Foreign Direct Investment in Mexico

Domestic and International

Sophy Michelle Laughing, Ph.D., MBA

The Cobeal Group

www.Cobeal.com

SLaughing@Cobeal.com

14 June 2024

Abstract

This paper gives an overview of Mexico's investment policy, covering the main laws, international agreements, and key institutions that manage and encourage foreign investment. The primary legislation governing foreign direct investment (FDI) is the Foreign Investment Law of 1993 (FIL), which allows up to 100% foreign ownership in most sectors and mandates registration with the National Registry of Foreign Investment. Mexico's adherence to international agreements, including those under the World Trade Organization (WTO), ensures compliance with global standards on market access, treatment of foreign investors, and protection of intellectual property. Key trade agreements, such as NAFTA, CPTPP, and bilateral treaties with the UAE, provide detailed protections and dispute resolution mechanisms. Recent developments include the United States-Mexico-Canada Agreement (USMCA), which imposes new limitations on investor-state dispute settlement (ISDS). Institutional changes, such as the disbanding of ProMéxico and the establishment of a new facilitation agency, reflect ongoing efforts to streamline investment promotion. The National Foreign Investment Commission plays a crucial role in coordinating investment policies across various government ministries. This framework aims to create a stable, fair, and transparent environment for foreign investors, fostering economic growth and development in Mexico.

Keywords: Foreign Investment Law (FIL), Foreign direct investment (FDI), National Registry of Foreign Investment (NRFI), World Trade Organization (WTO), NAFTA (North American Free Trade Agreement), CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership), USMCA (United States-Mexico-Canada Agreement), Investor-state dispute settlement (ISDS), ProMéxico, National Foreign Investment Commission, Sector-specific laws, International investment agreements (IIAs), Intellectual property protection, Market access, Trade Related Investment Measures (TRIMs), Subsidies and Countervailing Measures (SCM), Trade-Related Aspects of Intellectual Property Rights (TRIPS), Dispute resolution mechanisms, Investment policy framework, Economic growth and development.

Table of Contents

Foreign Direct Investment in Mexico

Mexico has established a comprehensive legal framework to govern foreign direct investment (FDI), aiming to create a conducive environment for international investors while ensuring national interests are protected. The cornerstone of this framework is the **Foreign Investment Law of 1993** (Ley de Inversión Extranjera) and its accompanying regulations, including the **Regulation of the Foreign Investment Law and the Foreign Investment National Registry of 1998.**

Primary Legislation

The Foreign Investment Law of 1993 is the main law governing FDI in Mexico. It allows foreign investors to own up to 100% of Mexican companies, except in restricted sectors. The law balances welcoming foreign capital and protecting national interests.

Key Provisions

The FIL is characterized by several critical provisions:

- **Full Participation:** Foreign investors are allowed to participate up to 100% in the capital of Mexican companies, except in specific sectors where restrictions apply.
- **Registration Requirement:** All foreign investments must be registered with the **National Registry of Foreign Investment (NRFI)**, which serves a statistical and regulatory function.
- **Core Principles:** The FIL is guided by three main principles:
    - **Most-Favored Nation Treatment:** Ensuring foreign investors are not treated less favorably than nationals of other countries.
    - **Fair Price and Due Process for Expropriation:** Guaranteeing that any expropriation is conducted fairly and with appropriate compensation.
    - **Equal Treatment:** Ensuring that foreign and national citizens receive equal treatment under the law.

Historical Context

The current FDI framework evolved significantly from previous regulations. The **Foreign Investment Law of 1993** replaced the **Law to Promote Mexican Investment and Regulate Foreign Investment of 1973**. The 1973 Law was promoted Mexican investments and limited foreign participation to 49% in most industries. The 1993 law was more open to foreign investment, relaxing these limits to encourage economic growth and international participation. This change shows Mexico's move towards a more open and globally integrated economy.

Sector-Specific Laws and International Legal Instruments Regulating Foreign Investment in Mexico

Mexico's investment policy framework is complex and intricately designed to address both sector-specific regulations and international commitments, ensuring a robust and transparent environment for foreign investors. Sector-specific laws require that foreign investors adhere to regulations pertinent to the specific sectors in which they invest. This tailored approach ensures that each sector's unique characteristics and needs are adequately addressed.

Public access to these laws and regulations is a cornerstone of transparency in Mexico's investment framework. The Mexican Federal Constitution mandates the publication of all laws, regulations, and amendments in the **Official Federal Gazette (Diario Oficial de la Federación)**, which is accessible online. Additionally, each state maintains its own official gazette, ensuring that state-specific laws and reforms are also publicly available. This comprehensive publication system allows investors to stay informed about the regulatory landscape.

Engagement with stakeholders is another critical aspect of Mexico's regulatory framework. The 2018 General Law of Regulatory Improvement (**Ley de Mejora Regulatoria**) established the **Regulatory**

Improvement Commission (CONAMER), which facilitates regulatory impact assessments, public consultations, and stakeholder engagement for all regulatory proposals and primary laws issued by the executive branch. This process ensures that the interests and insights of various stakeholders are considered before new regulations are finalized.

On the international front, Mexico has made significant commitments to protect and facilitate foreign investment through various international agreements (**IIAs**) at bilateral, plurilateral, and multilateral levels. These agreements cover key aspects such as entry and establishment conditions, protection of investments, and the legality of specific incentives. Mexico's membership in the **World Trade Organization (WTO)** since January 1, 1995, exemplifies its commitment to integrating into the global economy. Under the **General Agreement on Trade in Services (GATS)**, Mexico grants specific rights related to trade in services, further enhancing its appeal to foreign investors.

A detailed overview of Mexico's investment framework includes a variety of agreements, including sector-specific laws and international commitments to ensure that Mexico remains an attractive and secure destination for foreign investment, promoting economic growth and fostering a stable investment climate.

- **WTO GATS Agreement:** Multilateral agreements covering entry and establishment.
- **WTO TRIMs Agreement:** Multilateral agreements addressing trade-related investment measures.
- **WTO SCM Agreement:** Multilateral agreements on subsidies and countervailing measures.
- **Treaties with Investment Provisions (TIPs):** Plurilateral or bilateral treaties covering diverse investment policy dimensions.
- **ICSID Convention:** Multilateral agreements providing mechanisms for the settlement of investment disputes.
- **New York Convention:** Multilateral agreements facilitating the recognition and enforcement of foreign arbitral awards.

- **IMF Articles of Agreement:** Multilateral agreements ensuring the convertibility of currencies and the transfer of funds.
- **Double Taxation Avoidance Agreements:** Bilateral treaties aimed at preventing the double taxation of income.

Table 1. Mexico's International Investment Framework

Agreement(s) as Basis of Commitments	Type of Agreement	Investment Policy Dimensions Covered
WTO GATS Agreements	Multilateral	Entry and Establishment
WTO TRIMs Agreement	Multilateral	Entry and Establishment, Incentives
WTO SCM Agreement	Multilateral	Incentives
WTO TRIPS Agreement	Multilateral	Protection
Treaties with Investment Provisions (TIPs) (17 signed, 15 in force)	Plurilateral or Bilateral	May cover Entry and Establishment, Protection, Incentives
Bilateral Investment Treaties (BITs)	Bilateral	May cover Entry and Establishment, Protection, Incentives
International Centre for Settlement of Investment Disputes (ICSID) Convention	Multilateral	Protection
Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention)	Multilateral	Protection
IMF Articles of Agreement (Art. VII Acceptance)	Multilateral	Protection
Double Taxation Avoidance Agreements (60 treaties in force)	Bilateral	Taxation

Source: World Bank Analysis

Mexico's Commitments and Regulations Related to Foreign Investment

WTO Commitments.

Mexico has established a robust framework to integrate into the global economy, primarily through its commitments under the World Trade Organization (WTO). These commitments ensure that service suppliers from WTO member countries have access to the Mexican market through foreign direct investment (FDI). Mexico's obligations are detailed in schedules that specify market access and national treatment across various sectors, while also outlining limitations on foreign ownership and national treatment to safeguard national interests.

Sectors with Commitments.

Mexico has made commitments in various sectors, allowing foreign participation under specified conditions; however, in some of those sectors, the commitments are partial, meaning that while foreign investment is permitted, there are reservations or limitations to ensure national interests are protected. For example, there may be restrictions on foreign ownership percentages or requirements for joint ventures with local partners. Here is a list of sectors allowing foreign participation under diverse but specified conditions:

1. Business Services
2. Communication Services
3. Construction and Related Engineering Services
4. Distribution Services
5. Educational Services
6. Financial Services
7. Health-Related and Social Services
8. Tourism and Travel-Related Services
9. Transport Services
10. Other Services Not Classified Elsewhere

TRIMs and SCM Agreements.

Mexico follows the TRIMs agreement, meaning it doesn't impose rules that could limit or distort trade, like local content requirements or trade balancing measures. This adherence helps create a more predictable and transparent investment environment.

SCM (Subsidies ad Countervailing Measures).

The SCM agreement regulates the use of incentives to ensure they do not become prohibited subsidies. This regulation helps maintain fair competition by preventing any form of unfair advantage through financial incentives that could distort the market.

TRIPS Agreement.

Intellectual Property Rights. Mexico is committed to protecting the intellectual property rights of foreign investors under the TRIPS agreement. This protection includes mechanisms for dispute settlement in case of violations, ensuring that investors' innovations and trademarks are safeguarded against unauthorized use. This commitment is crucial for attracting high-tech and innovative investments, as it provides assurance that intellectual property will be respected and enforced.

Bilateral and Multilateral Agreements. Mexico's integration into the global economy is further solidified through its participation in various bilateral and multilateral investment agreements. These agreements provide a structured framework for investment, ensuring that foreign investors are treated fairly, and their investments are protected.

Examples of key agreements include **NAFTA (North American Free Trade Agreement, 1994)** which has been replaced by the **USMCA (United States-Mexico-Canada Agreement)**, **CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership, 2018), and the Mexico-United Arab Emirates BIT (2018).**

Investment Categories

Foreign investment in Mexico is governed by a framework that outlines specific conditions and protections for investors both before and after establishing their business operations. **Pre-Establishment** covers the initial phase where foreign investors seek to enter the Mexican market. This phase includes the conditions and regulatory requirements that must be met prior to setting up a business, such as obtaining necessary approvals and permits, ensuring compliance with sector-specific regulations, and understanding any restrictions on foreign ownership or required partnerships with local entities.

Once a business is established, **Post Establishment** conditions come into play. This category details the ongoing rights and protections afforded to foreign investors, ensuring that their investments are safeguarded under Mexican law. Post-establishment provisions include guarantees of fair treatment, protection against expropriation, and the ability to transfer funds freely. These measures aim to create a stable and predictable business environment, encouraging long-term investments and economic growth.

Standards of Treatment.

Mexico's investment framework includes several standards of treatment to ensure that foreign investors are treated fairly and equitably. **National Treatment (NT)** ensures that foreign investors receive the same treatment as domestic investors, preventing discrimination based on nationality. This principle helps create a level playing field, fostering a competitive business environment.

Most-Favored-Nation Treatment (MFN) guarantees that foreign investors are not treated less favorably than investors from any other country. This provision ensures that Mexico's investment policies are non-discriminatory and consistent, enhancing investor confidence.

Fair and Equitable Treatment (FET) protects foreign investors from arbitrary or unfair actions by the government, ensuring stability and predictability in the investment environment. This standard is crucial for maintaining investor trust and encouraging foreign direct investment.

Full Protection and Security obligates Mexico to provide adequate protection and security for foreign investors, safeguarding them from physical harm or other threats. This commitment reassures investors that their assets will be protected.

Expropriation specifies the conditions under which the Mexican government can expropriate foreign investments. Expropriation is only allowed for public purposes, with prompt, adequate, and effective compensation provided to the investor. This provision ensures that investors are fairly compensated for any government takings.

Rights to Transfer Funds ensure that foreign investors can freely transfer profits, dividends, and other payments related to their investments out of Mexico. This right is essential for investors to repatriate their earnings and manage their financial operations effectively.

The ***Prohibition of Performance Requirements*** bans measures that require investors to meet specific performance criteria, such as local content requirements or export quotas. This prohibition helps create a more open and flexible investment environment, allowing businesses to operate efficiently without restrictive conditions.

Dispute Resolution Mechanisms.

Mexico's investment rules include ways to resolve disputes. **State-State Dispute Settlement** allows disputes between states regarding the interpretation or application of the Foreign Investment Law (FIL) to be resolved through diplomatic channels or international arbitration. This mechanism ensures that issues can be addressed at a governmental level, fostering international cooperation and compliance with international agreements.

Investor-State Dispute Settlement (ISDS) provides a mechanism for foreign investors to seek arbitration against the Mexican government for breaches of the FIL. This allows investors to resolve disputes independently and fairly, without relying solely on domestic courts. ISDS mechanisms are crucial for protecting investor rights and ensuring that disputes can be resolved efficiently and impartially, thereby enhancing investor confidence in Mexico's regulatory framework.

Mexico's commitment to integrating into the global economy is evident through its participation in various bilateral and multilateral investment agreements. These agreements provide a structured framework that ensures foreign investors are treated fairly and their investments are protected. These agreements not only outline the conditions for market entry but also define the rights and protections available to investors once their businesses are established in Mexico.

Transitioning from these overarching international commitments, it is crucial to delve into the specific investment categories that govern foreign investment in Mexico. Furthermore, Mexico's investment framework includes several standards of treatment to ensure that foreign investors are treated fairly and equitably. The prohibition of performance requirements further enhances this environment by banning measures that require investors to meet specific performance criteria. To resolve any disputes that arise, Mexico's investment framework includes dispute settlement mechanisms for issues between states and investor-state dispute settlement (ISDS) mechanisms for foreign investors seeking arbitration against the Mexican government. These mechanisms ensure that disputes can be resolved fairly and efficiently, thereby enhancing investor confidence in Mexico's regulatory framework. By understanding these international agreements and domestic investment categories, foreign investors can better navigate the complexities of investing in Mexico, ensuring their investments are protected and their business operations are successful.

Mexico is party to 30 Bilateral Investment Treaties (BITs) and 15 Treaties with Investment Provisions (TIPs), covering various protections and commitments. For example, Mexico has made commitments in the following sectors, allowing foreign participation under specified conditions:

Comparison of Mexico's Select IIAs

NAFTA (1994) - USA:

- **Scope of Application:** Covers pre-establishment.
- **Exclusions:** Government procurement, subsidies, or grants from both National Treatment (NT) and Most-Favored-Nation (MFN) treatment.
- **Standards of Treatment:**
  - National Treatment: Pre- and post-establishment.
  - Most-Favored-Nation Treatment: Pre- and post-establishment.
  - Fair and Equitable Treatment (FET): Yes.
  - Full Protection & Security: Yes.
  - Expropriation: Direct and indirect expropriation with compensation.
  - Rights to Transfer Funds: Yes.
  - Prohibition of Performance Requirements: TRIMS+ (more restrictive).
- **Dispute Resolution:**
  - State-State Dispute Settlement: Yes.
  - Investor-State Dispute Settlement: Yes.

Recent Developments

- **USMCA Ratification:**
  - In June 2019, Mexico was the first country to ratify the USMCA, which replaced NAFTA.
  - Signed in November 2018 and further amended in December 2019.
  - The amendments mainly concern labor, environmental provisions, and intellectual property rights.
  - No significant changes to the investment chapter from NAFTA.

Mexico-United Arab Emirates BIT (2018):

- **Scope of Application:** Covers post-establishment.
- **Exclusions:** No exclusions.
- **Standards of Treatment:**
    - National Treatment: Post-establishment.
    - Most-Favored-Nation Treatment: Post-establishment.
    - Fair and Equitable Treatment (FET): Yes.
    - Expropriation: Direct and indirect expropriation with compensation.
    - Rights to Transfer Funds: Yes.
    - Prohibition of Performance Requirements: No.
- **Dispute Resolution:**
    - State-State Dispute Settlement: Yes.
    - Investor-State Dispute Settlement: Yes.

CPTPP (2018):

- **Scope of Application:** Covers pre- and post-establishment.
- **Exclusions:** Government procurement, subsidies, or grants for both NT and MFN treatment.
- **Standards of Treatment:**
    - National Treatment: Pre-and post-establishment.
    - Most-Favored-Nation Treatment: Pre-and post-establishment.
    - Fair and Equitable Treatment (FET): Yes.
    - Full Protection & Security: Yes.
    - Expropriation: Direct and indirect expropriation with compensation.
    - Rights to Transfer Funds: Yes.
    - Prohibition of Performance Requirements: TRIMs+ (more restrictive)

- **Dispute Resolution:**
    - State-State Dispute Settlement: Yes.
    - Investor-State Dispute Settlement: Yes.

Protections under these Agreements.

These agreements typically include provisions for national treatment, most-favored nation treatment, and pre-establishment phase commitments. Additionally, they often come with reservations listed in annexes, which outline specific conditions or sectors where different rules may apply. Mechanisms are also in place to allow for the maintenance or adoption of new measures to adapt to changing economic conditions.

Special Provisions

Research and Development Incentives: Mexico reserves the right to deviate from national treatment commitments to provide research and development subsidies and incentives to small enterprises owned by Mexican nationals. This provision supports local innovation and helps small businesses thrive in a competitive global market.

Table 2. Comparison of Mexico's Select IIAs

	Largest Home Country IIA (% of total FDI stock): North American Free Trade Agreement (NAFTA) (1994) (USA); On June 19, 2019, the USMCA (United States-Mexico-Canada Agreement) was signed by the three parties in November 2018 to replace NAFTA.	**Latest IIA (date of entry into force): Mexico-United Arab Emirates BIT (2018) (CPTPP entered into force later, features as IIA with expansive regional coverage)**	**Expansive Regional Coverage IIA (highest number of members): Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP, 2018)**
Scope of Application			
Covers pre-establishment	Yes	No	Yes

Exclusions from scope	Government procurement, Subsidies or grants (both for NT, MFN)	No	Government procurement, Subsidies or grants (both for NT, MFN)
Standards of Treatment			
National Treatment (NT)	Pre- and post-establishment	Post-establishment	Pre- and post-establishment
Most-Favored-Nation Treatment (MFN)	Pre- and post-establishment	Post-establishment	Pre- and post-establishment
Fair and Equitable Treatment (FET)	Yes	Yes	Yes
Full Protection & Security	Yes	Yes	Yes
Expropriation	Direct and indirect expropriation, payment of compensation	Direct and indirect expropriation, payment of compensation	Direct and indirect expropriation, payment of compensation
Rights to Transfer Funds	Yes	Yes	Yes
Prohibition of Performance Requirements	TRIMs+ (Prohibiting a larger number of performance requirements than in TRIMs)	No	TRIMs+
Dispute Resolution			
State-State Dispute Settlement	Yes	Yes	Yes
Investor-State Dispute Settlement	Yes	Yes	Yes

Source: World Bank Analysis based on IIAs obtain from National Nations Conference on Trade and Development (UNCTAD) Investment Policy Hub

Sector-Specific Reservations: In certain cases, Mexico applies differential treatment to service providers from the United States, particularly in tourism, travel-related services, and road transport services. These reservations ensure that specific national interests and strategic sectors are protected while still allowing for significant foreign investment.

Mexico's regulatory framework and international commitments create a balanced approach to foreign investment, aligning with global standards while maintaining the flexibility to protect national interests. This comprehensive framework fosters a stable and attractive environment for foreign investors, promoting economic growth and development in Mexico.

Case Study

Background.

Hollsten Enterprises, Pte. Ltd. (HE), a water desalination and renewable energy company based in Singapore, is looking to expand its operations into Latin America. After conducting market research, HE identifies Mexico as a prime location for investment due to its need for innovative water solutions, supportive government policies, and commitment to sustainable development.

Legal Framework.

HE's legal team examines Mexico's Foreign Investment Law of 1993, which allows up to 100% foreign ownership in most sectors, including renewable energy. The company registers its investment with the National Registry of Foreign Investment (NRFI), ensuring compliance with local regulations.

Sector-Specific Laws.

Mexico has specific laws and incentives for the water sector. The National Water Law and its regulations promote sustainable water management and encourage private sector participation. Additionally, the General Law of Climate Change supports investments in technologies that mitigate climate-related impacts, providing further incentives for innovative water projects.

International Agreements.

Mexico is a member of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which includes Singapore as a signatory. The CPTPP is a free trade agreement (FTA) between Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, Peru, New Zealand, Singapore and Vietnam. The agreement provides HE with protections related to market access, intellectual property rights, and dispute resolution mechanisms. For instance, under the CPTPP, HE can resolve any disputes through Investor-State Dispute Settlement (ISDS) mechanisms, ensuring that its investments are protected.

Practical Steps.

1) **Market Entry:** HE collaborates with local authorities to understand the regulatory landscape and secure necessary permits. This involves complying with the regulations set forth in the Foreign Investment Law and the General Law of Climate Change.
2) **Partnerships:** To navigate the local market effectively, HE forms a joint venture with a Mexican company specializing in onshore construction and renewable energy technologies. This partnership helps HE leverage local expertise and gain a foothold in the market.
3) **Incentives and Subsidies:** HE takes advantage of government incentives for water desalination projects, such as tax breaks, grants, and subsidies. These incentives are designed to promote the use of advanced water treatment technologies and address water scarcity issues. The Mexican government, recognizing the critical need for sustainable water sources, offers specific incentives for projects that provide life-saving water

solutions to regions like Tamaulipas. By aligning its project with these national priorities, HE secures financial support and regulatory approvals, which significantly reduce the initial investment costs and enhance project viability.

4) **Project Implementation:** HE sets up an innovative offshore water desalination plant on a barge. This plant uses state-of-the-art desalination technology to convert seawater into potable water. The project involves installing both offshore and onshore pipelines to transport the desalinated water from the barge to Ciudad Victoria and Tampico, ensuring a continuous supply of clean water to the state of Tamaulipas. HE invests $150 million in the project, leveraging its expertise in water desalination and project management. The company's operations benefit from Mexico's commitment to protecting intellectual property rights under the TRIPS Agreement, ensuring that its innovative desalination technologies are safeguarded. The project also aligns with Mexico's National Water Law, which supports private sector involvement in sustainable water solutions.

Outcome.

HE's investment in Mexico's water desalination sector proves to be highly successful. The innovative offshore desalination plant provides a reliable source of potable water to the state of Tamaulipas, addressing critical water shortages and improving the quality of life for its residents. The company benefits from the favorable investment climate, robust legal protections, and supportive government policies. As a result, HE not only achieves its business objectives but also contributes to Mexico's sustainable development goals, helping the country mitigate the impacts of water scarcity and promote environmental sustainability.

Additional Note.

This example illustrates how a foreign company can navigate Mexico's FDI framework to successfully invest in the water desalination sector. By understanding and leveraging the legal provisions, sector-specific laws, and international agreements, Hollsten Enterprises, Pte. Ltd. can secure its investment, mitigate risks, and achieve long-term success in the Mexican market. The CPTPP, in particular, provides HE with critical protections, ensuring a stable and predictable environment for their investment, ultimately leading to significant positive impacts on water availability and public health in Tamaulipas.

Conclusion

Mexico stands out as a prime destination for foreign direct investment (FDI) due to its comprehensive and robust investment framework. Central to this framework is the Foreign Investment Law of 1993, which has evolved to welcome greater foreign participation and stimulate economic growth. By permitting up to 100% foreign ownership in most sectors and mandating registration with the National Registry of Foreign Investment, Mexico ensures a high degree of transparency and regulatory oversight.

Mexico's commitment to international standards is demonstrated through its adherence to agreements under the World Trade Organization (WTO) and key trade pacts like NAFTA (now the USMCA), CPTPP, and various bilateral treaties. These agreements provide structured protections and effective dispute resolution mechanisms, cultivating a stable and predictable investment environment.

Sector-specific laws and international legal instruments are carefully crafted to address the distinct needs of each sector, allowing foreign investors to operate within a well-regulated framework. Public access to these laws and the involvement of stakeholders in the regulatory process further enhance the transparency and effectiveness of Mexico's regulatory environment.

Mexico's international commitments are extensive, encompassing entry and establishment conditions, investment protection, and specific incentives. Its participation in multilateral agreements, such as the WTO GATS, TRIMs, SCM, and TRIPS agreements, along with numerous bilateral investment treaties (BITs) and treaties with investment provisions (TIPs), reflect its dedication to fostering an attractive and secure investment climate.

Special provisions, such as those for research and development incentives and sector-specific reservations, highlight Mexico's adaptability in promoting local innovation while safeguarding strategic national interests. Standards of treatment like National Treatment (NT), Most-Favored-Nation Treatment (MFN), Fair and Equitable Treatment (FET), and Full Protection and Security ensure foreign investors are treated equitably and their investments are well-protected. The prohibition of performance requirements further enhances Mexico's investment-friendly environment.

Dispute resolution mechanisms, including state-state dispute settlement and investor-state dispute settlement (ISDS), offer reliable means for resolving conflicts, thereby enhancing investor confidence in Mexico's regulatory framework.

In summary, Mexico's balanced approach to foreign investment, integrating both domestic legal instruments and international commitments, creates a stable, fair, and transparent environment conducive to economic growth and development. This comprehensive framework positions Mexico as a competitive and appealing destination for foreign investors, driving long-term investments and contributing to the nation's economic prosperity.

Disclaimer

This white paper is intended to provide an overview of foreign direct investment (FDI) in Mexico, aimed at new investors seeking to understand the fundamental structures governing FDI in the country. It is not intended to serve as an exhaustive analysis of Mexican FDI policies or international treaties, nor does it offer specific investment advice.

The research presented here is based on standardized methodologies and over 30 years of professional experience in the field of FDI in Mexico. Given the ever-evolving nature of legal and regulatory frameworks, it is crucial for investors to use this paper as a starting point for their own research. The author recommends that readers verify current laws, regulations, and the status of treaties, as they are subject to change. This review includes information up to May 31, 2019, unless otherwise noted, and does not cover amendments between 2020 and 2024; however, links to amended laws and regulations information are provided in the References section to aid current research efforts.

References have been carefully compiled from the World Bank Group and official sources of relevant agreements and laws. This paper primarily addresses national, economy-wide regulations, assuming that foreign direct investors are private multinational companies without governmental equity interest or management control.

It should be noted that this document is not a comprehensive review of all legal and regulatory aspects affecting investment in Mexico. The information provided is illustrative of key topics and issues and is not exhaustive. This paper is intended for general guidance only and should not be used as a substitute for detailed legal research.

References

Primary Sources:

1) Foreign Investment Law published on December 27, 1993, as amended.
2) Regulation of the Foreign Investment and the Foreign Investment National Registry published on August 17, 2016.
3) Manual of Procedures to Invest in Mexico, Directorate of International Affairs and Public Policy dated August 30, 2016.
4) *Ley de Inversión Extranjera*, as amended dated June 15, 2018.
5) *Reglamento de la Ley de Inversión Extranjera y del Registro Nacional de Inversiones Extranjeras*, as amended on October 31, 2014.
6) Constitución Politica de los Estados Unidos Mexicanos, as amended dated August 15, 2016.
7) *Ley del Impuesto al Valor Agregado*, Cámara de Diputados del H. Congreso de la Unión, including its reform dated November 12, 2021.
8) *Ley del Impuesto sobre la Renta*, Cámara de Diputados del H. Congreso de la Unión, including its reform dated April 1, 2024.
9) *Ley General de Sociedades Mercantiles*, Cámara de Diputados del H. Congreso de la Unión, including its reform dated October 20, 2023.
10) *Ley General de Títulos y Operaciones de Crédito*, Cámara de Diputados del H. Congreso de la Unión, as amended dated March 26, 2024.
11) *Código Fiscal de la Federación*, Cámara de Diputados del H. Congreso de la Unión, as amended dated November 12, 2021.
12) United States Mexico Canada Agreement 2018.
13) *Ley General de Mejora Regulatoria*, Cámara de Diputados del H. Congreso de la Unión, as amended dated May 20, 2021.
14) *Ley Federal del Trabajo*, Cámara de Diputados del H. Congreso de la Unión, as amended dated April 4, 2024.
15) *Ley de Expropiación*, Cámara de Diputados del H. Congreso de la Unión, as amended dated January 27, 2012.
16) *Ley de Hidrocarburos*, Cámara de Diputados del H. Congreso de la Unión, as amended dated April 1, 2024.
17) *Ley para Regular las Instituciones de Tecnología Financiera*, Cámara de Diputados del H. Congreso de la Unión, as amended dated January 24, 2024.

18) *Ley Federal de Protección de Datos Personales en Posesión de los Particulares*, Cámara de Diputados del H. Congreso de la Unión, as amended dated July 5, 2010.
19) *Ley de Minería*, Cámara de Diputados del H. Congreso de la Unión, as amended dated May 8, 2023.
20) General Agreement on Trade in Services (GATS), World Trade Organization (WTO).
21) Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), World Trade Organization (WTO).
22) Agreement on Trade-Related Investment Measures (TRIMs), World Trade Organization (WTO).
23) Agreement on Subsidies and Countervailing Measures (SCM), World Trade Organization (WTO).
24) Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention), United Nations (UN).
25) International Centre for Settlement of Investment Disputes (ICSID) Convention.
26) Articles of Agreement of the International Monetary Fund.
27) North American Free Trade Agreement (NAFTA), 1994, National Archives, Federal Register, The Daily Journal of the United States Government.
28) Mexico-United Arab Emirates BIT, 2018, UN Trade & Development, Investment Policy Hub.
29) Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), 2018, Institute for International Law and Justice.

Secondary Sources

30) Promexico, Relaciones Exteriores México.
31) "Doing Business in Mexico", Baker McKenzie Abogados, S.C., 2024.
32) *Resolución Miscelánea Fiscal Para 2024*, Secretaria de Hacienda y Credito Publico, as amended dated January 22, 2024.
33) *Decreto para el Fomento de la Industria Manufacturera, Maquiladora y de Servicios de Exportación*, as amended dated January 6, 2016.
34) *Ley de Impuestos Generales de Importación y Exportación*, Cámara de Diputados del H. Congreso de la Unión, as amended dated December 27, 2023.
35) *Ley Aduanera*, Cámara de Diputados del H. Congreso de la Unión, as amended dated December 28, 2023.
36) *Ley de Ingresos de la Federación para el Ejercicio Fiscal 2024*, Cámara de Diputados del H. Congreso de la Unión, as amended dated April 30, 2024.

37) *Criterios Generales de Política Económica para la Iniciativa de Ley de Ingresos y el Proyecto de Presupuesto de Egresos de la Federación Corresponddientes Al Ejercicio Fiscal 2024*, Secretaría de Hacienda y Crédito Público.
38) Plan Nacional de Desarrollo, 2019 - 2024.
39) *Ley Federal sobre Metrología y Normalización*, Cámara de Diputados del H. Congreso de la Unión, as amended dated July 1, 2020.
40) I-TIP Services database, World Trade Organization (WTO), World Bank Group.
41) Mexico - Tax Treaty Documents, United States Internal Revenue Service (IRS), includes Income Tax Treaty (1992), Technical Explanation (2003), Protocol (2003).

Glossary

BIT	Bilateral Investment Treaty
CDMX	Mexico City
COFECE	Federal Economic Competition Commission
CONACyT	National Counsel of Science and Technology
CONAMER	Regulatory Improvement Commission
CPC	Central Product Classification
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
CSR	Corporate Social Responsibility
DTAA	Double Taxation Avoidance Agreements
FDI	Foreign Direct Investment
FECL	Federal Economic Competition Law
FET	Fair and Equitable Treatment
FIE	Foreign-Invested Enterprise
FIL	Foreign Investment Law
FONDESO	Trust for the Social Development of the City
GATS	General Agreement on Trade in Services
GPGG	General Principle of Good Governance
HHI	Herfindahl-Hirschman Index
ICS	Investment Court System
ICSID	International Centre for Settlement of Investment Disputes
IIA	International Investment Agreement
IMF	International Monetary Fund
IPR	Intellectual Property Rights
IPRR	Investment Policy and Regulatory Review
ISDS	Investor-State Dispute Settlement
JDIH	National Documentation Network and Legal Information
L/C	Letter(s) of Credit
MFN	Most-Favored Nation
NAFTA	North American Free Trade Agreement
NMX	Mexican Voluntary Standards
NOM	Official Mexican Standards
NFRI	National Registry of Foreign Investment
NT	National Treatment

OFDI	Outward Foreign Direct Investment
SCM	Agreement on Subsidies and Countervailing Measures
SEDECO	Economic Development Ministry
SOE	State-Owned Enterprise
TIP	Treaty with Investment Provision
TRIMs	Agreement on Trade-Related Investment Measures
UMA	Unit for Measure
UNCTAD	United Nations Conference on Trade and Development
USMCA	United States-Mexico-Canada Agreement
VAT	Value-Added Tax
WTO	World Trade Organization