



NAFTA Free Trade Commission: A Decade of Achievement

On July 16, 2004, the NAFTA Free Trade Commission, met in San Antonio, Texas. This ministerial level authority meets annually, and this year included Ambassador Robert B. Zoellick, United States Trade Representative, Fernando Canales, Mexico's Secretary of Economy, and The Honorable James Peterson, Canada's Minister of International Trade.

In their joint statement a *Decade of Achievement* the Ministers stated that: "Since January 1, 1994, when the NAFTA entered into force, three-way trade among our countries has reached over \$623 billion, more than double the pre-NAFTA level. From 1994 to 2003, cumulative Foreign Direct Investment in our three countries has increased by over \$1.7 trillion."

With virtually all tariffs and quotas on North American trade eliminated, NAFTA's current agenda focuses on additional ways to enhance trade and investment, by lowering transaction costs and other administrative burdens. Accordingly, the ministers announced a tentative agreement to liberalize the rules of origin for a broad range of food, consumer and industrial products. Together, these changes could benefit products worth over US\$ 20 billion in trilateral trade. Before the tentative agreement on rules of origin can go into effect in January 2005, it must go through each country's respective approval processes.

The Ministers also asked the NAFTA Working Group on Rules of Origin to continue its work to pursue further liberalization of rules of origin, including those applying to chemicals, pharmaceuticals, plastics and rubber, motor vehicles and parts, footwear and cooper as well as any items for which the three countries maintain an MFN duty rate of zero. The working group will initiate consultations with domestic industries in order to report in the next Deputies meeting in the Fall of 2004.

With respect to transparency, Mexico announced its commitment to join the transparency initiatives for investor-state dispute settlement agreed between Canada and the United States in October 2003. Earlier this year, for the first time, a NAFTA dispute settlement tribunal involving Canada and the US, accepted written submissions from a non-disputing party and adopted the procedures recommended in last year's meeting. The Ministers of the three countries also continued to demonstrate their commitment to transparency in trade negotiations, requesting that trade officials develop rules governing open hearings for proceedings under the Dispute Settlement provisions of NAFTA's Chapter 20.

TABLE OF CONTENTS

NAFTA Free Trade Commission: A Decade of Achievement

The OECD Presents Second Report on Mexico's Regulatory Reform

MEXICO

*Trade Balance
Economic and Financial Outlook*

BUSINESS

*Trade fairs and exhibits in Mexico
Mexico's Official Gazette Notices
EU Official Journal*

August 2004
Year 4, no. 8

(Continues on page 3)

Trade Fairs and Exhibits in Mexico

EXPO INTERNACIONAL RUJAC 2004

September 1-3, 2004

Guadalajara, Jalisco, Mexico

Autoparts

Event Management: Expo Mexico S.A. de C.V.

Tel.: + (52) 33 / 38 25 4202

E-mail: expo@rujac.com.mx

Website: www.rujac.com.mx

MEXICO TEXTIL

September 23-25, 2004

Mexico City, Mexico

Textiles

Event Management: Remex

Tel.: + (52) 55/ 5237 9971

Fax: + (52) 55 /5657 5926

E-mail: cruiz@remex-cie.com

Website: www.mexicotextil.com

SAPICA

September 23-26, 2004

Leon, Guanajuato, Mexico

Footwear and leather goods and accessories

Event Management: Camara de la Industria del Calzado de Guanajuato.

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The OECD Presents Second Report on Mexico's Regulatory Reform

In 2004, Mexico was subject to its second monitoring exercise under the OECD's Management and Regulatory Reform Programme. The Office for Public Policy of Mexico's Presidency requested the study to assess the government's current regulatory framework that covers all types of activities. The study's purpose is to identify structural inefficiencies and propose reforms that may stimulate economic growth.

Regulatory reform is a central part of both the good governance and competitiveness agendas established by President Fox. Efficient reforms promote economic development, more and high quality jobs and translate into lower prices, more and better options for consumers and businesses, greater innovation, investment and efficiency.

The report, entitled *OECD Reviews of Regulatory Reform. Mexico: Progress in Implementing Regulatory Reform*, evaluates progress on the design and implementation of Mexico's current Regulatory Improvement Programme and reviews other aspects of Mexico's regulatory framework, such as:

- government capacity to assure high quality regulation;
- policies to enhance market openness;
- performance of regulatory bodies in specific sectors, such as energy, water, financial services and telecommunications; and
- the current state of reform efforts in the electricity sector.

On July 21, 2004, the Federal Regulatory Improvement Commission (COFEMER), the administrative body in charge of Mexico's regulatory reform, organised a seminar to present and discuss the findings of the *OECD* report. The study presents Mexico's achievements in the design and implementation of its regulatory reform over the last five years, and offers recommendations to continue with this project of reform. The report identifies several important areas where Mexico has made major accomplishments:

1. The reform of certain public institutions and creation of new ones such as COFEMER.

(Continues on page 3)

Mexico's Total Trade in June (billion US\$)			
	2003	2004	% change
World	27.5	33.5	21.8
Exports	13.7	16.5	20.8
Exports excluding oil	12.2	14.7	20.8
Imports	13.9	17.0	22.8

Source: Banco de México

Mexico's Trade with EU and EFTA (million US\$)			
	2003	2004	% change
JANUARY-MAY			
Exports to the EU	2,223.0	2,498.2	12.4
Imports from the EU	7,223.5	7,725.2	6.9
Exports to the EFTA	285.7	335.3	17.4
Imports from the EFTA	371.8	420.5	13.1

Source: Banco de México

Mexico's regulatory reform

(Continues from page 2)

2. The development of instruments such as regulatory impact assessments, as a way to increase transparency and stakeholder participation in the regulatory process.
3. The implementation of the Federal Regulatory Improvement Programme, the design of the biennial Regulatory Improvement Programmes and the creation of Rapid Business Start-up Systems to improve the regulatory environment for domestic and foreign businesses.

Some of the recommendations reported in the study included:

1. The need to pursue major reform initiatives, in areas such as fiscal, energy and labour markets. The study states that these reforms need to be well designed and clearly communicated by both the executive and legislative branches in order to achieve a common understanding.
2. The introduction of regulatory reform principles in the area of taxation to reduce unnecessary administrative costs and delays, acknowledging the special status given to fiscal issues within most OECD member countries.
3. Adoption by more municipalities of the successful programme for rapid start-up of businesses intended to reduce time and formalities to establish a business.
4. The need to improve co-ordination and cooperation between regulatory agencies and their respective ministries.

The seminar was attended by more than 400 representatives from the academy and private sector, as well as officials from the federal, local and municipal levels.

In a separate session, the OECD representatives shared the results of the report with Mexican deputies and senators, given that Mexico's Congress must approve regulatory policies needed for structural reforms.

The meeting served to exchange views regarding benefits, costs and processes to continue implementing the current Regulatory Improvement Programme at the federal and local levels. The discussion emphasized the importance of regulatory reform to create a healthy business environment that will allow Mexico to attract domestic and foreign investment the country needs for sustainable economic growth. +

For further information please visit: www.cofemer.gob.mx

NAFTA Free Trade Commission

(Continues from page 1)

As part of the agenda, Ministers also analyzed the current state and the future prospects of North America's textile and apparel sectors, in the context of impending liberalization at the end of 2004. In this respect, trade officials were instructed to consider the possibility of using inputs from third countries with which each NAFTA party has free trade agreements and have them qualify as regional in order to comply with NAFTA's rule of origin. The goal is to enhance the competitiveness of the sector. Ministers vowed to strengthen efforts to combat illegal transshipment and also to encourage the textile and apparel industries of North America to devote efforts to further develop and strengthen the sector in the region. Furthermore in the textile sector, the Ministers announced that they are close to finalizing the negotiation of an arrangement on the use of care symbols on textile and apparel goods, which will result in further integration of the sector.

Finally, the Ministers seized the opportunity to reaffirm their commitment to achieve meaningful progress this year on the WTO's Doha Development Agenda. They expressed their determination to work in cooperation with other WTO members, and to put the negotiations back on track toward a rapid and successful conclusion. +

Financial Indicators
Foreign exchange rate: 11.53 peso/dollar (30-07-2004)
International reserves: US \$ 59.164 billion (30-07-2004)
Mexican stock market index (IPC): 10,116 (30-07-2004)
Interest rate treasury bonds CETES 28 days: 7.16% (29-07-2004)
<i>Source: Banco de México</i>

Economic Indicators
Inflation rate: 0.16 (June 2004) 1.63% (January-June 2004)
Industrial Gross Domestic Product: 2.1% (May 2004/May 2003) Manufacturing 2.20%; Construction 3.20%; Mining 1.30%
General Index of Economic Activity: 2.99% (May 2004/May.2003)
Consumer Confidence Index: 99.6 points (July 2004) -4.5 percentage points (July 2004/July 2003)
Open unemployment rate: 3.78% (June 2004)
<i>Source: INEGI</i>

Mexico's Official Gazette Notices

- 08-07-04 PROMULGATORY DECREE of the Agreement between México and the UN office against drugs and crime, regarding the opening of a regional office in Mexico.
- 09-07-04 AGREEMENT notifying the export quotas, between July 1, 2004 and June 30, 2005, for natural honey, asparagus (fresh or canned), frozen peas, fresh melon, frozen strawberries, fruit mix, orange juice, pineapple juice, processed tuna, sugarcane molasses, gum and avocado, from Mexico to the European Community.
- 09-07-04 AGREEMENT announcing the import quota for processed tuna, except tuna loins, from the European Community in the period between July 1, 2004 and June 30, 2005.
- 12-07-04 AGREEMENT reforming the existing one, which establishes the rules to determine the degree of rational content when dealing with government procurement bids at the national level.
- 12-07-04 AGREEMENT establishing the rules for the application of the preference margin on the price for domestic goods, with respect to import goods in government procurement international bids by public sector entities.
- 12-07-04 AGREEMENT which declares the State of Chiapas free of avian salmonella, Newcastle disease and avian influenza.
- 14-07-04 RESOLUTION establishing the general rules regarding certain customs resolutions of the Mexico-Uruguay FTA and its annexes 1 and 2.
- 14-07-04 AGREEMENT which modifies Annex V of the Agreement establishing the rules to determine the country of origin of imported goods and the applicable rules for their certification when antidumping measures apply.
- 14-07-04 AGREEMENT notifying the First Additional Protocol to Appendix IV on trade between México and Uruguay in the automotive sector, derived from the Complementarity Agreement No. 55 signed between Mexico and Argentina, Brazil, Paraguay and Uruguay (MERCOSUR).
- 14-07-04 AGREEMENT notifying the export quotas, between July 1, 2004 and June 30, 2005, for pathogen-free eggs, some industrialized products derived from egg, fresh flowers, orange juice, albumin from egg, from Mexico to the European Community.
- 14-07-04 DECREE of the Mexico-Uruguay Free Trade Agreement, signed on November 15, 2003.
- 20-07-04 DECREE modifying the existing one establishing the applicable duties for 2004 of the General Import Tax for goods originated in the European Community, the States conforming the EFTA, Israel, El Salvador, Guatemala, Honduras, Nicaragua, Colombia, Venezuela and Uruguay.
- 20-07-04 DECREE which modifies several duties from the General Import-Export Tariff Law (Tuna).
- 20-07-04 DECREE which modifies several duties from the General Import-Export Tariff Law
- 22-07-04 PROMULGATORY DECREE of the 13th Additional Protocol of the Economic Complementary Agreement No. 6 between Argentina and Mexico of March 13, 2001.
- 22-07-04 SECOND RESOLUTION modifying the General Rules on Foreign Trade for 2004 and its annexes 21 and 28.
- 23-07-04 DECREE modifying the existing one establishing the applicable duties for 2004 of the General Import Tax for goods originated in the European Community, the States conforming the EFTA, Israel, El Salvador, Guatemala, Honduras, Nicaragua, Colombia, Venezuela and Uruguay. (Decision 1/2004 of the EU-Mexico Joint Council)
- 30-07-04 AGREEMENT notifying the import quota of brandy into Mexico between July 1, 2004 and June 30, 2005.

EU Official Journal

- 03-07-04 L234 Information relating to the entry into force of an Agreement between the European Community and the United States of America on the Mutual Recognition of Certificates of Conformity for Marine Equipment.

(to access the texts visit <http://www.economia-bruselas.gob.mx>)

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