MAYER • BROWN

Article

A similar version of this article first appeared in *Building*, 10 February

MEXICO: PUTTING THE 'M' IN MINT'

By Nathan Galer and Juan Pablo Moreno

Much has been made of the potential of the "MINT" countries, Mexico, Indonesia, Nigeria and Turkey, to contribute to the world's economy in upcoming years. Some see Mexico developing into the world's 5th largest economy, ahead of the UK, by 2050. Mexico's energetic new president, Enrique Peña Nieto, has already introduced a variety of reforms to attract international investment, including last December's groundbreaking energy reform, which offers foreign investors new opportunities in one of the largest unexplored natural energy reserves of the world. So what opportunities does Mexico offer for UK construction?

Challenges and Opportunities

With a GDP of US$1.177 trillion, Mexico is the world's14th largest economy, the second largest in Latin America behind Brazil. It has vast natural resources, a large manufacturing industry, with some of the lowest manufacturing costs among emerging economies, and a consumer base of approximately 120 million inhabitants. Despite this, Mexico still suffers from a variety of challenges, primarily the low infrastructure quality in many industries. In the World Economic Forum's 2013 Global Competitiveness Report, Mexico ranked 65th out of 144 countries in infrastructure quality. It needs infrastructure investment to realize its potential and it is this challenge that, coupled with last year's reforms, creates significant opportunities.

The Mexican government plans to increase spending by 8.8% (compared to 2013 levels). Of this, a large portion will go to infrastructure and construction projects, notably in transportation infrastructure. The government recently allocated to the Transport and Communications Ministry Mx.118 billion (US$9.12 billion) for infrastructure spending, approximately 40% more than in 2013. These funds will allow the agency to initiate public tenders for some of its flagship projects, including the expansion of Mexico City's airport and metro, the construction of the new passenger train routes from Mexico City, the expansion of the Veracruz Port, and construction and maintenance of key federal highways.

The energy infrastructure sector is expected to follow a similar path and the new energy reform is expected to result in the participation of the private sector in the development of new oil and gas pipelines, gas processing and petrochemical facilities and oil refineries and of Mexico's huge deepwater and shale gas reserves. This, in turn, could lead to a new era of energy investment and construction in Mexico.

Elsewhere other planned projects include the construction of five million social homes.

Nathan Galer

Partner
ngaler@mayerbrown.com

Juan Pablo Moreno

Associate
jmoreno@mayerbrown.com

Free Trade, Arbitration, and Foreign Investment

Mexico has a solid legal framework for international investors, with rules promoting free trade, a stable arbitral environment and encouragement of foreign investment. Mexico has entered into a variety of foreign trade agreements with more than 40 countries, including the North American Free Trade Agreement (NAFTA) with the U.S. and Canada (1990) and the Free Trade Agreement with the European Union (2000). In addition, Mexico was among the earliest to sign and ratify the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

Mexico's 1993 Foreign Investment Law (*Ley de Inversión Extranjera*) governs foreign investment in Mexico and provides non-discriminatory treatment for foreign investors. It also allows foreign investors to own up to 100% of equity in local companies, acquire fixed assets, engage in new economic activities, manufacture products and open and operate establishments.

Looking Ahead

An ambitious new President, a raft of radical reforms and a need for infrastructure add up to significant and exciting opportunities. Not for nothing is Mexico the 'M' in 'MINT'.

Nathan B. Galer is a Partner and Juan Pablo Moreno is an Associate in the Latin America Practice Group at Mayer Brown.