

# WHAT TO EXPECT FROM THE MEXICAN ECONOMY IN 2021?

## OLD CHALLENGES, NEW VARIABLES.

Also, in this issue:

- Meet the new board of directors (2021-2022)

### FROM THE NATIONAL COMMITTEES

- Base Erosion and Profit Shifting Project in Mexico
- Energy policy and USMCA

### UPDATES

- Meeting with the new Director General for Trade Facilitation and Foreign Trade
- Legislative Liaison

Consejo Nacional  
de la Industria Maquiladora  
y Manufacturera de Exportación



# CONTENTS

## 3 Meet the new board of directors (2021-2022)

**TIERPLUSMX**

**INDEX NATIONAL PRESIDENT**  
Luis Manuel Hernández

**GENERAL MANAGING DIRECTOR**  
Juan Antonio Vázquez Durazo

## 4 What to expect from the Mexican economy in 2021?

**PUBLIC AFFAIRS AND OPERATIONS DIRECTOR**  
Paulina Núñez San Román

- 6 The essence of the issue
- 7 Trends: 3 key figures
- 9 Challenges and opportunities
- 10 Entry points for public discussion

**MANAGEMENT AND DEVELOPMENT TIER PLUS MX**

**31 + 1**  
Pensamiento Político

**31mas1.mx**

## 11 From the national committees

**DIRECTOR**  
Julián León Manjarrez

- 12 On reportable schemes and maquila operations
- 15 USMCA, environment and an energetic “plan b”
- 17 CFE needs to be rescued

**PUBLISHER**  
Benjamín Castro

## 18 Updates

**EDITORIAL STAFF**  
**MÍNIMO • NECESARIO**  
minimonecesario.com.mx

- 19 Meeting with the new Director General for Trade Facilitation and Foreign Trade
- 20 Legislative liaison

## 21 Our Team

**TIER PLUS**, monthly magazine sponsored by Consejo Nacional de la Industria Maquiladora y Manufacturera de Exportación | Ejército Nacional 418 Piso 12, Chapultepec Morales, CDMX, CP.11570

**CONTACTS**  
julianleon@31mas1.mx  
bcastro@31mas1.mx

---

### Legal notice

This material, or any part thereof, may not be reprinted, sold or redistributed without the written consent of index Nacional. The author(s) are primarily responsible for the preparation of this material. This material has been prepared for informational purposes only and is based on public information as of the date specified.

# NEW NATIONAL INDEX BOARD OF DIRECTORS BEGINS: 2021-2022

On February 11, the Undersecretary of Foreign Trade, Luz María de la Mora Sánchez, swore in the members of the new board of directors of index. Dr. Luis Manuel Hernández González became president; Carlos Alberto Valdés Andrade, current president of Index Nuevo León, became secretary; and Fabiola Luna Ávila, current president of

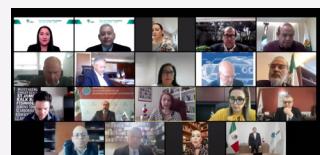
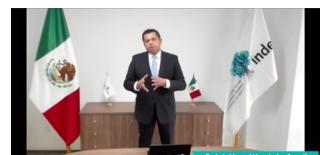
Index Juárez, became treasurer. The Board of Directors was also renewed in the presence of legislators, government officials, businessmen and presidents and directors of the various local index associations.

At the ceremony, the Secretary of Economy, Tatiana Clouthier, said that she will work with the Tax Administration Service (SAT) to streamline foreign trade processes so that companies are recognized for their reliability. She highlighted that "USMCA will bring great opportunities for the industry, because it will allow the movement of more export products. However, it is also an opportunity for the local market to improve with the circulation of more products of excellent quality". In his administration, one of the challenges is to increase the national content in export products, for which she thanked and recognized the work that index has done in this area, as well as for the development of our country's human capital.

Index's new national president said that he seeks to serve index, the federal government, state governments and society in general. The challenge he faces is to position the organization through company executives, with whom he will work assiduously. He highlighted five elements on which he will focus: promoting the domestic market, regionalizing the USMCA and the supply chain; working on "mindfacturing"; promoting the reactivation of the border with the U.S. and investment; and on labor reform. His goal is to successfully execute and deepen the organization's productivity. In addition, the new board will be integrated quickly and will be managed on a quarterly basis: "we are here to provide that degree of specialization that only the manufacturing sector has".

## Some of the attendees:

- Senator **Miguel Ángel Mancera Espinosa**, parliamentary coordinator (PRD).
- Senator **Alejandro Armenta Mier**, president of the Finance and Public Credit Commission, on behalf of Senator Ricardo Monreal.
- Senator **Gina Andrea Cruz Blackedge**, member of the Economy Committee.
- Senator **Alejandra Nohemí Reynoso Sánchez**, integrante de la Comisión de Economía
- Dip. **Fabiola Loya Hernández**, parliamentary coordinator (MC).
- Gustavo Puentel Orozco, president of the Mexican Association of Secretaries of Economic Development.
- Francisco Cervantes Díaz, president of the Confederation of Industrial Chambers of the United Mexican States.
- Senator **Gustavo Madero Muñoz**, chairman of the Economic Commission.
- Mario Escobedo Cárdenas, secretary of Sustainable Economy and Tourism of the State of Baja California.
- Diego Sinhue Rodríguez Vallejo, Constitutional governor of the State of Guanajuato.



**What to  
expect from  
the Mexican  
economy in  
2021?**

**Old challenges,  
new variables.**

# No one can predict the future, but there are indicators that allow us to glimpse that the present challenge is enormous. The current economic rebound is not the same as full recovery and, even less, with leaving behind the old deficiencies of the Mexican economy. How can we prepare ourselves?

INTERDISCIPLINARY PUBLIC RESEARCH TEAM<sup>1</sup>

We are amidst complex times. We know that in 2020 the Mexican economy suffered the worst contraction in the last hundred years, the GDP decreased 9%, but we still do not perceive its profound effects, nor do we glimpse what the recovery will be like. Thus, we should not ignore what these figures mean: jobs lost, companies going bankrupt, new poverty... Stories, at last, of people and families with financial pressures, of children without school and seniors who still cannot go out on the streets. To talk about the economy is, in the end, to talk about our jobs, our collective heritage and the destiny of future generations.

In this issue we diagnose Mexico with a delicate, long-standing but salvageable economic disease, characterized by depressed demand, idle material resources, low investment and underutilization of

the labor force. The International Monetary Fund (IMF) forecasts that it will take five years to return to pre-COVID-19 production levels. In this context, **the manufacturing and maquiladora export industry has everything to help the country's recovery: big foreign markets, specialized collaborators and experience in handling other crises.** Will it find the allies to make its contribution more impactful?

**Table 1** Economic growth estimates 2021.

Institution	Growth forecast	Date published
Mexico's Minister of Finance	4.6 %	January 2021
IMF	4.3 %	January 2021
OECD	3.6 %	December 2020
Mexico's Central Bank	2.8 %-6.7%	March 2021

Let us remember that growth expectations are calculated from the economic fall, i.e., the "rebound" is still far from returning us to pre-pandemic levels.

<sup>1</sup> Meet our team in the last page.

# THE ESSENCE OF THE ISSUE

The importance of the economy lies in the people who are represented by its figures. Let it not be misunderstood, then, that our writing – focused on numbers, indicators and specialized forecasts – overlooks the sharp reality we live in. We delve into these figures because we care about people. We are in a country that has been ravaged by the pandemic; the official estimates are estimated to be remarkably conservative, and the vaccination campaign looks clumsy. Let us reiterate something substantial: **the current economic contraction is as much a product of the pandemic as of its management.** If the contagions slowed down economic activity, the confinement has stopped it dead in its tracks. To reverse this trend, we must stop the contagions without isolating the productive force, i.e., vaccinate quickly and vaccinate many. The vaccination campaign, as the Secretary of Finance himself has said, is the key to economic recovery and we must keep it in mind throughout this analysis.

## Capsule of today's Mexican economy

Broadly speaking, Mexico is a middle-income economy, with a population of 130 million people, and with tax revenues of only 13% of the GDP (advanced economies collect over 30%), which limits its capacity to respond to the crisis. It is the sixteenth largest economy in the world; connected to the main global markets and financially backed by the largest international organizations, it plays an important role in world trade. It is also one of the Latin American destinations that attracts the most Foreign Direct Investment, although Brazil is already occupying the favorite place Mexico held for years. Its long-standing challenges are regional productive integration, employment, domestic financing, poverty, tax collection and medium and long-term economic sustainability. In short: it is a large and stable economy, with mediocre growth and serious social challenges.

The pandemic has erased the meager economic progress of the last decade.

## The tangible effects of the pandemic

There are many fronts, and we focus on three: current stability, unemployment and investment.

First, we must distinguish that the economic “rebound” happened, to a large extent, because of the “external locomotive” driven by the Fed and its historically low interest rates: borrowing money today is relatively cheap and that has maintained healthy consumption, credit payments and unemployment levels in the United States. As Mexico’s largest trading partner, the effects of this policy are parallel for both countries, especially for the export industry. What will happen when this flow stops? Nobody knows.

Domestic employment has not had the same stability. In 2020, Mexico lost 3.2% of its formal employment, almost 650 thousand more jobs than in 2019, and also notably increased the underemployment rate, which measures how many people work fewer hours than they will. The effect is not the same for all companies: informal, smaller companies and those in sectors that depend on the influx of people have been more affected. However, the information is still imprecise since INEGI, Mexico’s statistical office, has only collected information by telephone since March, which could generate some biases in the measurement. According to Miguel Angel Gurría, all the jobs created after the 2008 crisis were destroyed in OECD countries, youth unemployment now exceeds 14% and there are more and more people in underemployment and informality, especially in Mexico.

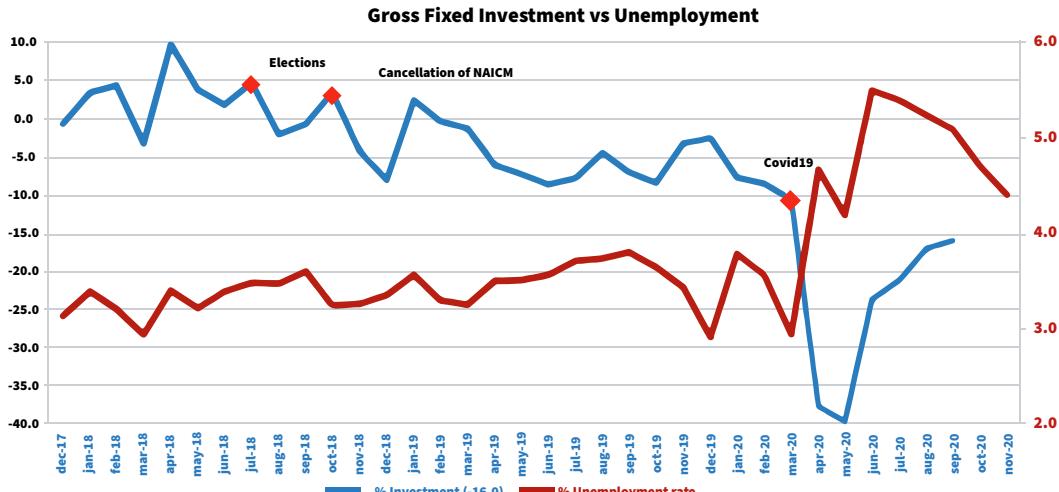
Finally, in 2020 foreign direct investment fell 11.7%, the largest contraction since 2014. With an already lackluster investment scenario, Mexico is unlikely to generate new jobs. According to the IMF, “Mexico is unlikely to return to 2018 GDP per capita levels before 2026 or 2027.” This is graphically detailed in the following section.

# TRENDS: 3 KEY FIGURES.

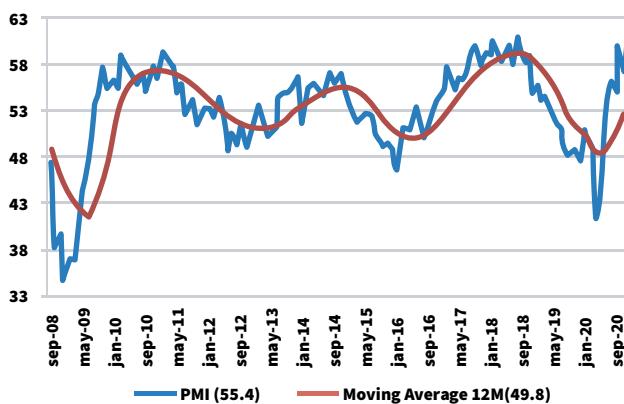
The following three graphs shed light on what may happen in the Mexican economy, in general, and the manufacturing industry, in particular:

**Figure 1**  
Gross fixed investment rate and  
unemployment rate (Mexico: 2017-2020)

Poor growth forecast. The first warning sign is the crossover effect between lower investment and higher unemployment. Both variables show a slow recovery. Companies are spending significantly less on machinery, equipment and personnel, which implies, in the long run, lower economic growth for the country. *Source: Prepared by the authors with information from INEGI.*



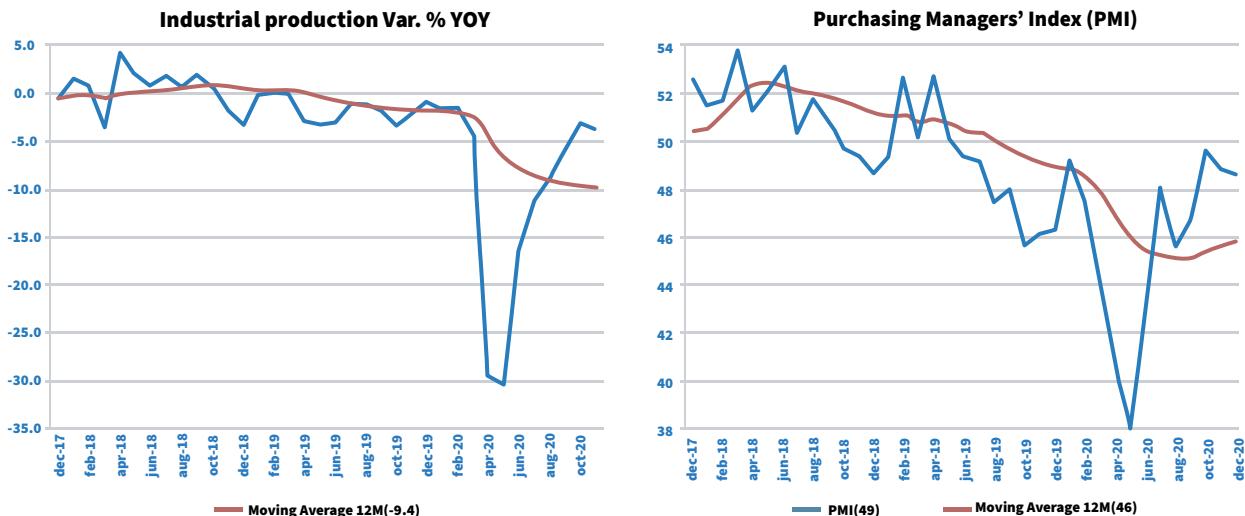
**Figure 2**  
Manufacturing PMI (EE. UU: 2008-2020)



Good forecast for exports to the U.S. The U.S. manufacturing industry shows a rapid recovery, even returning to its pre-pandemic purchasing levels. This is good news for our country's exporting companies, as they will maintain flows from their main market. Another finding: the effects of COVID-19 have not been as severe for the United States as those experienced during the 2008 crisis. *Source: Prepared by the authors with information from Bloomberg.*

**Figure 3**

Percentage change in manufacturing production and manufacturing PMI (IMEF) (Year-over-year comparison, Mexico: 2017-2020)



Strong foreign market, weak domestic market. Following the evidence in Graph 2, Mexican manufacturing output fell and rose in tandem with U.S. demand. This behavior contrasts with that of the Mexican market, whose PMI has steadily declined since 2017. The story is clear: exporting

companies will continue with the same vitality, while those supplying the domestic market will see revenue declines. Of course, this varies between subsectors. *Source: Prepared by the authors with information from Bloomberg.*

**Other important trends for Mexico:  
weak prospects for oil price increases, slow  
recovery of tourism activity, reversal of the  
poverty gains of the last two decades, very  
uneven effects for different population groups,  
and little room for fiscal stimulus.**

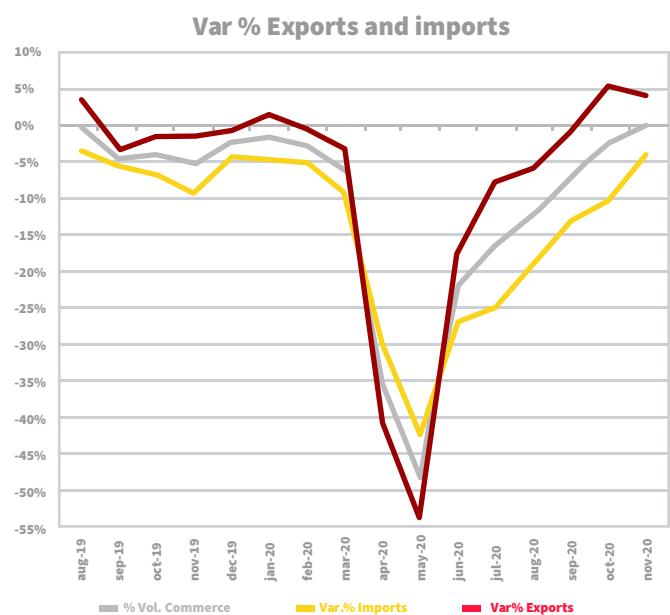
# CHALLENGES AND OPPORTUNITIES

In every change there is an opportunity. We identify five changes in social behavior that will stand out this decade and reinvent business:

- 20% of qualified personnel are performing remote work. There are indications that this has led to an increase in labor productivity for certain types of jobs.
- More people are moving to live outside the big cities, as it costs less, and digital platforms allow it.
- The growth of e-commerce has accelerated significantly.
- A wave of corporate mergers and acquisitions has been generated. Companies that were already strong before the pandemic will have more prominence.
- Increase in digital crime.

There are two additional challenges for the Mexican manufacturing industry: the reduction of income from the domestic market and a greater gap between imports and exports. The former will imply a reduction in sales of companies with domestic customers; the latter is a sign of the deterioration of local investments and a stagnation of productive capacity (see Figure 4).

**Figure 4**  
Percentage change in exports and imports.



The increase in the gap between exports and imports implies a contraction in the sales forecast of Mexican companies for the coming years. Source: Bloomberg.

# ENTRY POINTS FOR PUBLIC DISCUSSION

Local transmission of the virus is expected to be reduced to low levels worldwide by the end of 2022. What issues should be in a good economic policy discussion in the meantime? We propose the following three as a starting point.

## Stimulate potential output.

The evidence is clear. Countries that opted to make transfers to households and businesses quickly reactivated consumption, especially when there were liquidity problems<sup>2</sup>. In addition, governments have used their two main economic policy tools, fiscal stimulus through higher spending and tax cuts, and monetary expansion by reducing interest rates. All this has prevented more corporate bankruptcies than in any other crisis on record. A possible dark side? Less capacity for stimulus in the following years, unsustainable public debt and the artificial maintenance of unproductive companies. Mexico's performance against other countries on this front can be seen in Figure 5.

## Participatory growth.

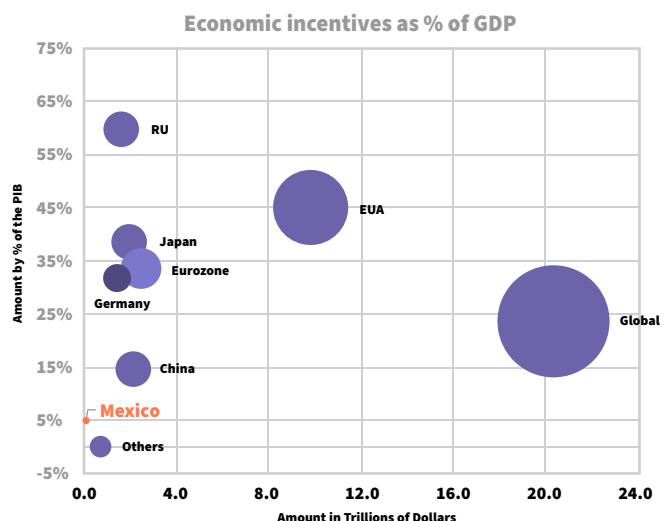
The pandemic has not affected all groups or companies in the same way, which is why a thorough sectoral evaluation is essential. It is not just a matter of providing support, but of placing it where its impact will be greatest. This is why the role of national secretariats and international cooperation is crucial. Policies that stimulate the short term should not be substituted with the search for sustained, equitable and resilient growth, which can only be achieved by attracting investment, facilitating the creation of new companies and attending to the most vulnerable sectors through better social security schemes. Training workers to adapt to the new work schemes is also fundamental.

## Health care.

Again, prompt vaccination is the cornerstone of economic recovery and a successful campaign is required to achieve it. Both the coordinated deployment of resources for this purpose and the investment in medical care available to all are critical.

The underlying objectives of these policies are to move towards full employment, stabilize prices (so that money has value) and economic growth. The assumption is that this leads to a better quality of life for all.

**Figure 5**  
Economic incentives as a percentage of GDP.



Mexico was among the countries that granted the least economic stimulus during the crisis.

Source: IMF.

- Other important issues:  
spending on education to bridge the academic gap, digitalization to increase productivity, investment in energy capacity, especially renewable energy, and debt restructuring.

<sup>2</sup> See Baker et al. 2020, «Income, Liquidity, and the Consumption Response to the 2020 Economic Stimulus Payments», NBER Working Paper No. 27097; and Chetty et al. 2020 «The Economic Impacts of COVID-19: Evidence from a New Public Database Built Using Private Sector Data», NBER Working Paper No. 27431.



FROM THE  
NATIONAL  
COMMITTEES

# ON REPORTABLE SCHEMES AND MAQUILA OPERATIONS

By Oscar Mata,

Director of the Tax committee of index Nacional.

The reportable schemes in Mexico were born with the 2020 tax reform<sup>3</sup> and became effective on January 1 of this year. Their implementation obeys Action 12 of the Action Plan Against Base Erosion and Profit Shifting of the Organization for Economic Cooperation and Development (OECD). Its main objective is for tax administrations in member countries to obtain rapid information on aggressive tax strategies, with which they can respond promptly to risks, including possible changes to local tax legislation. To get to the heart of the matter, it is worth starting with some definitions:

- The Federal Fiscal Code (CFF) states that a reportable scheme is any plan, project, proposal, advice, instruction or recommendation expressed or implied with the purpose of materializing a series of legal acts that generate directly or indirectly the obtaining of a tax benefit in Mexico and that has any of the characteristics of article 199 of the Federal Fiscal Code. Reportable schemes are divided into generalized and customized schemes<sup>4</sup>.
- A tax benefit<sup>5</sup> is any reduction, elimination or temporary deferral of a contribution, including when it results from a deduction, exemption, non-assessment, non-recognition of a gain or of an accruable income, adjustments or absence of adjustments to the taxable contribution base, among other practices.

The regulations establish a series of processes and procedures to determine who (tax advisor or taxpayer) and how a reportable scheme must be disclosed, as well as the fines or penalties for not doing so. These regulations define who the tax advisor is, its scope -including the information in the annual tax return for the year, with an identification number in the acknowledgement of receipt of

the reported scheme-, and the obligations of the taxpayers, even when they act only as tax advisors

## Is the maquiladora a reportable scheme?

Article 199 of the Federal Fiscal Code (CFF) defines in 14 sections the characteristics of the reportable schemes that must be disclosed. Two of these characteristics apply to the maquila operation, given the nature of its operation:

- 1.- That the temporary use or enjoyment of goods and rights is granted without compensation or that services are rendered, or functions are performed that are not remunerated and,
- 2.- That it avoids constituting a permanent establishment in Mexico in terms of the Income Tax Law and the treaties to avoid double taxation of those subscribed.

In a session of the index National Tax Committee, it was concluded that the tax regime of maquiladora companies should not be considered a reportable scheme, since such scheme does not arise from aggressive tax planning. Maquila activities and operations are compensated under schemes designed by the Legislative and Executive branches in coordination and even with the competent authorities of other jurisdictions, as in the case of the United States.

For a company to operate under the maquiladora tax regime, it must comply with the requirements and conditions of the Income Tax Law (Ley del

<sup>3</sup> Disposition VI, Código Fiscal de la Federación (CFF; December 9th, 2019).

<sup>4</sup> See paragraph 3, article 199, CFF. / <sup>5</sup> Article 5-A, CFF.

Impuesto Sobre la Renta or LISR). Thus, such companies must use inventories, machinery and equipment owned by the foreign resident with whom the maquila contract was entered into, which must be introduced into the country through the temporary import customs regime. In addition, the foreign resident must not have a permanent establishment in the country where the legal-economic relationship with the maquiladora company takes place.

In addition, the maquiladora tax regime, which has existed since the mid-1960s, already has a tacit obligation to provide annual information regarding its obligations. These include the Informative Declaration of Maquiladora and Export Services Companies (DIEMSE), the one included when requesting an Advanced Pricing Agreement, pursuant to Article 34-A of the CFF, which is made before the Tax Administration Service (SAT), and the Safe-Harbor compliance, established in the LISR.

Let us remember that the most recent tax reform (2014) was transcendental, since it strictly defined the way in which maquila operations were to be carried out and limited any attempt to generate tax planning to access such regime. Thus, both the tax authority and taxpayers understand that those who carry out maquila operations in the country must do so under the tacit and conceptual terms of the purest and proper interpretation of the Income Tax Law and without using, of course, schemes resulting from aggressive tax planning.

Even with the above, the expectation of the tax authority is that maquiladora companies comply with the obligation to disclose the applicable reporting schemes. This derives from a literal interpretation of the text of the CFF, which argues that there is no reporting exemption for maquiladora export companies.

## **And what do maquiladoras have to report?**

In Mexico, traditionally there has been no need to determine the taxable profit attributable to a permanent establishment of a foreign resident, derived from the legal-economic relationship it

maintains with the maquiladora company. This has been so because the maquiladora companies comply with all the provisions set forth in the Income Tax Law, a fact known by the tax authority when the Advanced Pricing Agreement is negotiated with the latter.

An unofficial document on frequently asked questions on reportable schemes, which is apparently from the SAT and has been circulated nationwide, asks how to calculate the tax benefit obtained in Mexico when maquiladora operations are or will be carried out according to the provisions of the Income Tax Law. The authority's supposed answer sends an ambiguous message to foreign investors: the tax benefit would be based on the income tax generated, by considering the maquiladora as a manufacturer that acquires, transforms and eventually sells the products. Thus, the cost of sales (materials consumed -which today are property of the foreign resident-



and the manufacturing expenses incurred by the maquiladora) plus the depreciation of the total assets used in the operation or, if applicable, the cost of a lease of such assets, and a profit margin established, for example, 5%, would be considered. The ISR is then applied to the result of this calculation and would be compared against the ISR currently paid by the maquiladora.

Naturally, many questions arise: what is the sense of measuring this supposed tax benefit through a document of frequently asked questions? Is the tax authority thinking of carrying out actions in the tax regime of the maquiladoras, which has been a pillar in the growth of the country and in

the generation of jobs? And what type of actions would these be?

**Undoubtedly, this uncertainty is of concern and should be carefully addressed in the proactive dialogue between the National Council of the Maquiladora and Export Manufacturing Industry and the tax authorities, in order to favor the sustainable development of our nation. This is even more so under the severe circumstances caused by the COVID-19 pandemic.**

From the index National Tax Committee, we reaffirm our commitment to continue reviewing and discussing the issue of reportable schemes for maquiladora export companies; therefore, we insist that the convenience of complying with the obligation to disclose reportable schemes be reviewed. Although we do not agree with the literal interpretation of the regulations, our sector is characterized by taxpayers who consistently comply with their tax obligations. And we will continue to do so.



# USMCA, ENVIRONMENT AND PLAN "B" IN ENERGY MATTERS

By Israel Morales

Director of the International Agreements and Treaties committee of index Nacional

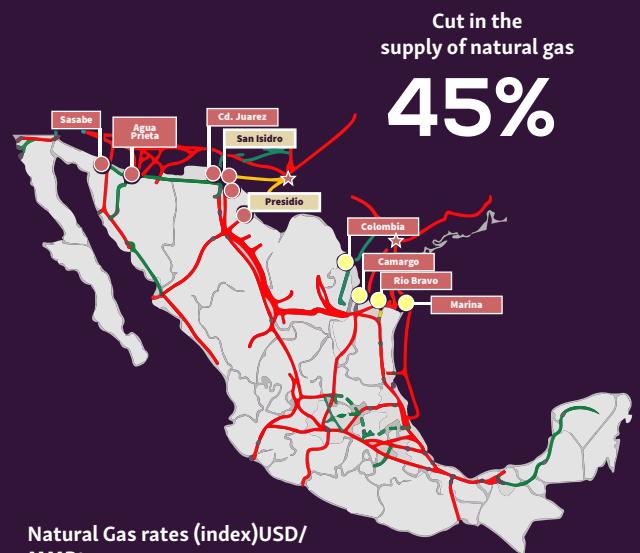
Mexico faces a major challenge. While our industry has for years demanded competitive electricity costs, the freezing temperatures experienced by northern Mexico and the southern United States, especially in Texas, have made it clear that the great challenge is for our country to achieve energy self-sufficiency.

Two situations in Mexico push us to have a plan "B" to generate energy, while seeking competitive costs, capacity and self-sufficiency. On the one hand, we have the limits on electricity production capacity in the north of the country due to the freezing of pipelines, the closure of facilities and multiple equipment failures, as well as the decision of the governor of Texas to cancel the supply outside his state (details in the Diagram). Combined with weather-related road closures and logistical challenges, all of this generated millions of dollars in losses for the export industry. On the other hand, the Executive Power's preferential electricity reform initiative recently approved by the Chamber of Deputies could turn the CFE into a state monopoly. If so, prices would increase and the use of environmentally friendly renewable energies would be reduced. This is not a minor issue, especially in view of Mexico's environmental commitments in the USMCA (chapter 24).

Diagram.

Information from  
CFE (2021)

SITUATION  
WEDNESDAY, FEBRUARY 17TH 2021



Natural Gas rates (index) USD/MMBtu:

HSC  
400

Waha  
208

OneOk  
944

## OPERATING CONDITIONS FOR THE SUPPLY OF NATURAL GAS

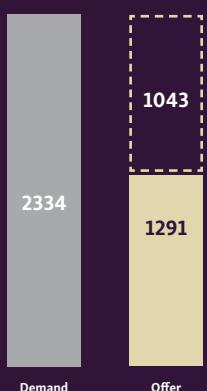
- The extreme cold in the United States does not subside, the governor of Texas signs an order to limit the supply of natural gas for the needs of Texans.

Demand and offer of natural gas | MMpcd

- Affected pipelines:

Waha-Presidio  
Waha-San Isidro  
Roadrunner  
Naco Hermosillo  
El Paso Natural Gas  
Aguaprieta  
Sasabe Guaymas  
El Encino-Topolobampo  
El Oro - Mazatlan  
Gasoducto Marino  
SISTRANGAS  
Rio Bravo  
Colombia

9 affected plants





## The environment

The record low temperatures in the southern United States were caused by changes in the Arctic's icy air masses and humidity, driven by global warming. Remember that this phenomenon is a consequence of the increase of greenhouse gases in our atmosphere, many of them emitted by the fossil fuels used to produce electricity. We will surely be experiencing more and more frequent climatic phenomena such as the one that occurred on February 14 and 15, 2021.

Therefore, the U.S. and Mexican governments and their citizens, as well as the entire world, must adopt effective policies and practices to protect the environment - not motivated by any particular interest or just to avoid conflicts over USMCA violations - but to maintain the ecological balance and sustain life as we know it.

## The USMCA

There are many contradictions in the recently approved ruling that modifies the Mexican electricity model with respect to the USMCA, especially in matters of investment, trade remedies, technical barriers to trade and state-owned companies. In addition, with the modification of the Constitution in energy matters, Mexico could violate different provisions of said treaty, even though Chapter 8 recognizes Mexico's sovereignty over its hydrocarbons.

## Plan "B"

Plan "B" would have to be very assertive and intelligent, so that it generates multiple gains for the region, Mexico and, above all, the environment. Thus, such a plan should not only be motivated by the recovery of energy sovereignty, but by the search for true self-sufficiency, which could be generated by increasing public-private investments. This would not only strengthen the CFE, but would also increase energy capacity and supply, which in turn lowers prices, improves service and promotes the transition to the use of renewable energies to which Mexico is bound by the Paris Agreement, a commitment implied in the USMCA itself.

# WE NEED TO RESCUE THE CFE

By Gerardo Vázquez,  
Director of the Sustainability committee of index Nacional

The CFE needs to be rescued jointly by honest Mexican businessmen and the federal government, since current conditions demand large investments, not only for generation but also for energy transmission and distribution. These investments must be coordinated, otherwise the conditions that increase the 31% cost of each megawatt generated would be perpetuated.

Our plight is the result of mismanaging the CFE for many years. Many power generation projects had very high costs, were made with outdated technology and were financed through long-term debts with extremely high interest rates. All of this has put the CFE in an extremely complicated situation for which the current government is not responsible. The CFE was, in short, weakened: its labor liabilities are too robust and its cost of producing a megawatt is very high. This merits a rescue by Mexican businessmen together with the users themselves, who are the companies operating in the country today.

**The issue involves both countries, not just Mexico. Given the trade exchange with the United States, an urgent meeting between the industrial sectors (who have the greatest demand for energy), as well as governments, investors, etc., is indispensable. If we do not do so, the costs could be irreversible.**

## ■ INDEX'S ACTIONS IN THE FACE OF THE BLACKOUT IN THE NORTH OF THE COUNTRY.

- ✓ We worked hand in hand with the index associations located in the affected areas.
- ✓ Each association maintained a dialogue with the corresponding state authorities.
- ✓ We publicized our position and the impact of the blackout on our industries in Nuevo León, Tamaulipas, Chihuahua and Coahuila in the media:
  - a joint press conference with Presidents and Directors of the Associations,
  - 15 interviews in national and local media and
  - 381 published articles calling for the reestablishment of services.
- ✓ We published daily circulars to inform about the progress made by the federal government in the reestablishment of electricity and gas.
- ✓ We made requests to CENACE, CENAGAS and CFE to generate a coordinated planning with the business sector.
- ✓ We requested the Ministry of Economy the suspension of terms for the affected areas on February 15, 16 and 17, which was published on February 19th.
- ✓ We broadcasted through indexTV the conference "The energy situation in Mexico", where gas supply companies explained what happened and provided strategic information for IMMEX companies.

## ■ LESSONS LEARNED:

Power outages, infrastructure freezes and the state of emergency invite us to include energy in risk analysis and contingency plans.

**Do we have the structure to continue production in a similar situation?**

**UPDATES**

# "THE IMMEX PROGRAM IS A PRIORITY FOR THE SECRETARIAT OF ECONOMY". DIRECTOR GENERAL OF TRADE FACILITATION AND FOREIGN TRADE.

**Public Affairs and Operations Director of index Nacional**

On February 4, a meeting was held between index and the General Director of Trade Facilitation and Foreign Trade of the Secretariat of Economy, Ms. Dora Rodriguez. Dr. Luis Manuel Hernández, national president of index; Israel Morales, director of the Trade Agreements and Treaties Committee; Pedro Chavira, director of Foreign Trade and deputy directors of the same committee participated in the meeting. The purpose of the meeting was to establish channels of communication and working groups to promote investment in the country and strengthen the IMMEX sector.

The national president of index affirmed: "Here we are. We want to work together and address the easy issues as well as the difficult ones; we are looking for openness and dialogue to work". He also mentioned that export manufacturing is the main player in Mexico's foreign trade and reiterated that the 21 local associations of index serve as a direct communication channel for manufacturing companies in their quest to promote the country's development.

During the meeting, proposals were shared for the development and facilitation of trade in the areas of notarized acts, updating the registration of domicile, PROSEC, NOMs for temporary imports and the single business dossier. Among the proposals were the initiatives for the modernization of the IMMEX scheme and the projection of the Electronic System for Inventory Control of Temporary Imports (OAS-SECIIT).

Dora Rodriguez commented that at this time the index proposals "are very good", so an agenda will be drawn up to develop and implement them through working groups. She further emphasized that working together is necessary to achieve these objectives and that "**The IMMEX program is one of the priority issues for the Ministry of Economy.**"

# LEGISLATIVE LIAISON

Information provided by **Grupo Estrategia Política**

As at the beginning of each ordinary session, the parliamentary groups of the Senate of the Republic and the Chamber of Deputies presented their legislative agendas, in which they establish the main themes and topics that they will promote during the period.

## Priority issues of the parliamentary groups

The following issues stand out in the agenda of the majority parliamentary group (Morena): 1) regulate outsourcing, 2) the Bank of Mexico Law, 3) the Electricity Industry Law, 4) guarantee that the minimum wage is sufficient to cover the needs of families, 5) issue the General Water Law, 6) approve the General Law of Circular Economy and, 7) prohibit the circulation of double trailer trucks. This coincides with the issues listed in the parliamentary agendas of its allies (PVEM, PES and PT).

On the other hand, the opposition bloc (PAN, PRI, PRD and MC) seeks to balance the scales within the Chambers by establishing as priorities: 1) the surveillance and compliance with the USMCA, 2) support for people affected by the economic and health crisis, 3) the application of vaccines for the COVID-19, 4) the creation of the basic food income and the minimum wage, and 5) the reduction of the workday without affecting

salaries for parents with children with disabilities.

In this context, there are some current legislative projects that are particularly relevant to the index membership.

## Banco de México (Mexico's Central Bank)

The Senate of the Republic presented and approved the initiative to reform several provisions of the Law of Banco de Mexico regarding the collection of foreign currency in cash. Consequently, during the first days of February, the Finance and Public Credit Commission of the Chamber of Deputies organized an Open Parliament to discuss the matter. Various authorities from the Banco de Mexico, financial institutions, Mexican authorities and organizations participated in this parliament, which highlighted the problem faced by migrants with respect to the exchange rate they obtain. Various alternatives to the problem that do not infringe on the autonomy of the central bank were proposed.

It is expected that in the next few days the Finance and Public Credit Commission will publish the opinion of the corresponding minutes which, if left in its current terms and not modified, would open the possibility for financial institutions to incorporate foreign banknotes and coins that cannot be repatriated to the

foreign currencies that are part of Banco de Mexico's reserve.

## Electronic waste

The plenary session of the Chamber of Deputies approved the opinion of the Environment, Sustainability, Climate Change and Natural Resources Commission on the initiative with draft decree reforming Article 19 of the General Law for the Prevention and Integral Management of Waste.

This initiative includes in its definition the waste of electrical and electronic equipment considered technological waste from the computer industry, manufacturers of electronic products or motor vehicles and others that, when their useful life elapses, require specific management due to their characteristics. The express purpose of this amendment is to reduce the harmful effects that electrical and electronic waste has on the environment.

The proposed amendment does not generate a substantial change in the Law or in the obligations of the companies; only the title of the definition is modified. The current legislation already provides for special treatment of such waste. The bill was sent as a minute to the Senate of the Republic to continue with its legislative process.

# OUR TEAM



**Luis Manuel Hernández**  
President of  
index Nacional  
[luismanuel@index.org.mx](mailto:luismanuel@index.org.mx)  
TW: [@LuisMHernandezG](#)



**Juan Antonio Vázquez Durazo**  
General Managing Director of  
index Nacional  
[dg@index.org.mx](mailto:dg@index.org.mx)



**Paulina Núñez Román**  
Public Affairs and  
Operations Director of  
index Nacional  
[asuntoscorporativos@index.org.mx](mailto:asuntoscorporativos@index.org.mx)

## SPECIAL GUESTS



**Oscar Mata**  
Director of the Tax  
committee of index Nacional



**Gerardo Vázquez**  
Director of the Sustainability  
committee of index Nacional



**Israel Morales**  
Director of the International  
Agreements and Treaties  
committee of index Nacional



**Erika Martínez Mott**  
Lobbying Director of  
Grupo Estrategia Política

## INTERDISCIPLINARY PUBLIC RESEARCH TEAM

This publication is produced by a committed, multidisciplinary team. Our goal is to take the economic, political and social knowledge of the manufacturing industry to the next level. By disseminating our findings, we seek to raise the level of public debate. Share and comment freely, let's start the dialogue.



**Julián León Manjarrez**  
Master's degree in Public  
Administration (Harvard).  
[julianleon@31mas1.mx](mailto:julianleon@31mas1.mx)



**Benjamín Castro**  
B.A. in Political Science (ITAM).  
[bcastro@31mas1.mx](mailto:bcastro@31mas1.mx)



**José Terán**  
B.A. in Political Science (ITAM).  
[jteran@31mas1.mx](mailto:jteran@31mas1.mx)



**Luis Eugenio Rojón**  
B.A. in Applied Mathematics  
(ITAM)

**TIERPLUSMX**



Consejo Nacional  
de la Industria Maquiladora  
y Manufacturera de Exportación