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The Internationalization of Mexican Fisheries Companies and the Rise of Theire Exports to the Italian Market

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Abstract. Opening up trade under the guidelines of trade agreements is presented as an area of opportunity for Mexico to diversify markets.Reality demonstrates that U.S. and Mexico hold a large concentration of commercial transactions. In the case of fishery products, the European Union, particularly the Italian market is presented as a great potential to achieve this market diversification. Therefore, in this research the characteristics of the European market are analyzed. Their purchasing power and the advantages and disadvantages for Mexican exports, particularly those derived from fishery products.
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1. Introduction

In 2009, the World Bank's economy positioned Mexico as the second largest in Latin America (The World Bank, 2010) and the International Monetary Fund positioned Mexico as the fourteenth largest economy in the world (IMF, 2010). The Mexican economy is characterized by a free market economy; heavily oil export-oriented. It's a free market economy by basing its international trade in the free trade agreements (FTA's) that has signed with 43 countries, including the United States of America (USA), Canada, Japan, Israel, European Union (EU), as well as Central and South American countries (Secretaría de Relaciones Exteriores, 2013).

As a result, the Mexican economy responds differently than any other Latin American country would respond when an economic crisis occurs. This was observed when the peso devaluation occurred in December 1994, months after the entry into enforcement of the Free Trade in North America (NAFTA) signed with the United States and Canada on December 17, 1992. In this situation, the Mexican government received "support" emergency package that the government of the USA adopted to improve the macroeconomic indicators of the country. At the same time, the Mexican government had a duty to boost exports, causing an accelerated growth and getting the same results in the damping of the crisis (Esquivel, & Jiménez, 2010).

With respect to inflation and public debt in Mexico, both have been able to stabilize and keep under control. The first has gone from 35.0% in 1995 to 5.3% in

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2009 (The World Bank, 2010). The second declined from 45.7% as a share of Gross Domestic Product (GDP) in 1995 (Centro de Estudios en Finanzas Públicas, 2002), to 26.5% in 2009 (Márquez, & Ayala, 2009). One of the partial measures to prevent rising inflation in Mexico is to maintain low minimum wages (Cuevas & Gutiérrez 2007). In 1995 the average minimum wage, based on the three areas was approximately USD 1.98 per day and in 2009 was approximately USD 7.79 per day (Comisión Nacional de Salarios Mínimos, 2010). Clearly this represents a loss in the purchasing power of the Mexican population but is one way to avoid devaluation as occurred in 1976 crisis.

Also, the Mexican economy is composed of primary, secondary and tertiary sectors. Of the three in 2009, the tertiary or services sector employed 64.51% of GDP, the secondary sector, 30.84% and 4.65% GDP of the primary sector GDP (Centro de Estudios de Finanzas Públicas, 2010). One of the reasons that cause this high percentage of the tertiary sector in GDP is the fact that Mexico has the privilege of being one of the countries with high biological diversity and wealth of the planet, causing numerous species of flora and fauna to be located within its territory. This makes it to become a tourist attraction for people from other countries.

2. Background of the problem

Due to the above, there are highlighted three major issues facing the Mexican economy: The first is the high level of dependence on exports made to the USA, which represent more than a quarter of Mexico's GDP (Subsecretaría de Comercio Exterior, 2010a; 2010b; 2010c). What generates the result that the Mexican economy is strongly linked to the economic cycles of the USA? Therefore, the Mexican economy has suffered from the slowdown in economic activity in the USA, although it had a real GDP growth of 3.3% in 2007, only 1.3% in 2008 and contracted of 6.5% in 2009 (The World Bank, 2010).

The second problem is that after oil exports, the second major source of foreign exchange earnings to the country is receiving remittances from the USA. On average Mexico has received USD 21 billion per year (Banco de México, 2010).The third problem is that the primary sector represented 4.65% of GDP, a low percentage compared to the other two sectors. As affected both by climate change and over exploitation of them, being part of a free market economy where it has to face daily to an unfair competition. Theoretically, these should export more goods with or without added value and should be fewer tariff and non-tariff barriers to be supported with the signing of the FTAs.

3. Definition of the problem

The overall objective of this paper is to analyze the characteristics that make up the European market, a market with greater economic capacity than the USA market for Mexican exports.Also, to present the European market as an alternative to Mexican individuals and companies that export mainly Mexican seafood products as well as any other goods and / or products intended to export.

Besides to analyze the advantages and disadvantages of the features found in the Italian market, in order to know the potential and acceptance for Mexican exports, mainly of fishery products. Exports are promoted in Mexico, both in the physical and legal persons engaged in fishing as the ones performing other economic activity, to make it a culture. Also it is shown that there are other markets with an economically viable capacity, in addition to the USA market, for Mexican exports of fisheries products as well as any other goods and / or product, such as is the Italian market or any market of the 27 countries that are part of the European Union.

4. Justification

However, the activities carried out in the primary sector include agriculture, livestock, and forestry, fishing and hunting (INEGI, 2010). Later are discussed briefly the cases of agriculture and fisheries. In the case of agriculture under the framework of NAFTA, it has been most affected, reducing exports to the USA implemented by tariffs, which until 2008 few were released (Tapia, 2006). NAFTA has also increased imports from the USA of goods such as corn.

With regard to fisheries, the production has been increasing year by year. By making a comparison between 2001 and 2008, it shows that in 2001 there was a national fish production for direct human consumption 1'325'785, 01 tonnes of landed weight and in 2008 increased to 1'572'768, 09 tonnes of landed weight (CONAPESCA, 2010). This amount does meet the needs of consumers in the domestic market and some may be consumer-oriented towards the international markets through exports.

In addition to these positive results in the production, it can be added and say that the balance of trade in fishery products is not negative. It is exporting a higher amount of goods being imported. It is noted that in 2008 were exported 253'785 tons and imported only 128'372 (CONAPESCA, 2010). Out of which, the 36.32% of these tons were exported to the USA; 27.38% to Japan, Hong Kong and Taiwan; 4.10% to Spain and the remaining 32.20% to different countries (CONAPESCA, 2010). However, the tonnage was less than the places mentioned so its final destination is not specified.

5. Assumption

Is this situation, the export of fish products and as the largest percentage of them is made to the USA and not to other countries, the main interest of this article. Mexico has a trade deficit, in which more goods and products are imported than exported. Therefore, if exports of fishery products increased and also other Mexican goods to countries like Italy, then the deficit in the trade balance Mexico would begin to decrease.

6. Theoretical conceptual framework.

6.1. Keynesian theory of John Mynard Keynes.

John Maynard Keynes (1883-1946) in his book The General Theory of Employment, Interest and Money, published in 1936, showed that a government can use its economic power, its ability to spend, tax and control money supply to alleviate, and sometimes even eliminate, the biggest drawback of capitalism that are the cycles of boom and bust.

According to Keynes (1943), in an economic downturn the government should increase public spending, even at the cost of incurring budget deficits to offset the decline in private spending.

In a period of economic expansion, the reaction should be the opposite if the expansion is caused speculative and inflationary movements (Keynes, 1943). This theory was born from the Great Depression of 1929 and it is taken up by the economic crisis of 2008-2009 that made in developed countries like the USA, the government had to step in applying economic stimulus measures such as reducing taxes and increased spending, to achieve stability. Therefore, one of the measures implemented by both developed and developing countries by priority in the context of their economic policies to overcome the crisis is to promote exports. In this case and under the principle of the theory of Keynes, the government provides subsidies to domestic firms, not to have equal footing with international competitors but to have an advantage and can make more exports after increase national income to appropriate a larger share of the rents at stake (Steinberg, 2004).

At the same time, economic activity in Mexico suffered from a slowdown to be strongly linked with a depressive economic cycle of the USA economy. One of the consequences was that the Mexican exports were severely affected. Mexico's government had to intervene and implement a series of measures to stimulate economic growth. As in the devaluation of the peso in 1994, the Mexican government has a duty to boost exports to generate growth and cushion the crisis, with the difference that should not be performed to the USA, but new markets.

6.2. Heckscher-Ohlinn model of Eli Heckscher and Bertil Ohlin.

The Hecksher-Ohlin model arises from the theory of comparative advantage developed by David Ricardo in the early nineteenth century. It is in 1919 that Eli Hecksher formulates his theorem, which summarizes international trade as the relative scarcity of factors in each other countries (Sánchez, 2002). In 1933, Bertil Ohlin modifies and notes that there are equal preferences across countries, believes that factor productivity is the same in all countries that these goods are produced in the same way in all of them and the different goods are obtained with a different factor ratio.

As a result, the relative costs are different because they have different relative factor prices and this is the result of various provisions (Sánchez, 2002). This model predicted trade between developed countries and developing countries, as trade between the USA and Mexico, or between Italy and Mexico. From this it follows that each country has a comparative advantage and therefore must exploit the good that uses intensively, at higher rates. It is through international trade that countries exchange their abundant factors by few factors, so that in the medium term relative endowments thereof in all countries that are trading becomes to be equal, and with this is also their development potential.

However, Mexico has a comparative advantage is its great diversity and biological richness, which allows fishermen to produce the quantities needed to satisfy consumers in the domestic market and international market. It was observed in 2008, when 36.32% of exports were destined to the USA (CONAPESCA, 2010). Mexico can meet the needs of consumers in the international market, but it is important to note that the international market is not only the market of the USA. Therefore, this figure should be reduced and should increase the percentage of exports to other countries such as Italy, which in the EU is in the second place as a consumer of the same, as shown in Table 1 Consumption of fish products in the EU, 2008 (Banco Nacional de Comercio Exterior, 2008).

Table 1. *Consumption of fish products in the EU, 2008*

Country	Euros (Thousands)
France	8663,00
Italy	7841,00
Spain	7550,00
United Kingdom	4078,00
Portugal	2815,00
Germany	2650,00
Greece	2166,00
Belgium	1536,00

Sweden	796,00
Finland	344,00
Denmark	305,00
Austria	301,00
Ireland	230,00

Source: Banco Nacional de Comercio Exterior, SNC (2008)

For this, it is added the problems that exist within the Italian fishing industry, where production has been in decline and has resulted in being forced to make purchases from member countries of the EU, which makes it to become its comparative disadvantage (FAOSTAT, 2010).

7. Contextual framework

European consumer is known to be very conservative, demanding and who knows quality when it refers to fish products. In addition, the product should include nutritional characteristics, which facilitates increased demand for these products. Another decisive factor is the social changes. Some of these social changes are the inserted women into the labor market, fragmented meals at home, reducing the number of children per family and considering the increase of people living alone at home (Banco Nacional de Comercio Exterior, S.N.C., 2008).

In Europe, consumers are accustomed to having a variety of products that also meet high standards, reaching excellence, which gives them a greater power of decision making when buying and choosing from a variety of products with high quality and competitive prices (Banco Nacional de Comercio Exterior, S.N.C., 2008).

Italy has a market of 60 million of potential consumers, and in turn offers many opportunities for companies that are considering expanding (Ministero dello Sviluppo Economico, 2013). Thanks to its location in the heart of the Mediterranean, Italy is an important point to be connected by land, sea and air from north to south of Europe, causing it to come to cover the nearly 396 million consumers who live in the rest of the countries comprising the European Union, and nearly 240 million consumers who are in North Africa and the Middle East (Agenzia Nazionale per L'attrazione e lo Sviluppo Investimenti degli D'printed, 2010).

8. Method

Data Collection by:

A. Databases on the Web (refereed articles, scientific journals, etc.).

B. Official websites (Banco de Mexico, Bancomext, House of Representatives, National Commission of Aquaculture and Fisheries, Food and Agricultural Organization, International Monetary Fund, Ministry Of Economy, Ministry of Labor and Social Welfare, Ministry of Foreign Affairs The World Bank) .

C. To a lesser extent without peer websites (google, yahoo, etc.).

9. Analysis of results.

Through the implementation of this article it is understood that Mexico is in a difficult and complicated situation that has led governments of first world countries to have to retake the theory of Keynes supporting and subsidizing natural and legal persons engaged in economic activities not only to sustain but can maintain spending among the population and that has achieved stability to overcome the economic crisis.

Mexico plays an important role in the global economy by becoming the first Latin American country that has signed 43 free trade agreements with major world economies and have a strategic location being a natural bridge between South and Central America and North America. Also, their coastalborders are covered by both the Pacific Ocean and the Atlantic Ocean. In Mexico there are areas that are national leaders in producing many goods that can be exported to every country in the world.

Despite the advantages outlined above, Mexico still has strong weaknesses to overcome, such as: a bad public administration that has maintained often negotiating FTAs not being made known to all natural and legal persons who perform and produce economic activities, lack of export culture; lack of knowledge of the market with economically viable potential for goods; continuous and prevalent idea of export only to the USA and lack of support, advice and subsidies from the federal government.

10. Conclusions and recommendations

As a conclusion, the individuals and entities engaged in economic activities, particularly in the fisheries sector and that have a potential for exports should begin to consider diversifying markets. While the USA may be the number one choice just by geographical proximity with that account and with the support of NAFTA, but it should also be emphasized that the crisis that began in 2007 made the US market became a weak market for Mexican exports. Therefore, the question arises: If Mexico is geographically almost 3 times larger than Italy, it has more than 100 million compared to the nearly 60 million who live in Italy, who is the second country that more consume fish products in the EU, why not to export fishery products to Italy?

The Mexico-Italy economic relations have strengthened over the years. They started with a strong focus on cultural exchange and little trade but with the signing of the EU-Mexico FTA trade has increased, to the extent that Mexico's trade balance -Italy presents a negative result. Italy has received more benefits from the EU-Mexico FTA in comparison to Mexico, and even the Italian Chamber of Commerce is located in the city of Mexico, where the major Italian companies rather than foreign direct investment conduct imports to Mexico increasing their sales quantities.

By contrast, Mexico has many problems to enter the Italian market. In the first place, it is for a product and / or good to enter Italy as part of the EU needs to comply with a long list of rules and requirements. Secondly, because it is one of the most demanding markets in which the Italian consumer is characterized by first assessing the quality rather than quantity.Also export to Italy involves the following drawbacks: The Mexican exporter must make a strong investment in logistics due to the distance between the two countries, the delivery time can be exceeded the allotted time, there is a long list of requirements, health standards, phytosanitary and taxes that must be met and paid, etc. All thesemake it appear that there is no free trade agreement between the EU and Mexico, because they do not reduce non-tariff barriers.

With respect to imports of fishery products, there must be proper management of the same, where Mexico has established standards and requirements to ensure the standards of fresh, chilled and even processed fish products to be introduced into the country. Although it is heard and seen in the media information concerning the fisheries sector, representatives of fishermen of shrimp boats complain that they have captured good harvests in recent years and how this is a result of overexploitation of the offshore shrimp fishery, main species exported, because the fishermen do not allow the species to recover their production cycles and may increase the amount. Species are captured in closed season and later catches are made when the ban is lifted.

Therefore, returning to the Hecksher-Ohlin model, there is a comparative advantage in the production of shrimp of estuary in the South Zone of the State of Sinaloa, Mexico for export to Italy. These would reduce, prevent overfishing, and allows to rest during the breeding cycle of offshore shrimp fishery. This fishery with knowledge and different presentation of the offshore shrimp can be exported to new markets that are interested in these fish products.

There are goods, products and merchandise produced in Mexico that has a quality comparable to any "first world country". The problem lies in the concept of quality-cost. For any Mexican low cost of the product is above the quality of the product and low cost for any Italian can be considered as low quality. For a Mexican, a high cost of the product is equal to a product with excellent quality and for an Italian the high cost for a product is no guarantee that the product is of excellent quality. The Italian consumers before making a decision take into account the shape, composition, origin and all possible factors that are involved in making the product. These differences between the habits of Mexican consumers and Italian consumers have been found to be considered or are not deemed to Italy as a potential market.

However, not for this reason, Italy should be ruled out as a market to receive exports of Mexican seafood or to be considered as an impediment for not exporting, only shows that the European Union (EU)-Mexico FTA has not favored Mexico as promised by the negotiators of both parts. Mexican exports are rejected by the high standards that manage other countries as a way to protect their own economy, creating a contradiction because many of these countries have signed FTAs with Mexico.

In the economic sphere, Mexico suffers from a growing trade deficit, a high concentration of investment, low employment generation and privatization of enterprises. Since the entry into enforcement of the EU-Mexico FTA, Mexico's trade deficit with the EU has increased significantly from USD 9'439 million to USD 16'957 million. Almost 90% of Mexican imports are intermediate goods not produced in Mexico, indicating a structural weakness of the economy that has not been possible despite the FTA remedy where there is a need to import greater quantities than make greater exports, generating the following individuals and companies that make small and medium enterprises to be affected by inhibited the development of them.

As regards support programs or subsidies from the Mexican export government do exist. Bancomext is the responsible financial institution to promote the growth of Mexican companies, especially SMEs, and increase their participation in global markets. But, it has two problems:

A. Supports promoted are credits and the list of requirements is long, and

B. Those supports are not promoted unless an individual or a company business start doing research individually.

Support becomes known for any physical or moral person performing some kind of economic activity and has decided to make the move to export to access support. To be part of it and receive a favorable decision, the beneficiary should have to wait for a while, approximately one, two or three years, as it must comply with the long list of requirements. However, there is no certain guarantee that the person or entity can receive this support from the government because there is corruption in the Mexican bureaucracy that makes if there are no "contacts" there is no progress on the paperwork submitted. Although one of the objectives of the Bancomext is to support small and medium enterprises, only a large company can hope to get one of these loans.

Finally, the individuals and companies that have a small or medium business and conduct economic activities should know that Italy is an economically viable seafood market to receive Mexican exports of seafood products. Therefore, it should consider the following tips for greater opportunities to compete on the same: To have a long-term vision, from 2 to 5 years for export, starting as an investment in the company or corporation to handle. It means meeting all the requirements, standards and tariff and non-tariff rules. Also, it tries to create a unity between different individuals or companies that are considering exporting to different cities in Italy, in such a way, when businesses export using one consolidated shipment, sea or air, may be composed of different products.

Having a store, warehouse or distribution warehouse recognized by customs agents in Italy requires making use of "just in time". Deliver the product in a store, warehouse or customs warehouse recognized by the shop or Italian client agents. For greater penetration into the Italian market, it is required making direct supply to shops, restaurants and grocery stores without having to make use of the "brokers".

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