SECRETARY EVANS LEADS A TRADE MISSION TO MEXICO

SIGNIFICANT BILATERAL OPPORTUNITIES

by William Corley
Export America

As U.S.-Mexican commercial links continue to develop significantly, U.S. Secretary of Commerce Donald L. Evans will lead a senior-level business development mission to Mexico, June 17-20, 2002. U.S. exports to Mexico, encouraged by the North American Free Trade Agreement (NAFTA), have burgeoned from $46 billion in 1995 to $102 billion in 2001. Mexico has become the United States' second-largest export market after Canada, and it has excellent growth prospects.

Secretary Evans' mission will visit Mexico City, June 17-19, and Monterrey, June 19-20. The official delegation will include senior executives of U.S. companies from several industries, such as information technology, airport equipment and services, transportation, energy and energy efficiency, medical equipment, environmental and water resources, and manufacturing equipment. These industries represent the principal opportunities in Mexico for U.S. businesses.

The mission seeks to further U.S. commercial interests by assisting U.S. companies that wish to export to, or pursue other activities in, Mexico. Secretary Evans will help introduce U.S. participants to key government officials and potential business partners in the country. The mission also is intended to assist new-to-market companies in assessing the Mexican market, to foster dialogue between government and business on furthering the U.S.-Mexican bilateral relationship, and to highlight corporate citizenship and involvement by U.S. firms in the domestic and overseas communities in which they operate.

AIRPORT EQUIPMENT AND SERVICES

The mission's seven-industry emphasis presents significant opportunities for U.S. companies. For instance, prospects for growth are very good in the airport equipment and services industry, particularly following the Mexican government's privatization of 34 airports two years ago. Three regional operating groups now oversee these airports. These private airports handled 37.4 million passengers and 780,000 flight operations last year, approximately two thirds of Mexican airport capacity. The remaining public facilities include 50 airports.

The Mexican airfreight sector has grown more than seven percent annually for the last seven years, concurrent with the boom in trade with the United States. Major Mexican airports have expanded their cargo facilities, and private airport operators have upgrade plans. The U.S. Trade and Development Agency recently funded a $550,000 feasibility study for an airfreight facility upgrade in Puebla. Joint cargo terminal and intermodal facilities are the next expected development trend for Mexican airports.

Several other airport construction and modernization projects are under discussion. In particular, the Mexican government plans to build a new, private airport for Mexico City in Texcoco, 12 miles northeast of the existing airport. This Mexico City project alone could entail costs of $2.8 billion for a large airport with three runways, with operations starting in 2006. When construction begins, this new airport should require substantial imports of apparatus, including baggage systems, signaling equipment, emergency vehicles, communications equipment, and air navigation monitoring equipment. No Mexican manufacturer exists for all these kinds of apparatus.

MANUFACTURING EQUIPMENT

Manufacturing accounts for more than a quarter of Mexican gross domestic product (GDP). Within manufacturing, several sectors have potentially strong demand for U.S. imports:

metalworking, basic metals, nonmetallic minerals (excluding oil and coal derivatives), food, beverages, and tobacco. Mexican machine tools and equipment last year had an estimated market value of $743 million, of which U.S. exports were approximately 45 percent. Food processing and packaging equipment represents a $3.4 billion market, of which U.S. imports totaled $759 million last year.

Mexico also has a well-developed export industry in machined metal goods, which represent yet another opportunity for U.S. trade and investment. Machined goods for the motor vehicle and home appliance industries are particularly robust export sectors. The Mexican government has fostered manufactured goods exports by facilitating capital goods imports. Mexico's imports of machine tools are quite significant. U.S. products dominate this sector with a market share of almost 50 percent. NAFTA has eased market entry by eliminating tariffs on U.S. products.

Machine tools represent a significant opportunity for U.S. companies as the Mexican economy recovers from last year's recession. The *maquiladora* (in-bond processing) sector should likewise perform well in the upturn, especially due to the industry change in 2000 that has allowed the in-bond sector to sell domestically also.

ENVIRONMENTAL AND WATER RESOURCE EQUIPMENT AND SERVICES

The Mexican environmental industry also presents many viable opportunities for U.S. exporters. The industry has expanded significantly in the last few years and is forecast to grow at an average of seven percent annually over the next five years. In 2001 this industry had an estimated value of $10 billion, and 72 percent of the industry's imports came from the United States.

The Mexican government's environment and natural resources secretariat, SEMARNAT, has several infrastructure projects that will combine federal, state, local, and multilateral financing. SEMARNAT implements federal environmental policy and standards nationwide. The secretariat's 2002 budget is $1.4 billion.

The Mexican environmental industry evidently prefers U.S. environmental technology, products, and services to imports from other countries. The Border Environment Cooperation Commission, a bilateral entity that uses North American Development Bank funds, extends preferential treatment to U.S. firms in the implementation of its projects.

OTHER INDUSTRIES

Trade and investment opportunities abound as well in other Mexican industries, including intermodal transportation equipment, information technology (IT), energy and energy efficiency equipment and services, and medical equipment. For an assessment of the Mexican IT market and export opportunities for small and medium-sized technology businesses, see the May 2002 issue of *Export America*. See www.doc.gov/mexicotrademission for details about Secretary Evans' mission to Mexico as well as extensive industry information. ■

A VITAL PARTNER SOUTH OF THE BORDER

Mexico has a robust and increasingly free market economy. Strong export industries and privatization helped spur economic development in the latter half of the 1990s. The private sector now leads growth. Meanwhile, trade with the United States has more than doubled since NAFTA took effect eight years ago. Mexico is the United States' second-largest trading partner (after Canada). U.S. exports to Mexico grew at double-digit rates from 1995 through 2000 and now exceed $100 billion annually. U.S. goods comprise 75 percent of all Mexican imports. The United States in turn consumes almost 90 percent of Mexico's exports.

After several years of rapid expansion, the Mexican economy slowed last year during the global recession. Mexico is recovering this year and poised for real GDP growth that could approach 5 percent in 2003. The timing could not be better for small and medium-sized U.S. companies to enter the Mexican market.

MEXICO: FACTS AND FIGURES

Total area: 1,972,550 square km (almost three times the size of Texas)

Population: 102 million

GDP: $625 billion (2002 forecast)

Real GDP growth: 2% (2002 forecast)

Inflation: 4.5% (2002 forecast)

GDP by sector: services 68%, industry 27%, agriculture 5%

Main industries: food and beverages, tobacco, chemicals, iron and steel, petroleum, mining, textiles, clothing, motor vehicles, tourism, consumer durables

Sources: Department of Commerce, CIA, IMF, EIU.