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Mexico adopts an External Trade Simplification Program

On December 24 2008, the Decree modifying the General Law on Import and Export Taxes (reduction or elimination of tariffs) was published in the Official Gazette (DOF), which together with the Decree granting Administrative Facilities in Customs and External Trade published in DOF on March 31 2008 (see Trade Links of April 2008) are part of the Simplification Program for External Trade that the Mexican Government is implementing with the purpose of improving the competitiveness of the economy; increase investment, production, exports and employment; as well as to bring benefits for the consumers.

The main objectives contemplated in this Decree are:

- To reduce the operative and administrative costs for all companies, increasing their productivity and the competitiveness of the country.
- To extend the benefits brought by external trade to all the companies, specially the small and medium enterprises.
- To benefit the consumers through the availability of a larger variety of goods and services of better quality and at competitive prices.

Detailed measures resulted from the implementation of this Decree, consist in:

- To avoid the uncertainty of the custom tariff schedule complexity.
- To eliminate the high costs of the actual custom tariff schedule structure.
- To achieve fairness between sectors and companies of diverse size.
- To reduce the possibilities of technical smuggling and other irregular activities resulted from the actual custom tariff schedule structure.

The simplification of the tariff structure will be carried out in a gradual way, beginning on January 1st 2009 with the first tariff reductions or eliminations, until 2013, year in which the tariffs will reach their lower level. This period will grant to the national sectors which may need it, the necessary time to increase their

External Trade Simplification Program

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productivity and the added value of their products, as well as the opportunity to move toward sectors where they have more comparative advantages. Therefore it has been taken into account the sensibility of the different sectors to move to a simpler and proficient structure to bring the certainty that the companies require to carry out their investment plans.

As regards productivity, this reduction of tariffs seeks to eliminate the disadvantage position that Mexico has in comparison with third countries whose industries have access to inputs at more competitive prices, allowing to reduce the production costs and to make the final product more attractive in the international markets.

In the framework of the current financial world crisis, these instruments of the tariff policy will allow to strengthen the position of the industrial sector, as well as to make more attractive the investments in the sectors where Mexico has developed a competitive position and has become an important world class producer.

The Program of Simplification for External Trade reaffirms the commitment taken by Mexico of having an economy open to the international trade flows, according to what it has been reiterated in different multilateral forums.

Specific aspects of the Decree

The tariff reduction and/or elimination contemplated in this Decree will be carried out exclusively in industrial products (around 8,300 tariff lines, around 69% of the Mexican import tariff), to generalize the benefits of the current sectorial programs.

The number of industrial sectors involved is around 22 and they cover 70 chapters of the custom tariff schedule which represents 72% of the total. The custom tariff schedule has been modified as follows:

- The MFN average tariff decreases from 10.4% in 2008 to 8.3% in 2009, to conclude in a level of 4.3% in 2013.
- The tariff dispersion (standard deviation) decreases from 9% in 2009 to 6.4% in 2013.

Custom tariff schedule indicators

	2008	2009	2010	2011	2012	2013
Average Tariff (%)	10.4	8.3	5.2	4.6	4.4	4.3
Dispersion (Standard Dev.)	9.0	8.1	8.0	7.3	6.6	6.4

Custom tariff schedule structure in the industrial sector in 2013

Tariff %	Items	%
Free	6,867	63
5	972	9
7	142	1.3
10	1,049	9.6
15	1,308	12
20	518	4.76
50 (used cars)	17	0.16
2dls/piece (tires)	1	0.01
Tariff (sugar content)	2	0.02
Restricted	15	0.14
Total (Chap. 25-97)	10,891	100%

Mexico's Total Trade in November (billion US\$)			
	2007	2008	%
Total	49.6	43.6	-12.0
Exports	24.4	20.4	-16.4
Exports (excluding oil)	19.5	18.1	-7.4
Imports	25.2	23.2	-7.7

Source: Banco de México

Mexico's Trade with EU and EFTA (million US\$)			
January - November	2007	2008	%
Exports to the EU	12,899.7	16,697.7	29.4
Imports from the EU	31,128.4	36,412.4	17.0
Exports to the EFTA	239.3	581.8	143.1
Imports from the EFTA	1,400.7	1,613.0	15.2

Source: Banco de México

New ProMexico's agency for the BENELUX

January 5th marked the opening of the brand new ProMexico's Trade and Investment agency for the BENELUX, within the Embassy of Mexico to Belgium and Luxembourg, and the Embassy of Mexico to The Netherlands. Its mission is to support Mexican export activities, coordinate actions to attract foreign direct investment to Mexico and help Mexican companies participate more actively in the global arena.

With the arrival of ProMexico's office director for the "Benelux", Alejandro Saldívar, the establishment of all offices in the "Europe one" region have been completed, with presence in London (Europe one's head office), Paris, Milan and Madrid.

ProMexico's mandate follows president Calderón's specific instruction of orchestrating "more Mexico in the world and more world in Mexico". In fact, Mexico enjoys a strategic geographic position, great natural wealth and an exceptional demographic bonus. This, added to the variety of productive sectors, solid international business relations, economic stability and a noteworthy political maturity make Mexico very attractive to foreign investment.

"ProMéxico is in BENELUX to help make sure that every aspect of the process is well structured and that the result of each investment project in Mexico becomes a success. As for goods to be exported from Mexico to the world, ProMéxico relies on a wide network of international trade agreements and a well developed logistics supply chain", said Saldívar. "We are here to offer an array of business opportunities in certain sectors that benefit of 'upper shelf' productivity levels and highly skilled labor ", he added.

Contact information:

www.promexico.gob.mx

alejandro.saldivar@promexico-pi.com

phone +32 487 235 231

Trade fairs and exhibits in Mexico

12a EXPO INTERNACIONAL NATURISTA 2009

February 13 - 15

World Trade Center, Mexico City

Foods and medical natural products

Event Management: ANIPRON

Phone: (52) 55 5663.1300

Fax (52) 55 5662.2221

E-mail: eventos@anipron.org.mx

Website

<http://www.anipron.org.mx>

EXPO COMM MEXICO 2009

February 24 - 26

Mexico City, Mexico

Centro de Exposiciones Banamex

Event Management: EJ Krause de México S.A. de C.V.

Phone: (52) 55 1087.1650

Fax (52) 55 5523.8276

E-mail: mexinfo@ejkrause.com

Website:

<http://www.ejkrause.com.mx>

PROMOTIONAL PRODUCT SHOW 2009

February 18 - 20

World Trade Center, Mexico City

Promotional products

Event Management: OSEMEX S.A. de C.V.

Tel.: (52) 55 5574.7437

Fax (52) 55 2454.3851

E-mail: gabriela@osemex.com.mx

Website:

<http://www.gavsa.com>

Mexico's Economic Indicators

Inflation rate: 0.69% (December, 2008);
6.53 % (2008, annual)

Industrial Gross Domestic Product: -5.4% (Nov. 2008 / Nov. 2007)
Manufacturing: -6.2%; **Construction:** -5.1%, **Mining:** -4.2%

General Index of Economic Activity: -0.88% (Oct. 2008 / Oct. 2007)

Consumer Confidence Index: 84.1 pts. (December 2008)
-20.4 percentage points (December 2008 / December 2007)

Open unemployment rate: 4.30% (Dec. 2008) *Source: INEGI*

Mexico's Financial Indicators

Foreign exchange rate: 13.93 peso/dollar (January 22, 2009)

International reserves: \$84,512 million dollars (Jan. 16, 2009)

Mexican stock market index (IPC): 19,307 (Jan. 22, 2009)

Interest rate treasury bonds CETES 28 days: 7.44
(January 22, 2009)

Source: Banco de Mexico

Mexico's Official Gazette Notices

- **11/12/2008** Decree approving the Agreement between the United Mexican States and the Federal Republic of Germany for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and on capital, signed in Mexico City on July 9th 2008.
- **11/12/2008** Decree approving the Convention between the Republic of Iceland and the United Mexican States for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income, signed in Mexico City on March 11th 2008.
- **15/12/2008** Agreement notifying, the Decision 3/2008 of the Mexico-EU Joint Council amending by Joint Council Decision 2/2001 of February 27th 2001, as amended by Joint Council Decision 4/2004 of May 18th 2005.
- **16/12/2008** Decree modifying several duties of the Mexican Tariff (*Ley de los Impuestos Generales de Importación y de Exportación*).
- **24/12/2008** Decree modifying the Mexican Tariff (*Ley de los Impuestos Generales de Importación y de Exportación*).
- **29/12/2008** Tenth Modification of the Agreement through which the Ministry of Economy issues the rules and general criteria concerning foreign trade.

EU Official Journal

- **18/18/2008 L339** Commission Regulation (EC) No 1277/2008 of 17 December 2008 amending Regulation (EC) No 1580/2007 as regards the trigger levels for additional duties on pears, lemons, apples and courgettes.
- **19/12/2008 L340** Council Regulation (EC) No 1286/2008 of 16 December 2008 amending Regulation (EC) No 193/2007, imposing a definitive countervailing duty on imports of certain polyethylene terephthalate, originating in India and amending Regulation (EC) No 192/2007 imposing a definitive anti-dumping duty on imports of certain polyethylene terephthalate, originating in, *inter alia*, India.
- **30/12/2008 L350** Council Regulation (EC) No 1353/2008 of 18 December 2008 amending Regulation (EC) No 74/2004 imposing a definitive countervailing duty on imports of cotton-type bedlinen originating in India.
- **30/12/2008 L350** Council Regulation (EC) No 1354/2008 of 18 December 2008 amending Regulation (EC) No 1628/2004 imposing a definitive countervailing duty on imports of certain graphite electrode systems originating in India and Regulation (EC) No 1629/2004 imposing a definitive anti-dumping duty on imports of certain graphite electrode systems originating in India.
- **30/12/2008 L350** Council Regulation (EC) No 1355/2008 of 18 December 2008 imposing a definitive anti-dumping duty and collecting definitively the provisional duty imposed on imports of certain prepared or preserved citrus fruits (namely mandarins, etc.) originating in the People's Republic of China.

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.

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