

# Mexico

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## **Change in 2005 from 2004:**

**U.S. trade deficit: Increased by \$5.6 billion (9 percent) to \$67.5 billion**

**U.S. exports: Increased by \$8.6 billion (9 percent) to \$101.7 billion**

**U.S. imports: Increased by \$14.3 billion (9 percent) to \$169.2 billion**

U.S. bilateral trade with Mexico increased \$22.9 billion (9 percent) to \$270.9 billion in 2005. Sustained record-high energy prices and a healthy rate of economic growth (3.5 percent annual rate for 2005)<sup>1</sup> in the United States resulted in a further expansion of the trade deficit with Mexico in 2005.<sup>2</sup> The rise in U.S. demand for petroleum and related distillate fuel (includes diesel and heating oil) imports from Mexico was attributable to factors including temporary disruptions and uncertainties in other principal supplier nations and in U.S. production along the Gulf Coast following Hurricanes Katrina and Rita.

## **U.S. exports**

Mexico's economy grew by 3 percent in 2005.<sup>3</sup> This economic expansion and the resurgence of the Maquiladora Program, or export-for-assembly industry, resulted in U.S. exports to Mexico increasing 9 percent (\$8.6 billion) to approximately \$102 billion in 2005 (table MEXICO-1).<sup>4</sup> Leading U.S. industry export sectors to Mexico during 2005 were chemicals and related products, transportation equipment, and electronic products. Mexico was the third-largest destination for U.S. exports in 2005, exceeded only by the EU and Canada (table US-3).

U.S. exports of petroleum products to Mexico increased 71 percent (\$2.0 billion) to \$4.8 billion in 2005, spurred by a temporary shortage of Mexican oil refinery capacity for unleaded gasoline and related distillate fuels (light motor fuel oils) (table MEXICO-2). The Government of Mexico is in the final stages of a \$3.9 billion, long-term investment upgrade of all six of its domestic petroleum refineries.<sup>5</sup>

In 2005, the U.S. chemicals and related products sector continued to run a trade deficit with nearly every country of the world but Mexico. U.S. exports of chemicals and related products to Mexico increased by 15 percent (\$2.3 billion) to \$18.1 billion for a trade surplus of \$12.7 billion. Organic commodity chemicals and plastics in primary forms were the

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<sup>1</sup> U.S. Department of Commerce, "GDP Grew 1.6 Percent in Fourth Quarter."

<sup>2</sup> Mexico's economic performance is strongly linked to U.S. demand, which accounts for almost a quarter of Mexican Gross Domestic Product. Mexico exports approximately 80 percent of its total exports to the United States.

<sup>3</sup> U.S. Department of State, U.S. Embassy, Mexico City, "The Mexican Economy in 2005."

<sup>4</sup> Mexico's economy is heavily reliant on its manufacturing export sector, which, in turn, is largely dependent on U.S. economic activity to provide external demand for much of its merchandise exports. Approximately 80 percent of Mexico's trade with the United States is intra-industry trade primarily attributable to the Maquiladora Program.

<sup>5</sup> Mexico Business Forecast Report, "Key Economic Sectors: 1<sup>st</sup> Quarter 2005."

Table MEXICO-1

Mexico: U.S. exports of domestic merchandise, imports for consumption, and merchandise trade balance, by major industry/commodity sectors, 2001-2005<sup>1</sup>

Item	2001	2002	2003	2004	2005	Change, 2005 from 2004	
						Absolute	Percent
	<i>Million dollars</i>						
U.S. exports of domestic merchandise:							
Agricultural products . . . . .	7,645	7,534	8,176	8,994	9,678	684	7.6
Forest products . . . . .	3,282	3,056	3,217	3,451	3,860	409	11.8
Chemicals and related products . . . . .	12,266	12,444	13,300	15,797	18,122	2,325	14.7
Energy-related products . . . . .	3,296	3,274	2,897	3,379	5,508	2,129	63.0
Textiles and apparel . . . . .	5,232	4,939	4,696	4,730	4,705	-25	-0.5
Footwear . . . . .	123	95	90	60	46	-14	-23.0
Minerals and metals . . . . .	6,956	6,671	6,454	7,958	9,258	1,301	16.3
Machinery . . . . .	10,263	9,183	9,086	10,078	11,418	1,339	13.3
Transportation equipment . . . . .	14,953	14,524	13,725	15,882	16,871	989	6.2
Electronic products . . . . .	20,798	18,965	16,414	17,383	16,609	-774	-4.5
Miscellaneous manufactures . . . . .	1,729	1,687	1,511	1,525	1,611	85	5.6
Special provisions . . . . .	3,994	3,705	3,541	3,781	3,981	201	5.3
Total . . . . .	90,537	86,076	83,108	93,018	101,667	8,649	9.3
U.S. imports of merchandise for consumption:							
Agricultural products . . . . .	6,157	6,378	7,220	8,189	9,323	1,134	13.8
Forest products . . . . .	999	1,038	1,075	1,274	1,420	146	11.5
Chemicals and related products . . . . .	3,388	3,637	3,779	4,790	5,429	639	13.3
Energy-related products . . . . .	9,103	11,567	14,792	18,966	25,029	6,063	32.0
Textiles and apparel . . . . .	9,941	9,649	9,015	8,826	8,305	-521	-5.9
Footwear . . . . .	312	279	275	242	247	5	2.1
Minerals and metals . . . . .	6,528	7,013	7,116	9,623	11,366	1,744	18.1
Machinery . . . . .	14,821	16,321	16,596	18,029	20,173	2,144	11.9
Transportation equipment . . . . .	31,046	31,117	30,664	33,025	34,451	1,425	4.3
Electronic products . . . . .	37,221	35,029	34,560	38,945	40,160	1,215	3.1
Miscellaneous manufactures . . . . .	5,295	6,356	6,252	6,555	6,814	259	3.9
Special provisions . . . . .	5,697	5,738	5,855	6,493	6,499	6	0.1
Total . . . . .	130,509	134,121	137,199	154,959	169,216	14,257	9.2
U.S. merchandise trade balance:							
Agricultural products . . . . .	1,488	1,155	956	805	355	-450	-55.9
Forest products . . . . .	2,283	2,018	2,142	2,177	2,440	263	12.1
Chemicals and related products . . . . .	8,878	8,807	9,521	11,007	12,694	1,687	15.3
Energy-related products . . . . .	-5,807	-8,294	-11,894	-15,587	-19,522	-3,935	-25.2
Textiles and apparel . . . . .	-4,709	-4,710	-4,319	-4,097	-3,600	496	12.1
Footwear . . . . .	-189	-183	-185	-183	-201	-19	-10.3
Minerals and metals . . . . .	428	-342	-661	-1,665	-2,108	-443	-26.6
Machinery . . . . .	-4,558	-7,138	-7,510	-7,951	-8,755	-805	-10.1
Transportation equipment . . . . .	-16,093	-16,593	-16,939	-17,143	-17,579	-436	-2.5
Electronic products . . . . .	-16,423	-16,064	-18,146	-21,562	-23,550	-1,988	-9.2
Miscellaneous manufactures . . . . .	-3,566	-4,668	-4,741	-5,030	-5,204	-173	-3.4
Special provisions . . . . .	-1,703	-2,033	-2,314	-2,713	-2,518	195	7.2
Total . . . . .	-39,971	-48,045	-54,091	-61,941	-67,549	-5,608	-9.1

<sup>1</sup>Import 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, 2001–2005<sup>1</sup>**

Sector/commodity	2001	2002	2003	2004	2005	Change, 2005 from 2004	
						Absolute	Percent
	<i>Million dollars</i>						
<b>U.S. EXPORTS:</b>							
<b>Increases:</b>							
Petroleum products (CH005) .....	2,677	2,346	2,318	2,799	4,781	1,982	70.8
Chemicals and related products:							
Miscellaneous plastic products (CH041) .....	3,801	3,752	3,773	4,105	4,544	439	10.7
Certain organic chemicals (CH012) .....	948	996	1,262	1,848	2,160	312	16.9
Polypropylene resins in primary forms (CH032) .....	311	357	400	514	774	260	50.6
Air-conditioning equipment and parts (MM071) .....	1,032	1,032	1,059	1,031	1,274	244	23.6
<b>All other</b> .....	<b>81,768</b>	<b>77,593</b>	<b>74,297</b>	<b>82,721</b>	<b>88,133</b>	<b>5,412</b>	<b>6.5</b>
<b>TOTAL</b> .....	<b>90,537</b>	<b>86,076</b>	<b>83,108</b>	<b>93,018</b>	<b>101,667</b>	<b>8,649</b>	<b>9.3</b>
<b>U.S. IMPORTS:</b>							
<b>Increases:</b>							
Energy-related products:							
Crude petroleum (CH004) .....	7,957	10,490	13,630	17,186	22,364	5,178	30.1
Petroleum products (CH005) .....	885	806	1,086	1,698	2,500	802	47.2
Television receivers and video monitors (ET022) .....	5,071	5,165	5,532	7,743	10,029	2,286	29.5
Household appliances, including commercial applications (MM073) .....	1,839	1,993	2,092	2,322	2,739	417	18.0
<b>All other</b> .....	<b>114,756</b>	<b>115,667</b>	<b>114,860</b>	<b>126,010</b>	<b>131,584</b>	<b>5,574</b>	<b>4.4</b>
<b>TOTAL</b> .....	<b>130,509</b>	<b>134,121</b>	<b>137,199</b>	<b>154,959</b>	<b>169,216</b>	<b>14,257</b>	<b>9.2</b>

<sup>1</sup>Import 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.

leading products exported during the period. Many of the organic commodity chemicals exported to Mexico in 2005 were fertilizers used in the agricultural sector. U.S. exports of plastics (polymers and resins) to Mexico typically increase with rising production of injection molded plastic parts used in the manufacturing of automobiles and auto parts.<sup>6</sup>

Exports of machinery and parts to Mexico, the second-largest market for such U.S. exports, increased 13 percent (\$1.3 billion) to \$11.4 billion in 2005. Mexico's recovering maquiladora industry in 2005 continued to rely heavily on imports of U.S. machinery and parts to sustain its transformation to higher-value manufacturing.<sup>7</sup>

A shift from the United States to Mexico of final assembly operations of power tools and parts by major producers Black and Decker and Milwaukee Tool Co. resulted in almost a doubling of U.S. exports of these products. U.S. exports of power tools (pneumatic and hydraulic) and parts to Mexico rose by approximately 94 percent (\$243 million) to \$503 million in 2005.<sup>8</sup>

U.S. air-conditioning equipment and parts exported to Mexico rose by 24 percent (\$244 million) to \$1.3 billion in 2005. Commercial air-conditioning equipment (unitary), automotive air-conditioners, and parts accounted for approximately 80 percent of total sector exports to Mexico. A sizeable portion of U.S. trade with Mexico for these products continued to reflect cross-border integration of manufacturing and U.S.-based manufacturers' foreign direct investment through subsidiaries and joint-ventures.<sup>9</sup>

## **U.S. imports**

The increased value of U.S. imports from Mexico in 2005 primarily reflected record-high energy prices. The value of U.S. imports of crude petroleum from Mexico rose by more than 30 percent (\$5.2 billion) to \$22.4 billion in 2005. However, the actual quantity of imports decreased by 4 percent from 1.598 million barrels per day (b/d) to 1.536 million b/d. The world average price for crude petroleum rose from \$36.65 per barrel in 2004 to \$53.66 per barrel in 2005. During 2005, Mexico was the leading crude oil supplier and the second-largest source of U.S. oil imports.<sup>10</sup>

Because of this increase in crude petroleum prices, the value of imports of refined petroleum products from Mexico also showed a large increase (47 percent), but the quantity of imports rose by a much smaller 5 percent. Most of the refined petroleum products imported from Mexico are sub-par motor fuels and some distillate and residual fuel oils.

Moderate levels of economic growth in the United States, relatively low interest rates, and rising levels of consumer confidence resulted in increased demand for machinery items such as television receivers and household and commercial appliances from Mexico. U.S. imports of machinery and parts from Mexico increased by \$2.1 billion (12 percent) to \$20.2 billion in 2005.

Escalating U.S. demand for thin, flat-screen, high-definition televisions was largely responsible for the approximately 30 percent (\$2.3 billion) growth to \$10 billion in U.S. imports of televisions and video monitors from Mexico in 2005. Major Asian and European

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<sup>6</sup> Injection molding is the principal method of forming thermoplastic materials.

<sup>7</sup> Mongelluzzo, "Maquiladoras Rebound,"

<sup>8</sup> Foundry Management & Technology, "Foundry News Briefs."

<sup>9</sup> Turpin, "Manufacturers Come Off Record Year."

<sup>10</sup> U.S. Department of Energy, Energy Information Administration, "Mexico: Country Analysis Briefs."

multinational television and video monitor producers have, in recent years, expanded production capacity in Mexico of large digital television sets to meet changing U.S. consumer demand away from analog television sets.<sup>11</sup>

U.S. imports of household and commercial type appliances from Mexico increased 18 percent (\$417 million) to \$2.7 billion in 2005. A healthy U.S. economy, moderately low interest rates, and robust replacement demand were the primary drivers for imports of major household and commercial appliances such as refrigerators, laundry equipment, dishwashers, and microwave ovens.<sup>12</sup> In addition, major household appliance firms such as Electrolux, Whirlpool Corp., and GE shifted a significant proportion of their refrigerator production from the United States to Mexico in 2004-05.

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<sup>11</sup> Consumer Electronics Association, "U.S. Consumer Electronics Sales & Forecasts."

<sup>12</sup> Wolf, "Whirlpool Posts Record Results."

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