

II. TRADE POLICY REGIME: FRAMEWORK AND OBJECTIVES

(1) OVERVIEW

1. Since the previous Review of Mexico in 1997, there have been no fundamental changes to the domestic legal regime. Mexico's new administration, which took office in December 2000, is by and large pursuing earlier trade policy objectives. These are established in the 1996 Industrial Policy and Foreign Trade Programme, which spells out formal links between industrial policy, economic deregulation and export promotion.

2. Mexico has come to consider the multilateral trading system as the main instrument for the liberalization of world trade. Its support for this system has become more visible in recent years, for example through its strong backing for the conclusion of the Doha Development Agenda and its offer to host the WTO's Fifth Ministerial Conference. Mexico accepted new multilateral commitments within the context of the Fourth and Fifth Protocols to the GATS, on basic telecommunications and financial services. Mexico has been involved in only a few disputes before the WTO, either as a complainant or defendant, in part because the bulk of its trade relations takes place under preferential agreements.

3. Mexico has continued to open its trade and investment regimes through the negotiation of preferential agreements. The lion's share of Mexico's trade now takes place under preferential rules, with the NAFTA remaining the cornerstone of Mexico's trade policy due to its key economic significance. Since 1997, Mexico has subscribed to new agreements with Chile, the European Free Trade Association, the European Union, Israel, Nicaragua, and the Northern Triangle (El Salvador, Guatemala and Honduras). As acknowledged by the authorities, the advantages implicit in all such agreements are of a temporary nature, awaiting the outcome of broader liberalization initiatives, and are hence not a substitute for continued efforts to improve the overall competitiveness of the domestic economy. As is the case for other Members following similar strategies, the large and growing number of Mexico's preferential agreements raise concerns about complexities resulting from the application of differing regimes, and their effect on trade patterns.

4. Mexico's trade policy remains closely associated with the promotion of foreign investment, rules for which have been part of both its multilateral and preferential initiatives. Since its previous Review, Mexico has also undertaken important unilateral steps to open up various services activities, notably financial services and telecommunications (Chapter IV). However, a limited number of areas remain off-limits to all private capital, are entirely reserved for Mexican capital, require majority of Mexican capital, or are subject to prior approval for foreign investment to exceed 49% of total capital.

(2) FORMULATION AND APPLICATION OF TRADE POLICY

(i) General legal and institutional framework

5. No substantial changes have been made over the last four years to Mexico's legal framework, although several laws and regulations have been amended or enacted, including various trade and investment-related statutes (see section (iii) below). Several legislative changes were also made for specific activities (Chapter IV). New bilateral and regional agreements covering trade and investment have entered into force since 1997, and become part of the domestic legislation (section (4)(ii)). At the multilateral level, the Fourth Protocols to the GATS, on basic telecommunications and the Fifth Protocol to the GATS, on financial services entered into force in February 1998 and March 1999 respectively.

6. According to Article 133 of the Mexican Constitution, international treaties signed by the President and ratified by the Senate, such as the WTO Agreements, have the status of Supreme Law and are thus inserted into the domestic legal system. They do not require further legislative implementation to be applied or invoked before the domestic courts. However, several domestic laws governing foreign trade and investment have been amended to harmonize them with international obligations and thus facilitate their application.

7. The focus of Mexico's broad regulatory reform programme, which began in 1989, has evolved from deregulation, to the consolidation of a system of regulatory management, through the amendment of the Federal Administrative Procedures Law (LFPA) in April 2000.¹ The amendments sought to consolidate and give greater permanence to federal regulatory reform efforts through the creation of the Federal Regulatory Improvement Commission (COFEMER), whose legal mandate is to ensure transparency in the drafting of federal regulations, and to promote the development of cost effective regulations. The amendment to the LFPA also established the requirement to undertake regulatory impact statements and full public disclosure as part of all legislative and administrative proposals so that interested parties may better understand their implications and participate in their review processes. The statutory basis for the already existing Internet-based Federal Register of Formalities and Services was also strengthened; and established sanctions for public servants who circumvent transparency requirements were established (dismissal and a one-year suspension from public service).

8. In accordance with the LFPA, all regulatory proposals must be sent to COFEMER and made public at least 30 working days before they enter into effect. COFEMER must consider all comments and proposals received from interested parties (whether domestic or foreign) before rendering its judgement on proposed regulations. COFEMER does not have the power to veto regulations, but Departments and regulatory agencies must clearly justify disagreements with its judgement. During the last seven years, COFEMER (and its predecessor the Economic Deregulation Unit) has reviewed and proposed improvements to more than 1,200 draft legislative and administrative regulations. The use of regulatory impact statements since 1997 has made the evaluation, analysis, and justification of draft regulations standard practice. In 2001, new guidelines for development of regulatory impact statements and for the review process of draft regulations were made available online.²

9. COFEMER has also worked towards identifying all business and citizen formalities and then eliminating or simplifying them as much as possible. According to official data, between 1995 and 2000 over 45% of the business formalities applied by 11 Departments were eliminated, and approximately 90% of the remainder were simplified. The inventory of remaining formalities (including trade-related ones such as obtaining import permits or certificates of origin) can be found online at the Federal Registry of Formalities and Services (RFTS), accessible through COFEMER's website. All formalities listed in the RFTS must be applied exactly as they appear; by 2003, only formalities listed in the RFTS shall be legally applicable.

10. In 2001, new impetus was given to these efforts through the publication of a Decree ordering: the elimination and simplification of at least 20% of all business formalities already listed in the RFTS; the identification for each government agency of at least its five most requested or highest impact business formalities and the proposal of measures to eliminate or simplify them; and the establishment of two-year improvement regulation programmes in each government agency.³ According to the authorities, this resulted in the elimination of 16% of the existing formalities in 2001.

¹ The LFPA was amended through Decrees published in the *Official Journal* on 19 and 30 April 2000.

² Available at: <http://www.cofemer.gob.mx/> and <http://www.cofemermir.org/>.

³ Decree published in the *Official Journal* on 25 June 2001.

(ii) Trade policy formulation and objectives

(a) Trade policy formulation

11. There have been no major modifications to the structure of trade policy formulation since Mexico's previous Review in 1997, although several trade-related agencies have been renamed or have undergone internal reorganization. The Federal Executive has the authority to control the flow of imports, exports, and goods in transit, and to conduct international trade negotiations. The Department of the Economy (formerly SECOFI) is still in charge of trade policy: under the Foreign Trade Act, the Department is responsible for proposing tariff changes, establishing trade controls and rules of origin, granting export and import licences and quotas, conducting trade defence investigations, advising Mexican exporters affected by similar investigations abroad, coordinating international trade negotiations, and establishing export promotion mechanisms.

12. The Foreign Trade Commission (COCEX) works as a consultative inter-agency body to all entities of the Federal Public Administration in matters concerning trade policy formulation, including the review of proposed and existing regulations on tariff and non-tariff import measures, export restrictions, and contingency measures.⁴ The COCEX is responsible for issuing non-binding opinions and recommendations on these matters, for which it may also hold public consultations with interested parties. To change tariff rates, the COCEX must submit recommendations to the President of the Republic, to whom the Federal Congress has delegated the authority to regulate trade. If such recommendations are accepted, the changes are issued through decrees published in the *Official Journal*.

13. The Joint Commission for Export Promotion continues to coordinate and undertake export promotion activities (Chapter III(3)(xi)). Mexico has no independent bodies that provide formal public advice to the Government on general economic policies, including trade policies. However, the Government conducts consultations with civil society on trade policy issues, notably with the Coordinating Body of Foreign Trade (COECE), which includes representatives of agricultural, industrial and services sectors, and with the Advisory Council for International Trade Negotiations. In February 1999 the Mexican Council of Foreign Trade (COMCE) was established, which is composed of private sector's organisms involved in foreign trade, including the COECE.

(b) Trade policy objectives

14. No changes have been made to Mexico's general trade policy objectives since its previous Review. At the end of 2001, the administration that took office in December 2000 was pursuing the implementation of the objectives established in the Industrial Policy and Foreign Trade Programme (PPICE) formulated in May 1996. The new programme on Mexico's foreign trade and investment policies for the period 2000-06 was to be published in early 2002. The PPICE is organized around two major objectives: creation of a favourable environment for business, and promotion of the competitiveness of small-size enterprises. The first objective has been sought through a three-pronged strategy: deregulation and simplification of business formalities (see section (i) above); improvement of access to foreign markets; and promotion of a "fair competition" environment. The second objective is pursued through several industrial policy instruments, including tax concessions, financing facilities, technical cooperation, and training and consulting services (Chapter III(4)(iii)).

⁴ The COCEX comprises representatives of the Central Bank, the Federal Competition Commission and the Departments of: Foreign Affairs; the Treasury and Public Credit; Social Development; the Economy; Agriculture, Rural Development, Fisheries and Food; Environment and Natural Resources; and Health. Other federal or state agencies may be invited to participate in meetings when COCEX is discussing specific sectoral issues within their areas of responsibility.

15. Secured and permanent access to foreign markets together with the capacity to attract foreign direct investment are considered essential to Mexico's economic growth. For that reason, efforts towards the negotiation of new preferential trade agreements and investment treaties have been intensified in recent years (see section (4)(ii) below). Mexico's strategy for international negotiations focus on: overseeing the implementation of the negotiated free-trade agreements; negotiating new trade agreements; participating in regional and international trade forums; and negotiating investment treaties.⁵

(iii) Principal trade laws and regulations

16. The main laws and regulations governing foreign trade in Mexico include Article 131 of the Constitution, the Foreign Trade Act, the Regulations to the Foreign Trade Act, the Customs Law, the General Import Tax Law, and the General Export Tax Law. Over the last four years, no substantial changes were made to these statutes although several amendments were adopted, introducing in particular the adjustments required by reforms to the export promotion programmes (see Chapter III(3)(vii)). The General Import Tax Law was also amended repeatedly to carry out tariff rate changes. In addition, amendments or new bills were introduced affecting particular trade-related measures such as technical regulations and standards, government procurement or intellectual property (see Chapter III). Additional amendments and modifications were made to several activity-specific statutes, including various service activities, as described in Chapter IV.

(3) FOREIGN INVESTMENT REGIME

(i) Policy objectives and legal framework

17. As noted, Mexico considers foreign investment essential to complement trade liberalization and to support economic growth and development. Mexico's strategy to attract foreign investment has relied on its economic stability, continued liberalization, economic deregulation, participation in multilateral fora, and the negotiation of international agreements which enhance juridical security and predictability for the investors. Investment has also been favoured by the opening up, at least partially, of important sectors of the economy previously closed to private investors, including some electricity-related activities, natural gas, communications, railroad, and financial services.

18. In principle, Mexico does not grant direct incentives for foreign investment, although it maintains several programmes that favour national and foreign investors, such as export promotion schemes and special tax incentives; some Mexican States also grant tax incentives for new industries (Chapter III).

19. No substantial changes have been made to Mexico's foreign investment regime since its previous Review; the regime is regulated by the 1993 Foreign Investment Law (LIE), amended in 1995, 1996, 1998 and 1999, and its 1998 Regulations.⁶ The LIE establishes that all activities not specifically mentioned in the law are completely deregulated, thus allowing up to 100% foreign investment in most economic sectors without the need to obtain an authorization (exceptions are described below). The National Foreign Investments Commission (CNIE) acts as a consultative body on foreign investment and sets guidelines to enforce the legal provisions in this area. The CNIE is chaired by the Minister of the Economy and is composed of nine other Ministers, plus any other official agency the CNIE deems appropriate. When an authorization is required, the CNIE evaluates and makes decisions on the terms of foreign participation using criteria established in Article 29 of the

⁵ Department of Economy (2000a).

⁶ The Regulations to the LIE were published in the *Official Journal* on 8 September 1998; the latest amendment to the LIE was on 19 January 1999.

LIE: impact upon employment and training of workers; technological contribution; compliance with environmental provisions included in the ecological regulations governing the matter; and, in general contribution to increase the competitiveness of the country's productive system.

20. The LIE does not impose performance requirements, although Mexico still maintains such requirements in the automotive industry (Chapter III(4)(viii)). There are no restrictions on remittances abroad of profits, royalties, dividends, and interest paid on loans, or capital repatriation of funds related to foreign investment. In free-trade agreements and investment treaties signed by Mexico, there is an exception concerning the case of difficulties in the balance of payments. In such a case, transfers may be limited temporarily.

(ii) Restrictions to foreign investment

21. Although only a small percentage of foreign investment requires the approval of the CNIE, all foreign investors and Mexican firms with foreign participation must be in the foreign investment register (RNIE) established within the Department of the Economy. For national security reasons, the CNIE may prevent acquisitions through foreign investment.

22. In accordance with the Mexican Constitution, the LIE reserves certain strategic areas for the Mexican State, including: petroleum and other hydrocarbons; basic petrochemicals; electricity; generation of nuclear energy; radioactive minerals; telegraph and radiotelegraph services; postal services; bank note issuing and coin minting; control, supervision, and surveillance of ports, airports and heliports; and any other areas that may be expressly reserved by specific legislation. The 1998 Regulations to the LIE define the scope of these reserved activities; for instance, the reserve on electricity activities does not apply to private generation of electricity under certain conditions (Chapter IV(3)).

23. In addition, foreign investment may not participate directly or through trusts, agreements, shareholder pacts, by-laws, pyramiding schemes, or any other mechanism that grants it control or participation in the following activities: domestic land transportation of passengers, tourism and freight (excluding messenger and parcel services); retail sale of gasoline and distribution of liquid petroleum gas; broadcasting and other radio and television services (with the exception of cable television); credit unions and development banking institutions; and professional and technical services expressly reserved by sector-specific legislation.

24. Internal overland transportation of passengers, tourists, and freight between points in the Mexican territory, and administrative services of central bus stations for passengers and auxiliary services are also reserved for Mexican nationals or Mexican firms with a foreigners exclusion clause. From 1 January 2001, maximum foreign participation in those activities is allowed up to 51%; beginning January 2004, participation should be allowed up to 100% without the need for a favourable decision from the CNIE.

25. Foreign ownership limits of up to 10%, 25% or 49% remain in specific activities. The 10% maximum foreign participation applies to production cooperatives, and the 25% limit affects domestic air transportation, air taxi services, and specialized air transportation. Several financial services activities in which foreign participation was limited to 49% were fully liberalized in 1999, including: holding companies for financial groups; commercial (multiple) banking institutions; securities brokerage firms; securities market specialists.

26. The 49% limit on foreign ownership still applies on: insurance institutions; bonding institutions; currency exchange houses; general deposit warehouses; financial leasing companies; financial factoring houses; limited scope financial companies; portfolio management companies;

shares representing the fixed capital of investment companies; operating companies of investment corporations; retirement fund management companies; the manufacture or commercialization of explosives, firearms, cartridges, munitions and fireworks, excluding the acquisition, preparation or use of explosives for industrial and mining activities; printing and publication of newspapers for circulation only in Mexico; series-T shares in companies that own agricultural, ranching or forestry lands; fresh water, coastal, and exclusive economic zone fishing, excluding aquaculture; integral port administrations; port piloting services for vessels carrying out inland navigation; companies involved in the commercial exploitation of ships engaged in inland and coastal navigation, excluding tourism cruisers, the exploitation of marine dredging, and implements for port construction, conservation and operation; supply of fuel and lubricants for ships, airplanes, and railway equipment; and concessionaire companies in the telecommunication sector. With respect to the above-mentioned financial services activities, the 49% limit might be exceeded as provided for in financial regulations (Chapter IV(5)(i)).

27. Certain additional activities require the prior approval of the CNIE for foreign investment to exceed 49%: port services for ships engaged in inland navigation operations, such as towing, mooring and lighterage; shipping companies engaged in the operation of ships solely for high-seas traffic; concessionaires of aerodromes for public service; private education services, from pre-school to high school levels; legal services; credit information companies; securities classification institutions; insurance agents; cellular telephone services; the construction of pipelines for petroleum and refined oil products; the drilling of petroleum and gas wells; the construction, operation and exploitation of railroads considered as means of general communication; and the supply of public railway services.

28. In addition, following criteria established in the LIE, the CNIE may review and approve, on a case-by-case basis, proposed acquisitions by foreign investors of more than 49% of the capital stock of Mexican companies engaged in economic activities, other than those mentioned above, when the total value of the assets of the targeted company exceeds a threshold amount established annually by the CNIE. In 2000, the threshold level stood at some Mex\$712 million (US\$76 million).

29. The LIE allows foreigners to hold higher percentages in the capital of Mexican companies in restricted areas through the concept of "neutral investment". The neutral investment mechanism allows Mexican companies to issue shares with no voting rights or with limited corporate rights, which grant their holders only pecuniary rights or limited corporate rights. Such participation is not computed to determine the foreign investment percentage in the capital stock of Mexican corporations. Neutral investment requires, however, a specific authorization from the Department of the Department of the Economy, granted on a case-by-case basis.

30. The Mexican Constitution establishes a "restricted zone" (100 kilometres wide from the borders and 50 kilometres wide from the coast) in which direct foreign ownership of land is prohibited. The LIE, however, allows foreign participation in a Mexican company owning real estate within the restricted zone for non-residential purposes; for residential purposes, title of the real estate must be held through a trust with a Mexican bank as trustee. Approval of the Department of Foreign Affairs is required. Alternatively, foreigners may invest directly in Mexican companies holding real property within the restricted zones, if such companies have a "Calvo Clause" in their by-laws, if the property is used for non-residential purposes, and if the acquisition is recorded with the Department of Foreign Affairs.

(iii) International engagements and relations

31. The LIE applies to all foreign investors. However, investors from countries with which Mexico has an agreement covering investment enjoy additional protection; for example, Canadian

and U.S. investors benefit from the protection provided by Chapter 11 of the NAFTA, which contains disciplines on sectoral liberalization, performance requirements, national treatment, transfers, expropriation, and dispute settlement. With the exception of the agreement with Israel, all of Mexico's free-trade agreements contain provisions on investment. In general these provisions are governed by the principles of MFN and national treatment (often with substantial caveats). Mexico grants MFN treatment only to foreign investment from countries with which a treaty establishing such treatment has been signed.⁷

32. Mexico has continued its efforts to negotiate bilateral agreements for the promotion and reciprocal protection of investment (bilateral investment treaties - BITs). As at November 2001, Mexico had signed such agreements with (date of publication in the *Official Journal*): Spain (19 March 1997), Switzerland (20 August 1998), Argentina (28 August 1998), Germany (20 March 2001), the Netherlands (10 July 2000), Austria (23 March 2001), Belgium and Luxembourg (pending), France (30 November 2000), Finland (30 November 2000), Uruguay (pending), Portugal (8 January 2001), Italy (pending), Denmark (30 November 2000), Sweden (17 July 2001), Republic of Korea (pending), Greece (pending), and Cuba (pending).⁸ In addition, negotiations were ongoing with Israel, Japan, Paraguay, and the United Kingdom.

33. Mexico has entered into tax treaties with numerous countries to prevent double taxation. Before 1997, Mexico had agreements with, *inter alia*: Germany, Switzerland, the Netherlands, the United Kingdom, Republic of Korea, Singapore, Norway, and Japan. Since 1997, treaties have been signed with Finland (12 February 1997), Denmark (11 June 1997), Chile (17 April 1998), Ireland (28 October 1998), Israel (22 July 1999), and Portugal (11 November 1999).

34. As a Member of the Organization for Economic Cooperation and Development (OECD), Mexico signed the Codes of Liberalization of Capital Movements and of Current Invisible Operations, and the National Treatment Instrument. Mexico is not Member of the Multilateral Investment Guarantee Agency (MIGA) of the World Bank, although in early 2002 it was considering adherence.

(4) INTERNATIONAL RELATIONS

(i) World Trade Organization

35. Mexico acceded to the GATT in August 1986 and is an original Member of the WTO; the Marrakesh Agreement Establishing the WTO was ratified by the Mexican Congress on 22 November 1994. Mexico accords at least MFN treatment to all countries. During the Uruguay Round, Mexico reduced its (MFN) tariff bindings for non-agricultural products from a general base level of 50%, to 35%, with certain exceptions; reflecting the tariffication process, bindings for agricultural products tend to be higher, ranging up to 254% (Chapter III(2)(v)).

36. In the context of this Review, the authorities stated that Mexico considers the multilateral trading system as the main instrument for the liberalization of world trade. As a developing country, Mexico is committed to playing a more active role in the WTO, reflecting its growing participation in world trade. Consistent with this, Mexico's support for the multilateral system has recently become more visible, including through its strong backing for the conclusion of the Doha Development Agenda and its offer to host the WTO's Fifth Ministerial conference.

37. Mexico took part in the GATS negotiations on telecommunications and financial services and accepted the GATS Fourth and Fifth Protocols respectively on 26 November 1997 and 29 January

⁷ APEC (2001).

⁸ Countries are listed according to the date of signature of the treaty.

1999.⁹ Mexico has also made various proposals in the context of the ongoing WTO negotiations on agriculture and services. For agriculture, these proposals advocate, among other things: the elimination of export subsidies; the adoption of the "peace clause" as a permanent obligation for developed countries with respect to imports from developing countries; and the maintenance and improvement of the existing provisions on special and differential treatment, and the inclusion of such provisions in the results of the negotiations.¹⁰ With respect to the negotiations on services, Mexico proposed the adoption of procedures to ensure the prompt elimination of MFN exemptions.¹¹

38. For the Third WTO Ministerial Conference, in Seattle, Mexico presented a proposal to automatically extend the original transitional periods for all TRIMs that were notified to the Committee on TRIMs, and were still in force, for a further period of five years as from 1 January 2000.¹²

39. Mexico has made a large number of notifications to the WTO, particularly on sanitary and phytosanitary measures, technical barriers to trade, anti-dumping, and subsidies and countervailing measures (Table II.1).

Table II.1
Status of notifications made by Mexico to the WTO, October 2001

Article/instrument imposing obligation	WTO document – date (latest document if recurrent)	Description of requirement
Agreement on Agriculture		
Article 10 & 18.2	G/AG/N/MEX/8, 14.9.00; G/AG/N/MEX/4, 28.11.96; G/AG/N/MEX/10, 30.11.00	Table ES:1 – Export subsidies
Article 18.2	G/AG/N/MEX/7, 15.9.00; G/AG/N/MEX/5/Corr.1, 26.9.00; G/AG/N/MEX/5, 3.3.97	Table DS:1 – Domestic support
Article 18.2	G/AG/N/MEX/1, 27.11.96	Table MA:1 – Tariffs and other quotas
Article 18.2	G/AG/N/MEX/2, 28.11.96; G/AG/N/MEX/11/Rev.1, 25.1.01; G/AG/N/MEX/11, 20.12.00	Table MA:2 – Tariffs and other quotas
Article 18.3	G/AG/N/MEX/6, 14.11.00	Table DS:2 – Domestic support
Article 5.7 and 18.2	G/AG/N/MEX/9, 26.9.00; G/AG/N/MEX/3, 28.11.96	Table MA:5 – Special safeguards
Anti-dumping (Agreement on Implementation of GATT Article VI)		
Article 16.4	G/ADP/N/78/MEX; 7.8.01	Semi-annual report
Article 16.5	G/ADP/N/14/Add.12, 17.4.01	Competent authorities
Article 18.5	G/ADP/N/1/MEX/1/Corr.2, 17.7.95; G/ADP/N/1/MEX/1/Corr.1, 16.6.95; G/ADP/N/1/MEX/1, 18.5.95	Incorporation of Agreement in national legislation
Agreement on Import Licensing Procedures		
Article 5.1, 5.2, 5.3	G/LIC/N/2/MEX/1, 30.10.98	Publications of laws and regulations
Agreement on Preshipment Inspection		
Article 5	G/PSI/N/1/Add.8, 28.9.99	Laws and regulations
Agreement on Rules of Origin		
Annex II (4)	G/RO/N/12, 1.10.96	Preferential rules
Article 5.2	G/RO/N/12, 1.10.96	Non-preferential rules

Table II.1 (cont'd)

⁹ WTO documents WT/LET/213 of 30 January 1998 and WT/LET/288 of 18 February 1999. See also Chapter IV(5).

¹⁰ WTO document G/AG/NG/W/138, 19 March 2001.

¹¹ WTO document S/CSS/W/103, 21 September 2001.

¹² WTO document WT/GC/W/351, 11 October 1999.

Article/instrument imposing obligation	WTO document – date (latest document if recurrent)	Description of requirement
Agreement on Safeguards		
Article 12.6	G/SG/N/1/MEX/1, 12.5.95	Notification of laws, regulations and administrative procedures
Agreement on Subsidies and Countervailing Measures		
Article 25.1	G/SCM/N/60/MEX, 15.11.00; G/SCM/N/48/MEX, 15.11.00	Annual report on subsidies
Article 25.11	G/SCM/N/68/MEX, 15.2.01	Semi-annual report on countervailing actions
Article 25.12	G/SCM/N/18/Add.12, 17.4.01	Competent authorities
Article 32.6	G/SCM/N/1/MEX/1/Corr.1, 14.7.95; G/SCM/N/1/MEX/1, 17.5.95	Incorporation of the Agreement
Agreement on Technical Barriers to Trade		
Annex 3(c)	G/TBT/CS/N/68, 1.7.97; G/TBT/CS/N/119, 10.8.00; G/TBT/CS/N/115, 27.10.99; G/TBT/CS/N/114, 27.10.99; G/TBT/CS/N/113, 27.10.99; G/TBT/CS/N/112, 27.10.99; G/TBT/CS/N/111, 27.10.99	Acceptance of Code of Good Practice on voluntary standards
Article 15.2	G/TBT/2/ADD.14, 19.7.96	Laws and regulations
Article 2.9 & 2.10	G/TBT/N/MEX/7, 1.10.01	Proposed and adopted technical regulations
Agreement on Textiles and Clothing		
Article 2.11	G/TMB/N401, 21.05.01; G/TMB/N/249/Add.1, 18.12.97; G/TMB/N/249, 27.5.97	Lists of products to be included in the second stage of the integration process
Article 2.7	G/TMB/N/45/Add.1, 18.12.97; G/TMB/N/45, 28.4.95	Lists of products to be included in the first stage of the integration process
Article 3.1	G/TMB/N/70, 28.4.95	Non-MFA restrictions
Article 6.1	G/TMB/N/19, 6.3.95	Retention of right to use safeguard mechanism
Agreement on the Application of Sanitary and Phytosanitary Measures		
Article 7, Annex B	G/SPS/N/MEX/173, 11.9.01	Transparency of regulations
TRIPS Agreement		
Article 4(d)	IP/N/4/MEX/1, 12.2.96	Justification of MFN exemptions
Article 63.2	IP/N/6/MEX/1, 30.3.00; IP/N/1/MEX/P/2, 13.3.00; IP/N/1/MEX/P/1, 17.3.00; IP/N/1/MEX/I/2, 17.3.00; IP/N/1/MEX/I/1, 13.3.00; IP/N/1/MEX/C/2, 10.3.00; IP/N/1/MEX/C/, 17.3.00; IP/N/1/MEX/1, 21.2.00	Notification of laws and regulations
Article 5.1	G/TRIMS/N/1/MEX/1, 12.4.95	Notification of TRIM inconsistent with the Agreement
General Agreement on Trade in Services		
Article III: and IV:2	S/ENQ/6, 25.3.96	Notification of enquiry points
Article V:7	S/C/N/4, 1.3.95; S/C/N/142, 14.3.01	Notification of agreements liberalizing trade in services
State Trading (Understanding on the Interpretation of Article XVII of the GATT 1994)		
Article XVII:4(a)	G/STR/N/6/MEX, 31.7.00	Annual state-trading activities
General Agreement on Tariffs and Trade (GATT) 1994		
Article XXIV:7(a)	WT/REG125/N/1, 8.3.01; WT/REG124/N/1, 8.3.01; WT/REG109/N/1, 1.8.00	Notification of Free Trade Agreements
Article XXVIII:5	G/MA/23, 13.1.97	Reservation of right to modify schedule

Source: WTO Secretariat.

40. A relatively limited number of complaints have been raised against Mexico's trade practices before the WTO; Mexico has been the respondent in seven disputes, one of which has led to the adoption of a Panel Report. Areas of concern have included mostly anti-dumping practices, but also

isolated complaints against alleged monopolistic practices and limited market access in telecommunication services and non-tariff barriers to trade.

41. Similarly, Mexico's use of the WTO dispute settlement mechanism as complainant has remained confined to a few cases; all but one were related to the anti-dumping provisions and practices of its partners; the exception concerned the European Union's regime for the importation and distribution of bananas. Mexico has also participated as a third party in complaints raised by other WTO Members (Table II.2). Mexico's relatively limited involvement in the WTO dispute settlement mechanism is explained in part by the fact that the bulk of its trade relations takes place under preferential agreements, most of which contain specific dispute settlement procedures (see below).

Table II.2
Dispute-related WTO matters involving Mexico, 1995-October 2001

Subject	Against/raised by	Actions taken (date)	WTO document ^a
Issues raised against Mexico			
Customs valuation of imports	Mexico/EU	Consultations requested 27 August 1996, concerning Mexico's alleged application of c.i.f. value as the basis of customs valuation of imports originating in non-NAFTA countries, and of f.o.b. value for imports originating in NAFTA countries.	WT/DS53/1-4, 09.09.96
Anti-dumping investigation of high-fructose corn syrup (HFCS)	Mexico/U.S.	Consultations requested 4 September 1997. See DS 132.	WT/DS101/1, 15.09.97
Anti-dumping investigation of high-fructose corn syrup (HFCS)	Mexico/U.S.	Consultations requested (May 1998); Panel report adopted (February 2000); mutual agreement on reasonable period of time for implementation (April 2000); recourse by the United States to Article 21.5 of DSU (October 2000); composition of the panel (November 2000); request for extension of implementation time-period pursuant to Article 21.3 (a) (January 2001). Panel report circulated 22 June 2001.	WT/DS132/1-8, 15.05.98 WT/DS132/R, 28.01.00
Measures affecting trade in live swine	Mexico/U.S.	Consultations requested (July 2000).	WT/DS/203/1, 13.07.00
Measures affecting telecommunications services	Mexico/U.S.	Consultations requested (August 2000); request for the establishment of a panel (November 2000).	WT/DS204/1-2, 29.08.00
Provisional anti-dumping measure on electric transformers	Mexico/Brazil	Consultations requested (January 2001).	WT/DS216/1-3, 04.01.01
Measures affecting the import of matches	Mexico/Chile	Consultations requested 17 May 2001.	WT/DS232/1, 28.05.01
Mexico as a complainant			
Anti-dumping investigation regarding imports of fresh or chilled tomatoes from Mexico	U.S./Mexico	Consultations requested 1 July 1996, asking for expedited procedures. U.S. Department of Commerce official releases indicate that the case has been settled.	WT/DS/49/1, 08.07.96
Tariff Act of 1930 signed on 28 October 2000 with the title of "Continued dumping and subsidy offset Act of 2000"	U.S./Australia, Brazil, Chile, EU, India, Indonesia, Japan, Korea, Thailand, Argentina, Canada, Mexico	Consultations requested (December 2000).	WT/DS217/1-4, 09.01.01

Table II.2 (cont'd)

Subject	Against/raised by	Actions taken (date)	WTO document ^a
Definitive anti-dumping measure regarding grey portland cement	Guatemala/Mexico	Consultations requested 5 January 1999. Panel established 22 September 1999. Panel report circulated 24 October 2000 and adopted 17 November 2000. At DSB meeting of 12 December 2000, Guatemala informed that it had removed its anti-dumping measure in October 2000.	WT/DS156/1-4, 08.01.99 WT/DS156/R, 24.10.00
Anti-dumping investigation in respect of imports of certain oil country tubular goods	Venezuela/Mexico	By a letter dated 6 May 1997, Mexico informed the Secretariat that Venezuela had terminated the anti-dumping investigation in this matter.	WT/DS23/1, 04.01.96
Provisional anti-dumping measure on cement from Mexico	Ecuador/Mexico	Consultations requested 5 October 1999, concerning a provisional anti-dumping measure imposed by Ecuador (Official Register of 14 July 1999), on imports of cement from Mexico.	DS182/1, 08.10.99
Definitive anti-dumping measure on cement from Mexico	Ecuador/Mexico	Consultations requested 15 March 2000, concerning a definitive anti-dumping measure imposed by Ecuador, (Official Register No. 361 of 14 January 2000), on imports of cement from Mexico.	DS191/1, 17.03.00
Regime for the importation, sale and distribution of bananas	EU/U.S., Ecuador, Guatemala, Honduras and Mexico	Consultations requested (February 1996); Panel and Appellate Body reports adopted (September 1997); award of the Arbitrator (January 1998); re-request for consultations (August 1998); award of Arbitrator (March 1999); retaliation by the United States under Article 22.7 of the DSU (April 1999); status report circulated (July 1999); request for arbitration by the E.C. (Nov 1999); re-request for arbitration by Ecuador, Honduras and Guatemala (May 2001).	WT/DS27/1-57 & Add. 1-11, 12.02.96 WT/DS27/R/MEX, 22.05.97 WT/DS27/AB/R, 09.09.97 WT/DS27/RW/EEC, 12.04.99 WT/DS27/ARB, 09.04.99
Mexico as Third Party			
Import prohibition of certain shrimp and shrimp products	U.S./India, Malaysia, Pakistan and Thailand	Consultations requested (October 1996); Panel and Appellate Body reports adopted (November 1998); status report circulated (July 1999); recourse by Malaysia to Article 21.5 of DSU (October 2000); request for extension of implementation time-period (March 2001). Panel report circulated 15 June 2001.	WT/DS58/1-19 & Add.1-4, 14.10.96 WT/DS58/R, 15.05.98 WT/DS/58AB/R, 12.10.98
Anti-dumping duty on dynamic random access memory semiconductors (DRAMs) on one megabit or above from Korea	U.S./Korea	Consultations requested (August 1997); Panel report adopted (March 1999); recourse to Article 21.5 of the DSU by Korea (March 2000); Panel proceedings suspended in the context of bilateral talks (September 2000).	WT/DS99/1-11, 15.08.97 WT/DS99/R, 29.01.99
Anti-dumping Act of 1916	U.S./EU, Japan	Consultations requested (June 1998); Panel and Appellate Body report adopted (September 2000).	WT/DS136/1-12, 24.06.98 WT/DS162/1-15, 16.02.99 WT/DS136/R, 31.03.00 WT/DS136/AB/R, 28.08.00
Imposition of countervailing duties on certain hot-rolled lead and bismuth carbon steel products originating in the United Kingdom	U.S./EU	Consultations requested (June 1998); Panel and Appellate Body report adopted (2000).	WTDS138/1-9, 06.07.00 WT/DS138/R, 23.12.99 WT/DS138/AB/R, 10.05.00
Definitive safeguard measures on imports of cellular welded carbon quality line pipe from Korea	U.S./Korea	Consultations requested (June 2000); panel established (January 2001).	WT/DS202/1-5, 15.06.00
Regime for the importation, sale and distribution of bananas	EU/Panama	Panama did not specify which provisions the EC regime violates. This is the same regime that was the subject of a successful challenge by the U.S., Ecuador, Guatemala, Honduras, and Mexico (DS27).	WT/DS105/1, 29.10.97

Table II.2 (cont'd)

Subject	Against/raised by	Actions taken (date)	WTO document ^a
Taxes on alcoholic beverages	Korea/U.S.	Consultations requested (May 1997); Panel and Appellate Body reports adopted (February 1999); award of Arbitrator (June 1999); status report circulated (January 2000).	WT/DS84/1-16, 28.05.97 WT/DS84/R, 17.09.98 WT/DS84/AB/R, 18.01.99
Measures affecting the importation of milk and the exportation of dairy products	Canada/U.S., New Zealand	Consultations requested (October 1997); Panel and Appellate Body reports adopted (October 1999); recourse by the United States to Article 21.5 of the DSU (February 2001); re-establishment of the original panel (April 2001). Panel report circulated 11 July 2001.	WT/DS103/1-19 & Add.1-3, 13.10.97 WT/DS113/1-19, 08.01.98 WT/DS/103/R, 17.05.99 WT/DS/103/AB/R, 13.10.99

a For recurrent documents the date corresponds to the first document of the series.

Source: WTO Secretariat.

(ii) Preferential agreements

42. Since the previous Trade Policy Review of Mexico, the importance of free-trade agreements (FTAs) for Mexico's trade has continued to increase. New FTAs were signed with Nicaragua (in force from 1 July 1998), Chile (1 July 1999), Israel (1 July 2000), the European Union (1 July 2000), the Northern Triangle - El Salvador, Guatemala and Honduras - (15 March 2001 for El Salvador and Guatemala, and 1 June 2001 for Honduras), and the European Free Trade Association (entered into force on 1 July 2001 in Mexico, Norway and Switzerland, on 1 October in Iceland, and on 1 November in Liechtenstein). Tariff concessions made under the LAIA Economic Complementarity Agreement with Uruguay were significantly extended through the adoption of a new Protocol in late 1999. In addition to the new agreements, Mexico maintains FTAs with Bolivia, Canada, Costa Rica, Colombia, the United States, and Venezuela.¹³

43. Regional and bilateral agreements have become core elements of Mexico's trade relations. The Mexican Government views FTAs as complementary to its policy objectives within the multilateral trading system. Mexico's stated strategy for negotiating FTAs has been to seek wide coverage of products and clearly defined rules (e.g. on origin, safeguards, and dispute settlement), based on multilateral principles where applicable.

44. Mexico's growing number of trade agreements raises concerns about their administrative costs to the extent that differences among agreements, for instance with respect to rules of origin, require economic agents involved in foreign trade activities to manage different rules and procedures. In this respect, the Mexican authorities have indicated that one of the main benefits expected from the FTAA negotiations was that this agreement would provide Mexico with clear and homogeneous rules for regional trade and thus generate benefits for agents involved in foreign trade activities.

(a) North American Free Trade Agreement

45. The North American Free Trade Agreement (NAFTA) between Canada, Mexico, and the United States came into force on 1 January 1994.¹⁴ The NAFTA was notified to GATT contracting parties as a free-trade area on 1 February 1993 under the provisions of paragraph 7(a) of Article XXIV of the GATT, and as an economic integration agreement to the WTO on 1 March 1995 under paragraph 7(a) of Article V of the GATS. The WTO Committee on Regional Trade Agreements had completed its factual examination of the NAFTA by mid-2001 but its report was yet to be finalized.¹⁵

¹³ The Mexican authorities estimate that countries with which Mexico has preferential arrangements represent some 61% of world trade (see Department of Economy, 2000).

¹⁴ See WTO (1998).

¹⁵ WTO document WT/REG/W/43, 21 September 2001.

46. Following an agreed schedule of tariff reductions, most merchandise trade between Mexico and its NAFTA partners was liberalized in 1994 and 1998. As of May 2001, the average tariff rate for imports originating in the United States was 1.1%, while for imports from Canada it was 1.6% (Table III.3). This process should be completed for most remaining products on 1 January 2003, or for new motor vehicles in 2004. Full liberalization for a small number of products, including beans, maize and milk, should take place in 2008. The NAFTA provides for gradual liberalization of used-motor-vehicle imports, which will remain prohibited until 2009; thereon imports will be authorized progressively with full liberalization of NAFTA-originating vehicles taking place on 1 January 2019.

47. Since the last Review, several issues of interest to Mexico have been advanced within the NAFTA Committee on sanitary and phytosanitary measures, including the recognition of an increasing number of disease-free zones for the exportation of different products, such as pork, chicken, wheat, and fruit.

48. Mexico has actively used the Review and Dispute Settlement in Antidumping and Countervailing Duty Matters of the NAFTA (Chapter 19). Between 1996 and 2001, 26 investigations were initiated with Mexico (or Mexican producers) as a petitioner; Mexico has been a defendant in 11 cases, involving mostly steel products, but also agriculture (Table II.3 and Chapter III(2)(ix)). Mexico also made use of NAFTA's institutional arrangements and dispute settlement procedures (Chapter 20) against the United States for safeguard action taken on broom corn brooms and for market access restrictions for cross-border services and investment in the trucking sector; in both cases the ruling was in favour of Mexico.¹⁶

49. The mechanism for the settlement of investment disputes (Chapter 11) has been used against Mexico in three instances; Mexico was found at fault in one case.

50. Generally, when a conflict concerns a matter that may be dealt with both in NAFTA and in the WTO, the NAFTA gives the complaining party the option to choose either forum to settle the dispute. The case dealing with imports of high fructose corn syrup was dealt with both in NAFTA and the WTO (Tables II.2 and II.3). The Mexican authorities noted that under Chapter XIX of the NAFTA an exporter, producer or importer subject to an anti-dumping or countervailing duty determination may request the establishment of a bi-national panel to “determine whether such determination was in accordance with the antidumping or countervailing duty law of the importing law”. Accordingly, U.S. high fructose corn syrup producers requested the establishment of a Chapter XIX panel. In parallel, the U.S. Government requested the establishment of a panel under the DSU to determine whether the Mexican determination imposing duties on high corn fructose syrup was “inconsistent with a covered Agreement (Anti-dumping)”. Both the NAFTA and WTO panels found that the threat of injury determination was inconsistent, with Mexican law and the WTO Anti-dumping Code, respectively.

¹⁶ Details can be found in NAFTA online information. Available at: <http://www.nafta-sec-alena.org>.

Table II.3
NAFTA dispute settlement procedures involving Mexico, 1994 – September 2001

Subject	Against/raised by:	Actions taken
Settlement of Investment Disputes (Chapter 11)		
Mexico as defendant		
State San Luis Potosí refused a U.S. company permission to re-open a waste disposal facility	Mexico/Metalclad	Tribunal ruled in favor of Metalclad on 02.09.00
Public waste management services concession	Mexico/Waste Management Inc.	Tribunal declined jurisdiction on 02.06.00
Annulment of a concession for the collection of municipal waste in Naucalpan	Mexico/DESONA	Tribunal ruled in favor of Mexico on 01.11.99
Review and Dispute Settlement in Anti-dumping and Countervailing Duty Measures (Chapter 19)		
Mexico as complainant		
Leather Wearing Apparel from Mexico. DOC Final Results of Countervailing Duty Administrative Review USA-94-1904-02	U.S./Mexico	Panel remanded final determination. Remand affirmed 20.10.95
Porcelain-on-Steel Cookware from Mexico. DOC Final Results of Anti-dumping Duty Administrative Review USA-95-1904-01	U.S./Mexico	Panel remanded in part determination. Remand affirmed 19.07.96
Gray Portland Cement and Cement Clinker from Mexico. DOC Final Results of Anti-dumping Duty Administrative Review USA-95-1904-02	U.S./Mexico	Panel affirmed DOC determination
Oil Country Tubular Goods from Mexico. DOC Final Determination of Sales at Less than Fair Value USA-95-1904-04	U.S./Mexico	Panel remanded in part determination. Remand affirmed 02.12.96
Fresh Cut Flowers from Mexico. DOC Final Results of Anti-dumping Duty Administrative Review USA-95-1904-05	U.S./Mexico	Panel remanded determination. Remand affirmed 03.03.97
Porcelain-on-Steel Cooking Ware from Mexico. DOC Final Results of 6th Antidumping Duty Administrative Review USA-96-1904-01	U.S./Mexico	Panel review automatically terminated by requester
Gray Portland Cement and Clinker. Department of Commerce (DOC) Final Results of 5 th Anti-dumping Duty Administrative Review USA-97-1904-01	U.S./Mexico	Panel remanded DOC's determination. Remand affirmed 10.2.00. Request for an ECC filed 23.03.00
Gray Portland Cement and Clinker from Mexico. DOC Final Results of 4 th Anti-dumping Duty Administrative Review USA-97-1904-02	U.S./Mexico	Panel affirmed DOC determination
Porcelain-on-Steel Cookware from Mexico. DOC Final Results of the 8 th Anti-dumping Duty Administrative Review USA-97-1904-05	U.S./Mexico	Panel review terminated by the requestors
Circular Welded Non-Alloy Steel Pipe and Tube from Mexico. DOC Final Results of the Anti-dumping Duty Administrative Review USA-97-1904-06	U.S./Mexico	Panel review terminated by participants
Porcelain-on-Steel Cookware from Mexico. DOC Final Results of the 9 th Anti-dumping Duty Administrative Review USA-97-1904-07	U.S./Mexico	Panel remanded in part determination. Remand affirmed 09.07.99.
Gray Portland Cement and Clinker from Mexico. DOC Final Results of 6 th Anti-dumping Duty Administrative Review USA-MEX-98-1904-02	US/Mexico	Pending
Porcelain-on-Steel Cookware from Mexico. DOC Final Results of 10 th Anti-dumping Duty Administrative Review USA-MEX-98-1904-04	U.S./Mexico	Pending
Circular Welded Non-Alloy Steel Pipe. DOC Final Scope Ruling-Anti-dumping Order USA-MEX-98-1904-05	U.S./Mexico	Pending
Certain Hot-Rolled Carbon Steel Plate, Originating in or Exported from Mexico CDA-MEX-99-1904-01	Canada/ Mexico	CITT Injury Finding Corrigendum to the Finding of 27.10.97
Gray Portland Cement and Clinker. DOC Final Results of 7 th Anti-dumping Duty Administrative Review USA-MEX-99-1904-03	U.S./Mexico	Pending
Porcelain-on-Steel Cookware. DOC Final Results of the 11 th Anti-dumping Duty Administrative Review USA-MEX-99-1904-05	U.S./Mexico	Decision due 23.11.01
Gray Portland Cement and Clinker. DOC Final Results of 8 th Anti-dumping Duty Administrative Review USA-MEX-2000-1904-03	U.S./Mexico	Pending
Porcelain-on-Steel Cookware. DOC Final Results of 12 th Anti-dumping Duty Administrative Review USA-MEX-2000-1904-04	U.S./Mexico	Pending
Gray Portland Cement and Clinker. DOC Final Results of the Full Sunset Review of the Antidumping Duty Order USA-MEX-2000-1904-05	U.S./Mexico	Pending

Table II.3 (cont'd)

Subject	Against/raised by:	Actions taken
Gray Portland Cement and Clinker . USITC Final Results of Five-Year Review of the Anti-dumping Duty Order USA-MEX-2000-1904-10	U.S./Mexico	Pending
Porcelain-on-Steel Cookware. DOC Final Results of 13 th Anti-dumping Duty Administrative Review USA-MEX-2001-1904-02	U.S./Mexico	Decision due 18.01.02
Oil Country Tubular Goods. DOC Final Results of the Full Sunset Review of the Anti-dumping Duty Order USA-MEX-2001-1904-03	U.S./Mexico	Decision due 15.02.02
Gray Portland Cement and Clinker. DOC Final Results of 9 th Anti-dumping Duty Administrative Review USA-MEX-2001-1904-04	U.S./Mexico	Decision due 15.02.02
Oil Country Tubular Goods. DOC Final Results of 4 th Anti-dumping Duty Administrative Review USA-MEX-2001-1904-05	U.S./Mexico	Decision due 01.03.02
Oil Country Tubular Goods. USITC Final Results of Five Year Review of the Anti-dumping Duty Order USA-MEX-2001-1904-06	U.S./Mexico	Decision due 02.06.02
Mexico as defendant		
Import of Flat Coated Steel Products, in and from the U.S. SECOFI Final Anti-dumping Duty Determination MEX-94-1904-01	Mexico/U.S.	Panel remanded case twice to SECOFI. Determination second remand 13.04.98
Imports of Cut-to-Length Plate Products from the U.S. SECOFI Final Anti-dumping Duty Determination MEX-94-1904-02	Mexico/U.S.	Panel remanded case. Determination on Remand affirmed 30.10.95
Polystyrene and Impact Crystal from the U.S. SECOFI Final Anti-dumping Duty Determination MEX-94-1904-03	Mexico/U.S.	Panel affirmed SECOFI's determination
Seamless Line Pipe Originating in the U.S. SECOFI Final Anti-dumping Duty Determination. MEX-95-1904-01	Mexico/U.S.	Panel review automatically terminated by requester
Cold-Rolled Steel Sheet originating in or exported from Canada. SECOFI Final Anti-dumping Duty Determination MEX-96-1904-01	Mexico/ Canada	Panel review automatically terminated at request of participants
Rolled Steel Plate originating in or exported from Canada. SECOFI Final Anti-dumping Duty Determination. MEX-96-1904-02	Mexico/ Canada	Panel remanded in part determination twice. 2 nd remand affirmed 18.12.98
Hot-Rolled Steel Sheet originating in or exported from Canada. SECOFI Final Anti-dumping Duty Determination MEX-96-1904-03	Mexico/ Canada	Panel remanded in part determination. Remand affirmed 15.09.97
Imports of Hydrogen Peroxide Originating in the U.S. SECOFI Final Countervailing Duty Determination MEX-97-1904-01	Mexico/U.S.	Panel review terminated by joint consent of participants
Imports of High Fructose Corn Syrup. SECOFI Final Anti-dumping Duty Determination MEX-USA-98-1904-01	Mexico/U.S.	On 3.8.01, Panel unanimously remanded the agency's determination
Imports of Urea Originating. SECOFI Final Anti-dumping Duty Determination MEX-USA-00-1904-01	Mexico/U.S.	Pending
Bovine Carcasses and Half Carcasses, Fresh or Chilled. SECOFI Final Anti-dumping Duty Determination MEX-USA-00-1904-02	Mexico/U.S.	Pending
Extraordinary Challenge Committee Proceedings (ECC)		
Gray Portland Cement and Clinker. Extraordinary Challenge Committee (ECC) Proceeding relating to USA-97-1904-01 Panel Review ECC-2000-1904-01USA	U.S./Mexico	Requested by: U.S. Government Pending
Institutional arrangements and DS procedures (Chapter 20)		
Safeguard Action on Broomcorn Brooms from Mexico USA-97-2008-01	U.S./Mexico	Panel report issued 30.1.98.
Cross-Border Services and Investment in Trucking Sector USA-98-2008-01	U.S./Mexico	Panel report issued 06.02.01.

Source: NAFTA Secretariat (2001), *Status Report* [Online]. Available at: <http://www.nafta-sec-alena.org/> [9 October 2001].

(b) Other preferential arrangements

Free Trade Agreement with the European Union

51. The FTA between the European Union and Mexico was signed on 25 November 1999 and notified to the WTO in August 2000.¹⁷ The Agreement was ratified by Mexico on 20 March 2000 and came into force on 1 July 2000. The Mexican authorities have noted that one of the reasons for entering into the Agreement was to strengthen Mexico's trade and investment links with the EU, which had weakened in relative terms during the 1990s, particularly up to 1997.¹⁸

¹⁷ WTO document WT/REG/109/1, 3 August 2000.

¹⁸ Department of Economy (2001).

52. The agreement covers: market access in goods; rules of origin; technical regulations; sanitary and phytosanitary measures; safeguards; investment; trade in services; government procurement; competition policy; intellectual property; and dispute settlement. With respect to market access in goods, the FTA provides for the progressive and reciprocal elimination of tariffs; the time-frame for tariff reduction varies according to partners and sectors. The GSP rates applied to Mexican exports were taken as base rate for the EU's tariff reduction process. For industrial goods, Mexico should eliminate all import duties by 2007, while the EU agreed to do so by 2003. For agricultural and fisheries products, Mexico should eliminate tariffs for most products by 2010 (the EU should do so by 2008). A limited list of sensitive products was excluded from tariff elimination, in the case of Mexico the list includes cereal, meat, and milk products. The internal measure of support to the agriculture sector was not covered by the FTA, while subsidized exports were excluded from preferential market access. The agreement also established tariff quotas for certain agricultural and fisheries products.

Free Trade Agreement with EFTA

53. The Free Trade Agreement between the EFTA states (Iceland, Liechtenstein, Norway, and Switzerland) and Mexico was notified to the WTO in August 2001.¹⁹ Mexico ratified the agreement on 30 April 2001, and Norway and Switzerland in June 2001; it entered into force in the three countries on 1 July 2001. In Iceland it entered into force on 1 October 2001, while, after provisional application in Liechtenstein from 1 July 2001, it came into force officially on 1 November 2001. The agreement is similar to the one negotiated with the EU. Trade in agricultural products is governed by bilateral agreements concluded between Mexico and each individual EFTA State, containing, in particular, specific rules of origin (Chapter III(2)(iv)).

Free Trade Agreement with Chile

54. This agreement has been in place since 1992. Both parties decided to expand the scope of the original agreement, and as FTA was signed on 17 April 1998, and ratified by Mexico in November of the same year. The FTA came into force on 1 August 1999, after it was ratified by Chile. The agreement established provisions in market access in goods; rules of origin; technical regulations; sanitary and phytosanitary measures; safeguards; investment; trade in services; government procurement; competition policy; intellectual property; and dispute settlement. Negotiations with respect to government procurement and financial services started in August 2000. As at May 2001, the total tariff average for imports originating in Chile, 0.3%, was the lowest of all preferential origins; this was mainly explained by the relatively low tariff barriers applied to agricultural products originating in Chile (Table III.3).

Free Trade Agreement Mexico-Colombia-Venezuela (G-3)

55. The G-3 Agreement came into force in 1995. Its aim is to consolidate an FTA between the three countries by 2005, through a three-stage tariff reduction programme, in 1995, 2000, and 2005, with the exception of the automobile industry, which is to be fully liberalized in 2007. The liberalization programme between Mexico, Colombia, and Venezuela builds on the earlier LAIA partial scope agreements. Tariff reductions with Colombia are at the first stage; negotiations for the second round of tariff reductions were concluded with Venezuela in 1999. In the case of agricultural products, tariff quotas are applied for certain goods during the transition period (ten years); there is also a list of temporary exceptions, which is periodically reviewed and may continue beyond the transition period. Export subsidies are banned, including for agricultural products when they are fully liberalized. The agreement contains disciplines with respect to dispute settlement, contingency

¹⁹ WTO document WT/REG/126/1, 24 August 2001.

measures, SPS, technical barriers to trade, state trading, customs procedures, investment, movement of persons, government procurement, intellectual property, and services.

Free Trade Agreement Mexico-Guatemala, Honduras and El Salvador

56. The FTA between Mexico and Guatemala, Honduras and El Salvador was signed in May 2000 and came into force on 15 March 2001. The agreement covers market access in goods; customs procedures; rules of origin; technical regulations; sanitary and phytosanitary measures; contingency measures; safeguards; investment; trade in services; intellectual property; and dispute settlement. The programme of tariff reductions is asymmetric and should be concluded in 11 years. Over 50% of Mexico's exports of industrial products and some 65% of exports from Guatemala, Honduras, and El Salvador were granted duty-free access from the outset; 65% and 80%, respectively, will be duty free by 2005. Some 30% of Mexico's agricultural exports were granted duty-free treatment at the outset. The agreement includes a special safeguard for sensitive agricultural products. As at May 2001, the average tariff rate applied to goods originating in Guatemala and Honduras was 3%, some 13 percentage point below the MFN average, while the rate for El Salvador was 5% (Table III.3).

Other free-trade agreements

57. Mexico signed an FTA with Israel on 10 April 2000, which came into effect on 1 July 2000. This FTA includes provisions on market access; rules of origin; customs procedures; safeguards; government procurement; competition; and dispute settlement. Trade in industrial goods should be fully liberalized by 2005; the agreement covers some 96% of trade in agricultural goods.

58. Mexico's FTA with Nicaragua came into force on 1 July 1998. The agreement included provisions on: market access in goods; sanitary and phytosanitary measures; rules of origin; customs procedures; technical regulations; contingency measures; safeguards; investment; government procurement; trade in services; intellectual property; and dispute settlement. Some 45% of Mexico's exports to Nicaragua and 77% of Nicaragua's exports to Mexico were granted duty-free treatment with immediate effect.

59. Trade liberalization under Mexico's FTAs with Bolivia and Costa Rica in 1995 has been pursued; as at May 2001, average tariff rates applied by Mexico to goods originating in these country were respectively 1.5% and 1.3% (Table III.3).²⁰

Other preferential arrangements

60. Mexico is a participant in all regional agreements within the LAIA, and has signed partial scope agreements with all LAIA members and some countries that do not participate in the LAIA.²¹ Among these, Mexico signed an Economic Complementarity Agreement with Uruguay on 29 December 1999. The agreement introduces disciplines such as technical regulations, SPS measures, contingency measures, and dispute settlement, and makes some 90% of tariff lines duty free.

61. The LAIA Partial Scope Agreement with Brazil was extended in May 2000 to include bilateral trade in automobiles. Under the agreement, which has an initial duration of two years, a reciprocal tariff quota of 40,000 vehicles at an 8% tariff rate has been set for the first year, increasing

²⁰ See WTO (1999), and WTO document WT/TPR/S83, 9 April 2001.

²¹ The agreements under the LAIA have been communicated to the Committee on Trade and Development. WTO documents WT/COMTD/7, 30 September 1996, and WT/COMTD/11, 8 October 1997.

to 50,000 vehicles in the second year. In 2001, the agreement was extended to include provisions for autoparts trade. Similarly, the LAIA Partial Scope Agreement with Argentina was extended in 2001, establishing a bilateral quota for 19,000 vehicles. In October 2000, Mexico also signed a LAIA Economic Complementarity Agreement with Cuba, which will be in force until May 2002.

62. Mexico has been a member of the Asia-Pacific Economic Cooperation (APEC) forum since 1993. Mexico is Chair of APEC for 2002. Together with all Western-Hemisphere countries except Cuba, Mexico is participating in the Free-Trade Area of the Americas (FTAA), launched in December 1994, with the aim of eliminating most tariffs by 2005.

63. Mexico also participates in the Global System of Trade Preferences. The authorities indicated that between 1997 and 2001, Mexico issued 3,020 certificate of origin for Mexican products to be exported under this scheme, mainly to Egypt, India, Indonesia, and Sri Lanka. Mexico provides tariff preferences under the GSTP, although these are not being requested.

64. Mexico receives preferential market access under the General System of Preferences. As noted before, the negotiation of the FTA between Mexico and the European Union resulted in a consolidation of the GSP concessions granted to Mexico. In the case of concessions granted by EFTA countries, Switzerland eliminated GSP for Mexico from 1998, while the other countries eliminated the GSP concessions from the entry in force of the FTA on 1 July 2001. Between 1997 and 30 June 2001, Mexico issued some 33,000 certificates of origin for exports representing a value of US\$2.1 billion, destined mainly for Australia, the European Union, and Japan.

65. Under the San José Pact of 1980, which is renewed annually, Mexico and Venezuela decided on 3 August 2001 to continue to supply petroleum (a total of 160,000 barrels per day; 80,000 each) to certain countries of Central America and the Caribbean, on commercial terms. The Pact also includes a scheme to finance development projects and the purchase of goods and services from Venezuelan²² and Mexican suppliers.

Negotiations currently under way

66. In late 2001, Mexico was negotiating agreements with Ecuador, Japan, Panama, Peru, Singapore, and Trinidad and Tobago. The agreement with Trinidad and Tobago is expected to be a comprehensive FTA; negotiations started in 1998, in areas such as market access, technical barriers to trade, investment, and dispute settlement. The negotiations for an FTA with Panama are well advanced and were initially expected to be concluded during 2001.

67. Negotiations towards an FTA with Peru were at a standstill in late 2001 due to Peru's negotiations with the Andean Community and Mercosur; the bilateral agreement currently in existence under LAIA has been provisionally expanded and deepened, to allow for the settlement of disputes and an extension of preferences. This provisional agreement was signed in February 2000 and will remain in force until 30 June 2002. Mexico is also negotiating a free-trade agreement with Ecuador, to replace the partial agreement currently in place.

68. In addition to its participation in the APEC, Mexico is also seeking to foster preferential trade relations with Japan and Singapore. To this effect, in mid-2001 the Japanese and Mexican authorities agreed to establish a joint study group to explore the possibility of initiating formal negotiations. The Mexican authorities indicated that negotiations for the establishment of an FTA with Singapore were initiated in July 2000.

²² The countries benefiting from the ensured oil supply and credits are: Barbados, Belize, Costa Rica, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Nicaragua, Panama, and the Dominican Republic.