1. What are the rough dimensions of the country in miles?

767,334 square miles

2. What is the population? What percentage lives in the 3 largest cities?

<table>
<thead>
<tr>
<th>City</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>97,483,412</td>
</tr>
<tr>
<td>Mexico City</td>
<td>20,205,239</td>
</tr>
<tr>
<td>Monterrey</td>
<td>2,608,639</td>
</tr>
<tr>
<td>Guadalajara</td>
<td>3,865,583</td>
</tr>
<tr>
<td></td>
<td>26,679,461</td>
</tr>
<tr>
<td>% of Population</td>
<td>27.4%</td>
</tr>
</tbody>
</table>

3. What is the predominant language? How widely used is English in business?

The predominant language is Spanish. English is very often used, especially in business that involves imports and exports.

4. In the last three years have there been any instances of political instability?

Mexico has displayed a fair degree of political stability for many years. In fact, one political party, the PRI, has dominated Mexican politics practically since the founding of the republic. Most recently, with the election of Vicente Fox, an up and coming political party, the PAN gained the presidency in 2000.

Exceptions to political stability include the Zapatista movement in the southern state of Chiapas. These rebels, under the command of a former university professor who goes by the nom de guerre of Subcomandante Marcos, are demanding an autonomous region of self-governance. The federal government is conducting an ongoing dialog with the rebels in an effort to diffuse the situation.

Another issue which may cause political instability is rampant inflation. While inflation recently has been mild, rising at an average rate of six percent annually, the country has historically faced persistently high inflation. This is, according to Mexico-Political Update newsletter, the biggest challenge the country faces, as it could quickly resemble the next Argentina. The theory is that if the economy declines, social discontent will grow, making governability more problematic.

Ironically, the political stability of Mexico is evidenced by the by the assassination of a presidential candidate, Luis Donaldo Colosio of the PRI in 1994. Many were amazed that, after the assassination, the PRI was still able to win the election and secure a peaceful presidential succession.
5. What is the currency? What is the exchange rate to US dollars? How has it changed in the past two years?

Mexican Peso, P$9.20 per US dollar

<table>
<thead>
<tr>
<th>Month</th>
<th>2000</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>9.6253</td>
<td>9.6828</td>
</tr>
<tr>
<td>February</td>
<td>9.3662</td>
<td>9.6900</td>
</tr>
<tr>
<td>March</td>
<td>9.2845</td>
<td>9.5800</td>
</tr>
<tr>
<td>April</td>
<td>9.4127</td>
<td>9.3500</td>
</tr>
<tr>
<td>May</td>
<td>9.5110</td>
<td>9.2700</td>
</tr>
<tr>
<td>June</td>
<td>9.8243</td>
<td>9.0710</td>
</tr>
<tr>
<td>July</td>
<td>9.3667</td>
<td>9.1692</td>
</tr>
<tr>
<td>September</td>
<td>9.4459</td>
<td>9.5200</td>
</tr>
<tr>
<td>October</td>
<td>9.5680</td>
<td>9.2700</td>
</tr>
<tr>
<td>November</td>
<td>9.4155</td>
<td>9.2250</td>
</tr>
<tr>
<td>December</td>
<td>9.6098</td>
<td>9.2018</td>
</tr>
</tbody>
</table>

6. What time zones exist in this country? What time is it in the capital when it is noon in Cambridge, MA?

There are three time zones in the country: Baja Norte, Baja Sur and General. Mexico City is in the General time zone and it is 11.00 AM there when it is noon in Cambridge, MA.

7. What unique requirements exist for products sold in this country? (e.g. testing, packaging, language, safety, etc.)

In 1992, the Government of Mexico undertook an ambitious project to revamp its entire system for formulating product standards, testing, labeling and certification regulations. The cornerstone of this review is the 1992 Federal Law of Metrology and Standardization, which provides for greater transparency and access by the public and interested parties to the regulation formulation process. Simultaneously, Mexico consolidated all mandatory standards and reissued them as Normas Oficiales Mexicanas (NOMs). As of May 1998, there were about 620 NOMs in effect.

Language
Package labels must carry commercial information in Spanish, as defined by the NOM. If the required information appears in a language other than Spanish, then this information must appear in Spanish in the same size font, format, and clarity as it appears in the other language.

Labeling
Labels can be applied through over-stickering, that is, placing stickers over information preprinted on a package or label is permitted as long as the resulting label complies with the labeling requirements. Additionally, labels can be applied or modified once the product...
arrives in Mexico, provided that the process complies with Mexico’s verification procedures. Labels are required to show the country of origin and the list of ingredients. Additionally, the product must show the name or business name, address and fax number of the importer. Finally, the Trademark or commercial name brand of the product must be displayed. For food products, the net weight of contents and expiration date must be shown.

Product Testing and Safety
The May 1997 revision of the 1992 Federal Law of Metrology and Standardization states that the government-operated laboratory accreditation program will be turned over to the private sector, but remain under the supervision of the government. The government will authorize one private sector body to grant laboratory accreditation to both calibration and test laboratories.

Product testing remains controversial since sometimes a distributor cannot receive certification for its laboratory or cannot afford the expense. Since results from out-of-country laboratories are not acceptable, the company will sometimes have to go to a competitor's laboratory, where potentially private information will be shared.

8. What regulations or limitations exist regarding freight transport?

The National Department of Norms, an organization recognized by the Mexican Government, is authorized to develop, edit, and publish mandatory standards known as Normas Oficiales Mexicanas (NOMs) in order to maintain the quality of the products and services, and the people’s security.

The official NOMs that regulate freight transport are included in the regulations for motor vehicles. There are several NOMs that help to regulate the freight transportation in Mexico, include the maximum weight and dimensions for motor vehicles, the maximum quantity of contaminant emissions, the official procedures to measure the contaminant emissions, technical characteristics and the specifications of motor vehicles authorized to circulate in the National Territory.

9. Are there saltwater ports which can handle large ships? How far are the major population centers from those ports?

Mexico has 108 salty ports that serve different types of ships including commercial, tourist, and fishing vessels. The most important activity in these ports is commercial and is classified by the size of the wharf available to attend commercial ships. The most important ports in the country are: Veracruz (29) with 2.53 miles of commercial wharf and a maximum draft of 33 feet, Tampico (26) with 2.17 miles and 31 feet, Lazaro Cardenas (16) with 1.85 miles and 43’, Coatzacoalcos (31) with 1.23 miles and 33 feet, and Manzanillo (12) with 1.00 miles and 38 feet of draft.
These ports are in a range of 250 to 950 miles from the major population centers in the country represented by the three major cities Mexico City (M), Guadalajara (G), and Monterrey (T), as shown on the map above.

10. What business terms and financial instruments are typically used for import commercial transactions?

In accordance with the WTO Customs Valuation Code, Mexico uses the “computed value method” to value imports. The following trade instruments are used in import commercial transactions:

⇒ Tariffs: implementation changed to favor certain trading partners (i.e. preferential rates with the US)
⇒ Contingency measures: use increased to include anti-dumping. Over 90 measures in use today
⇒ Mandatory standards: increased to include stricter marking and labeling requirements.

11. How large is a typical supermarket or retail food store (square feet or meters)?

Main players: Chedraui, Wal-Mart de México, Gigante, Comercial Mexicana.
The average size is 64,000 square feet.
12. Do any of the large US discount retailers (Wal-Mart, K-Mart, Toys ‘R Us) have stores in this country?

- **WAL*MART** 551 stores in 53 cities
- **Costco** 25 stores in 16 cities
- **H-E-B** 13 stores in 5 cities

Other retailers include:

13. Describe the highway and rail infrastructure. Are they extensive, moderate, or primitive nationwide?

The highway infrastructure is extensive and is divided into several types depending on the condition, dimension, and number of lanes. The highway infrastructure consists of 208,632 miles of principal, secondary, and rural roads.
The railroad infrastructure is moderate since it was established during the revolutionary era and it has experienced few changes since that time. The movement of passengers is relatively null since there are other transportation modes that offer better and quicker service than the railroad. The use of railroad is almost exclusive for long-distance cargo movements. The railroad infrastructure consists of 16,660 miles nationwide.

14. How bad is the traffic congestion in the major cities?

The enormous external social, environmental and economic costs of road transportation are well known: pollution and its consequences for human health and the environment, noise, social disintegration of the community, and traffic congestion increasing travel time and stress. Major cities in the world have experimented with programs to address this external problem, although the degree and success varies considerably among cities, Mexico City is one of the most problematic. Its citizens wake up every morning in a chaotic and polluted city, commuting long distances through the traffic and pollution and losing time and deteriorating their.

The use of the private car is especially important if we consider the amount of trips that are made in the city every day. This causes important traffic congestion evenly distributed during the 10 working hours, at a maximum speed of 36 Km/hr.

Driving in the city will always be an adventure. Traffic in Mexico is usually messy; driving rules are not respected, and it is better to drive defensively, because car size matters. In general, it is easy to get lost, because the layout of the streets was not very well planned, and it is usually difficult to return to your origin.

On the other hand, the street name is not always visible, due to its small size or because it does not exist. Always try to carry a map, because asking is useless, unless you ask taxi
drivers. When driving in Mexico City, be very careful, because drivers, generally, are very aggressive and rude.

15. Which countries are the primary trading partners? For each partner, in which direction is the balance of trade (import or export)?

Numbers from 2001 (USD):
- Total exports $159 b
- Total imports $168 b
- Trade Balance -$9 b

Mexico’s main trading partners are the US, Canada, Germany, and Japan (2000)

<table>
<thead>
<tr>
<th></th>
<th>US</th>
<th>Canada</th>
<th>Germany</th>
<th>Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports</td>
<td>(87.5%) $102.8b</td>
<td>(1.3%) $2.1b</td>
<td>-</td>
<td>(0.8%) $0.94b</td>
</tr>
<tr>
<td>Imports</td>
<td>(74.2%) $82.7b</td>
<td>(1.8%) $2.0b</td>
<td>(3.7%) $4.13b</td>
<td>(3.7%) $4.13b</td>
</tr>
<tr>
<td>Balance</td>
<td>$20.1b</td>
<td>$0.1b</td>
<td>-$4.13b</td>
<td>-$3.19b</td>
</tr>
</tbody>
</table>

16. Is security an issue in logistics? Why?

Due primarily to the fact that Mexico is the United States’ southern neighbor, security is a large issue in Mexican logistics, particularly after the events of September, 11, 2001 in the US. Since the US is zealously monitoring all freight coming into and out of its borders, Mexico has seen itself affected by this policy, as previously strict controls in the Mexico/US border have become even more stringent. This has occurred because although Mexico per se is not a target of terrorism, the United States has been and must ally itself with Mexico to control its borders.

Also, the North American Free Trade Agreement has made it absolutely critical that Mexico’s logistics network be on par with that of the US, not only for reasons of security, but also for reasons of competitiveness, so that security in logistics operations does not become a competitive disadvantage for Mexico vis-à-vis the US and Canada.

In 1990, the US placed an embargo on tuna fish coming from Mexico, as well as on other countries that previously refused to adopt dolphin protection programs comparable to that of the United States’. These embargoes were put in place in response to consumer demand for clamping down on encirclement of dolphins with tuna nets, a fishing method that has resulted in the deaths of more than 7 million dolphins in the eastern tropical Pacific Ocean (ETP) over the past four decades.

17. How reliable is the phone system? How long for a consumer to get a phone line installed? How extensive is the mobile phone network?

The phone system is very reliable since the number of complaints received in 2001 was 14,297 with 12,484,000 lines in operation (0.11%). The numbers of complaints received in 1992 were 163,255 with 6,546,000 lines (2.49%).
The time for a consumer to get a phone line, either for residential or business usage, varies from 2 to 4 days after the payment is received by any Telmex Store.

There were 14,078,000 cellular phones activated in Mexico in 2001.

18. How many people have internet access?

Between 1995 and 2000, the number of Internet users in Mexico increased from 94,000 to 2.71 million users, equivalent to the market doubling every year. During this period, the number of Internet Service Providers increased from 29 in 1995 to 248 in 2000. The number of Internet users is predicted to reach 9.5 million by 2004. Local providers are expected to allocate large investments to meet this explosive demand growth.

19. What is the price of regular gasoline, $ per gallon?

Regular Gasoline $ 2.06 per gallon
Premium Gasoline $ 2.46 per gallon

20. What trade restrictions exist? What are the highest import duties – which products and countries of origin? What embargoes exist, if any?

Mexico is a member of the WTO and of NAFTA, (which also comprises the United States of America and Canada). All tariff and non-tariff restrictions on industrial and agricultural products traded among NAFTA members will be phased out entirely by January 2008. Mexico has also negotiated free trade agreements with many of its neighbors, including Chile, Costa Rica, Bolivia, Colombia, Venezuela and Nicaragua.

Mexico requires import licenses for around 200 (mostly agricultural) products. Imports must comply with mandatory government-enforced standards. Mexican authorities can also establish “emergency” phytosanitary standards which reportedly do not follow normal rule making and notification procedures.

There are no significant infrastructure-related trade barriers. During the early part of this decade, Mexico placed heavy emphasis on infrastructure development. Recently, steps have been taken to upgrade airport facilities and privatize the management of Mexican airports.

The highest import duties correspond to automobiles, with a 30% tariff. Steel follows with a 25% import duty. These duties correspond to non-NAFTA imports (products that are not imported from Canada or the US).

21. What customs documents are required for an import shipment? For export?

Import:
Mexican import controls have been significantly liberalized in recent years. Most products no longer require prior import permits. Import duties have also been reduced. The maximum import duty is currently 20% of the 'normal value' of the products imported into
Mexico. Under Mexican law, the 'normal value' should correspond to free competitive market prices between two independent parties.

The following basic documents are required for freight shipments to Mexico:

a) Commercial Invoice: It is a shipping document that can be obtained through the custom broker, and it should accompany all shipments. This is the case when the valuation method is required for the information value. Invoices should be prepared in Spanish, if they are prepared in any other language, the Spanish translation may follow the original text on the invoice. The invoice must contain the following information:
   • Place and date of issuance;
   • Complete name and address of buyer or importer in Mexico;
   • Complete name and address of exporter;
   • Detailed description of the merchandise.
   • This should include all relevant data on brand name, model, marks, serial numbers, manufacturers, weight; etc;
   • Unit value and total value of each item listed on the invoice;
   • Signature of seller, name and position, and
   • Shipper's invoice number and customer's order number.

b) Packaging List: It is necessary when more than one package is shipped. This document should be sent together with the commercial invoice, which should include:
   • Number of packages;
   • A detailed list of the merchandise contained in each package;
   • Net, gross and legal weight in metric equivalents; and
   • Volume or measurements, in the metric system, of each package and of the total shipments.

c) Bill of lading: This procedure is required on maritime shipments and generally consists of three original copies plus a varying number of additional copies. These should be sent to the importer in Mexico. The information on the bills of lading should correspond with that shown on the invoice and the packaging list.

d) Special Certificates: Different types of sanitary certificates are required by the Secretariat of Agriculture, Stockbreeding and Rural Development (Secretaría de Agricultura, Ganadería y Desarrollo Rural) on shipments of livestock or animal products, and for most seeds, plant and plant by products. Many agricultural and food products also require a certificate of origin.

e) Import Permits: Presently, approximately 300 of the total 11,960 items on the Harmonized Tariff System still require an import permit. A few of these items are subject to an import quota. Items requiring an import license includes some used machinery and cars, some agricultural products vital to Mexico's economy, such as corn and certain grains, seeds, beans, certain fruits, tobacco, oils, sugar, cocoa, eggs, milk, and so on.
Export:
The majority of Mexican exports are not affected by customs duties or taxes. Nevertheless it is necessary to verify the merchandise to corroborate that what was declared in the list of merchandise for export in reality corresponds to what is being presented and thus avoid deceit before Federal fiscal authorities.

For imports, it is necessary to use the services of a customs agent who, as legal representative of the taxpayers, shall carry out the necessary customs proceedings, beginning with the formulation of the list of merchandise to be exported and the classification of said merchandise.

Today, exports can be carried out by only presenting the commercial invoice or any other document that expresses the commercial value of the merchandise in question.

The random selection mechanism also applies to exports, going through the exact same steps as for imports.

22. How common is “bribery” (US definition) in trade transactions? (Normal, infrequent, very rare). What are the legal ramifications?

Bribery is very common in trade transactions. Many companies sending product into Mexico regularly account for money paid ‘under the table’ to ensure their products are processed expeditiously. However, Mexico was a signatory country on the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions that was signed on December 17, 1997. Essentially, it is now the obligation of both business and state organizations to prohibit bribery for commercial gain and to levy an appropriate penalty for entities guilty of such acts. Penalties could include fines, sanctions, and/or legal action.

23. How strong are the unions? In what industries are they an important factor? Are they predominantly national or local? What impact do they have on logistics?

The North American Free Trade Agreement was launched in January 1994 with the goal of fostering greater economic growth in Canada, the United States, and Mexico, by removing barriers to trade and investment among the three nations. It has added competitive pressures to Mexico’s formerly-insulated unions.

The strength of Mexican unions differs by industry. They are powerful in telecommunications, evidenced by the lengthy delay of the state telephone company's deregulation. Similarly, the manufacturing unions are also quite powerful. Last year, at Volkswagen's auto plant in Puebla, Mexico, unions held a 19-day strike after rejecting a pay increase of 7 percent. That compares with the 6 percent inflation rate of Mexico. In the end, Volkswagen agreed to a pay raise of 14.7 percent. There is much debate currently
about unionizing workers at maquilladoras, the factories that line the Mexican side of the border with the United States.

Some unions wield significant political power. The Mexican CTM, an integral part of the PRI, has five million members in 14,000 affiliated unions--one in seven deputies in the Mexican Chamber of Deputies is a CTM official.

Nonetheless, the number of strikes in Mexico is still very low, and appears to be declining. There were over 600 strikes in Mexico in 1982, 300 in 1986, but only 50 in 1995.

There are two kinds of unions in Mexico, registered and independent. Independent unions are becoming more aggressive. They have about 500,000 members, but they accounted for 25 percent of all strikes in Mexico in 1995. Some 40 independent unions have formed the Coordinator of Mexican Workers.

Logistics unions do not appear to currently have the influence of others. They have attempted to gain more access for Mexican truckers in the US, but these efforts have had minimal success.