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Emerging opportunities in the Mexico-UK relationship

Where the UK meets Latin America & Iberia

Today's Topic

Executive summary

- Mexico, the world's 12th largest economy with a youthful population of almost 130m, provides an increasingly attractive market for UK firms and has the potential to act as a strategic gateway to the wider region.
- Both the UK and Mexico are seeking to diversify their international relationships and take advantage of global trends such as the energy transition and digital transformation.
- Total trade between the UK and Mexico increased by £2.5bn from 2014-2023, from £3.3bn to £5.8bn. The UK has maintained a small trade surplus in most of these years.
- Top UK goods exports are cars, mechanical power generators, iron and steel, and medical and pharmaceutical products. The most valuable services exports are insurance and pension followed by travel then other business services such as professional and management consulting.
- Trade between the two countries should be further boosted by the UK's accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).
- Increasing uncertainty around key existing relationships will also likely present opportunities to boost trade between Mexico and the UK.
- Priority areas for UK companies include advanced engineering; food & drink; education services and edtech; advanced medical devices; fintech; and green finance.
- Alignment on climate action could provide an important avenue for future cooperation between the two countries. UK firms are well placed to take advantage of Mexico's commitment to boosting clean energy capacity.
- The synergies between the two countries are significant and growing, and UK firms should find receptive partners for projects in a wide range of sectors in Mexico at a time of political affinity between the two countries' respective governments.

Introduction

Mexico and the United Kingdom have enjoyed more than two centuries of diplomatic relations, with the government in London recognising Mexico as an independent state in 1824, the first country in Europe to do so. The UK foreign minister at that time was none other than George Canning, who lends his name to Canning House and was known for his strong support of emerging republics throughout Latin America.

Much like Canning's time, we are in an era of geopolitical upheaval in which politics and trade are in a period of flux, presenting both challenges and opportunities. Canning would have surely approved of UK government efforts to deepen cooperation with Latin America in recent years, and Mexico has the potential to act as a strategic gateway to the wider region.

Home to a youthful population of almost 130m, Mexico is a key emerging market that is already the world's twelfth-largest economy. Its GDP (on World Bank figures measured in current US dollars) increased from US$1.3tn in 2019 to US$1.79tn in 2023 (+37.7%). However, in constant 2015 US dollar terms, its GDP grew by a more modest 3.9% (from US$1.28trn to US$1.33trn). Mexico's GDP per capita (in constant 2015 US dollars) remained largely flat, going from US$10,159 in 2019 to US$10,241 in 2023. GDP growth of 1.3% is forecast for 2025. The UK, which is the world's sixth-largest economy and a global financial services hub, recorded growth (in current US dollars) from US$2.85tn in 2019 to US$3.38tn in 2023 (+18.6%), and from US$3.16trn to US$3.23trn (+2.2%) in constant 2015 US dollar terms. Over the same period the UK's GDP per capita has also remained flat in constant 2015 US dollar terms, going from US$47,234 in 2019 to US$47,322 in 2023. The UK's GDP growth is forecast to be 1% in 2025. The possibility of further cooperation between the UK and Mexico potentially offers great benefits to both economies.

Mexico is part of the US-Mexico-Canada Agreement (USMCA) trade deal, and although there is some uncertainty over the future configuration of the agreement, it potentially offers preferential access to two huge markets for British interests, as well as an entry point to Latin America and a stepping stone to Asian markets due to its strategic location. Mexico is also a member of the G20 and the Organisation for Economic Co-operation and Development (OECD), as is the UK, which also maintains a strong relationship with the US, which is its largest trading partner.

Both countries are seeking to diversify their international relationships and take advantage of global trends such as the energy transition and digital transformation, which present myriad opportunities.

This potential for cooperation is boosted by the recent election of the new left-leaning governments of Mexican President Claudia Sheinbaum and UK Prime Minister Sir Keir Starmer, who appointed Baroness Chapman as Parliamentary Under-Secretary of State at the Foreign Office. She swiftly visited Mexico to attend President Sheinbaum's inauguration in October, and then addressed an event at Canning House, setting out a commitment for the government to be "an outward-looking, reliable, respectful, and genuine partner" which sees Latin America as "too big to ignore." As for Mexico, Baroness Chapman highlighted a desire to "renew our partnership with a huge and important G20 friend." In February 2025, Baroness Chapman was appointed Minister of State (International Development, Latin America and Caribbean) in the Foreign, Commonwealth & Development Office.

This sets the tone for what should be a fruitful period for the Mexico-UK relationship, which this report will examine in four key areas: geopolitics; trade policy; finance and commerce; and energy and climate change. The Canning House Mexico-UK Summit, hosted in Mexico City in April will provide another space to explore these crucial issues.

Geopolitics

The UK and Mexico have maintained strong diplomatic relations, with UK ministers making a series of visits to Mexico and an inaugural UK-Mexico Human Rights and Multilateral Dialogue held in January 2024.

Now there are opportunities to deepen engagement with the election of new governments in both countries. With Sir Keir Starmer taking office as UK prime minister in July 2024 and Claudia Sheinbaum taking up the position of president of Mexico in October that year, there is a closer ideological affinity between the UK government and Mexico's ruling Morena party than there was between the administration of Andrés Manuel López Obrador (AMLO, 2018-2024) and previous Conservative administrations in the UK.

Both Mexico and the UK are significant world economies with an interest in maintaining the stability of the existing multilateral system, which is being severely tested by a number of ongoing crises. Sir Keir Starmer has demonstrated his commitment by attending a series of international summits, including being one of only two G7 heads of government to attend the COP29 climate event, where he unveiled a new climate pledge to cut emissions by 81% by 2035 and reiterated plans to build out the clean energy industry. Sir Keir Starmer followed this up with a visit to the G20 summit in Brazil where he was joined by President Sheinbaum. The shared commitment of both Sir Keir Starmer and President Sheinbaum to international cooperation could provide an avenue for future cooperation between the two countries.

President Sheinbaum's attendance at the G20 also marked a departure from the reactive foreign policy maintained by her predecessor who eschewed international summits and preferred to focus on his domestic political agenda. Under President Sheinbaum, it appears that Mexico may instead use its membership of the G20 and the OECD to project its traditionally independent and non-aligned foreign policy more widely.

"Our foreign policy will follow the constitutional principles of the self-determination of peoples, non-intervention and peaceful solution of conflicts," President Sheinbaum said in her inauguration speech. "We will continue strengthening our economic and cultural relationship with the countries of Latin America and the Caribbean."

Foreign Minister Juan Ramón de la Fuente is experienced in the workings of multilateral institutions, having served (among other senior roles) as Mexico's representative at the United Nations from 2018-2023. He has worked to deepen cooperation with neighbouring countries and has prioritised defending the rights of Mexicans living abroad.

A key foreign policy priority for Mexico is its relationship with the US, its neighbour and largest trading partner. Trade tensions have risen since President Trump took office with multiple aggravating factors. These include US concerns about Mexico being a gateway for Chinese imports, lower productions costs in Mexico, and the flow of illegal immigrants and fentanyl over the border.

Mexico's most significant security issue is the presence of organised crime groups despite the country's militarised response in recent years. These groups have evolved from being primarily drug trafficking organisations dedicated to transporting cocaine and marijuana to the US market, to sophisticated criminal networks involved in myriad illicit economies, such as human and wildlife trafficking, and in some cases demanding extortion payments from producers of key exports such as limes and avocados.

Mexico and the US have also seen some policy divergence on foreign conflicts such as Ukraine and Gaza, although differences over Ukraine will have narrowed with the Trump administration's more accommodating approach towards Russia. Under AMLO, Mexico refused to impose sanctions on Russia after it invaded Ukraine and criticised US arms shipments to Kyiv, although it did vote in favour of a UN resolution calling on Moscow to withdraw its troops. Mexico has also maintained a policy of neutrality in the conflict in Gaza, with President Sheinbaum highlighting the country's longstanding position of recognising the states of both Israel and Palestine at a press conference in February. On 19 March, 2025, President Sheinbaum officially recognised Nadya Rasheed as the Palestinian Ambassador to Mexico.

Officials in Washington have become increasingly concerned by the growing presence of Chinese firms in Mexico, worrying that Beijing is using the country to secure preferential access to the US market via the USMCA trade deal. US President Donald Trump imposed tariffs on Mexican exports as a result, before later suspending them after negotiations with President Sheinbaum, who hailed successful efforts to avoid tariffs during a speech in front of a huge crowd in Mexico City on 9 March. Nonetheless the USMCA renegotiation scheduled for 2026 could disrupt trade between the two nations, as could a change in policy in Washington. Concern about Beijing's growing presence in Latin America is also behind Trump's campaign to pressure Panama to reduce what he calls Chinese influence over the Panama Canal, a strategic trade artery in the region.

At the same time, Mexico continues to navigate a complex historical relationship with China, attempting to balance a desire for investment with concerns over the impact of the arrival of Chinese firms on Mexican companies, as well as the effects of this activity on relations with the US. Although Mexican government data shows that the country received just US$477m in FDI inflows from China from January-September 2024, equivalent to just 1.3% of the total US$35.7bn for the period, independent analysts say that proportion is much higher. In the last three years the number of Chinese companies operating in Mexican industrial sites has doubled, moving deeper into supply chains and developing stronger trade links.

With Washington watching closely, Mexico has moved to demonstrate a willingness to crack down on alleged unfair trade practices by Chinese companies. On 14 February the economy ministry announced the opening of an antidumping investigation into imports of paperboard from China, and authorities shut down a Mexico City market known for selling imported Chinese goods after investigators found evidence of tax avoidance and the sale of contraband.

Mexico has also moved to secure natural resources coveted by China. In 2022, AMLO called for the nationalisation of Mexico's lithium reserves, leading Chinese firm Ganfeng Lithium to file an arbitration case against the government with the World Bank's International Centre for Settlement of Investment Disputes (ICSID). The ongoing case relates to plans to develop a lithium project in Bacadéhuachi, Sonora state, for which the company paid US$260m in 2021.

Nonetheless, Chinese President Xi Jinping expressed a desire to work with President Sheinbaum in a government statement published on 19 November, calling on the two nations "to enhance exchanges, renew friendship, make good use of the highly complementary nature of the two economies, constantly advance practical cooperation and push for all-round development of bilateral relations in the new era."

President Sheinbaum will likely continue to try and strike a balance between the US, China, and developing national capacity. Shortly after taking office the president published the Plan México industrial policy, which aims to reduce imports from Asia and boost North American production and is addressed in more detail later in this report.

President Sheinbaum has been widely praised for her initial response to the return of President Trump to the White House, successfully negotiating with the US president while maintaining and even increasing her popularity at home. Her party has a congressional supermajority with allies governing most of Mexico's 32 states. At the same time, she is working to diversify Mexico's international relationships at a time of geopolitical uncertainty, including increasing engagement with the European Union (EU). In January, 2025, Mexico and the EU finalised negotiations regarding a modernised trade agreement, which, once ratified, will replace the current agreement.

This chimes with the UK government's desire to deepen engagement with global markets after leaving the EU as a result of Brexit, creating synergies that present opportunities for increased cooperation, investment, and trade.

Trade policy

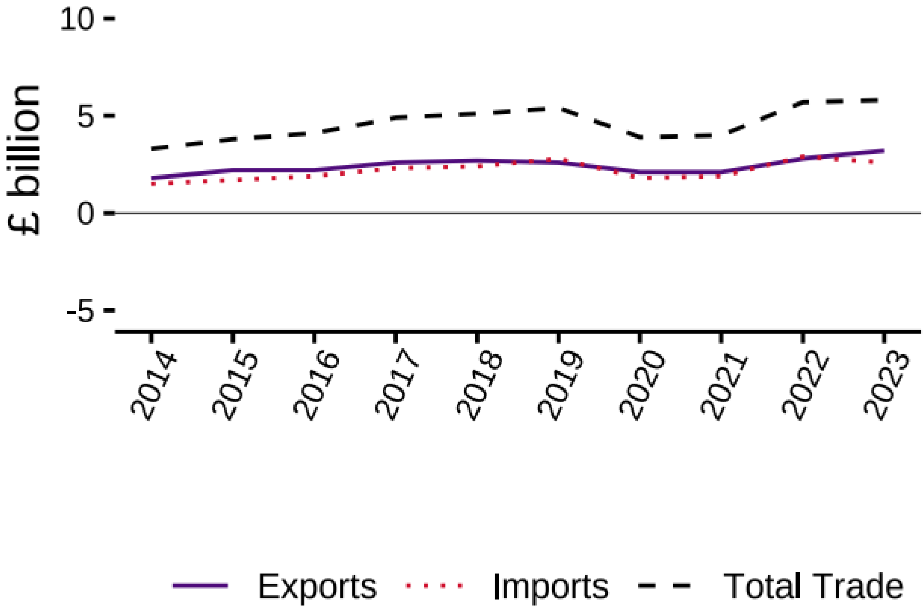
Trade between the two nations has been growing in recent years, with the automotive sector a particular area of strength, and efforts to capitalise on global trends such as the energy transition and the continued growth of digital services present further opportunities.

As shown in Figures 1 and 2, total trade between the UK and Mexico increased by £2.5bn from 2014-2023, from £3.3bn to £5.8bn, recovering from a dip to £3.9bn in 2020 due to the Covid-19 pandemic. UK exports increased from US$1.8bn in 2014 to US$2.7bn in 2018, falling to US$2.1bn in 2021 before recovering to hit US$2.8bn in 2022 and US$3.2bn in 2023. Over the same period, UK imports grew from US$1.5bn in 2014 to US$2.8bn in 2019, falling to US$1.8bn in 2020 and then recovering to US$2.9bn in 2022 before recording a slight decrease to US$2.6bn in 2023.

The UK has maintained a small trade surplus in most of those years, with the exception of 2019 (-£300m) and 2022 (-£100m), and in 2023 it recorded its largest surplus of the period at £600m.

Mexico remains the UK's second-largest trading partner in Latin America after Brazil. In 2023, total trade between the UK and Brazil was worth £11.2bn, up from £9.4bn in 2022 and £6.5bn in 2021.

Figure 1: UK trade with Mexico 2014-2023



Source: Department for Business and Trade (2025) *Mexico Trade and Investment Factsheet*.

Figure 2: UK trade with Mexico 2014-2023 breakdown in £ billon

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Value of total trade	3.3	3.8	4.1	4.9	5.1	5.4	3.9	4.0	5.7	5.8
Value of exports	1.8	2.2	2.2	2.6	2.7	2.6	2.1	2.1	2.8	3.2
Value of imports	1.5	1.7	1.9	2.3	2.4	2.8	1.8	1.9	2.9	2.6
Trade balance	+0.2	+0.5	+0.3	+0.3	+0.3	-0.3	+0.2	+0.2	-0.1	+0.6

Source: Department for Business and Trade (2025) *Mexico Trade and Investment Factsheet*.

Growth in total trade has continued, according to the latest seasonally adjusted UK government figures, which show that total trade in goods and services reached £6.1bn for the four quarters to the end of Q3 2024, up 6.6% compared to the same period 12 months prior. Total UK exports to Mexico were worth £3.3bn for the period, up 5.1% compared to the previous period, while UK imports from Mexico were worth £2.8bn, an 8.4% increase.

As shown in Figure 3, which uses non-seasonally adjusted figures, the top UK goods exports were cars, which were worth £206.2m for the period; mechanical power generators, worth £164.9m; iron and steel (£140.8m); medicinal and pharmaceutical products (£137.5m); and miscellaneous electrical goods (£131.1m).

Figure 3: The top five goods exported from the UK to Mexico

Commodity	Exports in the four quarters to the end of Q3 2024	Percentage of total goods exports	Change from the four quarters to the end of Q3 2023
Cars	£206.2 million	11.2%	a decrease of 6.2%
Mechanical power generators (intermediate)	£164.9 million	9.0%	an increase of 72.3%
Iron & steel	£140.8 million	7.7%	an increase of 30.2%
Medicinal & pharmaceutical products	£137.5 million	7.5%	a decrease of 40.7%
Miscellaneous electrical goods (capital)	£131.1 million	7.1%	-

Source: Department for Business and Trade (2025) *Mexico Trade and Investment Factsheet*.

As shown in Figure 4, cars were also the top UK goods import from Mexico, worth £567.4m, followed by unspecified goods (£140.6m), which includes precious metals, parcel post, low value trade, coins, and defence equipment; telecoms and sound equipment (£94.5m); mechanical power generators (£90.7m) and miscellaneous electrical goods (£49.5m).

Figure 4: The top five goods imported to the UK from Mexico

Commodity	Imports in the four quarters to the end of Q3 2024	Percentage of total goods imports	Change from the four quarters to the end of Q3 2023
Cars	£567.4 million	39.1%	an increase of 81.2%
Unspecified goods	£140.6 million	9.7%	-
Telecoms & sound equipment (capital)	£94.5 million	6.5%	a decrease of 30.9%
Mechanical power generators (intermediate)	£90.7 million	6.2%	an increase of 36.0%
Miscellaneous electrical goods (intermediate)	£49.5 million	3.4%	a decrease of 54.1%

Source: Department for Business and Trade (2025) *Mexico Trade and Investment Factsheet*.

As for services, shown in Figure 5, insurance and pension was the most valuable UK export (£282m), followed by travel (£253m); other business services (£249m), which include professional, management consulting, technical and trade related services.; telecommunications, computer and information services (£193m); and financial (£180m).

Figure 5: The top five services types exported from the UK to Mexico

Service type	Exports in the four quarters to the end of Q3 2024	Percentage of total services exports	Change from the four quarters to the end of Q3 2023
Insurance and Pension	£282 million	19.8%	an increase of 0.7%
Travel	£253 million	17.7%	an increase of 3.3%
Other Business Services	£249 million	17.5%	an increase of 27.0%
Telecommunications, computer and information services	£193 million	13.5%	a decrease of 11.5%
Financial	£180 million	12.6%	an increase of 9.8%

Source: Department for Business and Trade (2025) *Mexico Trade and Investment Factsheet*.

As shown in Figure 6, top services imports were travel (£944m); other business services (£333m); insurance and pension (£34m); transportation (£30m); and financial (£23m).

Figure 6: The top five services imported to the UK from Mexico

Service type	Imports in the four quarters to the end of Q3 2024	Percentage of total services imports	Change from the four quarters to the end of Q3 2023
Travel	£944 million	67.5%	an increase of 3.3%
Other Business Services	£333 million	23.8%	a decrease of 1.8%
Insurance and Pension	£34 million	2.4%	an increase of 41.7%
Transportation	£30 million	2.1%	a decrease of 14.3%
Financial	£23 million	1.6%	an increase of 9.5%

Source: Department for Business and Trade (2025) *Mexico Trade and Investment Factsheet*.

Trade between the two countries should be further boosted by the UK's accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) trade bloc, of which Mexico is a founding member. In addition to the UK and Mexico, the CPTPP comprises Australia, Brunei, Canada, Chile, Japan, Malaysia, New Zealand, Peru, Singapore, and Vietnam, representing a combined GDP of £12trn.

While Mexico is yet to ratify the UK's accession, the deal should bolster trade in traditional sectors, including automotives, pharmaceuticals, and food and beverages, while unlocking new opportunities in the digital and green economies.

The UK's accession to CPTPP should also be reinforced by a UK-Mexico FTA, which is currently under discussion. Trade between the two countries is covered by the UK-Mexico Trade Continuity Agreement, which came into force in June 2021, but an updated FTA would help to open further opportunities. The original terms were negotiated in the 1990s, with a focus on trade in goods, whereas an updated deal will prioritise increasing flows in sectors such as financial, creative, digital, and technology services.

This is one reason why the CPTPP is so important: the agreement was signed in 2016 and is therefore more modern and better suited to today's trade environment. Adopting modern trade rules will help British and Mexican businesses seize market opportunities while advancing world-leading trade frameworks for the energy transition and digital transformation.

For example, British companies could take advantage of Mexico's increasing adoption of digital technology to enter sectors such as fintech, or use Mexico as a hub for manufacturing operations that can act as an entry point to Latin America markets. In January, Prime Minister Sir Keir Starmer announced a new plan to deploy AI throughout government in a bid to "turbocharge growth," and joined the US in refusing to sign a global agreement on AI regulation in February.

President Sheinbaum created a new Digital Agency for Public Innovation, enhancing a parallel agenda with the UK on state transformation to enable an ambitious economic agenda, including digital public infrastructure and digital government capabilities.

Mexico has demonstrated a commitment to modernising existing trade deals, agreeing an updated version of its FTA with the European Union in January, as part of efforts to diversify away from a reliance on the US and China amid worries about the consequences of a global trade war.

President Trump has repeatedly threatened to impose tariffs on Mexican exports to the US, the country's largest trade partner. As things stand it is difficult to assess US policy given the flurry of often contradictory announcements emanating from the White House. One certainty is that the six-year review of the United States-Mexico-Canada Agreement (USMCA) is coming up in 2026, and the US president has signalled his intention to renegotiate the deal.

Uncertainty around key existing relationships will likely present opportunities to boost trade between the UK and Mexico. Priority areas for UK companies include advanced engineering, which can benefit from Mexico's strong manufacturing industry in the automotive, aerospace, domestic appliances, medical devices, and electronics sectors. Another is food and drink, with Mexico's growing middle class increasing demand for premium offerings, and a steady increase in interest in healthy living and free-from products.

Education services and edtech are another opportunity area, with a growing number of Mexicans learning English and studying in UK Universities. Advanced medical devices such as dental products, patient aids, orthopaedics, and prosthetics are also a promising area, as is private healthcare, with Mexicans spending significant sums on private and out-of-pocket medical expenses. Then there are emerging sectors including financial services, technology, and fintech.

Finance and commerce

The UK and Mexico also have a long relationship in finance and commerce, and ties continue to strengthen.

Finance is a particular area of strength as the Mexican financial system is one of the most developed in Latin America, with a solid regulatory framework and highly developed sub-sectors. Insurance and pensions was the most valuable UK services export (£282m), up 0.7% compared to the four quarters to end of Q3 2023, and financial services exports were worth £180m, up 9.8% for the period.

Fintech is a significant growth area. Mexico has one of the largest fintech ecosystems in Latin America, with a favourable regulatory environment thanks to the relatively flexible 2018 fintech law and remittance flows worth tens of billions of dollars.

Various British companies have moved into the Mexican market in recent years. Most recently, London-listed fintech Wise launched cross-border payment services in Mexico in January, while Mexico's banking regulator approved British firm Revolut's plans to become a bank in April 2024.

Plenty of opportunities remain, with millions of Mexicans unbanked. The UK government has supported financial inclusion in Mexico with the Financial Services Programme, which assists fintech entrepreneurs in developing financial solutions. More widely, financial services is one key area that is set to benefit from the UK's accession to CPTTP.

In terms of foreign direct investment (FDI), Mexican government figures show that inflows from the UK were worth US$713m in 2024, down from US$824m in 2023 and US$1.2bn in 2022, but much higher than the US$192m received in 2017, which was the lowest figure in more than a decade.

As for the stock of outward UK FDI in Mexico, which records the total book value of all existing investments at a given point, UK government figures capture a total £12.6bn in 2023, making it the eighth-largest source of FDI to Mexico.

Further opportunities for investment are highlighted in Plan México, also known as the National Strategy for Industrialisation and Shared Prosperity, which was published in the last week of 2024 and highlights government plans to strengthen Mexico's role in global value chains by attracting investment in specific areas, outlining a potential portfolio of M$277bn (US$13.4bn) in foreign and local investment projects.

Priority areas include textiles, automotive, pharmaceuticals, aerospace, agribusiness, and electromobility, and there are plans to build 10 new industrial parks. President Sheinbaum has also pledged to improve the investment climate by simplifying bureaucratic procedures and implementing a national digitisation strategy, as well as working to improve links between strategic sectors and the education system.

President Sheinbaum's clean energy drive also forms part of the Plan México industrial programme, which targets investment in the sector.

President Sheinbaum is keen to present Plan México as a mixed investment plan, which she says is different from public-private partnerships. "We no longer want to call it public or private, but mixed investment, where risks are shared and benefits are also shared, which also allows us to increase the infrastructure of our country where it is possible, without giving up public investment, which is essential for development," she said.

The publication of the plan was followed by the publication of new nearshoring decree on 21 January, which offers tax incentives to companies looking to relocate to the country worth up to a total M$30bn (US$1.47bn). Effective through to 30 September 2030, the vast majority (M$28.5bn) of the deductions are offered for investments in new fixed assets, benefitting sectors such as construction, communications, and power generation, while M$1.5bn in deductions is offered on expenses linked to training and innovation, such as new patent applications. Although Mexico has succeeded in attracting billions of dollars in foreign investment from firms keen to move production capacity closer to the US market in recent years, some critics argue that regulations in areas such as electricity generation, as well as legislative changes including a raft of constitutional reforms, have affected investor confidence and prevented the country from fulfilling its potential. Future prospects will depend largely on how far the country maintains its privileged access to the US and Canadian markets after the USMCA renegotiation in 2026.

Together these measures should help to counterbalance some investor concerns around recent reforms, such as changes to the judicial system and the shuttering of independent regulatory agencies, some of which covered key sectors such as energy generation.

The UK government has also worked to boost green finance in Mexico. One example is the UK government's International Climate Finance (ICF) programme, which focuses on five key areas: building sustainable cities and encouraging sustainable mobility; increasing capacity in green finance; supporting clean energy and energy efficiency; supporting climate policy; and supporting sustainable forests and land use. In this way, the UK supports Mexico's climate action and emissions reduction efforts through ICF programmes such as UK Partnering for Accelerated Climate Transitions (UK PACT), which is discussed in more detail below.

Energy and climate change

Both nations have worked together on initiatives such as the Mexico Clean Energy Programme, and signed the UK-Mexico Partnership for Sustainable and Inclusive Growth in 2019, aimed at increasing collaboration and boosting investment to tackle climate change. This was bolstered by the Cancun to Glasgow Declaration in 2020, signed after high level talks in London, which aimed to broaden cooperation.

These efforts have been supported by the aforementioned ICF and UK PACT programmes, whose impacts include supporting successful efforts to enable Mexico City's congress to adopt a new Climate Change Law in 2021, which commits the city to a 2050 net-zero target. By way of comparison, the Mayor of London Sadiq Khan has committed to a net-zero target of 2030 and has implemented policies such as the ultra-low emissions zone, known as ULEZ, in pursuit of this goal. UK PACT has also supported the Forests 2020 programme, which boosted Mexico's capacity to deliver accurate deforestation data.

The ICF's Clean Energy Innovation Facility (CEIF) has also been involved in kickstarting the Sustainable Cooling Innovation Fund, which supports the development of sustainable cooling technologies in a country where demand for cooling is forecast to increase dramatically in the coming decades. Another initiative is the UK Sustainable Infrastructure Programme Latin America (UKSIP), which aims to mobilise private investment in low-carbon infrastructure in Mexico. Since 2018, the British Government, together with the IDB, designed the UKSIP to catalyse private investment in sustainable infrastructure aligned with the Nationally Determined Contributions (NDC) and the Sustainable Development Goals (SDG) in Brazil, Colombia, Mexico, and Peru.

Canning House has also facilitated discussions between the UK and Mexico, hosting a roundtable discussion on climate and environment in October 2024. The delegation, who set out Mexico's approaches and progress on the United Nations' Sustainable Development Goals (SDGs) as well as the country's efforts in establishing and deepening the institutionalisation of the 2030 Agenda, raising its ambitions and commitments for reductions in greenhouse gas and carbon emissions.

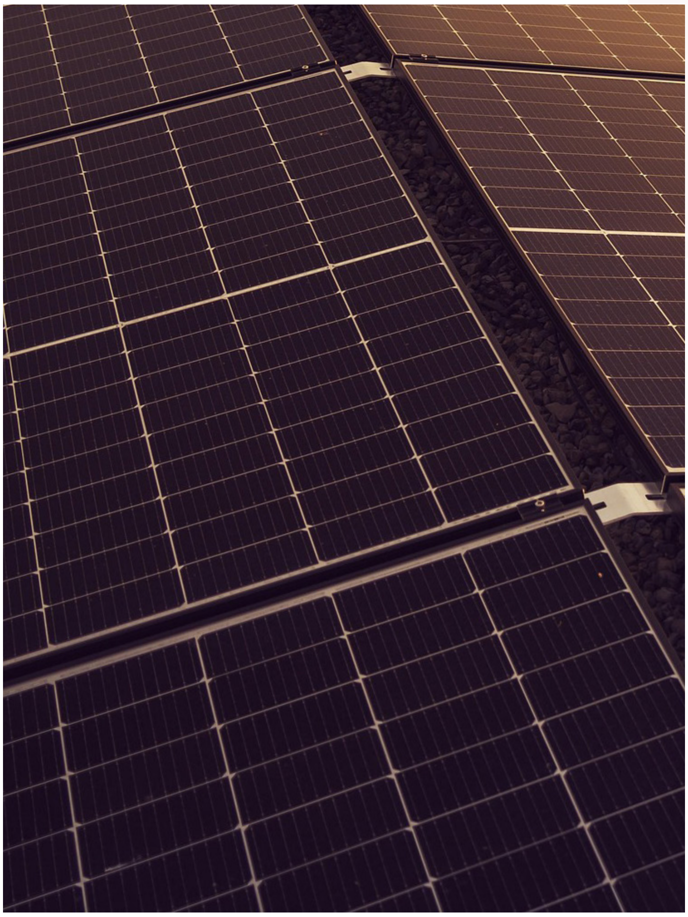
While these efforts saw limited progress under AMLO, President Sheinbaum's presidency ushers in a new and exciting era. The president, who has a doctorate in environmental engineering, made multiple mentions of renewable energy in her first speeches in office, and set a goal of boosting their share of total electricity production to 45% by 2030 as part of an "ambitious energy transition programme".

In October, congress approved energy reforms that have led to criticism in some quarters about the extent of state control over energy generation, but the removal of provisions in an earlier version of the reform bill that gave the Mexican state sole responsibility for the energy transition has led to hopes that private companies will continue to play an important role in ensuring that Mexico can both satisfy demand for power, and successfully transition towards cleaner energy sources and reduce its carbon footprint.

Secondary laws, effective as of March 2025, defined how private companies may participate in Mexico's electricity market, and the government insists that Mexico's doors are still open to foreign capital in the energy sector. UK firms working to build out renewables capacity, such as SSE and Octopus Energy, which have both expanded internationally in recent years, could be encouraged to consider investments if the updated regulations are favourable.

President Sheinbaum also revealed more details about her approach with the publication of the National Strategy for the Electric Sector for 2024–30 in November, which includes plans to invest US$23.4bn in the state-owned electricity company Comisión Federal de Electricidad (CFE) in order to boost energy generation, strengthen infrastructure, and improve distribution to end users. Energy Minister Luz Elena González Escobar said that the plan has four pillars: strengthening the planning of the national electricity sector; advancing in energy justice (access for all); guaranteeing a robust, reliable, and safe electricity system; and clear rules to ensure and increase private investment.

UK firms are well placed to take advantage of this commitment to boosting clean energy capacity



thanks to longstanding cooperation at government level, and forecast growth in electricity demand in Mexico will present further opportunities: Plan México calls for an increase in generation capacity from 356 terawatt hours to 413 terawatt hours.

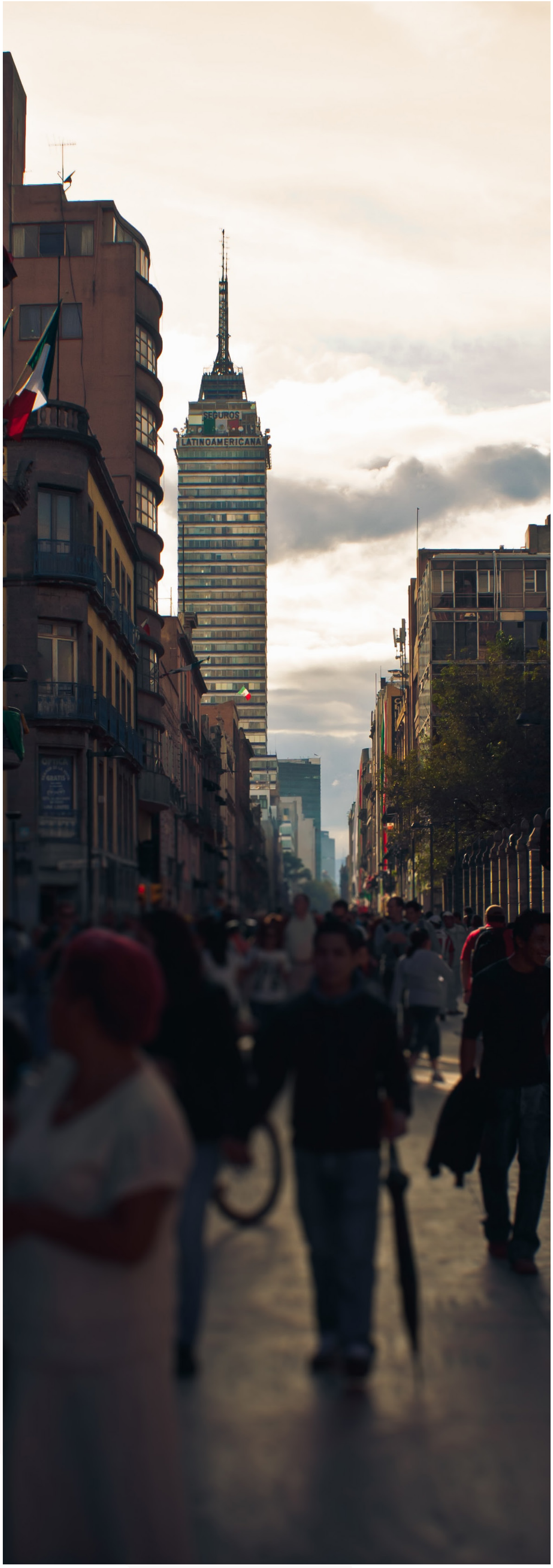
Both existing and planned systems will need operations and maintenance services, and the increased use of renewables will require the introduction of more sophisticated digital systems to track supply fluctuations, as well as increased investment in grid infrastructure to deal with these changes, presenting opportunities for UK firms that specialise in the industry.

In the UK, the sector has already shown strong growth. In February, the Confederation of British Industry (CBI) announced that the net zero sector is growing three times faster than the UK economy as a whole, recording growth of 10% in 2024. The CBI analysis covered 22,000 net zero businesses, who could bring their expertise to Mexico, in sectors such as renewable energy and green finance, which have created nearly 1m well-paid full-time jobs while reducing carbon emissions and boosting energy security. Its authors argue that economic growth and climate action go hand in hand, offering huge industrial opportunities.

In December, the UK government unveiled its own plan to build out more renewable energy capacity, known as the Clean Power 2030 Action Plan, which aims to unlock £40bn in investment and provide thousands of skilled jobs. Prime Minister Sir Keir Starmer is aiming to double onshore wind, quadruple offshore wind, and triple solar power capacity by the end of the decade.

Sir Keir Starmer has committed to cutting emissions by 81% by 2035 and has a net zero target of 2050. Mexico's latest Nationally Determined Contribution (NDC) under the Paris Climate Agreement was filed in 2022 and contains a conditional target of a 40% cut in emissions by 2030, but in November 2024 President Sheinbaum announced more aggressive climate efforts in a bid to have a net zero economy by 2050. President Sheinbaum appears to be prioritising climate efforts and made an eye-catching proposal to redirect 1% of global military spending to reforestation projects, advancing her position as a climate leader on the global stage in contrast to her predecessor AMLO. This adds to the synergies between both countries, and UK firms will find receptive partners for projects in a wide range of sectors in Mexico.

Conclusion



Relations between the UK and Mexico are good and there is plenty of scope for the development of still closer ties in the years ahead. Shared priorities and common goals will facilitate relations between the Starmer and Sheinbaum governments, which have an opportunity to work together and provide leadership on vital global trends at a time of geopolitical upheaval which threatens to damage the existing system of multilateralism.

With both leaders seemingly appreciative of the importance of multilateral institutions and the potential of international cooperation, Mexico and the UK could provide a counterweight to the centrifugal forces that are increasingly affecting previously stable relationships.

This will help them to coordinate action on global trends, such as the energy transition and climate change, while harnessing benefits for their economies and societies, such as moving up value chains and generating well paid jobs in the Mexican case, and the promotion of the service sector and new industrial opportunities in the UK case. The UK becoming the first new member of the CPTPP has the potential to accelerate trade connectivity between the UK and Mexico.

Achieving their aims will require deep cooperation with the private sector, which Canning House will continue to facilitate, presenting opportunities for increased trade and investment that will drive economic growth and shared prosperity.

Both the UK's accession to the CPTPP and the implementation of the proposed UK-Mexico FTA will boost these efforts, encouraging closer commercial relations between the two nations.