
Mexico

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Change in 2003 from 2002:

U.S. trade deficit: Increased by \$6.0 billion (13 percent) to \$54.1 billion

U.S. exports: Decreased by \$2.9 billion (3 percent) to \$83.1 billion

U.S. imports: Increased by \$3.1 billion (2 percent) to \$137.2 billion

- Higher prices for U.S. imports of crude petroleum and increased imports of motor-vehicle parts (including seats and engines) offset reduced imports of other manufactured goods, for an overall increase in imports from Mexico in 2003 (see tables MEXICO-1 and MEXICO-2). Mexico's continued loss of U.S. market share to imports from China were reflected in reductions of certain-sector imports from Mexico and decreased exports of U.S. components and materials to assembly plants in Mexico. However, a continued decline in total U.S. exports to Mexico and a continued increase in total U.S. imports from that country resulted in a further expansion of the U.S. trade deficit with Mexico in 2003 (see table MEXICO-1).
- In contrast to previous years, Mexico's assembly industry did not participate fully in the growth of the U.S. economy in 2003 (see U.S. Merchandise Trade Performance). However, the 10-percent depreciation of the peso vis-a-vis the dollar in 2003 reportedly slowed the shift of sourcing by U.S. companies away from Mexico and most likely prevented an absolute decline in U.S. imports from Mexico.¹
- Despite an \$11.9-billion (15-percent) rise in U.S. manufacturers' shipments of computers, peripherals, and parts in 2003,² exports of such equipment (mostly parts) to Mexico fell (by \$952 million), but not as much as did imports (by \$1.3 billion) (mostly finished goods) from Mexico (see table MEXICO-2). Meanwhile, U.S. imports from China grew, a reflection of China's rise as the leading location for global outsourcing of computer-related equipment (see China; and Computers, Peripherals, and Parts in Electronic Products), thereby limiting Mexico's appeal as a production-sharing partner in that sector.³

¹ John Christman, "Mexico Economic, Political Update and Trade Forecasts: Projections and Implications for Investment in Mexico 2004-2008," *Global Insight*, Mar. 10, 2004.

² U.S. Census Bureau (Census), *Manufacturers' Shipments, Inventories, and Orders: Dec. 2003*, issued Feb. 2004, p. 3.

³ Mexico's share of U.S. imports of computers, peripherals, and parts dipped from 12 percent in 2002 to 10 percent in 2003, but China's climbed from 20 percent to 29 percent.

Table MEXICO-1

Mexico: U.S. exports of domestic merchandise, imports for consumption, and merchandise trade balance, by major industry/commodity sectors, 1999-2003¹

Item	1999	2000	2001	2002	2003	Change, 2003 from 2002	
						Absolute	Percent
	<i>Million dollars</i>						
U.S. exports of domestic merchandise:							
Agricultural products	5,850	6,772	7,645	7,534	8,176	643	8.5
Forest products	3,091	3,628	3,282	3,056	3,217	161	5.3
Chemicals and related products	10,731	13,105	12,266	12,444	13,300	856	6.9
Energy-related products	2,311	4,342	3,296	3,274	2,897	-376	-11.5
Textiles and apparel	5,550	6,155	5,232	4,939	4,696	-243	-4.9
Footwear	94	114	123	95	90	-5	-5.7
Minerals and metals	6,528	8,210	6,956	6,671	6,454	-217	-3.3
Machinery	10,546	11,604	10,263	9,183	9,086	-96	-1.0
Transportation equipment	11,588	15,285	14,953	14,524	13,725	-798	-5.5
Electronic products	19,562	24,644	20,798	18,965	16,414	-2,552	-13.5
Miscellaneous manufactures	1,717	1,977	1,729	1,687	1,511	-177	-10.5
Special provisions	3,815	4,607	3,994	3,705	3,541	-164	-4.4
Total	81,381	100,442	90,537	86,076	83,108	-2,968	-3.4
U.S. imports of merchandise for consumption:							
Agricultural products	5,631	6,033	6,157	6,378	7,220	842	13.2
Forest products	1,044	1,055	999	1,038	1,075	38	3.6
Chemicals and related products	3,124	3,473	3,388	3,637	3,779	142	3.9
Energy-related products	6,280	11,356	9,103	11,567	14,792	3,225	27.9
Textiles and apparel	9,413	10,580	9,941	9,649	9,015	-634	-6.6
Footwear	354	351	312	279	275	-3	-1.2
Minerals and metals	5,997	6,767	6,528	7,013	7,116	103	1.5
Machinery	13,899	15,487	14,821	16,321	16,596	276	1.7
Transportation equipment	24,798	31,373	31,046	31,117	30,664	-453	-1.5
Electronic products	28,793	37,207	37,221	35,029	34,560	-470	-1.3
Miscellaneous manufactures	4,697	5,160	5,295	6,356	6,252	-104	-1.6
Special provisions	4,987	5,893	5,697	5,738	5,855	117	2.0
Total	109,018	134,734	130,509	134,121	137,199	3,078	2.3
U.S. merchandise trade balance:							
Agricultural products	219	739	1,488	1,155	956	-199	-17.2
Forest products	2,046	2,573	2,283	2,018	2,142	123	6.1
Chemicals and related products	7,607	9,632	8,878	8,807	9,521	714	8.1
Energy-related products	-3,970	-7,014	-5,807	-8,294	-11,894	-3,601	-43.4
Textiles and apparel	-3,863	-4,426	-4,709	-4,710	-4,319	391	8.3
Footwear	-260	-237	-189	-183	-185	-2	-1.1
Minerals and metals	531	1,443	428	-342	-661	-320	-93.6
Machinery	-3,353	-3,883	-4,558	-7,138	-7,510	-372	-5.2
Transportation equipment	-13,210	-16,088	-16,093	-16,593	-16,939	-345	-2.1
Electronic products	-9,231	-12,563	-16,423	-16,064	-18,146	-2,082	-13.0
Miscellaneous manufactures	-2,980	-3,184	-3,566	-4,668	-4,741	-73	-1.6
Special provisions	-1,172	-1,286	-1,703	-2,033	-2,314	-281	-13.8
Total	-27,637	-34,292	-39,971	-48,045	-54,091	-6,046	-12.6

¹Import values are based on customs value; export values are based on f.a.s. value, U.S. port of export.

Note.—Calculations based on unrounded data.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table MEXICO-2
Leading changes in U.S. exports to and U.S. imports from Mexico, 1999-2003

Sector/commodity	1999	2000	2001	2002	2003	Change, 2003 from 2002	
						Absolute	Percent
<i>Million dollars</i>							
U.S. EXPORTS:							
Increases:							
Aircraft, spacecraft, and related equipment (ET013) ..	330	271	549	317	600	283	89.1
Decreases:							
Electronic products:							
Computers, peripherals, and parts (ET035)	2,806	3,307	3,188	3,612	2,660	-952	-26.3
Cathode-ray tubes (ET031)	1,820	2,110	1,773	1,595	1,103	-492	-30.8
Television receivers and video monitors (ET022) ...	376	393	396	406	171	-235	-58.0
Transportation equipment:							
Certain motor-vehicle parts (ET010)	5,058	6,628	6,218	5,852	5,278	-574	-9.8
Motor vehicles (ET009)	2,320	3,223	3,614	3,711	3,186	-524	-14.1
Internal combustion piston engines, other than for aircraft (ET002)	1,407	2,407	1,917	2,095	2,031	-64	-3.1
Natural gas and components (CH006)	302	668	510	805	430	-376	-46.6
Seats for motor vehicles and aircraft (MM067)	493	572	660	584	265	-319	-54.7
All other	66,467	80,863	71,712	67,099	67,385	285	0.4
TOTAL	81,381	100,442	90,537	86,076	83,108	-2,968	-3.4
U.S. IMPORTS:							
Increases:							
Crude petroleum (CH004)	5,265	9,838	7,957	10,490	13,630	3,140	29.9
Electronic products:							
Telephone and telegraph apparatus (ET017)	2,668	4,641	4,390	4,210	4,664	455	10.8
Television receivers and video monitors (ET022) ...	4,609	4,928	5,071	5,165	5,532	367	7.1
Medical goods (ET040)	970	1,280	1,533	1,957	2,315	358	18.3
Measuring, testing, and controlling instruments (ET043)	2,240	2,550	2,576	2,820	3,106	286	10.1
Seats for motor vehicles and aircraft (MM067)	1,817	2,026	2,130	2,696	3,126	430	15.9
Transportation equipment:							
Internal combustion piston engines, other than for aircraft (ET002)	2,527	2,734	2,403	2,633	3,024	391	14.9
Certain motor-vehicle parts (ET010)	3,663	4,574	4,550	5,121	5,492	371	7.2

Table MEXICO-2--Continued
Leading changes in U.S. exports to and U.S. imports from Mexico, 1999-2003

Sector/commodity	1999	2000	2001	2002	2003	Change, 2003 from 2002	
						Absolute	Percent
<i>Million dollars</i>							
U.S. IMPORTS (continued):							
Decreases:							
Motor vehicles (ET009)	15,813	21,025	21,327	20,793	19,327	-1,467	-7.1
Electronic products:							
Computers, peripherals, and parts (ET035)	7,239	9,047	10,365	8,913	7,640	-1,274	-14.3
Radio and television broadcasting equipment (ET023)	1,974	3,279	3,157	2,364	1,556	-807	-34.2
Games (MM060)	174	74	194	689	55	-633	-92.0
Apparel (CH049)	7,846	8,731	8,129	7,732	7,200	-532	-6.9
All other	52,213	60,007	56,726	58,537	60,532	1,994	3.4
TOTAL	109,018	134,734	130,509	134,121	137,199	3,078	2.3

Note.-Calculations based on unrounded data.

Source: Compiled from official statistics of the U.S. Department of Commerce.

U.S. exports

- The 3-percent downturn in U.S. exports to Mexico in 2003 nearly mirrored the 2-percent decline in Mexican manufacturers' shipments to the United States in that year.⁴ The bulk of U.S. exports to Mexico were intermediate products (machinery, materials, components, and other industrial inputs; see table MEXICO-2) destined for companies operating under Mexico's maquiladora and PITEX Programs.⁵
- U.S. exports to Mexico of certain motor-vehicle parts (as well as seats and engines) fell in 2003, reflecting reduced production of vehicles in Mexico for both domestic sales and export (see Certain Motor-Vehicle Parts in Transportation Equipment).⁶
- Although Mexican demand for motor vehicles was relatively stable in 2003 (0.2 percent below 2002), sales of domestically produced vehicles fell as imports rose 9 percent to increase their share of the Mexican market from 55 percent in 2002 to over 60 percent in 2003.⁷ Nevertheless, U.S. exports of vehicles to Mexico slipped as U.S. producers lost market share to imports of smaller, lower-NAFTA-content vehicles from Europe and South America (see Motor Vehicles in Transportation Equipment).⁸
- The decline in U.S. exports of cathode tubes reflected a shift toward the production of flat-screen televisions in Mexico, reducing demand there for picture tubes (see Television Receivers and Video Monitors in Electronic Products).⁹

⁴ "Q4 GDP Surprises On the Upside, But the Engine Sputters in January," *Mexico Watch*, Mar. 1, 2004, p. 1.

⁵ Seventy percent of the foreign inputs into companies registered under the Maquiladora Program and PITEX in 2002 came from the United States, and 92 percent of their exports went to the United States. Products from these companies accounted for 84 percent of all Mexican exports to the United States in 2002. See Ralph Watkins, "Production-Sharing Update: Developments in 2002," *Industry Trade and Technology Review*, USITC publication 3661, Nov. 2003, pp. C-2, C-9, and C-16.

⁶ "Detroit South Faces Competition from Detroit East," *Mexico Watch*, Aug. 1, 2003, p. 6.

⁷ Dale Jewett, "GM Comes from Behind to Take Mexico Sales Crown," *Automotive News*, Jan. 26, 2004, p. 24.

⁸ Haig Stoddard, "Mexico Market Growing," *Ward's AutoWorld*, Nov. 2003, p. 15.

⁹ "JVC Cuts Ribbon on TJ Plant," *Mexico Watch*, July 1, 2003, p. 12.

U.S. imports

- The increased value of crude petroleum imports, the largest import increase (see table MEXICO-2), matched the growth of all U.S. imports from Mexico in 2003. Higher prices accounted for the increased value as unit prices rose more (22 percent) than did quantities imported (6 percent) (see Crude Petroleum in Energy Products).¹⁰
- Imports of seats for motor vehicles and aircraft; internal combustion piston engines, other than for aircraft; and certain motor-vehicle parts from Mexico rose as some U.S. parts producers shifted a portion of their assembly operations to Mexico in response to their customers' demands for lower prices.¹¹ Depreciation of the peso against the dollar and increased demand for replacement parts also helped boost U.S. imports from Mexico (see Certain Motor-Vehicle Parts in Transportation Equipment).
- Declining imports of motor vehicles from Mexico reflected the loss of U.S. market share by Detroit's Big Three to foreign-based auto producers. The Big Three (especially Ford and General Motors) account for the bulk of Mexico's vehicle exports to the United States (see Motor Vehicles in Transportation Equipment).¹²
- Cellular telephones and printed circuit assemblies accounted for nearly one-half of U.S. imports of telephone and telegraph apparatus from Mexico in 2003. Imports of digital communications gear rose in response to growing demand for faster Internet connections (see Telephone and Telegraph Apparatus in Electronic Products).¹³

¹⁰ The average price of crude petroleum rose from \$22.51 per barrel in 2002 to \$27.48 per barrel in 2003. Meanwhile, the volume of U.S. imports of crude petroleum from Mexico rose from 1.5 million barrels per day to 1.6 million barrels per day.

¹¹ "Detroit South Faces Competition from Detroit East," *Mexico Watch*.

¹² Stoddard, *Ibid*.

¹³ U.S. industry representatives, telephone interviews by USITC staff, Mar. 2 and 8, and Apr. 8, 2004.