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## Growing agrifood trade between Mexico and the European Union

Since the entry into force, ten years ago, of the Mexico - European Union (EU) Free Trade Agreement (FTA), the bilateral trade on agrifood\* products has increased 62.8% (5% compound annual growth rate) reaching 1,311 million euros in 2009.

In 2009, the Mexican agrifood exports to the EU reached 724.5 million euros, although it is lower to the maximum level of 761 million euros registered in 2008, it turns out to be a marginal decrease compared to the 11.7% fall of the EU's total agrifood imports.

In any case, this drop only affected slightly the positive trend observed in the Mexican agrifood sales to the EU in the long term, if compared with the previous year of the entry into force of the Mexico - EU FTA (1999); the growth reported in these past 10 years has reached 86.6%, with a compound annual growth rate of 6.4%.

### Mexico as a supplier of the EU

Mexico is an important supplier of several agrifood products in the EU, when observing that among the first 50 agrifood products that Mexico exports to the EU, there are 26 of them in which Mexico is among the first three suppliers to the EU.

Specifically, in 2009 there were 12 products in which Mexico was the main supplier, such as beer, chickpea, frozen concentrated orange juice, tequila, blackberry, pectin, liquid fructose, decaffeinated coffee, rough sesame oil and other sesame oils. It is worth to highlight that in 8 of these products, EU's agrifood imports from Mexico accounts for more than 50% of the total external purchases of the EU in each of these products.

Additionally, there are four products in which Mexico is the second supplier of the European market, which are lime, preserved fruits, asparagus and preserved chili-peppers.

Moreover, Mexico is the third supplier in 10 products: durum wheat, honey, rum, horse meat, onion, juice of a single citric fruit, dry chili-pepper, garlic, grapefruit juice, and oil and fat from vegetables.

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# Growing agrifood trade between Mexico and the EU

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## Main exporting subsectors

In 2009, 71.9% of Mexican agrifood exports to the EU are concentrated on 6 subsectors: alcoholic drinks, fruits, coffee, cereals, vegetables, and preparations of vegetables and fruit.

The main subsector is alcoholic drinks with 188.5 million euros that accounts for 26% of the purchases of the EU of Mexican agrifood products.

Fruits exports moved from third to second place, contributing with 10.44% of the total Mexican agrifood sales to the EU.

The third main subsector is coffee, accounting for 9.98% of Mexican agrifood exports to the EU. This subsector showed an increase of 14% in 2009.

Cereals are on the fourth place and accounts for 9.13% of the total.

Finally the fifth and sixth subsectors are fresh vegetables, and preparations of vegetables and fruits that contribute respectively with 8.5% and 7.8% of the EU's total agrifood purchases from Mexico.

## Main exported products

When analyzing individually agrifood products exported by Mexico to the EU in 2009, we find that the main one is beer which sales grown by 6.5%, wherewith Mexico consolidates as the main supplier to the EU for this beverage, accounting for 54.9% of the EU beer imports.

The second product is green coffee which sales increased in 13%.

The third main product is durum wheat whose volume rose 36% in 2009, though the exports in terms of value fell in 30% for the drastic decrease in the international price of the wheat.

The fourth export product is beer in bulk that raised 16.5%. Mexico is the main supplier with 80% of the EU total imports of this kind of beer.

The fifth product is honey bee whose sales to the EU increased in 5.8%.

The sixth product is chickpea which exports in terms of value showed a decrease of 13% but its volume grown by 4.75%. It is worth to stand out that Mexico is the main supplier of chickpea to the EU (112 thousand tons) and it represents 46% of the European imports of this product.

These six products contribute with 46% of Mexican agrifood sales to the EU.

## Final remarks

Thanks to the FTA between Mexico and the EU, our agrifood trade received a great boost through the elimination of obstacles, the adoption of clear rules and the establishment of work forums that have allowed the facilitation of trade flows between the Parties.

In spite of the instability faced in the agricultural markets worldwide, Mexico has been able to expand and consolidate its presence in the EU agrifood market, particularly in processed products with higher value added.

Additionally, in these ten years, the exports of Mexican agricultural products have contributed in many cases to raise the quality of life of several rural population segments with smaller income.

However, in spite of the great boost to bilateral trade, the volume and profile of agribusiness does not correspond to the huge potential of our productive sectors.

Therefore wide possibilities still exist to exploit the advantages that our FTA offers, mainly in specialized agrifood products which growing demand among the most demanding consumers both in Mexico and Europe.

Mexico's Total Trade in June (billion US\$)			
	2009	2010	%
<b>Total</b>	39.0	50.3	29.2
<b>Exports</b>	19.4	25.0	28.8
<b>Exports (excluding oil)</b>	16.6	22.4	35.1
<b>Imports</b>	19.6	25.3	29.5

Source: Banco de México

Mexico's Trade with EU and EFTA (million US\$)			
January - June	2009	2010	%
<b>Exports to the EU</b>	5,166.6	6,641.8	28.6
<b>Imports from the EU</b>	12,555.1	15,320.2	22.0
<b>Exports to the EFTA</b>	226.5	481.3	112.5
<b>Imports from the EFTA</b>	642.0	746.8	16.3

Source: Banco de México

## More investments in Mexico

### Mexico consolidates its position as a strategic production hub for VW

On July 7, Volkswagen (VW) Group opened a new section in its Puebla manufacturing complex, where the new Jetta will be built using state-of-the-art technology. VW Group is aiming to sell one million vehicles per year in the United States by the year 2018.

According to VW, "efficient production with high localization and new products tailored to the wishes of our North American customers will bring further growth momentum in Mexico".

Moreover, Puebla is now one of the largest manufacturing plants in the VW Group, with an annual production capacity of 525,000 units, and the main supplier of compact vehicles in North America.

Otto Lindner, CEO of VW Mexico, pointed out that some US\$ 1 billion had already been invested during the period 2008-2010 in expanding and modernizing the new section of the Puebla plant, and in developing the new VW Jetta. Lindner added that more than 70 percent of the parts installed in the Jetta come from Mexican suppliers, which makes a contribution to the economic and social development in the entire region.

Furthermore, under "Strategy 2018", VW plans to invest up to US\$1 billion in Mexico over the next three years. Part of these funds will be spent on constructing a new production plant for the VW Beetle successor. The new version of the style icon will be launched in 2011 and will create a total of 2,000 jobs in Puebla.

### Nissan and Renault increase production in Mexico

The Japanese carmaker Company, Nissan, will invest US\$ 600 million in order to upgrade its manufacturing plants located in the cities of Aguascalientes and Cuernavaca with the aim of producing three new low-cost cars, positioning Mexico as its supply hub for the Americas markets.

In alliance with France's Renault, Nissan plans to start the assembly of its Micra compact by early next year, and then add a Sedan and a multipurpose vehicle to the lineup by 2013.

Nissan expects to produce 300,000 units per year in Mexico of these three models, and to export 80 percent of them to the United States, Chile and other neighboring nations that have free trade agreements with Mexico.

### VALEO enhances its operations in Mexico

The French auto part company, VALEO, announced that it is now producing the highly efficient torque converters in its new manufacturing plant in San Luis Potosí, Mexico, allowing the company to win significant new business in the North American market.

Its innovative technology has been chosen to equip the new 6-speed generations of automatic transmissions on Ford's best-selling trucks and is also represented on several General Motors passenger car models. VALEO aims to further its presence in this market and expects to be among the world leaders for torque converters by 2013.



#### Mexico's Economic Indicators

**Inflation rate:** 0.22% (July, 2010);  
3.64 % (2010, annual)  
**Industrial Production:** 8.4% (June 2010 / June 2009)  
**Manufacturing:** 15.2%; **Construction:** -4.1%, **Mining:** 4.9%  
**General Index of Economic Activity:** 6.7% (June 2010 / June 2009)  
**Consumer Confidence Index:** 87.4 pts. (July 2010)  
2.0 percentage points (July 2010 / July 2009)  
**Open unemployment rate:** 5.05 % (June 2010)

Source: INEGI

#### Mexico's Financial Indicators

**Foreign exchange rate:** 12.94 peso/dollar (August 24, 2010)  
**International reserves:** \$106,286 million dollars (August 20, 2010)  
**Mexican stock market index (IPC):** 31,365 (August 24, 2010)  
**Interest rate treasury bonds CETES 28 days:**  
4.47 % (August 26, 2010)

Source: Banco de Mexico

## Mexico's Official Gazette Notices

- **02/07/2010** Resolution by which it is accepted the request of the interested Party and it is declared the beginning of a safeguard investigation in relation to the imports of steel tubes helicoided welding. The tariff classification of this merchandise, according to the Mexican Custom Tariff Schedule, is 7305.19.01.
- **05/07/2010** Resolution by which it is declared the beginning of a validity exam and the revision of the countervailing quotas imposed to liquid caustic soda imports originating from the USA, regardless the country where they come from. The tariff classification of this merchandise, according to the Mexican Custom Tariff Schedule, is 2815.12.01.
- **26/07/2010** Decree for the implementation of the Third Additional Protocol to Appendix I of the Economic Complementation Agreement No 55, subscribed between Mercosur and Mexico.
- **26/07/2010** Agreement that publicizes the Third Additional Protocol to Appendix I on the Automotive Sector trade between Argentina and Mexico, of the Economic Complementation Agreement No 55 celebrated between Mercosur and Mexico.
- **28/07/2010** Resolution by which it is declared the beginning of a validity exam and the revision *ex officio* of the countervailing quota imposed to imports of epoxied oil soybean originating from the USA, regardless the country where they come from. The tariff classification of this merchandise, according to the Mexican Custom Tariff Schedule, is 1518.00.02.

## EU Official Journal

- **02/07/2010 L168** Council Implementing Regulation (EU) No 579/2010 of 29 June 2010 amending Regulation (EC) No 367/2006 imposing a definitive countervailing duty on imports of polyethylene terephthalate (PET) film originating in India
- **02/07/2010 L168** Council Implementing Regulation (EU) No 580/2010 of 29 June 2010 amending Regulation (EC) No 452/2007 imposing a definitive anti-dumping duty on imports of ironing boards originating, inter alia, in Ukraine
- **03/07/2010 L169** Commission Regulation (EU) No 585/2010 of 2 July 2010 amending Regulation (EC) No 2535/2001 laying down detailed rules for applying Council Regulation (EC) No 1255/1999 as regards the import arrangements for milk and milk products and opening tariff quotas
- **15/07/2010 L180** Commission Decision of 14 July 2010 terminating the anti-dumping proceeding concerning imports of certain stainless steel fasteners and parts thereof originating in India and Malaysia
- **15/07/2010 L180** Commission Decision of 14 July 2010 terminating the anti-subsidy proceeding concerning imports of certain stainless steel fasteners and parts thereof originating in India and Malaysia
- **23/07/2010 L192** Council Directive 2009/156/EC of 30 November 2009 on animal health conditions governing the movement and importation from third countries of equidae

**Mexico-EU Trade Links** is a monthly informational newsletter published by the Mexican Mission to the EU, Representative office of the Ministry of the Economy. Av. Franklin Roosevelt 94, 1050, Brussels, Belgium.

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