



Asia-Pacific  
Economic Cooperation

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## **Economy Report - Mexico**

Submitted by: Mr. Roberto Corona Guzmán, Mexico



**Workshop on Identifying and Addressing  
Possible Impacts of RTAs/FTAs Development on  
APEC Developing Member Economies  
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## SHORT COUNTRY REPORT ON MEXICO RTAs/FTAs DEVELOPMENT AND PERSPECTIVES

### *Mexico RTAs/FTAs*

Bilateral and regional trade agreements had been a mainstay of Mexican trade policy in recent years: they complement the multilateral trade system (MTS) and promote trade liberalization. Furthermore, they had been examined by the WTO finding they have been consistent with WTO rules. Today, Mexico count with a network of 12 FTA`s/RTA`s which they have contributed to its integration to the world economy, given preferential access to more than one million of potential consumers in 43 countries. Thanks to these agreements Mexico ranked as the eight largest exporter and importer in the world and the largest in Latin-American and the Caribbean. Exports represents 34% of the GDP nowadays and largely explains economic growth achieved over the last years in Mexico.

The trade activity generated by this economic spaces have dinamised and diversified the exporter sector of Mexico, making it the main source of employment, given impulse to the Mexican industries competitiveness and the flows of foreign direct investment, and reduced the vulnerability of its exports in the face of unilateral o extraterritorial measures.

Up until October 1997, Mexico had five free-trade agreements, with Chile (1992); the United States of America and Canada (1994); the Group of Three (G-3) with Colombia and Venezuela (1995); Bolivia (1995); and Costa Rica (1995). In the period 1997-2004, it concluded eight more free-trade agreements, with Nicaragua (1998); Chile (1998); Israel (2000); the European Union (2000); the "Northern Triangle", with Guatemala, Honduras and El Salvador; the European Free Trade Association (EFTA): Islandia, Liechtenstein, Norway and Switzerland (2001), the Economic Complementarity's Agreement with Uruguay (2001), and the Agreement for the Strengthening the Economic Association Mexico-Japan (2004).\*

The main disciplines and compromises that this agreements incorporate into its dispositions embrace essentially 13 areas: market access; rules of origin; customs procedures; norms and technical barriers; government procurements; investments; services; competition policy; intellectual property; subsidies, antidumping and countervailing duties; safeguards; technical cooperation; and dispute settlement mechanisms.

The North American Free Trade Agreement (NAFTA) continues to be the most relevant to Mexico for being the main source of its imports and exports, and services, and for the attraction of investments flows. Between 1994-2000 the percentage of growth of the total trade between Mexico-United States and Canada was of 12%, by above the world trade growth of goods (7 per cent). In only seven years, the total trade between Mexico, United States and Canada growth 128 per cent and surpass the 659 billion dollars in 2000. In 2003 the total trade registered more than 630 billion dollars, recovering from the 2001 because of the event of USA 9/11.

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\* Mexico FTAs are complemented by bilateral investment treaties (BITs) for the promotion of reciprocal protection of investments. Nowadays Mexico counts with 20 BITs. Between 1994 and 2000 Mexico received 162 billion dollars of FDI. These flows have played a key role in the modernization of the Mexican economy.

In spite the economic disacceleration registered by USA in the second semester of 2001, Mexico continued increasing its participation in USA imports from 6.9 per cent in 1993 to 11.5 per cent in 2003. So, Mexico has been converted in the third trade partner of USA, displacing Japan, and only surpassed by Canada and China. Meanwhile Mexico has been converted in the first market from Canada exports in Latin America and the Caribbean. In any case, the outcome has been positive: a very important increase of trade and investment. Mexico total trade with USA and Canada reached 366.5 billion dollars in 2004.

Since virtually all tariffs and quotas of the region has been eliminated, the three North American countries are looking for additional ways to enhance trade and investment. In March 2005, Mexico, United States and Canada announced an Action Plan. The North American Partnership for Security and Prosperity (NAPS) with the aim of improve the trilateral security, and at the same time, bring more prosperity and a better quality of life to people. How the three countries are going to do this: first, cooperating to ensure that people and cargo move safely and efficiently through their borders; and second, removing the barriers that make theirs economies less competitive in the global marketplace. As North America increases its competitive advantage, this means greater economic opportunities – jobs – but without sacrificing their standards of health and safety.

To be competitive, the three countries have to reduce transaction costs and unnecessary barriers for companies doing business in North America, in order not to delay the free interchange of goods and services in their frontiers. Incompatible product regulations are a burden to companies, but enhanced cooperation will provide consumers with better, cheaper products. To begin works, agriculture, energy, environment, financial services, food, manufactured goods, transportation plus information and communication technologies are sectors the three countries have identified for this effort. They have convened as well the creation of trilateral working groups before the end of June (i.e. steel, textiles). The working groups must made reports each sixth months.

After NAFTA, the FTA's with the European Union (EU) and Japan has been the most important initiatives that Mexico has carried out as part of its strategy of market diversification. Mexico has preferential market access to the world biggest market: the EU is its second trade partner with a bilateral trade of 27 billion million dollars in 2003 (7.3 % of the total trade of Mexico, and second source of foreign investment), and the FTA has increased the availability offer of raw materials and services to elevate the competitiveness of the Mexican economy. All this is promoting productive investments and generating more and better employment.

Since 1 May 2004, where added to the EU 10 new countries (Chipre, Slovenia, Estonia, Hungary, Leetonia, Lithuania, Malta, Poland, Rep. Checa, and Slovakia). Now the EU count with 25 Members. For Mexico this widening area represents a big opportunity and a challenge to utilize even more the potential that the FTA with the EU offers to Mexican industry and businessmen.

The economic partnership agreement with Japan not only is a trade instrument, because in addition to the components of a free trade agreement (market access of goods; sanitary and fitosanitary measures; norms, technical regulations and evaluation procedures of conformity; rules of origin; certificate of origin and custom procedures; safeguards; investments; services; government procurements; competence and dispute settlement mechanism), it includes dispositions related to bilateral cooperation (software industry, SME's, trade promotion and investment, science and technology, education and labour

training, tourism, agriculture, intellectual property, environment and improvement business environment) they permit to Mexico take advantage of liberalization and market openness of goods, services and capital.

The FTA agreement between EFTA and Mexico provides for complete elimination of tariffs of EFTA industrial products by January 2007. Since January 1, 2003, Mexican manufactured products have entered the EFTA market duty free.

Actually Mexico is considering (not negotiating) FTA's with Panama, Ecuador, Peru, and Mercosur, including the elaboration of one economic study Mexico-South Korea towards examining the possibilities to concert one FTA's between both countries. Finally, Mexico is analysing future bilateral negotiations of free trade with the Central Europe countries, the last chain to cover all the European Continent.

Mexico has developed the administrative infrastructure needed to take pursuit of the FTA's and RTA's negotiated, and trained the Mexican government human resources necessities for the implementation of the agreements. In any case, just now Mexico counts with an active of negotiators with experience on FTA's RTA's.

The Mexico's network of FTA's/RTA's, are key to reduce poverty and elevate the life levels of its population, besides they promote better resources assignments, technology access and human resources training, inducing the microeconomic efficiency and the macroeconomic stability.

This Mexican trade network has given strength to Mexico attraction as strategic business centre, in virtue to be the only economy in the world with preferential access to the markets of North America, Centre and South America, Europe, Middle East, and Asia.

## **FINAL CONSIDERATIONS**

- ❖ The FTAs/RTAs are complementary means to the multilateral trading system. They are more trade creation instruments to promoted trade and investments.
- ❖ The FTAs/RTAs had contributed to Mexico's integration to the world economy, diversified its foreign trade and investments, and in a very important way complemented by others actions to strengthen its competitive position. They include the re-training of workers to produce high value added goods and services through economies of scale and specialization. Sectors that have benefit the most include automotive goods, electric and electronic equipment, textiles and apparel and food and beverages.
- ❖ On the side of imports they provide important inputs to reduce the costs of machinery and equipment, include parts and components, needed to produce competitive goods not only for the foreign but also for the domestic market.
- ❖ The Mexican experience has demonstrated that it is possible to harvest the benefits of FTAs/RTAs. They contain best practises to support the achievements of the Bogor Goals. They are: i) consistent with WTO rules, APEC and Bogor Goals, ii) comprehensives in scope, iii) go beyond WTO commitments (contain cooperation commitments in appropriate areas), and iv) are transparent, integrate mechanisms for consultation and dispute settlements, have simple rules of origin, and reinforce the objectives of sustainable development, among other issues.

- ❖ Mexican network of FTAs/RTAs is the most advanced to converge with a possible APEC model on measures of high standard agreements in the region, particularly for trade facilitation. On this respect, for instance:
  - Mexico has implemented important measures in the **customs** area.
  - The Mexican automated system (SAAI) coordinated by the Ministry of Finance, allows the electronic exchange of customs documents. The implementation of phase M3 of SAAI system is a step forward in establishing an appropriate environment towards paperless trading in the near future. Currently, Mexico customs procedures are fully automated.
  - The use of Gamma Rays System equipment is to expedite the transit of goods between borders and minimize exporting/importing costs related to physical inspections of road and rail transports. In addition the Mexican customs has benefited from enhanced prevention of tax evasion and smuggling. At present, Mexico has Gamma Rays equipment installed in Railroad, Unloaded and Loaded Containers Lane in North Border Customs and in the Maritime Customs such as Manzanillo and Veracruz.
  - The Exprés/FAST program is a bilateral initiative between Mexico and the United States designed to ensure security and safety while enhancing the economic prosperity of both countries. In developing this program, Mexico and the United States have agreed to harmonize, to the maximum extent possible, their commercial processes for clearance of commercial shipments at the border. This will promote free and secure trade by using common risk-management principles, supply chain security, industry partnership, and advanced technology to improve the efficiency of screening and clearing commercial traffic at their shared border.
  - As to simplification of **travel procedures for business people**, Mexico has advanced in providing all the information on the requirements needed to enter Mexico as business travelers, through the Informal Expert's Group on Business Mobility's (IEGBM) website. This information is updated every year.
  - In the realm of **electronic commerce**, Mexico participated actively in the construction of the Privacy Framework and fully endorses it, since data protection and privacy in an on-line environment is critical to promote electronic transactions providing consumer confidence and ensuring cross-border flows of information.
  - The Privacy Framework will be a reference for the construction of other pieces of the Mexican Legislation related to electronic signatures, data message conservation, and electronic invoice; that are essential to provide a holistic legal framework for the digital economy.
  - The Mexican Congress is currently discussing a Bill to enact a Federal Law for Data Protection and Privacy, for which the Mexican Government has given feedback according to the APEC Privacy Framework.
  - Mexico looks forward to discussing cross-border enforcement mechanisms with other member economies to fully leverage the effectiveness potential of the Privacy

Framework, given the fact that data protection and privacy on-line is a global activity by definition. It also supports cooperation with other leading fora such as the Organization for Economic Cooperation and Development (OECD), which has a leading role in digital economy policy making.

- Mexico has endorsed APEC's work towards the development of a cross-border paperless trading environment, recognizing the fact that electronic commerce in international trade provides efficiencies and further enhances the trading capabilities of the economies.
- The Mexican Government objectives are to reduce trade costs, in order to improve the dynamics of their export and import sectors, and is currently working on the implementation of paperless trading initiatives to achieve the goals set.
- Mexico looks forward to further cooperate with APEC member economies in terms of sharing information about instruments and processes to continue work in defining standardized tools and frameworks towards a paperless trading environment in the APEC region.
- Other measures implemented in areas such as **standards** involve elements such as alignment of a number of domestic standards with international standards, and development of mutual recognition agreements, all of which have the important effect of reducing transaction costs.
- All these measures are transparent and consistent with APEC and Bogor Goals to expedite release of goods, custom modernization and paperless trading, risk management, cooperation issues, fees and charges, express shipments, review and appeal, penalties, advance ruling and confidentiality, in order to support a core elements for a trade facilitation chapters of FTAs/RTAs to develop a possible model measures on this issue in the APEC region,
- Mexico has reaffirmed its commitment with the APEC Trade Facilitation Action Plan (TFAP) to facilitate trade and contributes to realize APEC 5 % reduction in transaction costs goal by 2006. Mexico is continuing making its best efforts to implement all the trade facilitation actions and measures selected by APEC governments in the APEC region.

# Mexico counts with preferential access to more than one million consumers from 43 countries

