

MEXICO 2006-2012

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Reflections on Mexico's Trade Policy (2006-2012)

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The Book's Structure

- Starting Point
- Agenda-Priorities and Results
(Regional Analysis)
- Future Agenda

Starting Point

- Definition of Mexico's trade policy
 - Assessment of Mexico's trade policy by international organizations.
 - Economic assessment of Mexico's trade liberalization.
 - Challenges - internal and external.

Starting Point

Mexico's Trade Policy 2006-2012

Ambitious agenda

- Deepening of existing free trade agreements.
- Diversification of exports to dynamic markets.
- Legal defense of its trade interests.

Starting Point

Mexico's Trade Policy 2006-2012

Redefinition of the agenda

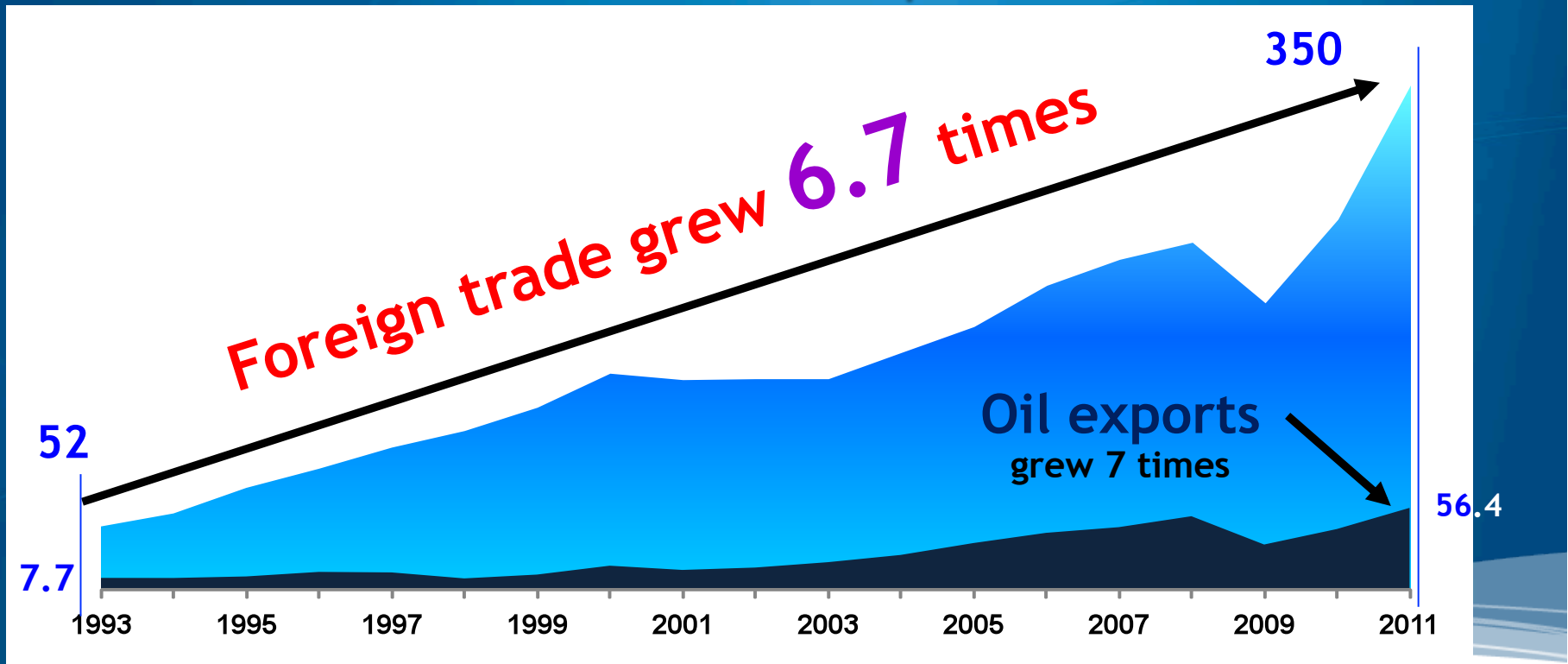
- Strengthening regional integration - North America and Latin America.
- Legal defense of its trade interests.

Future Agenda

- Assessment of trade and investment performance.
- The new challenge of international trade: integrating global value chains.
- North America

Economic Assessment of Mexico's Trade Liberalization

Mexico's Total Exports



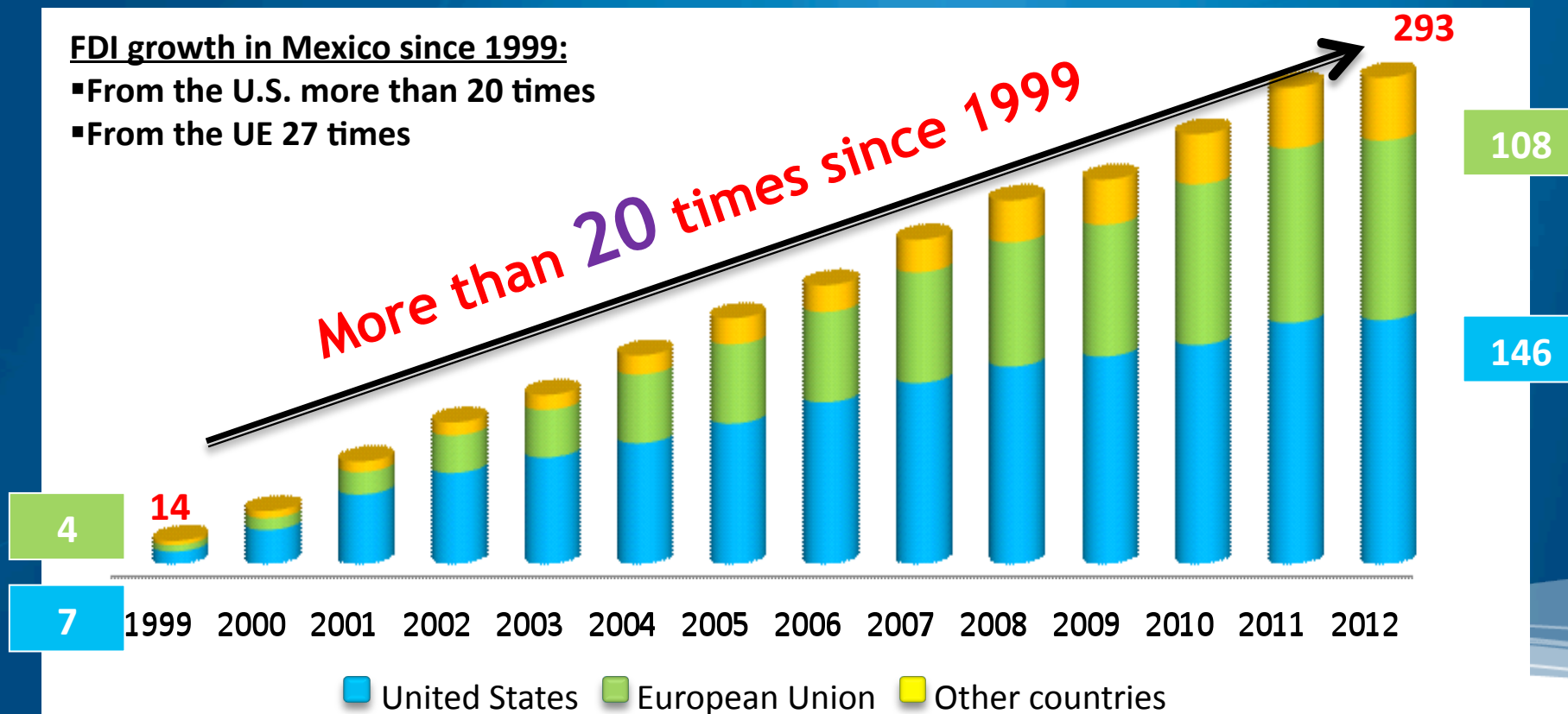
Economic Assessment of Mexico's Trade Liberalization

FDI in Mexico - accumulated since 1999

FDI growth in Mexico since 1999:

- From the U.S. more than 20 times
- From the UE 27 times

More than 20 times since 1999



(billions of dollars)

Economic Assessment of Mexico's Trade Liberalization

- Between 2004 and 2011, the increase of exports accounted for more than half of the GDP growth.
- In 2011, Mexico's GDP grew 3.9%, 2.2 is explained by the increase of exports.

Future Agenda

Economic Assessment of Mexico's Trade Liberalization

Share of U.S. imports
(non-oil)

Year	Mexico	Canada	China	Mexico Canada	Mexico Canada China
2012*	13.10%	12.00%	22.10%	25.10%	47.20%

Source: IQOM

*January-July

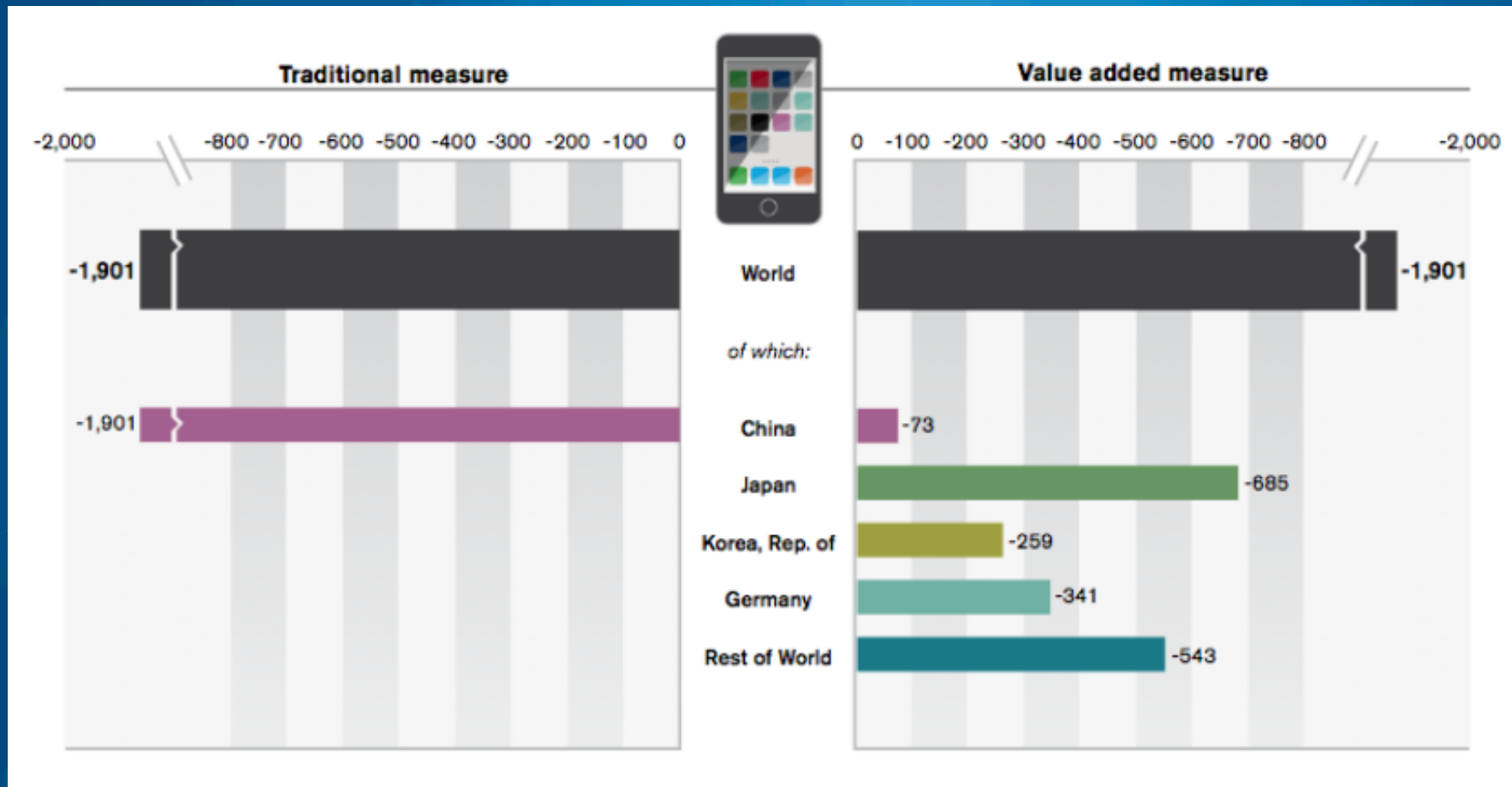
The New Challenge of International Trade- Integration of Global Value Chains

- Need to understand substantial transformation of world trade:
 - 21st century trade - More than 50% of trade is in inputs
 - 20th century trade - Trade of final goods

Future Agenda

Integration of Global Value Chains

U.S. Imports - iPhone Trade Balance (2009)



Source: Meng and Miroudot (2011)

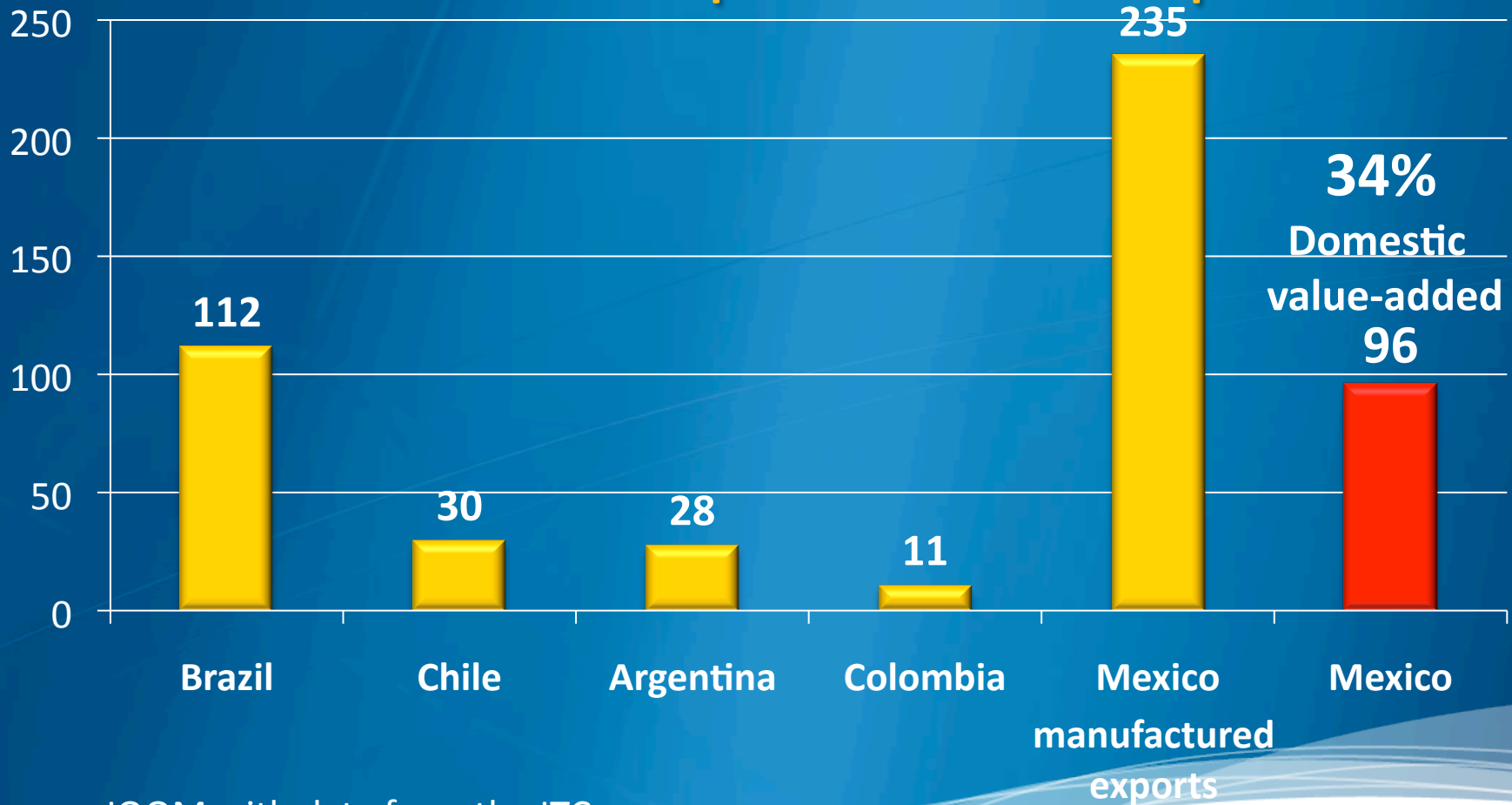
Future Agenda

Mexico in Global Value Chains-gains

- In 2006, the average level of domestic value-added in Mexico's manufactured exports to the United States was 34% (United States International Trade Commission).

Future Agenda

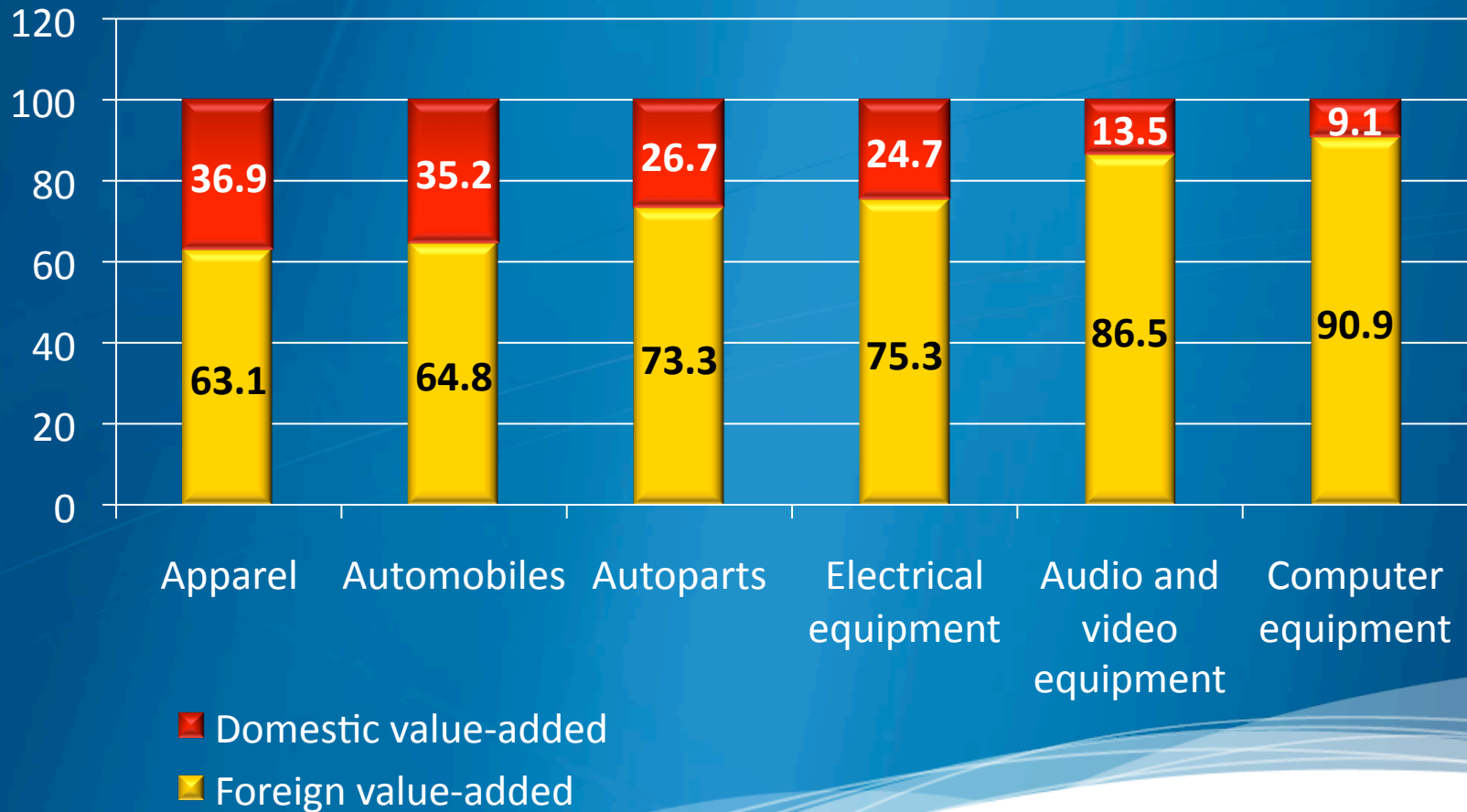
Value-Added in Mexico's Manufactured Exports vs Total Exports



Source: IQOM with data from the ITC
(billions of dollars)

Future Agenda

Domestic value-added in Mexico's exports in various industries (%)



Source: IQOM

Mexico in Global Value Chains

- 80% of Mexico's total exports are manufactured goods, intensive in high and medium technology (Gary Gereffi).
- 60% of trade is intraindustrial (Didier and Pinat).
- Low share in global value chains (OECD and EU).
- Distance to final demand - keeps specializing in middle or late stages (OECD and EU).

Future Agenda

Integration in Global Value Chains

Share

=

National value-added in country's exports
Value of inputs exported to third countries

Value of the country's exports

Agenda, Priority and Results

Why?

North America

Priority-North America

Why should we care about each other ?

- U.S. - Mexico's most important export market (80% of total).
- Mexico - U.S. second export market (12% of total, 30% of total sent to FTA partners).

Priority-North America

Why should we care about each other ?

- Canada - Mexico's second export market (3% of total).
- Mexico - Canada's fifth export market (1.2% of total)

Priority-North America

Why should we care about each other ?

- 2010 - Mexico grew 4.8%, producing an increase of US\$30 billion of exports to Mexico.
- According to Obama's estimates under the National Export Initiative, Mexico contributed to 180,000 new jobs (6,000 jobs per each US\$1 billion increase).

Priority-North America

- 40% of our trade occurs amongst our industries.

% of American content in U.S. imports

Country	Percentage
Mexico	40
Canada	25
Malaysia	8
South Korea	5
China	4

Country	Percentage
Brazil	3
EU	2
Japan	2
India	2
Rusia	1

Challenges that affected regional integration

- Strong competition from China.
- September 11.
- Pressures to renegotiate NAFTA.
- International crisis and protectionism.
- Retaliation by Mexico for the suspension of the demonstration project in the trucking dispute.
- Growing trend towards bilateral relations.
- Prevailing European crisis.

Competitiveness Agenda-Results (2006-2012)

Competitiveness Agenda

- **Regulatory Cooperation**
- **Rules of Origin**

- **21st Century Border**
Infrastructure
Risk Analysis
Preclearance
Metrics

- **Intellectual Property**

Agenda, Priority and Results

Specific Proposals-North America

- 21st century border.
- Regulatory cooperation.
- Full compliance with commitments under NAFTA.
- Continue agreeing on changes to rules of origin.
- Agreeing on a common tariff policy.
- Continue disciplining the implementation of measures relating to unfair practices.

Specific Proposals-North America

- Effectively protect intellectual property.
- Promote greater exchange of professional services.
- Ensure the highest levels of protection to natural resources and ecosystems in the region.
- Improve the understanding of government procurement systems of the three countries.
- Promote closer ties between the private sectors of the three countries in order to establish an advisory council.

Agenda, Priority and Results

Specific Proposals-North America

- Negotiate cumulation of origin in future treaties.
- Encourage greater coordination among priority industries of the region with high levels of integration.
- Create new strategies to promote the development of SMEs.
- Greater use of the North American Development Bank.

Specific Proposals-TPP

- Achieving greater presence in the Asian market.
- Trade diversification.
- Strengthen the integration of production chains in North America and advance the deepening of the bilateral and trilateral trade relationship.
- Counteract the erosion of preferences.
- Integrate national production chains.
- Expand the scope of the TPP.

Agenda, Priority and Results

Urgent Need for A Strategic Common Vision- Main Obstacles

- Trade and NAFTA not popular
- Negative perception towards Mexico and Mexicans
- Limited political capital - trade competing with other domestic priorities

Agenda, Priority and Results

Urgent Need for A Strategic Common Vision- Main Obstacles

- Short window of opportunities to negotiate
- Complexity of the new agenda (issues and number of actors)
- Lack of coordination and communication among private sectors of the region
- Free Trade Commission limited powers

Final Thoughts

- Need to play in two fields - national and international.
- Link between trade liberalization and internal reforms.
- Link between trade and foreign policy.
- The agenda with Asia can help the integration of Latin America and drive the agenda with North America.
- Positive situation for Mexico in the field of international trade.