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Exports to Colombia, Venezuela Boost Mexico's Trade with South America

by LADB Staff
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Colombia and Venezuela remain among the largest markets in South America for Mexican products, even though the Group of Three (G-3) agreement that brought the three countries together commercially no longer exists on paper. The increased shipment of Mexican goods to Colombia and Venezuela is part of an overall pattern of improved trade with South America, said Mexico's export promotion agency ProMexico. Venezuela ranked third as a destination for Mexican exports during the first half of 2008. This is despite Venezuela's decision in 2006 to withdraw from the G-3 agreement (see SourceMex, 2006-05-17 and 2006-06-14).

Colombia now second-largest market for Mexican goods
In a report published in late August, ProMexico said Mexican exports to Colombia in January-June surpassed US$1.9 billion, an increase of 15% from the same six-month period in 2007. Exports were expected to reach US$3 billion for all of 2008, making Colombia the second-largest market for Mexican products in South America.

Trade between the two countries has been gradually increasing, thanks in part to the tariff-opening mechanisms that took effect with the G-3 agreement (see SourceMex, 1994-05-18 and 1998-04-22). Trade between the two countries reached US$3.7 billion in 2007, compared with only US$735 million in 2000. The trend appeared to benefit Mexico's trade balance with its South American neighbor, with Mexican exports in 2007 reaching US$2.9 billion, compared with only US$461 million in 2000. "Colombia is strategic for Mexico because it is a gateway to countries like Venezuela, Ecuador, Peru, and Bolivia," said Carlos Manuel Edgar Perucho, ProMexico's representative in Bogota.

The G-3 agreement, which is now essentially a Colombia-Mexico bilateral accord, has also helped promote Mexican investments in the South American country. ProMexico said Mexico is now the fourth-largest source of foreign investment in Colombia, surpassed only by the US, Britain, and Spain. Mexican investments in Colombia, as well as Colombian investments in Mexico, are expected to grow further in coming years following the negotiation of an agreement between the two countries that prevents double taxation. "This agreement on double taxation, without a doubt, will help boost Colombian investments in Mexico," Colombian Minister of Trade, Industry of Tourism Luis Guillermo Plata Paez told the Mexico City daily newspaper Excelsior.

Plata Paez did not offer any specifics on investment but said Colombia has taken full advantage of its strong trade relations with Mexico in recent years to boost its exports to that country. "The textile and apparel industries, which had no participation in the Mexican market in 1994, are now exporting more than US$140 million to Mexico," said Plata Paez.
Venezuela’s withdrawal from G-3 has little impact on trade

The withdrawal of Venezuela from the G-3 agreement has had little effect on trade between Mexico and its South American neighbor, as most of the favorable tariff concessions have remained in place. Mexican exports to Venezuela approached US$1.1 billion in January-June of 2008, an increase of 6.8% from the same period in 2007. This made Venezuela the third-largest market for Mexican products, surpassed only by Brazil and Colombia, said ProMexico. Trade between the two countries reached US$3.3 billion in 2007, including US$2.3 billion in Mexican exports to Venezuela. Even with the strong trade relations between Mexico and Venezuela, there are some tensions on the investment front.

In April of this year, Venezuelan President Hugo Chavez announced plans to nationalize the cement industry, including plants operated by Mexican-based multinational company CEMEX (see SourceMex, 2008-04-16). The Venezuelan government and the Mexican cement company began talks on a compensation price, with the two sides setting Sept. 26 as the target date for an agreement. The increase in Mexican exports to Colombia and Venezuela is part of an overall pattern of increased commerce with South America.

ProMexico said Mexico's exports to the region in the first half of the year reached a record US$6.6 billion, an increase of 33% from the same six-month period in 2007. The currencies of countries like Chile, Brazil, Colombia, Peru, and Paraguay have strengthened considerably relative to the US dollar over the past several years, which has promoted an increase in imports from Mexico and other countries, said Pedro Pinson, ProMexico's Latin America director.

The agency said the largest growth rate was in exports to Peru, which increased its purchases from Mexico by 75% in January-June relative to the same period in 2007. Brazil ranked second, with exports to that country totaling US$1.5 billion in the first semester, up 73%. Mexico narrows deficit with South America Despite the favorable export trends, Mexico's trade with South America remains at a deficit, reported at US$1.5 billion in 2007.

Total trade with the region approached US$23.4 billion that year, with Mexican imports from South America reaching just below US$12.5 billion. Pinson noted, however, that the 2007 deficit with South America was much narrower than the imbalance of US$4.5 billion recorded in 2006. Mexican trade with the region is projected at about US$24.5 billion in 2008. Pinson said ProMexico anticipates a surge in trade with South America in coming years. "I think that Mexico must boost trade with South America," he said during a visit to the Chilean capital of Santiago to open a ProMexico office. "We can at least double trade between now and 2012."

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