

Las colecciones de Documentos de Trabajo del CIDE representan un medio para difundir los avances de la labor de investigación, y para permitir que los autores reciban comentarios antes de su publicación definitiva. Se agradecerá que los comentarios se hagan llegar directamente al (los) autor(es).

❖ D.R. © 2001, Centro de Investigación y Docencia Económicas, A. C., carretera México-Toluca 3655 (km. 16.5), Lomas de Santa Fe, 01210 México, D. F., tel. 727-9800, fax: 292-1304 y 570-4277. ❖ Producción a cargo del (los) autor(es), por lo que tanto el contenido como el estilo y la redacción son responsabilidad exclusiva suya.



NÚMERO 74

Antonio Ortiz Mena

**MEXICO AND THE WTO: A REGIONAL PLAYER
IN MULTILATERAL TRADE NEGOTIATIONS**

Resumen

En este documento de trabajo se evalúa el impacto de los compromisos derivados de la Ronda Uruguay de negociaciones comerciales multilaterales (NCM) sobre la economía mexicana, y se destacan las prioridades del gobierno y el sector empresarial ante una nueva ronda de NCM. La información que se presenta se obtuvo a partir de fuentes secundarias así como entrevistas con dirigentes de organismos empresariales. En la primera sección se brinda un repaso de las reformas a la política comercial emprendidas desde 1982; en la segunda se aborda el tema del regionalismo comercial mexicano con particular énfasis en el Tratado de Libre Comercio de América del Norte; en la tercera sección se presenta el estado actual que guardan los instrumentos de política de comercio exterior; en la cuarta se evalúan los costos y beneficios de los compromisos que México mantiene ante la Organización Mundial del Comercio; en la quinta sección se señalan las prioridades del gobierno y organismos empresariales ante una nueva ronda de NCM, y en la sexta se presentan las conclusiones.

Abstract

This working paper assesses the impact of the Uruguay Round Agreements of multilateral trade negotiations (MTN) on Mexico, and determines the priorities of business and government for an upcoming round of MTN. It draws on secondary sources as well as interviews with business organizations representing Mexico's most important export industries and import-competing sectors. It proceeds as follows: the first section gives an overview of trade policy reforms since 1982; section two covers Mexico's regional trade agreements with special emphasis on the North American Free Trade Agreement; the third section provides an outline of Mexico's current trade policies; the fourth section consists of an assessment of the costs and benefits of Mexico's current World Trade Organization commitments; the fifth section sets out the views of government and business on a new round of MTN; and the sixth section concludes.

*Introduction*¹

After nine years of negotiations, the Uruguay Round finally concluded on a successful note in December 1994. It represents perhaps one of the most ambitious and significant rounds of Multilateral Trade Negotiations (MTN) undertaken under the General Agreement on Tariffs and Trade (GATT).² With its “single undertaking” format it meant that developing countries, which had typically opted out of several of the protocols, now had to embrace a number of issue areas, such as rules on so-called unfair trade practices (subsidies and dumping), trade in services, trade-related investment measures, and trade-related intellectual property rights which, until the Uruguay Round (UR), had been addressed on a voluntary basis.³

The aim of this paper is to assess the impact of the Uruguay Round Agreements (URAS) on Mexico, and to determine the priorities of business and government for an upcoming round of MTN, in light of Mexico’s current economic situation and the commitments set out in the URAS.⁴ A subsidiary aim is to provide the basis for a comparative analysis of the political economy of trade policy in Argentina, Brazil, Colombia, Chile, Mexico, Peru, Uruguay and Venezuela, with a view to discerning possible points of convergence and contention regarding a new round of MTN.⁵

The paper draws on secondary sources as well as interviews with business organizations representing Mexico’s most important export industries and import-competing sectors. It proceeds as follows: the first section gives an overview of trade policy reforms since 1982; section two covers Mexico’s regional trade agreements with special emphasis on the North American Free Trade Agreement

¹ The Paper is part of the Latin American Trade Network (LATN) research project on Latin American trade policies. I would like to acknowledge the financial support provided by LATN for this research endeavor. I would also like to thank Gustavo Vega Cánovas, Miguel Lengyel and my colleagues at CIDE’s International Studies Division for their comments, and Alfredo González Reyes and Aurelio Nuño for their valuable research assistance. The author assumes sole responsibility for the accuracy of facts and interpretations presented herein.

² See the “Acronyms” section at the end of this paper for a complete listing of abbreviations used.

³ The exceptions to the single undertaking commitment are agreements on government procurement and civil aviation (Schott: 1998, 3 fn. 2).

⁴ The former European Union Trade Commissioner, Sir Leon Brittan, referred to the next round of trade negotiations as “The Millennium Round”.

⁵ The other case studies in the series can be obtained through the LATN website: www.latn.org.ar

(NAFTA); the third section provides an outline of Mexico's current trade policies; the fourth section consists of an assessment of the costs and benefits of Mexico's current World Trade Organization (WTO) commitments; the fifth section sets out the views of government and business on a new round of MTN, and the sixth section concludes.

I. An Overview of Trade Policy Reforms Since 1982

The initiation of reforms and the Pacto

Mexico followed a relatively stable trade policy from the post W.W.II era up until the early 1980s. The policy consisted of high tariffs and import license requirements for a broad range of products, with the aim of fostering import-substituting industrialization (ISI). It would take two economic shocks for trade policy to be altered in a significant way: a severe economic downturn in 1982-1983 caused by a drop in the world price of oil and a rise in worldwide interest rates (which put Mexico on the verge of defaulting on its foreign debt), and a second economic downturn in 1986 coupled with a stock market crash and a devaluation of the peso in 1987.

Almost two years of the administration of Miguel de la Madrid (1982-1988) went by until the first significant changes in trade policy were implemented. In December 1984, import license requirements were reduced by 17 percentage points from the high levels of 1982, although that still left 83% of imports subject to licenses. The simple average tariff was reduced by 13.7%, and the number of tariff positions was reduced from 16 to 10. The ensuing year saw a very significant reduction in import license requirements; only about one-third of imports faced such restrictions. The maximum tariff nevertheless remained at 100%, and the percentage of production covered by reference prices almost doubled, from 13.4% in 1984 to 25.4% in 1985. Further liberalization had to await a deepening of the crisis and the long-postponed decision to join the GATT.

After the 1982 crisis policy emphasis was on macroeconomic stabilization and, later on, on re-igniting economic growth. Trade policy became an instrument for both policy goals. According to the Organisation for Economic Cooperation and Development (OECD 1996), two elements hastened trade liberalization: the decision to join GATT (negotiations started in November 1985 and Mexico was admitted in July 1986), and the decision to use trade policy as part of the stabilization program to offset the shocks of 1986 (oil price downfall) and 1987 (stock market crash and a run on the peso).

In 1986 a further steep decline in oil prices put pressure on already strained public finances. The October 1987 stock market crash, during which Mexican stock

prices lost about 70% of their value, together with a devaluation of the peso in mid-November, unraveled initial stabilization efforts. Inflation soared to almost 160% in 1987, despite a tightening of fiscal and monetary policy in 1985-1986. The government opted for a heterodox stabilization plan called *Pacto de Solidaridad Económica (Pacto)*, a major component of which was further trade liberalization with the aim of reducing inflation through greater competition from imports on traded goods.

Starting in mid-1985, the number of products covered by import license requirements was reduced, although some initial protection was sought with a slight increase in the tariffs of some products.⁶ During this time a crucial shift in the composition of exports took place, partly as a result of trade liberalization, partly given the drastic decline in oil prices, and partly due to the new stabilization program that used a strategy of making dollars increasingly more expensive in terms of the peso. Instead of the traditional policy of using import restrictions to deal with a balance of payments crisis, the government opted to adjust the exchange rate and proceed with trade liberalization. In 1985, over two-thirds of export revenues derived from oil exports; by 1986 that figure had been reduced to 40%. Non-oil exports rose 41% during that same short period (Lustig: 1992, 45).

On December 15, 1987 the government, together with representatives from business, labor, and the agricultural sector, signed the *Pacto*. In addition to the more traditional elements of stabilization programs such as fiscal and monetary policy, the *Pacto* included an incomes policy and "structural reforms", of which privatization of state-owned enterprises and trade liberalization were the main components.

Several authors (Lustig: 1992, Kaufman et al: 1994) concur that trade liberalization was the most controversial measure of the *Pacto*. The maximum tariff dropped from 40% to 20%, import permits were retained only for agriculture, automobiles and pharmaceuticals, and official import prices were eliminated.

Kaufman et al note that even though there were diverging preferences among business groups on the scope and pace of liberalization, there were no outright supporters of the strategy followed by the government. Business also opposed the manner in which the government arrived at the decision. In fact, "key steps regarding quantitative restrictions and tariffs had been decided with virtually no consultation outside the government elite itself and then included in the pact with virtually no discussion" (Kaufman et al: 1994, 390).

Business reactions, however, were relatively timid in spite of the degree of policy change implemented. The authors suggest three reasons for this (non)-event: first, the reduced scope for discretionary activity by the Ministry of Trade and

⁶ The average tariff increased from 21.8% in mid-1995 to 25.2% by the end of that year (Lustig: 1992, 118).

Industrial Development (SECOFI),⁷ given the reduction of import license requirements in earlier years and the virtual end of reference prices, as well as the pride of place given by the President to the Finance Ministry over SECOFI in dealing with economic policy design and management during times of crisis; second, trade liberalization was part of the *Pacto* and an instrument for price stabilization; third, the Business Coordinating Council (CCE) was the major voice of business firms in the *Pacto* negotiations. The CCE represented the most powerful firms in Mexico, which were also the best equipped to deal with trade liberalization.⁸

In fact, business concerns over trade issues centered not on trade policy per se but on exchange rate policy. After the substantial devaluation of late 1987, the government instituted a crawling-peg exchange rate regime during January and February. By March and for the rest of that year the exchange rate was effectively frozen. With inflation in Mexico still higher than that of its main trade partner (i.e. the U.S.), a real appreciation of the exchange rate made the maintenance of export competitiveness increasingly difficult and business did voice its concerns, but trade liberalization was taken as a non-reversible *fait accompli*. The *Pacto* nevertheless served as a new channel of communication between business and government, which was sustained in very frequent meetings during its the lifetime. It survived under several guises until 1998.

Joining GATT

During the second oil boom, Mexico completed negotiations for GATT accession; however, in early 1980 President López Portillo decided against it.⁹ Public opinion was divided over the issue. Some thought that with the oil bonanza Mexico need not submit its development plans, which included subsidies for a number of “strategic”

⁷ SECOFI stands for Secretaría de Comercio y Fomento Industrial. The Ministry has since been renamed Secretaría de Economía (Ministry of the Economy), but its ample faculties regarding formulation and implementation of foreign trade policy have remained virtually the same.

⁸ According to Kaufman et al (1994), the Confederation of Industrial Business Chambers (CONCAMIN), another business organization represented in the *Pacto*, was likewise dominated by large manufacturing firms in the automobile, fiber and steel sectors that were weary of voicing public opposition to trade policy reforms and were in any case better prepared to deal with new competition from imports than were the members of the National Industrial Transformation Chamber (CANACINTRA), a business organization that belonged to CONCAMIN but represented small and medium-sized businesses that would likely bear the brunt of trade opening.

⁹ The López Portillo administration lasted from 1976 to 1982.

sectors, to multilateral trade rules that would have translated into a less activist policy.¹⁰

Mexico entered negotiations for accession into GATT in November 1985, and joined in July 1986 at the outset of the Uruguay Round. By this time national economic circumstances had changed drastically from those prevalent in the immediate aftermath of the 1982 crisis, and the country was set on a course of unilateral trade liberalization that dovetailed with the negotiated GATT accession. As will be seen in Section IV, the aggressive unilateral trade liberalization (and several regional integration agreements signed during the long-winded multilateral negotiations) made Mexico's position in the Uruguay Round different from that of other developing countries. It was at the forefront in some areas such as investment and intellectual property rights (IPR) and gradually softened its position in agriculture, acquiescing to the elimination of export subsidies and the full tariffication and binding of agricultural imports.¹¹

Changes in rules and impact on trade

Tariffs and non-tariff barriers

Import license requirements went from a full 100% of imports in 1983, to 35.9% in July 1985. They stood at 26.8% after Mexico's accession to GATT, and at 21.8% after the launching of the *Pacto*; they were virtually eliminated in 1989.¹² Domestic production covered by import licenses went from 92.2% in 1985 to 22.2% in 1989. The sectors still covered by licenses were natural gas (100%), petroleum refining (86.4%), transportation equipment (41%), agriculture (38.4%), and food and beverages (20%) (Lustig 1992: 117). Lustig points to job displacement concerns in agriculture (which were later to resurface during NAFTA and other regional trade agreement negotiations), to sovereignty and symbolic concerns in the natural gas and petroleum industries, and to the role of the auto decrees in protecting the automobile industry as the rationale behind the maintenance of non-tariff barriers (NTBs) for these sectors.¹³

¹⁰ Lustig (1992) notes that at the time Mexico lacked antidumping and countervailing duties laws, but in any case those laws could have been enacted without much trouble, given the hold of the PRI on congress.

¹¹ This may be partly due to the scarcity of public resources for export subsidies rather than a policy switch "on principle".

¹² The use of import licenses resurfaced again in the mid-1990s.

¹³ See DeRemes, Fitzpatrick and Ortiz (1996) for information on the auto decrees.

Liberalization proceeded apace and went beyond GATT commitments. In 1989 the average (trade weighted) tariff was 9.7%, dispersion was reduced to five tariff positions (from ten committed to under GATT), and the maximum tariff was 20% (in comparison to the 50% bindings set under GATT). Licenses were reduced from 1,200 tariff lines to 325, although the lines for which licenses remained constituted almost 20% of imports (OECD 1996: 14).

The elimination and reduction of certain export subsidies was carried out under the Understanding on Subsidies and Countervailing Duties that Mexico signed with the U.S. in 1985. Export incentives at the end of the period included tariff exemptions for temporary imports (mostly for *maquiladoras*)¹⁴ and exemption of license requirements for inputs of certain other exporters.

Notwithstanding noteworthy liberalization efforts, in 1991 Mexico (together with Brazil) had the highest percentage of trade covered by non-tariff barriers (NTBs), from among Mexico, Argentina, Brazil, Chile, Colombia and Venezuela. It had the highest incidence of anti-dumping and countervailing (AD/CVD) duties (1.4%), the second highest rate of non-automatic licenses (8.6% included local content and/or export performance requirement) and, together with Brazil, was the only other country with imports by state monopolies.

Industrial programs

Trade policy was closely linked with industrial policy up until the Salinas administration (1988-1994); in fact the name of the ministry in charge is quite telling "Secretaría de Comercio y Fomento Industrial" (Ministry of Trade and Industrial Development).¹⁵ Since the 1950s Mexico's industrial programs were designed to foster import substitution, and in the 1970s and up through the mid-1980s also to support the export of manufactures. The number of programs was reduced in the 1980s, and they became more selective. The industries covered were automobiles, pharmaceuticals, capital goods and microcomputers.

By the mid-1980s these programs started to be phased out. Government procurement rules were liberalized to foster competition, award procedures were made more transparent, domestic content requirements were reduced, and fiscal incentives limited. Only in the auto sector could remnants of industrial policy still be seen.

¹⁴ Maquiladoras are in-bond processing plants.

¹⁵ It is said that one of Salinas' top trade officials, when asked about industrial policy, once quipped that "the industrial policy is that there is no industrial policy;" SECOFI was, then, somewhat of a misnomer.

There was also a spate of privatization (or closure) of state-owned enterprises.¹⁶ The process continued into the Salinas administration, at which time the commercial banks as well as the telephone company were privatized. Regulation (especially competition policy) was not given as much emphasis as privatization. Some oligopolies endured and prudential regulation and oversight of the financial system was proven to be woefully inadequate.¹⁷

Foreign Direct Investment

With the economic crisis in 1982 and the drying up of voluntary lending by foreign commercial banks, the government opted to liberalize the legal framework governing foreign direct investment (FDI). It did so gradually at first, allowing majority of foreign ownership in certain sectors in 1984. In 1986 and 1989 it reclassified petrochemicals to allow private sector participation.¹⁸

It was not until May 1989 when the government altered FDI regulations with less circumvention, albeit it did not opt to amend the 1973 Foreign Investment Law. Instead, it enacted a new set of regulations on FDI which allowed 100% foreign ownership in a number of sectors without the requirement of previous approval by the appropriate regulating body (the National Foreign Investment Commission) as had been the norm until then, and speeded up the approval process where it was still required.

Mexican commercial banks, which had been nationalized by López Portillo in 1982 and partly returned to private (Mexican) ownership (under a minority 34% private ownership) by De la Madrid, were opened to some foreign ownership in December 1989. The full return of the banks to Mexican private hands was announced in May 1990.

¹⁶ Privatization of state-owned enterprises gathered great momentum during 1982-1988, during which time some 800 parastatal companies disappeared (OECD: 1996, 10).

¹⁷ After the devaluation of the peso against the dollar in December 1994 the economy suffered a severe downturn (GDP for 1995 was -6.17%), during which time many banks were on the verge of insolvency or actually insolvent. Many "bad" loans were channeled to a government-sponsored fund, the Savings Protection Fund (FOBAPROA), but this created a typical moral hazard incentive for borrowers and lenders. The total "bad" loan portfolio was approximately \$U.S. 65 bn. A re-structuring of FOBAPROA resulted in taxpayers assuming a large share of this debt.

¹⁸ According to the Mexican Constitution, only PEMEX is allowed to produce "basic" petrochemicals. Private domestic and foreign investment is allowed in the production of "secondary" petrochemicals, following certain guidelines (such as a 40% cap on foreign equity shares). Instead of the politically more costly act of amending the Foreign Investment Law, the government simply reduced the number of petrochemicals classified as "basic" and increased the number of petrochemicals classified as "secondary".

Foreign investment policies were further liberalized partly as a result of NAFTA (which contains both provisions for significant opening of investment for the U.S. and Canada and one of the most advanced mechanisms to settle investor-state disputes), as well as with the introduction of a new Foreign Investment Law in 1993.¹⁹

¹⁹ Please see sections II and III, respectively, for information on NAFTA and the new Law.

Chart 1

Share of Oil and Non-Oil Exports

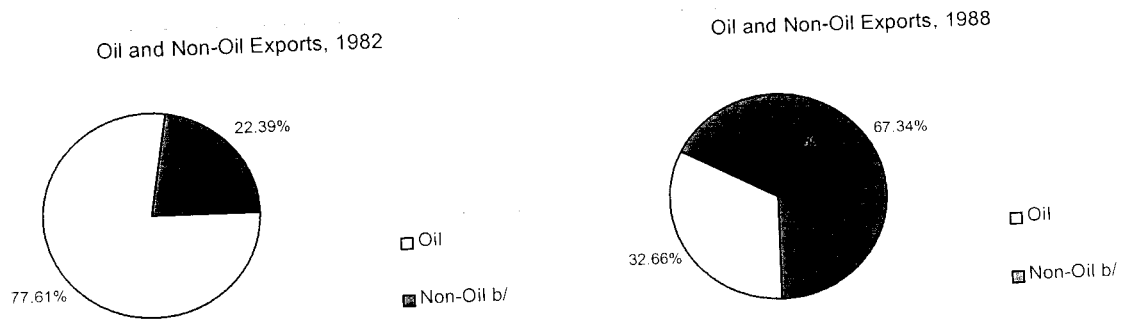
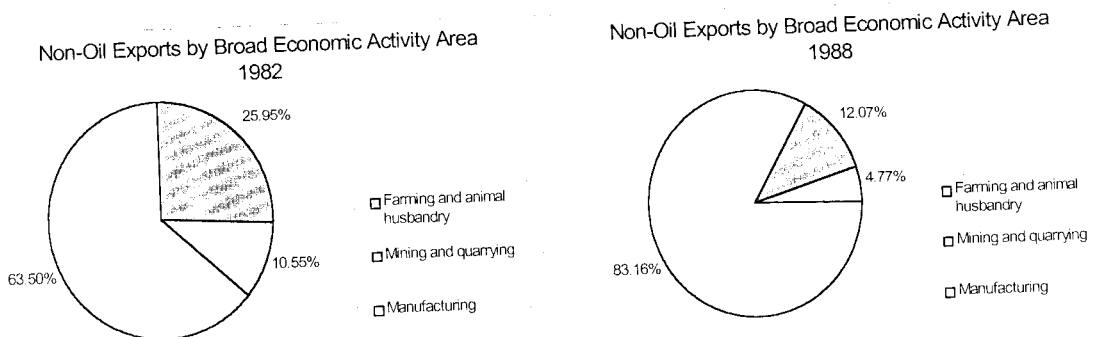


Chart 2

Composition of Non-Oil Exports



Sources: Secretaria de Hacienda y Crédito Público, Banco de México, Instituto Nacional de Estadística, Geografía e Informática.

As can be gleaned from Charts 1 and 2, the changes in trade and trade-related policies in just for six years had an impressive effect on the composition of Mexico's exports. If in 1982 more than 3/4 of exports were made up of oil, by 1988 more than 2/3 of exports were of a non-oil nature. Furthermore, the manufacturing share of non-oil exports increased from 63.5% to 83.16% during the same period. This export structure was to remain with little alterations during the ensuing decade, with the significant change now being a surge in export volumes, as will be seen in the next section.

II. Mexican Regionalism 1990-2000

Many of Mexico's current trade policy instruments are the by-products of its regional initiatives, above all of NAFTA. This section provides an overview of such initiatives.

NAFTA

The literature on NAFTA's determinants, structure and consequences is, as can be expected, quite extensive. The discussion presented below centers on the way in which NAFTA modified Mexico's overall trade policy, influenced its stance in the Uruguay Round, and affected trade and investment flows up until the present.

The agreement was proposed in mid-1990, negotiated in 1991-1992,²⁰ and entered into force on January 1, 1994. NAFTA followed a de-facto integration (Mexican exports to and imports from the U.S. remained at very high levels for most of the 20th century),²¹ but politically it reflected a change in strategy, away from incipient efforts at trade diversification and toward an acceptance of Mexico's reliance on the United States. In essence, Mexico decided to make the most of a situation of trade concentration, which was very difficult to alter.

Thus, with NAFTA Mexico strengthened its economic ties with the U.S. and ushered in a spate of reforms (either under explicit NAFTA commitments or NAFTA-related) that left an indelible mark on trade policy in general. Since most of Mexico's trade is with the U.S., NAFTA-related trade policy reforms translated into a general opening of the Mexican economy, covering not only trade in goods but also services and foreign investment. More importantly, it increased the political and economic costs of trade policy reversals and meant that Mexico's trade policies with other countries had to be compatible with (if not subservient to) NAFTA.²²

Substantive Content

Regarding trade in goods, Mexico allowed duty-free entry for 43% of U.S. exports and 41% of Canadian exports upon entry into force of NAFTA. The second phase-out period was five years after entry into force; thus, on January 1, 1999 Mexico allowed a further 18% and 19% of U.S. and Canadian exports, respectively, to enter

²⁰ Further negotiations in 1993 were required to deal with the "parallel agreements" on labor and environmental issues.

²¹ The average share of Mexican exports to and imports from the U.S. has remained at over 70% for several decades.

²² There are several excellent summaries of NAFTA provisions. The best overview is Hufbauer and Schott (1993).

duty-free. There were two remaining categories for tariff phase-out: ten years and fifteen years after entry into force; Mexico will eliminate tariffs for an additional 38% of Canadian and U.S. exports under the ten-year category, with only 1% of exports remaining in the extra-long tariff phase out.

Table 1

<i>Tariff-Free Access of Mexican Exports to the U.S. and Canadian Markets</i>		
	<i>United States</i>	<i>Canada</i>
<i>Immediately upon entry into force of NAFTA</i>	Automobiles Windshields Gas stoves Electric irons Refrigerators Pottery washstands Glass containers Television sets Gasoline engines Radios and cassette recorders Computers Bovine cattle Honey Nuts All kind of flowers but roses Tequila Strawberries Millet Cane molasses Garlic	Beer Computer equipment Television components Windshields Pottery washstands Marble Cabbages Coffee Grapefruit juice Vegetables Nuts
<i>Five years after entry into force of NAFTA</i>	Light trucks Beer Trucks Cotton pants Electric engines Automobile seats Cotton apparel Roses Orange Mango Olives Pineapple juice Canned vegetables Raspberries Canned fruits Carrots	Television sets Glass containers Heaters Light trucks Glassware Pottery tile Onions Automobile batteries Garlic Chocolate Frozen vegetables Gourds Radishes Beans Mayonnaise
<i>Ten years after entry into force of NAFTA</i>	Heavy trucks Laminated steel and pipes Leather boots and shoes Lavatories Water heaters Penicillin Frozen strawberries Tomatoes Avocado Tobacco Condiments, spices, and sauces Leaf tobacco Chocolate	Toys Electric coffee-makers Juice extractors Cotton pants Shoes Strawberries Tomatoes Flowers Broccoli Cucumber Chayote

Source: SECOFI n.n.c

Note: These lists are illustrative and not comprehensive.

As can be seen in Table 1, some of the sectors of prime interest to Mexico were (and still are) the automotive and related industries, and *maquila*-related exports (televisions, radio and cassette players as well as some home appliances). It also accorded high priority to textiles, as well as steel sheets and tubes. The textile industry currently employs close to one million people, and the automobile industry upward of half a million; exports of glass and steel had been subject to AD/CVD duties.

Telecommunications is another important sector that was liberalized under NAFTA.²³ It provided for access to value-added services, allowed the establishment of private networks, and eliminated tariffs for trade in telecommunications equipment. The 1995 Telecommunications Law permits private (domestic and foreign) investment in long-distance services, in local value-added services and in local non-wire services. The vast majority of local wire services are still provided by the former public telephone monopoly, the Mexican Telephone Company (TELMEX), which was privatized during the Salinas administration.²⁴

Maquila exports constitute a sizable share of Mexico's total exports of manufactures. Duty drawbacks on non-NAFTA components were eliminated in 2001, and by January 2002 Mexico will eliminate the 50% cap on sales of *maquila* plant products destined for the domestic market.

A quick overview of NAFTA exceptions and sectors with especially long tariff phase-out periods is a good way at gauging what sectors the Mexican Government considers "sensitive".

²³ In fact, Mexico and the U.S. have the most intense two-way long distance telephone traffic in the world.

²⁴ For further discussion of telecommunications and trade in services commitments made by Mexico, please refer to Section IV.

Table 2

<i>Tariff-Free Access of U.S. and Canadian Exports to the Mexican Market</i>		
	<i>United States</i>	<i>Canada</i>
<i>Immediately upon entry into force of NAFTA</i>	Diesel locomotives Photocopiers Video cassette recorders Airplanes Bulldozers Cellular phones Machinery Electronic equipment Precision instruments Sorghum Non-alcoholic beverages (fruit juice not included) Non-sugared powdered cocoa Non-peeled fresh or dried fruit Christmas trees Prunes Garlic Jellies, marmalades, thick soups Peas Tomato juice	Telecommunications equipment Lentils Peas Hake Christmas trees Pistachio nuts Vegetables Jump and race horses Dried capsicum Shellac
<i>Five years after entry into force of NAFTA</i>	Computers Tires Television sets Portable radios Cotton pants Pears Soup compounds Dark beer Pastry-making preparations Prunes Spirits Vegetable juice	Electric devices Computers Industrial ovens Paper Bird seed Goat meat Bran Bull calf milk substitute Flour, grits, and starch food preparations Dark beer Vegetable juice Pears
<i>Ten years after entry into force of NAFTA</i>	New automobiles Refrigerators Washing machines Soy oil residuals Bovine, caprine, or ovine grease Turkey meat Starch residuals Stuffed chocolates Ham and sausages Rooster or hen meat	Certain kinds of trucks Shampoo Diapers Wheat Pastry-making preparations Frozen and refrigerated pork meat Brine Ham Grained barley Wheat gluten

Source: SECOFI n.n.c

Note: These lists are illustrative and not comprehensive.

Mexico negotiated ten-year tariff phase-outs for automobiles, refrigerators and washing machines among industrial goods, and poultry parts, pork products, potatoes, apples, and vegetable oils, among agricultural goods. In fact, 60% of Mexican agricultural imports fall within the 10 and 15-year tariff phase-out

categories. Among the 1% of products included in the extra-long 15-year tariff phase-out period by Mexico are maize, beans and powdered milk. Mexico is not self-sufficient in any of those products, but maize and beans provide employment for a very large number of low-income peasants who would otherwise be displaced by cheaper imports. Other areas where Mexico maintained important restrictions were foreign investment in the energy and rail sectors.²⁵

Apart from tariffs, rules of origin can also serve as protectionist instruments. In fact, Hufbauer and Schott (1993)'s main criticism of NAFTA centers on its allegedly restrictive rules of origin.²⁶ They are especially restrictive in the textile and auto sectors.²⁷

The energy sector has long been politically sensitive in Mexico. The Mexican Petroleum Company (PEMEX) still holds a monopoly over oil exploration and development, and sales of gasoline and fuel oil. Foreign investment in oil exploration, production or refining is not allowed. Investment was liberalized in secondary petrochemicals (as described in Section 1), and procurement by PEMEX and the Federal Electricity Commission (CFE) for NAFTA suppliers was opened up.

Market share restrictions for financial services were maintained under NAFTA. For example, no single foreign-owned bank was allowed a share greater than 4% of the market before the year 2000. There are substantial limitations on cross-border insurance sales (except re-insurance), and foreign brokerages have a limit of 30% of the market by the end of the transition period.²⁸

Procedural Content

Apart from the substantive commitments on trade and investment that Mexico made in NAFTA, the agreement offers dispute settlement mechanisms for anti-dumping (AD) and countervailing duty (CVD) cases (Chapter 19) as well as for investor-state disputes (Chapter 11). Schott considers NAFTA investment provisions (including

²⁵ The restriction on foreign investment in the rail sector was lifted by the Zedillo administration (1994-2000), as part of the incentive structure set up for the privatization of the National Railways (FERRONALES).

²⁶ For a discussion of the protectionist use of rules of origin, and more generally a comparison between the political economy of free trade areas and customs unions, see Krueger (1995).

²⁷ For most textile products, the rule is "yarn forward" such that the yarn must be North American for products manufactured with that yard to benefit from free trade. In terms of the auto sector there are a number of restrictions, among them a high 62.5% value added requirement for autos, light trucks, engines and transmissions. OECD (1996) concurs with Hufbauer and Schott's classification of auto, textile and apparel rules of origin as quite restrictive.

²⁸ After the December 1994 peso crisis, the rules on foreign participation in the financial services sector were liberalized, and the liberalization was not restricted to U.S. and Canadian capital.

dispute settlement) as far superior to the UR trade-related investment measures (TRIMS) agreement, and even suggests that NAFTA serve as precedent for a future “GATT for Investment” (Schott: 1994, 113). NAFTA also contains a general dispute settlement mechanism (Chapter 20) under which binational panels emit recommendations that are backed up by potential sanctioned retaliation. The Agreement likewise provides strong protection for intellectual property rights (IPRS).²⁹

As part of informal understandings reached during NAFTA negotiations, unilaterally, or perhaps because of both reasons, Mexico undertook sweeping legal reforms during the negotiations and in their aftermath. Many of these reforms directly affect trade policy instruments.³⁰ For example, a re-working of Mexico’s unfair trade laws coincided with NAFTA negotiations (Leycegui: 1995). Other laws that were promulgated or reformed around the time of NAFTA negotiations were: the Customs Law, the Foreign Investment Law, the Consumer Protection Law, the Foreign Trade Law, the Expropriation Law, the Economic Competition Law, the Metrology and Normalization Law, the General Levies on Exports Law, the General Levies on Imports Law, the Industrial Property Protection Law, the Telecommunications Law and the Authors’ Rights Law.

Finally, regarding accession procedures, NAFTA has been criticized for being vague in its specific requirements. The accession clause has been regarded as merely being “hortatory” (Hufbauer and Schott: 1993).³¹ Despite several attempts by non-members, NAFTA has admitted no new members since its inception.

Other free trade agreements³²

The first preferential trade agreement that Mexico signed during what may be called the “new regionalism” (Fawcett: 1995) was technically not a free trade agreement (FTA) but the Economic Complementation Agreement with Chile of 1991, done

²⁹ It provides for national and MFN treatment in IPR issues, trademarks, copyrights and industrial secrets.

³⁰ In a detailed study of the transformation of the Mexican legal system, López Ayllon calculates that out of 204 federal laws that existed as of December 1996, 107 were published, 57 reformed and only 40 remained untouched, *all* with the short time-span of December 1, 1992 and December 31 1996. These laws directly affected not only foreign trade policy, but also many other related areas of the economy. For a detailed list, see López Ayllon (1997), Appendix 4.

³¹ Article 2204:1 of NAFTA simply states that “Any country or group of countries may accede to this Agreement subject to such terms and conditions as may be agreed between such country or countries and the Council and following approval in accordance with the applicable legal procedures of each country”.

³² For the text of the agreements, see www.economia.gob.mx

under the 1980 Latin American Integration Association (LAIA).³³ It was completed before NAFTA was negotiated and, unlike the subsequent FTAs Mexico entered into, was different from NAFTA in a number of ways.³⁴

Regarding trade in goods, the agreement was not constructed on the principles of national or most-favored-nation (MFN) treatment, but rather provided for reductions of tariffs and non-tariff barriers for negotiated products. Excluded products included petroleum and derivatives, some marine and agricultural products, vegetable oils and powdered milk. Rules of origin were not based on a change in classification in the harmonized systems of tariff classification but on value added (which was set at 50%).

Regarding trade in services, only maritime and commercial transportation were included (while in NAFTA those are precisely some of the excluded sectors). Its definition of investment was of much narrower scope than that contained in NAFTA, and did not include IPR, capital movements or guarantees of free convertibility and transfer of capital or compensation in cases of expropriation.

The bilateral accord had no substantive IPR provisions, or a formal accession clause. It was, however, more pro-active than NAFTA in a number of ways: it called for the establishment of joint programs for trade promotion and business integration, and for cooperation on trade, financial, monetary and fiscal policies.

The "new generation" FTAs subscribed by Mexico with Latin American countries are all closely patterned after NAFTA in terms of the range of issues covered and in their procedural content. They are: Mexico-Bolivia (1995), Mexico-Costa Rica (1995), G-3 (Mexico-Colombia-Venezuela 1995), Mexico-Nicaragua (1998), Mexico-Chile (1999), and Mexico-Northern Triangle (El Salvador, Honduras and Guatemala 2001).³⁵ By 2001 free trade negotiations were under way

³³ It is worth noting that some LAIA members complained about Mexico's negotiation of NAFTA, since it was violating the MFN clause regarding preferential agreements with non-LAIA members.

³⁴ A new-generation Mexico-Chile FTA entered into force on August 1, 1999. The new FTA is similar in structure to the other post-NAFTA agreements.

³⁵ The dates reported refer to the entry into force of these agreements. Some differences between the Latin American free trade agreements and NAFTA are worth noting: the exclusion of national treatment for Venezuelan textiles, and for Venezuelan and Colombian polystyrene; regarding rules of origin, special treatment is given to chemicals, plastics, textiles, steel, copper and aluminum; in the case of the Mexico-Bolivia FTA an extra-long transition period is required before rules of origin in these sectors take effect; in the G-3 and the Mexico-Costa Rica FTAs ad-hoc committees were established to determine the ability of each country to find domestic suppliers for the aforementioned products. These determinations will then form the basis for setting the rules of origin in the future. Other exceptions are the exclusion of trade in financial services in the Chile and Costa Rica Agreements, and their formal inclusion in terms of disciplines for the Northern Triangle Agreement, with actual market access commitments to be negotiated at a later date. For information

with Ecuador, Panama and Trinidad and Tobago. New generation Economic Complementations Agreements with Argentina, Brazil, Peru and Uruguay were being negotiated or had recently entered into force. Economic ties between Mexico and countries in the Southern Cone may be strengthened if a proposed FTA between Mexico and MERCOSUR becomes a reality in the near future.³⁶

The three extra-hemispheric trade agreements Mexico has signed are also quite comprehensive but have some differences as compared with the NAFTA-type agreements. The most important of these agreements in terms of potential effects on Mexico's trade and investment patterns is by far the FTA with the European Union (EU), which entered into force on July 1, 2000. Some of the differences are derived from the fact that Mexico was negotiating with a bloc of fifteen countries, and while some matters were dealt with at the EU-level, other issues, such as procurement, were dealt with at the bilateral level. The agreement also has a democratic clause, which sets it apart from NAFTA-like agreements that completely exclude any domestic political issues. An FTA with EFTA,³⁷ closely patterned after the FTA with the EU, went into effect in 2001.

An FTA with Israel also went into effect on July 1, 2000. The agreement is less comprehensive than the ones with EFTA, the EU and Latin American countries. It does not cover investment, agriculture or trade in services.

SECOFI has announced that preliminary talks toward negotiation of a free trade agreement with Japan are under way.³⁸ If successful, the agreement will mark a watershed for Japanese trade policy. So far Japan has been reluctant to enter into any trade agreements apart from its multilateral commitments under the WTO and the loose commitments derived from the Asia Pacific Economic Cooperation forum (APEC).³⁹

on investment and financial services commitments contained in trade agreements in the Americas, see Minushkin and Ortiz Mena (2001).

³⁶ Long-standing trade policy differences between Mexico and Brazil would indicate that the prospects for a Mexico-MERCOSUR FTA in the near future are not bright.

³⁷ The European Free Trade Association, which is comprised of Iceland, Liechtenstein, Norway, and Switzerland.

³⁸ Mexican Trade Minister Herminio Blanco made the announcement during an APEC meeting in Auckland, New Zealand in September 1999.

³⁹ As of Fall 2000 it seemed that an FTA between Japan and Singapore would become a reality, perhaps paving the way for more bilateral trade deals by Japan.

Government-business relations during NAFTA and FTA negotiations

Given the great importance of NAFTA for many areas of the Mexican economy it is not altogether surprising that the government went out of its way to ensure close coordination with the representatives of key economic sectors. This also meant, however, that other sectors not considered very important were unable to gain direct access to the negotiators.

For example, those sectors that did not have the ability or resources to present a sophisticated report on the state of their sector and their trade policy preferences to SECOFI at the outset of negotiations would most likely be the first ones to be used as bargaining chips. It is also probable that they would not have the human and financial resources to accompany the negotiators to each negotiating session in the U.S. or Canada, to be at hand in case their opinion was required. Thus, although formally the Foreign Trade Business Organizations Coordinating Council (COECE) ensured widespread representation of business interests, some sectors were much better represented than others.⁴⁰ Other sectors were controlled by the Institutional Revolutionary Party (PRI) and therefore had to exercise “discipline” and not vent public -or even private- opposition. These sectors did not have significant opportunities to be heard.

A similar structure and process was followed in all subsequent regional negotiations as well as for the UR, so a quick overview of the logic and structure of negotiations may serve as a useful indicator of how business may be represented in a future round of multilateral trade talks.⁴¹ The main groups involved in the NAFTA negotiations were:

- The Free Trade Agreement Inter-ministerial Commission, comprised of second-level (deputy ministers) officials of all the relevant ministries, as well as Banco de México (the central bank). It served as the basic coordinating unit for the design of negotiation strategy.⁴²
- The Free Trade Agreement Advisory Council, comprised of representatives of the public sector (top officials from SECOFI), the labor sector (basically members of the CTM and other pro-government labor unions), the agricultural sector (both PRI-affiliated groupings and private

⁴⁰ Please see the comments on COECE below.

⁴¹ Access to the negotiations for business organizations with scant financial resources can now be facilitated through the use of video-conferencing. This scheme was used during negotiations with the EU

⁴² At least this was the case formally; in practice a smaller group consisting of the President, the Trade Minister, the Head of the NAFTA Negotiations Office (Deputy Trade Minister) and close advisors of the President made the key decisions.

sector groupings representing agribusiness and livestock interests), the business sector (all of them represented a business chamber but were also some of the nation's most prominent businesspersons, which meant that the heads of leading firms had direct access to negotiators and could voice their own concerns as well as more general and corporate ones), and the academic sector (heads of the nation's top public and private universities). The Council was charged with preparing, coordinating and analyzing reports to aid the negotiations (Arriola: 1994). In practice, the Council was rather passive; the COECE (below) was more directly involved in the negotiations.⁴³

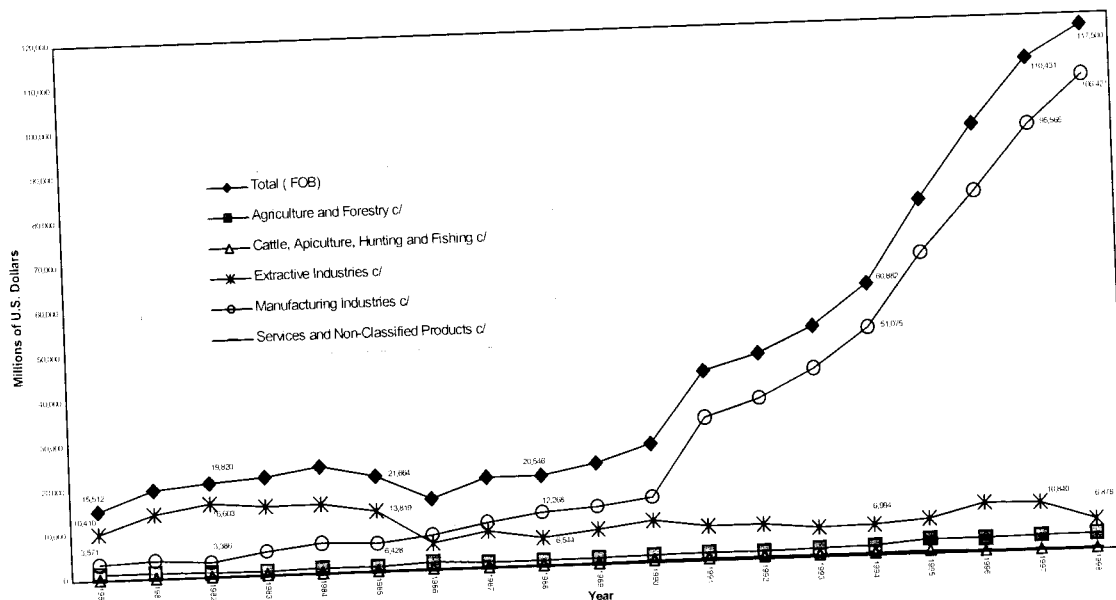
- The COECE is an ad-hoc grouping that coordinated all business organizations representing trade-related sectors. Its members were the president of CCE as well as of all the major business organizations: CONCAMIN, CONCANACO, COPARMEX, AMIS, CMHN, AMCB, CNA, CANACINTRA, CANACO-México, CEMAI, ANIERM, and CONACEX.⁴⁴ COECE was divided into six sectors: agriculture, industry, banking, insurance, finance, and commercial and non-financial services. It coordinated a series of highly confidential studies, which were used to help determine negotiating positions. Representatives from COECE formed small groupings (4-15 members) to work in tandem with the negotiators in each of the areas into which negotiations were divided, v.gr.: rules of origin, market access, agriculture, automotive sector, textile sector, energy, public procurement, safeguards, unfair trade practices, norms, sanitary and phytosanitary issues, cross-border trade in services, telecommunications, financial services, land transportation, temporary mobility of business persons, investment, intellectual property rights, and dispute settlement. These groupings were involved in the day-to-day negotiations. They were in close contact with the negotiators throughout the process, and during negotiations participated via the "adjacent room" mechanism (*cuarto de al lado*), whereby they would be close at hand in the negotiating venue so that negotiators could get immediate feedback from the relevant private sector representative.

⁴³ Even if the Advisory Council was rather passive, it allowed some businesspersons to establish rapport with top trade officials and establish informal channels of communication.

⁴⁴ Please see appendix for the full name of each organization. For an overview of these business organizations, see Luna (1995), Alba (1996 and forthcoming), and Arriola (1997). See also the web page of COMCE (www.comce.org.mx), an important foreign trade business organization representing large enterprises that was established after the NAFTA negotiations.

All the policy changes discussed in Sections I and II had in conjunction a marked impact on Mexican trade volumes and patterns. If from 1982 to 1988 the basic effect of policy shifts was in the composition of trade, from 1982 to 1999 the main effect was on trade volumes and, to a lesser degree, on trade patterns.

Chart 3
Exports by Economic Activity Area 1980-1998

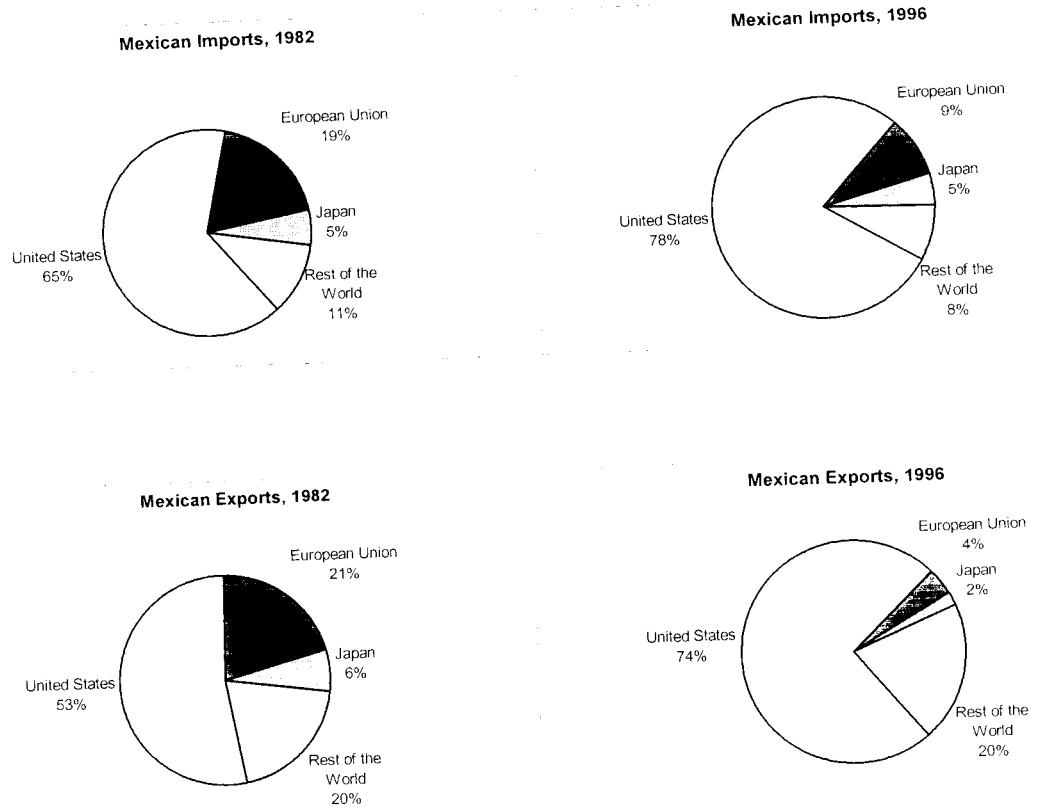


Sources: Secretaría de Hacienda y Crédito Público, Banco de México, Instituto Nacional de Estadística, Geografía e Informática.

As can be seen in Chart 3, Mexico's export volumes took off dramatically in the early 1990s although there are no longer important changes in terms of composition. By 1999, Mexico had become by far the largest exporter in Latin America and the second trade partner of the U.S., surpassed only by Canada.

Chart 4

Trade Patterns 1982 vs. 1996



Source: Statistics Canada (1997).

Chart 4 shows how trade with the U.S., already highly concentrated in 1982, became still more so by 1996. The greater concentration of trade came largely at the expense of its trade with Europe. It is also worth noting that an extremely high percentage of Mexico's trade is covered by free trade agreements with its main trade partners. The implications of these changes are discussed in the final section.

III. Current Trade Policies⁴⁵

Tariffs

As noted in section I, licensing requirements were virtually eliminated after Mexico joined GATT in 1986. By December 1993 only 1.6% of tariff lines were subject to licensing, but they amounted to 21.6% of all imports; they consisted mainly of certain agricultural products, petroleum and related products, and motor vehicles. However, the use of import licenses resurfaced in the mid 1990s, so that by 1998 close to 5% of imports were covered by licenses. Additional restrictions apply to certain products whose imports are prohibited, among them used cars.⁴⁶

By 1994, applied tariffs for imports of non-agricultural products ranged from zero to 20%, which is below the 52.2 0% weighted average bound rate that Mexico was granted when it joined GATT, and the subsequent reduction to 40.3% as a result of URAS. In December 1994 the weighted average rate of duty for non-agricultural goods was 11.3%.

As a result of tariffication commitments under URAS, Mexico's import duties on agricultural goods range from 36% to 260%, although agricultural goods represent a very small share of total imports (2.6% in 1993). The few remaining taxes on exports are restricted to petroleum derivatives, certain agricultural products and endangered species.

The financial crisis of 1994-1995, in which the peso was abruptly devalued against the dollar after fluctuating within a narrow band for much of the Salinas administration, had a severe negative impact on the Mexican economy.⁴⁷ NAFTA and the other FTAs limited the ability of Mexico to increase protection during the economic downturn (GDP growth was -6.17% in 1995).⁴⁸

While the government overall maintained an open economy, it did raise some tariffs (such as a 15 percentage point increase on apparel, shoes and manufactured leather goods from countries with which Mexico had not signed an FTA). This meant that the differential between MFN tariffs and FTA tariffs increased significantly. In 1998, Mexico's simple average MFN tariff was 13.2% as compared with the 2.11%

⁴⁵ This section draws heavily from OECD (1996).

⁴⁶ Regarding used cars, NAFTA provides that imports into Mexico are allowed only for cars that are at least 30 years old. This means that one may be importing a "classic" or frankly a piece of junk, which in no way would compete with auto production in Mexico. See De Remes, Fitzpatrick, and Ortiz (1996).

⁴⁷ For an analysis of the political and economic causes and consequences of the December 1994 peso crisis, see Edwards and Naím (eds.) (1997).

⁴⁸ Banco de México figure.

simple average tariff for imports coming from the U.S. The relatively low current (1998) weighted tariff of 2.6% largely reflects Mexico's trade concentration with the U.S. Mexico also continued its active use of AD laws (see below).

Table 3
 Liberalization of Trade Restrictions
 1983-1998
 (per cent)

Year	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Import licence coverage ^{1/}	100	83	35.1	27.8	26.8	21.2	14	13.7	9.1	10.7	21.5	12.97	n.a.	n.a.	n.a.	n.a.
Import licence coverage ^{2/}	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	4.3	2.2	2.7	4.1	4.7 (p)
Reference prices ^{3/}	13.4	13.4	25.4	18.6	13.4	0	0	0	0	0	0	0	n.a.	n.a.	n.a.	n.a.
Tariffs																
Simple average ^{4/}	27	23.3	25.4	22.6	10	9.7	13.1	13.1	13.1	13.1	13	12.4	13.7	13.3	13.3	13.1 (p)
Trade weighted average ^{5/}	16.4	8.5	13.3	13.1	5.6	6.2	10.1	10.5	11.2	11.5	11.6	11	3.4	2.9	2.6	2.6 (p)
Tariff positions ^{6/}	16	10	10	11	5	5	5	5	5	6	6	8	7	n.a	n.a	8
Maximum tariff ^{7/}	100	100	100	100	20	20	20	20	20	25	25	25	35	35	35	35

1 Percentage of imports covered.
 2 Percentage of 1986 production covered.

Source: OECD (1996), unless otherwise specified.

a/ Data from SECOFI.

b/ Data from SECOFI for 1995-1998. Arithmetic average of every tariff line's MFN tariff.

c/ Data from SECOFI for 1995-1998. Trade data are calculated on the basis of effective imports' tariff levels.

d/ Data from SECOFI for 1995-1998. Weighted average of every tariff line on the basis of yearly imports value.

e/ Data from SECOFI for 1995-1998.

f/ Data from EU Market Access Sector and Trade Barriers Database for 1995-1998 (<http://mkaccdb.eu.int>). This tariff ceiling does not include tariff peaks on certain agricultural imports that resulted from UK tariffication commitments. These tariffs run as high as 260%.

(p) Preliminary estimates.

Contingency trade policy

*Anti-dumping and countervailing duties*⁴⁹

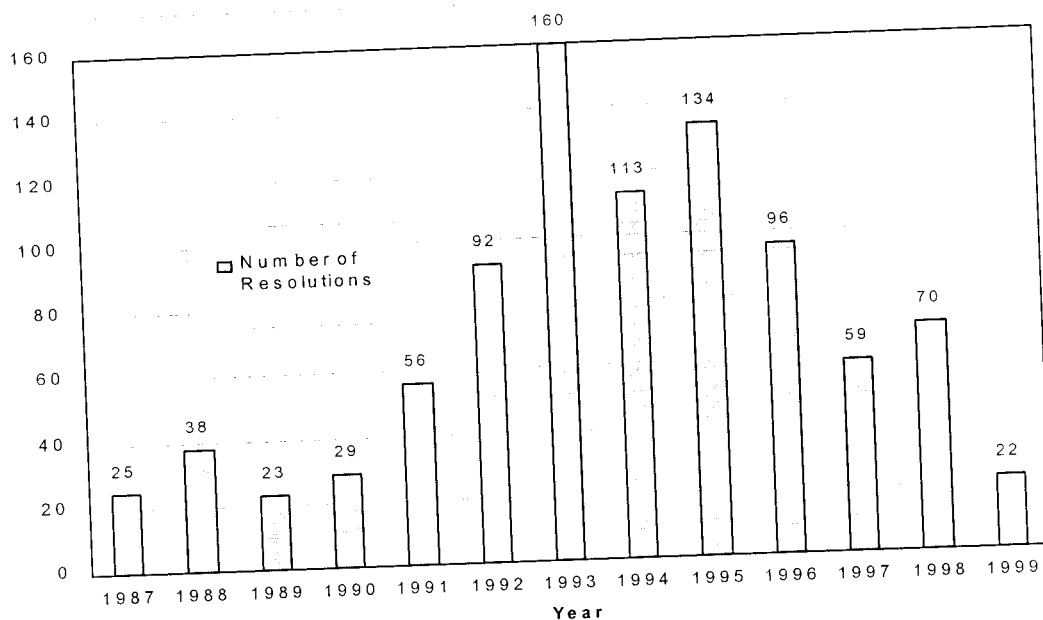
The 1993 Foreign Trade Law revamped AD/CVD regulations that had originally been issued around the time Mexico joined GATT. About one-and-a-half years before the peso crisis, Mexico started an aggressive use of AD/CVD duties. Between 1991 and 1993, the number of cases submitted increased nine-fold. A record 1,125% tariff was imposed on Chinese footwear in 1993. 32% of Mexican imports from China were subject to AD/CVD duties in 1994, and 13% of Indonesian exports as well.⁵⁰

The government argued that the high incidence of such actions is partly related to the strong peso. The incidence of AD actions did decrease somewhat after the 1994 devaluation but still remains quite high. Taking a longer perspective on the use of unfair trade laws by Mexico yields the following: more than 200 AD investigations were undertaken between 1987 and 1998, and more than half of them resulted in definitive findings.

⁴⁹ For a detailed examination of Mexican antidumping and countervailing duty laws, see Leycegui (1995).

⁵⁰ Some Mexican importers of Chinese textiles challenged SECOFI's action, and obtained an *amparo*, allowing them to keep importing textiles from China without being subject to AD/CVD duties. The ruling, which sustained the injunction, was that only the President can issue tariff regulations, and the case is pending before the Supreme Court. (OECD 1996: 31). There is no exact equivalent to the *amparo* in Anglo-Saxon legislation. It is "A general constitutional guarantee protecting one's civil rights against violation by public authorities, a writ issued against final judgment in certain cases when no other ordinary recourse is available". (Díaz and Lenhart: 1992, 37). Under Mexican law, individuals and corporations can seek an *amparo* against laws or "acts of authority" if they deem their interests to have been unjustly affected by such acts. Judicial proceedings and *amparo* trials are extremely lengthy and cumbersome, and can quite effectively disrupt the intended effects of public policy decisions.

Chart 5
Yearly AD/CVD Resolutions, 1987-1999



Source: Author's estimation based on information provided by the Unidad de Prácticas Comerciales Internacionales, SECOFI.

Calculations done by the OECD show that in 1995, controlling for the size of trade flows, Mexico was one of the most active users of AD remedies in the world (OECD: 1996, 38). Even so, the government publishes failed AD petitions in the *Diario Oficial de la Federación* (Daily Register) with the apparent intent of dissuading submissions of frivolous petitions. Likewise, the amount of trade subject to AD/CVD duties is quite small, although the active use of unfair trade laws may deter potential exports, something that is not captured by this statistic.⁵¹

The vast majority of cases were anti-dumping actions (as opposed to actions against subsidized exports) and most of them involved the United States, China and Brazil. Interestingly, different rules apply for each of these three countries: the U.S. can make use of NAFTA Chapter 19 provisions, Brazil can make use of the relevant WTO provisions and China has no additional recourse other than the Mexican courts

⁵¹ Only 0.5% of trade was affected by AD/CVD duties in 1995, calculated on the basis of 1994 trade flows (OECD 1996: 39).

to seek redress. Regarding sectors, most actions involved steel, chemicals, textiles and apparel.

It is nevertheless worth noting that the Foreign Trade Law seeks close coordination between SECOFI, which is in charge of administering AD/CVD procedures, and the Federal Competition Commission (CFC), which is in charge of competition policy. SECOFI notifies the CFC when it believes a firm is engaging in monopolistic behavior, and the CFC is entitled to issue opinions on SECOFI AD/CVD decisions.

The Mexican system is different from that of other countries in that the same administrative unit (in this case SECOFI) issues the dumping determination and carries out the injury determination. Separating these two processes into different administrative units might make for a better functioning of unfair trade laws, for it would render the process more impervious to political influences (OECD: 1996, 39).

Safeguards

Mexico is among the relatively few developing countries that have a safeguard statute in their domestic law. Safeguard provisions allow the imposition of import duties if such imports are causing serious injury to domestic producers of the same or similar products. In contrast to AD/CVD provisions, safeguard measures do not rely on a presumption of unfair trade. Safeguard provisions were introduced in the 1993 Foreign Trade Law. They have rarely been used, given stricter standards for application and shorter duration of restrictions than AD/CVD procedures.⁵²

Standards, marking, labeling, and non-preferential rules of origin

The 1992 Law on Standards and Measurements governs Mexico's regulations on standards. The law provides for both mandatory (NOM) and voluntary (NMX) standards, and covers virtually all economic activities.⁵³ Standards are developed by the National Standards Commission and the National Standards Consultative Committee, on the basis of recommendations by experts as well as public input.

Certification procedures, formerly undertaken by the government, can now be carried out by private organizations. However, there are few of these

⁵² According to OECD (1996), the only safeguard imposed since 1993 was against Chilean fishmeal, after a failed anti-dumping case.

⁵³ The government establishes mandatory norms whenever there are risks to personal safety, human, animal, plant health, the environment, working conditions, and for the preservation of natural resources.

organizations at present. There is a need to further mutual recognition procedures between Mexican and foreign certification bodies. Complaints of protectionist use of mandatory standards have been raised; some importers argue that in some instances voluntary norms would have sufficed, that certain mandatory norms were "excessively strict" (OECD:1996, 42), and that the law generated a "labyrinthine system" (OMC: 1998, 227).

A specific area of complaint is the mandatory norm on labeling and marking. Importers complain that labeling has to be done before the products arrive into the country, which means that frequently this has to be done at the factory. This is inconvenient because manufacturers do not always know the destination of their products. A related problem is that there have also been complaints regarding inspection requirements in customs areas and not at the point of sale, causing delays in clearing the goods through customs (OECD: 1996).

Regarding non-preferential rules of origin, in 1994 Mexico issued new regulations aimed at combating transshipments via third countries of goods otherwise subject to AD/CVD duties. For textiles, apparel and footwear, an original certificate of origin completed according to specific guidelines and formalized by a competent authority is required for importation; in addition, the certificate of origin for imports from countries that are not members of the WTO must be approved by a private inspection company. Some countries regard these measure as trade-inhibiting (OMC: 1998).

Deregulation

The deregulation of the transport industry has had important effects in terms of trade facilitation. A well-known shortcoming of the previous regime was that, given local monopolies, trucks had to return empty after making their delivery and could not transport goods from their point of the delivery to their home base. Deregulation of the telecommunications sector and the privatization of ports have also had trade-enhancing effects and to some degree reduced the level of corruption that was prevalent in these sectors.

Other sectors that were deregulated during the Salinas administration were the financial sector, airline services, the petrochemical industry, and electricity generation. These reforms were carried out at the federal level; current deregulation efforts also concentrate on the state and municipal levels.

Trade facilitation

Three programs for export promotion stand out: the Mixed Commission for the Promotion of Exports (COMPEX), the Program for Export-Intensive Industries (ALTEX) and the *maquila* and Temporary Imports Program (PITEX). COMPEX is basically a consultative mechanism between export industries and government officials that meets regionally every three months. Exporters bring complaints on obstacles to exports (of a basically bureaucratic and regulatory nature) and government officials try to solve them within a month. A national COMPEX gathering, in which cabinet members participate, tackles the most intractable issues.

The ALTEX program awards certain supports for companies with high levels of exports. These include special administrative, fiscal and financial treatment.

Under PITEX, duty drawbacks are given to firms that temporarily use certain inputs for goods that are subsequently exported. PITEX was modified starting in 2001 as a result of NAFTA and UR TRIMS commitments.⁵⁴ The temporary import of inputs and components is still tax and duty free if such inputs originate in a NAFTA country, regardless of whether they are destined for subsequent export to a NAFTA or a non-NAFTA country. For inputs and components that do not originate in NAFTA and are destined for export to Canada and the U.S., they are exempt according the lower quantity that obtains from either the duties that those inputs must now pay to enter into Mexico, or the duties that the final product must pay to enter the U.S. or Canada. The aim of this measure is to avoid double taxation and free-riding of non-members from NAFTA benefits. These rules do not apply to machinery and equipment, which starting 2001 must pay import duties.

In addition to these programs, the foreign trade bank (BANCOMEXT) provides financing at competitive rates for exporting companies and helps them search for potential buyers and partners for joint ventures, among other activities.⁵⁵

Sectoral policies

Sectoral policies are aimed at strengthening the export sector. There are efforts to link small and medium enterprises to the larger and more dynamic exporting companies. This is done basically through training and the facilitation of links between small and large enterprises, so that the former can contribute to some of the latter's inputs. These policies do not include subsidies. While they comply with WTO

⁵⁴ Please see section IV for further information on TRIMS.

⁵⁵ Information on the range of BANCOMEXT's activities can be obtained at: www.bancomext.com

regulations, their effectiveness is not evident. The area where more proactive sectoral policies are discernible is the auto sector.

To avoid adversely affecting the *maquiladora* industry with the changes to PITEX, starting in 1998 SECOFI implemented a number of sectoral promotion programs. The industries covered by these programs include electric, electronics, furniture, toys, shoe, mining, capital goods, photography, agriculture machinery, chemical, textile and garment, and autos. Under these programs, the duties paid by final goods, inputs and machinery are unilaterally lowered, so that the majority pay either 0% or 5% duties. These rules are in compliance with NAFTA commitments since non-originating goods no longer enter duty free, but the unilateral reduction of tariffs means that in practice adverse effects to industries using non-originating components should be minimal.⁵⁶

Customs procedures

Changes starting in 1989 have streamlined customs procedures, reducing the rampant corruption that was prevalent in this area and making import procedures smoother. Importers themselves are responsible for import declarations and duty assessments, but the customs brokers are liable in case of false declarations.⁵⁷ The attempt to inspect all imports ceased, given that it caused enormous delays and opened opportunities for corruption. Currently, about 10% of shipments are inspected, on a random basis; a further 10% of this subset of shipments is inspected by a private company to double check that government inspectors have carried out the original inspection adequately. Finally, customs duties are payable in commercial banks instead of directly to customs authorities, nullifying another opportunity for corruption. According to OECD (1996), the new systems functions well given the significant reduction in customs clearance times, which range from up to 24 hours to a few minutes. The maximum time for clearing trucks is three hours.

Competition policy

A wide-ranging privatization campaign, started under De la Madrid and virtually completed under Salinas, and the deregulation of many economic activities, were regarded by the government as key elements in its efforts to reduce the role of the state in the economy and increase efficiency through market mechanisms. In order to avoid potentially monopolistic practices in this new environment, the government

⁵⁶ For greater information on changes to PITEX and sectoral programs, please refer to the Ministry of the Economy's web page: www.economia.gob.mx

⁵⁷ All importers must use customs brokers, except if a firm has its own clearinghouse.

issued the Federal Economic Competition Law in 1993, under which the CFC was established. It is empowered to pursue investigations and make determinations of anticompetitive practices, without the intervention of the Executive and Judicial branches. It also reviews mergers and acquisitions.

Even though the CFC is ostensibly an independent body, the President names its five commissioners. They are named for a tenure of ten years, but some commissioners which were named under Salinas relinquished their posts and took official positions during the Zedillo administration. Some CFC rulings have also been controversial.⁵⁸

Investment

As mentioned above, in 1973 Mexico issued a Foreign Investment Law, which put severe restrictions on foreign investment. Since the mid-1980's liberalization occurred gradually through changes in regulations. However, it was not until 1993 that a new Foreign Investment Law was issued. The new law, in contrast to the old one, attempts to attract foreign investment. Thus, it offers legal certainty and transparent rules; the procedures for approval of investments were streamlined, and new sectors were opened to foreign investment.⁵⁹ There are no fiscal or other incentives. The scope and coverage of the new Foreign Investment Law is similar to that contained in NAFTA Chapter 11.

⁵⁸ This was the case when the CFC agreed to a controversial merger between TELMEX (the former public telephone monopoly which is now a private company but still has the largest market share in virtually all its telecommunications activities) and a branch of Televisa (the largest of the two private television chains), in order to provide cable services. The argument against the operation was that a merger between these two very large firms would make it difficult for others to enter into the cable communications market. The CFC disagreed, and argued that it represented an international trend, and the merger would allow these companies to be internationally competitive.

⁵⁹ Among the sectors where certain restrictions remain are: petroleum, petrochemicals, electricity, nuclear energy generation, radioactive minerals, satellite communications, and transport services. Restrictions range from ceilings on participation to outright prohibition of foreign investment.

IV. Mexico in the Uruguay Round

This section provides a brief summary of some of Mexico's commitments under the Uruguay Round. It serves as a foundation for a discussion, in the next section, on government-business relations and the upcoming round of MTN.⁶⁰

In general terms, URAS benefited Mexico through greater access for some of its exports while it did not have to make many concessions in return. The 35% binding on industrial goods was actually higher than the tariffs Mexico was applying; it did agree to tariffy non-tariff barriers imposed on agricultural goods, but the resulting high tariffs still award ample protection.⁶¹ By the end of negotiations, most of Mexico's trade legislation was already in compliance with URAS, as a result of changes it implemented in relation with its FTAs, and as a result of unilateral measures.⁶²

Market access: tariffs

Industrial goods

Mexico applied a linear reduction of 15 percentage points over five years with annual reductions of three percentage points, so that consolidated tariffs for industrial goods were reduced from 50% to 35%, in compliance with URAS which stipulate a reduction of 33% of current outstanding tariffs. Mexican bound tariffs remain higher than many of its applied rates.

In practice this meant that Mexico did not have to reduce any of its applied rates on non-agricultural goods as a result of URAS; however, the remaining differentials between bound and applied rates, even if lower than before the UR, are deemed inconvenient and a source of uncertainty by some of Mexico's trade partners (OMC: 1998). The increase in tariffs after the 1994 peso crisis shows that their complaints were not groundless.

⁶⁰ This section draws heavily from OECD (1996) and provides only brief commentary of URAS as they pertain to certain sensitive sectors in Mexico. For a summary of UR results, see Schott and Buurman (1994) and Martin and Winters (eds.). (1996).

⁶¹ As a result of NAFTA negotiations, Mexico had already agreed to tariffy its agricultural NTBS.

⁶² The laws that were amended as a result of URAS were: the General Levies on Imports Law, the Metrology and Normalization Law, the Authors' Rights Law, and the Federal Penal Code. The Enhancement and Protection of Industrial Property Law was abrogated, and a new Industrial Property Law was issued, as was a new Federal Vegetable Varieties Law (SECOFI n.d. a)

During the UR, Mexico proposed that the WTO grant recognition for unilateral tariff reductions (which has been common practice in Mexico, given the differential between bound and applied rates); this would give greater incentives to lower bound rates to the applied rates, and would reduce the uncertainty generated by the gaps, as well as potential WTO-compliant tariff increases.⁶³

Among the export products for which Mexico gained improved access as a result of URAS are: beer, rum, tequila, pharmaceuticals, chemicals, furniture, glass, ceramics, some steel products, combustion engines and their parts, computers and vehicle chassis.

Table 4

Weighted average tariffs reduced by some of Mexico's trade partners with whom it did not have preferential trade agreements in 1995⁶⁴

<i>Country</i>	<i>% of Tariff Reduction</i>
Australia	44
Austria	45
EU	43
Finland	35
Japan	44
Norway	16
New Zealand	66
Switzerland	37
Sweden	22

Source: SECOFI n.d. a

Agriculture

In agriculture, Mexico went beyond its commitments when it joined GATT and implemented a tariffication of NTBs, including those of sensitive sectors such as maize, beans and dairy products. It gained somewhat better access for some of its main agricultural exports (fruits, vegetables and tropical products), but was

⁶³ This issue is being discussed in the WTO Committee on Trade and Development (OECD 1996: 88).

⁶⁴ The tariff reduction column contains average tariff reductions weighted by Mexican exports to those countries. The year on which calculations were based is not reported. Mexico subsequently subscribed FTAS with the EU and EFTA.

disappointed that certain export subsidies were still allowed under URAS (OECD: 1996, 85). It proposed, as a second-best solution, that developing countries be allowed to match other countries' subsidies, in order to defend certain products in third markets.

The main agricultural exports of Mexico that benefited from URAS are honey, fresh flowers, avocado, mango, lemon, coffee, orange juice, oranges, papaya, onions and cantaloupes. Mexico benefited from the average 36% reduction in tariffs awarded by some of its trade partners; some reductions went further, as follows:

Table 5
Main agricultural exports of Mexico that benefited from URAS

<i>Country</i>	<i>%Tariff Reduction</i>	<i>Product</i>
<i>EU</i>	100%	Mango
	100%	Coffee
	50%	Flowers
	36%	Honey
	36%	Pineapple
	36%	Avocado
	<i>Japan</i>	100%
71%		Frozen orange juice
63%		Orange
60%		Rum
50%		Coffee
50%		Mango
50%		Avocado
<i>Switzerland</i>	100%	Citric juice
	100%	Papaya
	80%	Onion
	80%	Cantaloupe
	80%	Avocado
	36%	Honey

Source: SECOFI n.d. a

Regarding price supports Mexico, together with other developing countries, agreed to a 13.3% reduction in the Total Aggregate Measure of Support.⁶⁵

⁶⁵ The Total Aggregate Measure of Support or Total AMS is "the sum of all domestic support measures provided in favour of agricultural producers which are deemed to be more than minimally

Agricultural subsidies, long implemented by the government by buying certain products (such as grains and oilseeds) at guaranteed prices and selling them at lower prices to the general public, have now been greatly reduced. Subsidies for basic foodstuffs (above all maize, beans and milk) have likewise been reduced; subsidies for tortillas were eliminated in 1999. No export subsidies are awarded.

The state company that provided fertilizer at subsidized prices (FERTIMEX) was privatized in 1992, and CONASUPO, which was in charge of domestic price supports and consumer and producer subsidies, is being shut down.⁶⁶ The supports provided by PROCAMPO (Direct Support for the Countryside Program) were exempted from UR subsidy reduction commitments and will not be subject to CVDS.

Tariffication means that there are some tariff peaks in sensitive sectors such as maize, beans and powdered milk. According to WTO calculations, Mexican tariffs imposed on agricultural imports will decline from an import-weighted base level of 77% to an eventual bound level of 67% after the 10-year transition period.⁶⁷ Although there are peaks and overall import-weighted tariff levels are also quite high, it must be noted that these tariffs are bound, in contrast to the agreement on manufactures, where 100% coverage of bindings was not achieved.

Regarding subsidies in general, Mexico proposed that certain subsidies for environmental protection not be subject to countervailing duties, and the proposal was endorsed during the UR.

Regarding export subsidies, even though Mexico did not grant any, it reported export subsidies for the base period used in the UR as the basis for reductions (1986-1990) for maize, beans, wheat, sorghum and sugar, in order to be able to utilize export subsidies for those products, should the need and ability arise.⁶⁸

Textiles and apparel

The textile and apparel sector is very important for the Mexican economy in terms of employment. Even though Multi-Fiber Arrangement (MFA) quotas will be phased out, high tariffs will continue to hinder exports from developing into developed

production and trade distorting". (OECD: 1996, 89). In the case of Mexico, this translates into a reduction from \$29 to \$24 billion pesos from 1995 until 2004.

⁶⁶ The process has been drawn out and has turned into a politically volatile issue, given numerous charges of corruption levied against former CONASUPO officials, and of a subsequent government cover-up.

⁶⁷ This tariff reduction schedule fulfills the WTO commitment made by developing countries of a minimum 10% and 25% overall reduction. The information on the final level of bound tariffs is taken from OECD 1996 Table 24.

⁶⁸ The likelihood of Mexico actually using these export subsidies is remote, given current (and foreseeable) tight budgetary constraints and the fact that Mexico is actually a net importer of all these products except sugar.

country markets (Schott and Buurman:1994, 59). Specifically, developed countries will reduce tariffs on textiles and apparel by a weighted average of 22%, so that average protection levels after reductions will be 12% (OECD: 1996, 91). Although Mexico secured access to the U.S. market for originating goods under NAFTA rules, it will still face high tariffs for non-originating goods, and NAFTA rules of origin in the textile sector are quite restrictive; Hufbauer and Schott in fact regard them as “a major shortcoming” of the agreement (Hufbauer and Schott: 1993, 44).⁶⁹

Market access: non-tariff barriers

Safeguards

Mexico uses safeguards infrequently, and has seldom been the object of safeguard actions by other countries. Since its accession to GATT Mexico agreed to abide by GATT safeguard rules. Subsequently, it supported the stricter disciplines imposed by the UR Safeguards Agreement, such as the prohibition of voluntary export restraints (VERS) as well as special treatment for developing countries.

Antidumping and countervailing duties

As has been noted, Mexico has recently become an active user of AD duties. It initiated 131 AD investigations between 1985/86 and 1993/94 and was itself the object of 25 such investigations during the same period. The main exports affected were cement, iron and steel, cut flowers, synthetic and acrylic fibers and sisal twine (OECD: 1996, 93). Mexico favored stricter disciplines than those agreed to under the UR and in fact has for some time been among the proponents of substituting competition policy for unfair trade laws. Its AD legislation was basically in accord with URAS; some alterations to bring it fully into line have been made.

As mentioned in section III, AD actions peaked in 1993 when the peso was relatively strong. Even though the number of AD investigations has decreased there is still concern among a number of Mexico's partners about the potential abuse of AD duties by Mexico (OMC: 1998, 226).

⁶⁹ Rules of origin require that finished products be cut and sewn from fabric made of North American fibers, except for 13 fabrics in which case a single transformation (from imported fabric to North American apparel) suffices.

Subsidies

Mexico is phasing out its use of trade-related subsidies. During the UR it requested non-actionable status for certain environmentally related subsidies, as well as for regional subsidies aimed at decentralizing production away from Mexico City and other large urban centers.⁷⁰ It also proposed that countries be given credit for eliminating their export subsidies ahead of the timetable agreed to in the UR. Mexico's preferences on non-agricultural subsidies were thus largely borne out in the URAS.

Balance of payments exceptions

As discussed in Section I, while during several episodes of balance of payments crises Mexico had resorted to the imposition of trade restrictions (above all import license requirements), since 1982 it has tended to respond via macroeconomic adjustment. It thus has little concern with URAS in this matter.

Technical barriers to trade

Mexico was a signatory of the Tokyo Round Agreement on Technical Barriers to Trade,⁷¹ and during the UR supported the position that the Agreement only cover production and processing methods.

Sanitary and phytosanitary measures

Mexico has advocated the transparent use of these standards. Its own practices are similar to those agreed to in the UR; the Mexican regime is largely the result of NAFTA commitments. Some of Mexico's exports have been subject to this type of NTB, among them poultry meat, avocados, chili peppers, squashes and strawberries.⁷²

⁷⁰ Nonactionable subsidies are those normally exempt from countervailing duties; the URAS include among them certain R&D activities, regional aids and the adaptation of existing plants to new environmental requirements. In contrast, actionable subsidies are those for which the imposition of countervailing duties is legitimate, in the case of subsidies that have certain specified adverse effects; export subsidies are prohibited outright. (Schott and Burman: 1994, 88-91).

⁷¹ It obviously signed it after the Tokyo Round, for it joined GATT at the outset of the UR.

⁷² Mexico argues that in most instances the imposition of NTBs for sanitary and phytosanitary reasons has no scientific merit (OECD: 1996, 96). A particularly sore issue is avocado exports to the U.S. Before NAFTA negotiations, Mexican Trade Minister Serra Puche argued in favor of negotiating an FTA with the U.S. frequently using the example of avocados: Mexico was the world's largest producer, the U.S. was the world's largest market, yet Mexico could not export avocados to the U.S. Ironically, except for a few exceptions (in terms of origin/destination zones and

Rules of origin

The URAS on rules of origin deal with discrimination among sources of supply for reasons other than Article XXIV of GATT 1994, as may be the case when goods from certain countries are subject to AD/CVD duties. Rules of origin are imposed to avoid triangulation and the sidestepping of such duties. Mexico does not apply specific rules of origin to imports from MFN sources; however, it does require certificates of origin when those goods are subject to AD/CVD action, especially in certain sectors, such as textiles, apparel and shoes.

Import licenses

As noted in Sections I and III, Mexico has virtually eliminated its use of import licenses. It argues that in the few cases where they are still applied, standards fulfill the provisions of the GATT Import Licensing Code. Nevertheless, some delegations to the WTO have questioned the transparency in the award procedures for import licenses, especially when the fulfillment of compulsory standards is required (OMC: 1998, 227).

State-trading enterprises

The state-trading enterprise that raised greatest concerns for foreign exporters was CONASUPO, because it had a monopoly over powdered milk imports, and the majority of import permits for maize and beans were also given to that state enterprise. In the 1997 Trade Policy Review of Mexico, several countries complained about the lack of transparency in many dealings of CONASUPO, and of the Mexican government's reluctance to give full and clear information on the practices of CONASUPO (OMC: 1998, 230). However, as mentioned, CONASUPO is being dismantled.

Trade-related investment measures

TRIMS in the form of local content requirements were phased out in the Mexican electronics industry in 1990, but they are still prevalent in the auto sector. The aim of Mexican policy is to generate incentives for the use of local auto parts. In the case of small vehicles, the local content requirement is 36%, and for large vehicles 40%.

certain transformation of the fruit into paste), it still cannot. Tariff restrictions are due to be eliminated in 2004, but the main obstacles are phytosanitary.

These measures are inconsistent with the URA on TRIMS: it was agreed that all TRIMS are inconsistent with both national treatment and the prohibition of quantitative restrictions, and that developing countries (among them Mexico) must eliminate them within five years after the entry into force of the URAS.⁷³ This is one of the most important challenges Mexico faces as a result of the URAS, especially as it overlaps with previous agreements under NAFTA. Some countries have made known their opposition to restrictive practices by Mexico in the auto sector (OMC: 1998, 229). Notwithstanding the above, SECOFI (n.d.: a, 8) states that Mexico is not under obligation to amend or rescind its automotive decree.⁷⁴

Trade-related intellectual property rights

Mexico has made great leaps in the legal framework governing IPR. The 1976 Law on Inventions and Trademarks, which covered patents, trademarks, copyrights and trade secrets was amended in 1987 to strengthen the protection accorded by law, but that did not forestall U.S. pressures on Mexico to bolster the legal framework and especially to ensure full application of the law.⁷⁵ A new IPR law was introduced in June 1991, which awarded patents for up to 20 years and trademarks for up to ten years; it also gave greater teeth to judicial procedures against infringements. A new copyright law was passed in 1991.

Mexico's TRIPS regime was further strengthened during the time of NAFTA negotiations and in theory is close to being state of the art. Regarding the protection of Mexican exports, it is interested in securing the protection of region-specific products such as mezcal and tequila.⁷⁶

Trade in services

Regarding the General Agreement on Trade in Services (GATS), Mexico made commitments in most areas covered by the negotiations except environmental services and recreational, cultural and sporting services. Its commitment on the

⁷³ The Uruguay Round Agreements entered into force on January 1, 1995.

⁷⁴ See further discussion in the sub-section on TRIMS in Section V.

⁷⁵ Some Mexican chemical products were withdrawn from GSP treatment by the U.S. in 1987 (Lustig: 1992, 129).

⁷⁶ The only major complaint against Mexico related to this area was a Swiss concern that the new Health Law facilitates imports of pharmaceuticals but at the same time certain regulations generate incentives for the prescription of generic as opposed to brand name drugs, which is in fact a discriminatory practice against name brands (OMC: 1998, 232).

movement of physical persons is limited to intra-corporate transfers and specialists. It maintains limitations on foreign ownership in a number of sectors, among them the financial sector. In financial services there are restrictions on individual shareholding that are not to exceed 7.5%; in addition Mexican stockholders must maintain effective control. The mode of provision of financial services is by commercial presence only.⁷⁷ The cap on foreign ownership of commercial banks was raised by ten percentage points, to 30%.

In many services, such as accounting, auditing and bookkeeping, certain telecommunications and audiovisual services, construction, private education and health services, FDI must not exceed 49% of the registered capital of enterprises. In other sectors, such as certain professional services and all scheduled distribution services, Mexico allowed up to 100% foreign ownership.

Telecommunications commitments

One of the most contentious issues in Mexico's current trade relations involves its multilateral commitments to liberalize trade in telecommunications services. Mexico was one of the 68 countries that subscribed the WTO Basic Telecommunications Agreement, which came into force in February 1998, and also adopted the Reference Paper on Regulatory Principles in all aspects except resale. In July 2000, the Office of the United States Trade representative (USTR) requested WTO consultations with Mexico regarding alleged barriers to competition. It expressed concern on three issues: "lack of effective disciplines over the former monopoly, Telmex, which is able to use its dominant position in the market to thwart competition; failure to ensure timely, cost-oriented interconnection that would permit competing carriers to connect to Telmex customers to provide local, long-distance, and international service; and finally, failure to permit alternatives to an outmoded system of charging U.S. carriers above-cost rates for completing international calls into Mexico". (USTR: 2000).⁷⁸

Regarding disciplines over the dominant carrier, USTR argues that even though in principle the telecom market has been open to competition for several years, Telmex has actually increased its share of the market in long distance calls

⁷⁷ Market access commitments in GATS are classified in terms of cross-border supply, movement of the consumer to the country of the supplier, movement of the supplier to the country of the consumer (commercial presence), and temporary movement of physical persons employed by the supplier to the country of the consumer (Schott and Burman: 1994, 101).

⁷⁸ The issues of dispute settlement, telecommunications, and trade in services are covered in papers by Weston and Delich, Tigre, and Abugattas, respectively. The papers can be requested through the LATN website (www.latin.org.ar).

from 74% to 81% and has engaged in anti-competitive practices, such as denying competitors phone lines, predatory pricing, and refusing to inter-connect. It also regards interconnection fees as excessive. When it requested WTO consultations such fees were approximately 4.6 US cents per minute, as compared to the one-half cent fee charged by Chile, and the one-cent fees charged by Argentina and Peru (USTR: 2000). Interconnection fees for 2001 have been set at 1.25 US cents, but this may not solve the problem since there are additional pending issues and USTR is not only concerned with substantive rules but also with enforcement. USTR also points out that charging mechanisms for international calls pose two basic problems: the current rates are too high (19 US cents per minute as compared to 6 US cents per minute for calls into Canada and the United Kingdom), and currently only the dominant carrier (i.e. TELMEX), which has incentives to keep rates high, negotiates the international rate.

The action taken by USTR is of more than symbolic importance. Mexico's telecommunications market is estimated to be worth some \$12 billion USD (USTR: 2000), and AT&T has plans to invest \$8 billion USD in the Mexican telecommunications market over the next five years.⁷⁹

The request for WTO consultations followed months of talks between Mexican and U.S. officials, and strong pressures by MCI-Worldcom (Avantel in Mexico) and AT&T (Alestra in Mexico) for changes in the regulatory environment in Mexico.⁸⁰ At the time of this writing it seems there is a high probability that the matter will not be resolved through consultations and will reach the panel stage given concerns not only over substantive rules governing competition policy in the telecommunications sector, but also actual rule enforcement.

The issue is a complex one and involves both domestic regulatory issues, especially the role played by the Federal Telecommunications Commission (COFETEL), and international commitments. TELMEX was privatized in 1990, and under the privatization agreement was awarded a monopoly over national and international long distances services until 1996 in exchange for a series of commitments regarding investment and performance requirements. COFETEL was established in August 1996, shortly before the long-distance monopoly expired.

In late 1997 the CFC determined that TELMEX had substantial market power in five different markets (local telephony, interconnection services, national long distance services, international long distance services, and the re-sale of long distance). In spite of this, COFETEL was slow in responding with appropriate

⁷⁹ *El Economista*, October 16, 2000, p. 52.

⁸⁰ MCI presented a formal complaint against Mexico before USTR, and both Avantel and Alestra have extensively used Mexican domestic judicial proceedings to seek redress for their grievances.

regulations, and it was not until September 2000 that it issued a set of broad guidelines for TELMEX, including permitted tariff structures, performance guidelines and provision of information requirements (COFETEL: 2000). It has also issued interconnection fees for long-distance calls from 1997 through 2001.

The ability of COFETEL to act as an effective regulator has been questioned by several TELMEX competitors. One of the major obstacles to implementation of COFETEL guidelines has been a veritable war of *amparos* being waged by TELMEX, Avantel, and Alestra.⁸¹ TELMEX and Avantel have, on average, requested an *amparo* every two weeks since 1998, for a total of 78 *amparo* trials (54 by TELMEX and 24 by Avantel). TELMEX has used the *amparo* to question and at least temporarily halt the effects of decisions by the CFC and COFETEL, while Avantel has used this legal resource to stop TELMEX from using national courts to force Avantel to pay back fees and against TELMEX's attempts to take possession over Avantel telecommunications hardware.⁸²

In January 2001 TELMEX, Avantel and Alestra agreed to "drop the dozens of pending lawsuits, reduce interconnection fees and settle unpaid debts", but USTR officials insisted that these measures "did not exempt regulatory authorities from enforcing rules regarding Telmex as a dominant carrier".⁸³

The Mexican government holds that it is in full compliance with its international commitments, that the regulations issued by COFETEL ensure fair and effective competition,⁸⁴ and that in any case U.S. demands are grounded only on Section 1377 of the U.S. Omnibus Trade and Competitiveness Act and not on the WTO Basic Telecommunications Agreement.

If implementation of pro-competition regulations continue to be a problem it will perhaps be necessary for Mexico to undertake international commitments to curtail the effects of *amparos* on attempted regulation of the telecom industry. For example, NAFTA Article 1905, part of the dispute settlement procedures for dumping and subsidies issues, is specifically tailored to curtail potentially disruptive effects of *amparos* on Chapter 19 panel proceedings.

Government procurement

Together with civil aviation, government procurement is the only WTO agreement that is not encompassed by the "single undertaking" rule (Schott (ed.): 1998, 3). Mexico did not sign the WTO Government Procurement Agreement, and several

⁸¹ Please see fn. 50 for an explanation of *amparo* proceedings.

⁸² *Reforma*, October 6, 2000, p. 1A.

⁸³ "Telmex could face WTO to probe", FT.com web site, January 17, 2001.

⁸⁴ *El Economista*, October 16, 2000, p. 52.

countries have complained about the apparent unwillingness of Mexico to open this sector (OMC 1998: 232).

Regional trade agreements

As a signatory of several FTAs, Mexico is very sensitive about any changes to Article XXIV of GATT 1994. During the UR it argued, together with EFTA and the EU, against the Australian position of requiring that no major sector be excluded from an FTA. In the end, the changes to Article XXIV were only hortatory in this regard.⁸⁵

Dispute settlement

Regarding dispute settlement, Mexico accepted time limits and the requirement of unanimity to reject the adoption of panel reports, but supported differential treatment for developing countries on certain procedural issues.

⁸⁵ Mexico wanted to be able to exclude the oil sector, while EFTA and the EU wanted to retain ample protection for their agricultural sector.

V. A New Round of Multilateral Trade Negotiations: Views From Business and Government

Views from business

The interviews with representatives from business cover 77% of all manufactured exports, from only five broad sectors.⁸⁶ As it turns out, these same sectors also account for a large share of total manufactured imports (68%). Some of the most dynamic export sectors, such as the textile and apparel sector and several industries of the processed foods sector, are also import-competing sectors, although they are not listed separately as such.⁸⁷ The information gathered in the interviews is presented in Tables 6 through 13, for ease of comparison with the Argentina case study.⁸⁸

Table 6
Sectors Covered in the Study:
Share of Total Manufactured Exports and Imports 1998, %

<i>Sector</i>	<i>Business Association</i>	<i>Exports</i>	<i>Imports</i>
Electric and electronics	CANIETI	32	28
Autos	AMIA	20	11
Capital goods	CANAME	11	16
Textiles and apparel	CONCAMIN	8	6
Processed foods	CANACINTRA	6	7

Source: Bancomext 1999.

The electric and electronics sectors are represented by CANIETI, the National Chamber of the Electronics, Telecommunications and Computer Industries.⁸⁹ Many of the industries represented by CANIETI are linked to the *maquiladora* industry.

⁸⁶ As of 1999, more than 90% of Mexican exports and imports were manufactures. It must nevertheless be noted that the interviews were carried out with peak associations and they are not necessarily representative of all business sector views.

⁸⁷ In contrast with the Argentine case, where export and import-competing sectors do not coincide.

⁸⁸ The country case studies on Argentina, Brazil, Chile, Colombia, Venezuela, Peru, and Uruguay can be requested through the LATN web page: www.latin.org.ar

⁸⁹ For greater information, please see www.caniet.com.mx

AMIA, the Mexican Automotive Industry Association represents all major assemblers in Mexico (Ford, GM, Daimler-Chrysler, General Motors, Renault, Volkswagen and Nissan). CANAME is the National Chamber of Electric Manufactures, but despite its name represents a sizable share of the capital goods sector.⁹⁰ A specialized office in CONCAMIN represents textiles and apparel,⁹¹ and the processed foods sector is represented by CANACINTRA, the National Industrial Transformation Chamber (a member of CONCAMIN).

*Table 7
Effects of Uruguay Round Agreements for Each Sector*

<i>Sector</i>	<i>Positive</i>	<i>Negative</i>	<i>Neutral</i>
Electric and electronics	X		
Autos	X		
Capital goods			X
Textiles and apparel			X
Processed foods		X	

The electric and electronics sector regarded the URAs as positive, insofar as the Mexican government decided at the time not to join the Ministerial Declaration on Trade in Information Technology Products (ITA), which was in line with CANIETI preferences given disagreement within its ranks on the issue.⁹² Most of the businesses represented by that chamber are multinational corporations that in general have favored free trade. Otherwise, many of its concerns were already addressed through NAFTA.⁹³

The auto sector considered the results of the UR as positive, not in terms of substance -in which case they were regarded as negative- but basically because it had been possible to sidestep full compliance of agreements through a series of

⁹⁰ For greater detail, see www.caname.com.mx. In addition, the interviewee, Ing. Edgar Ubbelohde, is also a representative of CONCAMIN and has a long experience representing industries in this sector.

⁹¹ An additional interview with the businessperson responsible for NAFTA textile negotiations was also secured, and his views are included herein.

⁹² In mid-2000 CANIETI members finally agreed on supporting Mexico's joining the ITA. It is now awaiting a decision from the Ministry of the Economy on the matter.

⁹³ The main concern CANIETI had was the commitment to phase out PITEX coverage for goods not originating in NAFTA countries by 2001, if they were to be used as inputs for intra-NAFTA trade.

bilateral deals. In essence, the problem centers on TRIMS and the automotive sector decree currently in force in Mexico. The decree provides for a series of performance requirements in terms of local content requirements and import rules related to foreign exchange balances. As was seen in the section on Mexican commitments under the URAS, several elements of the decree are inconsistent with the TRIMS agreement, under which Mexico formally had to remove them by January 1, 2000. South Korea and Japan⁹⁴ have pressed Mexico on this issue, to no avail.

The Mexican government and AMIA have worked closely on this matter. Under NAFTA, decree rules would be gradually liberalized until the expiration of the decree, which is slated for 2003. Mexico does not have a problem with the U.S. in this regard, given that NAFTA rules will prevail. It reached an understanding with EU countries during their FTA negotiations, whereby Mexico would allow the importation of auto-parts from certain non-established (i.e. non-Mexican) industries, in contravention of the decree, with the understanding that the 2003 phase-out date would not be altered. In the meantime, EU countries would drop the matter at the WTO.

Mexico, Brazil and India have a similar position regarding TRIM incompatibility with auto industry regulations. They have apparently gained a three-year moratorium on implementation of the TRIM agreement, and will most likely ask for a five-year moratorium during the next round of MTN, so that full implementation will be postponed until January 1, 2005.⁹⁵

The capital goods sector considers URAS irrelevant rather than "neutral", as expressed in the Table 7. CANAME argued that by far the largest share of trade in the sector is with the U.S., so most of the opening was already agreed upon. Their concern, if any, is linked with procurement, one of the few issue areas excluded from the UR single undertaking agreement. The problem lies in the fact that the Mexican government can decide procurement rules on a unilateral basis for countries that do not have an FTA with Mexico, and it has accepted bids from countries that have a closed procurement market. To complicate matters further, key-in-hand projects, which have fallen out of favor elsewhere, are still sometimes used in Mexico, and it is extremely difficult to detect unfair trade practices under such schemes.

The textile sector is very important for Mexico, not only in terms of export shares but also employment. CONCAMIN was satisfied with NAFTA results, arguing

⁹⁴ In the case of Japan it is specifically Toyota who is interested in having Mexico comply with its WTO commitments.

⁹⁵ In addition, during the first semester of 2000 Mexico concluded a two-year interim agreement with Brazil, under which both countries will open their markets for certain models of vehicles under an 8% tariff-quota arrangement. This could be a turning point in Brazil-Mexico trade relations, which have been quite tense during the past few years.

that the U.S. market was huge and still allowed room for growth for Mexican exports -as would the European market with the new FTA- although it was sanguine about the possibility of significant further increases given that many businesses were working to the limit of their capacity while others had lagged behind and would most probably wither. A phasing out of the MFA was seen as something that was bound to happen sooner or later, and which would partially offset the gains made by the sector in NAFTA negotiations. There was great concern regarding a possible flood of garments from China, should it join the WTO, and also about competition from Asia in general.

The representative from CANACINTRA gave his views not only on the processed foods sector but also on the agricultural sector in general. As was the case in the capital goods sector, URAS were regarded as irrelevant given that most trade is of a bilateral nature with the U.S.. However, at present the situation with the U.S. is not positive for Mexico. Problems abound; among them are allegedly dumping practices in exports of beef and pork meat, and lard, and difficulty of access for Mexican sugar exports.⁹⁶ There have been imports of grains (above all maize) beyond NAFTA commitments, which have adversely affected many local producers. In terms of Mexican exports to the U.S., the market for sugar is highly regulated. The result of NAFTA agreements for the agricultural sector was a breakup of national production chains and a great concentration of producers and retailers, which have put small and medium producers and retailers in an untenable position.

The CANACINTRA representative argued that many WTO members award a series of aids to their local producers, and that the main demand of Mexican producers is simply that they should receive whatever aid or support other producers were receiving. Rather than expressing specific demands, he was extremely insistent on the need to secure a "level" playing field,. The type of supports that were on CANACINTRA's mind did not necessarily deal with subsidies -many of which are prohibited by the WTO and in any case difficult to apply in times of tight budgets- but with issues such as more investment in R&D, closer working partnerships between universities and business, greater emphasis on the training of mid-level technicians, and a more proactive policy toward small and medium enterprises.

⁹⁶ In August 2000 Mexico requested the establishment of a panel under NAFTA Chapter 20 rules to settle the dispute over U.S. sugar quotas.

*Table 8
Evaluation of Support Provided by the Government*

<i>Sector</i>	<i>High</i>	<i>Medium</i>	<i>Low</i>
Electric and electronics		X	
Autos	X		
Capital goods	X		
Textiles and apparel	X		
Processed foods	X		

Most sectors considered that the support provided by the Mexican government during UR negotiations was high, given open channels of communication and highly capable negotiators, notwithstanding that some sectors (especially processed foods) were dissatisfied with the results of the process. CANIETI mentioned that the sectors it now represents did not have as great a weight in the Mexican economy during the URA (i.e. 1986-1994) as they do now, and that in addition such sectors were not very united in terms of having an effective lobby. Thus, the government did not regard them as important as other sectors, such as automobiles, nor as delicate as others, such as grains. They largely remained in the sidelines during the UR.

*Table 9
Government Channels to Obtain WTO Information*

<i>Sector</i>	<i>SECOFI</i>	<i>Business Chamber</i>	<i>Other</i>
Electric and electronics	X		
Autos	X		
Capital goods	X		X
Textiles and apparel	X		
Processed foods	X		

All sectors had direct access to SECOFI, which was the official source for URA information. On occasion, some business organizations resorted to their respective chambers for information. The Internet also allowed direct access to the WTO web site, which was consulted on an as-needed basis. The AMIA representative in fact argued that the information his sector had was excellent, given that multinationals gather information from several governments and have detailed knowledge of

market conditions in many countries. The CANACINTRA representative noted that while information on URAS was readily available, that regarding specific support WTO members were receiving from their government was not, and that it was important to have full and timely information in that regard.

*Table 10
Type of Government-Business Relations*

<i>Sector</i>	<i>Consultation</i>	<i>Collaboration</i>	<i>Confrontation</i>
Electric and electronics	X		
Autos		X	
Capital goods		X	
Textiles and apparel		X	
Processed foods		X	

There was a general opinion that government-business relations regarding trade policy were very collaborative and that there was both expertise and ample opportunity to be heard. The representatives of the capital goods and foods sectors noted that if they were not completely in agreement with some NAFTA or UR provisions this was not necessarily a result of lack of collaboration with the government, but a natural result of a large number of sectors being negotiated so that some would benefit and others lose.

CANIETI had a somewhat different view of these matters, arguing that the representation scheme had two basic flaws. Firstly, CANIETI did not have direct access to the negotiators but had to rely on CONCAMIN, which represented a large array of chambers and thus tended to better represent some chambers than others partly because of the expertise and business origins of the persons CONCAMIN decided to send to the negotiations. Secondly, when a complex issue came up and CANIETI had to be consulted directly, it was often the case that SECOFI negotiators needed an answer in a short time span, which made it impossible for CANIETI to consult its members and reach a consensus. CANIETI seeks to have direct access to the negotiators for future negotiations.

*Table 11
NAFTA as a Learning Process: Level of Participation*

<i>Sector</i>	<i>High</i>	<i>Medium</i>	<i>Low</i>
Electric and electronics	X		
Autos	X		
Capital goods	X		
Textiles and apparel	X		
Processed foods	X		

All sectors mentioned that participation during NAFTA negotiations was very intense and that they worked in close collaboration with the negotiators. The Executive Director of AMIA, who has represented the sector since the onset of NAFTA negotiations to the present, noted that NAFTA itself was used as a framework when negotiating other agreements, including the one with the EU. The expertise developed by both business and government during NAFTA negotiations proved extremely valuable in subsequent bilateral, plurilateral and multilateral negotiations.

*Table 12
Level of Participation in FTAA*

<i>Sector</i>	<i>High</i>	<i>Medium</i>	<i>Low</i>
Electric and electronics		X	
Autos		X	
Capital goods		X	
Textiles and apparel		X	
Processed foods		X	

All representatives regarded the Free Trade Area of the Americas (FTAA) process with little optimism and scant concern. The capital goods, auto and food sectors were focused on ongoing bilateral negotiations with several Latin American countries (above all with Brazil) rather than on the FTAA process. CANIETI sensed that neither the U.S. nor Brazil showed genuine interest in establishing hemispheric free trade. They all felt that, if and when the time came, they would be up to speed in terms of working together with the government. Most were taking a "wait and see" approach.

*Table 13
Mexico
Issues of Concern in a New WTO Round
as Viewed by Business Associations' Representatives*

<i>Sector</i>	<i>Issues of Concern</i>	<i>Response</i>
Electric and electronics	ITA	Possible support
Autos	TRIMS	Request five-year moratorium from URA TRIM agreement
Capital goods	Procurement	Uncertain
Textiles and apparel	China	Uncertain
Processed foods	Level playing field	Uncertain

While all sectors have at least one area of concern, only the electric and electronics and auto sectors had a clear strategy. As mentioned above, the electric and electronics sector wants greater liberalization and now favors joining the ITA, and expects the Ministry of the Economy to favor that position. The auto sector looks instead for continuing protection. It has in principle gained a three-year moratorium on TRIMS and is cautiously optimistic of gaining a five-year reprieve if it is able to work together with Brazil and India.

The other sectors voiced concerns, but offered no clear strategy to address them. It is worth noting that in some instances their concerns are directly linked to their relations with the Mexican government and need not involve any third parties or the WTO, as is the case with the unilateral opening of procurement and greater support for the agricultural sector. CANIETI also mentioned the need for a more proactive stance by the Mexican government in support of the electronics industry with WTO-complaint policies such as reducing the level of taxation, favoring greater investment in training of human resources, and further streamlining of customs procedures.

In short, it seems that if there are good relations, open channels of communication and capable negotiators, the remaining problems have to be dealt with at the political rather than technical level. Solutions will be arrived at insofar as preferences of business and government converge. Before turning to the next subsection, which gives an overview of the government's preferences on topics to be covered in a future MTN round, a few words on Non-governmental organizations (NGOs) and small and medium enterprises (SMEs) are in order.

NGOs and SMEs

The most vociferous criticism of Mexico's trade policies came not from the traditional business organizations but from NGOs and "unofficial" business organizations. The Mexican Trade Action Network (RMALC)⁹⁷ is an NGO that was established in 1991, at the outset of NAFTA negotiations. It functions as an "umbrella" organization that represents the interests of very diverse groups with concerns in different areas including, among others, human rights, labor rights, democracy, environmental issues, SMEs, and small agricultural producers. Its stated aims are to modify Mexico's current economic policies and replace them with other policies that ensure both sustainable development and a more equitable distribution of the costs and benefits of economic development. It has established some links with other European, Latin American, and North American NGOs that have similar aims.

Its actions include the organization of fora to analyze Mexico's trade policies, the elaboration and distribution of publications on a number of trade-related topics, and the coordination of common actions with foreign NGOs. As befits an organization representing a vast array of interests, its concerns are wide-ranging.⁹⁸ The RMALC questions the efficiency of the market to allocate resources, and seeks a greater role for the state in ensuring an equitable allocation. It also seeks a greater participation of civil society in trade policy formulation and implementation, to ensure that it favors sustainable development and better living conditions for Mexicans. This requires, in their view, the establishment of national development programs and the incorporation of a social and political agenda in trade agreements that favor human rights, democracy, and compensate for asymmetries that prevail both within and among nations.

Their proposals include sweeping changes to central elements of trade agreements, such as favoring special and differential treatment instead of relying on national and MFN treatment, and modifying standard investor-state dispute settlement procedures on grounds that it is an affront to national sovereignty and favors the interests of multinational corporations instead of the public interest in issues like health and the environment. They also have more specific proposals, such as changes to IPR commitments under the WTO which, in their view, currently allow "bio-piracy" when multinational corporations patent biological processes and

⁹⁷ RMALC is the acronym in Spanish for the Mexican Trade Action Network, the *Red Mexicana de Acción Frente al Libre Comercio*. Its web site is www.rmalc.org.mx

⁹⁸ The information presented in the following paragraphs was obtained by the author from an interview with two RMALC representatives, held on August 9, 2000.

privatize the use of “traditional” medicine with very adverse effects on indigenous groups which might not be able to continue using their “traditional” medicine.

So far, their impact on Mexico’s trade policy has been minimal. This may be partly due to a reluctance by SECOFI to make a conscientious and sustained effort to incorporate the views of groups such as the RMALC in trade policy deliberations, but in no small measure also to some maximalist positions held by RMALC. Putting into question the backbone of the multilateral trading system, such as MFN and national treatment, makes it difficult to find common ground between pro-free trade coalitions and those who seek changes to current trade policies.

Some RMALC members, such as the ANIT, which represents SME interests, also criticize Mexico’s current trade policies but favor a more constructive approach with the government. ANIT, the National Association of the Transformation Industry, is a breakaway group of CANACINTRA that was established at the time Mexico joined GATT in 1986. It represents the interests of some 3,000 SMEs in the capital goods sector.⁹⁹ Those industries thrived under the ISI model but are barely able to survive in an open economy.

ANIT recognizes that an economic policy shift was necessary, but argues that several WTO-consistent measures can be put into effect to assist them. Its most specific suggestion is for the government to grant SMEs a given share of the procurement market. Additional concerns are related to interest representation and financing. Regarding the former issue, ANIT holds that it is necessary for SMEs to have a say in foreign economic policymaking. As of 1996, there were some three and one-half million SMEs in Mexico, which account for a very large share of total employment, but only some 200,000 were members of a business chamber. Part of the problem lies in the fact that major business organizations are set up on the basis of economic sectors and not business size, so they tend to reflect the interests of big business.¹⁰⁰ In ANIT’s view, this also holds for COECE, which was supposed to represent all business interests but is in fact a relatively closed group that tends to favor big business interests. They argue that the whole corporatist mode of business interest representation in Mexico is in crisis, and new mechanisms, where SMEs have a real voice, must be set up. Regarding financing, they view BANCOMEXT as rigid and imposing guarantee requirements that can rarely be fulfilled by SMEs. Greater financing, as well as more flexible guarantee requirements would, in their view, go a long way toward permitting a revival of SMEs in Mexico.¹⁰¹

⁹⁹ The information presented in the following paragraphs was obtained by the author from an interview with Adán Rivera, President of ANIT, held on August 31, 2000.

¹⁰⁰ Luna (1995), Alba (1996), and Arriola (1997) offer a good overview of business organizations in Mexico.

¹⁰¹ ANIT is a member of ALAMPYME, the Latin American Association of Micro, Small, and Medium Businesspersons, which seeks to establish joint ventures between Latin American SMEs, but

*Views from government*¹⁰²

Modes of negotiation

There are two options for negotiations: an across-the board single undertaking or sectoral negotiations. Mexico favors a single undertaking, given that sectoral negotiations make compromise and side payments difficult. The U.S. and Canada prefer sectoral negotiations since they have little to offer in a multilateral round, are ahead in several issues (IPR, environmental and labor provisions) and their tariffs are generally low. For example, in goods covered by the ITA the U.S. already has low (2%) tariffs, and most of its tariffs on industrial goods are close to zero. It does have tariff peaks in some textile items, where they can be as high as 67% (although Mexico already received some concessions through NAFTA).

Mexico's position can be supported by the EU, which also wants another single undertaking round, given it has to open its agricultural sector as a result of URAS, and wants to get something in exchange from the U.S. This would not be possible under sectoral negotiations. It appears that most Latin American countries also favor a new round, and that African and South East Asian countries prefer the status quo.

Regarding timelines, Mexico prefers a negotiation round of approximately three years' duration, and in no case of longer duration than the UR.

Issue area coverage

Mexico favors addressing the built-in agenda in a next round of MTN, but regards it as insufficient. It seeks, at a minimum, full consolidation of the tariff structure for industrial goods. In terms of exclusions, it argues that a "contamination" of the trade agenda with environmental and labor issues could actually revert the gains made in trade liberalization (SECOFI 1999: 23); likewise, it holds that it will be difficult for developing countries to address the type of issues brought up during the Singapore Ministerial Meeting.

can also serve as a channel for the development of common policy positions of SMEs in trade fora. ALAMPYME is currently (as of late 2000) headed by Argentina's APYME, the Assembly of Small and Medium Businessmen. Greater information on APYME can be found at its web site: www.apyme.com.ar.

¹⁰² The views from government are partly based on SECOFI (n.d. e), SECOFI 1999, and a seminar on Millennium Round of WTO trade negotiations held on October 5, 1999 where SECOFI officials presented the preliminary government position before business organizations, with a view to future feedback and joint collaboration during the new MTN.

i Implementation of URAS

- Mexico holds that a significant number of developing countries feel they have not benefited as expected from trade liberalization as a result of incomplete implementation of URAS by some developed countries, and proposes that if that be the case, developed countries should ensure full and prompt implementation of such agreements so that they do not constitute a stumbling bloc for the initiation of a new round of MTN.

ii Built-in agenda

- Agriculture: Mexico is concerned more with compliance of URAS than with a deepening of commitments, given there are several market access problems that adversely affect it. Conversely, a difficult area for Mexico is powdered milk. Even though at present the importation of powdered milk is open, there is a limit in terms of quotas allowed to enter under low tariffs. The “historical importer” (i.e. the corporation that traditionally has carried out such imports) gets the first option of being the one to fill out that quota, and since LICONSA (CONASUPO Industrialized Milk) has been that importer, imports by anyone else is de facto a foreclosed option. CONASUPO is being dismantled, but the operation will still take some time and may overlap with the new round of negotiations. Another agriculture-related item is a reduction of subsidies, but Mexico already has them at a lower levels than those allowed under URAS. Regarding sanitary and phytosanitary measures for agriculture, Mexico agrees that national provisions should be made on a “scientific basis” and is willing to contemplate the discussion of this issue.
- Export subsidies: NAFTA is partly based on the guidelines on this matter set out by the Dunkel text, which in turn was also used with few alterations in URAS, so Mexico is basically already in compliance. The only significant problem lies with PITEX, given that it covers the duty-free import of industrial goods (machinery) with which temporarily imported inputs would be transformed and re-exported. Since the machinery itself would not be re-exported, it can be construed as an unauthorized export subsidy.
- TRIMS: Mexico has a major commitment here, and it is to eliminate the automotive decree. No performance requirements (e.g. national content, balance of payments provisions) are to be allowed. Mexico agreed, under NAFTA rules, to eliminate a number of provisions of the auto decree by 2004, but under the URA on TRIMS it would be forced to eliminate them by 2001, thus losing important concessions it gained in NAFTA. The strategy could be, under Article 5 of TRIMS, to argue for exceptions. Otherwise, the matter may end up in dispute settlement procedures. At issue is the fact that Korea wants

to export cars directly to the Mexican market, without making any local investments (OMC 1998: 229).

- Services: as the world's 13th exporter of services and the first one in Latin America, Mexico is interested in as wide a sectoral coverage as possible, such as a horizontal approach whereby all sectors would be open for negotiation for a given type of service. The main pending issues are maritime transportation, subsidies, and safeguards. A basis for inclusion of items in the negotiation list is the United Nations CPC (Code of Product Classification). Mexico would gain from the negotiations by attaining greater market diversification.
- IPR: Mexico seeks the establishment of a multilateral system of registry and notification of distinctive products, for wine and spirits. This interest pertains basically to tequila and mezcal, which are recognized as distinctive products under NAFTA Annex 313.
- Dispute settlement: the U.S. wants NGOs to have easy access to dispute settlement procedures and perhaps even the possibility of voting; Mexico, together with most developing countries, wants to keep dispute settlement procedures at the strictly inter-governmental level. U.S. policy may partly be a response by the Democrats who must cater to some domestic interest groups (NGOs) in the labor and environmental areas.¹⁰³ At issue is also the appeals process. Mexico's position is that it tends to be abused and that stricter guidelines are required.

iii. Singapore Second Ministerial Meeting issues

- FDI: Mexico accepts its inclusion, under certain conditions: an eventual multilateral agreement on investment should not be linked with environmental and labor issues, should be compatible with current domestic laws governing FDI, and should not inhibit the regulatory faculties of the state. It is also imperative that fiscal supports in Association of South East Asian Nations (ASEAN) countries be included in the negotiations.
- Competition policy: Mexico accepts its inclusion; one of the aims is to at least partially substitute competition laws for AD laws. However, there is a contradiction in Mexico's position. Canada and Chile (who already have an FTA) propose not applying AD laws when the item involved enters tariff-free, and Mexico has not accepted this position in its own new agreement with

¹⁰³ It is still unclear how control of Congress and the Presidency by Republicans starting in 2001 will affect US policy in these matters, although there are indications that they will not be as sensitive as the Democrats, given the latter's reliance on labor and environmental constituencies.

Chile. Apparently, the Mexican productive sector did not want to award this benefit to Chile, and the government decided to use this issue as a negotiating card in future bilateral and multilateral negotiations.

- Government procurement: the U.S. wants to deal with this issue at the earliest possible date and apply results using the “early harvest” approach. Mexico is not keen on greater liberalization, although it does favor greater transparency of rules. It has no problems on transparency given NAFTA rules, and in fact a number of procurement offers appear on the Internet.¹⁰⁴ Mexico is against the “early harvest” approach.
- Trade facilitation measures: Mexico has made some progress in areas such as customs procedures and is not opposed to their inclusion. However, it is not an area of paramount interest or concern.

iv. Other issues

- Industrial Goods: Mexico may propose the inclusion of industrial goods, with a view to achieving full consolidation of the industrial goods tariff structure. It is opposed to the sectoral approach favored by the U.S., which follows its approach in the ITA. Negotiations should proceed on the basis of such consolidation (and on actually applied tariffs when applied tariffs are lower than the consolidated level). In addition, consolidated levels should reflect “reasonable” tariff ceilings. Mexico is concerned about certain sectors such as footwear, apparel, copper and cement given that in the next round the margin between bound and applied rates may disappear.
- ITA: Mexico is not participating, and neither is Brazil even though it has one of the largest computer markets in the world. Mexico has the rules it prefers through NAFTA, where there is already a move towards establishing a common external tariff on the basis of lowest MFN (which is already at very low levels, especially Canadian tariffs). The industry is competitive and Mexico has no great concerns in this area.¹⁰⁵
- Electronic commerce: there seems to be a consensus among developing countries (including Mexico) that Internet-based trade at the moment seems to favor developed countries, and that there are few gains for the former by liberalizing electronic commerce at this point in time.
- Labor and environmental issues: Mexico accepts the need for deliberation of these issues in the WTO, but proposes that no formal commitments be taken.

¹⁰⁴ Please see: <http://crimson.compranet.gob.mx:8081/cnetii/plsql/principal.inicio>

¹⁰⁵ Please note the comments made by CANIETI in the section on views from business, which supports joining the ITA.

Europe and the U.S. want greater disciplines in these areas, New Zealand accepts the need for some disciplines and is in a moderate position. Mexico, together with many developing countries, is opposed to formal commitments in these issues within the realm of the WTO, and argues that the International Labor Organization (ILO) is the correct venue to address labor issues and that regarding environmental issues the committee set up at the Singapore meeting should continue working under the current terms.¹⁰⁶

- Inclusion of new members: the Mexican position is to use a conservative approach with regard to the inclusion of new members. Given the recent history of trade frictions between China and Mexico it is to be expected that Mexico will follow with great attention China's possible entry into the WTO.¹⁰⁷ There is also concern regarding the possible impact of Russian entry into the WTO.
- Private sector participation: there will be consultations with the private sector for the next round of MTN, only as strictly necessary. Mexico's economy is already quite open with its main trade partners (above all with the U.S.). During the negotiation of preferential trade agreements and in the UR there was active participation by the Mexican private sector. It is not clear if such intense participation will be required for the next round of MTN.

The concluding section (Section VI) assesses the degree of conflict and convergence between government and business views, and the implications for Mexico's trade policy formulation.

¹⁰⁶ Note, however, that a similar dismissal of environmental issues is not as easy given the lack of an analogous institution to the ILO for environmental matters.

¹⁰⁷ According to the Chinese it is actually a re-entry into the WTO, for they were once members of GATT.

VI. Conclusions

On Mexico's trade flows

Beyond the specific concerns of business and government, general concerns may be gleaned by considering Mexico's trade flows in terms of volume, composition and destination markets.

Volume and composition

Trade is very important to Mexico. Its manufactured exports rose dramatically since the early 1980s: they were approximately \$3 bn. in 1982, increased to \$12 bn. in 1988 and to more than \$137 bn. in 1999. Mexico is currently the world's seventh trade power and the first one in Latin America.

The change in the composition of trade has been as dramatic as the increase in volume. In 1982, oil constituted approximately 78% of total exports, and manufactured exports were 14% of total exports. By 1988, oil exports were only 33% of total exports, and manufactured exports were 56% of total exports. According to 1998 figures, Mexico's oil exports constitute only 6.08% of total exports, while manufactured exports represent 90.15% of total exports.

A very significant share of manufactured exports is represented by the automobile industry. In 1997, that sector accounted for 20.25% of total manufactured exports, and by that date Mexico was the world's number ten exporter of automobiles and auto parts, and the third most important exporter to the U.S.¹⁰⁸

After the auto sector, the most important exports are cables for the conduction of electricity, textiles and apparel, machinery parts, steel, parts for electric installations, radio and television parts, and glass. These sectors range from a high of 5.2% of total manufactured exports (in the case of cables) to a low of 1.3% in the case of glass.¹⁰⁹

¹⁰⁸ Mexican auto exports to the U.S. increased from \$3.6 bn. in 1993 to \$10.8 bn. in 1997, representing a 200% increase. Market share rose from 5.8% to 13.5% during the same period, surpassing the market share of Germany (SECOFI n.d. d).

¹⁰⁹ These figures depend on industry classification criteria. BANCOMEXT (1999) has the electric and electronics sector accounting for 32% of manufacturing exports in 1998. See Table 6.

Markets

As has been mentioned, Mexican trade has for decades been highly concentrated with the U.S. The lowest figure of Mexican exports to the U.S. since 1980 is 50.66% in 1982 (the year debt crisis erupted). Since 1991, it has destined at least 80% of its exports to the U.S. market; in 1997 the figure was 85.53%. Regarding imports, the lowest figure for the same time-span is 59% in 1987 (the year when the peso was sharply devalued). From 1995 to 1997 imports from the U.S. have constituted approximately 75% of total imports.

During the first four years of NAFTA, Mexico's trade with the U.S. increased by 99.8%. In September 1998, Mexico became the U.S.'s second trade partner, surpassing Japan and only remaining behind Canada in this regard. Mexico's trade with Canada increased by 50.3% during the first four years of NAFTA, and in 1998 was Canada's fifth trade partner, after the U.S., Japan, the United Kingdom and China. However, only 2% of Mexico's exports went to Canada in 1997.

Mexico's main trade partner after the U.S. is the EU, taken as a whole. While exports to the EU were only 3.64% of total exports in 1997, 9% of total imports came from the EU that same year. In comparison, Japan accounted for 1.05% of Mexican exports and 3.95% of imports in 1997.

Mexican trade with the Latin American countries which whom it has FTAs is insignificant. The largest share of trade is with its G-3 partners taken in tandem (Colombia and Venezuela). In 1997, Mexican exports to Colombia and Venezuela were 1.08% of total exports, and imports from those countries were only 0.5% of total imports.

If we include Mexico's FTA with the EU (which entered into force in 2000), we have that in 1997 approximately 93.25% of Mexico's exports remained within preferential trade areas, as did 86.58% of imports.¹¹⁰

On trade rules (and barriers)

Mexico's trade rules (and barriers)

As discussed in previous sections, Mexico liberalized its trade starting in the mid-1980s and at present the economy is quite open. Mexico had few problems adjusting to the URAS, given its trade rules were, for the most part, already in compliance with the Agreements by the time they came into effect on January 1, 1995.

¹¹⁰ Even discounting the EU, the figures are 89.61% and 77.56%, respectively.

Nevertheless, several significant tariffs and NTBs remain. Among them, the following can be mentioned:¹¹¹

- In 1998, 4.7% of imports were covered by import licenses.
- After the 1994 peso crisis, Mexico increased many of its MFN tariffs up to the 35% level bindings. This meant that the differential between FTA tariffs (above all those applied to imports from the U.S.) and MFN tariffs increased. In 1998 the simple average MFN tariff was 13.2%, while the simple average tariff applied to imports from the U.S. was 2.69%.
- A related discriminatory practice is the use of f.o.b. basis to calculate tariffs on imports from its preferential trade partners, while Mexico calculates tariffs from MFN partners on a c.i.f. basis. Since f.o.b. figures are always lower than f.i.b. figures, this translates into an overestimation of tariffs on MFN goods. Several countries have complained about this Mexican practice at the WTO (OMC 1998: 232-233).
- Mexico continues to make active use of unfair trade laws, especially AD laws. The U.S., China, and Brazil accounted for 67% of all investigations between 1987 and 1999 and for 79% of all duties imposed during the same period.

Some trade barriers faced by Mexican exports

Some trade barriers faced by Mexican exports to non-preferential trade areas are tariffs on agricultural goods, textiles and clothing. Even though tariffication of NTBs on agriculture was agreed to, as well as the gradual phase-out of the MFA, high tariffs still affect Mexican exports of fruits and vegetables as well as apparel.

Mexican cement and steel exports have been the subject of AD investigations and duties.

Mexico as a regional player in MTN

Even though Mexico's trade is relatively diversified in terms of composition, it is highly concentrated in terms of export markets and import sources. The United States is, by far, Mexico's most important trade partner. Mexico secured privileged access to the U.S. market with NAFTA, and in the next round of MTN will probably seek to maintain that access. Significant concessions by the U.S. on an MFN basis during the next round of MTN would translate into an erosion of Mexico's privileged access.

¹¹¹ These and other trade barriers are covered in more detail in Section III.

With the entry into force of Mexico's FTA with the European Union in July 2000, it has still less incentives to participate in a new round of MTNs. Given its agreements with other Latin American countries and its privileged access to the U.S., Mexico at present plays the part of a "spoke" in a "hub and spoke" trade system.¹¹² Despite official pronouncements to the contrary, Mexico's best option may be for a MTN not to take off the ground, or for them to become bogged down for a considerable amount of time, as was the case during the UR.

This position seems to be supported by both business and government. Business concerns on trade policy are for the most part not linked to the WTO, either as a cause of problems or as a venue for their possible solution. Some issues can be dealt with domestically (such as better links between research centers and businesses, designing better modes of interest representation, resuming adequate financing in terms of volumes and guarantee requirements, and granting of WTO-compliant support to that obtained by competing businesses in other countries), or bilaterally (as in the case of procurement). In any case, it will be important to seek solutions to legitimate business concerns so that the potential benefits from trade liberalization can be realized by SMEs (and by some regions) which have until now borne most of the costs. This will also reduce the need to adopt maximalist positions against free trade.

Mexico's concerns in a new MTN round will be to ensure improved access for its most important manufacturing and agricultural exports, especially through full compliance with URAS rather than seeking new commitments. It does not seem preoccupied with greater disciplines on services, investment, IPR or AD/CVD laws, given Mexican trade policy instruments' full compatibility with URAS. It may favor greater disciplines on AD/CVD rules, but will still make wide use of them and will be weary (at the multilateral level) of gradually limiting the possibility of AD/CVD actions by giving greater relevance to competition policy. Mexico will be especially

¹¹² Wonnacott (1991) examines the political economy of overlapping free trade areas, also referred to as hub and spoke (HS) arrangements. His argument is that under FTAs, the gains from free trade with one country are increased by the additional gains from free trade with a new partner, while under HS arrangements, the partner would probably incur losses as the hub signs new bilateral agreements. The hub will have a locational advantage, for its firms will be able to source from all countries with which there are bilateral arrangements, as well as to export to those markets, while the spokes would only be able to source from the hub country and to export to the hub itself. This is also the reason why additional spokes would tend to strengthen the hub at the expense of the spokes. Wonnacott argues that once this process gets going, vested interests in the hub will make it difficult to proceed with multilateral liberalization. Like Krueger (1995), he notes the important role played by the rules of origin in diverting trade and investment, and also mentions why spokes, by merely liberalizing tariffs between them, would not be able to curtail the disadvantages that they face against the hub. It is not clear if Mexico turned into a "hub" haphazardly or by design; either way it now has strong incentives to benefit from that situation and try to sustain it as long as tenable.

reluctant to give up its policy arsenal against unfair trade practices with China's accession to the WTO.

In terms of concessions, the agricultural sector, except for fruits and vegetables, is quite vulnerable. Significant and rapid reductions in recently tariffed barriers to maize and beans, which are produced for sustenance by many of the poorest farmers, could translate into serious dislocations. This situation will require dedicated attention by the government and can be at least partially remedied by a number of WTO-compliant policies, not least with a resumption of financing for this sector and for SMEs in general, so that new employment opportunities can be generated and demographic pressures on rural resources alleviated.

It appears that Mexico's concerns in the next round of MTN will make it difficult for it to establish negotiating coalitions with other Latin American countries, except in a few areas, such as TRIMS and the auto sector. Given Mexico's access gains for some of its agricultural exports to the EU market in its FTA, one potential coalition issue was eliminated.

One of the few areas where the position of Latin American countries (and most developing countries) coincides is regarding the exclusion of deep commitments on environmental and labor issues in the WTO. The main challenge is then for developing countries to come up with a positive agenda with which they can agree, and to include Mexico, as one of the world's most important trading countries, as a supporter of that agenda. More generally, the WTO's dominant players must ensure that multilateral rules accommodate their interests as well as those of developing countries, to avoid a potentially dangerous slide into regionalism. The Mexican case appears to be one where regionalism could turn into a stumbling block for multilateralism.¹¹³

¹¹³ See Bhagwati (1998), especially Sections VI and VII.

Acronyms

AD	Anti-dumping
ALAMPYME	Association of Micro, Small and Medium Businesspersons (Asociación Latinoamericana de Micros, Pequeños y Medianos Empresarios)
ALTEX	Program for Export-Intensive Industries (Empresas Altamente Exportadoras)
AMCB	Mexican Stock Brokers Association (Asociación Mexicana de Casas de Bolsa)
AMIA	Mexican Association of Automotive Manufacturers (Asociación Mexicana de la Industria Automotriz)
AMIS	Mexican Insurance Brokers Association (Asociación Mexicana de Instituciones de Seguros)
ANIERM	Mexican Importers and Exporters Association (Asociación Nacional de Importadores y Exportadores de la República Mexicana)
ANIT	National Association of the Transformation Industry (Asociación Nacional de Industriales de la Transformación)
APEC	Asia-Pacific Economic Cooperation
APYME	Assembly of Small and Medium Businesspersons (Asamblea de Pequeños y Medianos Empresarios)
ASEAN	Association of Southeast Asian Nations
BANCOMEXT	National Foreign Trade Bank (Banco Nacional de Comercio Exterior)
CANACINTRA	National Industrial Transformation Chamber (Cámara Nacional de la Industria de la Transformación)
CANACO	National Chamber of Commerce (Cámara Nacional de Comercio)
CANAME	National Chamber of Electric Manufactures (Cámara Nacional de Manufacturas Eléctricas)
CANIETI	National Chamber of the Electronics, Telecommunications and Computer Industries (Cámara Nacional de la Industria Electrónica, de Telecomunicaciones e Informática)
CCE	Business Coordinating Council (Consejo Coordinador Empresarial)
CEMAI	Mexican Council on Foreign Affairs (Consejo Mexicano de Asuntos Internacionales)
CFC	Federal Competition Commission (Comisión Federal de Competencia)

CFE	Federal Electricity Commission (Comisión Federal de Electricidad)
c.i.f.	Cost, insurance, and freight
CMHN	Mexican Businessmen Council (Consejo Mexicano de Hombres de Negocios)
CNA	National Farming Confederation (Consejo Nacional Agropecuario)
COECE	Foreign Trade Business Organizations Coordinating Council (Coordinadora de Organismos Empresariales de Comercio Exterior)
COFETEL	Federal Telecommunications Commission (Comisión Federal de Telecomunicaciones)
COMCE	Mexican Foreign Trade Council (Consejo Mexicano de Comercio Exterior)
COMPEX	Mixed Commission for Export Promotion (Comisión Mixta para la Promoción de las Exportaciones)
CONACEX	National Exporters Council (Consejo Nacional de Exportadores)
CONASUPO	National Subsidized Staple Products Company (Compañía Nacional de Subsistencias Populares)
CONCAMIN	Industrial Chambers Confederation (Confederación de Cámaras Industriales)
CONCANACO	National Business Chambers Confederation (Confederación Nacional de Cámaras de Comercio)
COPARMEX	Mexican Employers Confederation (Confederación Patronal Mexicana)
CPC	United Nations Code of Product Classification (Código de Clasificación de Productos de las Naciones Unidas)
CTM	Mexican Workers Confederation (Confederación de Trabajadores de México)
CVD	Countervailing Duties
EFTA	European Free Trade Association
EU	European Union
f.o.b.	Free on board
FDI	Foreign Direct Investment
FERRONALES	National Railways (Ferrocarriles Nacionales)
FERTIMEX	National Fertilizers (Fertilizantes Mexicanos)
FOBAPROA	Savings Protection Fund (Fondo Bancario de Protección al Ahorro)
FTA	Free trade agreement
GATS	General Agreement on Trade in Services

GATT	General Agreement on Tariffs and Trade
GSP	Generalized System of Preferences
HS	Hub and spoke
ILO	International Labor Organization
IMF	International Monetary Fund
IPR	Intellectual Property Rights
ISI	Import-substituting industrialization
ITA	Ministerial Declaration on Trade in Information Technology Products
LAIA	Latin American Integration Association
LATN	Latin American Trade Network (Red Latinoamericana de Comercio)
LICONSA	CONASUPO Industrialized Milk (Leche Industrializada CONASUPO)
MERCOSUR	Common Market of the South (Mercado Común del Sur)
MFA	Multi-Fiber Arrangement
MTN	Multilateral Trade Negotiations
NAFIN	National Development Bank (Nacional Financiera)
NAFTA	North American Free Trade Agreement
NGO	Non-governmental organization
NMX	Mexican Norm (Norma Mexicana)
NOM	Official Mexican Norm (Norma Oficial Mexicana)
NTBS	Non-tariff barriers
OECD	Organisation for Economic Cooperation and Development
PEMEX	Mexican Petroleum Company (Petróleos Mexicanos)
PITEX	Temporary Imports Program (Programa de Importación Temporal para Producir Artículos de Exportación)
PRI	Institutional Revolutionary Party (Partido Revolucionario Institucional)
PROCAMPO	Direct Support for the Countryside Program (Programa de Apoyos Directos al Campo)
RMALC	Mexican Trade Action Network (Red Mexicana de Acción Frente al Libre Comercio)
SECOFI	Ministry of Trade and Industrial Development (Secretaría de Comercio y Fomento Industrial)
TELMEX	Mexican Telephone Company (Teléfonos de México)
TPR	Trade Policy Review
TRIMS	Trade-related investment measures
UR	Uruguay Round
URAS	Uruguay Round Agreements
USTR	Office of the United States Trade Representative

VERS
WTO

Voluntary Export Restraints
World Trade Organization

References

- Alba Vega, Carlos (1996). "Los Empresarios y el Estado Durante el Salinismo", in *Foro Internacional* Vol. XXXVI, No. 1-2 (January-June).
- Alba Vega, Carlos (forthcoming). "Las Empresas y el Sector Privado Mexicano en el Siglo XX".
- Arriola, Carlos (ed). (1994). *Tratado de Libre Comercio de América del Norte: Documentos Básicos* (México, D.F.: SECOFI).
- Arriola, Carlos (1997). "La Ley de Cámaras Empresariales y sus Confederaciones", in *Foro Internacional* Vol. XXXVII, No. 4 (October-December).
- Bhagwati, Jagdish (1998). *A Stream of Windows: Unsettling Reflections on Trade, Immigration, and Democracy* (Cambridge, MA: MIT Press).
- Banco de México (www.banxico.org.mx)
- Bancomext (1999). *Selected Foreign Trade Statistics* (manuscript).
- Blackhurst, Richard (1997). "Impact of the Uruguay Round", in Chorng-Huey Wong and Naheed Kirmani (eds.), *Trade Policy Issues* (Washington, D.C.: IMF).
- COFETEL (2000). Boletín 33/2000 (September 11).
- De Remes, Alain, Timothy Fitzpatrick and Antonio Ortiz (1996). "NAFTA and the Automotive Industry", in Van R. Whiting, Jr. (ed.) *Regionalization in the World Economy: NAFTA, the Americas and Asia Pacific* (New Delhi: MacMillan Press).
- Díaz, Luis Miguel and Ben Lenhart (1992). *Diccionario de Términos Jurídicos Español-Inglés. English-Spanish*, (México: Editorial Themis).
- Edwards, Sebastian and Moisés Naím (eds.) (1994). *Mexico 1994: Anatomy of an Emerging Market Crash* (Washington, D.C: Carnegie Endowment for International Peace).
- Fawcett, Louise (1995). "Regionalism in Historical Perspective", in Louise Fawcett and Andrew Hurrell (ed), *Regionalism in World Politics*, (Oxford: Oxford University Press)
- GATT (1993a). *Examen de las Políticas Comerciales: México 1993*, Vol. 1 (Geneva: GATT).
- GATT (1993b). *Examen de las Políticas Comerciales: México 1993*, Vol. 2 (Geneva: GATT).
- Hufbauer, Gary Clyde and Jeffrey J. Schott (1993). *NAFTA: An Assessment*, Revised Edition (Washington, D.C.: Institute for International Economics).
- Instituto Nacional de Estadística, Geografía e Informática (www.inegi.gob.mx)
- Kaufman, Robert, Carlos Bazdresch and Blanca Heredia (1994). "Mexico: Radical Reform in a Dominant Party System", in Stephan Haggard and Steven R. Webb (eds), *Voting for Reform: Democracy, Political Liberalization, and Economic Adjustment* (New York: Oxford University Press).
- Krueger, Anne (1995). *Free Trade Agreements Versus Customs Unions*. Cambridge, MA: National Bureau of Economic Research Working Paper #5084.

- Leycegui, Beatriz (1995). "A Legal Analysis of Mexico's Antidumping and Countervailing Regulatory Framework", in Beatriz Leycegui, William B.P. Robson and S. Dahlia Stein (eds), *Trading Punches: Trade Remedy Laws and Disputes under NAFTA* (Washington, D.C.: ITAM, C.D. Howe and NPA).
- López Ayllon, Sergio (1997). *Las Transformaciones del Sistema Jurídico y los Significados Sociales del Derecho en México* (México: Universidad Nacional Autónoma de México).
- Luna, Matilde (1995). "Entrepreneurial Interests and Political Action in Mexico: Facing the Demands of Economic Modernization", in Riordan Roett (ed.), *The Challenge of Institutional Reform in Mexico* (Boulder: Lynne Rienner).
- Lustig, Nora (1992). *Mexico: the Remaking of an Economy* (Washington, D.C.: The Brookings Institution).
- Martin, Will and L. Alan Winters (1996). *The Uruguay Round and Developing Countries* (Cambridge, U.K.: Cambridge University Press).
- Minushkin, Susan and Antonio Ortiz Mena L.N. (2001). "The Institutional Structure of Financial and Monetary Integration in the Americas". CIDE Working Paper EI-73.
- OECD (1996). *Trade Liberalisation Policies in Mexico* (Paris: OECD).
- OMC (1998). *Examen de las Políticas Comerciales: México 1997* (Geneva: WTO).
- Schott, Jeffrey J. (1998). "The World Trade Organization: Progress to Date and the Road Ahead", in Jeffrey J. Schott *Launching New Global Trade Talks: An Action Agenda* (Washington, D.C.: Institute for International Economics).
- Schott, Jeffrey J. ed. (1996). *The World Trading System: Challenges Ahead* (Washington, D.C.: Institute for International Economics).
- Schott, Jeffery J, with Johanna W. Buurman (1994). *The Uruguay Round: An Assessment* (Washington, D.C.: Institute for International Economics).
- SECOFI. (n.d. a). "Ronda Uruguay del GATT: Resultados Globales e Implicaciones Para México". (Draft m.s.)
- SECOFI. (n.d. b). *Política Industrial y Comercio Exterior* (Mexico: Talleres Gráficos de la Nación)
- SECOFI. (n.d. c). *¿Qué es el TLC?* (México: SECOFI).
- SECOFI. (n.d. d). "TLCAN: Resultados a Cuatro Años" (Mexico: SECOFI)
- SECOFI (n.d. e). "México ante la Nueva Ronda de Negociaciones Comerciales Multilaterales de la Organización Mundial del Comercio". (Draft m.s.)
- SECOFI (1999). "Reunión Ministerial de Seattle y la Posibilidad de una Nueva Ronda de Negociaciones". (Powerpoint format presentation).
- Secretaría de Hacienda y Crédito Público (www.shcp.gob.mx)
- Statistica Canada (1997). *World Trade Analyzer* (CD-ROM).
- USTR (2000). Press release 00-57 (July 28).

- Whiting, Van R., Jr. (1992). *The Political Economy of Foreign Investment in Mexico: Nationalism, Liberalism, and Constraints on Choice* (Baltimore: The Johns Hopkins University Press).
- Wonnacott, Ronald J. (1991). *The Economics of Overlapping Free Trade Areas and the Mexican Challenge*. (Toronto and Washington, D.C.: Howe Institute and The National Planning Association).