



Asia-Pacific
Economic Cooperation

2006/SOM1/CTI/FTA-RTA/015

Lessons and Experiences of Mexico in Dealing with Issues Emerging from RTAs/FTAs Participation

Submitted by: Mexico



**APEC Workshop on Best Practices in Trade
Policy for RTAs/FTAs: Practical Lessons and
Experiences for Developing Economies
Ha Noi, Viet Nam
27 February-1 March 2006**

Lessons and Experiences of Mexico in dealing with issues emerging from RTAs/FTAs participation

APEC Workshop on Best Practices in Trade Policy for RTAs/FTAs: Practical Lessons and Experiences for Developing Economies
February-March, 2006

Rationale to Negotiate a FTA

Policy Goals

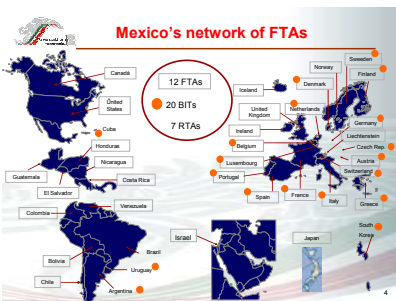
- Increase the level of production, employment and investment
- Improve market access for goods and/or services in the international market
- Attract foreign direct investment

Mexico's Trade Negotiations

BILATERAL

- FTAs
- BITs
- RTAs

MULTILATERAL



Successful stories

- Mexico is the eight most important trading economy worldwide and the first one in Latin America
- In 13 years exports have quadrupled the level they had in 1993 (51.9 millions of US dollars)

Successful stories

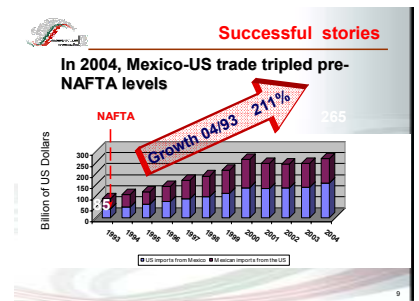
- Exports have become a very important source of economic growth:
 - ✓ During 1994-2000 GDP growth was due to exports in more than 50% percent
 - ✓ On third of new jobs was related to exporting activities

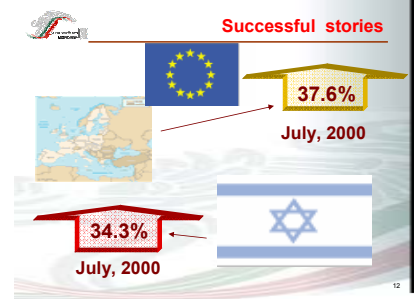
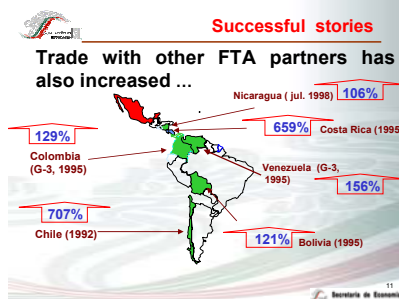
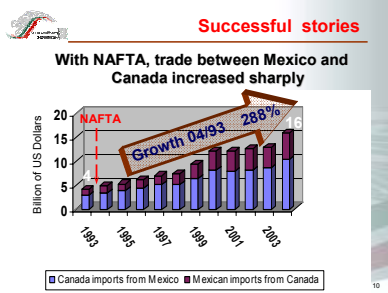
Successful stories

- Between 1993 and 2004 imports growth was 201.8%
- During 1994-2003 Mexico was the fourth most important destination for foreign direct investment (FDI) among developing economies and the first one in Latin America.

Successful stories

- FDI has lead to technology transfer, new jobs and increased wages in high-added value sectors such as automotive, electronic and electric industries





- ### Key actions to implement FTAs
- Make dispositions established in FTAs operative
 - Managing FTAs
- 13

- ### Key actions to implement FTAs
- Make dispositions established in FTAs operative
 - ✓ Certificate of Origin
 - ✓ Customs procedures
 - ✓ Rules of origin
 - ✓ Tariff reduction
 - ✓ Quota provisions
- 14

- ### Key actions to implement FTAs
- In order to make a FTA operative Mexico publishes in the official gazette:
- A set of rules to inform all interested parties the customs formalities that have to be followed in order to apply the preferential tariff treatment to imported goods;
- 15

- ### Key actions to implement FTAs
- The template of the certificate of origin (auto-certification) or the certification rules (certification by authority);
 - The preferential tariff duties that will be applied during a specific time frame thus they could be known by customs authority and economic operators;
- 16

- ### Key actions to implement FTAs
- Application forms and procedures that allow access to quotas established in FTAs by interested parties;
 - Procedures to apply for refund of duties paid in excess (where applicable); and
- 17

- ### Key actions to implement FTAs
- Requirements governing applications for advance rulings.
- 18



Key actions to implement FTAs

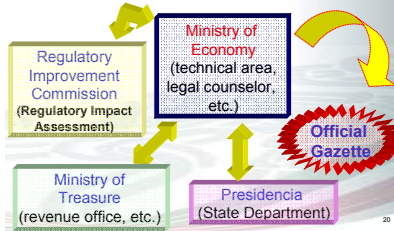
Publication in the official gazette requires coordination among several authorities

19



Key actions to implement FTAs

Example: (preferential tariff duties)



20



Key actions to implement FTAs

Managing FTAs

- ✓ Meetings of Committees/Subcommittees as established in FTAs
- ✓ Exchange/update contact points

21



Key actions to implement FTAs

- ✓ Follow up the implementation of FTAs with the feedback of the business sector
- ✓ Exchange information about quota utilization

22



DIFFICULTIES

FTAs/RTAs shall grant flexibility in the procedures required for its implementation

23



DIFFICULTIES

This is particularly true with regard to administrative actions related to the practices and logistic of international trade

24



DIFFICULTIES

Example:
Some dispositions of the Movement Certificate EUR.1 under the EU-Mexico FTA constitute impractical requirements that obstruct trade

25



DIFFICULTIES

Movement certificate EUR.1 requirements:
Each form shall measure 210 x 297 cm; a tolerance of up to 5 minus or plus 8 mm in the length may be allowed.
The paper used must be white, sized for writing, not containing mechanical pulp and weighting not less than 25 g/m2.

26



DIFFICULTIES

It shall have a printed green guilloche pattern background making any falsification by mechanical or chemical means apparent to the eye.
Any alteration must be initiated by the person who completed the certificate and endorsed by the customs authorities ...

27



DIFFICULTIES

Nature of the problem

- Each EU Customs Office makes use of different kinds of paper which do not conform to specifications established in the FTA
- EU Customs authorities are not used to apply the FTA dispositions regarding fulfillment of the certificate of origin

28



DIFFICULTIES

Outcome

- Non compliance of the EU certification authorities lead Mexican Customs to reject the certificates of origin
- Trade flows slowed down and economic operators faced additional costs

29



DIFFICULTIES

Solution

- Mexico and the EU had to negotiate interpretation notes to resolve operative problems related to the information that has to be placed in the certificate and the technical reasons to reject a certificate

30



Final Remarks

- Negotiation of FTAs/RTAs demands legal and institutional infrastructure
- Participation of industry representatives, academia, trade unions and other public/private organizations and civil society is key factor in the negotiating process

31



Final Remarks

- Involvement of interested parties in the negotiation entails flexible mechanisms of consultation
- Implementation of FTAs/RTAs requires a roadmap to coordinate actions of government authorities

32



Final Remarks

- FTAs/RTAs are useful trade policy instruments in order to achieve higher levels of production, investment and employment
- Flexible operation of FTAs/RTAs is cornerstone to avoid administrative obstacles to trade

33