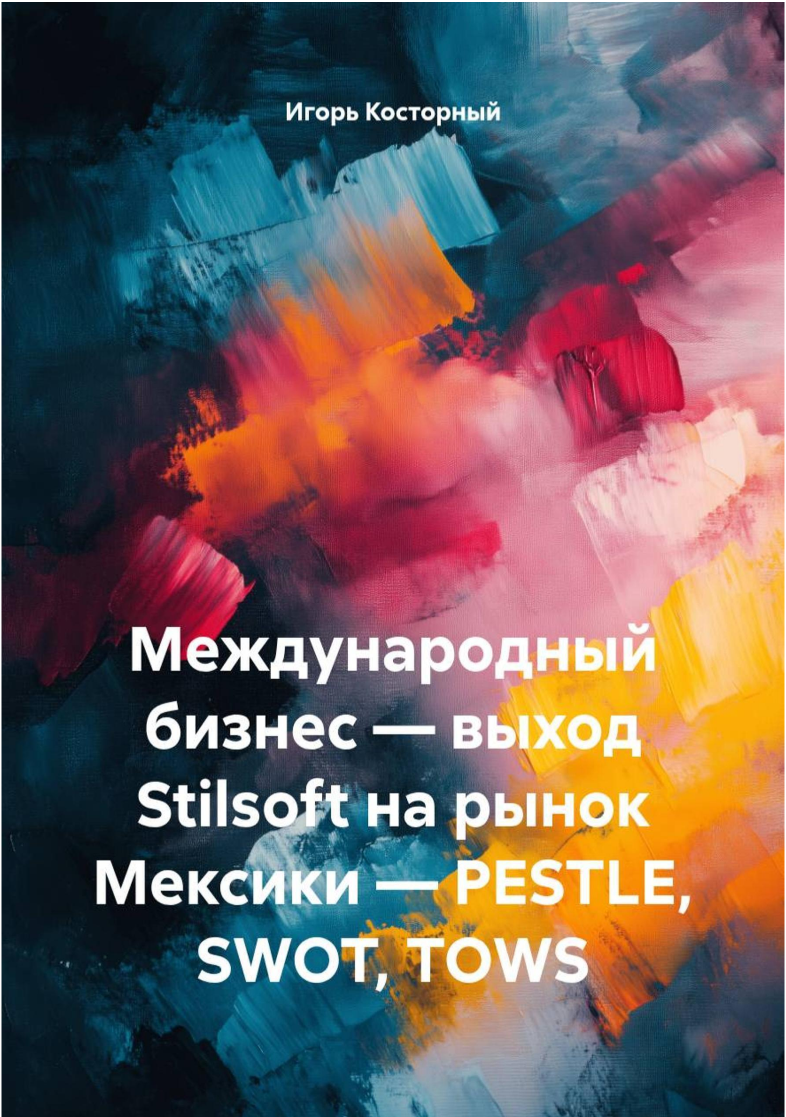

Игорь Косторный

Международный бизнес — выход Stilsoft на рынок Мексики — PESTLE, SWOT, TOWS

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Аннотация

Практический аналитический кейс по выходу компании Stilsoft на рынок Мексики. На примере реального проекта автор последовательно показывает, как применять PESTLE, SWOT и TOWS для выбора зарубежного рынка, оценки отрасли безопасности, анализа конкурентов, каналов дистрибуции и формирования стратегии входа и маркетингового комплекса 4P. Материал будет полезен студентам, преподавателям, предпринимателям и специалистам по международному бизнесу и стратегическому маркетингу. Текст книги — на английском языке. Рыночные и макроэкономические данные относятся преимущественно к 2017–2018 годам; издание публикуется как исторический учебный кейс и пример методики анализа, а не как описание текущей ситуации.

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Игорь Косторный
Международный бизнес — выход Stilsoft на рынок Мексики — PESTLE, SWOT, TOWS

Data note. This analytical case was prepared using market and macroeconomic information available in 2017–2018. It is published as a historical case study and a demonstration of PESTLE, SWOT, TOWS and marketing-mix methodology, not as a description of current market conditions.

Introduction

Stilsoft Group is a Russian developer and manufacturer of integrated security systems headquartered in Stavropol, with a 15-years-lasting presence in the Russian market. Stilsoft is operating in 14 cities in Russia, and it produces both hardware and software of security systems, also providing additional service, like mounting, commissioning and maintenance of the items. The company employs in all such activities over 400 high-skilled professionals.

Stilsoft production concerns a wide range of items in the field of security systems: video management, video analytics and registration devices, public addressing systems and unmanned aerial vehicles. The supply of the company is divided in four product lines:

“Special Solutions”, including video surveillance systems, security sensors and thermal imaging devices

“Safe City” line, composed of traffic stream control system, alert systems and facial recognition systems

“Site Security”, concerning security sensors, access management and control systems

“Unmanned Aerial Vehicles”, consisting of drones and devices for reconnaissance, target detection and tracking, protection and surveillance of state boarders and remote areas, search and rescue missions (“Albatross” devices).

So far, the company has been focused on the Russian market and the main buyers of its products are public institutions, such as the Federal Security Service, the State Border Service, the State Reserves Agency, the Federal Penitentiary Service, the Ministry of Interior, the Russian Federation Ministry of Civil Defense and Emergency Response, the Ministry of Defense and the Federal Protective Service. In addition, Stilsoft also supplies some of the major oil and gas enterprises: Gazprom, Likoil and Rosneft. For both public and private partners, the group provides security solutions for strategic and critical facilities from criminal, terrorist, industrial and natural threats, also with specific adaptation for particular infrastructures like state borders, military airfields, oil and gas pipelines.

The company is now planning to expand its business abroad, to search new opportunities outside the Russian market, which have always been the environment in which the company have operated. The foreign markets where the company has focused its attention to find new opportunities are Latin America and Indonesia.

The first part of the present work will address the analysis of Latin America, firstly from a general point of view, and, secondly, more in detail, through the tool of PESTLE analysis. Afterwards the most suitable country for the entry will be identified, based on the general conditions of the country, its accessibility and the characteristics of the industry under consideration.

The perspective will then focus on the detailed examination of the most relevant elements of the security system market in the chosen country, taking into consideration the features of the demand, the most attractive segments of the industry, the competitors and the distribution channel.

Afterwards, the point of view will switch to the company. The entry in a foreign market implies a careful analysis of the opportunities and threats the company is going to deal with in the new market, and the previous examination will be a fundamental support for this. Anyway, starting to operate in a new country also implies a careful review of the strengths and the weaknesses of the company, since the different framework will inevitably affect the internal components of the company: indeed, a factor which is a strength in Russia may not have the same positive influence on the activity of the firm in another country. All these points will be studied in the SWOT analysis for the company in the chosen country. The elements of the external and internal environment, emerged from the SWOT, will be combined through the tool of TOWS analysis, in order to identify possible strategies that can be implemented.

The final part of the work will be aimed at the identification of a detailed entry strategy for Stilsoft, with the description of the most suitable entry mode, the definition of the target market and the proposal of the marketing mix.

Latin America's market analysis

Stilsoft is planning to expand its business in foreign markets and it has identified Latin America as a possible area where to channel its integrated security systems.

Latin America has 21 countries, and a total population of almost 600 million people, predicted to reach 800 million by 2050. The potential of Latin American markets is undeniable, since it is an area with a great wealth of human and natural resources. In addition, Latin America is experiencing a general societal and economic dynamism, which is leading to an improved competitiveness and productivity and towards a general alleviation of poverty. Most of Latin American economies are characterized by growth, abundance of commodities and resources, and growing population. Furthermore, the region's middle class has grown by 50% over the past decade and is now one-third of the population. All these elements may give companies profitable opportunities and strengthen Stilsoft's choice to enter this market.

However, on the other hand, Latin America is still the region with the highest levels of income inequality in the world: the area displays strong inter-country and also intra-country differences in the distribution of wealth. The examination of some relevant data is useful to highlight these inequalities. The richest country in Latin America, considering the real GDP per capita is Chile (US$ 25,564), while the poorest is Haiti (US$ 1,794). These two countries have also, respectively, the highest and the lowest values for the Human Development Index (HDI) in the region: 0.874 for Chile and 0.483 for Haiti. As regards the Gini Index, the highest value, corresponding to the greatest difference in the distribution of income, is registered in Honduras (0.537), while the lowest, corresponding to the most equal distribution of wealth is in Uruguay (0.420).

Anyway, the focus on the most recent data show quite optimistic perspectives for Latin American countries. The GDP of the region is expected to grow in 2018 at the rate of 2.0%, with an increase with respect to the 1.3% growth rate experienced in 2017. The drivers of the growth in the region are the general favorable macroeconomic framework, high prices of the raw materials (important source of income for the whole region), low inflation rate and expansionary monetary policies in most of the countries. A general boost in the investments on infrastructures and major works is taking shape in the region as well: the projects involve a wide range of sectors, including airports,

electricity generation and transmission, information, communication and technology, oil and gas, port and logistics, rail, highway and bridges, urban mass transit, water and wastewater.

A brief description of the most relevant Latin American economies will be the initial step towards the choice of the country for Stilsoft's entry in Latin America. At this starting point, the focus will be therefore just oriented towards the highlighting of the main elements of the physical, economic, political and socio-cultural environment. The most relevant data and indexes (like the ease of doing business) will be widely used for this preliminary part of the analysis, in order to convey the main information in a synthetic form, which is a necessary approach for the first screening. Not all Latin American country has been taken into consideration, but only the most relevant in terms of population, dimension and economic size.

Brazil

Brazil is the largest economy in Latin America, the second largest economy in the Western hemisphere behind the United States and the ninth largest in the world, with a nominal GDP equal to US$ 2,055.1 billion (2017). It is also the largest country in Latin America, as regards both area (8,515,767 km2) and population (210,147,125). It is still considered an advanced emerging economy, with the eighth largest GDP in the world by both nominal and real measures. It is classified as an upper-middle income economy by the World Bank. Brazil is also member of the G20 and BRICS. Despite the recent worst economic recession in its history in the period 2015-2017, the country is recovering, and since the late 2017, GDP has one back to growth in all the sectors of the economy. A path of fundamental reforms has been initiated in the field of labor market, and has been effective in sustaining the growth, but many reforms are still needed, especially in the pension system. The result of the recent presidential elections may generate uncertainty about the continuation of the economic reforms and reduce the attractiveness for foreign investments. In 2018, it is ranked 125th on 190 countries by World Bank for the ease of doing business (medium).

Mexico

Mexico is the second largest Latin American economy and the second most populous nation in the region, after Brazil. It has the fifteenth largest nominal GDP, equal to US$ 1,151.1 billion (2017), in the world and its economy is strongly linked to NAFTA partners, especially United States. The nominal GDP per capita is equal to US$ 9,821. Mexico is classified as an upper-middle income country by the World Bank and is often classified as a newly industrialized country and as an emerging global power. It has become a manufacturing hub, linked to the North American supply chain, because of its low labor cost. Mexico has more free trade agreements than any other country in the world: 12 FTAs covering 46 countries, involving the European Union, European Free Trade Area, Japan, the Pacific Alliance, Israel and ten other countries in Latin America. In the political field, several structural reforms have been implemented for the liberalization in the energy and telecommunications sectors, in last years. However, an uncertainty factor come from the renegotiation of NAFTA. Anyway, the macroeconomic perspectives of the country should remain stable also in following years. In 2018, it is ranked 49th for the ease of doing business (very easy).

Argentina

Argentina is the second economy in South America after Brazil and the third in Latin America, with a nominal GDP in 2017 equal to 637.6 billion US$, benefiting from its richness in natural resources, a highly literate population, a diversified industrial base and an export-oriented agricultural sector. The nominal GDP per capita is equal to 15,582 US$, the second highest in South America and the human development index is “very high” (0.825). The country has a considerable internal market size and a growing high-tech sector, and it is also a member of the G20 economies. However, its historical economic performances have always been very uneven, with phases of high economic growth alternating with severe recessions, income maldistribution and increasing poverty, especially in last few decades. An important problem in the country comes from high inflation, which reached a rate of 25.7% in 2017. The future perspectives for the country are positive, thanks to the GDP’s growing trend, the reduction of the unemployment rate and the recovery in private consumption. Huge opportunities come from the construction and automotive industries. Some important measures will help in sustaining this positive path. In 2018, it is ranked 117th for the ease of doing business (medium).

Colombia

Colombia is the fourth largest economy in Latin America. The nominal GDP in 2017 is equal to US$

309.2 billion, with nominal GDP per capita amounting to US$ 6,302. By the end of the 20th century the country grew steadily, moving from its historical status of agrarian economy to a market economy, however still the 26.9% of the population are living below the poverty line. However, the political stability, a growing middle class, a vastly improved safety and security environment support a generally optimistic outlook and moderate economic growth in recent and following years. In 2018, it is ranked 59th for the ease of doing business (easy).

Chile

Chile is one of the South America's most economically and socially stable and prosperous nations, with a high-income economy: in 2017 the nominal GDP is equal to US$ 276.99 billion and the nominal GDP per capita amounts to US$ 15,346. Chile leads Latin American countries in rankings of human development index, competitiveness, state of peace and economic freedom. It has also the lowest homicide rate in South America. In 2010 Chile became the first South American country to join the OECD. Chile also performs well in terms of low inflation, advanced financial market

development, low levels of corruption and openness to foreign trade. These factors make Chile the most open and stable market in Latin America, with sound perspectives for the future as well. In 2018, it is ranked 55th for the ease of doing business (easy).

Uruguay

Uruguay is ranked first in Latin America in democracy, peace, low perception of corruption, e- government, press freedom, size of the middle class and prosperity. Its nominal GDP amounted to US$ 56.2 billion in 2017, with a nominal GDP per capita equal to US$ 16,246, the highest in the region. It is also the best country in the region in terms of HDI, GDP growth (+3.1% in 2017), innovation openness and infrastructure. The country is regarded as one of the most socially advanced country in Latin America, as shown by its high rankings in the field of measures of personal rights, tolerance, and inclusion issues. The general prosperity combined with institutional stability, the strong rule of law and the great commitment to international agreements and norms, make Uruguay an interesting opportunity for foreign companies' expansion. In addition, its strategic position between Argentina and Brazil and at the mouth of the vast riverine transportation system of South America, allows the country to serve as a regional distribution platform and a test market in the region. In 2018, it is ranked 94th for the ease of doing business (easy).

Peru

Peru is classified as an emerging market: in 2017 its nominal GDP is equal to US$ 211.4 billion and the nominal GDP per capita amounts to US$ 6,572. The level of human development is high (0.750) and the global economic condition are improving, as proved by the 2.5% GDP growth rate and the fast industrial-growth rate equal to 9.6% in 2017, but the poverty rate is still high, amounting around 20%, despite it has been steadily decreasing, falling by more than half in recent years. The country also ranks high in social freedom and it has the lowest homicide rate in south America. The reduction of corruption, the necessity to increase the productivity and the infrastructures are still ongoing challenges for the country. Peru's economic growth began with the pro-market policies implemented by the former President Fujimori in the 1990s, and all subsequent governments, including the current Vizcarra's one, have continued them, ensuring long-term positive outlooks for the country. In 2018, it is ranked 58th for the ease of doing business (easy).

Venezuela

Venezuela has the world's largest known oil reserves and has been one of the world's leading exporters of oil. In 2017, the nominal GDP amounted to US$ 320 billion and the nominal GDP per capita is equal to US$ 10,968. The petroleum sector accounts for roughly a third of GDP, around 80% of exports and more than half of government revenues. For years the government's anti- market orientation has been a complicated and limited business opportunities in the country. The populist social welfare measures implemented by Chavez's government aimed to reduce economic inequality and poverty in 2000s ended with destabilizing the nation's economy. The consequent crisis of the country's currency, the Venezuelan Bolivar, resulted in hyperinflation (expected to reach the rate of 1,370,000% by the end of 2018), economic depression, shortages of basic goods and dramatic increase in unemployment, poverty, disease, child mortality, malnutrition and crime. The current extremely complex scenario makes it hard to find opportunities for a foreign company in the country. In 2018, it is ranked 188th for the ease of doing business (below average).

Based on this first overview on Latin American main economies, the available information is sufficient to make an initial skimming. For each of the countries that have been presented, the most interesting factors will be highlighted below.

Brazil is the first economy in Latin America and the largest market in the region, with more than two hundred thousand million people. Despite the recent crisis, it is a major economy, important at global level, as proved by its membership at G20 and BRICS. These are the reason why it will be taken into consideration for the following part of the analysis.

Mexico is the second largest economy and the second most populous country of the region. It is a member of G20. The size of its economy, together with its great commitment in worldwide free trade agreements make it one of the most interesting market for the entry in Latin America, and it is worthy of being furtherly studied.

Argentina is one of the richest countries in Latin America and it is a generally high developed economy (third in size in the region). Despite some structural weaknesses of its economy (high inflation in particular), the country must be taken into consideration by a company that is planning to enter the Latin America.

Chile is another highly interesting country, because of its stability, the development of its economy and the quite widespread prosperity. However, the extension and, consequently the opportunities

arising from its market are smaller than in Brazil, Mexico and Argentina, and this is the reason that explains its exclusion from the set of countries to deeply examine.

Uruguay is one of the most developed and rich countries in the region as well, and it is located in a strategic position in South America. Nevertheless, the small size of its economy with respect to the other examined countries and the smaller opportunities, in particular from the public sector, for crime and security issues, make Uruguay less attractive than other markets.

Peru is experiencing a path of economic development, and the general framework of the country is stable. Anyway, the country still has high poverty rates and lacks some important infrastructures, which may be penalizing factors for a foreign advanced company: thus, it has been rejected for the following part of the work.

Venezuela is one of the greatest producers and exporters of oil in the world. However, the dramatic conditions of its economy strongly discourage foreign companies' entry in this market.

In conclusion, the analysis will be focused, from this point forward, on Brazil, Mexico and Argentina.

First screening: Brazil, Mexico, Argentina

After the former introductory phase, aimed to give a general overview of Latin America's market, the analysis will now focus on the most attractive countries. The set of countries has been narrowed down to Brazil, Mexico and Argentina, which have been selected as the most interesting, due to the size and the level of development of the market, to growth prospects and to the number of opportunities to exploit they offer for a company like Stilsoft. Thus, in the following second step, Brazil, Mexico and Argentina will be analyzed in depth, through the tool of

PESTLE (Political, Economic, Socio-Cultural, Technological, Legal, Environmental) analysis. This step, addressed to evaluate the impact of the macroenvironment's factors on the activity of the firm, will be instrumental in choosing the final target market for Stilsoft's entry strategy in Latin America.

2.1 PESTLE analysis: Brazil

Political

Brazil is a democratic federative republic, with a presidential system. The federation is composed of the union of 26 states and the Federal Districts, which contains the capital Brasilia. The National Congress is the Federation's bicameral legislature, consisting of the Chamber of Deputies and the Federal Senate. The president is both head of state and head of government. The current president is the newly elected Jair Bolsonaro, who has taken up office starting from January 2019. His economic team espouses more free-market policies than the previous Temer's government: however, his agenda of privatization and liberalization will probably face the obstacle of a fragmented Congress, where his party has just 10% of the seats. Some uncertainty and instability may arise from Bolsonaro's will to change some commercial deals with other countries.

A structural big issue in the country is corruption and opening an operation in Brazil may require additional payments to government officials and this can be an obstacle to entering the market. Brazil ranks 70th place in level of corruption among 180 countries.

The government expenditure amounts to 37.93% of GDP in 2017. The total corporate tax is equal to 34% (in addition to statutory corporate tax rate of 15%, surtax of 10% on income in excess of BRL 240,000 per year imposed and 9% social contribution tax levied on adjusted net income).

Economic

Brazil is the largest economy in Latin America and the ninth largest in the world, with a nominal GDP equal to US$ 2,055.1 billion. The GDP based on PPP in current prices of 2010 is equal to US$ 3,247.5. The GDP growth rate in 2017 was 1.44%.

Brazil has a diversified economy, including agriculture, industry and a wide range of services. Agriculture and allied sectors account for 5.1% of the GDP. Industry, concentrated in metropolitan São Paulo, Rio de Janeiro, Campinas, Porto Alegre and Belo Horizonte and driven by automobile, steel, petrochemicals, computers, aircraft and consumer durables, accounts for 30.8% of the GDP. Nearly 25% of citizens live under poverty line, namely more than 50 million Brazilians (2017). The GINI index equal to 0.513 (medium) reveals inequalities in the distribution of income, even if the gap between rich and poor is decreasing gradually, and there is a significant trend of growing middle class. The unemployment rate amounts to 11.7% (October 2018).

The HDI in 2017 is equal to 0.759 (high).

Due to large population and inflow of FDI, Brazil has extremely high potential for growth. The inflation rate is now under control (around 4% in November 2018) and the risk of domestic currency devaluation is low. However, the reform of the expensive Brazilian pension system is an urgent issue, expected in 2019, in order to avoid the re-emergence of debt-sustainability and inflation concerns.

There is abundance of unskilled and semi-skilled workers, and labor costs on the global level are quite low. When it comes to import duties, there is a system in place which gradually reduces the tariff according to the number of years of successfully importing.

Government's treatment is generally equal for both foreign and domestic enterprises. Local state governments have also the right to offer incentives for investing, and the set of incentives for foreign companies is almost the same as domestic enterprises.

However, the corporate tax level at 34 % does not encourage to leave profits in the country. The consultant agency Price Water Coopers highly recommends that exporters seek assistance from local trade and tax consultants before shipping any goods in the country.

The inflation rate in 2017 amounted to 3.4%.

Socio-Cultural

Brazil is the largest country in south America and fifth largest in the world, with a population of 209,288,278 people (2017). The country is one of the most multicultural and ethnically diverse in the world, due to over a century of mass immigration from around the globe. 48% of the population is white, 44% *pardo* (multiracial), 8% black, 0.6% Asian and 0.3% Amerindian (natives). Moreover, about 5 million people migrated to Brazil between 1808 and 1972 from over 60 countries, in particular Portugal, Italy, Spain, Germany, Ukraine and Poland. The population growth rate is equal to 0.8% in 2017.

The population is heavily concentrated in the Southeastern and Northeastern regions, while the two most extensive regions, the Center-West and the North are much less populated. South and southeast region, where the metropolis of Rio de Janeiro and São Paolo are located, are the most developed parts of the country and hold the best standard of living. These areas account for the biggest portion of GDP per head.

The median age of the total population is 31.28 years (2015); the largest age group is 25-54 years, accounting for about the 44% of the total population (about 91 million people).

Literacy rate amounts to 92.6% in 2017. Inequality in the distribution of wealth across the population is still a problematic issue, despite the general improvement.

Christianity is the largest religion in Brazil, with Roman Catholics having the most adherents ((64.8%). Evangelical Protestantism has grown in 21st century to 22% of the population. The remaining part is represented by other religions and atheism.

Technological

Brazil is a world leader in petroleum exploration in deep water and leads researches on first- and second-generation biofuels. Moreover, Brazilian automation system is the most advanced in the world according to the World Bank and International Monetary Fund. Telecommunications system and digital TV are among the most developed in the world as well.

The country's expenditure in Research and Development accounts for 1.16% of the GDP. In addition, great number of startups have recently developed in the country.

Legal

Brazilian law is based on the civil law legal system. The legal system is based on the Federal Constitution, promulgated on 5 October 1988, and is the fundamental law of Brazil. The highest court is the Supreme Federal Court.

Brazil is a highly bureaucratic country. Opening any sort of business in Brazil involves large amounts of paperwork, there are still numerous regulations and it is a lengthy process. Brazil ranks 125th in ease of doing business, behind other countries in Latin America and major emerging markets in the world. Starting a business is easier in the states of Minas Gerais and Rio Grande do Sul. It is most difficult in Sao Paulo, Ceara, and Maranhao. The time to start a business varies widely across states- from 19 days in Minas Gerais to 152 days in Sao Paulo. It takes 19 different steps to start a business in Ceara, and 18 in Maranhao and Santa Catarina. Government is showing effort in helping investors by providing manuals and lists of necessary bureaucratic instruments needed to start a business or to obtain the necessary licenses.

Brazil has signed a bilateral agreement on avoiding double taxation with most countries. There are specific laws regulating pricing models as well. Also, every enterprise is required to pay extra (13th bonus) salary to its employees.

Environmental

According to Kyoto Protocol, Brazil is one of the largest emitters of greenhouse gases. However, the government's commitment in environmental policies to stop deforestation and emissions has increased substantially in last years. In addition, specific regulations have been adopted to compel companies to adopt eco-friendly combustion techniques

2.2

PESTLE analysis: Mexico

Political

Mexico is a federal republic. The Mexican Federation comprises 31 states and the federal capital Mexico City, which is a special entity. The government is representative, democratic and republican based on a presidential system according to the 1917 Constitution. The 1917 Constitution establishes three levels of government: the Federal Union, the State Governments and the Municipal Governments. The federal legislative power is represented by the bicameral Congress of the Union, composed by the Senate of the republic and the Chamber of Deputies. The executive is the President of the United Mexican States, who is the head of state and government, is elected by universal adult suffrage for a 6-year term and may not hold office a second time. The current President is Andrés Manuel López Obrador.

The federal framework of the country has an important impact, since actions by the federal government widely affect the activity of firms. Regulations concerning business practices differ between provinces and also tax rates vary widely.

One of the main issues in Mexico is the still the high rate of poverty, and the IMF and World Bank programs, which were supposed to reduce poverty, were actually poorly effective. The country would need a new political economy designed by economists and politicians directly committed to Mexico and to the future of its society.

Mexico is founding member of several international organizations, most notably the United Nations, the Organization of American States, the Organization of Ibero-American States, the OPANAL and the Rio Group. In addition, it was the only Latin American member of the Organization for Economic Cooperation and Development (OECD) since it joined in 1994 until Chile gained full membership in 2010. Mexico is considered a regional power hence its presence in major economic groups such as the G8+5 and the G20. In addition, since the 1990s, Mexico has sought a reform of

the United Nations Security Council and its working methods with the support of Canada, Italy, Pakistan and other nine countries, which form a group informally called the Coffee Club.

After the War of Independence, the relations of Mexico were focused primarily on the United States, which is its largest trading partner.

The government expenditure amounts to 24.74% of GDP in 2018. The corporate tax is equal to 30%.

Economic

Mexico is the second largest Latin American economy and it has the fifteenth largest nominal GDP in the world (US$ 1,151.1 billion in 2017). The GDP based on PPP in current prices is equal to US$ 2,462.76 (2017). The GDP growth rate in 2017 was 2.0% and it has been subjected to substantial fluctuations in recent years.

It is classified by the World Bank as an upper-middle-income country. The nominal GDP per capita is equal to US$: 8,903 (2017). The unemployment rate accounts for 3.4% in 2017.

The average household net-adjusted disposable income per capita is US$ 13,891 per year. According to OECD, 21.5% of Mexican population lives in situation of poverty. Economic disparity between the extremely poor, mainly concentrated in the rural areas and the extremely rich in the most advanced urbanized areas, is still quite high (GINI index in 2016 = 0.434, medium). The HDI in 2017 is equal to 0.774 (high).

The inflation rate in 2017 amounted to 6.0%.

The Mexican economy is strongly linked to United States: Mexico is the United States second-largest export market and third-largest trading partner. The national electronics industry has grown enormously within the last decade, and nowadays it is the sixth largest in the world. The automotive industry is well developed as well: Mexico is the largest producer of automobiles in North America, and GM, Ford, Chrysler, Volkswagen, Nissan and Kia have plants in the country. The domestic car industry is represented by DINA and Mastretta. According to several estimates, Mexico could become the world's fifth largest economy, by 2050.

Mexico offers some relevant advantages for foreign companies, such as labor costs comparable to Asia-based manufacturing, a strategic location between North and South America, a young and more skilled labor workforce with respect to other Latin American countries and a good governmental support to FDIs: these factors make Mexico a top choice for investors in this region.

Socio-Cultural

With an estimated population of 129,163,276 (2017) people, Mexico is the most populous Spanish- speaking country in the world and the second most-populous country in Latin America after Brazil. The country is ethnically diverse. The core of the Mexican national identity is formed on the basis of a synthesis of cultures, primarily European and indigenous cultures, in a process known as *mestizaje*. The growth rate of the population is 1.3% in 2017.

About 76% of the people live in urban areas. Many Mexicans emigrate from rural areas that lack job opportunities, such as the underdeveloped southern states and the crowded central plateau, to the industrialized urban centers and the developing areas along the U.S. - Mexico border. According to some estimates, the population of the area around the capital Mexico City is nearly 22 million, which would make it the largest concentration of population in the Western Hemisphere.

The median age of the total population is 27.53 years (2015); the largest age group is 25-49 years, accounting for about the 35% of the population (about 45 million people).

Mexico has made great strides in improving access to education and literacy rates over the past few decades. In 2015, the adult literacy rate is 94.55%, increased from 87.56% in 1990.

Social mobility is still low, despite the increase in recent years, mainly due to the improvement of education levels.

The dominant religion in the country is Catholic Christianity, with a share of about 83% of the total population (2010). Protestant and Mormonism churches constitute 10% of the population, while the remaining share is represented by other religions or non-religious people.

Technological

The Mexican electronics industry is one of the most advanced in the world. Mexico is also the country with the third largest solar potential, and currently there are 1 million square meters of solar thermal panels. The project SEGH-CFE 1 in the Northwest is the largest solar field in Latin America. In technological field, the cooperation with the United States is very important and includes state and local problem-solving mechanisms, transportation planning, and resources, environmental, and health issues.

Legal

The highest organ of the judicial branch of government is the Supreme Court of Justice, the national supreme court. Supreme Court justices are appointed by the president and approved by the Senate.

The bureaucratic system is ponderous and often inefficient. Estimates of the cost of compliance per year vary widely, but could well exceed $100 billion annually. Many of these costs are passed to consumers. However, costs of legal expenses and settlements may not be incurred for years and are not likely to be paid by consumers of the product or owners of the company when the violation occurred. Still, potential legal action often results in higher prices for consumers and a more conservative attitude by business executives.

While the government generally respects the human rights of its citizens, serious abuses of power have been reported in security operations in the southern part of the country and in indigenous communities and poor urban neighborhoods. The judicial system is overburdened and overwhelmed with several problems. Despite the efforts of the authorities to fight crime and fraud, most Mexicans have low confidence in the police or the judicial system, and therefore, few crimes are actually reported by the citizens.

In 2008, president Calderón proposed a major reform of the judicial system, which was approved by the Congress of the Union, which included oral trials, the presumption of innocence for defendants, the authority of local police to investigate crime —until then a prerogative of special police units—and several other changes intended to speed up trials. Drug cartels are a further major concern in Mexico. Mexico's drug war has left over 60,000 dead and perhaps another 20,000 missing. The Mexican drug cartels have as many as 100,000 members. Mexico's National Geography and Statistics Institute estimated that in 2014, one-fifth of Mexicans were victims of some sort of crime. President Calderón made the eradication of organized crime one of the top priorities of his administration by deploying military personnel to cities where drug cartels operate: its effects have been positively evaluated by the US State Department, despite the critics from the opposition parties for escalating violence. Furthermore, more than 100 journalists and media workers have been killed or disappeared since 2000, and most of these crimes remained unsolved, improperly investigated, and with few perpetrators arrested and convicted.

A major development in late 2017 was the passage of a new national Internal Security Law (*Ley de Seguridad Interior*), which added a formal law enforcement mission in this field to the Mexican Secretariat of Defense (SEDENA) and the Secretariat of the Navy (SEMAR). The Mexican military had

will be increasingly active in pursuing drug cartels and coordinating all law enforcement entities, and the new law was intended to address mounting criticism that the military lacked clear rules of engagement and training. The law handed more law enforcement, surveillance, and investigative responsibility to state and local governments and set out rules for requesting security intervention by the Federal Police in cases that might affect national security. The law clarified that the Mexican military could only respond to a conflict if the Federal Police needed backup. Various human rights agencies and civil groups have brought concerns before the Mexican Supreme Court, but so far, the court has taken no actions to rule the law anti-constitutional.

Конец ознакомительного фрагмента.