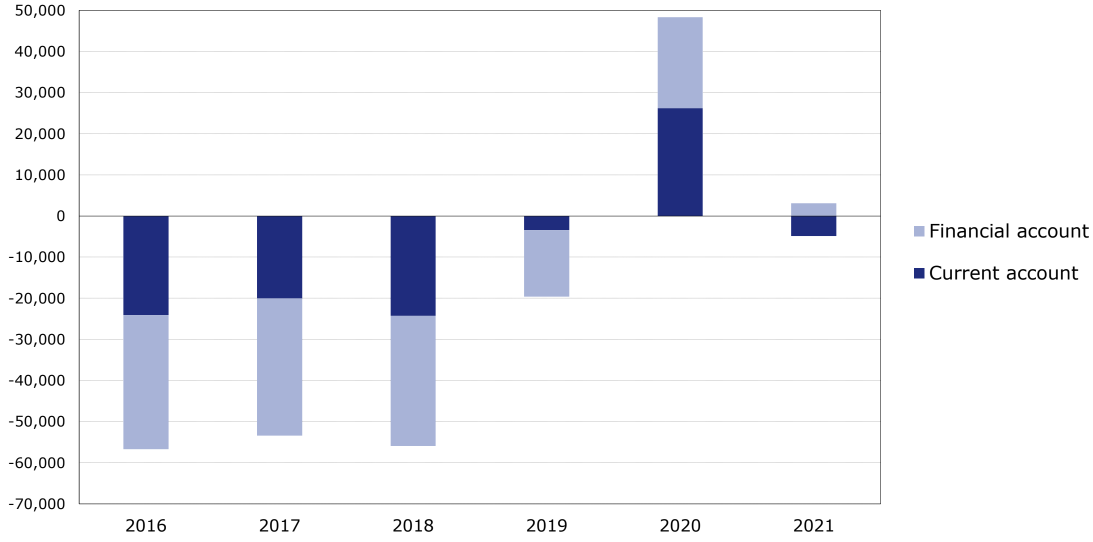
1.46. The Bank of Mexico estimates that the current trade deficit for 2022 will be between USD 9 billion and USD 15 billion (-0.6% and -1.1% of GDP). The current account balance is projected to range between a surplus of USD 1.8 billion and a deficit of USD 8.2 billion (0.1% and -0.6% of GDP). For 2023, a trade deficit of between USD 9.8 billion and USD 17.8 billion (-0.6% and -1.2% of GDP) is foreseen, as well as a current account balance ranging between a surplus of USD 1.9 billion and a deficit of USD 10.1 billion (0.1% and -0.7% of GDP).[38]

[37] Bank of Mexico (2022), *Informe Trimestral, Octubre-Diciembre 2021*. Viewed at: https://www.banxico.org.mx/publicaciones-y-prensa/informes-trimestrales/%7BFA4C74D3-AE21-FDAD-8A49-989F1F44F671%7D.pdf.

[38] Bank of Mexico (2022), *Informe Trimestral, Octubre-Diciembre 2021*. Viewed at: https://www.banxico.org.mx/publicaciones-y-prensa/informes-trimestrales/%7BFA4C74D3-AE21-FDAD-8A49-989F1F44F671%7D.pdf.

Chart 1.1 Current account and financial account of the balance of payments, 2016-21

(USD million)



Source: Bank of Mexico, Economic Information System (SIE) database.

Table 1.6 Balance of payments, 2016-21

(USD million)

	2016	2017	2018	2019	2020[a]	2021[a]
Current account as % of GDP	**-2.2**	**-1.7**	**-2.0**	**-0.3**	**2.4**	**-0.4**
Current account	**-24,140**	**-20,028**	**-24,326**	**-3,471**	**26,210**	**-4,866**
I. Credit	434,524	479,228	527,649	544,475	484,530	583,613
A. Goods	374,311	409,806	451,082	460,939	417,151	494,550
Merchandise exports	373,954	409,433	450,713	460,604	416,999	494,225
Goods procured in ports by carriers	357	374	370	336	152	325
B. Services	24,213	27,595	29,028	31,717	17,037	27,257
C. Primary income	7,919	10,485	13,013	14,530	9,301	9,755
Profits and dividends	2,981	4,765	5,228	6,091	5,082	5,870
Profits	1,823	3,191	4,451	5,240	4,562	4,246
Dividends	1,158	1,574	778	852	520	1,624
Interest	3,237	3,736	5,686	5,849	1,941	1,335
Compensation of employees	1,698	1,980	2,091	2,583	2,274	2,544
Other	4	4	7	6	5	5
D. Secondary income	28,081	31,341	34,526	37,288	41,041	52,051
Remittances	26,993	30,291	33,677	36,439	40,605	51,586
Other	1,088	1,050	849	849	436	466
II. Debit	458,664	499,256	551,976	547,945	458,320	588,479
A. Goods	387,392	420,790	464,850	455,772	383,172	506,017
Merchandise imports	387,088	420,395	464,302	455,242	382,986	505,716
Goods procured in ports by carriers	304	395	547	530	186	302
B. Services	33,047	37,074	39,969	39,794	28,264	38,670
C. Primary income	37,239	40,194	46,048	51,298	45,917	42,667
Profits and dividends	17,331	18,920	23,191	25,078	21,792	20,259
Profits	10,652	11,955	13,281	18,097	16,081	12,213
Dividends	6,679	6,965	9,911	6,980	5,711	8,046
Interest	19,902	21,263	22,845	26,207	24,111	22,405
Public sector	12,843	13,151	13,168	14,254	13,234	13,697
Private sector	7,059	8,112	9,677	11,952	10,877	8,708
Other	5	11	12	14	13	4
D. Secondary income	987	1,198	1,109	1,081	967	1,125
Remittances	654	806	1,000	981	899	1,057
Other	333	391	109	100	68	68
Capital account	**35**	**150**	**-65**	**-56**	**-13**	**-48**
I. Credit	323	450	237	299	260	220
II. Debit	288	300	301	355	273	268
Financial account (Net lending (+)/Net borrowing (-))	**-32,600**	**-33,363**	**-31,584**	**-16,131**	**22,091**	**3,086**
I. Direct investment	-31,027	-30,143	-25,726	-23,772	-25,224	-32,338
A. Net acquisition of financial assets	7,869	3,082	12,124	5,969	6,024	-369
Equity and investment fund shares	7,188	6,022	10,540	8,720	6,494	1,374
Debt instruments	680	-2,940	1,585	-2,752	-470	-1,744

	2016	2017	2018	2019	2020[a]	2021[a]
B. Net liabilities incurred	38,896	33,225	37,850	29,740	31,248	31,969
Equity and investment fund shares	21,638	23,911	24,597	31,452	22,768	26,038
Debt instruments	17,258	9,314	13,253	-1,712	8,479	5,930
II. Portfolio investment	-26,602	-10,983	-8,605	-6,683	10,344	41,557
A. Net acquisition of financial assets	3,083	13,030	894	3,411	16,458	22,672
Equity and investment fund shares	1,560	10,676	2,513	2,658	13,242	14,687
Debt securities	1,522	2,353	-1,619	753	3,216	7,985
B. Net liabilities incurred	29,684	24,013	9,499	10,094	6,114	-18,885
Equity and investment fund shares	9,477	10,320	2,421	-10	186	-3,163
Debt securities	20,207	13,692	7,077	10,104	5,928	-15,722
III. Financial derivatives (net transactions)	-2,247	3,074	410	1,672	-1,800	2,083
IV. Other investment	27,411	9,453	1,853	10,013	26,782	-18,504
A. Net acquisition of financial assets	24,229	6,801	8,713	13,560	23,184	-6,964
B. Net liabilities incurred	-3,182	-2,652	6,860	3,547	-3,598	11,540
Special drawing rights	0	0	0	0	0	12,145
Money and deposits	751	-381	175	154	-360	-896
Loans, trade credits and advances	-980	2,211	2,134	4,105	-311	2,017
Other accounts payable	-2,953	-4,482	4,551	-712	-2,927	-1,726
V. Reserve assets	-136	-4,765	483	2,638	11,990	10,288
Total variation in gross international reserves	428	-2,575	934	6,644	16,029	8,689
Valuation adjustments	564	2,190	451	4,005	4,039	-1,600
Errors and omissions	**-8,494**	**-13,484**	**-7,193**	**-12,604**	**-4,106**	**8,000**
Memorandum						
Goods and services balance	-21,915	-20,463	-24,708	-2,909	22,752	-22,879
Balance of goods	-13,082	-10,984	-13,768	5,167	33,979	-11,467
Balance of oil-related goods	-12,741	-18,285	-23,132	-21,413	-13,924	-24,926
Balance of non-oil-related goods	-393	7,323	9,543	26,775	47,938	13,435
Balance of goods procured in ports by carriers	52	-22	-178	-195	-34	24
Balance of services	-8,833	-9,479	-10,941	-8,077	-11,227	-11,412
Balance of primary income	-29,320	-29,709	-33,035	-36,768	-36,616	-32,912
Balance of secondary income	27,094	30,143	33,417	36,207	40,074	50,926
Financial account without reserve assets	-32,464	-28,598	-32,068	-18,769	10,101	-7,202
Gross international reserves (end of period)	178,025	175,450	176,384	183,028	199,056	207,745

a Preliminary figures.

Source: Data provided by the authorities.

1.3 Developments in Trade and Investment

1.3.1 Trends and patterns in merchandise and services trade

1.3.1.1 Merchandise trade

1.47. During the period under review, trade in goods experienced a slowdown, followed by a contraction, as a consequence of the COVID-19 pandemic, and a recovery in 2021. In reflection of this recovery, exports grew in current USD terms between 2016 and 2021 (Chart 1.2 and Table A1.1), mirroring, in particular, the continuing decline in oil exports. Merchandise imports, however, decreased between 2016 and 2020, and rebounded considerably in 2021 (by almost a third compared to 2020), representing an increase of 30.6% compared with 2018 in current USD terms (Table A1.2). Merchandise exports in 2021 amounted to USD 494,225 million (USD 416,999 million in 2020), while imports totalled USD 505,716 million (USD 382,986 million in 2020).

1.3.1.1.1 Composition of merchandise trade

1.48. Mexico's exports continue to be dominated by manufactured products, which accounted for more than 85% of the total in 2021, while agricultural products made up 5%, and mineral products (mainly oil products) and those of the extractive industries, 7.5% (Chart 1.2). The leading manufacturing exports continue to be electrical machinery and appliances, and transport equipment, which accounted for 58.8% of total exports in 2021. Exports of electrical machinery, appliances and equipment account for 34.8% of the total, with products for the automotive industry representing 24.0% (Table A1.1). The maquila industry continues to be very important for Mexico's foreign trade, since almost 60% of the country's exports benefited from this regime in 2021. The composition of maquila exports continues to be dominated by manufactured products, particularly electrical machinery and appliances, and transport equipment, which jointly accounted for 70% of maquila exports in 2020 and 68% in 2021.

1.49. Imports and exports have similar structures. The main import products are electrical machinery and appliances (35.7% of imports in 2021), and transport equipment (8% of total imports) (Table A1.3 and Chart 1.2).

1.3.1.1.2 Direction of merchandise trade

1.50. Mexico's export markets remain highly concentrated. The United States is still Mexico's main trading partner, with a share of total exports that remained relatively constant between 2016 (80.9%) and 2021 (80.7%). This being so, the vast majority of Mexican trade is cross-border, and consists of finished goods or other goods that form part of global value chains, as a result of the strong presence of assembly industries.

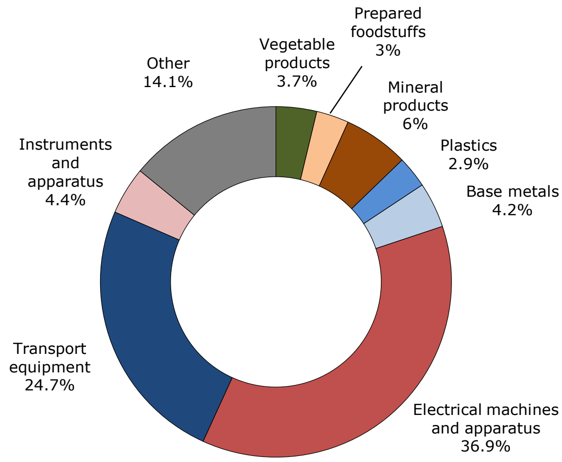
1.51. The second largest export market on the American continent is Canada, which received 2.6% of Mexico's total exports in 2021, followed by Brazil with 0.7%. The remainder of Mexico's exports are sent mainly to the 27 members of the European Union (3.7%) and China (1.9%).

1.52. The United States is also the main source of Mexico's imports, providing 43.8% of the total in 2021. Imports from Asia represented 38% of the total, with China accounting for 20%, followed by the Republic of Korea with 3.8% and Japan with 3.4%. The European Union (27) was also an important source of imports, accounting for 10% of the total in 2021 (Table A1.4 and Chart 1.3).

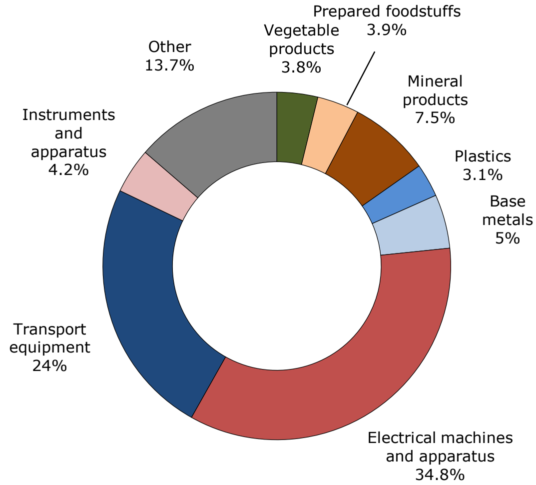
Chart 1.2 Merchandise trade by main products, 2016 and 2021

2016 | **2021**

(a) Exports

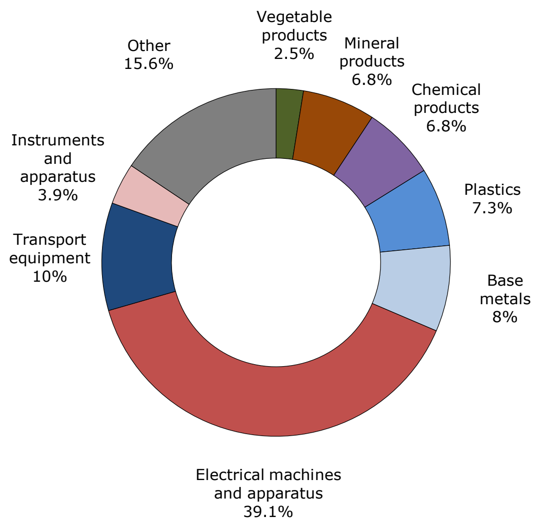


Total: USD 373,954 million

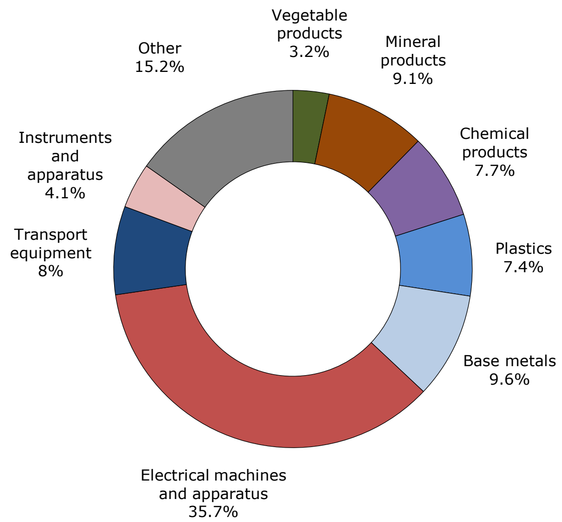


Total: USD 494,225 million

(b) Imports



Total: USD 387,088 million



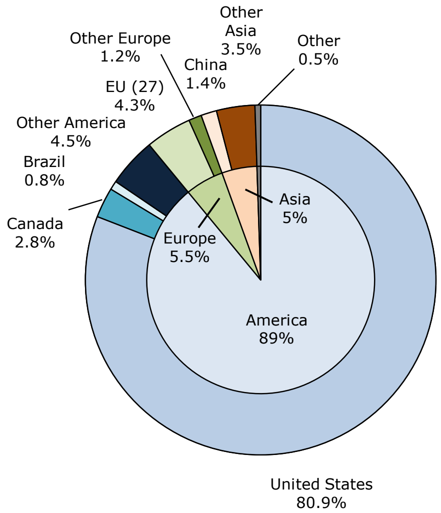
Total: USD 505,716 million

Source: WTO Secretariat calculations, based on data provided by the authorities.

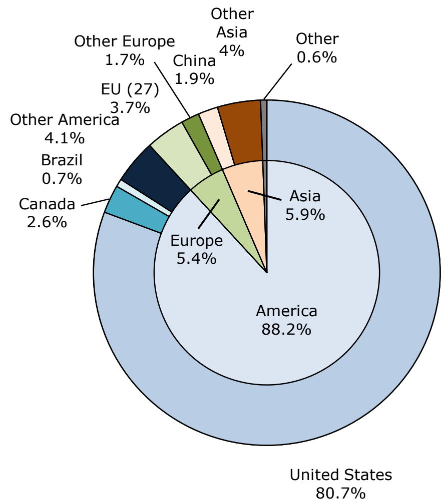
Chart 1.3 Merchandise trade by trading partner, 2016 and 2021

2016 **2021**

(a) Exports

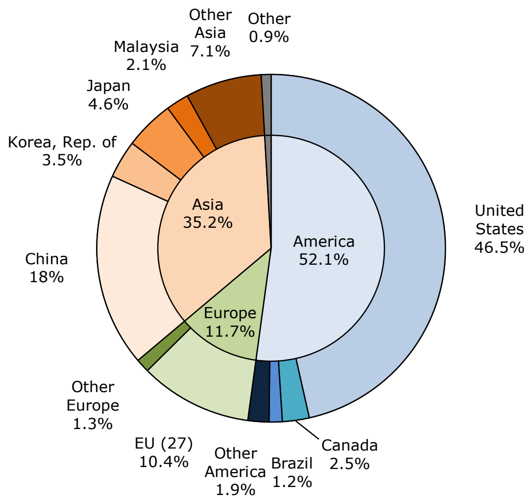


Total: USD 373,954 million

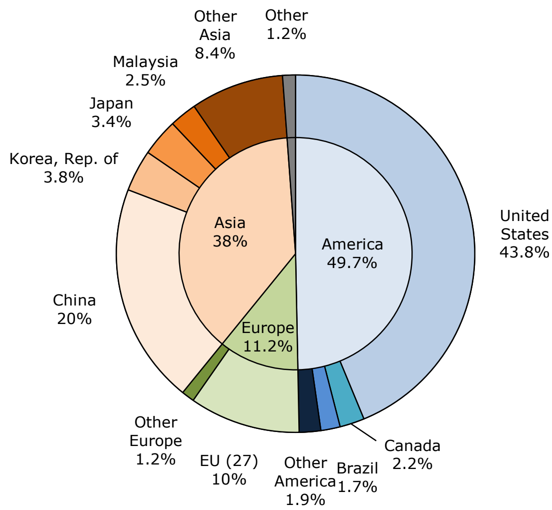


Total: USD 494,225 million

(b) Imports



Total: USD 387,088 million



Total: USD 505,716 million

Source: WTO Secretariat calculations, based on data provided by the authorities.

1.3.1.2 Trade in services

1.53. Mexico's services trade continued to be in deficit during the review period, owing mainly to shortfalls in transport and insurance. Its main categories show negative balances, with the exception of travel. Both exports and imports of services were heavily affected by the pandemic. The category most affected was travel, which is the category in which Mexico normally has a surplus. In 2020, this led to a deficit in services of USD 11,227 million, which was considerably higher than the previous year, despite the decrease in economic activity. The deficit remained high in 2021, amounting to USD 11,412 million, due mainly to the fact that travel sector exports remained well below their pre-pandemic levels (Table 1.7).

Table 1.7 Trade in services, 2016-21

(USD million)

	2016	2017	2018	2019	2020[a]	2021[a]
Exports	**24,213**	**27,595**	**29,028**	**31,717**	**17,037**	**27,257**
Transport	1,598	1,904	2,195	2,936	1,934	2,384
Travel	19,650	21,336	22,526	24,573	10,996	19,796
Insurance and pension services	2,502	3,742	3,285	3,120	3,087	3,719
Financial services	154	275	341	430	453	574
Other services	309	338	681	658	567	785
Imports	**33,047**	**37,074**	**39,969**	**39,794**	**28,264**	**38,670**
Transport	13,194	14,837	15,700	14,775	11,110	18,428
Travel	10,303	10,840	11,230	9,881	3,475	5,182
Insurance and pension services	3,919	4,952	4,851	6,248	5,532	6,662
Financial services	1,788	1,896	3,323	3,355	2,522	2,630
Other services	3,842	4,549	4,865	5,535	5,626	5,768
Balance of services	**-8,833**	**-9,479**	**-10,941**	**-8,077**	**-11,227**	**-11,412**

a Preliminary figures.

Source: Data provided by the authorities.

1.3.2 Trends and patterns in FDI

1.54. Throughout most of the review period (2016-21), annual foreign direct investment (FDI) flows remained above USD 30 billion. In 2021, FDI flows increased compared with 2020, according to preliminary data (Table 1.8). The main FDI-recipient sectors in 2016-21 were manufacturing industries, followed by financial and insurance services, trade, transportation, mining and energy.

Table 1.8 Foreign direct investment by activity, 2016-21

(USD million)

Sectors	2016	2017	2018	2019	2020	2021
Agriculture, livestock production, forestry, fishing and hunting	103	141	-18	106	136	208
Mining	1,067	1,729	1.733	2,007	1,413	4,800
Utilities	1,334	2,134	5.011	1,245	434	451
Construction	1,203	3,089	1.798	348	444	241
Manufacturing	17,941	14,984	15.659	15,886	10,841	12,559
Trade	1,922	3,104	2.969	3,270	2,121	2,698
Transport, postal and warehousing services	1,865	3,375	1.352	981	2,879	2,767
Information in mass media	920	631	1.123	1,814	1,240	577
Financial and insurance services	3,480	2,669	2.382	5,499	6,480	4,750
Real estate, rental and leasing of movable and intangible property	434	561	319	1,230	357	253
Professional, scientific and technical services	161	241	155	487	341	236
Business support, waste management and remediation services	51	263	125	176	7	176
Educational services	0	30	64	-7	-1	24
Health and social services	12	11	7	23	16	12
Leisure, cultural and sporting and other recreational services	52	223	41	38	-25	96
Hotel and restaurant services	620	923	1.316	1,244	1,180	1,644
Other services except public administration	23	22	58	65	70	129
Total	31,186	34,131	34,090	34,411	27,934	31,621

Note: Due to rounding, the totals may not correspond to the sum of the figures shown.

Source: National Foreign Investment Registry. Ministry of Economic Affairs.

1.55. The originators of FDI flows into Mexico continue to be led by the United States, which accounted for 47.5% of FDI in 2021, followed by Spain (13.7%) and Canada (6.5%) (Table 1.9).

Table 1.9 Foreign direct investment by country of origin, 2016-21

(USD million)

	2016	2017	2018	2019	2020	2021
United States	11,076	15,403	11,850	12,919	10,467	15,009
Spain	3,567	3,361	4,167	4,061	3,977	4,335
Canada	2,299	2,826	4,194	2,955	4,215	2,071
Germany	2,849	2,740	2,965	3,530	726	1,646
Japan	1,964	2,460	2,280	1,489	1,225	1,583
Italy	806	1,865	1,531	1,502	686	129

	2016	2017	2018	2019	2020	2021
United Kingdom	456	501	739	732	901	1,817
Belgium	1,123	1,041	68	1,371	306	77
Korea, Republic of	1,125	259	704	172	601	685
France	455	547	621	1,036	293	386
Australia	90	1,379	616	768	328	50
Argentina	287	350	1,085	464	664	309
Switzerland	584	300	631	722	522	384
Netherlands	226	-213	753	884	714	-278
Israel	2,015	2	2	-3	1	-1
Other	2,264	1,310	1,885	1,809	2,306	3,421
Total	31,186	34,131	34,090	34,411	27,934	31,621

Note: Due to rounding, the totals may not correspond to the sum of the figures shown.

Source: National Foreign Investment Registry. Ministry of Economic Affairs.

2 TRADE AND INVESTMENT REGIMES

2.1 General Framework

2.1. Mexico is a federal republic, consisting of a federal government, 31 state governments and the government of Mexico City.

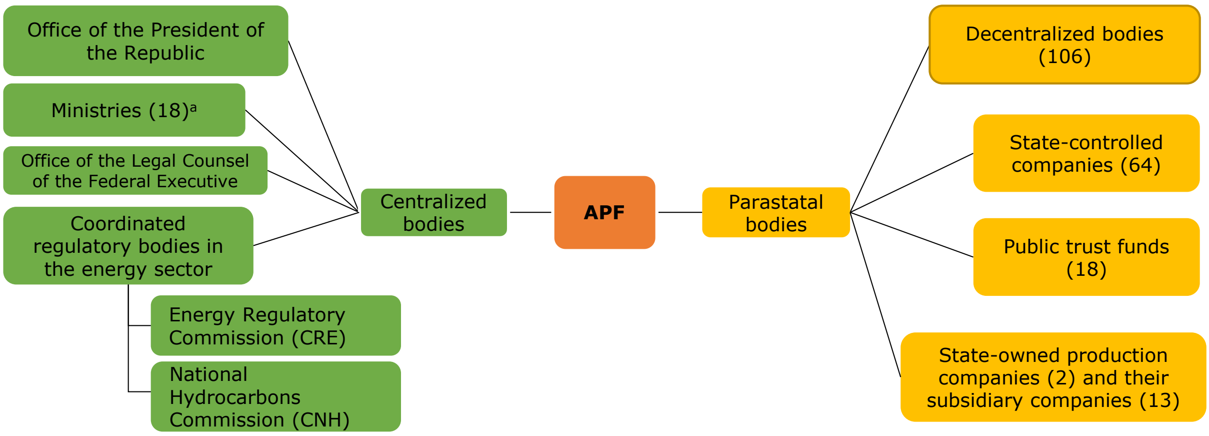
2.2. Since the previous review in 2017, the Political Constitution of the United Mexican States (CPEUM), which was promulgated in 1917, has undergone some 20 reforms.[1] The federal State is governed by three branches. The Congress of the Union, comprising the Chamber of Deputies and the Senate, exercises legislative power. Deputies (500) and senators (128) are elected for three and six years, respectively. The head of the Executive is the President, who is elected for a six-year non-renewable term. In 2021, the Judiciary underwent several reforms, including the establishment of the Regional Plenums, which replaced the Circuit Court Plenums and of the collegiate courts of appeal, which replaced the unitary circuit courts.[2] Consequently, the Judiciary is currently composed of the Supreme Court of Justice of the Nation, the Electoral Tribunal, the Regional Plenums, the collegiate circuit courts, the collegiate courts of appeal and district courts.

2.3. There are also autonomous constitutional bodies, such as the Bank of Mexico, the Federal Economic Competition Commission (COFECE) and the Federal Telecommunications Institute (IFT).[3] These bodies, which have organizational, technical, budgetary and administrative autonomy, were created under the Constitution, and are therefore not subordinate to the branches of government.[4]

2.4. In 2022, the Federal Public Administration (APF) comprises 22 centralized bodies and 203 parastatal bodies (Chart 2.1). The parastatal bodies include State-owned companies. Since 2017, five parastatal bodies have closed, including ProMéxico, which was the former export and investment promotion agency.

[1] Constitutional reforms viewed at: http://www.diputados.gob.mx/LeyesBiblio/ref/cpeum.htm.
[2] Constitutional reform published in the Official Journal of 11 March 2021.
[3] Other bodies include: the National Human Rights Commission (CNDH); the National Council for Social Development Policy Evaluation (CONEVAL); the Office of the Attorney General of the Republic (FGR); National Institute of Statistics and Geography (INEGI); the National Institute for Transparency, Access to Information and Personal Data Protection (INAI); and the National Electoral Institute (INE).
[4] Senate Gazette LXIV/1SPR-31/98251 of 14 August 2019.

Chart 2.1 Composition of the APF in 2022



a The Ministries are as follows: (1) the Ministry of Agriculture and Rural Development; (2) the Ministry for Well-being; (3) the Ministry of Infrastructure, Communications and Transport; (4) the Ministry of Culture; (5) the Ministry of Defence; (6) the Ministry of Agricultural, Territorial and Urban Development; (7) the Ministry of Economic Affairs; (8) the Ministry of Public Education; (9) the Ministry of Energy; (10) the Ministry of Public Administration; (11) the Ministry of the Interior; (12) the Ministry of Finance and Public Credit; (13) the Ministry of the Navy; (14) the Ministry of the Environment and Natural Resources; (15) the Ministry of Foreign Affairs; (16) the Ministry of Health; (17) the Ministry of Labour and Social Security; and (18) the Ministry of Tourism.

Source: Government of Mexico. Viewed at: https://www.gob.mx/gobierno#secretarias; Law on the Organization of the Federal Public Administration (Official Journal of 29 December 1976, latest amendment of 11 January 2021); and list of parastatal bodies belonging to the Federal Public Administration (Official Journal of 13 August 2021).

2.5. The federative entities (the states and Mexico City) are sovereign and autonomous, and therefore have their own political constitution and own legislative powers (local congress, comprising a single chamber of deputies), executive (the Governor or, in the case of Mexico City, the Head of Government) and judiciary (the courts established under the local constitution. The high court or the supreme court is the highest instance of the local judiciary). The federative entities may establish their own institutions and pass their own laws. The states are divided into municipalities, governed by municipal councils, while Mexico City is made up of boroughs governed by mayors.

2.6. The Constitution defines the competences of the Federal State and the federative entities. The federative entities exercise all powers not "expressly granted" to the Federal State.[5] For example, the Federal State has the "exclusive power" to levy duties on imports, exports or goods in transit, and to regulate (and even prohibit) the circulation of goods within the national territory.[6] The Constitution prohibits the federative entities from undertaking certain activities. For example, the federative entities cannot sign international agreements, mint money, incur obligations abroad or in foreign currencies, or levy duties on the transit, entry or exit of goods within their territory.[7] However, if so authorized by the Congress of the Union, the federative entities may impose taxes or duties related to foreign trade.[8]

2.7. The federative entities have the power to pass laws on matters falling within the competence of the Federal State, provided that such matters are not already the subject of a federal law or decree, and should it be necessary to regulate them. In this case, the sub-federal law would be repealed as soon as a federal law or decree entered into force. In some cases, both the federal government and the federative entities regulate the same matter (for example, health) or different aspects of the same subject (for example, transport and communication routes).

[5] Article 124 of the Political Constitution of the United Mexican States.
[6] Article 131 of the Political Constitution of the United Mexican States.
[7] Article 117 of the Political Constitution of the United Mexican States.
[8] Article 118 of the Political Constitution of the United Mexican States.

2.8. Mexico has a National Tax Coordination System (SNCF), in which the Federal State and the federative entities participate.[9] Through the SNCF, the Federal State transfers "federal contributions", that is, a percentage of federal tax and non-tax revenue[10], to the federative entities. The Federal State does not specify how the "federal contributions" should be used. These contributions are extremely important for some federative entities, since they account for over 85% of their total revenue.[11] Under the SNCF, in addition to providing "federal contributions", the Federal State finances decentralized public services, such as education and public health, through "allocations". Unlike "federal contributions", "allocations" must be used for specific purposes, and therefore the federative entities must report to the Federal State on how such allocations are used.[12]

2.9. The Constitution, the laws passed by the Congress of the Union and international agreements constitute the supreme law.[13] Federal laws and decrees are followed by sub-federal constitutions and laws.

2.10. The legislative procedure has not changed since the previous review in 2017. Generally, draft laws and decrees are debated in the two chambers of the Congress of the Union (Box 2.1).[14] These drafts may be tabled in either of the two chambers, except when they concern borrowing, contributions, taxes, or the recruitment of troops, in which case they must first be debated in the Chamber of Deputies. The chamber in which the legislative procedure is initiated is the originating chamber and the other is the review chamber.

Box 2.1 Legislative procedure

(1) Submission of the draft law or decree: a draft law or decree may be tabled by the President, deputies or senators of the Congress of the Union, local deputies or citizens (with the support of 0.13% of registered voters).

(2) Discussion and approval: if the draft is approved in the originating chamber, it is referred to the review chamber, in which three situations may arise:

(a) the review chamber approves the draft, which is forwarded to the Executive;

(b) the review chamber rejects the draft in its entirety and returns it to the originating chamber. If the originating chamber insists on the original text, it will once again submit the draft to the review chamber, which may: (a) approve the original text, in which case the draft is forwarded to the Executive; or (b) reject the text, in which case the draft may not be resubmitted during the same congressional session (it is archived);

(c) the review chamber rejects part of the text, or amends it or adds new text, and returns the draft to the originating chamber. The originating chamber examines only the part that has been rejected, amended or added. If the originating chamber approves the changes, the draft is sent to the Executive. If the originating chamber insists on the original text, the text is returned to the review chamber, which may: (a) reject its own changes and send the draft to the Executive; or (b) insist on its changes, in which case, the draft may not be resubmitted during the same congressional session or, if the originating chamber and the review chamber so agree, only the approved text is forwarded to the Executive.

The draft laws or decrees must be approved by an absolute majority of votes, with the exception of constitutional reform bills which require a qualified majority (two-thirds) of votes. Furthermore, constitutional reform bills must be approved by the Congress of the Union and by the absolute majority of the local congresses before being forwarded to the Executive (Article 135 of the CPEUM).

---

[9] Fiscal Coordination Law (Official Journal of 27 December 1978, latest amendment of 30 January 2018).

[10] Federal tax revenue includes federal taxes, such as income tax, value-added tax (VAT) and the special tax on production and services (IEPS). Federal non-tax revenue includes various federal duties levied on the exploitation of hydrocarbons and minerals.

[11] Superior Audit Office of the Federation (2018), *Participaciones Federales a Entidades Federativas y Municipios; Auditoría Especial del Gasto Federalizado*. Viewed at: https://www.asf.gob.mx/Trans/Informes/IR2018c/Documentos/Auditorias/MR-PART.%20FEDERALES_a.pdf.

[12] Ministry of the Interior. Viewed at: https://www.gob.mx/cms/uploads/attachment/file/225601/Gasto_federalizado_e_indicadores.pdf.

[13] Article 133 of the Political Constitution of the United Mexican States.

[14] Draft laws or decrees related to the exclusive powers of the Chamber of Deputies of the Senate (stipulated in Articles 74 and 76 of the Constitution) are only debated in the corresponding chamber. When the draft law is approved by the chamber, it is sent to the Executive. Therefore no debates are held between the two chambers.

(**3**) **Approval, promulgation and publication**: If the Executive has no comments to make, it approves the draft law or decree. The law or decree is promulgated and is published in the Official Journal. The Executive may also reject (totally or partially) a draft law or decree, on the grounds that it is unconstitutional or for other reasons. Regardless of the grounds, the text will be reconsidered by the originating chamber. If the originating chamber insists on the text (by qualified majority), it will be forwarded to the review chamber. If the review chamber insists on the text (by qualified majority), the draft will be sent once again to the Executive. In this case, the Executive must approve it, and the law or decree is promulgated and published in the Official Journal.

Source: Article 72 of the Political Constitution of the United Mexican States.

2.11. In principle, only the Congress of the Union can pass laws and decrees. However, the Constitution empowers the Executive to legislate in emergency situations in which the "public peace" is threatened, or when the Executive deems it "urgent" in order to regulate foreign trade, the national economy, the stability of domestic production or other similar situations.[15] In these cases, the Executive issues decrees or provisions which are generally enforceable and which have the same standing as laws and decrees passed by the Congress of the Union.[16] Between 2017 and 2022, the Executive issued several decrees to regulate foreign trade, with the adoption of measures such as modifications to nomenclature and tariff rates, and the restriction or prohibition of the importation and exportation (or transit of) goods (Section 2.2).

2.12. International agreements are signed by the Executive and are approved by senators. In the case of trade agreements, before making a decision, senators may consider the opinion of the federative entities, as well as business and civil society organizations and trade unions.[17]

2.2 Trade Policy Formulation and Objectives

2.13. The formulation and implementation of trade policy continues to be the responsibility of the Ministry of Economic Affairs[18], which works together with other Ministries to develop a comprehensive policy for trade liberalization and promotion, and for attracting foreign investment. It collaborates in particular with the Ministry of Foreign Affairs, the Ministry of Finance and Public Credit (SHCP), the Ministry of Agriculture and Rural Development (SADER), and with the Ministry of the Environment and Natural Resources (SEMARNAT), the Ministry of Energy, the Ministry of Tourism, the Ministry of Health, and the Ministry of Defence.[19] Local governments and interested parties are also consulted on the formulation of trade policy.

2.14. All measures concerning foreign trade, such as the establishment, increase, decrease or elimination of tariffs and tariff preferences, including those decreed by the Executive, must be assessed and approved by the Foreign Trade Commission (COCEX) prior to implementation. If COCEX does not approve the measure, the relevant institutions may review and resubmit it. The Commission also periodically reviews existing measures, either *ex officio* or at the request of the interested parties, in order to issue non-binding recommendations.[20] The Commission comprises the Ministry of Economic Affairs (which acts as chair), the Ministry of Foreign Affairs, the Ministry of Agriculture and Rural Development, the Ministry of the Environment and Natural Resources, the Ministry of Health; and two autonomous constitutional bodies: the Bank of Mexico and the COFECE.[21]

[15] Articles 49 and 131 of the Political Constitution of the United Mexican States.

[16] The regulation expedited by the Executive in emergency situations is repealed as soon as the causes of the emergency cease to exist, or it may be incorporated into federal law if the Congress of the Union tables and approves the relevant draft law or decree.

[17] Law on the Conclusion of Agreements (Official Journal of 2 January 1992, latest amendment of 20 May 2021). Law on the Approval of International Economic Treaties (Official Journal of 2 September 2004).

[18] Foreign Trade Law (Official Journal of 27 July 1993, latest amendment of 21 December 2006).

[19] Information provided by the authorities.

[20] Regulations implementing the Foreign Trade Law (Official Journal of 30 December 1993, latest amendment of 22 May 2014); Ministry of Economic Affairs. Viewed at: http://www.siicex.gob.mx/portalSiicex/COCEX/COCEX.htm; and COFECE (2017), *Política comercial con visión de competencia.* Viewed at: https://www.cofece.mx/cofece/images/Promocion/Estudios-y-Publicaciones/Cuaderno-de%20promocion-1-Politica-comercial-con-vision-de-competencia-VF.pdf.

[21] The Tax Administration Service (SAT), the Office of the Attorney General (FGR) and the National Commission on Regulatory Improvement (CONAMER), may participate in COCEX meetings, without the right to vote.

2.15. Prior to publication in the Official Journal, trade measures must undergo a regulatory improvement procedure carried out by means of a regulatory impact assessment (RIA), by the National Commission for Regulatory Improvement (CONAMER). This assessment, which is only carried out if the implementation of the measure is likely to involve a cost for private individuals, is aimed at ensuring that the benefits of the regulation are greater than the costs of compliance, and that the requirements and procedures are simplified and streamlined. Existing measures may also undergo an (*ex post*) RIA, which focuses on evaluating them, their effects and compliance. Depending on the result obtained, the measure will be retained, amended or abolished.[22] For example, in 2020, new requirements for the importation and exportation of products intended for human consumption were subject to a RIA.[23]

2.16. Through the Joint Commission for the Promotion of Exports (COMPEX), representatives of the public and private sectors put forward, assess and develop proposals to streamline export procedures.[24]

2.17. Foreign trade policy and the strategies to achieve established objectives are set out in the National Development Plan (PND) (2019-24) and the Sectoral Programme for the Economy (2020-24), which is based on the PND. Mexico's trade policy operates at various levels, namely at the multilateral, regional, bilateral and unilateral level.[25] The country's trade policy objectives are to promote foreign trade, defend its trade interests, and negotiate, implement and administer trade agreements.[26] While integration into international trade has fostered the growth, modernization and diversification of the Mexican economy, Mexico is seeking to attract more investment in sectors and regions that have, in the past, benefited to a lesser extent from trade integration.[27] The aim is to encourage the development of high value-added sectors to promote innovation, the technological transformation of MSMEs and their integration into global value chains, and to increase the local content of exports. At the same time, Mexico continues to negotiate and improve market access in order to promote the growth and diversification of its exports. Women play a key role in Mexico's foreign trade strategies, in terms of fostering growth and reducing poverty.

2.18. To achieve the trade policy objectives, the Executive may decree, on an expedited basis and if it is deemed "urgent", measures to regulate foreign trade. For example, it may amend nomenclature and tariff rates, and restrict or prohibit the importation and exportation (or transit) of goods.[28] Since 2017, the Executive has decreed: (i) the increase of tariff rates to defend the interests of the domestic steel, aluminium, footwear, and textiles and clothing industries; and (ii) the amendment of tariff nomenclature in order to facilitate its interpretation, with the aim of providing foreign trade operators with greater clarity regarding requests for tariff concessions or the implementation of new trade agreements. Furthermore, the Executive decided to eliminate tariffs on imports of electric vehicles (in order to meet the Paris Agreement obligations) and, in 2021, on vaccines against the SARS-CoV-2 virus and aluminium containers for oxygen as a result of the pandemic. However, the importation and exportation of pesticides, e-cigarettes and similar personal electronic vaping devices, were prohibited, in order to protect human health and the environment.[29]

[22] Information provided by the authorities; General Regulatory Improvement Law (Official Journal of 18 May 2018, latest amendment of 20 May 2021); and CONAMER. Viewed at: https://www.gob.mx/conamer/acciones-y-programas/manifestacion-de-impacto-regulatorio-mir.

[23] Information provided by the authorities; and CONAMER. Viewed at: https://cofemersimir.gob.mx/expedientes/25222.

[24] Foreign Trade Law Regulations.

[25] Sectoral Programme for the Economy 2020-24; Ministry of Economic Affairs press releases of 19 January 2021 and 22 May 2019. Viewed at: https://www.gob.mx/se/prensa/mensaje-de-la-secretaria-de-economia-tatiana-clouthier-carrillo-en-reunion-con-reporteros-de-la-fuente and https://www.gob.mx/se/prensa/participacion-de-la-subsecretaria-de-comercio-exterior-luz-maria-de-la-mora-en-el-panel-comercio-exterior-como-palanca-de-desarrollo; and information provided by the authorities.

[26] Ministry of Economic Affairs press release of 19 January 2021.

[27] Ministry of Economic Affairs press release of 22 May 2019.

[28] Article 131 of the Political Constitution of the United Mexican States.

[29] The decrees issued by the Executive amend the Law on General Import and Export Taxes (LIGIE). For further information, see the National Foreign Trade Information System (SNICE). Viewed at: https://www.snice.gob.mx/cs/avi/snice/ligie.modificaciones.html and https://www.snice.gob.mx/cs/avi/snice/tarifamodificaciones.html.

2.19. The federal agency for the promotion of exports and investment, ProMéxico, was closed in 2019.[30] Its competences were transferred to the Ministry of Economic Affairs, which were implemented in coordination with the Ministry of Foreign Affairs. In 2019, the Ministries of the Economy and of Foreign Affairs signed an agreement to collaborate on both the development of the strategy to promote exports and investment, as well as its implementation, which is carried out by Mexican representative offices abroad.[31] Also in 2019, the Ministry of Economic Affairs created the International Business Centre (CINSE) to promote exports and imports. Moreover, in 2020 and 2021, the Ministry of Economic Affairs launched three platforms: ExportaMX and ComerciaMX, to increase the presence of Mexican products on the international market; and InvestinMX to provide information on the procedures for setting up foreign investment. As was the case in 2017, the Directorate-General of Foreign Investment (DGIE) of the Ministry of Economic Affairs is responsible for foreign investment.[32]

2.20. For purposes of transparency, Mexico compiles and provides information on foreign trade, including tariff, non-tariff and statistical information, through its online tariff information system (SIAVI 5.0) and the National Foreign Trade Information System (SNICE).

2.3 Trade Agreements and Arrangements

2.3.1 WTO

2.21. Mexico is a founding Member of the WTO and grants, as a minimum, most-favoured-nation (MFN) treatment to all its trading partners. This is its seventh trade policy review. Since the previous review in 2017, Mexico has submitted various notifications to the WTO in compliance with the different Agreements (Table A2.1).

2.22. Mexico advocates a rules-based multilateral trading system, which contributes to more inclusive development. It supports the elimination of distortions in the agricultural and fisheries sectors.[33] It also participates in joint initiatives to examine new trade issues, such as the integration of MSMEs into international trade, e-commerce, investment facilitation, services domestic regulation and environmental sustainability. Mexico participated in the preparatory work for the Twelfth WTO Ministerial Conference (MC12), in particular the drafting of various ministerial statements on the promotion of gender equality and women's economic empowerment within trade[34]; trade and environmental sustainability[35]; MSMEs[36]; and sanitary and phytosanitary issues[37]; as well as the Joint Statement on Investment Facilitation for Development.[38] Mexico is a member of the Asia-Pacific Economic Cooperation (APEC) forum, the G20 and the Friends of Anti-Dumping Negotiations. It has also co-sponsored the joint proposal on a multilateral system for notifying and registering geographical indications (GIs) for wines and spirits.

2.23. In 2016, Mexico ratified the Agreement on Trade Facilitation (TFA), which entered into force in 2017, and notified that it would immediately apply all the provisions of the TFA.[39] In January 2021, in order to implement the TFA, the National Trade Facilitation Committee was created, which has been in operation since March 2021.[40] The Committee comprises 10 Ministries[41] and is chaired by the Ministry of Economic Affairs. Representatives of two autonomous constitutional bodies (the Bank

[30] Decree authorizing the divestiture through closure of the public trust fund ProMéxico, deemed to be a parastatal body (Official Journal of 3 May 2019).

[31] Foreign Affairs Sectoral Programme 2020-24.

[32] Ministry of Economic Affairs. Viewed at: https://www.gob.mx/se/acciones-y-programas/competitividad-y-normatividad-inversion-extranjera-directa?state=published.

[33] WTO document WT/MIN(17)ST/102 of 5 January 2018.

[34] WTO document WT/MIN(21)/4/Rev.1 of 3 December 2021.

[35] WTO document WT/MIN(21)/6/Rev.2 of 14 December 2021.

[36] WTO document WT/MIN(21)/1 of 27 October 2021.

[37] WTO document WT/GC/W/835/Rev.1-G/SPS/GEN/1758/Rev.10 of 22 November 2021.

[38] WTO document WT/L/1130 of 10 December 2021.

[39] TFA Database. Viewed at: https://tfadatabase.org/members/mexico.

[40] Decision permanently establishing the National Trade Facilitation Committee (Official Journal of 22 January 2021); and information provided by the authorities.

[41] Ministry of Economic Affairs, Ministry of Foreign Affairs, Ministry of Finance and Public Credit (SHCP), Ministry of Agriculture and Rural Development (SADER), Ministry of the Environment and Natural Resources (SEMARNAT), Ministry of the Navy, Ministry of Defence, Ministry of Energy, Ministry of Infrastructure, Communications and Transport (SICT) and Ministry of Health. Initially, the Ministry of the Navy did not participate in the Committee. It joined in September 2021.

of Mexico and COFECE) also participate in the Committee's meetings, as do representatives of the Tax Administration Service (SAT) and CONAMER, although they do not have the right to vote. Representatives from the private sector only participate when their contribution is justified, and they also do not have the right to vote.

2.24. Mexico has accepted the Protocol amending the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). Mexico is not a party to the Agreement on Government Procurement or the Agreement on Trade in Civil Aircraft, nor does it have observer status in the Committee on Government Procurement or the Committee on Trade in Civil Aircraft. Mexico is not a party to the Information Technology Agreement (ITA) either. Since 2015, Mexico has granted preferential treatment to services and service suppliers from least developed countries.[42]

2.25. Since 2017, there has been one case against the trade measures adopted by Mexico, and the country has filed two complaints (Table 2.1). Mexico has participated as a third party in 29 trade disputes.

Table 2.1 Trade disputes, 2017-22

Member: trade measure at issue	Status
Costa Rica: Measures Concerning the Importation of Fresh Avocados from Mexico (DS524)	13/04/2022: Panel report circulated
United States: Certain Measures on Steel and Aluminium Products (DS551)	28/05/2019: Dispute settled (mutually agreed solution)
Mexico: Additional Duties on Certain Products from the United States (DS560)	28/05/2019: Dispute settled (mutually agreed solution)

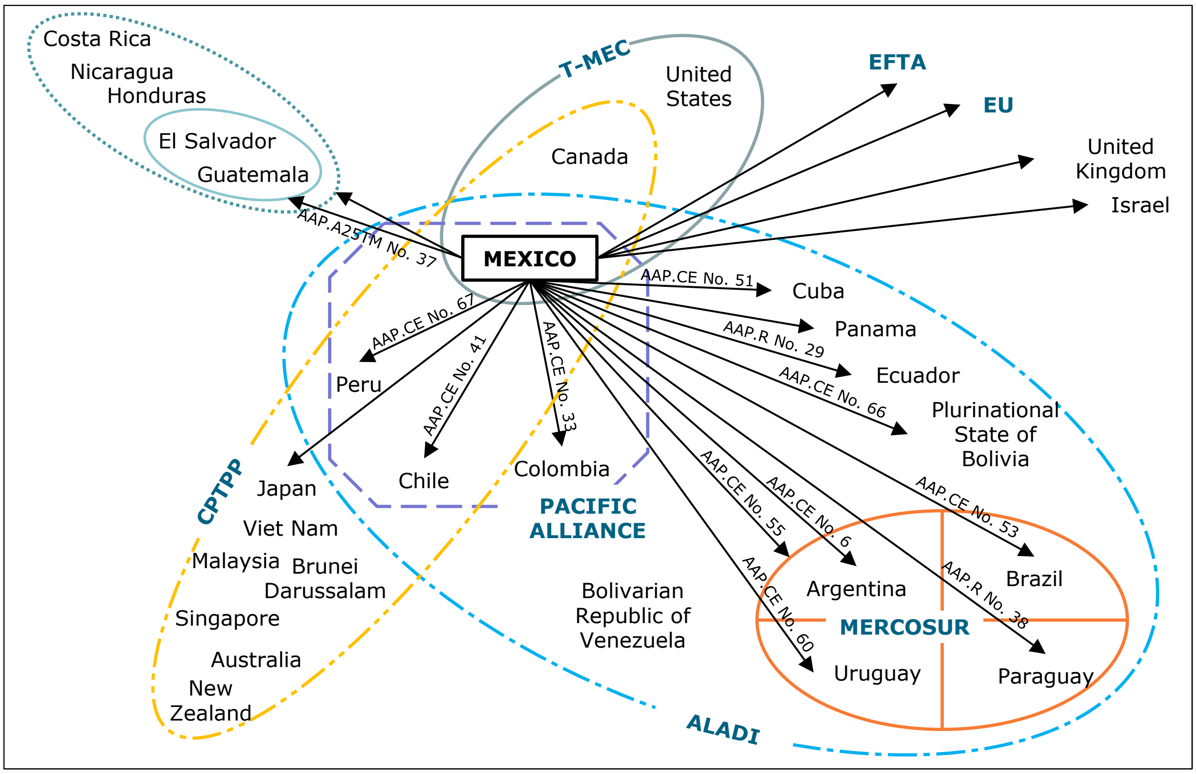
Source: WTO Secretariat.

2.3.2 Regional and preferential agreements

2.26. Mexico has signed several trade agreements (Chart 2.2). It is party to, *inter alia*, the Latin American Integration Association (LAIA), the Agreement between Mexico, the United States and Canada (T-MEC), the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Pacific Alliance. Within the framework of LAIA, Mexico has several partial scope trade agreements that cover exclusively trade in goods. The agreement with MERCOSUR is limited to the automotive sector.

[42] WTO document S/C/N/821 of 21 August 2015.

Chart 2.2 Trade agreements signed by Mexico in force in 2022



Note: AAP.A25TM: Partial Scope Agreement under Article 25 of the Treaty of Montevideo. AAP.CE: Partial Scope Economic Complementarity Agreement. AAP.R: Partial Scope Renegotiation Agreement.

Source: WTO Secretariat.

2.27. Between 2017 and 2022, three agreements entered into force for Mexico: the CPTPP in 2018, T-MEC in 2020 and the Trade Continuity Agreement with the United Kingdom in 2021. These agreements cover trade in goods and services. The CPTPP and T-MEC include disciplines on new topics such as digital trade, SMEs, trade in sustainable goods and the environment.

2.28. The CPTPP was signed in 2018 and entered into force in the same year for Mexico with all Parties, except Viet Nam, with which it entered into force in 2019. The CPTPP includes almost all the provisions negotiated under the Trans-Pacific Partnership (TPP). In the CPTPP, Mexico retained the market access commitments established in the TPP.[43] Pursuant to the negotiated text, Mexico applies the same tariff elimination schedule for all Parties, except Japan.[44] The tariffs will be completely phased out in 2033, and in 2034 for Viet Nam (Table 2.2). Mexico also negotiated tariff rate quotas for certain dairy products[45] and products consisting of natural milk constituents, which, in general, apply to all Parties, except Chile and Peru. The quota for products consisting of natural milk constituents does not apply to Japan either. The quota volumes will increase gradually until 2028 and will subsequently remain unchanged.[46]

[43] Government of Mexico. Viewed at: https://www.gob.mx/tratado-de-asociacion-transpacifico/articulos/antecedentes-del-tpp and https://www.gob.mx/tratado-de-asociacion-transpacifico/es/articulos/textos-del-tratado-integral-y-progresista-de-asociacion-transpacifico?idiom=es.

[44] The authorities indicated that, with Japan, a different tariff elimination schedule was negotiated for heavy vehicles.

[45] Milk and cream, milk powder, evaporated milk, condensed milk, butter, cheeses and dairy-based preparations.

[46] WTO documents WT/REG395/1/Rev.1 and WT/REG395/1/Add.4 of 8 September 2021 and 1 April 2021, respectively.

Table 2.2 Tariff elimination schedule agreed by Mexico under the CPTPP

	Japan	Viet Nam	Other Parties
End of the tariff elimination period	2033	2034	2033
		(% of tariff lines)	
Immediate elimination	76.6	76.8	76.8
Less than 10 years	79.5	79.7	79.7
10 years	97.7	97.9	97.9
More than 10 years	99.2	99.4	99.4
Tariff remains	0.8	0.6	0.6

Source: WTO document WT/REG395/1/Add.4 of 1 April 2021; and information provided by the authorities.

2.29. T-MEC was signed in 2018, amended in 2019 and entered into force on 1 July 2020. It repealed the North American Free Trade Agreement (NAFTA), which had been in force since 1994. However, some of the provisions of NAFTA may continue to be applied on a transitional basis.[47] T-MEC covers new topics such as trade facilitation, digital trade, the environment, competitiveness and the protection of labour rights. The other provisions were updated, including those relating to rules of origin, government procurement, and the protection of investments and intellectual property rights.[48] The Agreement also includes sectoral annexes to harmonize the technical requirements for certain products.[49] T-MEC also stipulates that hydrocarbon deposits located in Mexican territory are the inalienable property of the State. It also includes a review clause to extend its initial duration (16 years).

2.30. T-MEC maintains the market access conditions agreed under NAFTA. Therefore, all goods originating in the region have a tariff of 0%, except some poultry and dairy products and sugar containing products, for which access to the Canadian market remains restricted. As was agreed, Mexico did not change the access granted to 100% of tariff lines with the United States, and to 99.2% of tariff lines with Canada. Import tariffs still apply to 0.8% of the remaining tariff lines with Canada. Mexico does not have tariff rate quotas under the Agreement.[50]

2.31. With regard to origin, T-MEC has amended certain criteria (Box 2.2). Certification and the verification of origin procedure have also been simplified. Since 2020, origin can be certified by means of any trade document (such as an invoice), provided that the necessary information is supplied in order to verify compliance with the rules of origin. Furthermore, the certificate of origin may be completed and signed not only by the exporter but also by the producer. In the case of Mexico, after a transition period of 3.5 years, the certificate of origin may also be completed and signed by the importer.[51]

Box 2.2 Rules of origin under T-MEC

General rules of origin. A good is originating if it is:

(a) wholly obtained or produced entirely in the region; T-MEC includes fish obtained from aquaculture.

(b) produced entirely in the region exclusively from originating materials; T-MEC includes recovered (recycled) materials, parts or components, used in the production of a remanufactured good or incorporated in the production of such a good.

(c) produced entirely in the region using non-originating materials. In this case, the good must be sufficiently worked or processed. T_MEC maintains the change in tariff classification requirement or, otherwise, requires regional value content (RVC) equivalent to 60% of the transaction value or 50% of the net cost. However, some tolerance is allowed (*de minimis* rule) so that goods produced in the region using non-originating materials retain their origin, without having to meet the change in tariff classification or RVC requirements. Provided, of course, that the non-originating materials do not exceed a certain percentage of the transaction value or the net cost or, for textiles and clothing, the total weight. This percentage has increased from 7% under NAFTA to 10% under T-MEC, except for elastomeric content, for which the percentage remains 7%. T-MEC also includes sets of goods or composite goods. Therefore, since 2020, goods presented as sets are originating only if each good in the set is originating. If this is not the case, the value of all the non-originating goods in the set must not exceed 10% of the total value of the set.

[47] WTO document WT/REG407/1 of 23 August 2021.
[48] T-MEC, *"Preguntas frecuentes"*. Viewed at: https://www.gob.mx/t-mec.
[49] Chemical substances, cosmetic products, information and communication technology, energy performance standards, medical devices and pharmaceuticals (Chapter 12 of T-MEC).
[50] WTO document WT/REG407/1 of 23 August 2021.
[51] Article 5.2 of T-MEC.

Specific rules of origin The specific rules of origin of T-MEC are stricter, as the thresholds for conferring origin are higher, in particular in the case of certain sectors such as the automotive, steel and aluminium sectors. For example, for many automotive goods, the RVC was increased from 62.5% under NAFTA to 75% under T-MEC. Furthermore, in order for goods to be granted origin, 70% of vehicle producers' purchases of aluminium and steel by value must come from the region, and origin is only conferred if the metal is melted and poured in the territory of one of the Parties. T-MEC also establishes a labour value content (LVC) criterion to confer origin in the automotive sector.

Source: WTO Secretariat and *T-MEC - Preguntas frecuentes.* Viewed at: https://www.gob.mx/t-mec; and WTO document WT/REG407/1 of 23 August 2021.

2.32. In 2021, trade with the Parties to T-MEC accounted for 64.54% of Mexico's total foreign trade (83.52% of exports and 45.99% of imports). The main products exported by Mexico were passenger vehicles, data-processing machines, and vehicle parts and accessories. Mexico mainly imported petroleum oils (except crude oils), vehicle parts and accessories, and petroleum gases and gaseous hydrocarbons.[52]

2.33. In December 2020, Mexico and the United Kingdom signed the Trade Continuity Agreement, which entered into force on 1 June 2021 for Mexico.[53] This Agreement maintains the provisions of the Economic Partnership, Political Coordination and Cooperation Agreement with the European Union. Consequently, the tariff reduction programme, tariff rate quotas and rules of origin negotiated with the European Union apply to the United Kingdom. The Trade Continuity Agreement includes only the legal and technical changes required for the agreement to be implemented (the *mutatis mutandis* principle). For instance, the volume and annual increases of tariff rate quotas have been modified, and the rule on the cumulation of origin has been extended. The Agreement is valid for a period of three years, during which Mexico and the United Kingdom must negotiate a new trade agreement. In May 2022, negotiations had still not begun.

2.34. In 2018 the Second Amending Protocol to the Agricultural Agreement with Iceland entered into force.[54] As agreed, Mexico immediately liberalized trade in water, including mineral water.

2.35. In 2022, Mexico agreed on new provisions for trade in certain types of light motor vehicles with Argentina. The reduction of tariffs to 0% scheduled for 2019 was postponed until 2022 and subsequently until 2025.[55] Tariff rate quotas were maintained.[56] In the case of Brazil, trade in light vehicles was liberalized in 2019, while the tariff reduction for heavy vehicles was postponed from 2020 to 2023, and a schedule was negotiated for a tariff reduction of 20% (2020-21), 40% (2021-22), 70% (2022-23) and 100% (as from 1 July 2023).[57]

2.36. In 2020, two amending protocols to the Additional Protocol to the Pacific Alliance Framework Agreement entered into force. Provisions on e-commerce and telecommunications services were amended, a new chapter on regulatory improvement was included, and an annex on cosmetic products was added to the chapter on technical barriers to trade. In 2022 the Pacific Alliance and Singapore signed a trade agreement.[58]

2.37. In 2020, Mexico and the EU concluded negotiations to extend the Economic Partnership, Political Coordination and Cooperation Agreement. The legal review of the text is being carried out in 2022.

[52] Ministry of Economic Affairs. Viewed at: https://www.economia.gob.mx/files/gobmx/comercioexterior/fichas/TMEC.pdf; and information provided by the authorities.

[53] Decree promulgating the Trade Continuity Agreement between the United Mexican States and the United Kingdom of Great Britain and Northern Ireland (Official Journal of 1 June 2021).

[54] The Free Trade Agreement between Mexico and the EFTA States (Iceland, Norway and Switzerland/Liechtenstein) includes bilateral agreements on trade in agricultural goods.

[55] Sixth and Seventh Additional Protocols to Appendix I to AAP.CE: No. 55.

[56] Seventh Additional Protocol to Appendix I to AAP.CE: No. 55.

[57] Seventh Additional Protocol to Appendix II to AAP.CE: No. 55.

[58] Ministry of Economic Affairs. Viewed at: https://www.gob.mx/se/acciones-y-programas/capitulado-completo-del-tratado-de-libre-comercio-entre-la-alianza-del-pacifico-y-singapur-pasfta?state=published.

2.3.3 Other agreements and arrangements

2.38. In 2022, within the framework of the Generalized System of Preferences (GSP), the authorities indicated that Mexico receives preferential treatment from Australia, Belarus, Japan, Kazakhstan, New Zealand, the Russian Federation and Türkiye. Mexico is a member of the Global System of Trade Preferences among Developing Countries (GSTP), but does not grant preferences.

2.4 Investment Regime

2.39. Mexico's investment regime has not changed substantially since the previous review in 2017. This regime is governed by the Constitution (Articles 25, 27 and 28) and the Foreign Investment Law (LIE)[59] and its implementing regulations.[60] The National Foreign Investment Commission (CNIE) issues general resolutions defining the criteria for the LIE and its implementing regulations.[61]

2.40. In 2022, Mexico has: 30 Reciprocal Investment Promotion and Protection Agreements (APPRI)[62]; 12 free trade agreements with investment clauses; one Cooperation and Investment Facilitation Agreement (CIFA)[63]; and 60 double taxation agreements.[64] Mexico is party to the Convention establishing the Multilateral Investment Guarantee Agency (MIGA) and, since 2018, to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States (ICSID Convention).

2.41. Mexico does not impose foreign exchange controls, or restrictions on capital repatriation or the payment of profits, dividends, interest or royalties abroad. However, remittances, including the payment of dividends and profits, and any type of income, are taxed.[65] According to the provisions of the APPRI and the trade agreements, Mexico may temporarily limit transfers abroad to protect the balance of payments.

2.42. As was the case in 2017, some activities are reserved to the State (Table 2.3) and, in accordance with the Constitution, these activities are not considered monopolies (Article 28). The State also owns salt pans and mineral deposits, the exploration and exploitation of which require a concession.[66] To obtain this concession, foreigners must be domiciled in Mexico and must sign an agreement with the Ministry of Foreign Affairs, in which they accept to be considered as Mexican nationals and renounce the diplomatic protection of their country of origin (Calvo Doctrine). Any dispute with the Mexican State can only be settled in Mexican courts.[67] No concessions are granted to foreigners within restricted areas (within 100 km of the country's borders and within 50 km of any coastline).

[59] Foreign Investment Law (LIE) (Official Journal of 27 December 1993, latest amendment of 15 June 2018).

[60] Regulations implementing the Foreign Investment Law and the National Foreign Investment Registry (Official Journal of 8 September 1998, latest amendment of 17 August 2016).

[61] The CNIE is chaired by the Ministry of Economic Affairs and composed of nine other Ministries: the Ministry of the Interior; the Ministry of Foreign Affairs; the Ministry of Finance and Public Credit (SHCP); the Ministry for Well-being; the Ministry of the Environment and Natural Resources (SEMARNAT); the Ministry of Energy; the Ministry of Communications and Transport (SCT); the Ministry of Labour and Social Security; and the Ministry of Tourism. The General Resolutions of the CNIE can be viewed at: https://www.gob.mx/se/acciones-y-programas/competitividad-y-normatividad-inversion-extranjera-directa?state=published.

[62] Since 2017, three APPRI have entered into force (Hong Kong, China; Türkiye and United Arab Emirates).

[63] The CIFA with Brazil entered into force in 2018.

[64] Since 2017, five agreements have entered into force (Argentina, Costa Rica, Jamaica, Philippines and Kingdom of Saudi Arabia).

[65] The tax is calculated by multiplying the dividend, income, distributed profit or remittance amount by a factor of 1.4286, and applying a rate of 30% to the result (Tax Regime for Foreign Residents). Viewed at: https://imcp.org.mx/IMG/pdf/ANEXO_NOTICIAS_FISCALES_166-2.pdf.

[66] Article 27 of the Political Constitution of the United Mexican States.

[67] In addition to the agreement, foreigners from States with which Mexico does not have diplomatic relations require a permit from the Ministry of Foreign Affairs (Article 10-A of the LIE; and Ministry of Foreign Affairs). Viewed at: https://sre.gob.mx/convenio-de-renuncia-con-el-objeto-de-obtener-concesiones-para-exploracion-y-explotacion-de-minas-y-aguas-en-el-territorio-nacional.

Table 2.3 Activities reserved to the Mexican State and to Mexicans, 2017-22

Activities reserved to the Mexican State	Activities reserved to Mexicans
Exploration and extraction of hydrocarbons	Domestic land transportation of passengers, tourists and freight
Planning and control of the national electrical grid; transmission and distribution of electric power	Development banking
Radioactive minerals and nuclear power generation	Professional and technical services expressly stipulated in the applicable legal provisions[a]
Postal, telegraph and radio-telegraphy services	
Control, supervision and surveillance of ports, airports and heliports	
Minting of coins and issuing of banknotes	

a There is no consolidated list.

Source: Article 28 of the Political Constitution of the United Mexican States and Articles 5 and 6 of the LIE.

2.43. Moreover, as was the case in 2017, only Mexicans (natural or legal persons) can provide development banking and domestic land transportation services, as well as certain professional services (Table 2.3). Foreigners cannot provide these services, and cannot participate directly or indirectly as partners or shareholders in Mexican companies providing these services.[68] However, while domestic land freight transportation services are reserved to Mexicans, foreigners can provide messenger and parcel services.

2.44. In the sectors and activities in which foreigners may participate, foreign investment must be registered in the National Foreign Investment Registry (RNIE), which is managed by the Directorate-General of Foreign Investment (DGIE) of the Ministry of Economic Affairs. In principle, foreigners do not require prior authorization to invest. However, in certain cases, they require authorization from the CNIE to make investments above 49% of the share capital, and authorization from the Ministry of Economic Affairs and, where appropriate, from the National Banking and Securities Commission (CNBV), to use the neutral investment mechanism.

2.45. Mexico grants national treatment to foreign investors. Consequently, foreigners can acquire fixed assets, enter new fields of economic activity or manufacture new product lines, and open and operate establishments or expand or relocate existing ones. They can also, in principle, hold "any proportion", or up to 100% of the share capital of Mexican companies.[69] However, Mexico still imposes caps on foreign direct investment (FDI) in certain activities and companies (Table 2.4). In 2017, the cap increased from 25% to 49% for air transport, including domestic air transport, international air taxi services and specialized air transport.[70] Furthermore, in the framework of the air services agreements negotiated by Mexico, Mexican airline companies providing international services must be controlled by Mexicans (that is, Mexicans must hold 51% of the capital). With regard to broadcasting, the LIE allows for FDI of up to 49%, provided that there is reciprocity with the country or territory in which the investor or economic operator that, directly or indirectly, controls the investor is incorporated.

Table 2.4 Economic activities and companies subject to specific regulation, 2017-22

(Changes are highlighted in grey)

FDI cap	Activity or company
10%	Production cooperatives
25%	Until 2017: domestic air transport (scheduled and chartered); air taxi chartered international air transport; specialized air transport
49%	Manufacture and marketing of explosives, firearms, cartridges, munitions and fireworks Excluding the acquisition, preparation or use of explosives for industrial and mining activities
	Printing and publication of newspapers for circulation in Mexico only
	T-series shares of companies that own agricultural, livestock farming or forestry lands[a]
	Fresh water, coastal and exclusive economic zone fishing. Excluding aquaculture
	National Ports System Administrations (ASIPONA)/Integrated Port Administrations (API)
	Port pilotage services for vessels navigating inland waterways

[68] This is the "foreigners exclusion clause" (Articles 2 and 6 of the LIE).
[69] Article 4 of the LIE.
[70] Article 7 of the LIE, amended by the Decree published in the Official Journal of 26 June 2017.

FDI cap	Activity or company
	Shipping companies dedicated to the commercial operation of vessels for navigating inland waterways and cabotage, excluding tourist cruises, dredging activities, and floating or fixed structures for the building, maintenance and operation of ports
	Supply of fuel and lubricants for vessels, aircraft and railroad equipment
	Broadcasting
	Since 2017: domestic air transport (scheduled and chartered); international air taxi services; specialized air transport
49% or, if approved by the CNIE, up to 100%	Port services for vessels engaged in inland waterway operations, such as towing, mooring and lighterage
	Shipping companies engaged in the operation of ships solely for high-seas traffic
	Concessionaires or permit-holders for aerodromes for public use
	Preschool, primary, secondary, higher secondary, higher and combined private education services
	Legal services
	Construction, operation and operation of railroads deemed means of general communication, and the provision of public railway services

a Under the Land Law, companies owning agricultural, livestock farming and forestry land issue T-series shares to cover the share of capital contributed in the form of land or used to acquire it.

Source: Articles 7 and 8 of the LIE.

2.46. For certain activities and companies, FDI normally is limited to 49%, but foreigners can exceed this limit (and even invest up to 100%) if they obtain an authorization from the CNIE (Table 2.4). The CNIE takes 45 days to issue an authorization, which is subject to an economic and environmental impact study of the investment. The CNIE may also impose requirements as a condition for the investment, provided that these requirements do not distort international trade.[71] Furthermore, for reasons of national security, the CNIE may forbid foreign investment.[72] The authorities indicated that, between 2017 and 2021, the CNIE approved FDI exceeding 49% in 26 companies, over half of which provided private education services.

2.47. Moreover, foreigners require authorization from the CNIE to make investments above 49% in the share capital of Mexican companies with assets that, in total, exceed a given amount (since 2020, MXN 20,185 million).[73] The authorities indicated that, during the review period (2017-21), in the majority of cases, foreign investment did not require the authorization of the CNIE. FDI in three companies was authorized by the CNIE.

2.48. Despite the existing restrictions, foreigners may use the neutral investment mechanism to participate in activities reserved to Mexicans or to invest in activities and companies subject to foreign investment limits (although 100% neutral investment is not permitted in this case).[74] Consequently, through the neutral investment mechanism, foreigners may participate in the share capital of Mexican companies, without their investment being counted as a foreign investment. For this type of investment, economic rights are conferred on foreigners as a result of their role as investors (shares or stocks). However, they may not be involved in the company's decision-making processes, or control it. Authorization from the Ministry of Economic Affairs is required to use the neutral investment mechanism. Companies operating in the banking sector or listed on the stock exchange also require authorization from the CNBV as well as from the Ministry of Economic Affairs.[75]

2.49. Mexico restricts the acquisition of land by foreigners, depending on the location and the intended use of the land (Table 2.5). Furthermore, although the right to private property is

[71] Article 29 of the LIE.
[72] Article 30 of the LIE.
[73] The amount is periodically updated. In 2017-18, the amount was MXN 16,816 million; in 2018-19, MXN 18,211 million; and in 2019-20, MXN 19,559 million (Article 9 of the LIE and the Third General Resolution determining the amount of the total value of the assets referred to in Article 9 of the LIE (Official Journal of 7 May 2020)).
[74] Ministry of Economic Affairs, *"Preguntas Frecuentes"*. Viewed at: https://www.gob.mx/se/acciones-y-programas/competitividad-y-normatividad-inversion-extranjera-directa?state=published.
[75] Articles 18-20 of the LIE.

recognized by the Constitution, the Executive may issue declarations of public interest to expropriate private assets.[76]

Table 2.5 Private property regime for foreigners, 2017-22

	Foreign natural and legal persons	Mexican companies with majority foreign capital
Restricted area[a]	They may not purchase immovable property (for example, land), regardless of whether it is for residential or non-residential purposes. However, they may enjoy the usufruct of residential property, and conclude a trust contract with a bank established in Mexico (duration of the contract: 50 years, renewable indefinitely for equal periods of time)[c].	They may buy residential and non-residential immovable property, provided that they invoke the Calvo Doctrine.[b] The purchase of non-residential property must be notified to the Ministry of Foreign Affairs.
Rest of territory	They may purchase residential and non-residential immovable property, provided that they invoke the Calvo Doctrine.[b]	

a Within 100 km of the country's borders and within 50 km of any coastline.
b Moreover, foreigners from States with which Mexico does not have diplomatic relations require a permit from the Ministry of Foreign Affairs.
c The trust contract must be registered with the RNIE.

Source: Article 27 of the Political Constitution of the United Mexican States; Articles 10 and 10-A of the LIE; and the Ministry of Foreign Affairs. Viewed at: https://sre.gob.mx/permiso-para-constituir-un-fideicomiso-en-zona-restringida; https://sre.gob.mx/convenio-de-renuncia-para-la-adquisicion-de-bienes-inmuebles-fuera-de-zona-restringida; and https://sre.gob.mx/aviso-de-adquisicion-de-inmuebles-por-sociedades-mexicanas-con-clausula-de-admision-de-extranjeros-en-la-zona-restringida-que-se-destinen-a-un-fin-no-residencial.

2.50. Foreigners may set up commercial companies in Mexico or establish branches or representative offices. There are seven types of commercial structure, which are regulated by the General Law on Commercial Companies (LGSM), namely: the general partnership (*la sociedad en nombre colectivo*); the limited partnership (*la sociedad en comandita simple*); the limited liability company (*la sociedad de responsabilidad limitada* or SRL); the public limited company (*la sociedad anónima* or SA); the partnership limited by shares (*la sociedad en comandita por acciones*); the cooperative (*la sociedad cooperativa*); and the simplified joint-stock company (*la sociedad por acciones simplificada*).[77] The most-used types are SAs and SRLs.[78] The former can be transformed into investment promotion companies (SAPI), which are regulated by the LGSM and the Securities Market Law.[79]

2.51. In Mexico, the company name or trade name (words, letters or symbols) must be approved by the Ministry of Economic Affairs, which is the first step in setting up a company (Chart 2.3). The use of a company name or trade name shall be denied if it is the same as or similar to that of another company or registered trademark in Mexico.[80] To establish branches and representative offices, foreigners must appoint a legal representative with Mexican nationality or a foreigner with permission to work in Mexico. Furthermore, with some exceptions, authorization from the Ministry of Economic Affairs is required to establish branches and representative offices.[81]

[76] Article 27 of the Political Constitution of the United Mexican States; and Article 2 of the Law on Expropriation (Official Journal of 25 November 1936, latest amendment of 27 January 2012).
[77] Law on Commercial Companies (Official Journal of 4 August 1934, latest amendment of 14 June 2018). In 2018, the procedures to dissolve or liquidate companies were reviewed.
[78] Ministry of Economic Affairs. Viewed at: https://www.gob.mx/cms/uploads/attachment/file/202336/Sociedades..pdf.
[79] Securities Market Law (Official Journal of 30 December 2005, latest amendment of 9 January 2019).
[80] Government of Mexico. Viewed at: https://mua.economia.gob.mx/mua-web/preguntasFrecuentes.
[81] Article 17 of the LIE; Notice for the establishment of foreign legal persons in the Mexican Republic. Viewed at: https://www.gob.mx/cms/uploads/attachment/file/692124/aviso_de_establecimiento_de_personas_morales_extranjeras_en_la_republica.._.pdf; and Notice for the establishment of foreign legal persons in the Mexican Republic for the provision of services. Viewed at: https://www.gob.mx/cms/uploads/attachment/file/692125/aviso_establecimiento_personas_morales_extranjeras_republica_mexicana_prestacion_servicios.pdf.

Chart 2.3 Steps to setting up a company

Source: Government of Mexico. Viewed at: https://www.gob.mx/tuempresa.

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Measures Directly Affecting Imports

3.1.1 Registration, documentation and customs procedures

3.1. The legal framework governing Mexico's customs procedures comprises chiefly the Customs Law and its implementing Regulations, the Foreign Trade Law (LCE) and its implementing regulations, the General Foreign Trade Rules published each year by the Tax Administration Service (SAT), the general rules and criteria in respect of foreign trade issued by the Ministry of Economic Affairs (SE), and resolutions concerning customs-related provisions of Free Trade Agreements, issued by the Ministry of Finance and Public Credit (SHCP).[1] The legal framework also includes legislation governing domestic and import taxes.[2]

3.2. Until 2021 the General Customs Administration (AGA), a unit of the SAT, was responsible *inter alia* for facilitating and controlling the entry (and exit) of goods into (and from) Mexican territory, as well as for applying customs and fiscal provisions governing the entry (or exit) of goods. The Mexican National Customs Agency (ANAM) was established in 2021, replacing the AGA. Like its predecessor, ANAM is responsible for managing, organizing and operating customs and inspection services, applying and enforcing the legal rules governing the entry (and exit) of goods into (and from) Mexican territory, and collecting tariffs and other duties related to foreign trade operations.[3] The SE also has influence over the entry (and exit) of goods into (and from) Mexican territory, as it lays down measures governing or restricting the import (or export) of goods, and on the movement or transit of foreign goods in Mexican territory. Various other authorities also participate in the process, including the Ministries of Health (SSA), National Defence (SEDENA), Environment and Natural Resources (SEMARNAT) and Agriculture and Rural Development (SADER), in connection with their responsibilities to award permits, licences, authorizations or certificates for imports (or exports).

3.3. Reflecting the changes referred to above, since 2022 customs clearance for imports (and exports) of goods has been conducted by ANAM. ANAM is specifically responsible for verifying the data contained in requests, declarations or statements, including verification of origin, for collecting taxes and customs clearance fees, and for verifying compliance with non-tariff regulations and restrictions. ANAM is also responsible for seizing or detaining goods whose lawful presence in the country cannot be established and for safekeeping those goods in its capacity as their custodian.[4]

3.4. Mexican import requirements have not changed significantly since the previous review in 2017. The declaration accompanying the goods presented to customs for entry into (or exit from) Mexico must state the customs procedure intended to be used. Mexico has six types of customs procedure: outright importation (exportation); temporary importation (exportation); in-bond storage; goods in domestic or international transit; manufacturing, processing or repair in an in-bond facility; and strategic in-bond facility.[5]

3.5. Importers must be enrolled in the Federal Register of Taxpayers. Any natural or legal person conducing import operations must also be listed in the Register of Importers.[6] Importers of certain

[1] Customs Law (Official Journal of 15 December 1995, most recent amendment of 12 November 2021); Regulations implementing the Customs Law (Official Journal of 20 April 2015); Foreign Trade Law (Official Journal of 27 July 1993, most recent amendment of 21 December 2006); Regulations implementing the Foreign Trade Law (Official Journal of 30 December 1993, most recent amendment of 22 May 2014); and General Foreign Trade Rules for 2022 (Official Journal of 24 December 2021, most recent amendment of 2 March 2022).

[2] Law on General Import and Export Taxes (Official Journal of 1 July 2020, most recent amendment of 22 November 2021, repealing the law published in the Official Journal of 18 June 2007) and Federal Law on Duty (Official Journal of 31 December 1981, most recent amendment of 12 November 2021).

[3] Decree establishing the Mexican National Customs Agency as a decentralized administrative body of the Ministry of Finance and Public Credit (Official Journal of 14 July 2021).

[4] Decree amending and supplementing various provisions of the Internal Regulations of the Ministry of Finance and Public Credit and the Internal Regulations of the Tax Administration Service, and issuing the Internal Regulations of the National Customs Agency of Mexico (Official Journal of 21 December 2021).

[5] Articles 90-135 of the Customs Law; and information available online. Viewed at: http://omawww.sat.gob.mx/aduanasPortal/Paginas/index.html#!/regimenes.

[6] Article 59(IV) of the Customs Law.

products (classified under 16 HS Chapters) must also be enrolled in the Register of Importers in Specific Sectors.[7] The products subject to this requirement vary depending on the risk models drawn up by the customs authorities for each product. However, importers of goods such as orthopaedic equipment and some agricultural inputs and machinery do not require any enrolment at all.[8] The authorities are of the view that these registers allow them to exercise greater control over importers, foreign trade operations and compliance with tax obligations while enabling them to prevent and detect customs fraud, including smuggling. Importer registrations can be suspended in the event of failure to fulfil the requirements laid down in customs and related regulations.[9]

3.6. It is necessary in Mexico to employ a customs broker, a customs agency or a legal representative because importers are not permitted to conduct customs clearance formalities first-hand. The importer's customs broker, customs agency or legal representative, who must hold Mexican nationality, provides the import declaration and presents it electronically together with the other supporting documents: commercial invoice; bill of lading, air waybill or transport document; and, where necessary, documentation showing compliance with any applicable non-tariff regulations and/or restrictions, as well as the source and origin of goods in cases where tariff preferences, countervailing duties, quotas or country-of-origin marking requirements are applicable. For goods that present a potential risk to public health or national security, and for products of animal or plant origin, documents enabling the identification, examination and control of the goods must also be attached together with any plant and animal health certificates. The documents are processed through the Single Window for Mexican Foreign Trade (VUCEM) (previously known as Mexico's Digital Window for Foreign Trade (Digital Window)), which was modernized in 2018. Users send information once, electronically, to carry out importation procedures and satisfy the various relevant non-tariff regulations and restrictions for foreign trade issued by 10 government bodies: SAT, the Directorate-General of Standards (DGN), SADER, SEMARNAT, SEDENA, SSA, the Ministry of Energy (SENER), the Federal Environmental Protection Agency (PROFEPA), the National Institute of Fine Arts and Literature (INBAL), the National Institute of Anthropology and History (INAH) and two regulatory bodies – the Mexican Coffee Production Chain Association (AMECAFE) and the Regulatory Board for Tequila (CRT).[10]

3.7. Imports are subject to a customs processing fee (DTA), which varies according to the customs procedure applicable to the goods and in some cases is calculated on the f.o.b. value of the imports (Table 3.1). Some imports, such as natural gas, are exempt from payment of this fee[11], as are goods originating in States Parties to the following trade treaties or agreements: the Mexico-United States-Canada Agreement (T-MEC), the Free Trade Agreement between the Republic of Chile and the United Mexican States (TLCCH), the Free Trade Agreement between the United Mexican States and the Republic of Colombia (TLCC), Economic Complementarity Agreement No. 66 between the United Mexican States and the Plurinational State of Bolivia (ACE No. 66) and the Free Trade Agreement between the United Mexican States and the Republics of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua (TLCCA).[12] The DTA is paid in the form of the general import tax (IGM) or the general export tax (IGE). Where the imports (or exports) are exempt from duty, the DTA is paid when the goods are removed from the in-bond facility.[13]

[7] These products include chemical, radioactive and nuclear products; chemical precursors; firearms and knives, parts thereof, ammunition; explosives and explosive-related material; chemicals, material for pyrotechnical use or for fireworks involving explosives; cold steel weapons, accessories and exploders; weapons-related machinery, appliances, devices and artefacts and others; cigars; footwear; textiles and made-up articles; ethyl alcohol; hydrocarbons and fuels; iron and steel materials and products; and automotive products (Annex 10 to the General Foreign Trade Rules for 2022 (Official Journal of 6 January 2022)). Information viewed at: https://www.sat.gob.mx/normatividad/14537/reglas-generales-de-comercio-exterior-(rgce).

[8] Annex 7 to the General Foreign Trade Rules for 2022 - Inputs and various goods related to the agricultural sector referred to in Rule 1.3.1(XI) (General Foreign Trade Rules for 2022: Rule 1.3.1). Viewed at: https://www.sat.gob.mx/normatividad/14537/reglas-generales-de-comercio-exterior-(rgce).

[9] Article 144 (XXXVI) of the Customs Law and Rule 1.3.3. Grounds for suspension from the registers under the General Foreign Trade Rules for 2022 of 24 December 2021.

[10] Information on the Single Window. Viewed at: https://www.ventanillaunica.gob.mx/vucem/ventanillaunica.html.

[11] Federal Revenue Law for fiscal year 2022 (Official Journal of 12 November 2021).

[12] Rule 5.1.4. of the General Foreign Trade Rules for 2022 of 24 December 2021.

[13] Article 49 of the Federal Law on Duty.

Table 3.1 Customs processing fee (DTA) rates, 2022

Type of import or procedure	Rate of duty 2022 (2016)
Outright importation procedure	0.008% of the value of the goods
Temporary import of fixed assets by in-bond assembly plants (maquiladoras) or firms with export programmes authorized by the SE Import of machinery and equipment under the in-bond-facility manufacturing, processing or repair procedure	0.176% of the value of the goods
Temporary import of goods for manufacturing, processing or repair in enterprises with Manufacturing, Maquila and Export Services Industry (IMMEX) programmes Import of goods exempt from trade taxes Operations involving the return of imported goods Temporary import of goods to be returned in their original state Imports under the in-bond-facility manufacturing, processing or repair procedure or under the respective return procedure Import of goods having no customs value	MXN 352 (287)
Operations carried out by foreign States	MXN 346 (287)
Domestic transit	MXN 352 (287)
International transit	MXN 335 (273)
Extraction from the procedure for in-bond storage for return	MXN 352 (287)
Rectification of import declaration	MXN 339 (276)
Gold imports	0.008% of the value of the gold (not exceeding MXN 3,734 (3,043))

Source: Article 49 of the Federal Law on Duty and Annex 19 to the Omnibus Tax Resolution for 2022 (Official Journal of 27 December 2021). Viewed at: https://www.dof.gob.mx/nota_detalle.php?codigo=5639466&fecha=27/12/2021.

3.8. Once the taxes have been paid, the non-tariff requirements satisfied and the declaration validated through the Electronic Customs System, the Automated Selection Module (MSA) that determines whether a customs inspection is required, is activated.[14] If the MSA determines that no customs inspection is required, the goods are cleared immediately. In the event that the MSA determines that an inspection is required, the customs authority to which the goods are presented inspects the documents and conducts a physical inspection in the in-bond facility.[15] If no irregularities that might give rise to a preventive embargo on the goods are detected, the goods are released immediately.[16] A preventive embargo on the goods may be replaced by security in accordance with the provisions of the Federal Tax Code.[17] Irrespective of the outcome of the MSA, the customs authority reserves the right to order verification of the goods or to exercise any of its inspection powers.

3.9. According to data provided by the authorities, during the period from 2017 to 2021, 9.34% of import transactions were subject to customs inspection. Of this percentage, 0.29% led to a preventive embargo of goods. The time required for customs clearance is usually 2.62 hours for goods subject to customs inspection and 9.1 minutes for goods not subject to this requirement.

3.10. During the review period, changes were made regarding registration in the Comprehensive Enterprise Certification Scheme. As a result, since 2018 it has been possible to use Authorized Economic Operator (AEO) arrangements to register businesses involved in outsourcing logistics services and general deposit warehouses. The concept of certified commercial partner (SCC), which covers natural or legal persons who are involved in the logistics chain as providers of import (or export) services, was strengthened and the period of validity of certification was increased from

[14] The mechanism makes a random selection of customs declarations for inspection. This is based on an intelligent risk analysis system that takes into account information on the type of importer (exporter), the product, its value, the country of origin, and the risks associated with plant and animal health, national security, smuggling and fraud.
[15] Article 43 of the Customs Law.
[16] Article 151 of the Customs Law lists the circumstances in which the customs authorities will impose a preventive embargo on goods.
[17] Article 154 of the Customs Law.

one year to two.[18] At 31 December 2020 there were 1,123 certified businesses: 651 AEOs, 428 SCCs and 44 marketing and importing companies.[19]

3.11. VAT and IEPS (special tax on production and services) certification is used to award taxpayers who import goods under the temporary import procedure a 100% tax credit for the VAT and IEPS that their temporary imports generate.[20] At 31 December 2020, 3,467 businesses held VAT and IEPS certification. The bulk of them imported goods for use under the IMMEX programme (3,425) or under import procedures such as in-bond storage (21); strategic in-bond facility (20); and manufacturing, processing or repair in an in-bond facility (1). The sectors that are the chief beneficiaries of certification include auto parts, electronics, metalworking, plastics and rubber, textiles and clothing and the electricity sector.[21]

3.12. During the review period, Mexico continued to implement trade-facilitation measures such as (a) electronic customs clearance (paperless customs), via presentation of an electronic declaration; (b) establishment of conditions for implementing customs clearance using consolidated declarations; and (c) modernization of the VUCEM. Moreover in 2021, Mexico established the National Trade Facilitation Committee to implement the WTO Agreement on Trade Facilitation.

3.13. Additionally, owing to the COVID-19 emergency, import procedures were eased to enable the Ministries of Health, Defence and the Navy, the Institute of Health for Well-being, the Mexican Social Security Institute and the Social Security and Social Services Institute for State Workers to obtain the goods and services required to address the situation, for example medical equipment, diagnostic agents, surgical and therapeutic material and hygiene products.[22]

3.1.2 Customs valuation

3.14. Since the last review in 2017, the procedures for determining the customs value of imported goods have not undergone any substantive changes. The customs value is determined in accordance with the WTO Agreement on Customs Valuation and the Customs Law. In general, the customs value is the transaction value, and when it is not possible to determine the customs value on that basis, the alternative methods of valuation set out in the WTO Agreement are used (Articles 65-71 and 78 of the Customs Law).

3.15. Since 2018, importers have been required to supply their customs clearance broker or agency with a manifest setting out the information necessary to determine the customs value of the goods. The importer must keep the manifest in a digital format and obtain the information, documents and other evidence needed to verify that the declared value has been determined in conformity with the law, and provide that evidence to the customs authorities should they so require (Article 59 of the Customs Law).[23] This change was introduced so that the customs authority can verify the declared value and determine the customs value when the data concerning a supplier abroad or the importer's tax residence are false or unavailable. Importers have the right, prior to the release of the goods, to request the reasons for selecting the valuation method or information used to determine their

---

[18] Decree amending, supplementing and repealing various provisions of the Customs Law (Official Journal of 25 June 2018). Viewed at: http://dof.gob.mx/nota_detalle.php?codigo=5528958&fecha=25/06/2018; General Foreign Trade Rules 2018. Viewed at: https://www.sat.gob.mx/normatividad/97466/reglas-generales-de-comercio-exterior; and General Foreign Trade Rules 2020. Viewed at: https://www.sat.gob.mx/normatividad/36272/reglas-generales-de-comercio-exterior-(rgce).

[19] Information provided by the authorities.

[20] Temporary import operations have generated VAT and IEPS since 1 January 2014 (Decree amending, supplementing and repealing various provisions of the Law on Value-Added Tax, the Law on the Special Tax on Production and Services and the Federal Law on Duty; enacting the Law on Income Tax; and repealing the Law on the Flat-Rate Business Tax and the Law on the Tax on Cash Deposits (Official Journal of 11 December 2013)).

[21] Information provided by the authorities.

[22] Decision establishing extraordinary measures that must be taken to procure and import the goods and services referred to in Article 2(II and III) of the Decree establishing extraordinary health measures in regions affected throughout the national territory in response to high-priority severe illness caused by the SARS-CoV2 virus (COVID-19), published on 27 March 2020 (Official Journal of 3 April 2020, most recent amendment of 22 October 2020).

[23] Articles 59(III), 66 and 78-A of the Customs Law, as amended by the Decree published in the Official Journal of 25 June 2018.

goods' customs value (Article 78-B of the Customs Law). According to the authorities, in the majority of cases (72.5% in 2021) the transaction value was used.

3.16. Mexico still uses estimated prices to value certain goods in order to prevent undervaluation and tax evasion. The prices cannot be used to determine the tax base for tariffs because they act solely as a benchmark to identify when the value declared in an import declaration is lower than the value of the goods, and to determine the sum that must be deposited by way of security in case of potential tax implications. Importers must deposit a security in order to import any goods on the basis of an estimated price. Since 2019, estimated prices have been used for imports of footwear, textiles and clothing, and the law allows them to be used also for vehicles, regardless of the origin of the imports.[24]

3.1.3 Rules of origin

3.17. Mexico still uses preferential and non-preferential rules of origin. As in 2017, non-preferential rules of origin are used to determine the origin of imports subject to anti-dumping or countervailing duties, in order to prevent circumvention by means of reshipment of goods through third countries.[25]

3.18. In general, the preferential rules of origin in agreements that have entered into force since 2017 follow the same lines as those in the agreements previously signed by Mexico. Since that date, Mexico has also used the preferential rules provided for in the following trade agreements: T-MEC; the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP); and the Trade Continuity Agreement between Mexico and the United Kingdom.[26]

3.19. The criteria conferring origin may be general or specific. The use of non-originating materials that do not comply with the change of classification is permitted provided that they do not exceed a given percentage of the total cost or weight of the good or, in the case of textiles, the total weight. The agreements entered into by Mexico authorize cumulation, including extended cumulation, which allows the use of inputs originating in non-party States with which the Parties in turn have a trade agreement (Table 3.2).

Table 3.2 Rules of origin under the regional trade agreements that have entered into force since 2017

	T-MEC	CPTPP	United Kingdom
Criteria of origin	(a) Goods wholly obtained or produced entirely in the territory of the Parties. (b) Goods produced entirely in the territory of the Parties exclusively from originating materials. (c) Goods produced entirely in the territory of the Parties with non-originating materials that comply with the criteria established in the specific rules of origin, i.e. change of tariff classification or minimum percentage of value of regional content.		
Tolerance rule	10% of the transaction value		
Tolerance rule for textiles	10% of total weight, 7% elastomers.	10% of total weight, elastomeric yarn has to be wholly formed in the territory of the Parties.	8% or less of total weight, applies only to mixed products which have been made from two or more basic textile materials.[a]

[24] Resolution amending Annexes 2, 3 and 4 of the miscellaneous provision establishing the mechanism to guarantee the payment of taxes on goods subject to prices estimated by the SHCP (Official Journal of 24 December 2020). Viewed at: https://www.dof.gob.mx/2020/SHCP/SHCP_1_03_241220.pdf.

[25] Decision amending the miscellaneous provision establishing the rules for the determination of the country of origin of imported goods and provisions for their certification, with respect to anti-dumping and countervailing duties (Official Journal of 16 October 2008). Viewed at: http://dof.gob.mx/nota_detalle.php?codigo=5064504&fecha=16/10/2008; Decree granting administrative facilities for customs and foreign trade purposes (Official Journal of 31 March 2008). Viewed at: https://www.dof.gob.mx/nota_detalle.php?codigo=5032270&fecha=31/03/2008; and Decree amending the miscellaneous provision granting administrative facilities for customs and foreign trade purposes (Official Journal of 1 November 2012). Viewed at: http://dof.gob.mx/nota_detalle.php?codigo=5276246&fecha=01/11/2012.

[26] Database – Regional Trade Agreements. Viewed at: http://rtais.wto.org/UI/PublicMaintainRTAHome.aspx; and WTO documents G/RO/N/183 and G/RO/N/210 of 15 April 2019 and 4 February 2021 respectively.

	T-MEC	CPTPP	United Kingdom
Cumulation of origin	Extended cumulation of origin.[b]		

a Note 5 of the Introductory Notes to the List in Appendices II and II(a) of the Economic Partnership, Political Coordination and Cooperation Agreement between the European Community and the United Mexican States upon which the Trade Continuity Agreement between the United Mexican States and the United Kingdom of Great Britain and Northern Ireland is based. Information viewed at: http://www.dof.gob.mx/nota_detalle.php?codigo=5619907&fecha=01/06/2021.

b In respect of the Agreement with the United Kingdom, the cumulation criteria will cease to apply three years following the entry into force of the Agreement unless the Parties agree to extend that period (Annex - Modifications to the Incorporated Agreement - Modifications to Annex III to Decision 2/2000, Article 3a, paragraph 7). Information viewed at: http://www.dof.gob.mx/nota_detalle.php?codigo=5619907&fecha=01/06/2021).

Source: WTO Secretariat.

3.20. In addition to product-specific rules, the T-MEC incorporates a Labour Value Content (LVC) for goods in the automotive sector under which passenger vehicles and trucks are regarded as originating only where a specific percentage of their value is produced by employees whose hourly base wage is at least USD 16.[27] The LVC for light vehicles was set at 30% for the period 2020-22 and will rise to 40% from 2023; for trucks the percentage is 45%.[28]

3.1.4 Tariffs

3.1.4.1 Structure and levels

3.21. The most important change to Mexico's tariff schedule during the review period was the reduction in the number of tariff lines. According to the authorities, the change was needed in order to update obsolete tariff headings with low or zero trade flows and to implement the sixth amendment to the Harmonized System.[29] In 2016, Mexico's tariff schedule contained 12,275 lines at the 8-digit level of the HS 2012, whereas in 2021 it contained 7,802 lines at the 8-digit level of the HS 2017.[30]

3.22. In general, Mexico applies *ad valorem* tariffs, with the exception of 45 tariff lines (0.6% of the total). Of these lines, 36 have compound tariffs, and 9 have specific tariffs; both types of tariff continue to apply to the same category of products as in 2016.[31]

3.23. Mexico continues to apply seasonal tariffs to sorghum (HS 1007.90.01-1007.90.02), soya beans (HS 1201.90.01 - 1201.90.02) and safflower seeds (HS 1207.60.02-1207.60.03). As a result, as in 2016, imports of these three products are duty-free during a specific period of the year, but outside this period sorghum and soya beans are subject to a 15% tariff and safflower seeds to a 10% tariff.

3.24. The average applied MFN tariff rose during the review period, from 5.5% in 2016 to 6.7% in 2021 (Table 3.3). The rise can be attributed to the fall in the number of zero-rated tariff lines, the rise in the number of lines subject to rates of between 0% and 15% (Chart 3.1), and the general

[27] The LVC does not take into account the salaries of workers who are not involved directly in production, such as those working in the fields of management, R&D or engineering.

[28] T-MEC - Annex 4-B, Appendix, Provisions Related to the Product-Specific Rules of Origin for Automotive Goods, Article 7. Viewed at: http://dof.gob.mx/2020/SRE/T_MEC_290620.pdf.

[29] Decree containing the Law on General Import and Export Taxes and amending and supplementing various provisions of the Customs Law (Official Journal of 1 July 2020). Viewed at: https://www.snice.gob.mx/cs/avi/snice/nuevaligie.instrumentacion.html.

[30] The tariff line totals include 41 headings that have no tariff rate because the import of the products in question is prohibited.

[31] Compound tariffs are applied to products such as: milk and milk components, cream and whey, containing added sugar (HS 0402 and 0404); dairy spreads (HS 0405); frozen fruit and nuts and other fruit and nuts containing added sugar (HS 0811); molasses (HS 1703); sugar confectionery (HS 1704); chocolate and other food preparations containing cocoa (HS 1806); food preparations of flour, groats and cereal products, baker's products (HS 1901; 1904 and 1905); other food preparations (HS 2106); jams and jellies (HS 2006 and 2007); ice cream (HS 2105); mineral water (HS 2202); ethyl alcohol (HS 2207); and citric acid esters (HS 2918). Specific tariffs apply to products such as sugar (HS 1701); cocoa powder (HS 1806); flavoured syrups (HS 2106); and used pneumatic tyres (HS 4012).

reduction in the number of tariff lines. Despite the rise in the average tariff, the protection afforded to agricultural products (WTO definition) fell from 14.3% in 2016 to 13.2% in 2021. As in 2016, non-agricultural products are subject to a lower average tariff than agricultural products. This tariff nonetheless rose during the review period from 4.6% to 5.9%.

Table 3.3 Structure of MFN tariffs, 2016 and 2021

(%)

	2016 (HS 12)	2021 (HS 17)
Total number of tariff lines	12,275	7,802[a]
Ad valorem rates (> 0%)	5,060	4,015
Rate of 0%	7,137	3,701
Non-*ad valorem* rates	59	45
Non-*ad valorem* tariffs (% of tariff lines)	0.5	0.6
Non-*ad valorem* tariffs without *ad valorem* equivalents (% of tariff lines)	0.4	1.5
Simple average (%)	5.5	6.7
Agricultural products (WTO definition)	14.3	13.2
Non-agricultural products (including petroleum, WTO definition)	4.6	5.9
Tariff quotas (% of tariff lines)	1.0	1.5
Lines with zero tariffs (% of tariff lines)	58.1	47.4
Average of lines above zero (%)	13.3	12.9
Domestic tariff peaks (% of tariff lines)[b]	9.8	2.1
International tariff peaks (% of tariff lines)[c]	9.8	9.7
Overall standard deviation of applied rates	8.8	8.4
Bound tariff lines (% of tariff lines)	100.0	100.0

a Includes 41 lines that have no tariff rate because the import of the products in question is prohibited.

b Domestic tariff peaks are defined as rates that are more than three times the overall simple average rate.

c International tariff peaks are defined as rates above 15%.

Note: The average takes into account the *ad valorem* equivalents (AVEs) for lines subject to non-*ad valorem* tariffs. The AVEs were estimated on the basis of the unit values of total imports in 2020 for 2021, as provided by the Mexican authorities. As in 2016, the analysis for 2021 excluded compound duties from the calculation (44 lines in 2016 and 36 lines in 2021).

Source: WTO Secretariat calculations, based on data provided by the authorities.

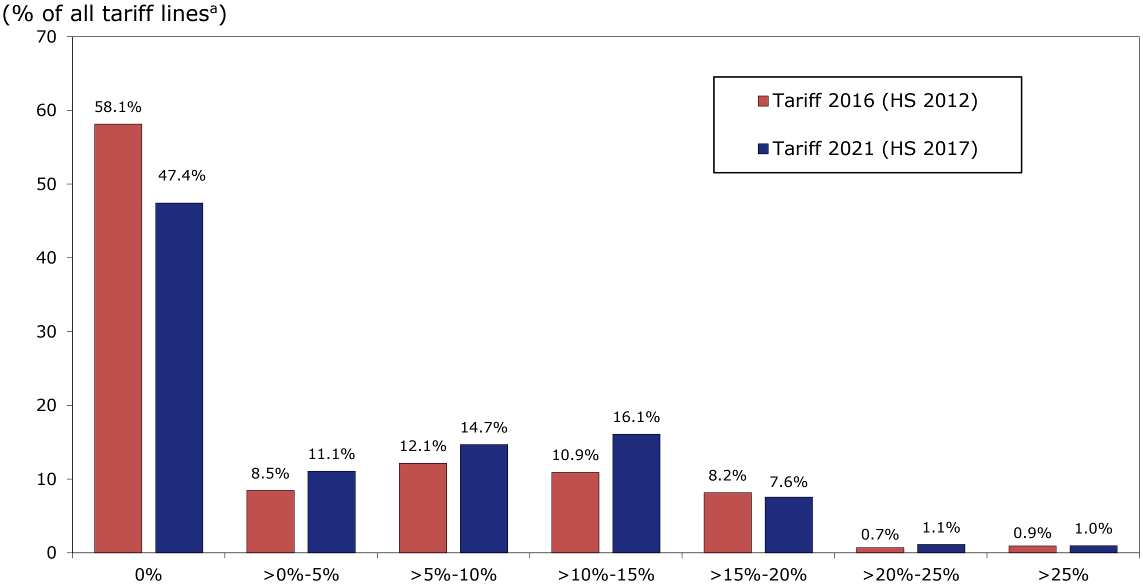
3.25. On average, the highest duties by WTO category continue to be applied to agricultural products, specifically sugar and confectionery, and to dairy products, with tariffs of 30% (40.9% in 2016) and 22.1% (40.9% in 2016), respectively (Table A3.1). The average applied tariff on animals and animal products fell from 24.8% in 2016 to 15.5% in 2021. Average tariffs applied to non-agricultural products have not changed significantly since 2016, despite increases for almost all products except fish and fish products (13.8% in 2021 and 15.5% in 2016); however, the products with the highest average tariff are fish and fish products and clothing (21.4% in 2021 and 21% in 2016).

3.26. Excluding compound tariffs, the tariffs applied in 2021 ranged between 0% and 75% (100% in 2016). The most frequent tariff rate is the zero rate, which applies to 47.4% of tariff lines (58.1% in 2016) (Chart 3.1). In January 2021, tariff lines with an *ad valorem* tariff higher than zero were subject to 15 different rates (18 in 2016), ranging from 3% to 75% (in 2016 the highest tariff was 100%).[32] Other than 0%, the most common rates in 2021 were 15% (1,255 lines or 16.1% of the total), 10% (969 lines, 12.4%) and 5% (849 lines, 10.8%).[33] In 2021, 96.7% of tariff lines were subject to a tariff of 20% or less (98% in 2016). Tariffs above 25% (namely 30%, 36%, 45%, 50%, 67% and 75%) were applied in particular to agricultural products as well as footwear (30%) and motor vehicles and tractors (50%).

[32] The rates were: 3%; 5%; 6%; 7%; 9%; 10%; 15%; 20%; 25%; 30%; 36%; 45%; 50%; 67% and 75%.

[33] Apart from 0%, the most common rates in 2016 were also 15% (1,337 lines), 10% (1,274 lines) and 5% (1,013 lines).

Chart 3.1 Frequency distribution of tariffs, 2016 and 2021



a The total number of lines is 12,275 in the 2016 tariff schedule and 7,802 in the 2021 tariff schedule.

Note: Line totals do not add up to 100%, as compound tariff lines (44 additional lines in 2016 and 36 in 2021) were excluded from the calculations and 0.5% concern prohibited lines that therefore carried no tariff in 2021 (0.2% in 2016).

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.27. Mexico bound all its tariff lines in the Uruguay Round.[34] Both the bound and the applied tariff contain non-*ad valorem* duties. All bound non-*ad valorem* tariffs are mixed. Nonetheless, a tariff line may have an applied *ad valorem*, specific or compound tariff without necessarily being bound at that same tariff rate. According to the authorities however, each and every one of the tariffs complies with the bound limit. Non-*ad valorem* bound tariffs are applied to 91 lines.[35] The compound tariffs have a specific component and an *ad valorem* component that acts as a minimum tariff; the *ad valorem* component ranges from 47% to 254%. Accordingly, tariff bindings range from 0% to 254% if only the *ad valorem* share of the tariffs is included. Leaving compound tariffs aside, for *ad valorem* tariff rates only, the bindings range from 0% to 72%. The highest rate is 72% and is applied to coffee (HS 0901), followed by 67.5% for tobacco and cigars (HS 2402 and 2403) and 50% for 185 tariff lines and parts of tariff lines in the HS 2012 nomenclature. When *ad valorem* and non-*ad valorem* rates are taken into account, about 76% of the total were bound at 35%, 10% at levels below 35%, and the remainder at levels above 35%.

3.28. The MFN applied tariff would appear to exceed the bound tariff only for one subheading of HS tariff line 7009.91.99 (other glass mirrors) as one part of the subheading is bound at 10% and the other at 35%, whereas the MFN tariff is 15% (Table 3.4).[36]

[34] Mexico's bound tariff is in the HS 2012 nomenclature.

[35] Products such as meat and offal; milk and dairy products; potatoes and dried leguminous vegetables; cereals; animal or vegetable fats and oils; sugars and confectionery; cocoa and cocoa preparations; and other food preparations.

[36] This finding was made by comparing the applied MFN tariff (2021) and the bound tariff, taking into account only those lines that are strictly comparable because of the change in nomenclature or the use of a different type of tariff (*ad valorem*, compound or mixed) depending on whether the tariff in question was applied or bound.

Table 3.4 Tariff lines for which the applied MFN tariff is higher than the bound tariff, 2021

HS Code	Description	MFN tariff (%)	Bound tariff (%)
7009.91.99	Other glass mirrors	15	
Subheadings:			
7009.91.99	For use in aircraft		10
7009.91.99	Other		35

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.1.4.2 Tariff quotas

3.29. Mexico continues to use three kinds of tariff quotas: those negotiated under the WTO, preferential quotas negotiated under trade agreements and unilateral quotas.

3.30. Within the WTO framework, Mexico applies tariff quotas to products such as meat and edible offal, powdered milk, cheese, coffee, potatoes, beans, wheat, barley, maize, animal fats, sugar and products with a high sugar content. In 2021 as in 2015, most of these quotas were not used either because the applied MFN tariff was lower than the tariff for in-quota imports, or because market access conditions offered under a unilateral quota were more favourable, or else because Mexico's imports on preferential terms exceeded the WTO quota amount. Moreover, the volume of imports of these products is generally low (Table A3.2).

3.31. Mexico has negotiated preferential quotas under its trade agreements with Argentina: ACE No. 6 (56 tariff lines at the 8-digit level of HS 2017) and ACE No. 55, Appendix 1 (25 lines); Brazil: ACE No. 53 (8 lines)[37]; Colombia (88 lines); Costa Rica (12 lines); Cuba: ACE No. 51 (102 lines); El Salvador (7 lines); the European Union (3 lines); Guatemala (12 lines); Honduras (6 lines); Israel (11 lines); Japan (29 lines); Nicaragua (5 lines); Peru (38 lines); and Uruguay (21 lines). Mexico also negotiated preferential quotas under the CPTPP (Australia (28 lines); Canada, New Zealand, Singapore and Viet Nam (20 lines); and Japan (19 lines)).

3.32. Mexico continues to establish fixed-term unilateral import quotas in order to boost the competitiveness of production chains, cope with price rises, satisfy domestic demand when there is a shortfall in the national supply or reduce the balance-of-payments deficit. To determine the volume or value of these quotas, the SE takes into account the domestic availability and supply of the product in question as well as the opinion of industry stakeholders and the Foreign Trade Commission (COCEX). The SE publishes in the Official Journal the total volume or value of the quota, licence application requirements, the quota-allocation procedure and the period of validity for non-automatic licences.

3.33. In 2021, Mexico had unilateral quotas for 77 HS 8-digit tariff lines comprising both agricultural products and manufactures. Fourteen of those lines were also subject to tariff quotas within the framework of the WTO. For example, coffee, beef, pork and chicken, barley, beans and certain cheeses. For these products, the unilateral in-quota tariff was lower than for the WTO quota; the bulk of the quotas have a 0% tariff. However, in 2021, imports under unilateral and WTO quotas were low. The most used unilateral quota, accounting for 38.4%, was for coffee extract, followed by the quota for fish fillets (31.4%), chicken and turkey cuts (14.3%) and dairy preparations (9.8%) (Table 3.5 and Table A3.3).

Table 3.5 Tariff lines subject to unilateral and WTO quotas, 2021

Heading (HS code)	In-quota tariff		Out-of-quota tariff (%)
	WTO (%)	Unilateral (%)	
Meat and edible offal of poultry			
0207.14.99	50	0	75
0207.26.03	50	0	75
0207.27.99	50	0	75
0207.60.03	50	10	0

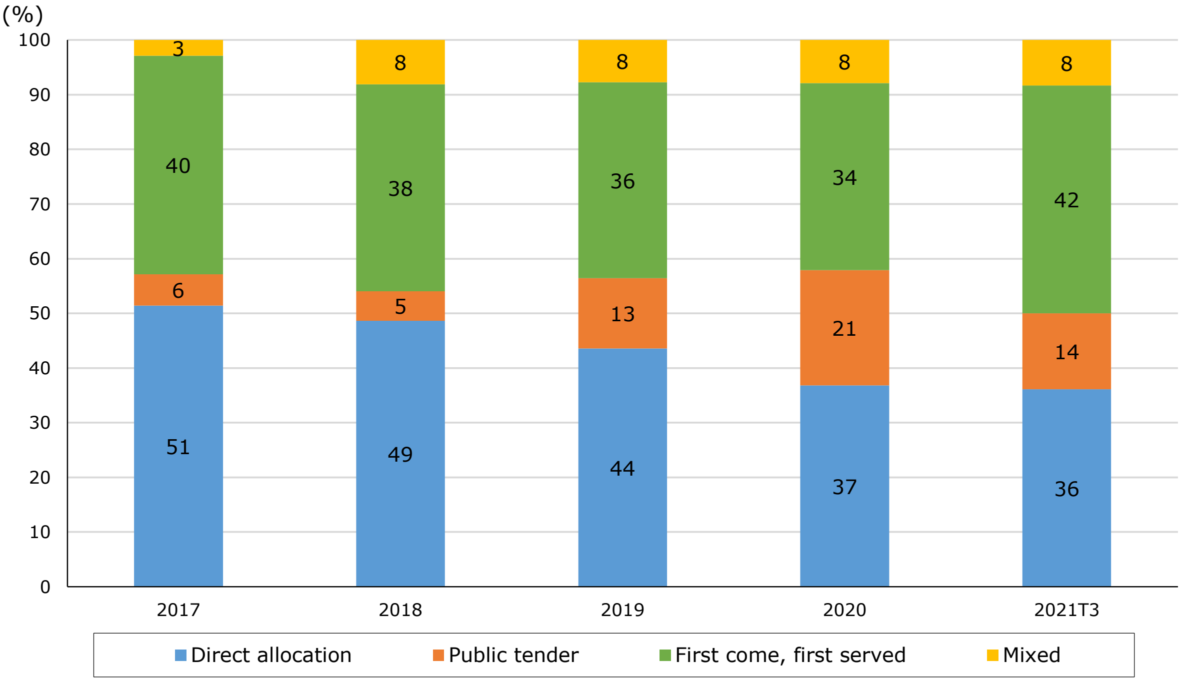
[37] The preferential quotas negotiated under ACE No. 55 with Brazil were eliminated in 2019 (Fifth Additional Protocol to Appendix II Concerning Trade in the Automotive Sector between Brazil and Mexico).

Heading (HS code)	In-quota tariff		Out-of-quota tariff (%)
	WTO (%)	Unilateral (%)	
Cheese, hard and semi-hard			
0406.90.99	50	20	45
Beans, other than for sowing			
0713.33.99	50	0	45
Coffee			
0901.21.01	50	0	45
0901.22.01	50	0	45
0901.90.99	50	0	45
Coffee extract			
2101.11.02	50	20	45
2101.11.99	50	20	45
2101.12.01	50	20	45
Barley			
1003.90.99	50	0	0
Dairy preparations			
1901.90.05	50	0	45

Source: WTO document G/AG/N/MEX/54 of 2 June 2021, and information provided by the authorities.

3.34. In general, quotas are allocated by public tender. However, the SE may choose to use other procedures such as direct allocation, "first come, first served" or a mixed method. Allocation procedures may also be laid down in trade agreements or international conventions to which Mexico is party. In any event, the procedures may not constitute a barrier to trade (LCE Article 24). Between 2017 and 2021, the most used methods were direct allocation and "first come, first served" (Chart 3.2).[38] Once the quotas have been allocated, importers must obtain a non-automatic import licence ("quota certificate") (LCE Article 15). A quota may be applied for by natural or legal persons established in Mexico who satisfy the requirements laid down by the SE for each quota. The application can be made through the VUCEM or in person at the federal branches and sub-branches of the SE. Currently, however, they are overwhelmingly made through the VUCEM.

Chart 3.2 Quota distribution by method of allocation, 2017-21 Q3



Source: National Foreign Trade Enquiry Point (SNICE).

3.35. Additionally, the SE may provide for "tariff-exempt" quotas where they are deemed necessary. In 2020, provisions were laid down waiving the tariffs on imports of milk in powder or

[38] National Foreign Trade Enquiry Point (SNICE). Information viewed at: https://www.snice.gob.mx/cs/avi/snice/cuposinfogeneral.html.

tablet form (HS 0402.10.01 and HS 0402.21.01) within the WTO quota, and on imports of goods subject to unilateral quotas (fish, tomatoes, onions, fruit, maize, rice, vegetable fats and oils, soya cake, cane molasses, some spirits and toys).[39] In 2021, a tariff-free quota of 7,000 tonnes was placed on beef (fresh, chilled or frozen) to ensure supply and price stability in the domestic market; however, it would appear that this quota was not used.[40]

3.1.4.3 Preferential tariffs

3.36. In 2021, Mexico had 28 trade agreements that granted originating imports preferential treatment.

3.37. The average preferential tariff in these free trade agreements (FTAs) is in all cases lower than the MFN tariff average.[41] Average preferential tariffs range between 0% and 3.2%, as is the case for non-agricultural products. The preferences granted for agricultural products are lower than those granted to non-agricultural products, and in some cases are very close to the MFN tariff (for example, with Norway). The preferential rates for agricultural products range between 0% and 13%. The duty-free status granted under all the agreements, except that with Panama and under the CPTPP, covers over 90% of the total tariff schedule, and in some cases (Chile, Nicaragua, United States) even reaches 99% or 100% (Table 3.6).

3.38. The preferences granted under partial agreements cover less than 50% of the total tariff schedule, with the exception of the agreement with the Plurinational State of Bolivia. The difference between the preference margin granted in these agreements and the average MFN tariff is not large.

Table 3.6 Summary of preferential tariffs, 2021

	Number of preferential lines	Preferential part of tariff (%)	Total		WTO categories			
					Agricultural products		Non-agricultural products (including petroleum)	
			Average (%)	Duty-free lines (%)	Average (%)	Duty-free lines (%)	Average (%)	Duty-free lines (%)
MFN	-	-	6.7	47.4	13.2	21.8	5.9	50.8
FTA								
Andorra	3,124	40.0	2.0	87.5	13.1	22.9	0.6	95.9
Canada	3,994	51.2	0.2	98.6	1.8	91.9	0.0	99.5
Chile	4,019	51.5	0.1	98.8	1.1	94.6	0.0	99.3
Colombia	3,889	49.8	0.8	95.3	4.8	70.9	0.3	98.4
Costa Rica	3,955	50.7	0.3	98.1	3.0	88.2	0.0	99.4
El Salvador	3,898	50.0	0.5	97.2	3.1	86.2	0.2	98.7
United States	4,015	51.5	0.0	99.5	0.0	99.2	0.0	99.5
Guatemala	3,883	49.8	0.6	97.0	3.5	85.0	0.2	98.5
Honduras	3,896	49.9	0.5	96.9	3.0	86.5	0.2	98.2
Iceland	3,398	43.6	1.4	91.0	12.6	26.5	0.0	99.4
Israel	3,162	40.5	1.9	87.9	12.5	26.7	0.6	95.9
Japan	3,571	45.8	1.0	93.2	7.5	55.5	0.2	98.2
Nicaragua	4,038	51.8	0.1	99.2	0.7	96.8	0.0	99.5
Norway	3,369	43.2	1.5	90.6	13.0	23.3	0.0	99.4
Panama	3,702	47.4	1.9	75.3	4.3	66.5	1.6	76.5
Peru	3,840	49.2	0.6	96.6	4.3	78.5	0.1	99.0
Switzerland	3,435	44.0	1.3	91.4	11.9	30.4	0.0	99.4
European Union	3,813	48.9	0.6	96.3	5.0	71.6	0.0	99.5
Uruguay	3,778	48.4	1.0	93.6	3.5	79.6	0.7	95.5
Chile (Pacific Alliance	4,022	51.6	0.2	98.2	1.7	89.2	0.0	99.3
Colombia (Pacific Alliance)	4,005	51.3	0.2	97.8	1.4	88.6	0.0	99.0

[39] Information viewed at: http://www.diputados.gob.mx/LeyesBiblio/ref/ligiex/LIGIEx_tarifa01_24dic20.pdf.

[40] The quota applies to the following types of meat: carcasses and half-carcasses (HS 0201.10.01); other cuts with bone in (HS 0201.20.99); boneless (HS 0201.30.01); carcasses and half-carcasses (HS 0202.10.01), other cuts with bone in (HS 0202.20.99); boneless (HS 0202.30.01) (Decision announcing the tariff for importing beef under the indicated tariff quota (Official Journal of 28 June 2021)).

[41] In the calculation of this average, the lower of the MFN tariff and the preferential tariff was used for each product, in order to reflect market access conditions more accurately.

	Number of preferential lines	Preferential part of tariff (%)	Total		WTO categories			
					Agricultural products		Non-agricultural products (including petroleum)	
			Average (%)	Duty-free lines (%)	Average (%)	Duty-free lines (%)	Average (%)	Duty-free lines (%)
Peru (Pacific Alliance)	4,022	51.6	0.2	98.2	1.7	89.2	0.0	99.3
Australia (CPTPP)	3,894	49.9	2.8	71.6	3.0	79.1	2.8	70.6
Canada (CPTPP)	3,894	49.9	2.8	71.6	3.0	79.1	2.8	70.6
Japan (CPTPP)	3,894	49.9	2.8	71.4	3.0	79.1	2.8	70.4
New Zealand (CPTPP)	3,894	49.9	2.8	71.6	3.0	79.1	2.8	70.6
Singapore (CPTPP)	3,894	49.9	2.8	71.6	3.0	79.1	2.8	70.6
Viet Nam (CPTPP)	3,303	42.3	3.2	71.6	3.3	79.1	3.2	70.6
Partial scope agreements								
Argentina ACE No. 6	696	8.9	5.6	56.9	12.6	25.1	4.7	61.1
Brazil ACE No. 53	115	1.5	6.5	47.9	12.2	25.7	5.8	50.8
Cuba ACE No. 51 (domestic market)	28	0.4	6.7	47.4	13.2	21.8	5.9	50.8
Cuba ACE No. 51 (border region)	3	0.0	6.7	47.5	13.2	21.8	5.9	50.8
Cuba ACE No. 51 (national territory)	938	12.0	5.5	56.7	11.1	30.7	4.8	60.1
Argentina ACE No. 55	53	0.7	6.6	48.1	13.2	21.8	5.8	51.6
Brazil ACE No. 55	93	1.2	6.6	48.6	13.2	21.8	5.7	52.2
Uruguay ACE No. 55	91	1.2	6.6	48.6	13.2	21.8	5.7	52.1
Plurinational State of Bolivia ACE No. 66	3,902	50.0	0.3	97.6	2.8	83.4	0	99.5
Ecuador APR 29	187	2.4	6.5	48.1	13.1	22.3	5.6	51.5
Other agreements								
Argentina PAR 4	3,172	40.7	5.8	47.4	11.3	21.8	5.1	50.8
Brazil PAR 4	3,172	40.7	5.8	47.4	11.3	21.8	5.1	50.8
Cuba PAR 4	3,172	40.7	5.4	47.4	10.6	21.8	4.8	50.8
Ecuador PAR 4	3,172	40.7	4.8	47.4	9.5	21.8	4.3	50.8
Panama PAR 4	3,172	40.7	5.4	47.4	10.6	21.8	4.8	50.8
Paraguay PAR 4	3,172	40.7	4.5	47.4	8.7	21.8	3.9	50.8
Ecuador ARAM 2	186	2.4	6.3	49.8	12.8	23.9	5.5	53.2
Paraguay ARAM 3	79	1.0	6.6	48.4	13.0	23.2	5.8	51.8

Note: The average takes into account the *ad valorem* equivalents (AVEs) for lines subject to specific tariffs. The AVEs were estimated on the basis of the unit values of total imports in 2020, provided by the Mexican authorities. Compound or mixed tariffs (36 lines) were excluded from the calculations.

Source: WTO Secretariat, based on data from the Mexican authorities.

3.39. Despite the large number of trade agreements signed by Mexico, the low rates of preferential tariffs negotiated and the high degree of trade liberalization provided for in these agreements (extending, under some, to 99% or 100% of the total tariff schedule), the percentage of imports enjoying preferential treatment held steady at around 36% in both 2020 and 2021 (Q2) (Table 3.7). The low take-up of preferential tariffs could be attributed to the existence of other preferential regimes such as the IMMEX programme and sectoral promotion (PROSEC) programmes, or to the fact that nearly 50% of tariff lines have a tariff of 0%.

Table 3.7 Imports receiving preferential treatment and MFN imports

(%)

Imports	2020		2021 (Q2)	
	Preferential treatment	MFN	Preferential treatment	MFN
Total imports	35.6	64.4	36.5	63.5
Origin				

Imports	2020		2021 (Q2)	
	Preferential treatment	MFN	Preferential treatment	MFN
Trading partner with agreements	50.1	49.9	50.7	49.3
Trading partner without agreements	7.3	92.7	7.2	92.8

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.1.4.4 Tariff concessions

3.40. Mexico continues to grant tariff concessions in respect of certain goods imported for specific uses, for example goods imported by public agencies for national defence, public security or education purposes, or goods imported by international organizations (Article 61 of the Customs Law). Also exempt are imports of goods for "special operations" (HS Chapter 98)[42], and certain goods imported into the border region and the northern border zone.[43]

3.41. The general import tax for the border region and the northern border zone, notified by Mexico in 2019 in compliance with the provisions of the Agreement on Subsidies and Countervailing Measures[44], was established in order to encourage the development of commercial and service activities, and to facilitate import monitoring and operations in those regions. Accordingly, operators who engage in commercial activities or provide certain services[45] and who hold registration as a border enterprise may import goods at a preferential tariff rate. The schedule of products and the tariff-reduction schedule were the subject of various amendments during the review period (Box 3.1). As notified to the WTO, it is not possible to determine the effect of this measure on trade.[46] According to calculations by the Secretariat based on data supplied by the authorities, the goods imported under this procedure represented 0.4% of all imports in 2020, and 0.3% of all imports in 2021 (Q2), while exports are near-zero.

3.42. In 2021, in order to address the health emergency, tariffs applicable to vaccines against the SARS-CoV-2 virus (HS 3002.20.10) and aluminium containers for oxygen for medicinal use (HS 7613.00.02) were cut to zero from 5% and 10% respectively.[47]

3.43. Additionally, in order to promote vehicles that use new, clean technologies, Mexico temporarily eliminated tariffs in respect of a number of electric cars and motor vehicles during the period 2020-24 (30 September).[48] The tariff concessions are used to allow free competition and access to clean new technologies in order subsequently to develop a domestic industry.[49]

3.44. Mexico continues to grant tariff concessions under various programmes, such as PROSEC and IMMEX.

[42] Comprehensive Foreign Trade Information System (SIICEX). Information viewed at: http://www.siicex-caaarem.org.mx.

[43] Article 136 of the Customs Law provides as follows: "For the purposes of this Law, 'border zone' means the territory included between the international frontier and the parallel line located 20 kilometres from the border. 'Border region' means the territory defined by the Federal Executive".

[44] WTO document G/SCM/N/315/MEX of 24 September 2019.

[45] These include restaurant, hotel, leisure, cultural, recreational, sporting, educational, research-related, medical and social care services; rental services for moveable property; and services to businesses.

[46] WTO document G/SCM/N/315/MEX of 24 September 2019.

[47] Decree amending the tariff schedule in the Law on General Import and Export Taxes (Official Journal of 22 February 2021). Viewed at: http://www.dof.gob.mx/nota_detalle.php?codigo=5611928&fecha=22/02/2021.

[48] Decree amending the tariff schedule in the Law on General Import and Export Taxes, the Decree supporting the competitiveness of the automotive industry and fostering the development of the domestic car market, the Decree establishing the general import tax for the border region and the northern border zone, the Decree establishing various sectoral promotion programmes, and various provisions establishing tariff quotas (Official Journal of 24 December 2020).

[49] Decree amending the tariff schedule in the Law on General Import and Export Taxes (Official Journal of 3 September 2020).

Box 3.1 Amendments to the general import/export procedure for the border region and the northern border zone

In 2016 it was established that the original schedule of products subject to preferential treatment, namely the schedule included in the Decree establishing the general import tax for the border region and the northern border zone, of 24 December 2008, would be fully rebated until 31 December 2019.
In 2019, it was decided to extend the tariff-reduction timetable for some of the products concerned until 30 September 2024 and to tax other products at 5% until 31 December 2019.
In 2020 the tariff-reduction timetable was amended again in respect of some tariff headings. For tariff headings HS 7308.30.02 and 7308.90.99, the tariff would be 10% from 22 September 2021 and 7% from 22 September 2023, and for other tariff headings (HS 7304.19.01, 7304.19.02, 7304.19.03, 7304.29.99, 7304.39.10, 7304.39.11, 7304.39.12, 7304.39.13, 7304.39.14, 7304.39.15, 7305.20.01, 7306.19.99, 7306.29.99, 7306.30.99 and 7308.20.02), the tariff would be 10% from 22 September 2021 and 5% from 22 September 2023. The headings would be duty-free from 1 October 2024.
In 2021 the tariff-reduction programme was again amended in order to create conditions conducive to enabling the steel industry to adapt to the international economic environment and incentivizing the domestic market. Consequently the tariff for certain related tariff headings would be 10% from 30 June 2022, 5% from 22 September 2023 and tariff-free from 1 October 2024.
In 2021, certain products in HS Chapters 61, 62, 63, 64 and 87, such as clothing and textiles, footwear and vehicles were removed from the schedule of products eligible for preferential treatment when imported by border businesses.

Source: WTO Secretariat, based on the Decree amending and extending the duration of the miscellaneous provision establishing the general import tax for the border region and the northern border zone (Official Journal of 17 November 2016). Viewed at: https://www.dof.gob.mx/nota_detalle.php?codigo=54613518&fecha=17/11/2016; and the Decree amending the tariff schedule in the Law on General Import and Export Taxes (Official Journal of 22 November 2021). Viewed at: https://www.dof.gob.mx/nota_detalle.php?codigo=5635991&fecha=22/11/2021.

3.45. The tariff concessions granted by Mexico and preferential trade have led to the share of tariffs as a percentage of total tax revenues remaining steady at around 2% during the period under review (Table 3.8). The SHCP is of the view that the low level of revenue is due among other reasons to tax incentives provided under tariff preferences.[50]

Table 3.8 Tax revenue related to taxes on foreign trade

(MXN billion)

	2016	2017	2018	2019[a]	2020[a]	2021Q2[a]
Total tax revenue	2,716	2,850	3,062	3,203	3,339	1,856
Taxes on foreign trade	51	52	66	65	58	33
Imports	51	52	66	65	58	33
Exports	0	0	0	0	0	0
As a % of tax revenue	1.9	1.8	2.1	2.0	1.7	1.8
As a % of GDP	0.3	0.2	0.3	0.3	0.3	0.1

a Preliminary figures.

Source: Bank of Mexico, SIE database.

3.1.5 Other charges affecting imports

3.46. In Mexico both imported and domestic products are subject to various internal taxes: value added tax (VAT), the special tax on production and services (IEPS), and the tax on new automobiles (ISAN).

3.47. Definitive imports are subject to VAT, except for personal luggage and household effects, goods whose disposal in the country and services whose provision in national territory are exempt from payment of the tax or apply the 0% VAT rate, goods donated by residents abroad, works of art recognized as such, gold (with a minimum content of said material of 80%) and duty-free vehicles when they belong to personnel of foreign governments with which Mexico has diplomatic relations.[51]

[50] National Development Financing Programme 2020-24 (Official Journal of 5 August 2020). Viewed at: https://www.dof.gob.mx/nota_detalle.php?codigo=5597864&fecha=05/08/2020.

[51] Tax Administration Service (SAT). Viewed at: http://omawww.sat.gob.mx/EstimulosFiscalesNorteSur/Paginas/index.html.

The VAT rate has not varied since the previous review (2017) and still stands at 16%. The VAT tax base for imports has not changed either since 2017: it is the customs value plus the amount of import tariffs and other duties payable.

3.48. The general VAT rate is not applied throughout the national territory however, as since 2018 a reduced rate of 8% has been applied in northern and southern border areas for products produced and sold in those areas (the rate for imported products is 16%).[52] This measure forms part of the fiscal stimuli granted to operators whose income obtained from transactions within this region amounts to at least 90% of total income. This stimulus, initially valid until 2020, was extended until 2024, and its application was broadened to include the southern border area.[53]

3.49. Mexico continues to apply the IEPS to certain goods and services, such as alcoholic beverages, processed tobacco, calorie-dense foods, pesticides and fuels. Goods subject to the IEPS have not changed during the review period. The IEPS can be *ad valorem* (alcoholic beverages, energy drinks, pesticides and calorie-dense foods), specific (vehicle fuels, flavoured drinks and fossil fuels) or compound (cigars); since 2016, some rates have been updated to reflect changes in the Consumer Price Index (Table 3.9). Various fiscal incentives are granted to operators that import and dispose of fuels.[54] The amount of the incentive is adjusted, as necessary, to mitigate variations in international prices, and may vary by region and sector.[55] The amounts of the tax incentive applicable to the disposal and import of gasoline, as well as to disposal in the border region with the United States and on the southern border with Guatemala, are set out in decisions published in the Official Journal, which are valid for a period of seven days.[56] Similarly, the percentage of incentive for the use of fuels in the fisheries and agricultural sectors is published in monthly decisions.[57]

3.50. New cars priced at above MXN 313,163.32 (in 2017 the reference price was MXN 222,032.19) are subject to the payment of the ISAN, a tax made up of an *ad valorem* component and a specific component that varies according to a range of prices. The *ad valorem* component is calculated on the basis of the difference between the lower limit of the range and the price of the vehicle (Table 3.9). For vehicles bought in the country, the tax is calculated on the basis of the sales price of the vehicle to the end user. In the case of imports, the tax is calculated on the basis of the customs value plus import duty and other import-related duties payable, excluding VAT.[58] Electric motor vehicles are exempt from the ISAN.

[52] Decree on fiscal stimuli in the northern border region (Official Journal of 31 December 2018). Viewed at: http://dof.gob.mx/nota_detalle.php?codigo=5547485&fecha=31/12/2018.

[53] Decree amending the miscellaneous provision on fiscal stimuli in the northern border region (Official Journal of 30 December 2020) and Decree on fiscal stimuli in the southern border region (Official Journal of 30 December 2020). Viewed at: https://www.dof.gob.mx/nota_detalle.php?codigo=5609182&fecha=30/12/2020.

[54] Decree amending the miscellaneous provision establishing fiscal stimuli related to the special tax on production and services applicable to the fuels indicated (Official Journal of 27 December 2016, most recent amendment published on 30 December 2020).

[55] Decision No. 118/2021 (Decision announcing the percentages and amounts of the fiscal stimulus, as well as the reduced special tax on production and services applicable to the fuels indicated, for the period specified) (Official Journal of 27 August 2021).

[56] Decision No. 119/2021 (Decision announcing the amounts of the fiscal stimuli applicable to the sale of gasoline in the border region with the United States of America for the period specified) (Official Journal of 27 August 2021).

[57] Decision establishing fiscal stimuli for gasoline and diesel in the fisheries and agriculture sectors (Official Journal of 30 December 2015). Viewed at: https://www.dof.gob.mx/nota_detalle.php?codigo=5421732&fecha=30/12/2015;and Decision establishing fiscal stimuli for gasoline and diesel in the fisheries and agriculture sectors (NORLEX data sheet). Viewed at: https://www.norlexinternacional.com/arch/30121504.htm.

[58] The Federal Law on New Automobiles (most recent amendment published on 12 November 2021). Amounts updated by Omnibus Tax Resolution (Official Journal of 28 December 2021). Viewed at: https://www.diputados.gob.mx/LeyesBiblio/pdf/LFISAN.pdf.

Table 3.9 Other import charges, 2022

	Taxable goods	Rate in 2022		Changes since 2017
VAT	All goods, except those specified in Article 25 of the Law on VAT (for example, personal luggage or household effects)	16% (general rate)		No change
IEPS	Alcoholic beverages and beer	26.5%, 30% or 53%, according to alcohol content		No change
	Alcohol, denatured alcohol and non-crystallized honey;	50%		No change
	Cigars/cigarettes	160% + MXN 0.5484/ 75 grams of tobacco		Specific component updated
	Cigars and other processed tobacco	160%; 30.4% (handmade)		No change
	Vehicle fuels			Previously, gasoline below, higher than or equal to 92 octane was subject to the IEPS. The rate of the specific component is updated annually by a SHCP Decision.
	Gasoline, below 91 octane	MXN 5.4917/litre		
	Gasoline, 91 octane or higher	MXN 4.6375/litre		
	Diesel	MXN 6.0354/litre		
	Non-fossil motor vehicle fuels	MXN 4.6375/litre		
	Fossil fuels (carbon emissions)			Specific rate updated
	Propane	MXN 8.2987 cents/litre		
	Butane	MXN 10.7394 cents/litre		
	Gasoline and aviation fuel	MXN 14.5560 cents/litre		
	Jet fuel and other kerosenes	MXN 17.3851 cents/litre		
	Diesel	MXN 17.6624 cents/litre		
	Fuel oil	MXN 18.8496 cents/litre		
	Petroleum coke	MXN 21.8784 pesos/tonne		
	Coking coal	MXN 51.2901 pesos/tonne		
	Coal	MXN 38.6201 pesos/tonne		
	Other fossil fuels	MXN 55.8277 pesos/tonne of carbon in fuel		
	Energy drinks and syrups and concentrates for the preparation thereof	25%; 25% + MXN 1.3996/litre when containing added sugar		Rate of specific component updated
	Flavoured drinks and syrups and concentrates for the preparation thereof, containing added sugar	MXN 1.3996/litre		Specific rate updated
	Pesticides	6%, 7% or 9%, according to toxicity		No change
	High-calorie non-staple foods (≥ 275 kcal/100 grams)	8%		No change
ISAN	Price range (MXN)[a]	Specific rate (MXN)[a]	*Ad valorem* rate (%)[a]	In 2022, if the price of the motor vehicle exceeds MXN 864,750.45, 7% of the difference between the unit price and MXN 864,750.45 will be deducted from the amount of tax determined.
	0.01-313,163.32	0.00	2	
	313,163.33-375,795.92	6,263.16	5	
	375,795.933-438,428.76	9,394.94	10	
	438,428.77-563,693.73	15,658.19	15	
	> 563,693.74	34,447.90	17	
	Lorries with carrying capacity of 4,250 kg	n.a.	5	No change

n.a. Not applicable.

a Updated annually through Annex 15 of the Omnibus Tax Resolution for the year in question.

Source: Law on VAT; Law on the IEPS; Federal Law on New Automobiles; and Decision updating the rates of special taxes on production and services in 2022 (Official Journal of 23 December 2021). Viewed at: https://www.dof.gob.mx/nota_detalle.php?codigo=5639152&fecha=23/12/2021.

3.1.6 Import prohibitions, restrictions and licensing

3.51. The Foreign Trade Law (LCE) and its implementing regulations continue to govern the imposition of non-tariff regulations and restrictions (RRNAs). The Federal Executive may regulate, restrict or prohibit the import (export), movement or transit of goods, in circumstances deemed to constitute an emergency, by means of decrees published in the Official Journal.[59] The reasons for imposing this type of measure have not changed since 2017. According to the Law, RRNAs may be imposed for the purpose of balancing payments; regulating the entry of used products (waste or products that lack a significant market in their country of origin or provenance); controlling situations related to national security, public health or plant, animal or environmental health; or as provided in international treaties or conventions. RRNAs may consist of: prior permits, maximum quotas, Mexican Official Standards (NOMs), compensatory quotas, certifications, marking of the country of origin or other instruments considered appropriate for the purpose of achieving national trade policy objectives (Article 16 of the LCE).

3.52. Before being imposed, these measures are evaluated by the Foreign Trade Commission (COCEX), except in cases of emergency.[60] COCEX must base its evaluation on an economic analysis, prepared by the relevant department, of the costs and benefits of applying the measure. This analysis may take into account, among other elements, the impact of the measure on prices, employment, competitiveness, tax revenue, consumers, the variety and quality of the available supply and the level of competition in the markets. If COCEX does not accept the proposed measure, the relevant bodies must revise it.

3.53. Mexico continues to prohibit the import of certain products (41 tariff lines at the HS 2017 8-digit level), in particular chemicals and drugs (Table 3.10).[61] Since the last review, some products from the chemical industries (18 lines from HS Chapters 29 and 38) and vaping devices have been added to the list, including electronic cigarettes and tobacco-heating devices (two lines from HS Chapter 85). The import of products classified under these lines has been prohibited to protect human life and health.[62]

Table 3.10 Prohibited imports (exports) (HS Chapter), 2021

HS Chapter		Reason	Number of lines
3	Fish and crustaceans, molluscs and other aquatic invertebrates	Animal conservation	1
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder	Illicit substance	3
13	Lac; gums, resins and other vegetable saps and extracts	Illicit substance	3
28	Inorganic chemicals	Toxic substance	1
29	Organic chemicals	Rotterdam/Stockholm Convention and illicit substance	18
30	Pharmaceutical products	Illicit substances	4
38	Miscellaneous chemical products	Rotterdam/Stockholm Convention and health	6
41	Raw hides and skins (other than furskins) and leather	Animal conservation	1
49	Printed books, newspapers, pictures and other products of the printing industry; manuscripts	Promotion of violence	2
85	Electrical machinery and equipment; image and sound recorders and reproducers	Health	2

Source: WTO Secretariat, based on data provided by the authorities.

3.54. The licensing system in Mexico is governed by the LCE, its implementing regulations and the Ministry of Economic Affairs Decision issuing General Rules and Criteria for Foreign Trade (most recent amendment published in the Official Journal of 31 December 2019).[63] The Ministry of Economic Affairs (SE) is the body responsible for implementing the system. The goods subject to

[59] Article 4 of the LCE and Article 131 of the Political Constitution of the United Mexican States.
[60] Articles 17 to 19 of the LCE and Article 9 of the regulations implementing the LCE of 1993 (most recent amendment published on 22 May 2014).
[61] WTO document G/MA/QR/N/MEX/1 of 27 July 2016.
[62] Imports of the following were prohibited: solutions, mixtures, cartridges and/or dismountable tobacco units used for what is included in tariff item 8543.70.18 (HS 3824.99.83) and electronic nicotine delivery systems (ENDS), non-nicotine delivery systems (NNDS), alternative nicotine delivery systems (ANDS), electronic cigarettes and vaping devices with similar uses (HS 8543.70.18) (Decree amending the tariff schedule in the Law on General Import and Export Taxes (22 October 2021)). Viewed at: http://www.diputados.gob.mx/LeyesBiblio/ref/ligiex/LIGIEx_tarifa04_22oct21.pdf.
[63] WTO document G/LIC/N/3/MEX/7 of 2 June 2021.

licensing are reviewed once a year, and removing any product from or adding any product to this list is subject to the favourable opinion of COCEX.

3.55. Mexico currently uses both automatic licensing (automatic permits) and non-automatic licensing (prior permits). In principle, the use of one type of licence does not exclude the other, i.e. both licences may be required to import the same good. The use of both licences is due to the fact they serve different purposes. Automatic licences (automatic permits) are used to keep a statistical record of imports[64], while non-automatic licences are used to regulate the trade of specific products, in order to protect consumers, public health or the environment, regulate the import of inputs under preferential regimes or comply with international treaties or agreements.

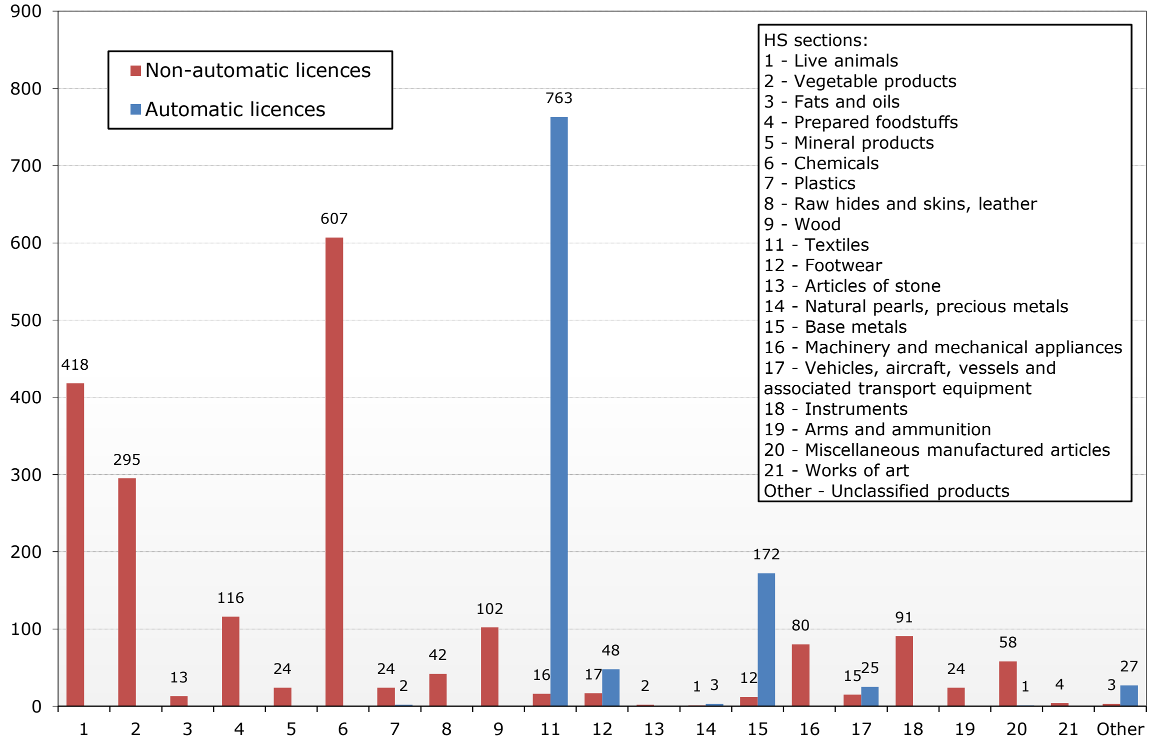
3.56. The number of tariff lines subject to automatic licences increased during the review period. Automatic licensing (automatic permits) affected 1,041 tariff lines in 2021, i.e. 13.3% of all tariff lines, while in 2016 that percentage was 8.2% of the total. Automatic licensing continues to be required for the same type of products as in 2016: textiles (764 tariff lines at the HS 2017 8-digit level), footwear (28 tariff lines at the HS 2017 8-digit level) and base metals (iron products) (172 tariff lines at the HS 2017 8-digit level).[65] When requesting a licence, the import procedure and tariff line must be specified, as well as the value and quantity authorized to be imported (or exported) and the period of validity. Licences may be valid for a maximum period of four months depending on the product concerned, and are non-transferable. Customs may authorize one or more automatic extensions of the validity of the original import licence.[66] The SE approves all applications, provided that the applicants meet the legal requirements to carry out foreign trade transactions in Mexico.[67]

3.57. In 2021, 25.2% (1,964 tariff lines at the 8-digit level of HS 2017) of the total tariff lines that made up Mexico's Tariff were subject to non-automatic import licensing requirements (prior permits). (Chart 3.3). Over the period 2016-21, the use of non-automatic licensing appears to have decreased; however, given the change in nomenclature and the removal of tariff lines from the Tariff, this cannot be stated with certainty. Mexico continues to use both types of licensing for textiles, footwear and metals (Table 3.11).

[64] Article 21 of the regulations implementing the LCE.
[65] WTO documents G/LIC/N/3/MEX/6 and G/LIC/N/3/MEX/7 of 24 September 2019 and 2 June 2021, respectively; and information provided by the authorities.
[66] Article 24 of the regulations implementing the LCE (most recent amendment published on 22 May 2014).
[67] Article 21 of the regulations implementing the LCE (most recent amendment published on 22 May 2014).

Chart 3.3 Automatic and non-automatic import licensing by HS section, 2021

(Number of tariff lines)



Note: "Other" includes some merchandise for sectoral promotion (PROSEC) programmes.

Source: WTO Secretariat calculations, based on data provided by the authorities.

Table 3.11 Tariff lines subject to automatic and non-automatic import licensing, 2021

HS section	Tariff line	Description
11	5113.00.02	Woven fabrics of coarse animal hair or of horsehair
11	5901.90.99	Other textile fabrics coated with gum or amylaceous substances
11	6305.10.01	Sacks and bags, of jute or of other textile bast fibres of heading 53.03
12	6403.19.02	Sports footwear for men
12	6403.19.99	Other sports footwear
12	6403.20.01	Footwear with outer soles of leather, and uppers which consist of leather straps
12	6403.51.05	Other footwear with outer soles of leather, covering the ankle
12	6403.59.99	Other footwear with outer soles of leather
12	6403.91.12	Other welt footwear covering the ankle
12	6403.91.99	Other footwear covering the ankle
12	6403.99.01	Other welt footwear
12	6403.99.12	Children's or babies' sandals
12	6403.99.13	Other footwear for exercise and the like
12	6403.99.14	Sandals, other than those under tariff subheading 6403.99.12
12	6403.99.15	Other children's or babies' sandals
12	6403.99.99	Other footwear
12	6405.10.01	Other footwear, with uppers of leather or composition leather
Other	9802.00.04	Goods for the toy industry PROSEC
Other	9802.00.14	Goods for the PROSEC concerning the pharma-chemical, medicine and medical equipment industry

Source: WTO Secretariat, based on data provided by the authorities.

3.58. Non-automatic licensing applies to products originating in all countries, except where it is used to administer undertakings negotiated under trade agreements.[68] The SE is responsible for issuing most non-automatic licences, although some of these are regulated and issued by other

[68] WTO document G/LIC/N/3/MEX/7 of 2 June 2021.

Ministries such as SENER (petroleum products) and SEMARNAT (anti-pollution equipment and parts thereof) (Table 3.12).

3.59. Non-automatic licences are also required to import inputs under the IMMEX and PROSEC programmes. The procedure to obtain non-automatic licences for products imported under these programmes, listed in Chapter 98 of the Tariff, is different from the procedure used to obtain other non-automatic licences; in this case, the licences are regulated by Additional Rule 8ª.[69] Rule 8ª concerns the licence issued by the SE for 25 tariff items under heading 98.02 of the Tariff, which allows companies to import machinery and equipment, materials, inputs, parts and components with preferential tariffs.[70]

3.60. Non-automatic licences are generally processed through the Mexican Digital Window for Foreign Trade (VUCEM), regardless of the institution that issues them, except for used clothing, in which case the process is carried out physically in federal branches and sub-branches of the SE.[71] The specific procedure for obtaining licences for some products[72] can be viewed online through the Comprehensive Foreign Trade Information System (SIICEX).[73] The deadline for issuing non-automatic licences may not exceed 15 working days from the date of application. These licences are generally valid for one year and may be extended for a further year up to three times, except in the case of hydrocarbons and petroleum products, for which they may be valid for up to five years and extended once only for the same validity period.[74]

3.61. In addition to non-automatic import (export) licences, another type of permit may be required, such as animal health import certificates (Table 3.12). There is an Interministerial Commission for the control of certain products such as pesticides, fertilizers and toxic substances.[75]

Table 3.12 Ministries issuing import (export) permits, 2021

Entity	Product	Legal framework establishing the classification and coding of the products/goods
SSA	Essential chemicals	Federal Law on the Control of Chemical Precursors, Essential Chemicals and Machines for Manufacturing Capsules and/or Tablets (Official Journal of 27 April 1998, most recent amendment published on 20 May 2021). Decision establishing the classification and coding of essential chemicals for which imports and exports are subject to prior notification to the Ministry of Health (Official Journal of 30 June 2007, most recent amendment published on 1 June 2010).

[69] Viewed at: http://gaceta.diputados.gob.mx/Gaceta/58/2001/dic/Impuestos/Cap98.PDF.

[70] In 2021, 25 tariff items were subject to Rule 8ª licences corresponding to 23 of the 24 PROSEC sectors of heading 98.02 of the tariff schedule in the Law on General Import and Export Taxes. Information viewed at: http://www.siicex.gob.mx/portalSiicex/Transparencia/Permisos/infgeneral.htm.

[71] Comprehensive Foreign Trade Information System (SIICEX). Information viewed at: http://www.siicex.gob.mx/portalSiicex/Transparencia/Permisos/archivos/Fichaspermisos/2015/FICHA%20INFORMATIVA%20PRENDERIA%202015.pdf.

[72] For example: used tyres for retreading and for laboratory testing; used vehicles, for dismantling, for persons with disabilities or to be donated; ambulances for reconstruction and refurbishment; material for research and development; anti-pollution equipment and parts thereof; diamonds for industrial use and agricultural products under LAIA, the FTA with Uruguay and the FTA with Chile (SIICEX. Information viewed at: http://www.siicex.gob.mx/portalSiicex/Transparencia/Permisos/permisos-infespecifica.htm).

[73] SIICEX. Viewed at: http://www.siicex.gob.mx/portalSiicex/Transparencia/Permisos/permisos-infespecifica.htm.

[74] Decision establishing the classification and coding of hydrocarbons and petroleum products whose import and export are subject to a prior permit from the Ministry of Energy (Official Journal of 26 December 2020).

[75] Decision establishing the classification and coding of goods whose import and export are subject to regulation by the bodies comprising the Interministerial Commission for the Control of the Processing and Use of Pesticides, Fertilizers and Toxic Substances (Official Journal of 12 April 2013; most recent amendment published on 5 February 2016).

Entity	Product	Legal framework establishing the classification and coding of the products/goods
SSA	Products intended for human consumption or for use in the processes of industries producing food for human consumption. Raw materials for medicines, pharma-chemicals, narcotics and psychotropic substances; products for the diagnosis or treatment of disease in humans and products used in rehabilitation; chemical substances	General Law on Health Decision determining the classification and coding of goods and products whose import, export, inward clearance or exit are subject to sanitary regulation by the Ministry of Health (Official Journal of 16 October 2012, most recent amendment published on 10 January 2018).
SSA	Tobacco and cigarettes	General Law for Tobacco Control Decision determining the classification and coding of goods and products whose import, export, inward clearance or exit are subject to sanitary regulation by the Ministry of Health (Official Journal of 16 October 2012, most recent amendment published on 10 January 2018).
SENER	Hydrocarbons and petroleum products	Decision establishing the classification and coding of hydrocarbons and petroleum products whose import and export are subject to a prior permit from the Ministry of Energy (Official Journal of 29 December 2014, most recent amendment published on 22 February 2019).
SENER	Nuclear materials and fuels, radioactive materials, equipment that generates ionizing radiation, dual-use equipment and goods in the nuclear field and related technology that are susceptible to diversion for the proliferation and manufacture of nuclear weapons and weapons of mass destruction	Decision establishing which goods imports and exports are regulated by the Ministry of Energy (Official Journal of 26 December 2020).
SEMARNAT	Species listed in the CITES appendices; forestry products and by-products; pesticides, plant nutrients, toxic or hazardous substances or materials	Decision establishing which goods imports and exports are regulated by the Ministry of the Environment and Natural Resources (Official Journal of 26 December 2020).
SEMARNAT and Federal Commission for Protection against Health Risks (COFEPRIS)	Pesticides, fertilizers and toxic substances	Decision establishing which goods imports and exports are regulated by the bodies comprising the Interministerial Commission for the Control of the Processing and Use of Pesticides, Fertilizers and Toxic Substances (Official Journal of 26 December 2020).
SEDENA	Arms, ammunition, gunpowder, explosives, fireworks and chemical substances related to explosives	Decision establishing which goods imports and exports are regulated by the Ministry of Defence (Official Journal of 27 December 2020).
SADER	Agricultural products and aquatic species	Decision establishing which goods imports are regulated by the Ministry of Agriculture and Rural Development and regulating the issuing of certificates of origin for coffee exports (Official Journal of 26 December 2020).

Source: Information provided by the authorities.

3.1.7 Anti-dumping, countervailing and safeguard measures

3.62. The regulatory framework governing anti-dumping, countervailing and safeguard measures has not changed since the previous review. The LCE and its implementing regulations, as well as the WTO Agreements, continue to govern the use and application of contingency measures (anti-dumping and countervailing duties and safeguard measures). The existence of price discrimination (dumping) or subsidies, injury and a causal link between the two and the establishment of measures are determined on the basis of an investigation, in accordance with the administrative procedure prescribed in the LCE and its implementing regulations and in the WTO Agreements.

3.63. The International Trade Practices Unit (UPCI) of the SE is the authority responsible for conducting dumping, subsidy and safeguard investigations and for proposing the application (or not) of countervailing, anti-dumping and safeguard measures.[76] The opinion of COCEX is taken into account before applying the duties. The UPCI also participates in the Advisory Committee on International Trade Practices (CCPCI), an entity made up of public- and private-sector representatives, the mission of which is to formulate methodological and technical recommendations of a public and general nature in relation to investigations into unfair international trade practices and safeguards.[77]

3.64. The procedures for investigating unfair international trade practices and safeguard measures have not changed since the last review in 2017.[78] Such investigations can be initiated by a party or *ex officio*. Applications from parties can be submitted by legally constituted organizations and natural or legal persons (producers of goods) using official forms.[79] An *ex officio* investigation will be initiated when the SE has sufficient evidence of price discrimination or the existence of subsidies, injury and a causal link.

3.65. The administrative investigation must establish that dumped or subsidized imports cause or threaten to cause injury to the domestic industry, in accordance with the applicable rules. The UPCI determines the existence of material injury or threat of material injury to the domestic industry, taking into account all the factors of which it is aware.[80] The UPCI always analyses whether there are factors other than the dumped or subsidized imports that could also affect the domestic industry. A determination is based on facts and not merely on allegation, conjecture or remote possibility.

3.66. In investigations on unfair international trade practices and safeguard measures, the SE has a period of 25 days to accept the application and initiate the investigation (by means of an initiating resolution that is published in the Official Journal), or a period of 17 days to ask the applicant for more information or data, which must be provided within a period of 20 days from receipt of the application (prevention). If the UPCI considers that the information is satisfactory, it issues the initiating resolution; if the required elements and data are not provided in a timely manner, the application is rejected and the applicant is notified. If an investigation is initiated, the following day the SE notifies the interested parties of which it is aware and grants them a period of 23 days from the date of receipt of the responses to the official questionnaire to submit their arguments, information and evidence. The SE issues a preliminary resolution within a period of 90 days from the day following the publication of the resolution initiating the investigation, which is published in the Official Journal and notified to the interested parties that are known. The draft final resolution must be submitted to COCEX for its opinion and published in the Official Journal within a period of 210 days, counted from the day following the publication of the resolution initiating the investigation in the Official Journal. Through the final resolution, the SE can impose a definitive measure, revoke the provisional measure or declare the investigation concluded without imposing measures.[81] During the investigation, interested parties may request a conciliation process.

3.67. The SE determines the anti-dumping and countervailing measures, which may be lower than the margin of price discrimination or the amount of the subsidy, as long as they are sufficient to

[76] WTO document G/ADP/N/14/Add.56-G/SCM/N/18/Add.56 of 21 April 2022 and online information. Viewed at: https://www.gob.mx/se/acciones-y-programas/industria-y-comercio-unidad-de-practicas-comerciales-internacionales-upci.

[77] Online information from the CCPCI. Viewed at: http://www.ccpci.economia.gob.mx/swb/es/ccpci/p_miembrosdel_ccpci.

[78] Online information from the CCPCI. Viewed at: https://www.gob.mx/cms/uploads/attachment/file/31681/flujograma_procedimiento_antidumping.pdf; https://www.gob.mx/cms/uploads/attachment/file/31682/flujograma_procedimiento_antisubvencion.pdf y https://www.gob.mx/cms/uploads/attachment/file/31680/flujograma_medidas_salvaguarda.pdf.

[79] Official forms. Online information. Viewed at: https://www.gob.mx/se/acciones-y-programas/industria-y-comercio-unidad-de-practicas-comerciales-internacionales-upci.

[80] These factors are indicated in Articles 41 and 42 of the LCE and Articles 64 and 68 of the regulations implementing the LCE.

[81] Article 59 of the LCE. Online information. Viewed at: https://www.gob.mx/cms/uploads/attachment/file/31681/flujograma_procedimiento_antidumping.pdf.

discourage the import of merchandise under unfair international trade practice conditions (Article 62 of the LCE). The definitive measures shall remain in effect for the length of time and to the extent necessary to offset the injury to the domestic industry. In general, they are eliminated within a period of five years following their entry into force, unless before this period has elapsed the SE has initiated a procedure to review the validity of the measure to determine whether its removal would result in the repetition or continuation of dumping and injury, in which case it may be possible to extend the measure for another five years. An annual review procedure can also be carried out at the request of an interested party or *ex officio*, pursuant to which both dumping or the amount of the subsidy and the injury are analysed. If, when reviewing a measure, the margins of dumping or the amount of the subsidies are different from those established in the initial investigation, new measures will be imposed to replace the previous ones.[82]

3.68. The SE may accept an undertaking from the exporter or government concerned, issue the appropriate resolution and declare the administrative investigation suspended or terminated; the aforementioned resolution is notified to the interested parties and is published in the Official Journal. During the period covered by this review, the commitments undertaken by two exporters were reviewed.

3.69. Mexican Law establishes a procedure against circumvention in the case of anti-dumping, countervailing or safeguard measures; goods imported under these conditions shall be subject to payment of the applicable duties or to the corresponding safeguard measure. Circumvention of preliminary or definitive measures shall be determined through proceedings initiated *ex officio* or at the request of an interested party.[83] During the review period, two anti-dumping circumvention investigations were initiated. In both cases, circumvention was confirmed and the corresponding measures were applied.

3.1.7.1 Anti-dumping measures

3.70. Over the period 2017-21, Mexico initiated 28 anti-dumping investigations (Table A3.4), fewer than in the period 2012-16 (November), when 34 investigations were initiated. Most of the investigations initiated concern products from China (39.3%), the EU (14.3%), the United States (10.7%), Japan (7.1%) and the Republic of Korea (7.1%). During the review period, Mexico imposed 28 final measures.

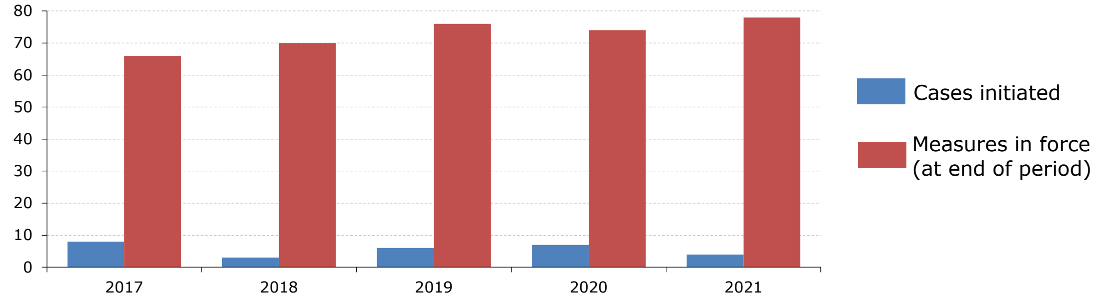
3.71. As of December 2021, Mexico had 78 anti-dumping duties and two price undertakings. These duties mainly affected base metals, which accounted for 66.7% of all measures (Chart 3.4). Most of these measures are imposed on products originating in China (44.9%), followed by the EU and the United States (both 10.3%) and Ukraine (6.4%). The average duration of an anti-dumping measure in force in December 2021 was eight years and seven months; however, there are 22 measures that have been in force for more than 10 years.[84]

---

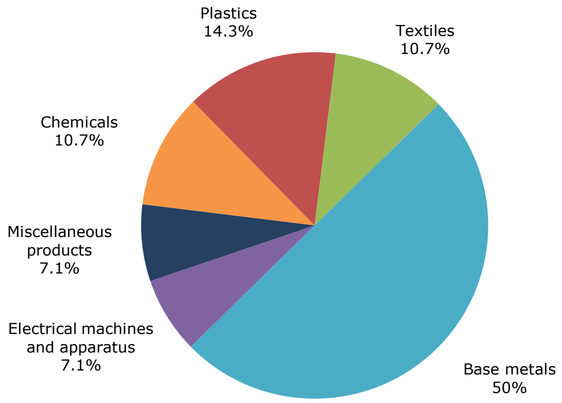
[82] Article 106 of the regulations implementing the LCE.
[83] Online information. Viewed at: https://www.gob.mx/cms/uploads/attachment/file/167045/flujograma_Elusion_2016_1122.pdf.
[84] WTO document G/ADP/N/357/MEX of 30 September 2021.

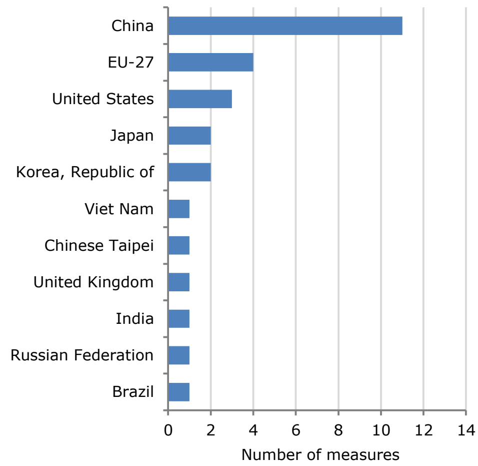
Chart 3.4 Anti-dumping measures, 2017-21

(Number of investigations initiated and measures in force)

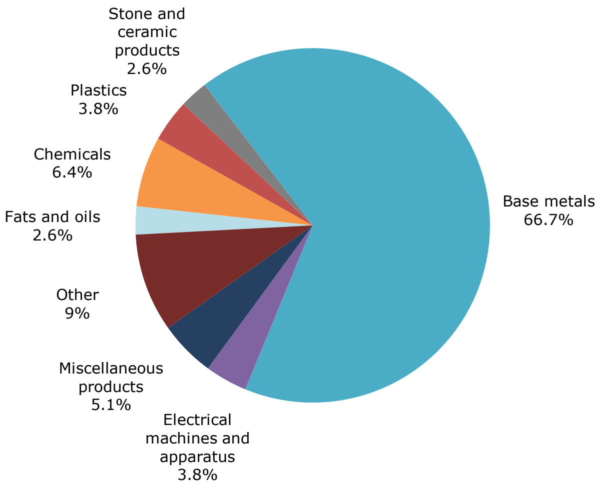


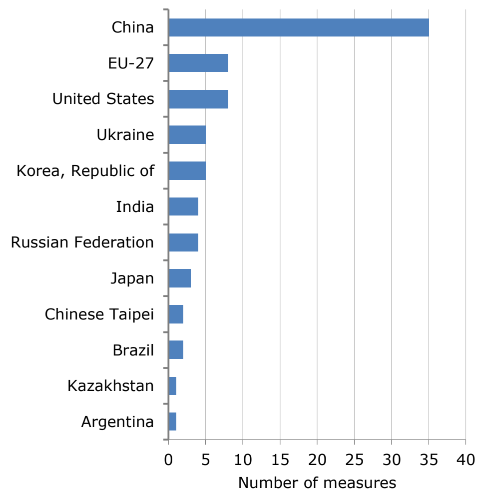
Iinitiated investigations by HS section and partner, 2017-2021





Total measures in force by HS section and partner, at 31 December 2021





Source: WTO, Integrated Trade Intelligence Portal (I-TIP) and WTO document G/ADP/N/364/MEX of 21 March 2022.

3.1.7.2 Countervailing measures

3.72. During the review period, Mexico did not initiate any investigations related to countervailing measures.

3.73. As at 30 June 2021, Mexico had three countervailing measures in force, with an average duration of eight years and two months (Table 3.13).[85]

Table 3.13 Definitive countervailing measures in force, 2017-21

Member	Product	HS code	Date of original imposition
India	Metoprolol tartrate	2922.19.28	26.07.2014
	Amoxicillin trihydrate	2941.10.12	28.11.2012
	Dicloxacillin sodium	2941.10.08	18.08.2012

Source: WTO Documents G/SCM/N/379/MEX and G/SCM/N/386/MEX of 17 September 2021 and 10 March 2022, respectively.

3.1.7.3 Safeguard measures

3.74. During the review period, Mexico did not initiate any safeguard investigations. Mexico does not have any safeguard measures in force.

3.75. Mexico has reserved the possibility of using the special safeguard provision of the Agreement on Agriculture; it did not, however, use this provision during the 2017-20 period.[86]

3.2 Measures Directly Affecting Exports

3.2.1 Registration and documentation

3.76. There have been no major changes to export requirements since the previous review.

3.77. Exporters (and importers) must be registered with the Federal Taxpayers Registry (RFC) in order to be able to issue electronic invoices, apply for certificates and/or permits, complete export formalities, or obtain refunds, tax rebates or certain benefits under government programmes. In addition, natural or legal persons exporting certain goods (classified under 15 HS chapters) must be enrolled in the SAT's Register of Exporters in Specific Sectors.[87] The products covered by this requirement vary depending on the risk models defined by the customs authorities for each product. Exporters and importers may be suspended from the registers for failure to comply with the requirements stipulated in customs and related regulations.[88] For example, in the case of definitive exports or returns of goods abroad, suspension would take place if the declared goods were found not to have left the country or if at least 90% of the declared value had not been returned.

3.78. Exporters may undertake customs clearance of goods either through their accredited legal representative, a customs broker or, having sought and received authorization from the customs authority, without the involvement of a customs broker. Where there is no customs broker, the exporter is assigned an authorization number allowing the declaration to be transmitted through the electronic customs system. The export declaration must specify the destination regime. Mexico operates two export regimes: (i) definitive and (ii) temporary, which may take the form of an exported product that returns to the country in the same condition that it left or for manufacture, processing or repair.[89] SAT-authorized exporters may submit the export declaration and the various substantiating documents in electronic form to Customs through VUCEM.[90] If exporters are not so

[85] WTO documents G/SCM/N/379/MEX and G/SCM/N/386/MEX of 17 September 2021 and 10 March 2022, respectively.

[86] WTO documents G/AG/N/MEX/43 and G/AG/N/MEX/46 of 12 February 2019 and 28 June 2019, respectively, and WTO documents G/AG/N/MEX/49 and G/AG/N/MEX/50 of 20 May 2021.

[87] These products include cane molasses; ethyl alcohol; alcoholic beverages (including beer and tequila); cigars and tobacco; iron ores; gold, silver and bronze; plastics; rubber; glass; steel; and aluminium (Annex 10 to the General Foreign Trade Rules for 2022, Official Journal of 6 January 2022). Viewed at: https://www.sat.gob.mx/normatividad/14537/reglas-generales-de-comercio-exterior-(rgce).

[88] Article 144 (XXXVI) of the Customs Law and Rule 1.3.3., *Causales de suspensión en los padrones*, under the General Foreign Trade Rules for 2022 (Official Journal of 24 December 2021).

[89] Article 90 of the Customs Law. Viewed at: http://www.diputados.gob.mx/LeyesBiblio/pdf/12_241220.pdf.

[90] Documents required for exports: the transport document, the commercial invoice or electronic proof of value (COVE), the packing list, the customs clearance and certificates showing the quality and quantity of the goods.

authorized, their customs broker or legal representative undertakes customs formalities on their behalf.

3.79. Adherence to certain non-tariff export regulations or restrictions is required for some goods, namely: a phytosanitary or animal health certificate (issued by the National Health, Food Safety and Agri-food Quality Service (SENASICA) of the SADER); a health certificate for beverages, prepared, processed or tinned foods, medicines and human blood derivatives (issued by COFEPRIS of the Ministry of Health); an export permit or non-automatic export licence (issued by the Ministry of Economic Affairs); a CITES certificate (issued by SEMARNAT); a certificate issued by the regulatory boards for exports of tequila, mezcal and coffee; and certificates of origin for exports eligible for preferential treatment in the destination country. These documents are processed through VUCEM.

3.80. The customs processing fee (DTA) is payable on all exports.[91] In 2022, the DTA on exports was MXN 379 (MXN 288 in 2016), regardless of the export regime or type of export (Table 3.14). Exporters of goods to certain markets are exempt from the DTA.[92]

Table 3.14 Customs processing fee (DTA) for exports, 2022

Export type or regime	Fee
Definitive exportation	MXN 379
Export of goods exempt from foreign trade taxes under the Customs Law Return of definitively exported goods Temporary exports to be returned in the same condition Exports of goods having no customs value	MXN 379

Source: Federal Law on Duty.

3.2.2 Export taxes and duties

3.81. The general export tax (IGE) is levied in order to guarantee supplied to the domestic market or to protect human health, the environment, fauna, flora and cultural heritage. In 2021, just as in 2016, only two 8-digit HS 2017 tariff lines (HS 2714.90.99 (other bitumens and asphalts) and HS 2715.00.99 (other bituminous mixtures)) were subject to the general export tax, at a rate of 25%. The tax base for the export tax is the transaction value of the goods.[93]

3.82. Definitive exports by companies' resident in Mexico benefit from a 0% IEPS rate[94] and a 0% VAT rate on the value of sales of goods or services for export.[95]

3.2.3 Export prohibitions, restrictions and licensing

3.83. Mexico regulates exports of certain products in order to protect public health, public morality, security and public order; to conserve the country's non-renewable and historically significant resources; and to guarantee supplies of essential consumer goods and raw materials.[96] Prior to the imposition of measures to regulate exports, the Foreign Trade Commission (COCEX) evaluates studies prepared by the departments proposing the measures in question.

3.84. Mexico bans the export of certain chemical products, drugs and vaping devices (41 8-digit HS 2017 tariff lines) on the grounds of public health or safety or in order to comply with international agreements. Mexico also prohibits the export of totoaba and turtle eggs of any type (HS 0410.00.01) for environmental conservation reasons.[97] In addition, there is a ban on the export of poppy seeds

[91] With the exception of the operations referred to under rules 5.1.1. and 5.1.2. of the General Foreign Trade Rules for 2022.
[92] In 2022, this exemption applied to the following agreements: T-MEC, the Chile-Mexico Free Trade Agreement, the Mexico-Colombia Free Trade Agreement, ACE No. 66 and the Free Trade Agreement between Mexico and Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua.
[93] Articles 79 and 80 of the Customs Law (Official Journal of 15 December 1995, latest amendment of 12 November 2021).
[94] Law on the IEPS (Official Journal of 12 November 2021).
[95] Law on VAT (Official Journal of 29 December 1978, latest amendment of 12 November 2021).
[96] Article 15 of the LCE.
[97] The totoaba is a species considered at critical risk of extinction and included on the Red List of Threatened Species of the International Union for Conservation of Nature (IUCN). There is a ban on exports of

(HS 1207.91.01) and goods designated as archaeological monuments by the Ministry of Public Education (HS 9705.00.05).

3.85. The trade regime provides for the use of automatic licensing (automatic permits) and non-automatic licensing (prior permits) for exports. Automatic licensing is used for the purpose of keeping a statistical record of foreign trade transactions. Licences are issued by the Ministry of Economic Affairs and are available to any legally-established foreign trade operator. In 2021, 75 tariff lines required an automatic licence, primarily for the export of base metals, certain food products and minerals (Chart 3.5).

3.86. Non-automatic export licensing is intended to regulate trade in certain products for the purpose of consumer, health or environmental protection or in order to comply with international treaties or agreements to which Mexico is party.[98] Non-automatic licences are required for the export of these products to any destination on an MFN basis, with the exception of licences administered under preferential agreements. Non-automatic licences are processed through the VUCEM and are generally issued by the Ministry of Economic Affairs, although depending on the product, other bodies may also be involved. For example, in the case of export of petroleum products, the Ministry of Economic Affairs will request an opinion from the Directorate-General for Industrial Hydrocarbon Processing (DGTIH) within SENER and the Tax Revenue Policy Unity (UPIT) within the SHCP. SENER may refuse to grant a licence if the authorization has an impact on public finances, if production is insufficient or if the energy balance analysis shows that the exports concerned jeopardize domestic supplies and are detrimental to Mexico's energy security, or if exporting runs counter to the country's energy policy.[99] For the export of iron ore (HS 2601.11.01 and 2601.12.01), the Ministry of Economic Affairs liaises with the General Office of Mining. In this instance, non-automatic export licences are granted up to a maximum volume of 300,000 tonnes.[100]

3.87. During the period under review, there was an increase in the number of tariff lines carrying a non-automatic licensing requirement. In 2021, 13.54% of the total Mexican tariff schedule (1,057 lines) was subject to non-automatic export licensing compared to 4.65% (449 lines) in 2016. There was also an increase in the coverage of products subject to non-automatic export licensing. In 2016, this type of non-automatic licence was used primarily to regulate exports of chemical products, whereas in 2021, in addition to these products, a licence was required for the export of machines and mechanical appliances. Together with chemical products, these are the main exports to which this type of measure currently applies (Chart 3.5).

fresh totoabas (HS 0302.89.01), fresh edible totoaba offal (HS 03.02.9903), frozen totoaba (HS 0303.89.01) and frozen edible totoaba offal (HS 03.03.9903) (information provided by the authorities).

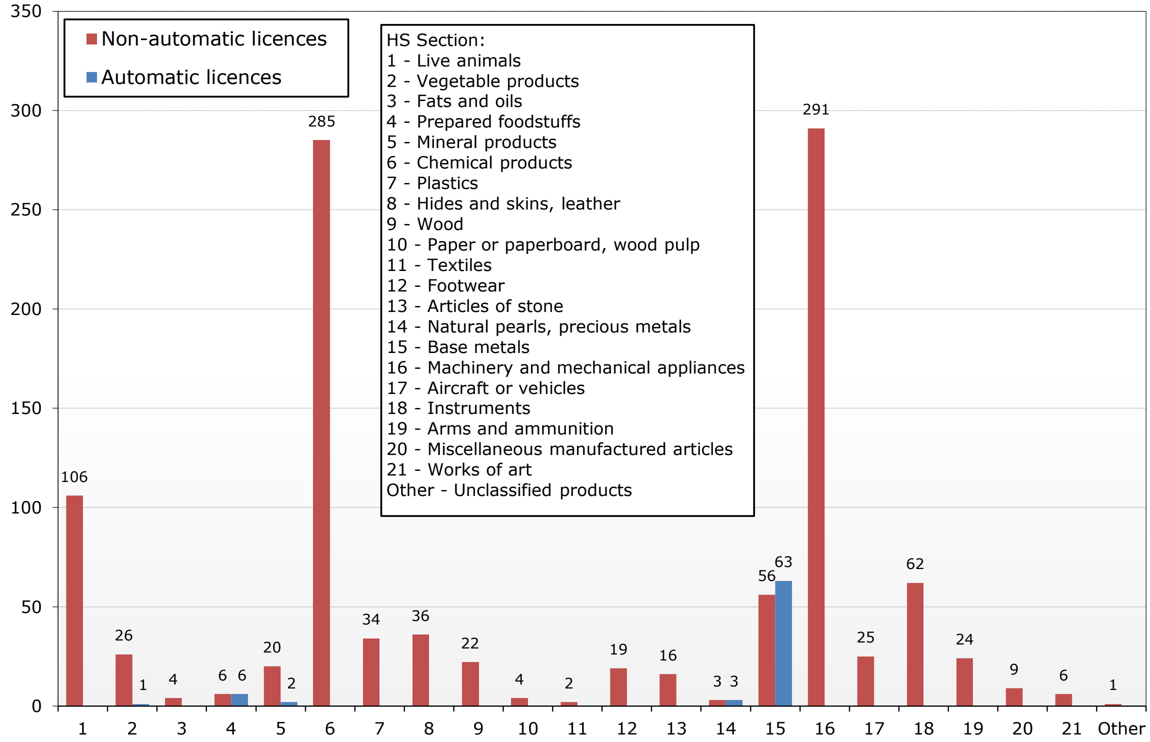
[98] For example, the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies; the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES); the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade; and the Kimberley Process Certification Scheme.

[99] SIICEX. Viewed at: http://www.siicex.gob.mx/portalSiicex/Transparencia/Permisos/archivos/Fichaspermisos/2015/FICHA%20INFORMATIVA%20PETROLIFEROS%202015.pdf.

[100] SIICEX. Viewed at: http://www.siicex.gob.mx/portalSiicex/Transparencia/Permisos/archivos/Fichaspermisos/2016/FICHA%20INFORMATIVA%20MINERAL%20DE%20HIERRO%202016.pdf.

Chart 3.5 Automatic and non-automatic export licensing by HS section, 2021

(Number of tariff lines)



Source: WTO Secretariat calculations, on the basis of data provided by the authorities.

3.88. Mexico has preferential export quotas under its trade agreements with Colombia (soybean, sunflower and rape or colza oils) and Japan (citric acid and citric acid salts, and agave syrup) and the European Union (cane molasses).[101]

3.2.4 Export support

3.89. Mexico notified the WTO that, over the period 2016-18, no subsidies had been granted for exports of agricultural products.[102] In 2019, it notified that it had granted subsidies for agricultural exports during 2017 and 2018.[103] In 2021, Mexico notified that in 2019 and 2020, it had granted neither subsidies for exports of agricultural products nor food aid.[104]

3.90. Mexico has continued to implement export promotion programmes through tariff and tax concessions, aimed particularly at the manufacturing sector, with a view to promoting companies' productivity and competitiveness and thereby enabling Mexican products to be further incorporated into the global market. The main export promotion programmes remain IMMEX, launched in 2006, and the import duty drawback programme for exporters, dating from 1995. These programmes have not undergone any major change during the period under review.

3.91. IMMEX enables producers of goods for export or companies providing services for export to import, on a temporary basis, various goods (raw materials, inputs, components, packing materials and packaging, as well as machinery and equipment) free of general import tax and, where applicable, of anti-dumping or countervailing duties, in order to use them in the production of export products. They may, in addition, obtain a significant VAT and/or IEPS tax credit equivalent to 100% of the VAT and/or IEPS payable on the imported products. The amount of time that the goods may

[101] Online information from the SE. Viewed at: http://www.siicex.gob.mx/portalSiicex/SICETECA/Acuerdos/Cupos/Cupos%20x%20PRODUCTO/Cupos%20por%20producto.htm.

[102] WTO documents G/AG/N/MEX/37 of 7 March 2018, G/AG/N/MEX/39 of 13 September 2018 and G/AG/N/MEX/44 of 18 March 2019.

[103] WTO documents G/AG/N/MEX/39/Rev.1 and G/AG/N/MEX/44/Rev.1 of 19 August 2019.

[104] WTO documents G/AG/N/MEX/51 and G/AG/N/MEX/52 of 21 May 2021.

remain within the national territory depends on the good. For example, some fuels, packing materials, packaging, labels and leaflets may remain in Mexican territory for up to 18 months, while containers and trailer boxes may remain for up to two years. Certain products may not be imported under IMMEX or must comply with specific requirements.[105]

3.92. Both locally-owned firms and foreign-owned firms established in Mexico are eligible for IMMEX if their annual foreign sales exceed USD 500,000 (or equivalent in other currencies) or billed exports represent at least 10% of their total sales. The programme still comprises five options: IMMEX Holding Company, IMMEX Industrial, IMMEX Services, IMMEX Accommodation[106] and IMMEX Tertiary.[107] Incentives are the same across all options.

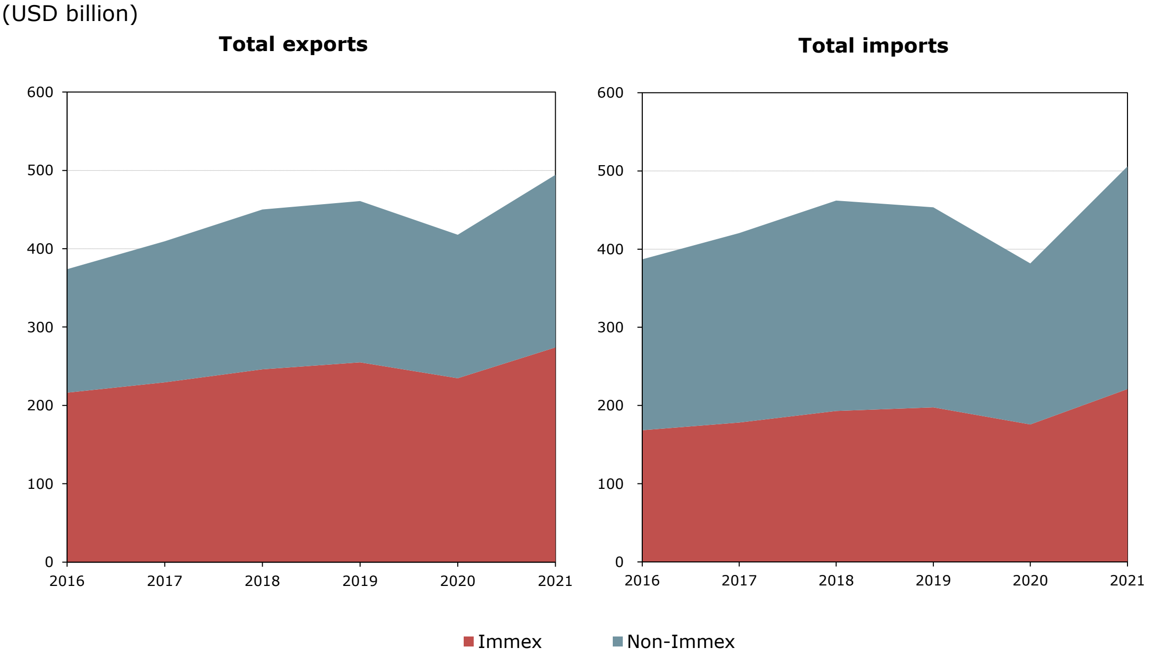
3.93. A firm may be eligible for both the IMMEX programme and a PROSEC programme at the same time (Section 3.3.1).

3.94. The number of companies operating under IMMEX fell over the period under review from 6,448 in 2016 (September) to 6,007 in 2021. These companies operate primarily in the manufacturing sector (for example, metal products, transport equipment and parts, textiles and textile articles, and plastics and rubber). The IMMEX programme remains very important for Mexico's trade. Over the period 2016-21, firms benefiting from IMMEX were on average responsible for 55.8% of exports and 43.3% of imports (Chart 3.6). In 2021, IMMEX beneficiaries accounted for 55.4% of exports and 43.7% of imports.[108]

3.95. The import duty drawback programme for exporters has not undergone any major changes since the last review.[109] The drawback system allows beneficiaries to recoup the duty paid on the import of raw materials, parts, components and other inputs used to produce goods for export; on the import of goods returned in the same condition; or on the import of goods for repair or alteration and subsequent export.

Chart 3.6 Exports and imports by type of regime, 2016-21

(USD billion)



Source: WTO Secretariat, on the basis of information provided by the authorities.

[105] Annex I and Annex II of the Decree to promote the Manufacturing, Maquila and Export Services Industry (Official Journal of 1 November 2006, latest amendment of 24 December 2020).

[106] Where one or more foreign companies provide technology and/or inputs without belonging to IMMEX.

[107] Article 3 of the Decree to promote the Manufacturing, Maquila and Export Services Industry (Official Journal of 1 November 2006, latest amendment of 24 December 2020).

[108] In 2021, exports of these goods amounted to 56.1% (56.4% in 2016), with imports amounting to 52.3% (54.9% in 2016) (information provided by the authorities).

[109] Decree establishing the drawback of import duty for exporters (Official Journal of 11 May 1995 and its amendments).

3.2.5 Export promotion

3.96. In 2019, ProMéxico, the body previously responsible for export promotion, was closed down[110] and its functions passed to the Ministry of Economic Affairs, which is now tasked with export promotion in coordination with the Ministry of Foreign Affairs.[111] This institutional change was made in order to tap into "the Mexican Foreign Service's foreign direct investment and foreign trade promotion capabilities".[112] As a result, export promotion policy has also undergone changes; ProMéxico offered export financing whereas the Ministry of Economic Affairs provides technical assistance through strategic trade information, in addition to connecting Mexican and foreign firms.

3.97. During 2020 and 2021, the Ministry of Economic Affairs, through the Global Economic Intelligence Unit, launched various platforms (DataMéxico, ExportaMX and ComerciaMX) as part of its strategy to increase the presence of Mexican products abroad. DataMéxico is a platform for viewing and analysing open data to foster innovation, inclusiveness and diversification within the Mexican economy.[113] ExportaMx provides general information on export opportunities by product and country.[114] As of 2021, the platform contained trade data profiles for 6,553 products and 238 countries.[115] ComerciaMX is linked to ConnectAmericas[116], a platform specifically created to enable MSMEs to connect with buyers, suppliers and investors worldwide. Access to the ComerciaMX platform is free of charge and brings together over 400,000 enterprises from 100 countries.[117]

3.98. In addition, the Ministry established the International Business Centre (CINSE) in 2019, as part of the public policy to attract foreign investment and promote exports. As of June 2020, the Centre had assisted 1,300 individuals and 400 firms with a service offering designed to attract foreign investment and harness opportunities to do business worldwide.[118]

3.99. ProMéxico formerly offered financial support to exporting firms or those with export potential to enable them, *inter alia*, to commission consultancy services, conduct market surveys or take part in international fairs.[119] In 2017 (most recent data available), ProMéxico provided repayable financial assistance totalling approximately MXN 24 million to 595 firms. The financial support mostly went towards strategic trade missions and technical assistance to provide employees with training in foreign trade-related topics.[120]

3.100. Other institutions also support the export sector. The National System for Guidance to Exporters (SNOE) and the Joint Export Promotion Commission (COMPEX) assist interested firms with export procedures (Section 2).[121]

---

[110] Decree authorizing the divestiture through closure of the public trust fund, ProMéxico, deemed to be a semi-public body (Official Journal of 3 May 2019). Viewed at: https://www.dof.gob.mx/nota_detalle.php?codigo=5559284&fecha=03/05/2019&print=true.

[111] Article 5 of the Decree authorizing the divestiture through closure of the public trust fund, ProMéxico, deemed to be a semi-public body (Official Journal of 3 May 2019). Viewed at: https://www.dof.gob.mx/nota_detalle.php?codigo=5559284&fecha=03/05/2019&print=true.

[112] Government of Mexico, *Informe de Gobierno 2019-2020*, p. 104. Viewed at: https://presidente.gob.mx/wp-content/uploads/2020/09/PRESIDENTE%20AMLO%202INFORME%20DE%20GOBIERNO%202019-2020.pdf.

[113] Information provided by the authorities.

[114] EXPORTAMX. Viewed at: https://exportamx.economia.gob.mx.

[115] Information provided by the authorities.

[116] ConnectAmericas is a social network designed to help SMEs participate in international markets. Viewed at: https://www.iadb.org/es/project/RG-T3453.

[117] Information provided by the authorities.

[118] Government of Mexico, *Informe de Gobierno 2019-2020*, p. 324. Viewed at: https://presidente.gob.mx/wp-content/uploads/2020/09/PRESIDENTE%20AMLO%202INFORME%20DE%20GOBIERNO%202019-2020.pdf.

[119] The support granted by ProMéxico to its beneficiaries took the form of repayable financing to cover the categories of expenditure listed in the ProMéxico Support and Services Catalogues.

[120] Decree authorizing the divestiture through closure of the public trust fund, ProMéxico, deemed to be a semi-public body (Official Journal of 3 May 2019).

[121] National Entrepreneurs Institute. Viewed at: https://www.redemprendedor.gob.mx/index.php/m-inadem/16-articulo-inadem-5; and online information. Viewed at: http://www.contactopyme.gob.mx/compex/default.asp.

3.2.6 Export finance, insurance and guarantees

3.101. During the review period, there were no major changes in terms of the institutions offering export finance, insurance and guarantees. The National Foreign Trade Bank (Bancomext) - a federal development bank – still provides these services. Bancomext acts as a first and second tier bank and offers financial products aimed at direct and indirect exporters (Table 3.15). Bancomext also has sector-specific programmes to address the financing needs of "strategic" sectors.[122]

Table 3.15 Financial products offered by Bancomext

	First Tier	Second Tier
Amount	Greater than USD 3 million	Less than USD 3 million
Type of enterprise	SMEs and large enterprises	SMEs
Financial products	Credit, international factoring, letters of credit, credit insurance (through CESCEMEX)	PyMEx credit (PyMEx exporter and importer)

Source: Online information from Bancomext, viewed at: http://www.bancomext.com/conoce-bancomext/quienes-somos and http://www.bancomext.com/empresas-que-apoyamos/exportadores.

3.102. During the review period, the main financing instrument offered by Bancomext was credit for sums exceeding USD 3 million to exporters, regardless of the sector in which they operated or the size of the firm. Bancomext also offers financing and technical assistance through the Financial Training Institute for Foreign Trade (IFFCE), enabling SMEs to become more competitive on the international market. In 2020 (Q3), Bancomext launched the *Impulso PYME 50* scheme to finance SME working capital.

3.103. Throughout the period, SMEs received a substantial portion of the credit (Table 3.16). "Strategic" sectors in general still receive around 50% of all credit (over 70% in 2018); of these, the tourism sector, followed by energy and industrial parks and premises were the largest recipients of credit. In 2020, in view of the economic and social circumstances stemming from the pandemic, Bancomext put in place credit restructuring plans and grace periods for capital payments, both in local and foreign currency. Furthermore, support was granted to finance working capital on top of debt rescheduling. Bancomext authorized rescheduling in 139 cases totalling USD 288 million. The credit lines relating to these rescheduled debts amount to USD 3,309 million, primarily in the tourism, automotive, transport and logistics sectors.[123]

Table 3.16 Credit granted by Bancomext, 2016-20

(MXN million)

	2016	2017	2018	2019	2020
Total credit amount	234,504	253,739	275,706	268,619	277,782
Beneficiary enterprises (number)	4,605	4,256	4,492	4,649	3,519
Of which SMEs (%)	90.8	88.9	88.4	90.8	87.9
Total credit amount for "strategic" sectors	163,085	176,118	196,050	190,954	200,030
By "strategic" sector (%)					
Tourism	20%	15%	16%	17%	25%
Energy	12%	10%	14%	17%	13%
Industrial facilities (maquila)	16%	15%	14%	12%	18%
Transportation and logistics	6%	6%	6%	7%	7%
Automotive	6%	7%	6%	6%	8%
Telecommunications	4%	4%	4%	5%	2%
Electricity - electronics	4%	5%	4%	2%	1%
Mining - metallurgy	4%	4%	3%	2%	1%
Other enterprises	28%	34%	33%	32%	25%

Source: Bancomext annual reports. Viewed at: https://www.bancomext.com/conoce-bancomext/bancomext-en-cifras/informe-anual.

[122] The sectors deemed strategic in 2021 were aerospace, the automotive industry, electrical-electronic components, energy, the maquila industry and industrial facilities, mining and metallurgy, telecommunications, transportation and logistics, and tourism. Viewed at: http://www.bancomext.com/empresas-que-apoyamos/sectores-estrategicos.

[123] Bancomext (2021), *Informe anual 2020*. Viewed at: https://www.bancomext.com/staticcontent/informe-anual-2020/files/Informe-Anual-2020.pdf.

3.104. Starting in 2020, Bancomext rolled out a new credit scheme at preferential rates through private banks (T-MEC Foreign Trade Product (Bancomext)). The programme is intended to boost the productivity of exporting firms of all sizes, as well as those involved in trade, prior to the entry into force of the Mexico-United States-Canada Agreement (T-MEC), while also promoting diversification of their exports. The upper ceiling for borrowing is MXN 30 million (or USD equivalent). In 2020 (financial year) MXN 500 million of counter-guarantee funds were earmarked to cover credit provided by commercial banks up to MXN 7 billion.[124]

3.105. Bancomext also promotes exports by means of other financial instruments such as the international factoring service and export letters of credit. Through the international factoring service, exporters obtain financing for up to 90% of the value of the invoice, among other things.[125] Bancomext issues letters of credit as a means of payment for exporting firms, reducing the need for Mexican exporting firms to perform credit checks on the purchasing company, given that the payment obligation rests with the banks.[126]

3.106. The Foreign Trade Guarantee (formerly the Buyers' Guarantee) is a mechanism whereby Bancomext gives guarantees (for up to USD 3 million) to financial intermediaries located abroad so that they can finance the purchase of Mexican products and/or services. This instrument allows exporters to be paid for their goods and services in cash, thereby avoiding the credit risks and country risks of buyers.[127]

3.107. Mexico does not have any official export credit insurance programmes. Export credit insurance is offered through CESCEMEX, a company in which Bancomext has a minority holding. This insurance covers commercial risks arising from an importer's inability to cover debts (insolvency), specifically legal insolvency, *de facto* insolvency and prolonged payment arrears.[128]

3.3 Other measures affecting production and trade

3.3.1 Incentives

3.108. Mexico still implements a number of support programmes to promote exports, attract investment and create jobs. During the review period, Mexico notified various export subsidy programmes for the fisheries and aquaculture, film and high-technology and industrial development sectors. The most noteworthy of these are the IMMEX and PROSEC programmes.[129] Mexico also notified training, and technical and financial assistance programmes, mainly for MSMEs and/or to promote research and development (R&D). Most of these programmes were already in place and had been notified at the time of the previous review in 2017. Tax incentives related to the of income tax (ISR) and the IEPS, and to of diesel fuel consumption, among others, are still in force.

3.109. Mexico continues to implement sectoral promotion (PROSEC) programmes with the objective of promoting competitiveness.[130] Through these programmes, which have not changed substantially since their establishment, inputs and machinery needed to produce specific goods can be imported under a preferential tariff, irrespective of whether the final good is consumed on the domestic market or exported. Each PROSEC lists the inputs by tariff line, showing the corresponding preferential tariff.

3.110. The only change since the previous review in terms of sectors covered by PROSEC programmes was the introduction of a programme for the fertilizer sector. However, the benefit of the PROSEC for this sector is limited as it only includes two tariff lines. The PROSEC programmes with the largest number of inputs with preferential tariffs are those for the automotive and auto parts industry, and the electronics and the electricity industries. The total number of tariff lines

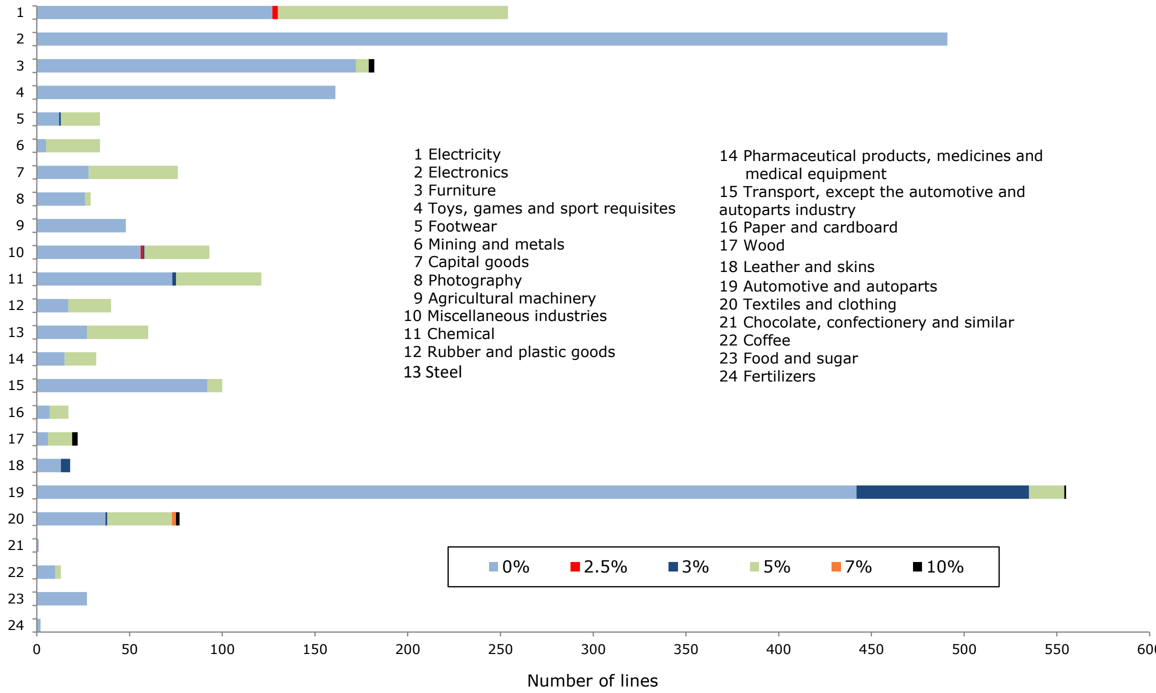
---

[124] WTO document G/SCM/N/372/MEX of 12 January 2022 and online information: https://www.bancomext.com/pymex/productos/comercio-exterior-tmec.
[125] Bancomext. Viewed at: https://www.bancomext.com/pymex/productos/factoraje-internacional.
[126] Bancomext. Viewed at: https://www.bancomext.com/pymex/productos/cartas-de-credito/cartas-de-credito-de-exportacion.
[127] Bancomext. Viewed at: https://www.bancomext.com/productos-y-servicios/garantias/garantia-comprador.
[128] Information viewed at: https://www.gob.mx/cms/uploads/attachment/file/63793/GuiaBasicaDelExportador.pdf.
[129] WTO document G/SCM/N/372/MEX of 12 January 2022.
[130] Decree establishing various sectoral promotion programmes (latest amendment on 29 November 2012).

covered by PROSEC programmes in 2021 (May) was 2,487. The most common preferential tariff rates granted under PROSEC programmes, in 2021, were 0% and 5%, which were applied to 76.2% and 19.1% of the tariff lines covered, respectively (Chart 3.7).

Chart.3.7 Inputs covered by the various PROSEC programmes, 2021

(Industry)



Source: Undersecretariat for Foreign Trade, Directorate-General for Trade Facilitation and Foreign Trade. Decree establishing various sectoral promotion (PROSEC) programmes, Tariff Structure of Article 5 of the PROSEC decree (in force since 17 May 2021), tariff schedule under the LIGIE. Viewed at: https://www.snice.gob.mx/cs/avi/snice/prosecmsbiblioteca.html.

3.111. Mexico also grants other tax incentives, such as exemption from the income tax, tax credits, and exemption from payment of the ISAN for electric vehicles (Table 3.17). Some of the tax incentives granted under the Federal Revenue Law, valid in principle for one year, which were in effect at the time of the previous review in 2017, still remain in effect.

Table 3.17 Some tax incentives, 2022

Name of programme	Description	Legal instrument
Exemption from payment of income tax for income earned from crop farming, livestock farming, forestry and fishing	Legal persons engaging exclusively in crop farming, livestock farming, forestry and fishing do not pay income tax as long as their annual income does not exceed the equivalent of 20 times the annual value of the Unit of Measurement and Update (UMA) for each partner, although the total may not exceed 200 UMA. Natural persons carrying out these activities do not pay the tax while their annual income does not exceed the equivalent of 40 UMA.	Article 74, eleventh paragraph, of the Income Tax Law (Official Journal of 11 December 2013)
Reduced rate of the income tax applicable to the primary and agro-industrial sector	Natural and legal persons engaging exclusively in crop farming, livestock farming, forestry and fishing activities may receive a reduction of 40% and 30% in the payment of income tax, respectively.	Article 74, twelfth paragraph of the Income Tax Law (Official Journal of 11 December 2013)
Tax incentives for generating energy from renewable sources	100% income tax deduction of the cost of machinery and equipment used to generate renewable energy or of systems for the efficient co-generation of electricity.	Article 34, Section XIII of the Income Tax Law (Official Journal of 1 December 2004)

Name of programme	Description	Legal instrument
Incentive for the use of electronic payment methods	Financial institutions that promote the use of electronic payment methods obtain a credit against their income tax or the amount withheld from third parties for the same tax.	Decree granting fiscal incentives to encourage the use of electronic payment methods (Official Journal of 28 October 2021)
ISAN exemption/reduction	Exemption: Definitive export; Definitive disposal or import of electric automobiles and hybrid automobiles; Disposal of new automobiles below MXN 292,552.57.	Federal Law on New Automobiles (Official Journal of 12 November 2021) Quantities updated by Annex 15 to the Omnibus Tax Resolution (Official Journal of 28 December 2021)
	50% exemption: Disposal or import of automobiles with a value between MXN 292,552.58 and MXN 370,566.61.	
Tax incentive for investment in domestic theatrical productions; in the editing and publication of national literary works; visual arts; dance; music, in the specific areas of orchestra, instrumental and vocal music in concert, and jazz.	Tax credit against Mexican income tax, equivalent to the invested amount. However, it may not exceed 10% of the income tax assessment for the fiscal year immediately prior to its application.	Article 190 of the Income Tax Law (Official Journal of 19 November 2010)
Tax incentive for technology R&D projects	Tax credit against income tax equivalent to 30% of the investment cost.	Article 202 of the Income Tax Law (Official Journal of 30 November 2016)
Tax incentive for investment in electric vehicle charging equipment	Tax credit equivalent to 30% of the investment cost in electric vehicle charging equipment.	Article 204 of the Income Tax Law (Official Journal of 30 November 2016)
Withholding scheme for persons earning income through digital platforms.	A lower withholding rate will apply to taxpayers who sell goods or provide services through the Internet. The amount withheld may be provisional or definitive, as appropriate.	Articles 113-A, 113-B and 113-C of the Income Tax Law (Official Journal of 9 December 2019)
Tax incentive for the import or disposal of fruit or vegetable juices, nectars and concentrates and drink products that may contain milk.	100% VAT credit on the import or disposal of the stated products.	Decree compiling various tax benefits and establishing measures to simplify administrative procedures (Official Journal of 26 December 2013)
Incentives granted under the Federal Revenue Law	Persons engaging in business activities, with total annual income of less than MXN 60 million, who import or purchase, for final consumption, diesel or biodiesel or mixtures thereof, to be used exclusively as fuel for machinery in general (except vehicles) may credit an amount equivalent to the IEPS against the taxpayer's income tax assessment for the fiscal year in which the fuel is imported or purchased.	Article 16 Federal Revenue Law for fiscal year 2022 (Official Journal of 12 November 2021)

Name of programme	Description	Legal instrument
	Persons who import or purchase diesel or biodiesel and mixtures thereof for final consumption and to be used in agricultural or forestry activities, and whose income in the previous year has not exceeded 20 times the annual value of the UMA may credit an amount equivalent to the IEPS against the taxpayer's income tax assessment for the year in which the fuel is imported or purchased, or request the reimbursement of the amount.	
	Persons who import or purchase diesel or biodiesel and mixtures thereof to be used in public or private vehicles for the transport of passengers, freight or tourists may credit an amount equivalent to the IEPS against the taxpayer's income tax assessment for the fiscal year in which the fuel is imported or purchased.	
	Persons who engage exclusively in public and private land transport, of freight, passengers or tourists, who use the national network of toll motorways, and whose total annual income is less than MXN 300 million, may credit up to 50% of the total toll charges against the taxpayer's income tax assessment for the fiscal year in which the expenses are incurred.	
	The IEPS paid on the purchase and importation of fossil fuels, according to their carbon content and provided that they are not combusted, may be credited against the taxpayer's income tax assessment for the fiscal year in which the fuel is purchased.	
	Holders of mining concessions and allocations, for the sale or disposal of minerals and substances specified in the Mining Law, whose annual gross income does not exceed MXN 50 million, may deduct the special levy on mining activities paid from their income tax.	
	Natural and legal persons, resident in Mexico, who dispose of books, newspapers and magazines may obtain an additional income tax deduction for an amount equivalent to 8% of the acquisition cost, provided that this activity accounts for at least 90% of their total income and does not exceed MXN 6 million.	
Tax incentive for automobile fuel in connection with the IEPS	Persons who import and dispose of automobile fuel may qualify for a reduction of the IEPS payable on the fuel.	Decree establishing fiscal incentives related to the special tax on production and services payable on the fuels listed (Official Journal of 27 December 2016 and subsequent amendments thereto).

Source: WTO Secretariat.

3.112. In addition to tax incentives, Mexico has other direct support, credit and guarantee programmes for SMEs and MSMEs, and to promote competitiveness and experimental R&D. It also has programmes specific to particular sectors such as agriculture, forestry, tourism and the film industry (Table 3.18).

3.113. Nacional Financiera (NAFIN), which has been operating for several decades as a development bank, continues to offer support to boost growth in strategic sectors, by facilitating MSMEs' access credit, with guarantee schemes and financing programmes, in coordination with commercial banks. NAFIN also promotes the financial inclusion of women and all regions of the country.[131]

Table 3.18 Main support programmes, 2017-22

Entity	Programme	Type of support (validity)
Ministry of the Economy (SE)	National financing programme for microenterprises and rural women (PRONAFIM)	Credit (until 2019)
	Financial Support Programme for Family Microenterprises, *Crédito a la Palabra*	Financial support (until 2021)
	Microcredit Programme for Well-being	Support through funding, and advice and training
	National business fund	Financial support (until 2019)
	National Guarantees Scheme (*México Emprende* Trust Fund)	Guarantee (until 2020)
	Software Industry Development Programme (PROSOFT)	Financial support (until 2020)
	Industrial Productivity and Competitiveness Programme (PPCI).	Financial support
	Programme Promoting the Social Economy	Financial support (until 2021)
National Science and Technology Council (CONACYT)	Programme to Encourage Research, Technological Development and Innovation (PEI)	Financial support (until 2017)
	Technological innovation to increase the productivity of firms (2017-18)	Economic support (until 2018)
	Regional promotion of scientific, technological and innovation capacity (2017, 2018, 2019, 2020)	Economic support (until 2020)
	Promotion of scientific and technological infrastructure (2017, 2018)	Economic support (until 2018)
	Sectoral strengthening of scientific, technological and innovation skills (2017, 2018, 2019, 2020)	Economic support (until 2020)
	Support for scientific, technological and innovation activities (2018, 2019, 2020)	Economic support (until 2020)
	National strategic programmes for science, technology and creating links with the social, public and private sector (2021-22)	Economic support
	Tax Incentive for Technology Research and Development (EFIDT)	Tax credits against income tax (until 2017)
	CONACYT Institutional Fund	Economic support (until 2020)
	Institutional Fund to Promote Science, Technology and Innovation (FORDECYT)	Economic support (until 2020)
	Mixed Funds (FOMIX)	Economic support (until 2020)
	International Cooperation Fund for Science and Technology (FONCICYT)	Economic support (until 2020)
	Sectoral Funds (FOSEC)	Economic support (until 2020)
Ministry of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA) (currently SADER)	Programme to support women entrepreneurs' productivity (PROMETE)	(until 2017)
	Programme to support young entrepreneurs in agriculture	(until 2017)
	Productivity and agri-food competitiveness programme	(until 2019)
SADER	DICONSA, S.A. de C.V. Rural supply programme	Food
	LICONSA, S.A. de C.V. Programme for supplying milk	Food
	Fertilizers Programme for Well-being	Fertilizers
	Programme for the Promotion of Agriculture, Livestock, Fisheries and Aquaculture	Financial support
	Guaranteed Prices Programme for Basic Foods	Funding

[131] NAFIN. Viewed at: https://nafin.com/portalnf/content/financiamiento.

Entity	Programme	Type of support (validity)
	Production for Well-being Programme	Funding
	Agri-food Health and Safety Programme	Technical support
	Crédito Ganadero a la Palabra (livestock farming credit at a word) programme	Support in kind
	Marketing support programme	Funding (until 2020)
National Forestry Commission	Support Programme for Sustainable Forestry Development	Financial support
Ministry of the Navy (SEMAR)	Port construction projects (2021)	Financial support for construction and maintenance.
Ministry of Tourism	Regional Sustainable Tourism Development and Magical Towns Programme (PRODERMAGICO)	Means of recourse for tourism infrastructure (until 2018)
	Promotion of Mexico as a tourist destination	Technical support
	Encouraging and promoting investment in the tourism sector	Technical support
	Tourism infrastructure projects	Technical support
	Mass passenger transport project	Technical assistance (until 2018)
Nacional Financiera (NAFIN)	SME Loans	Guarantee
	Loans for the *Crecer Juntos* programme	Guarantee (until 2021)
	Financing of transport MSMEs	Guarantee
	Financing for technical modernization	Guarantee (until 2017)
	Women-led SMEs	Guarantee (until 2021)
	Loans for the construction industry	Guarantee (until January 2022)
	Green Business Loan	Guarantee
	Green Individual Loan	Guarantee (until 2020)
	C-solar funding	Guarantee
	Financing for the leather and footwear sector	Guarantee (until 2021)
	Financing for automobile dealers	Guarantee (until 2019)
	Support for the textiles, clothing and fashion industry	Guarantee (until 2021)
	RIF Women (*Crezcamos juntas*)	Guarantee
	RIF youth loans	Guarantee (until 2021)
	RIF consumption programme	Guarantee (until 2018)
	Security Guarantee	Guarantee
	Production Chains Programme	Factoring
	Economic recovery - federal government suppliers' contract	Guarantee
	Economic recovery - Sectoral Development	Guarantee
	Economic recovery - Financial Inclusion	Guarantee (until 2021)
	Franchises	Guarantee (until 2019)
	Impulso + Hoteles (hotel sector stimulus)	Guarantee (until 2021)
	Impulso + Estados (state-level stimulus)	Guarantee
	Petrol Station Supplier Contracts	Guarantee (until 2021)
	T-MEC toolkit	Guarantee (until 2021)
	Ven a comer logo to promote Mexican gastronomy	Guarantee (until 2022 (February))
	SME Youth Loans	Guarantee (until 2021)
	Impulso + Credisuministros (value chain stimulus)	Guarantee

Source: *Catálogo de Programas Sociales Federales Susceptibles de Vinculación con la CEAV - 2021*. Viewed at: https://www.gob.mx/cms/uploads/attachment/file/669248/Cat_logo_Programas_Sociales_2021.pdf.

3.3.2 Technical regulations and standards

3.114. The Federal Law on Metrology and Standardization (LFMN)[132] regulated the national quality system until mid-2020, when it was repealed and replaced by the Law on Quality Infrastructure (LIC).[133] The drafting of the regulations implementing the LIC has not yet been finalized; therefore

[132] Federal Law on Metrology and Standardization (Official Journal of 1 July 1992, latest amendment on 18 December 2015).

[133] Law on Quality Infrastructure (Official Journal of 1 July 2020).

the LFMN regulations[134] continue to be used, unless they conflict with the LIC. The purpose of this Law is to set and develop the basis for industrial policy within the National Quality Infrastructure System, through standardization, harmonization, accreditation, conformity assessment and metrology activities, to promote quality in the production of goods and services, with a view to expanding productive capacity, achieving continuous improvement in value chains, promoting international trade and protecting legitimate public interest objectives.[135] In addition to the LIC and the Guide to the structuring and drafting of Standards, there are other laws that also influence standardization procedures.[136]

3.115. The National Commission for Quality Infrastructure (CNIC) (formerly National Standardization Commission) and the Directorate-General of Standards (DGN) of the Ministry of the Economy (SE) are responsible for applying the LIC. The SE remains the contact point for the TBT Agreement.[137]

3.116. The CNIC manages and coordinates standardization, harmonization, conformity assessment and metrology activities; evaluates requests for the establishment of national advisory committees on standardization (responsible for preparing Mexican Official Standards (NOMs)) proposed by ministries (the standardization authorities); and, on an annual basis, reviews, analyses and approves the National Quality Infrastructure Programme (formerly the National Standardization Programme) and its Supplement.[138] In 2021, the SE took over as the permanent chair of the CNIC.

3.117. Mexico issues NOMs (technical regulations) and Mexican Standards (NMXs) (specifications or standards). For technical regulations relating to telecommunications and broadcasting, the Federal Telecommunications Institute (IFT) issues "Technical Provisions" (*Disposiciones Técnicas*), which, like NOMs, are published in the Official Journal to make them binding.

3.118. There has been no change to the procedure for preparing, issuing and reviewing NOMs since the previous review. In accordance with the LIC, NOMs must be based, in whole or in part, on international standards, except where these are not appropriate or effective in achieving the desired public interest objectives (Chart 3.8). In the event of an emergency that affects the public interest, the competent Standardization Authority may issue the NOM directly and inform the CNIC. Emergency NOMs remain valid for a maximum of six months and may be renewed once for a further six months.[139]

[134] Regulations implementing the Federal Law on Metrology and Standardization (Official Journal of 14 January 1999; latest amendment on 28 November 2012).

[135] Information provided by the authorities.

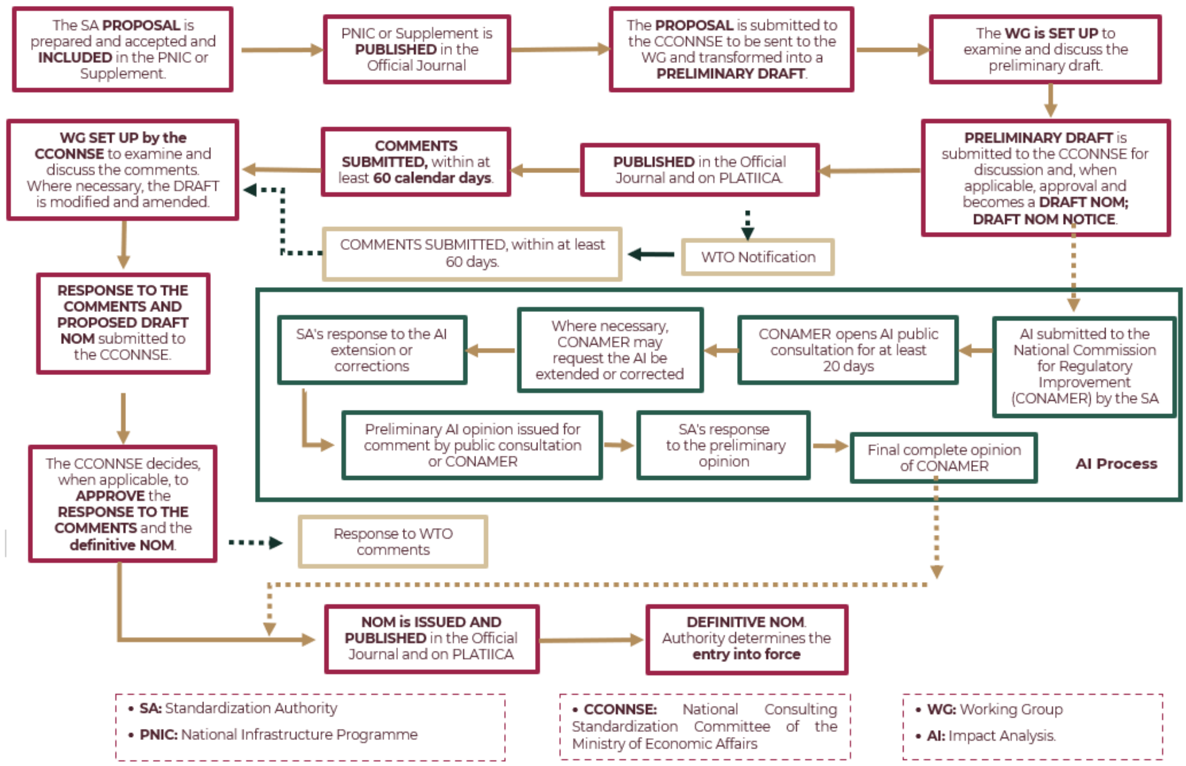
[136] These can include: the Federal Consumer Protection Law, the General Law on Health, the General Law on Ecological Balance and Environmental Protection, the Federal Telecommunications and Broadcasting Law, and the Federal Labour Law.

[137] Viewed at: http://tbtims.wto.org/en/NationalEnquiryPoints/Search.

[138] National Quality Infrastructure Programme 2021 (Official Journal of 25 February 2021).

[139] Emergencies are considered to be instances in which steps must be taken to prevent imminent injury, or to mitigate or remove existing injury to any legitimate public interest objective (Article 32 of the LIC).

Chart 3.8 NOM preparation procedure



Source: Information provided by the authorities.

3.119. The SE has developed a catalogue of NOMs and NMXs in force or rescinded, as well as draft NOMs in public consultation.[140] This catalogue will be part of the new Comprehensive Technology Platform for Quality Infrastructure (PLATIICA), which is being developed by the SE to provide information to the entire National Quality Infrastructure System.

3.120. NOMs must be reviewed by the Standardization Authority within five years of their publication in the Official Journal or their latest amendment. This review must be completed within 60 days of the end of the corresponding five-year period. The outcome of this review is notified to the CNIC Executive Secretariat. If the Standardization Authority does not review the NOM or notify the review report, the CNIC must conduct this review and could order the rescission of the NOM. In the case of the Technical Provisions, the IFT carries out the review five years after their entry into force.

3.121. Over the period 2017-21, 212 draft NOMs were published in the Official Journal, of which 84 became NOMs and 1 was rescinded. During the same period, 174 NOMS were published in the Official Journal, of which 20 were based on international standards (16 partially and 4 fully). During 2017-21, 455 NOMs were reviewed, 81 were amended and 6 removed.[141]

3.122. During 2017-21, Mexico notified the WTO Committee on Technical Barriers to Trade of 168 technical regulations relating mainly to the protection of human health and the environment, and consumer protection and information (labelling). In addition, Mexico notified the amendment of 238 previously notified technical regulations.[142] In 2017-21, on four occasions certain Members posed questions in the TBT Committee about NOMs related to conformity assessment procedures

[140] Information from SINEC. Viewed at: https://www.sinec.gob.mx/SINEC/Vista/Normalizacion/BusquedaNormas.xhtml.
[141] Information provided by the authorities.
[142] Information from the WTO. Viewed at: http://tbtims.wto.org.

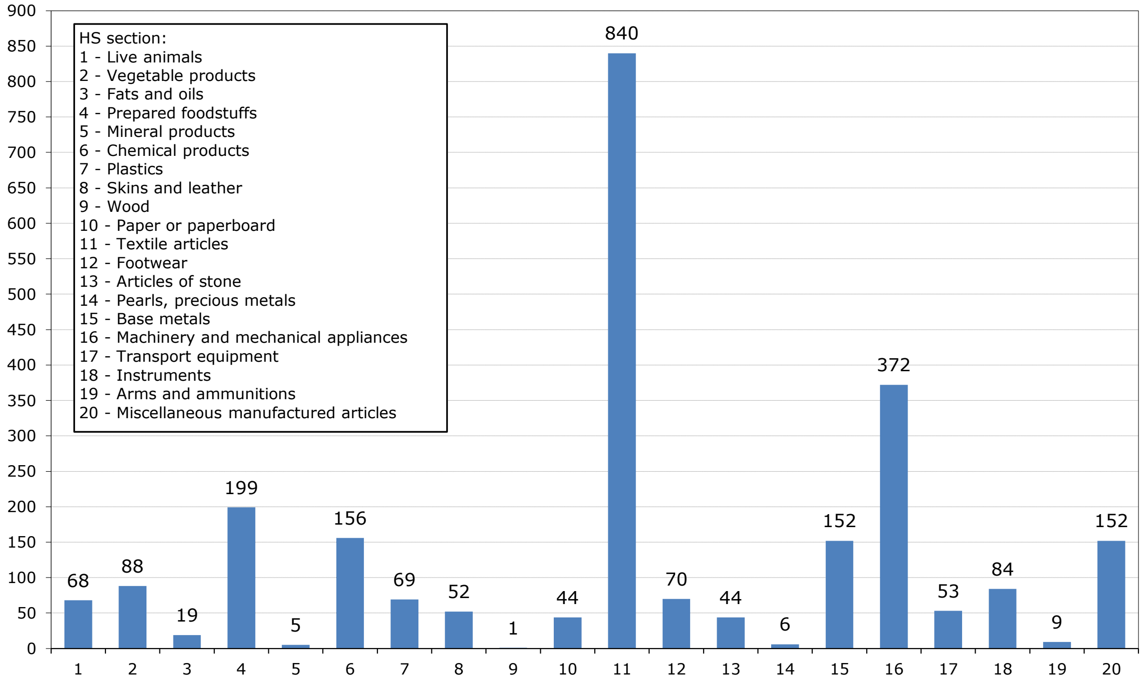
for cheese and curd (HS 0406); measures restricting the sale of food and beverages to children; health-related advertising; and labelling for pre-packaged food and non-alcoholic beverages.[143]

3.123. NOMs are mandatory for both domestic and imported products. Importers must demonstrate, at the point of entry into the country, that the goods comply with the NOM in question. In the case of NOMs relating to marking and labelling, the importer has several options for checking compliance with NOMs upon customs clearance: (a) submit the goods with the commercial information labels required by the NOM, so that the authorities can verify that they comply with the requirements; (b) submit the goods with the labels required by the NOM and a copy of the "certificate of conformity" issued by an accredited inspection unit. In the case of NOMs issued on the basis of the IFT's Technical Regulations, the provisions of the conformity assessment procedures published in the Official Journal shall be followed, in addition to what, in particular, each of the Technical Provisions may indicate.[144] When imported products do not comply with the requirements of a NOM relating to marking and labelling, the customs authorities shall proceed to detain the goods and set a time limit for the importer to make the necessary corrections. In the event of failure to comply with product safety NOMs, the customs authorities shall proceed to the precautionary seizure of the goods, which may be transferred to the tax authorities.[145]

3.124. In 2021, imports corresponding to 2,483 tariff lines had to comply with a NOM.[146] The NOMs applied mainly to textile articles, and machinery and mechanical appliances, followed by prepared foodstuffs, chemical products and metals (Chart 3.9).

Chart 3.9 NOMs by HS section, 2021

(Number of tariff lines)



Source: WTO Secretariat calculations, on the basis of data provided by the authorities.

3.125. NMXs or standards are generally voluntary, although they may serve as a reference for the correct application or preparation of a NOM. The procedure for preparing NMXs or standards is very similar to that of NOMs (Chart 3.10). Both NMXs or standards and NOMs must be registered with the National Quality Infrastructure Programme or in the Supplement thereto, and must be based on

[143] Information from the WTO. Viewed at: https://tradeconcerns.wto.org/es/stcs?searchParameterDomainIds=1&searchParameterSubjectMembers=C484&searchParameterYearsRange=2017%2C2021.

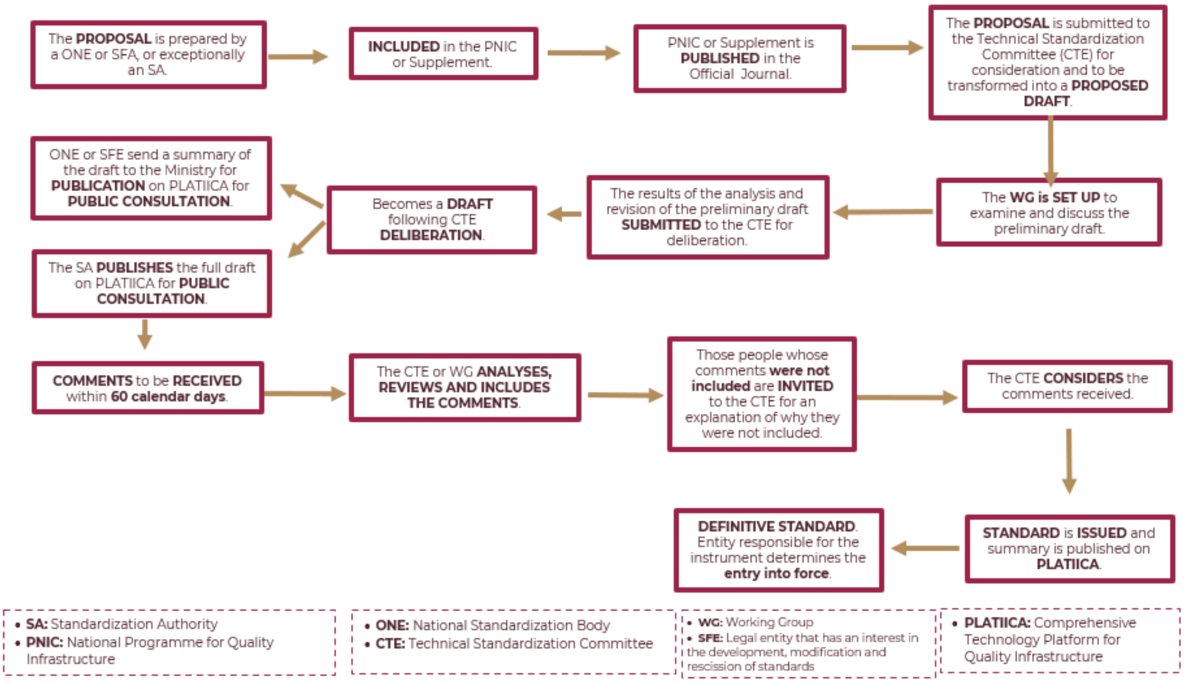
[144] In this case, the "Telecommunications and Broadcasting Conformity Assessment Procedure" (Official Journal of 25 February 2020) is followed in order to obtain a certificate of conformity.

[145] Information provided by the authorities.

[146] Online information. Viewed at: https://www.snice.gob.mx/cs/avi/snice/n.ligie.2020.html.

international standards, except where this is not effective or appropriate. In addition, under no circumstances may NMXs or standards contain specifications, characteristics, values, parameters or requirements that are less stringent than those set out in a NOM.

Chart 3.10 NMX preparation procedure



Source: Information provided by the authorities.

3.126. NMXs or standards are developed by a national standardization body[147] or by the Standardization Authorities. Pursuant to the LIC, it is the responsibility of the Technical Standardization Committee (CTE) to analyse the draft NMX or standard; if approved, the SE is notified so that it can publish an extract on PLATIICA, and a public consultation is initiated, lasting at least 60 calendar days starting from the calendar day following its publication on the Platform. When the DGN has prepared the NMX or standard proposal, the entire draft is published on PLATIICA. Once the comments have been received, the CTE decides which ones will be included and which ones will not, and informs those who submitted comments that were not included. Once the NMX or standard has been finalized, the SE publishes it on the Platform, which is in the process of being developed.[148]

3.127. The national standardization body issuing an NMX or standard must review it at least every five years after its publication or latest amendment. The CNIC's Executive Secretariat must be notified of the outcome of the review within 60 days of the end of the corresponding five-year period. The SE publishes the outcome of the review on the Platform. The CNIC may order the rescission of the standard if it is not reviewed.

3.128. Conformity assessment procedures are prepared by the Standardization Authorities. In accordance with the LIC, these procedures, as with the NOMs, must be based on international standards, except where these are not appropriate or effective in achieving the public interest objectives pursued by the State, and each one that contains the conformity assessment procedure required to determine compliance must be included in the NOMs. The IFT is the authority that issues

[147] The registered National Standardization Bodies (ONEs) are: Mexican Standardization Society S.C. (NORMEX), Mexican Institute for Standardization and Certification A.C. (IMNC), Standardization and Certification Association A.C. (ANCE), National Textile Standardization Institute A.C. (INNTEX), National Standardization and Certification Body for Construction and Building S.C. (ONNCCE), Electronic Standardization and Certification S.C. (NYCE), Milk and Milk Products Quality Promotion Council, A.C. (COFOCALEC), National Chamber of the Iron and Steel Industry (CANACERO) and Underwriters Laboratories, Inc. (UL).

[148] The current platform can be viewed at: https://www.sinec.gob.mx/SINEC/Vista/Normalizacion/BusquedaNormas.xhtml.

telecommunications and broadcasting conformity assessment procedures, pursuant to the Federal Telecommunications and Broadcasting Law.

3.129. Conformity assessment is generally carried out by accredited and approved conformity assessment bodies. However, in the absence of adequate infrastructure in the private sector, the Standardization Authorities can carry this out. In order to operate as an accreditation body, authorization from the SE is required, subject to a favourable opinion from the CNIC. An accreditation entity may operate in one or more areas, sectors or branches. Also, only bodies that are accredited with an accreditation entity may operate as conformity assessment bodies. Conformity assessment bodies can operate as: testing, measurement or calibration laboratories; inspection units; or certification bodies. The SE keeps a list of accreditation entities and conformity assessment bodies, which is published on PLATIICA, with the rates and prices charged (Articles 44 and 45 of the LIC). With regard to telecommunications and broadcasting conformity assessment, the IFT has the power to authorize third parties to issue conformity assessment certification, to accredit experts and verification units, and to establish and operate testing laboratories or to authorize third parties to do so. The IFT has issued various provisions on telecommunications and broadcasting conformity assessment.[149]

3.130. In 2021, Mexico had Mutual Recognition Agreements (MRAs) mainly in the areas of electrical engineering, energy and medical devices, with entities in Belgium; Canada; Denmark; China; the Republic of Korea; Colombia; the United States; Finland; Hong Kong, China; Japan; Norway; Thailand; and the European Union.[150]

3.3.3 Sanitary and phytosanitary measures

3.131. Procedures for preparing sanitary and phytosanitary (SPS) measures are stipulated in the 2020 LIC, which repealed the 1992 Federal Law on Metrology and Standardization, as well as specific laws on the subject. Some of these laws were amended during the review period, for example, the Federal Law on Plant Health, the Federal Law on Animal Health and the Law on Health. However, as in the case of the LIC[151], some of the regulations necessary for the implementation of the amendments have not been updated (Table 3.19). The regulatory authorities publish lists of the products subject to animal health requirements, as well as the different requirements, on their websites. The legal basis for these lists are Decisions ("modules"), which are modified to take into account changes in the plant and animal health situation.

Table 3.19 Main legal instruments that regulate the sanitary and phytosanitary system, 2021

Legislation	Publication in the Official Journal/latest amendment published in the Official Journal
Law on Quality Infrastructure	1 July 2020
Regulations implementing the Federal Law on Metrology and Standardization	28 November 2012
Federal Law on Plant Health	26 December 2017
Regulations implementing the Federal Law on Plant Health	15 July 2016
Federal Law on Animal Health	16 February 2018
Regulations implementing the Federal Law on Animal Health	21 May 2012
General Law on Health	19 February 2021
Regulations on Sanitary Control of Products and Services	12 February 2016
Regulations for Health Inputs	21 May 2021

[149] Guidelines for the accreditation, authorization, designation and recognition of testing laboratories (Official Journal of 7 March 2016); Guidelines for the accreditation of telecommunications and broadcasting experts (Official Journal of 20 February 2017, latest amendment on 19 June 2018);Guidelines for the accreditation and authorization of verification units (Official Journal of 6 February 2020); Telecommunications and Broadcasting Conformity Assessment Procedure (Official Journal of 25 February 2020 and its amendment of 27 December 2021); Guidelines for the accreditation and authorization of telecommunications and broadcasting certification bodies (Official Journal of 8 July 2021) (which entered into force in July 2022); and Guidelines for the authorization of telecommunications and broadcasting accreditation bodies (Official Journal of 9 July 2021) (which entered into force in July 2022).

[150] Viewed at: https://www.snice.gob.mx/cs/avi/snice/noms.acuerdosmutuos.html.

[151] In January 2022, the Executive Branch had not yet issued the regulations implementing the LIC, and therefore the Regulations implementing the Federal Law on Metrology and Standardization continued to be used, insofar as no conflict arises with the LIC.

Legislation	Publication in the Official Journal/latest amendment published in the Official Journal
General Law on Sustainable Forestry Development (LGDFS)	13 April 2020
Regulations implementing the General Law on Sustainable Forestry Development	9 December 2020
Law on Biosafety of Genetically Modified Organisms	6 November 2020
Regulations implementing the Law on Biosafety of Genetically Modified Organisms	6 March 2009
General Law on Sustainable Fisheries and Aquaculture	4 June 2018
Law on Organic Products	7 February 2007
Regulations implementing the Law on Organic Products	8 April 2010

Source: WTO Secretariat, on the basis of information provided by the Mexican authorities.

3.132. The bodies responsible for drafting and implementing SPS measures remain the same as in 2017 (Table 3.20). The Directorate-General of Standards of the SE is the national enquiry point designated by Mexico in the framework of the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement).[152] The national agricultural health, safety and quality policy seeks to maintain and improve agri-food health and safety conditions, through surveillance systems to reduce the risk of pests being introduced, epidemics and contamination, by controlling and eradicating existing ones, and by adopting good practices in the production and primary processing of products.

Table 3.20 Institutions responsible for the sanitary system, 2022

Institution	Function
National Health, Food Safety and Agri-food Quality Service (SENASICA) of SADER	Enforces and monitors compliance with provisions on agri-food health, safety and quality for plant, animal, fishery and aquaculture products and by-products. Prepares and issues NOMs, decisions and other legal provisions. Determines requirements, quarantine regulations and sanitary safety measures. Regulates and promotes the implementation and certification of risk reduction systems.
Federal Commission for Protection against Health Risks (COFEPRIS) of the SSA	Enforces, oversees and certifies compliance with health provisions (for the production, distribution, import and export of products for human use and consumption). Prepares and issues NOMs.
SEMARNAT	Prepares and issues NOMs on forestry and land matters. Issues phytosanitary documents needed for the movement, import or export of regulated forestry products and by-products.
Interministerial Commission on Biosafety and Genetically Modified Organisms (CIBIOGEM)	Coordinates policy on the production, consumption, import, export and movement of genetically modified organisms (GMOs).

Source: WTO Secretariat.

3.133. In Mexico, SPS measures are established by means of a NOM. The procedure for preparing NOMs on plant and animal health, fisheries, biosafety and agri-food safety matters is the same as that used for other NOMs. The objective of these is to prevent, control and combat pests and diseases that affect plant, animal, aquaculture and fishery species. Each unit prepares the preliminary drafts; and the respective subcommittees (which comprise the National Advisory Committee on Agri-food Standardization (CCNNA) of SADER or the National Advisory Committee on Environmental and Natural Resource Standardization (COMANART) of SERMANAT) carry out the relevant reviews and amendments, respond to comments and approve draft NOMs and, if it is deemed necessary, submit them for consideration to the CCNNA or COMANART. Interested parties may also submit proposals for preliminary drafts of NOMs. In these cases, the CCNNA carries out the appropriate evaluation and submits the preliminary draft for consideration to the subcommittee. The NOMs are reviewed every five years or earlier, in order to update them in line with scientific and technological developments and animal health campaigns. In urgent cases, an emergency NOM can

[152] WTO online information. Viewed at: http://spsims.wto.org/es/EnquiryPointsNotificationAuthorities/Search?countryCode=C484&filter=.

be prepared directly without the need for a preliminary draft or a draft. Emergency NOMs are valid for six months and may be renewed for a further six months.

3.134. According to the authorities, plant and animal health requirements are based on scientific principles and/or international recommendations[153] and, as appropriate, on a risk analysis based on the phytosanitary and/or animal health situation in the geographical areas concerned, as well as of adjoining areas and areas with which there are trade flows.

3.135. In Mexico, phytosanitary, animal health and aquacultural health requirements for imports are published in Decisions and/or NOMs, through the Phytosanitary Requirements Module, the Animal Health Requirements Module and the Aquacultural Health Requirements Module.[154] The requirements for the import of phytosanitary, animal health and aquaculture and fishery goods are available online under the three aforementioned SENASICA Modules.[155] These Modules consist of a catalogue of documents, called phytosanitary, animal health and aquaculture and fisheries requirement sheets, drawn up to prevent the entry of animal, plant and aquaculture and fishery diseases and pests into Mexico.[156] In the event of a plant or animal health emergency that poses a risk to plant or animal health in the country, SENASICA updates or modifies the risk mitigation measures under the relevant Module, which enter into force immediately. In addition, in the event of an animal health emergency, the National Animal Health Emergency Mechanism (DINESA), which tackles diseases and coordinates those involved in order to avoid further damage to livestock and, as the case may be, to public health.[157] Goods subject to phytosanitary or animal health requirements must also come from authorized countries that have sanitary services recognized by SADER.[158]

3.136. In 2021, Mexico had 74 NOMs relating to animal and plant health in force, 29 of which concerned animal health and aquaculture, 32 plant health, 9 agri-food safety and 4 forest health.[159] Between 2017 and 2021, Mexico notified 91 (regular) SPS measures to the WTO, of which none were urgent. Products included rice and various fresh fruits, grains, plants and seeds. Mexico also notified amendments to 64 SPS measures that had already been notified. In the same period, six specific trade concerns on measures adopted by Mexico, affecting imports of chilies, shrimps, pork products/swine meat (two instances), hibiscus flowers and casein products were submitted to the SPS Committee.[160]

3.137. At the point of entry into the country, before customs clearance, importers of agricultural, vegetable, aquaculture and fishery products must demonstrate to the DGIF of SENASICA, or in the case of forestry products the Federal Environmental Protection Agency (PROFEPA) SERMANAT, that

[153] Mexico is a member of the Codex Alimentarius Commission (FAO/WHO) and the World Organization for Animal Health (WOAH), and is a signatory of the International Plant Protection Convention (IPPC). It is also a member of regional bodies such as the North American Plant Protection Organization (NAPPO) and the International Regional Organization for Plant and Animal Health (OIRSA).

[154] Decision establishing the module of phytosanitary requirements for the import of goods regulated by the Ministry of Agriculture, Livestock, Rural Development, Fisheries and Food with respect to plant health (Official Journal of 7 February 2012), Decision establishing which goods imports are regulated by the Ministry of Agriculture and Rural Development and regulating the issuing of certificates of origin for coffee exports (Official Journal of 26 December 2020) and Decision establishing the module of sanitary requirements for the import of aquatic species, their products and by-products, and biological, chemical, pharmaceutical or food products for use or consumption by such species (Official Journal of 25 May 2012).

[155] Module of requirements for the import of animal health goods. Viewed at: https://sistemasssl.senasica.gob.mx/mcrz/moduloConsulta.jsf; Module of phytosanitary requirements for the import of goods of plant orig in. Viewed at: https://www.gob.mx/senasica/documentos/modulo-de-requisitos-fitosanitario; and Module of phytosanitary requirements for the import of aquaculture and fishery goods. Viewed at: https://www.gob.mx/senasica/documentos/modulo-de-consulta-de-requisitos-de-sanidad-acuicola-para-importacion.

[156] This replaced the previous National System for the Consultation of Animal Health Requirements (SINORH). Online information viewed at: https://sistemasssl.senasica.gob.mx/mcrz/moduloConsulta.jsf.

[157] Information provided by the authorities.

[158] The NOMs relating to forestry products are available at: https://www.ccmss.org.mx/acervo/legislacion-forestal-mexicana-leyes-y-normas-federales.

[159] Information provided by the authorities.

[160] WTO information. Viewed at: https://tradeconcerns.wto.org/es/stcs?searchParameterDomainIds=2&searchParameterSubjectMembers=C484&searchParameterYearsRange=2017%2C2021.

the imported goods comply with the requirements indicated under the corresponding Modules.[161] Where import requirements for products of animal or plant origin are not specified in the Modules on animal health or plant health import requirements, or in the case of aquaculture or fishery goods, are not specified in a NOM or in a Decision, SENASICA must be contacted, or, in the case of forestry products, SEMARNAT.[162] To verify compliance with the requirements, a documentary inspection (through the VUCEM) and physical inspection are carried out. Despite the fact that the document review is digital, importers must submit the original documents when the physical inspection is carried out.[163] If the requirements are met, the competent authority issues the relevant verification certificate or record. The interested party may request that this be sent electronically (Table 3.21). In the event of a pest or disease that threatens the health of plants, animals or aquaculture and fishery species, import sanitary certificates may be rescinded and the necessary safety measures will be taken.

3.138. For products that do not require a prior import permit, a sanitary certificate issued by the competent authority in the country of origin must be submitted and the Ministry of Health (SSA) must be notified of the entry and destination of the goods.

Table 3.21 Import certificates, 2021

Products	Institution	Document
Products of plant origin	SENASICA	Phytosanitary Import (or Export) Certificate
Products of animal origin	SENASICA	Animal Health Import Certificate
Products of aquaculture or fisheries origin	SENASICA	Aquaculture Health Import Certificate
Wildlife species and their products, and forestry products	SEMARNAT/ PROFEPA	Verification Record modality D: hazardous materials and waste for the purpose of trade and industrialization Verification Record modality E: hazardous materials and waste for purposes that are different from trade and industrialization
Products posing a risk to human health[a]	COFEPRIS	Prior sanitary import permit
GMOs	COFEPRIS	Prior sanitary import permit

a For example, medicines; foodstuffs; beverages; perfumery, cosmetic and cleaning products; tobacco; pesticides; plant nutrients; biotechnology products; raw materials and additives used to prepare the aforementioned products; substances that are toxic or hazardous to health; and food supplements.

Source: WTO Secretariat.

3.139. Most goods subject to sanitary regulations also require non-automatic import licences (prior permits) (Section 3.1.6). Thus, compliance with the phytosanitary and animal health requirements does not exempt the importer from the obligation to obtain the permits required by other Ministries.

3.140. The Interministerial Commission on Biosafety and Genetically Modified Organisms (CIBIOGEM) is responsible for establishing policies on biotechnology safety and the safe use of GMOs.[164] These activities are regulated by the Law on Biosafety of GMOs and its implementing regulations. The importation of GMOs for experimental release into the environment, for pilot programmes or for commercial use, requires a permit issued by SADER and SEMARNAT, after a risk analysis has been conducted (Article 66 of the Law on Biosafety of GMOs). Subsequent imports do not require new permits, provided they concern the same GMO and the same area of release into the environment (Article 58 of the Law on Biosafety of GMOs).

[161] Wrapping or packaging material made from wood or of plant origin, containing imported goods, shall be subject to visual phytosanitary inspection by the DGIF, in order to determine the prophylactic measures required.

[162] Online information from SENASICA. Viewed at: https://www.gob.mx/tramites/ficha/solicitud-de-requisitos-fitosanitarios-que-no-se-encuentren-en-el-modulo-de-requisitos-fitosanitarios-para-la-importacion/SENASICA4836.

[163] Information provided by the authorities.

[164] The CIBIOGEM is composed of the Ministers of SADER, SEMARNAT, the SSA, the Ministry of Public Education (SEP), the SHCP and the SE, as well as the head of the National Science and Technology Council (CONACYT) (Online information. Viewed at: https://www.gob.mx/senasica/acciones-y-programas/comision-intersecretarial-de-bioseguridad-y-organismos-geneticamente-modificados and http://conacyt.gob.mx/cibiogem/index.php/cibiogem/acerca-de-la-cibiogem).

3.141. The marketing, importing and processing of GMOs intended for human use or consumption require authorization from COFEPRIS of the SSA. This Commission carries out a risk assessment, in accordance with scientific protocols, to determine the safety of GMOs and their products for human consumption. GMOs or products containing GMOs, which are intended for direct human consumption, must bear an explicit reference to GMOs and the label must include their food composition or nutritional properties, where these differ significantly from conventional products. SADER issues NOMs specifying labelling for seeds or other material intended for sowing, cultivation and agricultural production, containing GMOs (Article 101 of the Law on Biosafety of Genetically Modified Organisms).

3.142. In order to ensure safety in food production processes, Mexico uses NOMs and NMXs that refer to various tools, such as the Hazard Analysis and Critical Control Points (HACCP) system, which specify the minimum requirements for good hygiene practices that must be observed in the production process for foods, beverages or food supplements and their raw materials in order to avoid contamination throughout the process.

3.3.4 Competition policy and price controls

3.3.4.1 Competition policy

3.143. Mexico's competition policy is governed by the Constitution (Article 28), the Federal Law on Economic Competition (LFCE)[165] and, in the area of telecommunications, the Federal Telecommunications and Broadcasting Law (LFTR). To apply the LFCE, regulatory provisions have been issued.[166] These provisions have not been substantially changed since Mexico's previous review in 2017; however, new regulatory provisions relating to, for example, the immunity programme have been issued.

3.144. The competition policy applies to all sectors of the economy and to all economic operators, public and private, Mexican and foreign, operating in and outside Mexico, as long as operations abroad affect competition in the Mexican market.

3.145. Monopolies are prohibited in Mexico, although activities reserved to the State do not constitute a monopoly (Section 2.4).[167] Nor are sales by producer associations or cooperatives who meet certain conditions (i.e. that the products are not essential, they are not sold nationwide, nor are they the region's main source of wealth) considered a monopoly.[168]

3.146. Mexico has two authorities that promote and guarantee competition: the Federal Economic Competition Commission (COFECE) and the Federal Telecommunications Institute (IFT), which are autonomous constitutional bodies (Section 2.1). COFECE is the competition authority for all sectors of the economy, except the telecommunications and broadcasting sectors, in which case the competition authority is the IFT, which has the same powers that the COFECE has in other sectors. However, although the LFCE determines the specific competencies of each institution, if there was a disagreement about their competencies, it would be resolved in the Collegiate Circuit Courts on administrative matters, specialized in economic competition, broadcasting and telecommunications.[169] Since 2017, four such cases have been resolved in the courts, three of which related to digital markets.[170]

---

[165] Federal Law on Economic Competition (Official Journal of 23 May 2014, latest amendment on 20 May 2021).

[166] Regulatory Provisions. Viewed at: https://www.cofece.mx/publicaciones/marco-juridico-y-normativo; and Regulatory Provisions of the LFCE for the telecommunications and broadcasting sectors. Viewed at: http://www.ift.org.mx/industria/autoridad-investigadora/documentos-materia-economica.

[167] Article 28 of the Political Constitution of the United Mexican States and Article 6 of the LFCE.

[168] Articles 7 and 8 of the LFCE.

[169] Article 5 of the LFCE and information provided by the authorities.

[170] COFECE. Viewed at: https://www.cofece.mx/wp-content/uploads/2021/02/art-Uber-cornershop-03febrero2021.pdf and https://www.cofece.mx/el-poder-judicial-de-la-federacion-resuelve-que-la-cofece-es-la-autoridad-competente-para-conocer-de-los-mercados-de-servicios-de-busqueda-en-linea-redes-sociales-y-de-computo-en-la-nube; and OBSERVACOM news item of 3 March 2021. Viewed at: https://www.observacom.org/ift-suspende-investigacion-sobre-mercados-digitales-en-mexico-lo-hara-el-organismo-de-competencia-economica; and information provided by the authorities.

3.147. Both COFECE and the IFT have an Investigating Authority to conduct investigations into alleged anticompetitive practices and analyse possible illicit economic mergers. If there are indications, the COFECE Technical Secretariat or the Economic Competition Unit of IFT initiate the so-called "*procedimiento seguido en forma de juicio*", a trial-like procedure, during which economic operators may present evidence against accusations presented by the Investigating Authority.[171] A plenary session of the Commissioners decides the matter and, if applicable, issues the resolution declaring the practice anticompetitive or the merger unlawful, and imposes the relevant penalty. Plenary decisions may be appealed before the courts specializing in economic competition, broadcasting and telecommunications[172], although the execution of the order of the Plenary is not suspended during the appeal.

3.148. Investigations are initiated *ex officio* by the Investigating Authorities upon receipt of a complaint by a party or following an immunity programme application request. The Executive Branch may also request an investigation be initiated, either itself or through the SE or the Federal Consumer Protection Agency (PROFECO). Requests from the Executive have "preferential status", i.e. are processed more expeditiously.[173]

3.149. In Mexico absolute monopolistic practices (cartels) are proscribed and considered illegal *per se*.[174] COFECE and the IFT have an immunity (clemency) programme through which the amount of the fine (which can be up to 10% of the operator's income) is reduced for those companies that are part of a cartel or those individuals involved in a cartel on behalf of a company, and who report it. Various companies or individuals may enter the programme, as the number of participants is not limited. However, the percentage by which the fine is reduced depends on the order in which the applicants enter the programme. The fine of the first is reduced almost fully, i.e. to the equivalent of 1 UMA.[175] The fine of the second would be reduced by 50%; that of the third by 30%; and the fines of the fourth and subsequent applicants by 20%.[176] Involvement in a cartel may also be subject to criminal sanctions; however, those who enter the immunity programme will have no criminal liability.[177]

3.150. Relative monopolistic practices are penalized only if they are committed by an operator who abuses their substantial market power to, *inter alia*, exclude other agents or prevent them from gaining market access, to create exclusive advantages in favour of third parties, or to impose exclusivity or tied or conditional sales contracts.[178] A number of criteria, such as market share (percentage of sales), the number of customers or productive capacity (the legislation does not stipulate thresholds), and whether there are barriers to entry and access to essential inputs, are taken into account when determining substantial power. However, relative monopolistic practices are not sanctioned if they contribute to improving the efficiency of the economy and consumer well-being.[179]

3.151. In general, economic concentrations (merger, acquisition of control or any joint venture) conducted in Mexico and outside Mexico (when competition in the country is affected), and above a certain threshold, must be notified and authorized *ex ante* by COFECE or the IFT (Box 3.2).[180] Nevertheless, the LFCE exempts certain economic concentrations from the notification requirement, even if they exceed the established thresholds. The exceptions are, for example, the acquisition of shares that does not change the control of the company or foreign operations that do not alter the

[171] COFECE. Viewed at: https://www.cofece.mx/conocenos/secretaria-tecnica-2/procedimientos-seguido-en-forma-de-juicio.

[172] Information provided by the authorities.

[173] Article 66 of the LFCE; and Guide for the Initiation of Investigations into Monopolistic Practices by COFECE.

[174] A cartel is when competing operators agree on practices to fix or manipulate prices; limit supply; divide up markets; coordinate bids in public procurement processes; or exchange information with a view to adopting one of the aforementioned practices (Article 53 of the LFCE).

[175] In 2022, the daily value of 1 UMA was fixed at MXN 96.22. Viewed at: https://www.inegi.org.mx/temas/uma.

[176] Article 103 of the LFCE.

[177] Article 254*bis* of the Federal Criminal Code.

[178] Article 56 of the LFCE.

[179] COFECE (2015), *Herramientas de competencia económica*. Viewed at: https://www.cofece.mx/cofece/images/documentos_micrositios/herramientascompetenciaeconomica_250815_vf1.pdf.

[180] Economic mergers are notified to the Technical Secretariat's Directorate-General of Mergers (COFECE) or the Directorate-General of Mergers and Concessions in the Economic Competition Unit (IFT).

Mexican company's shareholding structure (Article 93 of the LFCE). Similarly, according to the LFTR, provided there is a dominant economic operator in the telecommunications and broadcasting sectors, and in order to promote competition and develop viable competitors in the long term, IFT authorization is not required for economic concentrations between the other concession holders, even if they exceed the established threshold, as long as they meet certain requirements.[181, 182] Economic mergers may be authorized without conditions or under certain conditions to correct possible anticompetitive effects.[183]

Box 3.2 Thresholds for notifying economic mergers, 2017-21

The price paid by the buyer exceeds 18 million times the UMA.
The transaction involves the transfer of at least 35% of the shares (shares, assets or other), and the transaction operator has annual assets or sales exceeding 18 million times the UMA, in Mexico.
The transaction involves the accumulation of assets or equity of more than 8.4 million times the UMA; and economic operators have annual assets or sales (separately or jointly) of more than 48 million times the value of the UMA.

Note: In 2022, the daily value of 1 UMA was fixed at MXN 96.22. Viewed at: https://www.inegi.org.mx/temas/uma.

Source: Article 86 of the LFCE; Guide to COFECE merger notifications; and information provided by the authorities.

3.152. Meanwhile, the LFTR states that IFT approval is required for the subscription or divestiture of shares or partnership stake in companies holding concessions for telecommunications and broadcasting services, provided that this concerns the control of more than 10% of the equity capital (Article 112).

3.153. There are also restrictions on horizontal integration in the air transport sector, as an airport operator cannot acquire more than 5% of the capital of a Mexican airline (and *vice versa*) (Article 29 of the Airports Law).

3.154. Between 2017 and 2021, COFECE initiated 37 investigations for alleged monopolistic practices, and 21 practices were penalized (Table 3.22). In some cases, penalties were imposed for collusive practices in the health, energy (sale of gasoline to the public) and services (financial services, land transportation services for passengers and domestic air transportation services). Some relative monopolistic practices, such as tied sales in the energy sector, were also penalized. A total of 699 economic mergers were authorized, 11 of them with conditions in sectors such as agri-food and digital platforms. Seven economic mergers were refused in the manufacturing, retail and distribution sectors.[184]

Table 3.22 COFECE competition data, 2017-21

	2017	2018	2019	2020	2021	Total
Monopolistic practices						
Number of investigations initiated	13	7	6	5	6	37
Following a complaint	7	3	4	1	2	17
Ex officio	6	4	2	4	4	20
Number of investigations concluded	9	11	8	6	5	39
Number of practices penalized	6	2	6	3	4	21
For cartels	6	2	4	3	4	19
For relative monopolistic practices	0	0	2	0	0	2
Mergers						
Notified	155	183	153	126	166	783
Authorized	131	172	132	127	137	699
Authorized with conditions	8	1	0	1	1	11
Refused	1	3	2	0	1	7

[181] The requirements are: (a) that the concentration produces a reduction in the Dominance Index (ID) at the sector level; (b) that, as a result, the economic agent has less than 20% share in the sector; (c) that the dominant economic agent in the sector does not participate in the merger and (d) that the concentration does not have the effect of diminishing, damaging or impeding free competition.
[182] Ninth Transitory Article of the LFTR.
[183] Article 90 of the LFCE.
[184] Information provided by the authorities.

	2017	2018	2019	2020	2021	Total
***Amparo* (judicial review) injunctions**						
Resolved by the judiciary	409	472	158	51	68	1158
Dismissed	381	437	103	13	42	976
Denied	22	27	24	17	13	103
Granted	6	8	31	21	13	79

Source: Information provided by the authorities; and COFECE statistics. Viewed at: https://www.cofece.mx/planeacion-y-evaluacion.

3.155. Between 2017 and 2021, the IFT initiated eight investigations and imposed penalties in one case. It also declared the existence of an economic operator with substantial power in the restricted audio and television services (pay television) market in various parts of the country.[185] The IFT authorized 21 economic mergers, two with conditions.

3.3.4.2 Price controls

3.156. The Political Constitution of the United Mexican States and the LFCE allow maximum prices to be imposed on goods and services deemed "necessary" to the economy and popular consumption, in the event of shortages and price increases. However, according to the authorities, prices are regulated only if COFECE or the IFT determine that there is an absence of effective competition. Otherwise, even if there are shortages, prices will not be regulated. The SE is responsible for setting the maximum price, on the basis of criteria to prevent shortages. The Federal Consumer Protection Agency (PROFECO) shall monitor implementation.[186] In the context of this review, the authorities indicated that this type of price control has not been implemented.

3.157. Also, if COFECE determines that there are barriers to access to "essential" inputs or that there is no effective competition in a reference market, it may recommend to the sector's regulatory body that regulatory measures, such as price or tariff controls, be adopted. In 2020, COFECE recommended that tariffs for the transportation of chemicals and petrochemicals by rail be regulated (Section 4.4.2). In the telecommunications and broadcasting sector, if the IFT determines that there is a lack of competition in the essential inputs market, it adopts the relevant measures (Section 4.4.3).

3.158. As in 2017, the maximum selling price of medicines and inputs is regulated by the SE, except those produced by public pharmaceutical companies, which are regulated by the SHCP. When setting prices, the opinion of the Ministry of Health is taken into account.[187] The maximum selling price is determined on the basis of the international reference price[188] and distribution and marketing costs in Mexico.[189] The price of patented medicines is regulated; however, the price of over-the-counter medicines (for which no prescription is required) is not controlled.

3.159. Electricity tariffs, except for generation, are regulated by the Energy Regulatory Commission (CRE). In the case of basic supply tariffs, these are fixed by distribution area, level of demand and voltage level.

3.160. Retail prices of petrol, diesel, and liquefied petroleum gas (LPG), as well as the wholesale ("first-hand") price of natural gas were liberalized in 2017.[190] However, on 29 July 2021, as an emergency and transitional measure, the maximum retail price of LPG was reintroduced.[191]

[185] Information provided by the authorities.
[186] Article 28 (third paragraph) of the Constitution and Article 9 of the LFCE.
[187] Article 31 of the General Law on Health (Official Journal of 7 February 1984, latest amendment on 1 June 2021).
[188] This is the average ex works price of the six States with the largest market share.
[189] Senate information. Viewed at: https://infosen.senado.gob.mx/sgsp/gaceta/64/1/2019-02-19-1/assets/documentos/Inic_MORENA_Art.31_Ley_Gral_Salud.pdf.
[190] Information provided by the authorities.
[191] CRE. Viewed at: https://www.gob.mx/cre/documentos/precios-maximos-aplicables-de-gas-lp?idiom=es.

3.3.5 State trading, State-owned enterprises and privatization

3.161. In December 2016, Mexico notified the WTO that it had two State-trading enterprises according to the definition in Article XVII of the GATT 1994.[192] These enterprises operate in the energy sector, namely Petróleos Mexicanos (PEMEX) and the Federal Electricity Commission (CFE), which are considered to be State-owned production enterprises (EPEs). PEMEX and the CFE seek to generate economic value and profits for the State. In the case of PEMEX, it is also intended to maximize oil revenue to contribute to the country's economic development.

3.162. PEMEX participates in all the activities of the hydrocarbons sector's production chain.[193] In 2016, Mexico notified the WTO that PEMEX had a monopoly on trade in crude oil and its derivatives, natural gas and other products. However, the same notification indicates that the State monopoly on trade was eliminated for LPG and for petrol and diesel.[194] In 2022, PEMEX and some 40 private operators, with the permission of the Ministry of Energy (SENER), import and export hydrocarbons and petroleum products.[195] However, PEMEX is still the most important operator. Until 2017, the price of some petroleum products was controlled (Section 3.3.4.2).

3.163. The CFE remains the sole operator of the electricity transmission (and distribution) network and, as such, of imports and exports of electricity.[196] Electricity transmission (and distribution) tariffs are regulated.

3.164. The State has full control (100%) of PEMEX, and the CFE and its subsidiaries. PEMEX has three subsidiaries and the CFE, 10.[197] In 2019, a new subsidiary, *CFE Telecomunicaciones e Internet para todos* (CFE Telecommunications and Internet for all) was created.[198]

3.165. In addition to these two companies, in 2021, the State controlled 64 companies operating in various sectors, mainly the services sector.[199]

3.3.6 Government procurement

3.166. Government procurement is governed by federal or local laws (laws adopted by federal bodies) or by municipal regulations, as this procurement occurs at state, local and municipal level. Federal laws regulate procurement involving federal resources. If federal resources are transferred to federal entities (states and Mexico City), they are considered to be the federal entities' own funds and procurement using these funds is governed by local laws.

3.167. The federal public procurement system is regulated by the Constitution (Article 134), the Law on Public Sector Procurement, Leases and Services (LAASSP), the Law on Public Works and Related Services (LOPSRM) and their respective implementing regulations.[200] General guidelines have also been issued in manuals, guidelines, guides, rules and decisions.[201] Mexico is not party to the WTO Agreement on Government Procurement and is not an observer to the WTO Committee on Government Procurement.

3.168. All Federal Public Administration (APF) bodies must comply with the provisions of the LAASSP and the LOPSRM, with the exception of State-owned production enterprises, specifically PEMEX, the

---

[192] WTO document G/STR/N/16/MEX of 8 December 2016.

[193] Mexican Petroleum Law (Official Journal of 11 August 2014).

[194] WTO document G/STR/N/16/MEX of 8 December 2016.

[195] Ministry of Energy (SENER). Viewed at: https://www.gob.mx/sener/articulos/permisos-otorgados-por-sener-para-la-importacion-y-exportacion-de-petroliferos-e-hidrocarburos.

[196] The CFE's operations are regulated by the Law on the Federal Electricity Commission (Official Journal of 11 August 2014).

[197] List of semi-public bodies of the Federal Public Administration (Official Journal of 13 August 2021).

[198] For more information on the characteristics of an EPE, see WTO document WT/TPR/S/352/Rev.1, of 23 June 2017.

[199] List of semi-public bodies of the Federal Public Administration (Official Journal of 13 August 2021); and information provided by the authorities.

[200] Law on Public Sector Procurement, Leases and Services (Official Journal of 4 January 2000, latest amendment on 20 May 2021) and Law on Public Works and Related Services (Official Journal of 28 May 2000, latest amendment on 20 May 2021).

[201] Further information available from the SHCP . Viewed at: https://compranetinfo.hacienda.gob.mx/uncp.

CFE and their subsidiaries, which have a special procurement regime. In addition, Autonomous constitutional bodies of the State, including the Bank of Mexico, the IFT and COFECE (Section 2.1), usually have their own procurement rules. Procurement for public-private partnership projects are also regulated by the Law on Public-Private Partnerships.[202]

3.169. Up until 2018, the Ministry of Public Administration (SFP) was responsible for planning, shaping and implementing public procurement policy, as well as administering CompraNet, the online procurement platform. These functions were transferred to the Main Administrative Office of the SHCP in 2018.[203]

3.170. Each APF agency has continued to implement its own public procurement processes. However, since 2021, the Main Administrative Office of the SHCP has been responsible for determining which goods and services must be acquired through consolidated procurement. The consolidated procurement process is carried out by the Main Administrative Office or the agencies.[204] The objective of consolidated procurement is to rationalize public spending by obtaining better prices, and to rebuild trust in the State procurement system, in line with the Comprehensive Strategy for the New National Procurement System that Mexico began to roll out in 2019.[205] In addition to consolidated procurement, Mexico also promotes the use of framework contracts in an effort to reduce expenditure. In 2021, there were 20 framework contracts in force, signed by the Main Administrative Office. This type of contract has increasingly been used during the review period (Table 3.23)

Table 3.23 Data on government procurement through framework contracts, 2017-21

	2017	2018	2019	2020	2021
Amount (in MXN)	6,711.8	8,976.4	4,835.1	64,113.5	12,431.2
Number of contracts awarded	265	323	4,290	3,666	9,314

Source: Information provided by the authorities.

3.171. In the health sector, Mexico signed an agreement with the United Nations Office for Project Services (UNOPS) for the procurement of medicines and medical equipment between 2020 and 2024.[206] In response to the pandemic, in 2020, the federal government declared a health state of emergency and also authorized six bodies[207] to procure medicines, medical supplies/equipment and hygiene products.[208]

3.172. The objective of government procurement is to obtain the best price, quality, financing and opportunity to make the best possible purchase. The processes must also be transparent and fair.[209] Any contracts awarded improperly or which defraud the treasury are unlawful.[210] In addition, collusion in public procurement is an absolute monopolistic practice and, therefore, is also illegal *per se* and a punishable offence.[211] However, it currently does not constitute grounds for temporarily

[202] Articles 1 of the LAASSP and the LOPSRM, respectively.
[203] Article 31 of the Law on the Organization of the Federal Public Administration (LOAPF), amended by Decree published in the Official Journal of 30 November 2018; and information provided by the authorities.
[204] Guidelines for coordinating and implementing consolidated procurement processes to acquire or hire movable property or provide services of any type (Official Journal of 13 March 2021).
[205] See also the 2019-24 National Programme to Combat Corruption and Lawlessness, and Improve Governance (Official Journal of 30 August 2019).
[206] Ministry of Health. Viewed at: https://www.gob.mx/salud/prensa/mexico-logra-ahorros-en-compra-de-medicamentos-por-mas-de-11-mmdp; and the Centre for Economic and Budgetary Research A.C. Viewed at: https://ciep.mx/eficiencia-del-gasto-en-salud-compra-consolidada-de-medicamentos.
[207] Ministry of Defence (SEDENA); Ministry of the Navy (SEMAR); Ministry of Health (SSA); Institute of Health for Well-being (INSABI); Social Security and Social Services Institute for State Workers (ISSSTE); and Mexican Social Security Institute (IMSS).
[208] Decree establishing extraordinary health measures in affected regions throughout the national territory in response to the high-priority severe illness caused by the SARS-CoV2 virus (COVID-19) (Official Journal of 27 March 2020); and the Agreement establishing extraordinary measures that must be taken to procure and import the goods and services referred to in Article 2(II and III) of the Decree establishing extraordinary health measures in affected regions throughout the national territory in response to the high-priority severe illness caused by the SARS-CoV2 virus (COVID-19) (Official Journal of 3 April 2020).
[209] Article 134 of the CPEUM and the Federal Law on Republican Austerity (Official Journal of 19 November 2019).
[210] Article 9 of the Federal Law on Republican Austerity (Official Journal of 19 November 2019).
[211] Article 53 of the LFCE (Official Journal of 23 May 2014, latest amendment on 20 May 2021).

disqualifying operators from future government procurement processes.[212] The Superior Audit Office of the Federation and the SHCP (the SFP up until 2018) are responsible for overseeing the contracts awarded.

3.173. Government procurement processes must ensure equal participation for all bidders.[213] As such, the terms and conditions and the requirements of the invitations to tender must not limit competition between the bidders.[214] If a foreigner is from a country which has signed a trade agreement with Mexico containing government procurement clauses, Mexico applies national treatment to them.[215] If not, on a level playing field, preference is given to goods and services of Mexican origin.[216] Foreigners' participation in the procurement of works and related services is also governed by the principle of reciprocity.[217]

3.174. As in 2017, Mexico uses three procurement methods: public tendering, closed tendering (invitation to at least three people) and direct awards. As a general rule, public tendering must be used.[218] Closed tendering and direct awards are only used when public tendering is not possible, for example, when there is only one bidder or the tender process is in response to an emergency situation ("*force majeure*"), whether economic, social or health emergencies, such as a pandemic.[219]

3.175. There are no thresholds for determining when the different tendering methods should be used. However, the value of the contracts awarded through closed tendering or direct awards is capped at an amount based on the procurement budget for each agency. These caps are published in the Federal Expenditure Budget and cannot be exceeded.[220] In addition, the total value of procurement through closed tendering or direct awards may not account for more than 30% of the annual procurement budget.[221] Emergency procurements of medical equipment and devices through direct awards in connection with the pandemic were not subject to these restrictions.[222]

3.176. There are three forms of public tendering: national, international under a trade agreement and open international (Table 3.24). Between 2017 and 2017, the national modality was the most commonly used public tender process. From 2017 to 2019, between 3% and 5% of the total value of tenders was awarded through open international public tenders; however, this figure stood at 22% in 2020 and at 26% in 2021.[223] All types of companies may participate in public tendering. However, only MSMEs may participate in some public tendering processes, provided that the procurement value is below the threshold set out in trade agreements.[224]

[212] Article 60 of the LAASSP; Article 78 of the LOPSRM; and the OECD (2020), *OECD Peer Reviews of Competition Law and Policy: Mexico.*
[213] Articles 26 of the LAASSP and 27 of the LOPSRM.
[214] Articles 29 of the LAASSP and 31 of the LOPSRM.
[215] WTO document WT/TPR/M/352/Add.1 of 7 June 2017.
[216] Articles 14 of the LAASSP and 29 of the LOPSRM.
[217] Article 30 of the LOPSRM.
[218] Article 134 of the CPEUM.
[219] Articles 40-44 of the LAASSP and 41-44 of the LOPSRM.
[220] Annex 9 to the Expenditure Budget for the fiscal year 2022 (Official Journal of 29 November 2021).
[221] Articles 42 of the LAASSP and 43 of the LOPSRM.
[222] Decree establishing extraordinary health measures in affected regions throughout the national territory in response to the high-priority severe illness caused by the SARS-CoV2 virus (COVID-19) (Official Journal of 27 March 2020); and the Agreement establishing extraordinary measures that must be taken to procure and import the goods and services referred to in Article 2(II and III) of the Decree establishing extraordinary health measures in affected regions throughout the national territory in response to the high-priority severe illness caused by the SARS-CoV2 virus (COVID-19) (Official Journal of 3 April 2020).
[223] Information provided by the authorities.
[224] Article 35 of the Regulations implementing the LAASSP.

Table 3.24 Government procurement processes

Process	Description
National	An invitation to tender is issued when the contract value is below the threshold set out in trade agreements or when the agreement provides the option that the contract may be reserved to Mexican suppliers (even when the contract value is equal to or above the threshold).
	Only Mexican natural and legal persons may participate in the bidding process.
	The goods, services and works must be of national origin. The goods must also be of at least 65% local content and, for works contracts, at least 30% of the workforce must be locals. Contracts may also require the use of national materials, machinery and teams.
International under a trade agreement	Each trade agreement stipulates the procurement threshold.
	Mexican nationals or nationals of the State or States Parties may participate in the bidding process.
	The goods, services and works are of national origin or comply with the rules of origin.
Open international	An invitation to tender is issued when (i) national open tendering processes have received no responses; or (ii) the procurement is financed with loans from an international body.
	Mexican nationals or foreigners of any nationality may participate in the bidding process.
	The goods, services and works may be of any origin (national or foreign).

Source: Secretariat of the WTO and information provided by the authorities.

3.177. In public tendering, contracts for goods and services are awarded based on one of the three following criteria: the bid with the best cost-benefit ratio; the bid with the best score; or the lowest-priced bid. Under the cost-benefit and score criteria, the lowest price is not necessarily a deciding factor.[225] The lowest-price criterion is used if the other two cannot be applied.[226] On a level playing field, preference is given to MSMEs.[227] Works contracts are generally awarded to the most "solvent" bid, i.e. the terms offered by the supplier ensure that the contract will be fulfilled.[228] On a level playing field, in open international tendering processes for the purchase of goods, preference is given to goods of national origin. A margin of preference of 15% is still given to goods of national origin.[229]

3.178. For closed tendering, at least three preselected suppliers are invited to submit bids. The same criteria for public tendering are used for awarding the contract. For direct awards, the contract is awarded to a preselected supplier. The authorities have indicated that, in both cases, suppliers are preselected through a market study which considers aspects such as candidates' technical and financial resources.

3.179. The tendering processes can be conducted in person, electronically through the CompraNet platform or through a hybrid approach. According to the authorities, in 2020, 70% of tender processes were carried out on CompraNet, 18% in person and 12% followed a hybrid approach. In 2019, the federal government digital store (TDGF) was created on the CompraNet platform for procuring goods and services under framework contracts.[230]

3.180. In 2017, government procurement accounted for 2.4% of Mexico's GDP and 10.1% of government expenditure, while in 2020, these figures stood at 1.9% and 7.4%, respectively. In 2021, government procurement increased to USD 76,644 million, accounting for 5.9% of GDP and 23.1% of government expenditure. This increase is due to the procurement of medicines, medical supplies/equipment and hygiene products as result of the health emergency. Between 2017 and 2021, the most used method for awarding contracts was direct awards (Chart 3.11). In value terms, most procurement is still through public tendering, although there has been an increase in the use of direct awards (Chart 3.11). In 2021, 85% of government procurement was through direct

[225] Article 29, subparagraph XIII, and Article 36 of the LAASSP; and Article 51 of the Regulations implementing the LAASSP. When scores are used, points are awarded for a range of technical, economic, administrative and financial criteria, in addition for the following: (i) employing disabled people; (ii) promoting gender equality; and (iii) MSMEs, innovation (Article 14 of the LAASSP).
[226] Article 36 of the LAASSP.
[227] Article 36*bis* of the LAASSP.
[228] Article 38 of the LOPSRM.
[229] Article 14 of the LAASSP.
[230] Decision incorporating the federal government digital store application into the CompraNet module and issuing the general provisions regulating the functioning thereof (Official Journal of 31 July 2019).

awards. This is due to the fact that, against the backdrop of the pandemic, the federal government authorized the use of this method for procuring medicines, medical supplies/equipment and hygiene products.

Chart 3.11 Public procurement data, by procurement method, 2017-21

Source: Information provided by the authorities.

3.3.6.1 Procurement procedures for State-owned production enterprises[231]

3.181. The procurement of goods, services and works by State-owned production enterprises (EPEs), PEMEX and the CFE (and their subsidiaries), is excluded from the federal government procurement regime. PEMEX and the CFE have a special procurement regime regulated by the Mexican Petroleum Law and the Law on the Federal Electricity Commission, respectively, and by general provisions and guidelines issued by their respective boards of directors. Procurement by EPEs is also regulated by Article 134 of the Constitution, which stipulates that, as a rule, public tendering should be the method used.

3.182. Even though PEMEX and the CFE have their own procurement regime, it is similar to the federal regime. For example: (i) both regimes use the same procurement methods: public tendering (open competition), closed tendering (invitation to at least three persons) and direct awards; (ii) there are no national procurement thresholds under either of the regimes; (iii) as a rule, public tendering must be used; (iv) closed tendering and direct awards are only to be used in exceptional circumstances; and (v) in the case of the CFE, the criteria for awarding contracts are the best cost-benefit ratio, the best score and the lowest price. However, there are some differences between them. For example, PEMEX may use a preselection process in public tenders for highly complex contracts. In addition to using the procurement methods outlined above, PEMEX uses contractual

[231] WTO document WT/TPR/S/352/Rev.1 of 23 June 2017, and PEMEX. Viewed at: https://www.pemex.com/procura/procedimientos-de-contratacion/Paginas/default.aspx; and the CFE. Viewed at: https://www.cfe.mx/concursoscontratos/Pages/default.aspx.

partnerships with strategic suppliers. These contracts are regulated by civil and trade law (and not by administrative law).[232]

3.183. Contracts are signed within 10 working days from the date on which they are awarded, during which time the rejected participants may submit an "application for reconsideration" to a collegiate body composed of several of the company's executives. PEMEX and the CFE must provide information to the public about contracts being awarded and the progress of the contracts signed.

3.184. The procurement processes are conducted electronically only, through the PEMEX Electronic Procurement System (SISCEP) and the CFE Electronic Procurement System (SEC). According to the authorities, this process may be conducted face-to-face in exceptional circumstances.

3.185. In 2017 and 2021, the methods most used by PEMEX and the CFE were public tendering and direct awards. In 2021, 76% of the amount contracted by PEMEX and 82.9% of the amount contracted by the CFE were awarded through public tendering.[233]

3.3.7 Intellectual property rights

3.186. Intellectual property rights (IPRs) in Mexico are regulated by the Federal Law on Industrial Property Protection (LFPPI), the Federal Law on Copyright (LFDA) and the Federal Law on Plant Varieties (LFVV). The LFPPI is a new law from 2020, which repeals the 1991 Industrial Property Law (LPI).

3.187. Mexico is party to 18 treaties of the World Intellectual Property Organization (WIPO).[234] The Hague Agreement (international registration of industrial designs) entered into force for Mexico in 2020. Mexico is also party to the 1978 International Convention for the Protection of New Varieties of Plants.

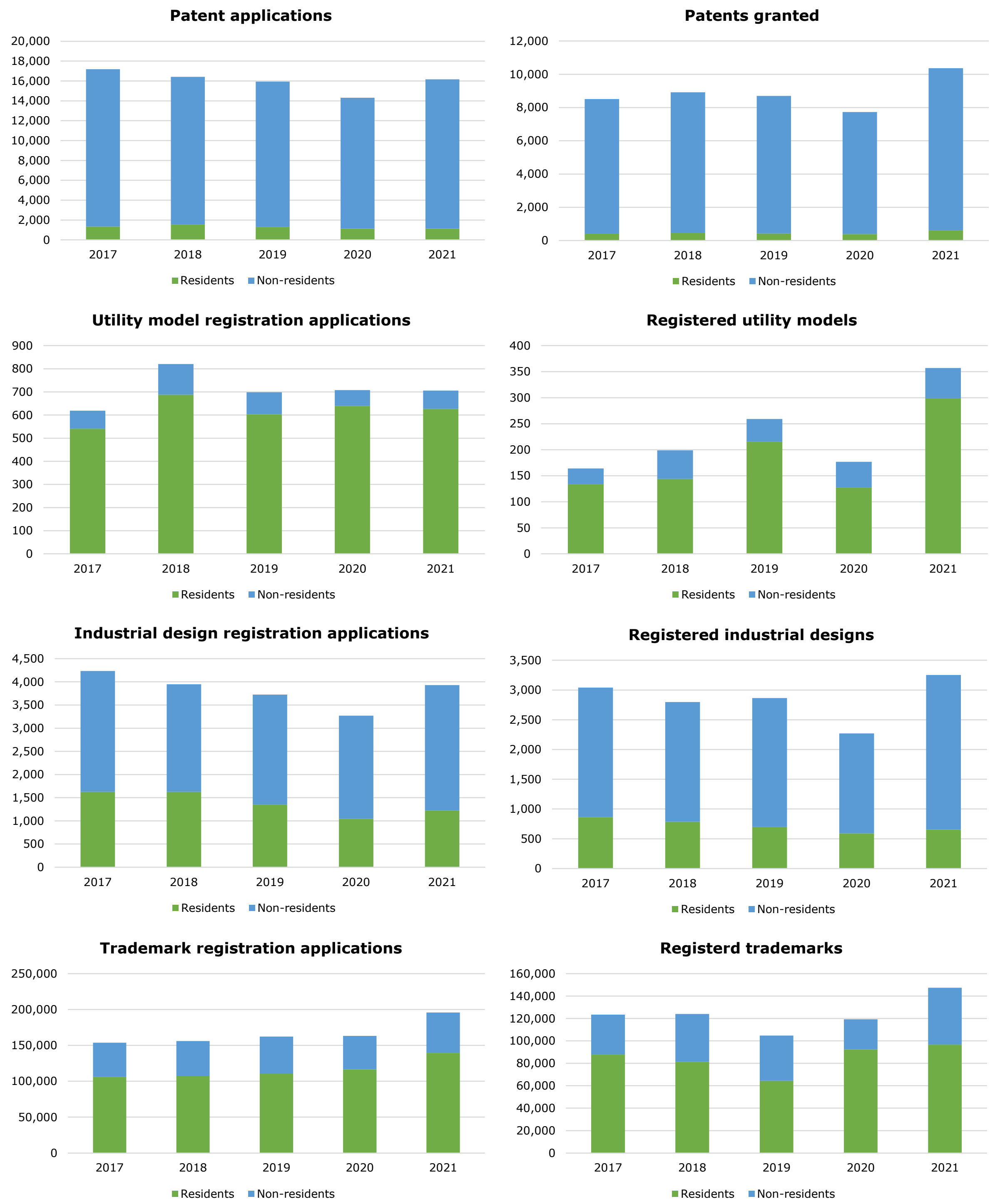
3.188. The bodies responsible for IPRs are still the Mexican Industrial Property Institute (IMPI), the National Copyright Institute (INDAUTOR) and the National Seed Inspection and Certification Service (SNICS) of SADER.

3.189. Between 2017 and 2021, just like during the previous review period (2013-17), almost all patents were filed by non-residents, while Mexican nationals chose to protect their inventions by registering utility models (Chart 3.12). According to the IMPI, the low number of patents filed by Mexicans is due to a number of factors, most notably, the lack of investment in R&D.[235] Between 2017 and 2021, most patents were granted for consumer goods (42%), industrial techniques (22%) and chemistry and metallurgy (14%).[236]

---

[232] Information provided by the authorities.
[233] Information provided by the authorities.
[234] Three other treaties have been signed: the Beijing Treaty on Audiovisual Performances (2012), the Singapore Treaty on the Law of Trademarks (2006) and the Trademark Law Treaty (1994).
[235] 2020-24 Institutional Programme of the Mexican Industrial Property Institute (Official Journal of 12 November 2020).
[236] IMPI statistics. Viewed at: https://www.gob.mx/impi/documentos/instituto-mexicano-de-la-propiedad-industrial-en-cifras-impi-en-cifras.

Chart 3.12 Industrial property data, 2017-21



Source: IMPI statistics. Viewed at: https://www.gob.mx/impi/documentos/instituto-mexicano-de-la-propiedad-industrial-en-cifras-impi-en-cifras; and information provided by the authorities.

3.190. According to the IMPI and the European Union Intellectual Property Office (EUIPO), between 2010 and 2019, a significant proportion of Mexico's GDP (47.8%), employment (33.6%) and foreign trade (74.7% of the value of exports and 72.9% of the value of imports) was generated through IPR-intensive economic activities.[237]

3.3.7.1 Industrial property

3.191. In 2018, the LPI (promulgated in 1991) was revised in order to, among other things, introduce the geographical indications protection system[238]; reduce the period for submitting an objection to a patent application (from six to two months); extend the maximum protection period for industrial designs (from 15 to 25 years); and authorize the registration of non-traditional marks[239] and certification marks.[240]

3.192. In 2020, the LFPPI was promulgated, which repealed the LPI. The LFPPI entered into force on 5 November 2020, with the exception of a number of provisions which entered into force a year later (November 2021).[241] The LFPPI was adopted in order to comply with the commitments entered into under the new regional trade agreements and to strengthen industrial property protection.[242] In January 2022, the Executive Branch had not yet issued the regulations implementing the LFPPI. Therefore, the Regulations implementing the Law on Industrial Property (promulgated in 1994) remain in force, provided that they do not conflict with the LFPPI.[243] The LFPPI introduces, among other things, new requirements, protection periods and exceptions (Table A3.5).

3.3.7.2 Patents, utility models, industrial designs and layout designs of integrated circuits

3.193. Patent applications may be filed electronically with the IMPI, through the Electronic Services Portal (PASE) and, since 2021, through a mobile app. In 2019, the IMPI updated the PASE to allow digital signatures to be used, facilitate monitoring of the processing of applications and accept online payments.

3.194. Under the LFPPI, there have been no major changes to the patent-granting process, which comprises the following stages: filing of the application, examination of form, publication of the application, filing of objections, examination of substance, granting of the patent and the publication thereof. The IMPI still has agreements with a number of foreign offices to fast-track the examination of substance of applications filed by non-residents.[244] On average, the IMPI takes four and half years to grant a patent, if the fast-track process is used, this period can be cut to two and half years.[245]

3.195. As Mexico notified the WTO in 2020, international best practices on patentability and exclusions have been incorporated into the LFPPI.[246] As a result, the LFPPI stipulates that biological material which has been modified using a technical process may be patented (Article 49). The LFPPI states that cloning processes and processes for modifying genetic identity, as well as the industrial

[237] IMPI/EUIPO (2019), *La Contribución Económica de la Propiedad Intelectual en México*. Viewed at: https://www.gob.mx/impi/documentos/estudio-la-contribucion-economica-de-la-propiedad-intelectual-en-mexico.

[238] Up until 2018, the LPI provided protection against the illegal use of geographic indications by prohibiting trademarks which include commonly used expressions to refer to geographical origin (WTO document WT/TPR/S/352/Rev.1 of 23 June 2017).

[239] Olfactory, sound and holographic (touch) marks and corporate images.

[240] WTO document IP/N/1/MEX/16 - IP/N/1/MEX/I/13 of 29 March 2018.

[241] Federal Law on Industrial Property Protection (Official Journal of 1 July 2020). The LFPPI entered into force on 5 November 2020, with the exception of Articles 5 (VI, VII and VIII), 393, 394, 396 (I), 397, 398 and 400 (Eighth Transitory Article of the LFPPI). The LFPPI was notified to the WTO in WTO document IP/N/1/MEX/21 - IP/N/1/MEX/I/15 of 30 July 2020.

[242] IMPI (2019), *Informe de Labores*, January-September. Viewed at: https://www.gob.mx/impi/documentos/transparencia-rendicion-de-cuentas-informes-de-labores-2019.

[243] Regulations implementing the Law on Industrial Property (Official Journal of 23 November 1994, latest amendment on 16 December 2016); and Fourth Transitory Article of the LFPPI.

[244] IMPI. Viewed at: https://www.gob.mx/impi/documentos/acuerdos-internacionales-firmados-por-mexico-para-acelerar-el-examen-de-patentes.

[245] IMPI (2019), *Informe de Labores*, January-September. Viewed at: https://www.gob.mx/impi/documentos/transparencia-rendicion-de-cuentas-informes-de-labores-2019.

[246] WTO document IP/N/1/MEX/21 - IP/N/1/MEX/I/15 of 30 July 2020; and the Ministry of the Economy and IMPI PowerPoint presentation of 30 November 2020. Viewed at: https://www.gob.mx/cms/uploads/attachment/file/609867/30_de_noviembre_de_2020_-_10_cosas_que_debes_saber_de_la_nueva_LFPPI.pdf.

or commercial use of human embryos cannot be patented (Article 49) (Table A3.5). Under the LFPPI, secondary pharmaceutical patents may also be granted (Article 45).

3.196. The LFPPI also incorporates the "Bolar clause" (Article 57), which Mexico adopted in 2003 and was given effect by the Regulations for Health Inputs up until 2020.[247] The "Bolar clause" is an exception to the right conferred by the patent. Under this clause, pharmaceutical companies are allowed to access patented substances or active ingredients in order to launch a study and conduct trials of generic medicines in order to apply for/obtain the sanitary registration needed to market the medicine immediately after the patent expires. Under the Regulations for Health Inputs, access to patented material was permitted only during the three years prior to the patent's expiry for chemical medicines and for eight years prior to the patent's expiry for biotech medicines. When the LFPPI entered into force, this restriction was removed, meaning that generic medicine studies can start at any time from the date on which the patent is granted.[248] The LFPPI also provides for collaborative work between the IMPI and the Federal Commission for Protection against Health Risks (COFEPRIS), responsible for granting the sanitary registration for medicines (Article 162).[249] In this context, from late 2020, COFEPRIS has been authorized to view the list of patents related to medicines on the IMPI website in order to facilitate the sanitary registration of generic medicines.[250] Generic medicines account for 90% of medicines sold in Mexico and 12.1% of Mexican pharmaceutical plants' production.[251]

3.197. The LFPPI keeps the national regime of exhaustion of patent rights in place (Article 57 of the LFPPI). Parallel imports are prohibited (Article 55). The same provisions still apply for utility models (Articles 63-64).

3.198. Since 2017, no compulsory licences have been granted to exploit patents in Mexico on the grounds of a national emergency or national security.

3.199. The patent protection period is 20 years from the patent filing date, with no possibility of extending it. However, since 2020, if the IMPI takes more than five years to grant the patent (from the patent filing date), a request can be made to extend the patent's validity by up to five years. The extension is only granted if the IMPI accepts responsibility for the delay.[252]

3.200. Industrial designs incorporated into industrial products can be protected, and, since 2020, so can industrial designs incorporated into handicrafts.[253] The maximum protection period for utility models was also extended from 10 to 15 years in 2020 (Table A3.5).[254]

3.201. Up until 2020, exploitation licences had to be registered with the IMPI. In 2020, this requirement was removed and, since then, registering the licence has been optional (Article 138 of the LFPPI), although it is recommended. Even if the licence contract is not registered, it protects the licensee in the event of any potential disputes with third parties.

3.202. Just like the LPI, the LFPPI protects industrial secrets. In 2020, the concept of misappropriation and its exceptions were incorporated (Articles 163-164).[255] The LFPPI retains the obligation to take every precaution to keep information confidential in order to be able to enjoy protection.

---

[247] WIPO document Viewed at: https://www.wipo.int/export/sites/www/scp/en/meetings/session_23/comments_received/mexico.pdf.

[248] Federal Commission for Protection against Health Risks. Viewed at: https://www.gob.mx/cofepris/es/articulos/reglas-para-la-produccion-de-medicamentos-genericos-en-beneficio-de-la-poblacion?idiom=es.

[249] WTO document IP/N/1/MEX/21 - IP/N/1/MEX/I/15 of 30 July 2020.

[250] IMPI. Viewed at: https://patmedsp.impi.gob.mx/Paginas/Inicio.aspx.

[251] Senate of the Republic (2020), *Temas Estratégicos No. 86* Viewed at: http://bibliodigitalibd.senado.gob.mx/handle/123456789/5095.

[252] Article 126 of the LFPPI.

[253] Article 66 of the LFPPI.

[254] Article 62 of the LFPPI.

[255] WTO document IP/N/1/MEX/21 - IP/N/1/MEX/I/15 of 30 July 2020; and the Ministry of the Economy and IMPI PowerPoint presentation of 18 November 2020. https://www.gob.mx/cms/uploads/attachment/file/592651/18_de_noviembre_de_2020_-_La_nueva_LFPPI.pdf.

3.3.7.3 Marks

3.203. Just as with patents, applications to register a mark are filed through the PASE (modernized in 2019) and, since 2021, through the IMPI mobile app. The registration procedure still consists of filing the application, its publication, the filing objections, the examination of form and substance, granting the mark registration and its publication. However, since 2020, the IMPI has carried out the examinations of form and substance at the same time; therefore, the IMPI issues just one opinion to inform the applicant of any form or substantive impediment.[256] In addition, since 2020, the applicant has had two months (rather than one previously) to respond to any objections; this period can be extended for another two months (Article 225). According to the authorities, the IMPI takes around six months to finish processing a mark registration.

3.204. The LFPPI protects traditional and non-traditional marks, collective marks, certification marks, well-known and famous marks, trade notices and trade names. In order to register a well-known and famous mark in Mexico, applicants still require a brand awareness declaration issued by the IMPI, which is valid for five years. However, the LFPPI removes all requirements to demonstrate that a mark is famous or well-known, making it easier to obtain the declaration (Article 192 of the LFPPI).[257] As a result, since 2020, there have been no requirements to provide proof of the following: investment during the last three years in advertising or promoting the mark in Mexico or abroad; the mark's actual geographical area of influence; the sales volume of products or income from providing services; and the actual or estimated economic value of the mark in the equity of the company that owns it.

3.205. Applications to register a mark are still filed by product or service class under which the mark is to be registered.[258] The IMPI still does not accept a single application can be made for a product or service belonging to various classes. Since 2020, marks may be registered that are identical to other marks that have been registered or are in the process of being registered, for the same product or service, provided that consent is obtained from the owner of the mark that has been or is being registered.[259]

3.206. Up until 2020, licences to use registered marks had to be registered with the IMPI. In 2020, this requirement was removed and registering the licence has become optional (Article 240 of the LFPPI) but recommended. Even if the contract is not registered, it protects the licensee in the event of any potential disputes with third parties.

3.207. The protection period for trademarks is still 10 years, which can be renewed indefinitely. Since 2020, the protection period has been calculated from the date on which the registration was granted (Table A3.5); previously, the period began on the date on which the application was filed. Therefore, the new regime provides the trademark owner with effective protection for 10 years.[260]

3.208. In order to maintain the trademark registration, owners must show that they market products or services which bear the registered trademark, which has been registered for more than three years. The registration lapses if the trademark is not used for three consecutive years[261]; and the owner must also prove that they are using it through a declaration of use. When renewing the registration, they must also prove that the trademark has been used. Since 2020, if, during the renewal process, the owner fails to file the declaration of use, the IMPI must notify them and give them two months to complete this step.[262] However, since 2020, it has also been possible to partially cancel the registration of a trademark, meaning that the owner loses their right only over products and services where the trademark has not been used (Articles 235 and 260 of the LFPPI).

3.3.7.4 Designations of origin and geographical indications

3.209. Applications for declarations of protection for a designation of origin (DO) or a geographical indication (GI) may be made *ex officio* or by a representative. Since 2020, deputies and senators of

[256] WTO document IP/N/1/MEX/21 - IP/N/1/MEX/I/15 of 30 July 2020.
[257] WTO document IP/N/1/MEX/21 - IP/N/1/MEX/I/15 of 30 July 2020.
[258] Article 176 of the LFPPI.
[259] Article 173 of the LFPPI.
[260] Article 178 of the LFPPI and WTO document IP/N/1/MEX/21 - IP/N/1/MEX/I/15 of 30 July 2020.
[261] Article 235 of the LFPPI.
[262] Articles 233 and 237-238 of the LFPPI.

the Congress of the Union have been able to apply for a declaration of protection.[263] The LFPPI specifies the various characteristics and requirements that the DOs and the GIs must fulfil in order to obtain this declaration (Articles 274-275); previously, the same requirements were applied both to DOs and to GIs. The declaration of protection is valid as long the original conditions for which it was issued prevail. There have been no changes in the LFPPI to the time period (two months) for submitting objections once the declaration of protection is published (Article 282). The State is the owner of the DOs/GIs; the IMPI authorizes producers to use the DOs/GIs for a period of 10 years (renewable). Since 2020, DOs have been set out in NOMs, meaning that these NOMs must be followed when using a DO; the authorities have stated that, through the NOMs, they seek to increase protection and control the production of products with an appellation of origin. According to the LFPPI, an IMPI-accredited body must certify the extraction, production or processing; the container, packaging or wrapping; and the marketing of a product protected by a DO/GI (Article 289).

3.210. Foreign DOs and GIs are protected in Mexico by registering them with the IMPI. After the applicant files the application, there is a period of two months (which cannot be renewed) to submit an objection, and another two-month period for the owner to respond.[264]

3.211. As of 2022, Mexico has 18 products registered as DOs[265] and 3 products registered as GIs. In 2019-20, DO/GI products accounted for 0.5% of the value of Mexico's non-oil exports.[266] According to the IMPI, Mexico has not yet harnessed the full potential of its DOs/GIs.[267] All products with DOs are subject to tariffs, with rates varying between 9% and 45%, with the exception of Cacao Grijalva, which is exempt.[268]

3.3.7.5 Copyright and related rights

3.212. In 2020, the Federal Law on Copyright (LFDA) was revised in order to strengthen the protection for artistic and literary works, folk and craft art, primordial artworks, collective artworks and artworks derived from popular cultures or expressions of traditional cultures.[269] In order to use them, since 2020, written consent has been required from the indigenous community granted exclusive use over them. In 2020, new provisions were also introduced into the LFDA in order to combat digital piracy (Section 3.3.7.3).[270]

3.213. Literary and artistic works and their related rights are protected even when they are not registered. However, registering the work or the interpretation with the National Copyright Institute (INDAUTOR) is strongly recommended.[271] Their creators have exclusive personal rights (moral rights) and economic rights (ownership rights) over their works and interpretations. Economic rights may be transferred through licences.[272] Moral rights are protected in perpetuity, whereas economic rights are protected for the author's lifetime plus 100 years. The protection given to performers and phonogram producers is 75 years, for videogram producers and broadcasting organizations, it is 50 years.

---

[263] Article 273 of the LFPPI.

[264] Articles 315-327 of the LFPPI; and the IMPI. Viewed at: https://www.gob.mx/impi/articulos/tradicion-e-identidad-protegidas-las-denominaciones-de-origen-e-indicaciones-geograficas.

[265] During the review period, the Raicillia (beverage) DO and the Pluma coffee DO were granted.

[266] Decree amending the tariff schedule in the Law on General Import and Export Taxes, Decree introducing the general import tax for the border region and the northern border zone, and Decree establishing various sectoral promotion programmes (Official Journal of 18 November 2021).

[267] 2020-24 Institutional Programme of the Mexican Industrial Property Institute (Official Journal of 12 November 2020).

[268] Decree amending the tariff schedule in the Law on General Import and Export Taxes, Decree introducing the general import tax for the border region and the northern border zone, and Decree establishing various sectoral promotion programmes (Official Journal of 18 November 2021).

[269] Information provided by the authorities.

[270] Federal Law on Copyright (Official Journal of 24 December 1996, latest amendment on 1 July 2020).

[271] Article 162 of the LFDA.

[272] Licences are generally granted for five years. They may be granted for a longer period when publication of a work necessitates large-scale investment or in the case of musical works which require a longer period for dissemination (Article 33 of the LFDA and Article 17 of its implementing Regulations).

3.3.7.6 Plant varieties

3.214. There have been no changes to the 1996 Federal Law on Plant Varieties (LFVV) since the last Mexico review in 2017.[273]

3.215. Protection is granted to new, distinct, stable and uniform plant varieties through a breeder's title requested from the National Seed Inspection and Certification Service (SNICS). The breeder has the exclusive right to exploit perennial species for a maximum period of 18 years (from the date on which the title is issued); for all other species, the period is 15 years. A breeder may transfer their exclusive right through a licence. The SNICS may also issue an emergency licence if the plant variety is not being exploited or should there be a shortage in the national market (even though no such licences have been issued to date). Seeds and plant material (buds, cuttings, rhizomes, runners and tubers) imported for the purposes of reproducing or propagating a plant variety are protected in Mexico, provided that the plant variety is also protected in Mexico.[274] Breeders must register plant varieties in the National Catalogue of Plant Varieties (CNVV), managed by the SNICS, in order to be able to certify their quality.[275]

3.3.7.7 Enforcing IPRs

3.216. Administrative, civil or criminal proceedings may be brought against individuals or companies unlawfully using IPRs. Administrative proceedings are brought before the IMPI for both industrial property and copyright and related rights cases.[276] Conciliation can be used as an alternative to administrative proceedings.

3.217. Administrative proceedings before the IMPI for unlawful use of an IPR are initiated with an "Administrative Declaration on an Administrative Trade Offence" application. In the application, the rights holder may ask the IMPI to order the imposition of provisional measures. The IMPI may also impose these measures *ex officio*.

3.218. In 2020, a new type of provisional measure was introduced: suspending, blocking or removing materials disseminated digitally (Article 344 of the LFPPI). Another provisional measure that may be adopted is seizing goods which are being imported or exported or which are in transit when IPRs are infringed (Article 344). At the border, the Mexican National Customs Agency (ANAM) seizes the goods which allegedly violate the IPRs, provided that the IMPI or the Office of the Attorney General of the Republic (FGR) orders it to do so; the ANAM does not take action *ex officio*. The goods are retained by the ANAM for a maximum of five days, during which time the rights holder must initiate administrative or criminal proceedings. If not, the goods are released.[277] However, if the ANAM has suspicions about the authenticity of a product protected by an IPR, it may notify the IMPI or the FGR. In order to make it easier to identify registered trademarks, the ANAM has a free trademark database.[278]

3.219. Between 2017 and 2020, the IMPI dealt with 2,936 trade-related administrative offences.[279] If the IMPI determines that an administrative offence was committed, a fine will be imposed. Since 2020, fines equivalent to 250,000 UMAs may be imposed.[280] Previously, the maximum amount was 20,000 UMAs. Administrative decisions may be appealed before the Federal Administrative Justice Court. During the same period, the IMPI also carried out an average of 4,800 inspection visits per

[273] Federal Law on Plant Varieties (Official Journal of 25 October 1996, latest amendment on 9 April 2012).
[274] WTO document WT/TPR/M/352/Add.1 of 7 June 2017.
[275] Federal Law on the Production, Certification and Trading of Seeds (Official Journal of 15 June 2007, latest amendment on 11 May 2018).
[276] Article 232 of the LFDA.
[277] Information provided by the authorities.
[278] IMPI (2019), *Informe de Labores*, January-September. Viewed at: https://www.gob.mx/impi/documentos/transparencia-rendicion-de-cuentas-informes-de-labores-2019.
[279] IMPI statistics. Viewed at: https://www.gob.mx/impi/documentos/instituto-mexicano-de-la-propiedad-industrial-en-cifras-impi-en-cifras; and information provided by the authorities.
[280] Article 388 of the LFPPI.

year, either *ex officio* or at the request of a party, in order to withdraw counterfeit or pirated goods from the domestic market.[281]

3.220. The goods seized at the border and on the market can be gifted, but the vast majority of them are destroyed. The IMPI determines that the goods will be gifted or destroyed after consulting with the affected rights holders. As notified to the WTO by Mexico, in 2020, the process for destroying counterfeit goods has streamlined, leaving 15 working days for the parties to agree what should happen to the seized goods once the administrative-offence ruling is handed down by the IMPI; if they do not state their position, the IMPI orders the destruction of the goods.[282] In 2019, counterfeit products, valued at MXN 16.5 million, were destroyed.

3.221. For judicial matters, Mexico has civil and criminal collegiate courts to deal with IPR-related cases.[283] In 2020, the process for initiating civil action was amended, as up until 2020, the administrative process had to be exhausted before civil action could be initiated and compensation for damages could be claimed (Article 396 of the LFPPI).[284] In addition, since 2020, after exhausting the administrative process, the IMPI may be requested to determine the damages incurred and the compensation amount, without having to go to the courts (Article 343).

3.222. The reforms introduced under the LFDA included new measures to combat digital piracy. Since 2020, copyright and related rights holders have been able to use technological protection measures (TPMs), i.e. "digital locks", to protect their works.[285] The "notification and removal" mechanism was also introduced, which the holder can use to notify an Internet service provider (ISP) that content which infringes their rights has been uploaded by a user. Should this occur, the ISP must remove the content quickly. If it fails to do so, it will be fined. The LFDA does not indicate how long the ISP has to remove the infringing content; however, the authorities have stated that the regulations implementing the LFDA are being revised to determine the timeframe. There is a mechanism the alleged infringer may use to defend themselves, which requires the ISP to inform the rights holder and, if no action is taken by the holder within 15 days of being informed of this, the content is restored. The LFDA also sets out exceptions where ISPs are not responsible for the illegal content uploaded to their networks; for example, if they do everything possible to close the accounts of the infringing users.[286]

3.223. In addition, since 2020, recording or making a copy of a film at a cinema is treated as an administrative offence (Article 231 of the LFDA). This action is also treated as a criminal offence as it was added to the Federal Criminal Code in 2020. Other actions which infringe intellectual property rights in the digital environment, such as decoding or providing goods and/or services for decoding audio-visual signals, and getting around or providing tools for getting around "digital locks" for commercial gain were also added to the Federal Criminal Code.

3.224. The "Piracy Mailbox", an electronic platform which can be used to report actions to the IMPI which may infringe copyright and related rights, still exists; in 2019, 97 complaints were handled.

3.225. According to a survey conducted by the IMPI in 2018, 85% of respondents had bought pirated or counterfeit products at least once (mainly musical works, films and shoes), which were purchased from street stalls.[287] Mexico does not impose sanctions/fines for the purchase of pirated or counterfeit products. However, the IMPI is constantly running campaigns to raise public awareness about the risk of purchasing counterfeit products (in addition to health risks).[288] Despite these efforts, according to the IMPI, piracy and counterfeiting have a significant impact on the Mexican

---

[281] IMPI statistics. Viewed at: https://www.gob.mx/impi/documentos/instituto-mexicano-de-la-propiedad-industrial-en-cifras-impi-en-cifras.

[282] WTO document IP/N/1/MEX/21 - IP/N/1/MEX/I/15 of 30 July 2020; and information provided by the authorities.

[283] WIPO. Viewed at: https://www.wipo.int/wipolex/es/judgments/j-admin/mx.html.

[284] WTO document IP/N/1/MEX/21 - IP/N/1/MEX/I/15 of 30 July 2020.

[285] TPMs are computer programs that restrict what users can do with the content of copyrighted works.

[286] Articles 114 bis-114 octies of the Federal Law on Copyright.

[287] IMPI. Viewed at: https://www.gob.mx/impi/documentos/encuesta-nacional-sobre-habitos-de-consumo-de-pirateria-2019 and https://www.gob.mx/se/articulos/inicio-el-impi-la-destruccion-de-pirateria-mas-cuantiosa-de-la-historia?idiom=es.

[288] IMPI (2019), *Informe de Labores*, January-September.

economy, resulting in annual losses of more than MXN 43 billion. It is also estimated that approximately MXN 6 billion is lost in tax revenue each year through the related VAT evasion.[289]

[289] IMPI (2019), *Informe de Labores*, January-September.

4 TRADE POLICIES BY SECTOR

4.1 Agriculture, Forestry, and Fisheries

4.1. The contribution of the agricultural sector (including crop farming, livestock farming, forestry, fisheries and related services) to GDP rose slightly, from 3.3% in 2016 to 3.8% in 2021. However, growth in the sector slowed in 2018 and contracted sharply in 2019, before starting to recover in 2020, despite the effects of the pandemic. The structure of the sector has not changed significantly during the review period. During that time, fisheries was the most volatile activity. In 2021 crop farming accounted for 65.3% of agricultural GDP (62.3% in 2016), livestock farming for 29.2% (31.5% in 2016) and other activities for 5.4% (6.1% in 2016). Between 2016 and 2021 there was a slight fall in the percentage of the population employed in agriculture (Table 4.1). Nonetheless, the sector continues to be important to the rural population (around 28 million people), as the majority of them are dependent on crop farming, hence the importance of agriculture in terms of social, economic and environmental equity in Mexico.

Table 4.1 Main indicators for the agricultural sector, 2016-21

	2016	2017	2018	2019	2020	2021
Share of agriculture in GDP (% at current prices)[a]	3.3	3.4	3.4	3.4	3.8	3.8
Real rate of growth in agriculture (%, at constant prices)[a]	3.5	3.4	2.6	-0.3	0.3	2.2
Share of agricultural GDP (% at current prices)						
Crop farming	62.3	64.1	63.6	63.6	64.3	65.3
Livestock farming	31.5	29.8	30.3	30.5	30.3	29.2
Forestry	3.1	3.1	2.9	2.9	2.7	2.6
Fisheries, hunting and trapping	2.8	2.6	2.8	2.6	2.4	2.5
Services related to agricultural and forestry activities	0.3	0.4	0.4	0.3	0.3	0.3
Real growth rate (%, at constant prices)						
Crop farming	5.6	4.0	2.7	-0.5	-0.4	2.0
Livestock farming	-0.4	2.1	2.2	2.3	3.1	2.2
Forestry	4.7	8.0	-0.2	0.3	-4.2	4.5
Fisheries, hunting and trapping	1.9	-4.9	8.3	-20.7	-9.8	10.3
Services related to agricultural and forestry activities	0.7	35.2	5.8	-9.9	-10.2	-15.3
Employment (% of the total working population)						
Crop farming, livestock farming, forestry, hunting and fisheries	13.1	12.8	12.5	12.2	12.6	12.3
Agricultural sector (WTO definition)						
Exports						
Value (USD millions)	27,892	31,075	32,275	35,377	37,483	42,678
Share in total exports (%)	7.5	7.6	7.2	7.7	9.0	8.6
Growth rate (%)	9.9	11.4	3.9	9.6	6.0	13.9
Five most important products, according to HS chapter (% of total agriculture)						
22. Beverages, spirits and vinegar	16.1	18.2	20.9	21.2	21.6	23.5
07. Edible vegetables and certain roots and tubers	23.3	21.2	21.7	20.7	22.2	20.2
08. Edible fruit and nuts; peel of citrus fruit or melons	19.9	20.8	20.1	21.1	18.9	19.4
02. Meat and edible meat offal	5.7	5.6	5.7	6.3	7.0	7.5
19. Preparations of cereals, flour, starch or milk	6.1	6.3	6.1	5.9	6.0	6.3
Imports						
Value (USD millions)	23,471	24,508	24,976	26,602	25,419	35,938
Share in total imports (%)	6.1	5.8	5.4	5.8	6.6	7.1
Growth rate (%)	-2.7	4.4	1.9	6.5	-4.4	41.4
Five most important products, according to HS chapter (% of total agriculture)						
10. Cereals	17.1	18.2	19.9	17.5	18.8	21.0
12. Oil seeds and oleaginous fruits and miscellaneous; industrial or medicinal plants; straw and fodder	9.9	10.2	5.9	11.2	14.1	14.6
02. Meat and edible meat offal	15.2	15.8	15.2	15.5	13.7	14.3
04. Dairy produce; birds' eggs; natural honey; edible products of animal origin	6.8	7.3	7.0	7.7	7.2	6.1
23. Residues and waste from the food industries; prepared animal fodder	6.8	6.1	6.2	6.0	4.5	6.0

	2016	2017	2018	2019	2020	2021
Agricultural trade balance (USD millions)	4,421	6,567	7,299	8,775	12,065	6,740

a Includes crop farming, livestock farming, forestry, fisheries and hunting.

Source: National Institute of Statistics and Geography (INEGI), Economic Information Bank (BIE), Economic indicators and national accounts; FAO Stat, Agriculture (production, trade); and trade data supplied by the authorities.

4.2. Sugar cane continues to be the largest crop in terms of volume of production, but is not one of the top exports. Staple grains are important both in terms of volume and because of their prominent place in the Mexican diet, and are regarded as essential products. The most important crop in terms of production is maize, which accounts for 75.4% of all grains produced.[1]

4.3. In line with the trend that started in 2015, Mexico is a net exporter of agricultural products. The agricultural trade balance was positive throughout the review period, rising from USD 4,389 million in 2016 to USD 12,065 million in 2020, although in 2021 it fell to USD 6,740 million because of the international economic situation. Fruit and vegetables have traditionally been the top export products, while the importance of alcoholic beverages (beer) rose in 2021; of note among imported products are cereals (yellow maize), and seeds and meat (Table 4.1). The United States is the chief market for both exports and imports. The bulk of Mexico's imports of agricultural products enter the country under preferential regimes, especially for products from Canada and the United States, but also from Chile and Uruguay.

4.4. The National Development Plan (PND) 2019-24 is the key planning document for setting national public policy priorities, and together with the Sectoral Programme for Agriculture and Rural Development 2020-24, it lays down the development goals for the sector. The PND sets the goals of achieving food self-sufficiency and "saving the countryside"; accordingly, the first goal of the sectoral programme is to increase food production, especially of staple grains, meats and milk, by incorporating technologies that will raise productivity and competitiveness while supporting sustainability and inclusion. One aspect of this goal is to increase support for women farmers. Accordingly, in 2020 the Fertilizers for Well-being Programme allocated 42% of its budget to women small-scale producers, who received around MXN 728 million by way of inputs to raise their productivity and standards of living.[2]

4.5. Another sectoral programme goal is to "increase sustainable production practices in the agricultural, aquaculture and fisheries sector in view of agro-climatic risks". In 2017, only 46.2% of producers followed at least one sustainable practice. The Plan proposes that at least one sustainable practice should be adopted by 75% of agricultural producers in order for Mexico to meet its commitments under the Paris Agreement. The Plan also sets a goal of building the resilience of at least 50% of the municipalities most vulnerable to climate change, establishing early-warning and risk-management systems at all levels of government and achieving a net deforestation rate of 0% by 2030. Despite these efforts, some studies point to the need to address particular challenges in relation to sustainable agricultural production. For example, according to the OECD, distributing free fertilizers under the Fertilizers for Well-being programme without considering the needs of the soil can adversely affect water and air quality.[3] Moreover, according to the Sectoral Programme for Agriculture and Rural Development 2020-24, the water stress experienced by Mexico is chiefly the result of intensive water usage (77% of fresh water is used for crop irrigation).[4]

4.6. The sectoral programme identifies low productivity in the primary sector, especially among small and medium-sized producers, as a challenge. The programme links low productivity to low investment, which is itself the consequence of insufficient finance for the sector and the lack of access to technology, inputs and agricultural advisory services, and the plant and animal health environment. For example, in the fisheries sector 54% of all vessels are more than 30 years old and the capacity of the non-commercial fleet (98% of the total fleet) is less than 10 tonnes. The reasons

[1] FAO Stat. Information viewed at: https://www.fao.org/faostat/en/#data.
[2] SADER Press Release No. 099 of 7 March 2021. Viewed at: https://www.gob.mx/agricultura/prensa/fertilizantes-para-el-bienestar-destino-42-de-su-presupuesto-a-productoras-de-pequena-escala.
[3] OECD (2021), Agricultural Policy Monitoring and Evaluation 2021. Information viewed at: https://www.oecd.org/publications/agricultural-policy-monitoring-and-evaluation-22217371.htm.
[4] Sectoral Programme for Agriculture and Rural Development 2020-24 (Official Journal of 25 June 2020).

for low productivity include low levels of capitalization and technological innovation, which once again are consequences of the lack of adequate finance for the sector. Credit aimed at the agricultural and fisheries sector represents only 4% of GDP, and 95% of all credit granted is for agricultural activities. The activities with the least access to finance are aquaculture and fisheries.[5]

4.7. The programme also refers to the considerable differences in development across the country's five regions (north-west, north-east, central-west, central and south-south-east) and the various types of crop farming in each region. In the north-west and north-east regions, farming for business and commercial purposes predominates, involving export crops, larger-scale production units, greater access to finance, technologies and inputs, and consequently greater productivity and competitiveness. By contrast in the central and south-south-east regions, the technology is outdated, resources and inputs are scarce, production units comprise small producers (family or subsistence farms), producers have a medium level of productivity and their production is geared towards the domestic market. In order to reduce inequalities, Mexico is trying to implement a differentiated policy that takes stock of each region's potential and addresses the needs of the various groups of producers in each region. The aim of the policy is to prioritize support and encouragement for producers who, because of poverty, need help in obtaining inputs, implementing processes or using collective assets, without neglecting the agri-export sector.

4.8. Aside from the laws on health and safety (Section 3.3.3), the laws governing the agricultural sector in Mexico have not undergone substantial change during the review period, although they have been subject to some amendments (Table 4.2).

Table 4.2 Legislation in the agricultural sector, 2021

Legislation	Publication in the DOF/Latest amendment
Land Law	26.02.1992/25.06.2018
Law on Sustainable Rural Development	07.12.2001/03.06.2021
Federal Law on the Production, Certification and Trading of Seeds	15.06.2007/11.05.2018
Federal Law on New Plant Varieties	25.10.1996/09.04.2012
Law on Organic Products	07.02.2006
Federal Law on Animal Health	25.07.2007/16.02.2018
Federal Law on Plant Health	05.01.1994/26.12.2017
Law on Biosafety of Genetically Modified Organisms	18.03.2005/06.11.2020
Rural Energy Law	30.12.2002/28.12.2012
Law on the Manufacturing and Sale of Roasted Coffee	25.05.1972/10.12.2004
Internal Regulations of SADER	03.05.2021[a]
Rules of Operation of SADER programmes	Annual

a Repeals the Internal Regulations of the Ministry of Agriculture, Livestock, Rural Development, Fisheries and Food (Official Journal of 25 April 2012).

Source: Information provided by the authorities.

4.9. At the institutional level, one important change since the previous review was the replacement in 2018 of the Ministry of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA) with the Ministry of Agriculture and Rural Development (SADER), which took over SAGARPA's role (Table 4.3).

Table 4.3 Main institutions responsible for the agricultural sector, 2021

Institution	Main functions
Ministry of Agriculture and Rural Development (SADER)	Formulate, direct and evaluate rural development policy in coordination with the competent agencies. Develop official animal and plant health regulations; monitor compliance; oversee and evaluate health campaigns; issue certifications in its area of competence. Formulate, direct and oversee technical assistance and training programmes. Propose and implement policy in respect of agricultural matters in international affairs and foreign trade.

[5] Sectoral Programme for Agriculture and Rural Development 2020-24 (Official Journal of 25 June 2020).

Institution	Main functions
National Aquaculture and Fisheries Committee (CONAPESCA)	Propose and coordinate national policy for the sustainable development of fisheries and aquaculture resources, and for the development and promotion of fisheries and aquaculture activities. Implement the legal provisions concerning the use, development and conservation of fisheries resources and the development of aquaculture. Develop policies, and technical assistance and training programmes on health.
National Institute of Fisheries (INAPESCA)	Conduct research related to fisheries and aquaculture. Provide technical advice to the sector. Develop and update the National Fishing Charter and the National Aquaculture Charter
Food Security Agency (SEGALMEX)	Procure agri-food products to supply the rural population. Promote the production, collection, provision, distribution, supply, processing and marketing of staple foods and of milk and dairy products. Sell, distribute and import fertilizers and improved seed.
National Agri-Food Health, Safety and Quality Service (SENASA)	Implement and monitor compliance with the provisions on agri-food health, safety and quality in connection with plant, animal, fishery and aquaculture products and by-products.
National Agricultural, Rural, Forestry and Fisheries Development Bank (FND)	Grant credit to producers and rural financial intermediaries (IFR). Provide training and advice to producers and IFR so that they can make better use of the credit resources available to them. Encourage financial inclusion among the rural population as a means of regional development.
National Institute for Forestry, Agricultural and Livestock Research (INIFAP)	Promote R+D in the agricultural sector.
National Seed Inspection and Certification Service (SNICS)	Encourage, promote, organize, coordinate and deal with activities concerning the production, grading, certification, conservation, analysis and marketing of seeds.

Source: Basic Law on the Public Administration, Internal Regulations of SADER, and the Decree establishing the Food Security Agency.

4.1.1 Measures affecting imports and exports

4.10. The average applied tariff on agricultural products (WTO definition) fell from 14.3% in 2016 to 13.2% in 2021. However, it is still higher than the 5.9% applied tariff on non-agricultural products in 2021. On average, the highest duties by WTO category continue to be applied to sugar and confectionery (40.9% in 2016 and 30% in 2021) and to beverages and spirits and tobacco (23.1% in 2016 and 24.4% in 2021). In third place are dairy products (23.6% in 2016 and 22.1% in 2021) (Table A3.1). Moreover, the bulk of tariff rates above 25% (30%, 36%, 45%, 50%, 67% and 75%) are used for agricultural products. In 2021, the products with a rate of 75% were meat and offals, vegetables (1 line) and sugars (2 lines), to which a 100% rate applied in 2016. The 67% rate (as in 2016) applied to tobacco-related products, whereas the 45% rate applied to food preparations, coffee and milk (45% or 50% in 2016) (Table A3.1). The average tariff on fish and fish products fell from 15.5% in 2016 to 13.8% in 2021.

4.11. Mexico continues to use specific, compound and seasonal tariffs. Generally, the agricultural products subject to specific and compound tariffs in 2021 were the same as in 2016, except for cocoa preparations which, in a change from previously, are currently subject to a compound tariff. In 2021, 42 tariff lines related to agricultural products were subject to non-*ad valorem* tariffs: 8 lines to specific tariffs[6] and 34 lines to compound tariffs.[7] Sorghum (HS 1007.90.01-1007.90.02), soya beans (HS 1201.90.01-1201.90.02) and safflower seeds (HS 1207.60.03-1207.60.99) continue to be subject to seasonal tariffs of 15% (sorghum and soya beans) and 10% (safflower seeds) for a certain period of the year. Outside that period, imports of these products are tariff-exempt.

[6] The specific duties apply to: sugars, chemically pure sucrose and cocoa.
[7] Compound tariffs apply to: various kinds of milk, cream and ice cream; certain fruits (for example, strawberries, raspberries and other berries); molasses and articles of sugar confectionery, whether or not containing cocoa; extracts of malt; biscuits and other food preparations; cocoa and cocoa preparations; waters, sweetened and flavoured; and ethyl alcohol.

4.12. Mexico bound all its tariff lines in the Uruguay Round, with bound rates on agricultural products ranging from 0 to 254%. Mexico's bound tariff, like its applied tariff, contains specific and compound tariffs. The compound bound tariffs apply primarily to agricultural products.

4.13. Mexico continues to use three kinds of tariff quotas: those negotiated at the WTO (WTO quotas), unilateral quotas, and preferential quotas. The Ministry of Economic Affairs (SE) has the power to establish "tariff-exempt" quotas where it deems them necessary.[8] In 2020 and 2021, the SE placed tariff-free quotas on rice, beef (fresh, chilled or frozen), onions, fruit, vegetable fats and oils, maize, cane molasses, tomatoes and soya cake to ensure supply and price stability.

4.14. Within the WTO framework, Mexico applied tariff quotas to 56 HS 8-digit lines in 2021.[9] As in 2016, the only WTO quota used in 2021 was that for powdered milk (Table A3.2). This is because in some cases the out-of-quota applied MFN tariff is lower than the in-quota applied tariff (e.g. for sugar, meat and edible offal, hard and semi-hard cheeses, some types of coffee, animal fats and some types of cereals and beans). In other cases, WTO quotas were not used because preferential or unilateral quotas provide better access.

4.15. In 2021, Mexico used unilateral quotas for certain agricultural products (including fishery products) contained in 40 HS 8-digit tariff lines (Table 3.5). Some of the products (14 tariff lines) are also subject to WTO tariff quotas.[10] However, the volumes imported under unilateral quotas were generally well below the quota amount and were used only for coffee, dairy preparations, chicken and turkey cuts and fish fillets (Table A3.3). As in 2016, the tariff under the unilateral quota in 2021 was less than that under the WTO quota. Mexico has also negotiated preferential quotas for agricultural products (including fisheries products) within the framework of its trade agreements.[11] In 2020, Mexico used preferential quotas very little, doing so only for: peaches from Argentina (47% fill rate); cuts of boneless meat (Japan (100%)); cocoa beans (Peru (100%)); cheese (Uruguay (85%)); and the quotas negotiated under the CPTPP (cheese (58%)) and preparations based on dairy products (99%)).

4.16. The tariff quotas continue to be administered by the SE. In general, quotas are allocated by open tender, although there are other allocation procedures (such as direct allocation and "first come, first served").

4.1.2 Domestic support

4.17. Mexico provides support for the agricultural, livestock and fisheries sector under a series of programmes administered by SADER. Since 2019 Mexico's agricultural policy has focused even more heavily on achieving food self-sufficiency and supporting small producers. To that end, various support programmes were merged, others were abolished and new ones created, the bulk of them delivered by SADER (Table 4.4). In 2020 nine programmes were abolished, including three that were merged with others.[12] The number of changes made during the review period makes it difficult to compare the programmes implemented in 2017, the date of the previous review, with those currently in place. The programmes are complex as they include components and subcomponents that change

[8] Online information. Viewed at: http://www.diputados.gob.mx/LeyesBiblio/ref/ligiex/LIGIEx_tarifa01_24dic20.pdf and Decision announcing the tariff for importing beef under the indicated tariff quota (Official Journal of 28 June 2021).

[9] These products include: sugar and products with a high sugar content, coffee, meat and edible offal, barley, animal fats, beans, powdered milk, maize, potatoes, waters, sweetened and flavoured, cheese and wheat.

[10] The products in question are: coffee, chicken meat, barley, beans, preparations based on dairy products, cheeses and chicken and turkey cuts.

[11] Under its trade agreements with: Argentina (5 tariff lines at 2017 HS 8-digit level); Colombia (24 lines); Costa Rica (7 lines); Cuba (15 lines); Guatemala (5 lines); Honduras (1 line); Israel (11 lines); Japan (29 lines); Peru (22 lines); Uruguay (10 lines) and the CPTPP (20 lines, except for Japan (19) and Australia (28)).

[12] These programmes included the: Agri-Food Productivity and Competitiveness Programme; the Agriculture Promotion Programme; the Livestock Farming Promotion Programme; the Fisheries and Aquaculture Productivity Promotion Programme; the Federative Entity Collaboration Programme; and the Agricultural Insurance Programme (AGROASEMEX) (CONEVAL) (2020), *Análisis de los programas sociales del PEF 2019-2020*. Information viewed at: https://www.coneval.org.mx/Evaluacion/IEPSM/Documents/ANALISIS_PEF_2019_2020.pdf#search=Programa%20de%20Fomento%20a%20la%20Agricultura%2C%20Ganader%C3_percentADa%2C%20Pesca%20y%20Acuicultura.

from year to year, as provided for in their rules of operation.[13] Moreover, on occasion a given product or activity receives support under more than one programme, for example the Guaranteed Prices Programme for Basic Foods (PGPAB) and the Social and Sustainable Agricultural Markets Programme (AMYS), although the latter was apparently in place only in 2019.[14] It is not clear how the programmes relate to each other in such cases, as under the rules, where there is duplication of products or components, only the benefits granted under one of the programmes may be utilized. Some of the programmes have been notified as domestic support to the Committee on Agriculture and others to the Committee on Subsidies and Countervailing Measures of the WTO.[15]

4.18. The chief goals of the federal programmes to support and promote agricultural and fisheries/aquacultural activities include increasing productivity and strengthening marketing channels in order to boost supply and reduce dependence on imports, especially with regard to strategic foods such as maize, beans, rice, bread wheat and milk. The programmes' coverage is national, although their application can vary depending on the level of development of the region concerned. Generally, the programmes benefit producers in the crop-farming, cattle-farming, fisheries and aquacultural sectors who need to increase what they produce for their own consumption and to generate surpluses. Preference is given to small-scale producers and, for some components or subcomponents, the population in low or very low socio-economic groups, municipalities that are highly or very highly marginalized, indigenous and/or Afro-descendant groups or communities, and women.[16] Under almost all these programmes SADER delivers direct transfers or implements price guarantees and supply programmes. One of the programmes is geared to driving investment in agri-parks and agri-business based on shared-risk schemes. To that end, an unendorsed, unsecured recoverable incentive of up to 80% of the investment cost of the project is provided.[17]

4.19. In addition to the support programmes, aid is also granted to the agricultural sector through price subsidies for the electricity used by low-income agricultural producers.[18] With regard to diesel (until 2020) and petrol, a fiscal stimulus is announced every month consisting in a cut in the rate of IEPS.[19]

Table 4.4 Agricultural support programmes

Body	Objectives	Type of aid	Beneficiaries
Production for Well-being Programme (previously Productive PROAGRO)			
SADER	Achieve food self-sufficiency	Direct support	Small and medium-sized producers of amaranth, rice, cocoa, safflower, chia, beans, maize, honey, sorghum, soya, bread wheat; small coffee and sugar-cane producers, and dairy farmers
Guaranteed Prices Programme for Basic Foods (PGPAB)			
SADER	Support rural small farmers' production activities, raise their incomes and promote food security	Guaranteed prices for rice, beans, maize, bread wheat and cow's milk	Agricultural producers of staple grains (rice, beans, maize and wheat) and milk

[13] The rules of operation are set out each year in a decision published in the Official Journal.
[14] Information provided by the authorities.
[15] WTO documents G/AG/N/MEX/55 of 25 October 2021 and G/SCM/N/372/MEX of 12 January 2022.
[16] Article 61 of the Decision announcing the rules of operation of the Agriculture, Livestock, Fisheries and Aquaculture Promotion Programme for the financial year 2022 (Official Journal of 31 December 2021).
[17] Decision announcing the rules of operation of the Agriculture, Livestock, Fisheries and Aquaculture Promotion Programme (Shared Risk Subcomponent) for the financial year 2022 (Official Journal of 31 December 2021).
[18] Rural Energy Law (latest amendment on 28 December 2012).
[19] Decision announcing the fiscal stimuli for petrol and diesel in the fisheries and agricultural sectors for June 2020 (Official Journal of 29 May 2020).

Body	Objectives	Type of aid	Beneficiaries
Fertilizers for Well-being Programme			
SADER	Increase the supply of chemical and biological fertilizers in order to improve productivity	Free delivery of fertilizer (max. 600 kg/producer; quantity of fertilizer varies depending on the product). In 2019 the maximum was 450 kg/ha, max. 3 ha/producer	Small and medium-sized producers of maize, beans or rice in highly or very highly marginalized areas
Agriculture, Livestock, Fisheries and Aquaculture Promotion Programme[a]			
SADER	Increase productivity in the agricultural sector in a sustainable fashion through innovation, technological development and/or technology transfer in order to contribute to food self-sufficiency and food security	There are various components and subcomponents providing different incentives; e.g. direct support and repayable support	Small and medium-sized crop farmers who own up to 5 ha (individual incentives); organized crop farmers with up to 50 ha (incentives for collective projects); livestock farmers, including small farmers, with up to 35 head of cattle; investors in agri-parks and agri-business
Livestock Sector Credit Programme [the programme did not run in 2020 or 2021]			
SADER	Increase the productivity of livestock farming	Delivery of dams and sires	Small livestock farmers
Livestock Farming Promotion and Livestock Product Quality Standardization Programme			
SADER	Spread innovation and technology; technology services and systems for identifying individual cattle	Direct support to take part in events/training (up to MXN 500,000)	Small and medium-sized livestock farmers
Social Milk Supply Programme (LICONSA)			
SADER	Supply milk	Price subsidy	Low-income population
Rural Supply Programme (DICONSA)			
SADER	Distribute basic food basket products (including foods such as rice, maize, maize flour, wheat flour, beans, coffee, sugar, milk, vegetable oil, basic biscuits) at subsidized prices to meet the demand of marginalized population groups living in poverty.	Provision through the DICONSA network of shops of basic food basket products at preferential prices, i.e. less than the price in privately owned local shops	Low-income population
Social and Sustainable Agricultural Markets Programme (AMSYS)[b]			
SADER	Promote appropriate marketing of surplus crops	Direct payment as an incentive to achieve a minimum price or an "additional income" in order to achieve a "target income"	Small and medium-sized producers of eligible crops by area (e.g. raw cotton, Arabica coffee, safflower, sunflower, maize, sorghum, soya, bread wheat)

Body	Objectives	Type of aid	Beneficiaries
Cereals and Oilseeds Market Management Programme[c]			
SADER	Promote food security through market management and certainty	Implement instruments that allow for appropriate risk management; implement support schemes that facilitate crop marketing; foster greater flexibility in product marketing	Producers and purchasers of agricultural products
Small Producers Support Programme (PAPP) First ran in 2016 with six independent components.[d] Merged with the Rural Productivity Programme in 2017.[e] Last ran in 2018.			
SAGARPA	Support for small crop farmers	Technology packages and technical assistance, coverage for losses	Agricultural producers in arid and semi-arid areas

a Decision announcing the rules of operation of the Agriculture, Livestock, Fisheries and Aquaculture Promotion Programme for the financial year 2022 (Official Journal of 31 December 2021).

b The programme was established in 2019 and ran in that year only. Information viewed at: https://www.gob.mx/aserca/acciones-y-programas/programa-de-agromercados-sociales-y-sustentables-2019-196615 and at: http://dof.gob.mx/nota_detalle.php?codigo=5554794&fecha=21/03/2019.

c Considered in the draft Federal Budget 2020. Not included in the final budget.

d SAGARPA, Design Evaluation, Small Producers Support Programme. Information viewed at: https://www.agricultura.gob.mx/sites/default/files/sagarpa/document/2018/10/09/1453/09102018-s-266-programa-de-apoyos-pequenos-productores.pdf.

e SAGARPA, Evaluation of Consistency and Outcomes, Small Producers Support Programme. Information viewed at: https://www.transparenciapresupuestaria.gob.mx/work/models/PTP/programas/sed/evaluaciones/2017/08s266pccr17.zip.

Source: Rules of operation of the Programmes of the Ministry of Agriculture and Rural Development. Information viewed at: https://www.gob.mx/agricultura/acciones-y-programas/programas-de-la-secretaria-de-agricultura-y-desarrollo-rural-2022, and CONEVAL (2020), *Análisis de los programas sociales del PEF 2019-2020*. Information viewed at: https://www.coneval.org.mx/Evaluacion/IEPSM/Documents/ANALISIS_PEF_2019_2020.pdf#search=Programa%20de%20Fomento%20a%20la%20Agricultura%2C%20Ganader%C3 per centADa%2C%20Pesca%20y%20Acuicultura.

4.1.2.1 Production for Well-being Programme

4.20. Among SADER's domestic support programmes for agriculture, the most important in terms of disbursements is the Production for Well-being Programme introduced in 2019. The budget allocated to the programme rose from MXN 9,000 million at its launch in 2019 to MXN 13,500 million in 2021. The programme was the result of the merger of two components that were in place until 2018: Productive PROAGRO, the most important programme in terms of disbursements until 2017, and the Comprehensive Maize and Bean Programme (PIMAF), which was part of the Small Producers Support Programme.[20] As occurred previously under Productive PROAGRO, the Production for Well-being Programme makes direct payments per hectare – or for honey, per hive – to producers enrolled in the registers (Table 4.5). Unlike Productive PROAGRO, which supported small producers only, the Production for Well-being Programme supports small and medium-sized producers up to a maximum of 20 hectares.

[20] CONEVAL (2020), *Evaluación de Diseño con Trabajo de Campo del Programa Producción para el Bienestar 2019-2020*. Information viewed at: https://www.transparenciapresupuestaria.gob.mx/work/models/PTP/programas/sed/evaluaciones/2020/08u023pcdi19.rar.

Table 4.5 Production for Well-being Programme 2019-21

Year	Product	Type of producer	Characteristics of the crop area or hive		Aid per hectare or hive (MXN)
			Rain-fed	Irrigated	
2019	**Grains** (including maize, beans, bread wheat, rice)	Small producer (PROAGRO)	Up to 5 ha	Up to 0.2 ha	1,600
		Medium-sized producer (PROAGRO)	Above 5 ha and up to 20 ha	Above 0.2 ha and up to 5 ha	1,000
		Small producer (PIMAF)	Up to 3 ha	n.a.	1,600
2020	**Grains** (including maize, beans, bread wheat, rice, amaranth, chia and/or milpa system)	Small producer	Up to 5 ha	Up to 0.2 ha	1,600
		Medium-sized producer	Above 5 ha and up to 20 ha	Above 0.2 ha and up to 5 ha	1,000
	Coffee		Up to 20 ha	Up to 5 ha	5,000
	Sugar cane				7,300
2021	**Grains** (including maize, beans, milling wheat and/or rice)	Small producer	Up to 5 ha	n.a.	2,000
		Medium-sized producer	Above 5 ha and up to 20 ha	Up to 5 ha	1,200
		Large producer	Above 20 ha	Above 5 ha	1,200
	Amaranth	Small producer	Up to 5 ha	n.a.	3,000
		Medium-sized producer	Above 5 ha and up to 20 ha	Up to 5 ha	
	Chia	Small producer	Up to 5 ha	n.a.	3,000
		Medium-sized producer	Above 5 ha and up to 20 ha	Up to 5 ha	
	Sugar cane	Small producer	Up to 5 ha	n.a.	7,300
		Medium-sized producer	Above 5 ha and up to 20 ha	Up to 5 ha	
	Coffee or cocoa	Small producer	Up to 5 ha	n.a.	6,200
		Medium-sized producer	Above 5 ha and up to 20 ha	Up to 5 ha	
	Honey	Small producer	Up to 35 hives		6,200
		Medium-sized producer	More than 35 and up to 100 hives		

n.a. Not applicable.

Source: Rules of operation of the SADER Production for Well-being Programme for the financial years 2019, 2020 and 2021. Information viewed at: https://www.dof.gob.mx/nota_detalle.php?codigo=5548620&fecha=23/01/2019, http://dof.gob.mx/nota_detalle.php?codigo=5585830&fecha=07/02/2020 and http://www.dof.gob.mx/nota_detalle.php?codigo=5609033&fecha=28/12/2020 respectively.

4.1.2.2 Guaranteed Prices Programme for Basic Foods

4.21. In 2019, the Food Security Agency (SEGALMEX), a SADER agency, began implementing the Guaranteed Prices Programme for Basic Foods (PGPAB). The budget allocated to the programme for 2019 was MXN 6,000 million, while for 2020 it was MXN 10,000 million and for 2021 MXN 10,961 million. The leading goals of PGPAB are to increase the incomes of small agricultural producers and reduce dependence on imports of staple grains and milk, thus promoting food self-sufficiency. The maize (small producers) and beans procured by SEGALMEX at guaranteed prices are intended primarily for the supply network run by DICONSA, a State-owned social enterprise. SEGALMEX sells the remainder to other institutional programmes or on the open market at a price determined by it. The State-owned enterprise LICONSA is responsible for the collection and provision of milk at preferential prices.

4.22. Together, DICONSA, SEGALMEX and LICONSA contribute to food security by retailing basic food basket products. Through the Rural Supply Programme, DICONSA purchases and collects basic basket products, including the milk processed by LICONSA and other staple goods and hygiene products, and sells them through its network of community-based shops at below-market prices to marginalized population groups living in poverty.

4.23. The PGPAB pays guaranteed prices for rice, beans, milk, maize and wheat, and provides incentives to purchase the risk management instrument (IAR), an insurance that SEGALMEX requires in order to grow maize and wheat. The guaranteed prices vary depending on the type of product and the size of the area under cultivation and are valid for a maximum volume per producer per crop season (Table 4.6). Additionally, for some types of wheat, the incentive is granted only if the crop is used by the domestic milling industry. In 2022, in addition to the guaranteed price, support of up to MXN 160 per tonne was offered to maize producers to move grain from the production unit to the collection centre up to a maximum of 20 tonnes per crop cycle; the support is delivered when the producer is paid for the grain.[21] Support for productivity is available to large producers of rice and wheat for a given volume. SEGALMEX is able to procure the product at a price other than the guaranteed price in emergencies, when the bean harvest is affected by weather events and the harvest is not fit for human consumption but nonetheless retains a commercial value. If necessary, SEGALMEX will supply grain for sowing to maize and bean producers, on a repayable basis.

4.24. According to the decision governing the PGPAB, the guaranteed prices for maize and beans address a market failure resulting from the short harvest period and the fact that there are only a few purchasers, who would be likely to determine the price. SEGALMEX acts as a market regulator by rectifying that failure and guaranteeing a set price for the maize and beans purchased from small producers. Moreover, SEGALMEX negotiates the prices and conditions of sale for small producers of maize or beans vis-à-vis other institutions and/or individuals in line with prevailing market conditions. Where bread wheat and rice are concerned, the guaranteed prices seek to foster increased national production by offering producers attractive prices and thus reducing dependence on imports. Additionally, the purpose of the incentive offered to medium-sized producers of maize is to support them in the face of competition from imported maize and promote the use of IARs.

Table 4.6 Guaranteed Prices Programme for Basic Foods, 2020-22

Product	Area	Price per tonne or per litre (MXN)/incentive	Maximum volume
Maize (small producer)[a]	Up to 5 ha of rain-fed land	**2020-21**: 5,610 **2022:** 6,278	20 tonnes
Maize (medium-sized producer)	Up to 50 ha irrigated or rain-fed land	**2020:** 4,150 **2021-22:** incentive to purchase risk management instruments (IARs)	600 tonnes
Beans[a]	Up to 30 ha of rain-fed land or up to 5 ha of irrigated land	**2020-21**: 14,500 **2022:** 16,000	15 tonnes
Bread wheat	Unlimited	**2020-21**: 5,790 **2022:** 6,400	100 tonnes[b]
Bread wheat (small producer)	Up to 8 ha	**2022:** 6,900	50 tonnes
Durum wheat	Unlimited	**2020:** incentive of 40% of the amount awarded for bread wheat (MXN 2,316). **2021**: for durum wheat for the domestic milling industry: support to purchase an IAR. Incentives for the states of Baja California, Sonora and El Bajío only. **2022**: for durum wheat for the domestic milling industry: support to purchase an IAR, support to cover the differences between the guaranteed price and the reference price. Incentives for Baja California, Sonora and El Bajío only.	**2020:** 50 tonnes **2021-22:** 150 tonnes

[21] Decision announcing the rules of operation of the Guaranteed Prices Programme for Basic Foods, managed by the Food Security Agency (SEGALMEX) of the Ministry of Agriculture and Rural Development, for the financial year 2022 (Official Journal of 31 December 2021).

Product	Area	Price per tonne or per litre (MXN)/incentive	Maximum volume
Milk[a]	Small producer (1-35 cows) Medium-sized producer (36-100 cows)	**2020-21:** 8.20 **2022:** 9.20	25 litres per cow per day
Rice	Unlimited	**2020-21:** 6,120 **2022:** 6,760	120 tonnes[c]
Rice (small producer)	Up to 8 ha	**2022:** 7,300	80 tonnes

a Collection by SEGALMEX or LICONSA.
b Support for productivity awarded for an additional 200 tonnes after the first 100.
c Support for productivity for an additional 180 tonnes

Source: CONEVAL (2020), *Evaluación de Diseño con Trabajo de Campo del Programa Precios de Garantía a productos Alimentarios Básicos 2019–2020*. Information viewed at: https://www.transparenciapresupuestaria.gob.mx/work/models/PTP/programas/sed/evaluaciones/2020/08u020pcdi19.rar; Rules of operation of the Guaranteed Prices Programme for Basic Foods for the financial years 2020 and 2021, and Decision announcing the rules of operation of the Guaranteed Prices Programme for Basic Foods, managed by the Food Security Agency (SEGALMEX) of the Ministry of Agriculture and Rural Development, for the financial year 2022 (Official Journal of 31 December 2021).

4.25. Under the Domestic Milk Purchasing Programme (PALN) of 2004, LICONSA purchases milk, primarily from small and medium-sized producers, through its collection centres. LICONSA processes the milk and distributes it at a subsidized price to low-income urban and rural populations through the Social Milk Supply Programme. LICONSA buys fresh milk (hot or cold) and/or whole milk powder at a guaranteed price (of MXN 8.20 per litre in 2020 and 2021 and MXN 9.20 per litre in 2022), depending on the quality of the milk, working with the Guaranteed Prices Programme for Basic Foods.[22] Despite the rise in the guaranteed price, the budget for the PALN has fallen since 2018.[23]

4.26. The aim of the support for the dairy sector is to try and promote and transform domestic milk production and to reduce and even eliminate imports of powdered milk by LICONSA by replacing them with domestically produced milk.[24] To that end, SEGALMEX and LICONSA have set up programmes to improve the efficiency of LICONSA operations, promoting the drying of milk at private industrial facilities with which cooperation agreements are in place. Use of this strategy made it possible to increase purchases of milk from small and medium-sized producers from 600 to 900 million litres annually.[25] However, imports of powdered milk have not yet fallen and remained steady at around 3% of the total value of agricultural imports between 2017 and 2020.

4.27. The milk purchased by LICONSA is sold to consumers at a preferential price determined by LICONSA under the Social Milk Supply Programme. Households can buy up to four litres of fortified milk per week per person enrolled in the list; each household is entitled to a maximum of 24 litres per week. As part of this programme, some 900 million litres of fortified milk per year have been distributed through 10,262 dairies, with an average saving per litre of milk of 74.7%; on average, 5.9 million people have benefited under the programme.

[22] Decision announcing institutional programmes for 2020-24 of semi-public bodies of the Ministry of Agriculture and Rural Development (Official Journal of 28 September 2020), and Handbook of procedures on purchase, receipt and payment for domestic milk in LICONSA, S.A. de C.V. 2018. Information viewed at: http://www.liconsa.gob.mx/wp-content/uploads/2018/11/08-MAN-PROC-ADQ-REC-PAG-LECHE-NAL-12-NOV-18.pdf.

[23] The budget was: MXN 1,357.53 million (2017), MXN 1,537.19 million (2018), MXN 1,345.44 million (2019); and MXN 1,240.8 million (2020) (CONEVAL (undated), *Reporte de Datos Generales*). Information viewed at: https://www.coneval.org.mx/Evaluacion/Documents/EVALUACIONES/FIMyE_19_20/Reporte_Datos_Generales_FIMyE_19_20.zip.

[24] Decision announcing institutional programmes for 2020-24 of semi-public bodies of the Ministry of Agriculture and Rural Development (Official Journal of 28 September 2020).

[25] Decision announcing institutional programmes for 2020-24 of semi-public bodies of the Ministry of Agriculture and Rural Development (Official Journal of 28 September 2020).

4.1.2.3 Agricultural finance and insurance

4.28. In 2019 Mexico restructured the development bank to improve coverage, focus on the rural population and thus increase financial inclusion. To that end it established the New Comprehensive Rural Financing System comprising the National Development Bank, the Shared Risk Trust, the Rural Sector Capitalization and Investment Fund and AGROASEMEX, and set up a single window to provide the rural population with access to various programmes and financial services, and enable them to seek advice and training.[26]

4.29. AGROASEMEX, an insurance company specializing in the agricultural sector, designs insurance schemes to expand market coverage and promotes the involvement of private agents in the agricultural insurance market.[27] The Agricultural Insurance Programme, which was implemented by AGROASEMEX, was abolished in 2021.[28] The programme offered a subsidy to reduce the cost of premiums for insurance against risks associated with climatic conditions.

4.2 Energy[29]

4.30. The energy sector is regulated by the Constitution (Articles 25, 27 and 28) and various laws promulgated in 2014, namely: the Hydrocarbons Law[30]; the Hydrocarbons Revenue Law[31]; the Law on the Mexican Petroleum Fund for Stabilization and Development[32]; and the Law on the Electricity Industry[33]; and by the Law on Energy Transition of 2015.[34] Since the previous review in 2017, the Hydrocarbons Law and the Law on the Electricity Industry have been amended to increase the market share of State-owned production enterprises, namely, Petróleos Mexicanos (PEMEX) and the Federal Electricity Commission (CFE).[35] The aim of energy policy since 2017 has been to reverse the reform initiated in 2013, through which the sector was liberalized in order to allow for competition. The government's objective is to "rescue" the sector in order for it to promote the country's socioeconomic development.[36] It intends for State-owned production enterprises to become the dominant operators once again, and for them to become drivers of development and contribute to the objectives of energy self-sufficiency, access, supply and transition.[37] In September 2021, a draft constitutional reform on electricity was tabled which, if approved, would further strengthen the role of the State and the CFE in the electricity sector, as it would limit the operations of private entities.[38]

4.31. In 2013, the energy market was fully liberalized, except for services related to the storage, distribution and supply of aviation fuel, which were liberalized in 2018 (Section 4.4.3.1).[39] Consequently, the participation of private capital, both domestic and foreign, is permitted in all energy sector activities, except for those which are reserved to the State under the Constitution, and which, despite this, are not considered monopolies. These activities are as follows:

---

[26] National Development Financing Programme 2020-24 (Official Journal of 5 August 2020).
[27] Decision authorizing the establishment and organization of the insurance company AGROASEMEX (Official Journal of 7 June 1990).
[28] Information provided by the authorities.
[29] No comments were received from the competent authorities in this field.
[30] Hydrocarbons Law (Official Journal of 11 August 2014, as last amended on 20 May 2021) and Regulations implementing the Hydrocarbons Law (Official Journal of 31 October 2014).
[31] Hydrocarbons Revenue Law (Official Journal of 11 August 2014, as last amended on 13 January 2022) and Regulations implementing the Hydrocarbons Revenue Law (Official Journal of 31 October 2014, as last amended on 22 May 2017).
[32] Law on the Mexican Petroleum Fund for Stabilization and Development (Official Journal of 11 August 2014, as last amended on 6 November 2020).
[33] Law on the Electricity Industry (Official Journal of 11 August 2014, as last amended on 9 March 2021) and Regulations implementing the Law on the Electricity Industry (Official Journal of 31 October 2014).
[34] Law on Energy Transition (Official Journal of 24 December 2015).
[35] ICEX (2020), *Ficha Sector México: Hidrocarburos en México*. Viewed at: https://www.icex.es/icex/es/navegacion-principal/todos-nuestros-servicios/informacion-de-mercados/estudios-de-mercados-y-otros-documentos-de-comercio-exterior/guia-negocios-mexico-2020-doc2020860239.html.
[36] National Development Plan 2019-24.
[37] Sectoral Programme for Energy 2020-24.
[38] Ministry of Energy. Information viewed at: https://www.gob.mx/sener/prensa/el-nuevo-esquema-del-sistema-electrico-nacional-garantizara-el-abastecimiento-continuo-de-electricidad-a-la-poblacion-mexicana?idiom=es.
[39] General notice related to Transitional Article 9 of the Regulations implementing the Airports Law (Official Journal of 21 June 2018).

a. in the hydrocarbons sector: "strategic" exploration and exploitation activities; and

b. in the electricity sector: operation of nuclear power plants; transmission, distribution and control of the National Electricity System (SEN).[40]

4.32. Foreigners are treated as nationals in activities in which they are allowed to participate. Foreign operators must be established in Mexico to be able to operate in the energy sector.

4.33. The activities reserved to the State are run by PEMEX, the CFE and their subsidiaries.[41] The National Energy Control Centre (CENACE) controls the dispatch of electricity in the SEN.

4.34. As in 2017, the main bodies in the sector are: the Ministry of Energy (SENER), the National Hydrocarbons Commission (CNH) and the Energy Regulatory Commission (CRE).

4.2.1 Hydrocarbons

4.35. Mexico is one of the main hydrocarbons producers in the region.[42] In 2021, petroleum production was 1,664.7 thousand barrels per day (Kb/d) and natural gas production was 4,740.2 million cubic feet per day (MMcf/d).[43] However, production declined during the review period, owing to the decrease in oil field reserves and the lack of investment in new fields. To remedy this situation, PEMEX announced the launch of new investment projects.[44]

4.36. In January-July 2021, oil revenue climbed to MXN 507,517.0 million, which was 60% (in real terms) more than in the same period in 2020, and accounted for 14.9% of total revenue in the public sector. Part of the oil revenue corresponds to the contributions for the Mexican Petroleum Fund for Stabilization and Development (FMPED) (Box 4.1). The strong decline in production in 2020 was partially offset by an increase in the price of petroleum on the international market. Oil production rebounded in 2021. In 2020, the fall in demand due to the pandemic also affected the sector.[45] In 2020 and 2021, in order to support PEMEX, the rate of the profit-sharing duty that the company passes on to the FMPED was reduced.[46]

Box 4.1 Mexican Petroleum Fund for Stabilization and Development (FMPED)

The revenue received by the federal government from the exploration, exploitation and marketing of hydrocarbons is deposited in the Mexican Petroleum Fund for Stabilization and Development (FMPED), through which it is transferred to other funds (stabilization or sectoral funds, or funds with specific purposes) and to the Federal Treasury. It also constitutes a savings reserve. The total contributions transferred to the different funds may not exceed 4.7% of GDP. The remaining amount is allocated to the savings reserve. The reserve began to be established in 2018, as revenue had previously never reached 4.7% of GDP.

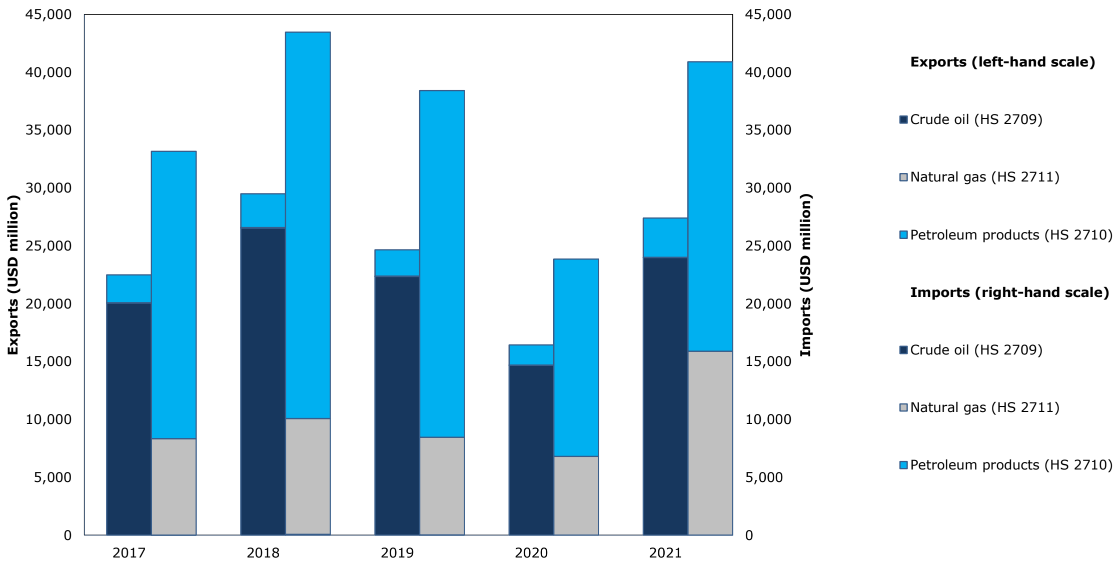
Source: Law on the Mexican Petroleum Fund for Stabilization and Development; and the FMPED. Viewed at: https://www.fmped.org.mx/administracion-reserva.html#valor_reserva.

4.37. Mexico is a major producer and net exporter of crude oil. However, it is a net importer of refined products, and the trade balance in hydrocarbons and their derivatives is in deficit (Chart 4.1). This is due to the low existing capacity in the country for refining heavy crude oil, which is the oil extracted by Mexico. Mexico also exports more than half of the unrefined crude oil extracted and imports refined products. The government aims to achieve self-sufficiency. To this end, efforts have

[40] Articles 27 and 28 of the Political Constitution of the United Mexican States (CPEUM).
[41] PEMEX has three subsidiaries: one for exploration and production; one for logistics; and one for industrial processing. The CFE has nine subsidiaries: six for generation; one for transmission; one for distribution; and one for marketing (list of semi-public bodies belonging to the federal government (Official Journal of 13 August 2021)).
[42] U.S. Energy Information Administration. Information viewed at: https://www.eia.gov/international/analysis/country/mex.
[43] Hydrocarbons Information System of the CNH. Viewed at: https://hidrocarburos.gob.mx; Senate of the Republic (several years), *Reporte Trimestral de los Ingresos Presupuestarios*. Viewed at: http://bibliodigitalibd.senado.gob.mx/handle/123456789/3884; and information provided by the authorities.
[44] PEMEX press release of 17 June 2016. Viewed at: https://www.pemex.com/en/press_room/press_releases/Paginas/2019-028-national.aspx.
[45] Senate of the Republic (several years), *Reporte Trimestral de los Ingresos Presupuestarios*. Viewed at: http://bibliodigitalibd.senado.gob.mx/handle/123456789/3884.
[46] Decree granting tax benefits to the taxpayers indicated therein (Official Journal of 19 February 2021).

been made to rehabilitate existing refineries, and a new refinery is being built (Dos Bocas). PEMEX also acquired a refinery in Texas (United States).

Chart 4.1 Hydrocarbons and petroleum products trade balance, 2017-21



Source: WTO Secretariat, on the basis of information provided by the authorities.

4.38. The main market for hydrocarbons is almost exclusively the United States (Table 4.7). The main petroleum products imported by Mexico are gasoline, diesel and liquefied petroleum gas (LPG), which 8 out of 10 households use as fuel.[47] The majority of these imports benefit from preferential treatment (Table 4.7).

Table 4.7 Trade in hydrocarbons, 2020 and 2021

(%)

Exports	2020	2021 (June)
2709. Petroleum oils and oils obtained from bituminous minerals, crude		
United States	58.8	58.2
Middle East n.e.s.	27.2	27.6
Other Europe n.e.s.	14.0	14.2
Other	0.0	0.0
2710. Petroleum oils and oils obtained from bituminous minerals, other than crude		
United States	60.0	68.5
Panama	31.7	26.5
Japan	2.6	0.0
EU-27	1.4	0.3
Republic of Korea	0.7	0.0
Other	3.7	4.8
2711. Petroleum gases and other gaseous hydrocarbons		
United States	68.1	99.7
Morocco	30.6	0.0
Belize	0.7	0.0
Costa Rica	0.3	0.3
Ecuador	0.1	0.0
Other	0.1	0.0

[47] National Household Survey on Energy Consumption 2018 of the National Institute of Statistics and Geography (INEGI). Viewed at: Encuesta Nacional sobre Consumo de Energéticos en Viviendas Particulares (ENCEVI) 2018 (inegi.org.mx).

(%)

Imports	2020	2021	2020		2021 (June)	
			Preference	No preference	Preference	No preference
2710. Petroleum oils and oils obtained from bituminous minerals, other than crude			**55.1**	**44.9**	**60.9**	**39.1**
United States	91.0	92.3	60.0	40.0	65.1	34.9
EU-27	5.4	4.6	4.0	96.0	4.6	95.4
China	2.2	0.8	0.0	100.0	0.0	100.0
Republic of Korea	0.4	0.6	2.9	97.1	1.9	98.1
Canada	0.4	0.7	79.6	20.4	84.0	16.0
Other	0.5	1.0	1.3	98.7	1.3	98.7
2711. Petroleum gases and other gaseous hydrocarbons			**47.0**	**53.0**	**44.5**	**55.5**
United States	95.4	97.0	46.4	53.6	43.0	57.0
Canada	2.7	2.8	99.2	0.8	100.0	0.0
Trinidad and Tobago	1.1	..	0.0	100.0	..	..
Nigeria	0.3	..	0.0	100.0	..	..
Indonesia	0.2	0.2	0.0	100.0	0.0	100.0
Other	0.4	0.0	0.0	100.0	0.0	100.0

.. Not available.

Source: WTO Secretariat.

4.39. In order to import and export hydrocarbons and their derivatives, a prior permit issued by the Ministry of Energy (SENER) is required. In 2020, new rules for obtaining permits were issued.[48] These rules established new requirements for obtaining permits.[49] They included new products (butane and propane) requiring a permit, added further grounds for revocation, and established the possibility to cancel a permit. However, the period of validity of permits was maintained. The new rules eliminated the possibility of requesting a prior permit for a duration of 20 years, and instead introduced a maximum period of validity of five years. To obtain a five-year prior permit, operators must demonstrate that they have a contract for a period of five years. The prior permits granted for 20 years remain valid.

4.40. In 2017, the price controls on gasoline, diesel and LPG were eliminated. However, in 2021, as a transitional emergency measure, the price control on LPG was reintroduced (Section 3.3.4.2). Mexico continues to grant a tax incentive for the consumption of gasoline and diesel, which consists of a reduced rate of IEPS (special tax on production and services).[50]

4.41. During the review period, the requirements for operating in the hydrocarbons sector did not change substantially (Table 4.8). The State has the power to award allocations, which grant PEMEX exclusive exploration and exploitation rights[51], and contracts for exploration and exploitation. Contracts are awarded through tenders and may be of four types.[52] PEMEX and private companies may participate in tenders individually or in partnerships.[53] From 2013 to date (May 2022), Mexico has held three rounds of tenders. The third round was launched in 2017 and cancelled in 2018.[54]

[48] Decision establishing which goods imports and exports are regulated by SENER (published in the Official Journal of 26 December 2020), which repealed the Decision published in the Official Journal of 29 December 2014 (and the amendments thereto of 30 December 2015, 8 September 2017, 4 December 2017 and 22 February 2019).

[49] For example, in order to export, operators are required to demonstrate that supply in the domestic market is not at risk. In order to import, operators must comply with the minimum storage requirements.

[50] The percentages of the incentive are published periodically in the decisions of the Ministry of Finance and Public Credit (SHCP). See, for example, the Decision announcing the percentages and amounts of the tax incentive, as well as the reduced IEPS rates applicable to the fuels indicated, corresponding to the period specified (Official Journal of 11 February 2022).

[51] Article 4 of the Hydrocarbons Law.

[52] There are four types of contract: shared production contracts; licensing contracts; profit-sharing contracts; and service contracts (Hydrocarbons Revenue Law).

[53] However, in some instances, the CNH may require PEMEX to participate in the tender. For example, if PEMEX were able to obtain technology transfer or if cross-border deposits were discovered (Articles 16-17 of the Hydrocarbons Law).

[54] *Rondas México*. Viewed at: https://rondasmexico.gob.mx.

Table 4.8 Requirements for operating in the hydrocarbons sector, 2017-22

Activities	Institution	Requirement	Beneficiary	Initial duration (maximum duration)
Exploration and exploitation	Ministry of Energy (SENER)	Allocation	PEMEX	Exploration: 25 years (50 years); exploitation: 20 years (45 years)
	National Hydrocarbons Commission (CNH)	Contract	PEMEX and private companies	25-35 years (40-50 years)
		Farm-out agreement		..
Transport	Energy Regulatory Commission (CRE)	Permit	PEMEX and private companies	30 years (45 years)
Storage				
Refining	SENER			
Processing of natural gas				
Distribution	CRE			
Marketing				
Retail				

.. Not available.

Source: Hydrocarbons Law, and WTO document WT/TPR/S/352/Rev.1 of 23 June 2017.

4.42. PEMEX also participates in farm-out agreements with private entities for the exploration and exploitation of oil and gas fields. These farm-out agreements are not awarded through tenders but are the result of a conversion ("migration") process for allocations. PEMEX uses this type of contract for projects in which it is necessary to diversify investments, share risks and have access to new technologies and best practices for sustainability.[55] The CNH selects private partners though tenders.[56] In 2018, the tender process, through which partners were to be chosen to participate in several of these contracts, was suspended.

4.43. The contracts are subject to a local content requirement.[57] The minimum percentage of local content depends on the activity (exploration or exploitation) and the type of field (onshore fields, shallow waters, deep waters and ultra-deep waters) (Transitional Articles 46 and 24 of the Hydrocarbons Law). The Ministry of Economic Affairs established a methodology for measuring percentages in 2014 (for onshore fields and shallow waters). This methodology was revised in 2015 and in 2016 (for deep waters and ultra-deep waters). The methodology takes into account: the origin of the agreed goods and services; use of local labour; training of local staff; investment in local infrastructure; and technology transfer. The percentage of local content increases in accordance with the development of the project: 3%-26% for exploration and 25%-38% for exploitation, except in deep water and ultra-deep water fields for which a lower percentage is established (4%-10%), owing to the fact that the necessary technology may not be available in Mexico.[58] The Ministry of Economic Affairs is responsible for verifying compliance with the local content requirement.[59]

4.44. For other activities (transport, storage, refining, processing of natural gas, distribution, marketing and retail) a permit issued by SENER or the CRE is required (Table 4.8). Since 2021, permits have not been granted if operators are unable to store at least half the equivalent of five days of sale for petrol and diesel, and three days for jet fuel. Legislation allows for the revocation

[55] *Pulso Energético* of 23 February 2021. Viewed at: https://pulsoenergetico.org/blog-post/beneficios-economicos-de-los-contratos-petroleros.
[56] Article 13 of the Hydrocarbons Law.
[57] WTO document WT/TPR/S/352/Rev.1 of 23 June 2017.
[58] WTO document WT/TPR/S/352/Rev.1 of 23 June 2017.
[59] Decision establishing provisions for the verification of compliance with the local content obligations of contractors and allocation holders, with regard to exploration and extraction activities carried out in the national territory (Official Journal of 23 January 2020).

of existing permits if the requirements cannot be met.[60] Permits, like allocations and exploration and exploitation contracts, are subject to a minimum local content requirement.[61]

4.45. Furthermore, since 2021, in accordance with the Hydrocarbons Law, permits may be suspended in the case of an "imminent threat to national security, energy security or the national economy". However, these concepts are not defined in the Law. The duration of the suspension is decided by SENER or the CRE. During this period, SENER or the CRE takes over operations, using the infrastructure and staff employed by the operator, or may hire third parties. Permit holders may request that the suspension be lifted, provided that they demonstrate that the conditions that prompted the suspension were remedied. If, after the suspension period has ended, operators are not in a position to continue with their obligations, the permit is cancelled.[62]

4.46. Despite the fact that, for eight years, a certain level of competition has been allowed in the hydrocarbons market, PEMEX still maintains a dominant position. PEMEX is the main producer, importer and exporter of hydrocarbons and petroleum products, and also owns most of the infrastructure for transport and storage. PEMEX is also the owner of all the refineries in the country, and controls retail.

4.47. In accordance with the Hydrocarbons Revenue Law, PEMEX has to pay, on a monthly basis, a hydrocarbons extraction duty calculated on the basis of the value of the product extracted, which varies according to the product concerned (Table 4.9), and must also pay, on an annual basis, the profit-sharing duty. The profit-sharing duty is calculated by applying a rate of 54% to the difference between the value of the hydrocarbons extracted and the deductions permitted under the Law, with the inclusion of that consumed by PEMEX, and losses due to spillage or burning.[63]

Table 4.9 Hydrocarbons extraction duty, 2021

Product	Rate/base value of product	Price
Oil	7.5% Rate equivalent to ((0.125 x oil price) + 1.5%)	Price/barrel <USD 48 Price/barrel ≥USD 48
Natural gas associated with oil production	Rate equivalent to (price/100)	n/a
Natural gas not associated with oil production	0%	Price/million BTU ≤USD 5
	Rate equivalent to (price-USD 5) x 60.5))/price of natural gas)	Price/million BTU >USD 5 <USD 5.5
	Rate equivalent to (price/100)	Price/million BTU ≥USD 5.5
Condensates	5%	Price/barrel <USD 60
	Rate equivalent to ((0.125 x price of condensates) - 2.5)	Price/barrel ≥USD 60

n/a Not applicable.

Note: BTU = British thermal unit.

Source: Hydrocarbons Revenue Law (Official Journal of 9 December 2019).

[60] Article 51 of the Hydrocarbons Law amended through the Decree published in the Official Journal of 4 May 2021; Fourth Transitional Article of the Decree published in the Official Journal of 4 May 2021; Public Policy on the Minimum Storage of Petroleum Products; and SENER. Viewed at: https://www.gob.mx/sener/es/articulos/politica-publica-de-almacenamiento-minimo-de-petroliferos-247326?idiom=es.

[61] Article 126 of the Hydrocarbons Law. The methodology for calculating the percentage of local content in permits is the same as the one established by SENER for allocations and contracts.

[62] Article 59*bis* of the Hydrocarbons Law added through the Decree published in the Official Journal of 4 May 2021.

[63] The deductions permitted under the Law are: (a) 100% of the original amount of the investments made for exploration, secondary recovery and non-capitalizable maintenance; (b) 25% of the original amount for the development and extraction of oil or natural gas deposits, including import duties; (c) 10% of the original amount of investments in transport and storage infrastructure for activities covered by the allocation, such as oil pipelines, gas pipelines, and storage terminals and tanks; (d) the costs and expenses of exploration, transport and delivery necessary for the extraction of oil and natural gas deposits; and (e) the hydrocarbons extraction duty, paid during the corresponding period (Article 40 of the Hydrocarbons Revenue Law (Official Journal of 9 December 2019)).

4.48. The authorities consider that PEMEX is of strategic importance for Mexico, as it is a profitable public asset and is the country's largest taxpayer. The federal government considers it important to maintain profitability and ensure the sustainability of the company in the long term. To this end, the Ministry of Finance and Public Credit (SHCP) has given priority to resolving the structural challenges faced by PEMEX, namely: (i) the high tax burden; (ii) the high level of financial debt and its financial cost; and (iii) the lack of resources to make the investments necessary for maintaining the required levels of production. The government has set three key objectives to overcome these challenges: (a) reduce the profit-sharing duty from 54% to 40%; (b) reduce PEMEX's debt through capital contributions from the federal government; and (c) reduce PEMEX's refinancing risk. In this context, in December 2021, PEMEX announced a repurchase and liability management operation with the aim of reducing the risk of refinancing and the amount of the debt.[64] The federal government would contribute USD 3.5 billion to support this transaction. Furthermore, mechanisms and a financial structure will be implemented to enable the public sector to co-invest in exploration and extraction projects. Between 2017 and 2021, PEMEX did not receive any subsidies or transfers.[65]

4.49. Through the liberalization of the trade in hydrocarbons in 2013, the Hydrocarbons Law enabled PEMEX to continue marketing exclusively until 31 December 2017. Under the Law, in 2018, the CNH tendered and awarded the contract for marketing natural gas to the CFE, and the contract for marketing crude oil to a foreign company. The contract with the CFE was signed for one year and was extended for one additional year. The contract for crude oil was signed for three years. In November 2020, when the contracts expired, the CNH awarded a contract for marketing oil and gas directly to PEMEX. This contract is valid for five years.[66]

4.2.2 Electricity

4.50. The generation of electricity in nuclear power plants and the transmission and distribution of electricity are activities reserved to the State, for which the Federal Electricity Commission (CFE) enjoys exclusive rights. However, the CFE may grant contracts to private companies in order for them to build, expand and maintain infrastructure. These contracts are awarded through tenders and are subject to a local content requirement.[67] The private sector and the CFE participate in the generation and marketing (supply) of electricity. To generate and market electricity, a permit from the Energy Regulatory Commission (CRE) is required.[68] However, the CFE is the sole entity that has permission to market electricity for basic users.

4.51. The Law on the Electricity Industry prohibits vertical and horizontal integration.[69] This provision applies to both the CFE and private companies in the sector. In 2016, the CFE's activities were separated, with the creation of several subsidiaries (six for generation; one for transmission; one for distribution; and two for supply).[70] In 2019, the provisions on the restructuring of the CFE's activities to reduce costs and improve management were amended.[71] While the purpose of this

[64] SHCP press release No. 74 of 6 December 2021. Viewed at: https://www.gob.mx/shcp/prensa/comunicado-no-74-hacienda-anuncia-estrategia-de-apoyo-en-favor-de-la-sostenibilidad-de-pemex.

[65] Banxico Economic Information System, "*Ingresos y Gastos de PEMEX*". Viewed at: https://www.banxico.org.mx/SieInternet/consultarDirectorioInternetAction.do?accion=consultarCuadro&idCuadro=CG4&sector=9&locale=es.

[66] Onexpo Nacional news item of 20 November 2020. Viewed at: https://www.onexpo.com.mx/NOTICIAS/DEVUELVEN-A-PEMEX-COMERCIALIZACION_m5ezD; and Reforma news item of 18 November 2020. Viewed at: https://www.reforma.com/aplicacioneslibre/preacceso/articulo/default.aspx?__rval=1&urlredirect=https://www.reforma.com/adjudica-cnh-venta-de-crudo-a-filial-de-pemex/ar2073426?referer=--7d616165662f3a3a6262623b727a7a7279703b767a783a--.

[67] Article 30 of the Law on the Electricity Industry. In 2018, SENER determined the methodology for measuring the percentage of local content. The Decision was published in the Official Journal of 28 June 2018.

[68] Article 12 of the Law on the Electricity Industry, as amended through the Decree published in the Official Journal of 9 March 2021.

[69] Article 8 of the Law on the Electricity Industry.

[70] Terms for the strict legal separation of the Federal Electricity Commission (CFE) (Official Journal of 11 January 2016).

[71] Terms for the strict legal separation of the Federal Electricity Commission (Official Journal of 11 January 2016) and Decision amending the terms for the strict legal separation of the Federal Electricity Commission, published on 11 January 2016 (Official Journal of 25 March 2019).

change is to create a more efficient system, it also opens up the possibility for the CFE's activities to be reinstated, in order to once again strengthen its position in the sector.

4.52. The CRE continues to regulate transmission, distribution and marketing tariffs. Qualified users (whose demand is greater than or equal to 1 MW) may purchase electricity directly from generating companies at an agreed price.

4.53. The electricity used by low-income agricultural producers and domestic users is subsidized.[72]

4.54. In 2021, the Law on the Electricity Industry was amended to change the order in which generating companies can dispatch their production on the grid.[73] However, the reform was suspended, as the private sector filed an appeal on grounds of unconstitutionality with the Supreme Court of Justice of the Nation (SCJN). The authorities indicated that, in April 2022, the SCJN had dismissed the appeal. The reform was therefore approved but has yet to be implemented. The reform seeks to adopt a model that ensures the security of the electricity dispatch, as power plants use mainly renewable sources, which may create problems of intermittency in production and, therefore, compromise the dispatch.[74] As a result, priority is given to the dispatch of electricity produced by the CFE's plants, whether they are hydroelectric plants or plants using conventional sources of energy. Although this change seeks to guarantee supply, and strengthen the CFE, it could discourage private investment in renewable energy, by creating greater uncertainty for private operators.

4.55. Mexico promotes the use of clean energy sources through clean energy certificates (CEL), and it set clean energy generation targets of 25% in 2018, 30% in 2021, 35% in 2024, 40% in 2035 and 50% in 2050.[75] However, the changes to the order of the aforementioned electricity dispatch and the new rules for the granting of clean energy certificates (Box 4.2) could discourage private investment in renewable energies, which would make it difficult to meet the targets set. In this regard, it is important to highlight that currently the CFE does not operate any solar or photovoltaic plants, and does not appear to have any plans to invest in this type of project.[76]

Box 4.2 Clean energy certificates (CEL), 2017-2022

Clean energy certificates (CEL) are documents issued by the CRE which guarantee that a certain quantity of energy is produced using clean energy sources. These certificates are granted to power generating facilities for each megawatt-hour (MWh) produced using clean energy sources. To prove that their energy is clean, companies selling electricity to basic users have to purchase certificates on the wholesale electricity market, for the percentage of clean energy that they are selling.

In accordance with the Law on the Electricity Industry, the CRE grants clean energy certificates to: (1) plants that began to operate as from 2014 (all private); and (2) CFE plants which were operating in 2014 and which meet the minimum investment requirement to increase their production using clean energy sources. In 2014, none of the plants operated by the CFE met this requirement. However, as from 2019, the CRE began to grant clean energy certificates to all plants producing clean energy, regardless of any requirements, which benefit the CFE plants that did not qualify in 2014.

A minimum percentage of electricity sold by companies to basic users must be produced using clean energy sources. In 2022, this requirement is 13.9%. As was the case in 2017, the CFE is the only company that sells electricity to basic users. To prove compliance with this minimum requirement, the CFE must purchase a number of clean energy certificates equivalent to 13.9% of the energy sold. If the CFE does not meet the requirement, the CRE may issue it with a fine.

---

[72] Rural Energy Law (Official Journal of 30 December 2002, as last amended on 28 December 2012), and information provided by the authorities.

[73] Article 101 of the Law on the Electricity Industry, amended through the Decree published in the Official Journal of 9 March 2021; and the Decision issuing the Policy on Reliability, Safety, Continuity and Quality in the National Electricity System (Official Journal of 15 May 2020).

[74] Strategic Notes of the Senate, No. 128, March 2021. Viewed at: http://bibliodigitalibd.senado.gob.mx/bitstream/handle/123456789/5162/Reforma%20LIE_20210312.pdf?sequence=1&isAllowed=y; and BBVA Research Economic Analysis, 8 February 2021. Viewed at: https://www.bbvaresearch.com/en/publicaciones/mexico-changes-in-electricity-industry-law-discourage-clean-and-less-expensive-energies.

[75] Electricity Law; and Law on Energy Transition (Official Journal of 24 December 2015).

[76] Mexican Institute for Competitiveness (IMCO) note, 8 November 2020. Viewed at: https://imco.org.mx/cambiar-el-criterio-de-despacho-del-mercado-electrico-mayorista-abona-a-un-entorno-de-incertidumbre-en-detrimento-de-la-competitividad-del-sector-y-del-pais.

Clean energy certificates were sold on the wholesale electricity market until 2018 through auctions or contracts. The auctions were suspended in 2018, and since then sales have been carried out solely through contracts, at an agreed price. This resulted in a price increase. However, since 2019, as a result of granting clean energy certificates to all plants generating clean energy, the supply of certificates increased and, in principle, the price decreased. While this enables the CFE to purchase clean energy certificates at a lower cost, it could discourage private investment in plants using clean energy.

Source: Article 126 of the Law on the Electricity Industry, as amended through the Decree published in the Official Journal of 9 March 2021; Federal Economic Competition Commission (COFECE) (2021), *Transición hacia mercados competidos de energía: Los Certificados de Energías Limpias en la industria eléctrica mexicana*. Viewed at: https://www.cofece.mx/wp-content/uploads/2021/05/CEL_doc_vb2.pdf; National Energy Control Centre (CENACE). Information viewed at: https://www.cenace.gob.mx/Paginas/SIM/MercadoCEL.aspx; and research by the Centre for Economic and Budgetary Research (CIEP). Viewed at: https://ciep.mx/nCB1.

4.3 Manufacturing

4.56. The manufacturing sector continues to be of significant importance for the Mexican economy, in terms of its contribution to both GDP and international trade. The sector's average contribution to GDP was 17.3% between 2016 and 2020, and 18% in 2021 (Table 4.10). The real growth rate for the sector is below that of the domestic economy. During the period 2016-21, the sector expanded at an average annual rate of 0.6% in real terms, which was greater than GDP growth (0.1%). The sector, like the rest of the economy, contracted sharply in 2020 as a result of the health crisis, and began to recover in 2021 (Table 4.10).

4.57. The Mexican manufacturing sector is highly diversified. The main subsectors in terms of their contribution to manufacturing GDP continue to be the food industry (22% in 2020 and 21% in 2021) and the production of transport equipment (20.9% in 2020 and 19.17% in 2021), which is Mexico's main export item, followed by the computer and communication equipment industry (9.3% in 2020 and 8.7% in 2021), which is also an important export item (Table 4.10).

Table 4.10 Main indicators for the agricultural sector, 2016-21

	2016	2017	2018	2019	2020	2021
Share of total GDP (% at current prices)	17.2	17.4	17.5	17.3	17.3	18.0
Real growth rate (%, at constant prices)	1.6	2.8	1.8	0.2	-9.4	8.6
Main sectors contributing to GDP						
Share of manufacturing GDP (% at current prices)						
Food industry	20.8	20.2	19.9	20.2	22.0	21.0
Transport equipment	21.4	22.4	22.5	22.6	20.9	19.7
Computer and communication equipment, electronic components	9.3	9.0	8.9	9.4	9.3	8.7
Basic metal industries	5.8	5.9	6.0	5.6	5.9	7.1
Beverages and tobacco industry	6.0	5.9	6.0	6.3	6.4	6.4
Real growth rate (%, at constant prices)						
Food industry	3.3	2.6	2.9	2.0	0.1	1.8
Transport equipment	1.1	10.3	5.1	-0.1	-19.3	8.9
Computer and communication equipment, electronic components	1.4	4.4	-0.4	5.1	-8.5	9.8
Basic metal industries	1.4	-0.6	-2.0	-3.5	-7.2	10.1
Beverages and tobacco industry	7.5	3.1	4.4	3.2	-7.3	9.8
Employment (% of total working population)						
Manufacturing industries	16.3	16.8	16.8	16.7	16.5	16.5
Manufacturing sector according to the WTO definition						
Exports						
Values (USD million)	316,938	347,171	374,745	387,195	348,987	409,779
Share of total exports (%)	84.8	84.8	83.1	84.1	83.7	82.9
Growth rate (%)	-2.2	9.5	7.9	3.3	-9.9	17.4
Most important products, according to HS chapter (% of total manufacturing)						
87. Motor vehicles, tractors	27.7	29.3	30.8	31.3	28.8	27.9
85. Electrical machinery and equipment; image and sound recorders and reproducers	24.1	23.5	21.9	20.7	21.5	21.2
84. Nuclear reactors, boilers, machinery and mechanical appliances	19.4	19.0	20.1	20.8	21.5	20.8
90. Optical, photographic and precision instruments and apparatus; medical or surgical instruments and apparatus	5.1	5.0	5.1	5.1	5.3	5.0
39. Plastics and articles thereof	2.6	2.6	2.5	2.4	2.6	2.8
Imports						
Values (USD million)	329,701	352,663	384,598	378,252	322,781	422,410

	2016	2017	2018	2019	2020	2021
Share of total imports (%)	85.2	83.9	82.8	83.1	84.3	83.5
Growth rate (%)	-2.2	7.0	9.1	-1.7	-14.7	30.9
Most important products, according to HS chapter (% of total manufacturing)						
85. Electrical machinery and equipment; image and sound recorders and reproducers	25.5	24.3	24.7	25.1	25.7	24.0
84. Nuclear reactors, boilers, machinery and mechanical appliances	20.3	20.1	20.1	20.3	20.4	18.7
87. Motor vehicles, tractors	11.2	11.8	11.2	11.3	9.9	9.3
39. Plastics and articles thereof	6.7	6.6	6.6	6.5	6.8	7.0
90. Optical, photographic and precision instruments and apparatus; medical or surgical instruments and apparatus	4.4	4.3	4.0	4.3	4.9	4.8
Manufacturing trade balance (USD million)	-12,763	-5,492	-9,853	8,943	26,206	-12,631

Source: National Institute of Statistics and Geography (INEGI), Economic Information Bank (BIE), Short-term economic indicators and national accounts; Bank of Mexico, Economic Information System (SIE); and trade data provided by the authorities.

4.58. During the period 2016-21 (most recent data), manufacturing exports (WTO classification) accounted for over 83.8% of Mexico's total exports, and grew at an annual average rate of 5.3%. Despite the diversification of the manufacturing sector, motor vehicles and tractors continue to be the main export item, representing 27.3% in 2016, and 27.9% in 2021, of manufacturing exports, followed by office and telecommunications equipment, and electrical and non-electrical machinery (23.7% in 2016 and 21.2% in 2021). Over 80% of manufactured goods are exported to the United States. Imports also originate mainly in this market, followed by China which, since 2016, has continued to gain importance as a market for the purchase of electrical machinery and appliances.

4.59. The tariffs applied to manufactured products (WTO definition) are relatively low, with an average MFN tariff of 4.6% in 2016 and 5.9% in 2021. The industries with the highest tariffs include food preparations (18.8% in 2021), footwear (14.4%) and textiles (12.8%). Machinery and appliances, which are Mexico's most important manufacturing imports, have an average applied tariff of 4.2%, lower than the average, and transport equipment, which is the main export item, is protected by an average tariff of 8.6%.

4.60. Mexico continues to maintain unilateral quotas for imports of certain manufactured products, including polyester (textiles), motor vehicles and toys (Table A3.3). Under various preferential arrangements (for example, the agreements with Argentina, Brazil, Cuba, El Salvador, the EU, Guatemala, Peru and Uruguay), Mexico also negotiated preferential quotas for some manufactured products which, however, are not used.

4.61. The anti-dumping measures imposed by Mexico during the review period mostly affected imports of manufactured products (96%). Of the 74 measures in force in 2021 (June), 52 affected base metals. Electrical machinery and appliances, plastics and chemicals were also subject to anti-dumping measures. Base metals, as well as textiles and footwear, are also subject to automatic licensing (automatic permits) and non-automatic licensing (prior permits) for imports, while chemicals are only subject to non-automatic licensing. In Mexico, both types of licensing can be used at the same time, as they serve different purposes (Section 3.1.6).

4.62. Mexico continues to grant tax concessions, under different programmes, to the manufacturing sector, such as the programme for the manufacturing, maquila and export services industry (IMMEX), to promote exports, and the sectoral promotion (PROSEC) programmes, to promote competitiveness, and thus increase the integration of Mexican production into the global market.[77] None of these programmes underwent substantial changes during the review period. Companies may be eligible for both the IMMEX programme and a PROSEC programme simultaneously (Section 3.3.1).

4.63. The IMMEX programme continues to be of great importance for Mexico, particularly for the manufacturing sector. During the period under review, the number of companies operating under the IMMEX programme rose from 5,024 in 2016 to 5,191 in 2021. In 2021, these companies reported a total revenue of USD 293.4 million (USD 211.5 million in 2016). Of this total, 62% corresponded to foreign sales, and the rest (38%) was national revenue. The main imports and exports under the

[77] WTO document G/SCM/N/372/MEX of 12 January 2022.

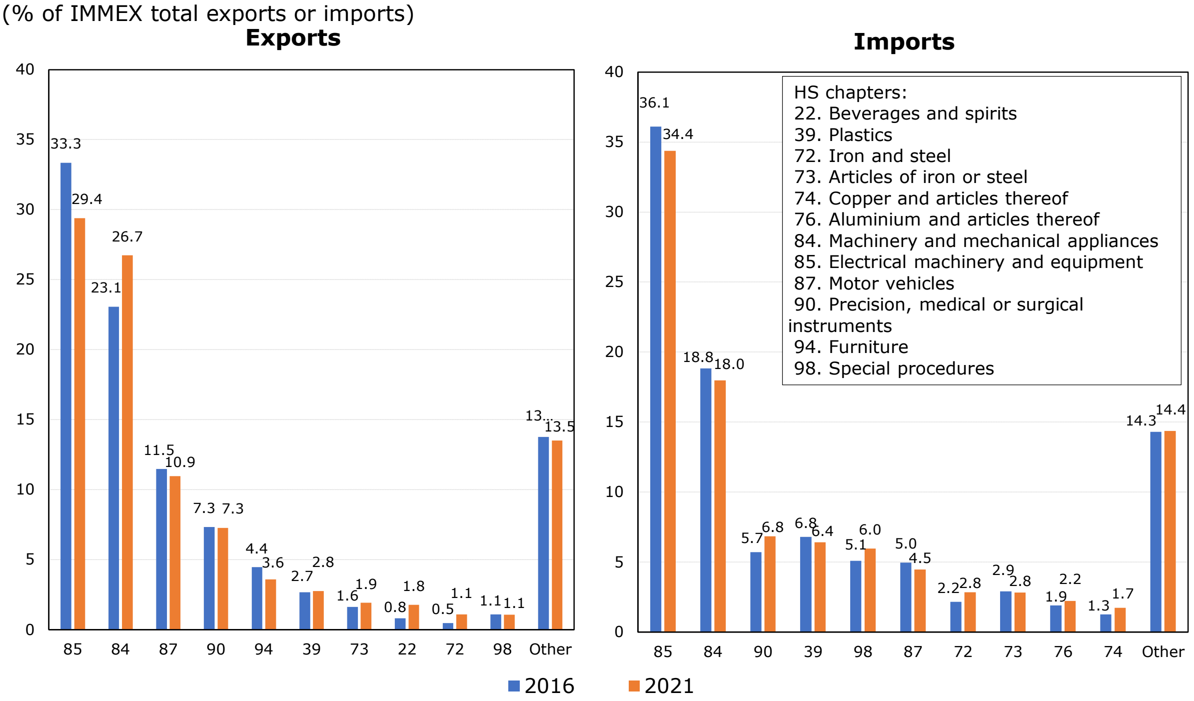
programme were machinery, mechanical appliances or electrical goods under HS chapters 84 and 85, which is consistent with the functioning of a maquila regime. In 2016, exports of these goods accounted for 56.4% of total exports, and 56.1% in 2021, while imports accounted for 52.3% of total imports in 2021 (Chart 4.2).[78] Furthermore, the companies included in the IMMEX programme provided, on average, employment for 2.6 million workers during the period 2017-21.

4.64. The PROSEC programmes have not changed substantially since they were launched.[79] Each PROSEC programme allows for the importation, with a preferential tariff, of the inputs and machinery required to produce specific goods, regardless of whether the final product will be consumed on the domestic market or exported. Each PROSEC programme lists the inputs by tariff line, showing the corresponding preferential tariff.

4.65. The PROSEC programmes containing the largest number of inputs with preferential tariffs are those benefiting the automotive and automotive parts industry, the electronics industry and the electricity industry. In 2021, the most common preferential tariff rates granted under the PROSEC programmes were 0% and 5%, which were applied to 76.2% and 19.1% of the tariff lines covered, respectively.

Chart 4.2 Exports and imports under the IMMEX programme by main HS chapters, 2016 and 2021

(% of IMMEX total exports or imports)



Source: WTO Secretariat calculations, based on data provided by the authorities.

4.66. Industrial policy is set out in the National Development Plan 2019-24 and in the Sectoral Programme for the Economy 2020-24.[80] Both programmes place a special emphasis on the need to increase the local content of "strategic sectors" and on the development of the most marginalized regions of the country, SMEs, the knowledge industry and government procurement as a tool to promote industrialization. The objectives of the policy will be achieved through the support provided to companies by means of programmes such as IMMEX and PROSEC, the industrial productivity and competitiveness programme (PPCI) and the software industry development programme (PROSOFT). Support will also be provided by Bancomext, as a pillar of financing (Section 3.3.1).

[78] Information provided by the authorities.
[79] Decree establishing various sectoral promotion programmes (as last amended on 29 November 2012).
[80] National Development Plan 2019-24 (Official Journal of 12 July 2019) and the Sectoral Programme for the Economy 2020-24 (Official Journal of 24 June 2020).

4.4 Services

4.4.1 Financial services

4.67. The Mexican financial system is regulated and supervised by the Bank of Mexico (Banxico) and the Ministry of Finance and Public Credit (SHCP). The SHCP conducts its supervision through three commissions: (a) the National Banking and Securities Commission (CNBV), which regulates and supervises the institutions forming the country's financial system, including lending institutions, popular savings and loan institutions[81], brokerage firms, investment funds, credit unions, development entities (public development trusts and development agencies) and other auxiliary credit institutions and organizations; (b) the National Insurance and Sureties Commission (CNSF), which regulates and supervises insurance institutions, bonding companies, and insurance, surety and reinsurance intermediaries (Section 4.4.1.3); and (c) the National Pension Fund Commission (CONSAR), which regulates and supervises pension fund managers and investment companies specialized in pension funds. Other bodies connected with the financial system include the National Commission for the Protection and Defence of Financial Services Users (CONDUSEF), which advises, protects and defends users of financial services and promotes financial education; the Institute for the Protection of Bank Savings (IPAB), which provides deposit insurance to protect the money that savers deposit in banks; and the Tax Administration Service (SAT), which collects tax and customs resources as specified by law.

4.68. Since the previous review in 2017 the Mexican financial system has continued to perform dynamically. As of 30 March 2022, the system was composed of 4,973 entities, though only 2,225 of those were fully supervised by the CNBV; the other 2,748 were supervised solely for the prevention of money laundering and the financing of terrorism (see Table 4.11).[82]

Table 4.11 Entities supervised by the CNBV, March 2022

Entities	Number of entities in operation
Fully supervised entities	**2,225**
Financial group holding companies	21
Commercial ("multiple") banking institutions	50
Development banks and development entities	16
Multipurpose financial companies	43
Auxiliary credit organizations and activities (OAAC)	22
Credit unions	78
Savings and loan cooperative societies	155
Sociedades financieras populares (popular financial entities)	40
Other popular savings and loan institutions	7
Brokerage firms	36
Investment funds	72
Securities rating institutions	6
Securities issuers	583
Stock exchanges	2
Derivative contract exchanges	1
Central securities counterparties	1
Securities depository institutions	1
Other participants in securities and derivatives markets	47
Participants in payment networks	131
Credit information companies	3
Investment advisors	142
Other supervised entities	115
Entities supervised only in relation to money laundering and the financing of terrorism	**2,748**
Multipurpose financial companies, non-regulated entities	1.949
Foreign exchange centres	752
Money transmitters	47
Total	**4,973**

Source: CNBV.

[81] These are the savings and loan cooperative societies (socaps), popular financial entities (sofipos) and community financial companies (sofincos).

[82] National Banking and Securities Commission (CNBV). Viewed at: http://www.gob.mx/cnbv/acciones-y-programas/sectores-supervisados?idiom=es.

4.69. At the end of December 2021, Mexican commercial ("multiple") banks, the financial system's leading intermediaries, held total assets amounting to MXN 11,078 billion, representing a real annual decrease of 7.8%. Their current credit portfolio totalled MXN 5,435 billion (a real annual decrease of 2.0% compared to the same month of 2020).[83] Commercial bank assets represented 42.3% of GDP, while non-bank financial intermediaries (NBFIs) accounted for 34% of the assets. Banks and popular savings and loan institutions are the only financial intermediaries authorized to take deposits from the public (Table 4.12).

Table 4.12 Financial system indicators, 2017-21

	2017	2018	2019	2020	2021
Total assets (MXN billion)					
Commercial banks	9,023	9,567	9,829	11,187	11,078
Development banks	1,936	2,073	2,150	2,375	2,278
NBFIs	5,923	6,201	6,434	6,252	6,770
Insurance	..	..	..	..	..
Total lending (MXN billion)					
Commercial banks	4,746	5,185	5,406	5,303	5,549
Development banks	962	1,058	1,040	1,101	1,055
NBFIs	2,336	2,456	2,434	2,459	2,596
Total uptake (MXN billion)					
Commercial banks	5,340	5,801	6,083	6,672	6,962
Development banks	1,025	1,082	1,137	1,212	1,210
Popular savings and loan institutions	108	124	136	155	173

.. Not available.

Note: The asset figures for NBFIs include those of general bonded warehouses, brokerage firms, foreign exchange offices, savings and loan cooperative societies (socaps), popular financial entities (sofipos), regulated multipurpose financial companies (sofomes), credit unions, investment funds (net assets) and social security agencies (INFONAVIT, FOVISSSTE, INFONACOT). The lending figures for NBFIs include those from general bonded warehouses, savings and loan cooperative societies (socaps), popular financial entities (sofipos), regulated multipurpose financial companies (sofomes), credit unions and social security agencies (INFONAVIT, FOVISSSTE, INFONACOT).

Source: Information provided by the authorities.

4.70. CNBV supervision of the 2,225 fully supervised entities covers prudential issues related to risk, control systems, management quality and preventive processes, as well as adequacy of liquidity, solvency and stability. The CNBV supervises the other entities solely for the purposes of preventing money laundering and the financing of terrorism. The Law Regulating Financial Technology Institutions (Fintech Law) of 2018 applies mainly to electronic payment fund institutions and crowdfunding institutions.

4.71. The CNSF supervises the regulatory compliance, solvency and financial stability of insurance and bonding institutions to safeguard the interests of the user public, promote the healthy development of those sectors and thus make their services as widely available as possible.

4.72. The Financial System Stability Council (CESF), composed of representatives of the SHCP, CNBV, CNSF, CONSAR, IPAB and Banxico, monitors the financial system for risks to financial stability and issues recommendations to avoid, or minimize the impact of, interruptions in financial system operations. Other inter-institutional bodies connected with the financial system include the National Council for Financial Inclusion (CONAIF), a consulting, advisory and coordinating body for the country's financial authorities with responsibility for formulating, implementing and monitoring the National Financial Inclusion Policy; and the Financial Education Committee (CEF), which promotes financial education for the responsible use of financial services. The CEF is chaired by the SHCP and is made up of various authorities and financial institutions. The CESF, CONAIF and CEF are governed operationally by the Law Regulating Financial Groups.[84]

[83] CNBV, *Información del sector de Banca Múltiple al cierre de diciembre de 2021*. Viewed at: https://www.gob.mx/cnbv/articulos/informacion-del-sector-de-banca-multiple-al-cierre-de-diciembre-de-2021?idiom=es.

[84] Law Regulating Financial Groups (Official Journal of 10 January 2014; last amended on 9 March 2018).

4.73. Financial groups are an increasingly prominent feature of the Mexican financial landscape, having amassed some MXN 11,292 billion in assets by the end of 2021. Most of the systemically important banks and some of the brokerage firms and investment funds belong to financial groups. The Law Regulating Financial Groups (LRAF) was amended in 2018 and now requires financial groups to consist of a holding company and any of the following financial entities: general bonded warehouses, foreign exchange offices, bonding institutions, insurance institutions, brokerage firms, commercial banking institutions, investment fund management firms, investment fund share distributors, pension fund managers, multipurpose financial companies, popular financial entities, financial technology institutions or other financial entities entitled to form part of a financial group under rules issued by the SHCP. The financial group must comprise at least two of the aforementioned financial entities, which may be of the same type. However, a financial group cannot be made up of only two multipurpose financial companies. It is also required that more than 50% of every member's share capital be held directly or indirectly by the group's holding company. In addition, financial institutions whose share capital is more than 50% held by a group member that is a commercial banking institution, brokerage firm or insurance institution, must also be part of the group. And as for group holding companies, though allowed to invest in real estate and service providers, they may not directly own shares in a commercial or industrial entity. Nor may they acquire liabilities without authorization from Banxico. Their only function must be that of shareholder.

4.74. The LRAF does allow Mexican subsidiaries of foreign financial institutions to be members of a financial group – and also to be organized and operate as holding companies – if the foreign institutions concerned are incorporated in countries with which Mexico has concluded a treaty or agreement permitting the establishment of such subsidiaries on national territory. Such subsidiary holding companies are then governed by provisions applicable to holding companies and financial groups as contained in the treaty or agreement concerned and in the LRAF, or provisions arising from the LRAF, if unopposed. They are also subject to rules for the establishment of subsidiaries issued by the SHCP in consultation with Banxico, the CNSF or CONSAR as the case may be.

4.75. Authorization to form and operate financial groups is granted by the SHCP, or denied at its discretion, following consultation with Banxico. Depending on the members seeking to form the group, the CNBV, CNSF or CONSAR must also be consulted. Given their nature, such authorizations are non-transferable. A group's holding company is supervised by the commission responsible for the activity in which the group's preponderant financial institution is engaged: the CNBV, CNSF or CONSAR. The supervisory commission for each financial group is determined by the SHCP taking into account, among other considerations, the net worth of the entities concerned.

4.76. Financial sector reform undertaken by Mexico in 2014 sought to increase the contribution of financial intermediation to economic growth by ensuring greater access to bank credit at lower cost. Among other measures, it provided for the prohibition of tied sales; the ability to transfer payroll and deposit accounts; stronger powers for CONDUSEF; a mandate for development banks to lend more in priority areas; an improved loan collateral regime; a mechanism for periodically evaluating the performance of commercial banks; the strengthening of Basel III prudential rules; the establishment of a judicial liquidation mechanism for insolvent commercial banks; a more flexible corporate regime for investment funds; the enactment of the new Law Regulating Financial Groups; tighter regulation of multipurpose financial companies (sofomes); and the transformation of *Financiera Rural* into a new development entity, the National Agricultural, Rural, Forestry and Fisheries Development Bank (FND).

4.77. Despite the reform, however, the credit penetration rate remains low: domestic financing for the non-financial private sector accounted for 36.6% of GDP in the third quarter of 2021, well below the level in some Latin American countries (which exceeds 50%) and the financial reform target (40% of GDP).[85]

[85] The financial reform was intended to boost credit penetration by: (1) increasing competition; (2) increasing the credit granted by development banks; (3) encouraging the expansion of credit by commercial banks; (4) making the financial system sounder; and (5) making financial institutions more efficient. To that end, more than 30 pieces of legislation were revised and two new laws were enacted to regulate financial groups and insurance and bonding institutions.

4.4.1.1 Banks

4.78. The Mexican banking system consists of the Bank of Mexico (Banxico), commercial banks, development banks, public trusts for economic development set up by the federal government and conducting financial activities, as well as bank offices responsible for self-regulation. Under the Law on Credit Institutions (LIC), public trusts for economic development are understood to conduct financial activities if they are mainly and usually engaged in the professional performance of lending transactions, including the assumption of obligations on behalf of third parties, and such transactions represent 50% or more of their total assets.[86]

4.79. Commercial and development banks are governed by the LIC of 1990 as amended on 9 March 2018, 22 June 2018, 4 June 2019, 27 March 2020, 20 May 2021 and 11 March 2022. Secondary regulations known as the General Provisions Applicable to Credit Institutions (or the Single Circular on Banks (CUB)) were issued by the CNBV.[87] While foreign investment in commercial banks is not restricted, there are restrictions on foreign investment in development banks (Article 6 of the Foreign Investment Law and Section 2.4).

4.80. Under the LIC, and the free trade agreements it has signed, Mexico permits the commercial presence of foreign banks through the establishment of subsidiaries of foreign financial institutions. To obtain CNBV authorization, the foreign banks concerned must comply with rules for the establishment of such subsidiaries and receive a favourable opinion from Banxico. Once established there are no restrictions on the operations of such subsidiaries, which may offer the same services and products as a domestic commercial bank, and are subject to the same regulations. Foreign banks are also permitted to establish representative offices.

4.81. The organization and operation of a commercial bank requires authorization from the CNBV with the prior agreement of its Governing Board and a favourable opinion from the Bank of Mexico. The CNBV must notify the bank within five working days of the authorization decision. Authorization to start operations is subject to additional authorization under Article 46*bis* of the LIC.[88] These authorizations, as well as modifications to them, are published in the Official Journal and in two widely circulated newspapers. A commercial bank must take the form of a limited company with fixed capital. The minimum capital required is 90 million investment units (UDIs).[89] For banks that specialize in a niche market, and therefore do not engage in all the operations permitted by the LIC, a smaller amount, from 36 million to 54 million UDIs is required. There are three types of niche banks: those that specialize in savings and loan operations, those that provide corporate financial services and those specialized in issuing credit cards and other means of payment.[90] The share of niche banks is low: they account for around 1% of total assets, loans and deposits.

4.82. As noted above, the CNBV authorizes mergers and any other act of concentration between commercial banks subject to a favourable opinion from Banxico.[91] The Federal Economic Competition

---

[86] Article 3 of the LIC. Viewed at: https://www.cnbv.gob.mx/Normatividad/Ley%20de%20Instituciones%20de%20Cr%C3%A9dito.pdf.

[87] The CUB is reviewed periodically and can be consulted at: http://www.cnbv.gob.mx/SECTORES-SUPERVISADOS/BANCA-MULTIPLE/Paginas/Normatividad.aspx.

[88] In accordance with Article 46*bis* of the LIC, the CNBV authorizes commercial banking institutions to start operations or add operations not previously authorized if they can prove the following: (a) the operations in question are expressly indicated in their by-laws; (b) they have the minimum capital required according to the operations they intend to carry out; (c) they have the appropriate governing bodies and corporate structure to carry out those operations; (d) they have the necessary infrastructure and internal controls in place; and (e) they are up to date in the payment of fines for non-compliance with the LIC and have acted on the observations and taken the corrective measures formally indicated by the CNBV and Banxico.

[89] Investment units (UDIs) are units of value that are used to discharge mortgage credit obligations or any commercial act. Their value is adjusted for inflation in national currency and is published daily by Banxico in the Official Journal. The value of a UDI can be found at: https://www.banxico.org.mx/SieInternet/consultarDirectorioInternetAction.do?sector=8&accion=consultarCuadro&idCuadro=CP150&locale=es. As of 25 February 2022, the value was MXN 7.17.

[90] Articles 19 and 46 of the LIC, Article 2 of the CUB, and the National Council for Financial Inclusion (2014), *Reporte de Inclusión Financiera*.

[91] According to Article 61 the Federal Law on Economic Competition (LFCE), concentration means "the merger, acquisition of control or any act between competitors, suppliers, customers or any other economic actors by virtue of which companies, associations, shares of stock, capital, trusts or assets are joined". On this point, the LFCE explicitly requires that COFECE authorize mergers of relevant economic actors and empowers it to issue sanctions as appropriate.

Commission (COFECE) must also be consulted to authorize a merger (Article 27 of the LIC).[92] Mergers of commercial banks belonging to financial groups are subject to the provisions of the Law Regulating Financial Groups.

4.83. The Institute for the Protection of Bank Savings (IPAB) is the federal government institution responsible for administering bank deposit insurance for savers.[93] IPAB guarantees the bank deposits of mainly small and medium-sized savers and is responsible for liquidating insolvent banks at the lowest possible cost.[94] IPAB helps to keep the banking system stable and to safeguard the national payment system. The bank deposits of natural or legal persons are guaranteed up to 400,000 UDIs, automatically and at no charge to savers.[95]

4.84. Commercial banks performed well between 2017 and 2019 (Table 4.13). Assets increased from MXN 9.02 trillion in 2017 to MXN 9.83 trillion in 2019, a nominal increase of 8.9%. Credit also grew during that period, from MXN 4.75 trillion in 2017 to MXN 5.41 trillion in 2019, a nominal increase of 13.9%. In 2020, as a reflection of greater caution during the pandemic, deposit accounts grew and thus so did commercial bank assets. On the other hand, as economic activity contracted so did credit, by 2.2%. During the first half of 2021, assets shrank by 5.8%, as did lending, by 1.1%.

Table 4.13 Commercial banking activity indicators, 2017-21

(MXN billion and %)

	Assets		Deposits		Loans	
	Total	Annual variation (%)	Total	Annual variation (%)	Total	Annual change (%)
2017	9,023		5,340		4,746	
2018	9,567	6.0	5,801	8.6	5,185	9.3
2019	9,829	2.7	6,083	4.9	5,406	4.3
2020	11,187	13.8	6,672	9.7	5,303	-1.9
2021 (July)	11,078	-1.0	6,962	4.3	5,549	4.6

Source: CNBV.

4.85. The commercial banking sector remains highly concentrated. As of December 2021, 67% of sector assets were held by the five largest banks (three of which were foreign-owned) and 83.4% by the 10 largest.[96] The top five commercial banks by asset size are: BBVA Mexico (22.15% of total assets); Santander (14.81%); Banamex (12.43%); Banorte (11.16%); and HSBC (6.45%).

4.86. Commercial banks continued to have an adequate loan performance ratio, good levels of solvency and liquidity and positive rates of return during the review period (Table 4.14). Despite the contraction of economic activity, the delinquency rate remained low, rising slightly (to 2.56%) in 2020 before falling back again to its pre-pandemic level (2.21%) in 2021. Rates of return also

[92] In the case of mergers between financial institutions supervised by the CNBV, and commercial banks in particular, Article 27 of the LIC provides that "For the merger of two or more commercial banks, or between a commercial bank and any company or financial institution owning a commercial bank, prior authorization is required from the National Banking and Securities Commission, with the approval of its Governing Board, after consulting with the Federal Competition Commission and receiving a favourable opinion from the Bank of Mexico".

[93] IPAB online information. Viewed at: cnBV online http://www.ipab.org.mx/ipab and information. Viewed at: http://www.cnbv.gob.mx/SECTORES-SUPERVISADOS/BANCA-MULTIPLE/Paginas/Preguntas-Frecuentes.aspx.

[94] Bank resolutions are regulated by the LIC, Second Section, Article 165 *et seq*. The CNBV is the institution in charge of that process, in which IPAB collaborates in determining the resolution method to be followed. See http://www.ipab.org.mx/docs/documentos/metodos-de-resolucion-bancaria.pdf.

[95] Obligations under financial operation agreements to pay specified sums in national currency as agreed among the intermediaries concerned, for receivables (excepting checks) and more generally as agreed in commercial contracts or in other acts of commerce, may be denominated in UDIs. The daily value of the UDI in MXN is published periodically by the Bank of Mexico in the Official Journal. Source: Bank of Mexico, in accordance with the Decree (of the Congress of the Union) establishing the obligations that may be denominated in investment units (UDIs) and amending and supplementing various provisions of the Federal Tax Code and the Income Tax Law. Banxico information. Viewed at: https://www.banxico.org.mx/marco-normativo/marco-juridico/unidades-de-inversion/%7BDA0AB188-A0E0-BA5C-BCD4-6F3F2AB1C726%7D.pdf.

[96] CNBV, *Información del sector de Banca Múltiple al cierre de diciembre de 2021*. Viewed at: https://www.gob.mx/cnbv/articulos/informacion-del-sector-de-banca-multiple-al-cierre-de-diciembre-de-2021?idiom=es.

declined during the pandemic, especially in 2020, but rose again in 2021. The coverage ratio remained high.

Table.4.14 Commercial banking financial indicators, 2017-21

(%)

Financial indicators	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020	Dec. 2021
Coverage index	154.91	152.36	146.18	160.10	160.49
Liquidity coverage ratio (LCR)	174.88	197.82	188.90	240.88	240.06
Capital adequacy ratio (CAR)	15.57	15.91	15.98	17.70	19.53
Rates of return					
Return on assets (ROA)	1.59	1.68	1.67	0.91	1.64
Return on equity (ROE)	15.23	16.01	15.47	8.96	14.60
Delinquency rate (DR)	2.15	2.11	2.20	2.56	2.05
Implicit lending rate	12.76	13.12	13.43	11.66	11.06
Implicit borrowing rate	4.15	4.74	5.16	3.42	2.89
Financial intermediation margin	8.61	8.37	8.27	8.24	8.17

Source: CNBV and Banxico online information.

4.87. Mexico has applied the Basel III rules since 2015, in particular with regard to solvency and liquidity. The capital adequacy ratio (CAR), which measures solvency, has remained at all times well above the required minimum of 10.5%, even during the COVID-19 pandemic. In December 2021, the CAR was 19.5%, almost double what was required, which shows how well Mexican banks are capitalized. The high rate is also a reflection of the economic downturn during the pandemic, and related increases in the deposit accounts of cautious savers.

4.88. Use of the liquidity coverage ratio (LCR) was introduced in 2015 to ensure the ability of banks to meet their obligations for the next 30 days. The LCR must be greater than 100%, that is, the value of liquid assets held by a financial institution must be greater than or equal to potential cash outflows. Mexico implemented the LCR gradually, according to bank size and years in operation. Since 2016, all banks have been required to comply with a minimum LCR determined according to the size of the institution. Commercial banks must comply with additional capital conservation and countercyclical buffer requirements.

4.89. To encourage lending during the pandemic, Banxico and the CNBV temporarily relaxed the LCR requirement. Between 28 February 2020 and 28 February 2022, commercial banks classified according to different liquidity coverage scenarios, defined as II, III and IV, would not be found in breach of the 100% requirement.[97] The scenarios were defined as ranges in the average liquidity coverage shortfall for every day within each month, as follows: For the period between 28 February 2020 and 31 August 2021, the ranges allowed were 85% to 100% (scenario II), 70% to 85% (scenario III) and 50% to 70% (scenario IV); between 1 September and 30 November 2021, they were 90% to 100% (scenario II), 75% to 90% (scenario III) and 60% to 75% (scenario IV); and between 1 December 2021 and 28 February 2022, the allowed ranges were 95% to 100% (scenario II), 80% to 95% (scenario III) and 65% to 80% (scenario IV). Only institutions in scenario V (below the lower levels for scenarios IV) would be subject to measures limiting their operations between 28 February 2020 and 28 February 2022.[98] Despite these exceptions, commercial banks maintained their median LCR well above the legal

[97] This decision was based on a determination by the Committee for the Regulation of Bank Liquidity, on 14 June 2018, that the Liquidity Provisions would permit temporary total or partial exemptions for commercial banking institutions during liquidity shortfalls arising on a market-wide basis.

[98] For a commercial banking institution falling under scenario V, the Liquidity Provisions authorize the CNBV to order the partial or total restriction or suspension of operations such as: (i) investments in securities and debt instruments other than those classified in the Tier I Group, in accordance with Annex 1 of those provisions; (ii) loans to financial institutions other than commercial banks; or (iii) loans to commercial banks. Joint Regulations of the SHCP, Banxico and the CNBV, 26 February 2020. Viewed at: https://www.banxico.org.mx/marco-normativo/normativa-emitida-por-el-banco-de-mexico/reglas-conjuntas-requerimientos-de-liquidez-para-l/%7B222DE3CE-F2A1-95A7-7D51-8CC9BC7A4249%7D.pdf.

requirement: 231.94% in the third quarter of 2021[99] and as high as 240.88% in the fourth quarter of 2020.[100]

4.90. A substantial part of loans issued by financial institutions during the review period went to the business sector. In 2021, businesses accounted for 47.8% of their total lending (loan portfolio), with 84.8% of those business loans going to large companies and trusts and 15.2% to MSMEs. In the same year, consumer loans accounted for 18.4% of total lending, home loans for 19.5%, government entities for 11.1% and other financial bodies for 3.2%.[101]

4.91. Development banks and development entities are part of the Federal Public Administration, but under the LIC and legislation specific to each are organized as national credit institutions with their own legal personality and assets. The SHCP is responsible for regulating their operations. Development banks are subject to the same prudential rules as those applying to commercial banks. The 2014 financial reform included amendments to the LIC and the Organic Laws of Development Banking pertaining to: their mandate; financial inclusion and gender perspective; human resources; operational flexibility to permit greater lending volume; transparency; control and oversight and capital adequacy.[102]

4.92. The National Survey on Financial Inclusion (ENIF) has been prepared by the CNBV, in collaboration with the National Institute of Statistics and Geography (INEGI), since 2012. ENIF monitors trends in the financial inclusion of Mexico's population as users of different financial products and services, means of payment and physical and digital access channels, and identifies possible barriers to full participation by all in the financial system. For people aged 18 to 70, ENIF findings from the 2021 survey and the previous survey in 2018 included the following: 67.8% (56.7 million of the people in that age group) had acquired at least one formal financial product (savings account, loan, insurance or pension) in 2021, similar to the level in 2018; 49.1% (41.1 million people) had at least one formal savings account in 2021, compared to 47.1% in 2018; and 32.7% (27.4 million) had obtained at least one formal loan in 2021, up from 31.1% in 2018.[103]

4.93. The Mexican development banking system now consists of six institutions attending to a broad spectrum of sectors and activity: SMEs, public works, support for foreign trade, housing and savings promotion, and credit for the military sector. Those institutions are *Nacional Financiera, S.N.C.* (NAFIN); *Banco Nacional de Obra y Servicios Públicos, S.N.C*. (BANOBRAS); *Banco Nacional de Comercio Exterior, S.N.C.* (BANCOMEXT); *Sociedad Hipotecaria Federal, S.N.C.* (SHF); *Banco del Bienestar* (BABIEN); and *Banco Nacional del Ejército, Fuerza Aérea y Armada, S.N.C.* (BANJERCITO). As of December 2021, their combined assets amounted to MXN 2,278 billion. The two largest development banks are BANOBRAS and NAFIN, which accounted for 63.6% of those assets in 2021.[104] Total lending by development banks amounted to MXN 1,055 billion in 2021.

4.94. In response to the difficult global economic and financial situation resulting from the COVID-19 pandemic, Mexico introduced a series of measures mainly aimed at stabilizing financial markets and facilitating the flow of credit to households and businesses. Some of the measures were coordinated among several financial authorities. In early 2020, Banxico approved the provision

[99] SHCP, Banxico and CNBV, Press release No. 112 of 9 November 2021. *Coeficiente de Cobertura de Liquidez correspondiente al Tercer Trimestre de 2021*. Viewed at: https://www.cnbv.gob.mx/SECTORES-SUPERVISADOS/BANCA-MULTIPLE/Prensa%20%20Sector%20Bancario/Comunicado%20de%20Prensa%20112%20CCL%20BM%203T%202021.pdf.
[100] SHCP, Banxico and CNBV, Press release No. 037 of 21 April 2021. *Coeficiente de Cobertura de Liquidez correspondiente al Cuarto Trimestre de 2020*. Viewed at: https://www.cnbv.gob.mx/SECTORES-SUPERVISADOS/BANCA-MULTIPLE/Prensa%20%20Sector%20Bancario/Comunicado%20de%20Prensa%2037%20CCL%20BM%204t%202020.pdf.
[101] CNBV, *Información del sector de Banca Múltiple al cierre de diciembre de 2021*. Viewed at: https://www.gob.mx/cnbv/articulos/informacion-del-sector-de-banca-multiple-al-cierre-de-diciembre-de-2021?idiom=es.
[102] Article 30 of the LIC and online information from the CNBV. Viewed at: http://www.cnbv.gob.mx/SECTORES-SUPERVISADOS/BANCA-DE-DESARROLLO/Descripcion-del-Sector/Paginas/default.aspx.
[103] Information provided by the authorities based on ENIF 2021. Viewed at: https://www.gob.mx/cnbv/prensa/comunicado-no-34-encuesta-nacional-de-inclusion-financiera-enif-2021.
[104] CNBV, *Boletín Estadístico Banca de Desarrollo*, September 2021. Viewed at: http://portafoliodeinformacion.cnbv.gob.mx/bd1/Paginas/infosituacion.aspx.

of MXN 800,000 million (equivalent to 3.3% of 2019 GDP) for measures to strengthen the financial system and support liquidity in national currency. The measures included: (a) a reduction of MXN 50,000 million, as of 1 April 2020, in the monetary regulation deposits (DRM) commercial and development banks are required to maintain in Banxico, freeing up additional resources for lending and maintaining or expanding credit lines; (b) the establishment of special accounting criteria for the following institutions: (i) for financial institutions (as from 27 March 2020), partial or total deferral of loan service payments (principal and interest) for up to four months, with possible extension for two additional months, on the entire loan balance of customers whose ability to pay had been affected by the pandemic; (ii) for popular financial entities and savings and loan cooperative societies (as from 1 April 2020), the total or partial deferral of principal and interest payments for up to six months on consumer, housing and commercial loan balances (applicable in the case of commercial loans to credit unions also), and up to 18 months for loans to the rural sector[105]; (c) the voluntary suspension of dividend payments; and (d) the provision of resources enabling banks to channel credit to MSMEs and individuals affected by the pandemic.[106]

4.95. In March 2020, the Foreign Exchange Commission (composed of officials from the SHCP and Banxico) decided to expand the exchange coverage programme from USD 20,000 million to USD 30,000 million. That programme consists of non-deliverable forward (NDF) transactions in the foreign exchange market settled in Mexican pesos. That same month Banxico also announced the establishment of temporary reciprocal currency arrangements (swap lines) with the Federal Reserve of the United States for up to USD 60,000 million. In addition, amendments were made to the Market Makers Programme to increase the participation of market maker institutions in the debt market.

4.96. In April 2020, Banxico announced additional measures to promote the orderly functioning of financial markets, strengthen credit channels and provide liquidity for healthy development of the financial system.[107] In an initial phase, until September 2020, MXN 250,000 million would be provided to commercial banks and development institutions financing MSMEs and individuals affected by the pandemic. The resources would come from the DRM reduction and if necessary additional financing provided by Banxico at terms of 18-24 months at a cost equal to the overnight interbank interest target rate. Banxico then decided to open an additional financing facility of up to MXN 100,000 million, based on collateralized corporate debt, for commercial bank financing of MSMEs, also for 18 to 24 months at the overnight interbank interest target rate. Additional measures included the following: a reduction in the interest rate of the Ordinary Additional Liquidity Facility (FLAO); an expansion of the securities eligible for FLAO, to facilitate more liquidity for development banks through collateralized debt or repurchases at the same cost as for commercial banks[108]; an MXN 100,000 million window to repurchase government securities at longer terms than in regular open market operations and at a cost equivalent to 1.02 times Banxico's average overnight interbank interest rate; and a Corporate Securities Repurchase Facility (FRTC) to provide liquidity to credit institutions by purchasing their short-term corporate securities and long-term corporate debt instruments, which owing to the current uncertainties could not be liquidated in the secondary market.

4.97. Most of the liquidity infusion measures to overcome the adverse effect of the COVID-19 pandemic on domestic financial markets, including the repurchase facilities for government securities[109] and corporate securities[110], were extended until 30 September 2021. The widened

[105] In addition, the CNBV issued special accounting criteria for the commercial credits of development entities (FOVI, FIFOMI, FIRA), general bonded warehouses and *Financiera Nacional de Desarrollo*.

[106] Banxico, *Reporte de Estabilidad Financiera-Primer Semestre de 2020*. Viewed at: https://www.banxico.org.mx/publicaciones-y-prensa/reportes-sobre-el-sistema-financiero/%7BA66FA96C-EC89-D558-3342-F303E53042D5%7D.pdf.

[107] Banxico, Press release, 21 April 2020, *Medidas adicionales para promover un comportamiento ordenado de los mercados financieros, fortalecer los canales de otorgamiento de crédito y proveer liquidez para el sano desarrollo del sistema financiero.*

[108] The FLAO, available since 2008, offers liquidity to commercial banks through collateralized credits or repos at a cost between 2 and 2.2 times Banxico's target overnight interbank interest rate. To increase the liquidity of commercial banks, Banxico decided to reduce the cost of collateralized credits or repos to 1.1 times its target overnight interbank interest rate.

[109] The amount available for this facility remained at MXN 100,000 million during March and April of 2021, decreased to MXN 65,000 million from May to July 2021, and to MXN 35,000 million in August and September. The last operations were carried out on 30 September 2021.

[110] The amount available for this facility remained at MXN 100,000 million during March and April of 2021, decreased to MXN 65,000 million from May to July, and to MXN 35,000 million in August and

eligibility of debt securities in FLAO and of collateral for foreign exchange hedges settled in US dollars were extended until 31 August 2021.[111] For the financing of MSMEs and individuals affected by the COVID-19 pandemic, the special liquidity measures and the facility for financing based on collateralized corporate credits were extended to 30 September 2021, with the aggregate amount of those programmes kept at MXN 350,000 million.[112]

4.98. Circular 13/2020, published in the Official Journal of 17 April 2020, established an exception to the provisions regulating credit cards, temporarily allowing banks not to charge the legal minimum amount for credit card debt until 30 September 2020.[113] Circular 41/2020, published in the Official Journal of 28 October 2020, extended this derogation for the period from October 2020 to January 2021.[114]

4.99. Table 4.15 shows how all of these temporary facilities were used. As of 30 September 2021, the total cost of the measures as incurred in national currency amounted to MXN 683,360 million (USD 32,950 million), and as incurred in foreign currency, to USD 22,690 million.[115]

Table 4.15 Credit facilities established in response to the COVID-19 pandemic, 30 September 2021

	Date of circular	Number of contracts signed with banks	Programme amount MXN/USD	Current commitment	Amount allocated[a]
I. Liquidity measures					
Monetary regulation deposit[b]	04/11/2020	n.a.	50	50	50
Ordinary additional liquidity facility[b,c]	26/02/2021	30	n.a.	0	0
Preservation of excess liquidity during trading hours[b]					
Government securities repurchase window[d,e]	26/02/2021	39	35	34.45	465.0
Temporary collateralized financing facility	26/02/2021	5	15	11.56	63.19
Corporate securities repurchase facility[d,f]	26/02/2021	30	35	7.03	44.83
II. Measures to foster the orderly functioning of financial markets					
Repurchase of government securities[d]	03/11/2015	n.a.	100	14.98	14.98
Currency exchange coverage programme (USD billion)[d,g]	30/03/2017	25	30	7.49	7.49
USD financing through the Federal Reserve swap line (USD billion)[c,d]	19/06/2020	21	60	0.10	15.20
III. Measures to strengthen credit channels					
Financing from the DRM or repurchase measures for MSMEs and individuals[b,c]	26/02/2021	4	250	8.72	13.96
MSME financing with collateralized corporate debt[b]	26/02/2021	6	100	30.75	40.22

September. The last operations were carried out on 30 September 2021. Additionally, with the aim of continuing to encourage the placement of corporate debt in the primary market, such placements between 15 July 2020 and 30 September 2021 remained eligible and reportable to Banxico until 31 December2021 or 30 June 2023, depending on the results of placements and allocations in the primary market.

[111] Banxico also carried out a process of gradual reduction for this facility: the available amount remained at MXN 50,000 million during March and April 2021, decreased to MXN 30,000 million from May to July, and to MXN 15,000 million in August and September. The last operations were carried out on 30 September 2021.

[112] Banxico Information. Viewed at: https://www.banxico.org.mx/publicaciones-y-prensa/miscelaneos/%7B606E5612-53D1-90D0-7993-B1A76BF714D2%7D.pdf.

[113] Banxico, Circular 22/2020. *Medidas Provisionales en Materia de Montos de Pago Mínimo Aplicables a Créditos, Préstamos o Financiamientos Revolventes Asociados a Tarjetas De Crédito, en Relación con la Pandemia de Covid-19*. Viewed at: https://www.banxico.org.mx/marco-normativo/normativa-emitida-por-el-banco-de-mexico/circular-22-2020/%7BF24EFF46-361D-B40C-2A6A-B9E114B60B5F%7D.pdf.

[114] Banxico, Circular 41/2020. *Asunto: Modificaciones a las Medidas Provisionales en Materia de Montos de Pago Mínimo Aplicables a Créditos, Préstamos o Financiamientos Revolventes Asociados a Tarjetas de Crédito, en Relación con la Pandemia de Covid-19.* Viewed at: https://www.banxico.org.mx/marco-normativo/normativa-emitida-por-el-banco-de-mexico/circular-22-2020/%7B29880DF3-C29B-52F8-1DB5-2170C829A75F%7D.pdf.

[115] Banxico, *Uso de las medidas para promover un comportamiento ordenado de los mercados financieros, fortalecer los canales de otorgamiento de crédito y proveer liquidez para el sano desarrollo del sistema financiero.* Informe al 30 de septiembre de 2021. Viewed at: https://www.banxico.org.mx/portales-de-usuarios/d/%7BB6D5C0CC-F39B-F61A-F36A-37A292BEB0EE%7D.pdf.

	Date of circular	Number of contracts signed with banks	Programme amount MXN/USD	Current commitment	Amount allocated[a]
Total measures in MXN (billion)[h]			585	158.20	692.20
Total measures in USD (billion)			90	7.59	22.70

n.a. Not applicable.

a Amount allocated is the total for all calls.
b Facility for commercial and development banks.
c Accepted collateral includes amounts deposited in the Bank of Mexico (DRM, deposits in USD, OMO deposits or TIIE (Interbank Equilibrium Interest Rate) deposits).
d Facility aimed at credit institutions acting on their own account, and at brokerage firms, investment funds, as well as other institutions in the financial sector through the intermediary of a bank.
e Accepted collateral included government, IPAB and Banxico securities in national currency, UDIs or eligible currencies.
f Accepted collateral, subject to applicable credit quality criteria, included corporate securities issued in national currency, UDIs or eligible currencies by legal entities resident in Mexico and by commercial banks under certain conditions.
g The Foreign Exchange Commission decided to increase the size of this programme from USD 20 billion to USD 30 billion. As of 30 September 2021, USD 7.5 billion had been allocated.
h The total amount does not include an additional measure concerning trading hours for the generation of liquidity through open market operations.

Source: Banxico, *Uso de las medidas para promover un comportamiento ordenado de los mercados financieros, fortalecer los canales de otorgamiento de crédito y proveer liquidez para el sano desarrollo del sistema financiero. Informe al 30 de septiembre de 2021*. Viewed at: https://www.banxico.org.mx/portales-de-usuarios/d/%7BB6D5C0CC-F39B-F61A-F36A-37A292BEB0EE%7D.pdf; and Banxico, *Reporte de Estabilidad Financiera, Diciembre 2021*. Viewed at: https://www.banxico.org.mx/publicaciones-y-prensa/reportes-sobre-el-sistema-financiero/%7B18265301-01FF-CE2A-F381-19BB9DCB1E4B%7D.pdf.

4.4.1.2 Insurance

4.100. Insurance activity in Mexico is regulated by the Law on Insurance and Bonding Institutions (LISF).[116] The Single Circular on Insurance and Bonding, which constitutes the secondary regulation, was enacted in 2014.[117] During the period under review, various amending agreements and circulars were issued, in particular to address the COVID-19 health emergency, suspend the elapsing of procedural deadlines and introduce temporary regulatory measures.[118]

4.101. The LISF strengthened the legal framework for insurance and bonding to align with international standards and best practices, particularly with regard to solvency, stability and security. In regulating competition within the sector, the LISF introduced reforms to promote more rigorous practices. It covers supervision in three main areas: (a) financial solvency; (b) operations and corporate governance and (c) transparency.

4.102. Under the LISF, companies are authorized to organize and operate as insurance institutions or mutual societies in one or more of the following lines of business: (a) life; (b) accident and illness (in one or more of the following categories: personal accidents, medical expenses and health); and (c) casualty. Insurance institutions can provide reinsurance in the business lines and categories covered by their authorization or can be authorized to operate as reinsurers exclusively. While they can operate in more than one line of business, a single company cannot conduct both life and casualty insurance operations. Companies operating in both lines when the LISF was enacted, however, retain the right to continue doing so. The LISF stipulates that pension insurance derived from the social security laws forms part of life insurance operations.

[116] Law on Insurance and Bonding Institutions (Official Journal of 4 April 2013; last amended on 22 June 2018). This Law entered into force on 4 April 2015.
[117] The Circular is periodically reviewed and published online at: https://lisfcusf.cnsf.gob.mx/CUSF.
[118] For example, Circular 5/21 amending the Single Circular on Insurance and Bonding, published in the Official Journal on 30 March 2021, extended the deadlines from 120 to 180 calendar days from the start of validity for debtors to record estimates for questionable surety insurance charges as well as questionable premiums charged for administrative bonds; and from 90 to 150 calendar days to record such estimates in the case of liability insurance and premiums charged for bonds other than administrative bonds, such extension to be effective for the period between 1 April 2020 and 30 June 2021. That period was extended to 31 December 2021 by Amending Circular 22/21 of 4 of January 2022.

4.103. The National Insurance and Sureties Commission (CNSF), a decentralized body of the Ministry of Finance and Public Credit, is responsible for supervising insurance and bonding institutions to enforce regulatory compliance. It is also responsible for safeguarding the financial solvency and stability of such institutions and ensuring that the services provided by the sector reach the majority of the population. This supervisory function is carried out in accordance with the relevant international standards.[119]

4.104. As in the commercial banking sector, Mexico authorizes the commercial presence of foreign insurance companies through subsidiaries and representative offices. CNSF authorization is required for the establishment of subsidiaries as well as mergers between insurance companies, subject to the opinion of COFECE (Articles 271-272 of the LISF).

4.105. The requirements for establishment and operation in the Mexican insurance market have not changed since 2014, when the doors were opened for 100% foreign direct investment (FDI) in insurance activity.[120] All insurance companies need to be authorized by the CNSF and must be established as limited companies with fixed or variable capital. The minimum paid-in capital requirement depends on the line of business: 6,816,974 UDIs for life[121], 1,704,243 UDIs for personal accident, medical expenses and health, and between 5,112,730 UDIs and 8,521,217 UDIs for casualty insurance.[122] For institutions authorized to operate exclusively as reinsurers, the minimum paid-in capital requirements for each transaction or line of business their authorization covers are 50% of the corresponding figures above (the requirements are different for rebonding).[123]

4.106. Insurance services covering risks to be incurred in Mexico must be underwritten by companies established in the country. The CNSF authorizes insurance policies to be underwritten by companies abroad only if the risk cannot be covered in Mexico. In order for insurers and mutuals to obtain reinsurance abroad, the reinsurance entity must be registered in the General Registry of Foreign Reinsurers maintained by the CNSF. Entities considered by the CNSF to meet solvency and stability requirements are eligible to register.

4.107. The CNSF also regulates and supervises insurance brokers and authorizes them to operate subject to successful completion of an examination; authorizations cannot be transferred. Foreign nationals can operate as insurance agents in Mexico if able to prove equivalent studies abroad.[124]

4.108. As of 31 December 2021, there were 113 insurance and bonding companies operating in Mexico: 103 in insurance and 10 in bonding. Fifty-six of those companies were subsidiaries of foreign companies and 56 were domestically-owned. Only 17 belonged to a financial group (10 with domestic capital and 7 with foreign capital). Thirty-six provided life and non-life insurance, 13 were authorized to provide life insurance only and 64 to provide non-life only.[125] Thirty-eight of the 113 companies were specialized companies.

4.109. In 2021, direct insurance premiums stood at approximately MXN 654,800 million (about USD 31,992 million). MXN 643,000 million of that amount were for insurance and MXN 11,500 million were for bonds. By line of business, 38.6% of total premiums were for life insurance, 16.5% for automobile insurance and 34.8% for casualty insurance.[126] The sector has

[119] Information from the CNSF. Viewed at: https://www.gob.mx/cnsf/que-hacemos.

[120] Article 7 of the Foreign Investment Law (last amended on 10 January 2014).

[121] Within this business line, the minimum paid-in capital requirement for pension insurance is 28 million UDIs.

[122] Circular 6/20 amending the Single Circular on Insurance and Bonding (Annex 6.1.2.) (Official Journal of 29 June 2020). Viewed at: http://dof.gob.mx/nota_detalle.php?codigo=5595745&fecha=29/06/2020.

[123] The minimum paid-in capital required of bonding institutions, for each line of business their authorization covers, including subrogation and sub-lines within each line, is fixed as follows: (a) one line: 7,310.308 UDIs; (b) two lines: 9,747.077 UDIs; and (c) three or more lines: 12,183.846 UDIs. The minimum requirements for insurers that refinance bonds but are not authorized as bonding institutions are fixed for each line as follows: (a) one line: 3,655.154 UDIs; (b) two lines: 4,873.538 UDIs; and (c) three or more lines: 6,091.923 UDIs.

[124] Article 10 of the Regulations on Insurance and Bonding Agents of 2001.

[125] CNSF (2020), *Panorama Analítico del Sector*, December 2021. Viewed at: https://www.cnsf.gob.mx/cnsf/revista/SitePages/Panorama-anal%C3_per_centADtico-del-Sector-(Antes-BAS).aspx?web=1.

[126] CSNF, *Desempeño Oportuno del Sector de Seguros y Fianzas Cifras al 4o Trimestre del 2021*. Viewed at: https://www.gob.mx/cms/uploads/attachment/file/702570/Desempe_o_Oportuno_del_Sector_de_Seguros_y_Fianzas_4T_2021_VF.pdf.

been growing but the insurance penetration rate remains low.[127] Insurance premiums accounted for 2.57% of GDP in 2021, excluding social security. Per capita spending on insurance came to about USD 248 in 2021. The pandemic appears to have affected the breakdown by business line in 2021, with a larger share for pensions and a smaller one for auto and life insurance than in 2020 (when auto and life accounted for 43% of the total).[128]

4.110. Another effect of the pandemic was a reduction in concentration rates. In December 2021, the top five insurers took in 41% of total premiums compared to 44% in September 2015. The top five as of September 2021 were *Grupo Nacional Provincial* (12.0%), *MetLife Mexico* (9.5%), *Seguros BBVA Bancomer* (7.1%), *AXA Seguros* (6.8%) and *Quálitas* (5.3%).[129]

4.4.1.3 Securities market

4.111. The securities market in Mexico is regulated by the CNBV. The principal law is the Stock Market Law of 2005, as amended in 2019.

4.112. That law provides that securities must be registered on the National Securities Register in order to be the subject of a public offering in Mexico. Any legal persons seeking to register their securities in the Register must present an application supported by their articles of association and annual financial statements, and a placement prospectus for the securities. For debt securities and residual fiduciary instruments (those that only provide entitlement to payment of the principal and interest from the underlying assets of the trust) the credit risk rating at issuance, made by a securities rating institution, must also be presented. For endorsed or secured instruments, information must be provided on the guarantor as well as on the guarantees provided, their posting and means of execution.

4.113. Public offerings of securities require prior authorization from the CNBV. Although no such authorization is required for the promotion, marketing or advertisement of the services or trades conducted by securities market intermediaries, stock markets, securities depositories, central counterparties for securities, price vendors, security ratings institutions and companies that manage systems for facilitating trading in securities, the guidelines and criteria laid down by the CNBV must be complied with. Any deals involving a public offering of securities listed on an exchange must be done on that exchange. The public offering abroad of securities issued in Mexico or by Mexican legal persons, whether directly or through trusts or similar or equivalent structures, must be notified to the CNBV. Securities may be offered publicly through subscription, disposal or acquisition.

4.114. All government enterprises in Mexico trade on the two existing stock exchanges, regardless of where they are listed. The rules laid down by the CNBV provide that deals must be conducted so as to ensure "best execution" for investors, meaning that a securities firm will send purchase or sales orders to the exchange where the market conditions are better. Furthermore, in order to encourage market development at both exchanges as well as the best possible execution of client orders, the 2021 reform of the general provisions applicable to securities firms amended the requirement to ensure best execution and incorporated rules on the transfer of liabilities.

4.115. Settlement is made through the Contraparte Central de Valores de México, S.A. de C.V. (CCV). Securities firms may direct their orders to either of the national securities exchanges. In August 2017 authorization was given for a second national securities exchange in Mexico; it started trading in July 2018, thus Mexico now has two securities exchanges: the Mexican Stock Exchange (BMV) and the Institutional Stock Exchange (BIVA). Businesses have the option of listing their debt or equity securities on either exchange and their securities are traded on both. Each of the existing exchanges works with different financial indicators: the BMV works with the Index of Prices and Quotations (S&P/BMV IPC) and BIVA with the FTSE BIVA, which includes real estate investment exchange-traded trusts (FIBRAS).

---

[127] The insurance penetration rate is the ratio of insurance premiums to GDP.

[128] CSNF, *Panorama Analítico del Sector de Seguros y Fianzas. Se desaceleran tanto las primas como la siniestralidad, 3er T 2021*. Viewed at: https://www.gob.mx/cms/uploads/attachment/file/682290/Panorama_Anal_tico_del_Sector_3T_2021.pdf.

[129] CSNF, *Panorama Analítico del Sector de Seguros y Fianzas. Se desaceleran tanto las primas como la siniestralidad, 3er T 2021.* Viewed at: https://www.gob.mx/cms/uploads/attachment/file/682290/Panorama_Anal_tico_del_Sector_3T_2021.pdf.

4.116. The BMV is a public company trading under concession of the Ministry of Finance and Public Credit (SHCP), in compliance with the rules contained in the Stock Market Law. Shares in the BMV may be traded on the securities market; the initial public offering of the shares representing its capital was made in June 2008. The BMV Group[130] has formed around the BMV, comprising businesses providing comprehensive services to facilitate both trading and post-trading on the securities and derivatives market in Mexico. In addition to the BMV, the group runs a derivatives exchange, a securities and OTC (over-the-counter) derivatives brokerage company, the central securities depository in Mexico, where the custody and settlement of securities is performed, a securities clearing house, a clearing house for derivatives, a price appraisal company and risk management services. At 31 December 2021, BMV had 483[131] registered issuers, not counting those in its International Quotation System (SIC).

4.117. BIVA was awarded its operating concession by the SHCP in August 2017, and opened its doors on 25 July 2018, supported by the Nasdaq technology platform and its chief shareholder Central de Corretajes, which, in addition to BIVA, owns two securities and OTC derivatives brokerage companies and one price appraisal company. The establishment of a new securities exchange has fostered greater competition between companies and has increased their participation in the stock market. The board of directors of BIVA is the body with responsibility for discharging the company's corporate purpose. Its functions include planning, organizing, management, evaluation, oversight and regulatory compliance, in conformity with the requirements of the Stock Market Law. The Board comprises temporary, removable directors who may be shareholders or individuals with no connection to BIVA; at least 25% of the directors must be independent members with professional experience, ability and standing. Directors must at all times discharge their duties without conflicts of interest and avoid any personal, financial or economic link to BIVA.[132] At end-2021, BIVA had 66 registered issuers, not counting those listed on its SIC.[133]

4.118. The Securities Exchanges are the main forum for organized securities market trading in Mexico. Their objective is to facilitate transactions in securities, develop the market, and encourage it to expand and become more competitive. Accordingly, the Securities Exchanges perform the following functions: (a) establish mechanisms to facilitate operations between supply and demand of securities, credit instruments and other documents registered on the National Securities Register (RNV), and provide the services necessary to carry out the processes of issuing and placing those securities in trade; (b) maintain and publish information on the securities registered on those exchanges and those listed on the SIC at each exchange, on their issuers and the trading done on those exchanges; (c) establish the measures necessary to ensure that the operations performed by the securities firms are subject to the applicable provisions; (d) issue regulations laying down standards and schemes of operation and conduct that promote fair and equitable practices on the securities market, oversee compliance with those regulations and impose disciplinary and corrective measures for failure to comply.[134]

4.119. Participation on the market through the public offering and placement of securities requires the services of a securities firm (stock market intermediary), who offers the securities on the primary market to investors among the wider public on the Securities Exchanges. Once the securities have be placed among investors on the stock market, they can be purchased and sold (secondary market) on the Securities Exchanges through a securities firm. Investors channel their orders for the purchase or sale of shares through a promoter from a securities firm. Promoters are registered specialists who have received training and authorization from the CNBV. The purchase or sales orders

[130] The companies that are part of the BMV Group are: S.D. Indeval Institución para el Depósito de Valores, S.A. de C.V., Contraparte Central de Valores de México S.A. de C.V., MexDer, Mercado Mexicano de Derivados, S.A. de C.V., and Asigna Compensación y Liquidación, Fideicomiso No. F/30,430.

[131] Information supplied by BMV includes shares, debt, exchange-traded funds (ETFs), development capital certificates (CKDs), certificates of stocks in investment project ETFs (CERPIS), FIBRAS, mortgage trusts, FIBRAS E and foreign listings.

[132] Information from the BIVA. Viewed at: https://www.biva.mx/nosotros/acerca_de/gobierno_corporativo.

[133] The information supplied by BIVA includes shares, CPOs (ordinary share certs), UVs (units of value); short and long-term stock exchange certificates; stock exchange certificates of federal government entities; CKDs; FIBRAS; multilateral financial organizations; exchange-traded funds (ETFs); and investment funds and foreign listings. This information does not include existing programmes under which no issues have been made.

[134] Information from the BMV. Viewed at: https://www.bmv.com.mx/es/grupo-bmv/acerca-de, and https://www.biva.mx/nosotros/acerca_de.

are forwarded from the securities firms to the stock market through the electronic trading systems of the Securities Exchanges. Once shares or debt instruments[135] have been acquired, their performance can be monitored in specialist newspapers or through printed and electronic market systems provided by the Securities Exchanges themselves (market data), allowing real-time monitoring of prices on the capital market.[136]

4.120. The following types of securities are traded on the Securities Exchanges: (a) common stocks, limited-voting stocks, preferred shares, ordinary certificates of participation representing shares, convertible liabilities and local warrants; (b) long- and short-term national debt instruments issued by certain Mexican governmental entities and by private companies and trust funds incorporated in Mexico; secondary trading occurs on OTC platforms; (c) exchange-traded funds (ETFs)[137], issued by private trust funds incorporated in Mexico, several of which are indexed to Mexican equity indices; (d) development capital certificates (CKDs)[138]; (e) certificates of stocks in real estate ETFs (FIBRAS)[139]; (f) FIBRAS E[140]; (g) certificates of stocks in investment project ETFs (CERPIS)[141]; (h) warrants[142]; or (i) units or shares in a special purpose acquisition company (SPAC).[143]

4.121. Some securities, such as CERPIS, can be issued only through a restricted public offering addressed exclusively to qualified institutional investors.[144] CERPIS promote the financing of projects at the development stage under a flexible regulatory framework that improves how they are administered.

4.122. The Mexican stock market continues to be moderate for the size of the country's economy, especially with regard to the number of Mexican issuers. At end-December 2021, the BMV had 137 listed Mexican issuers of shares and 6 from other countries (excluding the securities listed on the SIC).[145] Additionally, there were 438 listed investment funds and 117 SIEFOREs.[146] Moreover 2,657 foreign instruments were listed on the BMV SIC.[147]

---

[135] Debt instruments are traded through "brokers".

[136] BMV. Information viewed at: https://www.bmv.com.mx/es/productos-de-informacion/sibolsa and BIVA. Information viewed at: https://www.biva.mx/informacion_de_mercado/market_data/productos_biva.

[137] ETFs are certificates of participation representing equity in investment trusts placed on the BMV and allow the investor to purchase or sell an index or portfolio of shares as a single share.

[138] CKDs are fiduciary instruments launched by the BMV in 2009 for investment in the shares, stocks or finance of Mexican companies, whether directly or indirectly, through investment vehicles. They are intended to help channel investment resources into projects in the areas of infrastructure, real estate, mining, businesses generally and projects to develop technology. Returns are variable and are dependent on the outcomes of the individual projects.

[139] FIBRAS are real estate investment vehicles; their purpose is to lease or to acquire the right to receive the income from the lease of real estate. They were launched in 2010 and are issued by trusts whose object is to acquire or develop real estate intended for rental or to acquire the right to earn income from the rental of that real estate, as well as to provide finance to that end.

[140] Stock exchange certificates for investment in companies, projects or mature assets related to energy or infrastructure with established flows. May be acquired by investors among the wider public.

[141] Certificates of stocks in investment project ETFs (CERPIS) first appeared in December 2015. The resources raised from their issuance are used to finance projects, invest in shares, stocks or the finance of companies, whether directly or indirectly, through one or more investment vehicles. Specialized pension fund investment companies (SIEFOREs) may invest in them. Decisions relating to CERPIS may be taken by the administrator, unlike in CKDs, where decisions are made by the Technical Committee. CERPIS may make up to 90% of their investments abroad and must make at least 10% of the investments in Mexico. They must be issued through a restricted public offering so there is no requirement to disclose to the public any information about these businesses or projects being promoted that represent 10% or more of the trust's assets. SIEFORES may invest up to 20% of their total assets in foreign securities and CERPIS to invest in or finance activities or projects outside Mexican territory.

[142] Documents that grant their holders, in exchange for payment of a share premium, the right to purchase from or sell to the issuer a given number of shares, or a block or basket of shares, or to receive from the issuer a given sum of money resulting from the change in a price index related to an exercise price for a given period.

[143] SPACs were launched in 2017 and comprised an initial public offering of shares the proceeds of which would be used to purchase one or more companies. The money raised from the market is placed in a custody account abroad; until used for its intended purpose it is invested in United States government securities.

[144] A restricted public offering is one in which only institutional investors who are qualified to do so may participate (investors who have a minimum amount equivalent to UDIS 20 million invested in securities).

[145] Information provided by BMV.

[146] Information provided by BMV.

[147] Information provided by BMV.

4.123. At end-December 2021, the BMV capitalization value of the 171 national share issues stood at MXN 9.407 billion (USD 459,635 million), equivalent to 36% of GDP (annual average, current prices). Approximately 12.87% of listed share issues had a capitalization value higher than MXN 99,000 million (USD 4,900 million); 26.90% had a market capitalization value lower than MXN 99,000 million and higher than MXN 20,000 million (USD 990 million), while 60.23% had a capitalization value lower than MXN 20,000 million. Moreover, there are 5 infrastructure and 16 real estate FIBRAS with a capitalization value of MXN 100,479 million and MXN 417,865 million (USD 4,909 million and USD 20,416 million) respectively, and 2 FIBRAS E with a capitalization value of MXN 29,554 million (USD 1,444 million).[148] Similarly, the capitalization value of the shares that are part of the Index of Prices and Quotations (S&P/BMV IPC) represented 70.39%[149] of the total capitalization value of the share market at the BMV.

4.124. At end-December 2021, BIVA had one listed Mexican issuer of shares[150], but 370 listed issuers on the SIC.[151] Additionally, the capitalization value of national share issues stood at MXN 4,782 million (USD 233 million). It also had one listed participation certificate representing equity in investment ETFs with a capitalization value of MXN 2,066 million (USD 100.9 million), one listed infrastructure and two listed real estate FIBRAS with capitalization values of MXN 3,178 million and MXN 44,148 million (USD 155 million and USD 2,157 million) respectively.

4.125. According to the CNBV, at end-December 2021 the 36 securities firms had assets totalling MXN 861,920 million and investments in securities amounting to MXN 682,336 million. The net result for the sector was MXN 6,102 million, the return on assets (RoA) averaged -1.00% and the return on equity (RoE) 4.28%.[152]

4.4.2 Telecommunications

4.126. Since the previous review in 2017 there have been no substantial changes to the legal framework regulating the telecommunications sector. The sector is governed by several articles of the Mexican Constitution[153] and by the Federal Telecommunications and Broadcasting Law (LFTR) of 2014.[154] The Federal Telecommunications Institute (IFT), an autonomous constitutional body, continues to be the regulator for the sector (Section 2.1). The IFT is also the authority responsible for enforcing the competition rules in the sector (and in broadcasting) and for issuing "technical provisions" for the sector (Section 3).

4.127. The aim of Mexico's telecommunications policy is to widen access and use of broadband to promote digital inclusion, technological development and the digital economy (Box 4.3).[155] In 2021, Mexico issued a National Digital Strategy (EDN) 2021-24 to quicken the pace of the digital transition of government services (e-government). Telecommunications are regarded as a public service of general interest.[156] As a result of the pandemic they were declared an "essential service" in 2020.[157]

4.128. In order to improve digital inclusion, in 2018 Mexico rolled out the Red Compartida ["Shared Network"], a wholesale public-private network the aim of which is to increase service coverage in areas that are not commercially viable for operators.[158] Additionally, since 2019 a new operator,

[148] Mexican Stock Exchange (BMV), *Informe Anual Integrado 2020*. Information viewed at: https://www.bmv.com.mx/docs-pub/informeAnual/Informe%20Anual%20Integrado_2020.pdf.
[149] Information provided by BMV.
[150] Information provided by BIVA.
[151] Information provided by BIVA.
[152] Press release No. 88, Information from the securities firms sector at end-June 2021, of 7 September 2021.
[153] Articles 6, 7, 27, 28, 73, 78, 94 and 105 of the Mexican Constitution.
[154] Federal Telecommunications and Broadcasting Law (Official Journal of 14 July 2014, as last amended on 20 May 2021).
[155] Sectoral Programme for Communications and Transport (2020-24).
[156] Article 6.B.II of the Constitution and Article 2 of the LFTR.
[157] GSMA (2020), *The Mobile Economy Latin America 2020*. Viewed at: https://www.gsma.com/mobileeconomy/wp-content/uploads/2020/12/GSMA_MobileEconomy2020_LATAM_Eng.pdf.
[158] In 2017 the concession to construct and operate Red Compartida was awarded to the Mexican operator Altán Redes. The State gave Altán Redes exclusive use of the spectrum range required to operate the network. Service providers take out contracts for the wholesale service with Altán Redes (Digital Regulation Platform ITU/The World Bank). Information viewed at: https://digitalregulation.org/red-compartida-mexico;

CFE Telecomunicaciones e Internet para Todos (a subsidiary of the CFE), has provided broadband services in rural areas on a not-for-profit basis through free-of-charge access points in squares, schools and other community centres. CFE Telecomunicaciones e Internet para Todos provides a retail service. However, despite efforts to reduce the digital gap, according to the National Household Survey on the Availability and Use of Information Technology (ENDUTIH) in 2020 only 50.4% of the rural population used the internet, compared to 78.3% in urban areas.[159]

Box 4.3 Electronic commerce in Mexico

During the period 2013-17 the share of electronic commerce (e-commerce) in Mexico's GDP rose from 3% to 4.6%. That rise has continued since 2017, gaining headway in 2020 as a result of the pandemic and the changes it provoked in business models, patterns of production and demand.

	2017	2018	2019	2020[a]
Share of e-commerce in GDP (%)	4.6	4.9	5.8	5.8
Retail trade	1.1	1.4	2.2	2.4
Wholesale trade	1.3	1.3	1.3	1.5
Other services[b]	2.2	2.3	2.3	2.0

a Preliminary data.
b For example financial and insurance, education, cultural, health or tourism services.

According to the "Review of online sales in Mexico" published in 2021 by the Mexican Association for Online Sales (AMVO), the value of electronic transactions grew by 81% in 2020, generating MXN 316 billion. However despite the rise, that sum amounted to only 9% of the total value of retail sales.

In 2021 the AMVO also published a "Review of online sales in SMEs" in which it examined how 450 SMEs do business and how they have incorporated e-commerce into their management and production models. It found that e-commerce was used by 58% of the SMEs interviewed and that it had become essential to increasing competitiveness, promoting digitization and growing the customer base. However, the SMEs noted that e-commerce still posed logistical challenges, including in relation to transport costs and delivery times.

Since 1 June 2020 a number of digital services supplied by providers established abroad have been liable to VAT (16%) in Mexico. The authorities indicated that in 2021 this yielded MXN 8,838 million.

Note: Source for the box: SHCP Economic Gazette. Information viewed at: https://www.gob.mx/shcp/gacetaeconomica/articulos/en-2019-6-0-del-pib-provino-del-comercio-electronico; and information provided by the authorities.

Source: WTO Secretariat and data provided by the authorities.

4.129. In 2021 Mexico had 123.9 million mobile telephone lines; penetration has risen since 2017 and is close to 100% (Chart 4.3). In 2020 the pandemic sparked a rise in demand for fixed broadband to enable people to conduct their lives remotely; penetration reached 64% in 2020 and continued to rise in 2021 (Chart 4.3).

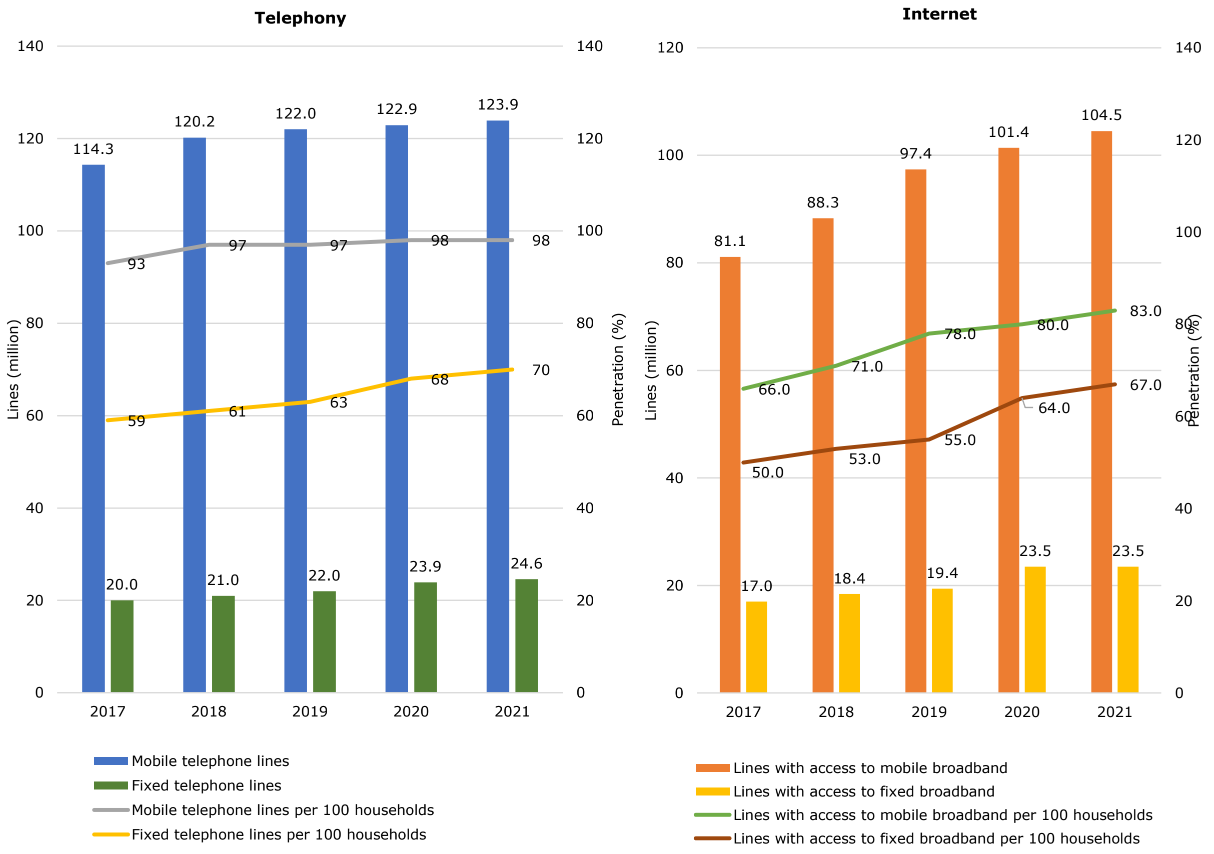
4.130. Telecommunications services are provided subject to a sole concession for commercial use (30 years, renewable) awarded by the IFT; the concession allows the holder to provide services of all kinds (including broadcasting). The IFT also awards authorizations (10 years, renewable) for mobile virtual operators (MVO) in the mobile telecommunications market. Between 2017 and 2022 the development of the Red Compartida encouraged various MVOs to enter the market. Mexico is the third largest market in the region for MVOs.[160] All operators (fixed-line and mobile) offer portability.

and OpenSignal (2021), *Mexico: Mobile Network Experience Report 2021*. Information viewed at: https://www.opensignal.com/reports/2021/04/mexico/mobile-network-experience.

[159] IFT press release No. 252/21 of 22 June 2021.

[160] IFT (2020), *Análisis sobre el Mercado de Operadores Móviles Virtuales (OMVs) 2020*. Information viewed at: http://www.ift.org.mx/sites/default/files/contenidogeneral/estadisticas/omvs2020.pdf.

Chart 4.3 Telecommunications indicators, 2017-21



Source: IFT. Information viewed at http://www.ift.org.mx/secciones/estad%C3%ADsticas and http://www.ift.org.mx/sites/default/files/nota_tecnica_tercer_trimestre.pd; and data provided by the authorities.

4.131. América Móvil continues to be the largest provider of telephony and internet services (Chart 4.4) and the dominant economic operator (AEP) in the telecommunications sector. According to the LFTR, an AEP is an operator whose aggregate market share (telephony + internet) is greater than 50%, as measured on the basis of the following criteria: number of users, subscriptions, traffic carried on the network and network capacity.[161] Consequently, América Móvil's operations are still subject to asymmetric regulatory measures that the IFT issues in order to level the playing field for all operators.[162] Every two years the IFT evaluates the effectiveness of the regulations and may amend or introduce measures, or indeed abolish measures, if it takes the view that barriers to competition have disappeared. The most recent evaluations took place in 2017 and 2020.[163] Following the evaluation in 2020 it was decided that the IFT would identify specific geographical areas where the wholesale service tariffs for indirect access to the local loop would not be regulated. As a result, in 2021 the regulations governing the tariffs were abolished in 52 municipalities.[164]

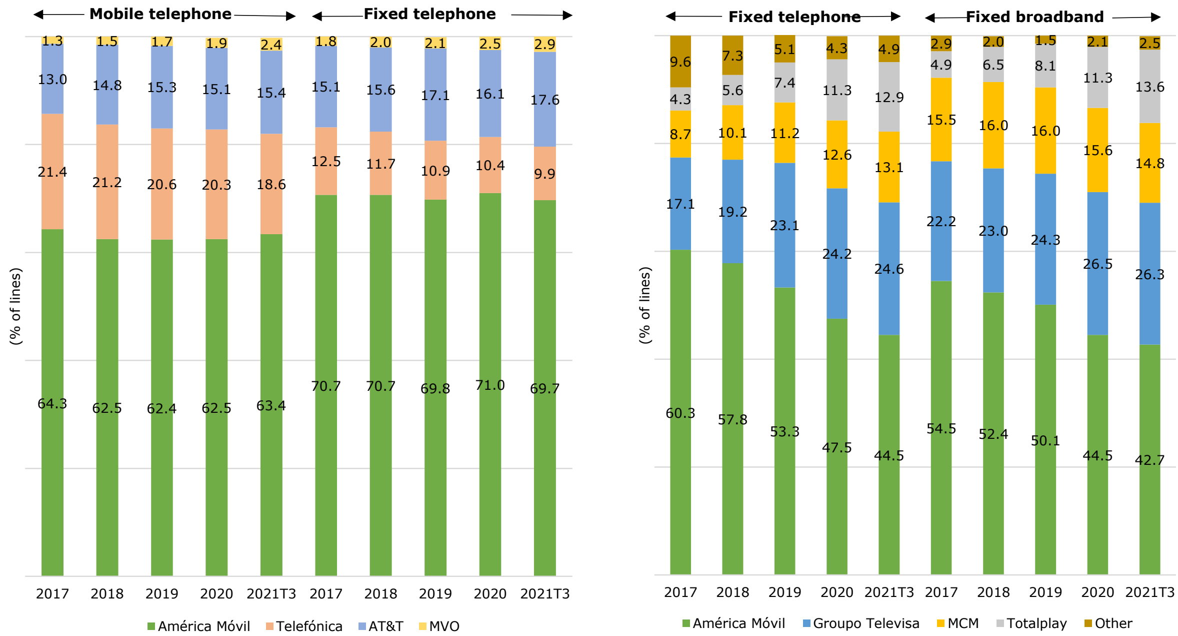
[161] Articles 262, 263 and 265 of the LFTR.

[162] Asymmetric regulatory measures can take the form of tariff regulations or other requirements such as allowing access to essential inputs (e.g. infrastructure) or unblocking mobile terminals procured by clients.

[163] In 2017 the IFT issued an asymmetric regulatory measure ordering the functional separation of Telmex and Telnor.

[164] Information provided by the authorities.

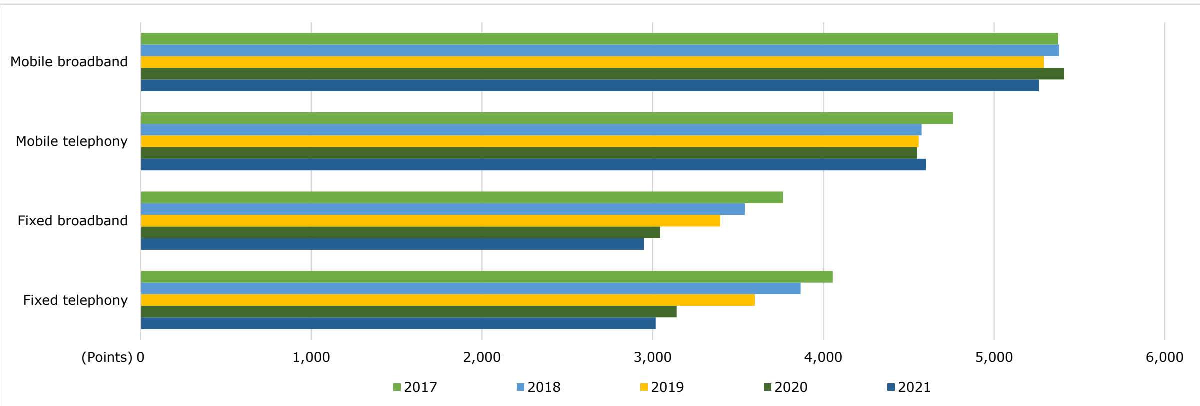
Chart 4.4 Share in the telecommunications market, 2017-21 Q3



Source: Data supplied by the IFT. Information viewed at: https://bit.ift.org.mx/BitWebApp; and data supplied by the authorities.

4.132. Competition in fixed telephony and fixed broadband rose during the review period following the introduction of the asymmetric regulatory measures, and is reflected both in the fall in América Móvil's market share and in the degree of concentration as measured by the Herfindahl-Hirschman Index (HHI) (Charts 4.4 and 4.5). Measures to promote competition in the mobile market have generally been unsuccessful. In any event, despite the increased competition, each segment of the market in Mexico is still highly concentrated as the HHI in all markets is over 2,500 points (Chart 4.5).

Chart 4.5 Degree of concentration in the telecommunications market, 2017-21



Note: HHI < 1,500 points: unconcentrated market; HHI 1,500-2,500 points: moderately concentrated market; HHI > 2,500 points: highly concentrated market. 2017–20: information to December. 2021: information to June for fixed services and to September for mobile services.

Source: Data supplied by the IFT. Information viewed at: https://bit.ift.org.mx/BitWebApp; and information provided by the authorities.

4.133. The commercial use of the frequency bands in the spectrum requires a concession for which the IFT invites and awards bids for a (renewable) period of 20 years. Generally speaking, the bands put out to tender are for the provision of a service nationwide but in some cases a bid may be invited for services in a particular region or area. All operators may take part in the calls for tender, except the AEP, which requires authorization from the IFT.[165] When operators are awarded (or renew) a concession they pay a consideration in an amount set by the IFT, having heard the opinion of the SCHP.[166] Concession-holders also pay annual fees laid down by Congress in line with a proposal from the SHCP.[167] According to the IFT, the cost of using the spectrum in Mexico is high: the annual fees account for 80% of the total cost. In 2021 Congress raised the annual fees for various frequency bands and introduced annual fees for bands that had previously been exempt. The IFT is of the view that this rise could hamper investment, disincentivize current operators from participating in calls for tenders and create barriers to entry for new participants, which could have repercussions for the tariffs charged to end users and speed up the spectrum relinquishment that began in 2019.[168] The authorities indicate that spectrum relinquishment could result in an annual loss of revenue of MXN 4.5 billion. In 2021 the IFT invited tenders for frequency blocks but a number of them failed to attract bidders; as a result the Institute proposed that the amount of the annual fees should be changed.[169]

4.134. During the review period, the main change involving network interconnections was the withdrawal of the "zero fee", an asymmetric regulatory measure that the IFT had imposed on América Móvil, preventing the company from charging termination fees to its competitors. The "zero fee" was withdrawn on 1 January 2018 for mobile services and on 1 January 2019 for fixed services. Since then América Móvil has been allowed to charge termination fees that are regulated by the IFT.[170] The remaining operators are free to agree the conditions for interconnecting their networks, including fees. In the event that no agreement can be reached, the IFT may determine those conditions.[171]

4.135. The IFT sets price caps only for the fixed service provided by the AEP; the AEP must adopt those caps.[172]

4.136. Retail tariffs are liable to VAT (16%) and IEPS (3%); services providing internet access via the fixed or mobile networks are exempt from IEPS, as they were in 2017.[173] In 2020, in response to customer needs during the pandemic, some operators introduced plans with preferential rates.[174] All operators undertook not to suspend their services for non-payment.

4.4.3 Transport

4.137. Mexico is setting out to create a sustainable, competitive and multimodal transport system with a view to reducing costs and improving and increasing connectivity with production and consumption centres. The aim is to revive local economies and integrate economically and socially isolated and marginalized communities and areas.[175] One of the main projects in this sector is the creation of a multimodal interocean corridor on the isthmus of Tehuantepec. This project involves

---

[165] Article 277 of the LFTR; and Aetha (2018), *Estudio sobre la valuación y determinación de derechos para bandas IMT en México*, Report for the IFT, Mexico. Viewed at: http://www.ift.org.mx/sites/default/files/contenidogeneral/espectro-radioelectrico/07-informeaethaparaift-preciosespectroimt20dic2018v21pdftestado.pdf.

[166] The amount of the consideration depends on the type of use (commercial, private, or public and social) made of the spectrum and is published in the Federal Law on Duty.

[167] The amount of the annual duties is based on the megahertz (MHz) frequencies involved and on geographical area; it is published in the Federal Law on Duty.

[168] The operators AT&T and Telefónica have relinquished some frequency bands. Telefónica relinquished all the bands it had been awarded; in order to be able to continue to provide a service it has entered into a leasing agreement, approved by the IFT, to use AT&T's bands (IFT press release 71/2020 of 1 October 2020. The press releases can be viewed at: http://www.ift.org.mx/comunicacion-y-medios/comunicados-ift).

[169] IFT press releases 07/2021 and 093/2021 of 25 January 2021 and 26 October 2021 respectively.

[170] By way of illustration, see the Decision in which the Plenary meeting of the IFT lays down the minimum technical conditions governing interconnections between concession holders operating public telecommunications networks and sets interconnection fees using the methodology for calculating the interconnection costs that will be in force from 1 January to 31 December 2022 (Official Journal of 5 November 2021).

[171] Articles 126 and 131(a) of the LFTR.

[172] Information provided by the authorities.

[173] Article 2.III(c) and Article 8.IV(d) of the Law on the IEPS (Official Journal of 30 December 1980, as last amended on 12 November 2021).

[174] Navarro I. (2021), *Competition institutions in Mexico in relation to COVID-19 and the economic recovery*, ECLAC. Viewed at: https://repositorio.cepal.org/bitstream/handle/11362/46660/1/S2100017_en.pdf; and IFT press release No. 037/2020 of 19 April 2020.

[175] Sectoral Programme for Communications and Transport 2020-24.

work to restore, modernize and extend the rail and road networks, as well as the region's ports, including work to develop specialized terminals for containers.[176] Plans are also in place to set up industrial parks ("development hubs"), which will offer incentives to logistics, agro-industry, manufacturing, energy and services investment projects, with a view to transforming the area into a distribution hub for the domestic market and for re-exports.[177] Through this project, Mexico is attempting to establish itself as a new competitor in the region, by using the location of the isthmus to offer a new route between Asia and the east coast of the United States. According to the authorities, 51% of the project has been government-funded.

4.138. Road transport is the most used method for imports and exports. Before the pandemic, in 2019, road transport accounted for 62% of the value of freight exported by Mexico and 48% of the value of imports.[178] However, road transport has become less competitive owing to the state of the road network, poor road safety, fuel prices and poor connectivity with other transport networks.[179] Another issue is the condition of freight vehicles, which has had a knock-on effect on costs and travel times.[180]

4.139. Domestic land transportation services for freight, passengers and tourists are still reserved exclusively for Mexicans (Section 2.4). Foreigners cannot provide these services or participate directly or indirectly as partners or shareholders in Mexican companies providing these services. Foreigners based in Mexico can provide courier and parcel delivery services, though this is not actually the case at present. In order to provide these services, both Mexican nationals and foreigners require a permit from the Ministry of Infrastructure, Communications and Transport (SICT).[181]

4.140. Companies based in Mexico, even where there is a foreign majority shareholder, may provide international transport services. International transport is governed by international agreements signed by Mexico[182]; Mexico has agreements containing provisions on road transport with Canada, the United States and Guatemala.[183] Cabotage is not permitted for land transport.

4.141. For international goods transport, the rail system is used for importing agricultural products (maize, in particular) and containerized freight, and for exporting cars and beer.[184] According to the Sectoral Programme for Communications and Transport 2020-24, Mexico wishes to promote the use of trains to reduce economic and environmental costs. Foreign equity in rail services and infrastructure (for general rail system infrastructure) is still limited to 49%, but foreigners may increase their equity to as much as 100% if they obtain approval from the National Foreign Investment Commission (CNIE) (Section 2.4); according to the authorities, the CNIE has authorized FDI exceeding 49% in construction projects only. Rates for rail transport of goods are not regulated. However, in 2020, COFECE determined that there was a lack of effective competition in the transport of chemicals on 20 routes in the state of Veracruz. Therefore, in 2020, the Rail Transport Regulatory

[176] The project also includes the construction of a gas supply pipeline for the region and the development of fibre optic networks in order to improve digital connectivity.

[177] Chamber of Deputies. Viewed at: http://www5.diputados.gob.mx/index.php/camara/Centros-de-Estudio/CESOP/Eventos-y-Presentaciones/XXIX-Seminario-de-Economia-Urbana-y-Regional-2019.-Estrategias-publicas-urbano-regionales-para-Mexico-en-la-Cuarta-TransformacionS/El-Proyecto-del-Corredor-Multimodal-Interoceanico-del-Istmo-de-Tehuantepec-aspectos-legales-e-impactos-sociales; and PowerPoint presentation by the Mexican Chamber for the Construction Industry. Viewed at: https://www.cmic.org.mx/cmic/eventos/infraestructura2030/assets/presentacion-jesus-rodriguez-socorro.pdf.

[178] SCT/Mexican Institute for Transport (IMT) (2019), *Planeación estratégica y logística del autotransporte de carga*. Viewed at: https://imt.mx/archivos/Publicaciones/PublicacionTecnica/pt565.pdf.

[179] Sectoral Programme for Communications and Transport 2020-24.

[180] CANACAR (2021), *Boletín Económico del Autotransporte de Carga*, No. 14, April. Viewed at: https://canacar.com.mx/servicios/estadistica/boletin-economico.

[181] Article 28 of the Law on roads, bridges and federal road transport (Official Journal of 22 December 1993), as last amended on 1 December 2020.

[182] Articles 59 and 61 of the Law on roads, bridges and federal road transport.

[183] SCT. Viewed at: https://www.sct.gob.mx/transporte-y-medicina-preventiva/autotransporte-federal/temas-internacionales.

[184] ARTF (2020), *Anuario Estadístico Ferroviario 2019*. Viewed at: https://www.gob.mx/cms/uploads/attachment/file/574090/Anuario_Estadi_stico_Ferroviario_2019__2_.pdf.

Agency (ARTF) began to regulate the rates of operators providing the service on the named routes; this measure is still in force.[185]

4.4.3.1 Air transport

4.142. Since the most recent Mexico review in 2017, the main change in the air transport sector has been the creation of a new aviation authority to regulate the sector. In 2019, the Federal Civil Aviation Agency (AFAC) was created, which replaced the Directorate-General of Civil Aviation (DGAC) and assumed its functions in 2021.[186] AFAC is a decentralized body of the Ministry of Infrastructure, Communications and Transport (SICT) which has technical, operational and administrative autonomy; the DGAC was under the SICT and so it was not an independent body.[187]

4.143. The Civil Aviation Law of 1995[188], the Airports Law of 1995[189] and their respective implementing Regulations regulate air transport in Mexico, and have not change substantially since 2017. International air services are regulated by air service agreements. However, if there is no agreement in place, the services are provided in accordance with the principle of reciprocity.[190]

4.144. Mexico has signed 55 airline service agreements. Since 2017, Mexico has signed agreements with Curaçao, Spain, the Philippines, Finland, Iceland, Israel and the Netherlands; and has revised its agreements with Germany, Canada and El Salvador (Table A4.1). By signing and revising these agreements, Mexico is setting out to increase the openness of airline services in order to increase connectivity and therefore boost tourism. Mexico generally does not grant fifth freedom rights. However, under some of the agreements, these rights may be granted provided that an airline requests them and the aviation authority for each party agrees. Cabotage is not permitted. However, under the Civil Aviation Law, private cabotage flights are permitted.[191]

4.145. Mexico restricts foreign equity in Mexican airlines which provide international services. 51% of the equity must be Mexican-owned. The FDI cap for companies operating flights solely in Mexico was increased from 25% to 49% in 2017 (Section 2.4). According to the authorities, this has had a positive effect on FDI and has contributed towards modernizing the air fleet.

4.146. Foreign airlines require a permit issued by AFAC to provide international services, and Mexican airlines require a concession (scheduled flights) or a permit (non-scheduled flights).[192] Rates for international services are registered with AFAC and, in some cases, must also be approved.

4.147. Air traffic management and air navigation assistance services are still being provided by the Mexican Air Space Navigation Services (SENEAM), a government agency. Mexico still restricts foreign equity participation in airports. Foreign investment generally may not exceed 49% of the equity of concessionaire companies. However, if they obtain approval from the CNIE, foreigners may exceed this cap and invest as much as 100% (Section 2.4). This situation currently does not apply, as the three airport groups operating in Mexico are majority Mexican-owned.

4.148. Mexico has 78 airports, including 65 which serve international passengers; Felipe Ángeles International Airport was opened in 2022. Just like in 2017, the airports are operated by three private airport groups (all Mexican-owned) and by public entities. These are Airports and Auxiliary Services

[185] ARTF. Viewed at: https://www.gob.mx/artf/articulos/resoluciones-en-materia-de-regulacion-tarifaria?idiom=es; COFECE. Viewed at: https://www.cofece.mx/declaratoria-de-falta-de-competencia-en-transporte-ferroviario; and information provided by the authorities.

[186] Decree creating the Federal Civil Aviation Agency, an autonomous administrative agency of the Ministry of Communications and Transport (SCT) (Official Journal of 16 October 2019); the Civil Aviation Law, as amended through the Decree published in the Official Journal of 20 May 2021.

[187] Information provided by the authorities.

[188] Civil Aviation Law published in the Official Journal of 12 May 1995, last amendment published in the Official Journal of 20 May 2021); Regulations implementing the Civil Aviation Law published in the Official Journal of 7 December 1998, last amendment published in the Official Journal of 29 June 2020.

[189] Airports Law published in the Official Journal of 22 December 1995, last amendment published in the Official Journal of 20 May 2021; Regulations implementing the Airports Law published in the Official Journal of 17 February 2000, last amendment published in the Official Journal of 21 June 2018.

[190] Article 20 of the Civil Aviation Law.

[191] Article 17*bis* of the Civil Aviation Law added through the Decree published in the Official Journal of 20 May 2021.

[192] Articles 9 and 11 of the Civil Aviation Law.

(ASA), Mexico City International Airport (AICM), both semi-public, and, since 2020, the Felipe Ángeles International Airport (AIFA) group, which was formed to operate Felipe Ángeles International Airport[193]. The AICM operates Mexico City International Airport (CDMX), the country's largest airport.

4.149. In addition to the AICM and AIFA, two other State-owned companies operate in the airport sector: Servicios Aeroportuarios de la Ciudad de México (SACM) and Grupo Aeroportuario de la Ciudad de México (GACM). The SACM provides all types of administrative services to the AICM and GACM. The GACM was also responsible for building the new CDMX international airport (NAICM), a project started in 2014 but abandoned in 2019, when 30% of the works had been completed.[194] Instead, the Santa Lucía military base was converted into Felipe Ángeles International Airport in 2019. As a result of the construction of the NAICM being abandoned, government expenditure in airport infrastructure fell from MXN 29,503 million in 2018 to MXN 2,096 million in 2019 and MXN 657 million in 2020.[195] Mexico City International Airport and Toluca International Airport, along with Felipe Ángeles International Airport, make up the Metropolitan Airport System (SAM).

4.150. Airport operators must provide airport services or, failing this, procure these services from third parties; should these services be procured, the contracts must be approved by AFAC.[196] The rates for services in airports managed by private-sector concessionaires are still regulated. For each service, the SICT determines a maximum rate per traffic unit (equivalent to 1 passenger or 100 kg of freight), based on the concessionaire's investment plan; the rates may be adjusted after taking into account the annual efficiency targets achieved by the concessionaire and inflation. Airport departure tax (ADT) paid by all passengers is one of the regulated charges. Revenues generated by the ADT account for more than half of airports' total revenues, meaning that they are an important resource for concessionaires. ASA, the AICM and AIFA are still setting the rates for all the airports that they operate, but these rates must be approved by the Ministry of Finance and Public Credit (SHCP) and registered with AFAC.[197]

4.151. Until 2018, ASA was the only provider of aviation fuel storage, distribution and supply services. Mexico liberalized this market in 2018.[198] However, FDI may not exceed 49% of the capital of companies that supply fuel (Section 2.4). In order to help open up the market, ASA allowed new entrants to contract out the available capacity in their storage infrastructure during a transition period (from 2018 to 2019).[199] A permit from the Energy Regulatory Commission (CRE) is required to supply aviation fuel.[200] The authorities have stated that ASA is still the main supplier.

4.152. Airlines may provide ground handling services for themselves or procure them from another company, which may be another airline. A permit from AFAC is required in order to provide these services.

4.153. In 2020-21, in response to the pandemic, the authorities stated that airlines had the same business terms (volume discounts) and could extend the payment term for fuel from 30 to 60 days.

---

[193] Resolution authorizing the incorporation of Aeropuerto Internacional Felipe Ángeles, S.A. de C.V., a majority State-owned company, which will be grouped in the sector coordinated by the Ministry of Defence (Official Journal of 14 December 2020).

[194] GACM. Viewed at: http://www.gacm.gob.mx; the Spanish Institute for Foreign Trade (ICEX) (2020), *Guía de Negocio: México*; and ECLAC (2019), "Airport infrastructure in Latin American and the Caribbean", Bulletin 370. Viewed at: https://repositorio.cepal.org/bitstream/handle/11362/44901/S1900357_en.pdf.

[195] SCT statistics. Viewed at: https://www.sct.gob.mx/planeacion/estadistica/principales-estadisticas-del-sector.

[196] Article 48 of the Airports Law and Article 67 of the Regulations implementing the Airports Law.

[197] Information provided by the authorities; Articles 48 and 67-70 of the Airports Law; SCT. Viewed at: https://www.sct.gob.mx/fileadmin/DireccionesGrales/DGAC/00-aeronautica/regulacion-economica-de-aeropuertos-esquema-de-tarifas-maximas-competencia-e-infraestructura/01-regulacion-economica-de-aeropuertos-25oct10-vf.pdf; and COFECE. Viewed at: https://www.cofece.mx/cfcresoluciones/Docs/Mercados%20Regulados/V2/7/1382537.pdf.

[198] Transitional Article 9 of the Regulations implementing the Airports Law repealed by the Decree published in the Official Journal of 21 June 2018.

[199] CRE Resolutions RES/1704/2018 and RES/1075/2018; ASA press release No. 099/2018. Viewed at: https://www.gob.mx/asa/prensa/asa-garantiza-la-apertura-de-sus-instalaciones-para-el-almacenamiento-de-combustibles-de-aviacion-170862?idiom=es.

[200] Article 76 of the Hydrocarbons Law (Official Journal of 11 August 2014), as last amended on 20 May 2021.

4.154. Between 2017 and 2019, the number of international passengers arriving in Mexico increased from 44.4 million to 47.9 million; in 2020, this number fell by 58.5% owing to the pandemic. In 2021, air traffic began to pick up again, but was still below pre-pandemic levels (Table 4.16). From 2021, air traffic has also suffered as a result of the United States' decision to downgrade Mexico's air safety standards rating; this has restricted air traffic between Mexico and the United States, which is Mexico's main market.[201]

Table 4.16 International traffic indicators, 2017-21

	2017	2018	2019	2020	2021
Passengers (thousands)	44,420	46,871	47,892	19,842	35,641
Cargo (thousands of tonnes)	628	700	649	547	684

Source: SICT statistics. Viewed at: http://www.sct.gob.mx/planeacion/estadistica/principales-estadisticas-del-sector; information provided by the authorities.

4.4.3.2 Maritime transport

4.155. Since the previous Mexico review in 2017, the main changes in the maritime and port sector have been institutional. In 2021, the Ministry of the Navy (SEMAR) replaced the Ministry of Infrastructure, Communications and Transport (SICT) and assumed its role of managing and regulating the sector. As a result of this change, SEMAR has been the national maritime and port authority since 2021. The General Coordinating Office for Ports and the Merchant Marine (CGPMM), which was an agency of the SICT, was transferred to SEMAR. The CGPMM is made up of the Directorate-General of Development and Ports Administration, the Directorate-General of Ports (DGP) and the Directorate-General of the Merchant Marine (DGMM).[202]

4.156. Maritime transport is governed by the Shipping and Maritime Trade Law of 2006, the Ports Law of 1993 and their respective implementing Regulations.[203] In 2021, the new Regulations implementing the Ports Law were published, repealing the implementing Regulations of 1994, particularly in order to reflect the institutional changes that have occurred in the sector, according to the authorities.

4.157. International (high-seas) services are provided in accordance with the principle of reciprocity. No authorization of any kind is required. Foreign shipping companies must be represented by a shipping agent (consignee agent) at each Mexican port where they operate; the DGMM approves and registers shipping agents.[204] 51% of the capital of shipping companies based in Mexico which provide international (high-seas) services must be Mexican-owned. However, foreigners may increase their equity participation to as much as 100%, subject to prior agreement from the National Foreign Investment Commission (CNIE) (Section 2.4).

4.158. The transport of goods and persons in waters under Mexican jurisdiction and cabotage services must be provided by shipping companies under Mexican control (51% of equity) and in Mexican vessels (Section 2.4). For cabotage, if there are no Mexican shipping companies or vessels, or if these shipping companies or vessels cannot provide the service, the DGMM may authorize foreign shipping companies and/or vessels to do so. In such cases, the DGMM issues a temporary navigation permit, which initially lasts three months, but can be renewed for up to two years. At the end of the two years, the foreign vessel must be registered in Mexico in order to be able to continue providing the cabotage service.[205] "Unusually specialized" foreign vessels[206] are exempt from this

[201] FAA press release of 25 May 2021. Viewed at: https://www.faa.gov/newsroom/federal-aviation-administration-announces-results-mexicos-safety-assessment?newsId=26142.
[202] SEMAR press release No. 042/2021 of 7 June 2021.
[203] Shipping and Maritime Trade Law of 2006 (Official Journal of 1 June 2006), as last amended on 7 December 2020; Regulations implementing the Shipping and Maritime Trade Law (Official Journal of 4 March 2015); Ports Law (Official Journal of 19 July 1993), as last amended on 7 December 2020; and Regulations implementing the Ports Law (Official Journal of 16 December 2021).
[204] Article 24 of the Shipping and Maritime Trade Law. https://www.gob.mx/semar/prensa/sct-efectua-traspaso-de-la-coordinacion-general-de-puertos-y-marina-mercante-a-semar.
[205] According to information supplied by the authorities, 633 temporary permits were granted between 2017 and 2021, mostly to foreign vessels operated by Mexican shipping companies. One foreign vessel was authorized to provide cabotage services. Two foreign vessels were registered in Mexico.
[206] These vessels have specific technological characteristics or are used to undertake specific activities (Article 10 of the Shipping and Maritime Trade Law).

registration requirement, meaning that they can provide the cabotage service indefinitely and that the temporary navigation permit can be renewed as many times as necessary.[207] In 2022, nine "unusually specialized" foreign vessels are providing a cabotage service to transport persons and equipment to Pemex oil rigs, for example.[208]

4.159. According to the Shipping and Maritime Trade Law (Articles 8 and 39), only if COFECE determines that there are no conditions for effective competition on a relevant market may SEMAR: (i) establish the bases for regulating rates[209]; and (ii) partially or fully book specific international freight transport for Mexican company owners or shipping companies with Mexican vessels to provide this service. This booking can only continue to be held as long as there is a lack of effective competition on the market in question. There were no freight transport bookings during the review period.

4.160. According to the authorities, foreign vessels operate the majority of Mexico's international traffic. In order to promote the development and participation of the Mexican merchant marine, Mexico is still providing support to the naval industry and Mexican shipping companies through the National Merchant Marine Development Fund (FONDEMAR).[210] This support is provided in the form of bank guarantees covering up to 50% of the amount of credit acquired up to a maximum of USD 5 million; amounts above this limit may be secured if approved by the DGMM. During the review period, FONDEMAR resources were not used.

4.161. Mexico has limitations in place regarding the nationality of staff working on board vessels under the Mexican flag. Therefore, the entire crew on board Mexican vessels must be Mexican nationals.[211]

4.162. Ports are inalienable, imprescriptible and unattachable *vis-à-vis* the State.[212] They are operated by the National Port System Administrations (ASIPONAs) and the Integrated Port Administrations (APIs). ASIPONAs and APIs may be public or private entities. Foreign equity in an ASIPONA/API is still limited to 49% of its capital (Section 2.4). Private equity has historically been very limited. Until 2021, the port of Acapulco was managed and operated by a private API, but, in 2021, the concession was not renewed and management of the port reverted to the State.[213] In 2022, all ports are operated by public ASIPONAs/APIs.

4.163. ASIPONAs/APIs must build and maintain the basic infrastructure, build and operate the terminals, and provide port services.[214] However, works and services may be contracted out. This process is subject to federal laws regulating government procurement. In addition, under the Ports Law, service contracts must be tendered. However, they may be awarded directly for technical, efficiency and security reasons.[215]

4.164. Mexico has an FDI cap (49%) in place for companies providing pilotage, towing, mooring or lighterage services, or which engage in supplying maritime fuel (bunker). However, if they obtain approval from the CNIE, foreigners may increase their equity (to as much as 100%) in towing, mooring or lighterage services (Section 2.4). According to the authorities, between 2017 and 2022,

[207] Articles 40-41 of the Shipping and Maritime Trade Law.

[208] CGPMM. Viewed at: https://www.gob.mx/puertosymarinamercante/acciones-y-programas/estatus-de-los-permisos-temporales-para-la-navegacion-de-cabotaje-a-embarcaciones-extranjeras.

[209] In 2021, COFECE determined that the cabotage service for passengers (ferry service) on routes in the state of Quintana Roo was not being provided under conditions for effective competition. Therefore, in 2022, SEMAR published the "Bases for the regulation of rates for the provision of maritime transport services for passengers in the northern region of the state of Quintana Roo" (Official Journal of 18 March 2022).

[210] Rules of Operation of the National Merchant Marine Development Fund (Official Journal of 24 September 2012).

[211] Article 25 of the Shipping and Maritime Trade Law.

[212] General Law on National Assets (Official Journal of 20 May 2004), as last amended on 14 September 2021.

[213] Declaration establishing the reversion of operations, terminals, marinas and facilities in the Port of Acapulco, Guerrero, to the federal government (Official Journal of 7 July 2021).

[214] Article 44 of the Ports Law classifies port services into different groups: services to vessels for inland navigation (pilotage, towing, mooring and lighterage); general services (for example: supply of fuel and drinking water, and provisioning); and handling services (for example: loading/unloading, delivery/receipt and storage).

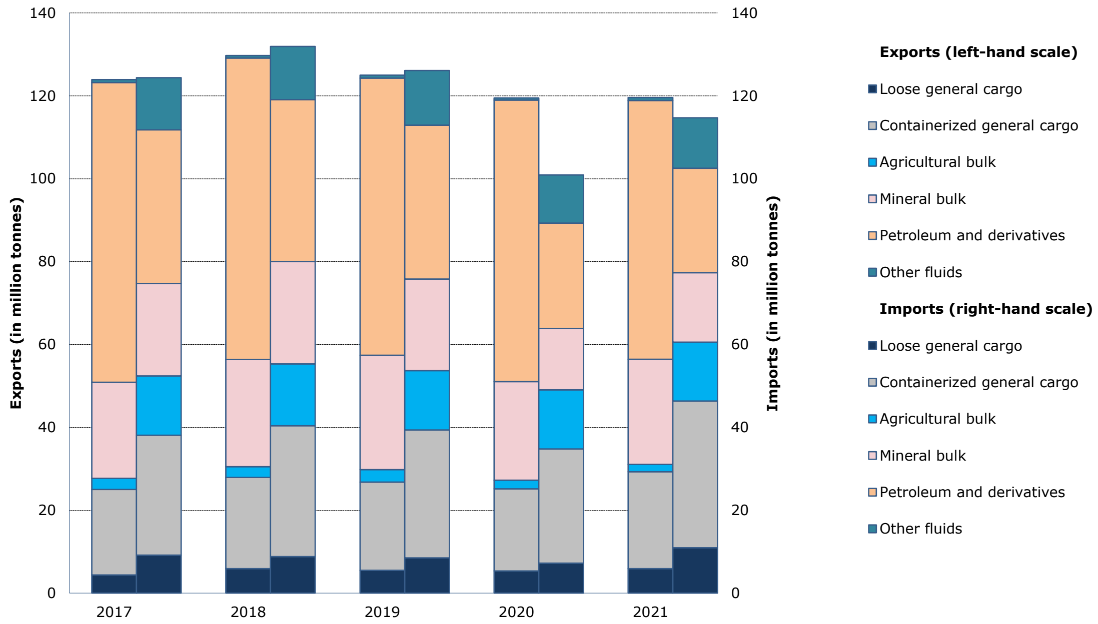
[215] Articles 40, 46, 51 and 53 of the Ports Law.

two licences were granted. Harbour pilots must be Mexican nationals.[216] Foreign-owned shipping companies may provide port dredging, construction and maintenance services, using foreign vessels, subject to reciprocity arrangements and prior consent from SEMAR.[217]

4.165. The DGP may establish rates for using terminals and providing port services if it determines that there is no effective competition in the port.[218] This occurs if, for example, there is just one terminal, a specific cargo can only be handled at one terminal, or if there is just one service provider. The criteria for determining the maximum rates were not revised during the review period; the DGP sets these criteria taking into account the operating and capital cost, the actual and estimated traffic, and the rates on domestic and international markets.[219] The maximum rates are set each year. Within the context of this review, the authorities have stated that 51% of the port service rates are regulated in 2022. During the pandemic, discounts were granted on rates, and payments could be deferred from 30 to 60 days.[220]

4.166. In 2021, 234.3 million tonnes of cargo were handled in Mexico's ports. This was above the 2020 volume, but was still below pre-COVID-19 pandemic levels. Foreign trade freight is mainly made up of hydrocarbons, containerized cargos and mineral bulk (Chart 4.6). The port of Manzanillo is the country's main port and one of the region's main ports for container traffic. Mexico also has 15 port terminals, which are located away from port precincts and are used for exporting salt, gypsum and phosphoric rock.

Chart 4.6 Foreign trade port operations, by cargo type, 2017-21



Source: CGPMM data. Viewed at: https://www.gob.mx/puertosymarinamercante/acciones-y-programas/estadisticas-70565; e información facilitada por las autoridades.

4.4.4 Tourism

4.167. Mexico regards tourism as a strategic sector.[221] According to data from the Tourism Satellite Account (TSA), tourism generated approximately 8.5% of GDP between 2017 and 2019. However, in 2020, on account of the pandemic, the sector's contribution to GDP fell to 6.7%.[222] In 2021, the

[216] Article 57 of the Shipping and Maritime Trade Law.
[217] Article 40 of the Shipping and Maritime Trade Law.
[218] The DGP may seek guidance from COFECE.
[219] Rate regulation with respect to concessions for the Integrated Port Administrations (APIs) indicated (Official Journal of 22 December 1999).
[220] Information provided by the authorities.
[221] Sectoral Programme for Tourism 2020-24.
[222] Mexico Tourism Satellite Account 2020. Viewed at: https://www.datatur.sectur.gob.mx/SitePages/ProductoDestacado3.aspx.

sector began to bounce back and its estimated contribution to GDP stood at 7.1%.[223] The most important tourism activities for the economy are accommodation services, transport, restaurant and leisure services, and handicrafts. Tourism is also a major source of employment; in 2021, it accounted for 8.5% of all jobs.[224]

4.168. In 2019, Mexico welcomed 97.4 million visitors, including 45 million tourists, which was a record high (Table 4.17). That same year, Mexico was the world's seventh tourism destination.[225] In 2020, even though the pandemic brought down the number of international tourists, Mexico became the world's third tourism destination, as it adopted very few restrictions on international tourism.[226] Tourism has traditionally been one of Mexico's main sources of foreign exchange, after remittances.

Table 4.17 International tourism indicators, 2017-21

	2017	2018	2019	2020	2021
Number of visitors (millions)	**99.3**	**96.5**	**97.4**	**51.1**	**55.3**
Tourists	39.3	41.3	45.0	24.3	31.9
Short-stay visitors	60.0	55.2	52.4	26.8	23.4
Total expenditure (in USD million)	21.3	22.5	24.6	11.0	19.8
Tourists	19.2	20.4	22.4	9.9	18.5
Short-stay visitors	2.1	2.1	2.2	1.1	1.3

Source: Information provided by the authorities.

4.169. The tourism sector is regulated by federal laws and laws adopted by federal agencies. The General Law on Tourism and its implementing Regulations provide the legal framework for the sector at a federal level.[227]

4.170. The Ministry of Tourism (SECTUR) formulates and implements sectoral policy, the aims of which are outlined in the Sectoral Programme for Tourism (PROSECTUR) 2020-24, based on the National Development Plan (PND) 2019-24. Mexico is pursuing an inclusive and sustainable tourism model. One of the objectives being pursued in order to promote sector growth is diversifying tourist destinations and tourism markets. As a result, Mexico has boosted its international image[228] and has set up digital platforms to promote the country's various destinations and tourism products; it has also rolled out projects, such as Tren Maya, to promote cultural and historical tourism on the Yucatan peninsula, as well as training and certification programmes. In addition, in order to bring about the quickest possible post-pandemic recovery, it has endeavoured to promote domestic tourism.

4.171. All tourism service suppliers must be registered with the National Tourism Registry (RNT), which is managed by SECTUR.[229] Land transport services for tourists are reserved to Mexican nationals and Mexican companies, and require permits which are non-transferable (Section 2.4). Foreigners may provide all other types of tourism services, including tourist guide services. In order to provide these services, a special licence from SECTUR is required in order to be able to register in the RNT.[230]

4.172. The National Tourism Development Fund (FONATUR), a state entity, oversees the development of tourist areas and promotes investment. Through FONATUR, investors can obtain

[223] Ministry of Tourism press release No. 083/2022.
[224] Ministry of Tourism data. Viewed at: https://www.datatur.sectur.gob.mx/SitePages/ResultadosITET.aspx.
[225] Ministry of Tourism (2020), *Segundo Informe de Labores 2019-2020*. Viewed at: https://www.gob.mx/sectur/documentos/secretaria-de-turismo-segundo-informe-de-labores-2019-2020-251051.
[226] Ministry of Tourism press release No. 040/2022.
[227] General Law on Tourism (Official Journal of 17 June 2009), as last amended on 31 July 2019; and Regulations implementing the General Law on Tourism (Official Journal of 6 July 2015), as last amended on 16 August 2015.
[228] In 2019, the Mexican Tourism Promotion Board, a State-owned corporation responsible for promoting Mexico as a tourist destination, was shut down. Since 2019, the Tourism Diplomacy Council (comprising representatives from SECTUR, the Ministry of Foreign Affairs (SRE) and private enterprise) has developed campaigns to promote tourism abroad; these campaigns are rolled out via SRE representative offices.
[229] RNT. Viewed at: https://www.gob.mx/tramites/ficha/inscribete-al-registro-nacional-de-turismo/SECTUR3109.
[230] Article 78 of the Regulations implementing the General Law on Tourism.

financing with preferential conditions in order to acquire landed property; 30% of the loan amount is paid within a year interest-free and the rest is paid within five years at a preferential rate.[231] Through FONATUR, eight tourist areas have been developed, especially for sun and beach tourism.[232]

4.173. Bancomext, the federal development bank, regards tourism as a "strategic or priority sector" on account of the foreign currency it generates and its contribution to the job market. The bank provides financing, in pesos or US dollars, of up to 50% of the project costs. The terms of the loan, including the interest rates, are set on a case-by-case basis. The amounts financed vary depending on whether the bank is a first-tier or second-tier bank.[233] In 2021, the amount financed by Bancomext within the tourism sector was MXN 40,831 million, which is 21.2% of the total amount provided to "strategic" sectors.[234]

[231] Government of Mexico. Viewed at: https://www.gob.mx/fonatur/acciones-y-programas/preguntas-frecuentes-fonatur-faq-s and https://www.gob.mx/fonatur/acciones-y-programas/porque-invertir-en-fonatur?idiom=es.

[232] Government of Mexico. Viewed at: https://www.gob.mx/fonatur/acciones-y-programas/destinos-fonatur.

[233] Bancomext. Viewed at: https://www.bancomext.com/sector/turismo.

[234] Information provided by the authorities.

5 APPENDIX TABLES

Table A1. 1 Merchandise exports by HS section and main chapter, 2016-21

(USD million and %)

Description	2016	2017	2018	2019	2020	2021
	(USD million)					
Total exports	373,954	409,433	450,713	460,604	416,999	494,225
	(% of exports)					
1 - Live animals; animal products	0.9	0.9	0.9	1.0	1.1	1.1
02. Meat and edible meat offal	0.4	0.4	0.4	0.5	0.6	0.7
03. Fish and crustaceans, molluscs and other aquatic invertebrates	0.2	0.2	0.3	0.2	0.2	0.2
01. Live animals	0.2	0.2	0.2	0.2	0.2	0.1
04. Dairy produce; birds' eggs; natural honey; edible products of animal origin	0.1	0.1	0.1	0.1	0.1	0.1
2 - Vegetable products	3.7	3.7	3.4	3.6	4.1	3.8
07. Edible vegetables and certain roots and tubers	1.8	1.6	1.6	1.6	2.0	1.7
08. Edible fruit and nuts; peel of citrus fruit or melons	1.5	1.6	1.4	1.6	1.7	1.7
09. Coffee, tea, maté and spices	0.1	0.1	0.1	0.1	0.1	0.1
10. Cereals	0.2	0.2	0.1	0.1	0.1	0.1
3 - Animal or vegetable fats and oils	0.1	0.1	0.1	0.1	0.1	0.1
4 - Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes	3.0	3.2	3.2	3.4	3.9	3.9
22. Beverages, spirits and vinegar	1.2	1.4	1.5	1.6	1.9	2.0
19. Preparations of cereals, flour, starch or milk	0.5	0.5	0.4	0.5	0.6	0.5
20. Preparations of vegetables, nuts or other parts of plants	0.4	0.4	0.4	0.4	0.4	0.4
17. Sugars and sugar confectionery	0.4	0.4	0.4	0.4	0.4	0.4
21. Miscellaneous edible preparations	0.2	0.2	0.2	0.2	0.3	0.3
5 - Mineral products	6.0	6.9	8.0	6.8	5.8	7.5
27. Mineral fuels; bituminous substances; mineral waxes	4.8	5.6	6.6	5.4	4.0	5.6
26. Ores, slag and ash	1.0	1.2	1.2	1.2	1.6	1.8
6 - Products of the chemical or allied industries	2.6	2.4	2.3	2.3	2.4	2.5
33. Essential oils; perfumery or cosmetic preparations	0.6	0.6	0.5	0.5	0.5	0.5
29. Organic chemicals	0.5	0.5	0.4	0.5	0.4	0.4
30. Pharmaceutical products	0.4	0.3	0.3	0.3	0.3	0.4
38. Miscellaneous chemical products	0.3	0.3	0.2	0.2	0.3	0.3
28. Inorganic chemicals	0.2	0.2	0.2	0.2	0.2	0.3
7 - Plastics and articles thereof	2.9	2.9	2.8	2.8	2.9	3.1
39. Plastics and articles thereof	2.2	2.2	2.1	2.0	2.2	2.3
40. Rubber and articles thereof	0.7	0.7	0.7	0.7	0.7	0.8
8 - Raw hides and skins, leather, furskins and articles thereof; saddlery and harness	0.2	0.2	0.2	0.1	0.1	0.1
9 - Wood and articles of wood; wood charcoal	0.1	0.1	0.1	0.1	0.2	0.2
10 - Pulp of wood or of other fibrous cellulosic material; paper and paperboard and articles thereof	0.5	0.5	0.5	0.4	0.5	0.5
48. Paper and paperboard; articles of paper pulp, of paper or of paperboard	0.4	0.4	0.4	0.4	0.4	0.4
11 - Textiles and textile articles	1.7	1.6	1.5	1.5	1.5	1.6
62. Articles of apparel and clothing accessories, not knitted or crocheted	0.6	0.6	0.5	0.5	0.4	0.4
61. Articles of apparel and clothing accessories, knitted or crocheted	0.5	0.4	0.4	0.4	0.4	0.4
63. Other made up textile articles; sets; worn clothing and worn textile articles; rags	0.3	0.3	0.3	0.3	0.4	0.3
12 - Footwear, headgear, umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof; prepared feathers and articles made therewith	0.2	0.2	0.2	0.2	0.1	0.2
13 - Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware	1.0	0.9	0.8	0.9	0.9	1.0
70. Glass and glassware	0.4	0.4	0.4	0.4	0.4	0.4
14 - Natural or cultured pearls, precious or semi-precious stones, precious metals	2.0	1.7	1.5	1.6	1.9	1.9

Description	2016	2017	2018	2019	2020	2021
15 - Base metals and articles of base metal	4.2	4.1	4.3	4.0	4.2	5.0
73. Articles of iron or steel	1.4	1.4	1.5	1.5	1.5	1.6
72. Iron and steel	0.5	0.6	0.8	0.7	0.7	1.2
74. Copper and articles thereof	0.5	0.5	0.5	0.5	0.5	0.6
83. Miscellaneous articles of base metal	0.6	0.6	0.6	0.6	0.6	0.6
76. Aluminium and articles thereof	0.5	0.3	0.4	0.3	0.4	0.5
16 - Machinery and mechanical appliances; electrical equipment; parts thereof	36.9	36.0	34.9	34.9	36.1	34.8
85. Electrical machinery and equipment; image and sound recorders and reproducers	20.4	19.9	18.2	17.4	18.0	17.5
84. Nuclear reactors, boilers, machinery and mechanical appliances	16.5	16.1	16.7	17.5	18.1	17.3
17 - Vehicles, aircraft, vessels and associated transport equipment	24.7	25.8	26.6	27.5	24.9	24.0
87. Vehicles other than railway or tramway rolling-stock	23.6	24.8	25.6	26.3	24.1	23.1
86. Railway or tramway locomotives, rolling-stock; mechanical equipment	0.8	0.6	0.6	0.8	0.5	0.4
18 - Optical, photographic, cinematographic, measuring, checking or precision instruments and apparatus	4.4	4.3	4.3	4.4	4.5	4.2
90. Optical, photographic and precision instruments and apparatus; medical or surgical instruments and apparatus	4.3	4.3	4.2	4.3	4.5	4.2
19 - Arms and ammunition; parts and accessories thereof	0.0	0.0	0.0	0.0	0.0	0.0
20 - Miscellaneous manufactured articles	3.5	3.3	3.0	2.8	2.8	2.9
94. Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings	2.8	2.6	2.4	2.2	2.2	2.2
95. Toys, games	0.4	0.4	0.4	0.3	0.3	0.4
21 - Works of art, collectors' pieces and antiques	0.0	0.0	0.0	0.0	0.0	0.0
Other	1.3	1.3	1.4	1.7	1.8	1.6

Source: WTO Secretariat calculations, based on data provided by the authorities.

Table A1. 2 Merchandise imports by HS section and main chapter, 2016-21

(USD million and %)

Description	2016	2017	2018	2019	2020	2021
	(USD million)					
Total imports	387,088	420,395	464,302	455,242	382,986	505,716
	(% of imports)					
1 - Live animals; animal products	1.6	1.6	1.5	1.6	1.7	1.7
02. Meat and edible meat offal	0.9	0.9	0.8	0.9	0.9	1.0
04. Dairy produce; birds' eggs; natural honey; edible products of animal origin	0.4	0.4	0.4	0.5	0.5	0.4
03. Fish and crustaceans, molluscs and other aquatic invertebrates	0.2	0.2	0.2	0.1	0.1	0.2
2 - Vegetable products	2.5	2.5	2.5	2.5	3.0	3.2
10. Cereals	1.1	1.1	1.1	1.1	1.3	1.5
12. Oil seeds and oleaginous fruits; industrial or medicinal plants; straw and fodder	0.8	0.8	0.7	0.8	0.9	1.0
08. Edible fruit and nuts; peel of citrus fruit or melons	0.2	0.2	0.3	0.3	0.3	0.3
11. Products of the milling industry; malt; starches; inulin; wheat gluten	0.1	0.1	0.1	0.2	0.2	0.2
3 - Animal or vegetable fats and oils	0.3	0.3	0.3	0.2	0.3	0.4
4 - Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes	1.9	1.7	1.6	1.7	1.9	1.7
23. Residues and waste from the food industries; animal fodder	0.4	0.4	0.3	0.4	0.4	0.4
21. Miscellaneous edible preparations	0.4	0.3	0.3	0.3	0.4	0.3
22. Beverages, spirits and vinegar	0.3	0.3	0.2	0.2	0.2	0.2
20. Preparations of vegetables, nuts or other parts of plants	0.2	0.2	0.2	0.2	0.2	0.2
19. Preparations of cereals, flour, starch or milk	0.2	0.1	0.1	0.2	0.2	0.2
17. Sugars and sugar confectionery	0.2	0.2	0.2	0.2	0.2	0.2
5 - Mineral products	6.8	8.8	10.4	9.5	7.2	9.1
27. Mineral fuels; bituminous substances; mineral waxes	6.5	8.5	10.0	9.0	6.6	8.5
26. Ores, slag and ash	0.2	0.2	0.3	0.3	0.4	0.4
6 - Products of the chemical or allied industries	6.8	6.9	6.9	6.8	7.8	7.7
29. Organic chemicals	1.9	2.1	2.1	1.8	1.9	2.1
38. Miscellaneous chemical products	1.1	1.1	1.1	1.2	1.5	1.6
30. Pharmaceutical products	1.1	1.0	1.0	1.1	1.3	1.2
28. Inorganic chemicals	0.5	0.5	0.6	0.6	0.7	0.7
33. Essential oils and resinoids; perfumery or cosmetic preparations	0.7	0.7	0.7	0.7	0.8	0.7
32. Tanning or dyeing extracts; dyes, pigments; paints and varnishes	0.5	0.5	0.5	0.5	0.6	0.5
7 - Plastics and articles thereof	7.3	7.1	7.0	6.9	7.2	7.4
39. Plastics and articles thereof	5.7	5.5	5.4	5.4	5.7	5.9
40. Rubber and articles thereof	1.6	1.6	1.5	1.5	1.5	1.5
8 - Raw hides and skins, leather, furskins and articles thereof; saddlery and harness	0.5	0.5	0.4	0.4	0.3	0.3
9 - Wood and articles of wood; wood charcoal	0.4	0.4	0.4	0.4	0.4	0.5
44. Wood and articles of wood; wood charcoal	0.4	0.4	0.4	0.4	0.4	0.5
10 - Pulp of wood or of other fibrous cellulosic material; paper and paperboard and articles thereof	1.8	1.7	1.7	1.7	1.7	1.6
48. Paper and paperboard; articles of paper pulp, of paper or of paperboard	1.4	1.3	1.3	1.3	1.3	1.2
11 - Textiles and textile articles	2.6	2.4	2.4	2.3	2.3	2.2
61. Articles of apparel and clothing accessories, knitted or crocheted	0.5	0.4	0.4	0.5	0.5	0.5
62. Articles of apparel and clothing accessories, not knitted or crocheted	0.4	0.4	0.4	0.4	0.3	0.3
54. Man-made filaments	0.3	0.3	0.2	0.2	0.2	0.2
63. Other made up textile articles; sets; worn clothing and worn textile articles; rags	0.2	0.2	0.2	0.2	0.3	0.2
52. Cotton	0.2	0.2	0.2	0.2	0.1	0.2
59. Impregnated, coated, covered or laminated textile fabrics	0.3	0.3	0.3	0.2	0.2	0.2

Description	2016	2017	2018	2019	2020	2021
56. Wadding, felt and nonwovens; special yarns; twine; cables and articles thereof	0.2	0.2	0.2	0.2	0.2	0.2
12 - Footwear, headgear, umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof; prepared feathers and articles made therewith	0.3	0.3	0.3	0.3	0.3	0.3
13 - Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware	0.8	0.8	0.7	0.7	0.7	0.7
70. Glass and glassware	0.4	0.4	0.3	0.4	0.4	0.3
14 - Natural or cultured pearls, precious or semi-precious stones, precious metals	0.3	0.2	0.2	0.2	0.2	0.2
15 - Base metals and articles of base metal	8.0	8.2	8.3	8.1	8.0	9.6
72. Iron and steel	2.2	2.4	2.5	2.4	2.3	3.5
73. Articles of iron or steel	2.3	2.2	2.1	2.2	2.1	2.2
76. Aluminium and articles thereof	1.4	1.4	1.5	1.5	1.5	1.7
74. Copper and articles thereof	0.7	0.7	0.7	0.7	0.7	0.9
83. Miscellaneous articles of base metal	0.7	0.6	0.6	0.6	0.6	0.6
82. Tools, implements, cutlery, of base metal	0.6	0.6	0.6	0.5	0.5	0.5
16 - Machinery and mechanical appliances; electrical equipment; parts thereof	39.1	37.3	37.1	37.7	38.8	35.7
85. Electrical machinery and equipment; sound and image recorders and reproducers	21.8	20.4	20.4	20.8	21.6	20.0
84. Nuclear reactors, boilers, machinery and mechanical appliances	17.3	16.9	16.7	16.9	17.2	15.7
17 - Vehicles, aircraft, vessels and associated transport equipment	10.0	10.2	9.7	9.7	8.6	8.0
87. Vehicles other than railway or tramway rolling-stock	9.6	9.9	9.3	9.4	8.4	7.7
18 - Optical, photographic, cinematographic, measuring, checking or precision instruments and apparatus	3.9	3.7	3.4	3.7	4.2	4.1
90. Optical, photographic or precision instruments and apparatus; medical or surgical instruments and apparatus	3.7	3.6	3.3	3.6	4.1	4.0
19 - Arms and ammunition; parts and accessories thereof	0.0	0.0	0.0	0.0	0.0	0.0
20 - Miscellaneous manufactured articles	1.7	1.7	1.6	1.6	1.5	1.5
94. Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings	1.0	0.9	0.9	0.8	0.8	0.8
95. Toys, games	0.5	0.5	0.5	0.5	0.5	0.5
21 - Works of art, collectors' pieces and antiques	0.0	0.0	0.0	0.0	0.0	0.0
Other	3.3	3.6	3.7	3.9	4.0	4.0

Source: WTO Secretariat calculations, based on data provided by the authorities.

Table A1. 3 Merchandise exports by trading partner, 2016-21

(USD million and %)

Description	2016	2017	2018	2019	2020	2021
	(USD million)					
Total exports	373,954	409,433	450,713	460,604	416,999	494,225
	(% of exports)					
America	89.0	88.0	87.9	88.4	88.2	88.2
United States	80.9	79.8	79.5	80.5	81.2	80.7
Other America	8.1	8.1	8.4	7.9	7.0	7.5
Canada	2.8	2.8	3.1	3.1	2.7	2.6
Brazil	0.8	0.9	1.0	0.9	0.7	0.7
Colombia	0.8	0.8	0.8	0.8	0.6	0.7
Guatemala	0.5	0.4	0.4	0.4	0.5	0.5
Chile	0.5	0.4	0.5	0.4	0.3	0.4
Peru	0.4	0.4	0.4	0.3	0.3	0.3
El Salvador	0.2	0.2	0.2	0.2	0.2	0.3
Panama	0.2	0.2	0.3	0.3	0.3	0.3
Honduras	0.2	0.2	0.2	0.2	0.2	0.2
Costa Rica	0.2	0.2	0.2	0.2	0.2	0.2
Nicaragua	0.3	0.2	0.2	0.2	0.2	0.2
Argentina	0.4	0.4	0.3	0.2	0.2	0.2
Dominican Republic	0.2	0.2	0.1	0.1	0.1	0.1
Ecuador	0.1	0.2	0.2	0.1	0.1	0.1
Trinidad and Tobago	0.0	0.0	0.0	0.0	0.0	0.1
Cuba	0.1	0.1	0.1	0.1	0.1	0.1
Uruguay	0.0	0.1	0.0	0.0	0.0	0.1
Venezuela, Bolivarian Republic of	0.2	0.3	0.2	0.1	0.1	0.0
Europe	5.5	5.9	5.9	5.5	5.3	5.4
EU (27)	4.3	5.1	5.0	3.9	3.9	3.7
Germany	1.1	1.7	1.6	1.5	1.6	1.5
Netherlands	0.4	0.5	0.6	0.5	0.5	0.5
Spain	0.9	1.0	1.0	0.3	0.3	0.3
Belgium	0.4	0.5	0.5	0.3	0.3	0.3
France	0.5	0.5	0.4	0.3	0.3	0.3
EFTA	0.3	0.2	0.2	0.2	0.3	0.3
Switzerland	0.2	0.2	0.2	0.2	0.2	0.3
Other Europe	0.9	0.6	0.7	1.5	1.2	1.4
Other Europe, n.e.s.	0.0	0.0	0.1	0.8	0.5	0.7
United Kingdom	0.9	0.6	0.5	0.6	0.6	0.6
Türkiye	0.1	0.1	0.1	0.1	0.1	0.1
Commonwealth of Independent States (CIS)[a]	0.1	0.1	0.1	0.1	0.1	0.1
Russian Federation	0.0	0.1	0.1	0.1	0.1	0.1
Africa	0.2	0.2	0.2	0.2	0.2	0.2
South Africa	0.1	0.0	0.1	0.1	0.0	0.0
Middle East	0.2	0.2	0.2	0.3	0.3	0.2
United Arab Emirates	0.1	0.1	0.1	0.1	0.1	0.1
Saudi Arabia, Kingdom of	0.0	0.0	0.1	0.1	0.1	0.1
Israel	0.1	0.1	0.1	0.1	0.0	0.1
Asia	5.0	5.6	5.7	5.5	5.8	5.9
China	1.4	1.6	1.6	1.5	1.9	1.9
Japan	1.0	1.0	0.9	0.9	0.9	0.8
Other Asia	2.5	3.0	3.2	3.1	3.1	3.2
Chinese Taipei	0.1	0.1	0.4	1.4	1.0	1.5
Korea, Republic of	0.7	0.8	0.8	0.5	0.8	0.7
Australia	0.2	0.3	0.3	0.2	0.2	0.2
Hong Kong, China	0.2	0.2	0.2	0.2	0.3	0.2
Singapore	0.2	0.2	0.3	0.2	0.2	0.2
India	0.6	0.8	0.9	0.2	0.2	0.1
Other	0.0	0.0	0.0	0.0	0.0	0.0
MEMORANDUM:						
European Union (28)	5.1	5.7	5.5	4.5	4.5	4.3
North American Free Trade Agreement	83.7	82.6	82.6	83.6	83.9	83.3

a Commonwealth of Independent States, including some associate and former member States.

Source: WTO Secretariat calculations, based on data provided by the authorities.

Table A1. 4 Merchandise imports by trading partner, 2016-21[a]

(USD million and %)

Description	2016	2017	2018	2019	2020	2021
	(USD million)					
Total imports	387,088	420,395	464,302	455,242	382,986	505,716
	(% of imports)					
America	52.1	51.9	52.1	50.6	49.3	49.7
United States	46.5	46.4	46.6	45.3	43.9	43.8
Other America	5.7	5.5	5.5	5.4	5.4	5.9
Canada	2.5	2.3	2.3	2.2	2.2	2.2
Brazil	1.2	1.3	1.4	1.5	1.5	1.7
Chile	0.3	0.4	0.4	0.3	0.3	0.4
Colombia	0.3	0.4	0.4	0.4	0.3	0.3
Argentina	0.2	0.2	0.2	0.2	0.2	0.2
Nicaragua	0.2	0.1	0.1	0.1	0.1	0.2
Costa Rica	0.1	0.1	0.1	0.1	0.2	0.2
Peru	0.1	0.1	0.1	0.1	0.1	0.1
Guatemala	0.1	0.1	0.1	0.1	0.1	0.1
Honduras	0.1	0.1	0.1	0.1	0.1	0.1
Trinidad and Tobago	0.1	0.1	0.1	0.1	0.1	0.1
Uruguay	0.1	0.1	0.1	0.1	0.1	0.1
El Salvador	0.0	0.0	0.1	0.1	0.1	0.1
Europe	11.7	12.4	12.2	12.0	11.7	11.2
EU (27)	10.4	11.1	10.9	10.8	10.5	10.0
Germany	3.6	3.9	3.8	3.9	3.6	3.4
Italy	1.4	1.5	1.4	1.3	1.3	1.2
Spain	1.2	1.2	1.2	1.0	1.0	0.9
France	1.0	1.0	0.9	1.0	0.9	0.8
Netherlands	0.5	0.6	0.5	0.5	0.5	0.5
EFTA	0.5	0.4	0.4	0.4	0.4	0.4
Switzerland	0.4	0.4	0.4	0.4	0.4	0.4
Other Europe	0.8	0.8	0.8	0.8	0.7	0.8
United Kingdom	0.5	0.6	0.5	0.5	0.5	0.4
Türkiye	0.2	0.2	0.2	0.2	0.2	0.3
Commonwealth of Independent States (CIS)[a]	0.4	0.4	0.4	0.3	0.2	0.5
Russian Federation	0.3	0.3	0.4	0.3	0.2	0.4
Africa	0.2	0.3	0.5	0.3	0.3	0.3
South Africa	0.1	0.1	0.1	0.1	0.1	0.1
Morocco	0.1	0.1	0.1	0.1	0.1	0.1
Middle East	0.3	0.3	0.3	0.3	0.3	0.4
Israel	0.2	0.2	0.1	0.2	0.2	0.2
United Arab Emirates	0.1	0.1	0.1	0.1	0.1	0.1
Asia	35.2	34.8	34.5	36.4	38.1	38.0
China	18.0	17.6	18.0	18.2	19.2	20.0
Japan	4.6	4.3	3.9	3.9	3.6	3.4
Other Asia	12.7	12.8	12.6	14.2	15.3	14.6
Korea, Republic of	3.5	3.7	3.6	3.9	3.8	3.8
Malaysia	2.1	1.9	2.0	2.5	2.8	2.5
Chinese Taipei	1.8	1.8	1.8	2.0	2.3	2.3
Viet Nam	1.0	1.1	0.9	1.3	1.7	1.7
Thailand	1.4	1.4	1.4	1.3	1.4	1.3
India	1.1	1.2	1.1	1.1	1.1	1.2
Other	0.0	0.0	0.0	0.0	0.0	0.0
MEMORANDUM:						
European Union (28)	11.0	11.7	11.4	11.3	10.9	10.4
Southern Common Market	1.6	1.6	1.7	1.7	1.7	1.9
North American Free Trade Agreement	48.9	48.6	48.8	47.4	46.1	45.9

a Commonwealth of Independent States, including some associate and former member States.

Source: WTO Secretariat calculations, based on data provided by the authorities.

Table A2. 1 Measures notified to the WTO, 2017-22 (31 May)

Agreement/Decision	Type of measure notified	Frequency	WTO document
Agreement on Trade-Related Aspects of Intellectual Property Rights			
Article 63.2	Laws/regulations made effective by the notifying Member; amendment of a law/regulation	Once only; *ad hoc* (amendment)	IP/N/1/MEX/23; IP/N/1/MEX/C/9, 28/9/2020
			IP/N/1/MEX/22/Rev.1; IP/N/1/MEX/E/1/Rev.1, 24/9/2020
			IP/N/1/MEX/21; IP/N/1/MEX/I/15, 30/7/2020
			IP/N/1/MEX/20; IP/N/1/MEX/G/9, 26/2/2020
			IP/N/1/MEX/19; IP/N/1/MEX/G/8, 19/9/2019
			IP/N/1/MEX/18; IP/N/1/MEX/I/14, 30/5/2018
			IP/N/1/MEX/17; IP/N/1/MEX/G/7, 24/5/2018
			IP/N/1/MEX/16; IP/N/1/MEX/I/13, 29/3/2018
			IP/N/1/MEX/15; IP/N/1/MEX/I/12, 14/2/2017
Agreement on Agriculture			
Articles 10 and 18.2; ES:1	Export subsidies	On an annual basis	G/AG/N/MEX/54, 2/6/2021
Articles 10 and 18.2; ES:2	Export subsidies	On an annual basis	G/AG/N/MEX/45, 18/3/2019
Article 18.2; DS:1	Domestic support	On an annual basis	G/AG/N/MEX/55, 25/10/2019
Article 18.2; MA:2	Market access - volume of imports under tariff and other quotas	On an annual basis	G/AG/N/MEX/47, 15/7/2019
Articles 5.7 and 18.2; MA:5	Market access - special safeguard provisions	On an annual basis	G/AG/N/MEX/50, 20/5/2021
General Agreement on Trade in Services			
Articles III:4 and/or IV:2	Enquiry points/contact points	*Ad hoc*	S/ENQ/78/Rev.22, 10/2/2022
Article V:7(a)	Economic integration agreements	Once only	S/C/N/1060, 28/6/2021
			S/C/N/1017, 17/9/2020
			S/C/N/920, 20/12/2018
			S/C/N/4/Add.1, 9/10/2020
Enabling Clause - regional trade agreements			
Paragraph 4(a)	Preferential arrangements among developing countries	*Ad hoc*	WT/COMTD/RTA15/N/1, 3/3/2020
			WT/COMTD/RTA8/N/1, 30/7/2019
			WT/COMTD/RTA7/N/1, 30/7/2019
			WT/COMTD/RTA6/N/1, 30/7/2019
			WT/COMTD/RTA5/N/1, 30/7/2019
			WT/COMTD/RTA4/N/1, 30/7/2019
			WT/COMTD/RTA3/N/1, 30/7/2019
			WT/COMTD/N/53, 19/6/2017
Agreement on Implementation of Article VI of the GATT (anti-dumping)			
Article 16.4 - *Ad hoc* reports	Anti-dumping actions (preliminary and final)	*Ad hoc*	G/ADP/N/369, 4/5/2022 - G/ADP/N/295, 30/1/2017
Article 16.4 – Semi-annual reports	Anti-dumping actions (taken within the preceding six months)	On a semi-annual basis	G/ADP/N/364/MEX, 21/3/2022
GATT 1994			
Article XXIV:7(a)	Formation of a free-trade area	*Ad hoc*	WT/REG456/N/1, 28/6/2021
			WT/REG407/N/1, 17/9/2020
			WT/REG395/N/1, 20/12/2018
Agreement on Import Licensing Procedures			
Article 7.3	Replies to the questionnaire on import licensing procedures	On an annual basis	G/LIC/N/3/MEX/7, 2/6/2021
Agreement on the Application of Sanitary and Phytosanitary Measures			
Article 7, Annex B	Sanitary/phytosanitary regulations	*Ad hoc*	G/SPS/N/MEX/406, 8/4/2022 - G/SPS/N/MEX/307, 9/1/2017

Agreement/Decision	Type of measure notified	Frequency	WTO document
Agreement on Rules of Origin			
Article 5 and Annex II.4 - *Ad hoc*	Changes to laws/regulations (modifications to preferential and non-preferential rules of origin; new preferential rules of origin)	*Ad hoc*	G/RO/N/210, 4/2/2021
			G/RO/N/186, 15/4/2019
Article 5 and Annex II.4 - First time	Preferential and non-preferential rules of origin in force	Once only	G/RO/N/154, 21/7/2017
Agreement on Trade Facilitation			
Article 1.4	Publication of all procedures for importation, exportation and transit, including fees imposed	*Ad hoc*	G/TFA/N/MEX/1, 28/9/2018
Article 10.4.3	Single window	*Ad hoc*	
Article 10.6.2	Customs brokers	*Ad hoc*	
Article 12.2.2	Contact point for the exchange of information	*Ad hoc*	
Agreement on Technical Barriers to Trade			
Article 2.9	Technical regulations	*Ad hoc*	G/TBT/N/MEX/510, 12/5/2022 - G/TBT/N/MEX/344, 17/1/2017
Articles 2.9 and 5.6	Technical regulations and conformity assessment procedures	*Ad hoc*	G/TBT/N/MEX/511, 13/5/2022
			G/TBT/N/MEX/509, 28/4/2022
			G/TBT/N/MEX/507, 17/2/2022
			G/TBT/N/MEX/503, 12/10/2021
			G/TBT/N/MEX/500, 19/8/2021
			G/TBT/N/MEX/461, 16/12/2019
			G/TBT/N/MEX/404, 25/4/2018
			G/TBT/N/MEX/395, 21/2/2018
Article 2.10	Technical regulations (urgent)	*Ad hoc*	G/TBT/N/MEX/505, 8/11/2021 - G/TBT/N/MEX/345, 19/1/2017
Article 5.6	Conformity assessment procedures	*Ad hoc*	G/TBT/N/MEX/496, 30/4/2021
			G/TBT/N/MEX/477, 28/9/2020
			G/TBT/N/MEX/472, 24/7/2020
			G/TBT/N/MEX/465, 5/5/2020
Articles to be determined	Technical regulations	*Ad hoc*	G/TBT/N/MEX/497, 28/6/2021
Agreement on Subsidies and Countervailing Measures			
Article 25.1 - GATT Article XVI:1	Subsidies	On an annual basis	G/SCM/N/372/MEX, 12/1/2022
Article 25.11 - *Ad hoc* reports	Countervailing duty actions (preliminary and final)	*Ad hoc*	G/SCM/N/374, 19/2/2021
			G/SCM/N/352, 14/8/2019
			G/SCM/N/344, 25/1/2019
			G/SCM/N/337, 30/8/2018
			G/SCM/N/324/Rev.1, 6/2/2018
			G/SCM/N/329/Rev.1, 5/2/2018
Article 25.11 – Semi-annual reports	Countervailing measures (taken within the preceding six months)	On a semi-annual basis	G/SCM/N/379/MEX, 17/9/2021

Source: WTO Secretariat.

Table A3. 1 Summary analysis of the MFN tariff, 2021

Product description	MFN				Bound tariff range[a] (%)
	Number of lines	Average (%)	Range (%)	Coefficient of variation (CV)	
Total	**7,802**	**6.7**	**0 - 75**	**1.3**	**0 - 254**
HS 01-24	1,101	14.2	0 - 75	0.8	0 - 254
HS 25-97	6,701	5.5	0 - 50	1.3	0 - 156
By WTO category					
Agricultural products	905	13.2	0 - 75	0.9	0 - 254
- Animals and animal products	135	15.5	0 - 75	1.0	9 - 254
- Dairy products	30	22.1	0 - 45	0.7	18 - 156
- Fruit, vegetables and garden produce	252	15.1	0 - 75	0.5	5 - 245
- Coffee and tea	26	21.1	0 - 45	0.8	25 - 156
- Cereals and cereal preparations	117	9.9	0 - 45	0.8	9 - 194
- Oilseeds, fats and oils and their products	92	7.4	0 - 45	1.1	0 - 254
- Sugar and confectionery	20	30.0	7.3 - 75	0.8	45 - 210.4
- Beverages, alcohol and tobacco	61	24.4	0 - 67	0.6	36 - 67.5
- Cotton	5	0.0	0 - 0	n.a.	37 - 45
- Other agricultural products n.e.s.	167	6.8	0 - 36	1.1	0 - 45
Non-agricultural products (including petroleum)	6,897	5.9	0 - 50	1.3	0 - 156
- Non-agricultural products (excluding petroleum)	6,888	5.9	0 - 50	1.3	0 - 156
- - Fish and fish products	276	13.8	0 - 20	0.4	30 - 45
- - Mineral products and metals	1,166	4.4	0 - 15	1.4	0 - 50
- - Chemicals and photographic products	1,647	2.7	0 - 20	1.5	0 - 156
- - Wood, wood pulp, paper and furniture	377	4.8	0 - 20	1.2	0 - 50
- - Textiles	644	9.4	0 - 25	0.5	10 - 50
- - Clothing	265	21.4	20 - 25	0.1	35 - 50
- - Leather, rubber, footwear and travel articles	234	7.3	0 - 30	1.3	20 - 50
- - Non-electrical machinery	877	4.4	0 - 20	1.4	20 - 50
- - Electrical machinery	488	4.0	0 - 20	1.5	10 - 50
- - Transport equipment	302	8.8	0 - 50	1.6	10 - 50
-- Non-agricultural products n.e.s.	612	5.5	0 - 20	1.2	10 - 50
- Petroleum	9	0.3	0 - 3	2.8	35 - 50
By HS section					
01 Live animals; animal products	425	14.2	0 - 75	0.7	0 - 254
02 Vegetable products	363	12.3	0 - 75	0.7	0 - 245
03 Fats and oils	54	8.1	0 - 20	0.8	18 - 254
04 Prepared foodstuffs, etc.	259	18.8	0 - 75	0.7	18 - 210.4
05 Mineral products	162	0.3	0 - 10	5.0	0 - 50
06 Products of the chemical or allied industries	1,487	2.3	0 - 20	1.6	0 - 156
07 Plastics and rubber	368	4.7	0 - 15.9	1.2	10 - 50
08 Raw hides and skins, and leather	76	5.9	0 - 20	1.5	9 - 35
09 Wood and articles of wood	157	6.2	0 - 15	1.0	10 - 35
10 Pulp of wood, paper, etc.	191	2.8	0 - 15	1.4	0 - 50
11 Textiles and textile articles	895	12.8	0 - 25	0.6	9 - 50
12 Footwear and headgear	82	14.4	0 - 30	0.7	35 - 35
13 Articles of stone	187	6.6	0 - 15	1.0	10 - 50
14 Precious stones, etc.	60	3.6	0 - 15	1.7	35 - 35
15 Base metals and articles of base metal	774	5.0	0 - 15	1.3	0 - 50
16 Machinery and mechanical appliances	1,379	4.2	0 - 20	1.5	10 - 50

Product description	MFN				Bound tariff range[a] (%)
	Number of lines	Average (%)	Range (%)	Coefficient of variation (CV)	
17 Vehicles, aircraft, vessels and associated transport equipment	314	8.6	0 - 50	1.6	10 - 50
18 Precision instruments	317	3.2	0 - 15	1.6	10 - 50
19 Arms and ammunition	25	10.8	0 - 15	0.5	35 - 35
20 Miscellaneous manufactured articles	218	8.8	0 - 20	0.8	25 - 35
21 Works of art, etc.	9	0.0	0 - 0	n.a.	35 - 35

n.a. Not applicable.

a The bindings are given in HS 2012 and the applied tariffs in HS 2017; consequently, there may be differences in the number of lines included in the analysis.

Source: WTO Secretariat calculations, based on data provided by the authorities.

Table A3. 2 Multilateral (WTO) tariff quotas and import volume, 2020

Description (HS code)	Applied MFN tariff		Bound MFN quota volume (tonnes)	Import volume under quota, 2020	Quota usage (%)	% of total value of imports	
	In-quota	Out-of-quota				2020	Jan-June 2021
Total imports (USD million)						383,194	235,096
Meat and edible offal of poultry			**1,000**	**n.a.[a]**	**n.a.**	**0.1**	**0.2**
0207.14.99	50	75				0.0	0.1
0207.26.03	50	75				0.0	0.1
0207.27.99	50	75				0.0	0.0
0207.44.01	50	0				..	..
0207.45.99	50	0				0.0	0.0
0207.54.01	50	0				..	..
0207.55.99	50	0				..	..
0207.60.03	50	0				..	..
Animal fats			**2,111**	**n.a.[a]**	**n.a.**	**0.0**	**0.0**
0209.10.01	50	15				0.0	0.0
0209.90.01	50	0				0.0	0.0
0209.90.99	50	15				..	..
1501.10.01	50	15				0.0	0.0
1501.20.01	50	15				0.0	0.0
1501.90.99	50	15				0.0	0.0
1516.10.01	50	15				0.0	0.0
Milk, in powder			**80,000**	**4,577**	**5.7**	**0.2**	**0.2**
0402.10.01	0	45				0.2	0.2
0402.21.01	0	45				0.0	0.0
Sugar and products with a high sugar content			**183,800**	**n.a.[a]**	**n.a.**	**0.3**	**0.3**
0402.99.01	50	15% + USD 0.36/kg of sugar				0.0	0.0
0402.99.99	50	20% + USD 0.36/kg of sugar				0.0	0.0
1702.20.01	50	15				0.0	0.0
1702.30.01	50	15				0.0	0.0
1806.20.01	50	20% + USD 0.36/kg of sugar				0.0	0.0
1806.32.01	50	20% + USD 0.36/kg of sugar				0.0	0.0
1806.90.99	50	20% + USD 0.36/kg of sugar				0.0	0.0
1901.90.03	50	10				0.0	0.0
1901.90.04	50	10				0.0	0.0
1901.90.05	50	45				0.0	0.0
1901.90.99	50	10% + USD 0.36/kg of sugar				0.0	0.0
2101.11.02	50	45		n.a.[b]		0.0	0.0
2101.11.99	50	45		n.a.[b]		0.0	0.0
2101.12.01	50	45		n.a.[b]		0.0	0.0
2103.90.99	50	20		n.a.[c]		0.1	0.1
2106.90.01	50	15				..	..
2106.90.99	50	15% + USD 0.36/kg of sugar				0.1	0.1
2202.99.01	50	10				0.0	0.0

Description (HS code)	Applied MFN tariff		Bound MFN quota volume (tonnes)	Import volume under quota, 2020	Quota usage (%)	% of total value of imports	
	In-quota	Out-of-quota				2020	Jan-June 2021
2202.99.02	50	20				0.0	0.0
2202.99.03	50	20				0.0	0.0
2202.99.04	50	20				0.0	0.0
2202.99.99	50	20% + USD 0.36/kg of sugar				0.0	0.0
Hard and medium-hard cheese			**2,405**	**n.a.**[b]	**n.a.**	**0.0**	**0.0**
0406.10.01	50	45				0.0	0.0
0406.30.02	50	45				..	0.0
0406.90.99	50	45				0.0	0.0
Potatoes			**1,000**	**n.a.**[a]	**n.a.**	**0.0**	**0.0**
0701.90.99	50	75				0.0	0.0
Beans, other than for sowing			**5,000**	**n.a.**[c]	**n.a.**	**0.0**	**0.0**
0713.33.99	50	45				0.0	0.1
Coffee			**20,800**	**n.a.**[b]	**n.a.**	**0.0**	**0.0**
0901.21.01	50	45	(60 kg sacks)			0.0	0.0
0901.22.01	50	45				0.0	0.0
0901.90.99	50	45				0.0	0.0
2101.11.02	50	45				0.0	0.0
2101.11.99	50	45				0.0	0.0
2101.12.01	50	45				0.0	0.0
Wheat			**98,076**	**n.a.**[a]	**n.a.**	**0.3**	**0.3**
1001.11.01	50	15				0.0	0.0
1001.19.99	50	15				0.0	0.0
1001.91.01	50	0		n.a.[b]		0.0	0.0
1001.91.99	50	15				0.0	0.0
1001.99.01	50	0		n.a.[b]		0.3	0.3
1001.99.99	50	15				0.0	0.0
Barley			**1,200**	**n.a.**[c]	**n.a.**	**0.0**	**0.0**
1003.90.99	50	0				0.0	0.0
Maize (corn)			**10,000**	**n.a.**[b]	**n.a.**	**0.1**	**1.1**
1005.90.04	50	20				0.0	0.1
1005.90.99	50	0				0.0	1.0
9506.62.01	0	15				0.0	0.0

.. Not available.

n.a. Not applicable.

a Mexico's imports on preferential terms exceed the amount of the WTO-bound quota.
b [Quota not used.] Better market access conditions on MFN terms.
c [Quota not used.] Better market access conditions on unilateral terms.

Note: The HS codes in bold also appear in the unilateral quotas.

Source: WTO document G/AG/N/MEX/54 of 2 June 2021 and information provided by the authorities.

Table A3. 3 Unilateral tariff quotas and import volume, 2020

Description (HS code)	Applied MFN tariff		Quota volume (tonnes)	Import volume under quota, 2020	Quota usage (%)	% of total value of imports	
	In-quota	Out-of-quota				2020	Jan-June 2021
Total imports (USD million)						383,194	235,096
Meat of bovine animals			200,000	not in force	n.a.	0.2	0.2
0201.10.01	0	20				..	..
0201.20.99	0	20				0.0	0.0
0201.30.01	0	20				0.2	0.2
0202.10.01	0	20				0.0	0.0
0202.20.99	0	25				0.0	0.0
0202.30.01	0	20				0.0	0.0
Meat of swine			350,000	not in force	n.a.	0.4	0.4
0203.12.01	0	20				0.3	0.3
0203.19.99	0	20				0.0	0.0
0203.22.01	0	20				0.0	0.0
0203.29.99	0	20				0.0	0.0
Chicken			300,000	not in force	n.a.	0.0	0.0
0207.11.01	0	75				0.0	0.0
0207.12.01	0	75				0.0	0.0
Chicken and turkey cuts			100,000	14,258	14.3	0.1	0.3
0207.13.04	0	75				0.0	0.1
0207.14.99	0	75				0.0	0.1
0207.26.03	0	75				0.0	0.1
0207.27.99	0	75				0.0	0.0
Duck, goose			200	0	0.0	0.0	0.0
0207.42.01	10	0				0.0	0.0
0207.52.01	10	0				..	..
0207.60.03	10	0				..	..
Fish fillets			55,000	17,255	31.4	0.1	0.1
0304.31.01	0	15				0.0	0.0
0304.32.01	0	15				0.0	0.0
0304.61.01	0	15				0.0	0.0
0304.62.01	0	15				0.0	0.0
Egmont cheese			1,600	0	0.0	0.0	0.0
0406.90.99	20	45				0.0	0.0
Onions			100,000	0	0.0	0.0	0.0
0703.10.02	0	10				0.0	0.0
Beans, other than for sowing			100,000	0	0.0	0.0	0.1
0713.33.99	0	45				0.0	0.1
Lemons and limes			140,000	0	0.0	0.0	0.0
0805.50.03	0	20				0.0	0.0

Description (HS code)	Applied MFN tariff		Quota volume (tonnes)	Import volume under quota, 2020	Quota usage (%)	% of total value of imports	
	In-quota	Out-of-quota				2020	Jan-June 2021
Roasted and ground coffee in individual containers of a weight not exceeding 40 g			According to needs, based on domestic consumption and production	1,268	n.a.	0.0	0.0
0901.21.01	0	45				0.0	0.0
0901.22.01	0	45				0.0	0.0
0901.90.99	0	45				0.0	0.0
Barley			9,000	0	0.0	0.0	0.0
1003.90.99	0	0				0.0	0.0
Oats			140,000	0	0.0	0.0	0.0
1004.90.99	0	0				0.0	0.0
Rice			150,000	0	0.0	0.1	0.1
1006.10.01	0	9				0.1	0.1
1006.20.01	0	20				0.0	0.0
1006.30.02	0	20				0.0	0.0
1006.40.01	0	20				0.0	0.0
Malt			9,000	0	0.0	0.1	0.1
1107.10.01	0	0				0.1	0.1
1107.20.01	0	0				0.0	0.0
Wax			250	0	0.0	0.0	0.0
1521.10.01	10	0				0.0	0.0
Dairy preparations			44,200	4,334	9.8	0.0	0.0
1901.90.05	0	45				0.0	0.0
Coffee extract			372	143	38.4	0.0	0.0
2101.11.02	20	45				0.0	0.0
2101.11.99	20	45				0.0	0.0
2101.12.01	20	45				0.0	0.0
Oil-cake and other residues			700,000	0	0.0	0.2	0.2
2304.00.01	0	0				0.2	0.2
Textured polyester textile			According to needs, based on domestic production	0	0.0	0.0	0.0
5402.33.01	0	5				0.0	0.0
Motor vehicles			According to needs, based on domestic production	258,436	n.a.	1.7	1.7
8702.10.99	0	20				0.0	0.0
8702.20.99	0	20				0.0	0.0
8703.21.99	0	20				0.0	0.0
8703.22.01	0	20				0.5	0.5
8703.23.01	0	20				0.8	0.7
8703.24.01	0	20				0.2	0.2
8703.31.01	0	20				0.0	0.0
8703.32.01	0	20				0.0	0.0
8703.33.01	0	20				0.0	0.0
8703.80.01	0	0				0.0	0.0
8704.21.99	0	20				0.0	0.1
8704.31.99	0	20				0.1	0.2
8704.90.01	0	0				0.0	0.0

Description (HS code)	Applied MFN tariff		Quota volume (tonnes)	Import volume under quota, 2020	Quota usage (%)	% of total value of imports	
	In-quota	Out-of-quota				2020	Jan-June 2021
Toys			According to needs, based on the sales value of domestic toy production	143,922	n.a.	0.2	0.1
3924.90.99	0	15				0.0	0.0
8715.00.01	0	10				0.0	0.0
9401.80.01	0	10				0.0	0.0
9503.00.01	0	15				0.0	0.0
9503.00.02	0	15				0.0	0.0
9503.00.03	0	15				0.0	0.0
9503.00.04	0	15				0.0	0.0
9503.00.05	0	15				0.0	0.0
9503.00.06	0	15				0.0	0.0
9503.00.11	0	15				0.0	0.0
9503.00.12	0	15				0.0	0.0
9503.00.14	0	15				0.0	0.0
9503.00.15	0	15				0.0	0.0
9503.00.16	0	15				0.0	0.0
9503.00.20	0	15				0.0	0.0
9503.00.24	0	15				0.0	0.0
9503.00.99	0	15				0.0	0.0
9504.90.99	0	15				0.0	0.0
9506.62.01	0	15				0.0	0.0

.. Not available.

n.a. Not applicable.

Note: The HS codes in bold mean that quotas for these products were also negotiated in the WTO.

Source: WTO document G/AG/N/MEX/54 of 2 June 2021 and information provided by the authorities.

Table A3. 4 Number of investigations initiated and concluded, and AD measures imposed, 2017-21

Product	HS code	Date of initiation	Duties in force[a]	Termination	Members
Mushrooms of the genus *Agaricus*	2003.10.01		17/5/2006	3/4/2017	Chile
Coated flat steel products	7210.30.01; 7210.30.99; 7210.41.01; 7210.41.99; 7210.49.01; 7210.49.02; 7210.49.03; 7210.49.04; 7210.49.99; 7210.61.01; 7210.70.01; 7210.70.99; 7212.20.01; 7212.20.02; 7212.20.99; 7212.30.01; 7212.30.02; 7212.30.99; 7212.40.03; 7212.40.99; 7225.91.01; 7225.92.01; 7226.99.01; 7226.99.02		5/6/2017		China; Chinese Taipei
Carbon and alloy steel tubing with longitudinal seams and a circular, square or rectangular cross-section	7306.19.99; 7306.30.01; 7306.30.99; 7306.61.01		8/3/2018		China
Seamless carbon steel tubing	7304.19.01; 7304.19.02; 7304.19.99; 7304.39.05; 7304.39.06; 7304.39.99		3/4/2018		Korea, Rep. of; Spain; India; Ukraine
Ceramic and porcelain dishware and loose articles	6911.10.01; 6912.00.01		29/5/2018		China
Foil balloons	9503.00.23; 9505.90.99	26/6/2017	7/6/2018		China
Polybutadiene-styrene rubber in emulsion	4002.19.01; 4002.19.02; 4002.19.03; 4002.19.99	10/8/2017	25/1/2019	25/1/2019 (Poland)[b]	Japan; Korea, Rep. of; Poland; United States
Micro-wire for welding	7229.20.01; 7229.90.99; 8311.90.01	10/8/2017	5/10/2018		China
Steel plate in sheets	7208.51.01; 7208.51.02; 7208.51.03; 7208.52.01; 7225.40.99	14/11/2017	30/4/2019		Italy; Japan
Graphite electrodes for electric arc furnaces	8545.11.01		1/3/2012	15/1/2018	China; United Kingdom
Short-fibre polyester	5503.20.01; 5503.20.99	6/2/2018	1/7/2019		China
Ethylene glycol monobutyl ether	2909.43.01		11/9/2012	6/3/2018	United States
Aluminium foil in rolls	7607.11.01	28/8/2018	27/12/2019		China
Aluminium pressure cookers	7605.10.01	20/12/2018	26/12/2019		China
Stainless steel flat products	7219.34.01; 7219.35.01; 7220.20.02	5/4/2019	1/10/2020		China; Chinese Taipei
Wind towers	8502.31.01	16/4/2019	5/10/2020		China
Metal fasteners	9607.11.01	2/8/2019	6/1/2021		China
Aluminium discs	7616.99.10	9/8/2019	6/11/2020		China
Short-fibre polyester	5503.20.01; 5503.20.02; 5503.20.03; 5503.20.99		19/8/1993	16/8/2019	Korea, Rep. of

Product	HS code	Date of initiation	Duties in force[a]	Termination	Members
Raschel-knit, synthetic-fibre blankets	6301.40.01; 9404.90.99		26/5/2014	30/9/2019	China
Hydraulic bottle jacks	8425.42.02	1/11/2019	6/1/2021		China
Dioctyl phthalate	2917.32.01	19/3/2020	1/9/2021		Korea, Rep. of; United States
Textile polyester filament, textured	5402.33.01	31/3/2020	29/9/2021		China; India
Partially hydrogenated fatty acid	3823.19.99		7/4/2005	23/7/2020	United States
Sodium hexametaphosphate	2835.39.02		3/8/2004	23/7/2020	China
Stearic acid	3823.11.01; 3823.19.99		8/4/2005	30/7/2020	United States
Triethanolamine	2922.13.01	31/7/2020			United States
Carbon and alloy steel slab	7207.12.99; 7207.20.99; 7224.90.02; 7224.90.99	21/9/2020			Brazil; Russian Federation
Concrete steel nails	7317.00.99		29/11/2004	3/12/2020	China
Carbon steel tubing with straight longitudinal seams	7305.11.01		5/1/2010	4/12/2020	United Kingdom
Steel plate in sheets	7208.51.01; 7208.51.02; 7208.51.03; 7208.52.01; 7225.40.01; 7225.40.02		14/10/2014	4/12/2020	China
Blenders for domestic and commercial use	8509.40.99		9/12/2014	6/4/2021	China
Coated flat steel products	7210.30.02; 7210.41.01; 7210.41.99; 7210.49.99; 7210.61.01; 7210.70.02; 7212.20.03; 7212.30.03; 7212.40.04; 7225.91.01; 7225.92.01; 7226.99.99	30/8/2021			Viet Nam
Type I and type H steel beam	7216.32.99; 7216.33.01	31/8/2021			Germany; Spain; United Kingdom

a Date of publication in the Official Journal.

b Neither provisional nor definitive duties were imposed on Poland.

Source: WTO Secretariat, based on information provided by the authorities.

Table A3. 5 Overview of industrial property rights under the LFPPI

(Changes introduced by the LFPPI are highlighted in grey)

Requirements	Term of protection	Exceptions
Patents		
New inventions involving an inventive step that are industrially applicable	Non-renewable term of 20 years from the filing date	The following are not patentable: (1) cloning processes and processes for modifying genetic identity, as well as the industrial or commercial use of human embryos; (2) plant varieties; (3) essentially biological processes for obtaining, reproducing and propagating plants and animals; (4) methods of treatment through surgery or therapy; and (5) the human body.
Utility models		
New and industrially applicable utility models	Non-renewable term of 15 years from the filing date	-
Industrial designs		
New and industrially applicable industrial designs	Renewable term of five years from the patent filing date, up to a maximum of 25 years	Industrial designs are not registered where their appearance is determined solely by technical considerations.
Layout-designs of integrated circuits		
Unusual and uncommon designs involving a creative step	Non-renewable term of 10 years from the filing date	Original layout-designs (irrespective of whether or not they are incorporated into integrated circuits) which have been commercially used on a regular basis in Mexico or abroad can be protected only if the registration application is filed within two years of their first commercial use.
Industrial secrets		
Any confidential information for industrial or commercial use, which can be used to maintain a competitive or economic advantage over competitors	For as long as the information remains confidential	Information that is public property, that is known to a person skilled in the art or that has to be disclosed by legal provision or court order, shall not be considered an industrial secret.
Trademarks		
Any sign that is perceptible by the senses and can be represented in a way that makes it possible to identify the object of the protection clearly and precisely, that distinguishes products or services from others of the same type or category in the market	Renewable term of 10 years from the date on which the registration is granted	The exceptions are listed in Article 173.
Appellations of origin		
Designations for products whose quality, characteristics or reputation are exclusively or essentially due to the geographical origin of the raw materials, the production processes and natural and cultural factors	For as long as the conditions that justified the protection continue to exist	The exceptions are listed in Article 271.
Geographical indications		
Designations for products whose quality, characteristics or reputation are attributed to the geographical origin of the raw materials, the production processes or natural and cultural factors	For as long as the conditions that justified the protection continue to exist	The exceptions are listed in Article 271.

Source: WTO Secretariat.

Table A4. 1 Air services agreements, 2017-21

	New agreements							Revised agreements		
	Curaçao	Spain	Philippines	Finland	Iceland	Israel	Netherlands	Germany	Canada	El Salvador
Signed	7/7/2021	20/4/2017	14/12/2021	14/2/2019	29/11/2021	14/9/2017	24/4/2018	2/5/2019	29/6/2017	21/8/2018
Fifth freedom	No	Yes, subject to prior approval by the aeronautical authorities					No	Yes, subject to prior approval by the aeronautical authorities		
Seventh freedom	No							No		Freight: yes, subject to prior approval by the aeronautical authorities
Cabotage	No							No		
Airline designation	Multiple	Dual per pair of cities, except Cancun (up to four airlines)	Multiple	Multiple	Dual per pair of cities	Multiple	Multiple	Up to three airlines	Multiple	
Withholding	The airlines must be majority-owned and under the effective control of the State party or its nationals							The airlines must be majority-owned and under the effective control of the State party or its nationals		
Capacity	Free determination							Free determination		
Pricing	Free pricing							Free pricing		

Source: Information provided by the authorities.