

# How to Make the NAFTA Premise on Trade and Regional Integration Work Better



**SAGARPA**  
SECRETARÍA DE AGRICULTURA,  
GANADERÍA, DESARROLLO RURAL,  
PESCA Y ALIMENTACIÓN

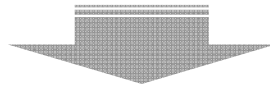


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# Mexico's Global Responsibility Associated with Agriculture

- To strengthen the participation and leadership of Mexico.
- Mexico is committed to free trade, capital mobility, productive integration, labor mobility, and the attraction of talent and investment.
- To foster an international cooperation environment to tackle global challenges (climate change, food security and improvement in agricultural productivity)



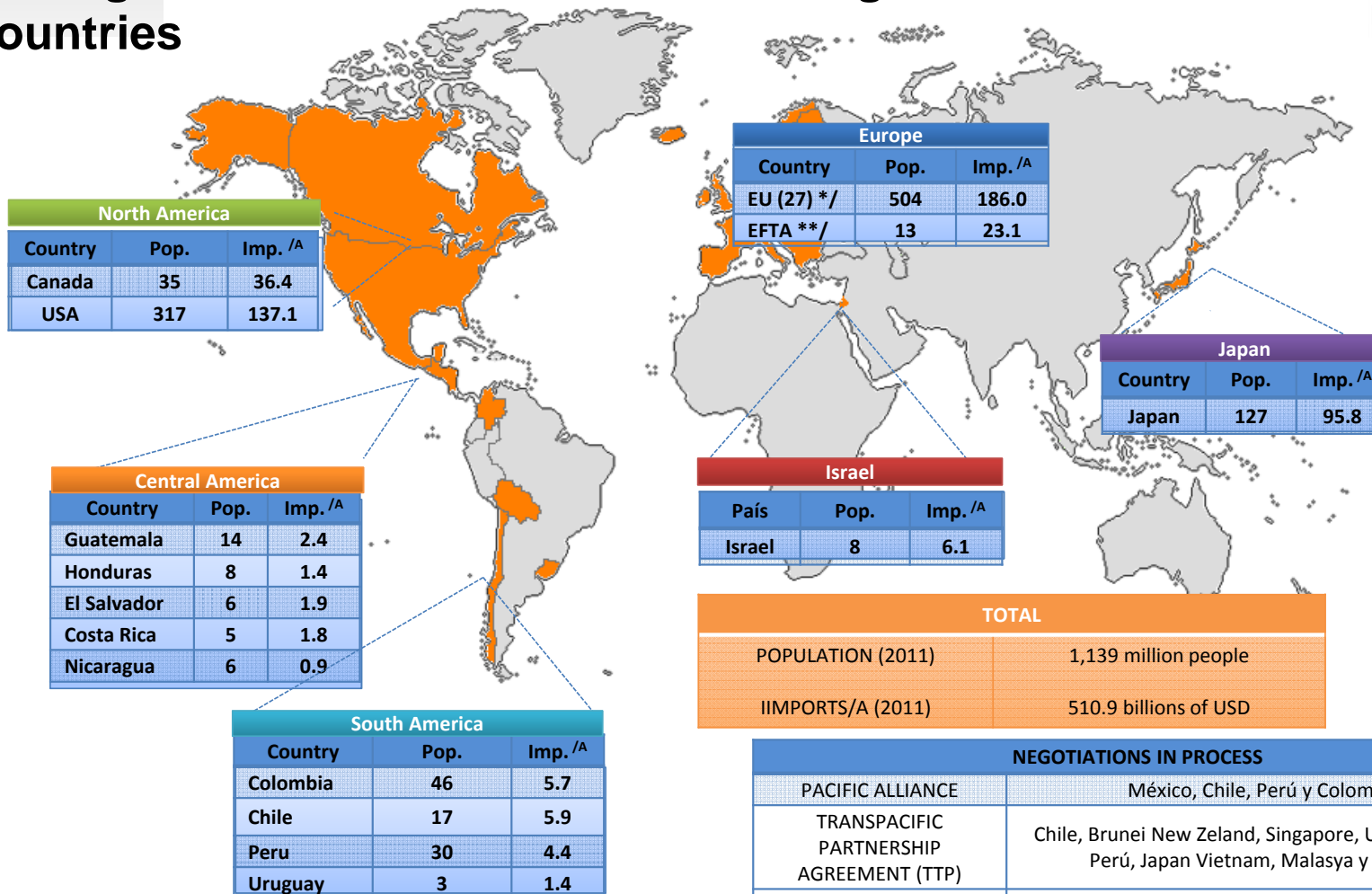
## Sectorial Program

An agricultural sector that is...

- Productive, competitive, profitable, and sustainable.
- Competitive, to maintain and improve its food production in domestic and international markets.



# Trade Negotiations: Mexico's Free Trade Agreements with 45 countries



Notes:  
 \* / Extra-EU imports only, 2010 data.  
 \*\* / Iceland, Liechtenstein, Norway and Switzerland. Source: World Bank and World Trade Organization.  
 A / Food Imports

# Mexico's Agricultural Initiatives in the International Arena

# Global Agricultural Initiatives



- Mexico hosted the Presidency of the G-20 in 2012.



- Mexico is actively participating in the New Vision for Agriculture of the World Economic Forum (WEF).

- Participation in the North American Biotechnology Initiative (NA

- Mexico will host important international meetings:

- ✓ WEF on Latin America in April 2015.

- ✓ Inter-American Agricultural Council of the Inter-American Institute for Agriculture (IICA) in September 2015 with the participation of all agricultural ministers of the Americas.

- ✓ Latin American Regional Meeting of the U.N. Food and Agriculture Organization (FAO) in 2016.



# The Trans-Pacific Partnership Agreement (TPP)

# The Trans-Pacific Partnership (TPP)

- The TPP is a trade liberalization and economic integration initiative in the Asia-Pacific region. Australia, Brunei Darussalam, Canada, Chile, the United States, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam are the negotiating partners.
- Negotiations are expected to be concluded by the end of the year. The process includes intensive consultations with the Mexican productive sectors to define positions.

## Opportunities

- ❖ Preferential access to new markets / diversification of exports.
- ❖ An opportunity to deepen the bilateral negotiation with Japan.
- ❖ Accumulation / integration of value chains.
- ❖ Investment attraction.
- ❖ Diminish / reduce preferential markets erosion.
- ❖ Market opportunities for processed foods, fruits, vegetables, and alcoholic beverages..

## Challenges

- ❖ Increase competitiveness of products and services.
- ❖ Sensitivities in products such as sugar, dairy, coffee and meat.
- ❖ Lack of Trade Promotion Authority (TPA) by the White House hampers efforts to conclude the process on a timely fashion.
- ❖ Japan's reluctance to open its agricultural market.



## Agriculture and Fisheries trade: Mexico – TPP Countries

- The TPP represents a market of 796 million people, *i.e.*, 11% the world population.
- The TPP countries account for 32% of the world GDP.
- In 2013, Mexico's agriculture and fisheries trade with the TPP was US\$43 billion, of whom, 96.2% belongs to the North American market.

**Agriculture and Fisheries trade balance <sup>1/</sup>**  
**Mexico – TPP (Million US dollars)**

Concept	Year 2013		
	Mexico - World	Mexico – TPP <sup>a/</sup>	TPP Share (%)
<b>Trade balance</b>	<b>-2,953</b>	<b>-2,665</b>	
<i>Exports</i>	24,409	20,160	82.6
<i>Imports</i>	27,362	22,825	83.4
<b>Total trade</b>	<b>51,771</b>	<b>42,985</b>	<b>83.0</b>

Notes: <sup>1/</sup> Includes chapters 01 to 24, headings and subheadings 290543, 290544, 290545, 3301, 3501 a 3505, 380910, 382311 a 382370, 382460, 4101 a 4103, 4301, 5001 a 5003, 5101 a 5103, 5201 a 5203, 5301 y 5302 as established by the General Law of Import and export Taxes.

<sup>a/</sup>TPP: Chile, Brunel, New Zealand, Singapore, United States, Australia, Peru, Vietnam, Malaysia and Canada.

Source: SAGARPA with data of the Ministry of Economy.



## Considerations for Mexico in the TPP

- Market Access challenges related to sensitive sectors with countries with which Mexico does not have trade agreements, i.e. Australia, New Zealand, Vietnam, Malaysia.
- The TPP is part of President Obama's "*National Export Initiative*" strategy, whose objective is to double exports in 5 years. The US and Mexico should step up efforts to design a common trade strategy to reach new markets, particularly in Asia.
- To achieve such strategy, Washington and Mexico City must continue to strengthen their transportation logistics, sanitary inspections and protocols, and to streamline their border operations.
- In the TPP's Sanitary and Phytosanitary Chapter, negotiators aim to achieve stronger disciplines, above those mandated by the WTO.



# The Pacific Alliance



# The Pacific Alliance

The Pacific Alliance (PA), an economic and trade integration initiative is conformed by **Chile, Colombia, Mexico and Peru**. It has a cooperation component and commitments in the areas of citizens mobility; investment and trade liberalization. Already, 92% of trade flows are duty free among PA's members. The remaining 8% category of tariffs will be phased out over time in the next decade.

In addition to the founding members of the Alliance, **Costa Rica, Panama, Canada, Uruguay, Guatemala, Japan, Australia, Nueva Zealand and Spain**, have observer status.

## Founding Members



## Observers



# The North American Region

## North- American Market Integration

- The North American region has lost trade competitiveness *vis-a-vis* other countries and trading blocks, particularly with Asia.
- The three NAFTA partners must take advantage of tariff preferences and the use of inputs from within various regions in North America, and step-up joint production. Such process will contribute to create more value-added products and achieving comparative advantages in labor, technology, and innovation.
- After 20 years of NAFTA, opportunities to increase trade are in the areas of custom facilitation, education exchanges, transport improvements; and in Agriculture, more cooperation in the areas of innovation, GMO's, climate change initiatives, and harmonization of SPS regulations.



# Mexico - United States Trade in Agriculture (Millions of dollars)

Concept	1994	2000	2004	2010	2013	AGR 13/94 (%)
<b>Balance</b>	-1,402	-669	-1,017	-1,253	-394	
<b>Exports</b>	3,870	6,721	8,683	14,446	19,237	8.8
<b>Imports</b>	5,272	7,390	9,699	15,698	19,631	7.2
<b>Trade</b>	9,142	14,111	18,382	30,144	38,868	7.9

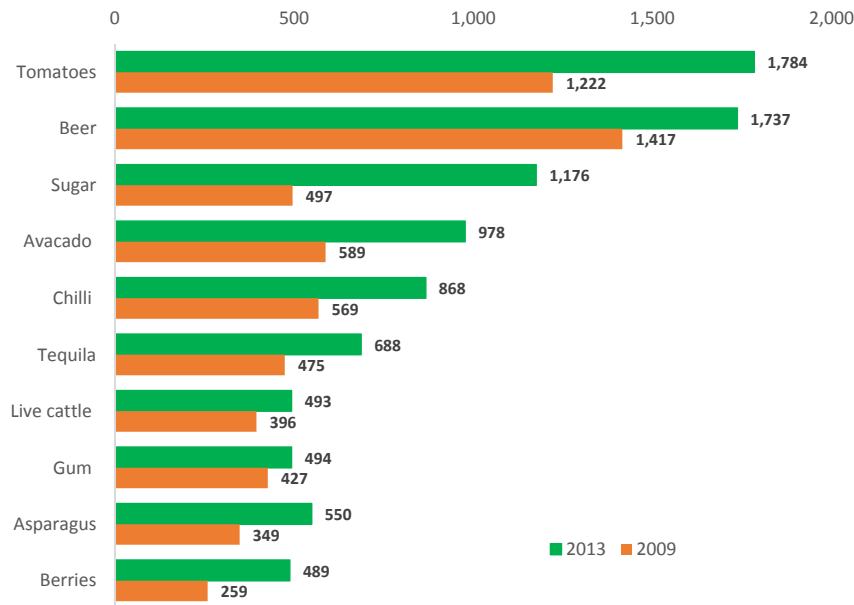
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Source: SAGARPA with data from the Ministry of Economy

- **Agri-food and fisheries trade** between Mexico and the United States grew at an **average annual rate of 8.8%** since 1994.
- **Agri-food and fisheries exports** from Mexico to the U.S. increased **5 times between 1994 and 2013**.

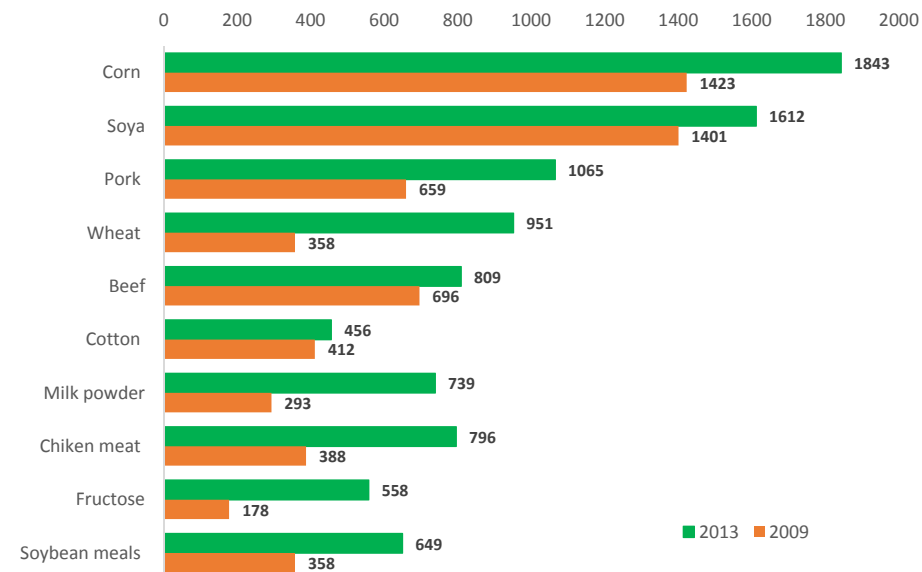


# Mexico - United States Agricultural Trade (Million dollars)

**MAIN EXPORTS  
OF MEXICO TO THE UNITED STATES 2009/2013**



**MAIN IMPORTS OF MEXICO FROM  
UNITED STATES 2009/2013**



- US-Mexico agrifood and fisheries trade included processes that creates value added such as packing and processed food.

## Mexico – United States High Level Working Group (HLWG)

- In May 2013, Presidents Enrique Peña Nieto and Barack Obama created the U.S. – Mexico High Level Working Group. The goal of this initiative is to foster a more dynamic economic relationship between Mexico and the U.S.
- Following the first meeting of the HLWG in September 2013, a working plan was created including three main pillars:
  - ✓ Promotion of competitiveness and connectivity
  - ✓ Strengthening economic growth, productivity, entrepreneurship and innovation
  - ✓ Partnership for a regional and global leadership
- The HLWG works in joint actions to facilitate the mobilization of agricultural products at the border and enhance the bilateral cooperation in areas such as biotechnology and information.





## Meeting of the North American Ministers of Agriculture (Canada, U.S. and Mexico)

- The Secretary of the USDA, Thomas Vilsack, the Ministry of Agriculture and Food of Canada, Gerry Ritz, and the Secretary of Agriculture of Mexico, Enrique Martínez y Martínez, met during the 1st Mexican Global Agricultural Outlook in May 2014.
- The Ministers of Agriculture agreed on the need to consolidate the North-American regional market through cooperation in areas beyond tariff elimination.
- Increasing trade flows should require:
  - ✓ Harmonization of sanitary and phytosanitary, trade and food safety regulations.
  - ✓ Investment in infrastructure projects to improve logistics at the border.
- The Consultative Committee on Agriculture, the North America Biotechnology Initiative (NABI) and other working groups are initiatives that are fostering cooperation and achieving common goals such as trade facilitation.



# Dispute Settlement



- ❑ **Antidumping and Countervailing Duty investigation against Sugar from Mexico.**
  - On March 28<sup>th</sup>, the American Sugar Coalition filed a petition of antidumping and countervailing duty investigation concerning sugar imports from Mexico.
  - This investigation is one of the most sensitive issues in the bilateral agenda with the U.S.
- ❑ **U.S. Country of Origin Labeling-COOL (WTO).**
  - Last hearing took place on February 2014.
  - The WTO will send the final resolution on July 2014.
- ❑ **Tuna- Dolphin Safe Label Case (WTO).**
  - Since 1980 Mexico's tuna exports to the U.S. were restricted by an embargo.
  - México filed a dispute settlement case against the US in the WTO. In May 2012 a ruling was announced by the WTO favoring Mexico in this controversy.

# Sanitary and Phytosanitary Measures (SPS)

- There is a broad SPS agenda between Mexico and the U.S. Both countries work together considering scientific basis to create SPS consistent with international regulations and to expand export opportunities:
  - ✓ **Pork Meat**: Recognition by the US of Mexico as country free of Classic Swine Fever (except Chiapas).
  - ✓ **Avocado**: Coverage expansion to the States of Jalisco, Morelos, Nayarit y Estado de México.
  - ✓ **Potatoes**: Establishment of import requirements for both countries to be accepted in each other markets.
  - ✓ **Beef Meat**: Establishment of import requirements by Mexico for US beef derived from cattle of more than 30 months old.



## Final Considerations

- ❑ Mexico is expanding its trade preferences through the Transpacific Partnership Agreement (TPP) and the Pacific Alliance (PA), accessing more markets and becoming a reliable supplier of safe, healthy and quality food products.
- ❑ The TPP and the Pacific Alliance will open new opportunities in the Asian market. These agreements will boost joint or multi country projects in different sectors.
- ❑ Promoting a deeper integration in the North American market requires strengthening actions on SPS measures, customs facilitation and infrastructure for trade logistics.
- ❑ The role of border cities, such as San Diego and Tijuana, must strengthen cooperation and join strategies to promote them as unified regions.
- ❑ Border cities must look beyond NAFTA's achievements and shortcomings and be creative in fostering new local and regional integration initiatives.
- ❑ The San Diego-Tijuana region must revamp its linkages and become a hub for trade and investment in the new TPP era.

