



# TRADE LINKS LAZOS COMERCIALES

## Strengths of the Mexican Automotive Industry

From the magazine “Negocios” published by ProMéxico

It is not a secret that the world’s automotive industry is in crisis. However, according to a new BBVA Bancomer report, the medium and long term potential for the Mexican automobile and auto parts industries is still afloat. “Mexico will maintain its relative advantage in North America as auto-maker,” the report says.

There are several factors, mainly the ones related to the type of vehicles built in Mexico and the characteristics of the production, that allow the country to keep its place as an attractive destination for the sector’s investment and development.

Made in Mexico cars have great acceptance in the United States, where several models were among the most sold cars in 2008. The Ford F Series was number one in sales in the United States, Chevrolet Silverado second place and GMC Sierra ranked fifth.

During 2008, 24 models were fabricated in Mexico and 80 percent of the production was exported, mainly to the United States. The share of Mexico’s car exports to the United States could increase in the near future because of the recent closing of manufacturing plants in other countries and thanks to the geographic closeness with that market.

The relatively small sized Mexican plants provide certain advantages: it is easier to produce with more intensity and flexibility than in the big plants in Michigan or Canada. “Data from PriceWaterhouse show that in 2008 the capacity utilization of the Mexican plants was 85%, with 74% in the United States plants,” the BBVA report states.

If that was not enough, salaries are lower in Mexico than in the United States and Canada: 3 USD per hour against 21 USD in Canada and 25 USD in the United States.

The peso-dollar exchange rate has also become a positive factor for the Mexican automobile industry: it makes the work force even more competitive.

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# The Mexican agricultural sector: strong despite the global crisis

It is frequently mentioned that the Mexican agricultural sector doesn't take full advantage of the benefits offered by free trade agreements, but the reality is very different.

In fact, the Mexican agro has been benefitted from the access to the main markets of the world, like the United States, European Union and Japan. The production and exports statistics confirm such trend.

## Production

Examining the Mexican agricultural and fishing production we observe that in the first semester of 2009, this sector presents an annual positive growth of 1.3% in the Gross Domestic Product (GDP), while the GDP, in the sectors of manufacturing and commerce diminished at two digits rates.

Furthermore, the agricultural sector shows five consecutive quarterlies with positive growth (since the second trimester of 2008).

In 2008 record levels were reported in the production of egg, milk, corn, wheat, livestock and meat of poultry, bovine, caprine, ovine and porcine.

Moreover, for these products a positive growth is observed during the first seven months of 2009 with regard to the same period of the previous year, and it is expected that 2009 will surpass the historical record.

It is important to highlight that this increase of the agricultural production is mainly attributed to the increase of the productivity in the Mexican agro.

## Exports

Currently, the world trade is experiencing a considerable contraction, situation that has affected the Mexican exports, seeing that Mexico's two main markets, the United

States and that of European Union has diminished its imports in 32.6% and 24.9% respectively during the first seven months of this year. The drop in the Mexican exports goes on-line with this situation, experiencing a fall of 30.9%.

In despite of this negatives context, the Mexican agricultural and fishing exports have stayed relatively stable, showing a marginal reduction of 1.8% in the period January-July of 2009, in comparison with the same period of the previous year.

However, this drop has not been generalized in the course of the year, because in March, April and June of 2009 the agricultural and fishing exports were bigger than those in 2008.

This is especially relevant since it was in 2008 when the agricultural and fishing exports has shown historical level, equal to almost the triple of that registered in 1993 (previous year to the entry into force of North America Free Trade Agreement). Comparing the exports in January-July of 2009 with the same period of 2007, we observe an increment of 6.5%.

It is also interesting to highlight that there are products that have seen increase the value of their exports during the first seven months of the present year, for example: vegetables (with an increment of \$126md), avocados (\$86md), frozen shrimps (\$60md), corn (\$34md) and coffee (\$33md).

It is important to mention that Mexico nowadays is the world's largest exporter of onions, avocados and mulberries; it is second in papaya, watermelon, cucumber, asparagus and peppers and it is third to fifth place in exports of tomato, beer, lemon, strawberry, toasted coffee, legume fruits, pepper, coconut, mango and bee honey.

Mexico's Total Trade in July (billion US\$)			
	2008	2009	%
<b>Total</b>	56.4	37.2	-34.1
<b>Exports</b>	27.7	18.0	-35.1
<b>Exports (excluding oil)</b>	21.6	15.1	-30.4
<b>Imports</b>	28.8	19.3	-33.1

Source: Banco de México

Mexico's Trade with EU and EFTA (million US\$)			
	2008	2009	%
<b>January - July</b>			
<b>Exports to the EU</b>	11,578.4	6,202.0	-46.4
<b>Imports from the EU</b>	22,480.5	14,994.0	-33.3
<b>Exports to the EFTA</b>	428.7	250.3	-41.6
<b>Imports from the EFTA</b>	981.6	765.7	-22.0

Source: Banco de México

## More investments in Mexico

### More GM Investments in Mexico

General Motors opened a new plant in San Luis Potosí with an investment of 300 million dollars. This facility, which will produce 6-speed transmissions used in its different vehicle models, will have a production capacity of 300,000 units per year, generating 600 new jobs.

This new investment, together with those made by GM in recent years, will strengthen its activities in the country and also contribute to the consolidation of Mexico as a major center of automotive production worldwide, as it allows to develop new technologies in the automobile industry, such as: hybrid car production, E85 models (mixing ethanol and gasoline), electric and hydrogen.

### POSCO Mexico Opens a New Plant

The South Korean firm POSCO opened a new plant in Mexico for the production of galvanized steel sheet to supply mainly the Mexican and U.S. automotive industry. This manufacturing facility, located in the northern state of Tamaulipas, represents an investment of 250 million dollars plus 15 million for a distribution center, contributing with around 200 direct and 250 indirect jobs.

It is estimated that production this year in this new complex will be 110,000 tons, reaching a total of 400,000 tons in 2011. Additionally, the new Distribution Center will allow the shipment of 50,000 tons of galvanized steel sheet to the American Continent, Europe and northern Africa.

### New Logistic Centre in Tabasco

The Industrial Park Tabasco Business Center was opened in Mexico with a total investment of 350 million pesos, with the aim to offer world-class facilities and services for all business sectors, such as: industrial, food products, trade and services.

Likewise, this park provides infrastructure for the construction of industrial buildings with high standards.

The establishment of this important logistics and distribution center in South-East Mexico will allow, on one hand, to provide national and international investors with first class infrastructure, and on the other, to strengthen competitiveness in the area of business.

### Trade Fairs and exhibits in Mexico

#### Expo CIHAC 2009

October 13 - 17, 2009

Center Banamex, Mexico, City

Construction industry show

#### Event Management:

Centro Impulsor de la Construcción y la Habitación A.C.

**Phone:** (52) 55 56 61 08 44

#### E-mail:

expo@cihac.com.mx

#### Website:

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

#### Expo Franquicias Monterrey 2009

October 29, 30 y 31, 2009

CINTERMEX, Monterrey, N.L., Mexico

Franchises, show and sale in Mexico

#### Event Management:

MFV, expositions

**Phone:** (52) 55 9000-4030

**E-mail:** miriam@grupomfvexpo.com

#### Website:

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

### Mexico's Economic Indicators

**Inflation rate:** 0.24% (August, 2009);  
5.08 % (2009, annual)

**Industrial Gross Domestic Product:** -6.5% (Jul 2009 / Jul 2008)

**Manufacturing:** -9.9%; **Construction:** -5.3%, **Mining:** 1.3%

**General Index of Economic Activity:** -8.1% (Jun 2009 / Jun 2008)

**Consumer Confidence Index:** 81.5 pts. (August 2009)

-9.0 percentage points (August 2009 / August 2008)

**Open unemployment rate:** 6.3 % (August 2009)

Source: INEGI

### Mexico's Financial Indicators

**Foreign exchange rate:** 13.45 peso/dollar (Sept. 24, 2009)

**International reserves:** \$75,542 million dollars (Sept. 18, 2009)

**Mexican stock market index (IPC):** 28,465 (Sept. 24, 2009)

**Interest rate treasury bonds CETES 28 days:**

4.50 % (September 24, 2009)

Source: Banco de Mexico

## Mexico's Official Gazette Notices

- **04/08/2009** Resolution declaring *ex officio* the beginning of the validity exam for the countervailing duty imposed on imports of sodium hexametaphosphate, from the People's Republic of China, regardless of the shipping country. This product is classified under tariff item 2835.39.02 of the General Imports and Exports Tariff Law.
- **06/08/2009** First resolution modifying the General Rules on Foreign Trade for 2009 and its annexes 1,4,13 and 22.
- **20/08/2009** Resolution complying with the rulings issued by the *Pleno de la Sala Superior del Tribunal Federal de Justicia Fiscal y Administrativa*, on the 30th June 2008, regarding proceeding 27160/06-17-11-7/53/08-PL-06-10 and by the *Octavo Tribunal Colegiado en Materia Administrativa del Primer Circuito*, on the 9th March 2009 regarding the appeal for fiscal review number RF.- 473/2008; and by this means is also issued the final resolution of the validity exam for the countervailing duty imposed on imports of crystal polystyrene from the European Union, regardless of the shipping country. These products are classified under tariff items 3903.19.02 and 3903.19.99 of the General Imports and Exports Tariff Law.
- **24/08/2009** Notice informing the elimination of the countervailing duty imposed on imports of hydrogen peroxide, from the United States of America, regardless of the shipping country. This product is classified under tariff item 2847.00.01 of the General Imports and Exports Tariff Law.
- **25/08/2009** Notice informing about the modifications to the list of participants on the Kimberley Process Certification Scheme (KPCS), which appears on the Annex 2.2.15 of the Agreement through which the Ministry of Economy has issued general rules and practices on foreign trade.
- **27/08/2009** Decree promulgating the Bilateral Investment Treaty between the Government of the United Mexican States and the Government of the Republic of Belarus, signed in Minsk on September 4<sup>th</sup>, 2008.

## EU Official Journal

- **05/08/2009 L203** Council Regulation (EC) No 703/2009 of 27 July 2009 imposing a definitive anti-dumping duty and collecting definitively the provisional duty imposed on imports of wire rod originating in the People's Republic of China and terminating the proceeding concerning imports of wire rod originating in the Republic of Moldova and Turkey.
- **12/08/2009 L208** Commission Regulation (EC) No 734/2009 of 11 August 2009 initiating an investigation concerning the possible circumvention of anti-dumping measures imposed by Council Regulation (EC) No 1858/2005 on imports of steel ropes and cables originating in the People's Republic of China by imports of steel ropes and cables consigned from the Republic of Korea and Malaysia, whether declared as originating in the Republic of Korea and Malaysia or not, and making such imports subject to registration
- **25/08/2009 L221** Council Regulation (EC) No 768/2009 of 17 August 2009 amending Regulation (EC) No 1890/2005 imposing a definitive anti-dumping duty on imports of certain stainless steel fasteners and parts thereof originating, *inter alia*, in Vietnam.
- **29/08/2009 L227** Commission Decision of 28 August 2009 amending Decision 2004/211/EC as regards the entries for Brazil and Mauritius in the list of third countries and parts thereof from which imports into the Community of live equidae and semen, ova and embryos of the equine species are authorized.

**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](mailto:info@economia-bruselas.be), fax: 32 (02) 644 04 45, or visit our website at: <http://www.economia-bruselas.gob.mx>