

MANAGING DEAL EXPECTATIONS IN MEXICO - BASHAM RINGE Y CORREA.

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As well as having an increasingly sophisticated domestic economy, levels of corporate activity in Mexico act as a barometer of the wider region's economic health, says Daniel Del Río, a corporate Partner with leading national firm Basham Ringe y Correa.

"The Mexican economy is heavily dependent on foreign investment and consumer demand in the US and in both respects we see signs of increasing activity. There is rising interest across the telecoms, energy and inevitably manufacturing sectors and much of this is being driven by investors, and demand, derived from outside the country."

Such a scenario is in contrast to the situation only two years ago when falling US demand and fears over the extent of the country's swine flu outbreak weighed heavily on the economy, he says.



“Concerns remain over the degree of comfort many investors have for Mexico and we are obviously still a long way from the boom years, but we do see companies assessing new opportunities. They want to capitalise on the growing domestic demand and the cost savings presented by local manufacturers and outsourcing businesses.”

But indicative of this upturn in activity is the return also of greater regulatory scrutiny of commercial agreements and transactions, specifically M&A deals, by both the sector-specific and national authorities, says Del Rio. “The regulatory regimes in areas such as finance, telecoms and energy are well established and the Competition Authority too has proved to be very effective in chasing down what they regard as infringements.”

As Mexico begins therefore to reappear on investors' radars, agreements have however to be entered into with the assumption that they will attract regulatory attention, says Del Rio. “As with any major market it is necessary to ensure that all the necessary precautions and protections are in place. There are no cost or business benefits in cutting corners.”