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Mexico-European Union: Nine years of successful trade relationship

Since July 2000, Mexico and the European Union (EU) put into force the Free Trade Agreement (MEUFTA) which is part of the Economic Partnership, Political Co-ordination and Co-operation Agreement between Mexico and the EU, which equally promotes political dialogue and intensifies co-operation between both partners.

MEUFTA -the first free trade agreement between Europe and the American continent- has boosted bilateral trade and investment. Additionally, Mexico has signed Bilateral Investment Treaties (BIT) with 16 EU Member States*, all together has established exceptional conditions for business development between Mexico and the EU.

As foreseen in the MEUFTA, in 2007 all bilateral trade for industrial products are free of duties. In fact, since 2003 the EU liberalized all the industrial products originating from Mexico.

Meanwhile, agricultural trade has been subject to a gradual and longer liberalization process. Nowadays 71.4% of EU's agricultural import in terms of value from Mexico are free of duties, while 64.1% of Mexico's agricultural imports from the EU are duty free.

According to the liberalization calendar established in the MEUFTA, on July 1st 2009, the EU will liberalize another 108 agricultural goods from Mexico, on the other hand Mexico will liberalize 37 European products. There is one group of agricultural products awaiting for the last phase of liberalization planned for 2010, and there still is a segment of agricultural products subject to future negotiations.

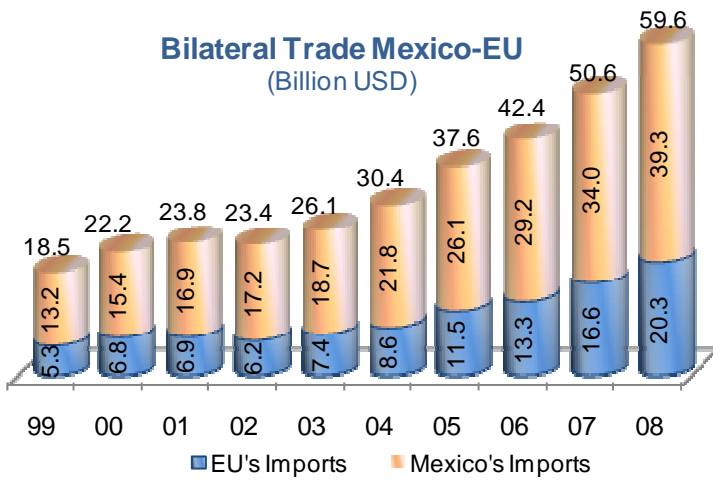
Bilateral Trade

As a result of MEUFTA, in 2008 the EU-Mexico trade reached a record level of almost 60 billion dollars, which means a grown rate of around 220% compared to 1999 (MEUFTA's implementation previous year). By comparison, trade flows between the EU and the rest of the world grew 177% over the same period.



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Source: Ministry of the Economy of Mexico with data from Banxico and Eurostat

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Mexican exports have grown to meet EU demand

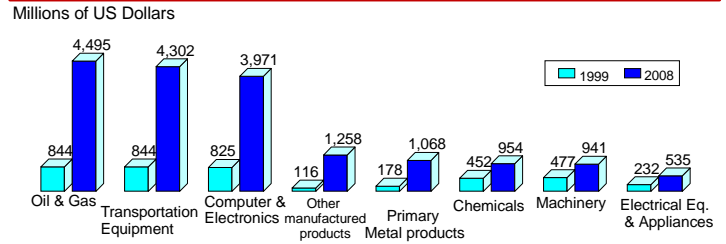
In 2008, the EU market continues to be the second destination for Mexican exports, which surpassed 20 billion dollars, representing an increase of 285% since the entry into force of the MEUFTA, which is more than twice the exports' growth to the rest of the world in the same period. Mexico sent almost 6% of its exports to the EU in 2008, compared with less than 4% in 1999, positioning Mexico as the 24th largest provider of the EU.

In the period 1999-2008, sectors accounting for the largest shares of the increase in value terms of Mexican exports to the EU included oil and gas (23.9% of the increase), transportation equipment (22.6%) and computer and electronic equipment (20.6%).

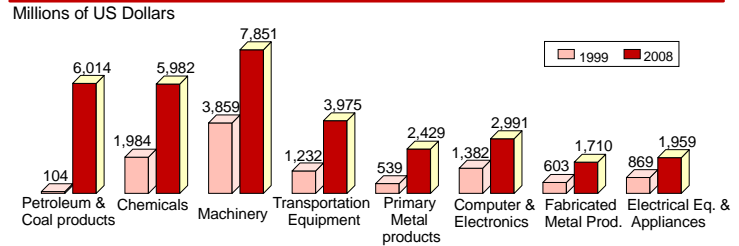
Imports from the EU supports productivity and benefits Mexico's consumers

In 2008, the EU was the second source of imports in Mexico, reaching almost 40 billion dollars. In that year, the share of the EU in Mexico's total imports was 12.7%, compared to 9.3% in 1999.

EU: Imports from Mexico - Sectors with more growth



Mexico: Imports from the EU - Sectors with more growth



Source: Ministry of the Economy of Mexico, with data from Banco de Mexico and Eurostat

Since MEUFTA came into effect, Mexican imports from the EU surged 197%, in contrast with the growth rate of 109% of those from the rest of the world.

Between 1999 and 2008, the Mexican import sectors which have contributed with the greatest share of the increase in business with the EU, in terms of value, included chemical (15.3% of the increase), machinery (15.3%), and transportation equipment (10.5%).

As most of these imports are inputs and machinery used on manufacturing process, MEUFTA lowers production costs and improves the competitiveness of firms established in Mexico. Additionally, producing high quality consumer goods in Mexico at lower prices, benefits Mexican families.

Thanks to the MEUFTA, EU companies that consolidate production in Mexico increase their capacity to compete internationally at lower costs, taking advantage of the great potential of the FTA's network that give preferential access from Mexico to 44 countries in North America, Europe, Latin America and Japan.

Mexico's Total Trade in April (billion US\$)			
	2008	2009	%
Total	55.1	34.6	-37.2
Exports	27.0	17.4	-35.5
Exports (excluding oil)	22.3	15.5	-30.6
Imports	28.1	17.2	-38.8

Source: Banco de México

Mexico's Trade with EU and EFTA (million US\$)			
	2008	2009	%
January - April			
Exports to the EU	6,255.1	3,298.9	-47.3
Imports from the EU	12,280.3	8,369.5	-31.8
Exports to the EFTA	227.9	165.7	-27.3
Imports from the EFTA	541.6	384.8	-28.9

Source: Banco de México

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Enhanced investment flows

MEUFTA and the BITs have also generated higher level of investments between Mexico and the EU. In addition to guaranteeing the free flow of investment, these instruments ensure protection for investors and provide a mechanism to solve eventual disputes.

Mexico has received 84 billion dollars of Foreign Direct Investment (FDI) from the EU in the period 1994-2008, highlighting that most of this investment, 70 billion, took place between 2000 and 2008. Since MEUFTA's implementation (2000-2008), FDI from the EU grew four times than in the period 1994-1999.

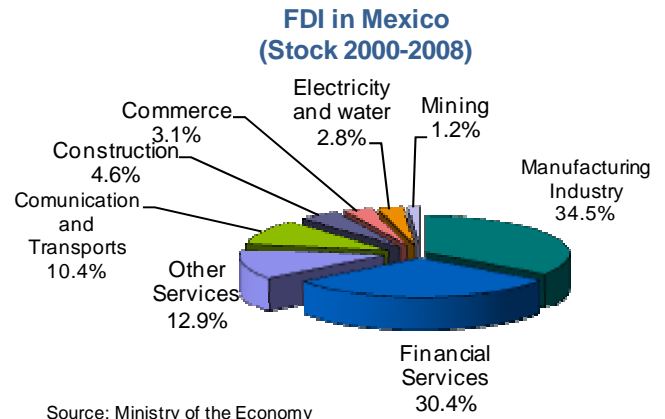
In 2008, the EU accounted for 42.7% of Mexico's total FDI, with more than 9 thousand companies with European capital operating in Mexico.

Considering the EU's FDI stock during the period of 2000 to 2008, the top three more active countries are: Spain which accounted for 47%, the Netherlands 30.9% and United Kingdom 10.7%. These countries were, respectively the second, third and fourth investors in Mexico, only behind the United States.

Sectorally, the bulk of FDI from the EU has been directed in manufacturing activities (34.5%), notably in processed food, chemical and automotive industries. Other impor-

tant part of the FDI has also been oriented on financial services (30.4%).

MEUFTA has also promoted Mexico's investment in the EU. Between 1995 and 2007, Mexican companies invested more than 10 billion euros in the EU, of which 8.9 billion euros were conducted since the entry into force of the MEUFTA (2000).

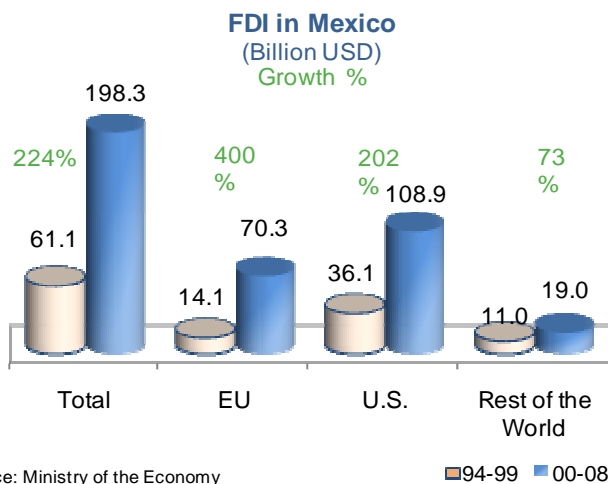


MEUFTA still offers a great potential to widen and deepen the relationship between Mexico and the EU.

MEUFTA is without a doubt a success story in terms of positive effects on the integration of both economies, and has allowed us to rip more benefits of our comparative advantages, strengthen our position in the global markets, foster the competitiveness and productivity of our enterprises, and not less important, give Mexican and Europeans access to goods and services of international quality at accessible prices.

In 2009, it is predictable that business flows will be affected by the current global recession, but as soon as the recovery of the global economy starts taking place, both partners will return to the growth path and our trade and investment flows will certainly reach historic levels again.

Our challenge remains to take even more advantage of the MEUFTA, considering all the great potential that still exists to widen and deepen the economic relationship between Mexico and the EU.



Mexico's Economic Indicators	
Inflation rate:	-0.29% (May, 2009); 5.98% (2009, annual)
Industrial Gross Domestic Product:	-6.7% (Mar. 2009 / Mar. 2008)
Manufacturing:	-9.9%; Construction: -4.6%; Mining: 0.3%
General Index of Economic Activity:	-5.63% (Mar. 2009 / Mar. 2008)
Consumer Confidence Index:	78.3 pts. (May 2009) -16.9 percentage points (May 2009 / May 2008)
Open unemployment rate:	5.25% (April, 2009)
<i>Source: INEGI</i>	

Mexico's Financial Indicators	
Foreign exchange rate:	13.45 peso/dollar (June 13, 2009)
International reserves:	\$74,485 million dollars (June, 5, 2009)
Mexican stock market index (IPC):	24,899 (June 15, 2009)
Interest rate treasury bonds CETES 28 days:	5.10% (June 11, 2009)
<i>Source: Banco de Mexico</i>	

Mexico's Official Gazette Notices

- **06/05/2009** Decree approving the Bilateral Investment Treaty between the United Mexican States and the People's Republic of China, signed in Beijing, on June 11th 2008.
- **12/05/2009** Resolution declaring the beginning of the validity exam for the countervailing duty imposed to the imports of collapsible tubular containers from Venezuela, regardless shipping country. This product is classified under tariff item 7612.10.01 of the General Imports and Exports Tariff Law.
- **20/05/2009** Preliminary resolution concluding the review of the countervailing measures imposed to the imports of garment from the People's Republic of China, regardless of the shipping country. This product is classified under tariff items 6109.10.01, 6109.90.01, 6109.90.99 and 6110.20.99 of the General Imports and Exports Tariff Law.
- **22/05/2009** Resolution lifting the suspension of the investigation procedure, accepting the request of interested party, and declaring the beginning of the review of the price undertaking over imports of malation from the Kingdom of Denmark. This product is classified under tariff items 2930.90.12 and 3808.91.99 of the General Imports and Exports Tariff Law.
- **26/05/2009** Preliminary resolution of the antidumping investigation on imports of tubes and pipes having circular cross sections, the external diameter of which exceeds 406.4 mm, of iron or steel of a wall thickness not exceeding 50.8 mm from the United Kingdom, regardless of the shipping country. This product is classified under tariff item 7305.11.01 of the General Imports and Exports Tariff Law.

EU Official Journal

- **13/05/2009 L118** Council Regulation (EC) No 383/2009 of 5 May 2009 imposing a definitive anti-dumping duty and collecting definitively the provisional duty imposed on imports of certain pre- and post-stressing wires and wire strands of non-alloy steel (PSC wires and strands) originating in the People's Republic of China.
- **14/05/2009 L119** Council Regulation (EC) No 393/2009 of 11 May 2009 imposing a definitive anti-dumping duty and collecting definitively the provisional duty imposed on imports of certain candles, tapers and the like originating in the People's Republic of China.
- **19/05/2009 L123** Commission Regulation (EC) No 407/2009 of 14 May 2009 amending Council Regulation (EC) No 338/97 on the protection of species of wild fauna and flora by regulating trade therein.
- **20/05/2009 L124** Council Decision of 18 May 2009 establishing the position to be adopted, on behalf of the Community, within the International Sugar Council as regards the extension of the International Sugar Agreement 1992.
- **21/05/2009 L125** Council Regulation (EC) No 412/2009 of 18 May 2009 amending Regulation (EC) No 428/2005 imposing a definitive anti-dumping duty on imports of polyester staple fibres originating in the People's Republic of China and Saudi Arabia, amending Regulation (EC) No 2852/2000 imposing a definitive anti-dumping duty on imports of polyester staple fibres originating in the Republic of Korea and terminating the anti-dumping proceeding in respect of such imports originating in Taiwan.
- **29/05/2009 L134** Council Regulation (EC) No 428/2009 of 5 May 2009 setting up a Community regime for the control of exports, transfer, brokering and transit of dual-use items.

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