

UK  
TRADE &  
INVESTMENT



MEXICO BUSINESS GUIDE

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# UK TRADE & INVESTMENT CONTACT DETAILS AT BRITISH DIPLOMATIC POSTS IN MEXICO

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# MEXICO BUSINESS GUIDE

This guide was produced by the Latin America Unit in UK Trade & Investment in collaboration with the British Embassy in Mexico City.

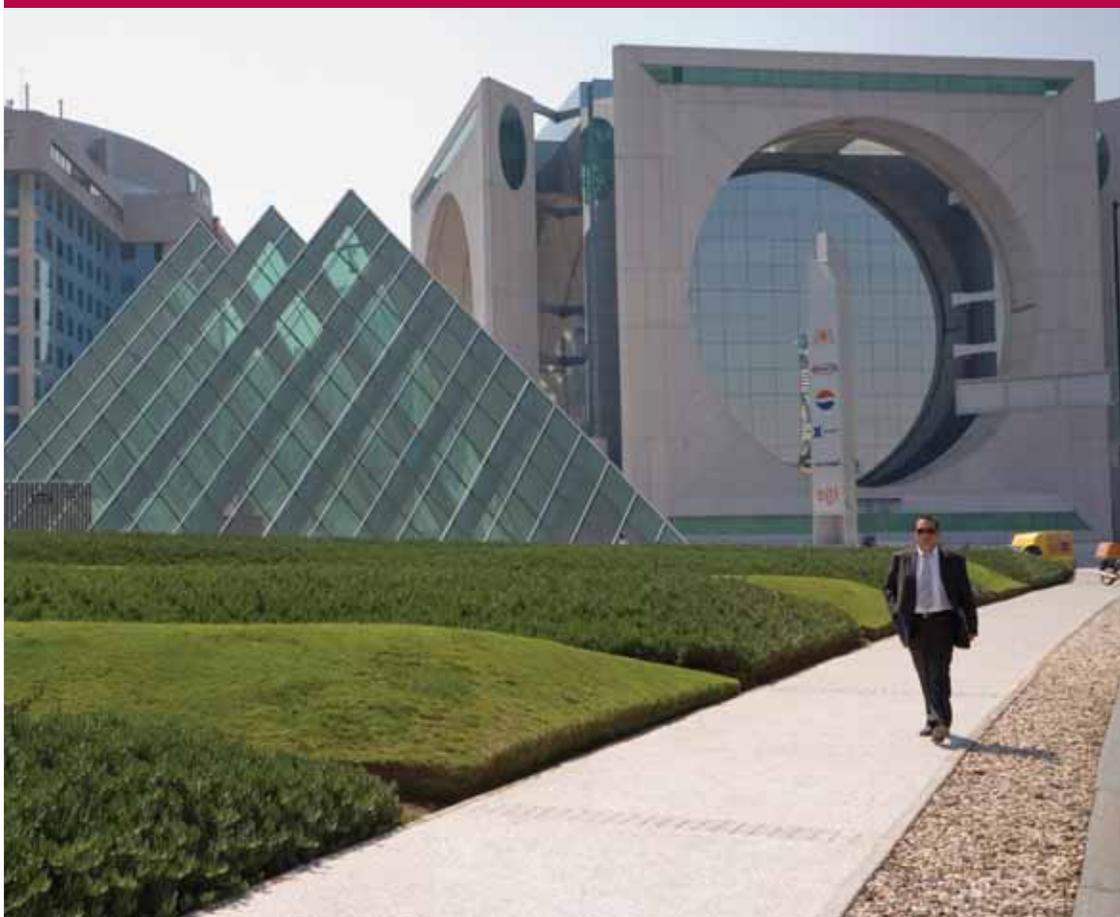
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### Disclaimer

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## **UK Trade & Investment**

UK Trade & Investment is the government organisation that supports companies in the UK trading internationally and overseas companies seeking to locate in the UK. One of the themes of its five-year strategy “Prosperity in a Changing World” is to focus UK Trade & Investment’s resources on high-growth emerging markets, like Mexico, that are expected to be major sources of both trade and FDI in the future.

UK Trade & Investment helps companies of all sizes do business in Mexico through a network of international trade teams based in the nine English regions and devolved administrations in Northern Ireland, Scotland and Wales. In Mexico there are dedicated trade and investment teams based in the British Embassy in Mexico City, the British Consulate in Monterrey and the Trade Offices in Guadalajara, Tijuana and

Villahermosa to help UK companies enter the market.

A high-growth market specialist, who is based in the UK, also focuses on mid-corporate companies looking to enter the Mexican market.

## **Who is this guide for?**

We do not usually advise companies new to international trade to start with Mexico. Even for the seasoned exporter, Mexico can be a tough proposition due to the procedures which need to be followed. This guide is aimed at companies experienced in overseas trade who are new to doing business with Mexico. You may be an exporter looking to sell directly to Mexican customers or through an agent or distributor in that country. Alternatively, you may be planning to set up a representative office, joint venture or other form of permanent presence in Mexico.

## **What does this guide aim to do?**

This guide aims to provide a route map of the way ahead, together with signposts to sources of help. It identifies the main issues associated with initial research, market entry, risk management and cultural and language issues. It also includes questions you should ask at the beginning of your research into Mexico.

We do not pretend to provide all the answers in this guide. It does not cover the regions of Mexico, neither does it cover sectoral opportunities. Nor does it cover the legal, taxation or accounting aspects of setting up a permanent presence in Mexico – but it will point you in the direction of the people, organisations and publications that will be able to answer these and other more detailed questions.

The objective of this guide is to steer companies through the

initial research and preparation stages of entering the Mexican market. It is far better to spend time and money carrying out thorough research and preparation before entering the market than to enter Mexico in a rush, only to discover, when it is too late, that you have made a poor and expensive decision! UK Trade & Investment is here to help you through this process.

## **How to use this guide**

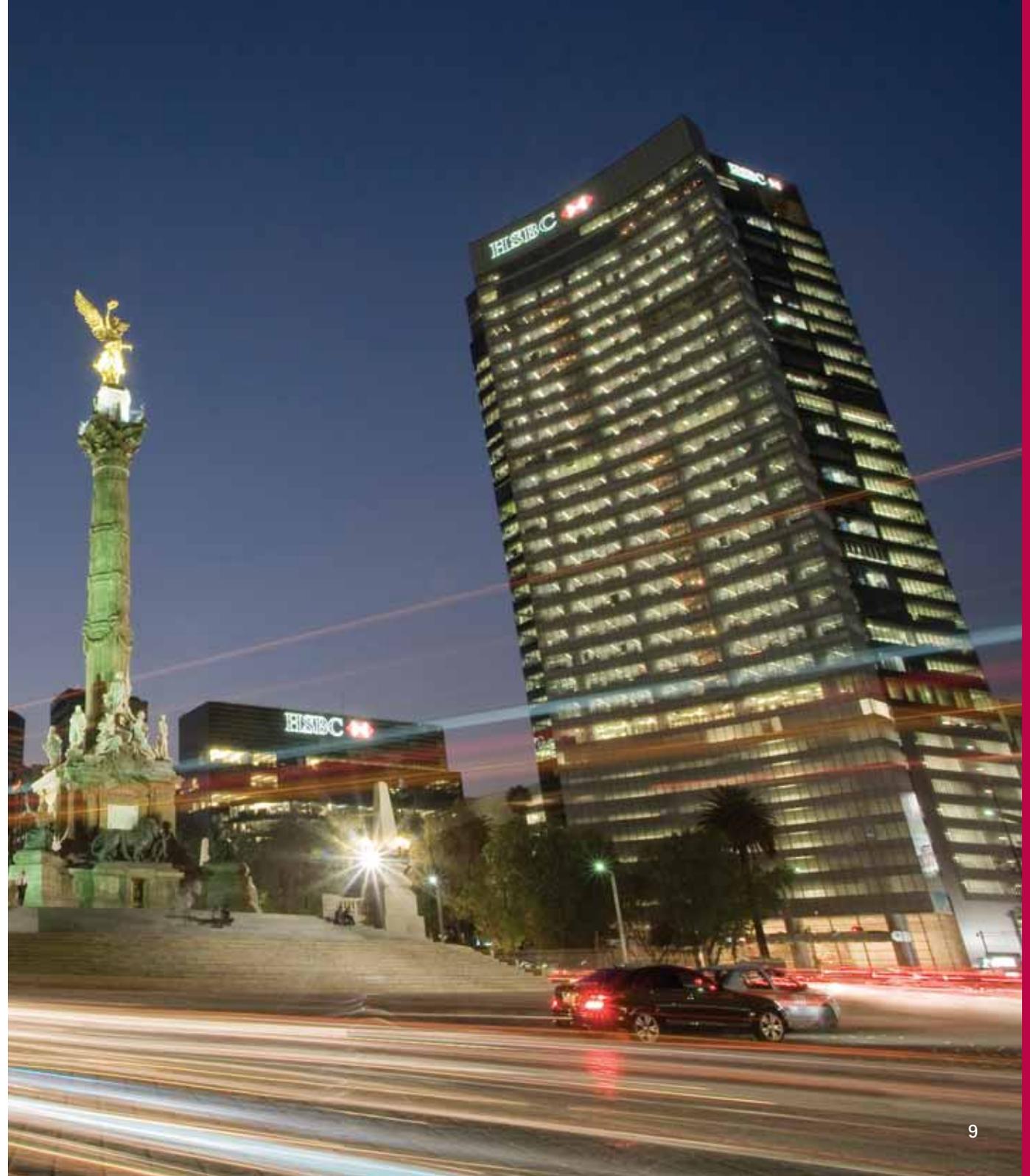
This guide is not designed to be read from cover to cover, but more as a useful reference to dip in and out of. It should be used in conjunction with the UK Trade & Investment website:

[www.uktradeinvest.gov.uk](http://www.uktradeinvest.gov.uk) and our other services. The guide will take you through the process of doing business in Mexico, while the website will provide you with regularly updated market and sector information, business opportunities and details of further contacts.

# RESEARCHING THE MARKET WHY MEXICO?

Mexico is a country of huge potential that has demonstrated predictable, stable economic growth. It is a dynamic market and analysts predict that its economy will be larger than the UK's by 2040. It covers an area about the same size as the whole of Western Europe and occupies a strategic global position, being the natural bridge between Latin America to the south and the United States and Canada to the north. Mexico is the largest trading nation in Latin America and one of the world's top 15. GDP has grown strongly since 1996 and the country has high levels of foreign direct investment. This has been driven by Mexico's competitive production costs, and since 1994, its membership of the North American Free Trade Agreement (NAFTA). As the economy has grown so has the demand for imports. UK exports of sophisticated goods and services have grown due to that demand.

Mexico is the only Latin American member of the OECD and is also a founding member of the World Trade Organization (WTO).



Mexico has free trade agreements with more countries than any other in the world – 12 agreements with 44 countries. Mexico is expected to continue expanding its network of agreements to diversify its export markets and to attract Mexican and foreign enterprises to invest and reap the benefits of joint production in a strategic location.

#### **EU-Mexico Free Trade Agreement (FTA)**

The EU-Mexico Free Trade Agreement has led to the elimination of all tariffs on EU-origin industrial goods. With no import duties UK exporters can now compete on equal terms with exporters from the USA and Canada who also enjoy preferential access to the Mexican market. The agreement came into effect in July 2000 and is one of the most comprehensive foreign policy instruments ever signed by Mexico. It is known as the “Global Agreement” and has three main streams: political dialogue, co-operation, and commercial liberalisation.

The liberalisation programme for Mexican products was concluded on 1 January 2003, while the one for European products being exported to Mexico was concluded on 1 January 2007. The Global Agreement also promotes the agricultural sectors and establishes a legal framework for the liberalisation of trade in services, foreign direct investment promotion, the protection of intellectual property rights, government purchases and the resolution of disputes.

#### **Mexico – a gateway to the USA (NAFTA)**

Although there is no EU free trade agreement with the USA, British companies can take advantage of Mexico’s Free Trade Agreement with the USA and Canada (NAFTA). By establishing themselves in Mexico, British companies can use Mexico as a low-cost manufacturing base with direct, duty-free access to the largest consumer market in the world, the United States.

#### **Signature of Free Trade Agreements**

- 1992 – Mexico-Chile
- 1994 – Mexico-USA and Canada (NAFTA)
- 1995 – G3 between Mexico, Venezuela and Colombia (Venezuela has since withdrawn from the treaty)
- 1995 – Mexico-Costa Rica
- 1995 – Mexico-Bolivia
- 1998 – Mexico-Nicaragua
- 1999 – Mexico-Uruguay Economic Cooperation Agreement
- 2000 – Mexico-Israel
- 2000 – Mexico-European Union
- 2001 – Mexico-Norway, Switzerland, Iceland and Liechtenstein
- 2001 – Mexico-El Salvador, Guatemala and Honduras
- 2005 – Mexico-Japan



## RESEARCHING THE MARKET ECONOMIC SITUATION

Mexico's economy is the world's fourteenth largest: larger than Australia's and just behind India's<sup>1</sup>.

At the beginning of 2008 the real economy was continuing to perform reasonably well, buoyed by robust internal demand. Due to the existence of a competent independent central bank, inflation is both low and stable while interest rates are at a historically low level. Foreign direct investment into Mexico has been booming in recent years (US\$23.23 billion in 2007), due to solid macroeconomic fundamentals and the benefits of NAFTA.

Many large original equipment manufacturers (OEMs) are choosing Mexico as a base, which has created significant supply chain opportunities for smaller companies, particularly in the industrial zones located near the USA. This, complemented by a well-educated workforce, has meant Mexico is now moving up the value chain – away from the traditional maquiladoras (assembly plants) and textile industries into engineering, IT, research and development, and the creative industries. In recent years the maquiladoras have focused on more sophisticated manufacturing operations, in line with the modernisation of the Mexican economy.

Mexico's strengths lie not only in its proximity to the USA. During 2007 there was strong growth in the Mexican domestic market as increasingly affluent Mexicans demanded consumer products and luxury goods.

1. International Monetary Fund, World Economic Outlook Database – 2006 figures.

## RESEARCHING THE MARKET TAKING THE STRATEGIC APPROACH

As with any new market it is essential to research and plan your strategy for Mexico. Mexico is a very competitive market and it is important to take a medium- to long-term view. Doing business in Mexico can seem daunting for those new to the market, but taking a strategic approach is the key to making the process manageable.

If, after your initial background research, Mexico is part of your strategic plan for overseas development, then you are ready to start the next phase: market research. In many sectors Mexico is already a well-developed market. You may find that your competitors are already there and that competition is fierce.

As in any new market you will need to use your competitive advantages to the full, and it is important to know which ones will be the most effective in Mexico. You will need to research the market to identify the level of demand for your product and to decide whether you should address the market as a whole or via specific niches.

When considering Mexico as an export market, the following points are important:

- Leave your preconceptions at home.
- Keep hold of your business sense as tightly as you would anywhere else.
- Do your homework on the market and on potential partners.
- Be patient, as some things may take longer to set up than you think (especially if they involve bureaucracy). Allow for this in your preparations.
- Take a long-term approach, but don't stick rigidly to your plans. Things often change rapidly and unexpectedly in Mexico.
- Obtain good quality independent legal and professional advice, particularly concerning intellectual property.
- Consult UK Trade & Investment teams in Mexico and the UK who can provide help in researching the Mexican market.

## RESEARCHING THE MARKET TAKING THE STRATEGIC APPROACH (CONTINUED)

Once you have confirmed that there is a market for your product in Mexico you may want to use the information you have gathered as a basis for developing a formal Mexico strategy. This strategy should address questions such as the form of market entry (setting up a subsidiary, distributor or agency agreement, or joint venture), identification of customers, potential partners, geographical locations, sales structure, product delivery and payment channels, and after-sales setup.



## RESEARCHING THE MARKET DESK RESEARCH

You will be able to find much valuable free information from carrying out desk research. A good place to start is the UK Trade & Investment website ([www.uktradeinvest.gov.uk](http://www.uktradeinvest.gov.uk)) which provides detailed country and sector information. Registering on the website, which is free, provides you with a number of additional benefits such as access to business opportunities, sector and market reports, and information alerts. You can choose the information you receive.

Once you have gained a clearer idea of the Mexican market and what you want to achieve, it is time to start exploring what kind of tailored research you might need to make an effective entry into the market, and to find the right customer or partner.

You can commission a wide range of information about the Mexican market from UK Trade & Investment through your local International Trade Adviser or directly from UK Trade & Investment's team in Mexico.

UK Trade & Investment officers in Mexico provide tailor-made information for UK-based companies at a highly subsidised rate. This may include:

- basic market information,
- identification and assessment of potential agents or distributors,
- customised local contact lists,
- market assessment of the goods or services to be exported,
- advice on the best market approach,
- information about potential local business contacts,
- advice on the Mexican marketing environment, and
- general information on local investment opportunities.

The service can be tailored to your particular needs. If in doubt, please ask us. We will be happy to try to help.

In England, UK Trade & Investment provides support for UK companies through a network of international trade teams based in the English regions. UK Trade & Investment services are also available to companies in Scotland, Wales and Northern Ireland (Contact details on page 21). As well as providing general help and advice on all aspects of exporting, the trade teams run a range of roadshows, seminars and other events on Mexico and other markets. To find your nearest international trade adviser, call +44 (0)20 7215 8000 or enter your postcode in the Local Trade Team Finder at: [www.uktradeinvest.gov.uk](http://www.uktradeinvest.gov.uk)

There are also dedicated UK Trade & Investment teams in Mexico that frequently help British companies to do business in Mexico. Where you feel that you need assistance, UK Trade & Investment is able to provide in-depth consultancy services at heavily subsidised rates. We can do much of this

work without you needing to be in Mexico, therefore reducing the cost of your market research. UK Trade & Investment can provide a variety of services prior to you visiting Mexico:

#### **Pre-visit research**

**Market overview:** Sector information and statistics.

**Market analysis:** Market information, specific to your product or service: analysis of competitors, the marketing environment, opportunities, prospects and evaluation of market entry strategies.

**Initial list of potential business contacts:** Tailored list of named individuals and verified contact details, with brief pen pictures. Generic market contacts such as local chambers.

**List of potential business partners:** List of named individuals and their contact details. Detailed pen pictures. Sectoral and market contacts, such as local chambers and industry

associations. Mailing of brochures, visiting local contacts and passing on expressions of interest.

#### **General local market introductions:**

Introductions to other local market contacts, decision-makers and opinion-formers, eg local chambers of commerce, UK and national trade associations, importers' associations, etc.

**Additional in-depth assessment of selected potential business partners:** Target contacts shortlisted by client from a list of potential business partners identified by UK Trade & Investment in Mexico and/or in response to expressions of interest. Typically this would include information on premises, eg warehousing facilities, distribution and transport networks, partnerships or relationships with other businesses, local reputation, banker's details and signposting to local credit agencies. Information about the credit status of a company can be obtained at an additional cost, payable separately.

#### **Pre-visit support**

**Counselling/mentoring by staff:** One-on-one advice by email, telephone, fax or video conferencing.

#### **In-market support**

You can also take advantage of UK Trade & Investment's services when the time is right to visit. The following are examples:

**Face-to-face, pre-visit briefing and post-visit debriefing, including some post-visit follow-up support.**

**Appointment-making with selected contacts and potential business partners:** Assistance in making visit appointments with target contacts shortlisted by the client from a list of potential business partners identified by UK Trade & Investment, and/or in response to expressions of interest.

**Assistance with arranging local transport, guides, interpreters or other local support:** Advice and costings or estimates only. Charges are the client's responsibility and costs will be paid direct to the service providers.

# RESEARCHING THE MARKET

## HOW UK TRADE & INVESTMENT CAN HELP

### (CONTINUED)

**Assistance with the organisation of promotional events:**  
Promotional support during your visit to the market, including use of official premises (eg conference room, embassy or British Ambassador's residence) as appropriate and subject to availability and local charges.

**Assistance with marketing and public relations:**  
Preparation of a pre-visit press release and distribution to the general and specialist press, local websites and local contacts. Assistance in arranging interviews and press conferences. Suggestion of appropriate marketing outlets. Assistance with preparation of promotional leaflets, where appropriate.

**Follow-up monitoring of opportunities/leads:**  
Alerting clients to relevant local opportunities, projects or tenders of which staff become aware, for a period following a visit. The cost of UK Trade & Investment services depends on the time invested in research or

spent undertaking these activities. Details of the rates are available from: [www.uktradeinvest.gov.uk](http://www.uktradeinvest.gov.uk)

In addition to this support, which is offered as our Overseas Market Introduction Service (OMIS), the following fully funded or subsidised services are available from UK Trade & Investment:

#### **Information and opportunities:**

- **Export Marketing Research Scheme** – this service provides companies with market research to assist in the development of a marketing strategy. It is managed by the British Chambers of Commerce.
- **Business Opportunities** – free internet-based service matching UK companies with international opportunities identified by trade and investment teams overseas.
- **The UK Trade & Investment High Growth Markets Programme** helps UK companies to capitalise on major commercial opportunities

in some of the world's fastest-growing markets. The Programme selectively targets mid-corporate companies with the potential to enter or expand in 17 designated high-growth markets (including Mexico) and aims to:

- develop and deliver support services tailored to the needs of individual companies,
- enable the sharing of experiences and lessons learned from exporters in these markets, and
- provide intelligence about specific opportunities in particular high growth markets.

For more information on how the High Growth Markets Programme can support your company's objectives in Mexico, speak to your local International Trade Adviser, or visit: [www.uktradeinvest.gov.uk](http://www.uktradeinvest.gov.uk)

- **Aid-Funded Business** – advice on business opportunities that are created through Multilateral Development Agency projects.

#### **Making it happen:**

- **Visiting the market** – taking part in overseas events such as trade shows or missions is an effective way for you to test markets, attract customers, appoint agents or distributors and make sales. UK Trade & Investment helps companies to attend trade shows worldwide and take part in trade missions to overseas markets.
- **If your company is small- or medium-sized and Mexico is a new market for you** then you may be eligible for financial support to visit Mexico under UK Trade & Investment's Market Visit Support scheme.

# RESEARCHING THE MARKET HOW UK TRADE & INVESTMENT CAN HELP (CONTINUED)

- Export Communications Review – assessment of your company’s export communications followed by practical recommendations for improvement (managed by the British Chambers of Commerce).

Your International Trade Adviser will be able to provide you with further information on UK Trade & Investment services.



## International trade contacts in Scotland, Wales and Northern Ireland

### Scottish Enterprise

5 Atlantic Quay  
150 Broomielaw  
Glasgow G2 8LU  
Tel: +44 (0)141 248 2700  
Fax: +44 (0)141 221 3217  
Website: [www.scottish-enterprise.com](http://www.scottish-enterprise.com)

### International Business Wales

#### Welsh Assembly Government

Trafalgar House  
5 Fitzalan Place  
Cardiff/Caerdydd  
CF24 0ED  
Tel: +44 (0)1443 845500  
Website: [www.walestrade.com](http://www.walestrade.com)

### Northern Ireland

#### Invest NI Trade Team

Upper Galwally  
Belfast BT8 6TB  
Tel: +44 (0)28 9023 9090  
Fax: +44 (0)28 9043 6536  
Website: [www.investni.com/trade](http://www.investni.com/trade)

### High Growth Market Specialist Chris Wall (Brazil and Mexico)

Mobile: +44 (0)7954 433169  
Email: [chris.wall@pera.com](mailto:chris.wall@pera.com)

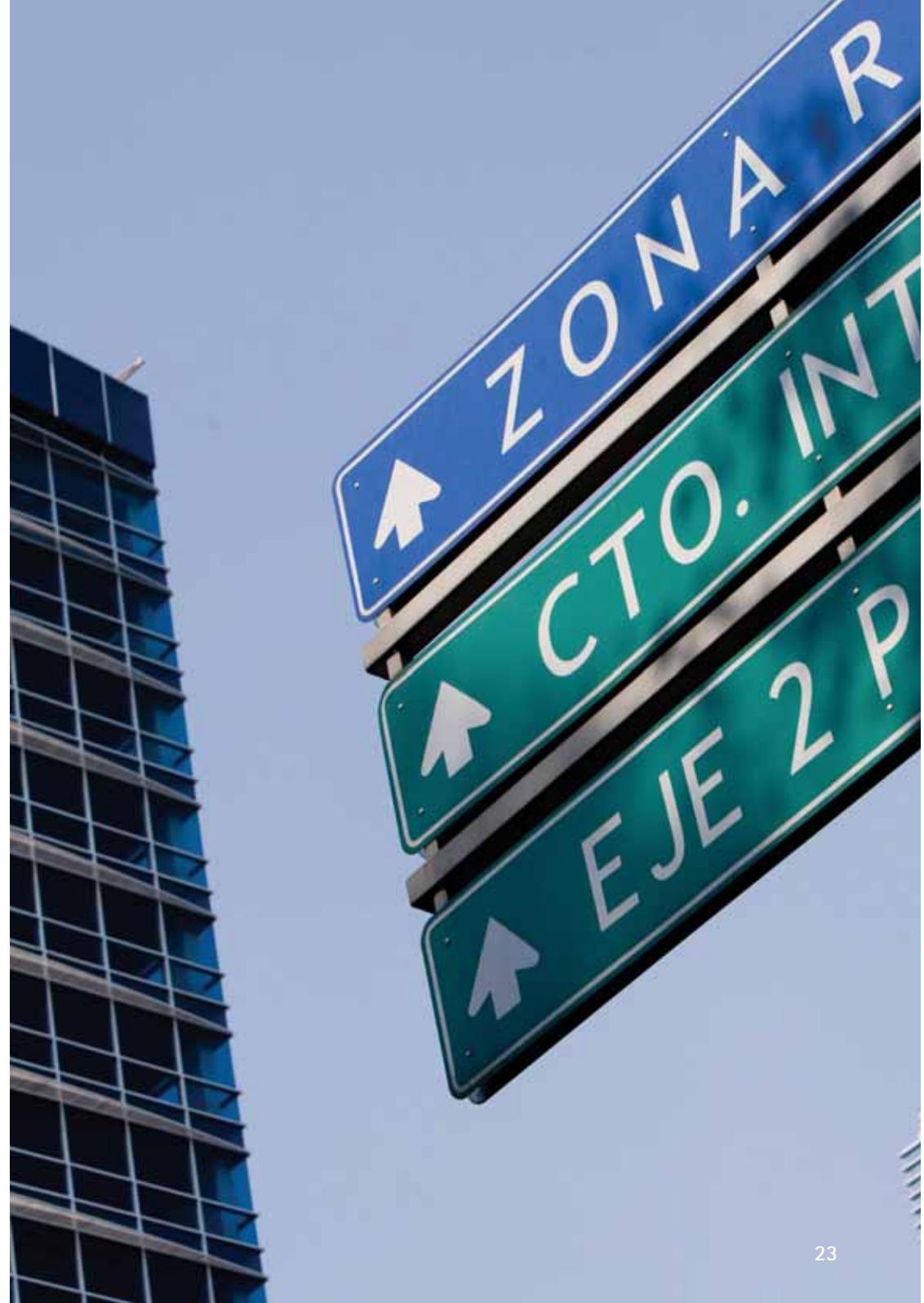
## RESEARCHING THE MARKET PRIVATE SECTOR ASSISTANCE

In addition to the services of UK Trade & Investment a wide variety of non-subsidised private sector advice is available for companies wishing to do business in Mexico. This ranges from the business services provided by the big international legal and professional services firms to specific services provided by specialist operators. Companies such as KPMG, PwC and HSBC provide reports on the Mexican economy.

The range of services available from the private sector includes company structuring advice, translation and interpreting, website design, partner selection, due diligence, legal services, advice on intellectual property rights and outsourcing. Some consultancies also offer more in-depth assistance on developing a strategy for Mexico and operational management.

The importance of good quality independent legal advice, as in any foreign market, cannot be emphasised enough. It is essential to take this into consideration at the early stages of doing business in Mexico. Always seek good quality independent legal advice before starting or signing anything that could have legal implications for your company, such as contracts or representation agreements.

Specialist legal advice on intellectual property rights is also recommended and there are a number of specialist patent agents' firms available. Legal advice can be expensive, but it is money well spent. It is far better to ensure that your interests in Mexico are fully protected than to leave yourself vulnerable to untoward consequences – which can be even more expensive to sort out!



# MARKET ENTRY AND START-UP CONSIDERATIONS

## MEXICO REGIONAL OPTIONS

Once you have decided that entering the Mexican market is right for your company you will need to identify which part of Mexico you will start in – unless, of course, you are doing business in Mexico as a result of an initial enquiry from a Mexican company.

UK Trade & Investment has teams in five commercial centres in Mexico. Please see the map of Mexico attached to the inside front cover.

UK Trade & Investment's main office in Mexico is in Mexico City. In addition to this there are UK Trade & Investment teams located in Monterrey, Guadalajara, Villahermosa and Tijuana.

The teams are mainly structured on a sectoral basis as follows:

- Mexico City: education and training, healthcare, security, environment, water, construction, infrastructure, ports, railways, financial services and energy.

- Monterrey: automotive and aerospace.
- Guadalajara: agriculture, food and drink, creative industries, and ICT.
- Villahermosa: oil and gas.
- Tijuana: Contributes to all sectors but with a focus on the US border region.

Please see inside front cover for contact details of the teams above.

# MARKET ENTRY AND START-UP CONSIDERATIONS

## AGENTS AND DISTRIBUTORS

To export successfully to Mexico you will probably need to employ an agent or a distributor. An agent is a company's direct representative in a market and is paid commission. A distributor sells products on to customers after buying them from the manufacturer – their income comes from the margin they can make on resale.

Local representation is strongly advisable. In some cases where health certification is required (eg edible products, beverages and toiletries) a local agent is a legal requirement. For more information see: [www.cofepris.gob.mx](http://www.cofepris.gob.mx).

There are no fixed rules or standard procedures to be followed when finding an agent or distributor in Mexico. Probably the simplest way is to contact the UK Trade & Investment team in Mexico (through your local International Trade Adviser) who can furnish you with details of suitable agents.

Alternatively, you can call potential customers who can tell you who is already selling goods to them. Attendance at exhibitions, both in Mexico and the southern USA, might also help in identifying potential agents. Take your time to find the right agent.

It is important that the agent you appoint is already in contact with the kind of clients you want access to, that they specialise in the products you wish to sell, and have experience in the market. It is not easy for one agent to represent successfully a large variety of products or to cover the whole of Mexico. It is important to establish how much of their effort would be devoted to your products. In order to ensure successful national distribution your agent will probably appoint sub-agents or distributors in the provinces. Your agent should also be bilingual. If the market for your products is with public sector agencies your agent will need to know how to obtain information about government tenders.

For your part, you should supply your agent with relevant up-to-date literature in English and Spanish and provide samples whenever possible. In order to avoid unnecessary difficulty or expense in customs duty and brokerage, you should ask the agent how he wishes this material to be sent to him, and instructions should be strictly followed.

Your agent should be a legally established company, and preferably not an individual (because termination of the agency agreement with an individual can be expensive due to labour laws on severance pay). References should be sought before appointing an agent. They should be obtained from customers of the potential agent and from the companies they represent. In Mexico the business grapevine works extremely well, and the British Chambers of Commerce has a Board of Directors covering a wide variety of fields who may be able to provide advice as to who is reputable and who is not.

We suggest that before you grant exclusive rights to a distributor you seek legal advice.

Once you have chosen an agent or distributor you will want to ensure that your products receive a fair share (or more than a fair share) of the agent's attention. This can be achieved by:

- Visiting senior management as often as is feasible – this shows interest in, and commitment to, the agent and the market. It helps develop the all-important personal relationship. It will also provide you with an opportunity to learn about conditions in the market and see how your products are faring.
- Working closely with the agent to show them how they can profit from your products.
- Offering support at regional trade fairs can be an excellent way of building distributor loyalty.
- Helping to prepare marketing and sales plans for the agent.
- Providing regular training for the sales staff and after-sales training for the technical staff in the UK.
- Linking performance to incentives and agreeing milestone targets.

## Finding the right agent or distributor

The checklist below details things you should bear in mind when looking for a suitable agent or distributor.

### Background

- Size of agency
- History of agency
- Number of salespeople, their length of service and qualifications
- Other companies they act for
- Banking and trade references
- What is the core business of the agent or distributor?
- Does the agent or distributor carry products which will compete with yours?
- Does the agent or distributor have qualified staff who can offer the necessary technical support, without which clients will not buy the products?

### Distribution

- Geographical coverage
- Types of outlets covered
- Transportation
- Warehousing

### Are they right for your product?

- Knowledge of local market conditions
- Marketing competence
- Degree of English language skills throughout the organisation
- Agent's interest in and enthusiasm for new products – and yours in particular
- After-sales service levels
- Required skills of salespeople
- Personal relationship – this is very important in Mexico

# MARKET ENTRY AND START-UP CONSIDERATIONS ESTABLISHING A PERMANENT PRESENCE

UK companies whose main market is North America and those that are manufacturing or have an input into the manufacture of large or heavy products should investigate whether a Mexican base would improve their competitiveness. Other companies for whom a permanent presence might be suitable include those that already have manufacturing bases in the USA that wish to reduce costs, as well as UK-approved suppliers to manufacturing companies in the UK or USA, where these companies have a maquiladora or manufacturing presence in Mexico (eg the OEMs such as Sony, Ford and Nissan).

Mexico is an attractive proposition for UK companies wishing to set up in the market due to its well-established and integrated supply chains, an increasingly skilled workforce, and free trade agreements with 44 countries. These benefits, together with the competitive labour costs

and future growth potential, still mean that Mexico is an option that should be seriously considered, not just for the straightforward assembly carried out by the maquiladoras, but also as a base for a more sophisticated manufacturing operation.

The following pages outline examples of the types of operations that can be established in Mexico. It is essential that UK companies seek legal advice from the outset to ensure that they choose the right entity for their circumstances.

# MARKET ENTRY AND START-UP CONSIDERATIONS SUPPLY CHAIN OPERATIONS – MAQUILADORAS

**Maquiladoras**  
A maquiladora (or maquila) is a factory or assembly plant operated in Mexico under preferential tariff programmes. These have been established by the Mexican Government in order to encourage the development of industry in Mexico. This allows materials to be used in maquiladoras to enter duty-free provided the finished product is then immediately exported out of Mexico. Maquiladoras are also allowed to sell to the domestic market but the products sold are subject to any relevant duties and taxes.

The success of the industry lies in the favourable labour market in Mexico, with its relatively low wage rates compared to those in

industrialised nations, coupled with Mexico's proximity to the USA. This combination of cheap labour, low transport costs and a favourable tax regime has helped USA companies to remain competitive with those from Asia.

Since 1994 this industry has developed significantly and has evolved from a straightforward assembly operation to a more complex manufacturing structure. Technological institutes have been established, creating a more highly trained workforce, and changes in regulations mean that maquiladoras can now be established anywhere in the country.



## MARKET ENTRY AND START-UP CONSIDERATIONS REPRESENTATIVE OFFICES

There are no hard and fast rules about representative offices. The investor climate is friendly and there are few restrictions on the form of business entities a foreign investor can establish. Investment can range from a branch office to a fully owned subsidiary, but most investors set up a corporation or sociedad anónima (SA). This requires a minimum share capital of at least two shareholders and registration in the public register. A sociedad anónima is similar to a limited company in the UK.

All foreign investments must receive prior authorisation from the Ministry of Foreign Affairs. It is essential that you get legal advice from a Mexican lawyer before investing.



## MARKET ENTRY AND START-UP CONSIDERATIONS JOINT VENTURES

A joint venture is – as the name suggests – an organisation jointly owned by a Mexican and a foreign partner, and was for a long time the only option available for foreign investment. Joint venture contracts are easily set up in Mexico. Such a contract does not create a business entity and operations are carried out by the active party. However, income and losses are divided between the two partners according to the contract.

Other forms of business identity are normally used when a legal entity is required, eg SA; SA de CV (capital variable), similar to a public limited company; and S de RL (responsabilidad limitada) which is similar to a limited liability company where the partners' liability is limited to the amount of their contribution. Legal advice should be sought to ensure that you choose the right entity for your circumstances.

# MARKET ENTRY AND START-UP CONSIDERATIONS SHELTER OPERATIONS AND SOFT LANDING ZONES

## **Shelter operations**

Another form of maquiladora is the shelter operation. This is often the way foreign companies begin in Mexico. A shelter operation allows foreign companies to conduct labour-intensive production in Mexico on an outsourcing basis.

The shelter operators have the legal exposure to employment law rather than the foreign investor. This can therefore be a particularly attractive option for small- to medium-size companies for which the risks involved in foreign investments are particularly important.

## **Soft landing zones**

A “soft landing zone” is a pre-prepared work environment located in a foreign country, tailored to the needs of companies seeking to do business within that specific location. The soft landing zone is a safe and welcoming environment for companies which are at the early stages of trading in a particular country.

ProMexico is working with Coventry Enterprise to provide soft landing zones in various locations in Mexico to help small and medium enterprises through the initial start-up process. For more information please contact ProMexico or UK Trade & Investment in Mexico.

## **Subcontracted manufacturing**

Mexico provides a good opportunity for UK companies to subcontract the production of manufactured goods, given the lower costs and the availability of skilled labour.

A number of large OEMs have set up in Mexico, due to its proximity to the USA and the existence of NAFTA. This provides UK companies with opportunities to become part of the supply chain for these OEMs, particularly where they form part of the supply chain for these manufacturers in the UK and other markets.

# MARKET ENTRY AND START-UP CONSIDERATIONS ASSISTANCE FROM MEXICAN FEDERAL AND STATE GOVERNMENTS

Federal and state governments offer a number of incentives for companies looking to invest in Mexico, including preferential property positions, tax exemptions and training.

State governments offer these and other incentives on a case-by-case basis and offers are kept private between the investor and the state. Private negotiations may lead to other incentives dependent upon the amount of the investment; the amount of employment created by the new investment; and the economic growth of the region given such investment.

For further information please visit:  
[www.investinmexico.com.mx](http://www.investinmexico.com.mx)

Companies employing Mexican nationals should be aware that the law protects employees in a number of ways. In particular, foreign investors should consider payroll taxes borne by the employer, Christmas bonuses and profit distribution. A good English language website as an introduction is:

<http://laboris.uqam.ca/babillard/mexlaborlaw.htm>



## Investment Protection and Promotion Agreement

The UK and Mexico have signed and ratified an Investment Protection and Promotion Agreement (IPPA). This ensures that UK investors in Mexico and Mexican investors in the UK receive “fair and equitable treatment and full protection and security”. Among other things this increases the bilateral protection available to UK and Mexican companies operating in each other’s countries, ensures that they will be accorded the same rights as domestic investors, and prevents nationalisation or expropriation of assets without market value compensation. If you would like an electronic copy of the agreement, please email: [Mexicocommercial.Mexico@fco.gov.uk](mailto:Mexicocommercial.Mexico@fco.gov.uk)



Due diligence is a security measure that companies often choose to undertake in order to check the viability of potential new business before contracts are signed.

Due diligence is strongly advisable, particularly in connection with the acquisition of a shareholding interest either in a limited liability company or a corporation, and in the acquisition of all quotas of a limited liability company or shares of a corporation.

For practical purposes it is recommended that due diligence covers all accounting, tax and legal issues concerning a particular business enterprise.

Special attention should be given to ongoing, or threatened, commercial and tax claims at administrative and judicial level.

## BEST PRACTICE AND RISK MANAGEMENT MARKETING

Trade shows, exhibitions and advertising are good ways to attract potential customers. You will need to ensure that your sales literature is effective in both English and Mexican Spanish and consider whether advertising is appropriate. You may wish to involve a specialist consultancy that can develop a marketing strategy appropriate to your product. UK Trade & Investment has a dedicated marketing section in Mexico City who can provide advice on the Mexican marketing environment.

You may need to adapt your product to meet Mexican preferences or requirements in order to be able to sell it. Ignoring local regulations, tastes and cultural preferences is a recipe for failure – it's hard to sell a left-hand drive car in a right-hand drive country!

You may also consider using UK Trade & Investment's Export Marketing Research Scheme. The scheme aims to encourage UK companies to use export marketing research in the development of a market entry strategy for their overseas markets. It also helps companies to undertake or commission marketing research based on sound methods. In addition to advising companies how to use export marketing research effectively, financial support towards the costs of undertaking approved projects is also provided.

The Export Marketing Research Scheme is administered by the British Chambers of Commerce on behalf of UK Trade & Investment. For more detailed information please contact: The British Chambers of Commerce  
Tel: +44 (0)24 7669 4484  
Email: [emr@britishchambers.org.uk](mailto:emr@britishchambers.org.uk)

## BEST PRACTICE AND RISK MANAGEMENT LANGUAGE

The language spoken in Mexico is Mexican Spanish. The differences between Mexican and European Spanish are slight and are similar to those between British and American English (ie differing accents and some different words). A basic knowledge of Spanish will always make a good first impression. Correspondence and trade literature should be in Mexican Spanish wherever possible. Although English is widely spoken there are still many who do not speak it or understand technical terminology.

In some cases it is a legal requirement to label products in Spanish.

It is advisable to engage the services of a local interpreter to accompany you to your first meeting with a potential partner, until it is established whether your partner is confident in doing business in English. The Export Communications Review provides companies

with impartial and objective advice on language and cultural issues, in order to help them develop an effective communications strategy, thus improving their competitiveness in existing and future export markets. Subsidies are available for eligible companies.

The Export Communications Review is administered by the British Chambers of Commerce on behalf of UK Trade & Investment. For more detailed information please contact: The British Chambers of Commerce  
Tel: +44 (0)24 7669 4484  
Email: [ecr@britishchambers.org.uk](mailto:ecr@britishchambers.org.uk)

## BEST PRACTICE AND RISK MANAGEMENT INTELLECTUAL PROPERTY RIGHTS

If you are thinking about doing business in Mexico you will need to establish how you can protect your intellectual property rights, how much it will cost and what other steps you could take. An independent intellectual property rights lawyer is invaluable in helping you establish the best strategy for your company.

Mexico's intellectual property law regulates the use of patents, trademarks, industrial and model designs, trade names, advertisements and business names in Mexico. Under Mexican federal law an administrative body, the Mexican Intellectual Property Institute ([www.impi.gob.mx](http://www.impi.gob.mx)), is granted search, seizure and closure powers.



## BEST PRACTICE AND RISK MANAGEMENT BANKING AND FINANCE

Since 1997 most national banks have been sold off to foreign institutions. The main institutional investors are Citicorp, Scotiabank, Santander Investment, BBVA and HSBC. These banks hold over 80 per cent of total deposits of Mexican savers and over 65 per cent of total financial assets in the system.

Given the stabilisation of inflation rates, the remarkable decrease of Mexico's risk profile, the strict control of monetary aggregates and the firmness of the Mexican peso, financial institutions are competing fiercely to increase their market share in mortgage, retail (credit

cards, car leasing or purchase, etc) and micro-credit. As a consequence interest rates are close to their lowest level since 1970.

UK banks are able to offer companies a number of short-term finance options, such as documentary credit, factoring, forfaiting and credit insurance facilities. Details of the available credit options should be obtainable from the international department of your bank.

### Taxation

Tax is a complicated subject and only generalisations can be made. Any income generated in Mexico by non-resident individuals will be taxed by Mexican authorities. The rate varies (between 3 to 33 per cent) according to the level of income. Advice should be sought from a lawyer specialising in these matters.

The following is an introductory guide to Mexican documentation requirements.

## Tariff Harmonised System Code (HS)

The Harmonised System (HS) code is an international method of classifying products for export purposes. This classification is used by customs officials around the world to determine the duties, taxes and regulations that apply to the product. To obtain an HS code, you should contact HM Revenue & Customs, tel: +44 (0)1702 366077.

Although it is advisable to insert the details of the HS code of the product to be exported to Mexico on the declaration of origin where required, only the first four digits of the HS code should be inserted, as these are common for every country in the world under the HS rule.

## Duties and taxes

The EU and Mexico signed a free trade agreement in July 2000. Under this agreement, tariffs were reduced over a seven-year time frame, with all remaining tariffs on EU-

produced industrial goods exported to Mexico being eliminated on 1 January 2007. The free trade agreement contains strict rules of origin designed to ensure that only goods of EU origin gain from preferential access to Mexico.

VAT, known by its Spanish initials as “IVA”, is levied on a variety of goods at 15 per cent.

## Commercial invoices

Commercial invoices are required for all shipments to Mexico and must be issued in Spanish or English. By law all invoices must contain at least the following information:

- Full name, address and tax ID number of supplier.
- Full name and address of importer (buyer).
- Complete description of goods (abbreviations are not accepted).
- Quantity of goods being sold clearly shown (if you are sending sets then you need to include the number of pieces in each one).

- Price of the goods (per unit and total) – in US dollars or Mexican pesos.

- Total amount of the invoice.

- Declaration of the origin of the goods (EUR1).

All invoices must have the following declaration: “The prices, quantities, descriptions and origin of the goods included in this invoice are sworn to be true and correct”.

## Approved exporter status

If you are a regular exporter you may qualify to become an “approved exporter”. This means that, subject to HM Revenue & Customs authorisation, you will be able to issue a “no value limit” invoice declaration. This does not need to be presented to Customs, a Chamber of Commerce or Institute of Chartered Shipbrokers Office for authentication prior to export.

## Certificate of origin

A certificate of origin is a document identifying where the product, or parts of it, originates from. The certificate also confirms that the products fulfil the standards

established in Mexico and grants a tax preference.

There are different types of certificates of origin which depend on the goods and services being exported. The following certificates may require validation from the Mexican Ministry of Economy:

- Sistema Generalizado de Preferencias (SGP).
- EUR1 (Unión Europea y Asociación Europea de Libre Comercio).
- Artículos Mexicanos.

## EUR1

The EUR1 is a movement certificate and is used to claim zero duty in Mexico. The goods must fully meet the rules of origin and be accompanied by a correctly completed and endorsed EUR1 form.

The EUR1 form should be completed by the exporter. UK chambers of commerce are able to endorse it. The goods must be described in sufficient detail to enable them to be identified and it is recommended that, wherever possible, the descriptions on the certificate and invoice match.

### Packaging list

A packaging list is necessary when more than one package is shipped. This document should be sent together with the commercial invoice, and should include: number of packages; a detailed list of the merchandise contained in each package; net, gross and legal weight in metric equivalents; and volume or measurements, in the metric system, of each package. It should include the total weight of the shipment.

### Bill of lading

A bill of lading forms the basic document used in the shipping of goods by sea. It is issued by the ship operator to the shipper (or customer). Three originals and a number of copies are produced, with the copies being kept for reference by those through whose hands the originals pass. One is retained by the master or broker, and the other two dispatched by the shipper to the buyer of the goods, or to the consignee for those goods, if not the buyer. One original will be presented to the master by the customer as evidence of his title to receive the goods.

The information on the bills of lading should correspond with that shown on the invoice and the packaging list.

### Export licences

Export controls apply to goods upon which the UK Government has placed export licensing requirements. Typically, export controls relate to goods that may be used in some way for military applications, goods of national heritage (eg works of art), and certain chemicals used in the production of controlled drugs.

BERR's Export Control Organisation's helpline (+44 (0)20 7215 8070) is the first point of contact for information on export controls. The helpline provides advice on many issues, including how to establish whether or not specific goods need an export licence, the different types of export licences, how to complete export licence application forms and how long they take to process. The helpline is also the point of contact for Export Control Organisation publications and licence application forms.

If you think your goods may be applied to military purposes you are advised to contact:  
BERR's Export Control Organisation  
(+44 (0)20 7215 8070;  
<http://www.berr.gov.uk/europeantrade/strategic-export-control>)

If you think your goods may be of importance to national heritage you are advised to contact the Department for Culture, Media and Sport  
(+44 (0)20 7273 8265/  
8266/8269/8267).

For chemicals that are used in the production of drugs contact the Home Office  
(+44 (0)20 7035 0445).

If the above departments consider your products to be sensitive you will need to apply for an export licence before you can take them out of the UK.

### SITPRO

SITPRO is the UK's trade facilitation body dedicated to encouraging and helping business to trade more effectively, and to simplifying the international trading process. It focuses on the procedures and

documentation associated with international trade. SITPRO offers advice on the documents and procedures for the movement of goods through its briefings, completion guides and checklists at [www.sitpro.org.uk/trade/index.html](http://www.sitpro.org.uk/trade/index.html) and through its free Helpdesk (Tel: +44 (0)20 7215 8150 Email: [info@sitpro.org.uk](mailto:info@sitpro.org.uk)).

### Dangerous Goods Notice

When hazardous goods are transported, the consignment must be accompanied by a document that contains information declaring the nature of the hazards of the goods. The SITPRO Dangerous Goods Notice (DGN) enables the shipper to complete one standard document for all consignments irrespective of port or inland depot. By doing so it provides the receiving authority with complete, accurate and timely information as well as providing all those with an interest in the consignment with adequate information at each stage of the transport process. The greatest benefit of using the DGN is that receiving authorities

have clear and precise information on the way the goods should be handled. The DGN has been widely and successfully used throughout the UK and has now been updated to take account of modern transport techniques, cargo handling practices and changes in control procedures and documentation. Further details are available from SITPRO.

More detailed information on documentation requirements and import procedures can also be found at:

Market Access Database, <http://mkaccdb.eu.int/>, HM Revenue & Customs at: <http://www.hmrc.gov.uk> or Business Link at: [www.businesslink.gov.uk](http://www.businesslink.gov.uk)

The Market Access Database is a free tool designed to assist exporters:

- It provides information on trade barriers which may affect you in overseas markets.

- The Applied Tariff Database section allows users to enter an HS code or product description to obtain a tariff rate and details of taxes applicable, enabling you to calculate a landed cost.
- The Exporter's Guide to Import Formalities database (searchable by HS code or by product), gives an overview of import procedures and documents, as well as any general and specific requirements for a product.
- The Sanitary and Phytosanitary Database facilitates the identification of sanitary and phytosanitary export problems with any non-EU country.

The Market Access Database can only be accessed through an internet service provider based in the EU.

## Certification and standards

Different regulations apply to different sectors, so it is difficult to be specific without going into enormous detail. The best source of information for UK exporters is the European Union's website <http://mkaccdb.eu.int> From here you can select

Mexico as a country and see what restrictions have been placed on the products in your sector. As general advice ask your importer what documents and licences or certification your product needs; they will have detailed and up-to-date knowledge.

## Certificates of Free Sale

A Certificate of Free Sale is required for certain products to show that goods are available for retail sale, that they comply with EU regulations and are suitable for use by EU consumers. For more details please telephone:

- BERR (+44 (0)1642 364333) – cosmetics, chemicals, detergents and cleaners, disinfectants
- Defra (+44 (0)8459 335577) – food, drinks, additives, disinfectants, pesticides, animal medicines, milk and dairy products, pet food and animal feed, fertilisers, sugar and sugar products, protein crops, tea, coffee, cocoa, herbs, spices, tobacco flavouring and wines
- Department of Health (+44 (0)20 7972 2927) – medical, dental and surgical equipment and prostheses
- Medical Controls Agency (+44 (0)20 7084 2000) – medicinal products
- Health and Safety Executive (+44 (0)845 345 0055) – pesticides, fertilisers and hazardous or toxic substances used in the manufacture of these products
- Forestry Commission (+44 (0)131 314 6549/6120) – phytosanitary certificates for products or packaging material made out of or containing wood

Details in Spanish of products requiring Certificates of Free Sale are available at [www.cofepris.gob.mx](http://www.cofepris.gob.mx)

### Health certificates

All suppliers into the healthcare sector must have local representation. Products for the healthcare market require a “Sanitary Registration” issued by COFEPRIS, (Comisión Federal de Protección contra Riesgos Sanitarios), a devolved agency of the Ministry of Health. USA or European standards and registrations, although helpful, are not sufficient. All products that require a Sanitary Registration must have a Mexican company or individual responsible for them. A Sanitary Registration is issued in the name of the distributor. The main documents required for product registration are: a Certificate of Free Sale issued by the NHS, a Certificate of Quality and a Letter of Appointment of Distributor. These three documents must be in Spanish and translated by a legal translator. Technical information may be in English with a summary in Spanish.

The whole process takes about six to eight months. COFEPRIS website ([www.cofepris.gob.mx](http://www.cofepris.gob.mx)) gives full details in Spanish. There are also specialist consultants who are experienced in advising on registration matters.

Further details on the process of obtaining a Mexican health certificate can be obtained from the UK Trade & Investment team in Mexico.

### Labelling requirements

Mexico’s labelling requirements are often different from the EU’s. In most cases exporters have to attach special labels to products they are sending to Mexico even if the products are already labelled in Spanish.

#### NOM-50

NOM-50 which is an official Mexican standard refers to the commercial information of the product which the foreign company has to provide. The label must include a description of the goods together with:

- the name of the importer,
- the name of the exporter,
- a declaration in Spanish that the goods have been made in the UK: *Hecho en Reino Unido,*
- the quantity of pieces that each packet contains,
- a Mexican Registro Federal de Contribuyentes form from the importer, and
- tax ID from the exporter.

This procedure is sometimes costly to fulfil in the country of origin but importers (or manufacturers) can pay for the services of a verification unit. Verification units are third-party individuals or private companies accredited and approved to conduct compliance assessments and ensure the conformity of labels with the relevant official norms.

Importers may submit each shipment to a private verification unit. The use of verification units is voluntary but this procedure does simplify fulfilment of Mexican requirements. Verification at the border ensures that the product fulfils the specific technical requirements when it is sold in Mexico.

The verification units charge US\$200-250 per “dictamen” (control of a label). Each dictamen covers one product or a family of products and thus the verification price of a shipment containing many different items or models is very high.

More information on Mexican labelling standards is available from the British Standards Institute. Contact details are provided in the section on Technical Help for Exporters, in the next column.

#### Technical standards

Certain products, goods, processes and services must comply with the technical standards issued by the Mexican Ministry of Trade. NOMs (Normas Oficiales Mexicanas) are Mexican standards that some imported goods need to meet before they can go on sale in Mexico. There are three main types of NOMs: security, labelling and emergency.

All relevant standards and technical regulations can be found at the official website:  
[www.economia.gob.mx/?P=144](http://www.economia.gob.mx/?P=144)

#### Technical help for exporters

This service is provided by the British Standards Institute (BSI) to give information and advice on compliance with overseas statutory and other technical requirements. BSI produces a wide range of publications and provides a special updating service of information in some product fields. BSI can: supply detailed information on foreign regulations; identify, supply and assist in the interpretation of foreign standards and approval procedures; research and give consultation on technical requirements for a specific product; and provide translations of foreign standards, items of legislation and codes of practice. Fees vary according to the amount of work involved.

For specific enquiries contact BSI on  
Tel: +44 (0)20 8996 9001  
Fax: +44 (0)20 8996 7001  
Email: [cservices@bsigroup.com](mailto:cservices@bsigroup.com)

#### Mexican customs

Mexican customs law regulates the flow and transport of goods to and from Mexico. Goods may only pass to and from Mexico at authorised locations. Customs authorities monitor the entry, exit, transport and control of goods. Merchandise must be presented to the customs authorities together with the required documentation. There is a 0.8 per cent customs processing fee charged by Mexican customs, based on the cost, insurance and freight (cif) value of the goods.

Mexico requires the intervention of a customs broker to clear merchandise through customs when the total value of the shipment is more than US\$1,000. Details of customs brokers are available from the UK Trade & Investment team in Mexico.

#### Commercial samples and temporary imports

Samples of no commercial value and those rendered valueless may be imported free of customs duty.

Samples which are of value are subject to the appropriate duties or may be imported under a bond that guarantees their re-export within one year. An extension to this can be applied for from the Director-General of Customs in Mexico City.  
Tel: +52 55 5228 3436  
Fax: +52 55 5709 6038

Professional tools and equipment can be imported temporarily by those with business visas provided they do not exceed the value of that which a Mexican could own in similar circumstances. However, customs officials have the discretion to decide whether or not such a temporary import is bona fide. If, for any reason, they suspect that it is not, they may either confiscate the article or place it in bond.

It is always advisable to use the services of an authorised customs broker at the port of entry and also at the port of exit. Their services can be obtained through international forwarding agents.

### Pricing

Pricing should be competitive and price lists should be in US dollars or Mexican pesos. Mexican Spanish should be used, if possible, and all costs should be included.

### Insurance

The private sector provides credit insurance for exports of consumer goods, raw materials and other similar goods. Speak to your banker or insurance broker for more information, or contact the British Insurance Brokers' Association for impartial advice. It can be contacted at:

British Insurance Brokers' Association  
14 Bevis Marks  
London EC3A 7NT  
Tel: +44 (0)901 814 0015  
Fax: +44 (0)20 7626 9676  
Email: [enquiries@biba.org.uk](mailto:enquiries@biba.org.uk)  
Website: [www.biba.org.uk](http://www.biba.org.uk)

Private sector insurance has some limitations, particularly for sales of capital goods, major services or construction projects that require longer credit packages or that are in riskier markets.

### Commercial risk insurance for capital goods and major projects

The Export Credits Guarantee Department (ECGD) is the UK's official Export Credit Agency. ECGD's aim is to help you win business overseas by providing support for finance as well as insurance and re-insurance against loss. ECGD supports UK exports in the project and capital goods and services sectors. ECGD can support contracts valued as low as £25,000. The responsibility for providing insurance cover for consumer goods that are sold on credit terms of less than two years rests with private sector credit insurers.

ECGD is in principle able to consider support for loans denominated in Mexican pesos (in addition to existing dollar-financing). This is attractive to Mexican buyers who do not normally generate hard currency revenues (such as local Mexican states and their municipalities), as their ability to repay the loan is less affected by currency exchange rates and their ability to acquire hard currency. This is therefore suitable for infrastructure projects (such as power and water) not generating dollar, euro or sterling income.

To help those customers relatively new to exporting, ECGD has a customer service team dedicated to helping new customers through the process of credit insurance and export finance. For more detailed enquiries please contact ECGD's customer service team on:  
+44 (0)20 7512 7605 or  
[help@ecgd.gsi.gov.uk](mailto:help@ecgd.gsi.gov.uk)

ECGD'S AIM IS TO HELP  
YOU WIN BUSINESS  
OVERSEAS BY PROVIDING  
SUPPORT

When exporting to Mexico normal commercial rules should be followed. Companies should discuss arrangements on the security of payment with the international department of their UK bank or the UK branch of a bank operating in Mexico.

If you are a first-time exporter to Mexico the standard method of receiving payment for your goods is by a Letter of Credit or by payment in advance.

A Letter of Credit is a form of contract between two banks. A bank will make payment provided that the documents submitted to it are in strict compliance with the conditions of the Letter of Credit regardless of the purchase contract. To prevent the possibility of a payment being made if the terms of the purchase contract are not met, the seller should check the Letter of Credit against the terms of the purchase contract and request amendments from the buyer if necessary.

The opening of the Letter of Credit is based on the contract signed between the buyer and the seller. There are no problems regarding Letters of Credit opened by Mexican banks being accepted by foreign banks. The Mexican bank will make payment provided that the requirements of the Letter of Credit are met.

Due to the cost and delays associated with Letters of Credit, many Mexican businesses will wish to move to open account terms once a trustworthy relationship has been developed between the two parties.

Major exports and those requiring long-term finance will require specialist payment and financing.

Further information on securing payment and dispute resolution can be obtained from:  
[www.uktradeinvest.gov.uk](http://www.uktradeinvest.gov.uk)



Before conducting business in Mexico, UK business people should be aware of the local customs that need to be taken into account.

## **Status**

Mexican companies and government organisations are hierarchical and status conscious. Most decisions are made at the top and representatives will be received by somebody fitting their status. If you send junior sales representatives they will not meet the main decision-makers.

## **Greeting etiquette**

Mexicans attach great importance to titles. Professional titles such as “Licenciado” (meaning “graduate”) or “Ingeniero” (engineer) should be used as this recognises their status. Those without titles should be addressed with Mr (Señor), Mrs (Señora) or Miss (Señorita) followed by their surname.

When doing business in Mexico you will find that first names are rarely used initially as they are reserved for family and close friends. Wait for someone to address you by your first name before doing so yourself.

Men and women will shake hands when they meet for the first time in business and social situations. If they already know somebody from a previous meeting, men tend to greet men with a hug/shoulder slap and both men and women greet women with a kiss on the right cheek. On departure you should repeat all the handshaking and kissing and it can take 10 minutes to get out of a room! Time for this should be included in your programme; don't assume that you will be able to make a quick exit.

## **Meeting etiquette**

- In Mexico, business attire is more formal than that in the USA or Europe. It is therefore important to be well dressed for business meetings. This means dark suits, long-sleeved shirts and usually cuff links for the men and lightweight dresses for the women.
- Business is personal in Mexico. Before doing business try to ensure you have contacts who can introduce you or vouch for you. Once an initial contact has been made it is easier to move on and arrange future business meetings.
- Make business appointments in advance and confirm them with a brief phone call a few days before. Once you arrive in Mexico call again or send an email or fax to ensure it is known you will definitely be arriving.
- Timekeeping is relaxed in Mexico. However, due to the Mexicans' long-established business links with Europe they are used to European business people being on time, so will also try to do the same.
- Business cards are usually exchanged at the beginning of the meeting. It is useful to have business cards printed in English on one side and in Mexican Spanish on the other. Consider having this done before arriving in Mexico.
- Mexicans don't like to cause offence and this can extend to not wanting to say “no”. Not saying no doesn't mean yes.
- Substantive business will only be done in person. The telephone is limited to making arrangements.

### Interpreters

There are two forms of interpreting. Consecutive interpreting means you speak and then your interpreter interprets. This is the usual form for meetings, discussions and negotiations. Simultaneous interpreting is when you speak while the interpreter interprets simultaneously; but special equipment is required which is expensive to hire. Simultaneous interpreting is generally used only for large seminars and conferences and there are always at least two interpreters who will interpret in 20-minute sessions.

Interpreting is a skill requiring professional training. Just because someone is fluent in English and Spanish it does not mean that they will make a good interpreter.

If you are giving a speech or presentation remember the need to interpret everything will cut your speaking time approximately in half (unless using simultaneous interpreting). It is essential to make sure that the interpreter can cope with any technical or specialist terms in the presentation. It is better to be slightly restricted and speak close to a script than to fail to be understood because your interpreter cannot follow you. If you are giving a speech, give the interpreter the text well in advance and forewarn them of any changes.

INTERPRETING IS A SKILL  
REQUIRING PROFESSIONAL  
TRAINING...

### Below are a number of recommendations for getting the best out of your interpreter:

- Though expensive, a well-briefed professional interpreter is best.
- Try to involve your interpreter at every stage of your pre-meeting arrangements. The quality of interpretation will improve greatly if you provide adequate briefing on the subject matter. Ensure your interpreter understands what you are aiming to achieve.
- Speak clearly and evenly, without rambling on for several paragraphs without pause. Your interpreter will find it hard to remember everything you have said, let alone interpret all your points.
- Conversely, don't speak in short phrases and unfinished sentences. Your interpreter may find it impossible to translate the meaning if you have left a sentence hanging.
- Avoid jargon, unless you know your interpreter is familiar with the terminology.
- Take into account that some interpreters may be more familiar with American English and have a little difficulty at first with British accents.
- The UK Trade & Investment team in Mexico can provide a list of specialist translators.
- Avoid making or telling jokes. These almost invariably fall flat in translation and will confuse or embarrass your audience.

## BUSINESS ETIQUETTE PRESENTATIONS

### **Presentations**

Sophisticated PowerPoint presentations with multiple illustrations are the norm for many forward-looking Mexican companies, and it is advisable to take the same approach to create a good impression. Handouts and brochures in Mexican Spanish are recommended.

Never start a presentation apologetically. During presentations avoid slang and jokes specific to British culture and geography. Your Mexican audience may not understand. There is no need to be extremely

formal. Do not speak too quickly, loudly, or in a monotonous tone.

At the beginning of the presentation make it clear to the audience whether you prefer to take questions during or after the talk. Often, audiences are happier writing down their questions rather than asking them in front of others. If there is not enough time to take all written questions tell the audience that you will reply to them by email – and do so.

## BUSINESS ETIQUETTE BUILDING RELATIONSHIPS

### **Building relationships**

Mexicans prefer doing business with people who they know and trust. Your success in Mexico is therefore dependent upon your ability to establish, build and maintain good relationships. Interpersonal skills are needed to fit in, cultivate relationships and win the favour of others. These can actually be more important than professional experience and know-how.

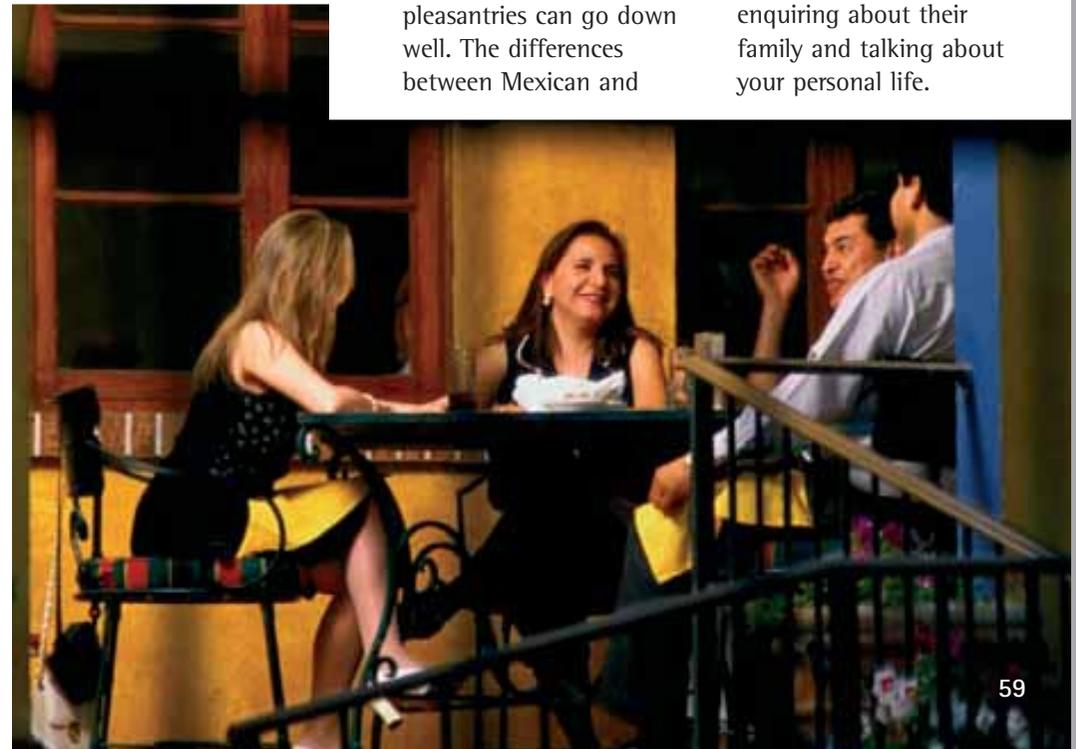
Learning Spanish is obviously of benefit. If you don't have time to become conversant, making the effort to learn basic pleasantries can go down well. The differences between Mexican and

European Spanish are similar to those between British and American English (ie with differing accents and some different words) so if you speak European Spanish you should be understood.

### **Entertainment**

Mexicans make friends first, then do business and you should be prepared to spend time socialising. Only move on to business when you have built up rapport. Face-to-face contact is crucial.

You need to invest time in developing relationships with people such as by going out to lunch, enquiring about their family and talking about your personal life.



### 1. RESEARCH AND PLAN EARLY

**Is there a market there for you?**

**Is your competitive edge in the UK transferable to Mexico?**

Desk research via the internet, suppliers, customers, trade associations, trade journal editors and exhibition organisers can be free of charge.

### 2. SEEK OUT EARLY SOURCES OF ADVICE AND EXPERTISE

This should save you time and money on wasteful activity and help mitigate risk.

### 3. GET IN TOUCH WITH A GLOBAL SUPPORT NETWORK THROUGH UK TRADE & INVESTMENT

Find your local International Trade Adviser and overseas-based Trade Officer through [www.uktradeinvest.gov.uk](http://www.uktradeinvest.gov.uk) and select "Find your local trade team".

### 4. CONSIDER YOUR PRICING STRATEGY

Pricing must be competitive – US dollar or Mexican peso pricing is the norm.

### 5. THINK ABOUT LANGUAGE IMPLICATIONS

Make the effort to produce brochures in Spanish – it makes a difference. Also think about translation of parts of your website.

### 6. THINK ABOUT CULTURAL IMPLICATIONS

Make sure your business cards are up to date and any titles included – Mexicans place a lot of importance on titles and good quality business cards.

Take business suits – Mexicans generally wear formal suits to all meetings.

Try to visit Mexicans at their offices, rather than invite them to your hotel.

Consider using the Export Communications Review: [www.chamberonline.co.uk/c0aoX\\_to2c5pNA.html](http://www.chamberonline.co.uk/c0aoX_to2c5pNA.html)

### 7. THINK ABOUT YOUR STRATEGY

It is often beneficial to have a local partner or local presence. Think about your strategy – can your business model support margin reduction or transfer of intellectual property?

### 8. ARRANGE A PROGRAMME OF VISITS IN THE MARKET

If you are new to business in Mexico it is strongly advisable to arrange a programme of meetings through the local UK Trade & Investment office or other local contacts prior to travel.

In planning your itinerary allow time at the end of your stay in Mexico to pay a second visit to those potential clients who have asked you to come back and see them again.

Be prepared to socialise and do working lunches. Do not over-cram your time with meetings.

Allow plenty of time between meetings, as the larger cities can get very congested with traffic.

### 9. TAKE PART IN A GUIDED MARKET VISIT

To take advantage of travel grants, local contacts, experienced mission leaders and business networking, why not consider joining a group guided and supported market visit with UK Trade & Investment? Details at [www.uktradeinvest.gov.uk](http://www.uktradeinvest.gov.uk)

### 10. FOLLOW UP

Don't forget to follow up and don't let the contacts go cold.

Stay in touch with your Mexican contact/partner; don't let relationships drift, and visit the market regularly.

# USEFUL SPANISH PHRASES

## Common Spanish phrases:

Hello	– Hola
Good day	– Buenos días
Good evening	– Buenas tardes
Good night	– Buenas noches
How are you?	– Cómo está?
Goodbye	– Adios
Please	– Por favor
Thank you	– Gracias
Sorry	– Lo siento
Excuse me	– Disculpe
How much is this?	– Cuánto es?
Too expensive	– Demasiado caro
Where is.....?	– Dónde está....?
Toilets	– Baños
Ladies	– Señoras/Mujeres/Damas
Gents	– Señores/Hombres/ Caballeros

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