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Top 100: Mexico

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Friday, 27 May 2016 (3 days ago) • Alison O'Connell



Credit: iStock

Mexico's economy has proved more resilient to the external headwinds affecting other countries in the region over the past year. The country has taken advantage of the rebound in the US economy and reform efforts have continued to improve the business climate, enhancing the regulatory environment and liberalising investment regimes.

Mexico has carved out an increasingly important place for itself on the international stage. While the drop in oil prices has put pressure on its economy, the country has become less dependent on commodities and more reliant on global markets buying its manufactured goods, especially vehicles and electronics equipment. "Mexico used to be an economy based on oil, but we have become much more diversified in recent years with sectors such as manufacturing buoying the economy," says Alejandro Barrera, partner at Basham, Ringe y Correa. As a result, Mexico was less affected by fall in commodity prices than many other countries in Latin America, growing 2.3 per cent in 2015.

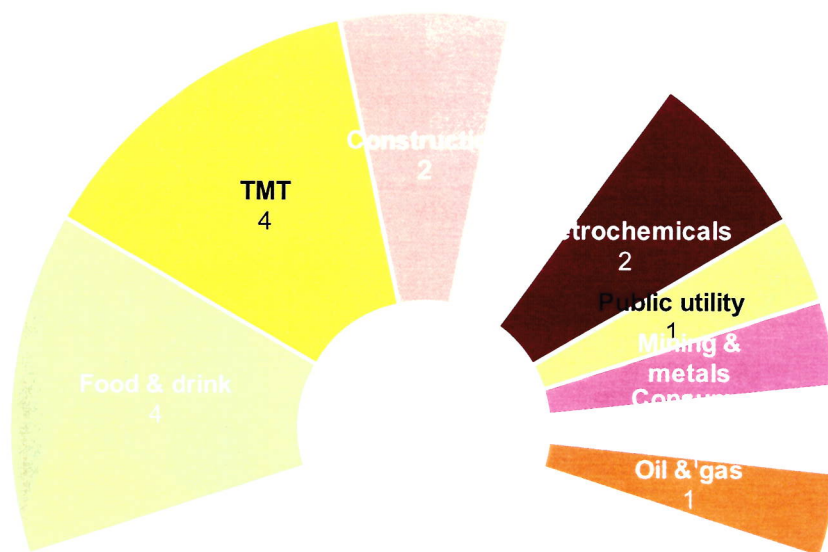
Mexico's manufacturing industry is rising in prominence. In addition to producing sophisticated products for domestic consumption, the country has evolved to become a robust exporter. Over the past few years, its automotive sector has seen rapid growth. Today, more than 80 per cent of the vehicles produced in Mexico are exported to the US and Canada. Many of world's biggest car

companies hold major operations in Mexico, including Ford, Fiat Chrysler and General Motors. "The automotive sector has been very active over the past year," says Iker Arriola, partner at White & Case SC. "There are lots of new companies, particularly Japanese companies, looking to invest or expand operations in the region." Indeed, over the past year, Honda began production at a new US\$800 million plant in Guanajuato state; Mazda opened its first plant, also in Guanajuato; and Kia announced plans for a new US\$1 billion plant in Nuevo León. Other major car manufacturers preparing to open new plants in Mexico include Audi and BMW.

While the country has seen major growth in manufacturing, the 11 wide-ranging structural reforms implemented in the early years of the Enrique Peña Nieto administration have helped to increase productivity and competitiveness in sectors, such as energy and telecoms. Among the changes were financial services and fiscal reforms that included the abolition of regressive taxes, such as the flat-rate business tax, which put off some companies from investing in Mexico. Reforms in the energy sector and changes to Mexico's labour, antitrust and competition laws have helped to open the market to private investment. "Mexico has really been promoting its economy for investment," says Arriola.

While almost one-third of the region's Top 100 companies hold operations in Mexico, 18 of these are Mexican companies. Despite falling oil prices, state-owned oil company Pemex retained the title as the country's biggest company in third position on the regional list, while billionaire Carlos Slim's América Móvil remained in fourth position. Wal-Mart de México posted its strongest sales in three years in 2015, jumping two places to eighth spot in the rankings, while bottler Coca-Cola FEMSA remained in 19th position. Mexican companies from other sectors including TMT and food and drink were also well represented in the rankings (see figure one). Mexican corn flour and tortillas producer Gruma was a new entry on this year's list in position 98, after posting a 21 per cent jump in profits in the third quarter of 2015.

1) Mexican companies by industry



Mexico also remains a stronghold for major foreign multinationals and Mexican law firms are certainly making the most of it with some of the biggest investors including ABInbev, Cargill, Nestlé and Telefónica all using local firms for their work in the country.

Top-tier transactional firm Mijares, Angoitia, Cortés y Fuentes SC was this year's preferred firm across the board for Mexico, with major clients including regional airliner Avianca, national telecoms company Televisa and bottler Arca Continental. Francisco Fuentes Ostos, founding partner at the firm, says that as the economy continues to develop in Mexico, "more specialised work is required by clients". Over the past year, Fuentes says the firm has seen a steady growth in all practice areas especially those affected by the energy reform, "which completely changed the rules for oil, gas and electricity sector and has created a huge demand for legal services in the past 18 months," he says.

Ritch, Mueller, Heather y Nicolau, SC and Robles Miaja SC are also popular among both domestic and international businesses operating in the country. Ritch

Mueller boasts major clients including Argentine miner Tenaris, Brazilian food processor Marfrig and homegrown multinational, Grupo Bimbo, while Robles Miaja lists Grupo Carso, Telmex and Chedraui among theirs. Basham Ringe y Correa SC and Von Wobeser y Sierra SC were also popular among companies.

A number of US firms have offices in Mexico. White & Case SC featured strongly in the survey with major companies such as Braskem and Gruma on its books.

In the coming year, firms expect to be busier than ever. In addition to the reforms, the government's national infrastructure programme, which aims to generate some US\$600 billion for investment in seaports, railroads, telecoms, electricity generation, natural gas distribution and airports, has been key in attracting foreign investment. The government recently announced that it would invest an additional US\$5 billion in its network of 117 ports. "We have seen an increase in work in areas related to infrastructure, project finance and M&As and we expect this to continue," says Arriola.

Mexico's government is also proposing the creation of Special Economic Zones intended to promote economic growth in several underdeveloped states that have traditionally suffered from high poverty rates, despite possessing a wealth of natural resources and enviable access to the Pacific and the Gulf of Mexico. "The reforms aimed at boosting the provinces not doing so well are expected to create lots of new opportunities," Barrera says.

Like many other law firms in the region, Mexican firms have seen an uptick in anti-corruption and compliance related work as countries look to tighten regulations and improve enforcement. Earlier this year, Mexico's Congress approved a new anti-corruption law, strengthening the oversight of public officials and designating a special prosecutor to tackle corruption. The new law gives increased powers to Mexico's existing Federal Audit Office and the Public Administration Ministry, as well as creating a special court to oversee all corruption-related issues. "Growing public concern about corruption and a global focus on enforcement means that we are doing a lot of work in this area," says Arriola. "Foreign laws such as the Foreign Corrupt Practices Act and UK Bribery Act have also been driving change in companies in Mexico and this will certainly continue."

Many, including the International Monetary Fund, expect growth to continue in

Mexico with predictions set at around 2 per cent in 2016, but recent forecasts reported by the *Financial Times* suggest the country is heading for a recession, so while local firms have had a busy year, the coming year may bring new challenges amid a complex economic outlook. Despite this, Luis Burgueño, partner at Von Wobeser y Sierra SC, is confident interest in Mexico will remain high and foreign investment will keep flowing, but suggests the US presidential election may cause some volatility and uncertainty during the summer, particularly if republican candidate Donald Trump's presidency remains in the realm of possibility. "If Trump is elected, there may be a radical change in the nature of the work, as he has threatened to launch a commercial war against Mexico and a number of its other trade partners."

2) Most popular Mexican firms

