

Woodrow Wilson International Center for Scholars



Mexico in the TPP negotiations: challenges and opportunities

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Mexico in TPP

- Initially Mexico refused to be part. Why?
 1. PAN governments adopted private sector protectionist agenda.
 2. Mexico lost perspective and track in trade
 3. Mixed signals on trade.
- Only requested to become part in the APEC Honolulu Summit in November 2011 .

Mexico in TPP: A latecomer?

- At the Los Cabos G20 Summit (June 18, 2012) Mexico was invited to join TPP negotiations.



- On July 9, 2012, the White House formally notified the US Congress its intentions to include Mexico in the negotiations.
- 90 day period consultation period before Mexico can join negotiations.

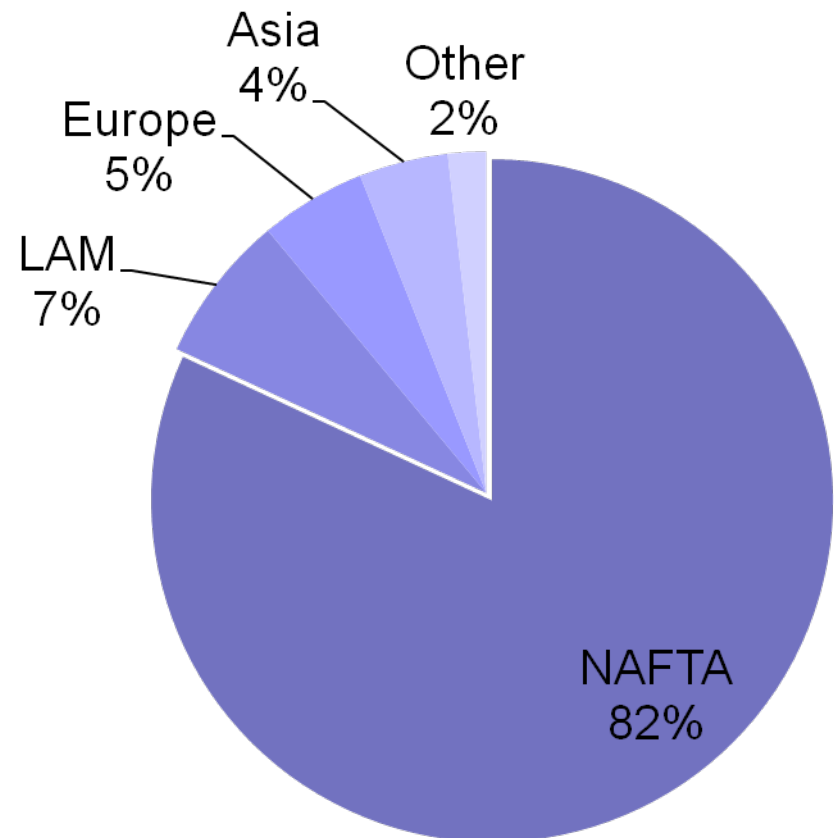
Mexico in TPP: A latecomer?

- “Second class” status in TPP negotiations?
 1. Mexico was requested to take confidence-building measures such as signing ACTA.
 2. Any new requirements for Mexico after 90 day consultation process?
 3. Mexico cannot reopen any text already agreed by 9 TPP partners.

Mexico in TPP: a high price to pay?

1. Guarantee US market share: 80% of Mexican exports go to the US.
2. Build stronger bridges with key markets in Asia to make it a **two way street**.
3. Definition of new trade rules to strengthen export platform (trade:60% of GDP)

Mexican Exports by region (% , 2011)



Challenges Mexico faces

Address those issues that have prevented Mexico from negotiating bilateral FTAs in Asia

MARKET ACCESS

- 1. Agriculture : Australia, New Zealand**
- 2. Textiles, clothing, footwear: Malasia, Vietnam**

Mexico: tariff peaks, 2012

HS	Product	Category	Tariff (ad valorem %)
0207	Meat an edible offal, of the poultry, chilled or frozen		234
0209	Pig fat, free of lean meat, and poultry fat, not rendered...		254
0406	Cheese and curd		125
0701	Potatoes, fresh or chilled		245
0901	Coffee, whether or not roasted or decaffeinated...		72
1003	Barley		115.2
1107	Malt, whether or not roasted	Agricultural	158
1516	Animal or vegetable fats and oils		254
1702	Other sugars		
	Glucose and glucose syrup...		
	Other Fructose and fructose syrup...		210
1001	Wheat		67
2402	Cigars, cheroots, cigarillos and cigarettes of tobacco...		67
2403	other manufactured tobacco...		67
61-63	Several made-up textile articles, clothing accesories and articles of apparel	Textiles and clothes	20-30
8701-03	Motor vehicles (tariff lines for used vehicles)	Used vehicles	35

Mexico's trade with TPP partners is **1.3%** of total trade
(million US dollars)

Country	Exports	Imports	Trade
Australia	894	984	1,878
Brunei	0.52	0.04	0.56
Malaysia	124	5,609	5,733
New Zealand	91	434	525
Singapore	591	1,184	1,775
Vietnam	64	973	1,037
Total	1,764.52	9,184.04	10,949
% of Mexico's trade with the world	0.5%	2.6%	1.3%
Mexico's world trade	349,567	350,856	700,424

Challenges Mexico faces

1. **Rules of origin** that contribute to strengthening Mexico's production capacity (FTA Mexico-Singapore).
2. Disciplines on **state-owned enterprises** may require Constitutional changes (energy)
3. **Public procurement**
4. **IP**: rule of law
5. Regulatory convergence (electronics standards)

TPP Opportunities for Mexico

Mexico has FTAs with 4 TPP partners:

1. The **US** under the NAFTA (1994)
2. **Chile** under the Mexico-Chile FTA (1998)
3. **Peru** under the Mexico-Peru FTA (2011)

Mexico's trade with these 3 countries represented **68%**.

Mexico also has FTAs with

1. **Canada** under the NAFTA (1994)
2. **Japan** under the Mexico-Japan EPA (2005)

Mexico's trade with these 5 countries represented **73.3%**.

TPP will help diversify Mexico's exports markets

Country	HS	Product	Value US th.	% of total export flow with the country
Vietnam	85177011	Parts of telephone sets	7,890	12.3
	03037999	Other fish, frozen, excluding fish fillets	4,473	7.0
	39202099	Other plates, sheets, film, foil and strips of polymers of propylene	4,464	7.0
Malaysia	85171201	Telephones for cellular networks	18,242	14.7
	26011201	Agglomerated iron ores	11,822	9.5
	87032301	Motors cars of a cylinder cap. between 1500-3000 cc	10,476	8.4
Singapore	85171201	Telephones for cellular networks	146,900	24.8
	85423199	Processors and controllers	91,950	15.5
	84717001	Storage units for automatic data processing machines	38,571	6.5
Australia	26070001	Lead ores and concentrates	214,752	24.0
	22030001	Beer made from malt	100,491	11.2
	84099199	Parts suitable for use with spark-ignition combustion piston engines	55,048	6.2
New Zealand	26080001	Zinc ores and concentrates	21,201	23.1
	22030001	Beer made from malt	13,213	14.4
	87032101	Other vehicles, with spark-ignition combustion piston engine	12,138	13.2

... and diversify import sources

Country	HS	Product	Value US th.	% of total import flow with the country	Tariff %
Vietnam	03042999	Other fish fillets	101,842	10.5	-
	64041199	Sport footwear with outer soles	52,077	5.4	30
	64029902	Other footwear with outer soles	48,379	5.0	30
Malaysia	85423199	Processors and controllers	1,626,630	29.0	Ex.
	84717001	Storage units for automatic data processing machines	381,110	6.8	Ex.
	85423999	Other Electronic integrated circuits	360,919	6.4	16
Singapore	84717001	Storage units for automatic data processing machines	199,081	16.8	Ex.
	85423999	Other Electronic integrated circuits	123,027	10.4	16
	85423199	Processors and controllers	87,752	7.4	Ex.
Australia	27011201	Briquettes, ovoids and similar solid fuels from coal	539,060	54.8	Ex.
	76012099	Aluminum alloys	71,457	7.3	16
	26070001	Lead ores and concentrates	53,279	5.4	Ex.
New Zealand	04059001	Other butter and other fats and oils derived from milk	119,682	27.5	Ex.
	04022101	Milw and cream not containing added sugar	111,404	25.6	63
	04021001	Milk in powder, granules or other solid form	39,137	9.0	63

TPP Opportunities for Mexico

- **New export opportunities** for automobiles and autoparts, steel, electronics, cosmetics.
- **Investment.** TPP membership will allow Mexico to remain an attractive location for FDI (Mexico is 6th FDI recipient among emerging markets)
- **Domestic reforms.** opportunity to push for reforms that will allow Mexico to grow at higher rates (energy, telecomm, transportation, banking, fiscal)
- **Institutional strengthening.** Strengthen and improve its trade policy framework.
- **Build trading blocs** with NAFTA, Asia, LAM

Conclusion

- Mexico needs to be part of TPP negotiations, the question is how much this will cost.
- TPP opens possibilities to:
 1. Maintain competitiveness in US market (NAFTA)
 2. Consider Mexico as an export platform to TPP countries
 3. Build new trade institutions to increase relationship with Asian markets