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CROSSING THE BORDER: CURRENT CHALLENGES AND BEST PRACTICES

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ERNESTO VELARDE-DANACHE, MEXICAN NOTARY PUBLIC AND ATTORNEY LICENSED ONLY IN MEXICO, WAS ADMITTED TO PRACTICE IN 1982. HE HOLDS AN LL.M FROM THE UNIVERSITY OF CAMBRIDGE, OF CAMBRIDGE, ENGLAND AND POSTGRADUATE STUDIES IN SWITZERLAND AND NETHERLANDS.

ERNESTO HAS SPOKEN ABOUT DOING BUSINESS IN MEXICO IN MANY DIFFERENT COUNTRIES SUCH AS THE UNITED STATES, CANADA, ARGENTINA, SLOVAKIA, ITALY, FRANCE, GERMANY, PORTUGAL, SPAIN, INDIA, MEXICO, CZECH REPUBLIC, ENGLAND, THE REPUBLIC OF IRELAND, SWITZERLAND, THE NETHERLANDS, CHINA, SINGAPORE AND KOREA.

HE HAS HELPED MORE THAN 300 COMPANIES START BUSINESS IN MEXICO.



WHAT IS CURRENTLY THE LEGAL FRAMEWORK FOR INVESTING IN MEXICO?



- **HAS EXECUTED FREE TRADE AGREEMENTS WITH MORE THAN 45 COUNTRIES, ARGUABLY COLOMBIA IS NOW THE FREE TRADE LEADER OF THE WORLD.**
- **NAFTA (1994) WITH THE USA AND CANADA. THIS TREATY HAS BEEN INSTRUMENTAL IN INCREASING MEXICO'S EXPORTS BY 80% TO THE WORLD -THE ONE WITH THE EUROPEAN UNION. WITH JAPAN, ISRAEL, SOUTH AMERICA AND OTHER COUNTRIES.**

- **AS A RESULT PRODUCTS MANUFACTURED IN MEXICO ARE IMPORTED INTO OTHER COUNTRIES WITH REDUCED OR NO TARIFFS**



SOME COUNTRIES THAT HAVE INCREASED THEIR INVESTMENT IN MEXICO:

JAPAN	GERMANY (AUDI)
SUECIA	FRANCE
SLOVAKIA	CHINA
KOREA	INDIA
TAIWAN	SPAIN
LUXEMBOURG	ENGLAND
USA	CANADA



EXECUTIVE AND LEGISLATIVE BRANCHES RATHER BUSY THESE LAST 2 YEARS. WE HAD A:

- COMPETITION WORLDWIDE FOR FOREIGN DIRECT INVESTMENT IS NOW FIERCE (EXAMPLES OF COUNTRIES)
- LABOR REFORM
- TAX REFORM
- FINANCIAL REFORM
- CONSTITUTIONAL REFORM
- TELECOM REFORM
- EDUCATION REFORM:
- ENERGY REFORM (THE JEWEL OF THE CROWN)



HIGHLIGHTS OF THE LATEST REFORMS

- MEXICO AND MOST OF ITS 32 STATES HAVE SYSTEMATICALLY MODERNIZED THEIR LEGAL SYSTEM
- **EDUCATION.** MODERNIZED THE SYSTEM. BETTER TEACHERS. IMPROVED TEACHING PROGRAMS. LESS CORRUPTED LEADERS.
- **TELECOMMUNICATIONS.** REMOVAL OF RESTRICTIONS FOR THE PARTICIPATION OF FOREIGN INVESTORS
- **ENERGY. Constitutional Reform** TO OPEN UP INVESTMENT IN THE OIL , GAS & ELECTRICITY SECTORS.

WHAT ARE THE MAIN ASPECTS OR THE HIGHLIGHTS OF THE LABOR REFORM THAT MAKE MEXICO A MORE COMPETITIVE PLAYER IN THE WORLD ARENA?

- **FIRST TIME IT IS REFORMED IN 42 YEARS**
- **THE CONCEPT OF OUTSOURCING IS NOW REGULATED**
- **SEXUAL HARASSMENT**
- **PROFIT SHARING**
- **ABILITY TO HIRE FOR A TRIAL PERIOD, SEASONAL, INITIAL TRAINING**

LABOR REFORM

- **AGREEMENT FOR AN INDEFINITE PERIOD OF TIME, FOR ONE, THREE AND FOR UP TO SIX MONTHS**
- **CAP OF ONE YEAR FOR BACK SALARIES**
- **CONTRACTING WORK AND PAYING BY THE HOUR**
- **NEW CAUSES OF DISCRIMINATION LIKE SEXUAL ORIENTATION, SOCIAL CONDITION, AGE, MARITAL STATUS, PREGNANCY ARE INCORPORATED.**

TAX REFORM HIGHLIGHTS

- ❑ THE REDUCED VAT RATE APPLICABLE IN THE “BORDER ZONE” IS INCREASED FROM 11% TO 16%



**MEXICO BECOMES EXTREMELY COMPETITIVE.
RANKINGS BY INTERNATIONAL FINANCIAL INSTITUTIONS HAVE
UPGRADED THE COUNTRY.**

- **MEXICO REMAINS EXTREMELY ATTRACTIVE FOR THE AUTOMOBILE SECTOR. NEW ASSEMBLY PLANTS INCLUDE:**

- **AUDI - PUEBLA**
- **HONDA - GUANAJUATO**
- **MAZDA - GUANAJUATO**
- **BMW - SLP**
- **HYUNDAI & KIA - NL**

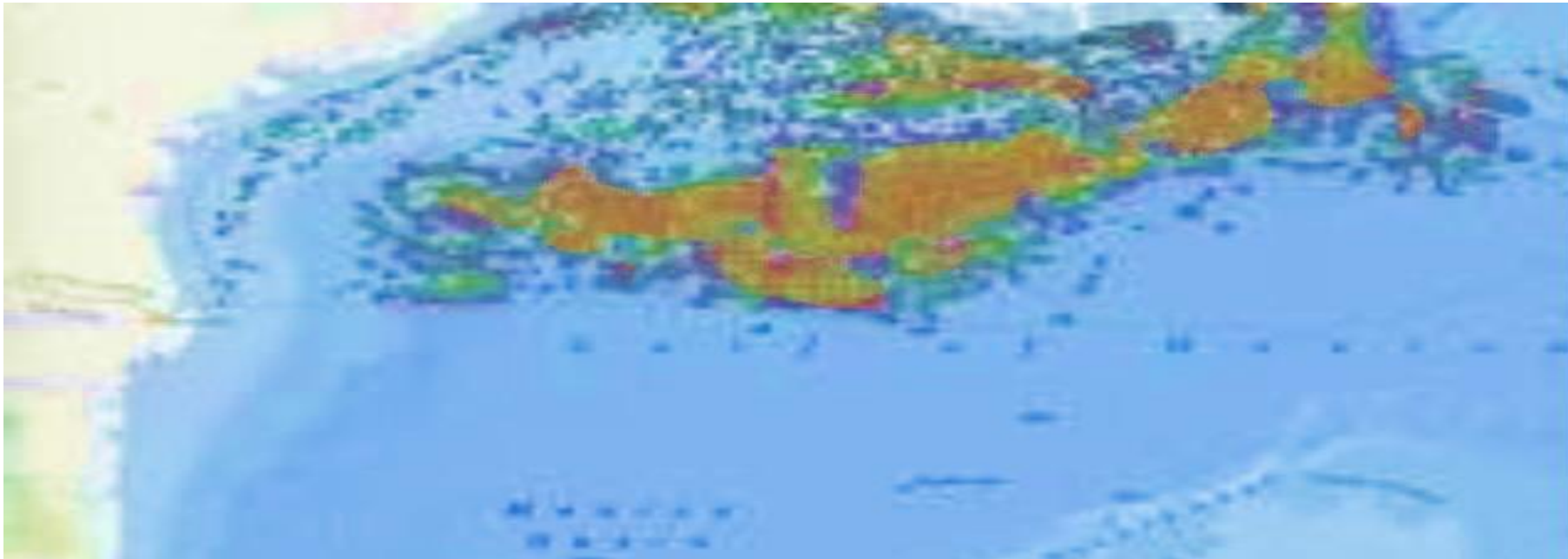


- **MANUFACTURING AND GENERAL INVESTMENT DECREASED IN CITIES WITH VIOLENCE.**
- **BAJIO AREA GROWING**

- BUT ON THOSE REGIONS WITH SHALE GAS AND OIL RESERVES THE FOCUS IS ON THE NEW OPPORTUNITIES BEING GENERATED BY THE ENERGY SECTOR.
- IN SEPTEMBER TAMAUlipAS GOVERNOR FORMED THE ENERGY AGENCY. COAHUILA HAS FORMED ITS OWN ENERGY CLUSTER
 - THEY HAVE AS THEIR OBJECTIVE TO PREPARE THE LOCAL BUSINESS COMMUNITY TO PARTICIPATE IN THE ENERGY BUSINESS SECTOR.
 - TO DEVELOP THE LABOR FORCE
 - COORDINATE AND PREPARE STRATEGIES FOR THE DEVELOPMENT OF NEW TECHNOLOGIES
 - TO INCREASE THE NATIONAL SUPPLY CHAIN

GULF OF MEXICO NOW

- **A PICTURE TELLS MORE THAN THOUSAND WORDS.**
- **70 COMPANIES OPERATING IN USA SIDE VS. 1 IN MEXICO**



MEXICO SHALE GAS RESERVES



EAGLE FORD SATTELITE PICTURE



- THE PASSING OF THE ENERGY REFORM AND SECONDARY RULES HAVE CREATED A LOT OF EXPECTATIONS.
 - 9 NEW LAWS
 - 12 ARE MODIFICATIONS OF PREEXISTING LEGISLATION
 - THE REGULATIONS OF THE SECONDARY RULES WERE PUBLISHED A FEW DAYS A GO.
- I HAVE NOT SEEN AS MUCH INTEREST IN MEXICO SINCE THE IMPLEMENTATION OF NAFTA 20 YEARS AGO.
- WE DO NOT GO A WEEK WITHOUT ATTENDING A BRIEFING SEMINAR ON THE TOPIC OR CONTRIBUTE WITH AN ARTICLE ON THE REFORM.
- LAST MONTH I WAS IN MEXICO CITY AND IN BUENOS AIRES



- THE PORT OF MATAMOROS IS BEING REACTIVATED AFTER YEARS WITH A LARGE INVESTMENT TO SERVE PEMEX TO START WITH



- LOCAL STATE AND FEDERAL AUTHORITIES REPORT THERE WILL BE MORE THAN 100 COMPANIES INITIATING OPERATIONS IN THE NORTHEASTERN PART OF TAMAULIPAS TO SERVE THE CUENCA DE BURGOS



POTENTIAL INVESTMENT POST REFORM

- 50 BILLION US DOLLARS IN THE NEXT FOUR YEARS
- BY THE END OF THE CURRENT ADMINISTRATION AT LEAST 135 000 DIRECT EMPLOYEES (SPECIALISTS)
- AN INVESTMENT FUND BETWEEN CHINA AND MEXICO FOR ENERGY PROJECTS IS BEING DEVELOPED.
- INVESTMENT PARTICULARLY WHERE CHINA HAS SUBSTANTIAL EXPERIENCE.

LETS GO TO THE TRADE, CUSTOMS AND INVESTMENTS ISSUES IN GENERAL.

- TO FURTHER FACILITATE TRADE MEXICO CLOSED OR WILL SOON CLOSE AIRPORT AND HIGHWAY CUSTOMS AND IMMIGRATION CHECK POINTS.
- THE MEXICAN TRUCKING INDUSTRY IS FILING A LAWSUIT AGAINST THE USA FOR FAILURE TO FULFILL ITS COMMITMENTS UNDER NAFTA.
- TRADE ON THE NAFTA COUNTRIES THE FIRST SEMESTER OF 2014 WAS 349 BILLION.
- THE NAFTA COUNTRIES REPRESENT 27% OF THE GLOBAL GROSS NATIONAL PRODUCT AND
- 15% OF THE WORLD'S TRADE
- 66.7% OF MEXICO'S TRADE WAS WITH NAFTA
- IMPORTATION AND EXPORTATION OF ELECTRICITY IS LIBERALIZED

CLOSING REMARKS

- IT IS BELIEVED THAT COMBINATION OF THE
- ENERGY REFORM
- LABOR REFORM AND
- TELECOM REFORM
- WILL HELP MEXICO ECONOMY MOVE FORWARD

CLOSING REMARKS

- HOWEVER TO THIS DATE THE MEXICAN MINIMUM SALARY REMAINS AT ABOUT \$5.00 USD PER DAY.
- THE PURCHASING POWER OF THE MEXICAN WORKER IS THE SAME IT WAS 30 YEARS AGO.
- THE INCOME OF A MEXICAN WORKER IS ABOUT 30% OF THAT ONE OF THE US WORKER.
- DOWN FROM 35%

CLOSING REMARKS

- MEXICAN ECONOMY CONTINUES BEING EXTREMELY TIED TO THE US ONE.
- REVENUES FROM MEXICAN EX-PATS STILL VERY SUBSTANTIAL.
- THE ECONOMIC GROWTH IN MEXICO CONTINUES TO BE VERY MODERATE
- VIOLENCE IN SOME REGIONS PREVENT INVESTMENT PARTICULARLY IN THE COMMERCIAL AND MANUFACTURING SECTORS.

CLOSING REMARKS

- THE WORLD PRESS CONTINUES INFORMING ON THE VERY BARBARIC INCIDENTS GENERATED BY THE CARTELS.
- THE OIL & GAS INVESTORS ARE SEEKING GUARANTIES FOR THE MEXICAN AND FOREIGN PERSONNEL TO BE DEPLOYED.
- **BUT ON THE POSITIVE SIDE ENTHUSIASM IN THE LOCAL POPULATION**
- TECHNOLOGICAL SCHOOLS LOOKING TO INCORPORATE NEW STUDIES TO SUPPLY THE OIL & GAS INDUSTRY IN MEXICO.

CLOSING REMARKS

- NATIONAL & BINATIONAL CHAMBERS EDUCATING MEMBERSHIP.
- CITY OFFICIALS IN SPECIFIC REGIONS WITH OIL & GAS POTENTIAL ALERTING THE POPULATION ON THE GOOD THINGS TO COME
- ENVIRONMENTALISTS FROM BOTH SIDES OF THE BORDER KEEPING AN EYE ON DEVELOPMENTS
- THE BUSINESS POPULATION OF TEXAS AND OTHER STATES MONITORING DEVELOPMENTS AND READY TO GRAB THE OPPORTUNITY.

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