



MEXICO IN THE WTO DEBATE

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Within a context of severe macroeconomic imbalances, Mexico opened its market through unilateral trade liberalization in the 1980s, joined the General Agreement on Tariffs and Trade (GATT) in 1986, and negotiated a series of regional trade agreements throughout the 1990s, foremost among them the North American Free Trade Agreement (NAFTA), and an Association Agreement with the European Union. Today, Mexico is the world's 9th largest trader and by far the most important one in Latin America. It participates actively in multilateral trade negotiations, and is still one of the most dynamic participants in regional trade agreements.

This report provides a concise overview of Mexico's position in the run-up to the 5th WTO Ministerial in Cancun. It is divided into four sections. Section I covers public attitudes towards the WTO; section II states the costs and benefits of Mexico's WTO membership; section III deals with Mexico's positions in the Doha Development Agenda; section IV explains Mexico's stance toward regionalism and multilateralism; and section V concludes with Mexico's likely negotiation tactics in Cancun.

1 Public attitudes towards the WTO

In Mexico, public opinion on trade policy matters

tends to go in tandem with trade flows. Accordingly, the most salient concern is by far economic relations with the United States. Other developments, such as multilateral trade relations and even hemispheric ones, are usually regarded as being of relatively little consequence. Nonetheless, there are growing concerns about the effects of Chinese exports into the Mexican market, and competition with Chinese exports in third markets.

The most recent surveys on the attitudes of Mexicans toward free trade show the following: a majority of Mexicans support free trade and believe that joining NAFTA was a correct decision; they support the protection of "strategic" industries; they support the Free Trade Area of the Americas but reject the need for democracy as a requirement to join that free trade area; and they prefer the United States as Mexico's major trade partner over any other country in the Americas.

Business groups

Business interests involved in trade issues are organized under the Foreign Trade Organizations Coordinating Council (COECE), and have extremely close links with negotiators. In 2000, business representatives from five sectors (electric and electronics, automobiles, capital goods, texti-

les and apparel, and foodstuffs), accounting for approximately three quarters of Mexico's trade, had the following opinions on the Uruguay Round results and their relationship with the government on trade policy issues. Even though these date from 2000, they still apply to Mexico's current debate on the WTO.

CANIETI, the National Chamber of the Electronics, Telecommunications and Computer Industries, representing the *electric and electronics* sector, regarded the Uruguay Round as positive. It concurred with the government in not subscribing to the Ministerial Declaration on Trade in Information Technology Products (ITA). External tariffs of all NAFTA countries in electric and electronic goods have since been radically reduced.

CANAME, the National Chamber of Electric Manufactures, representing a sizable share of the *capital goods* sector, considered the Uruguay Round as irrelevant. Its view was that, since the largest share of trade in the sector is with the United States, most of the relevant liberalization was agreed upon under NAFTA.

Likewise, the National Industrial Transformation Chamber (CANACINTRA) saw the Uruguay Round Agreements as largely irrelevant for Mexico, given the intensity of trade with the United States and the depth of commitments under NAFTA.

The *textiles and apparel* sector, represented by a specialized office in the National Confederation of Industrial Chambers (CONCAMIN), was concerned about a possible flood of garments from China into the Mexican market, once it joined the WTO. Mexico was the last WTO member to vote in favor of China's accession. It negotiated the faculty to use its full arsenal of unfair trade policies against Chinese exports for an extended period, but has not been able to allay these fears.

The general opinion was that government-business relations regarding trade policy were positive, and the majority of concerns expressed were linked to domestic economic policy issues. A partial exception are *agricultural producers*, foremost those of grains and poultry. They blame their plight on trade liberalization, and seek protection from the government through a halt to liberaliza-

tion, an increase in tariffs and non-tariff barriers, and greater financial support.

NGOs and SMEs

In 2000, as in the present, the most vociferous criticism of Mexico's trade policies comes from Non Governmental Organizations (NGOs). The Mexican Trade Action Network (RMALC), established in 1991 at the outset of the NAFTA negotiations, functions as an "umbrella" organization representing the interests of a diverse array of groups involved in issues such as human rights, labor rights, democracy, the environment, and Small Medium Enterprises (SMEs).

RMALC questions the efficiency of the market mechanism in allocating resources and proposes a greater role for the state in ensuring an equitable allocation. Its proposals include reinforcing special and differential, substantially modifying investor-state dispute settlement procedures, and ensuring intellectual property rights (IPR) commitments do not stand in the way of public health needs. So far, its impact on Mexico's trade policy has been minimal, in no small measure a result of extreme positions held by some of its members (such as doing away with the Most-Favored-Nation clause in multilateral trade agreements), which makes dialogue with trade authorities difficult.

The National Association of the Transformation Industry (ANIT), is a breakaway group of CANACINTRA established at the time of Mexico's GATT accession. It is a RMALC member and represents the interests of some 3,000 SMEs. ANIT seeks a share in the procurement market, financing at competitive rates without burdensome guarantee requirements, and a greater say in trade policy formulation. As was the case of business group opinions, most of ANIT's concerns can be answered at the domestic political.

Some NGO discussions of economic development strategies have been of low analytic content. The WTO is sometimes brought up in these discussions without specific references to the Uruguay Round Agreements or the Doha Development Agenda. It is seen as an archetype of organizations that, like the IMF and the World Bank, are supposedly behind the advance of globalization, which is in turn blamed for a vast array of

complaints such as low economic growth, environmental degradation, poverty, and unequal income distribution. They rarely present sound and systematic evidence to substantiate their claims.

2 Costs and benefits of the WTO membership

When Mexico joined GATT in 1986, it reasoned that since market opening had started in earnest as part of macroeconomic stabilization efforts and structural reforms, it might as well get something in return instead of merely following a unilateral liberalization approach. Its unilateral policies, together with the spate of regional trade agreements it negotiated throughout the 1990s, meant that GATT (and later WTO) membership was relatively costless.

The situation with the Doha Development Agenda is different, given that for the first time multilateral commitments may require additional liberalization concessions from Mexico. It has a paramount defensive interest in avoiding an erosion of its trade preferences resulting from regional trade agreements, and also some offensive interests, which are mentioned in the next section.

3 Mexico and the Doha Development Agenda

The Doha Development Agenda

Mexico participated in the Fourth WTO Ministerial Conference after an extremely successful decade in terms of trade policy aims and achievements. In October 2001 it coordinated the working group on agriculture during the informal meeting of trade ministers in Singapore. Next September, Mexico will host the Fifth Ministerial WTO Conference, which will take place in Cancun.

In terms of launching a new multilateral trade negotiation round, Mexico favored a single undertaking given that, in its view, sectoral negotiations make compromise and side bargains difficult. Regarding timelines, Mexico expressed a preference for a negotiation round of approximately three years duration, and in any case no longer than the Uruguay Round. The Doha Agenda is thus in line with its preferences in these issues.

Mexico sought a leading role in the Doha Development Agenda and secured the Fifth WTO Ministerial for Cancun. Among the reasons why it did so are the following. First, it is the world's 9th largest trader and believes that being at the forefront of trade policy discussions and negotiations will enable it maintain the privileged position it now has. Second, it sees itself as a trade "liberalizer" through its unilateral, regional, and multilateral initiatives and seeks to work at every level. Finally, Mexico holds that it can be an important broker, bridging the gap between extreme positions, and serving as an informal mediator in North-South issues.

As a case in point, in the run-up to the Doha Development Agenda Mexico was able to broker a deal on intellectual property rights (IPR) suitable to both developed countries and developing countries' interests by securing access to certain medicines at a reasonable cost. Mexico believes that the implementation of market access commitments in agriculture and textiles has not translated into improved access for developing country exports, and that special and differential treatment for developing countries has also not materialized in practice. At the Cancun Ministerial, Mexico will try to play the role of facilitator role in order to reach some basic agreements on these issues.

In addition, there are issues of intrinsic Mexican interest that cannot be dealt with at the regional or even hemispheric level, so Mexico has specific "offensive" interests in the Doha Agenda, as is the case with agricultural subsidies and unfair trade practices. These issues are detailed below.

Agriculture

Mexico seeks the elimination of agricultural subsidies, both export subsidies and trade-distorting domestic support. It is not concerned about improved market access per se, for it already has access to the US market through NAFTA, to the EU market through the Association Agreement, and is in the process of negotiating a free trade agreement (FTA) with Japan. The elimination of agricultural subsidies is perhaps its main offensive interest for Doha.

GATS

As the main exporter of services in Latin America, Mexico is interested in a sectoral coverage as broad as possible. It would gain from the negotiations by attaining greater market diversification. It also wants flexibility for developing countries regarding trade in services negotiations. Regarding e-commerce, Mexico maintains that there should be no tariffs on electronic transmissions. Mexico also seeks greater mobility for mid and low-level technicians.

More generally, Mexico has been involved in an acrimonious dispute with the US over access to the Mexican telecommunications market. The matter is currently under review by a WTO panel, and a final report is expected by summer 2003. Mexico will establish a clear negotiating position on services (especially telecommunications) only after the report is issued.

Singapore Issues

Mexico did not request negotiation of the four topics covered by the Singapore Ministerial (foreign direct investment, competition policy, government procurement, and trade facilitation measures), although it accepted the agreement to discuss them during the Fifth Ministerial. Its FTAs already cover these issues, so multilateral agreements will probably not imply any significant new commitments for Mexico.

Social Standards

Mexico is concerned about social standards being abused through their use as non-tariff barriers, thus eroding market access concessions. It has the same position that on labor and environmental issues, accepting the need for their discussion, but being opposed to formal commitments within the realm of the WTO that would result in disguised protectionism by developed countries. It believes that the proper instruments and venues must be used to deal with them.

Other Issues

Another issue of interest to Mexico is disciplines involving unfair trade practices. Mexico used to have a quite radical position, calling for the gradual elimination of dumping laws and using competition policy instead whenever possible. It has modified this position, and now merely seeks

greater disciplines in this area. The change in position may be attributed to the fact that Mexico is not only a victim but also a frequent user of antidumping duties. It is also telling that, while Canada and Chile did eliminate dumping practices and favored competition policy in their FTA, Mexico did not favor that approach in its 1998 FTA with Chile.

Mexico's stance on the matter is not unequivocal. The Deputy Ministry for Trade Negotiations of the Economics Ministry favors collaboration with the group headed by Japan, seeking significant limitations to the use of antidumping duties, while the Unfair Trade Practices Unit of the same ministry seeks more limited AD reforms.

Regarding foreign direct investment, Mexico takes the view that an eventual multilateral agreement on investment should not be linked with environmental and labor issues, nor inhibit the regulatory faculties of the state.

Mexico favors transparency in government procurement but has given no indication that it intends to sign on to the WTO Agreement on Government Procurement. Trade facilitation is not an area of paramount concern and it has already made some progress in areas such as customs procedures, through commitments derived from its FTAs.

Regarding industrial goods, Mexico favors full binding of the industrial goods tariff structure by all WTO members, but not complete tariff elimination. It is opposed to a sectoral approach, preferring the inclusion of all sectors so that a more balanced final deal is possible. It believes that a significant reduction and binding of the full tariff structure for industrial goods will improve its market access to countries with which it does not have an FTA.

4 Mexico's FTAs and the WTO

While Mexico's 2002 WTO Trade Policy Review states that Mexico considers the multilateral trading system as the main instrument for the liberalization of world trade, in reality the main avenue to open its trade and investment regimes has been the negotiation of FTAs and bilateral investment agreements. Mexico is in fact extremely sensitive about developments in the

multilateral trading system that might adversely affect its regional preferences.

Mexico initiated an assertive policy to secure additional FTAs throughout the 1990s. The agreements were all closely patterned after NAFTA. It has subscribed three extra-hemispheric agreements: the Mexico-EU Association Agreement, the FTA with the European Free Trade Association (Iceland, Liechtenstein, Switzerland, and Norway), and the FTA with Israel. Mexico is currently negotiating FTAs with Ecuador, Japan, Panama, Peru, Singapore, and Trinidad and Tobago.

Mexico's entry into GATT, and its subsequent participation in the WTO, has not had a significant impact on trade composition or volumes, nor on market diversification. Most gains from trade have come from unilateral liberalization and regional initiatives, foremost among them NAFTA, which accounts for more than 85 percent of Mexico's trade. Outside NAFTA, no individual country absorbed more than 1% of total Mexican exports.

Mexico's challenge is to reconcile its regional initiatives with multilateral trade developments. It will strive to attain improved market access and foster a stable world trading environment through multilateral initiatives, and at the same time maintain its regional preferences for as long as possible. In parallel, the challenge for the WTO is to generate incentives for countries like Mexico, which are keenly playing the regional game, to be involved in the multilateral trading system.

5 Towards Cancun

Mexico's trade interests are not typical of developing country interests. It is the only Latin American country with privileged access to the US and EU markets, and is negotiating an FTA with Japan. Given its regional activism throughout the 1990s, in some issues its interests are in

line with some developed country interests, while in a few issues it favors the agenda proposed by many developing countries, especially given its role as chair of the Fifth Ministerial in Cancun, and not necessarily because of intrinsic concerns over those issues. The tactic it will follow will be to strike very flexible alliances, on an issue-by-issue basis, in order to help find common ground during the Cancun Ministerial, and at the same time advance its own interests.

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Interviews

- Interview with a high-ranking Economics Ministry official, April 24, 2003

In the run up to Cancun, Focus on WTO contributes through conferences, workshops and publications to the international debate on the Doha development round. It is part of the international work of the Friedrich-Ebert-Stiftung. For further information please contact:

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