Mexico's Bogor Goals Progress Report (as at 8 August 2014)*

Highlights of Achievements and Areas for Improvement

- Extensive reforms in Mexico´s tariff structure. The structure has been simplified and a wide array of products had their MFN tariff reduced.
- Tariff reduction has involved both agricultural and non-agricultural products. However, tariff rate quotas remain applicable for some agricultural products; and some high MFN tariffs, as well as export and import licensing requirements, are still in place.
- Increased competition in services sectors. Extensive reforms are creating a more competitive environment.
- Constitutional amendments are allowing the participation of foreign investors in sectors such as telecommunications, and some activities related to hydrocarbon activities.
- Efforts to simplify customs procedures and strengthen intellectual property rights.
- Constitutional reforms are improving the competition framework in Mexico.
- Regulatory reforms are ongoing. Regulatory Impact Assessments are incorporating new tools to facilitate the process of improving regulations.

Summary of Topics

Tariffs

In recent years, Mexico has implemented significant reforms in this area. On the one hand, the tariff structure has been simplified, from 88 different tariff rates in 2007 to 28 tariff rates in 2012. On the other hand, during the period 2012-2013, Mexico reduced or eliminated MFN tariffs unilaterally to a wide array of products such as cheese, fish, rubber and cork manufactures, glass, jewelry, refrigerators, electronic devices, motorcycles, oils, eggs, chemical products, footwear, clothing and inputs for wood industry, metal furniture, among others.

Some products had their MFN tariffs increased temporary (e.g. lemons, tomatoes, white corn and sorghum), but these cases were minimal in comparison to the number of products whose tariffs were reduced or eliminated. According to the 2012 tariff structure, 78.9 per cent of the tariff lines entered Mexico duty-free or paying an MFN tariff lower than 10 per cent. Only 9.6 per cent of the tariff lines had MFN tariffs above 15 per cent.

Non-Tariff Measures

Mexico applies tariff rate quotas to some agricultural and industrial products, such as cheese, coffee, barley, oats, sugar, motor vehicles and toys, among others.

Import prohibitions and restrictions are applied to certain products. Restrictions could be applied to regulate the entry of used goods; temporarily to remedy imbalances in the balance of payments; in response of restrictions to Mexican products overseas; or due to security; animal, plant, or human health and safety; environmental reasons; and commitments in international organizations.

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* This brief report was prepared with information from Mexico's submission of 2014 APEC Individual Action Plan (IAP) template; the 2013 WTO Trade Policy Review – Report by the Secretariat – Mexico; the WTO SPS and TBT Information Systems; and information from Presidencia de la República, México website.

Export licenses remain for certain products, such as petroleum products, diamonds, iron ores and conventional weapons, including technology and software to produce weapons of mass destruction. An automatic export license is required for tomatoes.

Services

Changes in regulations during 2013 are promoting more competition in many services sectors. For example, amendments to the Constitution with respect to telecommunications, broadcasting and ICT- related services are allowing foreign participation up to 100% in telecommunications and up to 49% in broadcasting. In addition, those amendments are improving the legal framework for telecommunications and broadcasting, as well as strengthening the institutional framework through the creation of the Federal Telecommunications Institute (IFT), Federal Economic Competition Commission (COFECE)[1], specialized courts and a non-commercial public agency of broadcasting. The amendments are also establishing a digital inclusion policy and a national digital agenda, with targets in the provision of access to internet (70% of households and 85% of SMEs)[2]

In the energy sector, on 22 December 2013, Mexico enacted the "DECREE Amending, Supplementing and Repealing certain provisions of Articles 25, 27 and 28 of the Constitution of the United Mexican States", the purpose of which is to modernize the energy sector. This constitutional amendment, which still needs to be implemented through secondary legislation, provides greater autonomy to *Petróleos Mexicanos* (Pemex) and the Federal Electricity Commission (CFE), the two state-owned enterprises which control, respectively, the oil and electricity sectors in Mexico and aims at facilitating the supply of services and attracting investment in the Mexican oil and electricity sectors[3].

Amendments applicable to financial services are being implemented with the purpose of promoting growth in credit and investment, fostering more competition and transparency among the participants of the financial sector, and protecting consumers.

Investment

Reforms in the telecommunications sector in June 2013 are allowing full foreign ownership in companies in this sector, including via satellite services. The reforms in radio and television broadcasting allows up to 49 per cent of foreign ownership under the condition of reciprocity with the economy, in which the investor, or the operator who ultimately controls the company directly or indirectly, is incorporated.

On 20 December 2013, amendments to the Mexican Constitution focused on reforming the energy sector were published on the Federal Official Gazette. These amendments include the possibility for private capital to participate in the oil industry through contracts for services, production-sharing, profit-sharing, and licenses. The exact terms of private sector participation in these activities needs to be defined by secondary legislation to be issued later.

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[1] With autonomy from the central government.
[2] The amendments are supporting the deployment of new infrastructure for broadband, including a wide backbone with optic fiber in the Mexican territory, and a wholesale wireless network.
[3] According to Mexico, the amendment guarantees international standards of efficiency, transparency and accountability, and promotes social responsibility and environmental protection in the energy sectors.

A Decree was published in the Federal Official Gazette on 10 January 2014, in order to put in force measures aiming to reform the regulation of the Mexican financial sector. This decree eliminated all remaining restrictions pertaining specifically to foreign participation in the financial sector, particularly those related to insurance and bonding institutions, exchange houses, bonded warehouses, retirement funds management and credit information companies, securities rating agencies and insurance agents.

Mexico is also negotiating Bilateral Investment Treaties (BIT) with partners around the world. Mexico has signed 30 BIT so far. Currently, 29 of them are in force. In addition, Mexico has renegotiated, signed or implemented 19 agreements on avoidance of double taxation between December 2011 and January 2014.

Standards and Conformance

Mexico reported that domestic standards are aligned to international standards to the extent possible.

During 2012 and 2013, Mexico issued or modified several technical regulations in order to align them with the Federal Law on Consumer Protection. In addition, many drafts of technical regulations were released, which include issues on labelling, quality tests, verification methods, and product specifications.

By the end of 2013, five specific trade concerns raised against Mexico at the WTO SPS Committee had not reported a resolution. The most recent concern was raised in 2011 and involved beef products. Similarly, since 1995, 12 specific trade concerns against Mexico have been raised at the WTO TBT Committee. The most recent concerns raised in 2013 were related to test methods and limits to maximum electrical power limits for equipment and appliances requiring standby power.

Customs Procedures

Within Mexico, besides customs checkpoints in ports of entry, internal checkpoints within the Mexican territory have been in place for the last 50 years. In November 2013, Mexico started to remove these internal chokepoints as they are unnecessary nowadays and increase time and costs for traders.

Mexico has been working to simplify its customs procedures in order to adopt the Revised Kyoto Convention of the World Customs Organization. Mexico has been introducing non-intrusive equipment for scanning and detecting prohibited goods, and strengthening the risk management systems during customs clearance. In addition, further progress has been made to improve the running of the Single Window for Trade System (*Ventanilla Única*) simplifying the requirements for foreign trade, and Mexican customs have implemented the use of electronic signatures for customs clearance procedures. Furthermore, the Electronic Data Processing Centre was created to monitor real time incidents in the 49 customs checkpoints disseminated across the economy.

Intellectual Property Rights

Mexico has been implementing measures to strengthen its IPR system. During the period 2012-2013, the Mexican Federal Copyright Law was amended to increase sanctions to copyright infringements and allow the National Institute of Copyrights to execute investigations and conduct inspections on suspected cases of infringement.

In order to ensure an expeditious granting of IPR, Patent Prosecution Highway, Pilot and Permanent Programs, have been in force since 2011 with counterparts from the United States (2011), Spain (2011), Japan (2011), Korea (2012), China (2013), Singapore (2014) and Canada (2014). Also, on-line trademark applications are allowed since September 2012 and on-line industrial design applications can be submitted since November 2012.

Mexico is participating actively in international organizations such as WIPO and APEC, and has ratified international agreements such as the Madrid Protocol concerning the international registration of marks.

Competition Policy

The Constitutional reform of 2013 and the Federal Law of Economic Competition (FLEC) of 2014 are helping to improve free market participation and economic competition in Mexico. Among the changes, the Federal Economic Competition Commission (COFECE) was created as an autonomous body with budgetary, technical and operational independence; seven new Commissioners were elected using technical criteria stipulated in the new FLEC; and specialized courts have been created.

The Commission also has the capacity to order measures to eliminate barriers to competition and free market participation; to regulate the access to essential inputs; and to order the divestiture of assets, rights or shares of the economic agents in necessary proportions to eliminate anticompetitive effects.

Government Procurement

Mexico's government procurement system includes domestic public tenders and international public tenders. Domestic public tenders are only open for Mexicans and the goods offered must have at least 65 percent of domestic content. International public tenders are open only to Mexicans and suppliers from signatory parties with a government procurement chapter in an FTA in which Mexico is a party; or when there is insufficient supply in terms of quality, quantity or price, tenders are open to any party regardless their origin. Since January 2012, international open public tenders are carried out after a domestic public tender has been unsuccessful or when this is specified in contracts financed by external loans granted by the Federal Government.

Deregulation/Regulatory Review

In November 2012, changes were made to the Regulatory Impact Assessment (RIA) system by incorporating checklists to the alert system (i.e. the regulatory impact calculator) to determine whether or not the regulation require a deeper competition analysis or a risk analysis. New tools have been implemented since March 2013 to assess the economic impact arising from regulations. They include a RIA with competition assessment (in coordination with the competition authority), RIA with risk analysis and ex-post RIA.

Transparency

All laws, regulations, procedures and administrative rulings of general application are published daily at the Official Gazette of the Federation, which is not only available in print, but also is available in electronic format via internet. Before their publication at the Federal Official Gazzette, drafts of regulations are available and stakeholders can submit comments to the Federal Commission of Regulatory Improvement.

Mobility of Business People

In 2013, Mexico reported that the demand for the APEC Business Travel Card (ABTC) increased in 50 per cent in comparison to the number of ABTC issued in the past four years.

The Trusted Traveler initiative has been implemented to provide fast track lanes, entrance/departure facilities and a broad range of security measures in Mexico. The use of the Trusted Traveler initiative allows for a quick and safe entry to Mexico using automated kiosks. Mexican citizens and American citizens enrolled in the Global Entry Program are eligible to participate in this scheme.

RTA/FTAs

As at December 2013, Mexico had in place 10[4] FTAs and other Economic Complementation and Partial Scope Agreements within the framework of the Latin American Integration Association (ALADI) with 45 economies.

Currently, Mexico is part of the negotiations for the Trans-Pacific Partnership Agreement. Also, Mexico is involved in the Pacific Alliance, a regional integration process in which Chile, Colombia and Peru participate as well. Furthermore, Mexico signed a free trade agreement with Panama on April 3rd, 2014. This FTA will enter into force once the Congress of both countries approves it.

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[4] Mexico's RTA's/FTAs in force are the following: NAFTA (1994), Mexico–Colombia (1995), Mexico–Chile (1999), Mexico–EU (2000), Mexico–Israel (2000), Mexico–EFTA (2001), Mexico–Uruguay (2004), Mexico–Japan (2005), Mexico–Peru (2012), and Mexico–Central America (2012).