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NAFTA Aids Success of Latin Beer

By LYNN BREZOSKY

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SOUTH PADRE ISLAND, Texas -- Few Americans know a lot about the 1862 battle being commemorated Thursday on the Mexican holiday of Cinco de Mayo, but plenty can name a Mexican beer to celebrate it with.

Whether the blockbuster Corona or emerging brands such as Dos Equis and Tecate, Americans' familiarity with Mexican beer has been noted by economists who point to the relaxation of tariffs under the 1994 North American Free Trade Agreement as the foundation of their success.

"Latin beer is hot," said Marc Scheinman, an international marketing professor at Pace University.

Grupo Modelo's Corona ranks seventh in U.S. beer shipments, long outranking Heineken as the top imported beer in America. Modelo has increased its exports to the United States by 30 percent a year.

Fomento Economico Mexicano SA, Mexico's other main beer company, is gaining market share with brands that include Dos Equis, Tecate and Bohemia.

In the past decade, annual U.S. malt beverage imports from Mexico rose from \$36 million to \$162 million. Beer and tequila now make up 22 percent of Mexico's \$1.5 billion in food exports to the United States and the breweries employ 88,000 people in 11 Mexican states.

Analysts attribute the success to strategic pre-NAFTA alliances with U.S. beer giants and marketing genius that seems to promise a Mexican beach in each lime-enhanced sip.

"Like everything, it started out with lack of availability, that right there gives it cachet," said Juli Niemann of RT Jones Capital Management in St. Louis. "When you get better availability, then it becomes largely a marketing thing."

In anticipation of beers entering the U.S. market without import taxes, Budweiser maker Anheuser Busch Cos. in 1993 invested heavily in Grupo Modelo, essentially buying into the competition.

That not only gave Modelo access to Anheuser Busch's U.S. marketing and distribution know-how but also to huge infusions of capital, said Scheinman, the international marketing professor.

Fomento Economico Mexicano SA developed a similar agreement with Belgium's Interbrew, but last year announced it would instead align itself with Dutch brewer Heineken.

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Immigration from the south and the population growth of Hispanics in the United States have made for a growing awareness of all things Latino, including South of the Border beers, observers say.

"What you're going to see in the United States is really sort of a shift ... to be more conscious of what is Spanish and what is Mexican," said Fariborz Ghadar, director of Pennsylvania State University's global business studies center.

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