



Enhancing business, trade and investment linkages  
between Australia and Mexico: capitalising on nearshoring,  
trade agreements and market conditions

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## Introduction

In recent years, factors such as trade tensions between the United States (US) and China, the disruptive impacts caused by the Covid-19 pandemic, and Russia's war in Ukraine, have prompted companies with geographically dispersed production processes to review and shorten their supply chains in search for lower costs, lower risks, and greater agility and resilience, seeking to minimise exposure to risk factors that could affect their global value chain.

In this context, Mexico, with its geographical position and its network of preferential trade agreements -of which the Agreement between the United States, Mexico and Canada (USMCA) stands out- has emerged as an opportunity for investors and businesses to take advantage, through the relocation of investments, of the redefinition of global trade and investment patterns.

Australia, as a relevant investor around the world, an important player in global supply chains, and an actor with outstanding presence in several agri-food and manufacturing industries, can play a role in the context of nearshoring trends which consider Mexico as an alternative. To that end, Mexico and Australia have a preferential platform to further deepen their trade and investment flows, through the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

Relying on the analysis of trade and import tariff data sets, information related to trade policy instruments and incentives, interviews with industry associations and authorities, this report investigates the prospects of nearshoring Australian production into Mexico in the agri-food, mining, healthcare, technology, and defence sectors. In addition to the conclusions and findings, considerations are provided with regards to potential risks and the incoming presidential administration's plans.

*Why look into Mexico?*

*Geographical location*

Mexico has a privileged location that enable businesses to establish a strategic base for their operations in North America. Mexico is the third largest country in Latin America after Brazil and Argentina, and is a bridge between North, Central and South America, bordering the US to the north, Guatemala and Belize to the south, the Gulf of Mexico and the Caribbean Sea to the east, and the Pacific Ocean and the Gulf of California to the west.

From Mexico, companies have access to the US and other major world markets in a shorter average time and with less risks for disruptions in their value chain compared to Asian countries, due to its geographical advantages and its vast and competitive infrastructure, so that (i) Mexico allows companies to maintain a more efficient collaboration and communication with their North American partners due to their time zone alignment, and (ii) Mexico is well connected with the North American

region and other major trade destinations due to the country's presence of 49 customs offices, 58 ports and terminals on the Pacific Ocean coasts, 59 terminals on the Gulf of Mexico and Caribbean coasts, and 15 road corridors, which reduce logistics costs and facilitate the entry and exit of goods.<sup>1</sup>

**Figure 1. Logistics centres in Mexico**



Source: Cedillo-Campos Miguel (2016) Logistics Development Strategies and Performance Measurement, OCDE, Available at: [https://www.researchgate.net/figure/Investment-index-relative-quality-and-relative-ranking-for-ports-in-Mexico\\_fig9\\_303381545](https://www.researchgate.net/figure/Investment-index-relative-quality-and-relative-ranking-for-ports-in-Mexico_fig9_303381545)

Geographical proximity matters for global supply chains, as long distances, and factors such as fluctuating oil prices, increase both costs and risks. On average, shipments from China or Vietnam take approximately 36-37 days to arrive to the US or Canada, and cost US\$ 2.36 per cubic foot. From Mexico, such shipments arrive within two days, and cost US\$1.26.<sup>2</sup> In addition, single shipping delay can impact an entire supply chain, increasing risks of disruptions in manufacturing processes serving the North American market.

In sum, producing close to the market reduces uncertainty. Having a highly skilled work force, and sitting next to the US market, companies from almost all industries can look to manufacture their products in Mexico.

### *USMCA, plus a network of FTAs*

Mexico has been committed to trade integration and liberalisation through the development of Free Trade Agreements (FTAs) since the 1990s. Mexico has 14 FTAs involving 50 countries and 30 Bilateral Investment Agreements (BITs) covering

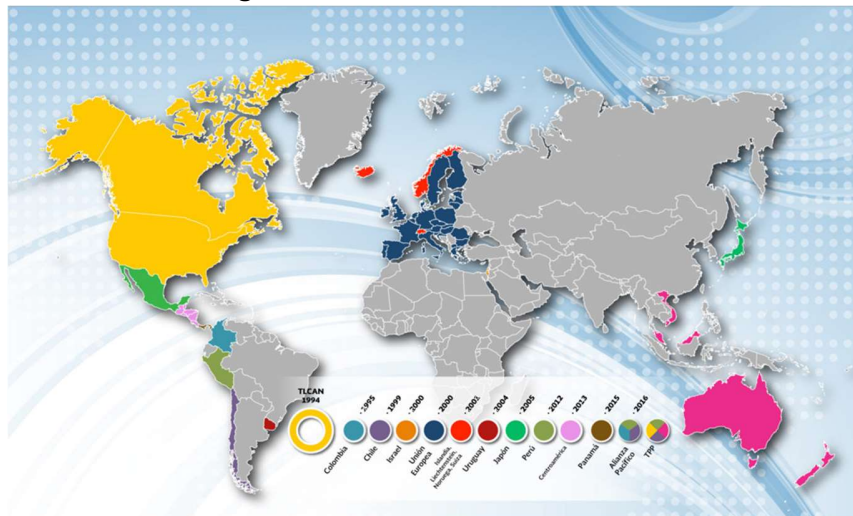
<sup>1</sup> International Trade Administration, "Mexico – Country Commercial Guide", November 5, 2023. Available at: <https://www.trade.gov/country-commercial-guides/mexico-transportation-infrastructure-equipment-and-services>. Retrieved on June 18, 2024.

<sup>2</sup> Tetakawi, "Manufacturing in Mexico vs China", June 7, 2024. Available at <https://insights.tetakawi.com/manufacturing-in-mexico-vs-china>. Retrieved on July 8, 2024.

31 countries, that offer preferential access to more than 1.3 billion consumers in economies that represent more than 60 percent of the world's GDP.<sup>3</sup>

Among Mexico's network of FTAs, the USMCA stands out as the most important agreement for the country, as it is an anchor that, since the implementation of its preceding NAFTA, has created stability for businesses and the conditions for strong economic growth and integrated cross-border supply chains in North America. Under the USMCA, Mexico has positioned as the most important economic partner for the US.

**Figure 2. Mexico's FTAs network**



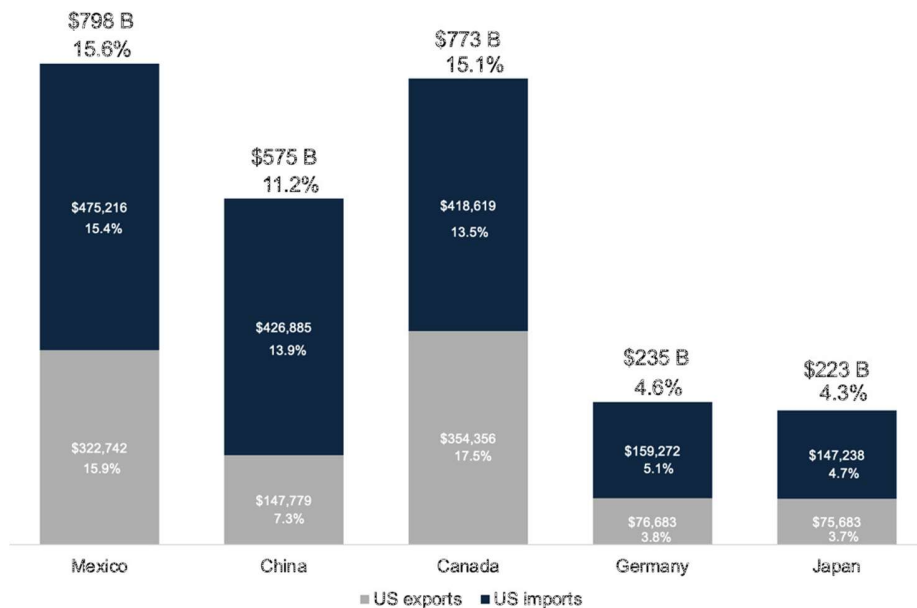
Source: Ministry of Economy.

\*As of July 1, 2020, the NAFTA (1994) was replaced by the USMCA.

In 2023, the trade value between the US and Mexico totalled US\$ 798 billion, of which US\$ 475 billion were goods exported from Mexico to the US. This has led Mexico to become the main supplier to the US, accounting for 15.4 percent of total US imports, surpassing China, which accounted for 13.9 percent of total US imports, and Canada, with 13.5 percent (see Figure 3). This reflects how Mexico's manufacturing base has enabled it to export far more competitively.

<sup>3</sup> Secretaría de Economía, "Comercio Exterior, Países con Tratados y Acuerdos firmados con México", October 6, 2023. Available at: <https://www.gob.mx/se/acciones-y-programas/comercio-exterior-paises-con-tratados-y-acuerdos-firmados-con-mexico?state=published>. Retrieved on June 18, 2024.

**Figure 3. US top trading partners in 2023**



Source: own elaboration based on US Census Bureau Data.

### *A manufacturing and export platform*

With the opening of the Mexican economy in the late 1980s and the enactment of the North American Free Trade Agreement (NAFTA), the country has consolidated its position as an export platform to the North American region, thus enabling to develop a global hub of value and supply chains. Combined with the dynamism of the country’s manufacturing sector, this has led Mexico to become a suitable option for businesses seeking to optimise their supply chains.

The manufacturing industry in Mexico is one of the most competitive in the world due to its cost-competitive labour force and high-quality technology. In the last eight years, Mexico’s manufacturing production has increased substantially. Mexico’s international trade in goods grew from US\$ 761 billion in 2016 to US\$ 1.2 trillion in 2023.<sup>4</sup> This performance is further confirmed by the current position of the Mexican manufacturing industry. The sector represents 18.8 percent of Mexico’s Gross Domestic Product (GDP)<sup>5</sup> and leads Mexican exports.

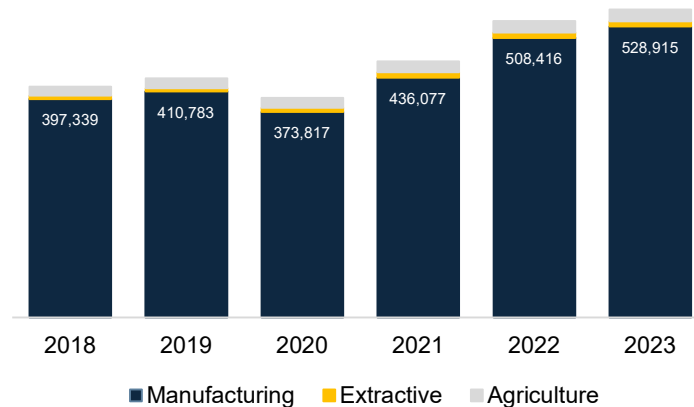
In 2023, Mexican goods exports grew 2.6 percent compared to 2022. Of the US\$ 593 billion registered in exports, manufactured goods represented 89.2 percent,

<sup>4</sup> INEGI “Balanza comercial de México” April 2024. Available at: <https://www.inegi.org.mx/temas/balanza/>. Retrieved on June 18, 2024.

<sup>5</sup> Statista, “La industria manufacturera en México”, January 4, 2024. Available at: <https://es.statista.com/temas/7853/la-industria-manufacturera-en-mexico/#topicOverview>. Retrieved on June 18, 2024.

followed by agricultural exports, and oil and gas exports. Manufacturing exports grew 4 percent in 2023 from the previous year, where heavy industry contributed with US\$ 402 billion of the total US\$ 529 billion (approximately 76 percent of manufacturing exports).<sup>6</sup> Exports of agricultural and agro-industrial goods, which totalled US\$ 51.9 billion in 2023, maintained a positive pace.<sup>7</sup> As the numbers indicate, Mexico has become a manufacturing leader and continuous to grow its domestic manufacturing base.

**Figure 4. Mexican exports of goods by economic sector (value in billion dollars)**



Source: own elaboration based on INEGI data.

### *Foreign Direct Investment inflows*

Due to geographical characteristics such as the proximity to the US and Canada, and its participation in multiple FTAs, the Mexican market is an attractive destination for Foreign Direct Investment (FDI). In recent years, the country has attracted foreign capital and has become an increasingly important recipient of FDI in the world. According to the United Nations Conference on Trade and Development (UNCTAD), in 2023, Mexico ranked eight among the countries that receive most FDI inflows in the world<sup>8</sup>, with US\$ 36.2 billion.<sup>9</sup>

<sup>6</sup> INEGI “Balanza comercial de México” *op. cit.*

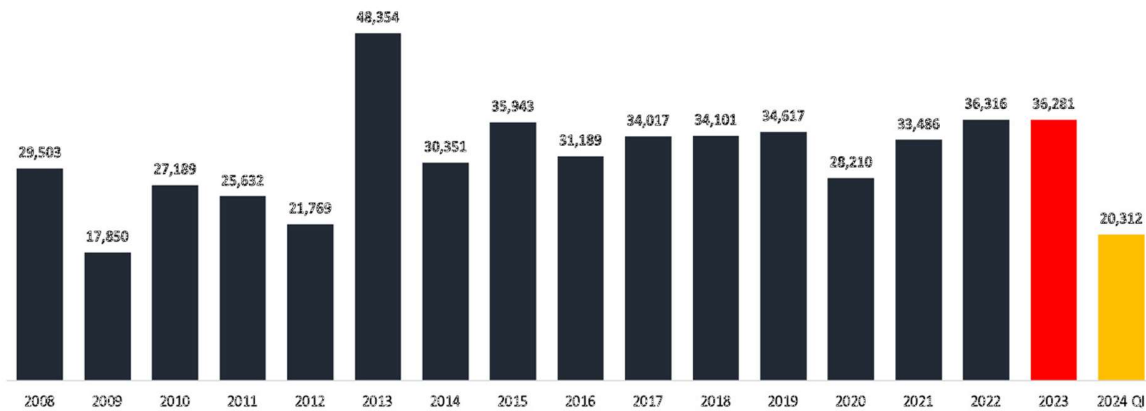
<sup>7</sup> *Ibidem.*

<sup>8</sup> See, UNCTAD. “World Investment Report”. Available at: <https://unctad.org/publication/world-investment-report-2024>

<sup>9</sup> Secretaría de Economía. “Inversión Extranjera Directa por tipo de inversión (millones de dólares”, 2024.



**Figure 5. FDI inflows to Mexico, 2008-2023**  
 (value in US billion dollars)



Source: own elaboration based on Ministry of Economy data.

The largest sources for FDI inflows to Mexico during the same year were the US, which accounted for 38.1 percent of total inflows, followed by Spain (10.7 percent) and Canada (9.6 percent). Of total FDI inflows to Mexico, North American countries accounted for 48 percent.

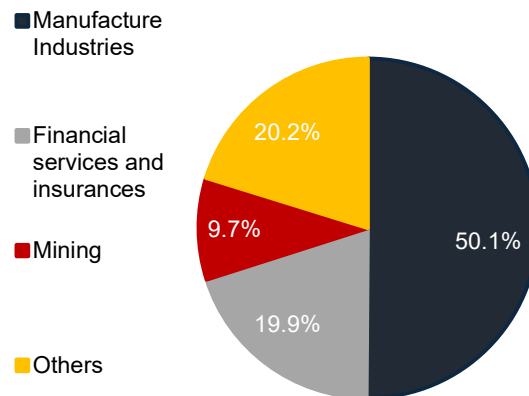
**Table 1. Main sources of FDI inflows to Mexico in 2023**  
 (value in US billion dollars)

Country of origin	FDI	Share (%)
US	13.7	37.9
Spain	3.7	10.4
Canada	3.4	9.6
Japan	2.9	8.0
Germany	2.4	6.7
Argentina	2.5	6.2
Netherlands	878	2.4
United Kingdom	825	2.2
Belgium	760	2.0
France	512	1.4
<b>Top ten</b>	<b>31.6</b>	<b>87.1</b>

Source: own elaboration based on Ministry of Economy data.

By economic sector, manufacturing was the main recipient of FDI inflows to Mexico in 2023. The sector received 50 percent of total inflows, reaching a value of US\$ 18 billion. Within such sector, transport equipment (41 percent) metals (31 percent) and mining (10 percent) were the subsectors that attracted most flows.

**Figure 6. FDI inflows to Mexico by main economic sectors, 2023**



Source: own elaboration based on Ministry of Economy data.

### *Domestic market, and security*

Mexico is considered the twelfth largest economy in the world, and the leading exporter in Latin America. It has a GDP of US\$ 1.7 billion, with an estimated per capita income of US\$ 13,642. Mexico is the tenth most populous country in the world, with 131 million inhabitants, and has become primarily middle class, with 50 percent of its population being middle class.

Companies seeking to invest in Mexico will find its domestic market attractive, as Mexico’s private consumption accounted for more than 70 percent of its GDP in 2023. Mexico’s growing middle class is driving a sustainable trend of increasing consumer spending in the domestic market.<sup>10</sup>

On the other hand, while the overall landscape for nearshoring is welcoming in Mexico, there are potential points of concern for investors. In this vein, considerations may arise regarding public security risks affecting business operations in different parts of the country. Asked about this, several stakeholders interviewed indicated that security remains a variable to be factored in as part of the operating costs in Mexico, which could somehow impact competitiveness, although not necessarily deter them from landing or expanding their investments. As such, large global investors have recognised at different times that, although the media hype about security conditions in Mexico has been a constant, they also operate in many other parts of the world where conditions would seem worse, but the benefits in Mexico seem to make these costs bearable.<sup>11</sup>

<sup>10</sup> For world economy ranks, GDP, per capita income and Mexican population, IMF World Economic Outlook. For private consumption in Mexico, INEGI.

<sup>11</sup> La Jornada, “Temas de seguridad no frenan inversiones”, April 10th 2024. Available at <https://www.jornada.com.mx/noticia/2024/04/10/economia/temas-de-seguridad-no-frenan-inversiones-248>. Retrieved on July 24, 2024.

Certainly, whilst the government changed its strategy against crime in the past six years, to address the root causes of the problems of violence, results remain to be seen. Going forward, it is expected that the administration that will start in October 2024 will place special emphasis on reducing the incidence of crimes that affect businesses such as extortion and cargo theft on highways.<sup>12</sup>

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<sup>12</sup> Claudia Sheinbaum “100 pasos para la Transformación”, pp. 323-331, March 2024. Available at <https://claudiasheinbaumpardo.mx/wp-content/uploads/2024/03/CSP100.pdf>. Retrieved on July 23, 2024.

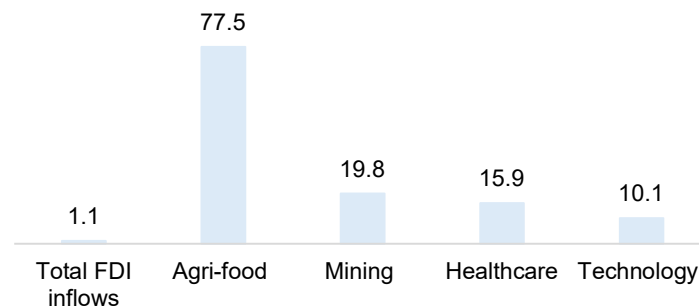
## Chapter 1: Analysis of the alignment of priority sectors for Australia with Mexican capabilities

### 1.1 General Overview

This section reviews five priority sectors of interest to Australia to explore prospects for nearshoring to Mexico and enhance business development. The sectors are agri-food, mining, healthcare, technology, and defence.

In Mexico, these priority sectors have been growing consistently in terms of FDI inflows. From 2018 to 2023, FDI inflows to four of these sectors show growth trends above the growth dynamic of total FDI inflows (see Figure 7).

**Figure 7. Annual average growth rate (AAGR) of total inward FDI and inward FDI received by Mexico in priority sectors\*, 2018-2023**



Source: own elaboration based on Ministry of Economy data, 2023.

\*No data available for the defence sector.

Given that the priority sectors in question have shown growth rates well above the FDI general trend, this represents a first indicator that Mexico has the domestic capabilities to host investments in such areas, and that investors have eyed the opportunities to set shop in the country and use it as a platform to reap the benefits it has to offer.

To further deepen the research and its findings, trade flows were also analysed for each sector according to the following parameters: (i) Australian exports to the world; (ii) US imports, including top imports from Australia; and (iii) Mexican export capabilities in Australia's top exports, per (i) above, and US top imports from Australia, per (ii) above.

According to the analysis, and as illustrated in Table 2 below, Mexico shows more than enough export capability in all 5 sectors of interest to Australia, including in those very products where Australia has developed presence in the US market. This provides an additional indication in favour of a strategy where Australian companies

in those sectors seek to nearshore their operations to Mexico, to increase their efficiencies and shorten supply chains.

**Table 2. Australia, US and Mexico: Trade in five strategic sectors of Australia (value in US billion dollars)**

Strategic sector	Australian exports to the world	US imports from Australia	US imports from Mexico
Agri-food	45	4.2	45.8
Mining	186.7	1.1	9.7
Healthcare	6.9	2.1	36.8
Technology	5.4	0.9	84.3
Defense	1.47	593.6	1.3
<b>Total</b>	<b>245.7</b>	<b>601.9</b>	<b>177.9</b>

Source: own elaboration based on Trade Map and US Census Bureau Data.

This information, including for the top Australian export products within each sector, is further analysed in the following sections for each sector, and further disaggregated in [Annex B](#).

In addition, each section includes, for most sectors, a subsection with information collected during interviews, with the aim of reflecting views of stakeholders on Mexico's general business environment, on opportunities to nearshore to Mexico in said sectors, and on potential areas for collaboration between Mexico and Australia.

Finally, considerations on potential areas of opportunity identified as a result of the analysis are provided for each sector.

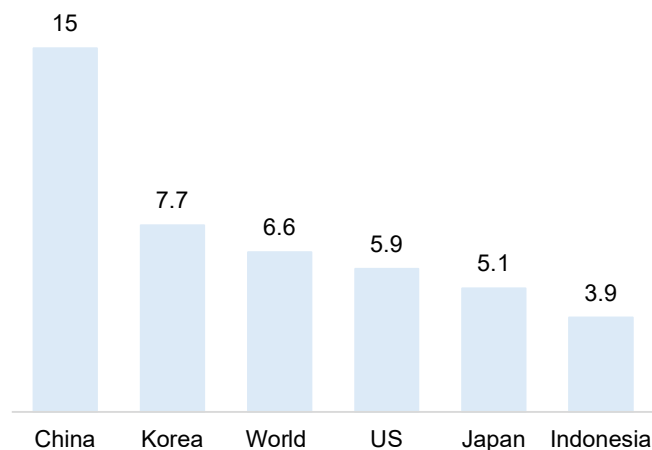
## 1.2 Agri-food sector

### a. Australian exports to the world

Australian agri-food exports are of great significance to the country’s foreign trade. Australian exports in this sector went from US\$ 28.7 billion in 2016 to US\$ 45.0 billion in 2023, showing a relevant AAGR of 6.6 percent, which highlights that the sector is reaping the benefits of international markets.

Around 50 percent of Australia’s agri-food exports concentrate in five markets: China, Japan, US, Korea, and Indonesia. With US\$ 4.3 billion exports in 2023, the US is the third largest -and most distant- market for Australian agri-food products. Australian exports to the US in the sector have shown an AAGR of 5.9 percent for the past eight years, slightly below the average of 6.6 percent to the world.

**Figure 8. AAGR of Australian exports in the agri-food sector, world and top five partners 2016-2023**



Source: own elaboration based on Trade Map data.

Australia’s top agri-food export products to the world include meat and edible meat offal; edible vegetables and certain roots and tubers; cereals; oil seeds and oleaginous fruits, grains, and other seeds; and edible preparations ([Annex B, Table 1](#)).

### b. US imports

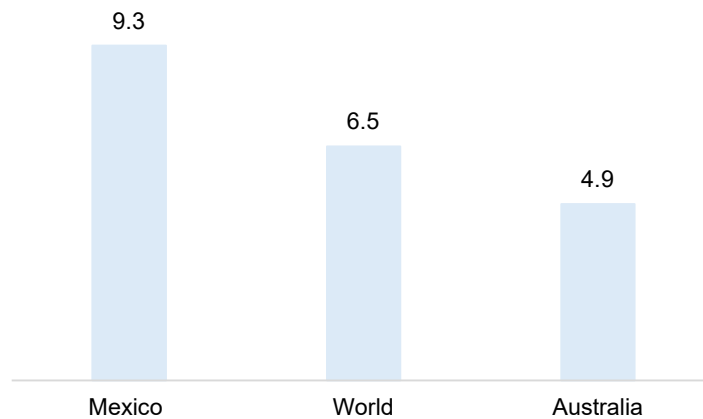
By some accounts, the US is the largest agri-food market in the world. Imports in this sector went from US\$ 136.5 billion in 2016 to US\$ 212.5 billion in 2023, showing an AAGR of 6.5 percent for that period.

In 2016, US agri-food imports from Australia totalled US\$ 3.2 billion, and by 2023 they reached US\$ 4.4 billion, making up 2.1 percent of total US agri-food imports in

this year ([Annex B, Table 2](#)) with an AAGR of 4.9 percent during 2016 -2023, which is below the 6.5 percent average growth of US imports from the world.

On the other hand, Mexico is the largest supplier of the US agri-food market. Remarkably, US imports from Mexico in the sector have almost doubled, going from US\$ 24.6 billion in 2016 to US\$ 45.8 billion in 2023, with an AAGR of 9.3 percent in the last eight years. This confirms Mexico’s fundamental role as a supplier of agri-food products to its northern market.

**Figure 9. AAGR of US imports in the agri-food sector, 2016-2023**



Source: own elaboration based on US Census Bureau Data.

US’ top agri-food imports from Australia (2023) include meat and edible meat offal; products of animal origin, and products of the milling industry; malt; starches; inulin; wheat gluten ([Annex B, Table 3](#)). Such products accounted for 60.4 percent of total US agri-food imports from Australia.

c. Mexico’s export capabilities in Australia’s top exports to the world, and in US top imports from Australia

To determine whether Mexico has export capacity in the agri-food sector in (i) Australia’s top ten exports to the world ([Annex B, Table 1](#)), and (ii) the US top ten imports coming from Australia ([Annex B, Table 3](#)); which in turn could support an argument to seek to bring Australian production processes to Mexico, or engage in partnerships with local producers to serve the US market, an analysis was conducted to determine the amount of US imports from Mexico in 2023 for those two lists of products.

For Australia’s top ten exports to the world, which amount to US\$ 24.2 billion, the result shows that US imports from Mexico are equal to US\$ 1.4 billion for those same products ([Annex B, Table 4](#)).

Regarding the top ten products the US imports from Australia, which amount to US\$ 2.66 billion, the result shows that US imports from Mexico are equal to US\$ 760 million for those same products ([Annex B, Table 5](#)).

The analysis shows that Mexico has export capacity in both Australia's top exports to the world (US imports from Mexico of US\$ 1.4 billion), and in the US' top imports from Australia (US imports from Mexico of US\$ 760 million). This would make the agri-food sector in Mexico worth further exploring if Australian producers were to consider nearshoring their operations to cater the North American market.

#### d. Stakeholder views

Stakeholders of the agri-food sector stated that the Mexican meat industry is still very traditional, under family-managed structures, so there is resistance to change, and possible skepticism to cooperate with other countries. However, the new generations that are assuming the leadership of companies would seem to have greater openness to new businesses and could be amenable to collaboration schemes with overseas partners.

They also affirmed that currently the opportunities are not in primary products but in related services such as: veterinary genetics, genetic improvement, trade and transfer of bovine embryos, milk drying companies, technology transfer for goat livestock, modernisation, efficiency and automation of plants, sustainability, animal waste management, compost management, animal welfare, among others.

Likewise, there are opportunities in processed products such as cheese, dairy preparations, and hand-portioning processes to perform in Mexico for shipment to the US market. In addition, association schemes could be explored with Mexican companies to enter the Canadian market, as well as Latin American markets.

On a cautious note, one stakeholder indicated that the industry is increasingly considering security costs as part of their operating costs. Stakeholders consider that the best places where Australian companies can be installed in Mexico are Chihuahua, Guanajuato, and La Laguna region (at the north of Mexico in the States of Coahuila and Durango), due to the experience in these States in the dairy and meat sectors, as well as for improved access to the supplies.

#### e. Considerations on potential areas of opportunity

Both Australia and Mexico are major world agri-food exporters, with over US\$ 45 billion worth of exports each. Mexican exports largely concentrate in the North American region, and Mexico has become the main agri-food supplier to the US market. This raises opportunities for Australia: if Australia seeks to increase its presence in the US market, it could explore complementarities with Mexico, including



by investing in the agri-food sector in Mexico, which has observed sustained, double-digit rates of FDI inflows.

Most of the products that Australia exports to the US are primary consumer products, and perhaps just a few of the exported products are destined for subsequent production processes.

However, considering the value of Australia's exports to the world, the identification of other exported products, as well as certain products that Mexico currently exports to the US, a potential identification of synergies to develop joint production schemes between Mexico and Australia in the sector to allocate products to the US market.

Some of the products where there is potential to establish these synergies are:

i. Food preparations (2106.90)

In 2023, this is Australia's tenth export product to the world in the sector and the twenty-third agri-food product imported by the US from Australia, while for Mexico this is the ninety-third export product to the US.

ii. Tallow (1502.10)

The eighteenth product of the sector that Australia exports to the world, but this is the third agri-food export product to the US with significant growth rate in the last three years. For Mexico, this product is not among the first 100 agri-food export products to the US. However, Mexico's imports from the US have similar amounts to those that Australia exports to the US.

iii. Low erucic acid rape or colza seeds (1205.10)

This is Australia's second agri-food export product to the world, but exports to the US are minimal, although in the Mexican market this product become the first agri-food import product from Australia in recent years.

The importation of this product may be of interest to produce agro-industrial products for export, for example oils of heading 15.14, which Mexico exports to the US in very small quantities.

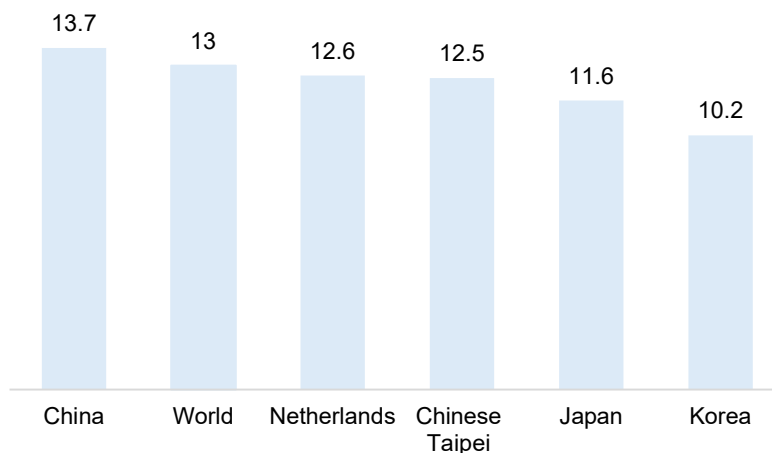
### 1.3 Mining sector

#### a. Australian exports to the world

The mining sector is the major contributor to the exports of Australia. Total exports to the world in this sector went from US\$ 79.1 billion in 2016 to US\$ 186.7 billion in 2023, showing an AAGR of 13.0 percent. In 2023, exports in the sector accounted for 50.3 percent of the total exports of the country.

Around 81 percent of Australia's mining exports went to five markets (2023): China, Japan, Korea, Chinese Taipei, and the Netherlands. In turn, Australian exports to the US have been relatively modest, growing from US \$260.9 million in 2016 to US\$ 310.9 million in 2023, with an AAGR of 2.5 percent, well below Australia's AAGR of 13 percent to the world.

**Figure 10. AAGR of Australian exports in the mining sector, world and top five partners 2016-2023**



Source: own elaboration based on Trade Map data.

Australia's top mining export products to the world include iron ores and concentrates; coal, including metallurgical; copper ores; precious metal ores; zinc ores; and aluminum ores ([Annex B, Table 6](#)).

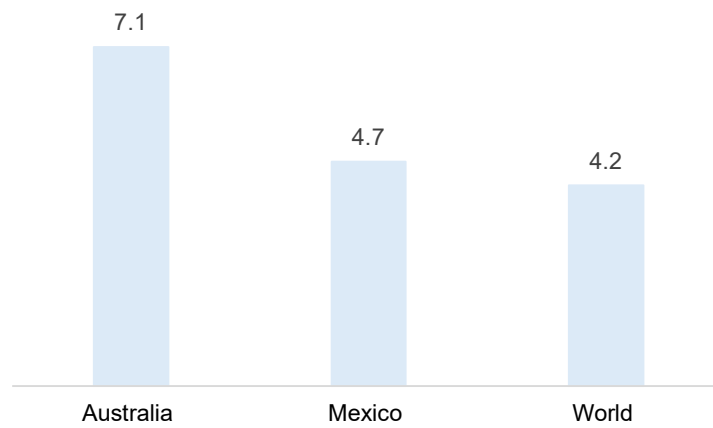
#### b. US imports

US imports of mining products from the world rose from US\$ 71.4 billion in 2016 to US\$ 95.5 billion in 2023. Canada, India, Mexico, South Africa and Israel were the top five US suppliers, accounting for 48 percent of total mining products imported in 2023 ([Annex B, Table 7](#)).

In 2016, US mining products imported from Australia totalled US\$ 0.7 billion, and by 2023 they reached US\$ 1.1 billion, making up 1.1 percent of total US mining imports in this year, with an AAGR of 7.1 percent during 2016 -2023, above the 4.2 percent average of US imports from the world.

On the other hand, Mexico is the third largest supplier of mining products to the US market. US imports from Mexico in the sector went from US\$ 7.0 billion to US\$ 9.7 billion in 2023, with an AAGR of 4.7 percent in the last eight years, also above the world average.

**Figure 11. AAGR of US imports in the mining sector, 2016-2023**



Source: own elaboration based on US Census Bureau data.

US' top mining product imports from Australia (2023) include gold bullion; uranium ores; titanium ores; gemstones; heavy lifting machinery; mineral substances; emery; and zirconium ores ([Annex B, Table 8](#)). Such products accounted for 77.2 percent of US total imports from Australia in the sector.

- c. Mexico's export capabilities in Australia's top exports to the world, and in US top imports from Australia

To determine whether Mexico also has export capacity in (i) Australia's top ten exports to the world ([Annex B, Table 6](#)), and (ii) the US top ten imports coming from Australia ([Annex B, Table 8](#)); which in turn could support an argument to nearshore Australian production to Mexico to serve the US market, an analysis was conducted to determine the amount of US imports from Mexico in 2023 for those two lists of products.

For Australia's top ten exports to the world, which amount to US\$ 166.9 billion, the result shows that US imports from Mexico are equal to US\$ 451.0 million for those same products ([Annex B, Table 9](#)).

Regarding the top ten products the US imports from Australia, which amount to US\$ 817.7 million, the result shows that US imports from Mexico are equal to US\$ 2.26 billion for those same products ([Annex B, Table 10](#)).

The analysis shows that Mexico has export capacity in both Australia's top exports to the world (US imports from Mexico of US\$ 451 million), and in the US' top imports from Australia (US imports from Mexico of US\$ 2.26 billion). This would make the mining sector in Mexico worth having a closer look if Australian producers were to consider nearshoring their operations to serve the North American market, in support of policy objectives to source critical minerals from partners and accelerate energy transition in the region.

#### d. Stakeholder views

Stakeholders in the mining sector expressed a “wait and see” mode when it came to investments in the mining sector in Mexico, as uncertainty in the business environment has set in in the recent past.

On the one hand, important opportunities could emerge for the mining industry:

- i. The incoming administration of Claudia Sheinbaum has expressed support to ambitious energy transition objectives, including renewable energies and energy efficiency as drivers of economic activity during her presidency.
- ii. The development of mining activities, including in minerals already present or with potential in Mexico such as copper, manganese, nickel, lithium and rare earths are key to enable the green and the digital economies.
- iii. Mining is a relevant contributor to much needed regional development in remote areas in the country, and long-term alliances with local communities can be developed.
- iv. Within the North American region, Mexico has opportunities to assert a strategic role for itself as the US seeks to shore up its supplies of critical minerals. Therefore, increasing investments in Mexico, and regional collaboration will be critical to the competitiveness of North America.

On the other hand, there are risks deriving from policy signals in the recent past, which would seem to cast doubts among investors:

- i. The mining reform of April 2023, approved by a majority of the Congress, but challenged before courts, still awaits resolution. Such reform proposes to reduce the duration of mining concessions, limits the object of exploration and exploitation, and other modifications which, according to the information gathered in the interviews, have the potential to inhibit investments in the sector.

- ii. During 2023, Mexico was among the countries who received most international investor-state lawsuits, with 10 cases related to mining and renewable energies, among other sectors.<sup>13</sup>
  - iii. Mexico has been losing investment attractiveness in the past couple of years according to the perception of international investors.<sup>14</sup>
- e. Considerations on potential areas of opportunity

A significant percentage of the mining sector's trade exchanges between Australia – US, and Mexico – US centered on minerals, and to a lesser scale there are equipment, parts and components for mining machinery. This leads to identifying a few opportunities for Australia within this sector.

It should be noted that Mexico is a global producer of over 16 minerals and metals (such as: silver, fluorite, celestite, cadmium, molybdenum, lead, zinc, barite, graphite, gold and copper, among others), which captures the attention of potential large investors around the world.

Perhaps the outstanding opportunity for Australian investors in the mining industry is a strategic one: given the need to accelerate on energy transition objectives, both in Mexico and in North America, and the US drive to shore up its supply of critical minerals, increasing investments in minerals in Mexico will be needed. This would open a window of opportunity for Australian investors in the sector, so long the right policy signals and a conducive business environment in Mexico are enabled.

Another opportunity refers to participating in the manufacturing of machinery and equipment for the mining sector. Mexico has registered important exports to the US in these products and in certain cases uses global suppliers of parts and accessories. Australia currently supplies machinery parts and components to Mexico, so Australian companies should look for synergies to increase the supply of these parts for Mexican producers who export to the US and even invest in the country to install production or assembly plants of mining machinery, and when applicable use Australian parts and components.

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<sup>13</sup> El Economista, "México lideró en demandas Inversionista-Estado", June 20, 2024; available at <https://www.eleconomista.com.mx/empresas/Mexico-lidero-en-demandas-inversionista-Estado-20240620-0152.html>. Retrieved on June 22, 2024.

<sup>14</sup> Bnamericas, "Loss of attractiveness for mining investment expected to pressure next Mexico government", May 24, 2024; available at: <https://www.bnamericas.com/en/analysis/loss-of-attractiveness-for-mining-investment-expected-to-pressure-next-mexico-government>. Retrieved on June 22, 2024.

## 1.4 Healthcare sector

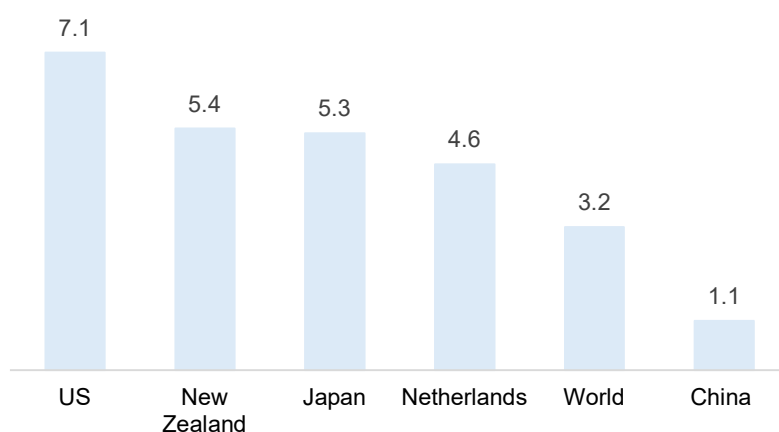
### a. Australia's exports to the world

Australian exports to the world in the healthcare products sector rose from US\$ 5.5 billion in 2016 to US\$ 6.9 billion in 2023, showing an AAGR of 2.8 percent for that period.

As a result of the Covid-19 pandemic, Australian exports in this sector had a decrease of -8.0 percent between 2019 and 2020 and until 2023 exports have not yet reached the pre-pandemic levels.

In 2023, almost 70 percent of Australia's healthcare products exports centered in five markets: US, New Zealand, the Netherlands, Japan, and China. The US has been the largest and most dynamic export market for Australian healthcare products, growing from US\$ 1.3 billion in 2016 to US\$ 2.1 billion in 2023, with an AAGR of 7.1 per cent during the period, more than double Australia's world AAGR of 3.2 percent.

**Figure 12. AAGR of Australian exports in the healthcare sector, world and top five partners 2016-2023**



Source: own elaboration based on Trade Map data.

Australia's top healthcare export products to the world in 2023 belong to subsectors such as active pharmaceutical ingredients (APIs), medicaments, vitamins, and medical devices ([Annex B, Table 11](#)).

### b. US imports

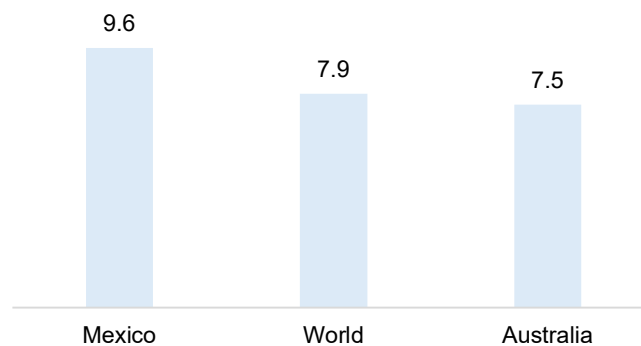
The US represents one of the most favourable markets for the development, importation and commercialisation of healthcare products. US imports in this sector went from US\$ 229.9 billion in 2016 to US\$ 392.0 billion in 2023, showing an AAGR

of 7.9 percent for that period. The main six US suppliers accounted for 53.7 percent of the total healthcare products imports in 2023 ([Annex B, Table 12](#)).

In 2016 US healthcare products imports from Australia totalled US\$ 1.5 billion, and by 2023 they reached US\$ 2.4 billion, making up 0.6 percent of total US healthcare products imports in this year, with an AAGR of 7.5 percent during 2016 -2023.

On the other hand, Mexico is the third largest supplier of the US healthcare products market. US imports from Mexico in the sector went from US\$ 19.3 billion to US\$ 36.8 billion in 2023, with an AAGR of 9.6 percent in the last eight years.

**Figure 13. AAGR of US imports in the healthcare sector, 2016-2023**



Source: own elaboration based on US Census Bureau Data.

US' top healthcare imported products from Australia (2023) include antisera; oxygen, ozone, artificial respiration and other therapy apparatus, parts and accessories; hearing aids; vaccines for human medicine; certain medicaments; and laboratory sterilisers ([Annex B, Table 13](#)). Such products accounted for 83 percent of total US imports from Australia in the sector.

- c. Mexico's export capabilities in Australia's top exports to the world, and in US top imports from Australia

To determine whether Mexico also has export capacity in (i) Australia's top ten exports to the world ([Annex B, Table 11](#)), and (ii) the US' top ten imports coming from Australia ([Annex B, Table 13](#)); which in turn could support an argument to nearshore Australian production to Mexico to serve the US market, an analysis was conducted to determine the amount of US imports from Mexico in 2023 for those two lists of products.

For Australia's top ten exports to the world, which amount to US\$ 4.5 billion, the result shows that US' imports from Mexico are equal to US\$ 4.2 billion for those same products ([Annex B, Table 14](#)).

Regarding the top ten products the US imports from Australia, which amount to US\$ 2.0 billion, the result shows that US' imports from Mexico are equal to US\$ 1.3 billion for those same products ([Annex B, Table 15](#)).

Similar to other sectors, the analysis for this sector shows that Mexico has plenty of export capacity in both Australia's top exports to the world (US imports from Mexico of US\$ 4.2 billion), and in the US' top imports from Australia (US imports from Mexico of US\$ 1.3 billion). In this sense, Mexico could represent an opportunity worth exploring if Australian producers were to consider nearshoring their operations to serve the North American market in the healthcare sector.

d. Mexico's government procurement: an additional market

For the healthcare products sector, nearshoring operations in Mexico to serve the US market can be complemented by serving the domestic market, as Mexican government purchases are sizeable, and could provide with additional incentives for companies.

In the period running from 2016 to 2022, total spending by the federal government in the health sector amounted to US\$ 68.8 billion, 59.2% was on purchases of goods; 37.1% on procurements of services and just 3.2% on payment of public works.<sup>15</sup>

Moreover, 49.7% of government tenders in the healthcare sector have been procured through national tenders, with the remainder 50.3% having been conducted through international bids.<sup>16</sup>

e. Stakeholder views

Stakeholders coincided in that Mexico represents an important opportunity for companies operating in manufacture related processes in the healthcare sector, be it in active ingredients, in medicaments, or in medical devices.

Regarding active ingredients, Mexico is a net importer, and needs to develop capacity to de-risk supply chains. On medicaments, retaking the production of vaccines could be an area to develop collaborative efforts with Australia. On medical devices, Mexico has proven capacity to produce and export such products, and thus would be an obvious area to receive investments from Australia.

Among the wider opportunities indicated by stakeholders, the proximity and synergies with the US market, including the US administration's drive to reshore and

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<sup>15</sup> Own estimations based on data obtained from the COMPRANET database.

<sup>16</sup> Idem.



nearshore pharmaceuticals supply chains stand out.<sup>17</sup> Also important for companies, the USMCA sectoral annexes on medical devices and pharmaceuticals, which provide for enhanced regulatory compatibility and trade in such sectors between Mexico, the US and Canada, is a window to promote cooperation efforts in the North American region.

Moreover, stakeholders interviewed emphasised on the size of the Mexican market itself, including the procurement needs of its health-related public sector, as well as Mexico's clinical profile, as additional reasons to consider locating manufacturing operations and conducting clinical research processes in Mexico. Industry actors also indicated that standards for intellectual property protection in Mexico were robust for a developing country, which signaled trust for investors in the sector.

An element of importance that was highlighted relates to the objective of the Mexican Government to provide the regulatory environment in the sector with certainty, through a regulatory strategy for the period 2022-2030, which includes streamlining procedures, strengthening good regulatory practices, and authorisation of medicaments through recognition of decisions of other jurisdictions.<sup>18</sup> A final element briefly mentioned by a stakeholder, which is on the radar of companies, is the follow up they regularly conduct on security issues.

f. Considerations on potential areas of opportunity

As a conclusion from the previous sections, Australia and Mexico have sufficient productive capacity to manufacture and export medicines, medical equipment, as well as parts and components. Moreover, Australia has an additional advantage, as it also has capabilities to produce and export Active Pharmaceutical Ingredients (APIs) and certain components to produce medicines and therapeutical goods. In this sense, there are opportunities for collaboration in several areas of the healthcare products sector, some of them are:

i. Active Pharmaceutical Ingredients (APIs)

Australia exports several APIs and components such as antiserum and blood fractions that are used in the production of various medical products. Australia can collaborate with Mexican facilities to export these kinds of products to Mexico to then be transformed and destined for the North American market.

ii. Vaccines

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<sup>17</sup> See, for example, White House, "Executive Order on America's Supply Chains", February 24, 2021, available at <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/02/24/executive-order-on-americas-supply-chains/>. Retrieved on June 17, 2024.

<sup>18</sup> COFEPRIS, "Estrategia de Certidumbre Regulatoria para el sector farmacéutico", available at [https://www.gob.mx/cms/uploads/attachment/file/903870/Estrategia\\_de\\_Certidumbre\\_Regulatoria\\_para\\_el\\_sector\\_Farmacaceutico\\_enero\\_2023\\_200324.pdf](https://www.gob.mx/cms/uploads/attachment/file/903870/Estrategia_de_Certidumbre_Regulatoria_para_el_sector_Farmacaceutico_enero_2023_200324.pdf). Retrieved on June 17, 2024.

Australia is an important exporter of vaccines for both human and veterinary use. Although it already has production facilities, the manufacturing process can continue to be carried out in Australia, but Mexico can be used for the stabilisation, mixing, packaging and serialisation of vaccines. After that, the product can be ready to be distributed and exported to the North American market and even to Latin American markets. Mexico has the technical capabilities to carry out these processes.

### iii. Medical devices

Both Australia and Mexico have a production capacity of a wide variety of medical equipment, as well as its parts and components. Therefore, key products can be identified where synergies can exist to develop value-added chains and establish shared production platforms.

Some of the products that require further analysis to identify potential synergies include:

- Therapeutic respiration apparatus; parts and accessories.
- Other instruments and appliances used in medical, surgical, dental or veterinary instruments.
- Other appliances worn or carried, or implanted in the body, to compensate for a defect or disability.

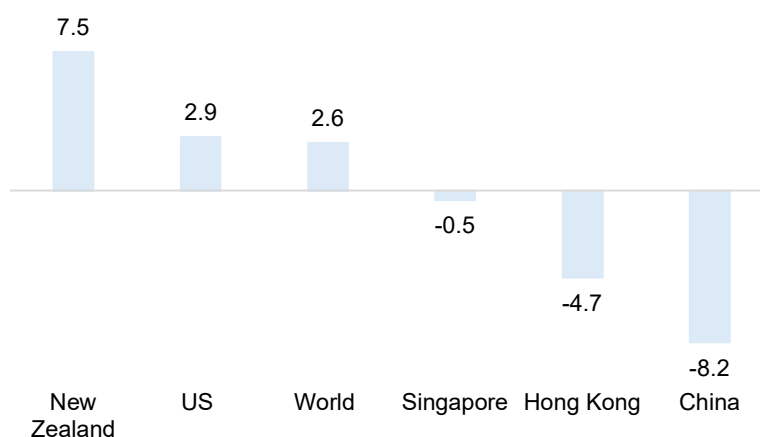
## 1.5 Technology sector

### a. Australian exports to the world

Australian exports to the world in the technology sector have expanded at a moderate pace. Exports in this sector went from US\$ 4.5 billion in 2016 to US\$ 5.4 billion in 2023, showing an AAGR of 2.6 percent.

Almost 60 percent of Australia’s technology product exports went to five markets in 2023: New Zealand, US, Hong Kong, Singapore and China. With US\$ 876 million in 2023, the US is the second largest export market for Australian technology products. Australian exports to the US in the sector have shown an AAGR of 2.9 percent for the period 2016-2023, slightly above the 2.6 percent of Australia’s world AAGR.

**Figure 14. AAGR of Australian exports in the technology sector, world and top five partners 2016-2023**



Source: own elaboration based on Trade Map data.

Australia’s top technology export products to the world include smartphones; portable data processing machines; electrical apparatus for line telephony; static converters; microphones; and other machinery ([Annex B, Table 16](#)).

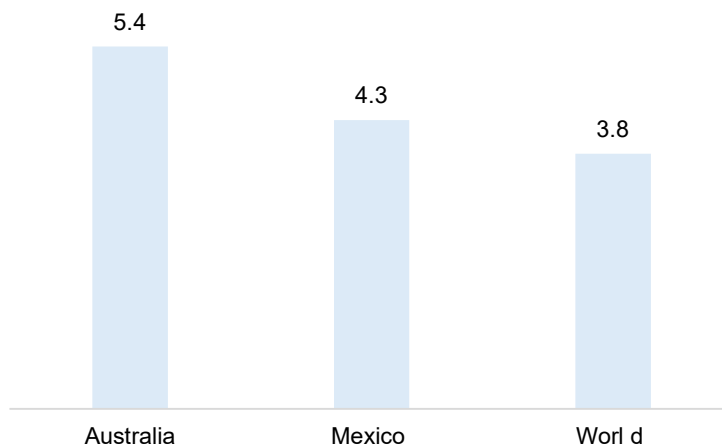
### b. US imports

The US is one of the largest markets for technology products in the world. Total US imports in this sector have had a constant growth in the last eight years, as they rose from US\$ 420.5 billion in 2016 to US\$ 545.6 billion in 2023. The main six US suppliers accounted for 67.4 percent of the total technology products imports in 2023 ([Annex B, Table 17](#)).

In 2016, US technology products imports from Australia totalled US\$ 403.2 million, and by 2023 they reached US\$ 580.7 million, making up only 0.1 percent of total US technology products imports in that year, but with an AAGR of 5.4 percent during 2016 – 2023, above the 3.8 percent average of US imports from the world.

On the other hand, Mexico is the second largest supplier of US technology products. Mexican imports in the sector went from US\$ 62.9 billion in 2016 to US\$ 84.3 billion in 2023, showing an AAGR of 4.3 percent for that period. This illustrates Mexico’s major role as a supplier to the US in the sector.

**Figure 15. AAGR of US imports in the technology sector, 2016-2023**



Source: own elaboration based on US Census Bureau Data.

US technology product imports from Australia (2023) include machines and mechanical appliances; microphones; electrical machinery; switching and routing apparatus; parts and accessories for game machines; and certain measuring instruments ([Annex B, Table 18](#)). Such products comprised 37.7 percent of total US technology products imports from Australia.

c. Mexico’s exports capabilities in Australia’s top exports to the world, and in US top imports from Australia

To determine whether Mexico also has export capacity in (i) Australia’s top ten exports to the world ([Annex B, Table 16](#)), and (ii) the US top ten imports coming from Australia ([Annex B, Table 18](#)); which in turn could support an argument to nearshore Australian production to Mexico to serve the US market, an analysis was conducted to determine the amount of US imports from Mexico in 2023 for those two lists of products.

For Australia’s top ten exports to the world, which amount to US\$ 2.15 billion, the result shows that US imports from Mexico are equal to US\$ 12 billion for those same products ([Annex B, Table 19](#)).

Regarding the top ten products the US imports from Australia, which amount to US\$ 219 million, the result shows that US imports from Mexico are equal to US\$ 13 billion for those same products ([Annex B, Table 20](#)).

The findings for this sector are remarkable, as they show that Mexico has abundant export capacity in both Australia's top exports to the world (US imports from Mexico of US\$ 12 billion), and in the US' top imports from Australia (US imports from Mexico of US\$ 13 billion). This would make Mexico an obvious choice to explore if Australian producers were to consider nearshoring their operations to serve the massive North American market.

#### d. Stakeholder views

Stakeholders interviewed coincided in that, in the context of reconfiguration of supply chains, Mexico is increasingly becoming a strategic destination for the production and manufacturing of advanced technologies. The country has a proven record of having a very competitive, export-oriented industry.

Overall, stakeholders were of the opinion that there are opportunities in Mexico for the three major technology sectors where the country finds its strengths, i.e. electronic manufacturing, telecommunications, and information technologies, with an emphasis in supplying the North American market, but with the added value of serving also markets in Latin America. Telecommunications and information technology services, which are supplementary to manufacturing, are well advanced in Mexico.

Specifically, Mexico has several advantages which are convenient for the production of advanced technologies. Certainly, the USMCA, complemented with a large network of FTAs, stand out. Also, fundamental for the rationale behind a nearshoring strategy is the geographical proximity to the largest consumer market in the world. But beyond those well-known elements, other advantages relate to

- (i) the broad availability of talent to supply the necessary educated work force to the industry, including in STEM disciplines, which is a distinguishing element in relation to other investment destinations. For example, Mexico is among the top ten countries with more engineering graduates per year, and the top in North America, if measured on a per capita basis;<sup>19</sup>
- (ii) being in the same time zone as in the US, which makes it easier for partners to conduct business, since business hours match;
- (iii) having the same business culture as the rest of North America, in terms of working practices, understanding values, and communicating ideas.

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<sup>19</sup> México Pragmático, "México tiene el doble de ingenieros per cápita que Estados Unidos y Canadá", January 27, 2024. Available at <https://mexicopragmatico.com/mexico-tiene-el-doble-de-ingenieros-per-capita-que-ee-uu-y-canada/>. Retrieved on June 27, 2024. See also OECD Data "Tertiary graduates by field", available at <https://data.oecd.org/students/tertiary-graduates-by-field.htm>. Retrieved on June 27, 2024.

Moreover, there are additional advantages that the technology sector perceives in relation to locating production in Mexico, for at least in this sector, the US is largely attuned with Mexico in developing complementarities. The example that currently stands out is the ongoing bilateral dialogues to strengthen the production of certain processes of manufacturing in semiconductors in Mexico, such as testing and packaging. But there are other areas with opportunities as well, such as printed circuit boards.

On the other hand, although the industry acknowledges that there are challenges to overcome when setting operations in Mexico, such as security and other issues related to rule of law enforcement, investors have learned to navigate such issues, at times choosing to locate near the border to minimise risks. Also, stakeholders mentioned that the benefits of operating in Mexico outweigh security risks.

Finally, whilst Mexico has a conducive policy environment with attractive incentive tools such as IMMEX and PROSEC, additional incentives at the federal level could be an area of opportunity.

e. Considerations on potential areas of opportunity

In recent years Australia has made significant progress in the technology sector's product development process, which led the country to become a key player in the manufacturing of goods in this sector.

However, to increase efficiencies in the value chains and grow its presence in the North American markets, Australia requires strategic partners to maintain competitiveness, reliable supply chains and collaboration in the production processes close to the consumption centers.

Mexico has extensive experience in the manufacturing of the same range of technology products that Australia exports to the world. Mexico has also developed an important presence in the US market, by becoming not only the US' second largest supplier in the sector, but a major supplier in the top products which the US imports from Australia.

There seem to be opportunities to consider nearshoring production to Mexico in the technology sector, through FDI, and/or through partnerships to carry out joint productions processes in various products that Australia currently exports to the world, among which are:

- Smartphones.
- Portable automatic data processing machines.
- Games, operated by coins, banknotes, bank cards, tokens or by other means of payment.
- Electrical apparatus for line telephony or telegraphy.

- Static converters.
- Microphones.
- Electrical machines and apparatus, having individual functions.
- Video game consoles and machines.
- Television cameras, digital cameras and video camera recorders.

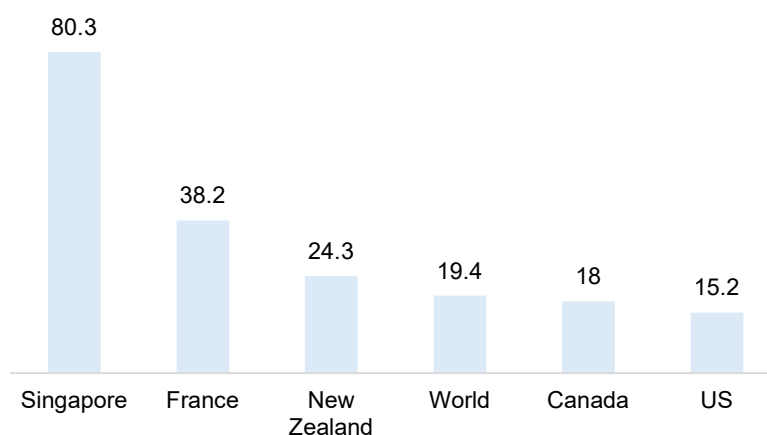
## 1.6 Defence sector

### a. Australian exports to the world

Australian exports in the defence sector have shown dynamism in the past eight years. Total exports in this sector went from US\$ 425.1 million in 2016 to US\$ 1.47 billion in 2023, showing an AAGR of 19.4 percent.

Around 70 percent of Australia's defence products exports focused in five markets in 2023: US, Singapore, New Zealand, France, and Canada. The US is the largest destination of Australian defence exports. Exports to the US went from US \$ 220.3 million in 2016 to US\$ 593.6 million in 2023, showing an AAGR of 15.2 percent.

**Figure 16. AAGR of Australian exports in the defence sector, world and top five partners 2016-2023**



Source: own elaboration based on Trade Map data.

Australia's top defence export products to the world include aeroplanes, helicopters, or unmanned aircraft, and its parts; motorised tanks and armored vehicles; bombs, grenades, and like munitions; and instruments for aeronautical navigation ([Annex B, Table 21](#)).

### b. US imports

US world imports of defence products went from US\$ 18.1 billion in 2016 to US\$ 33.0 billion in 2023, showing an AAGR of 9 percent for that period. The main six US suppliers accounted for 65.4 percent of the total defence products imports in 2023 ([Annex B, Table 22](#)).

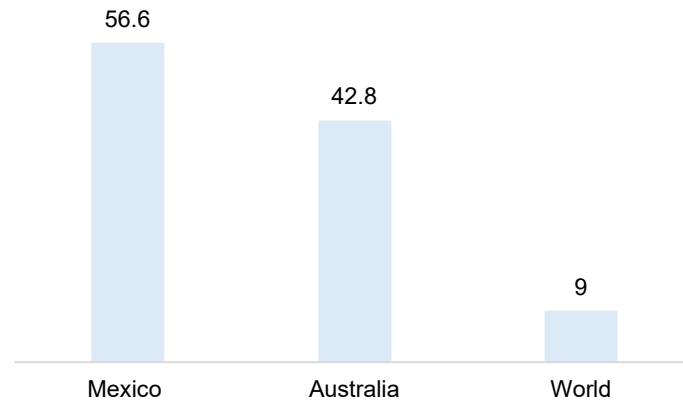
In 2016, US defence product imports from Australia totalled US\$ 28.4 million, and by 2023 they reached US\$ 343.7 million, making up 1.0 percent of total US defence



products imports in this year, with an AAGR of 42.8 percent during 2016 -2023, which is above the 9 percent average growth of US imports from the world.

On the other hand, US imports from Mexico in the sector have grown exponentially, from US\$ 59.7 million in 2016, to US\$ 1.38 billion in 2023, with a AAGR of 56.6 percent in such period. This illustrates the increasing role that the production of defence goods is playing in Mexico.

**Figure 17. AAGR of US imports in the defence sector, 2016-2023**



Source: own elaboration based on US Census Bureau Data.

US' top defence imports from Australia (2023) include parts of airplanes and helicopters; parts for guided missiles; parts of military weapons; cartridge shells for rifles or pistols, and its parts; and rebuilt aircraft and helicopters. Such products accounted for 98 percent of total US defence imports from Australia ([Annex B, Table 23](#)).

- c. Mexico's exports capabilities in Australia's top exports to the world, an in US top imports from Australia

To determine whether Mexico also has export capacity in (i) Australia's top ten exports to the world ([Annex B, Table 21](#)), and (ii) the US top ten imports coming from Australia ([Annex B, Table 23](#)); which in turn could support an argument to nearshore Australian production to Mexico to serve the US market, an analysis was conducted to determine the amount of US imports from Mexico in 2023 for those two lists of products.

For Australia's top ten exports to the world, which amount to US\$ 1.40 billion, the result shows that US imports from Mexico are equal to US\$ 1.3 billion for those same products ([Annex B, Table 24](#)).

Regarding the top ten products the US imports from Australia, which amount to US\$ 337.4 million the result shows that US imports from Mexico are equal to US\$ 1.2 billion for those same products ([Annex B, Table 25](#)).

The above exercise shows that Mexico has ample export capacity in both Australia's top export products to the world (US imports from Mexico of US\$ 1.4 billion), and in the US' top import products from Australia (US imports from Mexico of US\$ 1.2 billion). This would make the defence sector in Mexico worth further exploring if Australian producers were to consider nearshoring their operations to export to the North American market. This indicates that Mexico could be an attractive option to explore if Australian producers were to consider nearshoring their production of defence products to serve the North American market.

d. Mexico's government procurement: an additional market

As in other cases, nearshoring operations in Mexico to serve the US market can be complemented by serving the domestic market in the defence products' sector, which could provide with additional incentives for companies seeking to relocate production to Mexico.

In the period running from 2016 to 2022, total spending by the federal government in the defence sector amounted to US\$ 7.1 billion, 59.3% was on purchases of goods; 34.8% on procurements of services and 5.4% on payment of public works.<sup>20</sup>

Moreover, 67.6% of government tenders in the defence sector were procured through national tenders, with the remainder 32.4% having been conducted through international bids.<sup>21</sup>

e. Stakeholder views

No particular stakeholder views or opinions on the defence sector were gathered during the interviews.

f. Considerations on potential areas of opportunity

One of the coincidence points between Mexico and Australia in the defence sector is that both are suppliers of parts and components into the US market, which is an area of opportunity.

In this sense, there are some actions that Australian companies could analyse to further cooperate with Mexican companies:

1. Australian companies can partner with established Mexican manufacturers to leverage their expertise and navigate regulations. This can involve co-production of components or setting up joint assembly facilities.

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<sup>20</sup> Own estimations based on data obtained from the COMPRANET database.

<sup>21</sup> Idem.

2. Australian firms can subcontract specific production stages in special Mexican facilities focusing on core design and technology in Australia. This scheme allows Australian firms to benefit from Mexican capabilities while maintaining control over key aspects.
3. Identify specific defence and aviation parts and components in high demand by the US and consider nearshoring their production to Mexico. This could include niche areas where Australia has a technological edge.

## Chapter 2: Mapping of the competitive advantages available to Australian businesses through FTAs in priority sectors

This section describes the actual benefits that Australian companies can have if they operate from Mexico. Those gains come from two sources: first, the elimination of tariffs that Mexico's preferential partners give to products that fulfil the rules of origin, and second from the rules applicable to the companies working under the auspices of the FTA disciplines.

Estimated rates of growth for US imports for the period 2025-2030, from the world and from Mexico, are also supplemented for the five sectors under analysis, for the purpose of providing with additional support to the case for relocating operations to Mexico.

- 2.1 Mexico's preferential access to other markets, and projected rates of growth for trade
  - a. Preferential treatment under FTAs

The NAFTA eliminated all tariffs in North America back in 2008, and the USMCA maintained such treatment for originating goods. In this sense, incentives to produce goods in Mexico for the US market are high, considering geographical proximity and the duty-free access.

Also noteworthy for investors seeking to relocate operations to Mexico, in addition to the comprehensive, preferential access to the US, is Mexico's robust network of FTAs that allows for preferential access to other major markets: (i) the Mexico-European Union FTA, which provide duty-free access to all industrial goods, and varying degrees of liberalisation for agricultural goods; and (ii) other significant FTAs, such as the CPTPP, the Pacific Alliance (Chile, Colombia and Peru), and various agreements with Latin American countries, all of which provide duty-free/preferential access to Mexican products.

**Table 3. Mexico's market access under FTAs**

FTA	Agricultural goods	Industrial goods
USMCA	Duty-free <sup>1</sup>	Duty-free
Mex-EU-FTA	Duty-free, TRQ, partial preferences <sup>2</sup>	Duty-free
CPTPP	Mostly duty-free <sup>3</sup>	Duty-free
Pacific Alliance	Mostly duty-free <sup>4</sup>	Duty-free
LATAM	Partial preferences	Duty-free, partial preferences

<sup>1</sup>Canada maintains duties for dairy, poultry and sugar.

<sup>2</sup>Currently, exclusions apply for several agri-food goods.

<sup>3</sup>Except sugar, which is excluded, and TRQs for dairy, beef.

<sup>4</sup>Except sugar, which is excluded.

b. Projected rates of growth for trade for the five sectors (2025-2030)

However, duty-free access, particularly to the US market, would just demonstrate one part of the equation – to obtain a full picture, it is necessary to verify if, for the selected industries, the US import rate growth from Mexico is higher than from other countries in the world. Moreover, it is important to estimate how the growth will behave in the near future.<sup>22</sup>

When analysing the data on US imports from the world for agri-food goods, technology, healthcare, mining and defence sectors for the period 2025 – 2030, it is observed that the average annual growth expected for the next six years by sector is around 3.2 percent to 5.1 percent. Looking forward, the forecast for US imports from Mexico in these sectors presents average annual growth rates ranging from 2.5 percent to 5.6 percent, in the same period (Table 4 below).

<sup>22</sup> The forecasts were made through linear regression with ordinary least squares (OLS), an econometric technique used to model the relationship between a dependent variable and one or more independent variables. In this methodology, the aim is to find the line that best fits the observed data, minimising the sum of the squares of the differences between the observed values and the values predicted by the model. Forecasts made with this method involve using the regression equation obtained to predict future values of the dependent variable based on new values of the independent variables. For example, if one has developed a linear regression model to predict sales as a function of advertising spending and the number of salespeople, one can use the model to predict future sales given new amounts of advertising spending and number of salespeople. The accuracy of these projections depends on how well the model captures the true relationships between the variables and the variability of the data.

**Table 4. US import annual average growth forecast 2025-2030  
(% change)**

Sector	US total imports	US imports from Mexico
Agri-food	4.6%	5.6%
Mining	3.5%	3.1%
Healthcare	5.1%	5.5%
Technology	3.2%	3.6%
Defense	4.0%	2.5%

Source: own elaboration based on US Census Bureau Data.

### Agri-food

According to the analysis for the agri-food industry, the average annual growth rate expected for the period 2025-2030 of US imports is 4.6 percent, while an average growth rate is estimated for US imports from Mexico 5.6 percent annually. Among the chapters with the greatest growth potential are chapter 19 and chapter 21, which are specifically agri-food manufacturing goods (for examples of products, see [Annex C, Table 26](#)).

### Mining

Regarding the mining sector, average annual growth rate estimates are 3.5 percent for the next six years for US imports from the world. This sector is influenced by the demand generated by other industries such as automotive, technology, energy or construction, so any change in secondary industries could generate an increase in the mining industry. In the case of Mexico, the North American automotive industry seeking the electric transition, as well as those industries related to energy transition, will demand minerals such as lithium, nickel, copper and manganese, so there is potential growth in the short and medium term (for examples of products, see [Annex C, Table 27](#)).

### Healthcare

After the Covid-19 pandemic, the healthcare industry quickly became one of the strategic industries for nearshoring worldwide. In the case of this sector, a 5.1 percent average annual growth rate in US imports is projected for the period 2025-2030, while US imports from Mexico are projected to grow 5.5 percent in that same period, slightly above the world average. There is potential in this sector for greater growth, given Mexico's productive capabilities in the area and the market that represents North America (for examples of products, see [Annex C, Table 28](#)) especially as the US considers this industry as highly sensitive and part of its new approach to reshoring supply chains.<sup>23</sup>

<sup>23</sup> White House, "Executive Order on America's Supply Chains", February 24, 2021; op cit.

## Technology

Breaking down the figures by industry, in the technology sector, projections point to grow at an average annual rate of 3.2 percent in the period 2025-2030; however, US total imports in this sector suffered a setback in 2019 caused by US trade tensions with China. Despite this, imports in this sector have been growing steadily from 2021 to date. US imports of technological goods from Mexico are expected to grow in the period 2025-2030 at an average annual growth rate of 3.6 percent; that is, given the higher rate of Mexican imports from this sector, it is plausible that companies in this sector, highly sensitive to tariffs, are already nearshoring production to the country (for examples of products, see [Annex C, Table 29](#)).

## Defence

US imports from Mexico are below the world's average in the defence sector. The projection exercise has forecast an average annual growth rate of 5.8 percent of global imports from the US in the period 2025-2030, but for industry imports from Mexico, the annual average will be 2.5 percent. However, despite Mexico not being a major producer of military equipment, there are some tariff items that have been detected where opportunities can be evaluated, especially those related to parts and accessories as well as aircrafts. Projections for five tariff items identified show values that are over US\$ 15 million of imports (for examples of products, see [Annex C, Table 30](#)).

### 2.2 Other benefits from the intangible provisions incorporated in Mexico's FTAs

The previous sections offered a quantitative explanation and rationale for Australian companies to consider operations in Mexico. In addition to these figures, important as they are, the FTAs that the country has negotiated – 14 agreements with 50 countries – offer several advantages that can offer even more benefits for Australian companies.

These agreements include rules and disciplines whose objective is to facilitate and enhance trade between the contracting Parties. Although each agreement has its particularities, there are five broad areas covered that should be of interest to Australian companies: investment protection, intellectual property, sanitary and phytosanitary (SPS) measures, business facilitation and dispute settlement.

#### a. Investment protection

The same reasons that have been argued as an explanation<sup>24</sup> for nearshoring highlight the relevance of the benefits that free trade bring: if investments are driven away from countries that are perceived as insecure, volatile or caught up on

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<sup>24</sup> Forbes, "Why Nearshoring Is Closer Than Ever: How Mexico Is Becoming the Next Big Thing In Global Markets", March 23, 2023. Available at: <https://www.forbes.com/sites/garydrenik/2023/03/23/why-nearshoring-is-closer-than-ever-how-mexico-is-becoming-the-next-big-thing-in-global-markets/>. Retrieved on June 19, 2024.

geopolitical struggles, it should follow that investments find more appealing countries that offer a higher degree of security and protection; in this regard, Mexico clearly stands out.

The FDI data seems to corroborate these claims. [Table 1](#) shows the top ten investors in Mexico during 2023; ten out of ten have negotiated an investment Chapter under an FTA or a BIT with Mexico. Indeed, one of the most evident benefits that Mexico offers is the investment protection that the country has consolidated in its FTAs (for example, Chapter 14 of the USMCA and CPTPP Chapter 9) and in 30 bilateral investment treaties.<sup>25</sup>

Thus, an Australian company starting operations in Mexico (if it complies with the rules of origin) would enjoy duty free access to the US by virtue of the USMCA, but its investments in the country would also be protected by the investment provisions of the CPTPP; in the worst-case scenario, Australian companies could access the CPTPP investor-state dispute settlement mechanism.

Although is not desirable for companies to have to activate such mechanism, in the case that they do, it is worth looking at Mexico's track record on such instances. As of June 24<sup>th</sup>, 2024, according to the UNCTAD, Mexico has been challenged in 52 occasions;<sup>26</sup> in those cases, investors have prevailed in ten instances, and more importantly, they have always been paid.

#### b. Intellectual property protection

For Australian companies, particularly those in high tech, advanced manufacturing, pharmaceuticals and medical devices, it is crucial to have a robust and predictable system of intellectual property protection. In this sense, the FTAs negotiated by Mexico have included modern intellectual property chapters (USMCA Chapter 20 or CPTPP Chapter 18, for example).

Unlike what occurs in other countries, where companies are forced to share confidential information with host governments, Mexico's commitment in its FTAs safeguard companies' innovations, trademarks, patents, and other intellectual assets. Moreover, Mexico's regime allows companies to continue innovating and developing their latest technologies in the country, without the concern of unauthorised use or infringement.

#### c. SPS measures

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<sup>25</sup> Secretaría de Economía, *op. cit.*

<sup>26</sup> UNCTAD. Investment Dispute Settlement Navigator. Available at: <https://investmentpolicy.unctad.org/investment-dispute-settlement/country/136/mexico> Retrieved on June 24, 2024



As food security and food production becomes a pressing issue in the world, it is important for companies to operate in countries where a clear and transparent SPS regime exists. Mexico's regime is defined and shaped by its commitments in international agreements, and it has helped in turning the country into a major export powerhouse in this industry.

The most distinctive feature of Mexico's SPS regime is that it guarantees that regulatory decisions will be based on science. Moreover, the SPS framework also establishes that measures will be made public, and that interested parties will be able to offer comments and views before measures are implemented.

There are also particular exporting benefits for companies operating in Mexico brought about by those SPS chapters in FTAs – for example, in the USMCA, under certain circumstances, Mexican companies could be given priority treatment by US sanitary authorities when submitting their request of certifying pest-free zones.

#### d. Business facilitation

Mexico's FTAs include various committees and working groups specifically designed to facilitate trade among the parties. These entities play a crucial role in ensuring the smooth implementation and ongoing improvement of trade relations. They address technical barriers, streamline customs procedures and, if possible, resolve disputes at the technical level.

What is perhaps more important is that private actors, including companies, can approach the authorities with specific concerns to be addressed in these working groups and committees. For an Australian company operating in Mexico, this means having a direct channel to raise issues and propose ideas for potential solutions. This collaborative approach not only simplifies market entry and reduces trade-related risks but also fosters a more predictable and supportive environment for sustained agricultural investment and growth.

#### e. Dispute settlement procedures

In addition to the protection provided to investors in Mexico through the investor-state dispute settlement mechanisms under FTAs/BITs, both the USMCA and the CPTPP also include state-to-state dispute settlement mechanisms. These agreements have their own dispute settlement procedures for resolving disagreements between States. Among the body of rules, these mechanisms provide, if so, invoked by the government of a Party, with the possibility to demand another Party, ask for the establishment of a panel of experts to rule on potential violations to the agreement and, if necessary, tools to remedy a violation or nullification of such benefits. At the expense of facing enforcement of obligations through remedies such as the possibility for a Party to legally retaliate if a violation is confirmed by a panel, the dispute settlement mechanism under USMCA and CPTPP encourage the compliance of rights and obligations that preserve the benefits originally agreed upon by signatories - i.e. the preferential market access.

Though often overlooked, dispute settlement procedures are highly valued, as they introduce an additional element of certainty for economic operators to conduct their cross-border businesses.

## Chapter 3: Incentives available for Australian businesses in priority sectors

### 3.1 Summary of FDI incentives at the federal level

#### (i) Most relevant federal incentives

##### a. IMMEX program

The Manufacturing, Maquiladora, and Export Service Industry Program (IMMEX) is an instrument designed to promote exports. It enables foreign producers to operate in Mexico under preferential, low-tax cost structures, as it allows foreign manufacturers to import, on a temporary basis, raw materials, inputs, components, packaging materials, machinery and equipment, into Mexico deferring the payment of import duties, the value added tax (VAT) and, where applicable, antidumping and countervailing duties, under the condition that they carry out an industrial process or service intended for the production, transformation or repair and/or the provision of export services.<sup>27</sup>

IMMEX has been in force since 2006, and remains highly relevant for Mexico' trade activity, as around half of foreign trade is conducted by firms under this program.<sup>28</sup>

##### b. PROSEC program

The PROSEC program enables authorised companies that manufacture goods under specifically predetermined sectors to import goods to be used in their production using preferential tariff rates, regardless of whether the goods to be produced are for export or the domestic market.

The PROSEC program includes preferential tariff rates in a broad range of inputs for 24 sectors, including health, IT, agri-food, and mining.<sup>29</sup>

##### c. Regla Octava (Rule 8)

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<sup>27</sup> For an updated versión of the IMMEX Decree, see “Decreto para el fomento de la industria manufacturera, maquiladora, y de servicios de exportación”, available at [https://www.snice.gob.mx/~oracle/SNICE\\_DOCS/DIMMEXPDF-D-IMMEX-PDF\\_20210119-20210119.pdf](https://www.snice.gob.mx/~oracle/SNICE_DOCS/DIMMEXPDF-D-IMMEX-PDF_20210119-20210119.pdf). Retrieved on June 4, 2024.

<sup>28</sup> “Trade Policy Review, Mexico”, WTO 2023, report by the Secretariat, page 81. Available at <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=q:/WT/TPR/S429R1.pdf&Open=True>. Retrieved on June 4, 2024.

<sup>29</sup> See SNICE, “PROSEC: Acerca de”, available at [https://www.snice.gob.mx/AdminSNICE/faces/oracle/webcenter/portalapp/pages/paginasPublicas/publicHome.jspx;jsessionid=pvDfmrlDq10fmQl2LcX2kGKj0fNGVnKnfTh0jk5w06w6WHgDJpPy!669675034?\\_afLoop=28349371997471128&\\_afWindowMode=0&\\_afWindowId=null#%40%3F\\_afWindowId%3Dnull%26\\_afLoop%3D28349371997471128%26\\_afWindowMode%3D0%26\\_adf.ctrl-state%3D1ddyI5ehq4\\_4](https://www.snice.gob.mx/AdminSNICE/faces/oracle/webcenter/portalapp/pages/paginasPublicas/publicHome.jspx;jsessionid=pvDfmrlDq10fmQl2LcX2kGKj0fNGVnKnfTh0jk5w06w6WHgDJpPy!669675034?_afLoop=28349371997471128&_afWindowMode=0&_afWindowId=null#%40%3F_afWindowId%3Dnull%26_afLoop%3D28349371997471128%26_afWindowMode%3D0%26_adf.ctrl-state%3D1ddyI5ehq4_4). Retrieved on June 4, 2024.

Rule 8 is a permit that enables companies that hold a PROSEC program to import certain inputs, equipment, and materials related to their manufacturing processes without duties, to be used in specific production projects, through a single tariff code that is exempted from the payment of import duties.<sup>30</sup>

A Rule 8 license is granted in cases such as when there is absence or insufficiency of Mexican products with the specific conditions required by the manufacturing company, through a case-by-case previous authorisation by the Ministry of Economy.

#### d. Nearshoring Decree

As a response to the nearshoring trend and seeking to position the country on a competitive footing in the attraction of capitals, on October 11, 2023, Mexico published a decree which provides incentives for companies that seek to relocate to Mexico, and for those companies already established in the country but seek to expand their operations.<sup>31</sup>

The incentives provided include immediate deduction for new fixed assets acquired from October 2023 and during the fiscal year 2024, with deduction percentages ranging from 56 percent to 89 percent, depending on the sector. Starting on October 12th, 2023, and throughout the fiscal years 2024 and 2025, an additional deduction is granted for employee training expenses, equivalent to 25 percent of the incremental expenditure incurred for this concept.

The benefits under this decree are applicable to investments that engage in the production, processing, or industrial manufacturing and export goods in 11 areas, including pharmaceutical and medical devices, products intended for human and animal consumption, electronic components, and aircraft and automotive components.

#### e. Interoceanic Corridor

With the aim of generating economic development in the southern region of the country, Mexico published a Decree on June 5, 2023, to provide fiscal incentives for

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<sup>30</sup> The goods to be imported by Rule 8 are inputs, materials, parts, components, machinery and equipment, including packaging and packaging material and, in general, those for the production of the products established in the PROSEC decree. The validity of the Rule 8 permit for definitive imports is one year or less, when the production process requires it, and for temporary imports it will be 2 years, both extendable for an equal period. See <https://www.snice.gob.mx/cs/avi/snice/reglas2022.html>.

<sup>31</sup> See Diario Oficial publication, October 11, 2024, available at [https://www.estimulosfiscales.hacienda.gob.mx/work/models/efiscales/documentos/nearshoring/8\\_DECRETO\\_NEARSHORING.pdf](https://www.estimulosfiscales.hacienda.gob.mx/work/models/efiscales/documentos/nearshoring/8_DECRETO_NEARSHORING.pdf). Retrieved on June 5, 2024.

companies to engage in certain productive activities within so-called development poles in the Interoceanic Corridor of the Isthmus of Tehuantepec.<sup>32</sup>

The decree foresees two types of tax incentives for the income tax:

- i. A 100 percent income tax credit for the first three fiscal years, and a 50 percent discount for the following three years, or up to 90 percent if employment targets are exceeded.
- ii. Immediate 100 percent depreciation of investments in new fixed assets for the first six fiscal years.

Benefits also include a fiscal incentive regarding the value added tax, consisting of a tax credit for four years equivalent to 100 percent of the VAT that must be paid for the sale of goods, the provision of services, or the granting of temporary use or enjoyment of goods.

Permits to operate under the scheme include land concessions within designated areas along the corridor. The 12 economic activities include agroindustry, pharmaceutical, medical devices, information and communication technologies, electronics, machinery and equipment.

#### (ii) Outstanding incentives at the state level

States in Mexico have traditionally implemented local policies and offered their own incentives, which are fundamental in their strategies to attract foreign direct investment. The study focuses on the seven most relevant States according to the FDI levels that they attracted in 2023, according to the Ministry of Economy data.<sup>33</sup> Those States are Sonora, Nuevo León, Jalisco, Estado de Mexico, and Aguascalientes.

The package of incentives varies from State to State. Also, some States have a standard list of incentives, while others offer tailor-made approaches, depending on the characteristics of the potential investment.

#### a. The State of Sonora

Sonora is in north Mexico, bordering with Arizona and New Mexico in the US. The State has 1,200 km of coastline in the Gulf of California. These makes the State's location strategic given its convenient access to North America, with six border

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<sup>32</sup> See Diario Oficial publication, June 5, 2023, available at [https://www.dof.gob.mx/nota\\_detalle.php?codigo=5691049&fecha=05/06/2023#gsc.tab=0](https://www.dof.gob.mx/nota_detalle.php?codigo=5691049&fecha=05/06/2023#gsc.tab=0). Retrieved on June 6, 2024.

<sup>33</sup> Secretaría de Economía, "Inversión Extranjera Directa Cierre 2023", February 15, 2024. Available at: [https://www.gob.mx/cms/uploads/attachment/file/892983/20240215\\_Presentaci\\_n\\_IED\\_4T-2023\\_versi\\_n\\_p\\_blica\\_VF\\_1.pdf](https://www.gob.mx/cms/uploads/attachment/file/892983/20240215_Presentaci_n_IED_4T-2023_versi_n_p_blica_VF_1.pdf). Retrieved on June 24, 2024.

crossings, and to Asian markets, through the port of Guaymas, which is currently undergoing an important upgrade. The State focuses its strengths and promotion efforts in sectors such as mining, automotive, agribusiness, semiconductors, medical devices, renewable energies, aerospace and defense.

Along with the federal government, the State has recently launched the *Plan Sonora*, a long-term project that establishes an ambitious roadmap for the economic and social development of the region, with emphasis on innovation and sustainable energies.<sup>34</sup>

Sonora ranked tenth among the 32 Mexican States in terms of its contribution to Mexico's GDP (3.5 percent of the total), and second in terms of FDI inflows (US\$ 2.7 billion dollars) in 2023.<sup>35</sup>

#### *Approach to investment incentives*

The legal framework for the provision of incentives to attract investment and the promotion of economic growth is found in the local Competitiveness and Economic Development Law of the State of Sonora and its regulation. Such legal framework establishes a detailed list of fiscal, non-fiscal, and "extraordinary" incentives, which are currently made operational through the public entity known as PROSONORA. Non-fiscal incentives for investments must be analysed and approved on a case-by-case basis, considering, *inter alia*, the following criteria: (i) jobs created, including for women and disabled persons; (ii) investment amount and term of execution; (iii) geographical location and regional impact; (iv) degree of integration with local companies; (v) impact on innovation and technology; and (vi) environmental impact.<sup>36</sup>

#### *Type of incentives*

**Fiscal incentives:** exemptions and reductions from state and municipal taxes and duties, to be determined according to applicable fiscal regulations.

**Non-fiscal incentives,** consisting of:

- Financial support for worker training programs; investment or business expansion projects to export or for marketing in domestic markets; acquisition of goods or services; leasing of real estate related to investment projects and

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<sup>34</sup> See "Plan Sonora de Energías Sostenibles", available at <https://plan.sonora.gob.mx>. Retrieved on June 21, 2024.

<sup>35</sup> INEGI for State GDP, and Secretaría de Economía for FDI inflows, 2023.

<sup>36</sup> See article 18 and 21, "Ley de Competitividad y Desarrollo Económico del Estado de Sonora", available at [https://normas.cndh.org.mx/Documentos/Sonora/Ley\\_CDEE\\_Son.pdf](https://normas.cndh.org.mx/Documentos/Sonora/Ley_CDEE_Son.pdf), and article 2.V, "Reglamento de la Ley de Competitividad y Desarrollo Económico de Estado de Sonora", available at <https://boletinoficial.sonora.gob.mx/boletin/images/boletinesPdf/2018/enero/2018CCI8VII.pdf>. Retrieved on June 21, 2024. Further details on allocation of fiscal incentives are provided for in articles 7 and 8 of the State's Income and Expenditure Budget Law for Fiscal Year 2024, available at [http://www.congresoson.gob.mx:81/Content/Doc\\_leyes/Doc\\_620.pdf](http://www.congresoson.gob.mx:81/Content/Doc_leyes/Doc_620.pdf). Retrieved on July 8<sup>th</sup>, 2024.

productive operations; participation in domestic and international fairs and events to promote their products; programs that contribute to sustainability or to reduce or solve environmental pollution problems, among the most outstanding.

- Granting of competitive prices for the acquisition or leasing of property owned by the State government or municipalities.
- Donations, exchange, or bailment property owned by the State government or the municipalities.
- Contribution for the development of infrastructure and services.

#### **Extraordinary incentives**

- Priority on immediate opening of businesses.
- Reduction of deadlines in one half, by state or municipal agencies and entities that receive requests for permits, licenses, concessions, or authorizations, during emergency situations.

#### *Point of contact*

The Secretariat of the Economy serves as the initial point of contact for potential investors. Through its Undersecretariat for Incentives for Commercialization, the Secretariat will accompany the potential investor through the process, including with relevant instances such as the Council for the Sustainable Development of Sonora (CODESO), which is the framework body to which PROSONORA belongs.

#### b. The State of Nuevo León

Located in northeastern Mexico, Nuevo León stands out as an attractive destination for international investors due to its strategic geographical location, which connects it with important national and international markets. Nuevo León possesses a highly complex industrial platform, and a competitive business environment. The State sits at the border with Texas in the US and boasts a solid development in key sectors such as agribusiness, automotive, steel, technology, chemical, and energy.

According to State authorities, 76 percent of nearshoring investments into Mexico went to Nuevo León in 2023, and currently there are over 4,500 foreign companies in the State. The State has organised its economic activities around 14 clusters, which include IT & software, health, automotive, agribusiness, aerospace and home appliances, which take advantage of the territory's more than 250 industrial parks.

Nuevo León ranked third among the 32 Mexican States in terms of its contribution to Mexico's GDP (8.0 percent of the total), and third in terms of FDI inflows (US\$ 2.53 billion dollars) in 2023.<sup>37</sup>

#### *Approach to investment incentives*

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<sup>37</sup> INEGI for State GDP, and Secretaría de Economía for FDI inflows, 2023.

Based on its local Law for Development of Investment and Employment, the State of Nuevo León provides a detailed list of the type of fiscal, economic, and non-economic incentives available. Incentives for investments must be analysed and approved case-by-case by the Economic Development Council, on account of at least five criteria: (i) economic impact; (ii) jobs created; (iii) geographical location; (iv) impact on innovation and technology; and (v) environmental impact.<sup>38</sup>

### *Type of incentives*

**Fiscal incentives:** there are three kinds of fiscal incentives:

- Subsidy for payroll taxes.
- Total or partial subsidy of the payment for certain registration fees in the State Registry and Cadastral Institute.
- Subsidy for payment of any other state duty related to the investor's own activities.

The maximum period during which the fiscal incentives are to be granted is five years.

**Economic incentives,** consisting of the reimbursement of the transfer of monetary resources for the execution of the following acts, activities or works:

- Training of workers.
- Total or partial execution of infrastructure works that promote the installation or expansion of the company.
- Introduction or connection of basic public services such as water, drainage, gas or energy.
- Conducting studies or research.
- The purchase, lease and/or exchange of real estate owned by the State, so that the new investment is established therein.
- Donation and/or loan of real estate owned by the State (for investments creating 500 or more permanent jobs in a period of less than two years).
- Financial contributions up to 100 percent to contract the lease and/or purchase and sale of real estate, for a period of up to 10 years, after an appraisal carried out by institutions or specialised experts.

The reimbursement of the economic incentives will be carried out in accordance with the procedure determined by the Secretary of Finance and General Treasury of the State, based on budget availability.

**Non-economic incentives,** consisting of the following support:

- Advice for the installation, start-up and operation of the investment, its strengthening or expansion.

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<sup>38</sup> See “Ley de Fomento a la Inversión y al Empleo para el Estado de Nuevo León”, Chapter 2 (Economic Development Council); Chapter 3, articles 27 (Incentives), and 31 (Criteria), among others. Available at [https://www.hcnl.gob.mx/trabajo\\_legislativo/leyes/leyes/ley\\_de\\_fomento\\_a\\_la\\_inversion\\_y\\_al\\_empleo\\_para\\_el\\_estado\\_de\\_nuevo\\_leon/](https://www.hcnl.gob.mx/trabajo_legislativo/leyes/leyes/ley_de_fomento_a_la_inversion_y_al_empleo_para_el_estado_de_nuevo_leon/). Retrieved on June 20, 2024.



- Management of procedures before federal, state or municipal authorities.
- Management of public or private financing.
- Linkage with authorities, universities, unions, suppliers, companies and in general with people or institutions of interest to the company.
- Training for company workers.
- Advice for the internationalisation of companies, and for supplier development.
- Management of discounts in the payment of toll on the Colombia International Bridge.

In addition to the abovementioned incentives, the Research and Technology Innovation Park (PIIT), which has 110 hectares devoted to R&D, and has 38 research centers, offers cost-free land for R&D related investments.

#### *Point of contact*

The Direction for Investment of the Secretariat of Economic Development serves as point of contact that will provide full accompaniment to the interested investor, including in the stages of scouting, landing of the investment, and the aftercare service.

#### c. The State of Jalisco

Jalisco sits in a privileged geographical location in western Mexico, facing the Pacific Coast, well connected to the North American and Canadian markets, through a wide network of communication routes. The State of Jalisco ranked fourth both in terms of FDI inflows among the 32 Mexican States (US\$1.98 billion in 2023), and by its contribution to Mexico's GDP (7.5 percent of the total).<sup>39</sup> Jalisco is home to numerous world-class companies in sectors such as automotive, information technology, medical devices, steel, pharmaceutical, agri-business, and creative industries.

#### *Approach to investment incentives*

On the basis of the Law for Economic Development, and the Law for the Promotion of Investments of the State of Jalisco, the local government currently provides incentives to attract investment through several institutions and programs, the main being: *Jalisco Atrae*, which lists specific areas, economic sectors and type of support that can be provided;<sup>40</sup> and *Jalisco Tech Hub Act*, which focuses in economic incentives, to capitalize on nearshoring trends.<sup>41</sup>

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<sup>39</sup> INEGI for State GDP, and Secretaría de Economía for FDI inflows, 2023.

<sup>40</sup> Programa Jalisco Atrae, available at <https://misprogramas.jalisco.gob.mx/programas/apoyo/Jalisco-Atrae/899>. Retrieved on June 12, 2024.

<sup>41</sup> Jalisco Tech Hub Act, Incentivos Económicos, available at <https://investinjalisco.com/es/incentivos-economicos/>. Retrieved on June 12, 2024.

Incentives are provided on a score-grading basis of each project, and thus may vary. Investments in high technology sectors are prioritized, although programs also list incentives for investments in sectors such as agri-food, industry, energy and tourism.

#### *Type of incentives*

**Economic, fiscal:** According to State economic development authorities, the State government has provided economic and fiscal incentives, albeit on a limited basis, mainly related to payroll tax returns; to supporting SME supply chain development.

**Land, infrastructure:** As part of the promotion to land investments in the State, limited resources may be available for land and infrastructure development.<sup>42</sup>

**Other:** Economic incentives are available for language, talent development and other capacity building programs; adoption of quality control processes and management systems, including related consulting services; machinery and equipment; and real state leasing, among others.<sup>43</sup>

#### *Point of contact*

According to the Secretariat of Economic Development, its Business Contact Center (*Centro de Contacto Empresarial*) serves as point of contact that will ensure full accompaniment to the investor to assist in soft landing services, including support in licenses and local permit procedures, housing services, worker recruitment orientation, among other potential needs.<sup>44</sup>

#### d. The State of Chihuahua

Located in the north of the country, Chihuahua is the largest State in Mexico, and it has the largest shared border with the US, which includes six border crossings to Texas and New Mexico. The State is considered as a gateway to North America. Notably, over the course of the past 13 years, Chihuahua has consistently ranked as Mexico's top exporter State (US\$ 69.9 billion in 2023).<sup>45</sup>

The State of Chihuahua has established connections to logistics infrastructure, with easy access to railroads, airports, seaports and highways. It has well-developed supply chains with capabilities to competitively meet needs of a wide range of industries organized around 13 clusters, including the sectors deemed strategic for the State: aerospace, automotive, electrical-electronic, and medical devices. The

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<sup>42</sup> For example, incentives to support infrastructure development may range from 1 million pesos to 5 million pesos. Programa Jalisco Atrae, op cit.

<sup>43</sup> *Idem*.

<sup>44</sup> See Secretaría de Desarrollo Económico, Centro de Contacto Empresarial, <https://www.jalisco.gob.mx/es/gobierno/comunicados/acercate-al-nuevo-centro-de-contacto-empresarial>. Retrieved on June 13, 2024.

<sup>45</sup> INEGI, "Exportaciones por entidad federativa", available at <https://www.inegi.org.mx/temas/exportacionesef/>. Retrieved on June 16, 2024.

State also counts with 120 universities and technical schools, to provide with the talent needed to support its export industries.<sup>46</sup>

Chihuahua ranked ninth among the 32 Mexican States in terms of its contribution to Mexico's GDP (3.8 percent of the total), and fifth in terms of FDI inflows (US\$ 1.98 billion dollars) in 2023.<sup>47</sup>

### *Approach to investment incentives*

Incentives to attract FDI are available for projects, with a priority for the strategic sectors of the State, facilitating job creation and investment, regardless of their origin or size. All incentives have a degree of adaptability to meet project's needs. Investment projects seeking incentives from the State are analysed by the State public body known as PRODECH, agency in charge of scoring each project.<sup>48</sup>

Projects are assessed based on several elements, including (i) investment amount; (ii) payroll quality; (iii) whether the investment will be in a strategic sector; (iv) the practices on local procurement; (v) region where the project would be located; and (vi) low carbon practices. Accordingly, there are two major incentives' packages envisioned by the State authorities.<sup>49</sup>

### *Type of incentives*

**Fiscal incentives:** there are several kinds of fiscal incentives:

- Subsidy for payroll taxes: up to five years, up to a 100% subsidy.
- Subsidy for workforce development: up to 55% subsidy on the training cost of personnel at the State's High Technology Training Center (CENALTEC).
- Subsidy for industrial land acquisition pertaining to the State: up to 95% subsidy.
- Company-specific incentives, analysed on a case-by-case basis.

**Non-fiscal incentives:** the State will support up to US \$500,000 per project, to be distributed as follows:

- 50-70% for the development of the local ecosystem of strategic suppliers:
  - a. Local supplier development that includes equipment and technology acquisition; certifications; indirect value suppliers (clean rooms, automation, robotics, among others); and joint ventures or strategic

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<sup>46</sup> See, for example, Chihuahua Global, available at <https://chihuahuaaglobal.org/>, and DESEC, available at <https://desec.mx/clusters-de-chihuahua/#>. Both retrieved on July 2, 2024. Clusters are organized around five regions, headed by Cd. Juárez, and Chihuahua City, see CIES, available at <https://www.chihuahua.com.mx/cies.php>. Retrieved on July 1, 2024.

<sup>47</sup> INEGI for State GDP, and Secretaría de Economía for FDI inflows, 2023.

<sup>48</sup> See Article 3, items 2 and 4, of the Official Publication that creates the public body known as "Promotora para el Desarrollo Económico de Chihuahua" (PRODECH), available at <https://www.congresochihuahua2.gob.mx/biblioteca/decretos/archivosDecretos/6890.pdf>. Retrieved on July 2, 2024.

<sup>49</sup> Interview with the Secretary for Innovation and Economic Development of Chihuahua, Mr. Ulises Fernández. July 1, 2024.

- alliances (this support can also apply for local companies that are investing in processes or technology for strategic sectors that are undeveloped or not available in the state).
- 30-50% of the total amount can be allocated for highly specialized training that is not covered by CENALTEC. These trainings could be carried out at the company's headquarters, universities, technical and research centers in Mexico or abroad.
  - 100% of the proposed amount can be used for the development of Research and Development centers in the state.

#### Point of contact

Investment projects are overseen by the Secretariat for Innovation and Economic Development (SIDE), which facilitates and coordinates FDI attraction efforts through the “Invest in Chihuahua” agency. SIDE also coordinates its efforts with Chihuahua Global, a private, non-profit organization dedicated to assisting foreign companies regarding soft-landing, expansion and retention efforts.

#### e. The State of Mexico

The State of Mexico is located in the central part of Mexico, neighboring Mexico City. Within an approximate range of 600 kilometers, it has access to the Gulf of Mexico and the Pacific Ocean; and it sits just over a thousand kilometers from the US border, all through a well-connected road infrastructure.

The State of Mexico has a complex, developed industrial fabric, and considers among its strategic sectors, the automotive, chemical, agri-food, pharmaceutical, construction and energy.<sup>50</sup>

The State of Mexico ranked second among the 32 Mexican States in terms of its contribution to Mexico's GDP (9.0 percent of the total), and fifth in terms of FDI inflows (US\$ 1.92 billion) in 2023.<sup>51</sup>

#### *Approach to investment incentives*

Based on its local Law for Economic Development, the Government of the State of Mexico provides a list of benefits, through annual incentive programs (*Programa*

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<sup>50</sup> Secretaría de Desarrollo Económico, “Invierte en el Estado de México”, page 13, available at [https://desarrolloeconomico.edomex.gob.mx/sites/desarrolloeconomico.edomex.gob.mx/files/files/SEDECO-2024/Abril-10/Invierte\\_en\\_el\\_Estado\\_de\\_M%C3%A9xico\\_VEDA\\_04\\_ABRIL\\_2024.pdf](https://desarrolloeconomico.edomex.gob.mx/sites/desarrolloeconomico.edomex.gob.mx/files/files/SEDECO-2024/Abril-10/Invierte_en_el_Estado_de_M%C3%A9xico_VEDA_04_ABRIL_2024.pdf). Retrieved on June 4, 2024.

<sup>51</sup> INEGI for State GDP, and Secretaría de Economía for FDI inflows, 2023.

*Anual de Incentivos, PAI*) to promote investment into the State. The PAI includes a package of fiscal and other types of benefits.<sup>52</sup>

Seeking to promote foreign investment and job creation, for 2024, the Government of the State of Mexico implemented incentives to companies that move their sources of employment to the State. Under the purview of the Secretariat of Finance, so-called “nearshoring subsidies” are provided for to investors upon start of their operations, including for payroll taxes and specific environmental taxes.

#### *Type of incentives*

**Fiscal incentives:** there are two types of “nearshoring subsidies”<sup>53</sup>

- On payroll taxes, a 100 percent subsidy, for up to 60 months, to companies that locate or expand their operations in the State or hire workers under vulnerable conditions.
- On environmental taxes, for 12 months, a 100 percent subsidy on the Emission of Polluting Gases tax; the ecological tax for disposal, confinement and storage of waste; and the tax on emission of water pollutants.

**Other economic incentives:**<sup>54</sup>

- Reimbursement of registration fees before the federal industrial protection agency regarding new inventions.
- Industrial lots are offered with financing, with 30 percent down payment schemes, and up to 12 monthly payments without interest; and 40 percent down payment and up to 18 monthly payments without interests for the industrial parks managed by the FIDEPAR Trust.

#### *Point of contact*

The Secretariat of Economic Development serves as point of contact that will ensure full accompaniment to the investor in its interaction with other official local, state and federal agencies.

#### f. The State of Baja California

The State of Baja California is a region known for its strategic geographical location, growing industrial base, and dynamic economic landscape, providing connections to key international and national markets. Baja California, which lies on the border with Arizona and California in the US and Sonora in Mexico, has a solid development in

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<sup>52</sup> Gobierno del Estado de México, Consejo Estatal de Fomento Económico y Competitividad, “Programa Anual de Incentivos (PAI) 2024”, available at [https://cofec.edomex.gob.mx/sites/cofec.edomex.gob.mx/files/files/COMPETITIVIDAD/PAI2024/PAI\\_2024.pdf](https://cofec.edomex.gob.mx/sites/cofec.edomex.gob.mx/files/files/COMPETITIVIDAD/PAI2024/PAI_2024.pdf). Retrieved on June 4, 2024.

<sup>53</sup> Secretaría de Desarrollo Económico, op cit, pages 42-43.

<sup>54</sup> Gobierno del Estado de México, Consejo Estatal de Fomento Económico y Competitividad, op cit.

key strategic sectors as aerospace, automotive, medical devices, consumer products, electronics, and semiconductors.

Baja California ranks seventh both in terms of FDI inflows among the 32 Mexican States (US\$ 1.4 billion in 2023), and in its contribution to Mexico's GDP (3.9 percent of the total).<sup>55</sup> The state also performs as a major exporter. In 2023, it was the fourth largest exporter of Mexico, accounting for 10.2 percent of total exports.<sup>56</sup>

#### *Approach to investment incentives*

The Government of Baja California provides a series of incentives to attract investments based on its local Law for Promoting Competitiveness and Economic Development. Such incentives are granted through institutions and relate to both non-economic and fiscal benefits.

#### *Type of incentives*

Fiscal: approved investment projects are entitled to benefit from a 25% to 100% subsidy on payroll taxes for a period of up to five years. This incentive is granted to companies that undertake a project that considers the following elements as part of the investment: (i) operate systems for the treatment of wastewater and fully reuse it, provided that the final discharge is not into the sewerage system; (ii) hire elderly people, single mothers, and productive people with disabilities; (iii) develop projects for the consumption and use of renewable energies; and (iv) hire at least one to ten employees.

Other incentives: the State's authorities provide support to potential investors on administrative procedures, business development and market access.

#### *Point of contact*

The Secretariat of Economic Development serves as a point of contact that will guarantee a thorough accompaniment to assist investors in the settlement of their operations.

#### g. The State of Aguascalientes

Aguascalientes has numerous competitive advantages that make it a prime location for key industries. Located in the center of Mexico, the State offers connectivity to major world markets through logistics infrastructure with access to railroads, airports, customs offices, and major highways, and a well-established industrial zone comprised by 21 industrial parks serving diverse sectors. The State is surrounded

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<sup>55</sup> INEGI for State GDP, and Secretaría de Economía for FDI inflows, 2023.

<sup>56</sup> El Soberano. "Baja California se consolida en el top 4 nacional con más exportaciones: Gobernadora Marina del Pilar". Available at: <https://elsoberano.mx/2024/04/05/baja-california-se-consolida-en-el-top-4-nacional-con-mas-exportaciones-gobernadora-marina-del-pilar/>. Retrieved on June 4, 2024.

by the five most competitive States in the country, which together comprise the Bajío region, one of the most economically dynamic regions of Mexico. The State also has 64 universities to establish the talent base needed to support its manufacturing and export industries.<sup>57</sup>

Aguascalientes both ranks eighth in terms of FDI inflows reception among the 32 Mexican States and in its contribution to Mexico's exports. In 2023, the State was the eighth largest exporter of Mexico, accounting for 8.8 percent of total exports.<sup>58</sup>

The State is home to companies in sectors such as automotive, electronic components, transport, and information technology. However, the state's strategic sectors also include aerospace, research and development, agri-business, specialised healthcare services, and local vendors and logistics.

#### *Approach to investment incentives*

The Government of Aguascalientes grants a series of incentives to attract investments to the State through institutions. These incentives relate to capacity building programs and human capital, government relations, tax support, soft landing services, among others.

#### *Type of incentives*

**Fiscal:** the local government provides a limited tax benefit on the refund of payroll tax for new jobs. The tax benefit only applies for two years from the beginning of the firms' activities and is valid until 2025.

**Other incentives:** the local government allocates resources for human resources development, training programs, and provides investors job availability services (i.e., through the development of job fairs) and soft-landing services. The government of the State also offers personalised and specialised attention services to investors.

#### *Point of contact*

The Secretariat of Economic Development in coordination with the State Centre for Economic Development (*Centro de Desarrollo Económico Estatal*) serve as a contact point that will ensure a comprehensive accompaniment to assist the investor in specific matters such as local permits, employment recruitment, soft-landing services, links with local industrial parks, among others.

#### *Other aspects*

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<sup>57</sup> See, for further information, "Be part of it, Aguascalientes", section: Why to invest in Aguascalientes? Available at: <https://invest.aguascalientes.gob.mx/es/bpoi/>

<sup>58</sup> Government of the State of Aguascalientes for the state's export performance and Ministry of Economy, for FDI inflows, 2023.

The Secretariat of Economic Development organises contact networks with businesspersons who already have operations in the State so that potential investors become acquainted with the benefits of entering the local market and enter strategic alliances. The agency also organises diplomatic missions to promote specific sectors, involving clusters and business associations.



## Conclusions

To highlight the opportunities derived from nearshoring trends, this report uses as a point of departure Mexico's already well-known competitive advantages such as its geographical position and its wide FTA network, which provide with unparalleled efficient logistics, and privileged access to the North American and other major markets in Europe, Latin America, and across the Pacific. Mexico has developed an advanced manufacturing and export platform that has allowed the country to reap the benefits of such competitive advantages. The country has seen sustained, growing foreign direct investment inflows for the past several decades, scoring a 10-year record-high FDI of US\$ 36.2 billion for 2023, which have reinforced the country's productive capacities.

This report delved into five sectors of interest to Australia to determine Mexico's export capabilities: agri-food, mining, healthcare products, technology, and defence. For all five sectors, the report finds that Mexico (i) has been receiving FDI inflows which in average are well above general FDI inflows into the country (ranging from US\$ 10.1 billion for the technology sector, to US\$ 77.5 billion in agri-food); (ii) and exports significant volumes to the US, particularly in the range of products where Australia exports the most to the world, and in the US' major imports from Australia.

Not only would there be a positive perspective regarding Mexico's export capabilities as a result of past investment and trade trends in the five sectors. This report also finds that these trends are reinforced by auspicious prospects of estimated positive import growth rates for the future for these sectors, regarding both the US' imports coming from the world (ranging from 3.2% for the technology sector, to 5.1% for the healthcare sector), and from Mexico (from 2.5% for the defence sector, to 5.6% in agri-food), for the period 2025-2030.

Past trends and positive growth prospects projected for the next five years confirms Mexico's capabilities in such sectors, and therefore should encourage Australian nearshore efforts into Mexico.

To support potential nearshoring advocacy efforts in the sectors in question, this report identified the outstanding incentives available both at the federal and state level. Regarding the federal level, incentives are provided through long-established programs allowing for import duty and tax waiver/deferrals, and other preferential schemes available for manufacturers that establish their operations in Mexico and that facilitate their foreign trade processes. New incentive schemes have been recently added to the policy toolbox seeking to tap on recent nearshoring trends (deduction on fixed assets and training expenses), and regional development objectives (income and VAT tax credits, immediate deduction of investments).

In addition, research and interviews were conducted at the state level to identify incentives, capacities, and strategic sectors for all seven major state FDI recipients (2023; Sonora, Nuevo Leon, Jalisco, Chihuahua, Mexico, Aguascalientes). These

States provide their own catalogue of incentives available to attract foreign investors in the five sectors of interest of Australia, most of which are also considered strategic sectors in the states' development plans.

The perspective for the sectors also benefits from inputs gathered in interviews with industry associations, private sector actors and think tanks. Interviewees provided an overall positive perspective on prospects to relocate operations to Mexico, in some instances (like mining) with nuances, particularly involving uncertainty with regards to the policies to be implemented by the next federal administration, or in relation to other elements which entail an effective implementation of the rule of law in areas such as public security, and legal certainty for investments. Some interviewees also raised concerns regarding sufficiency in the provision of critical inputs for manufacturing operations such as electricity and water.

In this regard, the incoming presidential administration of Claudia Sheinbaum has already provided initial policy signals aimed at favoring FDI attraction, by enhancing the competitiveness of the Mexican economy through a nearshoring strategy. These include 22 so-called development poles to host 10 strategic sectors (among them, and of interest of Australia, agri-food, technology, and healthcare); an ambitious plan to expand logistics infrastructure (ports, airports, railways, roads); water development; and energy transition.

Notwithstanding, there are some other public policy areas which are deemed important for investors and business operators. Such is the case of a potential constitutional reform to the judicial branch pushed forward by the outgoing federal administration, that could undermine judicial autonomy and alter the balance between federal powers; and the elimination of independent regulatory agencies (competition, telecommunications), which are worth keeping an eye on, as it could have implications on the business environment for the future.

One final element which can reinforce advocacy efforts to nearshore operations to Mexico is, as suggested earlier, that Mexico's capabilities are underpinned by the unfettered, duty-free access to the North American market through the USMCA. In this regard, while the planned trilateral revision of this agreement in 2026 is generating expectations, and certain nervousness were a Trump administration to take over in the US, it nevertheless remains an important window for Mexico, Canada and the US to work in enhancing their integration dynamics, and therefore deepen and complement their nearshoring efforts in the region. This would further strengthen the case for relocating to Mexico.

## Annex A. Interviews

### Private sector, industry associations, think tanks

1. Sergio Ley. Former Ambassador of Mexico in China; Chairman, Business Section for Asia and Oceania, Mexican Business Council for Foreign Trade (COMCE). June 6, 2024.
2. Agustín García-Rechy. Vice chairman, Business Section for Asia and Oceania, Mexican Business Council for Foreign Trade (COMCE). June 6, 2024.
3. Fernando Mayer. Chief of Economic Affairs, National Confederation of Cattle Growers Organizations (CNOG). June 6, 2024.
4. Jesús Carrillo. Economics Director, Mexican Competitiveness Institute (IMCO). June 7, 2024.
5. Sergio Almazán. Managing Director, Australia, New Zealand and Mexico Business Council (ANZMEX). June 12, 2024.
6. Fernando Portugal. Director for Intellectual Property, Legal and International Affairs, Mexican Association of Pharmaceutical Research Industries (AMIIF). June 17, 2024.
7. Fernando Fon. Director for Regulatory Affairs, Mexican Association of Pharmaceutical Research Industries (AMIIF). June 17, 2024.
8. Gustavo Velarde. Director for Foreign Trade and Industrial Policy, National Pharmaceutical Industry Chamber (CANIFARMA). June 19, 2024.
9. Rogelio Pérez. CEO Mexican Beef Exporters Association (Mexican Beef). June 20, 2024.
10. Armando Ortega, Executive Committee Chairman, Baramin. June 21, 2024
11. Alfredo Pacheco. Chairman, National Chamber of Electronics, Telecommunications, and Information Technologies Industries (CANIETI). June 26, 2024.

### State authorities

1. José Antonio Padilla. Foreign Direct Investment Director, Secretariat of Economic Development (SEDECO), Estado de México. June 3, 2024.
2. Guillermo Reed. General Director of Investment Attraction, Secretariat of Economic Development, Science and Technology (SEDECYT), Aguascalientes. June 10, 2024
3. Luciana Sánchez Villalobos. Department of Investment Projects and International Cooperation, Secretariat of Economic Development, Science and Technology (SEDECYT), Aguascalientes. June 10, 2024.
4. Sugei Alejandro. Director of Strategic and Transversal Projects, Secretariat of Economic Development (SEDECO), Jalisco. June 12, 2024.
5. Fernando Gámez. Director of Foreign Investment, Secretariat of Economic Development (SEDECO), Nuevo León. June 19, 2024.
6. Jesús Gilberto Elías. Deputy Director of Industrial Development, Direction for Economic Development and Competitiveness, City of Chihuahua. July 1, 2024.
7. Ulises Fernández. Secretary, Secretariat for Innovation and Economic Development, Chihuahua. July 1, 2024.

8. Cynthia López Ruíz. Undersecretary of Incentives for Commercialization, Secretariat of Economy, Sonora. July 3, 2024.

## Annex B. Tables with trade analysis

### Agri-food sector

Table 1. Australian main agri-food products exports to the world in 2023  
(value in US million dollars)

HS code	Description	Export value
10019930	Wheat and meslin, in bulk (excl. seed; durum wheat; and wheat and meslin in bags or containers)	8,573.8
12051000	Low erucic acid rape or colza seeds	3,281.1
02013013	Fresh or chilled boneless beef primal cuts (incl. rumps, strips, loins, etc)	2,736.3
02023013	Frozen boneless beef primal cuts (for example rumps, strips, loins, etc)	2,558.9
10039020	Barley (excl. seed and barley for malting)	1,695.7
02023019	Frozen boneless beef (incl. manufacturing and briskets) (excl. primal cuts, hindquarters cuts, ...)	1,625.0
07134000	Dried, shelled lentils, whether or not skinned or split	1,278.6
10079010	Grain sorghum, in bulk, for human consumption (excl. seed and grain sorghum in bags)	861.0
02044210	Frozen cuts of lamb, with bone in (excl. carcasses and half-carcasses)	807.2
21069095	Food preparations (excl. those previously identified in Chapter 21; placebos for recognised ...)	798.1
Total top 10		24,215.9

Source: own elaboration based on Trade Map data.

Table 2. US imports of agri-food products  
Main suppliers, and Australia  
(value in US billion dollars)

Country	2016	2023	2023 Share (%)
Mexico	24.6	45.8	21.6
Canada	25.1	43.4	20.4
Italy	4.5	7.3	3.4
France	4.9	6.4	3.0
Chile	4.8	6.4	3.0
China	6.6	5.9	2.8
Main six suppliers	70.5	115.3	54.2
Australia	3.2	4.4	2.1
US Total	136.5	212.5	100.0

Source: own elaboration based on United States International Trade Commission data web

**Table 3. US main imports of agri-food products from Australia in 2023  
(value in US million dollars)**

HS codes	Description	Import value
0202.30.5085	Meat of bovines, boneless, frozen, as specified in us note 3, except processed, nesoi	854.7
0201.30.5085	Meat of bovines, boneless, fresh or chilled, as specified in us note 3, except processed, nesoi	398.8
1502.10.0040	Tallow, inedible	311.5
0204.22.2090	Meat of lamb, with bone in, fresh or chilled, nesoi	259.4
1109.00.9000	Wheat gluten, whether or not dried, nesoi	190.6
0201.30.5045	Meat of bovines, boneless, fresh or chilled, as specified in us note 3, except processed, loin cuts	178.8
1518.00.4000	Animal and vegetable fats and oils and their fractions, boiled, oxidized, dehydrated, sulfurized, etc or otherwise chemically modified excl heading 1516	151.9
0204.42.2090	Meat of lamb, with bone in, frozen, nesoi	115.2
2204.21.5055	White wine of fresh grapes, of an alcoholic strength by volume not over 14%, in containers holding 2l or less, valued over \$1.05/l, not cert organic	100.3
0204.23.2000	Meat of lamb, boneless, fresh or chilled	98.9
Total top ten		2,660.1

Source: own elaboration based on United States International Trade Commission data web.

**Table 4. US imports from Mexico in Australia's top ten exports to the world in 2023  
(value in US million dollars)**

HS code	Description	Import value
10019930	Wheat and meslin, in bulk (excl. Seed; durum wheat; and wheat and meslin in bags or containers)	0.0
12051000	Low erucic acid rape or colza seeds	0.
0201305085	Meat, bovine Boneless Fr/ch Us Nt 3 Exc Prcsd,nesoi (kg)	485.4
0202301000	Beef, boneless, high-quality cuts, processed, frozen, as specified in US note 3	27.3
0202303000	Meat of bovines, boneless, processed, frozen, as specified in US note 3, nesoi	73.5
0202305025	Meat of bovines, boneless, frozen, as specified in US note 3, except processed, rib cuts	3.9
0202305035	Meat of bovines, boneless, frozen, as specified in US note 3, except processed, chuck cuts	44.0
0202305045	Meat of bovines, boneless, frozen, as specified in US note 3, except processed, loin cuts	1.0
0202305055	Meat of bovines, boneless, frozen, as specified in US note 3, except processed, brisket cuts	55.0
0202305085	Meat of bovines, boneless, frozen, as specified in US note 3, except processed, nesoi	35.1
0202308000	Meat of bovines, boneless, frozen, nesoi	4.4
1003902000	Barley for malting purposes	1.7
0713402085	Lentils, dried, shelled, except seeds used for sowing, nesoi	1.2
10079010	Grain sorghum, in bulk, for human consumption (excl. Seed and grain sorghum in bags)	0.0
0204422020	Legs of lamb, with bone, in frozen	5.0

2106900900	Food preps, contain lt 5.5% butterfat, mixed with oth ingredients, if gt 16% milk solids by weight, capable of being processed/mixed with others, bulk, nesoi	46.0
2106901500	Preparations, comp alcoholic, gt 0.5% alcohol by volume, of a kind used for the manufacture of beverages cont gt 20% but lt 50% of alcohol by weight	9.5
2106902600	Butter substitutes containing over 10% by weight of milk solids, containing over 45% butterfat, nesoi	83.0
2106905830	Food preparations of gelatin, put up for retail sale containing sugar derived from sugar cane or sugar beets	20.5
2106905850	Food preparations of gelatin, put up for retail sale, not containing sugar derived from sugar cane or sugar beets	10.0
2106905870	Food preparations of gelatin, other than put up for retail sale, containing sugar derived from sugar cane or sugar beets	21.0
2106905890	Food preparations of gelatin, other than put up for retail sale, not containing sugar derived from sugar cane or sugar beets	92.0
2106908200	Food preparations nesoi, containing over 10% by weight of milk solids, nesoi	0.0
2106908300	Food preparations nesoi, containing 10% or less of milk solids, described in general note 15 of the tariff schedule & provisional, nesoi	44.0
2106909100	Food preparations nesoi, containing 10% or less milk solids, blend syrups described in additional u.s. note 4 to chapter 17 & provisional, nesoi	7.0
2106909400	Food preparations nesoi, containing 10% or less milk solids, containing gt 65% sugar (see additional u.s. note 2 - chap 17) & provisional, nesoi	1.9
2106909500	Food preparations nesoi, containing 10% or less milk solids, contain gt 10% sugar (see a ddtl u.s. note 3-ch. 17), see addtl u.s. note 8-ch. 17, nesoi	1.0
2106909700	Food preparations nesoi, containing 10% or less of milk solids, nesoi	3.7
2106909971	Preparations for the manufacture of beverages, nesoi, containing high-intensity sweeteners (e.g., aspartame and/or saccharin)	14.8
2106909972	Preparations for the manufacture of beverages, nesoi, containing sugar derived from sugar cane and/or sugar beets	80.0
2106909973	Preparations for the manufacture of beverages, nesoi	3.4
2106909980	Cream or milk substitutes, nesoi	1.7
2106909985	Confectionery (including gum) containing synthetic sweetening agents (e.g., saccharin) instead of sugar, nesoi	37.9
2106909987	Herbal teas and herbal infusions comprising mixed herbs, nesoi	4.5
2106909988	Food preparations not elsewhere specified or included, flavored honey	11.0
2106909990	Food preparations not elsewhere specified or included, canned	3.0
2106909995	Food preparations not elsewhere specified or included, frozen	2.7
2106909997	Food preparations nesoi containing sugar derived from sugar cane and/or sugar beets, not canned or frozen	21.1
2106909998	Food preparations not elsewhere specified or included, not canned or frozen	99.2
<b>Total</b>		<b>1,356.4</b>

Note: there are more than ten tariff items because the US HSTS correlation is not one to one for several Australian tariff items.

Source: own elaboration based on United States International Trade Commission data web.

Table 5. US imports from Mexico in US top ten imports from Australia in 2023  
(value in US million dollars)

HS code	Description	Import value
0202305085	Meat of bovines, boneless, frozen, as specified in us note 3, except processed, nesoi	35.1
0201305085	Meat of bovines, boneless, fresh or chilled, as specified in us note 3, except processed, nesoi	485.5
1502100040	Tallow, inedible	15.7
0204222090	Meat of lamb, with bone in, fresh or chilled, nesoi	17.0
1109009000	Wheat gluten, whether or not dried, nesoi	7.0
0201305045	Meat of bovines, boneless, fresh or chilled, as specified in us note 3, except processed, loin cuts	171.8
1518004000	Animal and vegetable fats and oils and their fractions, boiled, oxidized, dehydrated, sulfurized, etc or otherwise chemically modified excl heading 1516	26.6
0204422090	Meat of lamb, with bone in, frozen, nesoi	0.0
2204215055	White wine of fresh grapes, of an alcoholic strength by volume not over 14%, in containers holding 2l or less, valued over \$1.05/l, not cert organic	1.2
0204232000	Meat of lamb, boneless, fresh or chilled	0.0
<b>Total</b>		<b>759.9</b>

Source: own elaboration based on United States International Trade Commission data web.

#### Mining sector

Table 6. Australia's main exports of mining products to the world in 2023  
(value in US million dollars)

HS code	Description	Export value
26011120	Non-agglomerated iron ores and concentrates, fines (excl. roasted iron pyrites)	66,315.1
27011299	Bituminous coal (incl. steaming (thermal) coal) but (excl. metallurgical coal, jet and brown ...)	32,190.6
26011110	Non-agglomerated iron ores and concentrates, lump and run-of-mine (excl. roasted iron pyrites)	24,214.5
27011213	Bituminous high rank (hard coking) metallurgical coal, whether or not pulverised, not agglomerated	20,965.6
27011214	Bituminous semi-soft coking metallurgical coal and PCI metallurgical coal, whether or not pulverised, ...	11,095.4
26030000	Copper ores and concentrates	4,476.9
26999999	ABS code for the sum of exports HS Chapter 26 codes confidentialised with Broad Commodity Details ...	3,312.5
26169000	Precious metal ores and concentrates (excl. silver ores and concentrates)	1,710.0
26080000	Zinc ores and concentrates	1,451.8
26060000	Aluminium ores and concentrates	1,118.1
<b>Total top ten</b>		<b>166,850.5</b>

Source: own elaboration based on Trade Map data.



Table 7. US imports of mining products  
Main suppliers, and Australia  
(value in US million dollars)

Country	2016	2023	2023 Share (%)
Canada	7.7	12.5	13.1
India	9.7	11.3	11.8
Mexico	7.0	9.7	10.1
South Africa	2.6	6.1	6.4
Israel	7.6	6.0	6.3
Main five suppliers	34.7	45.6	47.8
Australia	0.7	1.1	1.1
US Total	71.4	95.5	100.0

Source: own elaboration based on United States International Trade Commission data web.

Table 8. US main imports of mining products from Australia in 2023  
(value in US million dollars)

HS code	Description	Import value
7108.12.1013	Gold bullion not less than 99.95 percent gold by weight, unwrought, nonmonetary: gold content	421.0
2612.10.0000	Uranium ores and concentrates	215.0
2614.00.6040	Titanium ores and concentrates, nesoi	45.5
7103.99.1000	Gemstones, cut but not set, and suitable for use in the manufacture of jewelry, nesoi	40.9
2615.90.6060	Tantalum ores and concentrates	29.4
8428.90.0390	Machinery for lifting, handling, loading or unloading, nesoi	21.9
2530.90.8050	Mineral substances not elsewhere specified or included	12.8
2513.20.1000	Emery, natural corundum, natural garnet & other natural abrasives, in crude or irregular pieces, whether or not heat-treated	11.9
2615.10.0000	Zirconium ores and concentrates	9.7
2606.00.0060	Bauxite, calcined not refractory grade	9.6
<b>Total top ten</b>		<b>817.7</b>

Source: own elaboration based on United States International Trade Commission data web.

Table 9. US imports from Mexico in Australia's top ten exports to the world in 2023  
(value in US million dollars)

HS code	Description	Import value
26011120	Non-agglomerated iron ores and concentrates, fines (excl. roasted iron pyrites)	0.0
2701120050	Bituminous Coal Nt Metallurgical, Not Agglomerated (t)	416.0
26011110	Non-agglomerated iron ores and concentrates, lump and run-of-mine (excl. roasted iron pyrites)	0.0
2603000010	Copper Ores And Concentrates, Copper Content (ckg)	16.0
26169000	Precious metal ores and concentrates (excl. silver ores and concentrates)	0.0

26080000	Zinc Ores and Concentrates, Copper Content (ckg)	19.0
26060000	Aluminium ores and concentrates	0.0
<b>Total</b>		<b>451.0</b>

Note: only seven tariff items are included because in the US HSTS tariff item 27011200 matches with the following three Australian tariff items: 27011213, 27011214, and 27011299. On the other hand, tariff item 26999999 is used by the Australian Bureau of Statistics (ABS) international merchandise trade statistics to report confidential trade; thus, there is no correspondence to any US tariff item.

Source: own elaboration based on United States International Trade Commission data web.

**Table 10. US imports from Mexico in US top ten imports from Australia in 2023  
(value in US million dollars)**

HS code	Description	Import value
7108121013	Gold bullion not less than 99.95 percent gold by weight, unwrought, nonmonetary: gold content	460.2
2612100000	Uranium ores and concentrates	0.0
2614006040	Titanium ores and concentrates, nesoi	11.0
7103991000	Gemstones, cut but not set, and suitable for use in the manufacture of jewelry, nesoi	1.0
2615906060	Tantalum ores and concentrates	0.0
8428900390	Machinery for lifting, handling, loading or unloading, nesoi	980.4
2530908050	Mineral substances not elsewhere specified or included	16.1
2513201000	Emery, natural corundum, natural garnet & other natural abrasives, in crude or irregular pieces, whether or not heat-treated	740.0
2615100000	Zirconium ores and concentrates	58.0
2606000060	Bauxite, calcined not refractory grade	0.0
<b>Total</b>		<b>2,266.7</b>

Source: own elaboration based on United States International Trade Commission data web.

## Healthcare sector

**Table 11. Australia's main exports of healthcare products to the world in 2023  
(value in US million dollars)**

HS code	Description	Export value
90192000	Ozone therapy, oxygen therapy, aerosol therapy, artificial respiration or other therapeutic ...	1,116.8
30021200	Antisera and other blood fractions, whether or not modified or obtained by means of biotechnological ...	1,096.3
30049093	Medicaments, mixed or unmixed, for therapeutic or prophylactic uses, in doses (including transdermal ...	782.3
29362900	Vitamins (excl. A, B1, B2, B3, B5, B6, B12, C and E) and their derivatives, not put up as ...	344.6
90189001	Other instruments and appliances used in medical, surgical, dental or veterinary sciences; ...	332.2
30045050	Medicaments containing vitamins or other products of heading 2936, of mixed or unmixed product ...	245.1
90219000	Other appliances worn or carried, or implanted in the body, to compensate for a defect or disability ...	195.2
90279000	Microtomes; parts and accessories for instruments and apparatus for physical or chemical analysis, ...	131.0

29369090	Provitamins and vitamins (excl. unmixed), natural or reproduced by synthesis (incl. natural ...	113.9
30029040	Human blood; animal blood prepared for therapeutic, prophylactic or diagnostic use; toxins, ...	111.1
<b>Total top ten</b>		<b>4,468.6</b>

Source: own elaboration based on Trade Map data.

**Table 12. US imports of healthcare products  
Main suppliers, and Australia  
(value in US million dollars)**

Country	2016	2023	2023 Share (%)
Ireland	34.0	63.5	16.2
China	30.0	39.1	10.0
Mexico	19.3	36.8	9.4
Germany	23.4	34.3	8.8
Switzerland	15.7	22.3	5.7
India	9.3	14.6	3.7
Main six suppliers	131.7	210.5	53.7
Australia	1.5	2.4	0.6
US Total	229.9	392.0	100.0

Source: own elaboration based on United States International Trade Commission data web.

**Table 13. US main imports of healthcare products from Australia in 2023  
(value in US million dollars)**

HS code	Description	Import value
3002.12.0090	Antisera and other blood fractions	923.9
9019.20.0000	Ozone therapy, oxygen therapy, aerosol therapy, artificial respiration or other therapeutic respiration apparatus; parts and accessories	528.6
9021.40.0000	Hearing aids, excluding parts and accessories	312.1
3002.41.0000	Vaccines for human medicine, nesoi	56.3
3822.19.0080	Diagnostic or laboratory reagents other than those of heading 3002 or 3006, nesoi	43.5
3004.90.9240	Medicaments primarily affecting the central nervous system, put up in measured doses or in forms or packings for retail sale, nesoi	38.5
2939.11.0000	Concentrates of poppy straw; buprenorphine (inn) codeine, dihydrocodeine (inn), ethylmorphine (inn), etorphine (inn), heroin, hydrocodone (inn), etc.	36.0
8419.20.0020	Laboratory sterilizers	24.6
3004.20.0060	Medicaments containing other antibiotics, nesoi	24.2
9021.39.0000	Other artificial parts of the body and parts and accessories	20.0
<b>Total top ten</b>		<b>2,007.8</b>

Source: own elaboration based on United States International Trade Commission data web.

Table 14. US imports from Mexico in Australia's top ten exports to the world in 2023  
(value in US million dollars)

HS code	Description	Import value
9019200000	Ozone therapy, oxygen therapy, aerosol therapy, artificial respiration or other therapeutic	390.8
3002129900	Antisera and other blood fractions, whether or not modified or obtained by means of biotechnological ...	5.1
3004901000	Medicaments cont antigens or hyaluronic acid, etc (kg)	404.2
2936295050	Other vitamins (exc arom and mod-arom) and deriv (kg)	16.4
9018901000	Optical mirrors and reflectors (no)	297.6
9018902000	Optical instruments and appliances and parts, nesoi (no)	9.2
9018903000	Anesthetic instruments and appliances and parts (no)	74.0
9018904000	Percussion hammers, stethoscopes and pts of stethoscope (no)	5.8
9018905040	Sphygmomanometers and parts and accessories (no)	1,639.4
3004505030	Mult vitamins comb with minerals or other nutrients	3.0
9021904040	Parts and accessories for hearing aids	50.0
9021904080	Pts for pacemakers stimulating heart muscles (no)]	98.0
9021908100	Appliances worn, carried, implanted in body & pts, nesoi	102.0
9027904500	Printed circuit assembl for goods of 9027.80 nesoi (no)	3.0
9027902000	Microtomes, nesoi (no)	100.0
9027905400	Part of electrophor inst nt inc optic/meas dev nes (no)	721.0
9027905625	Parts and accessor of Articles of 9027.20.50 nesoi (kg)	30.7
3002905210	Whole human blood (kg)	13.0
2936900110	Provitamins (kg)	153.0
2936900150	Other Including Natural Concentrates (kg)	19.0
3002905250	Human blood; animal blood prepared for therap, nesoi (kg)	75.0
<b>Total</b>		<b>4,209.4</b>

Note: there are more than ten tariff items because the US HSTS correlation is not one to one for several Australian tariff items. For example, for the Australian tariff item 90219000 there are seven US tariff items.  
Source: own elaboration based on United States International Trade Commission data web.

Table 15. US imports from Mexico in US top ten imports from Australia in 2023  
(value in US million dollars)

HS code	Description	Import value
3002120090	Antisera and other blood fractions	5.1
9019200000	Ozone therapy, oxygen therapy, aerosol therapy, artificial respiration or other therapeutic respiration apparatus; parts and accessories	469.4
9021400000	Hearing aids, excluding parts and accessories	392.5
3002410000	Vaccines for human medicine, nesoi	3.0
3822190080	Diagnostic or laboratory reagents other than those of heading 3002 or 3006, nesoi	109.2
3004909240	Medicaments primarily affecting the central nervous system, put up in measured doses or in forms or packings for retail sale, nesoi	0

2939110000	Concentrates of poppy straw; buprenorphine (inn) codeine, dihydrocodeine (inn), ethylmorphine (inn), etorphine (inn), heroin, hydrocodone (inn), etc.	0
8419200020	Laboratory sterilizers	29.9
3004200060	Medicaments containing other antibiotics, nesoi	24.0
9021390000	Other artificial parts of the body and parts and accessories	255.2
<b>Total</b>		<b>1,288.3</b>

Source: own elaboration based on United States International Trade Commission data web.

## Technology sector

Table 16. Australia's main exports of technology products to the world in 2023  
(value in US million dollars)

HS code	Description	Export value
85171300	Smartphones	594.1
84713011	Portable automatic data processing machines, weighing not more than 10 kg consisting of at ...	406.1
85176290	Machines for reception, conversion & transmission or regeneration of voice, images or other ...	212.0
95043020	Games, operated by coins, banknotes, bank cards, tokens or by other means of payment, other ...	170.7
85176213	Electrical apparatus for line telephony or telegraphy, for the reception, conversion and transmission ...	148.1
85044001	Static converters	140.9
84733011	Parts and accessories of the machines of HS 8471 (excluding covers, carrying cases and the ...	138.9
85181090	Microphones and stands thereof (excl. cordless microphones)	119.0
84798902	Machines and mechanical appliances having individual functions, not specified or included elsewhere ...	118.4
90158000	Surveying (excl. photogrammetrical surveying), hydrographic, oceanographic, hydrological, meteorological ...	104.5
<b>Total top ten</b>		<b>2,152.7</b>

Source: own elaboration based on Trade Map data.

Table 17. US imports of technology products  
Main suppliers, and Australia  
(value in US million dollars)

Country	2016	2023	2023 Share (%)
China	184.0	148.3	27.2
Mexico	62.9	84.3	15.4
Taiwan	16.5	54.6	10.0
Viet Nam	12.0	49.7	9.1
Malaysia	28.0	31.0	5.7
Main five suppliers	303.5	368.0	67.4
Australia	0.4	0.6	0.1
<b>US Total</b>	<b>420.5</b>	<b>545.6</b>	<b>100.0</b>

Source: own elaboration based on United States International Trade Commission data web.

**Table 18. US main imports of technology products from Australia in 2023**  
 (value in US million dollars)

HS code	Description	Export value
8479.89.9599	Other machines and mechanical appliances having individual functions, not specified or included elsewhere in chapter 84; parts thereof	52.6
8518.10.8030	Microphones, nesoi	38.6
8421.99.0140	Parts of machinery and apparatus for filtering or purifying water	27.9
8517.62.0090	Machines for the reception, conversion and transmission or regeneration of voice, images or other data, nesoi	23.9
8543.70.9860	Electrical machines and apparatus, having individual functions, nesoi	18.3
8479.90.9596	Other parts of machines and mechanical appliances having individual functions, not specified or included elsewhere in chapter 84; nesoi	15.7
8517.62.0020	Switching and routing apparatus	12.1
9504.30.0060	Parts and accessories for games, coin-or token-operated	10.7
9023.00.0000	Instruments, apparatus and models, designed for demonstrational purposes, unsuitable for other uses, and parts and accessories	9.9
9031.80.8085	Other measuring or checking instruments, appliances and machines, nesoi in chapter 90	9.2
<b>Total top ten</b>		<b>218.9</b>

Source: own elaboration based on United States International Trade Commission data web.

**Table 19. US imports from Mexico in Australia's top ten exports to the world in 2023**  
 (value in US million dollars)

HS code	Description	Import value
85171300	Smartphones	3.4
84713001	Portable automatic data processing machines, weighing not more than 10 kg consisting of at ...	108.2
85176200	Machines for reception, conversion & transmission or regeneration of voice, images or other ...	8,335.6
95043000	Games, operated by coins, banknotes, bank cards, tokens or by other means of payment, other ...	217.1
85044095	Static converters (for example, rectifiers), nesoi	1,929.1
84733011	Printed circuit assemblies, not incorporating a cathode ray tube, of the machines of 8471	655.4
85181080	Microphones and stands therefor, nesoi	111.1
84798995	Other machines and mechanical appliances having individual functions, not specified or included elsewhere in chapter 84, nesoi	645.6
90158080	Surveying, hydrographic, oceanographic, hydrological, meteorological or geophysical instruments and appliances, nesoi, nonoptical	2.8
<b>Total</b>		<b>12,008.2</b>

Note: Only nine tariff items are included because in the US HSTS the following two tariff items: 85176213 and 85176290 (identified as Australian top ten exported products) correspond to only one tariff item: 85176200.

Source: own elaboration based on United States International Trade Commission data web.

Table 20. US imports from Mexico in US top ten imports from Australia in 2023  
(value in US million dollars)

HS code	Description	Import value
8479899599	Other machines and mechanical appliances having individual functions, not specified or included elsewhere in chapter 84; parts thereof	629.6
8518108030	Microphones, nesoi	109.6
8421990140	Parts of machinery and apparatus for filtering or purifying water	90.7
8517620090	Machines for the reception, conversion and transmission or regeneration of voice, images or other data, nesoi	4,817.6
8543709860	Electrical machines and apparatus, having individual functions, nesoi	2,987.6
8479909596	Other parts of machines and mechanical appliances having individual functions, not specified or included elsewhere in chapter 84; nesoi	353.8
8517620020	Switching and routing apparatus	3,504.2
9504300060	Parts and accessories for games, coin-or token-operated	136.3
9023000000	Instruments, apparatus and models, designed for demonstrational purposes, unsuitable for other uses, and parts and accessories	25.2
9031808085	Other measuring or checking instruments, appliances and machines, nesoi in chapter 90	338.0
<b>Total</b>		<b>12,992.6</b>

Source: own elaboration based on United States International Trade Commission data web.

## Defence sector

Table 21. Australia's main exports of defence products to the world in 2023  
(value in US million dollars)

HS code	Description	Import value
88073000	Parts of aero planes, helicopters or unmanned aircraft (excluding propellers and rotors ...	855.0
88079000	Parts of balloons, dirigibles, gliders, hang gliders and other non-powered aircraft (excluding ...	159.6
87100000	Motorised tanks and other armoured fighting vehicles, whether or not fitted with weapons...	102.1
88024021	Aero planes (excluding helicopters and unmanned aircraft of HS 8806), of an unladen weight exceeding ...	90.9
88071000	Propellers and rotors and parts thereof of helicopters, aero planes and unmanned aircraft	70.7
93069000	Bombs, grenades and like munitions of war and parts thereof; ammunition and parts thereof nes	43.4
88021110	Helicopters of an unladen weight not exc 2,000 kg (excluding unmanned aircraft of HS 8806)	29.9
90142000	Instruments and appliances for aeronautical or space navigation (excl. compasses)	24.2
88023014	Aero planes (excluding helicopters and unmanned aircraft of HS 8806) of an unladen weight exc ...	18.9
88021220	Helicopters of an unladen weight exceeding 2,000 kg (excluding unmanned aircraft of HS 8806)	11.5
<b>Total top ten</b>		<b>1,406.2</b>

Source: own elaboration based on Trade Map data.

Table 22. US imports of defence products  
 Main suppliers, and Australia  
 (value in US million dollars)

Country	2016	2023	2023 Share (%)
Canada	3,901.5	7,703.2	23.3
France	4,920.0	5,599.8	17.0
Germany	2,798.2	3,671.6	11.1
United Kingdom	426.0	2,669.7	8.1
Brazil	3,259.2	1,970.7	6.0
Main five suppliers	15,304.8	21,615.0	65.4
Mexico	59.8	1,381.0	4.1
Australia	28.4	343.7	1.0
<b>US Total</b>	<b>18,067.1</b>	<b>33,031.6</b>	<b>100.0</b>

Source: own elaboration based on United States International Trade Commission data web.

Table 23. US main imports of defence products from Australia in 2023  
 (value in US million dollars)

HS code	Description	Import value
8807.30.0030	Other parts of airplanes or helicopters, nesoi, for use in civil aircraft, not for use by the department of defense of the United States coast guard.	178.3
8807.30.0060	Other parts of airplanes or helicopters for use in military aircraft (excludes propellers, rotors, undercarriages, and parts thereof)	132.4
9306.90.0060	Parts for guided missiles	12.0
9305.91.3030	Parts and accessories of military weapons of heading 9301, nesoi	3.5
9306.30.4140	Empty cartridges shells for rifles or pistols	3.3
9306.30.4160	Cartridges not containing a projectile & not empty shells; blanks; slugs & pellets for guns using gas/spring operated mechanism as a propellant	2.0
8807.90.9060	Other parts, nesoi, for use in other military aircraft, spacecraft and spacecraft launch vehicles (excluding parts of communication satellites)	1.7
9306.30.8000	Parts of cartridges, nesoi	1.5
8802.20.0180	Used or rebuilt aircraft, non-military, of an unladen weight exceeding 450 kg but not exceeding 2,000 kg	1.4
8802.12.0180	Used or rebuilt helicopters, non-military, of an unladen weight exceeding 2,000 kg	1.3
<b>Total top ten</b>		<b>337.4</b>

Source: own elaboration based on United States International Trade Commission data web.

Table 24. US imports from Mexico in Australia's top ten exports to the world in 2023  
 (value in US million dollars)

HS code	Description	Import value
8807300015	Oth prts of arplns/helcptrs,nesoi, for dod or uscg (kg)	501.0
8807300030	Oth prts of arplns/hlcptrs, nesoi,nt fr dod or uscg (kg)	1,147.1
8807300060	Other parts,nesoi,of military airplanes/helicopters (kg)	80.8



8807903000	Parts of communications satellites (kg)	27.2
8807909030	Oth prts, nesoi, for cvl aircraft, nt fr dod or uscg (kg)	10.0
8807909060	Other parts, nesoi, for other military air&spacecft (kg)	3.3
8710000090	Parts of armore fighting vehicles, motorised (kg)	2.2
88024021	Airplanes (excluding helicopters and unmanned aircraft of HS 8806), of an unladen weight exceeding ...	0.0
8807100030	Props and rtrs and prts for cvl arct, nt fr dod, uscg (kg)	203
8807100060	Propllrs and rotors & prts thereof for military aircft (kg)	74
9306900020	Guided missiles (no)	12
9306900041	Paintballs (no)	710
9306900060	Parts for guided missiles (kg)	876
9306900080	Parts for bombs, grenades, & siml munitions of war (kg)	38
8802110130	New helicopters, non-military, unladen wgt Lt=998kg (no)	5
8802110190	Used/rebuilt helicopters, non-military, wt Lt=2000kg (no)	825
9014202000	Optical inst&appln, aeronautical/space navigation (no)	860
9014204000	Automatic pilots for aeronautical/space navigation (no)	10.3
9014206000	Electrical inst, aeronautical or space navigation (no)	15.1
9014208040	Instruments & appliances for use in civil aircraft (no)	262
9014208080	Inst & Appln, aeronautical/space navigation, nesoi (no)	260
88023014	Airplanes (excluding helicopters and unmanned aircraft of HS 8806) of an unladen weight exc ...	0.0
88021220	Helicopters of an unladen weight exceeding 2,000 kg (excluding unmanned aircraft of HS 8806)	0.0
<b>Total</b>		<b>1,300.9</b>

Source: own elaboration based on United States International Trade Commission data web.

**Table 25. US imports from Mexico in US top ten imports from Australia in 2023  
(value in US million dollars)**

HS code	Description	Import value
8807300030	Other parts of airplanes or helicopters, nesoi, for use in civil aircraft, not for use by the department of defense of the United States coast guard.	1,147.1
8807300060	Other parts of airplanes or helicopters for use in military aircraft (excludes propellers, rotors, undercarriages, and parts thereof)	80.8
9306900060	Parts for guided missiles	876
9305913030	Parts and accessories of military weapons of heading 9301, nesoi	0.0
9306304140	Empty cartridges shells for rifles or pistols	0.0
9306304160	Cartridges not containing a projectile & not empty shells; blanks; slugs & pellets for guns using gas/spring operated mechanism as a propellant	0.0
8807909060	Other parts, nesoi, for use in other military aircraft, spacecraft and spacecraft launch vehicles (excluding parts of communication satellites)	3.3
9306308000	Parts of cartridges, nesoi	275
8802200180	Used or rebuilt aircraft, non-military, of an unladen weight exceeding 450 kg but not exceeding 2,000 kg	605
8802120180	Used or rebuilt helicopters, non-military, of an unladen weight exceeding 2,000 kg	0.0
<b>Total</b>		<b>1,233.1</b>

Source: own elaboration based on United States International Trade Commission data web.

## Annex C. Projected rates of growth for trade

### Agri-food sector

Table 26. Goods with growth potential in US imports to the world in the agri-food sector, 2025-2023

HS code	Description	AAGR 2025-2023
02	Meat and edible meat offal.	5.0%
06	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage.	5.7%
11	Products of the milling industry; malt; starches; inulin; wheat; gluten	5.1%
19	Preparations of cereals, flour, starch or milk; pastrycooks' products.	6.2%
21	Miscellaneous edible preparations	6.8%

Source: own elaboration based on United States International Trade Commission data web.

### Mining sector

Table 27. Goods with growth potential in US imports to the world in the mining sector, 2025-2023

HS code	Description	AAGR 2025-2023
8428.10	Passenger of freight elevators other than continuous actions; skip hoists.	5.0%
2805.30	Rare-earth metals, scandium and yttrium, whether intermixed or interalloyed.	8.5%
8425.39	Winches and capstans, not powered by electric motors.	5.2%
8428.90	Lifting, handling, loading or unloading machinery, nesoi.	4.0%
7104	Synthetic or reconstructed precious or semiprecious stones, not strung mounted or set (including ungraded stones temporarily strung for transport).	9.5%

Source: own elaboration based on United States International Trade Commission data web.

### Healthcare sector

Table 28. Goods with growth potential in US imports to the world in the healthcare sector, 2025-2023

HS code	Description	AAGR 2025-2023
30.02	Human and animal blood, prepared; antisera other blood frctns immunological prod; vaccines, txns, cultures of micro-organisms (exc yeasts) & like prod.	7.6%
90.19	Mechano-therapy, massage, psychological aptitude-testing appliances and apparatus; ozone Therapy and respiration apparatus; parts and accessories.	5.8%
30.05	Bandages and similar articles impregnated or coated with pharmaceuticals or put up for retail sale for medical, surgical, dental or veterinary uses.	5.2%
3921.19	Plates, sheets, film, foil and strip of plastics nesoi, cellular plastics nesoi.	7.9%
29.37	Hormones, natural or synthetic; derivatives thereof and other steroids used primarily as hormones.	9.5%

Source: own elaboration based on United States International Trade Commission data web.

## Technology sector

Table 29. Goods with growth potential in US imports in the technology sector, 2025-2023

HS code	Description	AAGR 2025-2023
8518	Microphones and stands therefor; loudspeakers; headphones, earphones, etc; audio-frequency electric-amplifiers; electric sound amplifier sets; parts.	7.1%
9030	Oscilloscopes, spectrum analysers etc. for measuring etc. electrical quantities, nesoi; devices for measuring etc. ionizing radiations; parts etc.	4.6%
8479.90	Parts of machines and mechanical appliances having individual functions, nesoi.	5.6%
8421.99	Parts for filtering or purifying machinery and apparatus for liquids or gases.	4.3%
9027.30	Spectrometers, spectrophotometers and spectrographs using optical radiations (ultraviolet, visible, infrared).	4.8%
8538.10	Boards, panels, consoles, desks, cabinets, and other bases for electronic control, etc. Equipment, not equipped with electrical apparatus.	6.3%

Source: own elaboration based on United States International Trade Commission data web.

## Defence sector

Table 30. Goods with growth potential in US imports to the world in the defense sector, 2025-2023

HS code	Description	AAGR 2025-2023
8710.00	Tanks and other armored fighting vehicles, motorized, whether fitted with weapons, and parts of such vehicles.	4.8%
8802.20	Airplanes and other aircraft nesoi, of an unladen 4.9% weight not exceeding 2,000 kg.	4.9%
9305.10	Parts and accessories of revolvers or pistols.	4.7%
9305.91	Parts and accessories of military weapons of heading 9301.	5.8%
9302	Revolvers and pistols, designed to fire live ammunition.	4.2%

Source: own elaboration based on United States International Trade Commission data web.

## Annex D. Further information of States

All States surveyed consider the five sectors of Australian interest to be highly strategic for purposes of their own FDI attraction efforts, and incentives to attract investments in these areas appear to be widely available. On top of the incentives provided by each State, sectors interested in nearshoring their operations to Mexico could find useful to further inform their decisions according to the following information related to the five Australian sectors. Notwithstanding, contacting each State's authority, and if possible, visiting them, is highly recommended.

### Agri-food

Jalisco is one of the most important Mexican States for agribusiness. The State ranks as the top contributor to Mexico's total agri-food production, accumulating 41.7 million tonnes of agricultural, fisheries and livestock production with a commercial value of 217 billion pesos. The State's leadership is due in part to the availability of water and land, as well as the adaptability of its productive regions, which have been successfully converted to crops such as berries, tequila agave, yellow corn, and avocado, among others.<sup>59</sup>

Aguascalientes also stands out as favourable State for the agri-food industry. The sector accounts for 8.9 percent of the state's GDP and ranks Aguascalientes as the thirteenth major exporter of agri-food products of Mexico among the 32 Mexican States. Its favorable weather conditions, the availability of natural resources and a well-established industrial infrastructure specifically designed for the sector have allowed the State to position as a main producer of crops such as guava, corn, lettuce, broccoli, berries, among others.<sup>60</sup>

Sonora also positions itself as an advantageous state for the agri-food industry given its high-competitive hydraulic infrastructure and land availability. The State ranks tenth in terms of agri-food production among the 32 Mexican states, accounting for 3.4 percent of total domestic production. Sonora's competitiveness lies in crops such as wheat, grapes and asparagus.<sup>61</sup>

The State of Mexico is another key location for the agri-food industry. The sector accounts for 6.1 percent of the State's GDP and generates more than 59 thousand jobs. The State ranks first in terms of Mexican production of food products, accounting for 13.4 percent of total production, and is Mexico's second largest exporter in the sector, with 11.5 percent of total exports. The State has more than 28

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<sup>59</sup>See, Secretaría de Agricultura y Desarrollo Rural, "Expectativas Alimentarias, 2023." Available at: <https://www.gob.mx/cms/uploads/attachment/file/819645/Expectativas-2023.pdf>

<sup>60</sup>See, Government of the State of Aguascalientes, "Aguascalientes, be part of it." Available at: <https://invest.aguascalientes.gob.mx/es/agronegocios/>

<sup>61</sup>See, Sonora Global, "Actividades Económicas en Sonora, sector industrial." Available at: <https://firebasestorage.googleapis.com/v0/b/sonora-global.appspot.com/o/pdfs%2FAGROINGUSTRIA.pdf?alt=media&token=caaac821-bd3b-4d43-a18a-201e94aeead3>

thousand companies of the industry specialising in the cultivation of prickly pear, green beans, corn, nopales, among others.<sup>62</sup>

## Mining

Sonora is a suitable domestic market for nearshoring mining operations as mining activity and reserves of minerals such as gold, silver, copper, molybdenum, graphite and wollastonite abound. The State ranks first in metallurgical and mining production in Mexico and counts with 56 mines, which generate around 110 thousand jobs. The mining industry is one of the largest contributors to the state's GDP, accounting for 20.3 percent of the total.<sup>63</sup>

Chihuahua is another attractive location for the mining industry given the presence of gold, silver, lead copper and zinc reserves in its territory and its solid infrastructure. In addition to being a key employer -the industry generates more than 16 thousand jobs in the State-, it positions the local market as a key national producer. Chihuahua contributes to 20.7 percent of total national output, placing it as the third largest contributor to Mexico's mining industry and the third largest national exporter in the sector.<sup>64</sup>

## Healthcare

Baja California is a prime location for the healthcare industry, as it participates in the advancement and manufacture of a wide variety of medical devices. The industry is one of the most developed and productive sectors of the State's economy due to the strengthening of the sector through the development of competitive clusters such as the Baja California Medical Device Cluster and the Cali-Baja Tech Biotech Cluster. Baja California counts with 75 manufacturers of medical devices, which in turn have generated around 71 thousand jobs and produced a variety of medical goods such as pacemakers and their batteries, ophthalmic lenses, catheters, among others.<sup>65</sup>

Chihuahua is also a key domestic market for the healthcare industry in Mexico. The State ranks first in terms of medical devices exports, with a value of 2.6 billion dollars per year. Chihuahua's medical devices cluster counts with 53 companies employing

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<sup>62</sup>See, Government of the State of Mexico, "Invierte en el Estado de México." Available at: [https://desarrolloeconomico.edomex.gob.mx/sites/desarrolloeconomico.edomex.gob.mx/files/files/SEDECO-2024/Abril-10/Invierte en el Estado de M%C3%A9xico VEDA 04 ABRIL 2024.pdf](https://desarrolloeconomico.edomex.gob.mx/sites/desarrolloeconomico.edomex.gob.mx/files/files/SEDECO-2024/Abril-10/Invierte%20en%20el%20Estado%20de%20M%C3%A9xico%20VEDA%2004%20ABRIL%202024.pdf), and Government of the State of Mexico, "Producción Agrícola del Estado de México, 2011-2020." Available at: <https://secampo.edomex.gob.mx/sites/secampo.edomex.gob.mx/files/files/Produccion/Agricultura.pdf>

<sup>63</sup>See, Sonora Global, "Actividades Económicas en Sonora, sector minería". Available at: <https://firebasestorage.googleapis.com/v0/b/sonora-global.appspot.com/o/pdfs%2FSECTOR%20MINER%C3%8DA.pdf?alt=media&token=8bbe1a2b-5d19-4f46-9a0c-2a10e223d252>

<sup>64</sup>See, Secretaría de Desarrollo Económico de Chihuahua, "Chihuahua Mining Cluster." Available at: <https://desec.mx/en/chihuahua-clusters/mining-cluster-in-chihuahua/>, and Mexico Business, "Chihuahua mining outlook – First Look at MMF 2024 PDAC." Available at: <https://mexicobusiness.news/mining/news/chihuahua-mining-outlook-first-look-mmf-2024-pdac>

<sup>65</sup>See, Co-Production International, "Medical Devices in Mexico: Market insights, regulations, and innovation." Available at: <https://www.co-production.net/manufacturing-in-mexico/manufacturing-industries/medical-device-industry-mexico.html>; Tecma Communications, "Baja California Medical Device Cluster Manufactures Quality." Available at: <https://www.madeinmexicoinc.com/baja-california-medical-device-cluster/>; and "2022 Medical Device Industry in Baja California." Available at: <https://tijuanaedc.org/pdf/2022-medical-device-industry-baja-california.pdf>

more than 60 thousand people, manufacturing a wide range of medical devices and pharmaceuticals. The state leads the production of catheter-based devices, surgical equipment, orthopedic supports, aortic and thoracic stents, among others.<sup>66</sup>

The State of Mexico also stands out as an important state for the healthcare sector. The sector accounts for 1.9 percent of the state's GDP and ranks the State second both in terms of pharmaceutical manufacturing, accounting for 18.9 percent of total production in the country and FDI inflows received by the industry. The State counts with 113 companies, generating over 13 thousand jobs. The chemical industry is also well-developed in the State. The chemical industry exports account for 11 percent of total State's exports and contribute to 8.8 percent of the State's GDP. The State of Mexico ranks first in terms of chemical manufacturing in Mexico and is home to 979 companies.<sup>67</sup>

## Technology

Jalisco is an attractive destination for the technology sector due to its well-advanced high-tech ecosystem. The state has 15 Original Equipment Manufacturers (OEMs), 15 Electronic Manufacturing Services (EMSs), more than five technology incubators and over 500 software companies, generating around 250 thousand jobs. High-tech exports account for 50 percent of the total State's exports and the sector accounts for 7.3 of the State's GDP.<sup>68</sup>

Nuevo León is positioned as a State with advantages for the technology sector. The State is home to more than 400 IT companies and is among the six Latin American cities with the best level in technical training for the technology sector. Nuevo León counts with two clusters focused on IT and software that foster the competitiveness and development of the sector in the State, generating more than 14 thousand jobs.<sup>69</sup>

The technology sector also stands out among the strategic sectors deemed by Baja California. The electronics industry in the State has the largest concentration of firms and jobs in the sector, not only in Mexico but in all Latin America. Approximately, 120 people currently work in the sector, thus making the electronics industry in the State a national and regional economic force. Baja California has over 184 manufacturing

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<sup>66</sup>See, Invest in Chihuahua, "Medical Devices Industry Highlights in Chihuahua." Available at: <https://www.investinchihuahua.com.mx/medical-devices-industry>, and Chihuahua Global, "Chihuahua: A Medical Industry leader in Mexico." Available at: <https://chihuahuaglobal.org/industries/medical/#:~:text=Chihuahua%20is%20home%20to%20more,sciences%2C%20medica%20devices%20and%20healthcare>.

<sup>67</sup>See, Government of the State of Mexico, "Invierte en el Estado de México." Available at: [https://desarrolloeconomico.edomex.gob.mx/sites/desarrolloeconomico.edomex.gob.mx/files/files/SEDECO-2024/Abril-10/Invierte\\_en\\_el\\_Estado\\_de\\_M%C3%A9xico\\_VEDA\\_04\\_ABRIL\\_2024.pdf](https://desarrolloeconomico.edomex.gob.mx/sites/desarrolloeconomico.edomex.gob.mx/files/files/SEDECO-2024/Abril-10/Invierte_en_el_Estado_de_M%C3%A9xico_VEDA_04_ABRIL_2024.pdf)

<sup>68</sup>See, Coordinación de Crecimiento y Desarrollo Económico, "Jalisco High Tech Ecosystem." Available at: <https://coordinacioneconomia.jalisco.gob.mx/jalisco-tech-hub-act/jalisco-high-echosystem>, and Instituto de Información Estadística y Geografía de Jalisco, "Industria Electrónica." Available at: [https://ieeg.gob.mx/ns/?page\\_id=15353](https://ieeg.gob.mx/ns/?page_id=15353)

<sup>69</sup>See, Invest in Mexico, "Nuevo León." Available at: <https://investinmx.com/public/economic-profiles/nuevo-leon/why-invest-nuevo-leon.pdf>.

plants that position the State as leading producer of televisions, sensors and parts incorporated to aircraft and automobiles, electro-medical devices, among others.<sup>70</sup>

Chihuahua is another national leader in the technology sector, exporting close to 20 billion dollars per year, employing 120 thousand people. The state is home to more than 60 companies in the electrical-electronic industry and counts with five advanced research and engineering centers. Chihuahua ranks first in computer manufacturing and imports around 50 percent of integrated circuits imported by Mexico. The State's manufacturing capabilities focus on the production of printed circuits boards, tablets, laptops, PCs, televisions, servers and home appliances.<sup>71</sup>

Sonora is also a competitive State in the technology industry. The electronics sector annual average growth rate is of 2 percent and the State counts with more than 50 companies, which generate around 46 thousand jobs. Sonora ranks fourth in terms of production of electric-electronic goods among the 32 Mexican states, accounting for 7.8 percent of all electronic components produced in Mexico.<sup>72</sup>

Aguascalientes' technology industry is among the most competitive in Mexico. The State ranks fourth in technological development and fifth in terms of the production of electronic components among the 32 Mexican States. The State's competitiveness focuses on the production of printed circuit boards, inductors, connectors, electronic boards, microchips and semiconductors.<sup>73</sup>

## Defence

Sonora is a favourable domestic market to neashore defence operations in Mexico. The State has the second largest aerospace cluster in the country, which serves the needs of the US market due to its proximity to the latter, making it a strategic location for companies in the sector. Sonora has 69 companies, which in turn generate more than 20 thousand jobs. The State leads the production of turbines and is home to the largest aero-engine component manufacturing centre in Mexico.<sup>74</sup>

Chihuahua also stands out as a competitive State for the defence industry. The State has the most integrated aerospace cluster in Mexico, which is composed of 5 OEMs, universities with aerospace programs, more than 45 certified suppliers, and 5 design engineering and innovation centres. The sector generates over 20 thousand jobs in the State and its exports are worth 1.5 billion dollars. Chihuahua's capabilities in the

<sup>70</sup>See, Tijuana EDC, "Manufacturing Companies in Baja California: Top Industries." Available at: <https://tijuanaedc.org/manufacturing-companies-in-baja-california-top-industries/>, and Tecma, "The electronics industry in Baja California is the largest in Latin America." Available at: <https://borderassembly.com/electronics-industry-in-baja-california/>

<sup>71</sup>See, Chihuahua Global, "Chihuahua, the Electronics leader in Mexico." Available at: <https://chihuahuaglobal.org/industries/electronics/>

<sup>72</sup>See, Sonora Global, "Actividades Económicas en Sonora, sector eléctrico-electrónico." Available at: <https://firebasestorage.googleapis.com/v0/b/sonora-global.appspot.com/o/pdfs%2FEL%2FC3%89CTRICO-ELECTR%2FC3%93NICO.pdf?alt=media&token=1df391e3-ceb4-4874-9989-dae8b226a4bf>

<sup>73</sup>See, Government of the State of Aguascalientes, "Aguascalientes, be part of it." Available at: <https://invest.aguascalientes.gob.mx/electronic-components-manufacturing/>

<sup>74</sup>See, Sonora Global, "Actividades Económicas en Sonora, sector aeroespacial." Available at: <https://firebasestorage.googleapis.com/v0/b/sonora-global.appspot.com/o/pdfs%2FAEROESPACIAL.pdf?alt=media&token=431351cb-18ed-40c8-97ec-53feff39df2d>



sector focus on aerostructures, composites, interiors, machining, urethane molding, metal stamping, and thermal and surface treatment.<sup>75</sup>

Nuevo León is a key state for the defence industry due to its proximity to the US and Canada, both important aerospace markets, and the development of the industry in the region. The State's integrated aerospace cluster is composed by 22 companies, 6 research and development centres and 2 government agencies, which jointly seek to foster the competitiveness and development of the industry. Nuevo León has the second largest aircraft fleet in Mexico, is home to 4 FAA-certified repair stations and counts with 2 international airports, generating more than 3 thousand jobs to the State.<sup>76</sup>

Baja California is one of the most attractive regions for aerospace manufacturing in Mexico. The State is home to more than 70 aerospace companies and over 18 OEMs that generate more than 17 thousand jobs. The State accounts for 20 percent of the country's high-value aerospace companies and its capabilities focus on electronics, interiors, aerostructures, design and engineering, components assembly, treatments such as chemical processes, and plastics.<sup>77</sup>

Aguascalientes is another key location to nearshore defence manufacturing operations into Mexico. The State is the fourth largest recipient of investment in aerospace equipment manufacturing in Mexico, with exports in the sector worth 9.5 billion dollars. The State is home to 19 companies that are part of the aerospace supply chain and has one of the three aerospace innovation centres in the country, ensuring companies have access to advanced technology and specialised training.<sup>78</sup>

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<sup>75</sup>See, Chihuahua Global, "Aerospace industry." Available at: <https://chihuahuaaglobal.org/industries/aerospace/>

<sup>76</sup>See, Invest Monterrey, "Aerospace Industry in Nuevo León." Available at: <https://www.investmonterrey.com/aerospace-industry/>; Monterrey Aero Cluster. Available at: <https://www.monterreyaerocluster.com/>, and Invest in Mexico, "Nuevo León." Available at: <https://investinmx.com/public/economic-profiles/nuevo-leon/why-invest-nuevo-leon.pdf>

<sup>77</sup>See, Tijuana EDC, "Baja California Aerospace." Available at: <https://tijuanaedc.org/pdf/fact-sheets/baja-california-aerospace-tijuana-edc.pdf>

<sup>78</sup>See, Government of the State of Aguascalientes, "Be Part of Aguascalientes, aerospace industry." Available at: <https://invest.aguascalientes.gob.mx/aerospace/>