



# NAFTA Works



A MONTHLY NEWSLETTER ON NAFTA AND RELATED ISSUES

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## Mexico continues to be a key trading partner for most of U.S. States.

The North America Free Trade Agreement (NAFTA) has expanded export opportunities across the United States. Newly released data shows that in the first semester of 2006, 34 out of 50 U.S. states had experienced growth of two digits through exports to Mexico. Among these, 25 states have registered an increase of at least 20 percent in their sales to Mexico with respect to the same period in 2005. Hawaii, Utah, Kentucky, Idaho, Rhode Island, Pennsylvania, New Jersey, Nebraska and Arkansas are considered the most dynamic during this period because they experienced the highest growth rate in exports to Mexico; reaching percentages of growth as high as 151 percent, in the case of Hawaii. Nevertheless, it is important to mention that the average growth rate of the top ten most dynamic states in the first semester in 2005 was 37 percent and 60 percent in the same period of 2006.

Nowadays, Mexico is among the top ten export destination for 45 of the American states. This is another indicator of how Mexico has become a key-trading partner under NAFTA. From January 1994 to June 2006, Mexico has also reached a leading position in export markets for the United States. In addition, Mexico has become the largest export market for Texas, California and Arizona. This is a very important fact since the economies of Texas and California are one of the largest in the United States.

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On the other hand, Mexico is rising in importance for many states like Maryland, Wyoming, South Carolina, Virginia, South Dakota, Alaska and New York. Traditionally, geography has also played an important role in the US-Mexico trade. The states of the southern border registered outstanding growth in exports to Mexico in the first semester of 2006. California's sales to Mexico reached a level of US\$ 9.7 billion, which represents an increase of 12.7 percent compared with the same period of 2005. Likewise, Texas' exports to Mexico grew 14.6 percent, exceeding US\$ 27.5 billion. Finally Arizona registered an increase of 20.8 percent in its sales to Mexico surpassing the US\$ 2.7 billion level.

In addition, there is a simpler variable that demonstrates the growing importance of the Mexican market to the United States trade. The number of states that had exceeded the USD\$1 billion volume of exports to Mexico during the first six months of 2006 was 11. Among the top states in this variable are Michigan, Illinois, Ohio, Indiana and New York. This represents an increase of one state that reached this level with respect to the same period of 2005; being Tennessee who joined the group. Finally, it is relevant to highlight that during the first twelve and half years of NAFTA, Mexico has climbed positions as an export market for almost every state in the United States. In 1993, Mexico ranked 20<sup>th</sup> in exports from Maryland, and in the first half year of 2006, it occupied the 9<sup>th</sup>. Similar increases occurred with the states of Wyoming, South Carolina and Virginia; in which Mexico ascended 11, 8 and 7 positions respectively in the same period. This is another way to show Mexico's importance as an export market to the U.S.

## Mexico Economic Update

*continues on page 2*

	Aug 2006		Jan-Aug 2006			Aug 2005		Aug 2006			Jul 2005		Jul 2006		
	Value (US bd)	Annual Change %	Value (US bd)	Annual Change %		Aug 2005	Aug 2006	Jul 2005	Jul 2006						
<b>Foreign Trade</b>					<b>Financial Indicators</b>					<b>Economic Growth</b>					
Exports	22.83	17.1	379.56	16.9	Inflation Rate (Jun/Jun)	3.9	3.5	Global Economic Activity Index (IGAE)	1.9%	5.1%	1.9%	5.1%			
Manufacturing	18.55	15.6	307.20	13.9	Interest Rate (CETES 28)	9.6	7.0	<b>Industrial Activity</b>							
Oil	3.83	24.9	59.58	36.3	Stock Market Index (IPC)	14,580	20,646	Industrial Production	-0.9%	5.8%	-0.9%	5.8%			
Imports	23.61	17.3	387.71	14.9	Exchange Rate (pesos/dollar)	10.69	10.87	Manufacturing	-2.0%	5.3%	-2.0%	5.3%			
Balance	-0.78	23.1	-8.15	-36.0	International Reserves (US bd)	60.9	65.9	Mining	-1.4%	4.9%	-1.4%	4.9%			
					<b>Employment</b>		Jul 2005	Jul 2006	Construction	2.4%	8.3%	2.4%	8.3%		
					Open Unemployment	4.04	3.95								

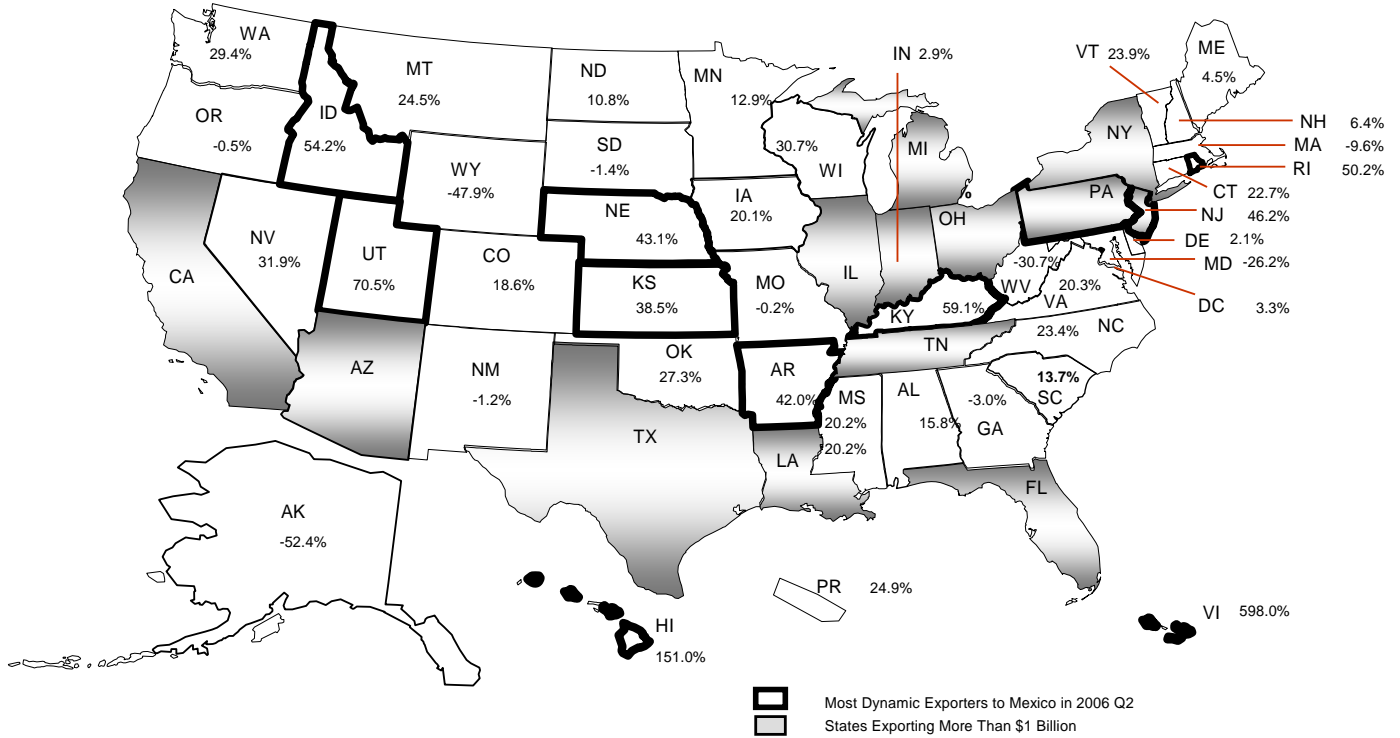
Source: Ministry of the Economy with Banxico and INEGI data.

US bd= US billion dollar



# U.S. Exports to Mexico by State

(Percentage Growth Rates 06/05 Q2)



## Selected Readings

### **Making Globalization Work (Joseph E. Stiglitz . W. W. Norton , September 2006)**

An imaginative and, above all, practical vision for a successful and equitable world, Nobel Prize winner Joseph E. Stiglitz's *Making Globalization Work* draws equally from his academic expertise and his time spent on the ground in dozens of countries around the world. In clear language and compelling anecdotes, Stiglitz focuses on policies that truly work, offering fresh new thinking about the questions that shape the globalization debate, including a plan to restructure a global financial system made unstable by America's debt, ideas for how countries can grow without degrading the environment, a framework for free and fair global trade, and much more. Throughout, Stiglitz reveals that economic globalization continues to outpace both the political structures and the moral sensitivity required to ensure a just and sustainable world. And he makes plain the real work that all nations must undertake to realize that goal.

### **World Economic Outlook: Financial Systems and Economic Cycles (International Monetary Fund, September 2006)**

The World Economic Outlook presents the IMF staff's analysis and projections of economic developments at the global level, in major country groups (classified by region, stage of development, etc.), and in many individual countries. It focuses on major economic policy issues as well as on the analysis of economic developments and prospects. It is usually prepared twice a year, as documentation for meetings of the International Monetary and Financial Committee, and forms the main instrument of the IMF's global surveillance activities.



Capital: Tepic  
 Main cities: Tepic, Santiago Ixcuintla, Compostela, Bahía de Banderas & San Blas

Population: 949,684 (2005)  
 64% in the urban area  
 62% under 30 years old  
 34 persons per square kilometer

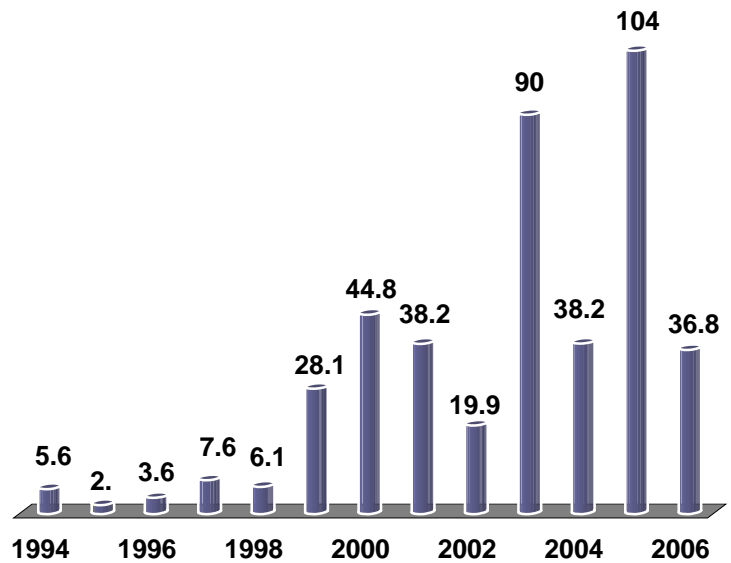
Education: 91% Literacy rate  
 81,533 with more than High School  
 3,914 Master or Ph.D

Household with : 15% Computers  
 92% TV  
 83% Refrigerators  
 67% Washing Machine

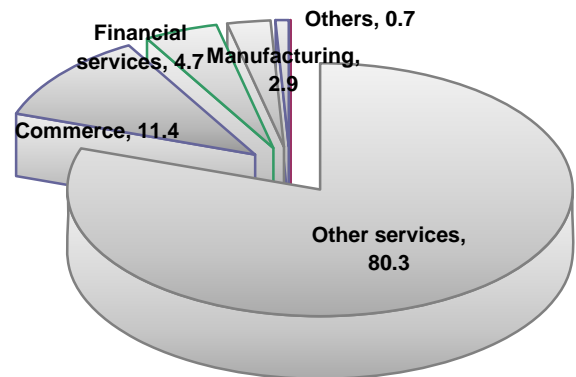
Infraestructure: 2,134 km of paved roads  
 143 km of highways (4 lanes)  
 28 Universities and technological institutes  
 29 Hospitals  
 166,132 Fixed telephone lines  
 21 Radio stations  
 9 TV stations

Exports: US \$29 Millions (2004)  
 Imports: US \$16 Millions (2004)  
 Maquiladora: 1 and employs 142 workers  
 FDI Companies: 242

### Foreign Direct Investment (Millions of US Dollars)

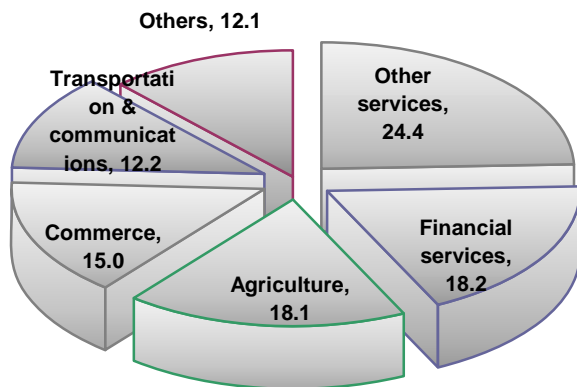


### Foreign Direct Investment by Sector 94-05 (Percentage)



375.1 Millions of US Dollars

### Gross Domestic Product 2004



Web-site: <http://www.sedeconay.gob.mx>  
 E-mail: [sde@nayarit.gob.mx](mailto:sde@nayarit.gob.mx)  
 Tel/Fax: 011 52 (311) 214 5951



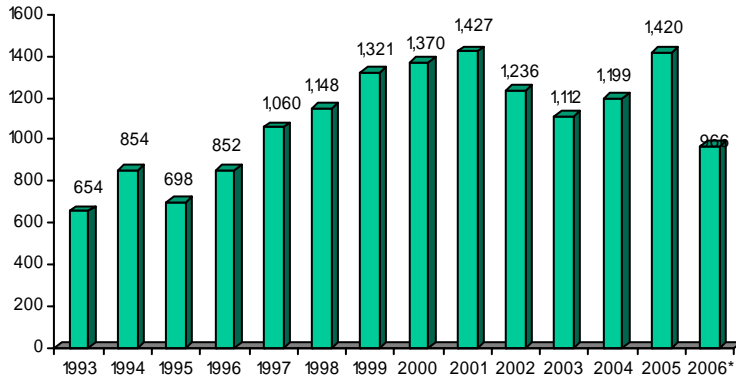
# Pennsylvania

In 2005, Pennsylvania's exports to Mexico increased 117% in twelve years of NAFTA, while those to the Rest of the World rose 79%

Mexico is the second largest consumer market for Pennsylvania's exports

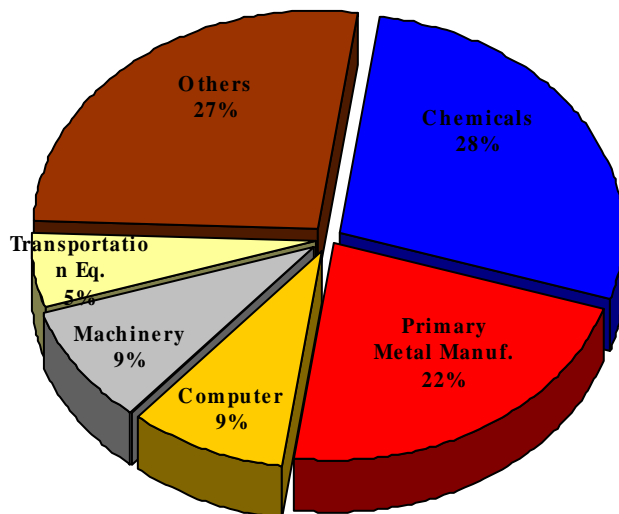
## Exports to Mexico

1993-2006\* (Millions of US Dollars)



Source: US Census, WISER and SE-NAFTA Series. 2000-2006, NAICS series.  
\* 2006 Second quarter

## Exports to Mexico By Sector (NAICS) 2006 2Q



Source: US Census, WISER and SE-NAFTA.

## Success Stories

### Honda to invest US\$64 million in Mexican plant

US\$22 million was invested in expanding Honda's operations in Mexico, where 1,400 direct jobs and 10,000 indirect jobs were created. Last February, Honda hit a sales record of 3,724 vehicles, a figure 40.3% higher than that of February 2005. Now, they have announced an investment of US\$64 million during this and next year in Mexico to increase production of automotive parts. In the next two years current exports are expected to grow 10%, from US\$ 285 million to US\$310 million. Honda is also considering taking advantage of the free trade agreements Mexico has entered into with several other countries to participate in new South American markets.

### Windsor to open motorcycle plant in Merida

The Mexican company Windsor has decided to open a plant in Merida, Yucatan and manufacture motorcycles with an export plan to the US Southeast, Central America, and South America for the next few years. According to the Company's expansion plan, in the first year, around 9,000 units will be produced with 100 direct jobs and close to 100 indirect jobs generated; in the second year, production will double; and by the fifth year, a new plant will open, maybe in Mexico's central region. With a US\$130 million Mexican market expected to reach US\$200 million in five years, the company predicts that the market will only be saturated in 10 years, and therefore has a positive chance to make a name.

### Plextron Corporation to locate in Saltillo

The Toronto based Plextron Corporation has entered into a 3 year agreement for the provision of manufacturing support with the Offshore Group. The company is a full-service contract manufacturer specializing in custom injection molding, production machining and the assembly of complex plastic, mechanical and electrical assemblies. Plextron will occupy 35,000 square feet of industrial space at La Angostura Industrial Park in Saltillo, Coahuila and employ 50-100 direct labor workers when the project matures.

NAFTA WORKS FOR



# NAFTA Related Events

# Diario Oficial Notices

## October 4 – 6

### FUNDI EXPO

Centro Banamex, Mexico City

Mexico City XVI Congress and Exposition of the Foundry Industry Event Management: Sociedad Mexi-cana de Fundidores A.C. Phone: (52) 55 5268-2000 Fax (52) 55 5268-2004

E-mail: mbautista@smf.com.mx

Website: www.smf.com.mx

## October 10 – 12

### “Mexitronica, Ensamblamex y Tecnocalidad”

Guadalajara, Jalisco – Expo Guadalajara

Set of exhibitions that reunite manufacturers, distributors and designers of the electronic, manufacture, quality and mechanic industries. Mexitronica is the ultimate source for information on products, services, and new technologies for thousands for thousands of electronics manufacturing professionals. It features the most advanced tools, materials, equipment, electronic components, printed circuits, test instruments, connectors and cable.

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

<http://www.mexitronica.com/>

## November 7 - 9

### METALFORM MEXICO, Mexico City

Centro Banamex, Mexico City International Exhibit of suppliers for the metal and mechanic industry in Mexico Event Management: GIPREX Mexico Phone: (52) 81 8347-8560 Fax (52) 81 8346-2597

E-mail: marcela.ordaz@giprex.com

Website: www.metalfom.com/mexicocity/

## November 8 - 10

EXPO FABTEC CANACINTRA , Mexico city Manufacturers of equipment, necessary in the industry of the transformation Event Management: Group MFV Mexico Phone: (52) 55 5682-2233 Fax (52) 55 5682-2235

E-mail: erojano@grupomfv.com

Website: www.fif.com.mx/cgi-local/index.cgi?action=topics&viewcat=fabtec

• LIST of public entities of the Federal Public Administration subject to the Federal Law of Public Entities and its Regulation. (August 14).

• FIRST RESOLUTION modifying the General Rules on Foreign Trade for 2006. (August 15).

• ANNEXES 1, 4, 10, 11, 18, 21, 22, 24 y 27 of the First Resolution containing the modifications to the General Rules on Foreign Trade for 2006, published on August 15, 2006. (August 21).

• DECREE which adds and reforms certain provisions of the Science and Technology Law, the Federal Law of Public Entities, the Law for Acquisitions, Leasing activities and Services carried out by the Public Sector, and the Federal Law of Public Servants Accountabilities'. (August 21)

• Institutional Agreement establishing the guidelines for the homologation, introduction and use of the advanced electronic signature, within the Federal Public Administration. (August 24).

• FOURTH RESOLUTION containing the modifications to the Fiscal Resolution for 2006. • 30/08/06 ANNEX 1 of the Fourth Resolution containing modifications to the Fiscal Resolution for 2006, published on August 28, 2006. (August 28).

### A monthly newsletter on NAFTA and related issues

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