

THE REPORT

Redefining trade: Prolstmo & Mexico's Interoceanic Corridor

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Raymundo Pedro Morales Ángeles,
Director General, Interoceanic
Corridor, on the route's
transformative potential

What roles do you see for the Interoceanic Corridor and Prolstmo in boosting economic growth?

MORALES ÁNGELES: The Interoceanic Corridor stretching across Mexico's Tehuantepec Isthmus, the narrowest point in the country separating the Gulf of Mexico from the Pacific Ocean, aims to develop a comprehensive logistics connection. The corridor is of strategic maritime importance for Mexico, as it links the Pacific and Atlantic oceans through two ports situated on either side of the isthmus. The corridor also allows for the movement of goods through dry canal – travelling via roads, railways and industrial complexes – from one port to another. Beyond that, the population of the Tehuantepec region is expected to benefit from the long-term development of the Interoceanic Corridor. As such, it is essential that as many goods as possible are processed within the corridor to bolster the area's productive capacity and add greater value to Mexican exports.

Additionally, the country hopes to manufacture new goods within the corridor using materials from surrounding areas. These products can then be transported and exported through the ports at Salina Cruz in the south of the isthmus and Coatzacoalcos to the north. This is why industrial complexes are so important for the region's overall economic well-being. We have 10 such complexes along the length of the corridor: six in the state of Oaxaca and four in the state of Veracruz, in addition to two located in the state of Chiapas.

Of Veracruz's four complexes, Prolstmo's in Texistepec is the most significant. The centre plays a crucial role in the corridor due to its connectivity, with roads linking it to the transisthmian highway, and secondary and tertiary roads crossing Prolstmo's territory. Additionally, a railway line passes through the complex, giving it a strategic advantage when it comes to the development of high-value industries.

We want companies to establish themselves there, adding value to goods coming from Asia or the US. We also aim for companies that provide Mexico with opportunities to integrate themselves into the technological development chain, such as by establishing a high-energy research centre or installing a synchrotron, a type of circular particle accelerator. The US, some European nations and Brazil have all observed significant scientific advancements after installing synchrotrons, so these kinds of initiatives would offer significant potential for both Texistepec and the Interoceanic Corridor.

In what ways can the integration of road and rail routes best be leveraged to expand the corridor and distinguish it from other logistical projects?

MORALES ÁNGELES: Several factors must be considered regarding railway lines. Currently, the corridor can move trains with 65 carriages, transporting around 6500 tonnes per train. The corridor can also move double-stacked containers, up to four 20-foot equivalent units per carriage, totalling 260 containers per trip. With the existing infrastructure and federal investment, this can rise to eight trains daily. This gives us incredible cargo movement capacity.

In the port of Coatzacoalcos on the Gulf of Mexico, we have developed a multi-use terminal for exporting and importing goods to and from the US. We have a similar terminal in the port of Salina Cruz on the Pacific Coast that allows us to handle up to 300,000 containers annually. By the end of the decade we plan to develop two specialised container terminals, one in Coatzacoalcos and one in Salina Cruz, with the goal being to reach 1.4m containers per year. Salina Cruz, the deepest port in the Americas with a depth of 25 metres, is projected to become a key part of Mexico and the wider region's logistics network, which in turn will require ongoing

infrastructure development. The existing railway network is just the beginning, and a double track or a fast line may be necessary to shorten travel times and increase rail capacity as demand increases.

How does the federal government plan to integrate these complexes to ensure they complement and do not compete against each other?

MORALES ÁNGELES: The location of each industrial complex gives it a specific vocation. For instance, the ones in Chiapas are mainly agro-industrial due to the region's primary production. In Oaxaca, we have both agro-industrial and petrochemical complexes, along with infrastructure for ports, vehicles and electric motorcycles. This variety helps generate diverse employment opportunities. Prolstmo in Texistepec, along with the Mixtequilla, Mateo Romero and San Juan de Mujeres complexes in Veracruz, can form a productive chain, advancing industrial development in phases. One of the key aims of the project is to involve local communities in their development as participants, not just as observers.

The Interoceanic Corridor would like to see companies – including Prolstmo – invest in community infrastructure, connect with academia, and prepare local youth to assist in its development and operations. This kind of integration would ensure that locals take ownership of the project. We also would like to see companies follow responsible environmental practices, including in regards to water usage, waste management and community health.

How do you see the Interoceanic Corridor's role within the international logistics ecosystem?

MORALES ÁNGELES: The corridor is not a competitor of the Panama Canal – it is a complementary link between the world's two largest oceans. The Panama Canal is currently facing issues like water salinity and

a reduction in the number of ships that can pass through it. Instead of ships waiting for two weeks to cross the Panama Canal, the Interoceanic Corridor offers an alternative route through its ports.

Additionally, the cargo arriving at other ports, such as Manzanillo, Lázaro Cárdenas, Veracruz and Altamira, can be moved through the Interoceanic Corridor by other means, which creates additional value locally. We are focusing on high-value industries like electric vehicles, agro-industry, pharmaceuticals and medical devices, which have a different value proposition than that of the Panama Canal. With well-developed ports and efficient lines of communication, we aim to attract global technology and industrial development companies.

The Interoceanic Corridor is ready to welcome foreign investment to do just that. The corridor offers clean energy and a plan to establish the world's largest hydrolysis plant for green hydrogen production. Within this, Prolstmo will help act as an anchor for other industrial complexes in the region, potentially becoming Mexico's first green industrial park.

What strategies are needed to integrate local businesses into the industrial complexes and ensure they benefit from this development?

MORALES ÁNGELES: As part of their concessions, operators of the corridor's industrial complexes must allow local businesses to establish themselves where they see fit. They must allocate a portion of the complex for local enterprises and ensure that at least 20% of jobs are filled by locals. This includes not only labour, but also services and human capital.

The goal is to improve the quality of life for the local population, integrating them into the economic activities of the complex. This project is fundamentally social, as it aims to uplift a historically neglected region, while respecting local customs and culture.

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Ángeles, Director General,
Interoceanic Corridor

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Introduction

Texistepec and the Interoceanic Corridor in brief

10 strategic sectors for the Texistepec industrial complex

 Medical devices	 Semiconductors & electrical components
 Computer systems & electronics	 Pharmaceuticals
 Automotive	 Electrical equipment
 Machinery & equipment	 Chemical products
 Cellular/mobile communication equipment	 Aerospace

Texistepec industrial complex's direct economic impact

-  **MXN1.9bn**
Investment in urbanisation within two years
-  **MXN6.3m**
Investment in construction, equipment and maintenance of local infrastructure
-  **MXN14bn**
Investment in construction
-  **MXN850,000**
Annual investment in the local community

Promotion of indigenous culture
Environment
Culture, recreation and sports
AI workshop

Early interest in Texistepec

Companies from the following sectors:

-  Pharmaceuticals
-  Agro-industry
-  Logistics

Investment from international institutions such as:

-  Inter-American Development Bank

Overall development timeline in Texistepec

Timeline from 2023 to 2033:

- 2023**: Construction begins
- 2025**: Critical point for continuation of project
- 2030**: 100% occupancy expected
- 2033**: Full development and consolidation of Texistepec

Interoceanic Corridor's direct economic impact

-  **3-5%**
Projected boost to GDP
-  **MXN7bn**
Projected foreign direct investment in the first five industrial complexes in the corridor
-  **\$35.3bn**
Total expected increase in exports from the south of Mexico, thanks to projects such as the corridor
-  **500,000**
Containers passing between Salina Cruz and Coatzacoalcos in the first three years of the project

Introduction

Mexico's economic outlook

Despite global economic headwinds, Mexico's economic forecast for 2024 presents a positive outlook. GDP growth for the year is projected to be 2.7%, according to the IMF's January World Economic Outlook – driven by a diversified economy, with manufacturing a key contributor. The nearshoring and reshoring of manufacturing operations, particularly from the US, is expected to bolster this sector further. Companies are increasingly considering Mexico as a competitive alternative to distant suppliers, as evidenced by Tesla's giga-factory in the state of Nuevo Leon – which could enhance efficiency and reduce supply-chain vulnerabilities.

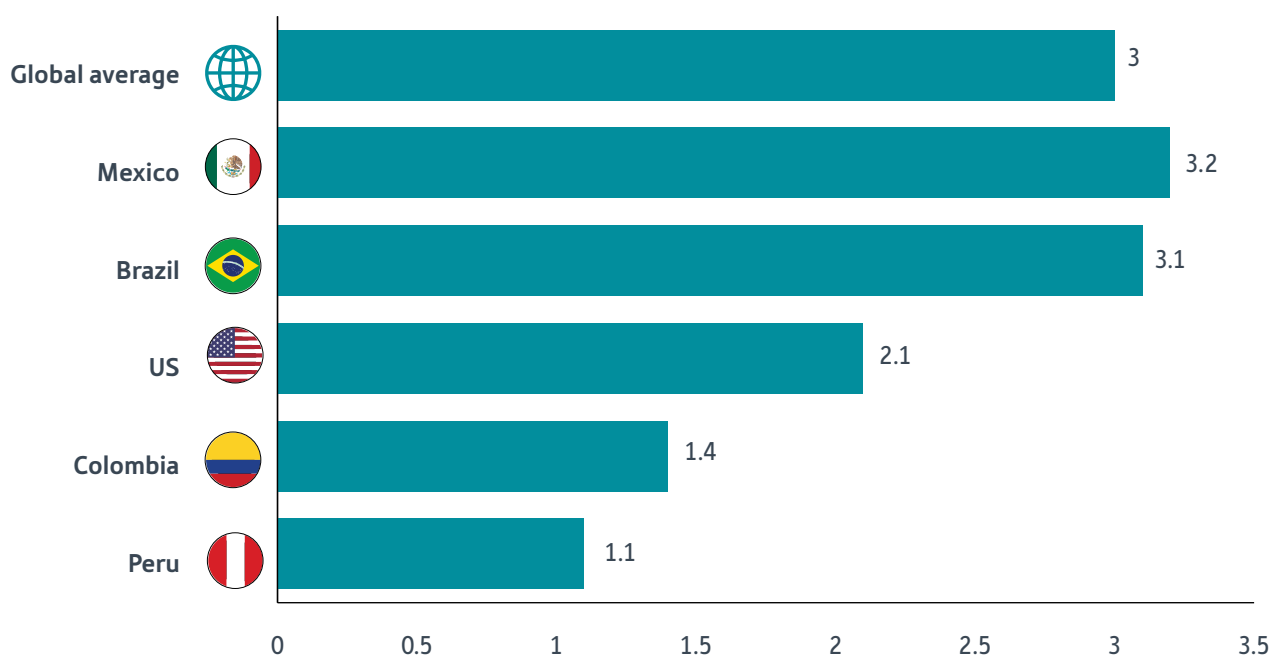
Banxico, the nation's central bank, expects headline inflation to moderate to 3.6% at the end of 2024, according to a March statement – reflecting a gradual easing of price pressures. Indeed, the peso was among the world's best-performing currencies during the preceding 12 months on the back of increased investment. Banxico cut its benchmark interest rate in March 2024, for the first time since 2021, by 25 basis points to 11%. Meanwhile, recent tax reforms seek to foster fiscal prudence. The unemployment rate is anticipated to remain stable at some 3.4% by the end of the year, indicating a resilient labour market. Further improvements to labour productivity may materialise through ongoing digitalisation efforts, with the government investing in technology integration across key segments.

This digital push is expected to enhance efficiency and foster innovation, harnessing Mexico's significant youth dividend – with a median age of around 30. Infrastructure development remains a priority, with major projects such as the Interoceanic Corridor of the Isthmus of Tehuantepec, a second airport for Mexico City and the Mayan Train set to boost economic connectivity.

CHALLENGES: Mexico nonetheless faces challenges, including the need for strategic trade realignment amid global tension. Security, poverty and equality were at the forefront of debate ahead of the June 2024 elections, signalling possible changes in funding priorities. However, the Texistepec project seems likely to continue given the victory of the National Regeneration Movement (Movimiento de Regeneración Nacional, MORENA) and the project's inclusion in President Claudia Sheinbaum's policy agenda.

Mexico's economic trajectory in the second half of the year will be shaped by its strategic initiatives and response to global headwinds. The central bank's monetary policy will also be a critical determinant. Addressing structural challenges, capitalising on investment flows from reshoring opportunities, enhancing public spending on key infrastructure and leveraging digital transformation will be essential to sustain economic momentum moving forwards.

Real GDP growth in selected markets, 2023 (%)



Introduction

In focus: an economic profile of the state of Veracruz

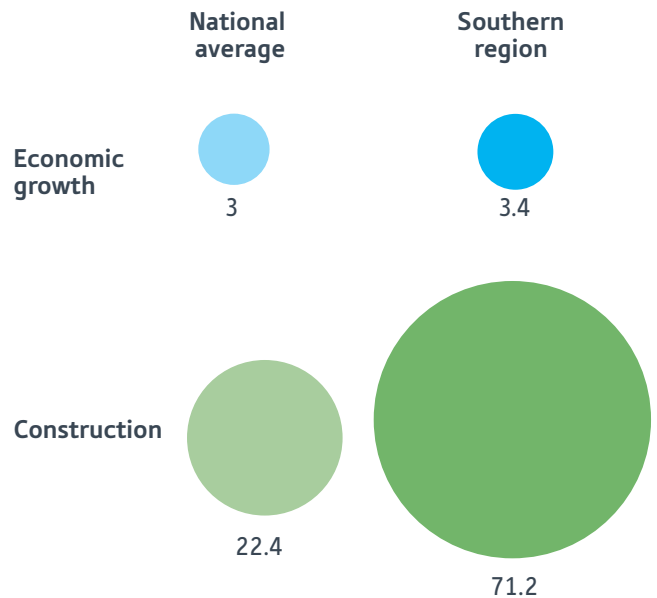
PERFORMANCE: The state of Veracruz, located in the east of Mexico along much of the Gulf of Mexico coastline, presents a complex and multifaceted economic landscape. In 2022, for example, international sales reached \$2.1bn, up almost 43% from the previous year – underscoring the state’s increasingly important position in international trade. With exports likewise reaching some \$2.1bn in 2023, Veracruz has continued its annual trend of recording a trade surplus. The primary economic activities fuelling outbound trade are diverse, ranging from agriculture, with Veracruz a leading producer of coffee and sugar cane, to industrial output, such as iron and steel tubes and pipes. While Mexico’s six northern border states have historically underpinned the nation’s industrialisation drive, Mexico’s southern region, comprising eight states including Veracruz, recorded 6% annual growth in the second quarter of 2023 and a 4.6% expansion between January and March. This represented the largest regional GDP expansion registered in the country in the first half of 2023, with the expansion of the construction sector at the nucleus of this performance.

Although detailed metrics are not readily available on the subnational level, the World Bank’s subnational

Veracruz’s economic growth, 2019-23 (%)



Mexico's national and southern GDP growth, H1 2023 (%)



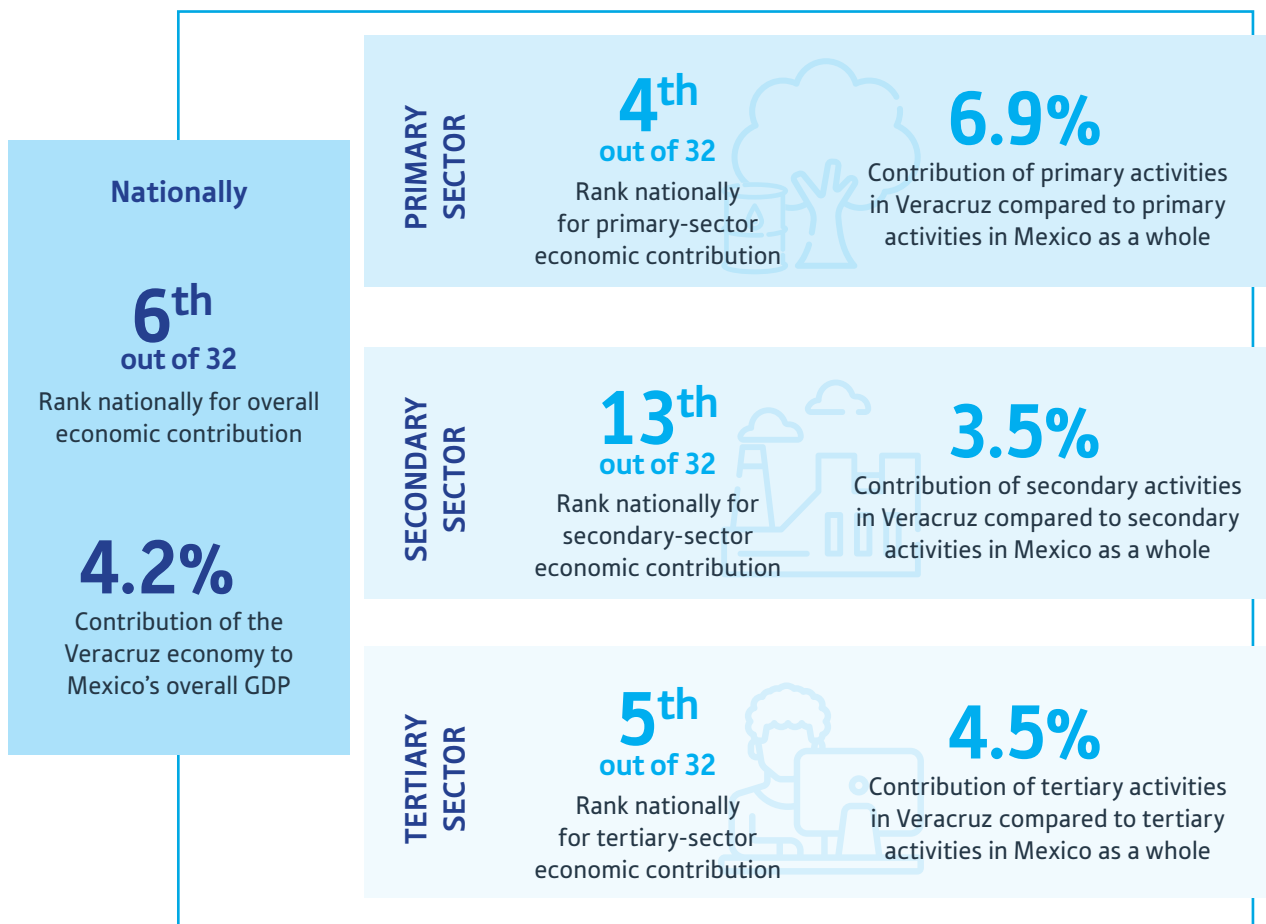
data suggests that the business climate in Veracruz is improving through a series of reforms aimed at simplifying administrative processes and enhancing legal certainty for investors, indicating a positive trajectory with respect to the state’s ease of doing business.

INVESTMENT: Foreign direct investment (FDI) inflows into Veracruz have been significant, with the state receiving \$718m in FDI in the nine months leading to September 2023. This underscores the state’s strategic initiatives to attract funding, particularly in the tourism and energy sectors. Leveraging its proximity to the interoceanic trade corridor, its rich natural and cultural resources and the integration of the port in Oaxaca’s Salina Cruz with the Port of Coatzacoalcos in Veracruz, the state has outlined plans for both the development of tourism and industry, and the construction of a port for the offshore energy segment. These are expected to be pivotal to future economic development.

SUSTAINABLE DEVELOPMENT: In recent years Veracruz has embarked on a path towards sustainability, recognising the need to balance economic growth with environmental conservation. The state’s strategic location along the Gulf

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Veracruz's economy in context, 2022



of Mexico endows it with rich biodiversity and ecosystems that are vital to its economy and the well-being of its people. The state is embracing the green economy, with a focus on climate-change mitigation through projects that incorporate environmental variables in key sectors such as agriculture, energy and tourism. This includes ACCIONA's Dry Dock Veracruz Shipyards project, which aims to build resilient infrastructure, promote sustainable industrialisation and foster innovation. Veracruz's 2030 Agenda is establishing a sustainability architecture to integrate sustainable development goals into national roadmaps, reflecting a strategic alignment with global objectives.

Urban resilience is another key area, with projects aimed at building the climate resilience of urban systems through ecosystem-based adaptation in cities like Xalapa. Such efforts are designed to help urban environments become more sustainable and capable of withstanding the physical risks posed by climate change. Furthermore, a growing

commitment to biodiversity conservation is evidenced by Veracruz's collaboration with The Nature Conservancy to promote conservation and sustainable development across southern Mexico, preserving its rich natural heritage as a driver for long-term, socio-economic prosperity.

Despite these positive indicators, Veracruz faces incumbent challenges. The state is working to ensure that economic activities translate into sustainable labour opportunities for its population. Moreover, poverty reduction remains a critical issue. While the reduction in the poverty rate from 61.8% in 2018 to 51.7% in 2022 signals an encouraging trend, there is still room for improvement, with optimism that initiatives like the corridor will accelerate poverty alleviation efforts. Balancing economic growth with environmental stewardship presents its own set of challenges. The state government faces the responsibility of addressing these issues, ensuring that environmental concerns are given due attention along with advancing socio-economic endeavours.

Introduction

Key growth sectors in Veracruz

HYDROCARBONS: Veracruz, a pivotal state in Mexico's energy sector, is undergoing a transformative phase of hydrocarbons development. The state's authorities, under

the auspices of the National Hydrocarbons Commission (Comisión Nacional de Hidrocarburos, CNH), have greenlit projects such as the Lakach deepwater natural gas project,

Veracruz's main priorities



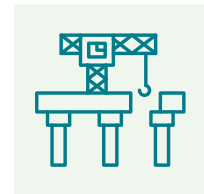
Coordinate cooperation between the federal and municipal governments to ensure the maintenance of telecommunications and radio communication centres under state jurisdiction



Link tourism activity with other key sectors of the economy



Rehabilitate roads for optimal mobility of the population and economy, as well as to support state-level and national tourism



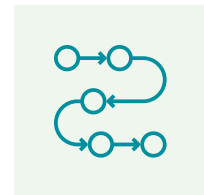
Build infrastructure that connects the state's northern, central and southern regions



Facilitate the operation of the State Employment Service, linking labour supply and demand in Veracruz



Stimulate productive value chains in the primary sector



Establish tendering mechanisms to reduce and streamline government bureaucracy



Promote state competitiveness, starting with a regional policy for sustainable development – with the participation of different economic and social actors

Introduction

aiming to bolster Veracruz's natural gas potential. This is part of a broader strategy to revitalise the segment, with investment channelled towards infrastructure development, including the reconfiguration of the Cempoala, Lerdo and Tecolutla compressor stations. With hydrocarbons contributing some 4% of Veracruz's GDP, CNH approved \$15bn of investment for oil and gas exploration in the state in January 2024. Nonetheless, protectionist measures in Mexico's Hydrocarbons Law pose challenges, potentially affecting investor confidence as well as the pace of development.

CLEAN ENERGY: In the realm of renewables, Veracruz is poised to become the clean energy centre of Mexico, with around 31% of its electricity generated from clean energy sources – hydropower, biomass and nuclear power. The state is home to the country's only nuclear power plant, located in Laguna Verde with a 1.6 GW installed capacity. Veracruz's pursuit of distributed generation – promoting the construction of solar facilities with a capacity below 500 KW – underscores a growing commitment to environmental sustainability. Meanwhile, the potential capacity for wind and small-scale solar power in the state stands, respectively, at 13.2 GW and 2.2 GW. Capitalising on these sources could help the state contribute to national goals – which include 35% electricity generation from clean energy sources by 2024, and raising Mexico's combined wind and solar capacity to 40 GW by 2030, up from 17 GW in 2021. Veracruz is the leading contributor to Mexico's electricity mix by state, generating around 15% of the country's total power. Possible headwinds ahead include navigating policy changes and permit delays, which could slow renewables expansion.

INDUSTRY: Veracruz's industrial sector is a cornerstone of its economic architecture. The sector is diverse, with manufacturing, processing and automobile parts among the notable subsegments. The state's strategic location, with access to the Gulf of Mexico, has fostered a robust export-oriented industrial base, particularly in the automotive space – facilitated by the Port of Veracruz. The construction of new industrial assets, including an automobile parts factory in Veracruz, helped the state and its southern counterparts to outstrip the economic expansion of Mexico's more industrialised northern and central regions in the first half of 2023.

The federal government's national policies and programmes, such as the Ministry of Economy's National Industrial Policy in 2019 and its 2022 Towards an Industrial Policy strategy, guide the development of the state's manufacturing sector. These promote numerous objectives, including digitalising

the manufacturing sector, mobilising low-cost capital for industrial projects, increasing domestic content along the value chain and promoting sustainable industrialisation. Incentivising investment in the sector is a critical component of the state's industrial agenda, which is buoyed by government initiatives aimed at infrastructure development. These include the Nuevo Puerto de Veracruz project, which promises to enhance the state's logistics capabilities. Several initiatives poised to expedite the state's industrialisation and enhance local employment opportunities are in progress, including the establishment of various industrial complexes. Among these endeavours, the launch of the Interoceanic Corridor project stands out as a significant effort aimed at advancing the industrial landscape of the state.

However, the industrial sector faces challenges. Among these is a skills gap in the national labour force, which necessitates upskilling to meet the evolving demands of modern industry. Environmental sustainability is another pressing concern, with initiatives in place to address the impact of industrial activity on the region's rich biodiversity.

TOURISM: Veracruz's tourism sector is emerging as another driver of economic development, leveraging the state's rich cultural heritage and natural landscapes. The sector's 22% contribution to GDP, based on 2023 data, highlights its vital role in economic diversification and development.

The tourism industry comprises diverse subsegments, including leisure, religious and ecotourism – each deepening the state's appeal as an emerging tourism vista. Supported by initiatives like the My Veracruz Award programme, which acknowledges excellence in hospitality and tourism services, the sector continues to thrive. Promoting the state's dynamic festival scene, which showcases the vibrant and ancient cultural heritage underpinning Veracruz's status as the so-called door to America across its 212 municipalities, stands to benefit FDI inflow and tourism traffic. Other strategies aimed at promoting the industry include staging monthly events, in a move to boost activity outside of peak seasons, and capitalising on the state's ideal weather and diverse landscape to appeal to a broad spectrum of visitors.

The sector is not without challenges, such as environmental sustainability concerns and the need for continuous investment in infrastructure to accommodate growing visitor numbers. Addressing these challenges will be crucial for the sustained growth of Veracruz's tourism sector in line with national and international objectives.

Veracruz's economic outlook with the Interoceanic Corridor

The corridor project aims to connect the Pacific and Atlantic Oceans via a multi-modal logistics platform. It involves upgrading 309 km of railways and two ports, with a focus on enhancing the economy of southern regions, particularly Veracruz and Oaxaca. It is anticipated to facilitate the transport of over 1.4m containers annually, reducing transit time across the country to less than six hours from port to port. This initiative is positioned as a faster and more cost-effective alternative to the Panama Canal and includes the construction of 10 development poles for well-being (polos de desarrollo para el bienestar, PODEBIs), which are expected to attract significant investment. Among these, Texistepec stands out as the largest to date, strategically situated at the northern end of the corridor, adjacent to a railway line and a federal highway, and within 45 km of the corridor's northern port of Coatzacoalcos. During the first two years, Prolstmo, a programme aimed at promoting economic development and infrastructure projects in the Isthmus of Tehuantepec region, plans to invest MXN1.9bn (\$108.9m) in urbanisation efforts for Texistepec, along with up to MXN15m (\$860,000) on social infrastructure.

As such, the logistics sector holds promise, with the corridor alone expected to contribute 1.6% to national GDP by 2050; moreover, the establishment of industrial complexes along the corridor could mobilise over \$50bn in investment

and generate more than 500,000 direct jobs. An array of incentives, including value-added tax exemptions and tariff reductions, as well as a streamlined administrative portal and plans to develop residential zones and protect natural reserves, look poised to further boost investment flows.

The environmental impact of the corridor, which involves the modernisation of an existing gas pipeline in the Isthmus and constructing four wind plants, is a critical consideration. While it aligns with global sustainability goals, it is essential to strike a balance between industrial activity, and the needs of indigenous populations and biodiversity preservation. In terms of social impact, there is optimism that the corridor will help alleviate socio-economic challenges in Veracruz by transforming the broader southern region and placing 79 municipalities at the nucleus of economic development. This could potentially raise living standards and reduce poverty levels in Veracruz and other southern states in the future.

The corridor presents a significant opportunity for Veracruz and the broader southern region of Mexico, with its potential for trade and logistics, alongside considerations for environmental and social impacts. This initiative is poised to drive economic growth. However, its success depends on attracting substantial private investment and ensuring equitable distribution of benefits across the region.

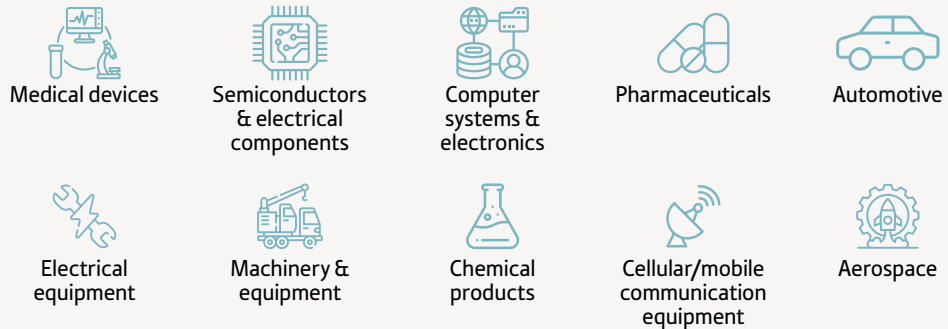


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Global trade shifts

Regionalisation involves reorganising supply chains from globalised networks into smaller blocks belonging to more localised economies. This means Mexico will likely become more closely integrated into North American supply chains, thereby providing the ideal platform for nearshoring

10 potential industries to benefit from regionalisation in North America



The dynamics of international trade have undergone significant transformations in recent years, influenced by a myriad of factors including geopolitical tensions, the Covid-19 pandemic and a need to firm up supply chain resilience. Notably, the China +1 policy and the trend toward nearshoring in Mexico are reshaping the international economic landscape in the logistics and manufacturing sectors, with wide-ranging implications for Centro Prolstmo I in Texistepec and the Corredor Interoceánico del Istmo de Tehuantepec (corridor) in Mexico.

The China +1 policy, a strategic diversification effort undertaken by many multinational corporations, seeks to mitigate risks by complementing their Chinese operations with alternative manufacturing or sourcing in other countries. This strategy is motivated by factors such as the increasing labour costs in China, the ongoing US-China trade tensions, and the vulnerabilities exposed by global crises like the pandemic and subsequent geopolitical tensions elsewhere in the world. Consequently, companies are increasingly looking towards countries like Mexico, which offer competitive labour costs, proximity to the US market and established trade agreements.

In parallel to this, nearshoring in Mexico has gained momentum, particularly in the automotive, aerospace and electronics industries, which are key exports to the US. According to the Inter-American Development Bank, nearshoring could add \$78bn in annual exports from Latin America and the Caribbean, with a potential \$35.3bn for Mexico alone – almost half of the total value for the region. This is largely due to Mexico's strategic geographic location, coupled with its robust manufacturing sector, which

makes it an attractive alternative for companies seeking to minimise supply chain disruptions by bringing production closer to end markets in North America.

Certain sectors such as energy and agriculture suffered global shocks from international events such as the ongoing war in Ukraine, which have led to increased inflation across the world. Given how dependent many countries are on agricultural products – especially in Africa and the Middle East – Mexico, the corridor and the Texistepec hub have the ideal conditions for establishing agricultural processing and exports, as the states surrounding the corridor are prime agricultural land. In this regard, one of the corridor's priority strategies is to boost the development of the agri-food and agro-industrial sectors by promoting the integration of productive chains and the regional agri-food system from Veracruz and nearby states. This productive capacity is then linked to the 10 industrial complexes such as Texistepec and the logistics corridor, in coordination with the three levels of government and the private sector.

Within this evolving landscape, the Texistepec industrial complex and the corridor more broadly assume critical roles in fortifying Mexico's position in global trade. The corridor, envisioned as a logistics corridor with complexes including the Texistepec hub, seeks to enhance global supply chain efficiency by reducing shipping times and costs. As global organisations realign their supply chain strategies, Texistepec's development could serve as a vital industrial and logistics centre, facilitating Mexico's integration into higher-value segments of global value chains. This, in turn, would drive economic growth, job creation and enhance Mexico's competitiveness in global trade.

Facilitating international trade

As the largest of the 10 industrial complexes along the corridor, the Texistepec hub is poised to play a pivotal role, which itself will likely form part of the broader reshaping of global supply chains in the long term. Positioned between the Pacific and Atlantic oceans, the corridor aims to enhance connectivity at a more northerly point than the Panama Canal, reduce shipping times and lower logistics costs, thereby unlocking significant economic opportunities for Mexico and its trading partners.

One of the key features that make the Texistepec development and the corridor significant in global supply chains is its potential to serve as a critical link between the east-west and north-south trade routes. The corridor has the capacity to streamline trade flows between Asia, Europe and the Americas. This strategic advantage is particularly relevant in the context of growing trade volumes and the increasing demand for reliable and cost-effective logistics solutions. In the aftermath of the pandemic, it became evident that the manufacturing and logistics ecosystem was ill-prepared to adjust to the sudden jump in the demand for consumer goods. While this eventually subsided, a more comprehensive and resilient network for global trade is needed to address growth in multi-nodal trade flows.

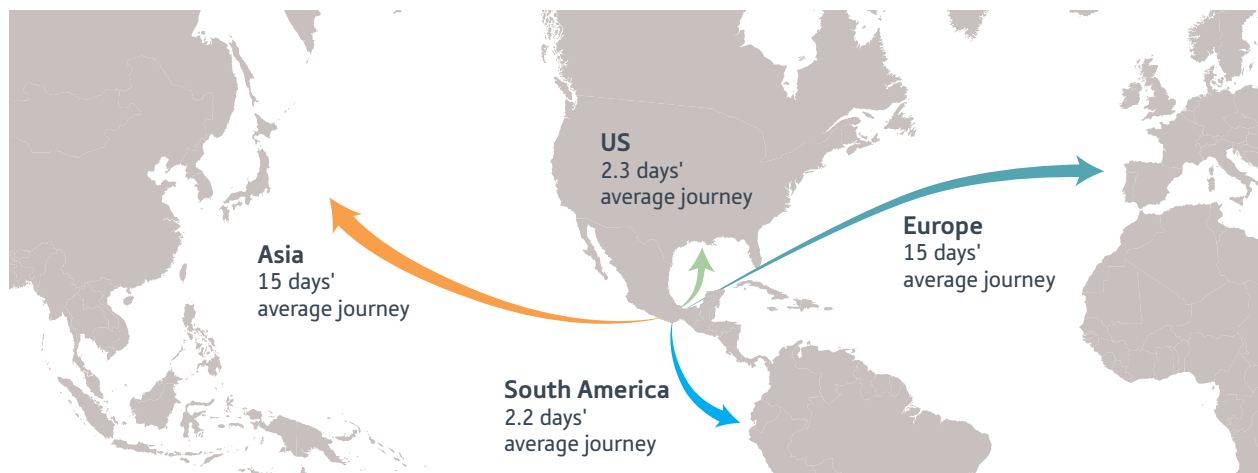
Given that the importance of global value chains lies far beyond shipping, Texistepec-the corridor has the potential to foster integrated logistics and industrial clusters along its route. These clusters can act as focal points for manufacturing, warehousing and distribution activities,

attracting domestic and foreign investment while creating employment opportunities and driving economic growth. Such developments are instrumental in enhancing the competitiveness of the region and positioning Mexico more strategically within global chains.

According to the government's institutional programme of the corridor of the Isthmus of Tehuantepec 2023-24, its strategic priority is to promote the development of the industrial sector to create greater linkages between local organisations into global value chains. Although this is a crucial consideration to attract international trade through the corridor and the Texistepec industrial complex, it will be done in conjunction with a more significant private sector presence from international organisations. This will be achieved through the government's priority objective which seeks to boost foreign investment in areas such as Texistepec, drive productive growth and establish sophisticated value chains. These efforts seek to further draw interest for trade and investment in the years ahead.

Moreover, the Texistepec hub within the corridor is set to facilitate the expansion of trade in high-value-added goods and services. By providing efficient access to global markets, the corridor enables Mexican producers to participate more actively in global value chains, leveraging their comparative advantages in the automotive, electronics and aerospace sectors, among others. This not only enhances the resilience of Mexico's economy, but also contributes to the diversification and sophistication of its export base.

Texistepec and global supply chains



Local benefits

Javier Arturo Aguilera Peña,
Director of the Board, ProIstmo, on
leveraging Texistepec's advantages



How does the Texistepec PODEBI fit into the broader context of the corridor and Mexico's growth?

AGUILERA: The Texistepec industrial complex embodies Mexico's vision of fostering regional connectivity and facilitating trade. Its location positions it as a gateway for international commerce, offering a shorter transit route for goods travelling between the Atlantic and Pacific. By integrating the hub into the corridor's broader framework, Mexico aims to streamline logistics, reduce transport costs and enhance its competitive edge.

Several components define the zone's significance for Mexico's economic growth, foremost being its emphasis on multi-modal transport infrastructure. This network facilitates the movement of goods and people, bolstering trade efficiency and attracting investment. Additionally, the PODEBI prioritises industrial zones, logistics centres and energy projects, laying the foundation for an economic base and job creation.

Which measures are being implemented to attract investment and stimulate economic activity within the Texistepec industrial complex?

AGUILERA: To catalyse investment and stimulate economic activity within the hub, Mexico offers tax breaks, Customs facilitation, streamlined regulatory processes and preferential access to financing for eligible projects. Moreover, the government has forged partnerships with private entities to develop public-private initiatives, leveraging their expertise and resources.

Furthermore, the PODEBI's special economic zones offer entities a favourable regulatory regime and access to infrastructure. These zones serve as magnets for industries such as manufacturing, logistics, renewable energy and agribusiness, fostering a vibrant economic ecosystem. By harnessing the synergies between sectors and promoting value-added production chains, the PODEBI contributes to industrial development and generates employment opportunities for local communities.

What is the PODEBI's projected economic impact, and in which ways does it prioritise sustainability, social welfare and environmental conservation?

AGUILERA: The Texistepec industrial complex is poised to emerge as a linchpin of the country's economy, driving sustainable growth and prosperity. Forecasts indicate substantial increases in trade volume, infrastructure investment and job creation within the zone, translating into tangible economic benefits for the country. By capitalising on its location and leveraging synergies with adjacent regions, the hub aims to become a magnet for domestic and foreign investment.

Moreover, sustainability, social welfare and conservation are at the heart of the Texistepec's long-term objectives. The project prioritises responsible land use, eco-friendly infrastructure, and community engagement initiatives to ensure inclusive growth and mitigate adverse environmental impacts. By integrating sustainability principles, the zone aims to foster harmony between economic growth and ecological preservation, safeguarding the region's natural heritage.

To what extent does the PODEBI support regional integration and economic diversification in Mexico?

AGUILERA: The Texistepec industrial complex serves as a catalyst for regional integration and economic diversification. Its location facilitates connectivity between the Atlantic and Pacific, promoting intra-country trade and investment flows. Moreover, by concentrating economic activities in the south of the country, the hub helps unlock the potential of underutilised areas.

One possible challenge is balancing economic growth with conservation, as increased industrial activities could put pressure on fragile ecosystems. To mitigate this, measures such as sustainable land use planning and ecosystem restoration are essential. The PODEBI also presents opportunities to leverage synergies between traditional industries and emerging sectors.

Strategic location

The corridor is emerging as a strategic initiative aiming to redefine its role within international trade routes, positioning itself as a viable alternative to established trade centres connecting the Pacific and Atlantic oceans, namely the Panama Canal. Although not always serving the same routes, the challenges around the Suez Canal make the case for alternative corridors in order to facilitate trade around the international economy.

The Panama Canal, despite its significant expansion in 2016, remains constrained by its reliance on rainfall to supply its lock system, a vulnerability highlighted by climate variability and changes leading to operational restrictions during drought conditions. Typically, some 5% of all global maritime trade uses the canal, as well as 40% of US container freight. If there is a lack of rainfall, logistics companies and shippers typically have to find alternative routes.

For ships travelling between the east coast of North America to Asia, this involves taking the Cape Horn route around the southern tip of South America, lengthening journey times and pushing up costs. Some have taken to using land transport routes across Panama, while others have used the Suez Canal. However, while not capturing the same traffic and not dependent on rainfall, as it is a sea-level canal, the Suez Canal has faced its own challenges. These include the notable blockage in March 2021 and other vulnerabilities, such as geopolitical tensions, which may compromise the security of ships operating through the canal.

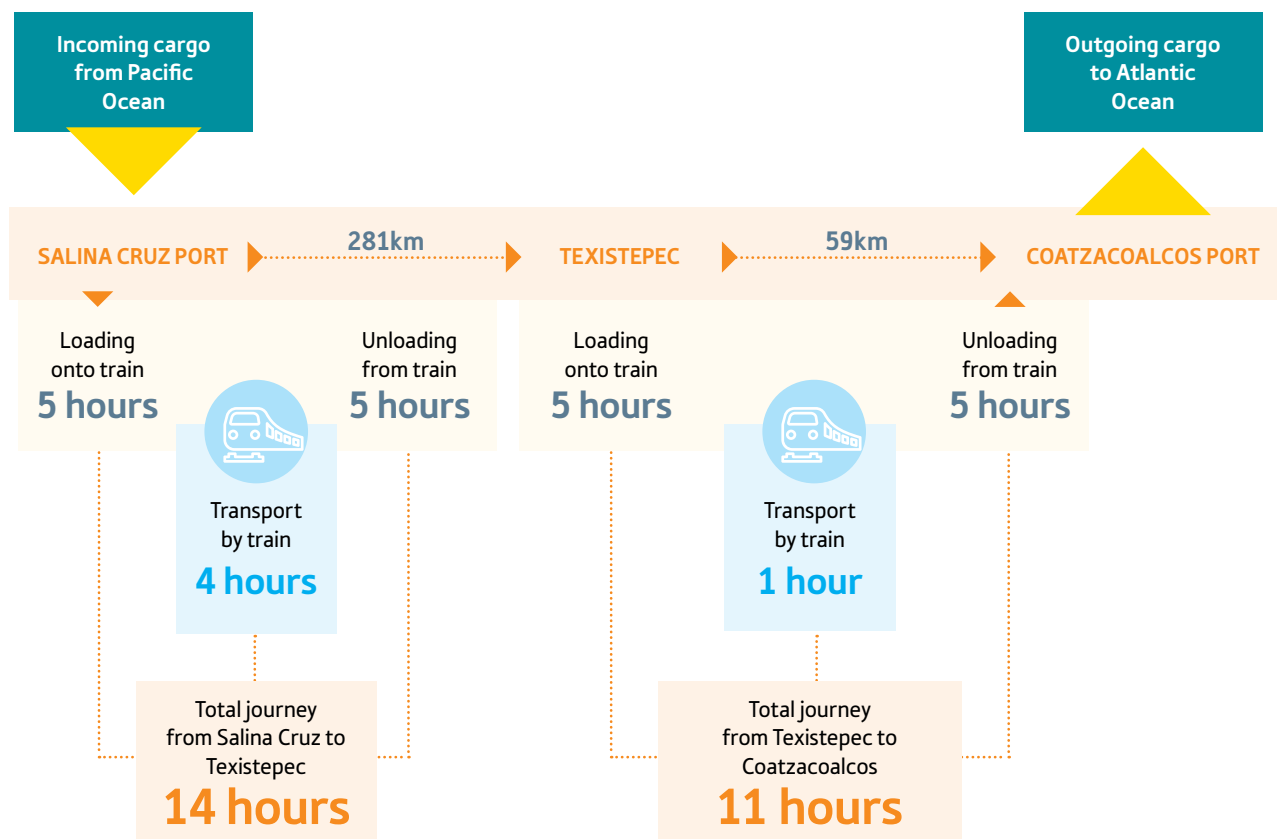
In contrast, the corridor, leveraging Mexico's narrow isthmus, offers a land-based logistics corridor that could potentially mitigate some of the climate-dependent and navigational risks inherent in canal-based trade routes. Additionally, the corridor aims to capitalise on its strategic location in order to facilitate shorter transit times between the Pacific and Atlantic oceans for certain routes, potentially offering a competitive edge over the maritime canals for specific trade lanes, especially for land near goods or industries located closer to the corridor.

The economic implications of these routes are wide-ranging. The Panama and Suez canals have historically dominated maritime trade, facilitating the movement of a significant percentage of the world's sea freight, thereby influencing global shipping costs and trade patterns. The corridor, through its development, seeks to offer an alternative that could complement existing maritime routes by enhancing multi-modal connectivity and reducing logistics costs for overland freight between the Americas and Asia.

Moreover, the corridor's development is anticipated to catalyse economic growth within the wider region, fostering industrial clusters and economic zones along its corridor. This is in contrast with the canal routes, where economic benefits are predominantly connected to port activities and transit fees. The corridor's model, however, aims for a broader economic impact, including the creation of employment opportunities, industrial diversification and



Trade Dynamics



enhanced trade for Mexico, connecting the country more comprehensively with international markets.

There are 10 such industrial complexes along the route, located in Texistepec, Coatzacoalcos I and II, San Juan Evangelista and Jáltipan, Ixtaltepec, Ciudad Ixtepec, Santa María Mixtequilla, San Blas Atempa, and Salina Cruz. These centres will span the states of Veracruz on the Atlantic coast of the Gulf of Mexico and Oaxaca on the Pacific Coast. The addition of 3200 ha of industrial complexes also allows for value-added manufacturing, utilising either imported or Mexican-produced raw materials, a value proposition not offered by the Panama or Suez Canals.

In addition, Mexico has one of the highest proportions of free trade agreements (FTAs) globally. It holds 12 FTAs with 46 countries, 32 agreements for the promotion and reciprocal protection of investment with 33 countries, and nine agreements of limited scope.

To realise the corridor's potential, Prolstmo is investing nearly \$110m infrastructure for the construction of ports, railways, and roads to help accelerate the establishment

of new factories and industrial projects. The complexity of coordinating multi-modal logistics, and ensuring competitive transit times and costs relative to sea routes will also be challenging. Moreover, environmental and social impacts will require careful oversight to ensure sustainable development. However, given the scale of this project, new infrastructure and a comprehensive strategy will ensure the optimal transition of goods from one coast to another, or between different nodes, and ports of import and export.

So while the Panama and Suez Canals have established themselves as critical nodes in international trade, with uncertainty around security in the Middle East and increasingly volatile rainfall patterns in Panama due to climate change, the corridor presents a novel approach, aiming to complement existing maritime routes by offering a strategic alternative that could reshape trade flows, particularly in the Western Hemisphere. As global trade dynamics evolve, the corridor's success will hinge on its ability to leverage its geographic advantages, overcome logistical challenges and integrate sustainably into the global trading system, by acting as an attractive value proposition to potential shipping and logistics organisations.

International trade agreements

The US-Mexico-Canada Agreement (USMCA) entered into force in July 2020, and has significant implications for the Texistepec complex within the corridor. Indeed, the agreement stands to reshape trade dynamics in North America and influence Mexico's overall position in international value chains.

The USMCA, as a successor to the North American Free Trade Agreement, aims to modernise and liberalise trade among its three member countries, thereby fostering deeper economic integration and enhancing market access for both goods and services. By reducing tariffs, eliminating non-tariff barriers and promoting regulatory coherence, the agreement facilitates smoother trade flows between Mexico, the US and Canada.

For the Texistepec facility and the corridor, the USMCA holds the potential to significantly boost trade volumes and diversify export destinations, particularly within North America. The agreement could be used to export goods to the US and Canada, however, it also could act as an industrial nexus in value chains within North America, for instance, adding value to goods travelling within the regional bloc. Improved market access and preferential trade terms under the agreement can further incentivise businesses to leverage the corridor in order to access lucrative US and Canadian markets, thereby stimulating economic activity and bolstering the region's role in North American supply chains.

Beyond enhancing trade facilitation, the USMCA fosters an environment conducive to foreign direct investment by providing greater certainty and transparency in the regulations governing cross-border business activities. The Texistepec complex and the corridor are positioned to capitalise on enhanced trade linkages and stand to attract increased investment in logistics infrastructure, manufacturing facilities and related industries, which are covered by the USMCA framework.

Moreover, the agreement's provisions on labour and environmental standards aim to level the playing field and address concerns regarding unfair competition and regulatory arbitrage. Compliance with these standards is not only key for maintaining preferential trade access but also aligning with global trends towards sustainable and responsible business practices, thereby shaping the types of investment in the Texistepec complex and the corridor.

Overall, the USMCA contributes to fostering economic development and regional integration, with implications for the Texistepec facility and the corridor's role as a driver of growth and prosperity in southern Mexico. By bolstering trade, attracting investment and promoting regulatory convergence, the agreement lays the groundwork for transforming the corridor into a vibrant economic facility, connecting domestic producers with global markets and enhancing the broader region's competitiveness in international trade.

Relevance of the US-Mexico-Canada agreement (USMCA) for selected Texistepec strategic segments

AGRICULTURE AND AGRO-INDUSTRY

- Agricultural products from the three countries shall not be subject to any duties. The USMCA is therefore anticipated to open up greater market access for Mexico's value-added agricultural goods, not only raw produce, particularly in the US and Canada.
- Improved cooperation for regulations and better protection of intellectual property (IP) may boost the competitiveness of Mexico's agro-industry.

AUTOMOTIVES

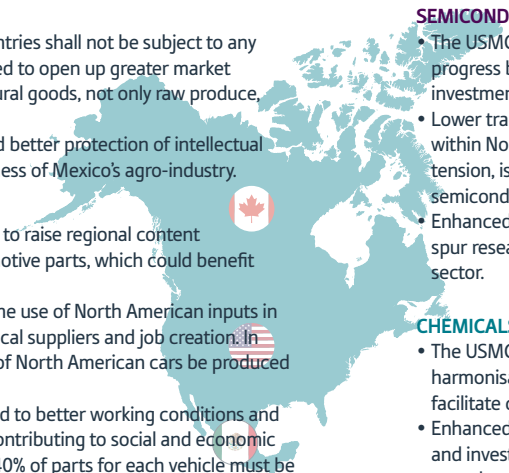
- The USMCA contains provisions intended to raise regional content requirements for automobiles and automotive parts, which could benefit Mexican manufacturers.
- Rules related to origin could incentivise the use of North American inputs in automotive manufacturing, supporting local suppliers and job creation. In particular, they require that at least 75% of North American cars be produced within the region.
- Strengthened labour provisions could lead to better working conditions and wages in Mexico's automotive industry, contributing to social and economic progress. To qualify as duty free, at least 40% of parts for each vehicle must be produced by workers earning a minimum of \$16 per hour.

SEMICONDUCTORS

- The USMCA aims to encourage innovation and technological progress by easing the movement of goods, services and investment among member nations.
- Lower trade barriers and the new alignment of supply chains within North America, amid trade disputes and geopolitical tension, is expected to attract more investment to Mexico's semiconductor industry.
- Enhanced protection of IP rights under the agreement might spur research and development efforts in the semiconductor sector.

CHEMICALS

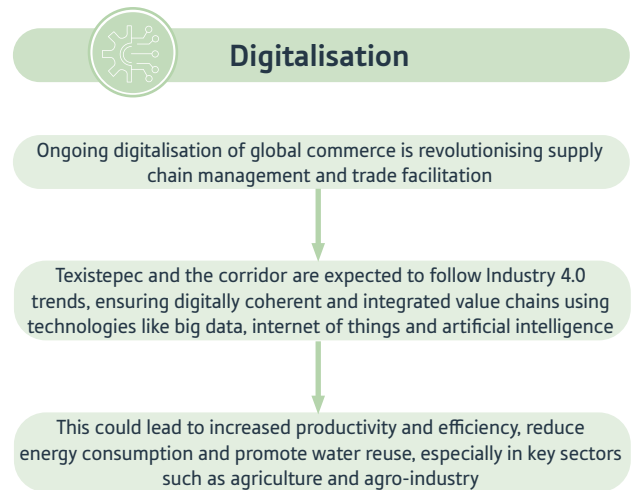
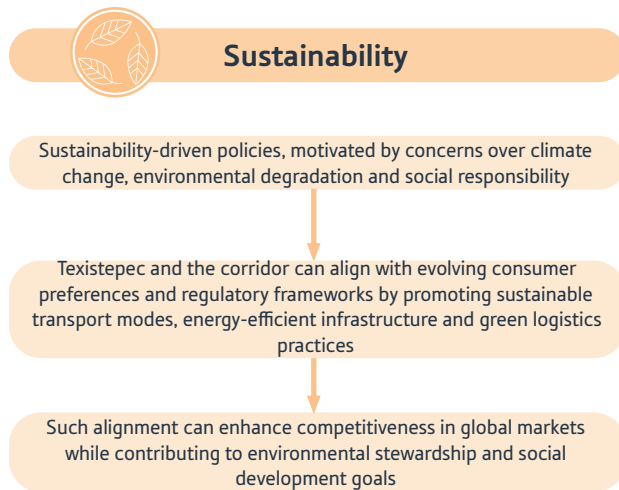
- The USMCA's emphasis on regulatory cooperation and harmonisation may reduce administrative burdens and facilitate chemical trade among the three member nations.
- Enhanced protection for IP rights may stimulate innovation and investment in Mexico's chemical industry, fostering growth and competitiveness.



Trade Dynamics

Future projections

Two key future trends for trade



International tensions and shifting alliances are reshaping the geopolitical landscape, with implications for trade policies and regional integration initiatives. US government efforts to decouple from China and bring supply chains closer to home are already intensifying, pushing more trade through Mexico. A second Trump presidency could create greater trade tensions between the US and China, driving further business to Texistepec and the corridor. This is because companies are likely to further realign their supply chains to countries and locations that are strategically convenient in order to attend to large markets in the US or that are seen as friendly countries.

With its location in a country that is part of the USMCA and its role as a strategic corridor connecting the Pacific and Atlantic oceans, the corridor and Texistepec stand to benefit from these geopolitical realignments that prioritise diversification and resilience in global supply chains. In addition, enhanced regional cooperation and integration efforts on a political level, coupled with economic integration within the USMCA's supply chains can bolster Texistepec and the corridor's appeal as an international trade route and investment destination, particularly amid uncertainties surrounding traditional maritime routes.

One of the prominent trends shaping future trade dynamics is the ongoing digitalisation of global commerce. The proliferation of e-commerce platforms,

digital payment systems and blockchain technology is revolutionising supply chain management and trade facilitation, enabling greater efficiency, transparency and connectivity. In this context, the Texistepec facility and the corridor are likely to follow the successful Industry 4.0 technologies being used throughout other industrial and logistics centres across Mexico to ensure digitally coherent and integrated value chains. These include the use of big data, internet of things and artificial intelligence, among others. The use of technology in locations such as the corridor could increase productivity by 20% in a factory setting, reduce energy consumption by 40% and achieve up to 90% reutilisation of water in the agri-food and agro-industry sectors. Given that these are key sectors for the Texistepec facility, there is the opportunity to ensure the digitalisation of processes in order to be at the forefront of changing and evolving global trade dynamics.

Looking further ahead, future trade projections suggest a continued shift toward sustainability-driven trade policies and practices, driven by concerns over climate change, environmental degradation and social responsibility. Texistepec and the corridor, by promoting sustainable transport modes, energy-efficient infrastructure and green logistics practices, align with evolving consumer preferences and regulatory frameworks, enhancing its competitiveness in global markets while contributing to environmental stewardship and social development goals.

Overview of the Interoceanic Corridor and Texistepec

The corridor is a crucial development initiative in southern Mexico that aims to boost economic growth in the region, address socio-economic disparities and position the country as a pivotal centre for the transport of goods to international markets. Spanning more than 300 km from port of Salina Cruz on the Pacific Ocean to the port of Coatzacoalcos on the Gulf of Mexico, the corridor aims to integrate essential infrastructure – ports, motorways, airports and industrial complexes – across 79 municipalities in the southern states of Oaxaca and Veracruz.

The isthmus, a 220-km stretch of land in the southern part of the country that separates the Gulf of Mexico and the Pacific Ocean, holds historical importance. It was the subject of the 1859 McLane-Ocampo Treaty between the US and Mexico that was never ratified, that would have given US citizens passage across the isthmus and allowed tax-free and Customs-free transport of foreign goods not intended for the Mexican market between ports. In January 1907 a railway connecting Salina Cruz and Coatzacoalcos began operating, offering a transport route that would later be eclipsed by the opening of the Panama Canal seven years later. The corridor aims to revitalise this historical corridor, leveraging its strategic location, as well as its potential to bridge regional divides and stimulate economic growth.

As part of the corridor initiative, 10 industrial complexes have been identified along the length of the corridor to attract investment. These hubs, which are known as development poles for well-being (polos de desarrollo para el bienestar, PODEBI), have federally determined borders that are subject to special conditions in order to stimulate economic growth, create jobs, and enhance local infrastructure and connectivity.

To incentivise companies to support the development of these industrial complexes, in June 2023 the Ministry of Finance and Public Credit announced that tender-winning businesses would be eligible for the accelerated depreciation of their investment during the first six years of operation, as well as exempt from income tax during the first three years and eligible for a discount of up to 90% over the next three years. In November 2023 three Mexican companies were awarded five tenders to build PODEBIs along the corridor. Mexican company Prolstmo won the tender for Texistepec, which covers approximately 482 ha.

Projected to accommodate 300,000 cargo containers in transit annually by 2028, and more than 1.4m twenty-



foot equivalent units (TEUs) by 2033 – capacities that would place the port among the top-15 located in Latin America and the Caribbean – the corridor aims to provide an alternative route to the Panama Canal, which handles approximately 14,000 vessels and 8m TEUs per year.

Major industrial complexes along the Interoceanic Corridor



Strategic Insights

The corridor promises port-to-port journeys lasting roughly six and a half hours – excluding loading and unloading times – compared to the eight to 10 hours that are typically required for ships to traverse the Panama Canal. The corridor could act as a cost-effective and efficient option amid ongoing disruptions in global shipping lanes and international trade, which have been prompted by a drought that has reduced the number of container ships passing daily through the Panama Canal and attacks on shipping vessels in the Red Sea. By offering an alternative to these routes, the corridor has the potential to become a prominent global logistics centre that caters not only to the North American market, but also to international supply chains.

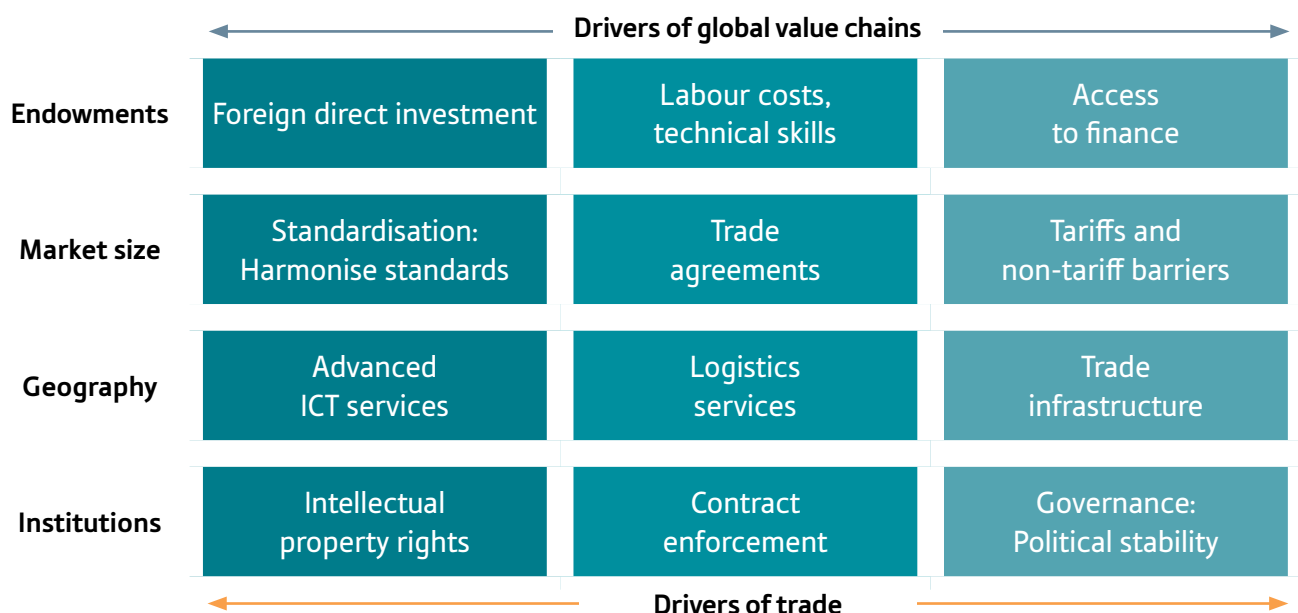
As one of the corridor’s industrial complexes, Texistepec reached a significant milestone in February 2024 with the inauguration of the project. The development is the largest of the planned hubs to be built along the corridor, and it is set to offer robust connectivity to both local and international markets to companies operating within any of the six economic sectors for which the park is being designed to accommodate.

Texistepec benefits from its strategic position, as it is adjacent to the Z Line of the corridor railway that

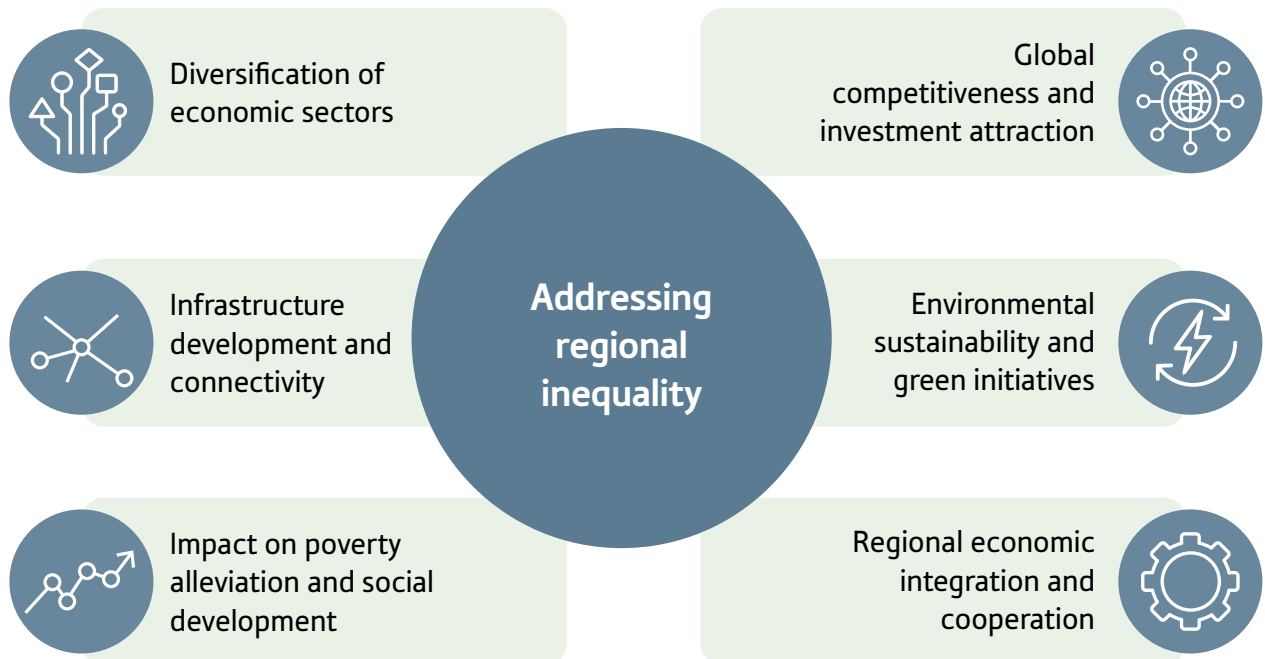
was inaugurated in December 2023, with 4.5 km of railway frontage. Additionally, it enjoys direct access to federal motorways, as it is located next to the MEX-145D Motorway, which corresponds to the La Tinaja-Cosoleacaque THE GUIDE. Furthermore, its proximity to the port of Coatzacoalcos (59 km) and the city of Minatitlán in Veracruz (43 km) positions it as a hub for production and growth not only in the state of Veracruz and the wider Isthmus of Tehuantepec, but also for the further development of the Mexican economy.

In addition to enhancing connectivity to international markets, the 10 industrial complexes that are being developed along the corridor are intended to foster economic growth and industrial development in the southern states of Veracruz and Oaxaca. The other four industrial complexes awarded in the same tender as Texistepec – Coatzacoalcos I (257.7 ha) and II (131.8 ha), San Juan Evangelista (360.3 ha) and Salina Cruz (82.1 ha) – are in various stages of development. Each of these projects has been granted a two-year concession that can be extended for up to five more years. Following the expiration of these concessions, the company responsible for developing the PODEBI will be allowed the option to purchase the zone, at which point the property would transfer to private ownership.

The confluence of trade and global value chains for the corridor



Six ways that Prolstmo and the Interoceanic Corridor look to address historical regional inequalities



The corridor is predicted to drive economic growth in Mexico's southern region, with Eduardo Romero, the go's coordinator for industrial sector development and strategy, announcing in November 2022 that the corridor was projected to attract over \$50bn in investment and generate more than 500,000 direct jobs by 2050, accounting for 1.6% of Mexico's GDP by that time. An estimate reported by *Forbes* magazine in June 2022 had the number of direct jobs created at 150,000 by 2030 in the construction, petrochemicals, logistics, ports, railways and agro-industrial sectors.

Over the next five years, Prolstmo, the winning bidder of the Texistepec industrial complex, aims to invest a total of MXN14bn (\$802m) in construction, targeting the completion and operation of 183 ha (see appendix). This influx of investment is expected to yield significant job creation benefits for the more than 188,000 inhabitants in the region by preventing brain drain, and attracting more national and international experts.

The project has already generated 300 direct jobs for the region since beginning in February 2024, with expectations of employing around 2000 workers

during the more intensive phase of construction. Texistepec is projected to help transform the region and its neighbouring municipalities by enhancing social infrastructure, connectivity and education.



Transit link

Francisco Alberto Cervantes Díaz,
President, Consejo Coordinador
Empresarial, on regional
transformation



What are some of the logistics and industrial attributes specific to the corridor project?

CERVANTES: The corridor has garnered attention not only within Mexico, but also internationally. As trade patterns evolve, the corridor presents an opportunity for investors interested in emerging markets. Moreover, with Mexico's position as a bridge between North and South America, the corridor enhances the country's role as a key player in regional trade integration. By fostering collaboration between Mexico and its regional counterparts, the corridor can facilitate greater economic cooperation and cross-border trade.

Additionally, the project is in line with broader regional development goals, including sustainable infrastructure and inclusive growth. The project, which focuses in particular on the Isthmus of Tehuantepec, is a significant logistical and industrial endeavour. From the logistics perspective, it's crucial since Mexico has emerged as a pivotal player in global trade due to its location and trade agreements. As the seventh-largest manufacturing country globally, Mexico has notable strengths in various economic sectors, particularly automotive. The corridor enhances Mexico's logistical capabilities, providing connectivity between the Atlantic and Pacific, and facilitating smoother interoceanic trade flows.

Why is this project vital for the development of the country's south and south-east?

CERVANTES: Historically, Mexico's south and south-east have been overlooked in terms of development, despite being rich in resources like oil and natural gas. While these resources are abundant in the south, they have historically been consumed primarily in the northern parts of the country. This disparity underscores the importance of projects like the corridor, which aims to unlock the economic potential of Mexico's southern regions. By leveraging the corridor's strategic location and enhancing connectivity through ports and railways,

we can catalyse economic growth across multiple sectors, attract investment and create employment opportunities in what were previously marginalised areas.

How do you see the corridor bolstering global trade in the context of shifting supply chains?

CERVANTES: The corridor holds immense promise in reshaping global trade dynamics, particularly amid the ongoing shifts in supply chain strategies. With environmental and geopolitical disruptions affecting traditional trade routes, businesses are increasingly seeking reliable alternatives to ensure consistent supply chain operations. The corridor offers a compelling solution, proposing a strategic link between North America, Europe and Asia. By facilitating the efficient transport of goods and reducing the reliance on congested routes like the Panama Canal, the corridor presents an attractive option for businesses looking to diversify supply chains.

Which challenges and opportunities does the corridor face in its efforts to realise its full potential?

CERVANTES: Harnessing the potential of the corridor is not without its challenges. Although much of the underlying ecosystem already exists, infrastructure development – including ports, railways and supporting facilities – requires substantial investment and meticulous planning. Additionally, addressing socio-economic disparities and fostering inclusive growth in surrounding communities are paramount to ensuring the corridor's long-term sustainability. However, amidst these challenges lie immense opportunities for economic transformation, regional integration and enhanced connectivity. By leveraging the corridor's strategic advantages and fostering greater collaboration between public and private stakeholders, we can unlock new avenues for trade, investment and prosperity not only for Mexico, but also for the region.

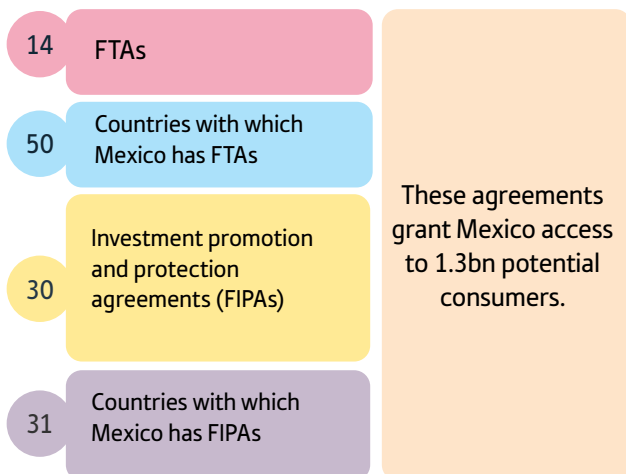
Basic industrial enablers

Since assuming office in December 2018 President Andrés Manuel López Obrador has prioritised the development of the south and south-east regions of Mexico. Notably, three of López Obrador's four major infrastructure and development projects – the corridor; the Mayan Train, a \$28.5bn, 1500-km railway connecting 40 municipalities and 181 towns spread out across south-east Mexico; and the Dos Bocas refinery in Tabasco, a large-scale project with a capacity to process 340,000 barrels per day once fully online, making it the country's largest such facility – are located in the south and are therefore expected to complement the development of the corridor. These initiatives are crucial to addressing the socio-economic challenges of the south-eastern states, positioning them to compete with more industrialised regions in central and northern Mexico. The corridor project has already garnered significant interest – according to Carlos Sedano Rodríguez, head of the corridor's investment promotion and commercial development unit, as of June 2023, \$4.5bn in potential investment had been secured from Mexican and foreign companies through 52 letters of intent, 10 of which are developers and 42 of which want to establish manufacturing plants.

As a result, Texistepec is positioning itself to capitalise on these opportunities. The zone's master plan outlines dedicated areas for high-growth industries, aiming to leverage its position (see appendix). It allocates roughly

Mexico's position in global trade

Free trade agreements (FTAs)



Foreign direct investment (FDI)



Cumulative FDI in Mexico reached \$35.3bn in 2022.



Mexico reported \$29bn in FDI in the first half of 2023, up 41% compared to the corresponding period in 2022.



Mexico reported total FDI of \$36.1bn for 2023, up 2.2% from the previous year.

218.9 ha for urban development and 262.7 ha for industrial purposes, with the latter being apportioned as 68.1 ha for pharmaceutical companies, 70.1 ha for logistics entities and 124.5 ha for agro-industry businesses. In alignment with the Mexican government's prioritisation of the corridor's development, Texistepec has established an inter-institutional coordination mechanism, distinguishing it from other PODEBIs. This in turn has fostered strong relationships with key stakeholders in the project, including the secretariats of the Navy, national defence, public security, finance and public credit, and economy, as well as the Tax Administration Service, the state of Veracruz, municipal governments and other bodies.

Mexico's 14 free trade agreements with 50 countries, and 30 investment promotion and protection agreements with 31 countries grants it access to 1.3bn potential consumers. Moreover, its recent achievement of again becoming the largest trading partner of the US in 2023 further solidifies its strategic position. In light of these developments, the corridor and Texistepec are uniquely positioned to take advantage of nearshoring opportunities and bolster bilateral trade. International investors have taken notice, which has been reflected in Mexico's cumulative foreign direct investment (FDI) reaching \$35.3bn in 2022, while FDI in the first half of 2023 reached \$29bn, up 41% on the corresponding period in 2022. For 2023 in total Mexico reported a 2.2% growth in FDI to \$36.1bn, up 2.2% compared to 2022.

Strategic Insights

Fiscal incentives

To complement and bolster the growth of Texistepec, the federal government has introduced a comprehensive package of tax incentives to boost investment. These incentives notably include zero income tax for the first three years, and discounts ranging from 50% to 90% over the subsequent three years. Additional benefits include an exemption from paying value-added tax (VAT) for four years on operations occurring within and between entities operating in the corridor's PODEBIs. Furthermore, VAT recovery on purchases made outside the zones and accelerated depreciation for investment over a six-year period are included. Mexico's Secretariat of Finance and Public Credit will also establish minimum employment thresholds for companies to meet to qualify for tax benefits, such as making income tax reductions contingent on companies exceeding their employment targets.

To facilitate international commerce, Texistepec plans to incorporate a strategic Customs facility to reduce time and logistical costs for managing imports and exports, enhancing goods security and minimising handling. Companies operating in Texistepec can take advantage

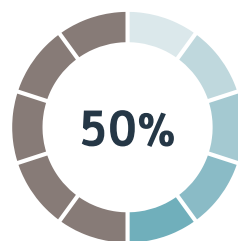
of programmes such as the Manufacturing, Maquiladora and Export Service Industry Programme (IMMEX), which facilitates exports by allowing companies to import goods for industrial or service processes on a temporary basis.

Additionally, companies can benefit from sector promotion programmes (PROSEC), which provide preferential tariff rates for importing goods used in specific sectors, regardless of whether the products produced are intended for domestic or international markets. Authorised companies enjoy reduced duties on machinery, equipment and raw materials imported for production purposes. Unlike IMMEX, which focuses on temporary imports, PROSEC authorisations are granted indefinitely, allowing access to preferential tariff rates based on imported machinery and equipment. PROSEC authorisations require companies to meet specific criteria and showcase their production activities within designated sectors to access benefits, aiming to stimulate manufacturing, foster sector-specific expansion and bolster the competitiveness of Mexican industries by offering cost-saving advantages through reduced import duties on crucial production inputs.

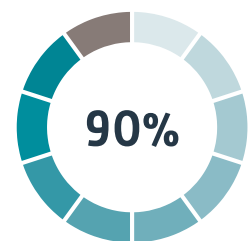
ISR discount



Zero to three years



Three to six years



Employment target

If employment targets are exceeded, the tax discount can be up to 90%

From the fourth to sixth fiscal year

Percentage that exceeds permanent employment	Percent of the ISR tax incentive
10%	60%
15%	70%
20%	80%
25%	90%



Doing business

Claudia Ileana Ávila Connelly,
Former Director of the Mexican
Association of Private Industrial
Parks (AMPIP), on utilising the
corridor's advantageous location

What is the corridor's geostrategic significance, and which projects serve as models for its development?

ÁVILA: The corridor is located in a region of immense geostrategic importance, offering Central and North America the opportunity to mitigate risks and ensure business continuity. Unlike the Panama Canal, the corridor complements existing trade routes.

While numerous industrial centres offer such advantages globally, the key to this is attracting the players needed to galvanise a project. This requires convincing international entities of an initiative's economic and geostrategic importance, and consolidating their presence through fiscal incentives, a practice that has been seen in the success of free zones around the world. Emulating this model can enhance the corridor's competitiveness and attractiveness to international businesses.

How do ongoing investment and developments in the corridor compare to global standards?

ÁVILA: The federal government's investment in expanding port capacities and modernising railway infrastructure signifies a significant milestone. These efforts aim to streamline cargo transport by rail and road, providing investors with dual options. The port of Salina Cruz's transformation into a leading facility in Latin America and the integration of the railway network are in line with global practices for multi-modal transport. Drawing inspiration from successful projects abroad, the corridor prioritises connectivity, efficiency and collaboration, ensuring its competitiveness on a global scale.

Which challenges and opportunities lie ahead?

ÁVILA: There are significant tasks to be undertaken in the short term in infrastructure development, including electricity, water and natural gas. Moreover, ensuring the competitiveness of PODEBIs requires aligning industries with the region's vocational strengths. While the initial focus may centre on agro-industrial

and labour-intensive sectors, lessons from global macroeconomic challenges underscore the importance of diversification and resilience. By incorporating sustainable practices and digitalisation, the corridor can minimise its ecological footprint and enhance its long-term viability, drawing inspiration from successful projects that have successfully combined logistics and industry.

How can the corridor contribute to Mexico's competitiveness and appeal to foreign investors?

ÁVILA: The corridor project strengthens Mexico's competitiveness by boosting connectivity and trade capabilities. By capitalising on its location and modern infrastructure, Mexico is solidifying its position as a preferred destination for foreign investors seeking streamlined logistics and access to burgeoning markets. The success of industrial regions like Bajío in central Mexico underscores the importance of long-term investment and strategic planning in fostering economic growth. With sustained efforts, the corridor can emerge as a key player in the global economy, driving sustainable development and prosperity for Mexico and beyond.

In which ways are specific industries or sectors likely to thrive within the corridor?

ÁVILA: The corridor holds immense potential for various industries, from agro-industrial and labour-intensive ones, to high-tech manufacturing and renewable energy. By leveraging the corridor's multi-modal transport infrastructure and location, the corridor aims to attract investment across diverse sectors. Additionally, the project emphasises the creation of industrial complexes, such as Texistepec, to ensure that the region is more than a transit zone. Through targeted incentives, collaboration with industry stakeholders and vocational training programmes, the corridor seeks to foster economic diversification, and capitalise on emerging opportunities in domestic and international markets.

Transport infrastructure

Railways play a crucial role in shaping the economic landscape of countries, serving as vital transport and commercial arteries. Integral to the development of Mexico's southern region is the renovation of the Tehuantepec railway initially inaugurated in January 1907. Although its importance declined following the opening of the Panama Canal in 1914, this century-old railway is undergoing a revitalisation as part of the corridor project. This initiative involves rehabilitating nearly 1200 km of railway across three stretches: Line Z, which travels through the Isthmus of Tehuantepec and connects the port of Coatzacoalcos with the port of Salina Cruz; the 328-km Line FA connecting El Chapo in Veracruz with Palenque in Chiapas; and the 459-km Line K connecting Ixtepec in Oaxaca with Ciudad Hidalgo in Chiapas, a city near the Guatemala border.

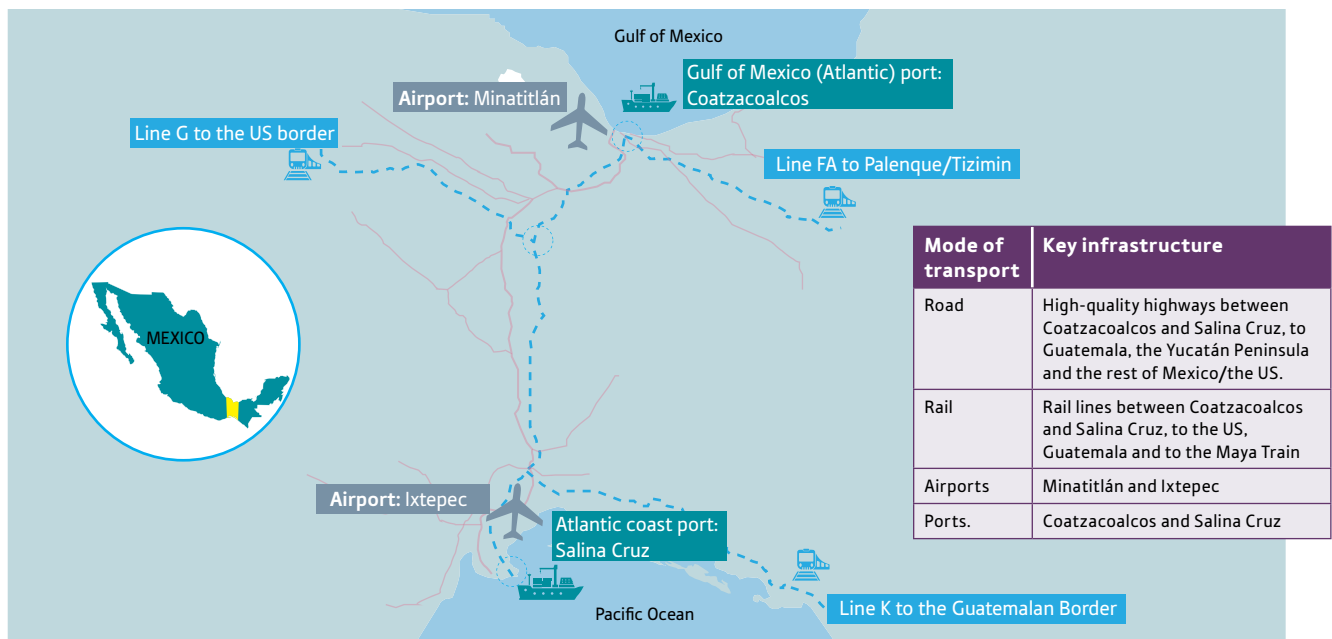
The corridor is set to link Coatzacoalcos to the port of Dos Bocas and the Mayan Train in Palenque. Additionally, at Coatzacoalcos the corridor network connects with CG Railway, a joint venture of American railroad company Genesee & Wyoming and US-based equipment provider SEACOR Holdings. The 1540-km route is covered by rail ferry service from Coatzacoalcos to Mobile, Alabama, with two weekly trips on double-decker roll-on/roll-off rail ferries capable of transporting 135 railcars, or around 19,300 tonnes. The transit time between Mexico and the US takes three days on average. CG Railway is

certified to transport all types of commodities, including flammable, non-flammable and toxic gases.

In December 2023 the first phase of Line Z was inaugurated, with the renovations including the construction of two new stations, in addition to the restoration of four existing ones. Crucially, Line Z passes through Textistepec, which is expected to act as a logistics and industrial axis for the entire corridor. The newly launched passenger service along Line Z is capable of accommodating up to 400 passengers per train. By June 2024 a unified dispatch centre, workshops, garages and a training centre are all expected to have been completed along Line Z. Progress has also been made on the upgrading of Line FA, which is expected to commence operations in June 2024, while Line K is set to being operations in the fourth quarter of 2024.

The corridor project connects with the first THE GUIDE of the Mayan Train, which links Palenque to Escarcega in Campeche, thereby facilitating the transport of goods from the ports of Salina Cruz and Coatzacoalcos to the Yucatán Peninsula. In December 2023 Mexico inaugurated the first stretch of the \$28.5bn, 1500-km project, which is designed to connect beach resorts and archaeological sites across the Yucatán Peninsula. The objective is to reduce the travel time between Campeche and Cancun, and increase tourist flows in the region.

Map of key ports and airports in the Isthmus of Tehuantepec



Strategic Insights

In addition to railways, road connectivity is expected to play an essential part in driving the corridor's growth. The road network within the Isthmus of Tehuantepec, 7328 km in total length, consists predominantly of rural roads. The region is also served by four toll roads and seven federal motorways. The four federal toll roads – MEX-185D Salina Cruz-La Ventosa, MEX-187D Las Choapas-Ocozocoautla, MEX-180D Nuevo Teapa-Cosoleacaque and MEX-145D La Tinaja-Cosoleacaque – span a total length of 530 km. Texistepec benefits from well-developed road connectivity, as it is situated along MEX-145D, providing easy access to major transport and commercial centres across the country. It is located 59 km from the port of Coatzacoalcos, 281 km from the port of Salina Cruz, 43 km from the city of Minatitlán, 480 km from Mexico City and 420 km from the city of Puebla, another key industrial centre.

To further enhance the connectivity of the region's road network, several key transport projects have recently been completed or are nearing completion. In February 2024 the government inaugurated the Barranca Larga-Ventanilla motorway, a 104.2-km road linking Oaxaca City to its coastline in just two and a half hours, a significant improvement from the previous seven-hour journey. With an investment of MXN13bn (\$745m), this project is expected to benefit over 100,000 inhabitants and reduce the travel time from the state's capital to the Pacific coast by four hours.

Another ongoing project is the modernisation of the Acayucan-La Ventosa Motorway, which is anticipated to benefit 1m inhabitants in the Isthmus of Tehuantepec. This

initiative involves increasing the width of the road from 10 to 12 metres and constructing two bypasses. Scheduled for inauguration in the first half of 2024, the road will cut travel time between the borders of Oaxaca and Veracruz to the Ventosa junction by half an hour, benefiting over 950,000 residents. A total investment of MXN582m (\$33.4m) has been allocated to this project, generating more than 20,300 direct jobs and roughly 81,300 indirect jobs.

Lastly, the 169-km Mitla-Tehuantepec II Motorway, which features 28 crossing structures, 13 viaducts, 20 junctions, 54 bridges and 10 tunnels, is expected to reduce the travel time from the centre of the state of Oaxaca to the Isthmus of Tehuantepec to just two hours from the current six, benefitting 80,000 inhabitants in Oaxaca by providing greater connectivity to Salina Cruz. In February 2024 the Mexican government acquired the motorway concession from the Mexico-based infrastructure development company Ideal, with the expectation that modernisation works would be completed by August of the same year.

Journey times and distances by road from Texistepec

Destination	Time (hours)	Distance (km)
Mexico City	6	550
Dos Bocas Refinery	3.5	250
Puebla	5	440

Factbox: Road connectivity in Oaxaca and Veracruz

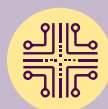
Existing road infrastructure



4
Toll roads



7
Federal motorways



7328 km
total road network within the Isthmus of Tehuantepec

Time improvements

Route	Time reduction
Mitla-Tehuantepec II Motorway	Oaxaca City to Isthmus of Tehuantepec From 6 hours to 2 hours
Barranca Larga-Ventanilla Motorway	Oaxaca City to Pacific Ocean From 6.5 hours to 2.5 hours
Acayucan-La Ventosa Motorway	Transisthmus 30 minutes

Strategic Insights

In February 2024 the first stone was laid for the Texistepec industrial complex, marking the commencement of both studies and conceptualisation by Prolstmo for the hub. Texistepec is in its initial phase of development, which involves establishing the required urban infrastructure to facilitate the arrival of those companies that elect to invest in the region. This phase is expected to require an investment of approximately MXN1.9bn (\$108.9m) from Prolstmo for essential infrastructure – including construction, equipment and maintenance.

Concession contracts can be extended for up to five years after the initial two-year period, with companies then given the opportunity to either conclude a sales contract or cancel their participation in the zone. Although in the early stages of development, the project has already attracted interest from companies in the pharmaceutical, agro-industrial and logistics sectors that could become tenants of the industrial complex in the second half of 2024.

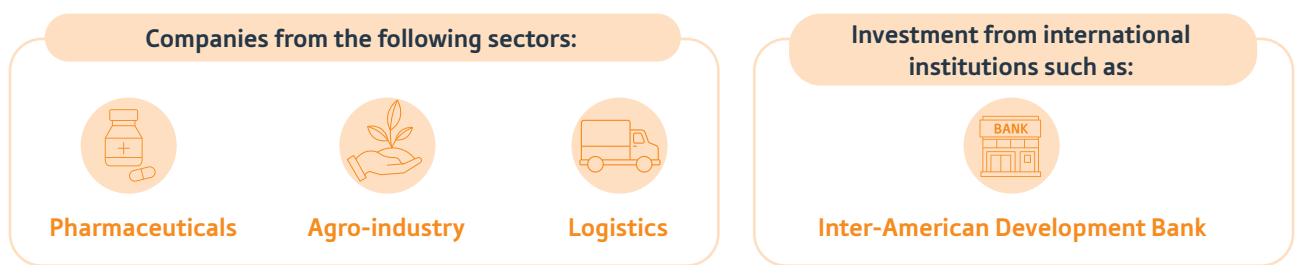
The success of Texistepec hinges on its strategic position within the broader corridor logistics zone, which presents significant nearshoring opportunities. According to Prolstmo's own projections outlined in a March 2024 presentation, Mexico stands to be the top beneficiary of nearshoring, as the country's export potential is

roughly \$35.3bn. In a July 2023 report published by global consultancy Deloitte, the firm estimated that nearshoring could add an additional 3% to Mexico's GDP by 2028.

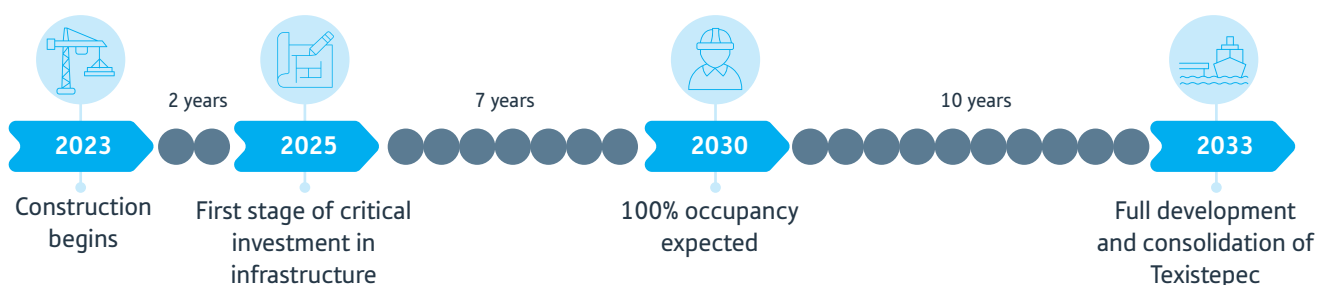
The region's geography facilitates efficient transport; with low elevations compared to the centre and north of the country, the highway network enjoys favourable conditions. As of January 2024 cargo transport volumes through the Panama and Suez Canals were down by over 40% from their peaks due to climate change and regional conflicts, positioning the corridor's industrial complexes to emerge as ideal locations for manufacturing, logistics and integrated services for global industries. These complexes boast advanced infrastructure and are strategically positioned to facilitate the Asia-Mexico-Eastern US trade route.

Texistepec, in particular, occupies a central position along this vital trade route, as it is located 59 km away from the Port of Coatzacoalcos, with a transport time of 11 hours to cover the distance. This time includes five hours of unloading at the Port of Coatzacoalcos, one hour of transit by train and five hours of offloading at the Texistepec PODEBI. Similarly, it takes 14 hours to reach the Port of Salina Cruz, which is 281 km away. This route involves five hours of unloading, followed by a four-hour train journey and another five hours of offloading at Salina Cruz.

Early interest in Texistepec



Overall development timeline in Texistepec



Industrial projections

In tandem with robust railway and highway networks, a critical part of the strategic importance of the corridor as a logistics and commercial centre lies in the modernisation and expansion of its key ports, Salina Cruz and Coatzacoalcos. Over time, Salina Cruz has emerged as an important site for various government-led initiatives, including a commercial port, oil refinery, navy shipyard and army air station. The port features a dry dock, small harbour and two breakwaters of 984 metres and 330 metres in length, in addition to an oil terminal operated by Mexico's government-owned oil company, Pemex, which accounted for as much as 96.9% of the port's cargo as of March 2023.

A new commercial port at Salina Cruz capable of receiving deep-draft ships is currently under construction. As part of the efforts to increase capacity, a specialized container terminal is planned for the new port, thereby enhancing its interoceanic goods transport capacity to 1.4m TEUs annually. Additionally, the project, which will deepen the access channel from 14 to 24 metres, refurbish freight train tracks and the 1600-metre breakwater, has already generated 512 direct jobs and 2560 indirect ones.

Located 59 km from Texistepec, the project at Coatzacoalcos involves deepening the port to 12 metres and building a new multi-use container terminal. In addition, specialised multi-use terminals are planned for the industrial complexes at the ports of Salina Cruz and Coatzacoalcos. An estimated MXN7bn (\$401.2m) will be invested in their development over the next five years, creating a projected 20,000 direct jobs and 23,000 indirect jobs.

The specialised container terminal to be built at Coatzacoalcos, which is projected to cover an area of 22 ha once completed, targets an annual handling capacity of 150,000 containers, which would represent a significant increase from the port's current capacity of 300 containers per month. Additionally, a MXN495m (\$28.4m) dock expansion at Laguna de Pajaritos is under way.

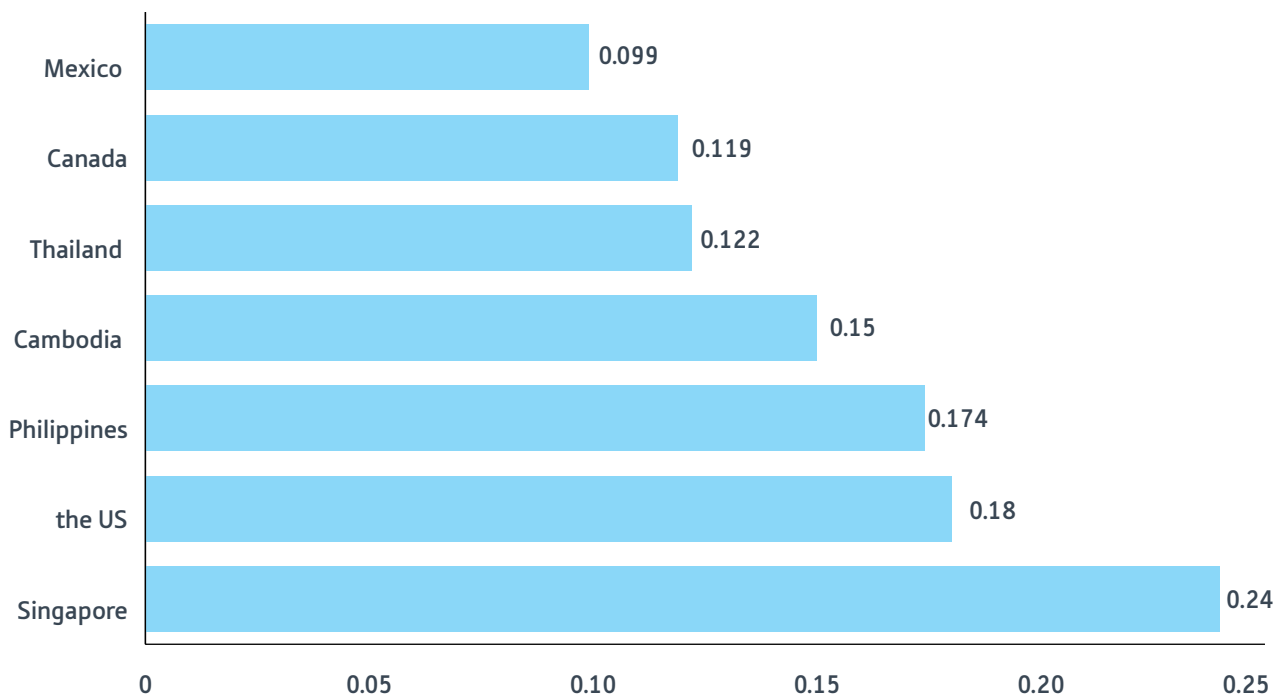
The investment into these projects is expected to bolster the country's connectivity, with transport times to range from 13 days, 14 hours to Yokohama, Japan and 16 days, seven hours to Shanghai from Salina Cruz; and 11 days, three hours to Hamburg, Germany from Coatzacoalcos.

Port infrastructure upgrades

Coatzacoalcos	Salina Cruz		
Expansion of Laguna de Pajaritos port facility	Stage 1 Rehabilitating and enhancing existing infrastructure	Dredging	Navigational canal to 16 metres
Permanent terminal at Laguna de Pajaritos (in second phase designed to handle 1.3m containers)			Dock areas to 14m
Construction of West Breakwater, measuring 1.6 km in length and over 25 metres in depth		Remove breakwater to expand access to commercial port	Pemex's dock to 15m
Repairing of 137 metres of current multi-purpose terminal, aligning 275 metres of current container dock and dredging for navigation channel expansion			
	Stage 2 New facilities	Two new major cargo terminals	Specialised container terminal
			Liquid bulk terminal
		Railway access to the port	



Comparative cost of energy (\$/KwH)



In addition to enhancing the competitiveness of southern Mexico, Texistepec is at the centre of a substantial energy ecosystem for the entire area. More broadly, the corridor is anticipated to play a crucial role in expanding Mexico’s energy potential, as the isthmus hosts diverse networks for the production, transport and consumption of various energy sources. With offshore fields accounting for the majority of Pemex’s hydrocarbons production, in 2022 the states of Tabasco and Veracruz ranked second and third overall, contributing 354,000 barrels per day (bpd) and 99,000 bpd, respectively. That same year Pemex reported that Tabasco produced nearly 1.06bn cubic feet per day (scf) of natural gas, while Veracruz produced 470m scf. Chiapas finished behind Tabasco and Veracruz in both metrics, reporting 33,000 bpd and 132m scf in 2022.

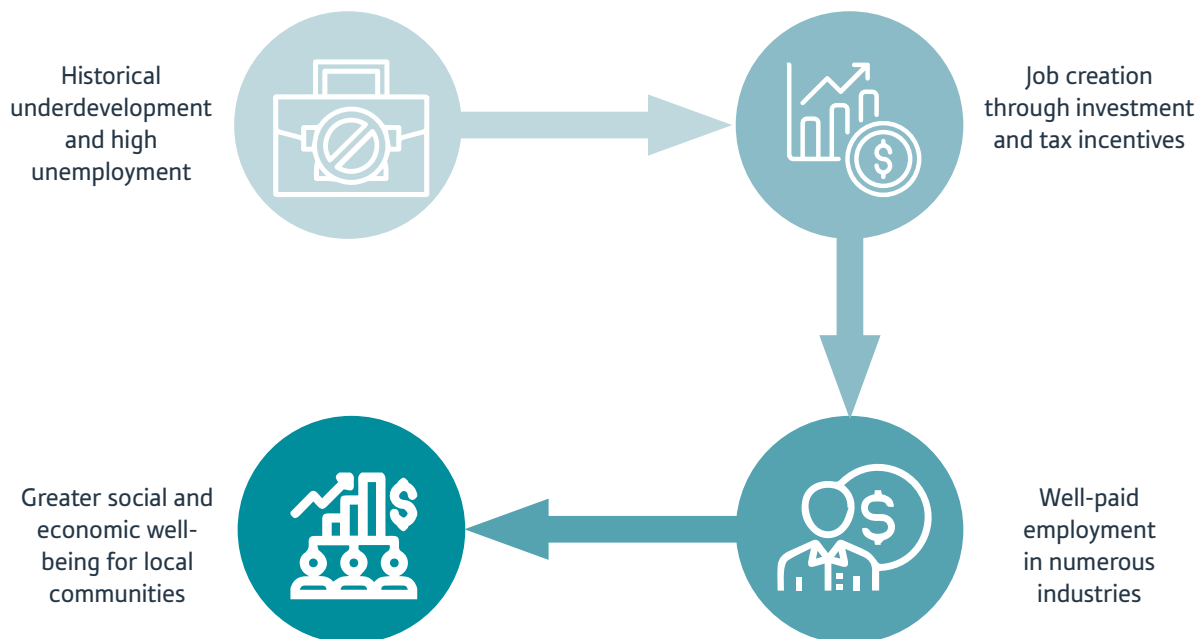
The corridor is expected to be able to leverage the hydrocarbons resources present in the states of Veracruz, Tabasco and Chiapas to facilitate the flow of fuels between the Gulf of Mexico and the Pacific Ocean. As such, a central part of Texistepec’s value proposition is the efficient provision of energy to the entire site, with a particular focus on ensuring sustainability credentials. To facilitate the efficient transport and distribution of energy resources

across the region, pipeline projects are under way. One such project is the Southeast Gateway Pipeline, which is expected to be commissioned in mid-2025. In August 2022 Canadian energy company TC Energy announced that it had reached a final investment decision with Mexico’s Federal Electricity Commission (Comisión Federal de Electricidad, CFE) to build the \$4.5bn offshore natural gas pipeline, spanning 715 km and originating in Tuxpan, Veracruz, with delivery points in Coatzacoalcos and Paraíso, Tabasco. The pipeline is expected to have a capacity of approximately 1.3bn scf once it comes into operation, enhancing energy security in the region and supporting industrial growth through the utilisation of more reliable energy sources.

Although the majority of power generation in the region is derived from combined-cycle plants that run primarily on gas, the region has significant potential for renewable energy. For example, according to the 2022 annual report published by the Mexican Wind Energy Association, Oaxaca had the most installed wind power capacity of any Mexican state, with 2758 MW in total, or 22% of the country’s installed capacity. In April 2023 President Andrés Manuel López Obrador announced that 35% of Mexico’s energy in 2024 would be produced by renewable resources.

Investment climate

Importance of job creation in Texistepec



Texistepec has significant potential for job creation, which is directly in line with economic incentives, offering opportunities to address the region's high poverty and unemployment rates. The project aims to attract companies that offer well-paid jobs and leverage the region's most promising industries. With a master plan oriented around strategic industries such as pharmaceuticals, logistics and agro-industry, employment opportunities are expected to be created at various stages of the industrial complex's development.

In its initial two years of operation, at just 25% of its intended capacity, Texistepec is anticipated to create more than MXN6m (\$344,000) in direct salaries across the various industries located within it. This would result in 81 new jobs in the pharmaceutical industry, 119 in logistics, 72 in the agro-industry sector and three administrative positions, or 302 total new jobs in the first two years. These employment figures are projected to increase significantly over time.

The impact of development zone goes beyond merely creating new job positions – it is also focused on raising

salaries to foster regional development by offering better-paying opportunities for locals. An analysis of historical salary data for the region assessed the average and maximum salaries for anticipated positions at Texistepec, which in turn resulted in a proposed 7% salary increase at the industrial complex. For instance, an installation manager in the pharmaceutical sector currently earns an average monthly salary of MXN23,840 (\$1366), with maximum salaries reaching MXN31,000 (\$1777). Consequently, the Texistepec initiative suggests a 7% raise, which would increase the maximum salary to MXN33,170 (\$1901) for these positions.

Texistepec is also anticipated to contribute to the broader economic growth of the Isthmus of Tehuantepec, an area that is projected to have a significant impact on the country's economy by 2050. Through to that year the population of the isthmus is projected to increase from 2.5m in 2023 to 7.5m, with the region's GDP and GDP per capita anticipated to rise from MXN571.6bn (\$32.8bn) and more than MXN228,600 (\$13,100) in 2023, to MXN5.7trn (\$326.7bn) and MXN762,000 (\$43,700) in 2050, respectively.

Supporting social infrastructure

True to its designation as an industrial complex within the corridor, Texistepec's master plan goes beyond its appeal to investors, encompassing a comprehensive development strategy for the region. The master plan allocates a significant portion of its proposed infrastructure to social initiatives, including medical and educational facilities, such as technical schools and vocational training centres; recreational areas, including cultural and sports centres; urbanised zones for marketing local products; health care infrastructure; and kindergartens. With planned investment of up to MXN6.3m (\$361,100) for building and maintaining surrounding infrastructure, these projects are envisioned as sources of employment and leisure.

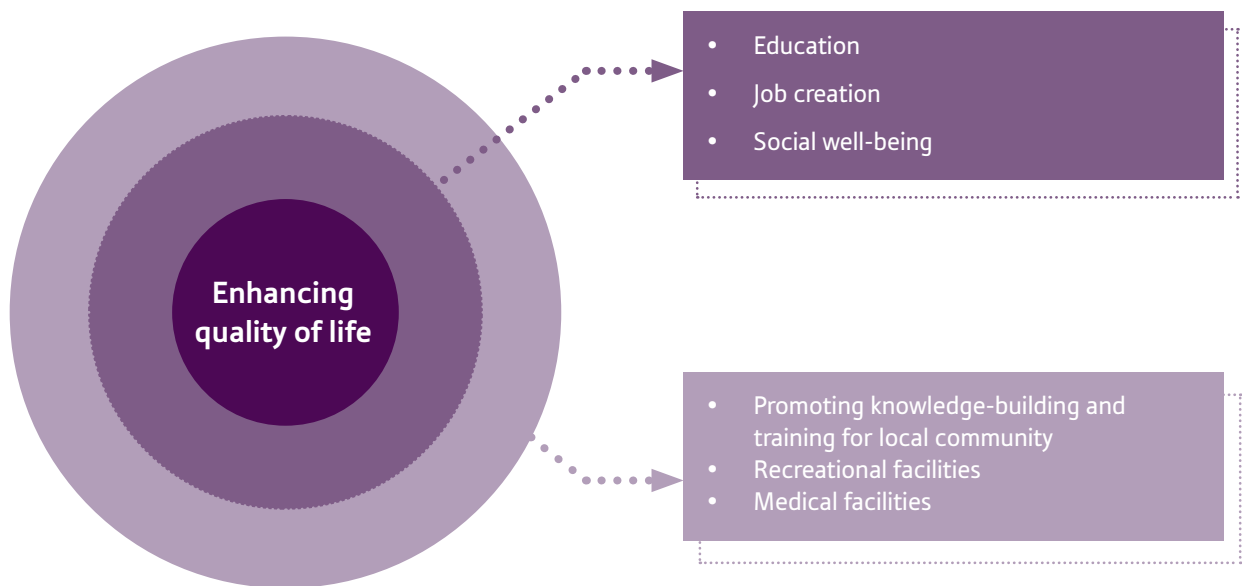
Texistepec's infrastructure improvements are aligned with multiple goals to facilitate the import and export of products, but most importantly enhance quality of life and expand education offerings. To develop projects that improve quality of life, Texistepec aims to build recreational areas for the local population, promote indigenous cultural environments, strengthen environmental protection mechanisms, and promote recreation and sport, as well as knowledge of new trends like artificial intelligence to upskill local talent. The estimated annual expenditure for building recreational areas for the local population within the industrial

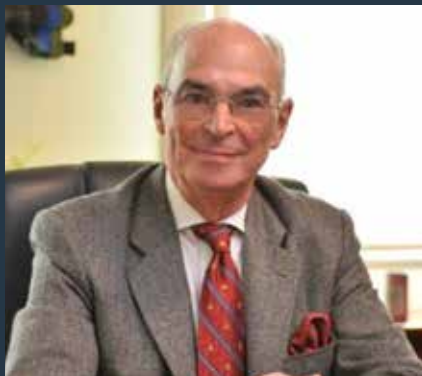
complex is MXN850,000 (\$48,720). In addition to the development of recreational facilities, Texistepec's initiatives include establishing an artisanal market for the promotion of local crafts and producers to promote local culture and related activities.

Two additional enablers of Texistepec's success lie in its security system, which is centred around a private surveillance network that includes a monitoring and reaction centre, and the necessary software to monitor access. The security system will also include physical security measures, including a double-fence perimeter, metal detectors and K9 equipment, along with an advanced access control system to trace goods and individuals entering the industrial complex.

The availability of the local labour force to fill positions within the companies operating in the industrial complex both during its developmental phase and once it is fully established is also critical. Fortunately, Texistepec is located 18 km from the town of Acayucan in the state of Veracruz – a 26-minute journey by car – which has more than 40,000 inhabitants and an average of 8.9 years of education per person. In addition, the surrounding region has specialised human capital working in the chemical and petrochemicals sectors, as well as a network of education centres providing training.

Supporting social infrastructure





Market gateway

Martín Gustavo Ibarra Pardo,
President, Araujo Ibarra
International Trade Consultants,
on global trade and free zones

Considering Mexico's economic structure, in which ways do you expect Texistepec and the corridor to contribute to growth?

IBARRA: With the inauguration of a new route, namely a railway linking two oceans, global trade will undergo a profound transformation. Throughout the history of international commerce, both short and long routes have shaped trade patterns. One example of this is the Silk Road, stretching over 6000 km from Xian to Constantinople. Another notable route is the Trans-Siberian Railway, which spans nearly 10,000 km from Vladivostok to Moscow – and is the world's longest passenger train route. Mexico has historically served as a vital link between South-east Asia and Europe. The Manila Galleon, for instance, facilitated the transport of goods between Manila and Spain via Acapulco in Mexico for some 250 years, until Mexico's independence from Spain in 1821.

Over two centuries later, the reopening of the corridor reinstates Mexico's pivotal role as an international commerce hub – connecting Salina Cruz and Coatzacoalcos. This time, the project aims to attract investment from Asia and the US, as well as from other Latin American countries. The corridor aims to emulate the success of countries like the US, where major railway lines – such as those connecting California and New York – have spurred the development of new cities and economic prosperity. The inauguration of the corridor coincides with a convergence of factors reshaping international trade dynamics, including US-China trade disputes, the surge in nearshoring activities, the disruptive impact of the Covid-19 pandemic on global value chains, and the growing emphasis on decarbonisation and carbon footprint reduction. These factors combine to underscore the trend towards closer proximity between raw material producers and end consumers, which continues to gather momentum.

How are attitudes to inter-regional supply chains and free trade evolving, and where might these present opportunities for the corridor?

IBARRA: There has been a significant rise in the number of free trade zones globally in recent years, with an estimated 4500 free trade zones now distributed across 130 countries worldwide. This reflects the widespread adoption of the concept of global supply chains and 'made in the world' manufacturing. Furthermore, there is growing discourse around fostering business relationships with countries rich in essential raw materials – presenting opportunities for Mexico, particularly given its proximity to the US.

What advantages might position the corridor as a destination of choice for international investors and businesses looking to operate in the country?

IBARRA: One significant factor to consider is the availability of tax incentives. Offering a complete exemption from income tax (impuesto sobre la renta, ISR) during the initial years of operation not only boosts exports, but also benefits the domestic market. Unlike the northern free trade zone, which imposes a 20% ISR rate, and the rest of Mexico, which maintains a 30% ISR rate, the 10 industrial complexes within the corridor provide a unique advantage by offering a complete exemption from ISR during the early years of operation within the corridor. Additionally, the strategic advantage of a free trade zone enables machinery, equipment and inventory to be exempt from tariffs or sales tax – resulting in a reduction of up to 30% in operating costs. This competitive edge positions the corridor as an attractive destination for both export-oriented businesses and those targeting the Mexican market. The combination of these two incentives will generate a unique opportunity for companies to enjoy advantages not found elsewhere in Mexico in the years to come.

Integration with the national economy

The corridor is a cornerstone of Mexico's economic development plans and seeks to address economic and social inequalities in southern Mexico. Veracruz, with its strategic location and port facilities, is expected to become a pivotal node in the corridor's logistics platform. The development of the corridor is projected to modernise and expand the port of Coatzacoalcos, which will include dredging works to increase the port's depth and the construction of a new container terminal. These enhancements are anticipated to increase the port's capacity to a level that would place it among the top-15 such facilities in Latin America and the Caribbean, and help integrate Veracruz into the global logistics network.

The focus on varied industrial verticals in the Texistepec development, such as automotive – particularly electric vehicles – pharmaceuticals and agro-industry, underscores ongoing efforts to synergise regional and national development agendas. As a result, Veracruz is poised to become a model for Mexico's broader objective

of deepening its integration into global value chains, especially as it relates to high-value manufacturing. The anticipated intensification of trade flows following the operationalisation of the corridor demonstrates the region's potential as a centre for international commerce.

Additionally, the emerging trend of nearshoring in North America presents a unique opportunity for Mexico to boost foreign direct investment in the country. The corridor and the Texistepec development will enhance Mexico's infrastructural capacity to capitalise on the benefits of nearshoring, including increased export earnings and a more robust and diversified manufacturing base, which could enable local firms to tap into markets in the US and Canada. Supported by industrial clusters and an ongoing focus on diversified industries, the Texistepec development and the corridor align with its goal to reduce regional developmental disparities and foster economic resilience, with Veracruz emerging as a crucial facilitator in deepening the country's integration into global value chains.

Development programme for the Isthmus of Tehuantepec

Infrastructure development: A cornerstone of the programme is the significant investment in infrastructure to improve connectivity across the Isthmus. This includes upgrading existing railroads and highways to facilitate the movement of goods between the two coasts more efficiently and at a lower cost.

Port modernisation: The plan encompasses the modernisation and expansion of the ports of Salina Cruz in Oaxaca on the Pacific coast and Coatzacoalcos in Veracruz on the Gulf of Mexico. Enhancements to these ports are aimed at increasing their cargo handling capacities and making them more competitive in the global shipping industry.

Industrial development: The creation of industrial complexes and special economic zones along the Isthmus such as Texistepec is intended to attract investment, both domestic and international, in various sectors such as manufacturing, logistics and energy. These zones offer incentives for businesses to set up operations, aiming to generate employment and promote economic diversification.

Energy projects: The plan includes initiatives to develop and expand the energy infrastructure in the region, including the construction of gas pipelines and the modernisation of hydroelectric plants. These projects aim to ensure a reliable energy supply for industrial activities and local communities.



Digital connectivity: Improving digital infrastructure and access to telecoms services across the Isthmus is another key component. This aims to support economic activities and enhance the quality of life for residents by providing better access to information and digital services.

Environmental sustainability: The programme incorporates numerous measures to promote environmental sustainability, ranging from renewable energy, water management, and the preservation of natural habitats and biodiversity.

Social programmes: Alongside the economic and infrastructure initiatives, the plan includes social development programmes aimed at improving education, health and housing for the inhabitants of the Isthmus. These programmes are designed to ensure that the benefits of development are shared widely and contribute to reducing economic inequality in the region.

Cultural promotion and preservation: The programme acknowledges the rich cultural heritage of the Isthmus of Tehuantepec, including its indigenous communities. Initiatives to preserve and promote this cultural heritage are part of the broader development strategy.

Economic Impact

Direct economic benefits

The Texistepec hub and the corridor, and the accompanying infrastructure developments are anticipated to significantly bolster Mexico's economic prospects. By 2028, an estimated 300,000 containers, are projected to transit through the corridor every year, with the figure increasing to 1.4m containers, or 33m tonnes, by 2033. The project offers a strategic alternative to canal-based passages, presenting a shorter land-based trade route between the Gulf of Mexico and the Pacific Ocean.

Lower transactional costs are part of the corridor's value proposition, due chiefly to the shorter travel time of less than six hours, contrasting sharply with the \$500,000 average cost shippers pay to pass through the Panama Canal in a journey that could last 8-10 hours. While canal-based passages remain critical nodes of global commerce – nearly 40% of US container traffic transits though the Panama Canal – as a viable alternative the corridor has the potential to enhance Mexico's trade flows, employment opportunities and revenue generation.

Key to this expansion are the 10 industrial complexes that will form the corridor's logistics platform, the chief of which being the Texistepec industrial complex. Some of its foremost objectives include attracting companies that

generate well-paid employment; cultivating high-growth sectors; improving trade-related infrastructure; expanding local community access to education; and enhancing the global competitiveness of Mexico's southern region.

The Texistepec complex encompasses three core industrial sectors – namely pharmaceuticals, logistics and agro-industry – and is expected to drive significant job opportunities across Veracruz's 16 municipalities. These complexes will serve as growth drivers for verticals including electronics, IT, automotive, metals, medical devices, and power generation and distribution equipment.

Additionally, the plan to construct educational facilities focusing on artificial intelligence and emerging technologies – with a view to aligning curricula with the needs of companies operating in the 10 industrial complexes – is expected to foster human capacity development, enhancing the supply of skilled labour force.

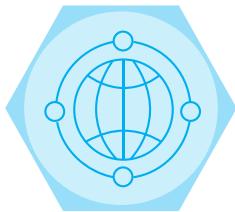
A crucial instrument in boosting trade flows, employment and revenue will be the array of incentives and amenities available to companies operating within the Texistepec complex. For example, tax benefits include accelerated depreciation of a company's investment in the first six

The Texistepec development's direct economic impact



Economic Impact

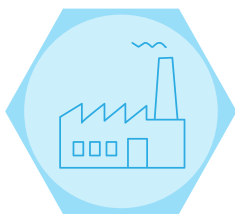
The Interoceanic Corridor's economic impact



3-5%
Projected boost to GDP



\$35.3bn
Total expected increase in exports from the south of Mexico, thanks to projects such as the corridor



MXN7bn
Projected foreign direct investment in the first five industrial complexes in the corridor



500,000
Containers passing between Salina Cruz and Coatzacoalcos in the first three years of the project

years of operation, 100% income tax exemption during the first three years, and 90% during the subsequent three years if employment goals are surpassed, and value-added tax (VAT) exemptions for four years and recovery of VAT on purchases made outside the corridor area for four years – the latter of which will incentivise the integration of local supply chains into the export-oriented industrial clusters, boosting revenue and job growth.

By catering to high-value manufacturing sectors like electronics, automotive and petrochemicals with amenities such as high-speed internet services, large green areas, water and sewage services, and gas pipeline and electrical connectivity, the Texistepec industrial complex and the corridor are projected to boost export revenue, especially in high-value manufacturing. Once operational, the enhanced capacity to produce and export high-margin products could account for 5% of Mexico's GDP.

Further transforming Mexico's economic landscape is the emerging trend of nearshoring, moving production closer to the market, which has been gaining momentum in North America in response to global supply chain disruptions. This shift offers Mexico a unique opportunity to significantly boost its trade flows and export-revenue generation, given its strategic geographical location, young workforce and abundant resources.

According to the Inter-American Development Bank, Mexico stands to be the main beneficiary of nearshoring in Latin America, accounting for 55% of the total regional increase in the export of goods, which amounts to \$35.3bn. Moreover, given the existing infrastructure gap between China and Mexico, operationalisation of the corridor project, including the Texistepec hub, will help provide Mexico with the enhanced infrastructure needed to accelerate the steady transition to nearshoring.

The number of free trade agreements at Mexico's disposal – the chief of which being the United States-Mexico-Canada Agreement – are expected to augment the benefits of enhanced trade and manufacturing capabilities under the Texistepec industrial complex and corridor. A further by-product of the corridor is the enhancement and development of trade-related infrastructure. The integration of the ports of Coatzacoalcos and Salina Cruz and the railways will be vital for efficient handling and transportation of large volumes of containers.

Harnessing technology will be crucial for maximising the anticipated gains from the Texistepec industrial complex and the corridor. This necessitates strong collaboration between the government and the private sector, highlighting the importance of robust public-private partnerships in infrastructure development.

Indirect economic impact

Indirect economic impact from the Interoceanic Corridor

Multiplier effect on local industries

The development is predicted to catalyse growth in several sectors, including tourism, education and agriculture. By improving access to international markets, the agricultural sector's competitiveness should increase, leading to better pricing and demand. The tourism and leisure sector will be developed along four strategic axes: leveraging natural beauty, promoting cultural wealth, investing in eco-friendly hospitality, and enhancing medical tourism.

Economic diversification and integration

The Texistepec development and the corridor are set to impact the economy indirectly, facilitating industry diversification, enhancing regional and global value chain integration, and fostering human capacity development. These initiatives are expected to extend Mexico's industrial base into the southern region through strategic infrastructure and favourable policies.

Sustainability and social welfare

Environmental sustainability and social welfare are central to the Texistepec development, with plans for cultural, educational, and medical infrastructure aimed at strengthening community ties. Sustainable practices and green initiatives, like the development of green hydrogen infrastructure, highlight the project's commitment to eco-friendly development.



Infrastructure and trade enhancement

The corridor's expansion of trade infrastructure aims to accelerate the southern region's industrialisation. Integration of the Veracruz and Oaxaca ports will improve the movement of goods, boosting trade and economic activity. A focus on human capacity development, particularly in artificial intelligence and emerging technologies, is expected to raise local workforce skills and income levels.

Inclusive growth and GDP contribution

The corridor is projected to contribute significantly to Mexico's GDP and promote equitable economic growth across Mexico's southern states, ensuring the project's benefits are broadly shared. This inclusive approach is crucial for the sustainable development of the region.

The indirect economic impact of the Texistepec development and the corridor are likely to be substantial, with surrounding regions benefiting from diversification of industries, deeper integration into regional and global value chains, and human capacity development, especially via knowledge diffusion to the local workforce. By providing the enabling infrastructure, exemplified by the Texistepec development, and policies, such as fiscal incentives, to develop a variety of industrial verticals, these developments promise to expand Mexico's industrial and manufacturing base to its southern region.

The strategic infrastructure and policy framework underpinning the corridor aims to nurture an ecosystem conducive to both local businesses and national and international export-oriented firms, enhancing the economic prospects of Mexico's southern region. In terms of local industries, the Texistepec development and the corridor will likely have a multiplier effect, catalysing growth in the tourism and leisure industry, the education sector, and the agricultural sector, among others. The project is expected to enhance agricultural sector's

competitiveness by providing farmers and producers more direct access to national and international markets. This improved access can lead to better pricing, higher demand for agricultural products, and potentially spur advancements in technology and practices, benefitting both the agriculture sector and the ancillary industries that support it. Indeed, the tourism and leisure sector has been earmarked as important to the emergence of a dynamic urban centre amid the operationalisation of the Texistepec development and the corridor.

The four axes identified to spur the growth of this industry include: leveraging the natural beauty of the coastlines of the Pacific and Atlantic oceans and regulating exclusive areas for beach tourism to obviate pollution; collaborating with local communities to identify areas of architectural, cultural and archaeological wealth for national and international promotion; investing in eco-friendly hospitality experiences and environments; and complementing the pharmaceutical and health sciences industrial vertical in the Texistepec development to cultivate the medical tourism segment to meet the strong

Economic Impact

demand of the North American market. The development of these industries should contribute to inclusive economic growth, a key objective of the Texistepec development and the corridor, ensuring that the benefits of the corridor are equitably distributed across Mexico's southern states, buttressing the region's ascendancy amid national leading growth rates in the first half of 2023 (see introduction to Mexico, Veracruz and the corridor).

The corridor's expansion of trade-related infrastructure, including rail, road and port facilities across the Isthmus's 125-mile breadth, is anticipated to accelerate the industrialisation of the southern region. To that end, the integration of the ports of Veracruz and Oaxaca will streamline the movement of goods, bolstering trade and economic dynamism. Human capacity development is equally central to the Texistepec development, with a dedicated social responsibility plan that emphasises education and training in artificial intelligence and emerging technologies. This focus is expected to elevate local workforce skills and boost income levels by an estimated 7% above the regional average.

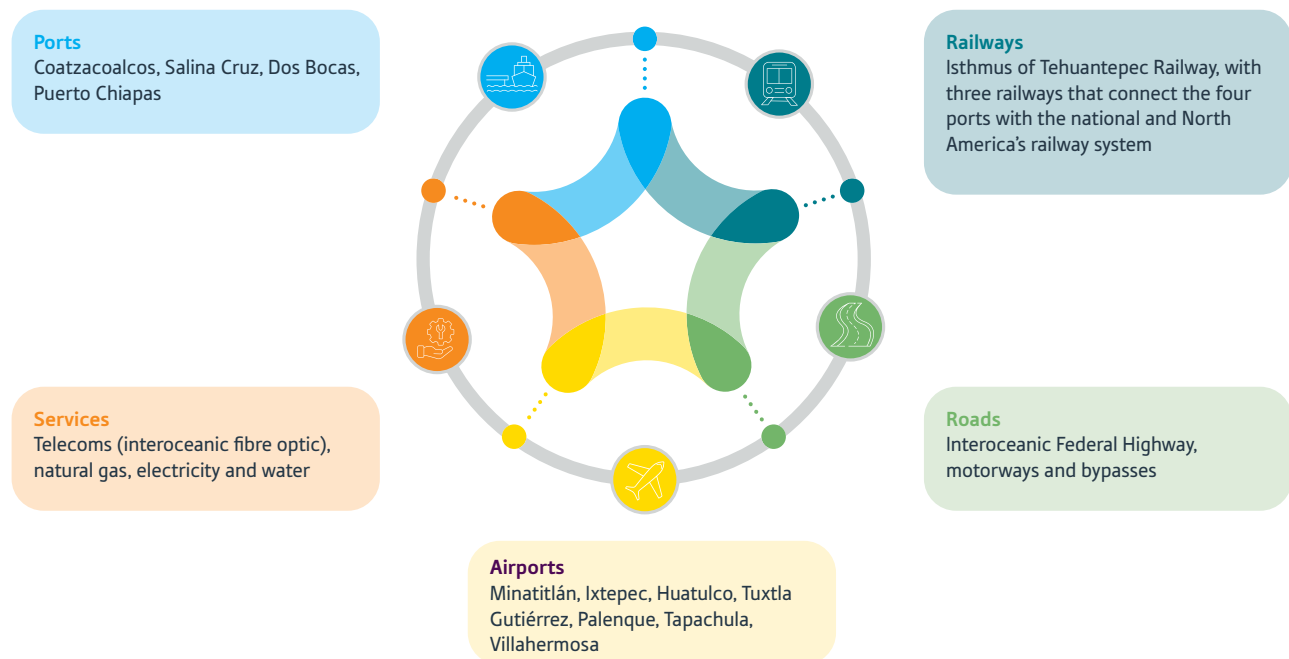
Another linchpin of the Texistepec development and the corridor is environmental sustainability and social

welfare investment. Initiatives include constructing social benefit infrastructure, including a cultural and sports centre, and educational, vocational and medical facilities. This endeavour will help cultivate robust linkages with the local community – a key barometer of success for infrastructure projects, especially in a region steeped in rich indigenous cultural heritage.

Companies operating within the Texistepec-led development parks are incentivised to follow sustainable and eco-friendly practices, such as mainstreaming the use of green transport modes and logistics. Exemplifying this commitment is the memorandum of understanding between the Mexican Navy and Denmark's Copenhagen Infrastructure Partners executed in December 2023 that aims to develop green hydrogen and maritime fuel infrastructure in the region, aligning Mexico's industrial future with global sustainability trends.

With the corridor projected to contribute 5% to Mexico's GDP upon becoming operational, the Isthmus of Tehuantepec is anticipated to witness an uptick in regional growth indices. The project's inclusive vision will be critical to ensure equitable economic distribution and sustainable development across Mexico's southern states.

Broader infrastructure developments as a result of the corridor



Policy measures to counter economic volatility

In the face of ongoing global economic volatility, Mexico has strategically positioned the corridor as a cornerstone of its efforts to foster economic resilience. Beyond functioning as a physical conduit for elevated trade flows, the Texistepec development and the corridor are a symbol of Mexico's broader economic ambitions to diversify its industrial base and leverage its trade partnerships for sustainable socio-economic growth.

Industry diversification is a critical component of policy measures to counteract economic volatility. By expanding into various sectors, Mexico reduces its reliance on any single industry, thereby cushioning the economy against external shocks. The corridor enhances this strategy by providing an integrated transport and logistics platform for new industries in the southern region – from pharmaceuticals to agro-industry – to flourish, thus fostering a more robust economic ecosystem.

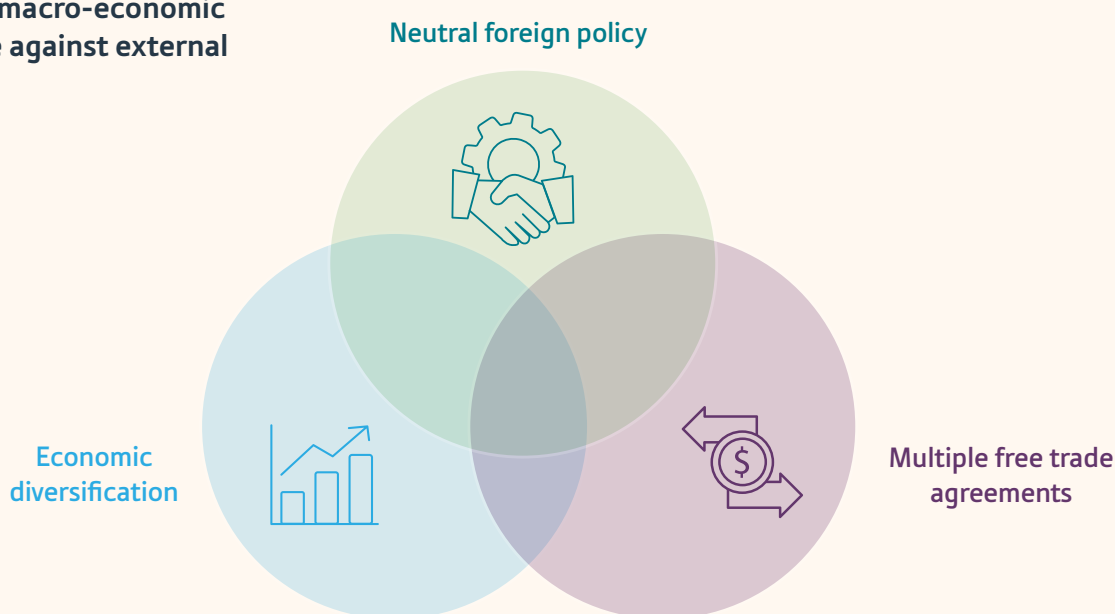
Moreover, Mexico's political posture of neutrality and its network of free trade agreements with 50 countries serve as buffers against the risks of global trade wars. In an era where ongoing geopolitical conflicts between superpowers can disrupt global supply chains, Mexico's trade policies offer a degree of insulation. By maintaining a neutral stance, Mexico avoids being entangled in disputes

that could lead to punitive trade measures. Concurrently, its free trade agreements facilitate continued access to multiple markets, ensuring that the country's exports remain competitive and diversified.

The corridor, in this context, is more than an infrastructural undertaking; it is a strategic move to leverage Mexico's geographical advantage, connecting the Atlantic and Pacific oceans. This corridor is set to become a vital link in international trade routes, further integrating Mexico into global value chains and enhancing export earnings. Supporting this landscape is the nation's proximity to one of the largest and most lucrative consumer markets, the US, and Mexico's membership in the United States-Mexico-Canada Agreement, which facilitates supply chain resilience and mitigates economic volatility.

Mexico's policy measures, characterised by industry diversification and strategic trade agreements, reflect a comprehensive approach to mitigating economic volatility caused by external factors. This underscores Mexico's proactive stance in fortifying its economy against global uncertainties. As these policies unfold, the corridor is expected to play a pivotal role in enhancing Mexico's economic resilience, reinforcing its position as a leading emerging market for investment.

Mexico's macro-economic resilience against external shocks



Growth avenue

José Luis Romo Cruz,
CEO, MexStrategy, on the
opportunities presented by
changing global trade dynamics



Which are the key drivers behind the creation of Texistepec and the Interoceanic Corridor, and how do these align with the needs of global trade?

ROMO: The world needs, and will continue to need, new logistic nodes for three primary reasons. Firstly, current projections indicate that the global economy will double in activity over the next 20-30 years. This means that we will require new logistic nodes. Secondly, the ongoing global economic reconfiguration indicates that Asia will continue to play a crucial role. Aside from China, countries like Japan, India, Indonesia and Vietnam will create high demand for such new interoceanic logistics. Thirdly, nearshoring policies worldwide are affecting not only the Americas but also Africa, Eastern Europe and Asia.

Expanding on this, recent studies by major economic institutions such as the World Bank and the International Monetary Fund corroborate the projections of rapid economic growth, particularly in emerging markets. This growth looks set to be fuelled by factors such as urbanisation, technological advancement and rising consumer demand. As trade volumes increase, the demand for efficient logistics networks becomes paramount – positioning initiatives like the Texistepec Industrial complex as critical components for global trade.

What competitive advantages do these projects offer compared to traditional logistics routes, such as the Panama Canal?

ROMO: These projects can provide access to over 1.3bn consumers. Mexico, within the North American bloc, has the potential to be a major connector between Asia, Europe, Africa, Oceania and South America. In terms of competitiveness, Mexico stands out not only for logistics, but also for production. It boasts numerous international treaties, providing a considerable advantage for production. Distances

from Coatzacoalcos, at one end of the pole, to major US ports like Galveston, Miami and New Orleans are 40-50% shorter compared to routes via the Panama Canal. Moreover, the Texistepec industrial complex's strategic location offers resilience against potential disruption to global supply chains. As demonstrated during events like the Covid-19 pandemic, as well as ongoing geopolitical tension, diversifying supply chain routes and reducing dependence on single corridors are critical strategies for mitigating risk. Texistepec's proximity to major markets in North and South America enhances its appeal as a robust alternative to existing routes, ensuring greater flexibility and adaptability in times of economic uncertainty.

Why does Texistepec appeal to investors, and which factors contribute to its attractiveness for strategic manufacturing and logistics?

ROMO: Current economic dynamics inspire confidence among investors, turning projects from on-paper concepts into realities. The private sector, by investing in advantageous manufacturing and logistics opportunities globally, demonstrates this confidence. The development of Texistepec is expected to draw significant interest internationally due to its proximity to companies seeking to relocate, as well as the park's good connectivity, access to natural resources and fiscal incentives.

Government initiatives aimed at improving infrastructure and fostering a business-friendly environment further contribute to Texistepec's attractiveness as an investment destination. Mexico's commitment to enhancing trade facilitation, streamlining regulatory processes and providing incentives for foreign direct investment also help reinforce the perception of Texistepec, as well as the corridor, as a promising location for international businesses seeking expansion opportunities within the region.

Environmental Sustainability

Developing a robust water recycling system will minimise consumption and reduce reliance on fresh water sources

Environmental, social and governance (ESG) considerations are becoming increasingly important across the international investment community, including within two core segments of the corridor: industry and logistics. Furthermore, within the realm of ESG, sustainability and environmental management play pivotal roles, particularly in the planning, construction and operational phases of large-scale greenfield developments in environmentally sensitive areas, such as this particular project.

On an international level, the federal government is required to implement measures to protect human rights linked to the corridor project, particularly the rights of indigenous people in the region. To fulfil these obligations, the Ministry of Environment and Natural Resources has undertaken environmental impact assessments to comprehensively evaluate the project's potential implications in collaboration with affected communities.

For the construction and operation of both Texistepec and the corridor, the adoption of renewable energy sources such as solar and wind power across the multiple industrial complexes in the Isthmus of Tehuantepec seeks to mitigate greenhouse gas emissions and decrease reliance on fossil fuels, while also reducing energy costs for investors. Likewise, the integration of sustainable materials and design principles into buildings and infrastructure is designed to enhance energy efficiency and minimise waste generation throughout the project's lifecycle. The

Water recycling in an industrial environment



The corridor's environmental and social planning principles

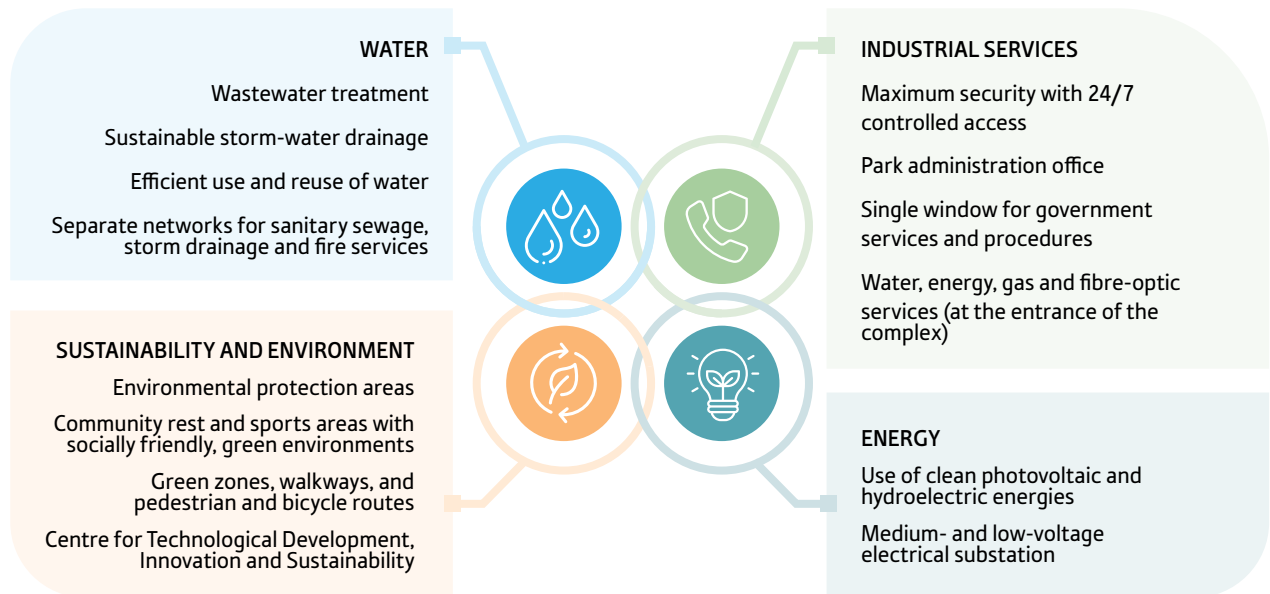


Government of Mexico, in the form of a policy document titled A Sustainable corridor, outlines energy goals for three stages of the project: the short-term phase spans years one to three; the medium-term phase extends from year three to year 10; and the long-term phase covers the period beyond 10 years. In the short term, the energy ecosystem will focus on harnessing renewable energy; the medium- and long-term plans focus on energy storage. The strategy seeks to allow the corridor to be energy self-sufficient, with its own proprietary energy ecosystem, protecting it from external risk and enabling future growth.

Water recycling within Texistepec-the corridor is another important component of the project's sustainable infrastructure. The region surrounding the corridor is still classified as semi-arid in parts – despite enjoying more water security than both Mexico's traditional industrial heartland, in the country's central Bajío region, and the region bordering the US. The project's water demand is expected to grow from 227,000 cu metres annually in 2023 to 348,000 cu metres in 2050. Similarly, the project's annual discharge of wastewater is expected to increase from 197,000 cu metres in 2023 to 281,000 cu metres in 2050.

Environmental Sustainability

Services for industry sustainability



Innovative solutions for water management will therefore be crucial to the economic and environmental sustainability of Texistepec. Developing robust water recycling systems within the wider corridor is imperative to minimise water consumption, reduce reliance on freshwater sources and alleviate pressure on local water supplies – which also provide water for the nearby population. By treating and reusing wastewater from industrial processes, transport facilities and urban areas, Texistepec can achieve substantial water savings while ensuring a continuous and reliable water supply for various purposes. Additionally, water recycling promotes environmental conservation by reducing pollution and preserving natural resources. Implementing water recycling technologies also strengthens resilience to droughts and climate variability, thereby enhancing the corridor’s long-term sustainability and operational efficiency.

Aligned with ESG criteria, community engagement is a key tenet of Texistepec’s social sustainability commitment. As part of Prolstmo’s value proposition, the developer of the industrial complex aims to prioritise employment, well-being and sense of community across all activities, actions and economic policies. Local support and collaboration will be essential to the long-term success and acceptance of Texistepec and the corridor project. Meaningful engagement with communities, indigenous groups and other stakeholders will be pivotal to address their concerns, incorporate their perspectives, and ensure the equitable and lasting distribution of economic and social benefits.

Climate-change mitigation strategies are being integrated into the planning and implementation of the Texistepec development and the broader corridor in order to address the direct threats stemming from climate change and its associated, secondary risks. Given the vulnerability of coastal regions to extreme weather events and rising sea levels, resilient infrastructure and adaptation measures will be essential to withstand such risks. Meanwhile, promoting low-carbon modes of transport, such as rail and waterways, can reduce emissions and alleviate pressure on congested road networks. Investing in natural climate solutions, such as reforestation and ecosystem restoration along the corridor, will help capture carbon dioxide and enhance the project’s green credentials for investors.

Texistepec and the corridor present both opportunities and challenges for the ESG credentials of Mexico’s greenfield developments – particularly with respect to environmental sustainability. A combination of rigorous environmental impact assessments, the adoption of sustainable practices such as water recycling, measures to foster community engagement and actions to prioritise climate-change mitigation can help policymakers navigate these complexities, and enable the corridor to contribute to inclusive growth, environmental stewardship and climate resilience. By embedding strategic planning, collaboration and innovation throughout the duration of the project, the corridor can serve as a model for sustainable infrastructure development and economic progress for future initiatives in Mexico, and beyond, in the years ahead.



Wider impact

Oliver Cornock, Editor-in-Chief, Oxford Business Group, on the project's value generation

What other prominent projects can Texistepec and the Interoceanic Corridor look to emulate in terms of logistics and value-added industry?

CORNOCK: Although it is hard to compare the geographic attributes of such a uniquely positioned project, Texistepec and the corridor have the potential to emulate the success of similar projects worldwide that combine global logistics appeal with value chain consolidation. One example might be Dubai Logistics City. Situated strategically between Asia, Europe and Asia, it serves as a major global logistics and trading centre, with modern, efficient infrastructure – including an integrated logistics platform, air cargo terminals and dedicated free zones for various industries. One of the city's key strengths lies in its barrier-free connectivity, facilitated by globally competitive transport networks, such as Dubai International Airport and Jebel Ali Port.

Another key example would be Jurong Island in Singapore, a successful centre for the petrochemicals industry – with a cluster of world-leading companies engaged in refining, manufacturing and research. Jurong Island specialises in fostering connectivity between industry players, promoting innovation and creating a user-friendly ecosystem for value-added activities. On a much larger scale, the Trans-European Transport Network (TEN-T) programme is an infrastructure initiative aimed at improving connectivity and mobility across Europe. The TEN-T programme encompasses a network of roads, railways, ports and airports, strategically linking key economic centres across multiple regions. Key features of the programme include a focus on sustainability, interoperability and multi-modality, alongside an emphasis on cross-border cooperation and integration.

Combining all three, Texistepec and the corridor can emulate Dubai Logistics City's focus on connectivity and efficiency, fostering streamlined logistics

solutions through integrated transport systems and free trade zones. From Jurong Island, the corridor could replicate a collaborative approach to cultivate innovation clusters – incentivising cooperation among industries, research institutions and government agencies. Drawing from the TEN-T programme, the project can prioritise sustainability, integrating environmental stewardship, energy efficiency and digitalisation to minimise the project's ecological footprint and ensure long-term viability.

How significant could the macroeconomic impact of Texistepec and the corridor be on the economies of the Western Hemisphere?

CORNOCK: Texistepec and the corridor hold significant macroeconomic relevance for the Western Hemisphere, particularly as a complement to the Panama Canal. While the canal has long served as a vital artery for maritime trade in the hemisphere, it faces capacity constraints and limitations in accommodating larger vessels.

The project could alleviate congestion at the Panama Canal by offering an alternative route for trade between the Atlantic Ocean and Pacific Ocean – with the crucial addition of comprehensive and sophisticated industrial and logistics facilities, allowing companies to add value to their goods before, during and after transportation. By providing a shorter and more efficient passage for ships, the corridor can enhance regional trade flows and reduce shipping costs for businesses across the Western Hemisphere. This improved connectivity may stimulate economic growth, facilitate the movement of goods and attract investment to the surrounding regions. Moreover, the project has the potential to transform Mexico into a strategic centre for global trade as a gateway not only between North and South America, but also between the Americas and Europe, Asia and Africa.

Key Findings

Eight key takeaways

1. Addressing economic disparities

The corridor is designed to bridge regional disparities and position Mexico as a key transport hub. Spanning 303 km, and linking major ports and infrastructure across 79 municipalities, it presents an opportunity for significant development in the country's less-developed south and south-eastern regions.

2. Industrial investment

The corridor hosts 10 development poles for well-being (polos de desarrollo para el bienestar, PODEBIs), attracting investment across 11 sectors. Recent bidding saw considerable interest: each PODEBI aims to stimulate job creation and infrastructure development, particularly in areas like Texistepec.

3. Logistics advantage

By 2028 the corridor seeks to provide an alternative route to the Panama Canal, offering shorter port-to-port journeys for freight companies despite global disruption. It presents key potential as a logistics corridor, enhancing North American and global supply chain efficiency by increasing container traffic capacity between the Atlantic Ocean and the Pacific Ocean.

4. Infrastructure development

Texistepec, the corridor's largest industrial complex, has robust connectivity via railways, highways, and proximity to ports and airports. Investment in urbanisation and industrialisation signifies a pivotal step towards regional industrial ecosystems.

5. Socio-economic impact

The corridor is expected to attract \$50bn in investment and generate 500,000 direct jobs by 2050, while also spurring socio-economic development for the local indigenous population. The corridor therefore looks set to boost the economies of Veracruz, Oaxaca and the broader southern region.

6. Energy ecosystem and sustainability

Texistepec, central to the corridor's energy roadmap, capitalises on Mexico's rich hydrocarbon reserves and renewable energy potential. With pipeline projects ongoing, including for natural gas, the industrial complex targets efficient energy provision while prioritising sustainability amid the green transition.

7. Nearshoring opportunities

The corridor's industrial complexes, like Texistepec, offer nearshoring opportunities for international firms looking to export to the US and Canada, thereby enhancing Mexico's competitiveness in global trade and attracting investment in the high-value manufacturing and services segments.

8. Global trade flow

Against a backdrop of global supply chain shifts following the Covid-19 pandemic, there is an opportunity for Texistepec, the corridor and Mexico as a whole to capitalise on international trade flows – possibly transporting 1% of the world's GDP, reinforcing the country's investment appeal and bolstering its resilience.

The road ahead: charting Mexico's economic trajectory through the Interoceanic Corridor and Texistepec

Mexico's economy is set to be the ninth-largest in the world by 2030 in terms of GDP, rising to the seventh-largest as of 2050. In parallel with this, the corridor and the Texistepec industrial complex emerge as catalysts for economic rejuvenation and regional integration. Against the dynamic landscape of global trade and shifting geopolitical currents, this project is expected to play a key role in supply chains at the regional and global level in the years ahead.

At the heart of the project, and Mexico's ambitions, lies the imperative to optimise infrastructure networks along the corridor and Texistepec industrial complex. While notable progress has been made in laying the groundwork for enhanced connectivity between the Gulf of Mexico and the Pacific Ocean, the journey ahead will likely have a dual focus on hard and soft infrastructure optimisation – as well as on creating an attractive business environment.

Logistics-focused strategies will lean towards the seamless integration of transport arteries, including railways, highways and ports, to enable the uninterrupted flow of goods and services between the two coasts and 10 industrial complexes. Moreover, investment in digital infrastructure and smart logistics solutions will be imperative to maximise efficiency and mitigate operational risks in an increasingly interconnected global economy.

As Mexico looks to boost its global competitiveness, the corridor and Texistepec industrial complex offer a gateway to economic diversification and value-added production that looks set to allow the country to address spatial inequalities within its own territory. Looking ahead, strategic investment in high-value manufacturing, technology-driven innovation and knowledge-intensive industries that build on existing primary sector activities could be key to unlocking growth opportunities and reducing reliance on the export of unprocessed raw goods – which have a lower export value.

Fostering an ecosystem conducive to entrepreneurship, and research and development, between the government, the private sector and academia, could help foster a culture of innovation, nurture the growth of local businesses and promote the emergence of globally competitive enterprises along the corridor. By harnessing Mexico's demographic dividend and leveraging its proximity to key markets, the region can carve out a niche in the global economy and position itself as a centre for innovation and creativity.

In tandem, such projects are expected to facilitate improved social well-being and socio-economic development at the community level. Texistepec and the corridor as a whole offer substantial promise in terms of job creation, the construction of social infrastructure and a broader distribution of economic growth to local populations.

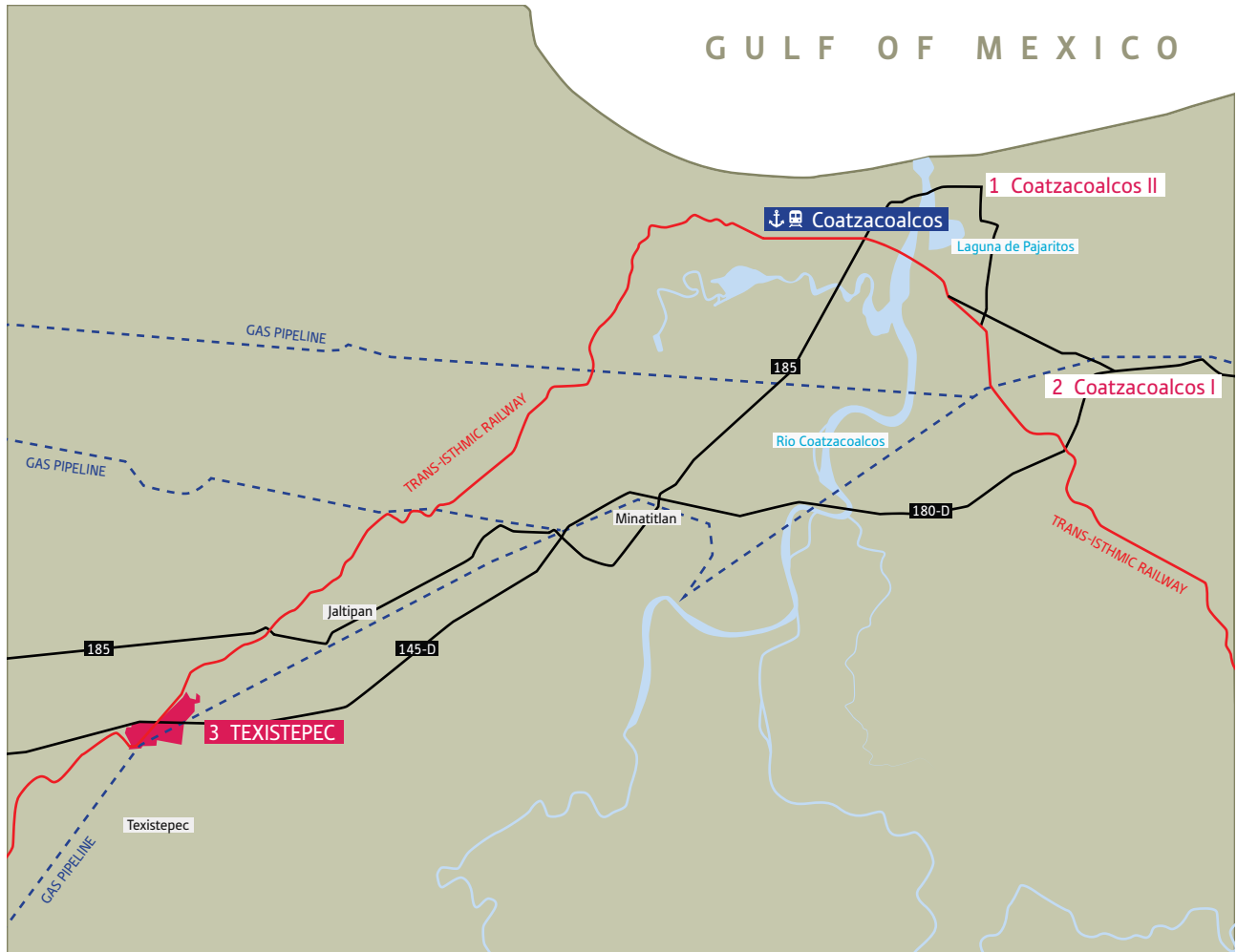
Therefore, forward-looking policies that prioritise investment in human capital development, social infrastructure and community engagement will be pivotal to foster inclusive growth and mitigate socio-economic disparities. Moreover, leveraging the transformative potential of digital technology can empower local communities, bridge the digital divide, and catalyse grassroots innovation and entrepreneurship.

In a global economy that increasingly emphasises environmental protection, sustainability in policy and practice will be increasingly visible throughout the project. Activities that prioritise renewable energy infrastructure, sustainable water-management systems, and nature-based solutions to mitigate climate risks and safeguard natural ecosystems will be central to its environmental credentials. Nurturing a culture of environmental responsibility and promoting green practices across industries will support the long-term viability of Mexico's developmental aspirations.

Successfully navigating geopolitical dynamics and strategic interests will likely help forge Mexico's path to closer regional integration and global links with new markets. Fostering closer economic ties with neighbouring countries, particularly in Latin America, and deepening engagement with existing key partners, such as the US, will be essential to harnessing synergies and unlocking new avenues for cooperation and growth within the Western hemisphere.

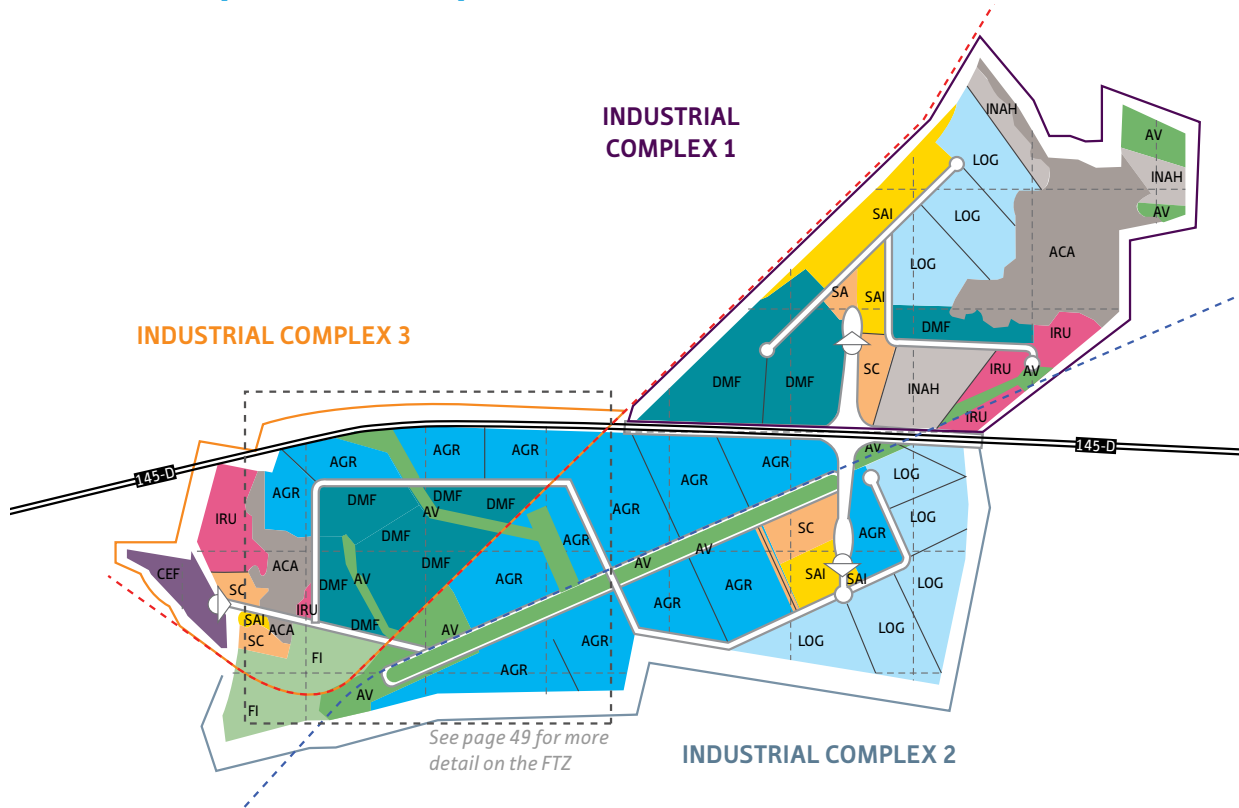
The outlook for Mexico's developmental aspirations through the Interoceanic Corridor and Texistepec industrial complex is largely positive, although these initiatives will not be without challenges against the backdrop of global economic uncertainty. Nonetheless, resilience can be achieved through strategic investment, policy innovation and proactive engagement with key stakeholders. There is a notable opportunity for Mexico to harness the transformative potential of the corridor and Texistepec industrial complex to buoy its economic trajectory throughout the remainder of this century.

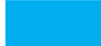












Investor-targeted incentives



- The Texistepec industrial complex is the largest and most complete manufacturing and logistics industrial park along the Interoceanic Corridor route.
- It is located 59 km from the port of Coatzacoalcos and is adjacent to the interoceanic railroad, highway 145-D and highway 185. It is close to Minatitlan airport, which underscores its considerable logistical strength.
- It is one of four free trade zones (FTZs) operated by Prolstmo along the route.
- These FTZs enjoy fiscal benefits such as 0% income tax and 0% VAT.
- The complex also houses logistics facilities for reverse logistics operations.
- The site links external and domestic markets through its transport and logistics networks.
- It also includes distribution centres for the southeast region of the country, which provide stock for central Mexico's supply chains.

The Texistepec master plan



	DESCRIPTION	CODE
	Agro-industry	AGR
	Logistics	LOG
	Medical devices and pharmaceuticals	DMF
	Supporting services for industry	SAI
	Complementary services	SC
	Training and research	FI
	Urban infrastructure	IRU
	Green areas	AV
	Environmental conservation areas	ACA
	Restrictions For the National Institute of Anthropology and History (Instituto Nacional de Antropología e Historia, INAH)	INAH
	145-D highway	
	Trans-Isthmic Railway	
	Gas pipeline	

The FTZ

Total land area of the FTZ:
512,794 m²

Number of industrial
lots in the FTZ: **12**

Industrial warehouse surface:
267,192 sq metres

Office area:
10,800 sq metres

Total profitable area:
277,992 sq metres

Vehicle buffer zone

Building for customs,
administrators and strategic
fiscalised precinct (SFP) operators

Designated zone with 24/7 access control and surveillance by an administrator and operators, with the capacity to introduce imported goods with customs and tax benefits

ACTIVITIES THAT CAN BE CARRIED OUT BY SFP OPERATORS WITH IMPORTED GOODS AND CUSTOMS AND TAX BENEFITS:

- Custody, handling and storage
- Exhibition, marketing and sale
- Manufacturing, repair and transformation

NEARSHORING

The FTZ has the most complete customs regime, designed to take advantage of “nearshoring” opportunities.



Customs



Export promotion instrument used by companies that import goods on a temporary basis and carry out an industrial process or service aimed at the manufacture, transformation, repair and/or the provision of export services. It allows for the temporary importation of goods, deferring the payment of the general import tax, VAT and, where applicable, countervailing duties.

Sectoral promotion programmes aimed at legal entities that produce certain goods. These allow for the importation of various goods at a preferential tariff to be used in the manufacture of specific products, regardless of whether the goods produced are intended for export or the domestic market.



Industrial complexes along the corridor by size (ha)

Veracruz	Texistepec	482
	San Juan Evangelista	360
	Coatzacoalcos I	257
	Coatzacoalcos II	131
Oaxaca	Santa María Mixtequilla	502
	Ciudad Ixtepec	412
	San Blas Atempa	331
	Ixtaltepec	221
	Matías Romero	185
	Salina Cruz	82

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