

Imports from Mexico and the region

- 4.1 This chapter looks at the level of imports from Mexico and the region. Due to the limited information provided to the Committee regarding countries of the region its focus is on Mexico.

Mexico

- 4.2 Australia is Mexico's twenty-sixth largest trading partner. Mexico's exports of goods and services to Australia have increased significantly over the past decade, to total A\$961 million in 2005-06¹
- 4.3 In 2006 the major Australian imports from Mexico were:
- Internal combustion piston engines valued at A\$127 million
 - Passenger motor vehicles valued at A\$116 million
 - Computers valued at A\$100 million
 - Leather valued at A\$27 million
- 4.4 Australia is a promising market for Mexican business. Australia's strong domestic economy and high disposable incomes make it a potentially important market for Mexican manufactures and high value added agricultural products.²

1 Department of Foreign Affairs and Trade, *Submission No. 10, Vol 1*, p 135

2 Department of Foreign Affairs and Trade, *Submission No. 10, Vol 1*, p 140

Engine and automotive imports

- 4.5 Internal combustion piston engines are Australia's chief import from Mexico with a value of A\$127 million. Internal combustion engines are most frequently utilised for mobile propulsion in automobiles, and portable equipment and machinery. According to evidence by DFAT, this is an area of recent and significant growth:

One of the things that has happened over the last few years is that there has been an increase in imports of Mexican pistons and various car parts. In fact, there was quite strong growth in the last couple of years. There has also been a modest increase in the import of fully built vehicles, particularly pick-up trucks, farm vehicles³.

- 4.6 Mexico has outlined a desire to further expand their successful engine and leather exports within the Australian automotive industry. Mexican Ambassador HE Maria Ortiz de Rosas outlined this desire in evidence presented to the Committee; expressing her belief that such expansion might be a collaborative project between the two nations:

You are importing auto parts from Mexico and some big station wagons or something like that. So this is one important part of our exports to you. In the chain of production we would study what kind of expansion we could have. We could have joint ventures from these big manufactures that we have established in Mexico and the small and medium sized enterprises that are here in Australia building different parts of the automotive industry⁴.

In fact, we have one company established in the northern part of Mexico that is building leather seats for the automotive industry. This could expand to other areas of expertise for Australia and they could probably establish in Mexico and export the parts, the components, to the national market. In this way we are complementary, and we can expand our relationship and be more competitive globally if we join forces⁵.

3 Dr Michael Adams, Assistant Secretary, Regional Trade Policy, Trade Development Division, DFAT, *Evidence*, 7/02/2007, p.7.

4 Ambassador Martha Ortiz De Rosas, Ambassador, Embassy of Mexico in Australia *Evidence*, 28/02/2007, p. 9.

5 Ambassador Martha Ortiz De Rosas, Ambassador, Embassy of Mexico in Australia *Evidence*, 28/02/2007, p. 9.

Agriculture

- 4.7 Within the Central American region, Mexico is by far Australia's largest agricultural trading partner, representing 83.7 per cent of Australia's imports from the region⁶. In 2006, imports from Mexico came to a total of \$A68.6 million.
- 4.8 In 2006 Australia imported small amounts of agricultural commodities from Mexico and the region. Total imports of non-food agricultural goods from Mexico and the region to Australia during 2006 were around \$A71.4m. Alcoholic beverages and coffee accounted for non-food agricultural imports⁷

Horticulture (fruit and vegetables)

- 4.9 Mexico is a competitive exporter of horticultural products and was Australia's 20th largest import source by value for horticultural products in 2006 with imports valued at \$A14.4m.
- 4.10 Principal horticultural imports from Mexico to Australia include frozen fruit, frozen strawberries, pickles, dried dates, dried tropical fruits, garlic and lime juice.⁸
- 4.11 Australia is perceived by Mexico to be an attractive market for Mexican agricultural products. In its submission, the Mexican embassy outlined that,
- Australia is an attractive market for Mexican agricultural products. Mexico already exports a vast range of agricultural products to the United States, the European Union and Japan and can offer Australian consumers high quality products like mango, avocado and limes, in which Mexican producers may have seasonal and weather advantages.⁹
- 4.12 The northern states of Mexico in particular are interested in exploring the Australian market for the exportation of fresh fruits, such as plums, melon, watermelon, grapes and citric products.¹⁰

6 DAFF, *Submission No. 13, Vol 1*, p. 180.

7 DAFF, *Submission No. 13, Vol 1*, p. 180.

8 DAFF, *Submission No. 13, Vol 1*, p. 185.

9 Embassy of Mexico, *Submission No. 3, Vol 1*, p. 39.

10 Embassy of Mexico, *Submission No. 3, Vol 1*, p. 39.

- 4.13 The Mexican Embassy identifies Australia's stringent sanitary controls as a hindrance to the export of Mexican agricultural and horticultural products to Australia. Their submission states that;

. . . it is important to resolve some outstanding issues regarding sanitary controls in agricultural products, and livestock and non-tariff barriers.. (these) need to be addressed in order to facilitate and promote greater bilateral trade flows in these products.¹¹

Alcoholic Beverages

- 4.14 Exports of beer and tequila to Australia have been increasing constantly. This sector now represents 11% of the Mexican exports to Australia.¹²

- 4.15 In identifying areas in which Mexico would like to expand their exports to Australia Mexican Ambassador H.E Maria Ortiz de Rosas states:

Agriculture, food and beverage could be another one. We would like to expand our relationship in the processed food industry.¹³

The Committee's view

- 4.16 In relation to the issues surrounding Mexican imports to Australia the Committee is aware of significant bilateral discussions and progress being made in relation to BSE, fruit fly and classic pig fever.¹⁴

- 4.17 The Committee acknowledges the difficulties faced by Mexico in meeting Australia's stringent agricultural import standards; however it supports these rigorous standards as an essential step in preventing the spread of new agricultural diseases to Australia.

11 Embassy of Mexico, *Submission No. 3, Vol 1*, p. 39.

12 Embassy of Mexico, *Submission No. 3, Vol 1*, p. 41.

13 Ambassador Martha Ortiz De Rosas, Ambassador, Embassy of Mexico in Australia *Evidence*, 28/02/2007, pp. 9.

14 Embassy of Mexico, *Submission No. 3, Vol 1*, p. 41.

The region

- 4.18 In general, submissions concerning imports to Australia from countries within the region classified their information by country. With the exception of some agricultural figures, the report will mirror this structure in its discussion of regional imports.
- 4.19 Agricultural imports from Central America are modest and mainly comprise coffee and alcoholic beverages. Total agricultural imports from Central America were valued at \$A81.9 million in 2006.¹⁵

Cuba

- 4.20 Australia's merchandise exports to Cuba in 2005-06 totalled approximately A\$ 8.2 million, while Australian imports from Cuba were A\$ 5.8 million. Australia's main imports from Cuba are crustaceans, tobacco and fruit juices.¹⁶

Costa Rica

- 4.21 Costa Rica is Australia's major trading partner in Central America (excluding Mexico). In the 2005-06 financial year, two-way merchandise trade between Australia and Costa Rica was A\$49 million (exports A\$10 million, imports A\$39 million), an increase of 41 per cent when compared with 2004-05.¹⁷
- 4.22 Principal imports from Costa Rica included integrated circuits, computer pans, medical instruments and coffee and coffee substitutes.¹⁸

Guatemala

- 4.23 Australia's trade with Guatemala is modest but increasing gradually. In the 2005-2006 financial year, two-way merchandise trade was A\$23 million (exports A\$19 million, imports A\$5 million), an increase of 31.7 per cent up from the 2004-05.¹⁹

15 DAFF, *Submission No. 13, Vol 1*, p. 180.

16 DFAT, *Submission No. 10, Vol 1*, p 124.

17 DFAT, *Submission No. 10, Vol 1*, p 148.

18 DFAT, *Submission No. 10, Vol 1*, p 148.

19 DFAT, *Submission No. 10, Vol 1*, p 149.

- 4.24 Major imports from Guatemala were coffee and coffee substitutes, followed by oil seeds and ethylene polymers. An opportunity to expand the commercial relationship may exist in enhancing cooperation to develop import protocols for agricultural products, particularly genetics and seeds.²⁰

Honduras

- 4.25 The trade relationship between Australia and Honduras is growing but from a very modest base. In the 2005-06 financial year, two way merchandise trade between Australia and Honduras was A\$17.4 million (exports A\$7.3 million, imports A\$10.1 million), an increase of 36 per cent when compared with 2004-05. Principal imports from Honduras included coffee and clothing.²¹

20 DFAT, *Submission No. 10, Vol 1*, p 149.

21 DFAT, *Submission No. 10, Vol 1*, p 154.