

# Globalization in Mexico: as good as guacamole



6 Drivers



to do better businesses

I want to share with you that recently I read an interview that Bloomberg made for Pedro Aspe Armella, who was Treasury Secretary in the times when Carlos Salinas was president, and who will sign on behalf of our country the North America Free Trade Agreement (NAFTA).

The comments from Aspe, during the interview were focused on criticizing the negative attitude and the pessimism with which many countries see today the effects of globalization, and especially of the effects of free trading.

And he applauded that Mexico, contrary to Brazil, and other “closed economies” of the Latin-American region, is still betting on the opening of the frontiers; because, as you know, our government is working to expand the scope of NAFTA for the Asia-Pacific market through the Trans Pacific Partnership (TPP).

In the same way, and in my opinion, I think that Aspe explained very clearly the benefits of opening to the offers and the international demands, because he said that it could be understood using the example of a simple guacamole taco, because in its case, to enjoy it properly you need two commodities: corn and avocado.

He explained masterfully, that the demand of the avocados in Mexico is higher to the level of their internal demand, so guacamole that is consumed in the rest of the world is provided with the very profitable avocados that Mexicans don't eat and that we export.

In the other hand, the demand of corn for tortillas in Mexico is doubled by its own offer, situation for which we are motivated to import permanently such raw material.

Then, if in Mexico we don't export our avocados through free trade agreements (and which we would have competition), the result would be that we would not have enough flow to buy the corn that we consume, and the result of being an option for a closed economic policy would be that Mexicans wouldn't have enough tortillas to enjoy a simple avocado taco.

Now, as a curious fact, I would like to clarify that Pedro Aspe, is also who integrated Mexico to the OCDE, and is this agreement through which we have standards for international free trade, and that has defined through its guides what we should understand by a standard that affects all the companies in Mexico, and is called Arm's Length Principle.

## GLOBALIZATION AND COMPLIANCE

Then, it is important that you are aware that in Mexico, the article 76 fraction XII of the current Income Tax Law obliges all the companies to make operations with their related parties, they have the fiscal obligation to demonstrate that they comply with the Arm's Length Principle through the elaboration of a Transfer Pricing Study.

So, if you want to know if your operations are in compliance to the established standards by law, don't doubt in contacting us, and we will help you to achieve the necessary compliance.

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**Florentino Elizondo; Esq., CPA.**  
President & CEO  
DEC / ICBA  
Member of Allinial Global

