



NAFTA Works

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JUNE 2001

APEC Mexico 2002: Building Bridges for the Future

The 21st century has been called the century of the Pacific. Asia-Pacific is one of the most dynamic and fastest growing trade regions in the world, as well as one of the main sources and destinations of Foreign Direct Investment (FDI) flows. In response to the growing interdependence of the region, the Asian Pacific Economic Cooperation Mechanism (APEC) was created in 1989 to promote economic growth and development among member countries.

APEC aims to strengthen the Asia-Pacific community through economic growth and equitable development, trade and investment liberalization and facilitation, and economic and technical cooperation. APEC's goal is to create a free trade area by the year 2010 for developed economies and by 2020 for developing ones, as stated in the Bogor declaration. APEC's 21 member economies (see map on p. 3) integrate 2.47 billion consumers who purchased goods worth \$2.6 trillion in 1999. Approximately two-thirds of trade in the Asia-Pacific region was intra-regional.

APEC emphasizes open regionalism through unilateral liberalization efforts in Individual Action Plans. This mechanism complies with World Trade Organization (WTO) rules. Mexico endorses the view of having APEC promote a new round of multilateral trade negotiations in the WTO.

Over the past years, APEC's achievements have centered on trade and investment facilitation measures, particularly regarding issues such as regulation, customs procedures, government procurement, intellectual property rights, and mobility of business people. It has focused mainly on the exchange of information, human resource development, establishment of non-binding principles, and data-base creation.

Chairmanship of Mexico in APEC 2002

Since Mexico joined APEC in 1993, it has been an active participant in promoting trade and investment. The combination of its geographic position --at the center of the Americas with access to both the Atlantic and Pacific Oceans-- its large and solid

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Mexico Economic Update

• **TRADE BALANCE:** Mexico registered a trade deficit of \$813 million for April 2001, up from a \$328 million deficit in April 2000. Total exports in April 2001 reached \$13.30 billion, an increase of 7% with respect to the same month a year earlier, while oil exports amounted to \$1.09 billion, down 11% from April 2000. Imports for April 2001 were \$14.11 billion, an increase of 11% over the same month in 2000.

• **FINANCIAL INDICATORS:** Mexico registered an inflation of 0.5% for April 2001, compared to 0.57% in April 2000. The leading Mexican interest rate, CETES 28, averaged 15%, 2 percentage points higher than the same month in 2000. The Mexican Stock Exchange Market Index (IPC) reached a maximum of 6,144 points, 1,396 points lower than the April 2000 level. The average Pesos/Dollar spot exchange rate (bid) for April 2001 was 9.24, compared to 9.39 Pesos/Dollar for the same month in 2000. International reserves reached a historic level of \$40.38 billion in April, up 20% from their level a year ago. In April 2001, open interest at the Mexican Derivatives Exchange (MexDer) amounted 245,914, a decrease of 195,584 futures contracts traded over the same month in 2000.

• **EMPLOYMENT AND ECONOMIC GROWTH:** Open unemployment reached 2.26% in April 2001, down from 2.45% in April 2000. Economic growth, as measured by the Global Economic Activity Index (IGAE), grew 1.9% in March over the previous year. The monthly IGAE measures 96% of the economy covered in quarterly GDP data.

• **INDUSTRIAL ACTIVITY:** Mexico's industrial production decreased 2% in March 2001 over the same month in 2000. Likewise, manufacturing output contracted 1.8%, mining activity increased 1.4%, and construction activity decreased 5.1%.

• **PUBLIC FINANCES:** The Public Sector balance registered an overall surplus of \$1.86 billion in April 2001, an increase of 14.2% in real terms with respect to the same month last year. On May 9, the Ministry of Finance announced the reopening of the 10-year Global Bond worth \$1.5 billion placed last January. The reopening was for \$1 billion with a yield of 8.43%, which is the lowest ever for any 10-year emission made by the Federal Government.

Source: INEGI, Banxico, SHCP, BMV, MexDer and SE-NAFTA.

New E-mail Version

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subscribe@naftaworks.org

and next month you will receive an electronic copy of our newsletter.

Thank you for helping us become more efficient.
Trade and NAFTA Office, Embassy of Mexico.

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California Becomes the World's Fifth Economy

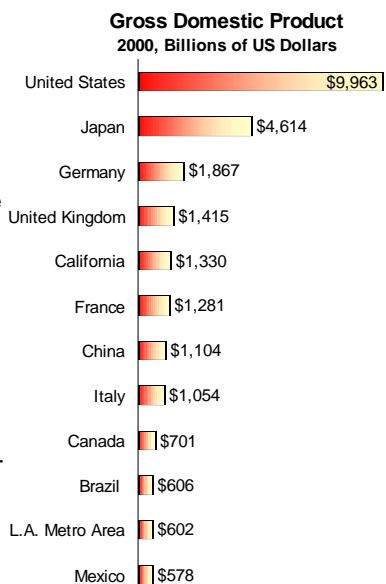
Mexico is its largest export market

In the mid 1990s, with the advent of the so-called "New Economy", industries in Silicon Valley, California began to grow faster than the average of the rest of the US. According to the California Trade and Commerce Agency, in 2000 California produced over \$1.33 trillion or 13 percent of total US output in goods and services. This makes the "Golden State" the fifth largest economy in the world, ahead of France's \$1.28 trillion gross domestic product, and nearing the UK's \$1.41 trillion economy.

Seven years after NAFTA's implementation, the Agreement continues to provide substantial benefits to the Mexico-US trade relationship. California's exports to Mexico are the latest example of NAFTA's positive impact in strengthening North America as a regional trade powerhouse.

Data released by the US Census Bureau in 2000, showed that 15 percent of California's exports were destined to Mexico. Today California ranks second among US states in its exports to Mexico and Mexico has become California's largest export market.

In 2000, Mexico purchased \$19 billion in Californian goods, an increase of almost 30 percent



Source: Los Angeles County Economic Development Corporation and SE-NAFTA.

over the previous year and nearly tripling the amount bought in 1993, year prior to the entry into force of NAFTA. California's main exports to Mexico include computers, mobile telephones, high-tech electronics, and industrial machinery. (For more detail go to p. 4)

NAFTA Works for California. Over the past 7 years, NAFTA has contributed to a dynamic Californian economy, which derives more than one fourth of its gross state product from international trade. •

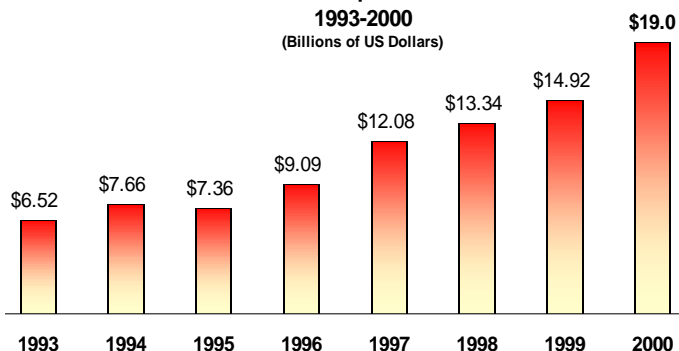
Diario Oficial Notices

- Free Trade Agreement between Mexico, El Salvador, Guatemala and Honduras (June 1, 2001).
- Supplement to the requirements of the Ministry of the Economy in regard to import permits and sector promotion programs, published on January 30, 2001 (May 24, 2001).
- Final resolution regarding the circumvention of the antidumping investigation on imports of boneless bovine meat from the United States of America. (May 22, 2001).
- Resolution that discards the antidumping review petition and the antidumping duties imposed on imports of seamless pipe from the United States of America. (May 22, 2001).
- Amendment to the Decree that identifies goods of the Mexican Tariff Schedule subject to Mexican official standards compliance when entering or departing Mexico. (May 18, 2001).
- Agreement that modifies the classification and codification of imports and exports subject to a permit from the Ministry of the Economy. (May 18, 2001).
- Notice to recipients of the U.S. and Canadian corn import quota, under the North American Free Trade Agreement, valid until April 15, 2001 (return of quota certificates). (May 8, 2001).
- Agreement that restructures and organizes the International Trade Practices Council. (May 3, 2001).
- Agreement regarding the agricultural safeguard under the North American Free Trade Agreement, for coffee and coffee products. (April 30, 2001).
- Official Mexican Standard NOM-145-SCFI-2001, Honey-Commercial labeling information. (April 23, 2001).
- Notice of first request for panel review of the final determination (13th administrative review) on imports of porcelain-on-steel cookware from Mexico, published by the International Trade Administration of the U.S. Department of Commerce in the Federal Register of March 1, 2001. (April 9, 2001).
- Agreement that establishes an increase in the 2001 import quota for turkey meat pieces from the United States of America, published on November 30, 2000. (April 9, 2001).
- Agreement that establishes an increase to the 2001 import quota for turkey and chicken pastes from the United States of America, published on November 28, 2000. (April 9, 2001).
- Regulations to the foreign-made vehicles registration law. (April 6, 2001).
- Agreement regarding the agricultural safeguard under the North American Free Trade Agreement, for hams and apples. (April 3, 2001).

Diario Oficial notices can be obtained from: <http://www.nafta-works.org/downdof/dof2000.htm>

California's Exports to Mexico

1993-2000
(Billions of US Dollars)



Source: US Census, MISER and SE-NAFTA.

NAFTA RELATED EVENTS

- **"ENTERING THE US HISPANIC MARKET"** (4th annual business forum). Mexico City, Mexico. For further details contact aljimenz@economia.gob.mx
June 25-26
- **"ACR EXPO-MEXICO"** (mechanical, systems & construction industry). Mexico City, Mexico. For information contact pentonvts@terra.com.mx
August 15-17
- **"e-EXPO MAQUILA SUPPLIERS ONLINE"** (virtual trade show). Mexicali, Tijuana and Monterrey, Mexico. World Trade Center, Mexico City, Mexico. For details contact julia.rauner.guerrero@mail.doc.gov
Until September 30
- **"EXPO MAQUILA 2001"** (annual maquila product & services exhibition/Virtual Trade Show). Ciudad Juarez, Chihuahua, Mexico. For details contact www.expomundo.com
November 7-9

For more information visit: <http://www.naftaworks.org/nworks/events.htm>

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economy and its network of Free Trade Agreements (FTAs) make Mexico a strategic hub for trade and investment. By producing in Mexico investors have secure and preferential market access to 32 countries in 3 continents.

In 2002 Mexico will host and chair APEC activities. Mexico's chairmanship implies responsibilities in terms of both the definition of the agenda and the organization of events and meetings. Currently, Mexico is defining the priorities in consultation with APEC members, academics, and the private sector.

The issues proposed by Mexico in the area of trade and investment liberalization and facilitation include:

- Strengthening of Individual Action Plans
- Support to new multi-lateral WTO negotiations
- Review of coherence of bilateral and regional free trade agreements with Bogor's goals
- Deregulation and competition policies.

In the economic and technical cooperation field, Mexico proposes to focus mainly on small and medium enterprises in connection with e-commerce, microenterprises and human resources development.

With respect to the organization of APEC events, more than 100 meetings will take place in Mexico throughout 2002, including the following:

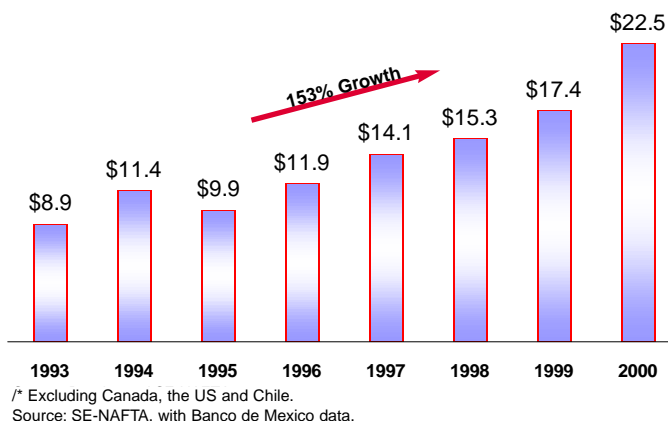
- 10th Economic Leader's Meeting
- 14th Ministerial Meeting (trade and foreign affairs)
- Small and Medium Enterprise (SME) Business Forum
- Ministerial Meetings (finance, tourism, SME, women)

- Senior Official Meetings
- APEC CEO Summit

Mexico: bridging markets across continents

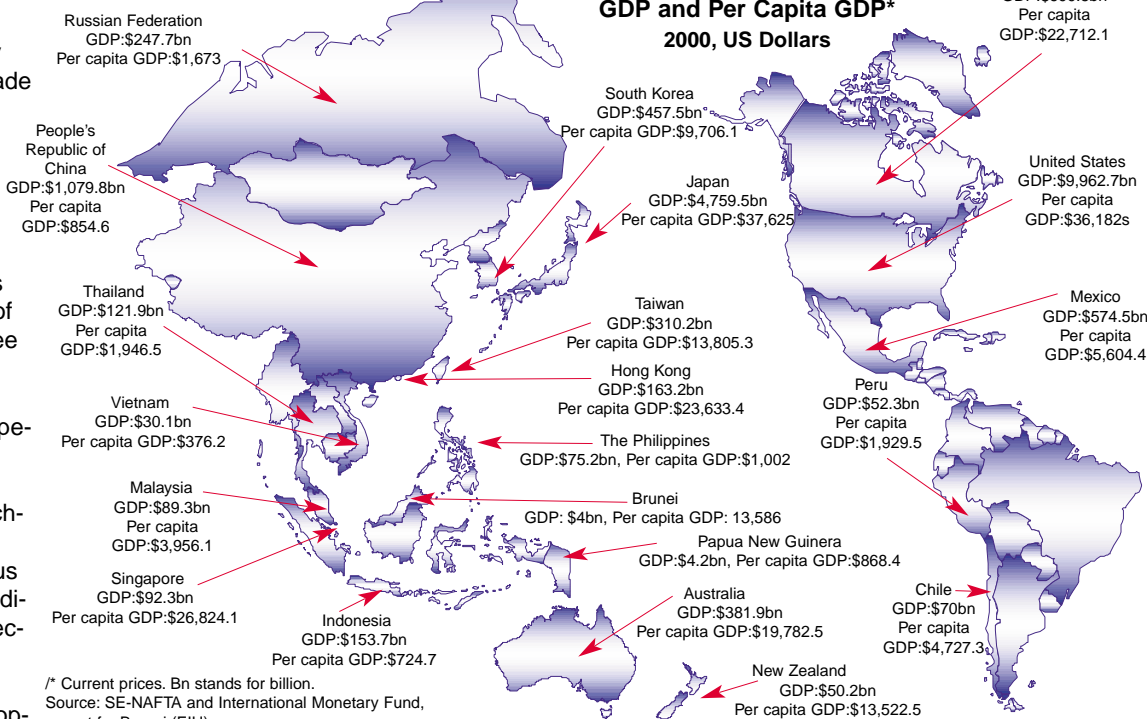
Trade between Mexico and far eastern markets dates back to the 16th century. For more than 300 years, the Nao de la China fleet sailed from the Philippines to Acapulco, on the west coast of Mexico. Goods were then transported to Veracruz, on the Gulf coast, where Spanish Galeones stood ready to take the merchandise across the Atlantic to Europe. Before the Panama Canal, the Mexican Peso was the legal tender in the

Mexico's Trade with APEC *
1993-2000, Millions of US Dollars



APEC Member Economies

GDP and Per Capita GDP*
2000, US Dollars

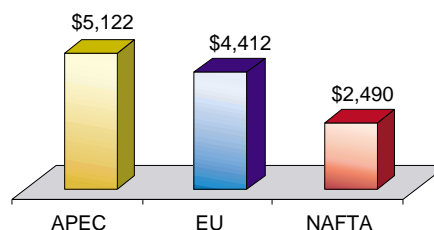


Philippines and Mexico was one of the shortest routes for European goods to reach Asian markets. Its geographic location made it a necessary link for world trade.

The Asia-Pacific region offers immense opportunities. Mexico sees APEC 2002 as the occasion to become a natural bridge to the Asian market, to develop strategic partnerships, to promote exports, and to learn from the experience of Asian economies. Further more, in APEC 2002 Mexico

will strengthen links with Asia to establish a true partnership. Today's advancements in transportation and telecommunications, combined with its network of FTAs, prime Mexico to become a leading economic player in the 21st century. •

Total Trade by Region in 1999
Billions of US Dollars

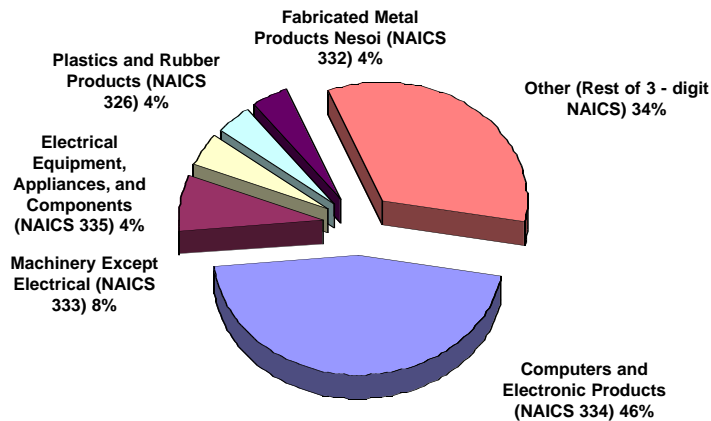


Source: WTO, OECD, UNCTAD and SE-NAFTA (including intra-regional trade).

For more information on APEC 2002, please visit www.apec2002.org.mx.

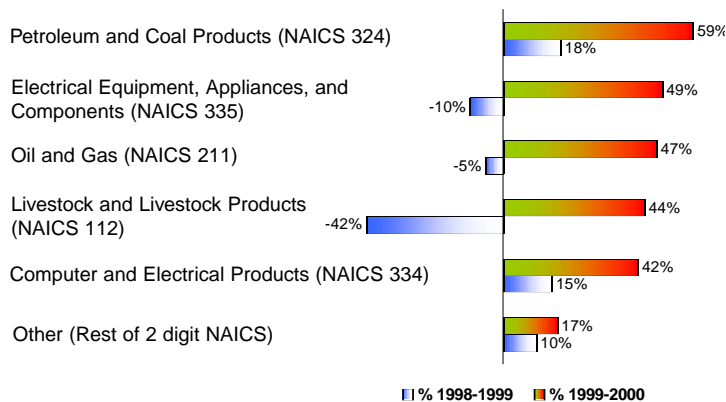
California

COMPOSITION OF CALIFORNIA'S EXPORTS TO MEXICO IN 2000



NAICS stands for North American Industry Classification System.

CALIFORNIA'S MOST DYNAMIC EXPORTS TO MEXICO 1998-2000



• Mexico is the **LARGEST** purchaser of goods from California

• Between 1993 and 2000, California's exports to Mexico grew **192%**

• Among all US States, California was the **2nd LARGEST** exporter to Mexico in the year 2000.

Success Story

UPS Logistics Group Opens Facility in Mexico

UPS Logistic Group completed the first phase of development for a logistics center in Laredo, Texas. The facility is designed to provide services to the maquiladora industry, including support management, crossdocking, warehousing and order fulfillment. Additionally, it will house U.S. Customs and Mexican Customs brokers to process shipments traveling between both countries.

Journal of Commerce 03-27-00

Source: U.S. Census Bureau, with adjustments made by the Massachusetts Institute for Social and Economic Research and SE-NAFTA.

Business News Digest

Mexico's Vitro looks at possible China investment

According to its chief executive, Federico Sada, Grupo Vitro, the Mexican glassmaker, is negotiating a possible investment in China to boost its presence in Asia. He added that it would give them a competitive advantage in Asia to position themselves in other countries. In April, Vitro bought a 60 percent stake in Spanish company Cristalglass and said the move was aimed at boosting its position in the European market.

Reuters 12 June 2001

Sony Expands Partnership With Redwood Systems in Mexico.

Sony Electronics de Mexico, S.A. de C.V., a unit of Sony Corporation, has expanded its partnership with leading full-service contract logistics provider Redwood Systems with a 9-year agreement. Redwood dedicated 470,000 sq. ft. facility in Mexico City to support the business.

Business Wire 6 June 2001

Serfin Partners With ZonaFinanciera.com to Launch The First Account Aggregation Service in Mexico

ZonaFinanciera.com, the premier personal finance marketplace for Spanish and Portuguese-speaking consumers and the financial institutions that serve them, recently announced the launching of account aggregation services to one of Mexico's top financial institutions, Banca Serfin, a member of Grupo Financiero Santander Serfin. Customers in Mexico will now have convenient, one login access to their online accounts at multiple institutions.

PRNewswire 5 June 2001

Select Readings

Foreign Direct Investment. John-Ren Chen, editor. (London, England, McMillan Press-Palgrave, 2000)

During the last decade, Foreign Direct Investment (FDI) became one of the main vehicles for the increasing integration of the world economy. Although most countries have started to compete eagerly for FDI, the consequences of increasing FDI flows are still a point of issue. Offering contributions from European and Asian perspectives, this book addresses the role, the determinants, and economic effects of FDI, and provides a blend of informal discussion, recent theory, and empirical analysis on FDI. It covers macroeconomic as well as microeconomic and financial aspects, including the effects on taxes, network effects, and multinationals.

"Finding Allies in the Back Yard: NAFTA and the Southern Cone". Felipe A.M. de la Balze. (Foreign Affairs Vol. 80-4, July-August 2001)

The author argues that the United States cannot maintain its global leadership without the cooperation of like-minded nations that share its interests and values. In fact, in the coming years, American preeminence will likely remain stable only in regions where the United States has signed agreements with countries that have congenial economic and socio-political systems.



BAJA CALIFORNIA NORTE



Capital: Mexicali

Main Cities: Tijuana, Ensenada, Tecate y Playas de Rosarito

Population: 2.5 million
 86.2 people per square mile
 91.7% urban
 21.7% over 40 years old
 96.5% literacy rate
 3.9% demographic growth

Source: INEGI. XII Censo General de Población y Vivienda 2000

Exports (1999): US\$ 10 billion
Imports (1999): US\$ 8 billion

Source: Administración General de Aduanas

Major exports: electronics, auto parts and components, non-metallic minerals, legumes and vegetables, salts, sulfure, cotton, plaster, seafood, cereals, plastics, pharmaceutical products, flour, starches, melting materials.

Source: SEDECO

Foreign Direct Investment (FDI)

- Between 1994 and 2000, cumulative FDI in the state of Baja California Norte reached US\$ 4.5 billion.
- Main Investors in the state are: Japan, the United States, Korea, France, Taiwan, Germany and the Netherlands.
- By September 2000, 1,558 companies with foreign investment were established in the state.

Source: SEDECO

Some foreign companies operating in the State

Company	Country
Sony	Japan
Mitsubishi	Japan
Samsung	Korea
Office Depot	USA
Twenty Century Fox	USA
Alcoa	USA

Source: SEDECO

Infrastructure

- 3,417 Miles of highways and roads
- 132 Miles of railroads
- 3 International airports (Mexicali, San Felipe and Tijuana)
- 106 Universities and technical schools
- 82 Industrial parks
- 272 Medical units

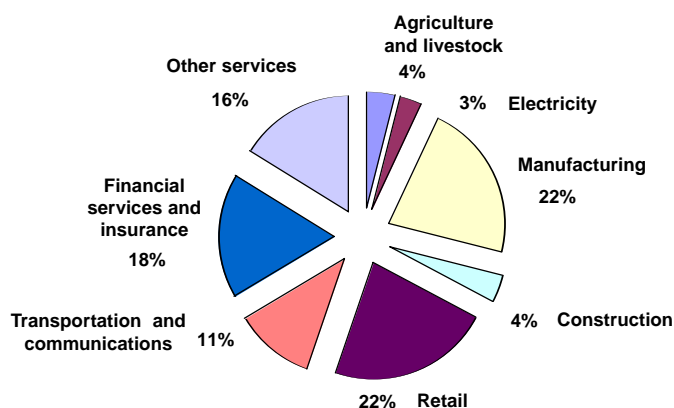
Source: SEDECO

Maquiladoras

Prior to NAFTA's implementation, there were 835 maquiladoras. By the end of 2000, there were 1,435, employing 262,751 workers. The main areas of production for these maquiladoras are: electronics, textiles, furniture, and canned-goods.

Source: INEGI

MAJOR ECONOMIC ACTIVITY IN 2000



Source: Bancomext, with INEGI data.

Highlights

- Baja California Norte has the third largest Geothermoelectric generator in the world.
- Privileged location for trade with the United States.
- Excellent port infrastructure in Ensenada, Rosarito, Isla de Cedros, San Felipe.

Source: Secretaría de Fomento Económico (BCN).

Trade Fairs and Exhibitions in 2001

Expo-Electrónica	July	Electronics
Expo-Construcción Internacional	August	Construction and Trade

Websites: www.baja.gob.mx
E-mail: aalfaro@economia.gob.mx