



TRADE LINKS

LAZOS COMERCIALES

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Mexican electronic industry succeeds in the world markets

Excerpts from the magazine “Negocios” published by ProMéxico*

Mexican electronic industry succeeds in the world markets

Mexico is a leading manufacturer of electronics and electronic devices in high-demand worldwide, such as cell phones, video game gadgets, computers and televisions, representing millions of dollars in exports and Foreign Direct Investment (FDI).

Growing Electronic Industry

Mexico’s electronic industry has a long history. Companies producing items such as modular circuits for telephony equipment, processing units, computer equipment, telephone switching apparatus or laptop computers, have been operating in Mexico since the 1970s. Firms like Burroughs and Motorola were the first to discover and make the most of Mexico’s advantages. In the 1970s, both companies established maquiladora plants, giving birth to what 20 years later would become the Mexican Silicon Valley, in the city of Guadalajara.

Today, there are over 730 manufacturing plants related to the electronic industry in Mexico. Eight out of ten of the world’s largest manufacturing service suppliers operate in the country, including firms such as Flextronics, Jabil Circuit, Celestica and Sanmina SCI. Maps generated by the Ministry of Economy (see page 3), mark the location of the most representative industries.

Electronics is one of the fastest growing industries in Mexico in terms of export potential. Between 2003 and 2009, Mexican electronic industry exports registered an average annual growth of 17.1%. In 2010, the sector exported 71.4 billion dollars (bd), 20% more than the previous year, representing 28% of Mexican non-oil exports.

Currently, Mexico is the second largest supplier of electronic products to the US market, which comprises audio and video, telecommunications, computer equipment, and its parts. Mexico also exports to other important markets such as Canada, the Netherlands, Colombia, and Finland. It is also worth highlighting that Mexico is the third largest exporter of cell phones with sales of 9.8 bd in 2009.

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Success in audio and video

Within the electronic industry sector in Mexico, TV manufacturing has become a high-tech cluster, in which flat screen TVs represent around 25% of Mexican electronic industry annual exports.

The most representative audio and video electronic companies are located in Mexico, such as Samsung, Sony, Sanyo, JVC and Pioneer.

In 2009, Mexico was ranked as the world's largest exporter of flat screen TVs in the world, above countries like China, Germany and the US. In 2010, Mexican exports of flat screen TV reached 17.4 bd, 12% growth compared to 2009.

From Mexico to Your Home

Mexico is also at the forefront of the production of domestic electric appliances which are recognized for their quality around the world.

There are 78 major household appliances manufacturing plants in Mexico, distributed among the Mexican states (see map on page 3). The industry generates about 35,000 direct jobs and 110,000 indirect jobs.

Products made in Mexico include microwave ovens, coffee makers, juice extractors, dishwashers, air conditioning, vacuum cleaners, blenders, refrigerators, mixers, washers, dryers and irons.

In 2010 this sector rose 11.37%, and it is expected an increase of 5.4% in 2011. According to experts, the Mexican electric industry could grow at a 4% annual rate during the following seven years.

In 2009, Mexico's exports in this sector reached 16.5 bd, while 17.8 bd were added between January and October 2010, in which the US and Canada were the main markets, followed by Colombia, Venezuela and Saudi Arabia.

Big international firms like Electrolux, ABB, Areva, Mitsubishi Electric, Condumex, GE and Delphi, among others, are established in Mexico.

For most companies, North America represents an attractive share of the electrical appliance market. As an example, Mexico, the US and Canada represent 27% of over 47.4 billion products that LG sold in 2007. The company's three plants in the Mexican territory supply 90% of LG products sold in the country and 80% of those exported to the US. LG also manufactures for Latin America, which represents 10% of the company's total sales worldwide.

Home to Technology

Between 2000 and 2010, investments in the Mexican electronic sector registered a total of 20.5 bd, concentrating on the production of informatics process equipments and spare parts for communication devices.

Meanwhile, investments in the electric industry totaled 8.6 bd between 2000 and 2010, focused on electronic accessories and materials, as well as in electric-appliance production and assembly.

So Why Mexico?

Without a doubt, proximity to the world's largest market for electronic and electric devices explains exports and FDI growth rates in that sector.

Also, manufacturers speak unanimously when they say that Mexico's skilled workforce, strategic location, large suppliers and supply chains and logistics are the main reasons for locating in the country.

Because of this and due to Mexico's young growing talent –each year 114,000 students of engineering and technology-related fields graduate from Mexican universities– electric and electronic industries have had an important development in the country.

Mexico's Total Trade in August (billion US\$)			
	2010	2011	%
Total	54.5	63.8	17.0
Exports	26.9	31.5	17.0
Exports (excluding oil)	23.4	26.6	13.4
Imports	27.6	32.3	16.9

Source: Banco de México

Mexico's Trade with EU and EFTA (million US\$)			
January - August	2010	2011	%
Exports to the EU	8,846.7	12,517.4	41.5
Imports from the EU	21,066.8	25,074.4	19.0
Exports to the EFTA	633.6	890.6	40.6
Imports from the EFTA	1,079.1	1,104.4	2.3

Source: Banco de México

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Mexico's Economic Indicators

Inflation rate: 0.25% (September, 2011);
3.14% (2011, annual)

Industrial Production: 3.1% (August 2011 / August 2010)
Manufacturing: 4.3%; **Construction:** 5.0%; **Mining:** -4.4%

Global Index of Economic Activity: 3.7% (August 2011 / Aug. 2010)

Consumer Confidence Index: 92.4 pts. (September 2011)
0.8 percentage points (September 2011 / September 2010)

Open unemployment rate: 5.68 % (September 2011) *Source: INEGI*

Mexico's Financial Indicators

Foreign exchange rate: 13.20 peso/dollar (September 27, 2011)

International reserves: \$138,901 million dollars (Sep. 21, 2011)

Mexican stock market index (IPC): 36,727 (September 27, 2011)

Interest rate treasury bonds CETES 28 days:
4.37 % (September 27, 2011)

Source: Banco de Mexico

Mexico's Official Gazette Notices

- **02/09/2011** Regulation for the Federal Law on Production, Certification and Trade of seeds.
- **08/09/2011** Final resolution of the sunset review of the countervailing duty order imposed on imports of hot-rolled steel sheets originating from Russia and Ukraine, regardless of the shipping country (Mexican tariff item 7208.10.99, 7208.26.01, 7208.27.01, 7208.38.01 and 7208.39.01).
- **14/09/2011** Preliminary resolution of the ex-officio review of the countervailing duty order imposed on imports of corrugated rod originating from Brazil (Mexican tariff item 7214.20.01).
- **28/09/2011** Amendments to the Regulation of the Patent Cooperation Treaty (PCT), adopted on September, 29, 2010 by the Assembly of International Patent Cooperation Union (PCT Union) in its forty-first session (24th Extraordinary), celebrated on September 20 – 29, 2010, in force since July 1, 2011.
- **28/09/2011** Amendments to the Regulation of the Patent Cooperation Treaty (PCT), adopted on October 1, 2009 by the Assembly of International Patent Cooperation Union (PCT Union) in its fortieth session (17th Extraordinary), celebrated from September 22 to October 1, 2009, in force since July 1, 2011.

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- **2/09/2011 L227** Council Implementing Regulation (EU) No 871/2011 of 26 August 2011 terminating the expiry and partial interim review of the anti-dumping measures concerning imports of certain castings originating in the People's Republic of China and repealing those measures
- **9/09/2011 L232** Council Implementing Regulation (EU) No 905/2011 of 1 September 2011 terminating the partial interim review concerning the anti-dumping measures on imports of certain polyethylene terephthalate (PET) originating in India
- **9/09/2011 L232** Council Implementing Regulation (EU) No 907/2011 of 6 September 2011 amending Implementing Regulation (EU) No 1105/2010 imposing a definitive anti-dumping duty and collecting definitively the provisional duty imposed on imports of high tenacity yarn of polyesters originating in the People's Republic of China, and terminating the proceeding concerning imports of high tenacity yarn of polyesters originating in the Republic of Korea and Taiwan
- **15/09/2011 L238** Council Implementing Regulation (EU) No 917/2011 of 12 September 2011 imposing a definitive anti-dumping duty and collecting definitively the provisional duty imposed on imports of ceramic tiles originating in the People's Republic of China
- **21/09/2011 L243** Council Decision of 12 July 2011 on the signing, on behalf of the Union, of the Agreement between the European Union and Georgia on protection of geographical indications of agricultural products and foodstuffs
- **30/09/2011 L254** Commission Decision of 29 September 2011 terminating the anti-dumping proceeding concerning imports of certain graphite electrode systems originating in the People's Republic of China

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