Thomas A. Zimmermann

Doing Business in Mexico



Verlag Rüegger

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A Guide Designed for Practitioners in Swiss Small and Medium-Sized Enterprises

Verlag Rüegger

Impressum

© Thomas A. Zimmermann, 2002
(http://www.zimmermann-thomas.de)
Verlag: Rüegger, Chur/Zürich
(http://www.rueggerverlag.ch)
Gestaltung/Satz/Umschlag: Sybille Wullschleger, sia Abrasives Industries AG
Foto Umschlag: Regina Schwegler, Plaza de la Constitución (Zócalo) and Metropolitan Cathedral, Mexico City
Druck: Südostschweiz Print AG, Chur

ISBN 3-7253-0725-3

Project "Perspectivas México"
http://www.perspectivas-mexico.ch

This publication is the result of a joint effort undertaken by business associations, public institutions and individual corporations in Mexico and Switzerland. The objective of the project is to encourage Swiss small and medium-sized enterprises (SME) to have a closer look at the potential of Mexico and to provide interested SMEs with relevant information and advice for the development of their business activities in Mexico.

Project Leaders and Editors
Latin American Chamber of Commerce in Switzerland
Swiss Institute of International Economics and Applied Economic Research

Project Sponsors
Swiss State Secretariat for Economic Affairs (seco)
OSEC Business Network Switzerland
sia Abrasives Industries AG

Institutional Project Partners
Mexican Embassy in Switzerland
Swiss Embassy in Mexico
Consejo Mexicano de Comercio Exterior, A.C. (COMCE)
Asociación Empresarial Mexicano Suiza, A.C. (AEMS)
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On This Book

On 1 July 2001, a comprehensive free trade agreement between the EFTA States and Mexico entered into force. The agreement considerably improves market access for Swiss exporters in Mexico. Unlike traditional free trade agreements, it also includes new regulatory disciplines such as services and investment. The latter is of particular interest because the country is one of the world's largest economies and poised to establish itself as an international centre of trade and production, not least for its close commercial relations with the United States. Mexico currently maintains one of the world's most sophisticated networks of free trade agreements, covering trade relations with 32 countries. Additional negotiations are under way.

Swiss firms have long been present in Mexico. Some of the major corporations have been active on the Mexican market for a century. However, Small and Medium-Sized Enterprises (SME) are now only slowly discovering the potential of Mexico as both an export destination and investment location. In order to promote awareness of Swiss SMEs for Mexico, the Latin American Chamber of Commerce in Switzerland initiated the project "Perspectivas México" with participants from both the private and public sectors (see page 5).

The publication "Doing Business in Mexico" is a result of this project. It is designed to help Swiss SMEs in their market research, market entry and, eventually, investments in this interesting country. Unlike other publications on the topic, "Doing Business in Mexico" focuses specifically on the information needs and perspectives of Swiss SMEs, taking into account the changes after the entry into force of the free trade agreement or specific intercultural issues. The main objective is to offer relevant information which can be readily utilised by Swiss SMEs, regardless of their industry affiliation.

Part I introduces the reader to this fascinating country, its long history, its politics and its economy. It becomes clear that Mexico is undergoing a deep transition from a country with one party rule and a closed economy to a pluralist democracy and a major player in the world economy. This situation offers excellent opportunities, provided it is approached appropriately and precautions are taken to minimise risks. Business persons interested in establishing a business relationship with Mexico should take the time to familiarise themselves with the historical and political evolution (Chapter 2) and the economic environment (Chapter 3) of Mexico.

Part II focuses on core business aspects: Chapter 4 on market research is conceived as a navigator to help Swiss SME representatives retrieve targeted information. Fortunately, many Mexican institutions, public and private, have invested heavily into their websites: Industry-specific data, business directories or market access information are readily available and constitute a formidable online information resource on the Mexican economy that is only a few mouse clicks away. In Chapter 5, the pros and cons of different market entry modes are discussed, and advice is given with regard to successful partnering in Mexico – probably one of the most important factors for foreign firms in the Mexican market. Chapter 6 contains a guide to exporting, including some technicalities of the export business. We hope that the information contained therein will assist you in getting your goods across the border and into the Mexican market. The information on foreign direct investment (FDI) which is contained in Chapter 7 will be of help to those readers who are contemplating business presence in the Mexican market. It gives an overview of the legal framework, the business climate, favourable investment locations, selected costs and basic administrative processes. Some of these issues are also taken up in Chapter 8 which deals with selected aspects of the legal environment. Finally, Chapter 9 is a wrap-up of Part II, recalling briefly major success factors and challenges when doing business in Mexico. It highlights the importance of "soft factors" and cultural considerations for successfully dealing with Mexican partners.

Part III contains some practical advice for business travellers. Last but not least, Part IV offers information on resources which Swiss SMEs may tap in search of additional assistance or information for their Mexican venture: Chapter 11 offers a vast compilation of selected business contacts and references both in Mexico and Switzerland. The goal is to list institutions which are able to provide targeted assistance and expert advice at all stages of market research, market entry and investment. The list has been put together with the conviction that Swiss SMEs will sooner or later have to rely on local expertise in the market entry process, be it in order to cope with the legal requirements of establishing a business presence or to conduct thorough background checks of potential partners, both of which are necessary for business success. Chapter 12 contains a bibliography with a selection of the literature that I used when writing this book and which may be of help to Swiss SMEs dealing with particular issues. Finally, Chapter 13 concludes with some internet addresses that point to major Mexican media and internet portals with general Mexican content.

Where the text makes reference to firms or institutions whose addresses are listed in Chapter 11, the symbol "✉" and the number of the Section where the address is listed will help users to access contact information rapidly. Usually, addresses inside each Section of Chapter 11 appear in alphabetical order.

Although we proceeded with utmost care when editing this publication, the author, editors, project sponsors and project partners of "Perspectivas México" expressly disclaim all liability according to the disclaimer on page 7.

"Doing Business in Mexico" is meant to provide an introductory orientation for Swiss SMEs on major aspects of expanding business activities into Mexico. The project partners of "Perspectivas México" hope that the book will serve this purpose well. Finally, I gratefully acknowledge the invaluable support obtained from many persons, firms and institutions while I wrote this book. In particular, I wish to thank Monica Wagner Perales (SIAW-HSG), Daniel Barnes and Sybille Wullschleger (sia Abrasives Industries AG) for their excellent editorial assistance.

Thomas A. Zimmermann St. Gallen / Gottmadingen, June 2002

On 1 July 2001, a far-reaching free trade agreement between the EFTA States and Mexico entered into force. "Doing Business in Mexico" provides targeted assistance to Swiss Small and Medium-Sized Enterprises (SME) that wish to tap the potential of Mexico as both an export destination and investment location. This comprehensive guide contains information and advice on market research, market entry, and investment in this fascinating country.

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ISBN 3-7253-0725-3

http://www.perspectivas-mexico.ch