



Mexico concludes negotiations of an Economic Partnership Agreement with Japan

On March 10, 2004, the Governments of Mexico and Japan concluded negotiations of the substantive aspects of an Economic Partnership Agreement (EPA) after a negotiating process that took just over a year. The Agreement will allow for the creation of closer economic ties between Japan and Mexico, through the liberalization of bilateral trade.

The EPA provides for the immediate elimination of tariffs on certain industrial products, taking into account the difference in size and level of development of both economies. When the EPA enters into effect, 44% of Japanese and 91% of Mexican industrial exports will enjoy duty-free access to each other's market. After five years, the maximum Japanese tariff on 95% of Mexican industrial exports will be 4%, and after ten years all remaining tariffs on industrial goods between both parties will disappear.

Quotas were assigned for specific sensitive products. For example, Japan granted a duty-free quota for 250 thousand pairs of leather shoes, which will increase at an annual rate of 20%, until the seventh and tenth year of implementation of the EPA, depending on the type of product, when all exports of leather shoes originating in Mexico will enjoy duty free treatment. In the automotive sector, Mexico will grant Japan immediate duty free access for an amount equal to 5% of the previous year automobile domestic sales, from the date of entering into force of the EPA. After the EPA's sixth year, all car imports from Japan will be completely liberalized.

Although Japan is the main importer of agro-food products in the Asian region, Mexico's exports to Japan in this sector currently account for only 1.1% of Japan's imports. When the EPA enters into effect, Mexico will enjoy preferential access for its agricultural exports, in 796 tariff lines, representing virtually all of current Mexican agro exports to Japan. This is a major negotiation achievement for Mexico, considering that Japan has never granted such degree of preferential access to any country in the agriculture sector.

Mexico has obtained significant import quotas in key export products such as pork, beef, chicken, orange juice and fresh oranges. It also obtained preferential access for 76.7% of its fisheries products exported to Japan, including fresh and canned yellow fin tuna, shrimp, some crustaceans, mollusks and octopus. Products like sardine and calamari will enjoy preferential treatment under a quota regime.

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Trade Fairs and Exhibits in Mexico

HABITAT EXPO 2004

May 13-15, 2004

Mexico City, Mexico

Home decoration and gardening

Event Management: Tradex Exposiciones Internacionales S.C.

Tel: + 52 (55) 5604-4900

Fax: + 52 (55) 5605-1080

Contacts: Irma Mora and Carolina Vidal

E-mail: irma@tradex.com.mx and caro@tradex.com.mx

Website: www.tradex.com.mx

SAPICA Fall/Winter

May 15-18, 2004

Leon, Guanajuato, Mexico

Footwear show including men, ladies and children footwear, boots and sports footwear

Event Management: CICEG

Tel./Fax: + 52 (477) 711 5195

E-mail: info@ciceg.org

Website: www.sapica.com

EXPOPUBLICITAS 2004

May 19-21, 2004

Mexico City, Mexico

Branding, marketing and publicity

Event Management: Expopublicitas

Tel: + 52 (55) 5575 9305

Fax: + 52 (55) 5575 4182

E-mail: ventas@expopublicitas.com

Website: www.expopublicitas.com

Mexico: main FDI recipient in Latin America

According to preliminary data released by the United Nations Conference on Trade and Development (UNCTAD), in 2003, Mexico was the first recipient of Foreign Direct Investment (FDI) in Latin America, attracting more than ten billion dollars in that year. According to UNCTAD, during 2003 Mexico remained the third largest recipient of FDI, among developing countries, after China and Hong Kong.

Mexico received substantial inflows of FDI since NAFTA came into force in 1994, specially from the US. The combination of preferential access to the major world markets, including the US and the EU markets, with a specialized and competitive labor force have worked to attract foreign investors to establish in Mexico. In addition to the investment provisions in NAFTA, Mexico has concluded 20 Bilateral Investment Treaties (BITs) with 21 countries,¹ including the most recent one with the Czech Republic. Likewise, Mexico has in place a legal framework with clear rules that have granted certainty and transparency to foreign investors.

FDI FLOWS MAJOR ECONOMIES AND REGIONS (billion US dollars)			
Country/region	2001	2002	2003*
Total	209.4	162.1	155.7
Africa	18.8	11	14.4
Latin America and the Caribbean	83.7	56.0	42.3
Brasil	22.5	16.6	9.1
Mexico	25.3	13.6	10.4
Argentina	3.2	1.0	-0.3
Asia and the Pacific	106.9	95.1	99.0
China	46.8	52.7	57.0
Hong Kong	23.8	13.7	14.3
India	3.4	3.4	3.4
Eastern and Central Europe	24	28.7	30.3

Source: UNCTAD *UNCTAD estimates

¹ Argentina, Australia, Austria, Belgium, Cuba, Denmark, Finland, France, Germany, Iceland, Italy, Greece, Luxembourg, Netherlands, Portugal, South Korea, Spain, Sweden Switzerland and Uruguay.

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Mexico's Total Trade in February (billion US\$)			
	2003	2004	% change
World	25.8	28.1	8.8
Exports	12.9	14.0	8.3
Exports excluding oil	11.3	12.4	10.0
Imports	12.9	14.1	9.3

Source: Banco de México

Mexico's Trade with EU and EFTA (million US\$)			
	2003	2004	% change
JANUARY			
Exports to the EU	408.4	431.1	5.5
Imports from the EU	1,403.5	1,389.5	-1.0
Exports to the EFTA	44.2	69.5	57.4
Imports from the EFTA	52.8	65.8	24.6

Source: Banco de México

FDI in Mexico

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Notwithstanding the decrease in FDI flows suffered by Mexico in 2003 compared to 2002 (25.7%), the recent figures released by UNCTAD, place Mexico as one of the most attractive worldwide destinations of FDI. In fact, the decrease reported by Mexico is consistent with that experienced by the rest of the entire Latin-American region (24.4) and it is mostly attributable to external factors such as the relocation of efficiency-seeking FDI to lower cost-sites such as China, and South East Asian countries.

In recent years, Mexico's most labor intensive manufacturing has faced stronger competition from China, however, UNCTAD observes that, *"manufacturing in Mexico has reached levels of productivity and technological sophistication that make the threat of relocation to lower countries less imminent."* A good example of this trend, is the most recent announcement of expansion of its production plants by the automobile industry in Mexico. At the end of 2003, *Volkswagen de México* announced a two billion dollar investment for the next four years, for the construction of a new assembly plant for trucks and busses and the production the Golf's 5th generation, in Puebla, Mexico. Additionally, *The Manganese Bronze Holdings PLC* producer of the "London Taxi Cab" has expressed interest in the establishment of a production plant in Mexico.

Looking ahead into this year's perspectives, the Government of Mexico has recently released the results of a survey carried out by its Central Bank (Banxico), among several private sector analysts, which estimates US\$13.6 billion of FDI flows into Mexico, for 2004.

Mexico is focusing on the completion of the necessary structural reforms, mainly in the energy and the fiscal sectors, in order to maintain the necessary conditions to continue to attract FDI flows and thus maintain its status as major FDI receptor in the region.

Mexico concludes negotiations with Japan

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From an investment perspective, the EPA will help Mexico to continue as a major destination for foreign direct investment. Japan is the eighth investor in the world with investments of around US \$26 billion in average per year, and the EPA will enhance certainty for Japanese investors in Mexico. The estimated flow of Japanese investment over the next 10 years could reach US \$12.7 billion, an annual average of US \$1.3 billion, compared to the current annual average of US \$344 million dollars registered in the 1994-2003 period.

The EPA is not only conceived as a trigger for trade and investment but also as a way of strengthening bilateral cooperation between Mexico and Japan in the development of small and medium enterprises (SMEs). Mexico will take advantage of Japan's experience in increasing the competitiveness of SMEs, integrating them into production processes of larger enterprises and promoting their export capability. The EPA will also enhance cooperation in science and technology, education and skills training, tourism, agriculture, intellectual property rights, and environmental issues.

The Mexico-Japan EPA is the first agreement of its kind ever negotiated by Japan with a country outside the Asian region. For Mexico, the EPA adds to the 11 free trade agreements (FTAs) that it has already negotiated with 32 countries. The EPA enhances Mexico's trade strategy by guaranteeing preferential access to its products, to the world's third largest market (after the United States and the European Union, with whom Mexico already has FTAs).

By means of its new EPA with Japan and its network of free trade agreements, Mexico will enjoy preferential access to more than one billion consumers in the Americas, Europe, Asia and Israel. The benefits for Mexico's export sector and the investment flows from abroad are expected to translate into more and better paid jobs, and ultimately better living standards.

Financial Indicators	Economic Indicators
Foreign exchange rate: 11.17 peso/dollar (31-03-2004) International reserves: US \$58.4 billion (26-03-2004) Mexican stock market index (IPC): 10,517 (31-03-2004) Interest rate treasury bonds CETES 28 days: 6.21% (25-03-2004) <i>Source: Banco de México</i>	Inflation rate: 0.60% (February 2004) 1.22% (Jan-Feb 2004) Industrial Gross Domestic Product: 0.80% (Jan. 2004/Jan. 2003) Manufacturing -0.1%; Construction 3.0%; Mining 6.0% General Index of Economic Activity: 2.10% (Jan. 2004/Jan. 2003) Consumer Confidence Index: 96.4 points (March 2004) 6.5 percentage points (March 2004/March 2003) Open unemployment rate: 3.92% (February 2004) <i>Source: INEGI</i>

Mexico's Official Gazette Notices

- 01-03-2004 DECLARATION of validity of several Mexican standards related to the software, electric/electronic (wires and conductors), construction and telecommunication industries.
- 02-03-2004 ELEVENTH resolution modifying the Fiscal Resolution for 2003 and its annexes 1, 9 and 19.
- 03-03-2004 AGREEMENT notifying the import quota for woolen clothes and cheese, originating in Uruguay, for the period between March 2004 and February 2005, in accordance with the Fifteenth Modifying Protocol of the Economic Complementarity Agreement No. 5, between Mexico and Uruguay.
- 03-03-2004 RESOLUTION modifying the Mexican Standard NOM-155-SCFI-2003 for milk, dairy formula and combined dairy products – Denominations, physical and chemical specifications, commercial information and proof methods, published on September 12, 2003.
- 04-03-2004 DECLARATION of validity of the Mexican Standards regarding measurement instruments.
- 09-03-2004 EIGHTH resolution modifying the General Rules of International Trade for 2003, and its annexes 1, 10, 18, 21, 22 and 27.
- 15-03-2004 DECLARATION of validity of Mexican standard NMX-F-139-SCFI-2004 related to soluble coffee.
- 15-03-2004 DECLARATION of validity of certain Mexican standards regarding wrapping and packaging materials.
- 15-03-2004 DECLARATION of validity of Mexican standard NMX-V-019-NORMEX-2004 regarding marketing of vodka.
- 17-03-2004 DECREE promulgating the Mutual Cooperation and Customs Assistance Agreement, between México and the Russian Federation, signed in Moscow, Russia, on July 21, 2003.
- 18-03-2004 DECLARATION of validity of certain Mexican standards regarding aluminum and non-ferrous metals.
- 22-03-2004 DECLARATION of validity of certain Mexican standards regarding certain spirits.
- 23-03-2004 DECREE modifying the existing one under which certain Sectorial Promotion Programs are established.
- 24-03-2004 TWELFTH resolution modifying the Fiscal Resolution for 2003 and its annexes 1, 7 and 19.
- 25-03-2004 DECREE promulgating the Bilateral Investment Treaty between Mexico and the Czech Republic, signed in Mexico City, on April 4, 2002.
- 26-03-2004 DECREE by which the Trade and Economic Cooperation Agreement between Mexico and the Czech Republic, signed in Mexico City, on November 26, 1999, will cease to have effect between its parties as of May 7, 2004.
- 26-03-2004 DECREE by which the Economic and Industrial Cooperation Agreement between Mexico and Poland, signed in Mexico City on October 29, 1979, will cease to have effect between its parties as of May 1, 2004.
- 26-03-2004 DECREE by which the Trade Agreement between Mexico and Poland, signed in Mexico City on March 2, 1976, will cease to have effect between its parties as of May 1, 2004.
- 26-03-2004 DECREE by which the Trade Agreement between Mexico and Hungary, signed in Mexico City on April 28, 1975, will cease to have effect between its parties as of May 1, 2004.
- 26-03-2004 DECREE by which the Trade and Economic Cooperation Agreement between Mexico and Slovakia, signed in Monterrey, Mexico, on March 20, 2002, will cease to have effect between its parties as of May 1, 2004.
- 29-03-2004 GENERAL Rules regarding International Trade for 2004.

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- 06-03-2004 Commission Regulation (EC) No 414/2004 of 5 March 2004 adopting specific measures with a view to adapting the arrangements for administering tariff quotas on banana imports as a result of the accession of new Member States on 1 May 2004
- 12-03-2004 Commission Decision of 11 March 2004 concerning protection measures in relation to highly pathogenic avian influenza in Canada (*notified under document number C(2004) 849*).
- 18-03-2004 Commission Decision of 17 March 2004 concerning protection measures in relation to highly pathogenic avian influenza in the United States of America (*notified under document number C(2004) 835*).
- 27-03-2004 Commission Decision of 26 March 2004 amending Decision 2003/526/EC concerning protection measures relating to classical swine fever in Belgium, France, Germany and Luxembourg (*notified under document number C(2004) 965*).

(to access the texts visit <http://www.economia-bruselas.gob.mx>)

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For more detailed information or questions regarding this issue please contact us: e-mail bruselas@economia.gob.mx, fax: 32 (02) 644 04 45 or visit our web site at <http://www.economia-bruselas.gob.mx>