

Mexico Offers Opportunities For Japan: Keidanren Official

TOKYO (Nikkei)--Japan should make the most of Mexico's expansive free trade networks and seize opportunities in infrastructure projects there, says Itaru Koeda, chairman of the committee on Japanese-Mexican economic ties at the Japan Business Federation, or Keidanren, Japan's most influential business lobby. Koeda, who is also executive adviser and honorary chairman of Nissan Motor Co. (7201), recently visited the fast-growing Latin American country to meet with officials from Keidanren's Mexican counterpart, the Mexican Foreign trade Council (COMCE), and other business organizations.

He recently spoke with The Nikkei Business Daily about Mexico's growth potential and its implications for Japanese businesses.

Q: Mexico grew at a robust rate of 5.5% in 2010. What was your impression of the country on your visit?

A: This is my first visit in three years. My impression is that every time I go there, the cars on the road become cleaner. Mexico is among the countries that have quickly recovered from the global financial crisis. But sales of new vehicles have yet to return to the pre-crisis level. The effects of the crisis still linger in some areas.

Q: Nearly six years have passed since the Japan-Mexico economic partnership agreement came into effect. How would you assess the situation?

A: Mexico has expansive free trade networks. It is a member of the North American Free trade Agreement and has signed a free trade deal with the European Union. It has good access to burgeoning Latin American markets. Nissan uses this advantage to export cars produced in Mexico to more than 80 countries.

The trade volume between Japan and Mexico has been growing, but Mexico's imports are greater than Japan's, which some people see as a contentious issue.

Japan's exports to Mexico are creating new value. For example, automakers export intermediate products to Mexico for completion and then export the finished goods to other countries. So rising bilateral trade is indeed creating benefits, though they do not translate into statistics.

Q: What kind of business opportunities are there in Mexico?

A: Mexico is one of the few countries that has a population of over 100 million. It is an emerging economy and the market continues to grow. The government acknowledges that the country lacks a solid infrastructure and regards infrastructure development as key to sustaining the growth momentum. Japanese companies can cash in on projects to build ports, power plants and railways and help develop green technology.

Q: Mexico has been hit hard by several crises, such as financial woes in the 1980s and the currency debacle in the 1990s. Have things changed?

A: I think a good sort of political tension was created and has been in place since 2000, when the National Action Party, PAN, came into power, ending 71 years of rule by the Institutional Revolutionary Party, PRI. The PAN-led government has maintained its focus on the economy, just like the previous administration. As a result, credibility and transparency have improved. Production of oil, the country's main export item, has stagnated, but the government acknowledges this and is working to improve the situation.

Q: Another concern is poor security. Underworld drug syndicates are a security threat. Could you comment on this?

A: President Felipe Calderon and his government are making all-out efforts to eradicate drug rings. I understand that security has temporarily worsened as the government steps up efforts to improve the situation.

The conflicts were initially between drug syndicates. But we must stay on guard, because the problems are starting to involve civilians and are spreading to areas near the U.S. border. But the situation should not deter Japanese companies willing to invest in or expand to Mexico.

We urged the Mexican side to improve security during our follow-up meeting for the Japan-Mexico EPA in the wake of the accident in which two Japanese businesspeople were shot and wounded in northern Mexico last month. We discussed specific measures, such as installing a hot line between Japanese companies and local security authorities.

Q: What challenges do the two countries face in this respect?

A: There is little information available, and bilateral exchange is still not very active. But given that resort areas are relatively safe, we should boost exchanges by encouraging many Japanese tourists to visit Mexico.

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