



NAFTA Works



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TEQUILA, A DISTINCTIVE PRODUCT IN THE US MARKET

Tequila is not only one of the most traditional spirit beverages in Mexico, but nowadays it has also become a very popular distilled spirit in the United States. The demand for tequila in the US market has become so strong, that tequila accounted for 13.4 percent of the total volume of US spirit beverage imports in 2004.

Share of Spirituous beverages imports in the US Market, 2004 by volume (Percentage)



Source: US ITC data web

Between 1995 and 2004, the volume of US tequila imports increased by 53.2 percent; meanwhile,

the US import volume of spirit beverages grew by 37.5 percent in the same period. According to the US Department of Agriculture, in 1995 US imported 10.8 million gallons of tequila. By 2004 imports had risen to 16.6 million gallons. The highest import level was reached in 2000 when more than 17.5 million gallons of tequila entered the US market.

It is worth noting that Mexico's exports of bottled tequila to the US have increased from 290,590 gallons in 1995 to 4.2 million gallons in 2004; moreover, between 2001 and 2004 exports of Tequila 100% Agave increased by 128%. That is the result of changes in the taste of US consumers, their appreciation for premium tequila, and increasing preference of the most commonly known tequila mix (margarita).

Nowadays, the United States is the major buyer of tequila with almost 90% of Mexico's tequila exports going that market. On average, 60% of the tequila production is exported to the world; its highest number was reached in 2003 when 77% of the total tequila production was exported.

Status as a Geographical Indication

In 1974, tequila was declared protected by the Mexican government and it was given the status of an "appellation of origin". The appellation of origin is the geographical name of a country, region or locality which serves to designate the origin of a product, the quality and characteristics which are due exclusively or essentially to the geographical environment, including natural and other factors of the area where it comes from.

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Mexico Economic Update

	Abr 2005		Jan-Abr 2005			Abr 2004		Abr 2005			Mar 2004		Mar 2005	
	Value (US bd)	Annual Change %	Value (US bd)	Annual Change %		Value (US bd)	Annual Change %	Value (US bd)	Annual Change %		Value (US bd)	Annual Change %	Value (US bd)	Annual Change %
Foreign Trade														
Exports	17.38	18.0	64.21	10.9										
Manufacturing	14.24	14.7	52.56	8.0										
Oil	2.43	41.2	8.91	32.8										
Imports	18.01	16.8	66.79	12.9										
Balance	(0.63)	(9.5)	(2.58)	110.8										
Financial Indicators														
Inflation Rate (Annual)						4.2%	4.6%							
Interest Rate (CETES 28)						6.0%	9.6%							
Stock Market Index (IPC)						10,580	12,284							
Exchange Rate (pesos/dollar)						11.28	11.12							
International Reserves (US bd)						58.4	60.7							
Employment														
Open Unemployment						3.58%	4.20%							
Economic Growth														
Global Economic Activity Index (IGAE)						5.65%	0.30%							
Industrial Activity														
Industrial Production						6.3%	-4.7%							
Manufacturing						6.6%	-5.3%							
Mining						4.6%	-2.4%							
Construction						6.3%	-3.1%							

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

US bd= US billion dollar



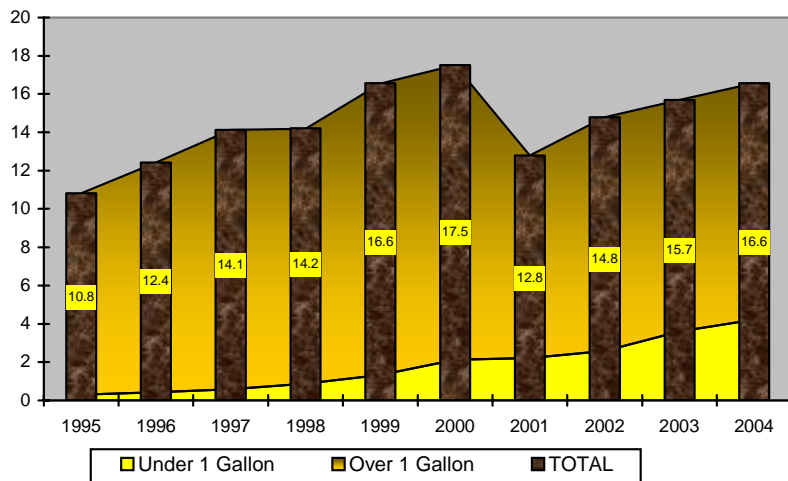
In accordance with paragraph 3 of Annex 313 of NAFTA, Canada and the United States recognize tequila and mezcal as distinctive products of Mexico.

Tequila can only be distilled from the juices of the steam cooked hearts (*piña*) of the Agave Tequilana Weber blue variety plant - one of 136 species of agave (*maguey*) that are native of Mexico - and it can only be produced within selected municipalities of Jalisco, Michoacan, Tamaulipas, Guanajuato and Nayarit, which share similar geographical and other characteristics such as climate, altitude, soil composition, cultivation methods and traditional techniques of production. No agave grown outside these regions can be used for the manufacturing of tequila.

United States: Tequila Imports 1995 - 2004

(Millions of Gallons)

Source: US ITC data web.



In order to control the manufacturing process of tequila and its purity, Mexico issued a Technical Regulation or NOM (Official Mexican Standard / NOM-006-SCFI-1994) which established the characteristics and specifications that producers should meet to produce and commercialize Tequila.

The NOM defines tequila as a regional alcoholic beverage obtained by distillation and rectification of musts directly prepared from grist of ripe agave heads, which were previously hydrolysed or cooked and subjected to alcoholic fermentation with cultured or non-cultured yeast, susceptible of being enriched with other sugars up to a ratio not larger than 49%.

Tequila is divided into two categories:

- Tequila 100% Agave; and
- Tequila

The difference between the two categories is that Tequila 100% Agave must be made from 100% Agave Tequilana Weber blue variety sugars, while the second category, Tequila, can be made from a minimum of 51% Agave Tequilana Weber blue variety sugars mixed with no more than 49% of other sugars.

In both categories of tequila there are four different types, namely:

Silver Tequila: un-aged, diluted with water and bottled just right after distillation.

Gold Tequila: un-aged with some permitted additives to soften the taste and give different characteristics, or it can also be the result of blending Silver Tequila with aged or extra-aged tequilas.

Aged Tequila: rested at least 2 months in oak or holm oak casks.

Extra-Aged Tequila: aged for a minimum of one year in barrels no larger than 600 liters.

Although there have been fluctuations during the last decade, the production of tequila has definitely increased during the past ten years. In 1995, the total production amounted to 22.6 million gallons, whereas in 2004 it reached 38.8 million gallons - a 71% growth. Tequila production reached its peak in 1999 with a total production of 42 million gallons.

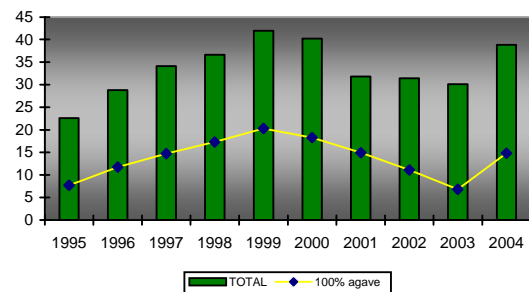
In order to ensure the industry's compliance with technical regulations and other legal provisions applicable to tequila, the Mexican government approved the creation of a third party private institution.

Representing all sectors of the agave-tequila productive chain, the Tequila Regulatory Council (*Consejo Regulador del Tequila* in Spanish) facilitates the enforcement of the applicable regulations, guarantees the authenticity of tequila to consumers, preserves and protects the appellation of origin, and provides information for the industry and the public.

Today, there are 100 certified tequila manufacturers and a total of 897 brands of tequila: 654 certified brands of tequila are bottled in Mexico and 289 outside of Mexico. In spite of that, less than 10% of those brands are marketed in the US.

Mexico: Production of tequila 1995 – 2004

(Millions of gallons)



In order to disseminate the culture of tequila, promote the consumption of authentic tequila and protect the appellation of origin, in 2003 CRT launched a program called "THE AWARD T". This program was created to provide the consumer with a choice of establishments where they are ensured to be offered only authentic tequila and a quality service distinguished by the fact that the staff will be trained by the CRT and will surely be knowledgeable about this Mexican spirit.

If you have any questions about tequila or would like to know if a product is certified, please contact the Tequila Regulatory Council offices in Washington, D.C. at (202) 756 1391, (202) 756 1369 or send an email to judith.meza@crt.org.mx or brenda.martinez@crt.org.mx



Diario Oficial Notices

- Decree accepting the request from the interested party and declaring the initiation of the antidumping investigation over toothbrush imports classified under item 9603.2101 of the General Imports and Exports Law, originating from The People's Republic of China, regardless of shipping country. (April 26)
- Decree declaring the initiation of antidumping investigation validity imposed over beef and edible carcasses classified under items 0201.10.01, 0201.20.99, 0201.30.01, 0202.10.01, 0202.20.99 and 0202.30.01 of The General Imports and Exports Tariff Law, originating from the United States of America, regardless of shipping country. (April 26)
- Agreement informing the minimum quota for importing cocoa in grains during 2005. (April 27)
- Agreement establishing specific benefits for certified enterprises owning a Maquila Export Program or Temporary Importation Program for production of articles for Exportation (PITEX). (May 9)
- Agreement reforming and adding the similar that identifies the items of the Mexican Imports and Exports Tariff Law, which classifies goods subject to completion of Mexican Official Standards at the point of entrance to and exit from Mexico. (May 17)
- Final determination of the antidumping investigation on newsprint imports (in rolls or sheets) merchandise classified under item 4801.00.01 of the Mexican Imports and Exports Tariff Law, originating from The United States of America and Canada, regardless of shipping country. (May 17)
- Agreement modifying Annex V of the diverse that established the standards for establishing the country of origin of imported goods and the rules for certification, regarding antidumping duties. (May 20)
- Agreement informing the quotas for introducing sugar originating from the Mexican United States into the United States of America. (May 25)
- Determination accepting a request from the interested party and declaring the initiation of the antidumping investigation on imports of mushrooms of the genus *agaricus* classified under item 2004.10.01 of The Mexican Imports and Exports Tariff Law, originating from the Republic of Chile and the People's Republic of China, regardless of shipping country. (May 25)
- Final decree of the antidumping investigation on imports of iron or nonalloy steel, seamed, w/circ. cross sect. & ext. diam o/406.4mm, line pipe, long. submerg. arc weld., used for oil/gas classified under items 7305.11.01 and 7305.12.01 of the Mexican Imports and Exports Tariff Law, originating from The United States of America. (May 27)

Selected Readings

The End of Poverty: Economic Possibilities for Our Time (Jeffrey Sachs, Penguin Press HC, March 2005)

Jeffrey Sachs draws on his entire twenty-five-year body of experience to offer a thrilling and inspiring big-picture vision of the keys to economic success in the world today and the steps that are necessary to achieve prosperity for all.

Marrying vivid eyewitness storytelling to his laserlike analysis, Jeffrey Sachs sets the stage by drawing a vivid conceptual map of the world economy and the different categories into which countries fall. Then, in a *tour de force* of elegance and compression, he explains why, over the past two hundred years, wealth has diverged across the planet in the manner that it has and why the poorest nations have been so markedly unable to escape the cruel vortex of poverty. The groundwork laid, he explains his methods for arriving, like a clinical internist, at a holistic diagnosis of a country's situation and the options it faces. Rather than deliver a worldview to readers from on high, Sachs leads them along the learning path he himself followed, telling the remarkable stories of his own work in Bolivia, Poland, Russia, India, China, and Africa as a way to bring readers to a broad-based understanding of the array of issues countries can face and the way the issues interrelate.

He concludes by drawing on everything he has learned to offer an integrated set of solutions to the interwoven economic, political, environmental, and social problems that most frequently hold societies back. In the end, he leaves readers with an understanding, not of how daunting the world's problems are, but how solvable they are—and why making the effort is a matter both of moral obligation and strategic self-interest. A work of profound moral and intellectual vision that grows out of unprecedented real-world experience, *The End of Poverty* is a road map to a safer, more prosperous future for the world.

World Economic Outlook : Globalization and External Imbalances (International Monetary Fund, April 2005)

<http://www.imf.org/external/pubs/ft/weo/2005/01/index.htm>

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.



Oaxaca

Capital: Oaxaca

Main cities: Oaxaca, Tuxtepec, Juchitán, Tehuantepec

Population: 3,438,765 (2000)
 45% in the urban area
 64% under 30 years old
 37 people per square kilometer
 78% Literacy rate

Major exports: Textile and Food

Exports: US \$46 Millions (2003)

Imports: US \$151 Millions (2003)

69 Radio stations
 75 TV stations

Investment Highlights

Aid in setting up operations and training workers.

Source: Ministry of the Economy

Foreign Direct Investment:

Between 1999 and 2004, Oaxaca received US\$ 1.9 millions of dollars in foreign investment.

Main sector: Hotels, Commerce, Real state

Countries with major investments in Oaxaca

include: USA, Canada,, Germany, France, Italy

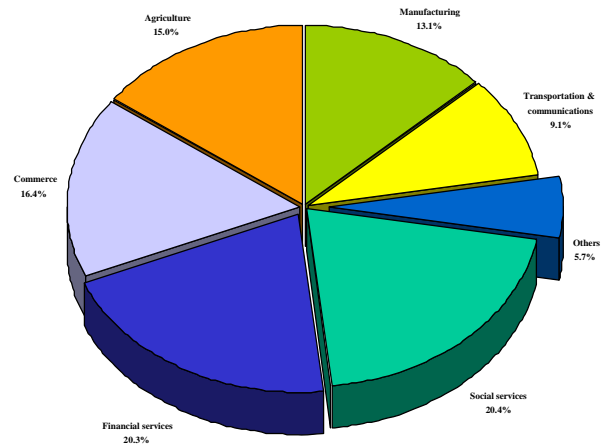
Maquiladora: There are 2 maquiladoras
 Maquiladoras companies employs 637 workers

Source: Ministry of the Economy, Government of State and INEGI.

Infrastructure:

8,214	km of paved roads
156	km of highways (4 lanes)
2	International airport
1	Sea Port (Salina Cruz)
62	Universities and tech institutes
85	Hospitals
170,000	Fixed telephone lines

Major Economic Activity in 2002



Source: Ministry of Economy with INEGI data.

Contact

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Colorado

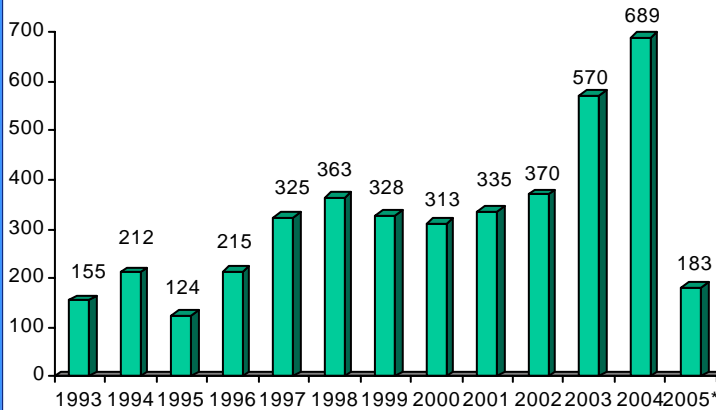
Success Stories

Between 1993 and 2004 Colorado's exports to Mexico grew 346%

Mexico is the second largest consumer market of Colorado's exports

Exports to Mexico

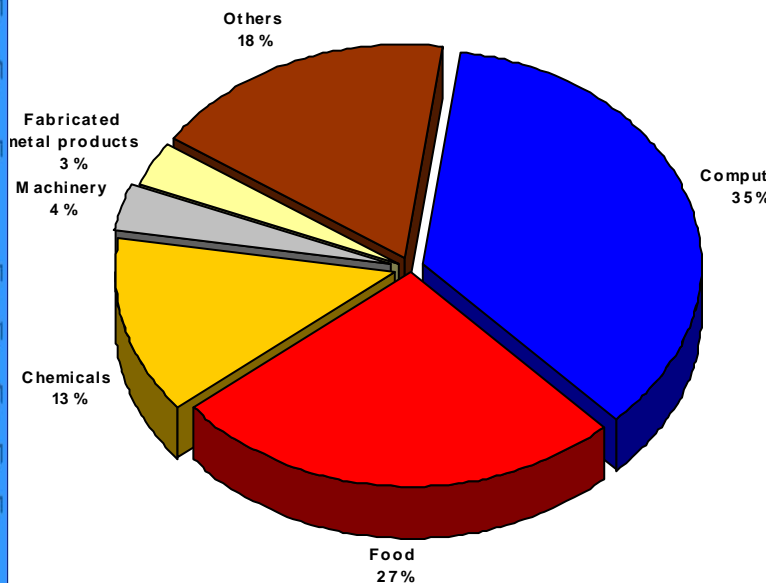
1993-2005* (Millions of US Dollars)



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

By Sector (NAICS)

2005 First Quarter



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

Mexican-based "out of house entertainment" company looks to expand in the US

Following the success of Wannado, the recently built Florida-based amusement park, Mexican entertainment company CIE (*Corporación Interamericana de Entretenimiento*) is hoping to convince their local investors to support ten more similar parks in the United States. Wannado is CIE's first major American investment, and CIE is an eminent figure amongst the Hispanic-gear "out of house entertainment" companies.

Wannado has thrived in its first eight months of operation, currently receiving double the amount of visitors than it received at its opening and 72% higher profits. Even prior to this success, however, CIE was interested in expanding into the US. Now, in an effort to encourage local investors: CIE has planned a series of presentations analyzing Wannado's success and the potential of establishing similar parks. 35% of the investment must come from CIE's investors, among them Coca-Cola, Spirit airlines, CNN, Cartoon Network, and Comcast. The remaining 65% of the investment would be divided between CIE and their American associates, Mills Corporation.

Wilson Greatbatch Technologies (WG) will invest 120 million dollars in Tijuana

WG will open its first plant in Mexico to produce pacemaker components. The plant is located in Tijuana, Baja California and was recently opened by President Vicente Fox. It will be ready in 2006 and will begin operations with 300 employees, although it expects to hire 1,200 employees in the long term.

During the first three months of 2005, WG sold 56.4 million dollars, 1.5% more for the full year, and registered operating profits of 20.8 million dollars, a drop of 10%. The company, whose headquarters are in New York, spent 4.4 million dollars during the first three months of 2005 on technology, research and development.

The manufacture of medical equipment in Mexico has been strengthened thanks to the proximity of the American market, and the new facilities attained NAFTA, through zero tariffs on imports of medical equipment between the three countries.

In fact, the US supplies almost 70% of all the medical equipment that Mexico imports, and this sector employs about 350,000 people in the American economy.

With this investment, Mexico gains experience in the production of medical equipment, making it possible for the manufacturing sector to draw more attention from foreign entrepreneurs to select Mexico as an ideal destination for foreign direct investment.

NAFTA WORKS FOR

NAFTA Related Events

June 01 – 03

“Expo Alimentaria”

México, D.F. – Centro Banamex

This is the fifth edition of Expo Alimentaria, an event that presents everything related to the national food commercialization. In four sections, it will exhibit the latest on international food and beverages.

<http://www.alimentaria-mexico.com>

http://www.exposwtc.com/eventos/detalles_expo.php?id=463

June 02 – 05

“Tlaqueparte”

Monterrey, Nuevo León – CINTERMEX

Tlaqueparte is a Latin American show with an international projection where buyers from the whole world will find, in a single place, an endless collection of handicrafts from all the Latin countries and from different parts of the world. In this occasion, Tlaqueparte will exhibit Mexican products and will also count on the participation of craftsmen from Latin America who search for distributors to place their products in Mexico.

<http://www.tlaqueparte.com>

info@tlaqueparte.com

June 07 – 11

“Regional Week of PYMES”

Monterrey, Nuevo León – CINTERMEX

This event offers programs, schemes and tools to allow medium and small companies of the Northeast of Mexico to increase their productivity.

<http://www.caintra.com>

<http://www.cintermex.com.mx/cgi-bin/eventos.asp?i=i&a=5>

June 08 – 10

“Expo Plásticos”

Monterrey, Nuevo León – CINTERMEX

This is the 5th International exhibit and cycle of conferences related to the plastic industry that takes place in Monterrey, Nuevo León. The exhibit is a meeting point for producers, machinery and equipment operators, distributors, suppliers and all kinds of business people related to the industry of plastics.

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

<http://www.akor.com>

June 08 – 10

“Expo Expaque 2005”

Monterrey, Nuevo León – CINTERMEX

This is the 5th International packing show. Participants in Expo Expaque will find the latest on packing solutions with the top manufacturers, suppliers and distributors for packing machinery, software and systems, controls and components, labeling solutions, containers, converting machinery, wrapping films, etc.

<http://www.expoempaue.net/contenidoe.jsp>

June 09

“Expo Maquila”

Monterrey, Nuevo León – CINTERMEX

This exhibition and congress offers up-to-date products related to diverse manufacturing areas. Participants can offer their services and find companies that look for “maquiladores”; at the same time, they can participate in conferences directed to the best performance and operation of assemble industrialists.

negocios@akor.com

<http://www.akor.com>

June 15 – 17

“World of Concrete Mexico 2005”

México, D.F. – Centro Banamex

This is the second time World of Concrete Mexico takes place. After its successful 2004 debut with thousands of construction professionals from all over the world gathering in Mexico City to do business, the event will present again the best technologies in machinery, equipment, commercial construction products and services from leading industry suppliers.

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

<http://www.centrobanamex.com>

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