Presentation by Economy Under Review - Mexico

Purpose: Consideration
Submitted by: APEC Secretariat
Mexico’s Individual Action Plan

APEC
Lima, Peru, August 21, 2008

Content

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II. Importance of APEC for Mexico’s economy

III. Mexican agenda for competitiveness. Agenda for freer and more open trade and investment

IV. Challenges ahead
I. Opening up of Mexican Economy

2007

Exports
5 times since 1993

Imports
4 times since 1993

I. Opening up of Mexican Economy

Mexico Exports by Region, 1993-2007

<table>
<thead>
<tr>
<th>Region</th>
<th>1993</th>
<th>%</th>
<th>2007</th>
<th>%</th>
<th>Growth 93/07%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>51.7</td>
<td>100</td>
<td>272.1</td>
<td>100</td>
<td>426.3</td>
</tr>
<tr>
<td>North America</td>
<td>44.4</td>
<td>85.7</td>
<td>229.9</td>
<td>84.5</td>
<td>417.8</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>2.9</td>
<td>5.6</td>
<td>18.3</td>
<td>6.7</td>
<td>531.0</td>
</tr>
<tr>
<td>Asia and Oceania</td>
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<td>2.3</td>
<td>7.5</td>
<td>2.8</td>
<td>525.0</td>
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<tr>
<td>Europe</td>
<td>2.9</td>
<td>5.7</td>
<td>14.7</td>
<td>5.4</td>
<td>406.9</td>
</tr>
</tbody>
</table>
I. Opening up of Mexican Economy

Mexico Imports by Region, 1993-2007

<table>
<thead>
<tr>
<th>Region</th>
<th>1993</th>
<th>%</th>
<th>2007</th>
<th>%</th>
<th>Growth 93/07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>65.3</td>
<td>100</td>
<td>283.2</td>
<td>100</td>
<td>333.7</td>
</tr>
<tr>
<td>North America</td>
<td>46.5</td>
<td>71.2</td>
<td>148.5</td>
<td>52.4</td>
<td>219.4</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>2.6</td>
<td>3.9</td>
<td>15.9</td>
<td>5.6</td>
<td>511.5</td>
</tr>
<tr>
<td>Asia and Oceania</td>
<td>7.6</td>
<td>11.6</td>
<td>79.7</td>
<td>28.1</td>
<td>948.7</td>
</tr>
<tr>
<td>Europe</td>
<td>8.5</td>
<td>13.1</td>
<td>36.5</td>
<td>12.9</td>
<td>329.4</td>
</tr>
</tbody>
</table>

II. Importance of APEC for Mexico’s economy

- Size of the economic relationship of Mexico with APEC
- 85% of Mexico’s total trade takes place with APEC economies. In 2007, it amounted to US$468 billion
  - Among the top 10 trading partners, 6 belong to APEC
- APEC’s share in the direct investment that Mexico has received since 1999 is 62%. In 2007, it reached US$113.2 billion
- Global chains of production. Some economies have become important suppliers of intermediate goods that are incorporated into the Mexican production to later be exported, in sector of high value added.
III. Agenda for freer and more open trade and investment

Agenda for Competitiveness

1. Review and simplification of the tariff structure
2. Review and simplification of NTMs
3. Optimize international trade procedures through the use of ITC. Single Window
4. Trade and Investment Promotion
5. Deregulation and Competition
6. Upgrade the industrial, agricultural and services sectors
7. Infrastructure investment

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III. Agenda for freer and more open trade and investment

**Mexican Tariff Structure**

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2007</th>
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</thead>
<tbody>
<tr>
<td><strong>Bound tariff</strong></td>
<td>39.3</td>
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</tr>
<tr>
<td><strong>Simple average tariff</strong></td>
<td>16.3</td>
<td>11.6</td>
</tr>
<tr>
<td><strong>Weighted average tariff</strong></td>
<td>3.99</td>
<td>0.96</td>
</tr>
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</table>

- Further improvements
  - Reduce tariffs unilaterally
  - Reduce dispersion
  - Reduce discrepancies
  - Review Sectoral Programs
III. Agenda for freer and more open trade and investment

Non Tariff Measures

- March 2008, decree to eliminate NTM, such as:
  - “Precios estimados”
  - Register of importers
  - Individual identification of goods
  - Certificates of Origin related to Countervailing Measures

Customs Procedures

- Paperless trading
- More documents and procedures can be done electronically
- Mexico fully applies the 2007 version of the HS
- Risk Management Techniques
- Integrity
- Single Window
III. Agenda for freer and more open trade and investment

**Investment**

- Only 17 out of 754 economic activities restricted to FDI
- Mexico grants National Treatment and Most Favored Nation Treatment under FTAs and BITs.
- Mexico provides protection in case of expropriation, strife, and grants the rights for free transfer.
- Performance requirements prohibited.
- More procedures can be made by internet.
- PROMEXICO has been recently created responsible for exports and investment promotion.

**Deregulation and Competition**

- 2007, Mexico and the OECD signed an agreement to conduct a special project called “Process for the Strengthening of the Regulatory Framework for Competitiveness”
- “Proceso Marco” strengthens the advocacy role of the competition and regulatory improvement authorities in Mexico.
III. Agenda for freer and more open trade and investment

- Upgrade the industrial, agricultural and services sectors
- Infrastructure Investment

Services

Strategy:
- Mexico is giving strong emphasis to the service sector as part of a strategy for increasing national competitiveness.
- Mexican policy on services is characterized by continued liberalization process and support to the multilateral trading system (WTO).

Concrete Actions:
- Mexico continues strengthening the financial sector and infrastructure for telecommunications. Both sectors have shown an increasing dynamism in the last decade.
- Mexico is looking for more liberalization in other dynamic sectors like services related to information technology, movement of persons, construction, architecture, distribution and maritime transportation.
- Is supporting elimination of the exemptions to Most Favoured Nation principle of the GATS within the WTO benefiting APEC Economies.
III. Agenda for freer and more open trade and investment

Standards and Conformance

- Mexico has achieved 60% of total/partial concordance with international standards.
- Mexico has maintained an active participation in the international standardizing bodies (ISO, CODEX, IEC).

Government Procurement

- COMPRANET

Rules of Origin

- Mexico will continue its participation on the Committee in the ongoing harmonization of non-preferential rules of origin in the WTO/WCO with the aim of concluding these negotiations in the short term.

Intellectual Property Rights

- Public awareness activities and campaigns related to enforcement of IPR.
- Strengthening protection of intellectual property rights and addressing the international commitments.
Dispute Mediation

- Mexico follows an approach to dispute mediation that is consistent with the Osaka Action Agenda, as well as its rights and obligations under the WTO, with the objective of resolving disputes in an effective, transparent, equitable and reasoned manner.

- Mexico has acceded to international treaties governing or related to international commercial arbitration.

Mobility of Business People

- APEC Business Travel Card (ABTC).

- Business visas.

- Regional Movement Alert System (RMAS).
III. Agenda for freer and more open trade and investment

**Free Trade Agreements / Regional trade Agreements**

- Deepen Mexico’s economic ties with current FTA partners.
- Seeking new formulas for RTAs/FTAs:
  - Convergence
  - Cummulation of origin
- Negotiation of further FTAs.

IV. Challenges ahead

Congress
- Structural Reforms
- Trade and Investment Facilitation
- Other (R&D, SMEs, Public Security)

Executive Branch

Political Consensus