Mexico Launches a Phase Down Plan to Reduce Import Rates

On December 24, 2008 the government of Mexico published in the Mexican Official Gazette (Diario Oficial) a unilateral plan to reduce the Most Favored Nation (MFN) import rates in more than 8,000 tariff items of the Mexican Tariff Schedule (TIGIE).

This reduction is an important part of the Foreign Trade Simplification Program announced by the Ministry of Economy and the Ministry of Finance on December 19, 2008. The objectives of this program include: reduction of operational and administrative businesses costs; increasing the productivity and competitiveness of the country; extending the benefits of foreign trade to all enterprises, especially small and medium businesses (SMB’s); and benefiting consumers in order to obtain greater variety and better quality of goods and services at competitive prices.

The tariff cutback comprises about twenty different industrial sectors, classified in chapters 25 to 97 of the Harmonized System. Some of them are: chemical, rubber, wood and paper, leather and footwear, textiles and apparel, steel, optical equipment, photography and film, medical equipment, musical instruments, toys, stone and ceramic products, machinery, electrical equipment, vehicles, metallurgy, furniture, and others.

The sectors involved in the measure represent nearly 70 percent of the total tariff items included in the TIGIE. During 2007, the import value of the products subject to reduction amounted to $141.6 billion, which means half of the total Mexican imports registered in that year.

The phase down plan will be implemented over five years, beginning on January 2, 2009 and finishing on January 1, 2013. Prior to this reduction, the average import rate of industrial...
goods was 10.4% and by the end of the reduction plan it will be 4.3%. Throughout this measure the 57% of the total products classified in the TIGIE will become duty free (over 6,800 tariff items) on January 2013, and the highest MFN tariff applied to industrial goods is expected to be 20% (in 2008 it was 50%). This implies that Mexico could turn out to be one of the most liberalized economies in the Latin American region for 2013.

This strategy is an essential element of a comprehensive package of measures to be undertaken during the Calderon administration intended to boost the competitiveness of the Mexican economy. These measures will contribute to improving production and operating costs in Mexico, enhancing the business environment, promoting business activities, attracting and retaining foreign investments, and increasing trade facilitation.

### Increasing California–Mexico Border Crossing Capacity

On December 8th, 2008, the United States and Mexico announced the issuance of a federal permit that clears the way to create a seventh border crossing between California and Mexico, which will be located in Otay Mesa. The project promises to accommodate expected trade growth between the two NAFTA partners and stimulate economic activity between the fast-growing San Diego-Tijuana region and other parts of the world.

It has been over a decade since a crossing has opened along the border between California and Baja California, Mexico. Currently, more than $44 billion worth of products are traded through custom facilities located in that region and $30 million through Otay Mesa alone, which is actually one of the world’s busiest border points.

In 2007, some 79 million people crossed through California’s six existing ports of entry, experiencing major delays during peak crossing times in the mornings and weekends. Likewise, exporters on both sides of the border complain they lose millions of dollars a year in border delays, some $4.2 billion according to sources from the U.S. Embassy to Mexico. Trucks line up for hours to get goods ranging from tomatoes to flat screen televisions into the United States, and electronic components, apples and strawberries into Mexico. There are more than 738,000 entry crossings made by trucks a year through Otay Mesa border points, an increase of 66% since 1995 and the number is expected to grow by at least 50% by 2020.

The current border crossing in Otay Mesa handles cargo, vehicles and pedestrian traffic and is free of fees. Otay Mesa II, as the new one will be called, will offer alternative crossing facilities nearby for a toll. The income generated from said tolls will allow the issuance of bonds to private investors to finance the project.

The new border crossing is one more step in the US-Mexico effort to rebuild and expand the infrastructure needed to support increasing international trade.

The project will not only enhance border security and facilitate the movement of goods and people across the border, it will contribute to attract new businesses and investments into the region and boost economic competitiveness in the global marketplace. The faster Mexico and the U.S. can move goods and services, the stronger both economies will be.

The addition of the Otay Mesa port of entry at a cost of $715 million will also enhance border security by bringing new facilities and technology along with customs staff to improve monitoring cargo and vehicles. It will also reduce wait times from up to eight hours down to less than a half an hour once the facility is operating at full capacity in 2014, alleviating traffic congestion, improving efficiency and reducing air pollution at the border.

![U.S. Mexico Trade by Port of Entry Otay Mesa-San Ysidro](image)

**Source:** SENAFTA, with data from INEGI

### Infrastructure Projects in Mexico

#### Industrial Port of Altamira Expansion

**Sponsor:** Altamira Port Authority (API)  
**Location:** Altamira, Tamaulipas  
**Total Project Value:** $328 million

The mega industrial and port development project expansion will cover an area of 9,595 hectares. The Altamira port zone has a territory of 3,075 hectares and the industrial zone which surrounds the port zone has 5,098 hectares; this makes it the largest territory reserved in Mexico for industrial development over the next 8 years. Moreover, 1,422 adjacent hectares have also been reserved for environmental support in the promotion of this industrial development.

**Business Opportunities:** Port operation, logistics services, infrastructure construction, industrial investment, financing and port services contracting.

#### Sanitation in Apatlaco River Basin

**Sponsor:** State Commission for Water and Environment (CEAMA)  
**Location:** Morelos  
**Total Project Value:** $350 million

This project is intended to remove solid waste from the Apatlaco River and to improve the quality of wastewater effluent discharged into the river. Ten existing wastewater facilities are to be rehabilitated and 16 new facilities and collection systems are to be constructed. In addition, a new 400 ton per day landfill will also be constructed. Approximately 170 million dollars are budgeted for the wastewater treatment facilities and 30 million dollars for the landfill. By 2012, the overall project will require 150 million dollars more in investments. The project is being financed by the World Bank, as well as federal, state and municipal governments.
NAFTA Related Events

Expo-Empaque 2009
February 3 - 5, 2009
International exposition of technology and solutions for the packaging, and container industry
Location: CINTERMEX. Monterrey, Nuevo León
Phone: 52.55.5025.1530, 52.81.8347.8560
E-mail: mauricio.palomares@giprex.com
Website: http://www.expoempaque.com.mx/

Expo Plásticos 2009
February 3 - 5, 2009
Exhibition of plastic industry’s suppliers
Location: CINTERMEX. Monterrey, Nuevo León
Phone: 52.55.5025.1530, 52.81.8347.8560
E-mail: sordaz@gnipex.com
Website: http://www.expoplasticos.com/mx/

Expo Internacional Naturista ANIPRON
February 13 -15, 2009
Exhibition oriented towards naturist products, such as food, beverages nutritional foodstuffs, and raw materials.
Location: World Trade Center. Mexico City
Phone: 52.55.5663.1300, 52.55.5663.1295, 52.55.5663.1297
E-mail: eventos@anipron.org.mx
Website: http://www.anipron.org.mx/74530/index.html

Expo Manufactura 2009
February 17 -19, 2009
Trade show of providers for the metalworking industry and maquiladora companies involved in metal, control and automation of materials
Location: CINTERMEX. Monterrey, Nuevo León
Phone: 52.55.1087-1650
E-mail: sergiom@ejkrause.com / aliciarubio@ejkrause.com
Website: http://ejkrause.com/expomanufactura/index.html

Promotional Product Show
February 18 - 20, 2009
Event that gathers together the leading manufacturers, distributors and importers of promotional items
Location: World Trade Center. Mexico City
Phone: 52.55.2454-3851, 52.55.2454-3961, 52.55.5574-7437
E-mail: jatala@osemx.com.mx
Website: http://www.osemx.com.mx/index_pws.html

ANPIC “The Fair of America”, 2009
February 19 - 22, 2009
International fair of suppliers, machinery, equipment and accessories for the leather and footwear Industries
Location: Poliforum Exhibition Center. León, Guanajuato
Phone: 52.477.710 72 00, 52.477.710 72 06
E-mail: karina@anpic.com
Website: http://www.anpic.com/fair/

EXPO COMM MEXICO 2009
February 24 - 26, 2009
Communications industry event set off for providers of ICT technologies, systems, products, and services
Location: Centro Banamex. Mexico City
Phone: 301-493-5500 ext. 3312
E-mail: harrington@ejkrause.com
Website: http://www.expocomm.com/mexico/aboutecm.html

Feria Internacional del Helado
February 25 – 27
All related products for the ice cream industry.
Location: Expo Guadalajara. Guadalajara, Jalisco
Phone: 52.33.3044.55.45
E-mail: informes@feriadelhelado.org
Website: http://www.feriadelhelado.org/home.html

Expo Carnes 2009
February 25 – 27, 2009
Meat industry international exhibition and convention
Location: CINTERMEX. Monterrey, Nuevo León
Phone: 52.81. 8369-66-60, 52.81. 8369-6664, 52.81. 8369-6665
E-Mail: lizapex@cintermex.com.mx / lsierra@apex.org.mx
Website: www.expocarnes.com

Notice setting out guidelines to allocate a quota to import Chinese products under a waiver of the transitional measure. Dec. 18
Final resolution on the Countervailing Duty Administrative Review regarding imports of Hydrogen Peroxide originating from the United States of America, and coming from Evonik Gedussa Corporation. This merchandise is classified under the tariff item 2847.00.01 of the Mexican Tariff Schedule (TIGIE). Dec. 18
Resolutions that dismiss the petition filed by Comercializadora de Frutas de Importación, S.A. de C.V., and the petition filed by Grupo Empresarial Padmix, S.A. to revoke the Final determination of the antidumping investigation regarding imports of red delicious and golden delicious apples, originating from the United States of America. These products are classified under the tariff item 0808.10.01 of the Mexican Tariff Schedule (TIGIE). Dec. 18
Notice that formally declares the State of San Luis Potosi as Aujeszky’s disease free territory. Dec. 18
Decree establishing the General Import Tax applicable to the border region and to the northern borderline. Dec. 24
Notice modifying the import and export rates of the Mexican Tariff Schedule. Dec. 24
Notice announcing the preferential duty rate to import originating goods from El Salvador, Guatemala and Honduras. Dec. 26
Final resolution of North American Free Trade Agreement Binational Panel Review, under Article 1904 Panel Rules, regarding the preliminary resolution concluding the antidumping investigation of imports of US pork legs, merchandise currently classified under tariff items 0203.12.01 and 0203.22.01 of the Mexican Tariff Schedule (TIGIE) regardless country of origin. Case number: USA-2006-1904-01. Dec. 26
Second resolution containing modifications to the General Rules for External Trade for 2008. These modifications apply to customs procedures and requirements to import and export merchandises into Mexico. Dec 29.
Notice announcing a 2009 Tariff Rate Quota to import duty free powdered milk, originating from the territory of WTO members. Dec. 29
Notice announcing a 2009 Tariff Rate Quota to import dairy preparations containing over 50% by weight of milk solids, except those ones described under the tariff item 1901.90.04 of the Mexican Tariff Schedule (TIGIE). Dec. 29
Resolution that amends the General Rules and Criteria for Foreign Trade, issued by the Ministry of the Economy. Dec. 29
Notice announcing the preferential duty rate to import originating goods from the United States of America. These products are classified under the tariff item 2847.00.01 of the Mexican Tariff Schedule (TIGIE). Dec. 18
Decree to modify the preferential import duties applicable to some originating goods of Costa Rica. Dec. 31st.
Notice announcing the Decision Number 19 of the Administrative Commission of the FTA between Mexico and Costa Rica, which grants a temporary waiver to use non-originating materials for certain textile and apparel goods in order to receive the tariff preferential treatment. Dec. 31st.
Resolution that amends the mechanism to guarantee payment of contributions in goods subject to estimated prices. Dec. 31st.
Grupo Bimbo Buys U.S. Bakery Division

Bimbo, one of the world's top makers of bread, has received U.S. antitrust approval to buy the U.S. breadmaking unit of Canada's George Weston Ltd for $2.38 billion, the biggest acquisition in the Mexican breadmaker's history. The U.S. operation will give Bimbo access to the Boboli, Brownberry, Entenmann's, Freihofer's, Stroehmann and Thomas' brands of breads, rolls, muffins and bagels, as well as 22 factories and more than 4,000 distribution routes, and strengthen its presence in the eastern United States. Weston Food Inc.'s sales account for 12.5 percent of the US bread-making industry. Bimbo operates in 18 countries and is a top company in Mexico and several other Latin American countries.

EchoStar Launches Satellite TV Service in Mexico

MVS Comunicaciones, one of the largest media and telecommunications conglomerates in Mexico, and EchoStar Corporation, a leading U.S. manufacturer of equipment for satellite and IPTV based in Colorado, have agreed a joint venture called Dish Mexico to provide an affordable satellite TV service that will be available to consumers across Mexico beyond mountains and buildings. The service is expected to launch initially in the cities of Puebla and Leon and will be available across Mexico in the next few months. MVS brings more than 570,000 customers in 11 cities to the partnership. "The opportunity to partner with MVS for a variety of services creates an exciting opportunity for EchoStar as we enter the Mexican market," said Charlie Ergen, CEO and chairman of EchoStar Corporation.

Mexican airline Upgrades Deal with Pratt-backed Partnership

East Hartford, Conn.-based Pratt & Whitney’s multinational partnership, International Aero Engines, has signed a contract with Mexican low-cost airline Volaris to upgrade engines being delivered to power 14 Airbus aircraft to the most advanced version of IAE’s engines. The order included 16 firm orders and 40 options with a total value that could reach $950 million. Volaris has also chosen to back the engines with a long-term, IAE service agreement. The engines are assembled by Pratt at its Middletown plant, and by Rolls-Royce in Europe.

Real Estate Project Developed by Mexican Investors in Coral Gables

The $130 million project encompasses renovation of an existing 7-story office building containing 100,000 square feet and construction of a 15-story Class A office tower containing 185,000 square feet. Completion is slated for spring 2010 and 2011 respectively. The project is executed by Agave Florida Investments — the affiliate real estate arm of Mexico's leading tequila producer, Jose Cuervo — a major developer in Mexico City. The company's director said he hopes to attract Latin American businesses to move their headquarters to Coral Gables.

EchoStar launches Satellite TV service in Mexico

Author: Erwan Quintin and Edward Skelton, Southwest Economy, Federal Reserve Bank of Dallas.
November/December 2008

How Much Will the Global Financial Storm Hurt Mexico?

Once inward-looking and crisis-prone, Mexico has transformed itself into a nation that thrives on foreign investment and trade and displays a steadfast commitment to monetary and fiscal discipline. Largely as a result of this transformation, Mexico has been crisis-free since 1995. The country has now weathered two potentially turbulent presidential transitions without experiencing significant financial difficulties—a remarkable achievement, given its economic history. Now, this newfound resiliency is being put to its biggest test yet as Mexico confronts the consequences of a global shock of a magnitude not seen in decades. Two decades ago, these shocks almost surely would have pushed Mexico into financial chaos. Fortunately, the country’s recent transformation makes such a collapse a remote possibility. The credibility earned by prudent policymaking over the past decade should help Mexico weather the current financial storm without devastating effects on real economic activity.

http://dallasfed.org/research/swe/2008/swe0806c.cfm
New Hampshire

In 2007, New Hampshire's exports to Mexico reached $128.4 million, up $88.7 billion from their level in 1993.

In the first half of 2008, New Hampshire exported $108 million worth of products to Mexico, an increase of 56.5% in comparison with the same period last year.

In 14 years of NAFTA, New Hampshire's exports to Mexico have increased by 224%, while those to the rest of the world rose 161%. This means that the export growth rate to Mexico is 1.4 times higher than its export growth rate for the rest of the world.

Since NAFTA was implemented, New Hampshire's sales to Mexico have grown at an annual average rate of 8.8%.

Mexico is an important trade partner to New Hampshire. It was ranked as the 4th largest export market for goods from New Hampshire in the first six months of 2008, up from 7th in 1993, illustrating the impact of NAFTA for New Hampshire's growing businesses. Mexico accounted for 6% of New Hampshire's exports worldwide in the January-June period of 2008.

Mexico is a large market for products from New Hampshire

Sorted by 2Q 2008 Exports to Mexico, total value in millions of U.S. dollars

<table>
<thead>
<tr>
<th>NAICS</th>
<th>Description</th>
<th>Exports to Mexico</th>
<th>Exports to the World</th>
<th>Mexico’s Share</th>
<th>Rank among state Exports to Mexico</th>
<th>Rank among state Exports to the World</th>
</tr>
</thead>
<tbody>
<tr>
<td>334</td>
<td>Computer and electronic products</td>
<td>51.9</td>
<td>524.7</td>
<td>9.9%</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>335</td>
<td>Electrical equipment, appliances, components</td>
<td>19.3</td>
<td>152.7</td>
<td>12.7%</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>333</td>
<td>Machinery, except electrical</td>
<td>8.6</td>
<td>428.0</td>
<td>2.0%</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>910</td>
<td>Waste and scrap</td>
<td>7.2</td>
<td>76.0</td>
<td>9.5%</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>326</td>
<td>Plastics and rubber products</td>
<td>5.1</td>
<td>56.3</td>
<td>9.0%</td>
<td>5</td>
<td>8</td>
</tr>
<tr>
<td>332</td>
<td>Fabricated metal products</td>
<td>3.4</td>
<td>78.2</td>
<td>4.3%</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>325</td>
<td>Chemicals</td>
<td>2.8</td>
<td>47.5</td>
<td>5.9%</td>
<td>7</td>
<td>9</td>
</tr>
<tr>
<td>114</td>
<td>Fish, fresh, chilled, or frozen</td>
<td>1.9</td>
<td>6.4</td>
<td>30.3%</td>
<td>8</td>
<td>20</td>
</tr>
<tr>
<td>339</td>
<td>Miscellaneous manufactured commodities</td>
<td>1.6</td>
<td>81.2</td>
<td>2.0%</td>
<td>9</td>
<td>4</td>
</tr>
<tr>
<td>313</td>
<td>Textiles and fabrics</td>
<td>1.4</td>
<td>23.2</td>
<td>5.9%</td>
<td>10</td>
<td>14</td>
</tr>
</tbody>
</table>

These 10 sectors account for 95.3% of the state’s total exports to Mexico, and account for 81.7% of the state’s total exports to the world.

Source: US Census with adjustments made by the World Institute for Strategic Economic Research (Wiser), and SE-NAFTA.
San Luis Potosi

The state has one of Mexico's most dynamic economic growth rates due in part to its large, highly skilled labor force, modern infrastructure, technologically innovative companies, and investment-friendly government. In fact, San Luis Potosi is ranked fourth as the easiest state to do business. Additionally, its strategic location on the NAFTA Corridor and other main logistic routes makes San Luis Potosi a world-class industrial hub and distribution center to compete in the global markets.

Main cities: San Luis Potosí (pop. 526,872), the capital; Ciudad Valles (pop. 111,644), Matehuala (pop. 68,808)

Population: 2.44 million inhabitants (2007) 63% in urban areas

Education: 570K college students
85 Universities and technological institutes
155 Students enrolled in high schools and technical school

Infrastructure: 2,963 miles of paved roads
119 miles of four lane highways
3,900 Truck companies; 14,124 trucks total
767 miles of railroad link state's main industrial cities to the U.S. and Mexico's largest economic poles and ports on both Atlantic and Pacific coasts

1 International airport: San Luis Potosi provides access to 4 cities in the U.S. and 5 domestic destinations with more than 5,111 flights annually, and air cargo services and logistics
3 Intermodal load terminals
2 Strategic fiscal enclosures
16 Industrial parks
331K Fixed telephone lines
149K Cable TV subscribers, 7th in density nationwide
157 Bank branches
530 ATMs

San Luis Potosi's key economic sectors are: automotive and auto parts, consumer electronics, electrical equipment, fabricated metal products, iron foundry and steel, chemicals, processed food, textile and apparel, mining (930 titled concessions covering 1.35 million hectares), IT and software, logistics, aerospace, furniture.

Gross Domestic Product

Web-site: http://www.sanluispotosi.gob.mx
http://www.sdeslp.gob.mx
Tel: (011 52) (444) 834 3600 ext. 3604
Email: gmariel@slp.gob.mx

Foreign Direct Investment
(Accumulated in millions of U.S. dollars)

Foreign Direct Investment by Sector
(1999-3Q 2003)

Largest corporations in the State:

* According to the WorldBank’s Doing Business in Mexico 2009 Report