



UBINODES



**MEXICO**

# Mexico.



## Table of Contents.

1. Overview.
2. Benefits of Mexico.
3. What to import from Mexico.
4. What to export to Mexico.
5. Workforce demographics.
6. Regulatory environment.
7. Cryptocurrencies in Mexico.
8. Opportunities created.
9. Contact us.
10. Sources

## 1. Overview.

Mexico boasts a formidable and intricate trade economy. With a population of 126 million, it stands as the 11th most populous nation globally, accompanied by the 11th largest economy at US\$2.4 trillion (source 4). Leveraging an extensive network of trade agreements, Mexico establishes itself as a crucial economically. Presently, it maintains a trade deficit of US\$12.8 billion (source 9) alongside a burgeoning GDP of US\$1.15 trillion (source 12), indicative of both a expanding consumer base and promising prospects for local industry development.

Mexico possesses abundant social, industrial, and natural resources. With a skilled workforce excelling in the production of electronics, computers, smartphones, machinery, and agricultural goods, alongside rich reserves of land, minerals, oil, gas, and renewable resources such as solar and wind (sources 4, 9, and 16), the country stands as a multifaceted economic powerhouse. President López Obrador's focus on supporting workers further enhances Mexico's economic assets, creating substantial trade prospects. Specifically, there are opportunities in local manufacturing of technical products, which align with Mexico's commitment to sustainable development. This initiative also facilitates connecting highly skilled workers with decentralized employment opportunities across the country.

## 2. Benefits of Mexico.

Mexico's strength in industrial, natural, and social resources is prominently demonstrated through its effective utilization of renewable energy sources. For example, with a low cost of US\$10 per ton for CO<sub>2</sub> emissions, Mexico has the potential to significantly reduce its reliance on fossil fuels by adopting low-carbon technologies such as hydropower, biomass, geothermal, cogeneration, and wind power (source 7). Situated between the Pacific Ocean and the Gulf, Mexico benefits from optimal wind conditions and suitable land, establishing itself as a global leader in cost-effective wind energy (source 7).

Moreover, Mexico's abundant sunlight contributes to high crop yields, as evidenced by an 18.5% increase in exports of fruits and nuts in 2018, despite challenging rainfall patterns (sources 15 and 17). This success underscores Mexico's role as a leading player in addressing global food scarcity (source 14).

Mexico offers opportunities to market agricultural technology and infrastructure, both through international trade and local manufacturing. There are chances to use agricultural leftovers to build a strong biofuel industry (source 18) and to develop a more sustainable and economically viable corn industry (sources 4 and 15).

This is a great opportunity to increase trade with Mexico. Mexico has 12 Free Trade agreements with 46 countries across the Americas, Europe, Asia, and the Middle-East. It serves as a key link between North and South America, giving it access to over a billion consumers and contributing to 60% of the world's GDP (source 15). Recent policy improvements and infrastructure developments, along with the growth of the middle class, have boosted cross-border online shopping (source 8). Given concerns about the reliability of trade with the US and China's increasing ties with Latin America, Mexico might consider diversifying its trading

partners. Additionally, President López Obrador sees trade as crucial for funding his social programs (source 1).

Mexico has a highly skilled workforce that is not being fully utilized. Many workers have technical skills and education that surpass the job opportunities available to them. This gap shows a significant potential to strengthen local industries, especially in advanced manufacturing (source 16). By spreading out job opportunities and knowledge, highly educated individuals can find work that matches their expertise and contribute more effectively.

### **3. What to import from Mexico.**

Mexico's economy depends heavily on exports due to its history with colonialism and connections with developed countries. It mainly sells resources, produced goods, and manufactured products. Interestingly, agricultural products make up only a small part of Mexico's exports, even though more than 50% of its land is used for farming (source 17). This indicates a potential for better and more innovative farming methods. Investments in manufacturing infrastructure have greatly improved Mexico's ability to create quality jobs (source 16). However, the country still primarily exports human labor, especially high-skilled and educated workers who cannot fully utilize their skills. This presents a significant opportunity to better use Mexico's workforce.

#### **Top 10 Exports:**

1. Vehicles: US\$101.7 billion (24.8% of total exports).
2. Electrical machinery, equipment: \$81.6 billion (19.9%).
3. Machinery including computers: \$65.9 billion (16.1%).
4. Mineral fuels including oil: \$22.6 billion (5.5%).
5. Optical, technical, medical apparatus: \$17.5 billion (4.3%).
6. Furniture, bedding, lighting, signs, prefab buildings: \$10.7 billion (2.6%).
7. Plastics, plastic articles: \$9 billion (2.2%).
8. Gems, precious metals: \$7 billion (1.7%).
9. Vegetables: \$6.7 billion (1.6%).
10. Fruits, nuts: \$6.6 billion (1.6%).

### **4. What to export to Mexico.**

Mexico relies heavily on importing the equipment needed to support its production-based economy. Due to its trade deficit, Mexico spends a lot on importing machinery crucial for its export production. Although Mexico successfully exports goods worldwide, it does not have much control over its own production capacity. This highlights the significant benefits that could come from improving Mexico's ability to manufacture this machinery domestically.

#### **Top 10 imports:**

1. Electrical machinery, equipment: US\$85.9 billion (20.4% of total imports).
2. Machinery including computers: \$71.1 billion (16.9%).
3. Vehicles: \$41.6 billion (9.9%).
4. Mineral fuels including oil: \$35.5 billion (8.5%).

5. Plastics, plastic articles: \$23.2 billion (5.5%).
6. Optical, technical, medical apparatus: \$15.1 billion (3.6%).
7. Iron, steel: \$10.2 billion (2.4%).
8. Articles of iron or steel: \$9.4 billion (2.2%).
9. Organic chemicals: \$8.7 billion (2.1%).
10. Rubber, rubber articles: \$6.9 billion (1.6%).



## **5. Workforce demographics.**

Mexico's workforce includes 63% of the population aged 15 to 60, mostly living in cities and commercial areas. More young people are pursuing higher education, especially in STEM fields, which are the most popular among Mexican students (source 16). However, higher education can sometimes lead to higher unemployment rates, especially for women—an unusual trend among OECD countries in 2012. This problem is often due to a lack of proper infrastructure and support for technical businesses (source 11). It is estimated that around 1.1 million people are not fully using or valuing their high levels of education (sources 12 and 7).

## **6. Regulatory Environment.**

Current regulations in Mexico support a trade economy focused on exporting resources and products, enabling tariff-free trade of production materials and finished goods (source 16). However, upcoming regulations indicate a shift towards high-skill production. The new USMCA deal is expected to significantly boost Mexican automobile production, with the US and Mexico together accounting for 75% of auto production in North America (source 3).

President López Obrador's new policy agenda aims to reshape Mexico's trade objectives by improving the well-being of workers. The initiatives focus on better wages, working conditions, and job opportunities, with an emphasis on using infrastructure to support both the Mexican people and the economy. By lowering barriers to market entry, the president seeks to promote economic growth. Additionally, his agenda includes a goal of achieving agricultural independence for Mexico, creating an opportunity to invest in innovations, technology, and sustainability in farming (source 1).

## **7. Cryptocurrencies in Mexico.**

Within Latin America, Mexico is a leader in financial technology and cryptocurrencies. It has the most crypto exchanges and Fintech companies in the region (source 5). Mexico was the first to create a legal framework for using cryptocurrencies for cash, debit, and credit transactions, which is a significant achievement (source 2). This framework gives Mexico's central bank significant oversight and monitoring powers over Fintech companies and crypto users. Companies must apply for permission to operate in Mexico (source 6), and there are restrictions on which cryptocurrencies can be used in legal transactions, as well as limits and fines to regulate their use (sources 6 and 10). These measures aim to enhance security, prevent fraud, and combat money laundering (source 10), ensuring user safety without creating major obstacles.

Ubinodes seamlessly complies with Mexico's regulatory framework by using the Waves Platform, allowing for smooth transactions between fiat and cryptocurrencies. Although Mexican citizens and companies can use the Waves Platform, it does not directly support Mexican Pesos at the moment. To address this, the additional service Coinomat helps integrate Pesos into the Waves Platform, enabling seamless transactions.

## 8. Opportunities created.

Identifying many opportunities in Mexico for importers and exporters shows that both large and small businesses can succeed. At Ubinodes, we especially support smaller businesses, helping them grow successfully in new markets.

### A. Improving infrastructure.

A major challenge for Mexico's innovation, industry, trade, and labor is inadequate infrastructure (source 11). Improving this is one of the most cost-effective ways to boost the Mexican economy. The United Nations has identified several impactful actions, such as upgrading transportation, improving energy efficiency in government and public buildings, installing street lamps, and developing geothermal power (source 7). President López Obrador has emphasized infrastructure as a key focus of his administration's agenda (source 1). Since Mexico may have limited manufacturing capabilities for these upgrades, importing could be a valuable solution.

### B. Supporting technical manufacturing.

With President López Obrador's agenda, a surplus of highly skilled and educated workers, strong domestic demand, and prior investments in manufacturing infrastructure, now is the perfect time to strengthen Mexico's advanced industries. Foreign markets are increasingly recognizing the quality of Mexican machinery, as shown by the 15.5% growth in the vehicle sector, making it Mexico's third-fastest-growing export sector by value, driven by international sales (source 21). Additionally, improving value, efficiency, and sustainability in domestic agriculture, infrastructure, energy production and consumption, and labor would bring significant benefits (sources 4, 7, 12, 14). Ubinodes, founded by Love4aviation, a company specializing in the heavily regulated aviation sector, is uniquely positioned to offer expert support, especially to the growing aerospace manufacturers in Mexico (source 16).



### **C. Developing sustainability.**

Mexico can significantly benefit from sustainable resources, with trade playing a crucial role. For example, importing the necessary equipment can speed up the use of Mexico's high-quality wind energy while domestic manufacturers catch up (source 7). Additionally, Mexico's surplus of agricultural residues offers a chance to develop a profitable biofuel industry, potentially generating over \$4.1 billion through trade and domestic use (source 18). This biofuel production would enhance Mexico's growing fuel exports, which increased by 25% by 2017 (source 21). The UN emphasizes that achieving a low-carbon future in Mexico requires developing a more sustainable forest products industry. This involves exporting sustainable products like paper, lumber, and biomass to new markets (source 7).

A UN recommendation emphasizes the need for changes in Mexico's corn production, particularly advocating for the adoption of 'Minimum Tillage' practices to ensure agricultural sustainability and reduce carbon emissions (source 7). Minimum Tillage is a soil conservation method that also helps sequester carbon, requiring specialized equipment but offering comparable yields and economic viability to traditional intensive tillage methods (sources 7, 19, and 20). To acquire this equipment, Mexico could explore importing it. Alternatively, given the limited number of companies manufacturing such equipment, there is an opportunity for Mexican manufacturers to become leaders in minimum tillage practices. This could lead to exporting their expertise to other countries interested in developing sustainable agriculture.

Mexico has significant opportunities to adopt more efficient technologies. In the industrial sector, even small improvements in the efficiency of steam systems, kilns, and furnaces can lead to substantial benefits. Cogeneration, which combines heat and energy production, is currently underutilized in Mexico, with 80% of its potential untapped; importing equipment could accelerate its widespread adoption. Similarly, there is increasing demand in the private sector for efficient electronics such as air conditioners, refrigerators, light bulbs, stoves, water heaters, and cars (source 7).

### **D. Nurturing high skilled labor.**

Central to Mexico's economic progress is the need to create opportunities for its highly skilled and educated workforce. Professionals such as doctors, lawyers, and academics often find themselves in informal jobs like drivers and cleaners, rather than fully utilizing their qualifications (source 16). A key recommendation from the OECD for Mexico is to strengthen the connections between its education and labor sectors (source 11). Decentralization is seen as a transformative approach in this regard.

Mexico presents an ideal environment for realizing Ubinodes' vision of the future. By developing platforms that allow Mexican workers to access a global network of knowledge and collaborate on projects, individuals can find meaningful employment, contribute innovatively, and create solutions.

### **E. Identifying partners.**

Ubinode's consultant network has identified Nigeria as a promising trading partner. Nigeria shows growing demand for imported alcoholic beverages, clothing, and electronics, presenting a significant opportunity for small Mexican manufacturers looking to enter a new market. While



Nigeria does have certain import restrictions, it heavily depends on imports and is keen on strengthening ties with Mexico.

## 9. Contact Us.

To successfully enter the Mexican market, it's crucial to have a deep understanding of Mexico's trade economy and entry opportunities. We offer extensive expertise and a range of services including freight forwarding, customs clearance, regulatory guidance, packaging, storage, website design, brochure creation, development of marketing campaigns, advertising, identifying sales channels, and any other support essential for your project's success. With a specific focus on Small and Medium Enterprises (SMEs), we provide thorough analysis of your products and their potential performance in the Mexican market. Whether you're considering exporting to or importing from Mexico, don't hesitate to contact us for assistance.

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