



NAFTA Works



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Valunet in Mexico

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Since the implementation of *ValuNet* in August 2003 by the General Customs Administration (*Dirección General de Aduanas*) 33,500 imports transactions have been verified. This system has detected irregularities in 20 percent of these import transactions. Nearly 60 percent of the irregular transactions had problems associated with the declared value, such as under invoicing, and the remaining 40 percent had problems related to the declared country of origin of the merchandises, such as non-existing producer/exporter in the declared country of origin.

During 2005 alone, 12,299 transactions were verified through *ValuNet* finding irregularities in 17 percent of them. 76 percent of these from declared value and 24 from the origin of the goods.

ValuNet also has been an important tool to detect and combat transshipment of goods. Through this system, it has been detected that over 70 percent of the goods illegally transshipped into Mexico are been imported via the United States and the rest from other countries and zones with which Mexico has signed trade agreements.

High risk level products
textiles and apparel
shoes
toys
food and meat
electronics
vegetables
chemicals

In addition, *ValuNet* has been effective to identify goods and sectors with higher risk for transshipment practices: Textile and apparel goods (39 percent of the irregular transactions) and Shoes (10 percent).

With an approximate cost of over US\$3 million dollars, this program expects to verify 22,000 transactions per year during the next three year contract. *ValuNet* is a system that was developed by the Swiss corporation SGS to verify the information declared by importers in foreign trade transactions at the country of production, exportation or shipment with the purpose of assuring fair trade practices, fair competition in the national market and safeguard the duty collection process.

In addition, *ValuNet* is valuable to develop a systematic approach to prices valuation, the origin of the fabrication of the product, and the establishment of a database of the verified and accepted transactions. *ValuNet* do price and valuation analysis of the imported merchandise through the SGS international web of valuation specialists in more than 140 countries and integrates the valuation opinions in a unique, safe and accessible data base online.

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Mexico Economic Update

	Jun 2005		Jan-Jun 2005			Jun 2004	Jun 2005		May 2004	May 2005	
	Value (US bd)	Annual Change %	Value (US bd)	Annual Change %		Jun 2004	Jun 2005		May 2004	May 2005	
Foreign Trade											
Exports	17.97	8.9	100.50	10.9							
Manufacturing	14.68	3.4	82.28	7.8							
Oil	2.71	46.7	14.21	32.7							
Imports	18.02	5.9	103.08	11.8							
Balance	-0.05	-90.0	-2.58	57.0							
Financial Indicators											
Inflation Rate (Annual)						4.4	4.3				
Interest Rate (CETES 28)						6.6	9.6				
Stock Market Index (IPC)						10,162	13,376				
Exchange Rate (pesos/dollar)						11.39	10.82				
International Reserves (US bd)						59.3	61.6				
Employment											
Open Unemployment						3.48%	4.29%				
Economic Growth											
Global Economic Activity Index (IGAE)									3.4%	3.6%	
Industrial Activity											
Industrial Production									2.2%	2.9%	
Manufacturing									2.2%	2.6%	
Mining									1.8%	3.8%	
Construction									3.3%	5.1%	

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

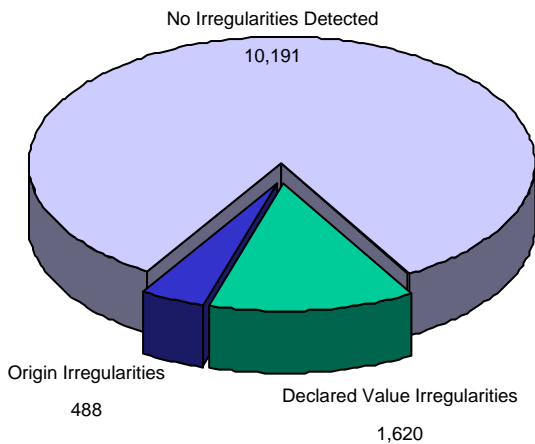
US bd= US billion dollar



As a risk management tool, *ValuNet* is not intended to cover all the transactions that takes place, its objective is to deal only with those transactions of sensible and high-risk products as determined by the General Administration of Customs. This office continuously reviews the coverage of the program.

While in the aggregate, the system has detected irregularities in 20 percent of these import transactions, on selected high risk sectors like textiles, shoes, toys, electronics, chemicals and food such as vegetal products and meats, the share of verified import transactions that showed some type of inconsistency raises to nearly half of them.

Verified transactions (January—July 2005)



Success Stories

Gruma Invests in U.S.

Gruma Corporation, the US subsidiary of the main producer in Mexico of tortillas and corn flour derivatives (Grupo Maseca), invested US\$616 million in the second quarter of 2005 to acquire three plants from US tortilla manufacturer Cenex Harvest States in NewBrighton, Minnesota; Railhead, Texas; and Phoenix, Arizona. Additionally, Gruma built a new plant in Pennsylvania, which started production in June 2005, and installed an additional unit of production in the corn flour plant of Indiana. Gruma intends to strengthen its position in the east coast, with an emphasis in New York, North Carolina and South Carolina due to an increasing Mexican population.

Leader in bowling products announces new investment in Mexico

Brunswick, the international leading firm in the manufacture of bowling products, with headquarters in Lake Forest, Illinois announced the opening of their new production facility at the border city of Reynosa, in the Northern state of Tamaulipas. The new facility is expected to be fully operational in 2007 and will represent savings of five to six million dollars annually. The plant will concentrate initially in the production of the bowling balls and will complement with the current manufacturing facilities in Muskegon, Michigan. *El Universal*

Wrigley goes after a US\$400 million Mexican market for bubble gum

Wrigley, the world leader in bubble and confectionary products announced a US\$37 million investment in a new bubble gum manufacturing plant in en Silao, in the central state of Guanajuato. After three years of analysis and 70 potential locations for the new plant, Wrigley decided invest in Silao to consolidate a growing presence of Wrigley brands in the Mexican market the grew 70 percent in 2004 and is valued at nearly US\$400 millions. Wrigley has presence in 12 countries and global revenues of US\$3.6 billions. *Grupo Reforma*



- ◆ Final determination of the review to determine the consequences of eliminating the countervailing duties on frozen beef in carcasses and half carcasses, boned and de-boned. Goods classified in tariff item 0202.10.01, 0202.20.99 and 0202.30.01 of the General Imports and Exports Tariff Law, originating in the European Union, regardless of the exporting country. (June 28).
- ◆ Decree to establish a tariff-quota for 2005 of additional imports of yellow corn originating in any of the parties to the North American Free Trade Agreement. (July 7).
- ◆ Determination that declares initiated, ex officio, the sunset review of countervailing duties on imports of dull liquid caustic. Goods classified in tariff item 2815.12.01 of the General Imports and Exports Tariff Law, originating in the United States of America, regardless of the exporting country. (July 11).
- ◆ Notice to request comments on proposed modifications to certain rules of origin provided in Annex 401 of the North America Free Trade Agreement. (July 12).
- ◆ Errata to Decree to establish a tariff-quota for 2005 of additional imports of yellow corn originating in any of the parties to the North American Free Trade Agreement, published July 7, 2005. (July 12).
- ◆ Agreement to notify the preferential tariff rate quotas to export to Brazil during May, 2005 to April 30, 2006, of certain goods originating in Mexico in accordance with the Economic Complementation Agreement 53 signed between Mexico and Brazil. (July 15).
- ◆ Agreement to notify the export quotas to the European Community during July of a year to June 30th of the next year of certain goods originating in Mexico. (July 19).

Remittances: Development Impact and Future Prospects. Edited by Samuel Munzele Maimbo, Dilip Ratha (World Bank, June 2005)

New research shows the astonishing scope of remittances, with formally documented flows now estimated at \$90 billion for 2003. Globally, remittances now constitute the largest source of financial flows to developing countries after Foreign Direct Investment (FDI), and indeed in many countries they now exceed FDI flows.

Remittances explores policy options for enhancing the poverty alleviation impact of remittance money in recipient countries, and addresses concerns about increasing migration and inequality. It looks at new technologies that allow remittance service providers to reduce direct transaction costs and open new channels, enhancing convenience for remitters and improving levels of transparency and accountability for regulators and policy makers.

Importantly, it also establishes a baseline for further research and collaborative effort, showing the areas where the international financial institutions, particularly the World Bank, can add value to enhance the positive impact of remittance flows and minimize less welcome effects.

DR-CAFTA: Challenges and Opportunities for Central America (World Bank, June 2005)

<http://lnweb18.worldbank.org/LAC/LAC.nsf/ECADocByUnid/3D4B4F71AE8214FE8525702D00710E58?Opendocument>

DR-CAFTA, the Free Trade Agreement that five nations of Central America and the Dominican Republic have signed with the U.S., promises to increase trade and investment, boosting economic growth and poverty reduction in Central America. To maximize these benefits, a new World Bank report advises countries to undertake complementary investments and reforms to enhance the agreement's growth impact and ensure benefits for all.

DR-CAFTA: Challenges and Opportunities for Central America, co-authored by World Bank economists Carlos Felipe Jaramillo and Daniel Lederman, provides an assessment of the agreement negotiated by Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua with the U.S. It examines the impact of trade, the ways to capitalize on the new opportunities, and identifies the groups that might require assistance.



Sonora

Capital: Hermosillo

Main cities: Hermosillo, Cajeme, Nogales, San Luis Rio Colorado, and Navojoa.

Population: 2,216,969 (2000)
 83% in the urban area
 61% under 30 years old
 12 people per square kilometer
 96% Literacy rate

Major exports: Manufacturing Industry, mining, and financial services.

Exports: US \$ 4,743 Million (2004)

Imports: US \$ 4,061 Million (2004)

Source: Ministry of the Economy

Foreign Direct Investment:
 Between 1999 and June 2005, Sonora received US\$ 1,466 million in foreign investment.

Main sector: Manufacturing (electronic eq., machinery) and mining.

Countries with major investments in Sonora include: USA, Canada, Korea, and Spain.

Maquiladora: There are 196 maquiladoras.
 Maquiladoras Companies employs 287,201 workers.
 Source: Ministry of the Economy, Government of State and INEGI.

Infrastructure:

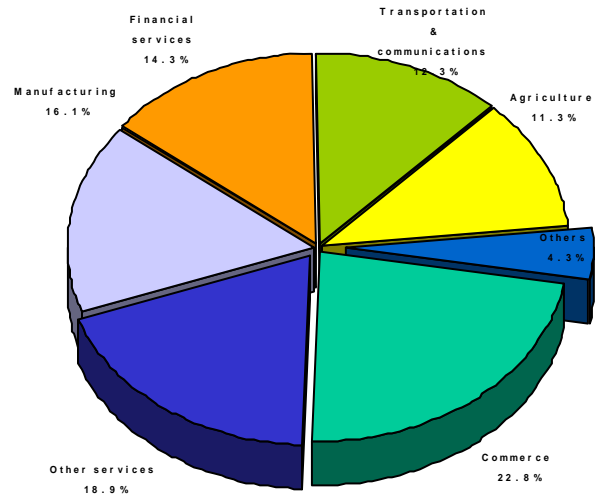
- 4,725 km of paved roads
- 728 km of highways (4 lanes)
- 4 International airport
- 91 Universities and tech institutes
- 78 Hospitals
- 357,700 Fixed telephone lines

113 Radio stations
 91 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

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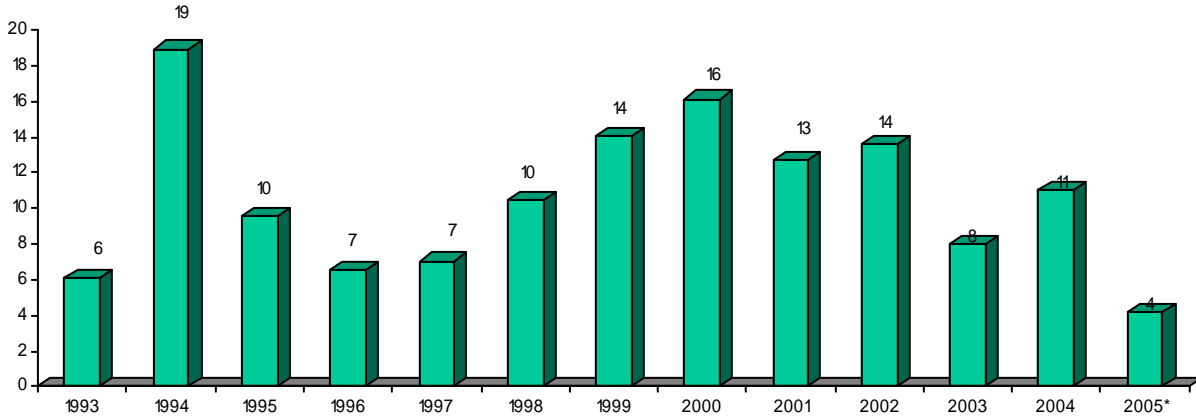
District of Columbia

Between 1993 and 2004 District of Columbia exports to Mexico grew 81%.

Mexico is the fifteenth largest consumer market of District of Columbia exports

Exports to Mexico

1993-2005* (Millions of US Dollars)

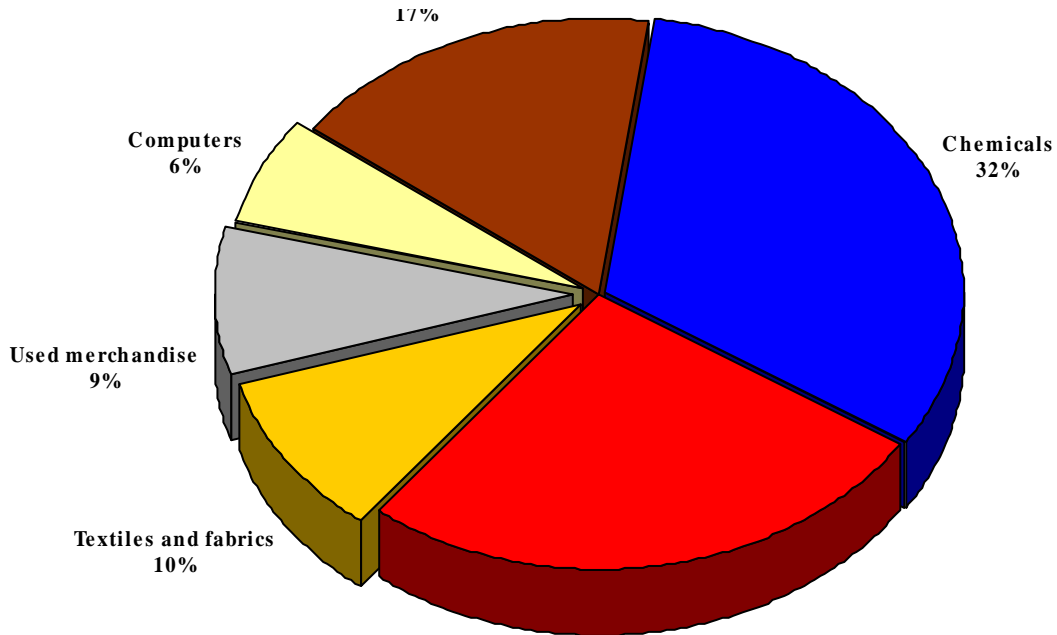


Source: US Census, WISER and SE-NAFTA Series. 2000-2005, NAICS series.

* 2005 First quarter

Exports to Mexico By Sector (NAICS)

2005 First Quarter



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

NAFTA WORKS FOR

NAFTA Related Events

July 13 – 15

“PAACE Automechanika Mexico”
México, D.F. – Centro Banamex

PAACE Automechanika is the largest trade show for the automotive aftermarket, OE Manufacturing and service industry in Mexico. Now in its 12th year, more of the “power brands” committed to exhibit at PAACE Automechanika Mexico 2005 are top 100 automotive aftermarket suppliers Cardone Industries, Inc., Holley Performance Group, Lund International, Technical Chemical Co., and Universal Automotive Industries' Auto-specialty Division. Mexican subsidiaries of more of North America's top 100 aftermarket and/or top 150 OE suppliers round out the current list of exhibitors. These companies include: Bosch de México, Bujías NGK, Clevite de México, DESC Automotriz Comercializadora, Disogren Mexicana (Corteco México), Gates de México, Hellamex, Honeywell Bendix, KEM de México, PTX de México (Permatex), SKF de México, Tenneco Automotivo, Tomco de México, ZF Sachs Powertrain México and ZF Sachs Suspensión México.

<http://www.usa.messefrankfurt.com/shows/northamerica/paace/index.htm>

<http://www.automechanika.com>

<http://www.centrobanamex.com>

July 14

“Seminario: Cultura de la Certificación: ISO 9000/ISO 14000”

México, D.F. – Hotel Marquis Reforma

This seminar on the culture of certification in Latin America analyzes the importance of counting on this type of official recognition in the public as well as the private sector.

www.calmecac.com.mx

certificacion@pormexico.com

July 20 – 22

“Expo Eléctrica Internacional ACOMEE-CONACOMEE 2005”

México, D.F. – Centro Banamex

This is one of the best business platforms in Latin America in the area of illumination, electrical material and electrical equipment. Here, manufacturers and importers will meet professional buyers from Mexico and other several countries. Visitors will also find the newest and state-of-the-art technologies to improve the efficiency in the electrical performance and consumption of industrial, commercial, and tourism facilities.

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

<http://www.centrobanamex.com>

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 estate consulting, quality control, etc.

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

<http://www.centrobanamex.com>

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