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2025 Mexico Investment Climate Statement

Executive Summary

In 2024, Mexico was the United States' largest trading partner in goods and services. Bilateral trade grew nearly eightfold from 1994 to 2024, and Mexico is the United States' second-largest export market in goods and services. It remains one of our most important investment partners. The United States is Mexico's top source of foreign direct investment (FDI) with a stock of USD 283.8 billion in 2023 (per the International Monetary Fund's Coordinated Direct Investment Survey).

The Mexican economy averaged 2 percent growth in Gross Domestic Product (GDP) from 1994 to 2024 and grew 1.2 percent in 2024. Exports in goods to the United States grew 6.4 percent in 2024 compared to 2023. The inflation rate moderated, ending at 4.2 percent as of December 2024, slightly surpassing the Central Bank of Mexico's (Banxico) target of 2 to 4 percent. The government's proposed budget for 2025 aims at narrowing the fiscal deficit from 5.9 percent of GDP in 2024 to 3.9 percent in 2025. Mexico's public debt-to-GDP ratio increased 4.6 percentage points to 51.4 percent in 2024 compared to the year prior. The United States-Mexico-Canada Agreement (USMCA) entered into force in July 2020, but the Government of Mexico has not issued implementing regulations in several areas, according to investors, complicating the operating environment for the telecommunications, financial services, and energy sectors. Mexico is a signatory to numerous international IP treaties, including the:

- Paris Convention for the Protection of Industrial Property,
- Berne Convention for the Protection of Literary and Artistic Works, and
- WTO Agreement on Trade-Related Aspects of Intellectual Property Rights.

Mexico was listed as a Priority Watch List country on the 2025 Special 301 report published by the U.S. Trade Representative (USTR) due to long-standing and significant IP concerns. Many of these concerns relate to Mexico's implementation of IPR provisions and protections under the

United States-Mexico-Canada Agreement (USMCA). Criminal investigations and prosecutions for trademark counterfeiting and copyright piracy were not reported in 2024, and the Mexican Attorney General's Office failed to report IP enforcement statistics for the past five years.

Investors report concerns including:

- lack of access to reliable energy,
- insecurity,
- corruption, and
- regulatory uncertainty.

The three major ratings agencies (Fitch, Moody's, and Standard & Poor's) maintain lower-medium investment grade ratings on Mexican sovereign debt. In July 2024, Standard & Poor's maintained its BBB sovereign rating for Mexico as stable, citing President Sheinbaum's commitment to reduce Mexico's fiscal deficit. Moody's maintained Mexico's Baa2 rating in November 2024 but projected a negative outlook, highlighting that the enacted constitutional overhaul of the judiciary poses risks to Mexico's checks and balances. Fitch reaffirmed its BBB sovereign rating in July 2024. Moody's downgraded credit ratings for Petroleos Mexicanos (Pemex) debt to B3. Fitch reaffirmed its non-investment grade speculative rating (B+ with stable outlook) for Pemex, while S&P maintained a lower medium investment grade rating (BBB) citing the likelihood of extraordinary government support should the company suffer financial distress.

In October 2024, President Sheinbaum signed a constitutional decree redefining state-owned energy companies CFE and Pemex as "public enterprises" to give them more favorable treatment in Mexico's energy markets. This constitutional reform was signed into law along with a package of 10 energy bills on March 18, 2025, and reshapes Mexico's energy sector to benefit state-owned companies while restricting private-sector participation, including that of U.S. companies. These changes largely reverse the 2013 energy sector liberalization, which Sheinbaum argued promoted harmful privatization and weakened the energy sector.

Section 1. Openness to, and Restrictions upon, Foreign Investment

Policies toward Foreign Direct Investment

Mexico is open to FDI in most economic sectors and has consistently been one of the largest emerging market recipients of FDI. Mexico attracts foreign investment due to:

- proximity to the United States and generally preferential access to the U.S. market,
- macroeconomic stability,
- large domestic market,
- growing consumer base,
- increasingly skilled workers, and
- lower labor costs combine to attract foreign investors.

Supply chains in the automotive, aerospace, and electronics and electrical equipment sectors exemplify the high level of integration of North American supply chains. As a result, these industries have led the way in terms of new opportunities for partnership and investment in Mexico. Still, investors report that recent policy and regulatory changes, including constitutional changes to Mexico's judiciary, have created doubts about the investment climate, particularly in the energy, agriculture, and formal employment pensions management sectors. U.S. investors have also expressed uncertainty about evolving bilateral policies and the outcome of the 2026 USMCA review.

The United States is the largest source of FDI in Mexico, with 36 percent of the stock as of 2023 (IMF). According to Mexico's Secretariat of Economy, total FDI flows for 2024 were USD 36.9 billion. The automotive, aerospace, telecommunications, financial services, and electronics sectors typically receive large amounts of FDI.

Most foreign investment is concentrated in northern states near the U.S. border, where most maquiladoras (export-oriented manufacturing and assembly plants) are located, or in Mexico City and the nearby "El Bajío" (e.g., Guanajuato, Querétaro) region. In the past, foreign investors have overlooked Mexico's southern states, although ruling party Morena has focused on spurring investment in the region, including through large infrastructure projects such as the Maya Train, the Dos Bocas refinery, and the trans-isthmus logistics and industrial corridor (CIIT). In 2021, the Government of Mexico increased public spending and widely promoted private investment in these projects. In December 2021, the Government of Mexico issued a decree, which was viewed as controversial, naming these projects "national security" priorities, allowing them to proceed before the completion of environmental and other impact studies. Though courts enjoined the executive decree, it still generated concerns among investors about the Government of Mexico's commitment to transparency.

The 1993 Foreign Investment Law, last updated in 2017, governs foreign investment in Mexico, including the extent to which various business sectors are open to foreign investment. It provides national treatment, eliminates performance requirements for most foreign investment projects, and liberalizes criteria for automatic approval of foreign investment. Mexico is also a party to several Organization for Economic Cooperation and Development (OECD) agreements covering foreign investment, notably the Codes of Liberalization of Capital Movements and the National Treatment Instrument.

The Government of Mexico dissolved the former trade and investment promotion agency ProMexico in 2019, and Mexico's Secretariat of Foreign Relations (SRE) assumed some of ProMexico's former responsibilities with the establishment of the General Directorate for Global Investment (GDGI) in 2021. The GDGI works closely with Mexico's state secretaries of economy to promote trade and attract FDI through partnerships with SRE's diplomatic missions overseas. The Mexican Secretariat of Economy's Directorate General for Foreign Investment similarly promotes trade and investment opportunities and launched a One-Stop Shop for Investors (Ventanilla Única para Inversionistas) in 2023 to promote investment among business communities globally.

Limits on Foreign Control and Right to Private Ownership and Establishment

Mexico reserves certain sectors, in whole or in part, for the State, including:

- petroleum and other hydrocarbons;
- control of the national electric system;
- radioactive materials;
- lithium;
- telegraphic and postal services;
- nuclear energy generation;
- coinage and printing of money; and
- control, supervision, and surveillance of ports of entry.

Certain professional and technical services, development banks, and the land transportation of passengers, tourists, and cargo (not including courier and parcel services) are reserved entirely for Mexican nationals. See Section 5 for restrictions on foreign ownership of certain real estate.

Reforms over the past decade in the energy, power generation, telecommunications, and retail fuel sales sectors have liberalized access for foreign investors. While reforms have not led to the privatization of state-owned enterprises such as Pemex or the Federal Electricity Commission (CFE), they have allowed private firms to participate in their sectors. However, the current Government of Mexico has made significant regulatory and policy changes that favor Pemex and CFE over private participants

Hydrocarbons: In October 2024, President Sheinbaum signed a constitutional decree redefining state-owned Pemex as a “public enterprise” rather than “productive enterprise,” establishing a means for providing Pemex more favorable treatment in Mexico’s hydrocarbons markets relative to private sector competitors. As a result of the constitutional energy reform and subsequent implementing legislation, Pemex now has the right of first refusal in the exploration and extraction of new oil and gas blocks. The new legal framework allows Pemex to partner with private firms in case of technical or financial limitations, such as deepwater or heavy crude projects, but Pemex must maintain at least 40 percent ownership in any new developments. The Sheinbaum administration has identified increasing Pemex’s oil, natural gas, and refined fuels production as a top priority for Mexico’s hydrocarbon sector but has also developed plans to expand into new areas of work, including clean energy production through the placement of wind turbines and solar panels on oil platforms and lithium production from abandoned wells.

Telecommunications: Mexican law states telecommunication and broadcasting activities are public services, and the government will at all times maintain ownership of the radio spectrum. Following a 2024 constitutional reform, the Mexican government will disband the Federal Telecommunications Institute (IFT), roughly analogous to the U.S. Federal Communications Commission (FCC). The IFT is an independent agency responsible for spectrum auctions and for regulating, monitoring, and sanctioning telecommunications activities. Telecommunications policy and regulatory responsibilities now fall under the Digital Transformation and Telecommunications Agency, which the Government of Mexico launched in January 2025. Mexico’s Congress will draft secondary legislation in 2025 that will further outline oversight of the telecommunications sector, including competition with state-owned companies. Fees for radioelectric spectrum rights in Mexico, previously set by IFT and Hacienda, are among the highest in the world, a condition that industry believes stifles innovation and connectivity.

Aviation: The Foreign Investment Law limits foreign ownership of air transportation services to 49 percent.

The USMCA, 2020, like its predecessor NAFTA, grants U.S. and Canadian investors national and most-favored-nation treatment. Only the United States and Mexico are party to investor-State dispute settlement provisions under the USMCA, although this access is restricted based on whether the investor holds a covered government contract. Most U.S. companies investing in Mexico will have access to fewer remedies under the USMCA than under NAFTA, as they will have to meet certain criteria to qualify for arbitration. Sub-national Mexican governments must also accord national treatment to investors from the United States and Canada.

Approximately 95 percent of all foreign investment transactions do not require government approval. Foreign investments that require government authorization and do not exceed MXN 3 billion (approx. USD 165 million) are automatically approved unless the proposed investment is in a legally reserved sector.

The National Foreign Investment Commission (Comisión Nacional de Inversiones Extranjeras, or CNIE) under the Secretariat of the Economy is the government authority that determines whether an investment in restricted sectors may move forward. The Commission has 45 business days after submission of an investment request to decide. Criteria for approval include employment and training considerations, and contributions to technology, productivity, and competitiveness. The Commission may reject applications to acquire Mexican companies for national security reasons. Mexico's Secretariat of Foreign Relations must issue a permit for foreigners to establish or change the nature of Mexican companies.

The U.S. Secretary of the Treasury and Mexico's Secretary of Finance and Public Credit (Hacienda) signed a Memorandum of Intent (MOI) in December 2023 affirming the importance of foreign investment screening in protecting national security and establishing a bilateral working group to exchange best practices on investment screening for national security. The U.S. Department of Treasury has provided extensive technical guidance to Hacienda on the establishment of an investment screening mechanism similar to the Committee on Foreign Investment in the United States (CFIUS).

Other Investment Policy Reviews

The latest World Trade Organization (WTO) trade policy review of Mexico is from October 2022.

Mexico's Center for Public Policy Research (IMCO) evaluated Mexico compared to other countries in its 2022 Index for International Competitiveness. IMCO's 2024 Index of States' Competitiveness also analyzes competitiveness of Mexico's states.

In a December 2022 statement, UN experts urged the Government of Mexico, companies, and investors to ensure respect for human rights and the environment during construction of the Train Maya in the Yucatan peninsula and to take appropriate measures in line with the UN Guiding Principles on Business and Human Rights. The 2024 OECD Economic Survey indicated that Mexico has large potential to attract investment from companies looking to relocate their operations to North America but warned that fully harnessing these opportunities will require tackling long-standing challenges, such as low productivity, and shifting to renewables and improving water management.

Business Facilitation

The Government of Mexico, through its Digital Transformation and Telecommunications Agency (DTTA), plans to launch an online platform called Sociedad por Acciones Simplificadas (SAS) to allow businesses to register within 24 hours. Still, it can take between 66 and 90 days to start a new business in Mexico, according to the World Bank. The Government of Mexico maintains a business registration website (accessible but not accepting online applications as of March 2025) and a website for general information on opening a business. Companies operating in Mexico must register with the tax administration authority (Servicio de Administracion Tributaria or SAT), the Secretariat of the Economy, and the Public Registry. Additionally, companies engaging in international trade must register with the Registry of Importers, while foreign-owned companies must register with the National Registry of Foreign Investments. Businesses report that the Federal Commission for the Protection from Sanitary Risks (COFEPRIS), which regulates food and health product safety, has made progress on a backlog of sanitary registration and import permit approvals for, primarily but not limited to, pharmaceutical and medical devices. However, U.S. companies remain concerned that accumulated approval delays prevent the introduction of innovative healthcare and other products.

Since October 2019 and through 2024, SAT has launched dozens of tax audits against major international and domestic corporations, resulting in hundreds of millions of dollars in new tax assessments, penalties, and late fees. Multinational and Mexican firms have reported complicated and time-consuming audits based on diverse aspects of the tax code, including adjustments on tax payments made, waivers received, and deductions reported during the previous federal administration. SAT also changed its methodology used to reimburse some companies, retroactively for five years, for value-added tax (VAT) collections, sometimes causing lengthy reimbursement delays and which companies report is to their detriment. Private sector stakeholders reported a continuation of SAT's aggressive and non-transparent tax auditing practices in 2024. The United States Trade Representative (USTR) report on foreign trade barriers released March 31, 2025, indicated that multiple U.S. companies report that Mexico's SAT has changed its interpretation of its laws and, as a result, insurance companies have been required to retroactively pay value-added tax on damage claims stretching as far back as 2015. U.S. companies have expressed concerns SAT is not applying the law in a consistent manner, which could lead to insolvency for some insurers in Mexico.

Outward Investment

Various offices at the Secretariat of Economy and the Secretariat of Foreign Relations handle promoting Mexican outward investment and assistance to Mexican firms acquiring or establishing joint ventures with foreign firms. Mexico does not restrict domestic investors from investing abroad.

Section 2. Bilateral Investment and Taxation Treaties

The USMCA, which entered into force in 2020, contains an investment chapter.

Mexico has 14 trade agreements and 32 Reciprocal Investment Promotion and Protection Agreements (RIPPAs) with 31 countries. Mexico is a member of Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which entered into force in 2018. Mexico currently has 31 bilateral investment treaties in force. Mexico and the European Union concluded negotiations on a trade agreement in 2020, but it has not been signed and ratified by all relevant legislative bodies in Mexico and the EU member states. Mexico's agreement with the United Kingdom to continue trade under existing terms following the UK's exit from the European Union entered into force in 2021.

The United States-Mexico Income Tax Convention, which came into effect in 1994, governs bilateral taxation between the two nations. Mexico has negotiated double taxation agreements with 62 countries.

Section 3. Legal Regime

Transparency of the Regulatory System

The National Commission on Regulatory Improvement (CONAMER), within the Secretariat of the Economy, is the agency responsible for streamlining federal and sub-national regulation and reducing the regulatory burden on business. Mexican law requires secretariats and regulatory agencies to conduct impact assessments of proposed regulations and engage in notice and comment rule making, which CONAMER carries out. Proposed regulations and their impact assessments are published on CONAMER's website for public comment. The official gazette of state and federal laws currently in force in Mexico is publicly available via the Orden Jurídico website. Mexican law provides for a 20-day public consultation period for most proposed regulations. During this period, any interested stakeholder can comment on draft regulations and the supporting justification, including regulatory impact assessments. Certain measures are not subject to a mandatory public consultation period. These include measures concerning taxation, responsibilities of public servants, the public prosecutor's office executing its constitutional functions, and the Secretariats of National Defense (Defensa) and the Navy (Marina). Beginning in 2021, CONAMER approved waivers of full notice and/or shortened public comment periods to speed some regulatory action deemed to be in the national interest. For example, in October 2021, CONAMER granted the pensions sector regulator CONSAR an exemption to the 20-day public consultation period for a proposed cap on private pensions management service fees. Due to SAT's authority over tax and trade revenue collection, many of its regulations are exempt from the notice and public comment process. In 2022, SAT introduced a new requirement for a "digital waybill complement" (complemento de carta porte) for nearly all goods shipments within Mexican territory. Mexican and U.S. private sector representatives described the digital document as onerous, given that it requires over 140 data points for all shipping modes – rail, truck, air, and sea – many of which are not known at the time of shipment. Despite the domestic nature of the new requirement, U.S. companies raised concerns about the "carta porte" as a technical barrier to trade given the potential delays it could cause for shipments to and from ports of entry. The U.S. government advocated for better SAT coordination with the private sector to address compliance challenges with the new requirement. This advocacy helped lead to the postponement of "carta porte's" enforcement and SAT's formation of private sector working groups to discuss implementation. Following multiple extensions, enforcement of the "carta porte" requirement took effect on January 1, 2024. However, SAT continues to offer a grace period with limited flexibility for minor administrative errors, particularly for companies demonstrating good faith efforts to comply. In December 2024, President Sheinbaum issued a decree significantly modifying the IMMEX program without consulting industry stakeholders. Under IMMEX, foreign companies are allowed duty-free imports of goods into Mexico for manufacturing or assembly as long as those goods do not remain in Mexico. Industry representatives have expressed concern about the lack of sufficient opportunity to submit comments on proposed regulations.

The National Quality Infrastructure Program (PNIC) is the official document used to plan, inform, and coordinate standardization activities by public and private entities. The PNIC is published annually by the Secretariat of Economy in Mexico's Official Gazette. The PNIC describes Mexico's plans for new voluntary standards (Normas Mexicanas; NMXs) and mandatory technical regulations (Normas Oficiales Mexicanas; NOMs) as well as proposed changes to existing standards and technical regulations. The last PNIC was published in February 2025, reflecting updated priorities in sectors such as sustainable energy, digital services, medical devices, and e-mobility technologies, and includes new initiatives to align Mexican standards with international best practices and OECD recommendations on regulatory quality.

The Quality Infrastructure Law (QIL), which entered into force August 31, 2020, replaced the Federal Law on Metrology and Standardization (LFMN). The law governs standardization, accreditation, conformity assessment, and metrology activities of public and private entities in Mexico and addresses the coordination of metrology activities between the Government of Mexico and the private sector. U.S. exporters report that being familiar with this important law is valuable, as it governs Mexico's standards system and may affect exports to this market. The final QIL's secondary regulations were published on August 31, 2021, providing detailed guidelines for implementation.

Investors in Mexico report a shift in the public procurement process in recent years. According to these investors, government entities have increasingly used direct awards or limited tenders using rules allowing exemptions from the competitive bidding process. In addition, there have been tenders that favored European standards over North American standards, or whose specifications appeared to advantage competitors over U.S. companies according to investors.

International Regulatory Considerations

The Mexican government has established legal, regulatory, and accounting systems that are generally consistent with international norms. However, the Mexican government enacted reforms leading to the dissolution of seven autonomous agencies in December 2024, including those overseeing telecommunications, economic competition, and transparency. The responsibilities of these agencies were redistributed among various government ministries, a move ostensibly intended to streamline operations and reduce costs. Critics warn that the consolidation could undermine regulatory independence and transparency, opening the door to politically-motivated regulatory decisions that could disadvantage the private sector compared to state-owned companies and favor Mexican companies over U.S. and other foreign competitors. Furthermore, reporting suggests that corruption continues to affect equal enforcement of some regulations. The Mexican government's budget is published online and readily available. The Bank of Mexico also publishes and maintains data about the country's finances and debt obligations.

Legal System and Judicial Independence

Mexico had an inquisitorial criminal justice system adopted from Europe in which proceedings were largely carried out in writing and sealed from public view. Mexico amended its Constitution in 2008 to facilitate change to an oral accusatorial criminal justice system to better combat corruption, encourage transparency and efficiency, and ensure respect for the fundamental rights of both the victim and the accused. An ensuing National Code of Criminal Procedure passed in 2014 and is applicable to all 32 states. The national procedural code was coupled with each state's criminal code to provide the legal framework for the accusatorial system, which allows for oral, public trials with the right of the defendant to face his or her accuser, challenge evidence, receive counsel, and enjoy due process and other guarantees. Mexico fully adopted the new accusatorial criminal justice system at the state and federal levels in 2016.

Mexico's Commercial Code, which dates to 1889, was most recently updated in 2014. All commercial activities must abide by this code and other applicable mercantile laws, including commercial contracts and commercial dispute settlement measures. Mexico has multiple specialized courts that handle fiscal:

- labor,
- economic competition,
- broadcasting, telecommunications,
- and agrarian law matters.

The judicial branch and Attorney General's office (FGR) are constitutionally independent from each other and the executive. The Attorney General is nominated by the president and approved by a two-thirds majority in the Senate for a nine-year term, effectively de-coupling the Prosecutor General from the political cycle of elections every six years. With the historic 2019 labor reform, Mexico also created an independent labor court system run by the judicial branch (formerly this was an executive branch function). Federal and state level labor courts were set up in all 32 states as of October 3, 2022. (See section 11 – "Labor Policies and Practices" for more details.)

In September 2024, Mexico amended its constitution to significantly restructure its judiciary, including two major changes:

- **Popular Election of Judges**: The reforms introduced the popular election of judges nationwide, including Supreme Court justices, aiming to combat corruption and enhance accountability. Under the reform judicial candidates are submitted by the three branches of government, and candidates are barred from receiving public financing or support from political parties.

- **Judicial Oversight**: The Federal Judiciary Council was replaced by the Judicial Disciplinary Tribunal, a five-member body elected by popular vote, responsible for sanctioning, suspending, or removing judges. Decisions made by this tribunal are not subject to appeal.

In recent years, U.S. companies have reported the introduction of criminal charges against company officials and related parties stemming from contractual or other commercial disputes, with two such cases in the first three months of 2025 alone. The 2024 judicial reforms may further impact the legal landscape for foreign investors, by affecting the predictability and impartiality of judicial decisions as well as the reciprocity of dispute resolutions. U.S. firms investing or doing business in Mexico should take care to familiarize themselves with Mexican laws and procedures that allow parallel criminal cases—often based on fraud allegations—to proceed simultaneously with commercial disputes.

Laws and Regulations on Foreign Direct Investment

Mexico's Foreign Investment Law sets the rules governing foreign investment into the country. The National Commission for Foreign Investments, formed by several cabinet-level secretariats, including Interior (SEGOB), Foreign Relations, Finance (Hacienda), and the Economy, establishes the criteria for administering investment rules.

Competition and Antitrust Laws

Mexico has had two constitutionally autonomous regulators to govern matters of competition – the Federal Telecommunications Institute (IFT) and the Federal Commission for Economic Competition (COFECE). IFT currently governs broadcasting and telecommunications, while COFECE regulates all other sectors. Due to a 2024 constitutional reform, the Mexican government eliminated IFT and replaced it with the Digital Transformation and Telecommunications Agency, a non-autonomous executive branch agency. In 2025, Mexico's Congress is considering secondary legislation that will outline regulatory oversight of competition in the telecommunications sector). Also in 2025, Mexico's congress passed legislation creating the National Competition and Economic Welfare Agency, which is intended to comply with USMCA obligations to establish and maintain an autonomous antitrust agency. This agency will be a decentralized body with an independent budget and assets.

Expropriation and Compensation

The USMCA contains clauses stating Mexico may neither directly nor indirectly expropriate property, except for a public purpose, on a non-discriminatory basis, on payment of prompt, adequate, and effective compensation, and in accordance with due process. Expropriations are governed by international law and require fair market value compensation paid without delay, including accrued interest. Qualified investors can pursue investor-State dispute settlement through the mechanisms provided in the USMCA.

Dispute Settlement

ICSID Convention and New York Convention

Mexico ratified the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention) in 1971 and has codified this into domestic law. Mexico is also a signatory to the Inter-American Convention on International Commercial Arbitration (1975 Panama Convention) and the 1933 Montevideo Convention on the Rights and Duties of States. Mexico signed in 2018 the Convention on the Settlement of Investment Disputes between States and Nationals of other States (ICSID Convention) and codified it into law the same year.

Investor-State Dispute Settlement

The USMCA covers investor-state dispute settlement (ISDS) between U.S. investors and Mexico in chapter 14. U.S. investors who are "part[ies] to a covered government contract" *and* engaged in activities in five "covered sectors": (i) oil and gas; (ii) power generation; (iii) telecommunications; (iv) transportation; and (v) infrastructure will have access to ISDS per USMCA provisions for an alleged breach of any Chapter 14 obligation. U.S. investors in other sectors can only access the USMCA's ISDS system to enforce certain types of obligations and must first assert their claims in local courts. The deadline for claims alleging breach of NAFTA's obligations passed on July 1, 2023.

According to the International Centre for Settlement of Investment Disputes (ICSID) there are 24 pending cases filed against Mexico by investors who allege expropriation and/or other violations of Mexico's NAFTA or USMCA obligations. Twenty-five other cases have been concluded. For more details on the cases, see the International Centre for Settlement of Investment Disputes (ICSID).

International Commercial Arbitration and Foreign Courts

The Arbitration Center of Mexico (CAM) is a specialized, private institution administering commercial arbitration as an alternative dispute resolution mechanism. The average duration of a CAM-conducted arbitration process is 12-18 months. The Commercial Code dictates that an arbitral award, regardless of the country where it originated, must be recognized as binding. The award must be enforced after presenting a formal written petition to a judge.

The internal laws of both Pemex and CFE state all national disputes of any nature will have to be resolved by federal courts. State-owned Enterprises (SOEs) and their productive subsidiaries may opt for alternative dispute settlement mechanisms under applicable commercial legislation and international treaties of which Mexico is a signatory. When contracts are executed in a foreign country, Pemex and CFE have the option to follow procedures governed by non-Mexican law, to use foreign courts, or to participate in arbitration. As of January 2024, Pemex updated its model contracts to explicitly clarify arbitration procedures for foreign contractors in upstream oil and gas projects.

Bankruptcy/Insolvency Regulations

Mexico's Reorganization and Bankruptcy Law (Ley de Concursos Mercantiles) governs bankruptcy and insolvency. Congress approved modifications in 2014 to shorten procedural filing times and convey greater juridical certainty to all parties, including creditors. Declaring bankruptcy is legal in Mexico and it may be granted to a private citizen, a business, or an individual business partner. Debtors, creditors, or the Attorney General can file a bankruptcy claim. Mexico scored 54 out of 100 in the World Bank's 2024 Business Ready Report *Business Insolvency* index, highlighting a weak regulatory framework and operational efficiency in this area. The average bankruptcy filing takes 1.8 years to be resolved and recovers 63.9 cents per U.S. dollar, which compares favorably to average recovery in Latin America and the Caribbean of just 31.2 cents per dollar. The Buró de Crédito is Mexico's main credit bureau. In 2023, Mexico's Supreme Court issued guidelines reinforcing creditor protections in commercial insolvency proceedings, emphasizing the rights of secured creditors during liquidation phases. More information on credit reports and ratings can be found on the Buró de Crédito website.

Section 4. Industrial Policies

Investment Incentives

Land grants or discounts, tax deductions, and technology, innovation, and workforce development funding are commonly used incentives. Additional federal foreign trade incentives include: (1) IMMEX (a program which allows qualifying export companies to temporarily import inputs without paying general import tax and value added tax (VAT)); (2) Import tax rebates on goods used in products for export; and (3) Sectoral promotion programs allowing for preferential ad valorem tariffs on imports of selected inputs. Industries typically receiving sectoral promotion benefits are:

- footwear,
- mining,
- chemicals,
- steel,
- textiles,
- apparel, and
- electronics.

While there have been some improvements, manufacturing and other companies report continued challenges obtaining VAT reimbursements from SAT based on applicable fiscal benefits, with significant reimbursement delays and arrears reaching tens of millions of dollars for some companies. In 2024, several multinational manufacturers reported VAT refund delays exceeding 12 months, despite SAT's commitment in late 2023 to improve processing times. SAT also reportedly started auditing some companies retroactively up to five years to re-assess qualifications for VAT reimbursements. These retroactive audits have increased in frequency since mid-2023, according to reports from industry groups such as INDEX and CONCAMIN. Additionally, several recent changes to the IMMEX program, such as the exemption of certain sectors and the potential elimination of the benefit to utilize the program via "virtual exports" (e.g., cross-border transfers without physical movement of goods) have reduced the perceived value of the program according to several companies. As of 2025, the Sheinbaum Administration has promised to implement streamlined administrative procedures, but companies remain unsure whether these changes will affect other aspects of the IMMEX program.

The Government of Mexico launched a new national economic development plan — "Plan Mexico" — as part of the National Development Plan on January 13, 2025. The plan seeks to substitute imported goods with those produced in Mexico and increase the national content in Mexican exports. A January 2025 decree expands on economic incentives issued under the previous administration, providing up to MXN 30 billion (approx. USD 1.5 billion) in tax deductions for new investment without the requirement of focusing on export markets. The plan seeks to reduce the time to finalize investment from 2.6 years to one year and outlines actions for eight priority sectors, including the goal of doubling Mexico's semiconductor exports by 2030. New fixed investment across a wide range of industries will receive immediate depreciation and tax deductions of between 41 and 91 percent through the end of 2026, and between 35 and 89 percent between 2026 and 2030. The decree also provides a 25 percent tax deduction for workforce training programs done in partnership with the Secretary of Public Education (SEP). The Committee on Evaluation, which must approve each company's application to the economic incentives program, will consist of the:

- Secretary of Finance,
- Secretary of Economy, and
- Advisory Council on Regional Economic Development and Nearshoring (CADERR).

The decree also requires at least MXN 1.5 billion in tax deductions be awarded to small- and medium-sized businesses.

Foreign Trade Zones/Free Ports/Trade Facilitation

In 2019, the Government of Mexico launched a program – renewed through December 31, 2025 – that established a border economic zone (BEZ) in 43 municipalities in six northern border states within 15.5 miles of the U.S. border. The BEZ program entails: 1) a fiscal stimulus decree reducing the VAT from 16 percent to 8 percent and the Income Tax (ISR) from 30 percent to 20 percent; 2) a minimum wage increase to MXN 374.89 (approx. USD 18.75) per day; and 3) the gradual harmonization of gasoline, diesel, natural gas, and electricity rates with neighboring U.S. states. The stated purpose of the BEZ program was to boost investment, promote productivity, and create more jobs in the region. Sectors excluded from the preferential ISR rate include financial institutions, the agricultural sector, and export manufacturing companies (*maquilas*).

In December 2020, the Government of Mexico launched a similar program for 22 municipalities in Mexico's southern states of Campeche, Tabasco, and Chiapas, reducing VAT from 16 to 8 percent and ISR from 30 to 20 percent and harmonizing excise taxes on fuel with neighboring states in Central America. Chetumal in Quintana Roo also enjoys duty-free status. The benefits extend through December 31, 2025. In addition, new incentives for renewable energy projects were introduced as part of this extension, including VAT exemptions on solar and wind energy components imported into the region.

Performance and Data Localization Requirements

Mexico does not follow a "forced localization" policy, that is, foreign investors are not required by law to use domestic content in goods or technology. However, investors intending to produce goods in Mexico for export to the United States should take note of the rules of origin prescriptions contained within USMCA if they wish to benefit from USMCA treatment. Chapter Four of the USMCA introduced new rules of origin and labor content rules.

Regulations issued by the Central Bank of Mexico (or Banxico) and the National Banking and Securities Commission (CNBV – Mexico's principal bank regulator) entered into force in April 2021 mandating electronic payments companies operating in Mexico and that rely on a third party for cloud data storage abroad to guarantee operational continuity through one of the following options: a back-up data storage provider in a different location than the primary data storage; their own infrastructure to carry out operations; or any other mechanism authorized by Banxico or the CNBV. The financial services industry is concerned the back-up storage requirement could violate provisions of the USMCA financial services chapter prohibiting data localization, which some U.S. firms believe may favor Chinese company Huawei's cloud services. In February 2024, Banxico issued additional guidelines clarifying that cloud service providers must be certified by Mexican authorities, a requirement that industry groups argue may further restrict access to foreign cloud providers and intensify compliance burdens.

Other Industrial Policy Aspects

Mexico's government has increasingly turned to its military for the construction and management of economic infrastructure, and private sector participation in these projects is often via subcontracts issued by the military. Under the Lopez Obrador administration, the government entrusted the Secretariat of Defense (Defensa) with building the new Felipe Ángeles International Airport (AIFA) in the state of Mexico, and sections 5, 6, and 7 of the Maya Train railway project in the Yucatan. Defensa created a state-owned company to operate and manage the newly completed AIFA airport, along with those in Tulum, Palenque, Chetumal, and Campeche. Defensa is also issuing contracts for the construction of over 300 social development bank branches throughout Mexico and other projects, including the modernization of border ports of entry. In late 2022 the government gave the rights to the Navy (Marina) for construction, management, and operations of the Interoceanic Corridor of the Isthmus of Tehuantepec (CIIT) project to connect the ports of Coatzacoalcos in Veracruz state and Salina Cruz in Oaxaca state. The CIIT is envisioned as a multimodal logistics corridor across the Isthmus of Tehuantepec, Mexico's narrowest point, to facilitate overland transport of goods and promote industrial development in southern Mexico. With the hope of attracting investment and creating jobs in one of Mexico's poorest regions, the CIIT project includes:

- the refurbishment of three rail lines,
- two port expansions, and
- construction of 10 industrial parks.

The Government of Mexico has transferred the administration of land ports of entry and seaports from the Secretariat of Infrastructure, Communications, and Transportation (SICT) to Defensa and Marina, respectively, and has appointed retired military personnel to port administrator positions at most ports. In February 2023, the Secretariat of National Defense (Defensa) was also given responsibility for maintaining Mexico's federal highway system. In 2024, the Government of Mexico expanded Defensa's control to include the management of 17 airports and 12 customs checkpoints, under the newly created Olmeca-Maya-Mexica Airport and Ports Group (GAFSACOMM). In addition, Marina has assumed greater operational roles in the customs clearance process at key seaports, including Manzanillo and Lázaro Cárdenas.

Section 5. Protection of Property Rights

Real Property

Article 27 of the Mexican Constitution guarantees the inviolable right to private property. Expropriation can only occur for public use and with due compensation. Mexico has four categories of land tenure: private ownership, communal tenure (ejido), publicly owned, and ineligible for sale or transfer.

Article 27 of the Mexican Constitution prohibits foreigners from acquiring title to residential real estate in so-called "restricted zones" within 50 kilometers (approx. 31 miles) of the nation's coast and 100 kilometers (approx. 62 miles) of the borders. The restricted zones comprise approximately 40 percent of Mexico's territory. Foreigners may acquire the effective use of residential property in "restricted zones" through the establishment of an extendable trust (*fideicomiso*) arranged through a Mexican financial institution. Under this trust, the foreign investor obtains all property use rights, including the rights to develop, sell, and transfer the property. Real estate investors are encouraged to perform due diligence to ensure that there are no other claimants to the property being purchased. In some cases, *fideicomiso* arrangements have led to legal challenges. U.S.-issued title insurance is available in Mexico and U.S. title insurers operate here.

The Public Register for Business and Property (Registro Público de la Propiedad y del Comercio) maintains publicly available information online regarding land ownership, liens, mortgages, restrictions, etc. Tenants and squatters are protected under Mexican law. Property owners who encounter problems with tenants or squatters are advised to seek professional legal advice, as the legal process of eviction is complex. In 2023, Mexico's Supreme Court ruled to uphold increased tenant protections in eviction proceedings, extending timelines for certain residential tenant evictions.

Mexico has a nascent but growing financial securitization market for real estate and infrastructure investments, which investors can access via the purchase or sale of Fideicomisos de Infraestructura y Bienes Raíces (FIBRAs) and Certificates of Capital Development (CKDs) listed on Mexico's BMV stock exchange.

Intellectual Property

Intellectual Property Rights (IPR) in Mexico are covered by the Federal Law for Protection of Industrial Property (Ley Federal de Protección a la Propiedad Industrial) and the Federal Copyright Law (Ley Federal del Derecho de Autor). Several government authorities share responsibility for IPR protection. The Prosecutor General's Office (Fiscalía General de la República or FGR) oversees a specialized unit that prosecutes intellectual property (IP) crimes. The Mexican Institute of Industrial Property (IMPI), the equivalent of the U.S. Patent and Trademark Office, administers patent and trademark registrations and enforces IPR through administrative proceedings. The National Institute of Copyright (INDAUTOR) handles copyright registrations and mediates certain types of copyright disputes, while the Federal Commission for the Protection against Sanitary Risks (COFEPRIS) regulates pharmaceuticals, medical devices, and processed foods. The National Customs Agency of Mexico (ANAM) is responsible for ensuring illegal goods do not cross Mexico's borders.

The process for trademark registration in Mexico normally takes approximately four months. The registration process begins by filing an application with IMPI, which is published in its official Gazette for opposition by a third party. If no opposition is filed, IMPI undertakes a formalities examination, followed by a substantive examination to determine if the application and supporting documentation fulfills the requirements established by law and regulation to grant the trademark registration. Once the determination is made, IMPI then issues the registration. A trademark registration in Mexico is valid for 10 years from the date of registration and is renewable for 10-year periods. Any party with standing can challenge a trademark registration through a cancellation proceeding. IMPI employs the following administrative procedures: nullity, expiration or lapsing, opposition, cancellation, trademark, patent, and copyright infringement. Once IMPI issues a decision, the affected party may challenge it through an internal reconsideration process or go directly to the Specialized IP Court for a nullity trial. An aggrieved party can then file an appeal with a Federal Appeal Court based on the Specialized IP Court's decision. In cases with an identifiable constitutional challenge, the plaintiff may file an appeal before the Supreme Court.

To improve efficiency, in 2023 IMPI partnered with the United States Patent and Trademark Office (USPTO) to launch the Accelerated Patent Grant initiative. Under this work-sharing arrangement, an eligible patent applicant who has been granted a U.S. patent by the USPTO may choose that the IMPI grant a patent on a corresponding Mexican patent application at any time during its processing, following the publication of the application in the Mexican Industrial Property Gazette, subject to the relevant patent laws of Mexico. This arrangement is intended to allow for the efficient reutilization of USPTO work by IMPI. The USPTO also has a Patent Prosecution Highway (PPH) agreement with IMPI. Under the PPH, an applicant receiving a ruling from either IMPI or the USPTO that at least one claim in an application is patentable may request that the other office expedite examination of the corresponding application. The PPH leverages fast-track patent examination procedures already available in both offices to allow applicants in both countries to obtain corresponding patents faster and more efficiently. An agreement between COFEPRIS and IMPI to formalize the technical cooperation mechanism regarding patents for allopathic and biotechnological medicines entered into force on June 3, 2025. COFEPRIS will publish lists of applications for the sanitary registration of generic or biocomparable medicines, granting a 10-business-day period for third parties to submit oppositions through the Third-Party Affected Opposition Form. IMPI will respond to COFEPRIS's requests by providing information on valid patents that may be related to the medicine in question.

Mexico has undertaken some legislative reforms to comply with the USMCA. The Federal Law for Protection of Industrial Property (Ley Federal de Protección a la Propiedad Industrial) went into effect in November 2020. This new law replaced the Industrial Property Law (Ley de la Propiedad Industrial), reportedly substantially strengthening IPR across a variety of sectors. Mexico amended the Federal Copyright Law and the Federal Criminal Code to comply with the USMCA. The amendments went into effect July 2, 2020. However, regulations for the new industrial property law and the amended copyright law have not yet been published. Once fully implemented, experts assess these amendments should significantly strengthen intellectual property law in Mexico. The Mexican Supreme Court voted on June 3, 2024, to uphold the constitutionality of Mexico's USMCA implementing legislation related to copyrights. This case had raised serious concerns for U.S. rights holders since 2020, and companies assess the decision as a major win for IPR.

Reports document widespread commercial-scale infringement in Mexico that results in significant losses to Mexican, U.S., and other IPR owners. There are many issues that have reportedly hindered efforts to improve IPR enforcement in Mexico, including legislative loopholes; lack of coordination between federal, state, and municipal authorities; a cumbersome and lengthy judicial process; relatively widespread acceptance of piracy and counterfeiting, and lack of resources dedicated to enforcement. In addition, the involvement of transnational criminal organizations (TCOs), which control the piracy and counterfeiting markets in parts of Mexico and engage in trade-based money laundering by importing counterfeit goods, reportedly continue to impede federal government efforts to improve IPR enforcement. TCO involvement has further illustrated the alleged link between IPR crimes and illicit trafficking of other contraband, including arms and drugs.

Mexico was listed on the Priority Watch List in the 2025 Special 301 report published by the U.S. Trade Representative (USTR). Long-standing and significant concerns include implementation and enforcement of IPR protection provisions under USMCA, as evidenced by non-existent criminal investigations and prosecutions for trademark counterfeiting and copyright piracy. The 2024 USTR Notorious Markets for Counterfeiting and Piracy Review listed these Mexican markets: Mercado San Juan de Dios and El Santuario in Guadalajara, and Tepito in Mexico City. Mexico is a signatory to numerous international IP treaties, including the:

- Paris Convention for the Protection of Industrial Property,
- Berne Convention for the Protection of Literary and Artistic Works, and
- WTO Agreement on Trade-Related Aspects of Intellectual Property Rights.

Resources for Rights Holders

- **USPTO Intellectual Property Rights Counselor for Mexico, Central America, and the Caribbean**

  U.S. Trade Center Liverpool No. 31 Col. Juárez
  C.P. 06600 Mexico City

  Tel: (52) 55 5080 2189

- **National Institute of Copyright (INDAUTOR)**

  Puebla No. 143
  Col. Roma, Del. Cuauhtémoc

  06700 México, D.F.

  Tel: (52) 55 3601 8270

- **Mexican Institute of Industrial Property (IMPI)**

  Periférico Sur No. 3106
  Piso 9, Col. Jardines del Pedregal
  Mexico, D.F., C.P. 01900

  Tel: (52) 55 56 24 04 01 / 04

  (52) 55 53 34 07 00

For additional information about national laws and points of contact at local IP offices, please see WIPO's country profiles.

Section 6. Financial Sector

Capital Markets and Portfolio Investment

The Mexican government is generally open to foreign portfolio investments, and foreign investors trade actively in various public and private asset classes. Foreign entities may freely invest in federal government securities. The Foreign Investment Law establishes that foreign investors may hold 100 percent of the capital stock of any Mexican corporation or partnership, except in those few areas expressly subject to limitations under that law. Foreign investors may also purchase non-voting shares through mutual funds, trusts, offshore funds, and American Depositary Receipts. Changes to tax regulations introduced by the 2022 miscellaneous tax bill, a part of the annual budget legislative package, introduced changes to Article 174 of Mexico's Income Tax Law (Ley del Impuesto sobre la Renta, ISR) to include new requirements that legal representatives appointed by non-Mexican residents should satisfy, in addition to existing requirements under administrative procedure 160 of the ISR. U.S. companies expressed concern the new and existing requirements for legal representatives are excessive, and noted unless SAT simplifies such requirements, they will complicate the transfer by non-Mexican residents of shares within Mexico.

Foreign investors also have the right to buy directly limited or nonvoting shares, or "B" shares with voting rights. Foreigners may purchase an interest in "A" shares, which are normally reserved for Mexican citizens, through a neutral fund operated by one of Mexico's six development banks. Finally, Mexico offers federal, state, and local governments bonds that are rated by international credit rating agencies. The market for these securities has expanded rapidly in past years and foreign investors hold a significant stake of total federal issuances. However, foreigners are limited in their ability to purchase sub-sovereign state and municipal debt. Liquidity across asset classes is relatively deep. In September 2024, Mexico amended the Securities Market Law to establish simplified listing requirements for small and medium-sized enterprises (SMEs) on Mexico's stock exchanges.

Mexico established a fiscally transparent trust structure known as a FICAP in 2006 to allow venture and private equity funds to incorporate locally. The Securities Market Law (Ley de

Mercado de Valores) established the creation of three special investment vehicles which can provide more corporate and economic rights to shareholders than a normal corporation. These categories are:

1. Investment Promotion Corporation (Sociedad Anónima de Promotora de Inversion or SAPI);
2. Stock Exchange Investment Promotion Corporation (Sociedad Anonima Promotora de Inversion Bursatil or SAPIB); and
3. Stock Exchange Corporation (Sociedad Anonima Bursatil or SAB).

Mexico also has a growing real estate investment trust market, locally referred to as Fideicomisos de Infraestructura y Bienes Raíces (FIBRAS) as well as FIBRAS-E, which allow for investment in non-real estate investment projects. FIBRAS are regulated under Articles 187 and 188 of Mexican Federal Income Tax Law.

In 2023, the Mexican Congress approved amendments to the Securities Market Law establishing a simplified investment regime and including hedge funds.

Money and Banking System

Financial sector reforms signed into law in 2014 have improved regulation and supervision of financial intermediaries and have fostered greater competition between financial services providers according to investors. While access to financial services – particularly personal credit for formal sector workers – has expanded in the past four years, bank and credit penetration in Mexico remains below OECD and emerging market averages. Coupled with sound macroeconomic fundamentals, investors report that reforms have created a positive environment for the financial sector and capital markets. According to the National Banking and Securities Commission (CNBV), the banking system remains healthy and well-capitalized.

Mexico’s banking sector is heavily concentrated, and majority foreign-owned. The seven largest banks control 80 percent of system assets and foreign-owned institutions control 65 percent of total assets. The USMCA maintains national treatment guarantees for financial services. U.S. securities firms and investment funds, acting through local subsidiaries, have the right to engage in the full range of activities permitted in Mexico.

The Central Bank maintains independence in operations and management by constitutional mandate. Its main function is to provide domestic currency to the Mexican economy and to safeguard the Mexican peso's purchasing power by gearing monetary policy toward meeting a three percent inflation target over the medium term. The Central Bank is developing a Central Bank Digital Currency (CBDC), initially announced in 2021, with Banxico stating in early 2024 that its rollout had been delayed beyond 2025 due to budget constraints and technological infrastructure challenges.

Mexico's Financial Technology (FinTech) law came into effect in March 2018 and administration released secondary regulations in 2019, creating a broad rubric for the development and regulation of innovative financial technologies. The law covers peer-to-peer lending, or crowdfunding institutions, e-wallet services, virtual assets subject to authorization by the Central Bank, and a regulatory "sandbox" for start-ups to test the viability of products. The reforms have attracted significant investment by fintech and mobile payment companies. However, industry stakeholders suggest insufficient clarity in the authorities' implementation of the secondary regulations may be eroding the legal certainty the FinTech Law brought to the sector. Companies also remain concerned that insufficient competition in Mexico's electronic payments system for credit card transactions increases operating costs and inhibits innovation.

Foreign Exchange and Remittances

Foreign Exchange

The Government of Mexico has maintained a free-floating exchange rate since 1994.

Mexico maintains open conversion and transfer policies. In general, capital and investment transactions, remittance of profits, dividends, royalties, technical service fees, and travel expenses are handled at market-determined exchange rates. Mexican peso (MXN)/U.S. dollar (USD) exchange is available on same day, 24- and 48-hour settlement bases. In order to prevent money-laundering transactions, Mexico imposes limits on U.S. dollar cash deposits.

Businesses in designated border and tourism zones may deposit more than MXN 14,000 per month subject to reporting rules and providing justification for their need to conduct U.S. dollar cash transactions. Individual account holders are subject to a USD 4,000 per month cash deposit limit. In 2016, Banxico launched a central clearing house to allow for U.S. dollar clearing services wholly within Mexico to improve clearing services for domestic companies with U.S. dollar income.

Remittance Policies

There have been no recent changes in Mexico's remittance policies. Mexico continues to maintain open conversion and transfer policies.

Sovereign Wealth Funds

Mexico primarily manages two sovereign wealth funds (SWFs) : 1) the Mexican Petroleum Fund for Stability and Development (FMP); and 2) the Budgetary Income Stabilization Fund (FEIP). Both SWFs are domestically oriented stabilization funds with no strategic investment mandate abroad. Their operations are tightly linked to the Ministry of Finance, funded by volatile oil revenues, and demonstrate low transparency and no adherence to Santiago Principles. The FMP was created as part of 2013 budgetary reforms to manage excess oil revenue, contributing to long-term national savings but has partially shifted focus toward fiscal stabilization. The FEIP was created to promote domestic macroeconomic stability by helping the government compensate for shortfalls in revenue. Neither SWF is fully self-sustaining as replenishment depends on favorable macroeconomic conditions (e.g., oil prices, tax revenues).

Section 7. State-owned Enterprises

There are two main SOEs in Mexico, both in the energy sector. Pemex operates the hydrocarbons (oil and gas) sector, which includes upstream, mid-stream, and downstream operations. Pemex historically contributed one-third of the Mexican government's budget but falling output and global oil prices alongside improved revenue collection from other sources have diminished this amount over the past decade to about 10 percent. The Federal Electricity

Commission (CFE) operates the electricity sector and since 2019 operates a subsidiary known as CFE Telecommunications and Internet for All (CFE Telecomunicaciones e Internet para Todos, CFE-TEIT) with the goal of providing internet access and broadband services to remote and rural municipalities to reduce Mexico's digital divide. A 2024 constitutional energy reform reclassified CFE and Pemex from "productive enterprises" of the state to "public enterprises," with the aim of instituting more state control over Mexico's energy sector and privileging the SOEs over private sector competition. The reform guarantees CFE dominance in the electricity market and Pemex dominance in the hydrocarbons sector.

Pemex

As a result of Mexico's 2024 constitutional energy reform and subsequent implementing legislation, Pemex has the right of first refusal in the exploration and extraction of new oil and gas blocks. The new legal framework allows Pemex to partner with private firms in case of technical or financial limitations, such as deepwater or heavy crude projects, but Pemex must maintain at least 40 percent ownership in any new developments. Pemex remains in perilous fiscal condition, with debt totaling approximately USD 97 billion. Pemex's 10-person Board of Directors contains five government ministers and five independent councilors, and its financial statements are regularly audited. The administration has identified increasing Pemex's oil, natural gas, and refined fuels production as a top priority for Mexico's hydrocarbon sector but has also developed plans to expand into new areas, including clean energy production through the placement of wind turbines on oil platforms and lithium production from abandoned wells.

CFE

Among the most significant changes in the 2024 constitutional energy reform and implementing laws was a requirement that at least 54 percent of the electricity dispatched to the grid over the course of a year come from state-owned CFE assets, leaving at most 46 percent of the market for the private sector. The Ministry of Energy (SENER) will release a binding energy plan on an annual basis to guarantee CFE dominance in the electricity market and ensure the private sector does not provide more than 46 percent of Mexico's electricity dispatched to the grid. CFE remains the sole provider of transmission and distribution services and owns all transmission and distribution infrastructure. The 2013 energy reform separated CFE from the National Energy Control Center (CENACE), which controls the national wholesale electricity market and ensures non-discriminatory access to the grid for competitors. This separation remains in place.

The implementing laws codified six pathways for private participation in Mexico's electricity sector: (1) onsite distributed generation up to 0.7 megawatts (MW) without need of a permit; (2) onsite self-production and consumption from 0.7 to 20 MW and no connection to Mexico's electricity grid; (3) onsite self-production and self-consumption between 0.7 and 20 MW with a requirement to sell excess generation exclusively to CFE; (4) open competition for projects over 0.7 MW and meant for Mexico's wholesale electricity market; (5) private development of utility-scale projects with electricity exclusively sold to CFE and with potential asset transfer to CFE; and (6) joint venture utility-scale development with CFE ownership of at least 54 percent. CFE Transmission has historically underinvested in transmission and distribution, significantly constraining the grid's resilience, efficiency, and capacity to incorporate additional generation. Rather than using revenue from transmission fees to expand and upgrade the grid, CFE has diverted those resources to finance generation projects or subsidize consumer prices.

One of the main non-market-based advantages CFE and PEMEX receives vis-a-vis private businesses in Mexico is direct budgetary support from the Secretariat of Finance. The Mexican government earmarked MXN 136 billion (approx. USD 6.6 billion) to pay down some of Pemex's maturing debt in the 2025 budget. In addition, the implementing legislation established the National Energy Commission (CNE), a new regulatory body to be housed under the authority of SENER. CNE will have a director general and a staff of technocrats to carry out its work, but final decision-making authority will rest in the hands of supervisory committee led by the Secretary of Energy and her undersecretaries. This is likely to result in faster permitting for SOE-backed projects than those backed by private competitors to the SOEs.

CFE-TEIT

In August 2019, an executive branch agreement created CFE Telecommunications and Internet for All (CFE-TEIT) as a subsidiary of CFE. The CFE-TEIT board is led by the CFE director general and has a partnership with Altán Redes, which holds the 700 MHz spectrum band to provide internet and mobile phone service through a 4.5G shared network (Red Compartida). Red Compartida operates only in areas not served by other Mobile Virtual Operators (MVO), limiting its market to around 121,407 locations, most of which are in rural or remote areas, with 99,239 of them having fewer than 250 inhabitants. In February 2024, the Federal Institute of Telecommunications modified the permits awarded to CFE-TEIT, to allow the subsidiary to provide services in cities where other operators are present. U.S. industry is concerned this measure could create unfair competition. In 2024, Altán met its goal of providing coverage for 92.2 percent of the currently offline population by 2028. As of June 2024, Altán Redes reports it provides services to 13 million users in 127,000 locations, covering 95.3 percent of their target population. In February 2023, Viasat Inc and CFE-TEIT announced a partnership to bring free internet access to 850 underserved communities across Mexico. In November 2023, Starlink and CFE-TEIT announced a deal to provide satellite connectivity to around 400 underserved communities.

LitioMx

Mexico reformed its mining law in April 2022 to nationalize lithium and published a decree August 2022 to create state-owned entity LitioMx dedicated to the exploration and exploitation of lithium. Then-President Lopez Obrador signed a decree in February 2023 creating a lithium reserve zone spanning 234,000 hectares (approx. 578,000 acres) in the northern state of Sonora. This decree does not impact the rights and obligations of holders of existing concessions. The president also signed an agreement designating the Energy Secretariat (SENER) as the lead secretariat to oversee Mexico’s lithium development, which will be carried out by LitioMx. President Sheinbaum and other administration officials continue to maintain that the private sector will play a key role in developing Mexico’s critical mineral resources, though LitioMx must retain control.

Privatization Program

Mexico's 2024 constitutional energy reform undid the liberalization movement of 2014 by guaranteeing the dominant role of SOEs in Mexico's energy sector. There is no current privatization program.

Section 8. Corruption

The World Justice Project (WJP), the Economist Intelligence Unit, and other sources concur in their assessments that corruption exists in many forms in Mexican society, including the public sector (e.g., demand for bribes or kickbacks by government officials), and private sector (e.g., fraud, falsification of claims), as well as conflict of interest issues, which are poorly defined in Mexican law. In 2024, WJP ranked Mexico 135 out of 142 in its absence of corruption index.

Some of the most common reports of official corruption involve government officials stealing from public coffers, creating fake companies to divert public funds, or demanding bribes in exchange for not prosecuting criminal activity or awarding public contracts. The Government of Mexico supported anti-corruption reforms (detailed below) and judicial proceedings in several high-profile corruption cases, including some involving former governors. However, Mexican civil society asserts that the government must take more systematic, effective, and frequent action to address corruption at the institutional level.

Mexico adopted a constitutional reform in 2014 to transform the current Office of the Attorney General into an Independent Prosecutor General's office to increase its independence. In 2015, Mexico passed a constitutional reform creating the National Anti-Corruption System (SNA) with an anti-corruption prosecutor and a citizens' participation committee to oversee efforts. The system is designed to provide a comprehensive framework for the prevention, investigation, and prosecution of corruption cases, including delineating acts of corruption considered criminal acts under the law. The legal framework establishes a basis for holding private actors and private firms legally liable for acts of corruption involving public officials and encourages private firms to develop internal codes of conduct and business integrity mechanisms. After 10 years of operation, commentators attribute few successes to the SNA. The implementation of mandatory state-level anti-corruption legislation varies.

The reform mandated a redesign of the Secretariat of Public Administration to give it additional auditing and investigative functions and capacities in combating public sector corruption. Congress approved legislation to change economic institutions, assigning new responsibilities, and in some instances creating new entities. Reforms to the federal government's structure included the creation of a General Coordination of Development Programs to manage the federal-state coordinators ("superdelegates") in charge of federal programs in each state. The law also created the Secretariat of Security and Citizen Protection and significantly expanded the power of the president's Legal Advisory Office (Consejería Jurídica) to appoint and dismiss each federal agency's legal advisor and clear all executive branch legal reforms before their submission to Congress. The law eliminated financial units from ministries, with the exception of the Secretariat of Finance (Hacienda), Defensa, and Marina, and transferred control of contracting offices in other ministries to the Secretariat of Finance (Hacienda). Separately, the law replaced the previous Secretariat of Social Development (SEDESOL) with a Welfare Secretariat in charge of coordinating social policies, including those developed by other agencies such as health, education, and culture. The Labor Secretariat gained additional tools to foster collective bargaining, union democracy, and to meet International Labor Organization (ILO) obligations.

Mexico ratified the OECD Convention on Combating Bribery and passed its implementing legislation in May 1999. The legislation includes provisions making it a criminal offense to bribe foreign officials. Mexico is also a party to the Organization of American States (OAS) Convention against Corruption and ratified the United Nations Convention Against Corruption (UNCAC) in 2004, as well as the separate Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (the Anti-Bribery Convention) in 1999. The government has enacted or proposed laws attacking corruption and bribery, with average penalties of five to 10 years in prison.

Mexico is a member of the Open Government Partnership and enacted a Transparency and Access to Public Information Act in 2015, which revised the existing legal framework to expand national access to information. Transparency in public administration at the federal level reportedly improved noticeably, but expanding access to information at the state and local level has been slow. According to Transparency International's 2024 Corruption Perception Index, Mexico ranked 140 of 180 nations. Civil society organizations focused on fighting corruption and promoting transparency are more visible at the federal level but are fewer and have less reach than those at the state and local levels. In 2023 and early 2024, several NGOs, including Mexicanos Contra la Corrupción y la Impunidad (MCCI), reported increased scrutiny and public criticism from federal authorities, which they say has affected their funding and public engagement efforts. The U.S. Embassy has engaged in a broad-based effort to work with Mexican agencies and civil society organizations in developing mechanisms to fight and prevent corruption and promote transparency and fairness in government procurement. Efforts with specific business impact include government procurement best practices training, regulatory improvement reengineering at the municipal and state levels to enhance business environment, assistance for improved business integrity practices and compliance for Mexican companies – including small and medium enterprises (SMEs), and technical assistance under the U.S. Trade and Development Agency's Global Procurement Initiative.

Resources to Report Corruption

- **Secretariat of Anticorruption and Good Government**

  Av. Insurgentes Sur 1735, Col. Guadalupe Inn, Alcaldia Alvaro Obregon, 01020 Mexico City

  52-55-2000-3000 (ext 5232)

- **Transparencia Mexicana**

  Dulce Olivia 73, Mexico City

  52-55-5659-4714

Section 9. Political and Security Environment

Mass demonstrations are common in the larger metropolitan areas and in the southern Mexican states of Guerrero and Oaxaca. While political violence is rare, drug and organized crime-related violence has increased significantly in recent years. The national homicide rate stood at 11.7 per 100,000 population in 2024, according to data from Mexico's National Institute of Statistics and Geography (INEGI). For complete security information, please see the Safety and Security section on the Department of State's Consular Country Information page. Conditions vary widely by state. For a state-by-state assessment please see the Department of State's Consular Travel Advisory. Companies have reported that security concerns remain an issue for those looking to invest in the country. The American Chamber of Commerce in Mexico reported in 2024 that security-related expenses cost businesses up to 5 percent of their operating budgets. Many companies choose to take extra precautions for the protection of their workers and executives. They also report rising costs for securing goods shipments. The Overseas Security Advisory Council (OSAC) monitors and reports on regional security for U.S. businesses operating overseas. OSAC constituency is available to any U.S.-owned, not-for-profit organization, or any enterprise incorporated in the United States (parent company, not subsidiaries or divisions) doing business overseas. See OSAC's country page for Mexico.

Notably, the 2024 presidential election cycle was marked by an unprecedented wave of political violence, with more than 30 political candidates – local, mayoral, and gubernatorial – assassinated. Many if not all of these killings are believed to be linked to organized crime groups seeking to influence local politics and control territories. The spike in electoral violence raised concerns about the security environment for political participation and democratic processes. According to Mexico's Civic Data Observatory (Data Cívica), the 2024 election cycle was one of Mexico's most violent in modern history.

Investors should be aware that on February 20, 2025, the U.S. government officially designated six Mexican cartels as Foreign Terrorist Organizations (FTOs), a development that raised the importance for companies to maintain robust compliance programs.

Section 10. Labor Policies and Practices

Mexican labor law requires at least 90 percent of a company's employees to be Mexican nationals. Employers can hire foreign workers in specialized positions as long as they do not exceed 10 percent of employees in any specialized category. Mexico's labor informality rate stood at 54.8 percent in 2023, remaining above the average for countries with comparable GDP per capita. High informality, defined as those working in unregistered firms or without social security protection, distorts labor market dynamics, contributes to persistent wage depression, drags overall productivity, and slows economic growth. Manufacturing companies, particularly along the U.S.-Mexico border and in the states of Aguascalientes, Guanajuato, Jalisco, and Querétaro, report labor shortages and difficulty retaining staff due to formal wages often being lower than those in the informal sector, although recent increases in the minimum wage are leading to increases in entry level wages which are attracting more workers. The Mexican government increased the daily minimum wage by 12 percent in 2025 to MXN 248.93 (approx. USD 12.45), with a higher minimum wage of MXN 419.88 (approx. USD 21) in the Northern Border Free Zone. Shortages of skilled workers and engineers continue due to a mismatch between industry needs and current pedagogy within the Mexican educational system. Mexico has one of the lowest female labor participation rates in the OECD, 51.7 percent compared to an 80.5 percent male participation rate among people legally allowed to work (15 years or older) in 2024. Barriers for female workers include the culturally assigned role for them as caretakers of children and the elderly. Most Mexican workers work for a microenterprise (40 percent) and 72.3 percent earn between USD 11.70 and 23.40 per day. Mexico's formal unemployment rate is usually around 3 percent, while its underemployment rate is much higher at around 7.7 percent, which encompasses those working part time or in the informal sector due to the limited availability of full time, formal sector jobs. In 2023, the informal economy accounted for 24.8 percent of total Mexican GDP according to the National Institute of Statistics and Geography. Informal businesses span all economic activities from agriculture to manufacturing, with formal businesses often employing both formal and informal workers to reduce their labor costs.

In 2019, Mexico enacted the most fundamental reform to its federal labor law in more than a century, consistent with Mexico's obligations under the USMCA Labor Chapter Annex 23-A. The reform called for the transfer of authority to adjudicate labor disputes from partisan and ineffective Conciliation and Arbitration Boards (CABs) to new labor courts in Mexico's judicial branch. The reform also transferred the CABs' responsibility for registering unions and collective bargaining agreements (CBAs) to a new, independent, and specialized Federal

Conciliation and Labor Registration Center (FCCLR). In May 2023, Mexico completed the reform placing the country under the new labor justice system.

Mexico's labor relations system has been widely criticized by labor experts, think tanks, academics, independent labor unions, and international organizations as skewed to represent the interests of employers, undemocratic unions, and the government at the expense of workers. Mexico's previous legal framework governing collective bargaining created the possibility of negotiation and registration of initial CBAs without the support or knowledge of the covered workers that artificially suppressed wages. These agreements are commonly known as protection contracts and constitute a gap in practice with international labor standards regarding freedom of association. The percentage of the economy covered by CBAs is between 5 and 10 percent, of which more than 80 percent were believed to be protection contracts. To root out the existence of protection contracts, the reform called for a process, known as legitimization, that all existing CBAs be subjected to worker approval through a secret ballot vote verified by the labor authorities by May 1, 2023, or risk nullification of the agreement. Mexico reported that the final number of CBAs that underwent this legitimization process was 30,526 out of 139,000. The reported increasingly permissive political and legal environment for independent unions is already changing the way established unions manage disputes with employers, prompting more authentic collective bargaining. As independent unions compete with corporatist unions to represent worker interests, workers are reportedly likely to be further emboldened in demanding higher wages.

After four years of significant financial commitments to support labor reform implementation, Mexico reversed course in 2025 and enacted significant cuts to the 2025 federal budget for key labor law reform institutions, particularly the FCCLR. The budget also cut funding to support local reform institutions. In addition, on September 16, 2024, Mexico enacted a landmark constitutional reform to the Mexican federal judiciary that establishes public election of all judges, including labor judges, which threatens to politicize the selection of judges and undermine their professionalization after years of investment of USMCA funds.

The USMCA's dispute settlement chapter (Chapter 31) includes an innovative Facility Specific Rapid Response Labor Mechanism (RRM) that permits the U.S. government to take expedited enforcement actions against individual factories that appear to be denying workers the right of freedom of association and collective bargaining under Mexican law. As of January 2025, the United States has invoked the RRM in 32 instances regarding a denial of rights at a Mexico-based facility, benefiting over 42,000 workers.

According to the International Labor Organization (ILO), the government was reasonably effective in enforcing labor laws in large and medium-sized companies, especially in factories run by U.S. companies and in other industries under federal jurisdiction. Enforcement was inadequate in many small companies and in the agriculture and construction sectors, and it was nearly absent in the informal sector. Worker organizations have made numerous complaints of poor working conditions in maquiladoras and in the agricultural production industry. The most common complaints were:

- low wages,
- poor labor conditions,
- long work hours,
- unjustified dismissals,
- lack of social security benefits and safety in the workplace, and
- lack of freedom of association.

Section 11. U.S. International Development Finance Corporation (DFC) and Other Investment Insurance or Development Finance Programs

Since 2018, DFC has pursued potential investment projects in Mexico, and the country rapidly became one of the top destinations for projects with DFC support. However, Mexico does not have a formal agreement with the DFC.

Mexico is a priority country for USTDA, and the Agency is supporting infrastructure projects in the country with grant funds for feasibility studies, reverse trade missions, and technical assistance. USTDA also maintains a robust pipeline of prospective projects it plans to support through project preparation tools.

Section 12. Contact for More Information

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