



# TRADE LINKS

## LAZOS COMERCIALES

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## Mexico faces the global economic crisis

**T**he effects of the global recession have been felt worldwide by all economies no matter if they are developed or emerging. Although, Mexico had experienced various kind of economic crisis in the past, the country is in a better position to face the current turmoil, which was generated mainly by the developed economies. Even though, in some aspects, such as the banking system, the real estate market, the domestic demand and the consumer debt position, Mexico is in a healthier position than some developed economies.

Mexico has made substantial progress over the past decade in strengthening its economic framework. Inflation has been generally low with well anchored expectations. Public debt levels have been reduced, including the public external debt. Mexico preserves the investment grade for its debt, according to the three largest rating agencies. The external current account deficit has been contained, while reserves have been built to comfortable levels. The banking system is highly profitable and well- capitalized, with low foreign borrowing and little exposure to structured financial products.

Nevertheless, the authorities have responded to the international financial shock with steps to maintain orderly functioning of markets, providing liquidity. Mexico's Central Bank has intervened in the foreign exchange in a more aggressive and timely manner, also has implemented measures to buoy up domestic debt markets. Mexico also received a swap line from the US Federal Reserve for US\$30 billion and used resources from this line in the first credit auction with banks for US\$4 billion, which was conducted in Mexico on April 21<sup>st</sup>.

Furthermore, to reinforce confidence and provide liquidity, Mexico accessed the new Flexible Credit Line from the International Monetary Fund (IMF) for US\$47 billion and would treat it as precautionary. Mexico is the first country receiving this Credit Line, being one of the few emerging economies able to meet relevant qualification criteria like:

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# Mexico faces the global economic crisis

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- a sustainable external position
- a capital account position dominated by private flows
- a track record of steady sovereign access to international capital markets at favorable terms
- relatively comfortable reserve position
- sound public finances, including a sustainable public debt position
- low and stable inflation, in the context of a sound monetary and exchange rate policy framework
- the absence of bank solvency problems that pose an immediate threat of a systemic banking crisis
- effective financial sector supervision; and
- data transparency and integrity.

Having this solid economic position, Mexico has been capable of implementing a wide range of economic stimulus that is helping the country to cushion the impact of the external demand shock.

Reflecting the important gains in policy credibility, for the first time ever, Mexico is in a position to apply counter-cyclical policies. Fiscal policy is set to deliver a substantial stimulus of up to 1.5% of the Gross Domestic Product in 2009 that will in part be financed by resources from the oil price hedge and higher public sector external borrowing.

This stimulus is mainly oriented through increase investment spending (Infrastructure Program), foster competitiveness thru less energy prices, boost Small and Medium Enterprises by granting at least 20% of the government procurement as well as enlarge financing funds, and last but not least increase social spending.

Indeed, the social segment is the core of the stimulus program (National Pact to Support the Family Economy and the Employment). The measures are oriented to: strengthen the national service for employment, enlarge the temporal employment program, allow early withdrawals of retirement funds, provide healthcare for unemployed, lower electricity and fuel prices, finance technical layoff and increase housing funds.

## Final Remarks

In a nutshell, Mexico has resented the effects of the global turmoil, however Mexico's strategy to face it has been demonstrating that was opportune and adequate.

The country has substantially reduced vulnerabilities and it has achieved a high level of credibility. Mexico will be ready to recover the growth path as soon as the world economy revives.

As the IMF stated<sup>1</sup> when granted Mexico the Flexible Credit Line: "Mexico's combination of strong macroeconomic policies, institutional policy frameworks, and economic fundamentals, together with the additional insurance provided by the arrangement under the Flexible Credit Line, provides assurance that Mexico is in a very strong position to manage any potential risks and pressures in the event that the global situation were to deteriorate further".

<sup>1</sup> International Monetary Fund, 2009, *Mexico: Arrangement Under the Flexible Credit Line—Staff Report* (Washington, April). <http://www.imf.org/external/np/sec/pr/2009/pr09130.htm>

Mexico's Total Trade in February (billion US\$)			
	2008	2009	%
<b>Total</b>	47.7	32.7	-31.4
<b>Exports</b>	22.9	16.1	-29.5
<b>Exports (excluding oil)</b>	19.1	14.5	-24.2
<b>Imports</b>	24.8	16.6	-33.1

Source: Banco de México

Mexico's Trade with EU and EFTA (million US\$)			
January - February	2008	2009	%
<b>Exports to the EU</b>	2,713.2	1,655.6	-39.0
<b>Imports from the EU</b>	5,841.9	4,286.5	-26.6
<b>Exports to the EFTA</b>	80.0	103.0	28.8
<b>Imports from the EFTA</b>	244.6	185.3	-24.3

Source: Banco de México

# Mexico enhances its economic relations with Europe

## President Nicolas Sarkozy made a State visit to Mexico

On March 9th, the President of France, Nicolas Sarkozy, made a State visit to Mexico, leading a delegation which included an important group of businessmen.

Among the trade and economic issues addressed in his meeting with the Mexican President, Felipe Calderón, both leaders welcomed the positive evolution of bilateral trade since the entering into force of the Free Trade Agreement between Mexico and the European Union, as well as the increasing flow of productive investment between the two countries.

In this context, both Presidents praised the work done by the High Level Group Mexico-France, (established in 1997 by mandate of Calderón and Sarkozy) which is integrated by distinguished representatives of the economic and academic sectors from both countries in order to encourage bilateral economic relationship.

They agreed that the Group's proposals and recommendations will allow to profit the economic potentials and complementarities of Mexico and France. For example, the leaders acknowledged that the aeronautic sector offers great opportunities to increase bilateral trade and investment and encouraged to continue pursuing projects in this sector.

Regarding the multilateral trade agenda, the Presidents expressed the importance of strengthening the work done under the Doha Round of the WTO framework and in continue promoting trade multilateralism, as well as avoid the adoption of barriers to trade in the context of the current global economic crisis.

## Business delegation accompanied Princes of Norway in a visit to Mexico

Norway's Crown Prince Haakon and Crown Princess Mette-Marit made their first official visit to Mexico from 15 to 19 of March. They were accompanied by the Ministers of Trade and Industry, and Energy, as well as by a delegation of important Norwegian businessmen. The main

objective of this first official visit was to identify new business opportunities and to establish links in strategic areas. Currently, both countries are preferential trade partners under the Free Trade Agreement between Mexico and the European Free Trade Association, effective since 2001.

Before President Calderón, Prince Haakon pointed out that Mexico is a great economic power in Latin America and the world, and one of the main Norwegian trading partners in the region. He added that Norway's purpose is to strengthen this relationship through the promotion of a larger trade, political and cultural exchange. Furthermore, he pleaded for a closer cooperation on renewable energy resources.

In the framework of the visit, a Mexico-Norway Business Seminar titled "Establishing Alliances" took place with the aim at identifying trade and investment opportunities between both countries. In addition to Prince Haakon, other distinguished representatives participated in the Seminar, such as the President of the Norwegian Federation of Business, Finn Bergensen; the leader of the Norwegian business delegation, Gunn Ovensen; and the Norwegian Vice Minister of Trade and Industry, Oyvind Slaake. On the Mexican side, it is worth highlighting the participation of the Director General of Pro-Mexico, Bruno Ferrari; and the President of the Mexican Business Federation, Ricardo González Sada.

During the Seminar, Mr. Ferrari urged entrepreneurs of both countries to promote channels to facilitate a strategic bilateral alliance. He stressed that trade between Mexico and Norway grew 138% in the last eight years, representing an annual average increase of 11%. Likewise, he emphasized that between 1999 and 2008, companies with Norwegian capital invested more than 72 million dollars. However, he pointed out that both Parties have to profit even more the existing business potential among both countries.

Meanwhile, Prince Haakon noted the recent economic and energy reforms undertaken in Mexico, which are opening new opportunities on trade and investment. He also agreed that this visit will enhance cooperation among the

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### Mexico's Economic Indicators

**Inflation rate:** 0.58% (March, 2009);  
6.04 % (2009, annual)  
**Industrial Gross Domestic Product:** -13.2% (Feb. 2009 / Feb. 2008)  
**Manufacturing:** -16.1%; **Construction:** -11.3%, **Mining:** -7.0%  
**General Index of Economic Activity:** -9.48% (Jan. 2009 / Jan. 2008)  
**Consumer Confidence Index:** 79.4 pts. (March 2009)  
-22.6 percentage points (March 2009 / March 2008)  
**Open unemployment rate:** 4.80 % (March, 2009) *Source: INEGI*

### Mexico's Financial Indicators

**Foreign exchange rate:** 13.70 peso/dollar (April 27, 2009)  
**International reserves:** \$77,910 million dollars (April 17, 2009)  
**Mexican stock market index (IPC):** 21,827 (April 27, 2009)  
**Interest rate treasury bonds CETES 28 days:**  
5.84 % (April 21, 2009)

*Source: Banco de Mexico*

# Mexico enhances its economic relations with Europe

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two nations, which will consolidate a much more important relationship.

## Princes of Belgium led an economic mission to Mexico

From 21 to 24 of March, Belgian Prince Philippe and Princess Mathilde led an economic mission to México, which included the Minister for Enterprise, Vincent Van Quickenborne, and other government officials from different fields, such as education, culture and science and technology. They were also accompanied by a delegation of more than 75 businessmen from key sectors, such as aeronautics, engineering, construction, ports infrastructure, logistics, electric-electronics, metal-mechanics, energy generation, health, biomedics and tourism.

During his meeting with President Calderón, Prince Philippe referred to Mexico as a major player in the world economy, a leader in the group of emerging economies and an "important manufacturing exporter". Additionally, he said that Mexico "understands the importance of a fair global trade, financial and regulatory stability and a responsible business world".

President Calderón highlighted that over the past eight years of implementation of the Free Trade Agreement between Mexico and the European Union, bilateral trade has risen from \$700 million USD to more than 1.7 billion. In the same period, Belgium has consolidated as the 7<sup>th</sup> European investor in Mexico. Nevertheless, he added, "we are still far away from profiting all the potential offered by our economies".

One of the main results of this visit was the Agreement reached between ProMéxico and the Wallonia Trade and Investment Agency to identify projects on trade and technological exchange. Additionally, ProMéxico negotiated Understandings with the Flanders Trade and Investment Agency and the Flanders Chamber of Commerce, aiming at increasing dialogue in important industrial sectors for both countries such as logistics, infrastructure, high technology and processed food.

## Trade Fairs and exhibits in Mexico

### HABITATEXPO

**May 20 - 23, 2009**

**World Trade Center, Mexico City.**

Architecture, Interior and Industrial Design

#### Event Management:

TRADEX Exposiciones Internacionales

**Phone:** (52) 5604.4900 ext. 126/110/136

**Fax:** (52) 5605.1080

**E-mail:** [paty@tradex.com.mx](mailto:paty@tradex.com.mx)

**Website:** [www.habitatexpo.com](http://www.habitatexpo.com)

### ALIMENTARIA MEXICO

**June 2 - 4, 2009**

**Centro Banamex, Mexico City**

International exhibition of manufacturers of food and beverages

**Event Management:** E. J. Krauze

**Phone:** (52) 34 93 452.18.00

**E-mail:**

[alimentariamexico@alimentaria.com](mailto:alimentariamexico@alimentaria.com)

**Website:**

<http://www.alimentaria-mexico.com>

### EXPO PACK

**June 23 - 26, 2009**

**Centro Banamex, Mexico City**

Exhibition of machinery for the Industry of the processing, packages and packing

**Event Management:** E. J. Krauze

**Phone:** (52) 55 1087-1650

**Fax:** (52) 55 5523-8276

**E-mail:** [golvera@ejkrauze.com](mailto:golvera@ejkrauze.com)

**Website:**

[www.expopack.com.mx](http://www.expopack.com.mx)



## Mexico's Official Gazette Notices

- **05/03/2009** General Declaration for the Denomination of Origin "Vainilla de Papantla"
- **10/03/2009** Organic Statute of ProMéxico.
- **17/03/2009** Fourth Resolution of Modifications to the General Rules of International Trade for 2008.
- **26/03/2009** Decree granting different fiscal benefits in relation with income tax regarding deposits or investments received in Mexico.
- **26/03/2009** Agreement notifying the Guidelines of the Program for the Promotion of Competitiveness of the Industrial Sectors (PROIND).
- **30/03/2009** Decree for the application of the Fifteenth Additional Protocol of the Economic Complementation Agreement No 6, between Mexico and Argentina.

## EU Official Journal

- **03/03/2009 L59** Council Decision of 21 November 2008 on the signature and provisional application of the stepping stone Economic Partnership Agreement between Côte d'Ivoire, of the one part, and the European Community and its Member States, of the other part.
- **12/03/2009 L67** Council Regulation (EC) No 189/2009 of 9 March 2009 amending Regulation (EC) No 1425/2006 imposing a definitive anti-dumping duty on imports of certain plastic sacks and bags originating in the People's Republic of China and Thailand, and terminating the proceeding on imports of certain plastic sacks and bags originating in Malaysia.
- **12/03/2009 L67** Commission Regulation (EC) No 193/2009 of 11 March 2009 imposing a provisional anti-dumping duty on imports of biodiesel originating in the United States of America.
- **12/03/2009 L67** Commission Regulation (EC) No 194/2009 of 11 March 2009 imposing a provisional countervailing duty on imports of biodiesel originating in the United States of America.
- **17/03/2009 C62** Notice concerning preferential agreements providing for diagonal cumulation of origin between the Community, Western Balkan countries and Turkey.

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