



TRADE LINKS LAZOS COMERCIALES

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Tenth anniversary of the Mexico-European Union FTA

Ten years ago, on July 1, 2000, Mexico and the European Union (EU) put into force a Free Trade Agreement (MEUFTA) which is part of their Economic Partnership, Political Co-ordination and Co-operation Agreement, that also 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 the above has allowed to create exceptional conditions for business development between Mexico and the EU.

As foreseen in the MEUFTA, all bilateral trade for industrial products are free of duties in 2007. 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, in terms of value 72% of EU's agricultural imports from Mexico are free of duties, while Mexico has been liberalized 67.3% of its agricultural imports from the EU in this sector.

According to the tariff elimination schedule established in the MEUFTA, on July 1, 2010, the EU will liberalize another 324 agricultural goods from Mexico, including berries, garlic and oranges; on the other hand Mexico will liberalize 40 European products, such as vegetables oils, vinegar and soft drinks. This is the last liberalization phase out planned in the MEUFTA, and there still is a segment of agricultural products subject to future negotiations.

Bilateral Trade

In 2009, international trade was one of the main victims of the world economic crisis. The fall in world trade is the sharpest decline since the end of the Second World War. The effects were felt in developed economies as well as in emerging economies. Mexico and the EU, being two of the main actors in the world trade, were not the exception.

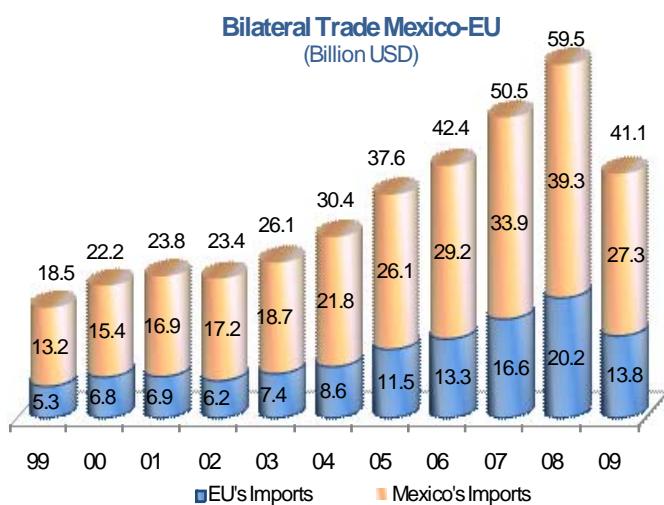
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* Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, the Netherlands, Portugal, Slovak Republic, Spain, Sweden and United Kingdom.

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In 2009, bilateral trade fell 31%, although this affected marginally the positive trend observed in the long term, if compared with the previous year of the entry into force of the MEUFTA (1999), the growth reported in these past 10 years has reached 122%. Nonetheless, it is worth to point out that from January 2010 a clear tendency of recovery of the bilateral trade is already appreciated.



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

Mexican exports to the EU

In 2009, the EU market continued to be the second destination for Mexican exports, which surpassed 13 billion dollars, representing an increase of 161% since 1999, and is almost twice the growth rate of our sales to the rest of the world, in the same period. Mexico sent almost 5.1% of its total exports to the EU in 2009, compared with 4% in 1999, positioning Mexico as the 23th largest supplier of the EU.

In the period 1999-2009, sectors accounting for the largest shares of the increase in value terms of Mexican exports to the EU included machinery and transportation equipment (49.6% of the increase), oil and gas (17.2%) and chemical products (4.9%).

Mexican imports from the EU

In 2009, the EU was the third source of imports in Mexico, reaching 27.3 billion dollars. In that year, the share of the EU in Mexico's total imports was 11.7%, compared to 9.3% in 1999.

Since MEUFTA came into effect, Mexican imports from the EU surged 107%, in contrast with the growth rate of 61% with the rest of the world, in spite of the extraordinary fall of 30.5% in 2009.

Between 1999 and 2009, the Mexican import sectors which have contributed with the greatest share of the increase in business with the EU, in terms of value, included machinery and transportation equipment (32% of the increase), chemical products (22.6%) and oil and gas (16.2%)

More than three quarters of these imports are capital goods (19%) and inputs (58%) used on manufacturing process, whereupon MEUFTA allows to reduce production costs and improves the competitiveness of firms established in Mexico. Additionally, producing high quality consumer goods in Mexico at lower prices, brings benefits for 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 FTA's network that grant preferential access from Mexico to 43 countries in North America, Europe, Latin America and Japan.

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Mexico's Total Trade in April (billion US\$)			
	2009	2010	%
Total	34.6	49.7	43.6
Exports	17.4	25.0	43.2
Exports (excluding oil)	15.4	21.5	39.3
Imports	17.2	24.8	43.9

Source: Banco de México

Mexico's Trade with EU and EFTA (million US\$)			
January - April	2009	2010	%
Exports to the EU	3,389.1	4,230.4	24.8
Imports from the EU	8,369.5	9,663.0	15.5
Exports to the EFTA	165.4	356.2	115.4
Imports from the EFTA	384.8	473.3	23.0

Source: Banco de México

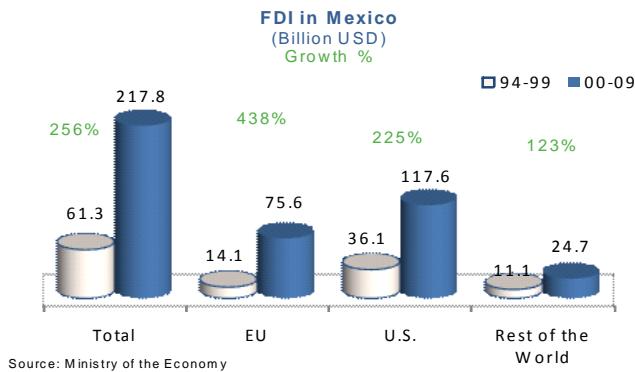
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Enhanced investment flows

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 any eventual dispute.

Mexico has received almost 90 billion dollars of Foreign Direct Investment (FDI) from the EU in the period 1994-2009, highlighting that most of this stock, 75.6 billion, were received between 2000 and 2009. Since MEUFTA's entry into force (2000-2009), FDI from the EU grew more than four times than in the period 94-99.



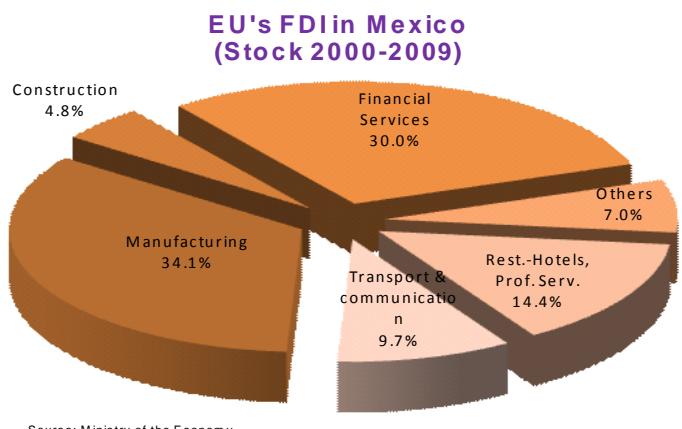
In 2009, the EU accounted for 36% of Mexico's total FDI, with almost ten thousand companies with European capital operating in Mexico.

Considering the EU's FDI stock between 2000 and 2009, the top three more active countries are: Spain which accounted for 47.1%, the Netherlands 31.4% and the United Kingdom 10%. These countries were, respectively the second, third and fifth investors in Mexico.

In terms of sectors, the bulk of FDI from the EU has been directed in manufacturing activities (34.1%), notably in processed food, chemical and automotive industries. Other important part of the FDI has also been oriented on financial services (30%).

MEUFTA has also promoted Mexico's investment in the EU. Between 1995 and 2008, Mexican companies in-

vested 11.5 billion euros in the EU, of which 9.8 billion euros were carried out since the entry into force of the MEUFTA (2000).



10 years of MEUFTA give a solid floor to relaunch the dynamism in the bilateral economic relationship.

2010 is a historical year because marks the 50th anniversary of the establishment of diplomatic relationships between Mexico and the European Community, and the 10th anniversary of the entry into force of our free trade agreement, the first one across the Atlantic Ocean. Moreover, in 2010 the Strategic Partnership between Mexico and the EU was concretized (see ["TradeLinks"](#) of May 2010), strengthening our bilateral relationship and making a quantum leap to a level never reached by any of our respective trading partners.

In this context, MEUFTA has demonstrated to be a success story for the positive effects that has brought to the competitiveness of both economies, improving the business conditions for our companies, and not less important, favoring the creation of employments both for Mexicans as for Europeans.

Although the current world economic crisis caused in 2009 a deceleration in the dynamism of our business relations, MEUFTA is allowing a solid recovery of our trade and investment flows, since the beginning of 2010, therefore we are confident that soon they will reach new historical records again.

Mexico's Economic Indicators

Inflation rate: -0.60% (May, 2010); 3.95 % (2010, annual)
Industrial Production: 6.1% (April 2010 / April 2009) Manufacturing: 11.2%; Construction: -3.1%, Mining: 2.5%
Global Index of Economic Activity: 6.91% (March 2010 / March 2009)
Consumer Confidence Index: 84.6 pts. (May 2010) 6.3 percentage points (May 2010 / May 2009)
Open unemployment rate: 5.42 % (April. 2010)

Source: INEGI

Mexico's Financial Indicators

Foreign exchange rate: 12.59 peso/dollar (June 16, 2010)
International reserves: \$98,131 million dollars (June 11, 2010)
Mexican stock market index (IPC): 32,806 (June 16, 2010)
Interest rate treasury bonds CETES 28 days: 4.60 % (June 17, 2010)

Source: Banco de Mexico

Mexico's Official Gazette Notices

- **06/05/2010** Final panel decision on a Revision before a bi-national panel according to the NAFTA article 1904 on stainless steel reel plates and bans from Mexico; file number USA-MEX-2007-1904-01.
- **18/05/2010** Resolution declaring the beginning assessment validity and the official revision of the countervailing measures levied to imports of carbon-steel tubes longitudinally welded originating from the USA, regardless the country of departure. The tariff classification of this merchandise, according to the Mexican Custom Tariff Schedule is 7305.11.01 and 7305.12.01.
- **25/05/2010** Preliminary resolution on anti-dumping investigation on imports of steel tubes non-welded, originating from China, regardless the country of departure. The tariff classification of this merchandise, according to the Mexican Custom Tariff Schedule is 7304.19.02, 7304.19.99, 7304.39.06 and 7304.39.99.

EU Official Journal

- **05/05/2010 L112** Commission Regulation (EU) No 379/2010 of 4 May 2010 amending Annexes I, II and III to Council Regulation (EEC) No 3030/93 on common rules for imports of certain textile products from third countries
- **11/05/2010 L117** Implementing Regulation of the Council (EU) No 400/2010 of 26 April 2010 extending the definitive anti-dumping duty imposed by Regulation (EC) No 1858/2005 on imports of steel ropes and cables originating, inter alia, in the People's Republic of China to imports of steel ropes and cables consigned from the Republic of Korea, whether declared as originating in the Republic of Korea or not, and terminating the investigation in respect of imports consigned from Malaysia
- **11/05/2010 L117** Commission Regulation (EU) No 401/2010 of 7 May 2010 amending and correcting Regulation (EC) No 607/2009 laying down certain detailed rules for the implementation of Council Regulation (EC) No 479/2008 as regards protected designations of origin and geographical indications, traditional terms, labeling and presentation of certain wine sector products
- **22/05/2010 L126** Commission Regulation (EU) No 440/2010 of 21 May 2010 on the fees payable to the European Chemicals Agency pursuant to Regulation (EC) No 1272/2008 of the European Parliament and of the Council on classification, labeling and packaging of substances and mixtures
- **29/05/2010 L131** Council Implementing Regulation (EU) No 467/2010 of 25 May 2010 imposing a definitive anti-dumping duty on imports of silicon originating in the People's Republic of China, as extended to imports of silicon consigned from the Republic of Korea, whether declared as originating in the Republic of Korea or not, following an expiry review pursuant to Article 11(2) and a partial interim review pursuant to Article 11(3) of Regulation (EC) No 1225/2009
- **31/05/2010 L133** Commission Regulation (EU) No 453/2010 of 20 May 2010 amending Regulation (EC) No 1907/2006 of the European Parliament and of the Council on the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH)

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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>