Mexico consolidates its position as a top performer in economic complexity

TABLE OF CONTENTS

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The Atlas of Economic Complexity* measures the productive knowledge that each country holds. It can account for the enormous income differences between the nations of the world and has the capacity to predict the rate at which countries will grow. In fact, it is much more predictive than other well-known development indicators, such as those that attempt to measure competitiveness, governance and education.

Countries whose economic complexity is greater than what would be expected, given their level of income, tend to grow faster than those that are "too rich" for their current level of economic complexity. In this sense, economic complexity is not just a symptom or an expression of prosperity: it is a drive.

In short, economic complexity matters because it helps explain differences in the level of income of countries, and more important, because it predicts future economic growth. Economic complexity might not be simple to accomplish, but the countries that do achieve it, tend to reap important rewards.

The Atlas comprises five rankings on the different aspects of economic complexity, in which Mexico is among the top performers.

1: Economic Complexity Index (ECI)

The complexity of an economy is related to the multiplicity of useful knowledge embedded in it. Economic complexity, therefore, is expressed in the composition of a country's productive output and reflects the structures that emerge to hold and combine knowledge. Increased economic complexity is necessary for a society to be able to hold and use a larger amount of productive knowledge.

Countries ranked highly in this indicator, like Mexico, have productive structures that manufacture and export a large number of sophisticated goods.

In fact, Mexico is among the top 20 globally and is the top performer in Latin America with a better position than other important economies such as Belgium, the Netherlands, Spain, China, Norway and Canada, to mention a few.

(Continues on page 2)

* The Atlas of Economic Complexity is a joint project by the Center for International Development at Harvard University, the Harvard John F. Kennedy School of Government, the Massachusetts Institute of Technology, and the Massachusetts Institute of Technology Macro Connections Media Lab.

For more information, please visit : http://atlas.media.mit.edu/

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(Continues from page 1)

2: Expected Growth in Per Capita GDP to 2020

The projection of the per capita growth Gross Domestic Product (GDP) potential to 2020 is driven mainly by the gap between the initial level of complexity of an economy and its level of income.

Countries, such as Mexico, whose income level is low relative to their complexity will grow faster.

China (1), India (2) and Thailand (3) are at the top of this ranking, since they are economies that are remarkably complex and are expected to catch up faster than other developing nations.

Mexico is in the top ten globally and ranks second in Latin America (only behind Panama), with an expected growth in per capita GDP to 2020 of 3.5% which is higher than that of the U.S., Canada, Japan and all EU Member States.

3: Expected GDP Growth to 2020

The projection of the GDP growth to 2020 considered the mismatch between a country's current level of aggregate output and its level of economic complexity.

Thus, countries with low population growth rate will descend in this ranking comparing to the previous ranking of Expected Growth in Per Capita GDP.

Eight out of the ten countries at the top of this ranking are from Africa, led by Uganda (1), Kenya (2) and Tanzania (3), which have a level of complexity that is higher than what would be expected given their very low level of income. However, they reach top of the total GDP growth because of their expected levels of high population growth.

In Latin America, Mexico (22) is the third ranked, behind Guatemala (9) and Panama (13), with an expected GDP growth to 2020 of 4.56% which is higher than the rate of several dominating economies, for example the U.S., Japan, Canada and all EU Member States.

4: Change in Economic Complexity (1964-2008)

Here countries are ranked according to the change in ECI occurred between 1964 and 2008. This helps identify movements in the ranking of economic complexity during the observed period.

In Latin America the countries that experienced the largest change in economic complexity were Brazil (7), Dominican Republic (8) and Mexico (12). Mexico's change in economic complexity ranks higher than that of important countries such as Japan, China, the U.S., Canada, and all EU Member States.

5: Expected Contribution to World GDP Growth to 2020

This Ranking sorts countries according to their expected contribution to total world GDP growth in the period to 2020. Not surprisingly, it is dominated by large economies, such as the U.S. (1), China (2) and Japan (3).

What is worth highlighting is the much larger importance of developing countries in the contribution to global growth. Together with China, consumers from India (4), Brazil (8) and Mexico (10) will now occupy a more important part of global economic dynamism, but, given their lower incomes, their needs are radically different from those of the richer countries that have until now led the growth process. This will shape important changes in the demand structure of future growth.

Mexico, as the second top leader in Latin America, has an expected contribution which is greater than that of almost all EU Member States, only surpassed by Germany (5), France (6), United Kingdom (7) and Italy (9).

Final remarks

These rankings show that Mexico consolidates its position among those complex economies that can weave vast quantities of relevant knowledge together, across large networks of people, to generate a diverse mix of knowledge-intensive products.

Mexico's Total Trade in October (billion US$)

	2010	2011	%
Total	53.8	60.6	12.6
Exports	26.5	30.1	13.4
Exports (excluding oil)	22.8	25.2	10.4
Imports	27.3	30.6	11.8

Source: Banco de México

Mexico's Trade with EU and EFTA (million US$)

January - October	2010	2011	%
Exports to the EU	11,516.6	15,758.8	36.8
Imports from the EU	26,605.4	31,716.7	19.2
Exports to the EFTA	773.6	1,144.2	47.9
Imports from the EFTA	1,372.2	1,412.3	2.9

Source: Banco de México

Mexico wins WTO case on U.S. Country-of-Origin Labelling

On November 18th 2011, an Arbitration Panel of the World Trade Organization (WTO) issued its final report on the case presented by Mexico regarding United States' provisions on "Country of Origin Labeling" (COOL), applicable to some agrifood products, including cuts of beef derived from Mexican cattle.

Mexico raised the dispute in December 2009, and was joined as third parties by Canada, Argentina, Australia, Brazil, China, Colombia, the European Union, Guatemala, India, Japan, Korea, New Zealand, Peru and Chinese Taipei.

The WTO ruled that COOL is an unnecessary obstacle to international trade, as it is more restrictive than necessary to fulfill the objective of providing accurate information to consumers in the U.S. about the origin of the products. The panel also acknowledged that COOL provisions are discriminatory and contrary to the obligation of national treatment.

The panel also recommended WTO to request the U.S. bring its measure into conformity with its obligations under the rules of the Organization. As a result of this decision, the U.S. government should eliminate or modify the COOL measure so that it does not affect the commercial interests of Mexico.

The implementation of COOL adversely impacted Mexican livestock exports, as it generates unfavorable conditions such as higher costs, thus significantly affecting their price.

Under the WTO rules, any party to the dispute has 60 days to appeal this decision.

For additional information you can consult the full text of the final report at:

http://www.wto.org/english/news_e/news11_e/384_386r_e.htm

Mexico signs a single FTA with Central America

On November 22 2011, Mexico signed a Free Trade Agreement (FTA) that will converge and replace the three FTAs that Mexico has with Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua.

The treaty, also known as the "Single Mexico-Central America FTA", was signed by the Minister of the Economy of Mexico, Bruno Ferrari, along with his Central American counterparts.

The new instrument meets the objective of standardizing, deepening, and upgrading commitments and disciplines that apply to trade between the parties relating to: trade in goods, investment, services, intellectual property, administration of the Agreement, and dispute settlement mechanisms.

It is important to highlight that as a result of the negotiation, 98% of the specific rules of original were homologized, which are those that define the conditions so that exported products benefit from the preferential tariffs of the Treaty.

In this sense, Mexico will count on a single set of rules for the export of products on preferential terms to the five Central American countries, rather than the three currently existing treaties.

This will lead to an increased competitiveness in the region, allowing companies in Mexico and Central America to strengthen their productive chains, generate economies of scale and reduce transaction costs, which will benefit the productive sectors, particularly small and medium enterprises.

Because of its geographical proximity, particularly for the South-Southeast of Mexico, Central America as a region represents an important market with imports amounting to 48 billion dollars. Mexico's participation in them is around 8%.

Mexico's Economic Indicators

Inflation rate: 1.1% (November, 2011);
3.48 % (2011, annual)

Industrial Production: 3.3% (October 2011 / October 2010)
Manufacturing: 4.0%; **Construction:** 4.7%, **Mining:** -1.3%

Global Index of Economic Activity: 4.5% (Sept. 2011 /Sept. 2010)

Consumer Confidence Index: 89.5 pts. (November 2011)
1.0 percentage points (November 2011 / November 2010)

Open unemployment rate: 5.0 % (October 2011)

Source: INEGI

Mexico's Financial Indicators

Foreign exchange rate: 13.77 peso/dollar (December 13, 2011)

International reserves: $141,467 million dollars (Dec. 2, 2011)

Mexican stock market index (IPC): 36,471 (December 13, 2011)

Interest rate treasury bonds CETES 28 days:
4.33% (December 15, 2011)

Source: Banco de Mexico

Mexico's Official Gazette Notices

- **04/11/2011** Notice that publicizes the validity of some countervailing duties order.
- **17/11/2011** Decree announcing the Protocol that amends the Agreement between Mexico and Luxemburg for the avoidance of double taxation and prevent of fiscal evasion in terms of income and capital taxes, agreed in Luxemburg on October 7, 2009.
- **18/11/2011** Final resolution of the sunset review and the ex officio revision of the countervailing duties imposed on imports of certain types of longitudinal seam carbon steel line pipes originating from the USA regardless of the shipping country. (Mexican tariff items 7305.11.01 and 7305.12.01).
- **22/11/2011** Preliminary resolution of the countervailing duty order review imposed on imports of steel plate in carbon sheets originating from Romania, Russia and Ukraine, regardless of the shipping country. (Mexican tariff items 7208.51.01, 7208.51.02, 7208.51.03 and 7208.52.01).
- **22/11/2011** Preliminary resolution of the ex officio revision of the countervailing duty order on imports of wire rods of non-alloy iron or steel, originating from Ukraine, regardless of the shipping country. (Mexican tariff items 7213.91.01, 7213.91.02, 7213.99.01 and 7213.99.99).

EU Official Journal

- **5/11/2011 L288** Council Decision of 27 October 2011 on the position to be taken by the European Union within the Trade Committee set up by the Free Trade Agreement between the European Union and its Member States, of the one part, and the Republic of Korea, of the other part, as regards the adoption of the rules of procedure of the Trade Committee and the establishment of a list of 15 arbitrators
- **5/11/2011 L288** Commission Implementing Decision of 3 November 2011 amending Decision 2008/866/EC on emergency measures suspending imports from Peru of certain bivalve molluscs intended for human consumption, as regards its period of application (notified under document C(2011) 7767)
- **10/11/2011 L292** Commission Regulation (EU) No 1135/2011 of 9 November 2011 initiating an investigation concerning the possible circumvention of anti-dumping measures imposed by Council Implementing Regulation (EU) No 791/2011 on imports of certain open mesh fabrics of glass fibres originating in the People's Republic of China by imports of certain open mesh fabrics of glass fibres consigned from Malaysia, whether declared as originating in Malaysia or not, and making such imports subject to registration
- **11/11/2011 L293** Council Implementing Regulation (EU) No 1138/2011 of 8 November 2011 imposing a definitive anti-dumping duty and collecting definitively the provisional duty imposed on imports of certain fatty alcohols and their blends originating in India, Indonesia and Malaysia
- **16/11/2011 L297** Council Decision of 20 October 2011 on the conclusion of the Agreement between the European Union and the Swiss Confederation on the protection of designations of origin and geographical indications for agricultural products and foodstuffs, amending the Agreement between the European Community and the Swiss Confederation on trade in agricultural products

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