

***“El Bajío”*: Business-Safe Sanctuaries in Radical Mexico**

Guillermo A. Moreno M. and Daniel Fernández, Santamarina y Steta, S.C.

Mexico is experiencing one of the most uncertain times in its modern history with regards to foreign investment. This is true mainly due to the political environment, since the federal administration has placed national sovereignty as one of its flagships and has waived it arguing protection of natural resources (such as renewable energy sources and lithium) from foreign investors, to the point where the U.S. and Canada have requested consultations with Mexico, in connection with the energy policies of the latter.

Whilst this sovereignty discourse has spread to other branches of federal government and local governments aligned with the ruling party, certain states have managed to remain untouched by such influence, and neutral in their promotion of business and investment, thus sustaining and increasing their reputation as safe havens for domestic and foreign businesses.

Several such states are located in a central region of Mexico called *“El Bajío”*, which includes, among others, the states of Querétaro, Guanajuato and San Luis Potosí. Seen in the long run, several indicators have positioned *“El Bajío”* as one of the most solid in Mexico. A couple of examples based on official government sources are: increasing formal employment by 58% in the past 10 years and increasing by 268% the value of GDP in the past 20 years.

In more tangible examples, *“El Bajío”* has 22 automotive assemblers (including Honda, Nissan, Mazda, BMW and General Motors), along with almost 50% of tier 1 and tier 2 companies in Mexico, thus contributing to 34% of the production value of Mexico in the automotive industry (largest proportion by regions in Mexico).

The economic boom in *“El Bajío”* is not limited to the automotive industry. Agricultural businesses, such as Pilgrims and Red Sun Farms are present in the region. Also, technology is spearheading growth in *“El Bajío”*. European bank Santander installed one of its most important data processing centers, along with the Brazilian ODATA, and last year, Microsoft announced the construction of one of its most innovative data centers worldwide.

Further, credit rating agencies confirm the confidence in the region. Recently, Moody's has given the state of Querétaro the highest of all ratings in Mexico, an AAA.mx, giving a stable outlook for the entity, considering its high income, its GDP per capita and its low levels of indebtedness. It is expected for the state to benefit from this rating by developing infrastructure, particularly for water supply and mobility, which will definitely foster a virtuous circle of continuous business development, as it has also been foreseen by fDi Intelligence, which includes four cities from *“El Bajío”* in its top-ten ranking of overall Latin American cities of the future, further reassuring the potential of the region.

In spite of potential deterrents for investment in Mexico, we trust that *“El Bajío”* will consolidate as a business magnet and will eventually aid in overthrowing a gloomy panorama for investment in Mexico.