The Importance of Metropolitan Areas in U.S. Exports to Mexico

Metropolitan areas are a major contributor to U.S. total exports. In fact, the contribution is so important that this amount accounted for a staggering 88% according to the International Trade Administration (ITA). As U.S. second-largest export market and buying more than $198 billion in U.S. products annually, Mexico is an essential trade partner for cities in the United States. Among the top 50 largest metropolitan area exporters, Mexico is ranked in the top 5 most important export markets for thirty-eight urban areas, with combined exports totaling over $127 billion in U.S. products last year.

In 2011, Mexico became the most dynamic export market for U.S. products in total value, reaching $34 billion in additional foreign sales, an impressive number that would by itself place Mexico as the U.S.’s eleventh-largest export market globally. This amount alone contributed to 17% of U.S. exports increase, while U.S. sales to Mexico grew 21% last year. In the January-August period of 2012, Mexico’s portion of U.S exports worldwide rose to 25%, surpassing $13 billion in new exports to reach a total of $143 billion.

Consistent with national trade figures, U.S. metropolitan area exports were strong to the U.S.’ Southern NAFTA partner. In 2011, they increased by 22% from 2010, surpassing the 16% growth experienced by the U.S. urban areas exports to the world over the same period of time. These exports also had a geographically diverse origin. Among the top 50 U.S. exporting cities, 44 experienced export growth to Mexico and 14 of them increased their sales by at least 20% in just one year.
Last year, New Orleans, Bridgeport and Nashville joined the billion-dollar export club, raising the number of urban areas exporting more than one billion dollars to Mexico to 30. In addition, Mexico is the largest export market for 13 cities, and the second-largest market for another 14. This astounding performance has increasingly spurred benefits beyond U.S. border states, to include the industrial Midwest, the South and the North East.

Furthermore, Detroit ranked as the largest exporter city to Mexico with sales over $17.7 billion, accounting for more than 36% of its exports worldwide and 10% of U.S. metropolitan area exports to Mexico, according to ITA. The largest exporters to Mexico are otherwise lead by urban areas that enjoy a proximity to it and have fostered highly integrated supply chain relationships with Mexican companies. Cities in California such as Los Angeles and San Diego or in Texas such as Houston, El Paso, Dallas, Laredo, and Brownsville are ranked among the top 10 exporters to Mexico.

Metropolitan areas are also the export dynamos of the U.S. sales to Mexico. In 2011, the three largest exporters showed growth rates roughly at or above the national growth rate, with exports from Detroit up 12%, Los Angeles up 25% and Houston up 45% from 2010. Much of the growth was fueled by exports of transportation equipment, computer and electronic products, petroleum products, chemicals, and machinery.

Among the top exporters, New Orleans showed the highest increase with sales growing by 135% in 2011. Other urban areas that showed improvement include Phoenix and Greenville.

Sales to Mexico are a significant driver of the U.S. exports and economic growth. In 2010 and 2011, exports contributed to more than 46% of the U.S. economy growth, according to the BEA. The U.S. Chamber of Commerce estimates that the trading business to Mexico supports over 6 million jobs. A study by Brookings Institution also states that about half of total export-related jobs are direct jobs in industries that actually produce goods and services, while the rest of the jobs are employed by suppliers of intermediate goods and trade-related services providers. Increasingly, it is being recognized that exporting is in large part a metropolitan enterprise. This is why increasing the efforts made in the promotion of strengthening trade links with Mexico would provide important opportunities for business development and better paid-jobs related to exports.

Mexico’s growing cosmetics industry

The prosperous Mexican cosmetics industry has set itself apart as a world class leader in terms of exports and development in the last couple of years by adapting to the increasing demand of international markets and by sustaining remarkable growth, making it a new attractive destination for foreign investment.

This progress has noticeably improved Mexico’s ranking in cosmetics exports, not only in Latin America, but worldwide. Indeed, it ranks first in exports within Latin American countries and 9th in the world. It also exports its products to more than 100 countries around the globe, including its three main export markets: the U.S., Canada and Latin America.

In fact, in 2011, Mexico’s cosmetics exports totaled $2 billion. These numbers represent an increase of 30% compared to the previous years with a surplus of more than $1 billion in its trade balance. Not only was it a record setting year, in addition, the ratio of exports/imports is now 2 to 1.

Mexico exports a variety of cosmetics products, but most of them include: soap, perfumes, make up, toothpastes, shampoo and body moisturizer. Also, some other products growing in popularity include: hair products, male personal care products, and deodorants, among others.

Mexico’s cosmetics industry ranks among the top three largest industries in the Americas with a domestic market value of over $9 billion. The production of cosmetics in Mexico is playing an increasingly important role in the economy. The percentage of this industry in the GDP reaches 0.9% and in the industrial GDP surpasses 5%, creating jobs throughout the country.

In the Mexican cosmetics industry, more than 100 international, U.S. and domestic companies are represented, accounting for over 85% of the market and generating close to 200,000 direct and indirect jobs. The main cosmetic facilities in Mexico are currently located in: Mexico City, Mexico State, Guanajuato, Jalisco, Morelos, Nuevo León, Querétaro and Tamaulipas.

It is estimated that between 2000 and 2010, this sector attracted more than $3 billion in foreign direct investments. Also, during 2011, three new factories opened their doors in San Luis Potosí, Guanajuato and Cuernavaca. These new facilities generated 8,000 jobs and close to $400 million in foreign direct investments. These additions should greatly expand the production capacity for cosmetic products and contribute to the development of this industry.

To sustain its growth, the industry released a strategic plan for the next 10 years with the aim of making Mexico the 5th country worldwide in exports of cosmetic products and increasing domestic consumption per capita of cosmetic products from the actual $78 to $100 in the next 5 to 10 years. Moreover, this plan aims to achieve a double digit growth sustained annually.

This plan has also increased the production capacity of its facilities in order to achieve a better integration focused on the production of cleaning and personal care products. Indeed, market projections expect the cosmetics industry to grow 5.2% in the upcoming year, surpassing the 5% growth of 2011, according to the industry.

Other measures have also been taken to increase international competitiveness by improving the regulatory framework for this industry. Last December, changes were made to the General Health Law on cosmetics, including an agreement with the Federal Commission for the Protection against Health Risks (Cofepris) to promote environmentally responsible investments and practices, better known as ethical advertising.

Mexican companies are constantly adopting technological innovations such as replacing derivatives from fossil fuel for inputs made of renewable sources like oils from seeds, contributing to the protection of the environment and spurring benefits in the agricultural sector.

Mexico is well positioned to propel the expansion of its cosmetics industry in the global market through an extensive network of free trade agreements with 44 countries. It is also perfectly located in the crossroads of the most important trading regions that makes the future for the cosmetics industry bright and promising.
MEXICO'S AUTO INDUSTRY CONFERENCE
December 5th-6th, 2012
A conference to analyze the business conditions of Mexico's auto and auto parts industries, and to interact with Mexico's auto OEM representatives and auto parts plant managers.
Location: HS Hotson Hotel. León, Guanajuato.
Phone: 52 (614) 414-8640/38
E-mail: information@mexico-now.com
Website: www.auto-conference.com

EXPO BUCEO
December 11th-12th, 2012
A trade show for the watersports industry.
Location: World Trade Center. Mexico City.
Phone: 52 (55) 5698 6273
E-mail: contacto@lamole.com.mx
Website: www.lamole.com.mx

LA MOLE COMIC CONVENTION
December 14th-16th, 2012
Exposition of leftover/excess merchandise of apparel, furniture and toy industries
Location: Poliforum León. León, Guanajuato.
Phone: 52 (477) 7107008
E-mail: cnava@poliforumleon.com
Website: http://www.poliforumleon.com/Calendario.aspx.htm

ESPAcio SEde del REGALO 2013
January 15th-18th, 2013
Convention and trade show of the gifting industry
Location: Expo Guadalajara. Guadalajara, Mexico.
Phone: 52 (33) 3122-4499 ext. 221
E-mail: info@intermoda.com.mx
Website: www.intermoda.com.mx

INTERMODA
January 15th-18th, 2013
International exhibition of the Mexican fashion industry
Location: Expo Guadalajara. Guadalajara, Mexico.
Phone: 52 (33) 3122-4499 ext. 221
E-mail: info@intermoda.com.mx
Website: www.intermoda.com.mx

EXPO MUNDO EVENTOS SOCIALES
January 18th-20th, 2013
Trade show on goods and services related to the event planning industry
Location: Expo Reforma CANACO. Mexico City.
Phone: 52 (55) 5578-9642/ 5342-4956
E-mail: contacto@anpeses.org
Website: www.expomundoeventos.com.mx

CONFITEXPO EXPORTS
January 23rd-24th, 2013
Trade show of Mexican candy and confectionery products in Los Angeles, California
Location: Los Angeles Convention Center. Los Angeles, CA.
Phone: 52 (55) 5564-7040/0329/7068
E-mail: infoexports@confitexpo.com
Website: http://confitexpo.com/

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Website: http://confitexpo.com/
Ferrero to Invest in New Chocolate Plant in Mexico

Ferrero Group will invest $200 million in a chocolate production plant in Mexico, in order to serve the domestic market in addition to the markets in the United States, Central America and the Caribbean. The investment will increase its candy and chocolate production by 35,000 tons. The company expects to have their four production lines working at full capacity by May 2013 in their facility located in San Jose de Iturbide, Guanajuato. The plant will employ 500 people, who will join the 600 operators Ferrero Group currently has in Mexico. Its total workforce is expected to reach 1,500 employees in the coming years.

Nivea to Triple Production Capacity in Mexico

Beiersdorf, the German manufacturer of Nivea and Labello, will triple the size of its operations in Mexico, due to the good performance of its products in both the local and export markets. The company will invest $130 million in a second plant located in Silao, Guanajuato, to produce body lotion, shower gels, and lip balm sticks. It will also include a new research and development center which will be Beiersdorf's third in the world and the only one in Latin America. The products will be meant for the Mexican market, in addition to being exported to North and Central America. The new plant will create 550 jobs.

Hitachi Automotive will Invest in Querétaro

Hitachi Automotive Systems will invest $100 million in Queretaro within its 2012-2015 investment plan. "Our plans for Queretaro are to start manufacturing suspension equipment in 2014 and, eventually, other products" said Masaaki Fujisawa, President and CEO of Hitachi Automotive Systems. The new plant in Mexico will produce systems for automobile equipment, employing 500 people in the first stage to eventually reach around 750 workers. This investment is in response to the increased production of vehicles manufactured in Mexico.

3M to Invest in Mexico for Research

3M announced direct investments for $60 million to strengthen the company's research and development capacities in Mexico. CEO Inge Thulin said that Mexico is one of their fastest growing subsidiaries in the world and that in the last two years, it has been gaining impulse thanks to good performance by manufacturers, especially those linked to the automotive sector. Thulin added that 3M Mexico’s growth has accelerated in the last two years. The new Innovation and Development Center located in its Santa Fe complex in Mexico City is at the core of 3M's Mexican and global strategy.

Solar Energy Potential in Mexico’s Northern Border States

Author: Sergio Romero-Hernandez, Bernardo Duarte, Duncan Wood, and Omar Romero-Hernandez from ITAM, University of California (Berkeley) and Woodrow Wilson Center
July 2012

Mexico's geographic location and its world-class solar resources make it a prime candidate for solar energy development. This paper argues that the northern border states of Mexico provide an extraordinary opportunity for investment in solar energy for local consumption by businesses and residential customers. In the long run, solar energy holds the potential to significantly strengthen Mexico's energy sector and economic development.


Infrastructure Projects in Mexico

Guadalupe – Tornillo International Bridge
Sponsor: Ministry of Communications and Transportation (SCT)
Location: Chihuahua
Project Value: $93 million

The project consists of constructing the Mexican section of the Guadalupe-Tornillo International Bridge and an access to the border facility. It also includes the construction of a 32 km-two lane road to connect the Chihuahua-Juarez City and Juarez City-El Porvenir highways in order to facilitate access for traffic arriving from the US-Mexico border. The project will reduce operating costs and travel times for trips from north-central Mexico to the US, improving the interconnection of the binational transportation corridors.

Business opportunities: engineering, construction materials, signaling equipment, monitoring equipment, heavy machinery.

Natural Gas Distribution Pipeline
Sponsor: Energy Regulatory Commission (CRE)
Location: Morelos
Project Value: N.A.

Five potential bidders have applied for the first natural gas distribution concession to be awarded in 12 years in Mexico by the Energy Regulatory Commission (CRE). The area covered is in the state of Morelos, near Mexico City, where Spain's Enagas, in partnership with Spain's Enagas, was recently awarded a $270 million natural gas pipeline to supply Morelos by the Federal Electricity Commission (CFE). Morelos has a rapidly growing industrial belt that includes a major Nissan auto plant that was recently granted an exclusive 10-year contract for the construction of New York City taxis.

Business opportunities: engineering, construction materials, pipelines, monitoring equipment, compression equipment.

Mexico Economic Update

Source: Ministry of the Economy with Banxico and INEGI data.

<table>
<thead>
<tr>
<th>Foreign Trade</th>
<th>Sep 2012</th>
<th>Jan-Sep 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value (US$)</td>
<td>%</td>
<td>Value (US$)</td>
</tr>
<tr>
<td>Exports</td>
<td>29.3</td>
<td>27.5</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>23.6</td>
<td>22.3</td>
</tr>
<tr>
<td>Oil</td>
<td>4.6</td>
<td>4.0</td>
</tr>
<tr>
<td>Imports</td>
<td>28.1</td>
<td>27.3</td>
</tr>
<tr>
<td>Trade Balance</td>
<td>0.2</td>
<td>2.1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Indicators</th>
<th>Sep 2011</th>
<th>Sep 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inflation Rate</td>
<td>3.1</td>
<td>4.8</td>
</tr>
<tr>
<td>Interest Rate (Cetes)</td>
<td>4.23</td>
<td>4.17</td>
</tr>
<tr>
<td>Stock Market Index</td>
<td>35,590</td>
<td>40,867</td>
</tr>
<tr>
<td>Exchange Rate (peso/dollar)</td>
<td>13.0</td>
<td>13.0</td>
</tr>
<tr>
<td>International Reserves (US$ billion)</td>
<td>137.9</td>
<td>181.9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employment</th>
<th>Sep 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open Unemployment</td>
<td>5.7</td>
</tr>
<tr>
<td>Employment</td>
<td>5.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Economic Activity Index (GEAI)</td>
<td>4.0%</td>
<td>3.5%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Industrial Activity</th>
<th>Aug 2011</th>
<th>Aug 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial Production</td>
<td>3.6%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>4.7%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Mining</td>
<td>-3.3%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Construction</td>
<td>5.4%</td>
<td>2.7%</td>
</tr>
</tbody>
</table>

**Note:** US bd = US billion dollar.
Maryland

In 2011, Maryland's exports to Mexico reached $322 million, up $253 million from their level in 1993. In the first half of 2012, Maryland exported $212 million worth of products to Mexico, an increase of 35.7% in comparison with the same period last year.

Among all U.S. states, Maryland was ranked 37th as an exporter of goods to Mexico in the first semester of 2012.

In 18 years of NAFTA, Maryland's exports to Mexico have increased by 369%, while the rest of the world rose 99%. This means that the export growth rate to Mexico is 3.7 times higher than its export growth rate for the rest of the world.

Since NAFTA was implemented, Maryland's sales to Mexico have grown at an annual average rate of 9%.

Mexico is an important trading partner to Maryland. It was ranked as the 6th largest export market for goods from Maryland in the first six months of 2012, up from 20th in 1993, illustrating the impact of NAFTA for Maryland's growing businesses. Mexico accounted for 3.7% of Maryland's exports worldwide in the January-June period of 2012.

### Mexico is a large market for products from Maryland

Sorted by 2011 Exports to Mexico, total value in millions of US 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>78.1</td>
<td>850.3</td>
<td>9.2%</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>325</td>
<td>Chemicals</td>
<td>51.8</td>
<td>976.8</td>
<td>5.3%</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>333</td>
<td>Machinery, except electrical</td>
<td>18.7</td>
<td>575.8</td>
<td>3.2%</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>331</td>
<td>Primary metal manufacturing</td>
<td>12.8</td>
<td>290.3</td>
<td>4.4%</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>336</td>
<td>Transportation equipment</td>
<td>11.3</td>
<td>1,548.4</td>
<td>0.7%</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>311</td>
<td>Food and kindred products</td>
<td>9.9</td>
<td>88.4</td>
<td>11.2%</td>
<td>6</td>
<td>14</td>
</tr>
<tr>
<td>322</td>
<td>Paper</td>
<td>7.5</td>
<td>48.9</td>
<td>15.3%</td>
<td>7</td>
<td>16</td>
</tr>
<tr>
<td>332</td>
<td>Fabricated metal products</td>
<td>6.0</td>
<td>136.6</td>
<td>4.4%</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>326</td>
<td>Plastics and rubber products</td>
<td>4.7</td>
<td>112.1</td>
<td>4.2%</td>
<td>9</td>
<td>12</td>
</tr>
<tr>
<td>910</td>
<td>Waste and scrap</td>
<td>2.2</td>
<td>219.6</td>
<td>1.0%</td>
<td>10</td>
<td>6</td>
</tr>
</tbody>
</table>

These 10 sectors account for 95.8% of the state's total exports to Mexico, and account for 83.6% 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.
Baja California Sur

Baja California Sur offers an abundance of leisure activities, ranging from adventurous sports to simple relaxing. Nowadays, this region is considered to be one of the top ten touristic destinations in the world, with some of the most luxurious hotels. Its world-class international airports and seaports make Baja California Sur a great place for foreign investment, especially in the tourism sector. It has an accessible highway, called Transpeninsular, which runs from the north to the south of the Peninsula, linking an endless number of powerful and inspiring landscapes throughout its vast territory.

Main cities: La Paz (pop. 251K, the capital), Los Cabos (pop. 230K), Comondú (pop. 70K), Mulegé (59K)

66% in the urban area

Education: 25K High School & Technical Schools
33 Universities & Technological Inst.
17K Students in college, 23% enrolled in engineering

Infrastructure: 2,112 miles of paved roads
49 miles of four lane highways
327 Truck companies, 1,634 trucks total
16 Sea-ports, including deep-water passenger and cargo ports
Cabo San Lucas, third most important for cruises
3 International airports: Los Cabos, moves 2.8 mill passengers (Mexico’s 6th largest airport)
La Paz and Loreto have regular domestic flights and some international flights
1 Industrial park
111K Fixed telephone lines
997K Mobile telephone subscribers
153 Mobile telephone users per 100 inhabitants
100K Cable TV subscribers
97 Bank branches
384 ATMs

Commerce, tourism and construction are the most important representative economic activities. Nevertheless, other activities such as: mining, seafood processing, food, fishing, organic agriculture produce, are an important key of their economy.

Gross Domestic Product (NAICS) 2010

- Tourism 17%
- Financial Services 14%
- Other Services 11%
- Agriculture 5%
- Transport 9%
- Construction 13%
- Commerce 17%
- Others 14%

Imports: $86 million (2010)

Major exports: salt, processed seafood, fresh or frozen seafood, fruit, organic agricultural products

Foreign Direct Investment (FDI): $3.4 billion (1999-201st semester 2012)
FDI Companies: 2,953
Countries with major investments: United States, Canada, Spain, the Netherlands, the United Kingdom, the Virgin Islands.

World Bank Ease of Doing Business in Mexico 2012 Ranking:
- Number of procedures to start a busine 7
- Number of procedures to deal with construction permits 14

Foreign Direct Investment (Accumulated in millions of US dollars)

Source: Ministry of the Economy. *January-June

Companies with the largest operations in the State:
- Sol Meliá, Hilton Worldwide, InterContinental Hotels, Riu Hotels, Starwood, Hoteles Solares de Mexico, Grupo Posadas, Pueblo Bonito, Barceló, Wyndham, Best Western, Costco, Wal-Mart, Comercial Mexicana, Cinepolis, Exporadora de Sal, Compañía de Productos Marinos, Pesquera La Purisima, Decope, Maseca, Moinera Mexico

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Tel: (011 52 612) 123 9400 / 27

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