



# NAFTA Works



A MONTHLY NEWSLETTER ON NAFTA AND RELATED ISSUES  
VISIT US AT WWW.NAFTAMEXICO.NET

August 2005

Volume 10, Issue 08

## Mexico launched Regulations Improvement Actions for 2005-2006

On August 2<sup>nd</sup>, 2005 the Mexican President Vicente Fox Quezada announced 36 regulation improvement actions with the aim of strengthening competition and perking up the business environment in Mexico. These actions consist of enhancing the following areas: External Trade, Health, Labor, Transportation, Telecommunications, Finance, Energy, Migration, Standardization, Business Transactions, and Social Security.

These actions were compiled by the Federal Commission of Regulations Improvements (COFEMER) and involve the work of several Ministries and decentralized entities in Mexico. They were then published in the Mexican Official Gazette (*Diario Oficial de la Federación*) on August 12, 2005.

The most important characteristics of those regulation improvement actions, by area, are the following:

### External Trade

- Examine a gradual reduction of the MFN (Most Favored Nation) import rates in comparison to the Mexican trade partners, where appropriate.
- Evaluate the Ministry of the Economy's procedures and requirements, with the aim of increasing online services and eliminating fees, when applicable.
- Review procedures for custom-efficiency timetables and for container handling at the main points of entry and exit of merchandise.

- Evaluate the establishment of an efficient mechanism for standardizing procedures that issue external trade regulations, and the administration of non-tariff measures through the use of information technology.
- Review the Ministry of the Economy's procedures and requirements applicable to raw material imports for exporting companies, and recommend the elimination of those that are inoperative.
- Review and simplify the custom procedures and requirements, where applicable.

### Business Opening

- Speed up the implementation of the SARE (Fast Opening of Company System) to cover 100 municipalities in the country.

### Standardization

- In accordance with article 51 of the Standardization and Metrology Federal Law, analyze Mexican Official Standards (NOM's) that are subject to revision in order to determine whether to maintain its application or to advise its elimination.
- Modify the Standardization and Metrology Federal Law Regulation in order to improve transparency in the elaboration of technical regulations.

### Finance

- Improve regulations to avoid duplicities in proceedings and to eliminate those considered unnecessary.

*continues on page 2*

## Inside this issue:

Mexico launched Regulations Improvement Actions for 2005-2006	1
Mexico Economic Update	1
Related Events	2
Profile of Hawaii	3
Success Stories	3
Profile of Chihuahua	4
Diario Oficial Notices	5
Selected Readings	5

## Mexico Economic Update

	Jul 2005		Jan-Jul 2005		Jul 2004		Jul 2005		Jun 2004		Jun 2005	
	Value (US bd)	Annual Change %	Value (US bd)	Annual Change %								
<b>Foreign Trade</b>												
Exports	16.40	9.2	116.90	10.7								
Manufacturing	13.25	4.8	95.53	7.4								
Oil	2.76	39.4	16.97	33.8								
Imports	17.10	7.9	120.17	11.2								
Balance	-0.70	-16.1	-3.28	32.4								
<b>Financial Indicators</b>												
Inflation Rate (Annual)					4.5	4.5						
Interest Rate (CETES 28)					6.8	9.6						
Stock Market Index (IPC)					10,037	14,003						
Exchange Rate (pesos/dollar)					11.46	10.68						
International Reserves (US bd)					57.8	59.3						
<b>Employment</b>												
Open Unemployment					3.78%	3.54%						
<b>Economic Growth</b>												
Global Economic Activity Index (IGAE)					5.3%	0.9%						
<b>Industrial Activity</b>												
Industrial Production					5.3%	0.5%						
Manufacturing					6.0%	-0.3%						
Mining					2.9%	1.7%						
Construction					3.9%	3.6%						

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

US bd= US billion dollar



## **N** AFTA Related Events

### **Energy**

- Enhance regulation conditions in auto-supply and co-generation of electrical energy.

### **Federal Freight**

- Eliminate and simplify proceedings, and update technical regulations related to the transportation of dangerous materials.

### **Sea Transport**

- Revise fare rates related to sea port services.

### **Migration**

- Improve and standardize criteria and procedures to issue visas and promote preferential point of revisions in the airports for business people.

### **Health**

- Create a proposal to get an additional scheme for Sanitary Registration and upgrading the certificate of free sale.

### **Social Security**

- Promote the use of Mexican Institute for Social Security online services related to the procedures of worker registration.

The implementation activities will be carried out by the corresponding Ministries and decentralized entities and it should be finished no later than November 30, 2006. COFEMER is in charge of overseeing the accomplishments of each one of the actions in accordance to a working plan.

For a better approach with the private sector, other government agencies and all interested persons, COFEMER has given access to a website with all related information about those actions and their implementation, as well as access to make comments or remarks about the implementation of working plans from any interested person at: [www.cofemer.gob.mx](http://www.cofemer.gob.mx).

For comments, enter the COFEMER website in the section: Regulation Improvement Actions and Programs 2005-2006 (*Programas y Acciones de Mejora Regulatoria 2005-2006*). There is a subdivision related to the working plans for regulation improvement actions (*Planes de Trabajo para las Acciones de Mejora Regulatoria en los Sigüientes Sectores*), where the name of the fourteen involved sectors appear. Click in the sector and all implementation activities will appear. Comments can be made by clicking the inscription "Agregar Comentario" (adding a comment).

These regulation improvement actions will benefit several sectors and it is expected that they would have a positive effect on the economy.

### **August 16 – 20**

"Exposición Nacional de Artesanías (ENART)"

Tlaquepaque, Jalisco – Centro Cultural y de Exposiciones El Refugio

Mexican handcrafts trade fair

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

### **August 30 – September 01**

"ANTAD Expo Retail"

México, D.F. – Centro Banamex

This event is an ideal forum to display and get to know products and/or services that support the operative efficiency of the supply chain in the areas of: technological solutions, administration of spaces, furniture and store provisions, internal consumption, transportation, mail, storage, construction of distribution centers, packing, real state consulting, quality control, etc.

<http://www.antad.org.mx>

<http://www.centrobanamex.com>

### **August 30 – September 01**

"Mercancías Generales 2005 ANTAD"

México, D.F. – Centro Banamex

This event unites suppliers of department stores and supermarkets where general merchandise related to the area of home appliances and electronics is sold.

<http://www.antad.org.mx>

<http://www.centrobanamex.com>

### **August 31 – September 02**

"Expo Internacional RUJAC 2005"

Guadalajara, Jalisco – Expo Guadalajara

This is the XXI international show of the auto-parts industry. In this event, providers can display spare parts and components as well as original equipment used in this industry.

<http://www.rujac.com>

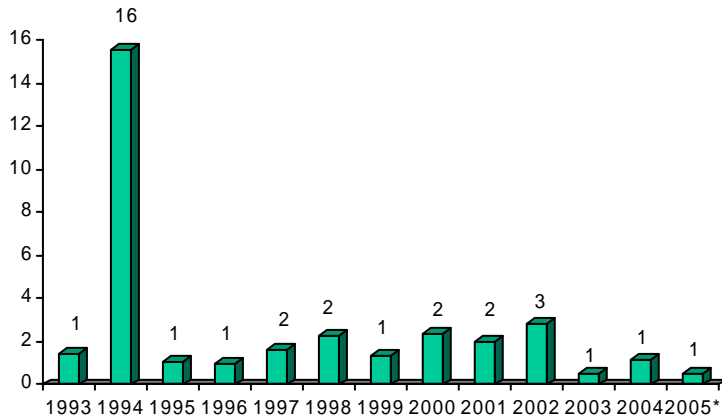


# Hawaii

Between 1993 and 2004 Hawaii's exports to Mexico grew 21%  
 Mexico is the twenty first largest consumer market of Hawaii's exports

## Exports to Mexico

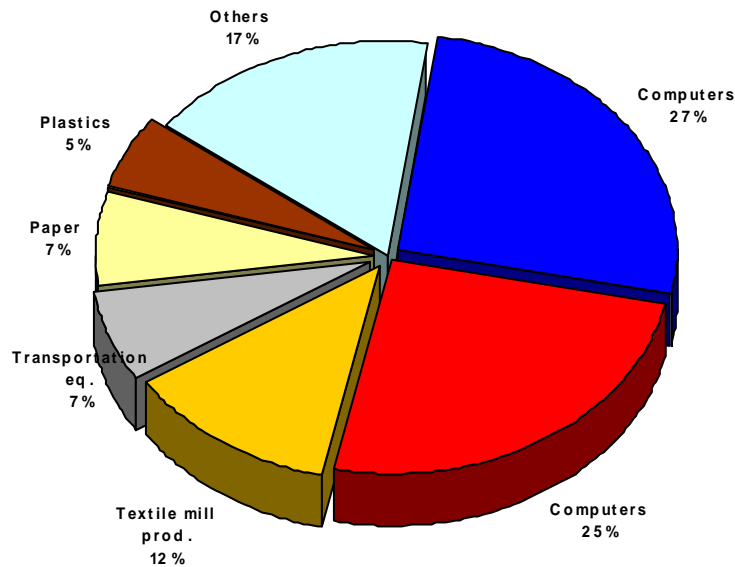
1993-2005\* (Millions of US Dollars)



Source: US Census, WISER and SE-NAFTA Series. 2000-2005, NAICS series.  
 \* 2005 Second quarter

## By Sector (NAICS)

2005 Second Quarter



Source: US Census, WISER and SE-NAFTA. SIC Series 1993-2000  
 NAICS series 2001-2005.

## Singapore Company Invests in Mexico

Singapore-based electronics manufacturing services provider, Flextronics, plans to build a new plant in Ciudad Juarez in northern Mexico to target the US logistics and mechanical services market. The facility is expected to be operational in the first half of 2006 and offering services such as product configure-to-order (CTO) and build-to-order (BTO), product completion and pack-out, and mechanical services and logistics, like repair and distribution. Among the features that Ciudad Juarez has to offer is the proximity to the US which means flexible logistics options including: next day delivery advantages, shorter transit times and lower transportation costs. Flextronics has operations in Guadalajara and Aguascalientes. The Ciudad Juarez facility will complement the company's existing services offered through its Guadalajara industrial park. Guadalajara will continue offering vertically integrated manufacturing services and remain Flextronics' printed circuit board assembly (PCBA) center in Mexico.

## Hitachi, Lenovo – PCs makers return to Mexico

The multinational electronic companies are leaving China and moving back to Mexico as a result of not getting the same competitive advantages, quality and productivity that can be obtained in Mexico. As an example, Hitachi, who left Mexico 3 years ago, will reinvest in Mexico by opening a plant in Jalisco that will make the lenses that read all the Apple PCs. Although we know that Carlos Gutierrez was nominated as Director, we still do not know the amount of investment required for this project. As Hitachi, many other global electronics companies are returning to Mexico because they know they can find better results here for the maquilas, project developments and technology design, even though some costs are higher.

On the other hand, Chinese PC manufacturer Lenovo, the firm that recently took over IBM's PC division, has renewed a desktop assembly agreement IBM had with a factory in Monterrey, Mexico. The company will supply the entire Americas market, and make its first products available in the market during the last quarter of the year. The production of laptops will remain concentrated in China in line with an agreement IBM established three years ago. The reason of this is because desk top PCs are large and require more space, and need to be transported which drives up costs. The company will define over the next few months its business plan for its new product portfolio, which will range from basic PCs for the home to cutting edge corporate machines.

Before selling its PC business to Lenovo, IBM did not target the home PC market. Lenovo, on the other hand, focused on SMEs, which accounted for 86% of its business and 18% of its laptop sales went to that market. Under the new company, 55% of its market will be portable computers for SMEs.

NAFTA WORKS FOR



# Chihuahua

**Capital:** Chihuahua

**Main cities:** Chihuahua, Cd. Juarez, Cuauhtemoc, Camargo

**Population:** 3,052,907 (2000)  
 83% in the urban area  
 60% under 30 years old  
 12 people per square kilometer  
 95% Literacy rate

**Major exports:** Machinery Manufacturing Industry, and Auto Industry

**Exports:** US \$ 15,668 Million (2004)

**Imports:** US \$ 12,053 Million (2004)

Source: Ministry of the Economy

**Foreign Direct Investment:**  
 Between 1999 and June 2005, Chihuahua received US\$ 4,867 millions of dollars in foreign investment.

**Main sector:** Manufacturing (machinery, electronics, auto)

**Countries with major investments in Chihuahua include:** USA, Canada, Spain, and Netherlands.

**Maquiladora:** There are 404 maquiladoras.  
 Maquiladoras Companies employs 287,201 workers.  
 Source: Ministry of the Economy, Government of State and INEGI.

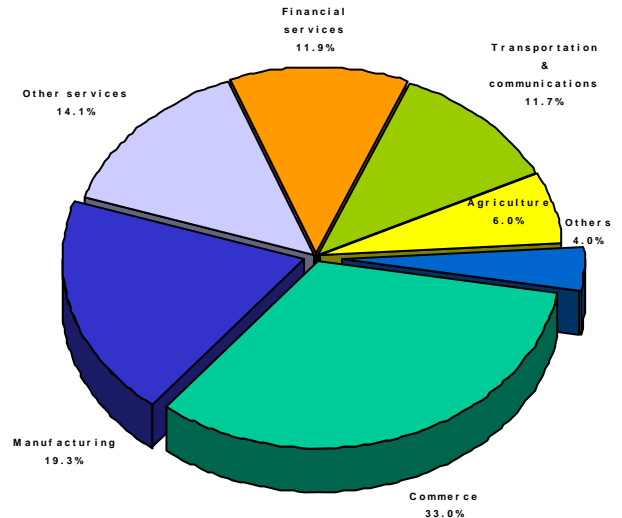
**Infrastructure:**

- 6,407 km of paved roads
- 807 km of highways (4 lanes)
- 2 International airport
- 90 Universities and tech institutes
- 74 Hospitals
- 491,500 Fixed telephone lines
- 83 Radio stations
- 41 TV stations

## Investment Highlights

Aid in setting up operations and training workers.

## Major Economic Activity in 2003



Source: Ministry of Economy with INEGI data.

## Contact

Web-site: [www.chihuahua.gob.mx](http://www.chihuahua.gob.mx)

Tel: (614) 442-3301

Fax: (614) 442-3390

E-mail: [webmaster@chihuahua.gob.mx](mailto:webmaster@chihuahua.gob.mx)



# Diario Oficial Notices

- ◆ Agreement by which it is notified the quota for brandy imports to Mexico, from July of 2005 to June 30, 2006. (July 21).
- ◆ Binational Panel Review according to the arrangement in article 1904 of the North America Free Trade Agreement in the case of: Portland and Clinker Gray Cement originating from Mexico (Sunset Review), with field number USA-MEX-2000-1904-10. (July 25).
- ◆ Final determination of the antidumping investigation on soy oil imports, merchandise classified under item 1518.00.02 of the Mexican Imports and Exports Tariff Law, from The United States of America, regardless of shipping country. (July 29).
- ◆ Final determination of the administrative review of dumping on virgin olive oil, which comprises extra virgin, fine and current virgin, refined, which includes refined of first and second, and the prepared based on mixtures, which comprises the mixtures of first and mixtures of second, merchandise classified currently in the tariff fractions 1509.10.01, 1509.10.99, 1509.90.01, 1509.90.02 and 1509.90.99 of the Rate of the Law of the General Taxes of Importing and of Export, from the European Union (European Community), mainly of Spain and Italy, independently of the country of origin. (August 1).
- ◆ Determination by which it is declared, ex officio, the start of the sunset review of the compensatory quota imposed to the importing of vinyl polichloride (policloruro de vinilo). Merchandise currently classified in the tariff fraction 3904.10.03 of the Law's Quote of General Taxes for Imports and Exports, originating from the United States of America, regardless of the shipping country. (August 9).
- ◆ Agreement by which it is notified the unilateral quota for importing oilcake and other solid residues that result of the extraction of soy oil under the tariff rate quota. Merchandise currently classified under item 23040001. (August 16).
- ◆ Agreement by which it is notified the increase of the minimum quota for importing during 2005 powder milk originating from the United States of America, and under the tariff rate quota established in the North American Free Trade Agreement. (August 16).
- ◆ Decree that modifies several duties of the Mexican Import and Export Tariff Law. August 17.
- ◆ Decree that temporally modifies the article 1 of the decree that established the applicable rate of the General Import Duty for 2003, published on December 31 2002 regarding the merchandise from the United States of America. (August 17).
- ◆ Agreement by which it is notified the quota for importing several products classified under the Chapter 95 of the Mexican Imports and Exports Tariff Law. (August 18).

## Selected Readings

### Doing Business in 2006: Creating Jobs (World Bank, September 2005)

Doing Business in 2006 is the third in a series of annual reports investigating regulations that ease doing business and those that constrain it. This edition focuses on job creation. New quantitative indicators on business regulations and their enforcement can be compared across 150 countries - from Albania to Zimbabwe - and over time. Doing Business in 2006 updates the indicators presented in previous reports: starting a business, hiring and firing workers, getting credit, protecting investors, enforcing contracts, and closing a business. Three new sets of measures are added: paying taxes, getting licenses, and trading across borders. The indicators are used to analyze economic and social outcomes, such as productivity, investment, informality, corruption, unemployment and poverty, and identify what reforms have worked, where and why.

### A Global View of the U.S. Investment Position (Andrew Swiston. International Monetary Fund, September 2005)

<http://www.imf.org/external/pubs/cat/longres.cfm?sk=18524.0>

This paper analyzes various indicators of the U.S. international investment position from a portfolio perspective. The 1990s saw a decline in home bias, which, coupled with rapid financial deepening, led to a large increase in gross international investment holdings. The home bias of non-U.S. investors declined more rapidly than that of U.S. investors, allowing the United States to finance a rising stock of net liabilities, even as foreign portfolios remained marketweight or underweight U.S. assets in each investment category. However, a comparison to other countries reveals that the U.S. net international investment position (NIIP) is large given the size of the economy and is deteriorating, especially through a growing negative net debt securities position.

#### A monthly newsletter on NAFTA

1911 Pennsylvania Av NW  
Washington, D. C. 20006

Phone: (202) 728-1700  
Fax: (202) 728-1700  
Email: [naftadsk@naftamexico.net](mailto:naftadsk@naftamexico.net)

Visit us at  
[www.naftamexico.net](http://www.naftamexico.net)