

BUSINESS SWEDEN

BUSINESS PROSPECTS IN MEXICO

OPPORTUNITIES, HURDLES AND
A BLUEPRINT FOR ACTION

SITUATION

Mexico is highly dependent on imports. In 2017 alone, the country imported some \$420 billion worth of services and products, representing a full 39.7% of the country's GDP.

The Mexican market value-proposition is characterized by:

- a large economy
- steady growth
- business friendliness

These attributes render the country highly attractive for foreign investment, and trade.

However, sluggish bureaucracy, regulatory gaps and outdated legal frameworks that are no longer fit-for-purpose are limiting growth for many Swedish companies presently operating in the country.

Despite those obstacles, many of Sweden's peers seem to be managing to seize opportunities and deliver closer to their full potential.

CURRENT CHALLENGES

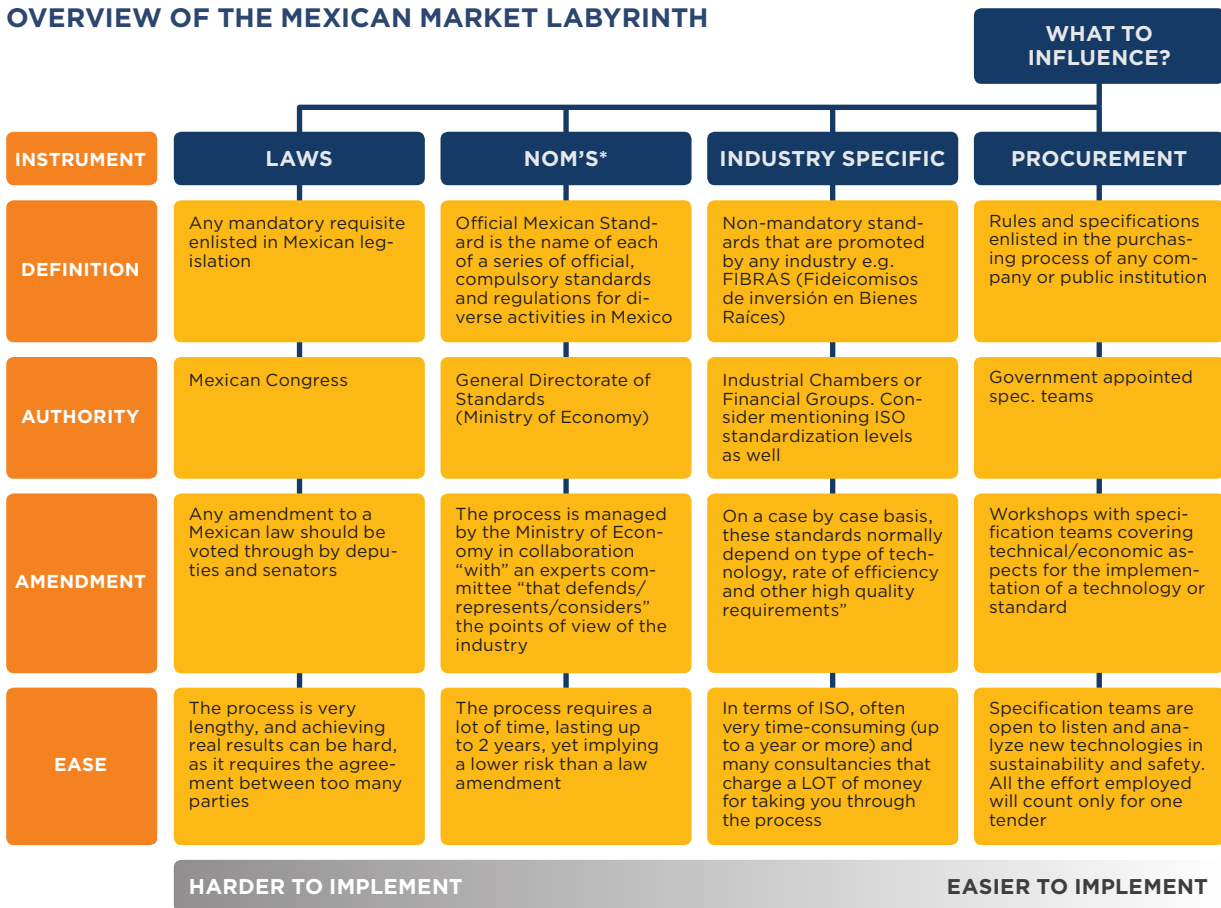
The following challenges have a strong impact on the growth of Swedish companies present in Mexico:

- Bureaucratic Inertia:
as an emerging economy, Mexico tends to require going through long and unnecessarily cumbersome processes to secure operating permits, import licenses, and participation in tenders
- Incomplete Legal Frameworks or Obsolete Laws:
in a survey conducted during Q4, 2018 by Business Sweden, 66% of respondents mentioned that the lack of proper regulations, or inadequate frameworks, had a direct effect on their growth
- Industry Trends (e.g. sustainability and public perception):
Mexico lags behind in the adoption of aligning with international norms and global trends, hindering the potential of Swedish companies that are well known for their innovation



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OVERVIEW OF THE MEXICAN MARKET LABYRINTH



Source: Business Sweden analysis, interviews.

SWEDISH PERFORMANCE AGAINST PEERS

Sweden enjoys a long-standing relationship with Mexico. Today, more than 80 Swedish companies are active in the country. Despite this heritage, Sweden's exports to Mexico in the last few years have stagnated, with a decrease of -1% from 2014 to 2017.

On the other hand, countries such as Finland, Ireland and Germany are outpacing Sweden, which denotes the availability of real opportunities that will require effort, but are well worth the work.

A MATCH MADE IN HEAVEN - WITH SHORTCOMINGS

From the top 10 Swedish industries, 8 are within Mexico's top 10 imports. Despite the Mexican need to import the products that Sweden produces the most, Swedish products are not always the first option. The underlying drivers of this mismatch are complex, and many factors can be seen to impact the Swedish-Mexican trade relationship, such as more competitive prices from different players, better brand recognition, as well as the geographic proximity and trade agreements with the US.

Sweden market-share in Mexico per top 10 industry, is lower than it's market-share globally. This untapped potential represents tangible opportunities

for the Swedish business community established in Mexico.

ASIA - THE FLYING DRAGON

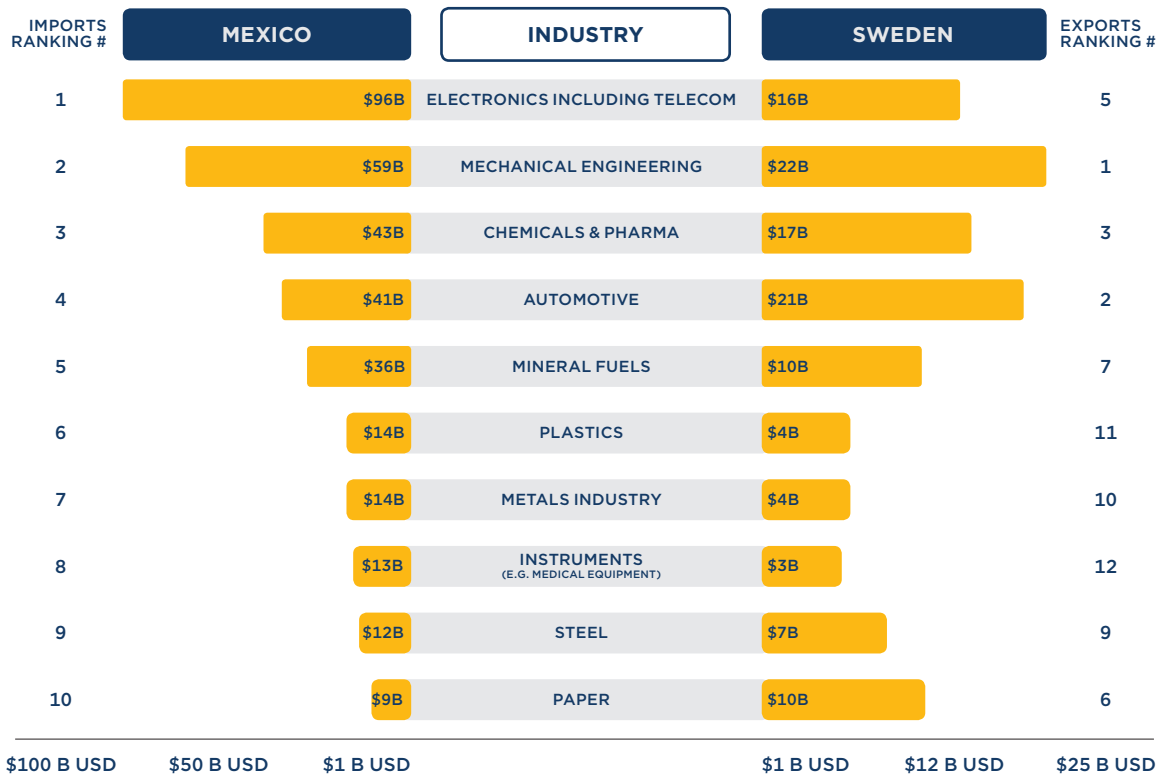
Mexico currently imports as much as 34% of total goods from Asian low-cost countries and this tendency is becoming evermore pronounced. Severe undercutting on price risks eroding the competitiveness of many European products with Swedish companies often having to face down Asian pricing structures that are at least 50% cheaper. In many instances, these artificially low prices are only realised by disregarding international quality standards and intellectual property rights, according to a 2018 report by the European Commission. This makes it imperative for Swedish industry to keep up pressure on the Mexican authorities to make good on their obligation to uphold WTO and OECD standards.

To properly and efficiently navigate the Mexican market, it's necessary to know it well and to understand which state actors are involved in order to allocate the right amount of resources to where a change can be best delivered.

* NOM's = Normas Oficiales Mexicanas

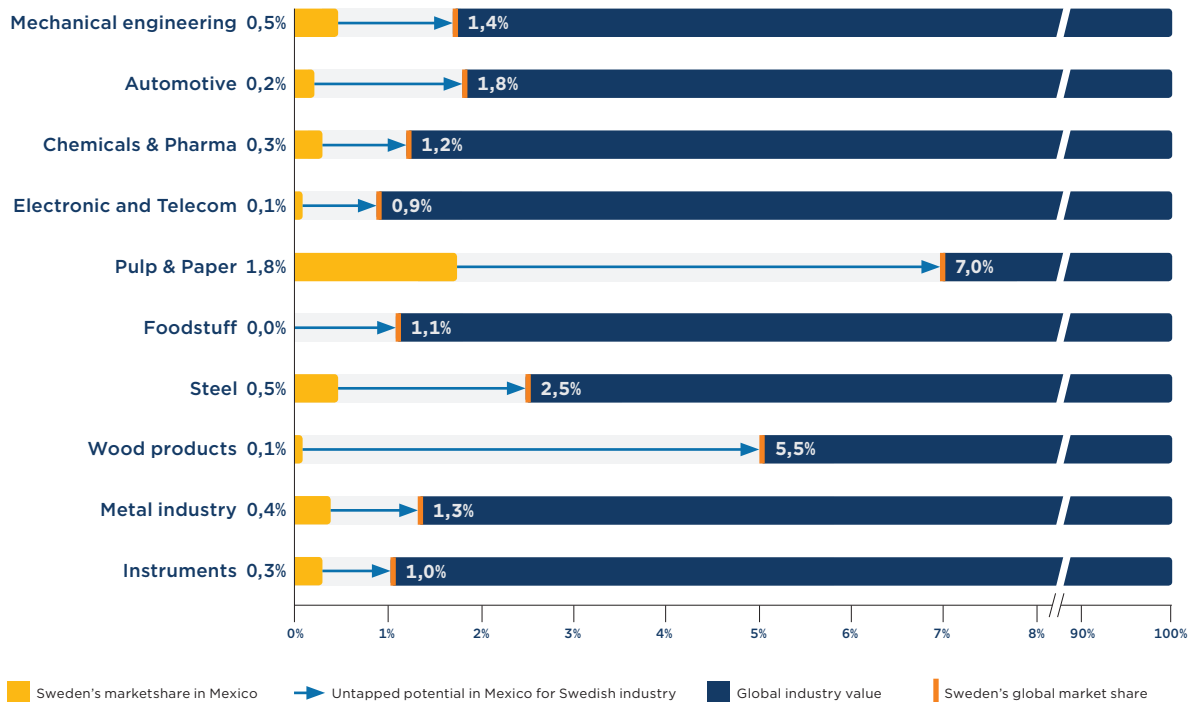
THERE IS A GREAT MATCH BETWEEN MEXICO'S NEEDS AND SWEDEN'S OFFERINGS

The top 10 imports of Mexico are within the top 12 exports of Sweden: an outstanding match



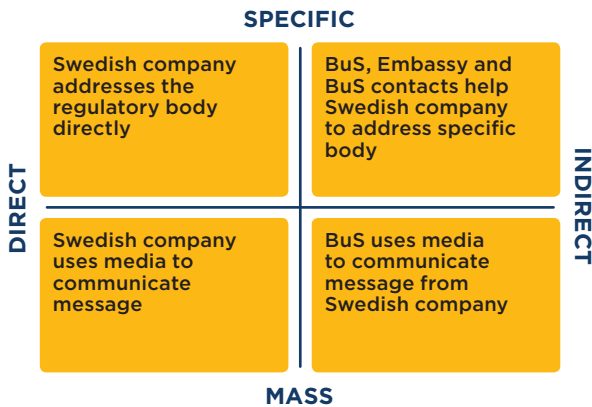
HOWEVER, SWEDEN DOES NOT REACH ITS GLOBAL MARKET SHARE IN ITS TOP INDUSTRIES IN MEXICO

The market share gap constitute tangible opportunities for Swedish enterprises



ACTION PLAN

5 DRIVERS OF SUCCESS IN MEXICO



FORMULATE GOALS - What to aim for?

Enacting real change entails addressing multiple fronts concurrently. Some should be short-term outcomes aimed at the low hanging fruit such as winning the next tender. Others will be a long-term effort, such as raising consumer expectations to eliminate cheap, substandard competition, and the implementation of existing standards and laws.

JOIN FORCES - With whom?

Teaming up with different companies that share a common goal and acting in unison can ramp up the pressure and maximize bargaining power, thus increasing the odds of getting the government onside. Business Sweden can be called upon to project a single unifying voice and act as the public face of the movement.

IDENTIFY THE TARGET - Who to target?

The Mexican market is characterized by a very extensive and complex patchwork of regulatory agencies. Before approaching the regulatory apparatus, it is necessary to identify which specific agencies or institutions to target so as to avoid wasting time and be assured of actual impact.

DEFINE THE MESSAGE - What to say?

To concentrate the effort and maximize the effect, the message must be clear, unambiguous and singular in its objective. Moreover, if the message can demonstrate its alignment with social and industry trends and international norms (e.g. the tendency towards sustainability and gender equality) it will have a higher probability of gaining acceptance by the authorities.

DEFINE THE COMMUNICATION CHANNELS - How to say it?

The way the message is communicated is as important as the message itself. Business Sweden can support companies transmitting information by helping them choose the right of communication channels, specific or mass, and using a direct or indirect sender to attain the desired outcome.



BUSINESS SWEDEN VALUE OFFERING

Business Sweden stands committed to mentoring and accompanying Swedish partners on the ground in Mexico so that they can better sync their business offerings to the evolving needs and particularities of the local marketplace.

Moreover, we support Swedish enterprise in skillfully navigating the Mexican operating environment through astute engagement with the relevant political and private actors most able to influence the business development process.

As such, we seek to furnish Swedish businesses with the requisite insider know-how and impetus to propel them over the finishing line.

BUSINESS SWEDEN IN MEXICO

At Business Sweden, we are committed to support companies grow global sales by finding new revenue streams, shortening time to market and lowering the risks. We cordially invite more Swedish companies to take part in the market and expand operations in Latin America, especially in Mexico.

For support in your business endeavors in the region, please contact Nicolas Leon, Trade Commissioner for Mexico: nicolas.leon@business-sweden.se



NICOLAS LEON
Trade Commissioner for Mexico



We help Swedish companies grow global sales and international companies invest and expand in Sweden.

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