



BORDER BUSINESS INDICATORS

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We're Back !!!!

A Letter from the Editor

Dear BBI Subscriber:

A long time has passed since we were able to share with you some vital information that you may require regarding the indicators of business activities along the U.S. - Mexican border.

During this period we worked intensively on restructuring and modifying the Border Business Indicators (BBI) to make it a more effective and informative tool and we are proud to present to you our first "test product" for your consideration and evaluation.

We will be publishing the BBI on a monthly basis and will continue to test our format and content free of charge during the last months of 1990. As of January 1991, the BBI will become available to subscribers at an annual rate of \$24.00.

The BBI is published by the Institute for International Trade (IIT) at Laredo State University (LSU). This Institute, which is a part of the Graduate School of International Trade and Business Administration, is now in its 15th year of existence and is extensively engaged in research and publications mainly focusing on the U.S. - Mexican Border issues.

The activities of the IIT are supported by the Data Bases that are collected and maintained through the Texas Center for Border Economics and Enterprise Development (TCBEED) at LSU, under the directorship of Mr. Phillip Lane.

I would like to encourage you to become a permanent reader of our publication and help us to help you by increasing your information basis regarding some of the business activities along the border.

Looking forward to hearing from you.

Dr. Michael Landeck
Director
Institute for International Trade
Laredo State University

U.S. - MEXICO FREE-TRADE AGREEMENT WORKSHOP

Laredo State University in cosponsorship with Texas A&M University hosted on September 24, 1990, a workshop discussing the possible effects of the upcoming free trade agreement between the United States and Mexico as declared by President George Bush and President Carlos Salinas De Gortari.

Dr. Joseph McKinney, Professor of Economics, from Baylor University made a presentation about "Canada - U.S. Free Trade Agreement: Can It Be A Model for Mexico?" Dr. McKinney predicted that both Mexico and the U.S. will benefit from an FTA over the long term. However, various sectors of the economy may be affected negatively in the short term and they will have to make significant adjustments. Specifically the area of retailing may be adversely affected at first.

A panel of experts followed in discussion and public participation on the following issues:

Agriculture - Dr. Parr Rosson, Extension Economist and Specialist on International Trade, and Dr. Gary Williams of the Texas Agriculture Extension Service. Dr. Rosson stated no significant changes are expected in agriculture in the short term mainly because produce from Mexico does not conform to health and agriculture department requirements, such as pesticides.

Retail - Vicente V. Garza, Associated Companies, Inc., Laredo, Texas. Mr. Garza foresees that under the FTA,

Mexican retailers would be able to sell American made products free of tariffs in their retail outlets in Mexico and thus be able to compete with the U.S. merchants in the border cities that will be selling the same products. He also foresees that American retailers would be able to open up businesses in Mexico with U.S. products free of import tariffs.

Manufacturing - Mark Pease, General Manager, Barry Inc., Laredo, Texas. Mr. Pease indicated that the maquiladora era has only been underway in the Laredo area for the past twenty years. Mr. Pease estimated that there are about 1,800 maquiladoras throughout Mexico employing more than half a million workers. The maquiladoras buy over \$9.6 billion of supplies and equipment in the U.S. from more than 32,000 American firms. Ninety-eight percent of the goods that the maquiladoras buy are purchased in the U.S. and only two percent are bought in Mexico. Pease predicted that the U.S.-Mexico free trade agreement will generate a tremendous amount of additional business and employment in both the U.S. and Mexico.

One of the objectives of this workshop was to identify some of the major issues that should be discussed in the bi-national FTA conference that is scheduled for November 29 - 30, 1990, at La Posada Hotel in Laredo, Texas and will be cosponsored again by LSU and Texas A&M.

Upcoming FTA Conference November 29-30

A two day bi-national conference on the issue of the U.S.-Mexico Free Trade Agreement and its perceived effects on the border region will be hosted by Laredo State University and Texas A&M University at La Posada Hotel in Laredo, Texas on November 29-30, 1990 beginning at 9:00 a.m. This conference is a follow-up to the workshop highlighted in the article above. The conference will have the following sessions: Retailing, Manufacturing, Financial Services, Transportation, Customs, and Agriculture.

One of the major speakers at the November conference will be Mr. Don Abelson chief negotiator for the U.S. delegation regarding the Free Trade Agreement with Mexico. Mr. Abelson is coming to Laredo immediately after the meeting of Presidents Salinas and Bush, November 25 - 27, 1990, in Monterrey, and will probably share the latest information on the FTA.

For reservations and more information about the upcoming conference contact the Institute for International Trade at (512) 722-8001 ext. 348, Fax (512) 725-3348, or the Texas Center for Border Economic and Enterprise Development at (512) 722-8001 ext. 349/350 (Fax same as above).

Conference Registration fee (including receptions and lunches) is \$125.00 per person. Special rates of \$55.00 (single) and \$65.00 (double) for a suite at the La Posada Hotel were secured for registered members of the conference. Call La Posada for reservations at (512) 722-1701 in Laredo, 1-800-292-5659 in Texas and 1-800-531-7156 in the U.S., weekdays, 9:00 a.m. to 5:00 p.m. CST and Saturdays, 9:00 a.m. to 12:00 noon CST. Please inform the reservation clerk that you are attending the Free Trade Agreement Conference in order to secure these special rates.

Free-Trade Areas and Economic Unions

Are They Comparable?

On June 29, 1990, President Bush and President Salinas de Gortari declared their mutual intention to speed up and bring about a Free Trade Agreement between the U.S. and Mexico. Combining the FTA that we signed with Canada in 1989 to the expected FTA with Mexico, the two agreements will affect a population of about 345 million people in North America.

The above figure could give the false impression that after signing the FTA with Mexico we will create a North American "Common Market" that could be compared to the European Economic Community. Such a comparison overlooks the fact that economic unions, such as the one which will become a reality in Europe in 1992, go far beyond free trade areas.

A free trade area, as the one that we have with Canada, is the loosest form of economic integration among nations and its goal is the elimination of all tariff and non-tariff barriers among its members. In contrast, an economic union, as the one in Europe, incorporates all the elements of a free trade area and in addition includes the elements of:

1) Custom Union - includes a common external trade policy. In this integration form all the member nations charge identical custom rates for the same imported good or service.

2) Common Market - allows free factor mobility. The factors are mainly capital and work force. In a common market, direct and indirect investments in any industry of another member's economy can be made without restrictions and citizens of any member countries are free to work

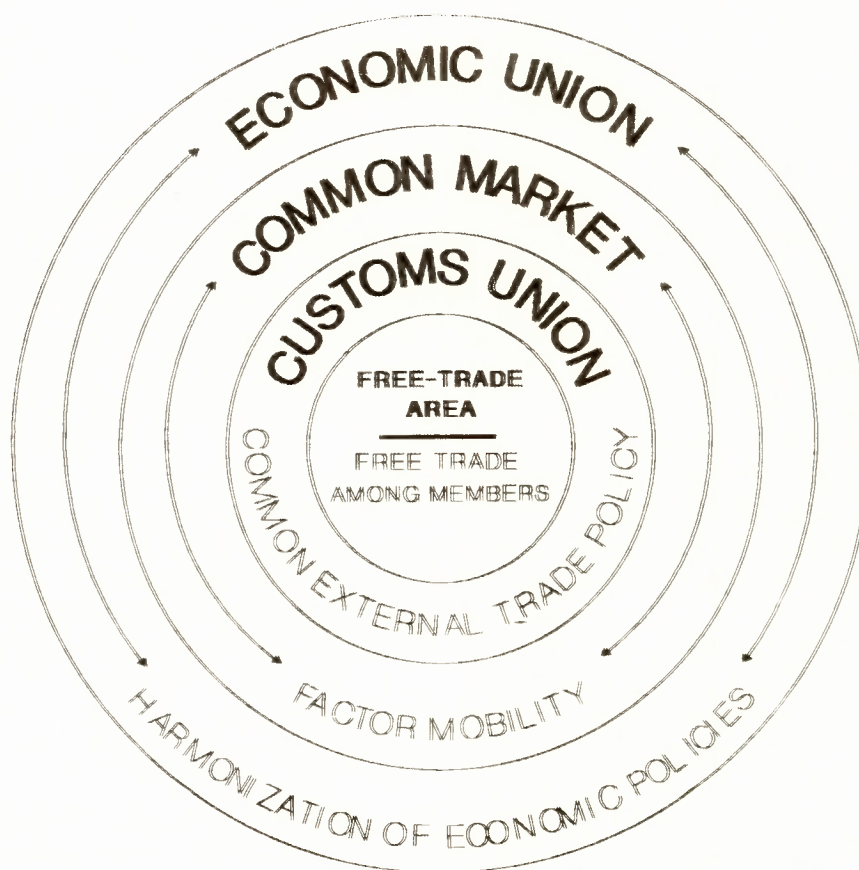
in other member countries.

3) Economic Union - incorporates a harmonization of economic policies among the member nations. Members of an economic union coordinate their economic plans in order to avoid situations that may lead to conflict of economic interest.

In the upcoming meetings with Mexico, the areas of mutual external trade policy, free factor mobility between the U.S. and Mexico, harmonization of the two economic policies, and the question of a common currency are not expected to be issues of negotiation and the discussions

will probably be limited to the creation of a free trade area.

In consequence, even after an FTA agreement may be reached with Mexico the competitive situation of the U.S., Canada, and Mexico with Europe will not change significantly. We will continue to be separate economic forces competing with a united economic front in Europe.



Forms of Economic Integration in Regional Markets

Source: Michael R. Czinkota and Ilkka A. Ronkainen, *International Marketing*, 2nd ed., (Chicago: The Dryden Press, 1990), 74.

The Mexican Peso/U.S. Dollar Exchange Rate

What is the "Real" Value of the Peso?

The peso history chart demonstrates the changes in the peso/dollar value during the eventful 1980s.

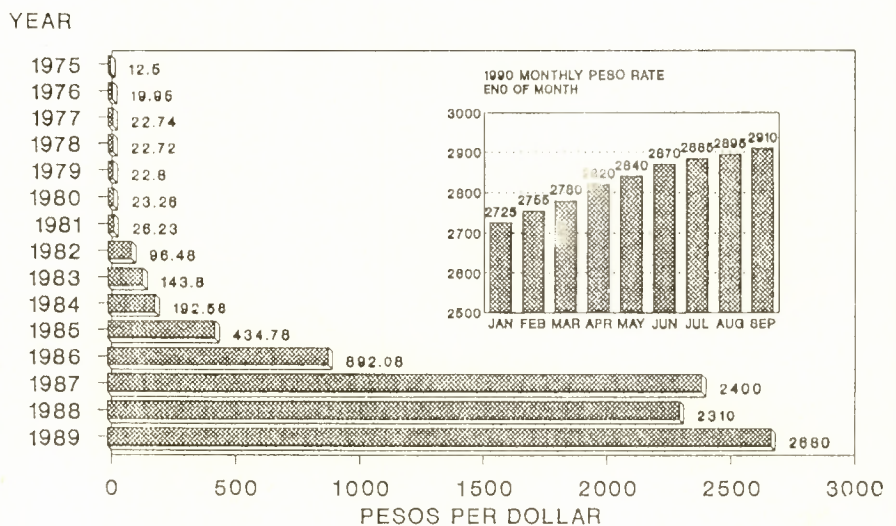
The major changes being: a devaluation of the peso by 268% in 1982 compared to 1981, a 105% devaluation in 1986 compared to 1985, and an additional 169% devaluation of the peso in the following year of 1987.

For the first time in 1988, the peso has gained in value as compared to the U.S. dollar by 3.8%, but then again devalued by 24.7% in 1989.

Upon first impression, the peso history graph in the last three years seems to indicate a stabilization of the peso compared to the U.S. dollar. But there is a question whether this latest "stability" reflects the pesos "real" value. In order to do so it is advisable to compare the changes in the peso value with the inflation rates in Mexico and the United States.

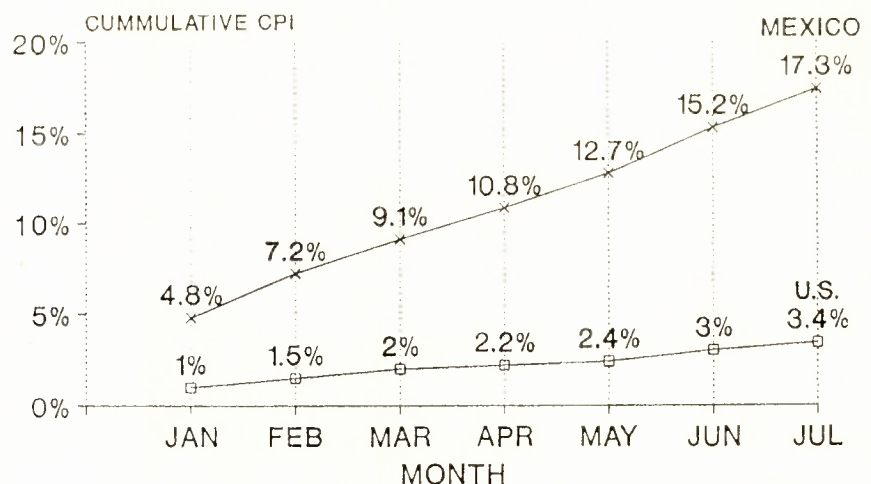
A "true" reflection of the relative value of the peso would occur only if the value of the peso is adjusted in accordance with the inflation differential between the two countries. For example, as can be seen from the figure at the right, during the first seven months of 1990, the inflation differential was 13.9%. During the same period, the peso should have depreciated by 13.9%. It actually decreased in value by only 5.9%. This observation indicates that the Mexican peso is being artificially kept above its market value. A continuation of this trend, which has existed since 1987, could create future economic and balance of payments problems.

PESO HISTORY
1975 - 1989 (INSET 1990 MONTHLY)
PESO MARKET VALUE AT END OF YEAR



Sources: Texas Center for Border Economic & Enterprise Dev., LSU
International Monetary Fund
International Bank of Commerce, Laredo, TX

U.S./MEXICO CONSUMER PRICE INDEX
CUMULATIVE MONTHLY INDEX
JANUARY - JULY 1990



Sources: Texas Center for Border Economic & Enterprise Dev., LSU
Bureau of Labor Statistics
Banamex

Border Statistics

Summary of Border Sales for Selected Border Cities

Aggregate Sales 1989

	<u>LAREDO</u>	<u>BROWNSVILLE</u>	<u>DEL RIO</u>	<u>EAGLE PASS</u>	<u>McALLEN</u>	<u>EL PASO</u>
AGRICULTURE	701,681	2,664,615	177,680		8,938,603	9,252,061
MINING	638,528				498,745	
CONSTRUCTION	25,953,111	9,200,901	4,774,934	894,267	43,197,583	213,845,359
MANUFACTURING	90,731,134	1,007,574,638	10,243,459	1,596,493	205,648,740	1,209,573,471
TRANSPORTATION	19,683,146	64,505,543	12,458,612		9,845,384	377,725,894
WHOLESALE						
DURABLE GOODS	211,849,319	174,706,573	7,054,253	11,288,065	286,541,833	1,155,751,495
NON-DURABLE GOODS	136,630,338	68,468,925	15,986,207	24,059,673	119,825,556	1,104,496,335
TOTAL WHOLESALE	348,479,657	243,175,498	23,040,460	35,347,738	406,367,389	2,260,247,830
RETAIL						
BUILDING MATERIAL	57,283,381	34,568,532	11,126,483	8,965,553	48,345,281	192,172,396
GEN. MERCHANDISE	277,782,897	201,972,762	37,444,745	46,830,669	239,042,852	693,099,286
FOOD STORES	228,812,226	181,113,802	53,073,073	50,247,284	201,687,302	704,055,649
AUTOMOTIVE	103,417,126	97,956,890	40,200,076	18,334,102	200,304,444	706,598,219
CLOTHING	203,183,529	72,196,731	8,969,024	16,571,321	148,446,405	247,434,538
HOME FURNISHINGS	222,543,600	57,698,571	6,428,652	8,124,006	140,546,299	250,736,602
RESTAURANTS	81,018,623	53,510,173	14,796,581	12,886,903	88,007,385	312,896,273
DRUG STORES	13,133,043	14,432,015	3,887,777	1,719,327	18,253,360	83,005,146
LIQUOR STORES	2,263,657	2,583,265			4,573,345	28,659,330
MISCELLANEOUS	238,361,228	71,858,788	6,755,817	14,649,383	139,716,217	293,138,682
TOTAL RETAIL TRADE	1,427,799,310	787,891,529	183,450,815	178,973,091	1,228,922,890	3,511,796,121
FINANCIAL SERVICES	2,039,302	4,064,561	329,883		4,539,325	9,404,066
SERVICES	66,973,700	49,569,988	12,344,528	5,428,336	79,491,810	566,636,866
NONCLASSIFIABLE	81,999					
AGGREGATE TOTALS	1,983,081,568	2,168,647,273	246,051,784	221,595,837	1,987,450,469	8,158,481,668

Sources: Texas Center for Border Economic & Enterprise Dev., LSU
Texas State Comptroller's Office

General Comments on Border Statistics

The total sales figures for the largest six cities along the Texas Mexican border for 1989 indicate sales of \$14.8 billion. Approx. \$7.4 billion was due to the retail industry which accounts for 49.6% of the total sales. Second largest industry is wholesaling with \$3.3 billion (22.46%) followed by manufacturing that has generated \$2.5 billion in sales (17.10%). All other sectors have aggregate sales of \$1.6 billion.

The city sales ranking shows El Paso leading with \$8.2 billion (55.25%), followed by Brownsville at \$2.2 billion (14.69%), and both Laredo and McAllen at \$1.99 billion each (13.43%). Del Rio sold \$246 million (1.67%) and Eagle Pass \$222 million (1.5%).

Hotel/Motel Occupancy Rates (in %)

	JULY 90 %	AUG 90 %	AUG 89 %	%CHG. 89-90
=====	=====	=====	=====	=====
BROWNSVILLE	52	59	52	13.5
DEL RIO	65	48	57	(15.8)
EL PASO	71	61	70	(12.9)
McALLEN	69	75	82	(8.5)
LAREDO	70	80	49	63.3

Source: Texas Center for Border Economic & Enterprise Dev., LSU

Hotel/Motel occupancy (see page 5) shows declines in Del Rio, El Paso and McAllen (15.8%, 12.9% and 8.5% respectively), whereas only Brownsville shows slight improvement in comparison to August of 1989 with 13.5%. Laredo is booming with the highest occupancy rates of 80% and an improvement of 63.3% as compared to August of 1989.

The lowest unemployment rate in August 1990 along the cities of the border was in Laredo with 9.1%, followed by El Paso with 10.1%. Eagle Pass had the highest unemployment rate of 18.7%. The trend toward a lower unemployment rate is becoming more visible but the comparison to the Texas and national unemployment rate of 5.6% is still unfavorable.

International bridge crossings show a stagnation in pedestrians entering Mexico from the border cities with the exception of McAllen (17%). Vehicle crossings increased by 30% in Brownsville and 16% in Del Rio and remained almost constant in the other cities.

Border Cities Employment Rates

CITY	TOTAL WORK FORCE	TOTAL EMPLOYED	TOTAL UNEMPLOYED	PER CENT UNEMPLOYE
BROWNSVILLE	43,904	39,276	4,628	10.5
DEL RIO	11,786	10,564	1,222	10.4
EAGLE PASS	8,482	6,893	1,589	18.7
EL PASO	233,603	209,976	23,627	10.1
McALLEN	38,308	33,423	4,885	12.8
LAREDO	48,655	44,213	4,442	9.1
THE NATIONAL/TEXAS UNEMPLOYMENT RATE FOR AUG. '90 WAS				5.6

Sources: Texas Center for Border Economic & Enterprise Dev., LSU
Texas Employment Commission

El Paso shows a significant increase in both passenger and freight activities in its airport. McAllen maintained its passenger numbers but lost approx. half of its freight volume as compared to August of 1989. Laredo shows an extreme increase in passenger arrivals (69%) but the departure figures have reduced slightly (5%).

International Bridge Crossings

	AUG 1989	AUG 1990	%CHG
BROWNSVILLE			
PEDESTRIANS	262,587	259,868	(1)
VEHICLES	322,174	418,992	30
DEL RIO			
PEDESTRIANS	6,902	6,891	(0)
VEHICLES	98,677	114,416	16
EAGLE PASS			
PEDESTRIANS	37,463	36,317	(3)
VEHICLES	209,561	203,707	(3)
McALLEN			
PEDESTRIANS	1,022,043	1,190,846	17
VEHICLES	399,155	406,609	2
LAREDO			
PEDESTRIANS	286,580	267,370	(7)
VEHICLES	582,178	553,616	(5)

Sources: Texas Center for Border Economic & Enterprise Dev. LSU
City Bridge Management

Airport Activity

	AUG 1989	AUG 1990	% CHG
EL PASO			
PASSENGERS:			
DEPARTURES	150,719	166,296	10
ARRIVALS	147,477	163,071	11
FREIGHT:			
DEPARTURES	3,168,400	3,470,000	10
ARRIVALS	3,485,600	4,773,400	37
McALLEN			
PASSENGERS:			
DEPARTURES	20,598	19,945	(3)
ARRIVALS	20,704	19,863	(4)
FREIGHT			
DEPARTURE	208,025	117,613	(43)
ARRIVALS	148,451	69,054	(53)
LAREDO			
PASSENGERS:			
DEPARTURES	5,862	5,542	(5)
ARRIVALS	3,152	5,316	69

Sources: Texas Center for Border Economic & Enterprise Dev. LSU
Airport Authority

Export Shipments by Truck and Rail

	AUG 1989	AUG 1990	% CHG
BROWNSVILLE			
LOADED RAIL CARS	702	1,109	58
LOADED TRUCKS	14,662	11,408	(22)
DEL RIO			
LOADED TRUCKS	2,226	2,583	16
EAGLE PASS			
LOADED RAIL CARS	1,057	541	(49)
LOADED TRUCKS	1,775	1,553	(13)
McALLEN			
LOADED TRUCKS	3,979	4,822	21
LAREDO			
LOADED RAIL CARS	5,221	6,955	33
LOADED TRUCKS	14,720	24,458	66

Source: Texas Center for Border Economic
& Enterprise Dev., LSU

Laredo leads the pack in truck activities across the border (66%) and has a significant increase in rail exports as well (33%), followed by McAllen (21%) and Del Rio (16%) whereas El Paso has a decrease of 22%. A significant decrease in rail

Visa Permits to Tourists from Texas to Mexico

MONTH	JUNE 1990	JULY 1990	AUG 1990	AUG 1989
BROWNSVILLE	9,595	9,608	10,486	12,440
DEL RIO	2,991	2,877	2,941	3,814
EAGLE PASS	6,023	8,302	8,093	8,654
EL PASO	17,709	23,926	22,444	26,880
McALLEN	18,104	18,753	19,620	25,446
LAREDO	42,343	34,397	41,551	45,305

Sources: Texas Center for Border Economic & Enterprise Dev., LSU
Secretaria de Gobrenacion Oficina de Servicios Migratorios

activity is registered in Eagle Pass (49%).

The tourist crossing into the interior of Mexico, power connections and building permits statistics, presented here for your review, will be discussed in greater detail in the December 1990 issue of the BBI.

Power Connections

	AUG 89	AUG 90	% CHG.
BROWNSVILLE			
RESIDENTIAL	24,686	25,116	1.7
COMMERCIAL	4,021	4,134	2.8
DEL RIO			
RESIDENTIAL	11,721	11,675	(0.4)
COMMERCIAL	1,160	1,645	41.8
EAGLE PASS			
RESIDENTIAL	7,216	7,503	4.0
COMMERCIAL	1,160	1,163	0.3
EL PASO			
RESIDENTIAL	212,792	217,205	2.1
COMMERCIAL	21,651	22,195	2.5
McALLEN			
RESIDENTIAL	24,629	25,116	2.0
COMMERCIAL	4,148	4,180	0.8
LAREDO			
RESIDENTIAL	32,644	33,489	2.6
COMMERCIAL	5,075	5,277	4.0

Sources: Texas Center for Border Economic
& Enterprise Dev., LSU
Respective Utility Companies

Building Permits

CITY	JUNE 1990	JULY 1990	AUG 1990	AUG 1989	% CHG AUG 89- AUG 90
BROWNSVILLE					
VALUE	\$3,371,506	\$2,795,575	\$2,509,677	\$6,412,324	-61%
NUMBER	158	131	129	140	-8%
DEL RIO					
VALUE	\$651,809	\$389,309	\$520,114	\$491,105	6%
NUMBER	45	31	30	29	3%
EAGLE PASS					
VALUE	\$140,094	\$203,071	\$92,240	\$144,630	-36%
NUMBER	8	9	4	7	-43%
EL PASO					
VALUE	\$18,023,102	\$16,976,593	\$31,688,260	\$28,581,444	11%
NUMBER	771	660	837	1057	-21%
McALLEN					
VALUE	\$6,921,444	\$3,290,423	\$8,794,585	\$4,050,080	117%
NUMBER	120	93	116	126	-8%
LAREDO					
VALUE	\$9,345,036	\$4,673,430	\$16,095,628	\$5,584,897	188%
NUMBER	198	210	202	157	29%

Sources: Texas Center for Border Economic & Enterprise Dev., LSU
Respective City Authorities

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