Mexico 2030 – The Institutional Anchor in the European Expansion Portfolio

Strategy Report

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Abstract

This executive summary assesses Mexico's strategic relevance as an institutional anchor for European companies expanding into North America between 2025 and 2030. The paper is based on a triangulated evidence base spanning European, Mexican, and international datasets and legal texts. It evaluates three main aspects of Mexico's role in North American value chains:

1. Mexico's role as a nearshoring platform,
2. governance and subnational location differences that materially shape investment risk, and
3. the operational implications of the EU–US–Mexico regulatory triangle.

A key part of the analysis looks at the interaction between the modernized EU–Mexico framework (which includes enhanced market access, services and digital provisions, and procurement opportunities) and the USMCA's tightening rules of origin and labor requirements. Together, these create a dual compliance environment that is increasingly determining site selection, supplier strategy, and project design. The study goes on to examine Mexico's investment policy response under Plan México and its nearshoring incentives. These are positioned as levers to accelerate localization, technology transfer, and workforce development. Sector-level opportunity mapping highlights four priority domains—energy, water, healthcare, and automotive/e-mobility—where market potential, political steering, and compliance constraints converge most strongly. Finally, the paper proposes a practical investor roadmap and risk-management approach (including scenario monitoring around key policy inflection points) and outlines a hybrid financing architecture that combines European instruments (e.g., Global Gateway/EFSD+ and EIB facilities), trilateral/regional mechanisms, and Mexican incentive programs to improve bankability and resilience of cross-border expansion projects.

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Glossary

CBAM	Carbon Border Adjustment Mechanism (EU)
CFE	Comisión Federal de Electricidad
COFEPRIS	Comisión Federal para la Protección contra Riesgos Sanitarios
CONAGUA	Comisión Nacional del Agua
CSDDD	Corporate Sustainability Due Diligence Directive (EU)
CSRD	Corporate Sustainability Reporting Directive (EU)
CRMA	Critical Raw Materials Act (EU)
EFSD+	European Fund for Sustainable Development Plus
EIB	European Investment Bank
EUDR	EU Deforestation Regulation
FDI	Foreign Direct Investment
GCF	Green Climate Fund
IDB	Inter-American Development Bank
IFC	International Finance Corporation (World Bank Group)
IMF	International Monetary Fund
IMMEX	Industria Manufacturera, Maquiladora y de Servicios de Exportación (Mexico)
IMSS	Instituto Mexicano del Seguro Social (Mexico)

IMSS-Bienestar	Public healthcare program expanding coverage for uninsured populations
INEGI	Instituto Nacional de Estadística y Geografía
ISSSTE	Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado
ITA	International Trade Administration (US)
iTA	Interim Trade Agreement (EU)
LACIF	Latin America and Caribbean Investment Facility
MGA	Modernized Global Agreement (EU–Mexico)
NADBank	North American Development Bank
PPA	Power Purchase Agreement
PROSEC	Programa de Promoción Sectorial (Mexico)
RRM	Rapid Response Labor Mechanism (USMCA)
USMCA	United States–Mexico–Canada Agreement
WJP	World Justice Project
WRF	Water Resiliency Fund (NADBank)

KEY TAKEAWAYS

Mexico 2030 – The Institutional Anchor in the European Expansion Portfolio

Audience: European corporates, investors, and suppliers planning North America expansion (2025–2030)

1. Core thesis

Mexico plays a pragmatic institutional anchor role in European expansion into North America. This is due to the country's proximity to the US market (USMCA), its improving EU–Mexico framework (MGA), and its nearshoring incentives.

The investment case is not Mexico as a low-cost site, but rather Mexico as a compliance-capable manufacturing and services platform that can reconcile EU sustainability rules with US industrial and origin requirements.

2. Why this matters now

The dual rule system is becoming the decisive constraint: The EU market and standards, as well as the rules of the USMCA and US industrial policy, play an increasingly significant role in determining location selection, supplier design, and project economics.

The USMCA's origin and labor constraints are likely to tighten planning requirements, particularly in regulated value chains such as the automotive, electronics, and batteries sectors. This will create strong incentives to regionalize value creation in North America.

Plan México / nearshoring incentives (2025–2030) are designed to accelerate industrial localization, training, and innovation. This initiative will create an opportunity to enhance project viability by optimizing fiscal policies and aligning industrial strategies.

3. The “non-negotiables” for EU investors

Compliance by design: From the outset, ensure that Environmental, Social, and Governance (ESG), human rights, and labor compliance are integral components of project design, with particular attention to data, traceability, and audit readiness.

Design for origin: Engineer supply chains and manufacturing steps to meet the requirements of the USMCA regarding origin and labor value while preserving European Union (EU) compliance obligations.

Institutional leverage: In order to reduce risk and increase scale, it is necessary to proactively integrate EU financial resources and guarantees, such as those provided by the Global Gateway/EFSD+, the EIB, and other relevant financial instruments, with Mexican incentives and, when applicable, North American instruments.

4. What can break the investment case

The rule of law, security, and regional governance remain a primary concern. Mexico's national governance metrics are suboptimal, with significant variations at the subnational level.

Infrastructure constraints, such as grid capacity and water availability in key industrial corridors, are particularly binding. Ensuring resource due diligence is as critical as offering tax incentives.

There is a policy timing risk, with key inflection points including the review of the USMCA in 2026 and the ramp-up of stricter origin-related requirements, notably for metals.

The composition of FDI indicates consolidation dynamics (a high share of reinvested earnings compared to a decrease in new greenfield projects), which can signal bottlenecks and uncertainty rather than a lack of interest.

5. Where the opportunities concentrate

Energy (generation + grids + decarbonization enabling)

Opportunity: grid modernization, renewables, storage, PPAs, industrial energy solutions; success depends on early grid access and permitting readiness.

Water (scarcity as location constraint and innovation driver)

Opportunity: treatment, reuse, efficiency tech, public-private partnership structures; water rights and operational resilience become part of competitive advantage.

Health (reform momentum + regulatory opening + underserved demand)

Opportunity: MedTech, pharma, digital health/telemedicine, hospital modernization; partnerships with public and private stakeholders are pivotal.

Automotive / e-mobility (integration + electrification + compliance pressure)

Opportunity: localized components, battery/EV ecosystem, supplier regionalization; labor compliance and origin engineering become core capabilities.

6. Practical roadmap

2025–2026: Due diligence + pilots

Select clusters, validate grid/water/security realities, implement compliance systems, structure contracts with change-of-law protections.

2026–2027: Decision window

Incorporate outcomes of USMCA review; prepare for tighter origin-related constraints; finalize scale-up architecture.

2027–2030: Scale + localize

Modular scaling, supplier development, workforce programs, blended finance; leverage procurement and services openings under the EU–Mexico framework.

>2030: Resilience phase

Diversify markets, institutionalize traceability/ESG systems, and maintain flexibility across EU/US requirements.

7. Management-level “go / no-go” checklist

Cluster fit: Can the site deliver logistics + workforce + security at the required standard?

Energy feasibility: Grid connection timeline, PPA availability, contingency options (storage/self-generation).

Water feasibility: rights/concessions, reuse solution, stress scenario planning.

Compliance architecture: traceability, labor governance, ESG reporting readiness across EU + US requirements.

Financeability: ability to combine incentives, guarantees, and partner structures to reach bankable risk/return.

Policy exposure: sensitivity to US trade policy shifts and USMCA review outcomes.

Bottom line: Mexico can be a high-leverage platform for EU expansion into North America—but only for investors who treat compliance engineering + location governance + resource due diligence as the central design parameters (not afterthoughts).

1 Mexico: Institutional Anchor in the European Expansion Portfolio

This analysis is an expansion of PONTEM 1.1, which addressed EU relations with Latin America in general, and now focuses specifically on Mexico. It takes into account key developments, including the *Modernized Global -EU-Mexico- Agreement* (MGA), the *interim Trade Agreement* (iTA), and the nearshoring decree. The MGA is expected to be a significant development for European companies, as it allows the participation in government tenders at the federal and subnational levels for the first time. The agreement also includes a digital chapter to facilitate online trade, modernizing the process for all involved. Concurrently, there is mounting pressure to create regional value due to the provisions of the *United States–Mexico–Canada Agreement* (USMCA), particularly in regulated industries such as automotive, electronics, and batteries. In contrast to PONTEM 1.1, this study incorporates regional variations in energy, water, and security infrastructure, along with Plan México measures. [1], [2]

1.1 Mexico as the North-American Gateway

From 2024 to 2028, Mexico will strategically position itself as a pivotal link between Europe and North America, fostering economic and cultural exchange between these regions. Key factors contributing to its success include its geographical proximity to the US, its commitment to institutional openness to European standards and reforms, and its balanced approach to market liberalization and the rule of law.

On 17 January 2025, the EU and Mexico concluded negotiations on the modernized EU-Mexico package (MGA+iTA). As of December 2025, this package has not yet replaced the agreement currently in force. Once ratified and applicable, it would largely eliminate tariffs, while the MGA would also introduce an investment court system.

Concurrently, Mexico remains within the scope of the USMCA, which necessitates more stringent rules of origin.

These requirements, which vary by region, present challenges to supply chain planning but also create incentives for local material and component manufacturing in Mexico. This highlights the country's role as a strategic location for European companies seeking to expand their operations. [1], [2], [3]

1.2 Regulatory Framework & Strategic Guidelines

The institutional framework establishes the guidelines for investment. Under the modernized EU-Mexico framework, the parties would expand access in goods, services, digital trade and public procurement, including Mexican sub-central procurement, once the agreement is ratified and becomes applicable. It contains a chapter on critical raw materials that provides for transparency, non-discrimination, and cooperation. Both parties are committed to avoiding trade-distorting export restrictions, exchanging information, and strengthening the resilience of supply chains for the green and digital transformation. However, they maintain authority in areas such as environmental and supply policy. For European companies, this does not guarantee access, but rather a more stable and predictable framework that favors investment in processing, recycling, and local value creation.

The **USMCA** raises the requirements for regional value added and wage shares to a significant degree. In addition to the quotas mentioned above, it introduces a *"melted and poured"* rule for steel and differentiated rules of origin for aluminum, effective in 2027. European investors must therefore integrate ESG and labor law standards from the outset (*Compliance by Design*), design supply chains to be USMCA-compliant (*Design for Origin*), and leverage synergies between EU instruments such as the *European Fund for Sustainable Development Plus* (EFSD+) and Mexican incentives such as the nearshoring decree (*Institutional Leverage*). [1], [2], [3]

1.3 Methodology & Data Architecture

The analysis is based on a triangulation of European, Mexican, and international data sources, agreements and regulations.

As of December 2025, trade relations between the EU and Mexico continue to be governed by the trade pillar of the 2000 Global Agreement. On 17 January 2025, the EU and Mexico concluded negotiations on the modernized EU-Mexico package. On 3 September 2025, the European Commission adopted proposals for Council decisions on the signature and conclusion of the MGA and the interim Trade Agreement (iTA). Accordingly, the market-opening effects discussed in this paper are prospective and would materialize only once the relevant ratification and applicability steps are completed.

Statistics from Eurostat and the Directorate-General for Trade are combined with primary data from Mexican institutions (*Instituto Nacional de Estadística y Geografía*-INEGI, Secretaría de Economía, *Comisión Federal de Electricidad*-CFE, *Comisión Nacional del Agua*-CONAGUA) and reports from the World Bank, *United Nations Conference on Trade and Development*-UNCTAD, and BBVA Research. Legal texts (Diario Oficial) and expert commentary serve as the basis for the nearshoring program. [4], [5]

Sections in the main paper are intentionally concise; detailed regulatory, sectoral and financing analyses are provided in the **attachments A, B and C**.

2 Mexico: A Key Player in the North American Sphere of Influence

2.1 Mexico's Role in the North American Economic Area

In 2024, Mexico became the largest supplier of goods to the US: US imports from Mexico reached USD 505.5 billion, while US exports to Mexico amounted to USD 334 billion. A majority of Mexican exports are destined for the US market, with a focus on the automotive, electronics, and medical technology sectors. Trade relations are currently governed by the 2000 Global Agreement. Once ratified and applicable, the modernized EU-Mexico package would expand market access for European service and digital providers, while the USMCA continues to impose higher localization and origin requirements. This creates a dual set of rules that increasingly integrates production and supply chains in North America for European investors. [1], [2], [3], [6]

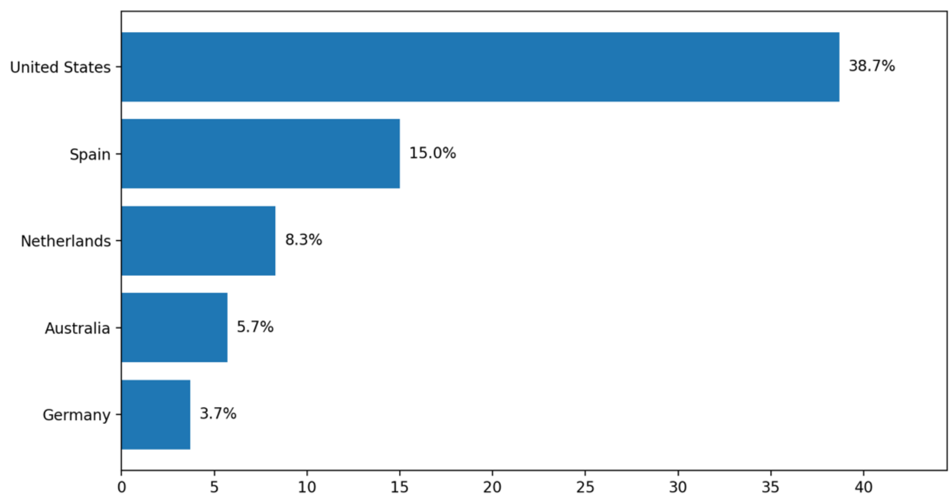

Fig. 2-1: Share of Mexico FDI inflows Q1-2025 (primary investor origin)

Despite a global economic slowdown, Mexico recorded record inflows of foreign capital in the first quarter of 2025: *Foreign Direct Investment* (FDI) rose to USD 21.4 billion, with the share of new investments increasing by 165% compared to the previous quarter. The primary investors were the United States (38.7%), Spain (15%), the Netherlands (8.3%), Australia (5.7%), and Germany (3.7%). In terms of sectors, manufacturing dominated (43%), but financial services, food processing, and chemicals also demonstrated significant growth. 84.4% of inflows in the first half of 2025 were reinvested profits, with relatively few new projects. This mix indicates a period of consolidation for existing companies. Nearshoring investments often require a significant time investment before they become evident, and regulatory uncertainties, infrastructure bottlenecks, and potential US trade policy risks are temporarily postponing investment decisions. [7]

2.2 Macroeconomic, Fiscal Framework & Plan México program

Mexico's macroeconomic situation is stable, but growth is slowing: after real GDP growth of 1.4% in 2024, the *International Monetary Fund* (IMF) estimated growth of only 1.0% in 2025, before a slight acceleration to 1.5% is forecast for 2026. The primary factors contributing to this development include ongoing fiscal consolidation, a monetary policy that has been relaxed but remains restrictive, and persistent trade tensions. Concurrently, inflation is projected to decline to *Banco de México*'s target of 3% by mid-2026, driven by weak demand, declining food prices, and a strengthening peso.

Monetary policy is in a cautious easing phase: by May 2025, the Mexican central bank had cut its key interest rate by 275 basis points to 8.50%, and further moderate steps are possible, but external risks and exchange rate volatility remain significant. It is anticipated that public debt will reach 58.9% of GDP by the end of 2025. According to the IMF, the realization of future growth potential is contingent upon the closure of infrastructure gaps, the enhancement of legal certainty, and the implementation of more decisive measures to combat corruption.

Investors are therefore confronted with a scenario of declining but still elevated real interest rates, which permits debt financing but necessitates cautious sensitivity assumptions. [8]

In terms of investment policy, the government is focusing on the Plan México program. The nearshoring decree allows companies to immediately write off 35% to 91% of investments made between January 22, 2025, and September 30, 2030. The amount depends on the fixed assets and only applies if the assets are used for at least two years. Furthermore, 25% of the expenses allocated for employee training and innovation projects qualify for tax deductions. The objective is to promote strategic sectors such as energy, electromobility, health, and water technology. This creates new opportunities for European companies to combine Plan México incentives with EU programs (EFSD+) and ensure USMCA compliance for their supply chains. [9]

3 Governance, Legal Framework, & Regional Attractiveness

3.1 Rule of Law & Regulatory Environment

The quality of government institutions is a critical factor in investment decisions. In 2025, Mexico's ranking in the World Justice Project (WJP) Rule of Law Index showed a decline, placing the country at 121st out of 143 nations worldwide and 28th out of 32 in the regional category. The country has encountered challenges in maintaining corruption, order, and security, as well as in strengthening its criminal justice system. This is indicative of ongoing problems with organized crime, corruption, and political influence. The introduction of new constitutional reforms, such as the direct election of judges, is intended to strengthen independence. However, such reforms can create legal uncertainty in the short term. [10], [11], [12]

The negotiated MGA text includes provisions aimed at institutional improvements, including an investment court system with independent judges. Once ratified and applicable, the agreement would add further transparency, cooperation, limitation of discriminatory export and dispute-settlement disciplines in areas such as energy and raw materials.

Concurrently, the USMCA imposes stricter requirements on companies to integrate their production chains within North America, mandating the fulfillment of certain origin and labor value criteria. Violations of labor law standards are addressed through a Rapid Response Labor Mechanism, which has already initiated over 30 proceedings, particularly in the automotive and electronics sectors. [1], [2] However, these advancements cannot overshadow the fundamental weaknesses of the rule of law. The WJP's States Rule of Law Index, published since 2023, reveals significant regional differences: northern states such as Nuevo León, Coahuila, and Querétaro perform better than the national average in terms of legal certainty, transparency, and anti-corruption, while southern states such as Guerrero and Oaxaca lag far behind. This discrepancy is consistent with the experience of many investors, who find that stable subnational administrations, reliable courts, and professional security forces have a significant influence on their choice of location.

3.2 Comparison of Regions: Clusters, Infrastructure, & Risks

Mexico's attractiveness as a location varies considerably. Nearshoring hotspots such as the Monterrey metropolitan area in Nuevo León and the Bajío cluster (Querétaro, Guanajuato, Aguascalientes, San Luis Potosí) benefit from modern infrastructure, a skilled workforce, and proximity to the US border. Sonora is experiencing significant economic growth, with the state's strategic *Plan Sonora* initiative attracting the establishment of solar and battery factories. Conversely, many southern states are confronted with significant challenges, including substandard transportation infrastructure, ineffective law enforcement, and high rates of violent crime.

The Plan México program aims to address these disparities through the implementation of *Polos de Bienestar* (welfare poles). The clusters are tailored to specific regions; for instance, a center for advanced manufacturing is being created in San José Chiapa, Puebla. Companies are permitted to write off 100% of their new equipment immediately. Concurrently, the government has committed to reducing bureaucracy by half and consolidating applications for value-added and consumption tax exemptions. However, in the absence of concomitant improvements in infrastructure, security, and administrative capacity, there is a risk that these clusters will perpetuate existing inequalities. [12]

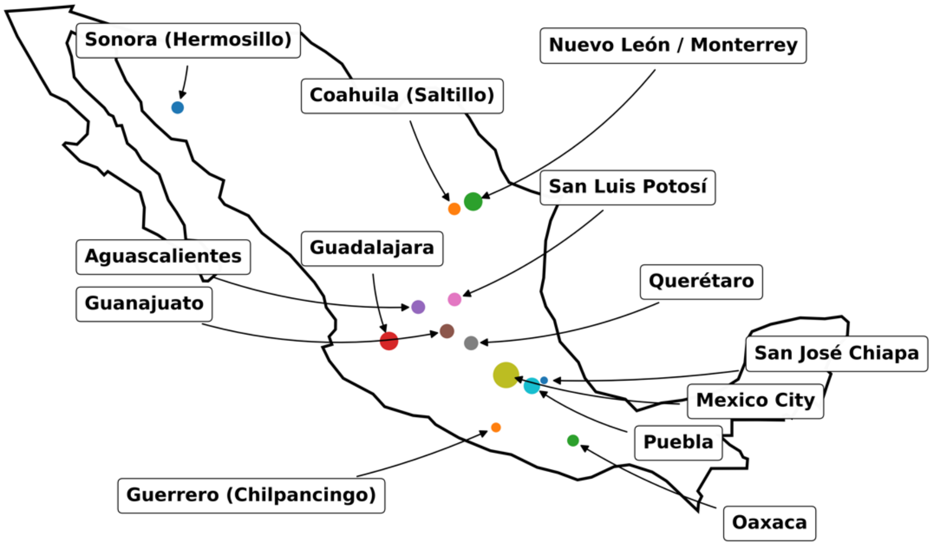

Fig. 3-1: Important regions & clusters in Mexico

The availability of energy and water is also a decisive factor in the choice of location. Despite the plans of the state-owned energy supplier CFE to invest in grids and generation capacity of 29 GW by 2030, grid utilization in many industrial areas is already above 95%. It is estimated that 70% of industrial production is concentrated in regions vulnerable to water scarcity, and in 2024, 36% of water withdrawal applications were denied. It is essential that companies take into account tax incentives, as well as long-term resource availability, approval times, and the security situation.

Mexico's governance landscape is marked by notable regional variations. USMCA already establishes binding origin and labor disciplines. The negotiated EU-Mexico package would add further institutional and procurement-related safeguards once ratified, but it would not by itself resolve Mexico's underlying rule-of-law and security deficits. Successful nearshoring projects have so far concentrated on northern and central states, which offer stable governance and developed infrastructure. To ensure the competitiveness of the southern region, it is essential to align the incentives of the Plan México program with consistent implementation, enhanced infrastructure, and enhanced government performance.

4 Trade, Investment, & Value Creation

4.1 Bilateral Trade: Structures & Dynamics

Over the past decade, economic relations between the EU and Mexico have seen substantial growth and development. In 2024, the value of bilateral trade in goods was approximately USD 95.9 billion, with USD 62 billion accounted for by EU exports to Mexico and USD 33.9 billion by Mexican deliveries to the EU. This strategic partnership solidifies the EU's position as Mexico's third-largest trading partner and second-largest export market. Once ratified and applicable, the modernized EU-Mexico package would eliminate nearly all remaining tariffs and provide additional impetus in services, digital trade and procurement.

In the services sector, trade reached USD 30.1 billion in 2023 -EU exports USD 20.1 billion, imports USD 9.9 billion-. The new digital chapter is expected to provide additional impetus in this sector. In 2024, the EU had a trade surplus of USD 28 billion with Mexico. Europe's primary exports to Mexico include machinery, electrical equipment, chemical products, and transport equipment, while Mexico's main exports are energy sources, mining products, transport equipment, and machinery and equipment. This structure illustrates a complementary division of labor: European companies are renowned for supplying high-quality industrial products and purchasing energy- and raw material-intensive goods and processed electronics.

In addition to trade in goods, EU investment in Mexico has increased to approximately USD 244.5 billion by 2023, positioning the EU as a major investor. In contrast, Mexican investment in the EU is comparatively low at USD 31.5 billion. The modernized EU-Mexico package would be expected to support EU investment flows through enhanced legal certainty, the MGA investment-court architecture, and broader access to Mexican sub-central procurement. [13], [14]

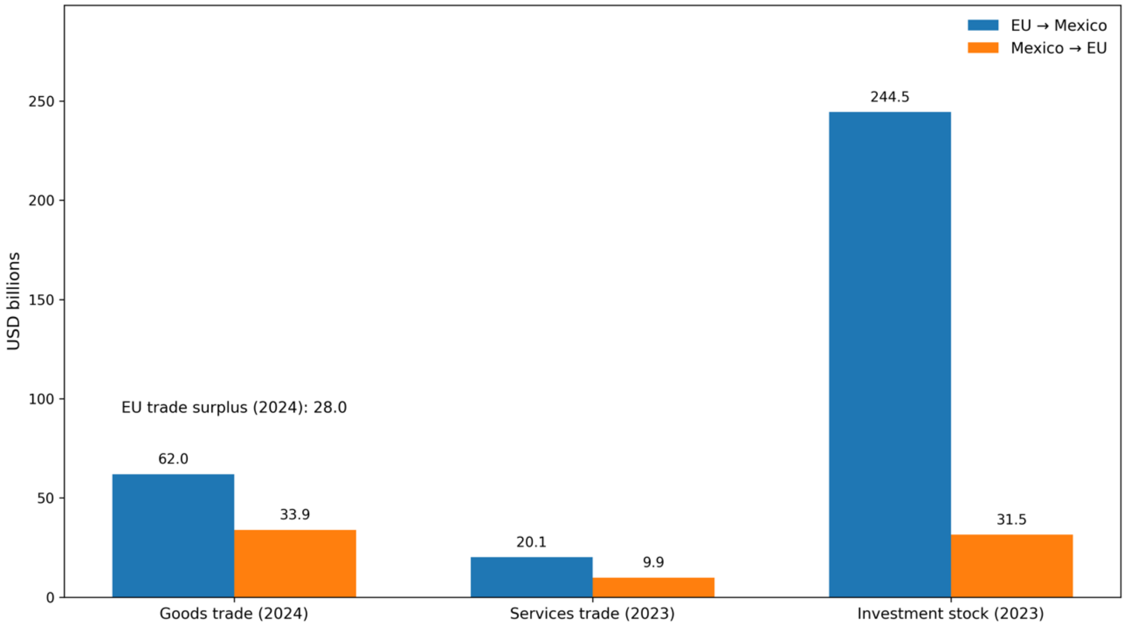

Fig. 4-1: EU-Mexico trade structure & dynamics 2023-2024

4.2 FDI Composition & Nearshoring Cycles

A review of foreign direct investment (FDI) reveals a nuanced outlook. In the first six months of 2025, a total of USD 34.27 billion was invested in Mexico, marking a 10.2% increase compared to the same period in the previous year. At the same time, reinvested earnings accounted for 84.4% of inflows, while new investments accounted for only 9.2%. Approximately 79% of FDI was concentrated in five states, with Mexico City alone attracting 56.4%. The primary countries of origin were the United States (42.9%), Spain (15%), followed by Canada, Germany, and Japan. Regarding sectoral representation, manufacturing accounts for the largest share (36%), followed by financial services (26.7%), construction (7.6%), and mining (7.2%). [15]

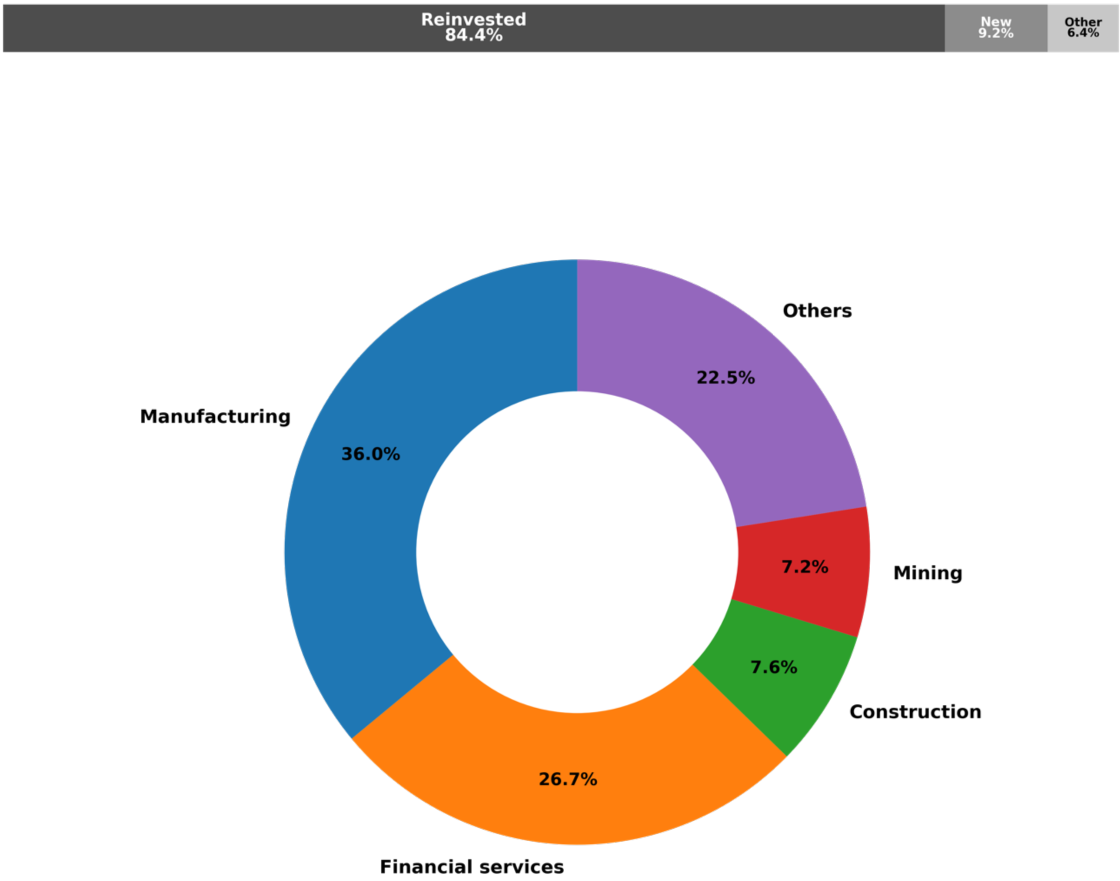

Fig. 4-2: Mexico FDI composition 2025

The significant reinvestment of profits highlights Mexico's role as a consolidation market, though new capital inflows remain at a modest level. According to the Ministry of Economy, they accounted for only 13% of total FDI in 2023, which is the second-lowest figure since statistics began. The reasons for this are delays in infrastructure and energy projects, security risks, and growing uncertainty due to US tariff announcements *("security shoring").* The Plan México decree is a comprehensive strategy to stimulate investment and growth in key sectors and in strategic sectors such as energy, water, and electromobility. For European investors, this means financial optimization opportunities, provided that projects are planned in compliance with USMCA and ESG requirements are integrated. In practice, brownfield expansions, joint ventures, and modular greenfield projects are currently proving to be less risky than large-volume one-off investments. [9], [16]

4.3 Value Chain Integration & Nearshoring Prospects

Mexico is emerging as a significant manufacturing hub, playing a crucial role in the integrated value chains of the EU and the US. Over 80% of Mexican exports are destined for the US market, while European companies provide high-quality components. The MGA -once ratified- also opens up the services and digital sectors, enabling European companies to operate as suppliers and service providers in the North American market.

Concurrently, the USMCA stipulates the necessity for substantial regional value-added shares: 75% of vehicles must be manufactured in North America, 40–45% of labor costs must be paid to employees earning at least USD 16 per hour, and material-specific rules apply to steel and aluminum. These requirements increase complexity but create incentives for local material and component manufacturing in Mexico. To address these challenges, companies must strategically align their supply chains in two key ways: The *Design for Origin* approach optimizes vertical integration and assembly in accordance with the USMCA. In contrast, the *Compliance by Design* strategy integrates environmental, social, and governance ESG standards, as well as labor law standards. [1], [2], [3], [6]

At present, nearshoring projects are concentrated in clusters (chapter 3.2), where automotive, aerospace, electronics, and battery factories are located. These regions benefit from existing industrial infrastructure, skilled labor, and proximity to the US border. The MGA is expected to facilitate European companies' participation in subnational public tenders and digital service provision, generating new opportunities for value creation. However, long-term uncertainties persist. Tariff threats from the US *(“security shoring”)* and shortages of energy and water could influence investment decisions. Successful strategies therefore rely on hybrid supply chains, with production steps that increase regional content located in Mexico, while capital- and know-how-intensive components remain in the EU or are manufactured in joint ventures. Collaborating with regional industrial corridors and leveraging EU financial instruments (EFSD+) and Mexican incentives (Plan México) can bolster the resilience of value creation systems. [16], [17]

5 EU-US-Mexico Triangle & Compliance Strategies

This chapter builds on the analysis presented in the previous paper (Chapter 4, *"Focus on Latin America"*), which covered EU regulations such as the *EU Deforestation Regulation* (EUDR), the *Carbon Border Adjustment Mechanism* (CBAM), the *Corporate Sustainability Due Diligence Directive* (CSDDD), and the *Critical Raw Materials Act* (CRMA). It now turns its attention to the interface between Mexico and the US.

5.1 US: Strategic Economic & Funding Instruments

In addition to European requirements, investors are obligated to comply with a number of US regulations aimed at strategic autonomy and strengthening domestic industry.

- **USMCA**: The North American trade agreement stipulates that 75% of vehicles must be manufactured in North America and that 40-45% of their value must be generated by workers earning at least USD 16 per hour. Beginning in 2027, more stringent rules of origin will be implemented for steel and aluminum, addressing both origin and processing requirements. These provisions promote local production but increase compliance costs. [2], [3]

- **Inflation Reduction Act (IRA)**: To qualify for the tax credit on clean vehicles, critical minerals in batteries must increasingly come from the US or free trade partner countries (40% from 2023, 80% from 2027). Concurrently, a rising percentage of battery components are required to be produced in North America (60% in 2024/25 to 100% in 2029). From 2024 to 2025, respectively, battery components and critical minerals from "foreign entities of concern" will be excluded. These regulations position North America as a favorable location for EV production, while also imposing restrictions on suppliers from China. [18]

- **CHIPS and Science Act**: The legislation aims to bolster the semiconductor industry by allocating a total of USD 52.7 billion, with USD 39 billion designated for production incentives and USD 13.2 billion for research and educational initiatives. Furthermore, a 25% tax credit is available for investments in semiconductor factories. Eligible companies are not permitted to substantially increase their capacities in countries such as China, which necessitates "de-risking" in favor of North America. [19]

- **Buy American/Build America**: The *Federal Acquisition Regulation* (FAR) has been updated to include changes that raise the domestic content requirement for public procurement. The target percentage is set at 60% for 2023, 65% for 2024, and 75% for 2029. An emergency threshold of 55% is established for instances where higher quotas cannot be achieved. This complicates the use of foreign components in US infrastructure projects. [20]

These US regimes are promoting the localization of production and supply chains in North America, linking them to high labor and environmental standards. European companies must therefore adopt a dual strategy that aligns with US requirements without compromising their European ESG obligations.

5.2 Dual Compliance Framework & Strategic Alignment

Ensuring simultaneous compliance with both European and US regulations necessitates a meticulous approach to dual compliance management. These three strategic guidelines are integral to the company's operations and growth strategy.

Compliance by design

ESG, human rights, and labor law criteria must be integrated into project planning from the outset. This includes establishing data structures that facilitate compliance with both EU requirements (e.g., EUDR, CBAM) and US standards.

Design for Origin

To ensure compliance with both the stringent origin and wage requirements of the USMCA and the Inflation Reduction Act, as well as European regulations, companies should strategically distribute their production steps. This could entail the relocation of assembly and value creation activities to North American clusters, while research and knowledge-intensive components would remain in the EU.

Institutional leverage

The optimal use of funding instruments has been shown to increase competitiveness. These include EU programs such as EFSD+ and Global Gateway, Mexican incentives through the Plan México decree, and US tax credits for clean vehicles and semiconductors. Companies that integrate these instruments and align their governance structures accordingly can strategically leverage Mexico as a bridgehead between EU sustainability requirements and US industrial policy. [9]

6 Strategic Opportunities for European Companies

This chapter builds on the previously defined regulatory frameworks of the EU and the US, as well as the macro logic of the re-regionalization of global value chains described in the previous paper. It focuses on the sectoral level. It provides insights into Mexico's position and potential contributions within the emerging industrial landscape.

Mexico's industrial structure has evolved into a catalyst for transformation, contributing to the nation's economic growth and development. The country boasts one of the most industrialized economies in Latin America, direct access to the US market, and is increasingly attracting European investment through EU programs such as Global Gateway and EFSD+. This dual connection to the North American production ecosystem via the USMCA and to the European regulatory and investment system via the MGA would open up cross-sector opportunities. [21]

Four industries are of particular relevance to Mexico's development policy and European expansion: **(1) energy**, **(2) water**, **(3) health**, and **(4) automotive** industry. Each of these areas combines market potential with political control and regulatory significance, thus forming the operational level of the European expansion portfolio.

For more detailed information on these industries, please refer to **Attachment A** (Chapter 9).

6.1 Energy Market Drivers: Expansion & Decarbonization

Mexico is pursuing an ambitious energy strategy plan. In early 2025, the government announced plans to increase electricity generation by ~29 GW net by 2030, with a significant portion of this capacity to be derived from renewable sources. The state-owned utility CFE plans to provide at least 54% of the additional public capacity (Chapter 9.1).

Concurrently, the government has committed to establishing clear guidelines and ensuring transparency for private investors. Despite this potential, the power grids in key industrial regions are already operating at over 95% capacity, making thorough grid due diligence essential. European companies are presented with opportunities in solar and wind projects, the modernization of grid infrastructure, and long-term power purchase agreements. A combination of Mexican tax incentives (Plan México) and EU financing instruments such as EFSD+ can make projects even more attractive. [22], [23], [24]

6.2 Water Management: Scarcity Drives Innovation

Water availability is becoming a decisive location factor. According to the Mexican National Water Commission Conagua, over 65% of the country's territory experienced water shortages in the summer of 2023, particularly the core industrial regions with high water and energy consumption. Despite government investments in new infrastructure and irrigation systems, approval processes are lengthy, and supply disruptions remain a risk. European companies should prioritize two key areas in their operations: first, conducting thorough water due diligence to assess local water rights and capacities; and second, investing in water treatment, recycling, and efficiency technologies, which can be promoted through public-private partnerships. In this context, EU programs (such as Global Gateway) and Mexican incentives can be utilized in conjunction. [25], [26]

6.3 Healthcare: Reform Momentum Creates Market Entry Opportunity

The Mexican healthcare sector is undergoing restructuring, with the *Instituto Mexicano del Seguro Social* (IMSS) Bienestar program experiencing significant expansion. The economic package planned for 2026 allocates USD 52 billion, primarily for this system. Despite a projected number of around 50 million general practitioner consultations in 2025, care provision will be 27% below 2016 levels, indicating a persistent underserved market.

Concurrently, there is an increasing demand for private healthcare, digital diagnostics, and telemedicine. This presents opportunities for European medical technology and pharmaceutical companies, as the Mexican regulatory authority *Comisión Federal para la Protección contra Riesgos Sanitarios* (COFEPRIS) is increasingly recognizing EU approvals, which reduces market entry costs. Investments in digital health platforms and telemedicine are subsidized by the government. Joint ventures with local hospital groups and the use of EFSD+ health windows can facilitate market entry. [27], [28]

6.4 Automotive Industry: Transformation through Nearshoring & Electrification

The automotive industry is a key driver of the Mexican economy, contributing 3.6% to the GDP, accounting for 18% of manufacturing GDP, and providing employment for over one million individuals. In 2024, Mexico produced almost 3.99 million light vehicles and exported roughly 87%.

The sector stands to benefit from the USMCA, which encourages European manufacturers to produce locally, and from the modernized EU-Mexico package, which enables investment protection and access to subnational tenders. The transition to electric mobility is increasing the need for investment. Numerous companies are planning e-mobility and battery factories, and Mexican states are granting tax write-offs of up to 91% on such facilities (Plan México). For European suppliers and technology providers, this means aligning value chains in two ways (USMCA compliance): manufacturing e-components locally and complying with ESG standards at the same time. Establishing strategic partnerships with local entities and leveraging incentive programs, such as Plan México, is paramount for navigating the intricacies of this ever-evolving landscape. [9], [29]

7 Scaling, Risk Management, & Financing

7.1 Scaling Logic & Clustering Strategies

The transition from pilot project to industrial series production requires a targeted scaling strategy. Mexico's nearshoring hubs, including Monterrey in Nuevo León, the Bajío cluster, Ciudad Juárez, and Sonora, offer modern logistics, a skilled workforce, and close proximity to the US market. The majority of FDI inflows are concentrated along the Manzanillo-Mexico City corridor and in the border states. An effective cluster strategy entails locating production facilities in one of these hubs and expanding capacity through cooperation with local suppliers.

For industries that are energy- and water-intensive, it is essential to assess the supply situation in advance. Without careful due diligence, costly bottlenecks are likely. [26], [30]

7.2 Risk Management: Governance, Infrastructure & Timing

Despite the opportunities, investment risks remain considerable. According to the World Justice Project's Rule of Law Index 2025, Mexico ranks 121st out of 143 countries. The country's performance is particularly weak in the areas of rule of law, corruption control, and public safety. These weaknesses vary by region; northern states such as Nuevo León and Querétaro offer significantly better governance and security structures than many southern regions.

In addition, energy and water shortages are price- and structure-related risks that must be managed through the choice of location, contract design (power purchase agreements, water rights), technical solutions (self-sufficiency, recycling), and modular scaling (Chapter 6). According to the Federal Reserve Bank of Dallas, infrastructure deficits -particularly in electricity and water- and security issues are among the main reasons why the nearshoring boom has not yet led to a significant increase in new FDI. [10], [31]

To that end, companies should implement multi-layered risk management:

1. **Location due diligence** at the subnational level is essential for identifying legal uncertainty and supply risks.
2. In order to **mitigate the potential impact of currency fluctuations and the volatility** of energy prices, it is advisable to implement strategies such as forward exchange transactions and long-term energy contracts.
3. It is essential to incorporate provisions for **change-of-law clauses** within contracts, thereby ensuring flexibility in response to new legislation, such as the review of the USMCA or tax reforms in the United States and Mexico.

7.3 Local Partnerships & Workforce Development

Success in Mexico is contingent on the development of local networks. The Plan México decree stipulates that companies must collaborate with the Mexican education authority and endorse dual training programs in exchange for tax incentives. A specially established evaluation commission will select eligible projects. Concurrently, the Ministry of Public Education SEP and the German Society for International Cooperation (GIZ) have been implementing a dual vocational training system since 2015; however, participation remains low. [32], [33]

To address the demand for skilled workers, it is essential to establish partnerships with local universities, technology centers, and cluster initiatives. Cooperation models include joint ventures, public-private partnerships, and so-called ciudades hermanas (city partnerships).

In sectors that are sensitive to social issues, such as healthcare, companies must collaborate with public institutions like IMSS-Bienestar to ensure social acceptance and political support.

7.4 Financing & Funding Architecture

The selection of financing structure is pivotal in determining the viability of projects. EFSD+ provides guarantees of up to USD 46.8 billion and aims to mobilize a total of USD 158 billion in public and private investment. The *European Investment Bank* (EIB) serves as the primary implementation partner. The EFSD+ architecture includes open guarantees for projects in emerging markets and specific EIB guarantees for large-scale infrastructure. In 2023, the European Commission and Mexico established a strategic partnership: The EIB will finance projects in the areas of energy (CFE), water (CONAGUA), critical raw materials, and sustainability, and will mobilize additional funds from the Global Gateway program. Since 1997, the EIB has invested approximately USD 1,034.3 million in Mexico. [34], [35]

Additionally, the *North American Development Bank* (NADBank) has established a Water Resiliency Fund with a value of USD 400 million. Of this, USD 100 million is provided by the bank's own resources, while the remaining USD 300 million is made available through low-interest loans for cross-border water projects. In 2023, the *International Finance Corporation* (IFC) invested USD 75 million in a Fibra-E bond issued by CFE to mobilize private capital for the expansion of the electricity grid. Through the EFSD+ Health Window and Mexican instruments such as FIBRA-E, *Industria Manufacturera, Maquiladora y de Servicios de Exportación* (IMMEX) / *Programa de Promoción Sectorial* (PROSEC), and the Plan México decree, companies can finance projects while taking advantage of tax incentives. The combination of EU guarantees, multilateral funds, Mexican tax incentives, and private capital markets creates a hybrid financing matrix that makes investments in Mexico more resilient and efficient. [36], [37]

8 Synthesis, Strategic Implications, & Principles for Action

8.1 Mexico 2025–2030: Scenarios between Nearshoring Upside & Security-Shoring Downside

Baseline Context: 2023 – H1 2025

Mexico's nearshoring narrative remains consistent, but the conditions under which it occurs have become more variable. Despite a record level of FDI in 2023, the share of new investment fell to approximately 13%, indicating a cautious and wait-and-see approach. This trend persisted into 2025, with a significant portion of earnings being reinvested and a notable decrease in new greenfield decisions. Analysts have identified two primary factors contributing to this trend: (i) the recurring indication of US tariffs and a shift from *"friendshoring"* to *"security shoring"*, and (ii) binding constraints in infrastructure (energy/water) and rule-of-law/security. In this context, the USMCA review in 2026 is a pivotal timing variable: while an extension is feasible, contentious areas such as labor standards, rules of origin, and heightened scrutiny of Chinese-linked investment could still lead to friction and uncertainty. [16], [38]

Key scenario drivers

1. US trade posture and USMCA 2026 outcome (continuity vs. delayed renewal vs. tariff escalation).
2. Depth of enforcement and monitoring (rules of origin, labor compliance, investment screening).
3. Execution capacity in Mexico (grid expansion, water programs, permitting speed, security conditions).
4. EU–Mexico modernization (ratification + practical operationalization in procurement/services/digital).
5. Corporate response (ability to operationalize dual compliance: EU ESG + USMCA origin/labor).

8.1.1 Base Scenario: Managed Continuity

The USMCA will be renewed in 2026, with incremental tightening measures, including stronger monitoring, more frequent compliance checks, and selective adjustments to tariff preferences and enforcement. Mexico continues to serve as a reliable North American production base, with new FDI growth remaining steady.

Assumptions

- The renewal of the USMCA is proceeding according to schedule, but with increased rigor in terms of compliance and supply-chain monitoring.
- Tariff-related developments have not been widespread or long-lasting. Instead, trade enforcement has been targeted, and higher documentation requirements have been implemented.
- Plan México incentives are utilized effectively, but not to their full potential. The project pipeline is expanding, but execution remains inconsistent.
- Grid and water constraints are improving, but only incrementally, and specific clusters remain capacity constrained.
- The EU-Mexico modernization process is progressing, but the effects of market opening (particularly in the areas of procurement and services) are occurring gradually.

Expected Outcomes

- Mexico continues to be a favored compliance-capable manufacturing and services platform, particularly in well-established clusters.
- FDI composition remains skewed toward reinvested earnings, while new greenfield projects are increasing only selectively.
- While companies may face higher compliance costs and documentation requirements (origin engineering, labor governance, traceability), the environment remains conducive to investment.

Implications for EU Investors

- Continue with pilot-based scaling, including brownfield expansions, modular greenfields, and joint ventures. Avoid irreversible single-shot bets.
- It is essential to consider dual compliance (EU ESG + USMCA origin/labor) as a design parameter rather than a downstream audit exercise.
- Prioritize cluster selection based on grid, water, and security considerations, rather than solely considering fiscal incentives.

Early Indicators

- USMCA negotiation tone + published enforcement guidance; trend in labor-related enforcement actions.
- Ratio of new investment vs. reinvested earnings in FDI composition.
- Grid connection timelines, water permitting outcomes, and frequency of operational interruptions in core corridors.

8.1.2 Optimistic Scenario: Institutional Acceleration

Mexico successfully translates policy intent into execution. Plan México incentives are utilized at scale, infrastructure delivery is improved, the EU–Mexico modernization is ratified and implemented effectively, and the US adopts a more trade-oriented posture. Nearshoring has shown signs of stabilization and re-acceleration, with a notable uptick in new projects.

Assumptions

- Plan México has seen a significant increase in uptake of its incentives, supported by the predictability of its permitting processes and the reliability of its administrative execution.
- There has been visible progress on grid expansion and water programs, reducing bottlenecks in priority industrial corridors.
- The EU-Mexico modernization initiative has reached an operational phase, resulting in tangible improvements to access, particularly in areas such as procurement, services, and digital processes.
- The US maintains a trade-oriented stance, which limits tariff shocks and enables planning security post-USMCA review.
- Governance and security conditions in key regions remain stable enough to support large-scale investment decisions.

Expected Outcomes

- Nearshoring investment has shown signs of stabilization and growth, with Mexico's GDP growth outperforming 2% (particularly in the latter part of the period as projects scale).
- The share of new FDI projects could rise to around 25%, indicating a shift from consolidation to expansion.
- Mexico is progressing from an assembly platform towards higher-value industrial localization, which includes supplier development, engineering, training, and selected R&D.

Implications for EU Investors

- Transition from pilots to faster scaling, including larger greenfield capacity where grid and water solutions are contractually secured.
- It is essential to accelerate supplier localization in order to capitalize on the advantages offered by the USMCA while maintaining compliance with the EU's environmental, social, and governance (ESG) requirements.
- Leverage the enhanced environment to develop structured blended/hybrid financing models and establish long-term partnerships with subnational clusters.

Early Indicators

- Plan México approval throughput and measurable pipeline conversion (announced → permitted → financed → built).
- Shortening of grid connection lead times and improved reliability metrics in industrial regions.
- Growth in greenfield announcements and an observable rise in the new-investment share of FDI.

8.1.3 Risk Scenario: Security-Shoring Escalation & Institutional Stress

Washington strengthens *"security shoring"* through tariffs and stricter controls, while the USMCA renewal process faces delays or political challenges. Concurrently, unresolved legal uncertainty and infrastructure bottlenecks (justice, energy, water, security) are contributing to investor caution. Projects may be postponed, phased, or routed accordingly. [16], [39]

Assumptions

- Tariff actions and/or heightened screening increase uncertainty and compliance burden.
- The renewal of the USMCA is facing delays or has become a point of contention in political discourse, resulting in protracted uncertainty regarding planning.
- Domestic reform dynamics are increasing short-term legal uncertainty, while energy and water constraints remain significant issues.
- Investors are shifting their focus from scaling decisions to defensive positioning and shorter payback horizons.

Expected Outcomes

- Project deferrals and slower conversion from announcements to real investment.
- Growth could fall back toward ~1% in 2025, with recovery toward ~1.5% in 2026 dependent on a constructive USMCA outcome and reduced tariff pressure.
- New greenfield projects remain limited; expansion is biased toward low-regret, modular steps.

Implications for EU Investors

- It is essential to emphasize optionality and reversibility, including shelter/contract manufacturing, phased capital expenditures, and flexible supply-chain routing.
- It is imperative to fortify the contractual protections in place, particularly those related to change-of-law, tariff pass-through, termination/step-in rights, and expand hedging for FX/energy risk.
- It is imperative to enhance governance screening at the subnational level. Furthermore, it is crucial to refrain from establishing corridors in regions exhibiting acute grid or water fragility unless adequate mitigation measures are in place.

Early Indicators

- Formal tariff announcements and escalation in restrictive trade measures.
- Signals of delay or deadlock in USMCA renewal dynamics.
- Rising permit denials, grid curtailment events, or security disruptions that directly affect industrial operations.

8.2 Roadmap & Timeline for EU Investors

1. **2025 – 2026: Due Diligence & Piloting**. In this phase, companies should launch pilot projects in strategic clusters. Given the high level of uncertainty, flexible contract models and change-of-law clauses are essential (see Chapter 7). Concurrently, supply chains must be prepared to meet the requirements of the USMCA.

2. **2026 – 2027: USMCA Review & EU Agreement**. The USMCA review in July 2026 will be decisive; its results must be incorporated directly into business strategies. Concurrently, the EU-Mexico MGA is expected to be fully ratified, creating access to public procurement and new service markets, which will serve as a catalyst for expansion after 2027.

3. **2027 – 2030: Scaling & Localization**. In stable conditions, investments can be scaled up, particularly in the expansion of energy by 2030, water treatment, and electromobility. The objective is to establish value chains at the local level, leverage the incentives provided by Plan México, and access subnational procurement markets. [23]

4. **> 2030: Diversification & Resilience**. Beyond 2030, companies should diversify their export markets (US, EU, and possibly South America) to reduce dependencies. Investments in digital traceability and ESG systems will facilitate access to EU markets under the EUDR, CBAM, and CSDDD.

8.3 Guiding Principles for European Companies

1. **Compliance by Design:** Integrating ESG and labor law requirements into business models from the outset. These include EU regimes such as the *EU Emissions Trading Scheme* (EU ETS), CBAM, CSDDD, and CRMA, as well as USMCA regulations on regional value creation. Digital traceability tools should be implemented to document supply chains transparently.

2. **Design for Origin:** Production sites are planned in accordance with USMCA requirements to ensure compliance. Local manufacturing activities, such as battery assembly and component production, contribute to regional value addition and provide protection against tariffs. Concurrently, it is imperative to adhere to the EU's export requirements.

3. **Institutional Leverage:** The financing strategy should integrate a combination of hybrid sources. EU instruments, such as the EFSD+, which provides guarantees of up to USD 46.8 billion and can mobilize USD 158 billion, can be strategically combined with Mexican tax incentives (Plan México) and North American programs such as the NADBank Water Fund or IFC investments. [17], [34], [36], [37]

4. **Governance-Screening:** When selecting investment locations, it is essential to prioritize indicators of the rule of law, security, and infrastructure (WJP Index). Northern states such as Nuevo León and Querétaro demonstrate higher performance and should be prioritized. [10]

5. **Pilot-based Scaling:** Due to the volatility of FDI flows and the low proportion of new investments (13% in 2023), a gradual expansion is recommended: initially smaller projects (shelter/contract manufacturing), followed by a gradual ramp-up via joint ventures or greenfield investments. [16]

6. **Water & Energy Due Diligence:** It is imperative to assess supply risks, as over 65% of the country is currently facing drought conditions while the government is developing plans to add 29 GW of new power plant capacity by 2030. Long-term *Power Purchase Agreement* (PPA) models can help ensure a stable and reliable energy supply. [23], [26]

7. **Local Partnerships & Training:** Securing skilled workers, permits, and social acceptance is crucial for the success of our business. For this reason, close cooperation with Mexican authorities in dual training programs and integration into subnational clusters are essential. [33]

8. **Scenario Monitoring and Agility:** It is imperative that companies establish an early warning system for political and economic developments. Key factors such as the 2028 US elections, the 2026 USMCA revision, and Mexican energy and judicial reforms can swiftly impact business models. Flexibility in supply chains, investment volumes, and market expansion will become a strategic advantage.

ATTACHMENT

ATTACHMENT A

9 Key Industries in Mexico's European Expansion Portfolio

Ref. Chapter 6

9.1 Energy: Supply Stability as a Key Variable in Location Strategy

Mexico is strategically positioning itself as a transatlantic manufacturing hub, but this role is inextricably linked to a stable, sustainable energy supply. As previously detailed in Chapter 6.1, energy and resource security are among the primary factors influencing European investment decisions. The Mexican energy system faces the challenge of combining dynamic industrial growth with limited grid capacities and ambitious decarbonization targets.

9.1.1 Structural Situation

The electricity supply remains predominantly controlled by the state-owned CFE. Although private investment has been possible since the 2013 energy reform, CFE remains the primary producer and operator of the transmission and distribution network. Under the Sheinbaum administration, Mexico is pursuing a two-pronged approach: strengthening public control while opening up to private investment in new generation and grid capacity. [40], [41], [42], [43]

The *Plan de Fortalecimiento y Expansión del Sistema Eléctrico Nacional 2025–2030* outlines the strategic framework for augmenting the nation's energy infrastructure.

The plan envisions the construction of approximately 22.7 GW of new public generation capacity (CFE) by the year 2030, with an additional 6.4 GW to be contributed through private sector initiatives. This will result in a total of ~29 GW of additional capacity. The program identifies 76 power plant projects, primarily gas-fired combined cycle power plants, photovoltaic systems, and battery storage facilities. Approximately USD 23.8 billion are earmarked for investment in generation. In the transmission sector, 158 projects with a total capacity of 15,729 MVA are planned to strengthen the grid. In the distribution network, 97 new substations, 95 expansions, 6,875 modernization projects, and 42,221 electrification projects are planned. The planned investments for the energy system total over USD 33.6 billion. [44], [45]

In 2023, Mexico had an installed capacity of around 87 GW, with approximately one-third of this capacity stemming from clean energy sources such as hydropower, wind, photovoltaics, nuclear power, and geothermal energy. During a period of extreme heat in June 2022, the reserve margin dropped to a mere 5% at times. Bottlenecks in transmission and gas pipelines, particularly in the north (Nuevo León, Coahuila, Chihuahua), are negatively impacting the attractiveness of nearshoring investments. According to forecasts, the annual electricity demand is expected to grow by 2.1–2.9% on average. This indicates that by 2038, the demand for additional capacity will reach approximately 65 GW. High grid utilization can result in extended connection and approval wait times, which can be a significant cost factor for investors. [46], [47]

9.1.2 Renewable Energies & Decarbonization

As part of its climate policy, the Mexican government aims to substantially increase the share of clean electricity generation. The PRODESEN 2024-2038 development program and the PLADESE 2025-2039 electricity system development program aim to generate at least 38% of installed capacity from renewable or other clean sources by 2030. In 2023, the share of clean energy generation was approximately 24%, indicating the need for substantial expansion of photovoltaic, wind, and storage projects. The Ministry of Energy (SENER) has established an interim target of achieving 35% renewable electricity by 2030, which would necessitate nearly doubling the installed capacity. [45], [48] To achieve these goals, Mexico is relying on a mix of public and private projects. In 2025, SENER announced that private investors will develop more than 20 solar and wind farms in eleven states. Together, these facilities will provide 3,320 MW of new capacity and 1,488 MW of battery storage, with an investment volume of around USD 4.75 billion. Concurrently, CFE is modernizing existing hydroelectric power plants and establishing new grid connections for PV and wind farms. European suppliers can benefit from a variety of opportunities, including participation in CFE consortia for grid modernization, the export of battery and smart grid technologies, and project development in accordance with EU taxonomy standards. The EU's Global Gateway program and EIB financing will provide additional funds to complement Mexico's investment plans. [41], [49], [51]

9.1.3 Regulatory & Institutional Factors

The negotiated EU-Mexico MGA of 2025 includes a separate chapter on energy. In the communiqué, both parties underscore the significance of a diversified energy supply, enhanced energy efficiency, and the expansion of renewable energies. They are committed to exchanging information, deepening cooperation, and promoting an open, competitive market environment. The objective of transparency in approvals and grid connections is to prevent discrimination against private providers. [52], [53]

When considered in conjunction with the USMCA, this results in a dual impact: while the EU agreement guarantees legal certainty within the internal market, the USMCA implements regionalization of energy and equipment production through local content regulations. European companies that integrate local manufacturing can gain access to the US market through tariff preferences and EU eligibility for funding, for example through EFSD+ guarantees. Previous energy projects encountered challenges due to regulatory uncertainty, including temporary approval freezes by the Comisión Reguladora de Energía (CRE). The new agreement requires governments to commit to transparent intervention, thereby increasing planning security. Concurrently, the USMCA quotas for regional value added and labor content increase the pressure to regionalize supply chains. [54]

9.1.4 Implications for European Companies

The energy sector is a pivotal component of any investment strategy in Mexico. The coming years will be defined by significant expansion programs for generation, transmission, and distribution. However, grid capacity remains constrained, necessitating thorough due diligence. European companies can take three key courses of action:

1. **Early Grid & Energy Due Diligence**: When selecting a site, it is essential to examine capacity reserves, feed-in queues, and regional grid bottlenecks. In northern Mexican states, high utilization rates result in delays in grid connection permits. There is a potential benefit to considering alternative locations that offer better infrastructure or active participation in grid expansion, as these options can help mitigate risks. [46]

2. **Hybrid Supply Models**: The integration of on-site photovoltaics, PPAs, battery storage, and (where available) combined heat and power enhances supply security. Many industrial companies are planning to meet their electricity needs entirely from renewable sources by 2030. To achieve this objective, it is essential to establish partnerships with CFEs and private developers.

3. **Utilizing Funding Instruments**: The European Union's programs, including Global Gateway, EIB loans, and Mexican tax incentives, have been designed to encourage investments in renewable energy and grid modernization. Integrating these instruments with CFE partnerships has been shown to lead to significant reductions in capital and operating costs.

Overall, the energy sector serves as a stabilizing force within the Mexican investment environment. The completion of industrial expansion is contingent upon the availability of affordable, clean energy. Integrating European companies into the expansion and modernization of the Mexican energy system is a strategic move that will create economic opportunities and strengthen the transatlantic climate partnership.

9.2 Water: Limiting Resource & Strategic Location Variable

While Chapter 6.1 emphasized the significance of energy supply in investment decisions, in the Mexican context, access to water is frequently even more crucial. Energy enables operations, but water determines the social acceptance and long-term viability of a location. Mexico has one of the most uneven hydrological profiles on the American continent. Around 77% of the population and over 82% of GDP are concentrated in the arid northern and central regions, which possess only about one-third of the country's renewable water resources. The nearshoring trend is driving a significant increase in the importance of water as a location factor. [55], [56]

9.2.1 Structural Situation & Regional Disparities

Hydrological imbalances

The unequal geographical distribution of population, economy, and water leads to significant tensions. Northern and central Mexico are home to the majority of the population and economic output but share only a fraction of the renewable water resources. Conversely, the majority of hydrological resources are located in the more water-rich south and southeast, where industrial activity is lower. [55], [56]

Water stress is a pervasive issue affecting large parts of the country. According to the World Resources Institute, Mexico is among the countries facing water stress. According to the Aqueduct Database (2023), 23 of the 32 states experience *high or extremely high water stress*; 17 states, including Baja California Sur, Mexico City, Sonora, Coahuila, Sinaloa, and Chihuahua, are classified as extremely water-scarce. High extraction rates and low rainfall have led to overexploitation of numerous northern aquifers. According to the Mexican Institute for Competition (IMCO), 18% of aquifers were already overexploited in 2018, posing a threat to the water supply for households and industry. [57], [58], [59]

Structural Bottlenecks

- **Río Bravo Basin**: The border river is experiencing significant strain due to drought conditions and treaty obligations. In the summer of 2025, the Tamaulipas Water Authority reported that the binational La Amistad and Falcón dams were only 10% and 6% full, respectively. To fulfill its obligations to the United States under the 1944 treaty, water had to be diverted from the Río San Juan system. This action had repercussions for agriculture, cities, and industry along the border. [60]

- **The Nuevo León–Coahuila–Tamaulipas Industrial Corridor** is a strategic initiative that aims to foster economic growth and collaboration in the region. According to a UNAM report, significant portions of northern Mexico experience minimal rainfall. The states of Nuevo León, Tamaulipas, San Luis Potosí, Durango, and Coahuila are among the most water-scarce in the country. According to the latest projections, Nuevo León is on track to experience a deficit of over 31 million cubic meters, which could potentially impact all production sectors. This scarcity poses a significant challenge to industrial corridors along major transportation routes. [61]

- **Bajío/Altos de Jalisco**: The central Mexican plateau is regarded as the country's economic engine, contributing approximately 30% of its agricultural output and over 15% of its national GDP. Despite its significance, the region is grappling with ongoing drought conditions and a decline in reservoir levels. At the end of 2023, the Ignacio Allende Reservoir was at only 14% of its capacity. The ongoing shift in the balance of power between agriculture, cities, and industry is creating a bottleneck for further growth, as water supply becomes increasingly constrained. [62]

This limited availability is already impacting location decisions: Analysts have noted that while the north generates 82% of the country's GDP, it possesses only 17% of the nation's water resources. Absent clear regulatory frameworks, this could have a negative effect on the investment climate. [63]

9.2.2 Regulatory Frameworks & Institutional Actors

Legal Framework & Reforms

The Mexican government's water policy is guided by the 1992 National Water Law *Ley de Aguas Nacionales*, which has undergone several amendments. Under President Claudia Sheinbaum, the concept of water is being redefined as a human right and a strategic resource. In December 2024, the government signed the *National Agreement on Human Rights to Water and Sustainability*, which establishes ten commitments, including guaranteeing water rights, efficient use in industry and agriculture, investment in infrastructure, technological innovation for treatment and reuse, climate change adaptation, and river restoration. The agreement stipulates the return of unused water rights, with irrigation districts committing to return more than 2.8 billion cubic meters and industrial companies pledging to return 126 million cubic meters. Additionally, these companies are allocating over USD 1.2 billion for efficiency, treatment, and reuse initiatives. This realignment signals stricter concession procedures. A nationwide agreement on water rights guarantees ensures the efficient use of water in industry and agriculture. It also facilitates investment in infrastructure, technological innovation for treatment and reuse, climate change adaptation, and river restoration. [64]

Concurrently, the government is examining a new general water rights framework that would strictly link water rights to environmental conditions. Media reports from November 2025 indicate that water, as a strategic resource, might no longer be transferable between private individuals; the federal government would be the sole permitting authority, and inheritance/transfer rights upon the sale of real estate would only remain subject to conditions. [65]

Role of CONAGUA & Investment Programs

The National Water Commission CONAGUA continues to serve as the primary licensing and oversight entity. In recent years, it has reviewed approximately 260,000 concessions and uncovered cases of abuse. The new National Water Plan differentiates water rights according to their intended use and mandates regular usage audits. [66]

In May 2025, CONAGUA announced an investment package of more than USD 10.4 billion for the 2025–2030 period. The 37 strategic projects include the construction of dams, drinking water pipelines, wastewater treatment plants, and desalination plants. USD 1.7 billion are earmarked for 2025 alone, supplemented by a technology upgrade plan to modernize 17 irrigation districts. [67]

9.2.3 Industrial Relevance & Corporate Strategies

Water scarcity is emerging as a significant concern for export-oriented industries, including the automotive, electronics, food processing, and mining sectors. The recent surge in nearshoring is driving up water demand in the north, where resources are particularly scarce. Financial institutions such as Intercam have identified a lack of water as a significant hindrance to new investments, along with challenges related to energy and logistics. [63]

Companies are responding with adapted strategies:

- **Water Due Diligence:** Before selecting a site, companies assess its availability, quality, existing concessions, and wastewater disposal options. In high-stress areas such as Nuevo León, Coahuila, or Sonora, they must anticipate strict regulations and potential allocation restrictions. [68]

- **Circular Economy & Reuse:** The increasing scarcity of resources is driving demand for technologies that can reuse and purify these resources. One notable example is the PacíficoMexinol project in Sinaloa: Veolia is developing an industrial wastewater treatment plant in accordance with a memorandum of understanding signed in 2024. The facility will convert 32,000 m³ of municipal wastewater into high-quality process water daily, making it one of the largest water reuse projects worldwide. These examples illustrate that international companies possess the expertise necessary for closed-loop water systems. [69]

- **Partnerships & Public Participation:** In the current business environment, there is a growing trend of collaboration between companies, municipalities, and regional authorities through public-private partnerships. These partnerships aim to facilitate the development and maintenance of infrastructure, ensuring long-term access to water resources. Joint investments in wastewater treatment plants or the modernization of irrigation districts facilitate the securing and renewal of concessions.

9.2.4 Financing & Funding Dimension

Mexico's water infrastructure is supported by multilateral programs in addition to government funding:

- **North American Development Bank (NADBank):** NADBank is responsible for the management of the *Border Environment Infrastructure Fund* (BEIF) and the *Project Development Assistance Program* (PDAP). These programs provide grants for drinking water and wastewater projects within a 100-kilometer strip on both sides of the border. In August 2025, NADBank also announced the *Water Resiliency Fund* (WRF) of up to USD 400 million: The organization has allocated USD 100 million from its own funds and USD 300 million in low-interest loans for water security projects in the border region. [36], [70]

- **EU-LAC Global Gateway Investment Agenda:** As part of the Global Gateway strategy, the EU promotes infrastructure projects in Latin America. For Mexico, this includes industrial parks, renewable energy and water systems, as well as green and inclusive development along the Isthmus of Tehuantepec. The projects are financed through instruments such as the EIB and EFSD+, which provide guarantees and low-interest loans. The MGA also includes legally binding commitments to cooperation on environmental issues, including energy efficiency, climate-friendly technologies, and the reuse and repair of products. [1], [71]

- **National incentives:** As part of the National Water Plan, the Mexican government is discussing tax incentives for investments in reuse and circular economy facilities. Specific decrees are currently being prepared.

9.2.5 Implications for European Companies

In Mexico, water is evolving from an environmental indicator to a key location and investment factor. Extreme regional disparities, with 77% of the population and over 82% of GDP concentrated in areas with only a third of the country's water resources, mean that industrial expansion is defined by hydrological and social limits of acceptance (weforum.org). Regulatory reforms are tightening water rights allocation and linking it to sustainability indicators, while national programs and international initiatives (NADBank, EU-LAC Global Gateway) are opening up new financing opportunities for water and wastewater infrastructure. For companies, effective water management is becoming a core component of competitiveness and compliance. To achieve sustainable success in the Mexican market, companies must plan for access, efficiency, and reuse in an integrated way.

9.3 Health: Structural Reforms, Market Dynamics, & Opportunities for European Providers

Water availability is a key factor in industrial location decisions, and Mexico's healthcare sector is marked by significant system reforms and a diverse provider landscape. Latin America has long been considered a growth market for health and care technologies, driven by demographic change, urbanization, and a growing middle class. In Mexico, this trend is becoming a reality. The federal government aims to implement universal healthcare by 2030, promotes the digitalization and professionalization of healthcare infrastructure, and is gradually opening the market to international cooperation and investment.

9.3.1 Structural Situation: System Fragmentation & Reform Path

Mexico's public healthcare system is traditionally structured around three pillars: the IMSS for formal sector employees, the *Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado* (ISSSTE) for public sector employees, and a separate system for people without formal insurance coverage. This third segment has been undergoing nationwide standardization under the IMSS-Bienestar brand since 2022/23. The National Health Compact, developed jointly by the government and the World Bank, outlines a two-phase reform path:

1. In Phase 1 (2022–2025), the state health services will be gradually integrated into IMSS-Bienestar;
2. In Phase 2 (starting 2026), Mexico's National Health Compact envisages a phased integration of IMSS, ISSSTE, and IMSS-BIENESTAR into a single operational public-health framework by 2030. This should be understood as functional integration of service delivery rather than a formal legal merger into a new institution. As of 2025, 23 of 32 states had signed collaboration agreements with IMSS-BIENESTAR. [72]

The reform's objective is to standardize access to healthcare services. However, significant capacity deficits remain. According to the OECD, Mexico had 2.5 practicing physicians and 2.9 nurses per 1,000 inhabitants in 2023, which is significantly below the OECD average of 3.7 physicians and 9.2 nurses per 1,000 inhabitants. With a mere one hospital bed for every 1,000 people, Mexico's rate falls significantly below the OECD average of 4.3 beds per 1,000 inhabitants. The National Health Compact cites comparable figures (2.7 physicians, 3 nurses, and 1 bed per 1,000 residents) and notes that total healthcare expenditure amounts to around 6% of GDP, of which only about half is publicly funded; private households bear 41% of the costs out of pocket. This scarcity is driving increased demand for modern medical technology, diagnostics, and digital infrastructure, areas in which European providers have historically excelled. [72], [73] The health sector is financially substantial but underfunded. According to official data from the National Institute of Statistics and Geography INEGI, the health sector generated USD 94 billion in 2024, representing 5.2% of Mexico's GDP and creating about 2.2 million jobs. At the same time, approximately 78% of health and care services in Mexico are domestically produced, while 13% are imported. The 2025 budget proposal allocates USD 51.4 billion to the entire health sector, reflecting a reduction of about 11% compared to 2024. The budget includes an increase of USD 1.7 billion in funding for IMSS-Bienestar, while state contributions (FASSA) are significantly reduced. This budget structure illustrates that the expansion of primary care through IMSS-Bienestar is being offset by federal funds. [73], [74], [75], [76]

9.3.2 Regulatory Development & Market Opening

Mexico is in the process of modernizing its pharmaceutical and medical device regulations with the aim of facilitating access to innovative products. In 2024, COFEPRIS, the national regulatory agency, adopted an equivalence agreement that simplifies the approval process for pharmaceuticals and medical devices already authorized by regulatory authorities in countries with high levels of public health oversight. According to the agreement, the importation of certain pharmaceuticals and medical devices can be exempted from the full Mexican approval process, provided they are accompanied by a valid standard authorization (not an emergency use authorization) from recognized authorities in countries such as the United States, Canada, the European Union, the United Kingdom, Japan, or Switzerland. This regulatory reliance expedites market access and acknowledges the quality standards of European authorities. [77]

In addition, a streamlined approval process for medical devices was introduced in 2025. According to expert analyses, the new *Abbreviated Pathway* offers manufacturers the opportunity to rely on reviews by international reference authorities (members of the *International Medical Device Regulators Forum* (IMDRF) or participants in the *Medical Device Single Audit Program* (MDSAP)). The Mexican authority will make its decision within 30 days, and the applicant will be required to submit less documentation. The objective of this procedure is to expedite the supply of safe medical devices.

Combined with the increasing digitalization of approval processes, this reduces the administrative burden for foreign manufacturers. [78]

On 3 September 2025, the European Commission adopted proposals for Council decisions on the signature and conclusion of the MGA and the iTA. Once ratified and applicable, the modernized EU-Mexico framework would widen opportunities for European healthcare and MedTech suppliers, including through procurement access and broader trade disciplines. According to analyses by the Elcano Institute, European companies will, for the first time, have access to Mexican public tenders at all levels of government. This will increase competition for hospital construction, equipment, and digitalization projects. According to a factsheet from the Irish government, Mexico has committed to recognizing European product certifications, and European companies must not be disadvantaged in public procurement. These regulations, in conjunction with TRIPS Plus provisions for the protection of intellectual property, establish a reliable framework for the market entry of European MedTech and pharmaceutical companies. [53], [79]

9.3.3 Market Dynamic & Investment Fields

The Mexican healthcare market is expanding due to structural and demographic shifts. In 2024, it had a volume of approximately USD 94 billion, which is 5.2% of GDP, making it one of the largest in Latin America. [74], [75]

Demand is driven by the following trends:

- **Demographic Change:** The population is aging rapidly. According to projections by the United Nations, Mexico's population of individuals aged 65 and over is expected to rise from 8.2 million in 2015 to over 30 million by 2050, marking a 277% increase. This will increase the demand for geriatric care, support for chronic illnesses, and long-term care. [80]

- **Urbanization & Lifestyle Changes:** High urbanization rates and Western dietary habits have increased the prevalence of chronic diseases such as diabetes, obesity, and cardiovascular disease. According to OECD data, Mexico has above-average rates of obesity and diabetes, which is driving increased demand for diagnostics, treatments, and prevention programs. [73]

- **Private Demand & Insurance Gaps:** Due to ongoing funding shortages and significant out-of-pocket healthcare expenses, an increasing number of households are opting for private supplemental insurance or utilizing private clinics. INEGI has highlighted that 78% of healthcare services are domestically produced, presenting opportunities for foreign providers to augment existing services. [75]

Digital health is regarded as the most dynamic sub-sector. The National Health Compact underscores the importance of electronic health records and the expansion of telemedicine as key areas for action. According to a 2025 industry survey, approximately 45% of Mexican physicians offer virtual consultations, and digital health solutions have the potential to reduce healthcare spending by up to USD 2.1 billion. As early as 2015, the Ministry of Health operated over 600 telemedicine centers in 21 states and conducted over 106,000 teleconsultations. Since then, the number of digital health providers has increased exponentially. This creates new opportunities for European companies that specialize in data security, interoperability standards (HL7/FHIR), and telemonitoring. [72], [81], [82]

The pharmaceutical sector continues to rely on imports. In a 2025 hearing, the head of IMSS-Bienestar explained that more than 65% of the medicines and medical supplies used in Mexico are imported. Key supplier countries include the United States and European countries such as Germany, Switzerland, France, and Ireland. This reliance on foreign imports and the planned reintroduction of the production mandate -planta- create strong incentives for nearshoring initiatives in the production of pharmaceutical active ingredients and packaging. [83], [84]

9.3.4 Financing & Funding Mechanisms

The financing of health projects in Mexico is increasingly carried out in close cooperation with international partners. The European Global Gateway initiative is a key instrument in this regard, aiming to mobilize USD 351 billion by 2027.

It encompasses five priority areas: climate and energy, digital infrastructure, education and research, health, and sustainable transport. Since 2022, 15 Global Gateway agreements totaling USD 2 billion have been signed in Latin America through the European Investment Bank's development arm EIB Global. These agreements are expected to mobilize investments of around USD 5.4 billion. Within EFSD+, the EU is also providing up to USD 15.2 billion in guarantees to secure investments in sectors such as healthcare, green infrastructure, and digital networks. These guarantees, in conjunction with EIB loans, can also be used for hospital modernizations, digital platforms, and the expansion of pharmaceutical manufacturing in Mexico. [85]

In addition to European financing options, Mexican programs also offer tax incentives. The Nearshoring Decree of January 2025 expands existing incentive programs and aims to facilitate the relocation of companies to Mexico. The decree stipulates accelerated depreciation rates for new investments in fixed assets, with the highest rates applicable to high-tech and R&D projects. Additionally, companies can claim an additional 25% deduction for employee training expenses and for expenses related to obtaining patents or initial certifications. An evaluation committee oversees the allocation of these incentives and sets the maximum funding amount (a total of USD 1.7 billion). This scheme places a particular emphasis on investments in high-end medical technology and pharmaceutical production. [17]

9.3.5 Implications for European Companies

The combination of structural reforms, regulatory liberalization, and new financing instruments makes Mexico an attractive but challenging market for European suppliers. To facilitate successful market entry, it is essential to incorporate the following elements into your strategy:

1. **Partnerships with Public & Private Stakeholders:** Collaborations with IMSS-Bienestar, private hospital chains, and government digitization projects streamline project approval and enhance local visibility. The EU-Mexico MGA will provide a legally sound framework for this. [79]

2. **Localizing Value Creation:** Given Mexico's reliance on imports for pharmaceuticals and the tax incentives offered by the Nearshoring Decree, the production or packaging of medical devices and active pharmaceutical ingredients in Mexico presents a lucrative opportunity. Furthermore, by leveraging USMCA regulations, European companies can establish duty-free supply chains in North America.

3. **Digital & Regulatory Compliance:** The market demands data security and interoperability (HL7/FHIR standards) for electronic health records. It is imperative that companies acquaint themselves with the COFEPRIS requirements in a timely manner and ensure that their products comply with the new Reliance and Abbreviated Pathway rules. [78]

The Mexican healthcare sector is undergoing a transformation, moving from a fragmented system to one that is integrated, digitized, and more open to market competition. Despite budget cuts and capacity constraints, the reform agenda presents opportunities for providers of medical technology, pharmaceuticals, and digital health solutions. European companies can play a pivotal role in this transformation through technological leadership, local partnerships, and proactive adaptation to regulations and tax requirements.

9.4 Automotive Industry: Leading Sector, Transformation Path & European Positioning

Background & Macroeconomic Significance

The automotive industry is the foundation of Mexico's industrial sector. According to ITA, the sector contributed 3.6% of GDP and 18% of industrial value added, employing over one million individuals. According to data from INEGI, Mexico is the world's seventh-largest producer of passenger cars.

In 2024, Mexico produced 3,989,403 light vehicles and exported 3,479,086 units. Roughly 87% of output was exported, and the United States was the leading destination, taking 79.7% of Mexico's light-vehicle exports. Therefore, the sector plays a pivotal role in Mexican value creation and is a vital component of North American economic activity. [29], [86]

9.4.1 Structure & Location Logic

The industry is deeply integrated into North American supply chains. The most significant assembly plants and supplier clusters are situated in two primary regions: the northern area, encompassing Baja California, Sonora, Chihuahua, Coahuila, Nuevo León, and San Luis Potosí, and the central region, including Guanajuato, Aguascalientes, Jalisco, Estado de México, Hidalgo, Morelos, and Puebla. Transportation connections to US border cities and Pacific/Gulf ports facilitate the export of vehicles and the import of European specialized machinery and components. The proximity to the production sites allows Tier 1 and Tier 2 suppliers to provide just-in-time delivery, which should be taken into account by European technology providers when choosing a location. [29], [87]

9.4.2 Regulatory Influencing Factors

The USMCA establishes the framework for vehicle exports. In addition to the *Regional Value Content* (RVC) quota of 75% (or 70% for heavy trucks) and the *Labor Value Content* (LVC) of 40–45%, the North American origin and processing of steel and aluminum are also regulated. The agreement also stipulates a Labor Value Content quota of 40–45%, which is a portion of the vehicle's value that must be generated by workers earning a minimum of USD 16 per hour. A 2023 dispute resolution panel decision upheld *the "roll-up"* practice, which considers North American parts to be 100% of the origin of components when assembled with non-regional parts. [29], [88]

The USMCA's *Rapid Response Mechanism* (RRM) is also tightening labor law compliance. USMCA labor enforcement has become materially more relevant for investors.

By January 2025, the United States and Mexico had already announced the resolution of a 33rd Rapid Response Labor Mechanism request under the USMCA, underscoring the need for auditable labor-governance systems in Mexican operations. The majority of these cases led to the establishment of redress agreements between the governments involved. European manufacturers must therefore firmly integrate union rights, collective bargaining agreement reviews, and labor law training into their audit and compliance structures. [89]

The negotiated EU-Mexico package is a prospective complementary framework for European automotive investors. Once ratified and applicable, it would widen procurement access and embed trade-and-sustainability disciplines, thereby linking the EU regulatory sphere more closely to North American industrial integration – emphasized by an analysis of the Elcano Institute. [79]

9.4.3 Electrification & Innovation Dynamic

Mexico is strategically positioning itself as a prominent player in the electric vehicle (EV) and battery market. In addition to well-established OEMs like BMW, Volkswagen, GM, Tesla, BYD, and Volvo, several companies have announced significant investments for the 2024/25 period. For instance, Tesla plans to construct a Gigafactory in Nuevo León with an investment volume of USD 5–10 billion. BMW is investing USD 855 million in its plant in San Luis Potosí, and Audi is investing USD 1 billion in Puebla to produce EVs. According to the latest reports, investments in electric vehicle (EV) ventures amounted to approximately USD 2.55 billion in 2024 and USD 2.2 billion in the second quarter of 2025. This information was reported by Cluster-Industrial and Mexico Business News. [90], [91], [92]

The Mexican government is currently engaged in the development of legislation that aims to promote electric mobility. In spring 2025, drafts of an electric mobility promotion law were introduced, which includes state and federal tax breaks.

These regulatory changes are designed to create investment incentives for electric vehicle (EV) components, batteries, and charging infrastructure.

However, Mexico's electromobility framework is still evolving. A verified regulatory step is the issuance of administrative provisions for integrating electric-vehicle and plug-in hybrid charging infrastructure into the national electricity system. For investors, the near-term signal is therefore the gradual formalization of charging, grid-interconnection, and technical rules rather than a fully enacted federal package of tax credits or storage mandates. [90]

9.4.4 Plan México: Localization & Infrastructure

In anticipation of the upcoming 2026 USMCA review, the Mexican government has launched Plan México. The objective of this initiative is twofold: first, to increase the local content of vehicle components, and second, to protect the industry against trade policy risks. According to *Expansión*, over 60% of vehicle components currently originate from local suppliers, with a target to augment this figure to 75% by 2030. This objective will be pursued through strategic investments in automated manufacturing, specialized technical training, and the development of energy and logistics infrastructure.

Plan México integrates industrial and location policies with infrastructure projects: By 2030, an additional 22.7 GW of power plant capacity (45% of which will come from renewable sources), and 37 water projects are to be realized. Fiscal incentives, such as the immediate depreciation of investments in high technology and the expansion of programs like IMMEX (tax-free temporary import for export manufacturing) and PROSEC (production for export), are intended to attract foreign investors to localize production. These government initiatives demonstrate Mexico's intention to develop the automotive industry from mere assembly to full-value chain production. [93]

9.4.5 Infrastructure, Energy & Sustainability

The industry's high energy demand necessitates close integration with the energy transition. In line with the ITA's directives, several OEMs have committed to powering their Mexican plants entirely with renewable energy by 2030. Many facilities already utilize rooftop photovoltaic systems or power purchase agreements for wind and solar power. Energy efficiency and emissions reduction are key components of investment decisions. [29]

Sustainability reporting obligations are becoming increasingly significant. The European *Corporate Sustainability Reporting Directive* (CSRD) also applies to large EU companies with global operations. These companies can use the obligation to disclose climate and social data in supply chains as a competitive advantage.

Concurrently, the USMCA stipulates transparency with regard to labor and environmental standards, thereby streamlining the harmonization of audit processes. Companies that are already implementing CSRD-compliant reporting measures can leverage their existing expertise to transfer these practices to their Mexican locations, thereby enhancing the trust of the relevant authorities.

9.4.6 Implications for European Companies

The dynamics described above present several areas of action for European car manufacturers and suppliers:

1. **Local Production Platform:** The RVC, steel/aluminum, and LVC requirements of the USMCA can only be met through local manufacturing. European OEMs (e.g., BMW, Audi, Mercedes-Benz) have therefore invested in expanding Mexican plants. To leverage the benefits of the USMCA and mitigate the impact of tariffs, suppliers should consider regionalizing their value chains. [91]

2. **Technology and ESG Leadership:** Electrification presents opportunities in areas such as battery cells, power electronics, sensors, and software. European companies are well-positioned to contribute their expertise in e-mobility, energy efficiency, and the circular economy. The EU-Mexico Agreement, via its chapter on trade and sustainable development, fosters collaboration on environmentally friendly technologies.

3. **Political & Institutional Networking:** The interconnected nature of the agreements -EU-Mexico, USMCA, and potential bilateral agreements- demands active engagement in multilateral entities such as the EU-Mexico Trade Committee and the USMCA Automotive Working Group. These bodies enable companies to advocate for their interests and contribute to the shaping of the legal framework.

Mexico's automotive industry is a prime example of how legal integration, industrial transformation, and geopolitical dynamics intertwine. Given its robust position as a vehicle producer, the clear rules of the US-Mexico USMCA, and the EU-Mexico MGA, Mexico offers European companies a unique platform. Achieving success in this area entails three key factors: local production, the integration of innovative and sustainable technologies, and proactive compliance with labor and environmental standards. Given the upcoming USMCA review and the global e-mobility boom, the automotive sector remains a strategic proof of concept for Mexico's role in Europe's expansion portfolio.

ATTACHMENT B

10 Financing & Funding Architecture

Ref. Chapter 7.4

Political and sectoral analysis indicates that Mexico serves as a strategic bridgehead for European investors. However, in order to achieve this potential, there is a need for comprehensive financing and support structures. The architecture consists of European platforms, trilateral instruments, and Mexican incentive programs, creating an ecosystem that makes projects financially viable and politically compatible.

10.1 European Architecture

Global Gateway & EU-LAC Investment Agenda

In December 2021, the EU unveiled its Global Gateway strategy, which aims to encourage high-quality investment in sustainable infrastructure and digitalization in partner countries. In July 2023, the EU-LAC *Global Gateway Investment Agenda* (GGIA) was initiated with the objective of mobilizing at least USD 52.7 billion in public and private investment in Latin America by 2027. Mexico plays a central role in this matter. At the Global Gateway Forum 2023, the EU and Mexico agreed on a project package with a permanent coordination mechanism. The focus is on the following areas: (1) renewable energies (e.g., the Sonora Plan), (2) integrated water management (Northern Water Corridor), (3) health resilience (establishment of a vaccine regulatory system), (4) green finance architecture (alignment of EU and Mexican taxonomies), and (5) sustainable transport (Interoceanic Corridor at the Isthmus of Tehuantepec). Since the year 2000, more than USD 234 billion has been invested in infrastructure, energy, and trade projects in Mexico. [94], [95]

EFSD+ – Financing & Guarantee Structure

The European Fund for Sustainable Development Plus (EFSD+) is the central financial instrument of the Global Gateway strategy. It provides risk-sharing instruments of up to USD 46.8 billion and is expected to mobilize up to USD 158 billion in public and private investment. Approximately USD 31.2 billion of this guaranteed capacity is available to the EIB for projects outside the EU. Thematic areas in Latin America include the green transition (renewable energies, grid expansion), sustainable cities (water, waste, transport projects), and health and social infrastructure. EFSD+ guarantees mitigate political, regulatory, and currency risks, and are often combined with EIB loans and private co-investments. [34]

EIB – Investment Vehicle & Co-Financing

The European Investment Bank (EIB) serves as the implementing bank for the EFSD+ and operates as a development actor under the label *EIB Global*. Since 2022, the EIB has signed 15 Global Gateway agreements in Latin America and the Caribbean, with a volume of USD 2 billion, which is expected to mobilize investments of around USD 5.4 billion. In Mexico, the EIB offers financing for various sectors, including energy (CFE projects), water (CONAGUA), critical raw materials, and sustainable mobility. In 2025, the EIB signed a cooperation agreement with the *Inter-American Development Bank* (IDB) to scale up joint financing and mobilize private sources of capital. This partnership harmonizes EU and American development banks and facilitates access for European companies to projects in Mexico. [96]

Innovative Guarantees & Investor Programs

In April 2025, the EU and the International Finance Corporation (IFC) announced a USD 340.5 million guarantee program financed by EFSD+, which is expected to unlock more than USD 1 billion in private investment for Global Gateway projects in energy, manufacturing, and agriculture.

In June 2025, with the support of the European Commission, the EIB provided a flexible guarantee of USD 5.8 billion that can unlock up to USD 11.7 billion in financing for clean energy, green infrastructure, and SMEs in partner countries. Projects such as the decarbonization of the port of Guaymas in Sonora also receive direct grants (USD 292,500) for technical assistance and green logistics. [37]

10.2 Trilateral & Regional Financing Instruments

NADBank & Water Resilience

The North American Development Bank has broadened its focus from border infrastructure to water resilience. In August 2025, it established the WRF, which provides up to USD 400 million /USD 100 million from its own funds and USD 300 million in low-interest loans) to support water security projects in the border region. [36]

LACIF & Blending Mechanisms

The *Latin America and Caribbean Investment Facility* (LACIF) strategically combines EU grants with EIB loans and private funds to finance infrastructure projects in the region. LACIF strategically mobilizes investments in key sectors such as water and wastewater management, waste management, transportation, health, and renewable energy. By combining grants, technical assistance, and financial instruments, projects can be made bankable and risks reduced. [97]

IDB-EIB Cooperation & Climate Funds

The agreement signed in 2024 between the IDB and EIB commits both banks to increased cooperation, mobilization of private capital, and harmonization of environmental and social standards. The *Green Climate Fund* (GCF) supports climate-related projects in Mexico: In August 2024, the GCF, in collaboration with the Mexican Ministry of Finance, approved two projects with a combined budget of USD 164.6 million.

These include the BALSAS program, which aims to restore the natural environment of the Balsas river basin, with a budget of USD 39.5 million, and the E-Motion project, which aims to promote electric mobility in nine Latin American countries, with a budget of USD 125.1 million. [96], [98]

10.3 Mexican Incentives & Local Instruments

Plan México – Tax incentives for Nearshoring & Innovation

The decree of January 21, 2025, allows for the immediate depreciation of assets acquired between January 22, 2025, and September 30, 2030, and offers additional tax deductions for employee training and innovation. A budget of up to USD 1.5 billion is available, with USD 1.3 billion allocated for investments in new fixed assets and USD 73 million designated for training and innovation initiatives. This program promotes dual training, modernization of production facilities, and R&D. [99]

IMMEX & PROSEC Programs

The IMMEX program facilitates the temporary duty-free import of raw materials and components, with the understanding that the products manufactured from these materials are subsequently exported. It defers the payment of import duties and offers benefits to companies that are focused on export manufacturing. The PROSEC program facilitates reduced or exempted customs duties on key components imported from third countries, thereby reducing production costs in industries such as electronics, automotive, and textiles. [100]

Fibra E

Fibra E is a publicly traded trust fund that distributes stable returns from infrastructure projects to investors. In September 2025, the IFC invested USD 75 million as an anchor investor in CFE's inaugural Fibra E bond issue.

This investment was intended to finance the expansion of Mexico's electricity transmission grid and the integration of renewable energies. Fibra E funds provide tax-advantaged distributions and are well-suited for public-private partnerships in the energy and infrastructure sectors. [37]

10.4 Implications for European Companies

The financing architecture is expected to open up a wide range of opportunities for European companies:

- **Structural Integration:** To mitigate political and currency risks, and to enhance capital leverage, companies are advised to plan for EFSD+ guarantees and EIB loans at the project preparation stage. Projects that align with the objectives of the Global Gateway agenda, such as renewable energy, water and waste management, and health infrastructure, are eligible for EU-funded technical assistance. [34]

- **Multilateral Coordination:** The EIB and IDB have established cooperation, and programs such as LACIF and the NADBank Water Resiliency Fund offer additional financing frameworks. European companies should leverage these partnerships to harmonize environmental and social standards and meet compliance requirements. [36], [96]

- **Local Anchoring:** The implementation of Plan México has led to the introduction of tax incentives, while IMMEX regulations facilitate duty-free imports, contributing to a reduction in investment costs. Furthermore, PROSEC has introduced reduced tariffs, further enhancing the business environment. Fibra E presents a valuable opportunity for involvement in infrastructure projects, along with the potential for receiving tax-privileged income. [37], [99], [100]

10.5 Financial Sovereignty - Architecture for Expansion

Conclusion: The strategic combination of European instruments, multilateral partnerships, and Mexican incentive programs positions Mexico as a key player in the European expansion portfolio. Global Gateway and EFSD+ provide the strategic capital infrastructure, while the EIB and IDB coordinate financing. Local programs such as Plan México, IMMEX, PROSEC, and Fibra E create local incentives. This triangulation model allows European investors to implement projects in a sustainable, market-oriented, and politically compatible manner.

- Europe is a reliable source of capital and technical expertise, and it maintains strict environmental and social standards.
- Mexico offers a range of attractive conditions for businesses, including tax breaks, duty-free import regulations, and innovative financial instruments.
- Multilateral actors such as the IDB and the NADBank ensure risk sharing and the harmonization of standards.

This multi-layered approach establishes a financing ecosystem that not only guarantees market access but also long-term financial sovereignty, aligning with PONTEM's philosophy of building bridges between politics, business, and finance to enable sustainable market integration.

ATTACHMENT C

EU - US Compliance Crosswalk for Mexico Operations

Ref. Chapter 5

	EU requirements (trigger/expectation)	US requirements (trigger/expectation)	Investors in Mexico (actions)	Evidence to maintain
Supply-Chain Due Diligence & Labor/Human rights	**CSDDD:** Risk Identification & Mitigation Governance Remediation Supplier Engagement Processes	**USMCA: RRM** Enforcement for labor-rights violations Frequent checks Emphasizes facility-level compliance	**Compliance by Design:** Supplier pre-qualification Contractual audit rights Facility-level labor compliance readiness	▪ Due diligence, supplier risk ratings ▪ Audit reports ▪ Corrective action plans (CAPAs) ▪ Training logs ▪ Grievance mechanism records
Rules of Origin & Localization	**MGA:** Trade facilitation, but operationally still requires traceable product structures	**USMCA:** 75% North American content for vehicles 40–45% labor value content (USD 16/hour) tighter steel/aluminum origin & processing requirements from 2027	**Design for Origin:** Origin simulations during sourcing decisions Define "North America-compliant" supplier lists for key inputs	▪ Costed BOM, origin calculations ▪ Supplier affidavits, process/production records for steel/aluminum ▪ Origin certificates where applicable

EV & Battery Eligibility (local content & restricted sourcing)	ESG & Supply-Chain transparency Increase scrutiny of upstream sourcing EU sustainability requirements	**IRA** Clean vehicle incentive Rising shares of critical minerals from the US or free-trade partners Increasing North American battery-component production thresholds Exclusion of battery components/critical minerals from "foreign entities of concern"	**Eligibility engineering:** Structure sourcing to meet mineral/component thresholds Implement "restricted-entity" screening in procurement Separate compliant vs. non-compliant supply flows	▪ Mineral provenance documentation ▪ Supplier declarations ▪ Screening documentation ▪ Contract clauses ▪ Traceability records for components/materials
Semiconductors / Advanced Manufacturing Incentives & Guardrails	**EU-side Financing & Guarantees** e.g. blended finance support strategic industrial projects (if aligned with EU policy objectives)	**CHIPS & Science Act:** Production incentives + research/education funding 25% investment tax credit Restrictions on significant capacity expansion in certain countries (guardrails)	**Institutional leverage:** Align capex phasing and site strategy with incentive eligibility Ensure corporate structure and expansion plans do not conflict with guardrails Document "de-risking" pathway	▪ Incentive applications ▪ Capex schedules ▪ Compliance attestations ▪ Corporate structure documentation ▪ Governance approvals

Public Procurement Access vs. Domestic-Content Constraints	**MGA** Expands access to federal and subnational procurement in Mexico Improved predictability for bidders	**Buy American / Build America (FAR updates):** domestic content thresholds rising over time (with limited exception thresholds)	**Two-Lane Product Strategy:** Maintain procurement-ready offering for Mexico (leveraging market access) Domestic-content-ready configuration for US public projects Consider "Gov SKU" / BOM variants	▪ Domestic content calculations ▪ Sourcing plans, certifications/attestations ▪ Bid documentation ▪ Supplier compliance statements
Deforestation-free Supply Chains	**EUDR:** Geolocation & Due Diligence for relevant commodities/products Documented risk assessment and mitigation	US import/compliance expectations and customer requirements can create parallel scrutiny	**One Traceability Backbone:** Implement traceability that satisfies EU requirements while preserving USMCA origin logic	▪ Geolocation data ▪ Chain-of-custody records ▪ Risk assessments ▪ Due Diligence statements ▪ Supplier documentation

Carbon Cost / Emissions Transparency at the Border	**CBAM:** Emissions reporting & potential cost exposure for certain carbon-intensive imports Robust measurement Reporting, verification (MRV)	**IRA** Incentive-based rather than border pricing US programs & customers increasingly require credible emissions data	**MRV-ready Operations:** implement plant-level and product-level emissions data collection integrate emissions data into sourcing & product design decisions	▪ Emissions inventories ▪ MRV documentation, product carbon footprints ▪ Supplier emissions data ▪ Verification records
Critical Raw Materials Resilience	**CRMA:** transparency, non-discrimination & cooperation encourages diversification and resilience for green/digital supply chains	**IRA** reinforces localized/partner sourcing for critical minerals (and restrictions on certain upstream sources)	**Dual-Sourcing Architecture:** EU-US strategies, resilience mapping & “restricted source” controls	▪ Supplier diversification ▪ Provenance documentation ▪ Screening results ▪ Resilience/risk dashboards

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