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Briefing on Mexico's TPR: Evidence from the Global Trade Alert

Friends of Multilateralism briefing
22 September 2022

Simon J. Evenett, Professor of International
Trade & Economic Development and Founder
22 September 2022

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Setting the Scene: The Mexican Development Context

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Setting the scene | Development

Mexico's development trajectory



Development metric	Amount	Observations
GDP (constant 2015 US\$)	\$1.21 trillion [2021]	Stagnation. Compared to 2016, the Mexican economy grew only 0.2%.
GDP per capita (constant 2015 US\$)	\$9,255.3 [2021]	Gains lost. Peaked in 2018 then began falling. By 2021 this indicator fall 6% below 2016 levels. Not only a pandemic effect.
Real Wage Growth	6.25% [2021]	Rapid growth. Wages did not stop growing even during the pandemic.
Carbon Dioxide Emissions per capita (metric tons)	3.7 [2018]	Mixed. Decrease in comparison to 2014, but still above Latin America & Caribbean average (2.6).
Gender Gap in Average Monthly Earnings (2017 PPP\$)	15.6% [2021]	Poor. No substantive improvement when compared to 2010 levels.
Unemployment Rate	4.45% [2020]	Excellent. A little higher than in 2016 (3.86%), but still among the lowest of the continent.

Setting the scene | Trade Flows

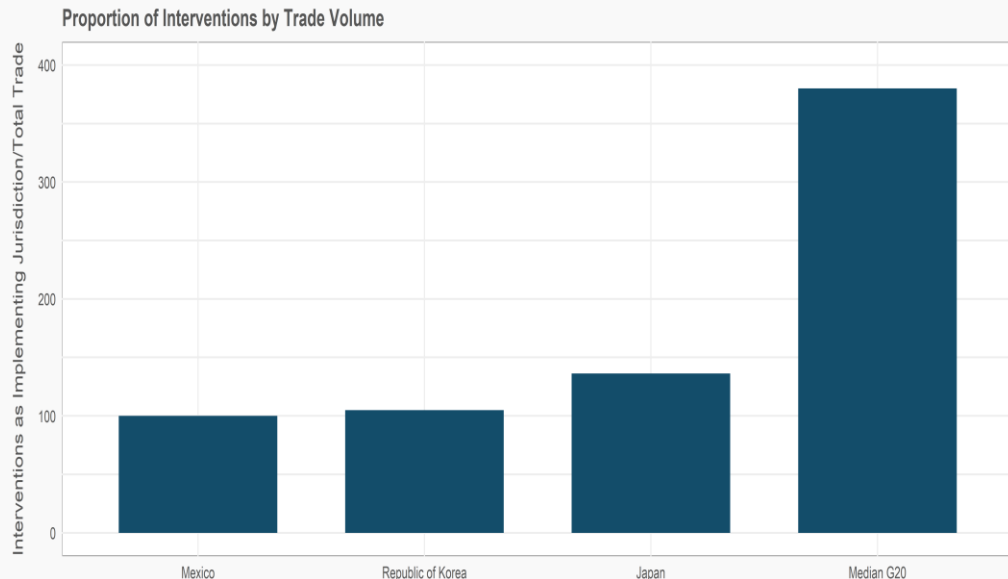
Mexico's trade volumes



Trade metric	Amount	Observations
Exports of Goods	\$509 billion [2021]	Rising fast. Since 2016, the total value of goods exported by Mexico grew by 26.4%.
Imports of Goods	\$506 billion [2021]	Rapid recovery. Despite a 15.9% fall in 2020, ended with 30.8% growth on the period 2016-2021.
Main goods export destinations	-	USA (76.2%) ; Canada (5.2%) ; China (3.8%)
Exports of Services (BoP, current US\$)	\$27.3 billion [2021]	Constant growth. Despite recent global crisis, registered 8.3% growth since 2016.
Imports of Services (BoP, current US\$)	\$38.7 billion [2021]	Constant growth. 16.5% growth over the period 2016-2021.
Main sources of services imports	-	USA (56.3%); UK (3.0%) ; Germany (3.0%)

How transparent is Mexican commercial policy?

- Less than 200 recorded Mexican measures in the WTO TMDB. GTA database has 415 entries.
- These number are low in absolute and relative terms (see chart).
- Example of corporate subsidies.



Note: Calculations based on COMTRADE data from 2019.

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Results normalized so that Mexico's score equals 100.





Mexico's Current Trade Policy Stance

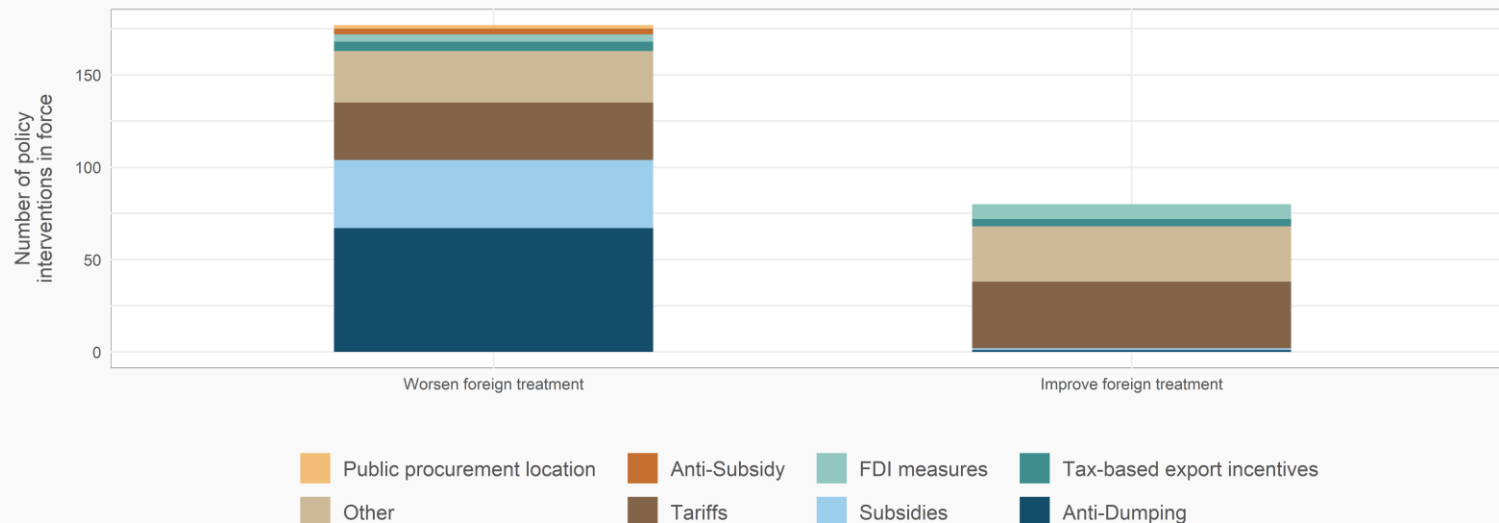
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State of play: 257 measures in force—69% harm trading partner interests

Mexico's commercial policy mix in force on 13 September 2022

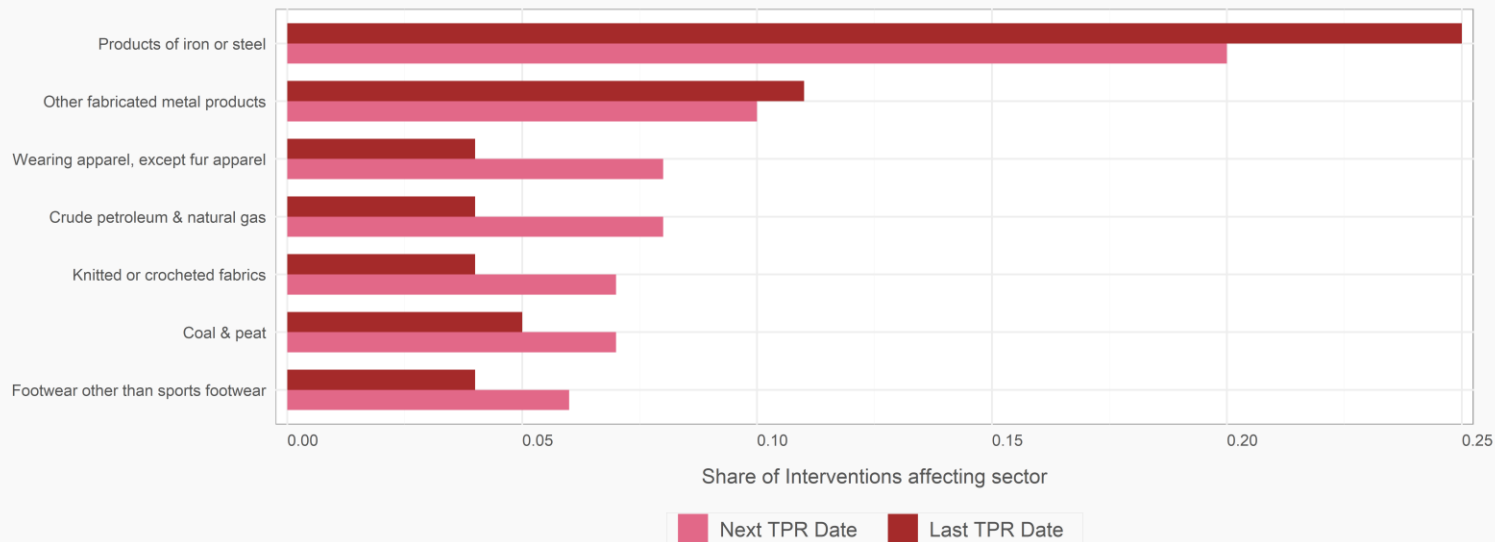


Note: The GTA database contains 257 reports on measures by Mexico. Only 4 such reports are based on non-official sources.

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The sectors favoured by Mexican trade distortions is changing

Most hit sectors by Mexico's harmful interventions



Note: Only sectors with shares above 5% in next TPR are included

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Market access at risk from Mexican measures

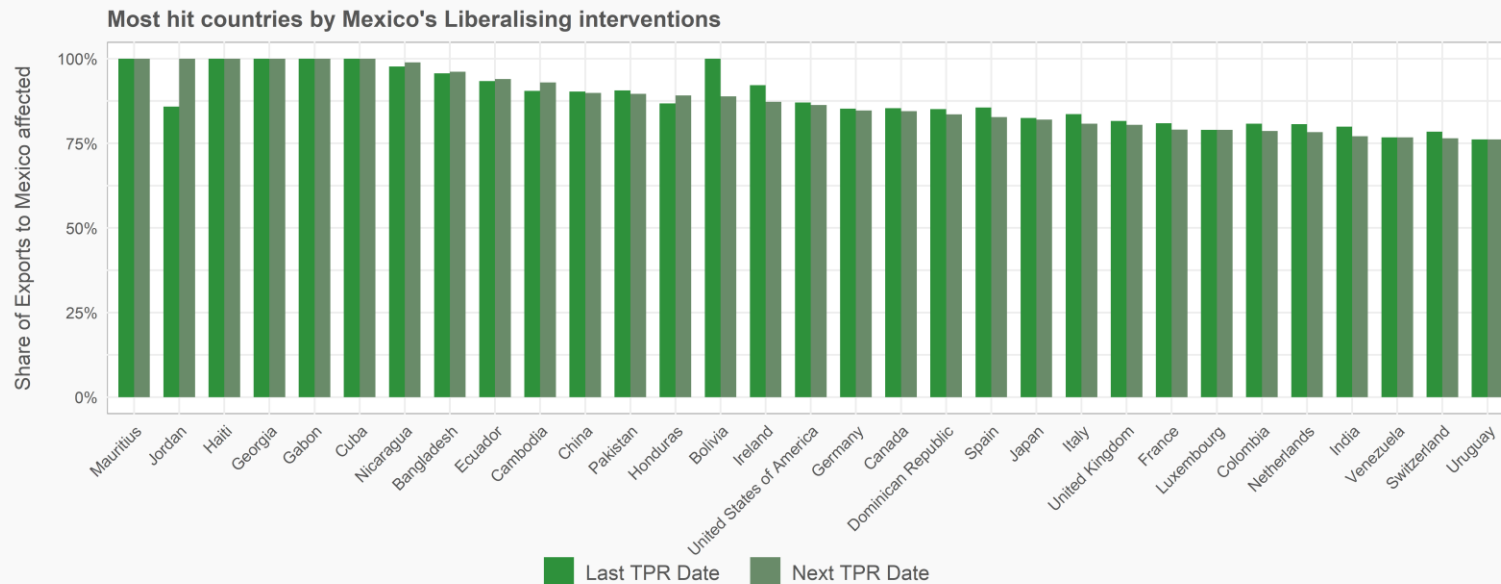
Most hit countries by Mexico's Harmful interventions



Note: Only countries with both shares above 75% in the next TPR are included

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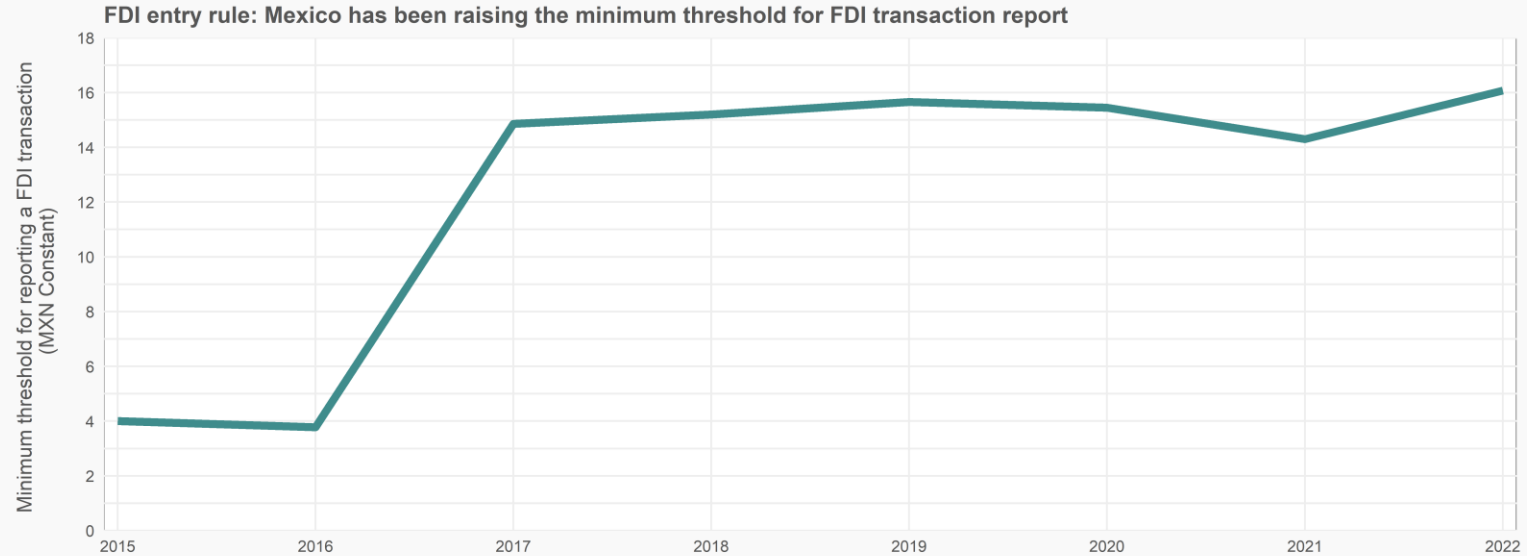
Market access improvements from Mexican measures



Note: Only countries with both shares above 75% in the next TPR are included

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FDI Entry: A constant inflation-adjusted threshold for reporting transactions



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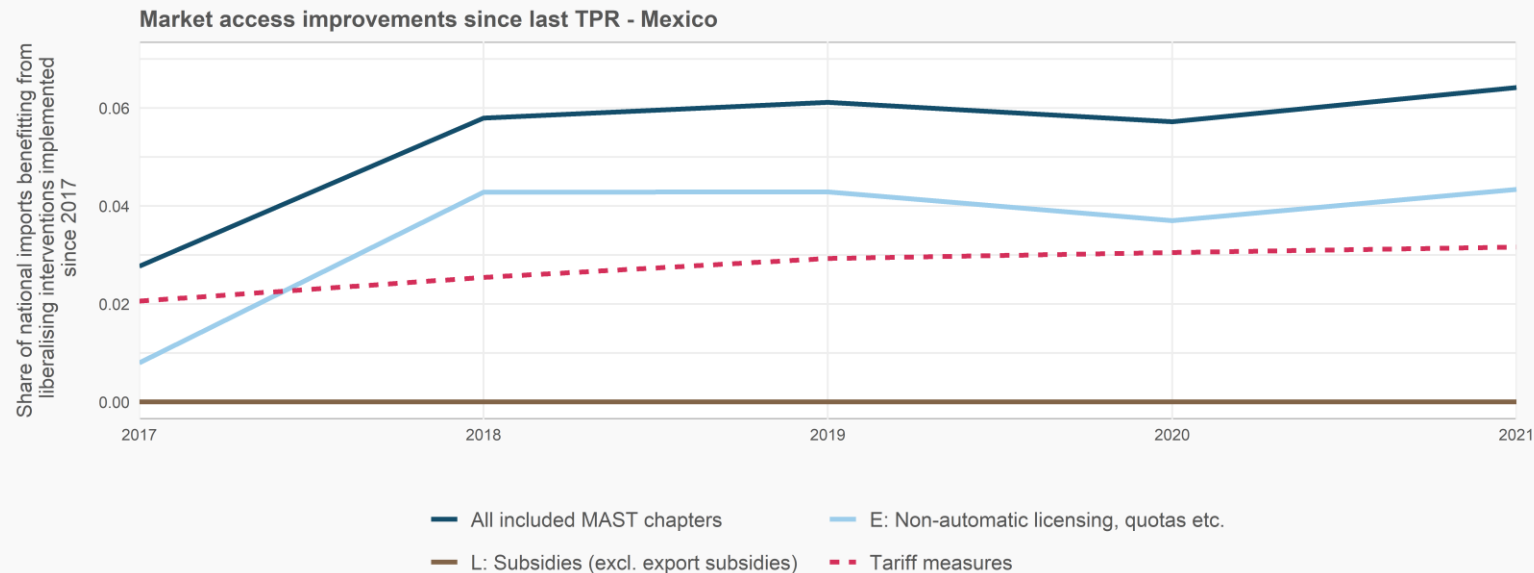
Mexico's Trade Policy Evolution since its last TPR

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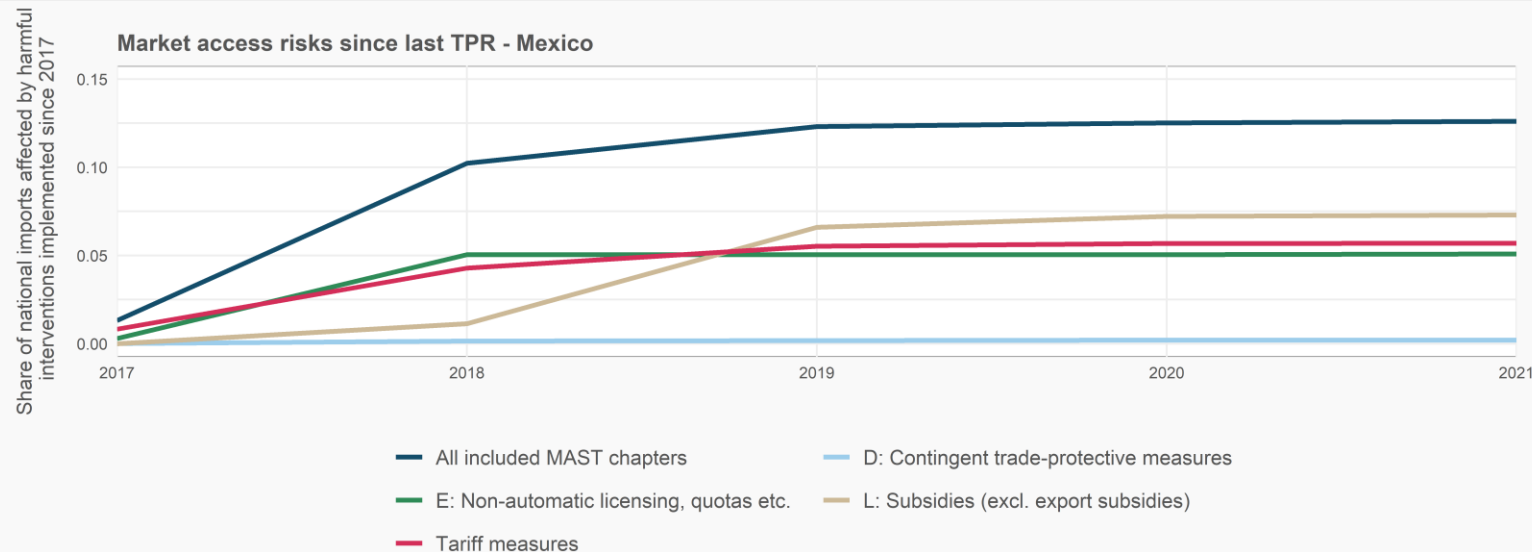
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Goods market access improvements: Breakdown by class of policy instrument



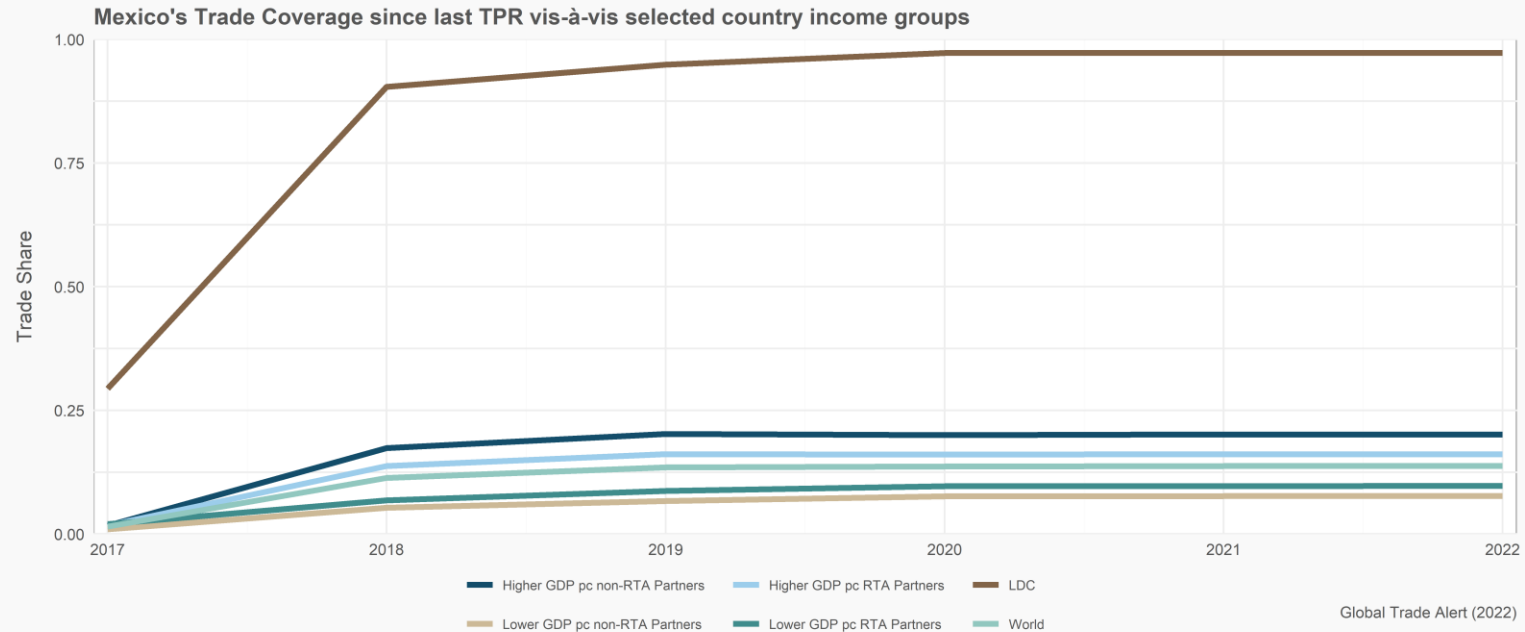
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Goods market access at risk since last TPR: Three types of policy instrument matter more

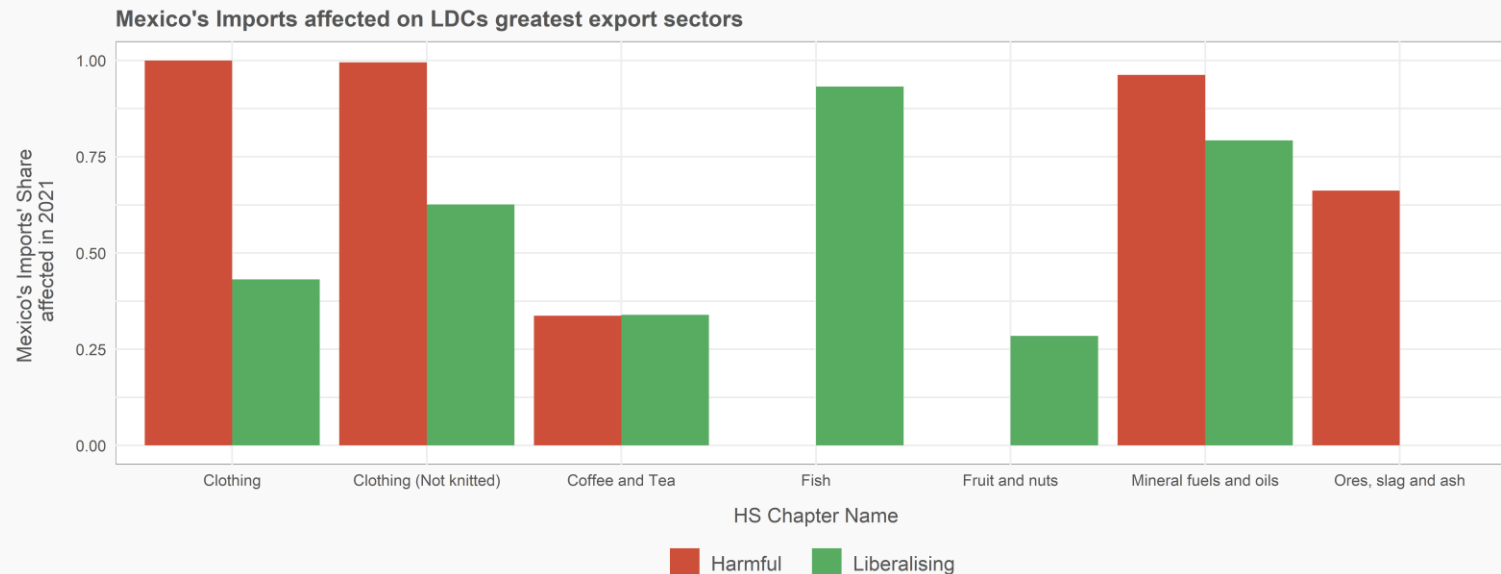


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Turns out Mexico's harmful measures disproportionately cover LDC exports



Clothing, Minerals, and Fuels have been particularly hit by Mexican harmful measures



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Noteworthy Mexican Interventions

HARMFUL to trading partner commercial interests



Intervention Name	Implementation Date	Affected Countries (#)	Affected Sector	Intervention Type	Trade Affected (US\$ Billion)
Government approves capital injection to PEMEX	11/09/2019	31	Crude petroleum & natural gas	Capital injection and equity stakes (including bailouts)	29.6
New reference prices for 1'423 textiles, apparel and footwear products	01/04/2019	50	Textiles	Import Tariff	8.4
Social and Sustainable Agri-Market Program	21/03/2019	16	Cereals, oils and others	Price Stabilisation	6.9
Mexico increased the average MFN tariff rate of 52 6-digit HS product categories in 2019	01/01/2019	13	Iron and Steel	Import Tariff	0.26

Noteworthy Mexican Interventions

LIBERALISING

Intervention Name	Implementation Date	Affected Countries (#)	Affected Sector	Intervention Type	Trade Affected (US\$ Billion)
Temporary suspension of the time reduction of the import and export licences needed for fuel	03/03/2021	25	Petroleum Oils	Import Licensing Requirement	25.6
Elimination of the import tariffs applicable to new electric vehicles	14/09/2020	6	Motor vehicles, trailers & semi-trailers; parts	Import Tariff	0.1
Elimination of import tariffs for new trolleybuses	23/10/2020	4	Motor vehicles, trailers & semi-trailers; parts	Import Tariff	0.05
Elimination of import tariffs on COVID-19 vaccines and oxygen tanks	23/02/2021	5	Pharmaceutical products Tanks, reservoirs & containers of iron, steel or aluminium	Import Tariff	0.03



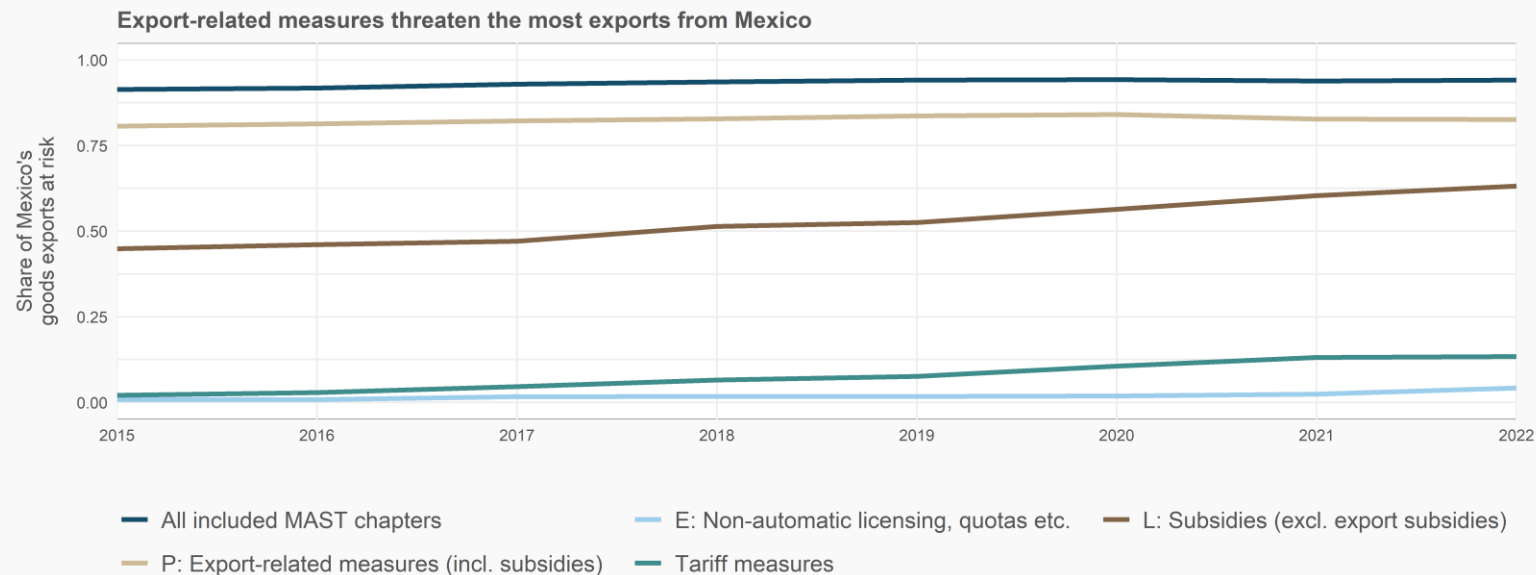
Mexico's stake in a non-discriminatory world trading system

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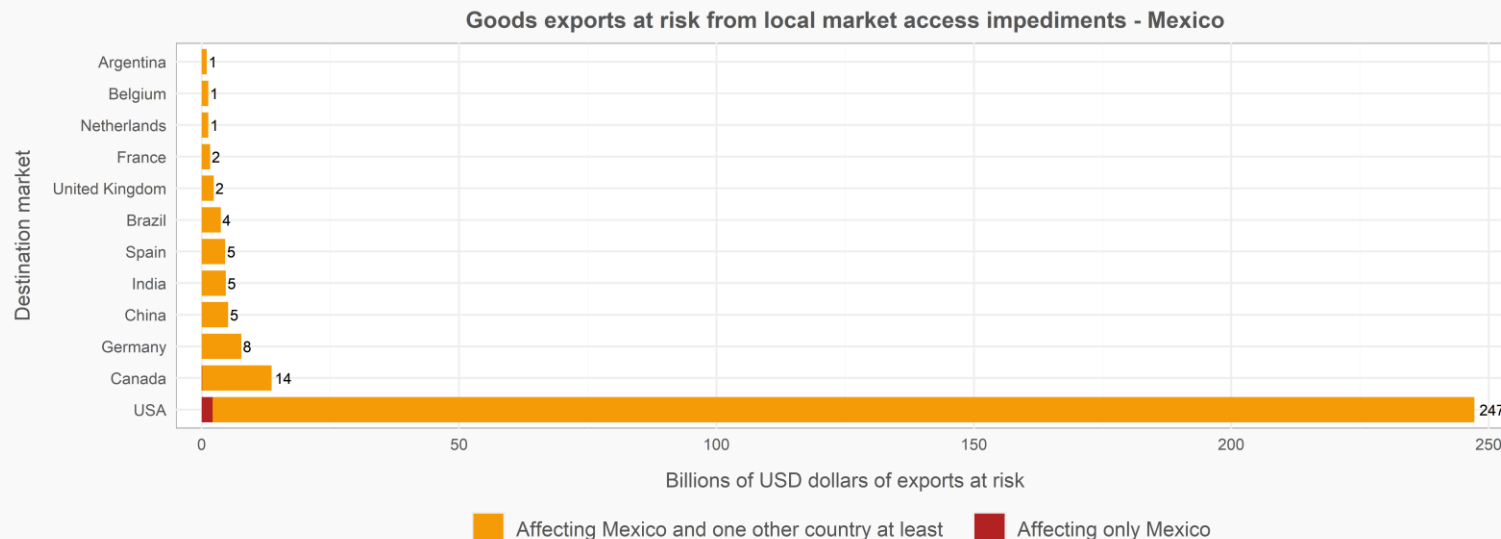
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Like other WTO members, the most pervasive threat to Mexico's goods exports come from subsidies



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Market access threats to Mexico's exports are concentrated in a few trading partners



Note: Destination countries are only included if more than USD 1B of exports from Mexico are affected by harmful interventions.

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Calculations based on trade weights for 2019.

Questions raised by these facts

- What is Mexico's approach to trade policy transparency and what steps could be taken to improve transparency going forward?
- Since its last TPR Mexican market access improvements have been overshadowed by the scale of restrictive measures. What development purpose is served by Mexico's current approach to market access management? What is the logic?
- Why is it that Mexico's policies appear to disproportionately harm LDC exports? What steps could Mexico take to design its commercial policies so that the harm to the commercial interests of lower per-capita income nations is limited?



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Recap from Mexico's last TPR

- Mexico's last TPR took place in April 2017 before President Obrador took office.
- Chair's concluding remarks noted:
 1. Moderate economic growth and “comprehensive” reforms.
 2. Need to diversify exports: 80% of exports to “one single market” (USA).
 3. Recognised tariff cuts in agriculture; recommended them in textiles and shoes.
 4. Worries about use of import licensing procedures and antidumping enforcement.
 5. Recommended opening up of government procurement (concerns about preference rules and local content requirements) and services.

Setting the scene | Trade Policy

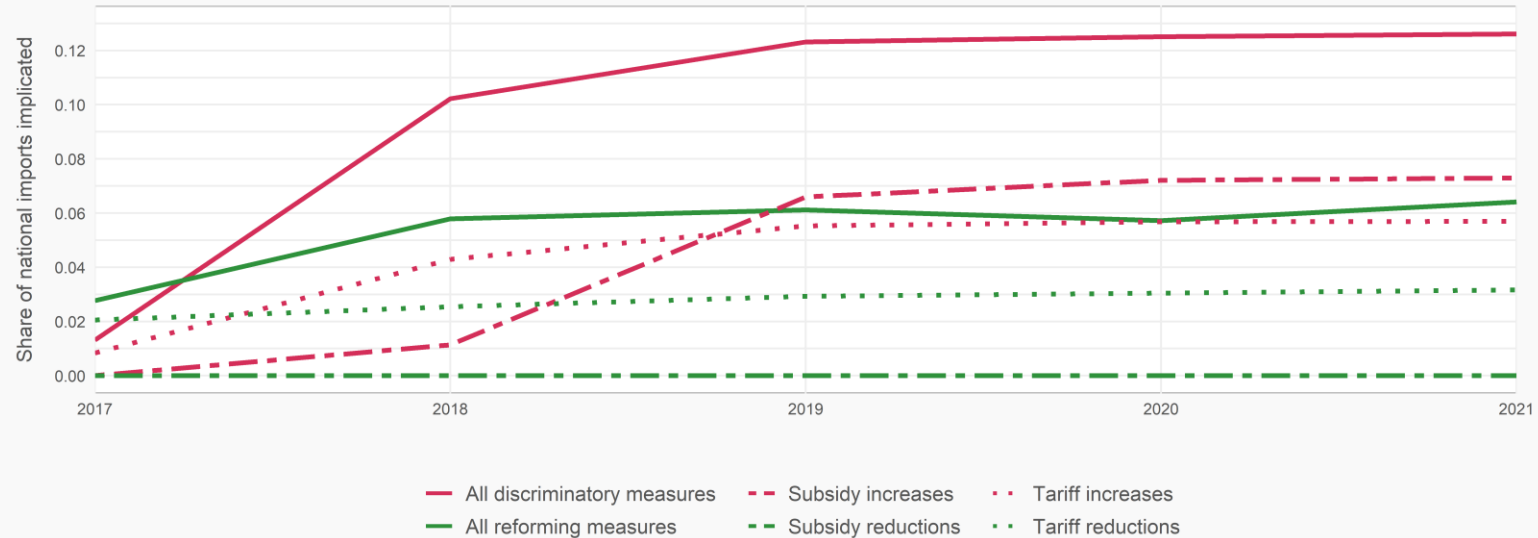
Mexico's trade policy



Trade policy metric	Value	Observations
Share of exports to RTA partners (RTAs notified to WTO) 2019	95.3%	Mexico has 90 trading partners in WTO-notified RTAs. Six of them are not WTO members.
Share of imports from RTA partners (RTAs notified to WTO) 2019	78.6%	
Average Weighted Applied MFN Rate (non-RTA partners)	5.33	80 WTO members (164-84) are not RTA partners with Mexico.
Average Weighted Bound MFN Rate (non-RTA partners)	34.7	
Average Weighted Tariff Water (non-RTA partners)	31.0	Difference between bound and applied duties
Share of duty-free products (Agricultural products)	0.4	Almost no bindings at zero tariffs.
Share of duty-free products (Non-agricultural products)	0.2	
Binding Coverage (All)	100	Complete binding coverage.

Goods market access changes since the last TPR: scale of harmful measures > reforms

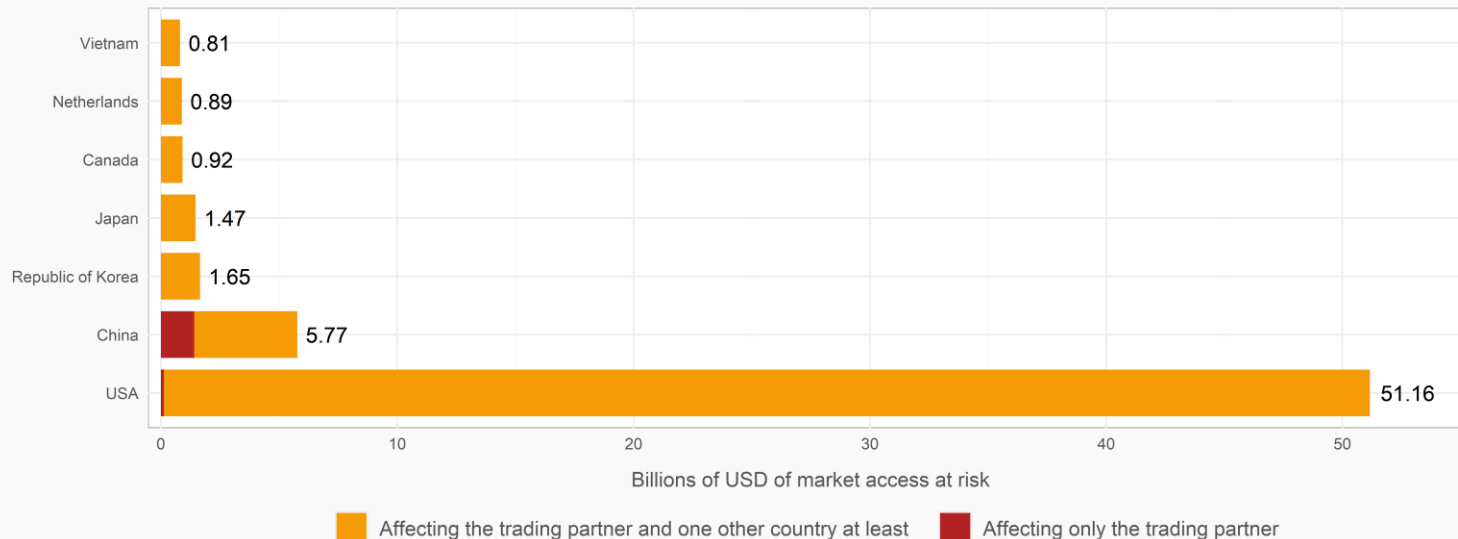
Major trade policy changes since last TPR - Mexico



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7 trading partners have >\$0,5bn of exports at risk from Mexican policy changes since last TPR

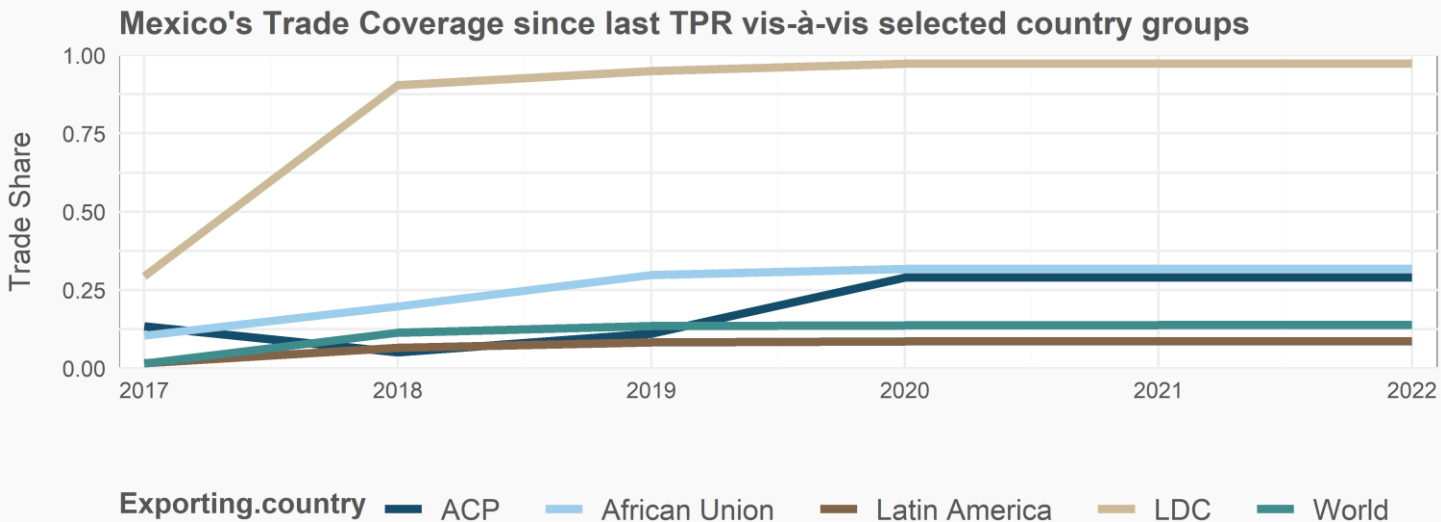
Trading Partners with more than \$500M of goods trade at risk - Mexico



Note: Calculations based on trade weights for 2019.

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Mexican trade policy and the erosion of Developing Members Market Access

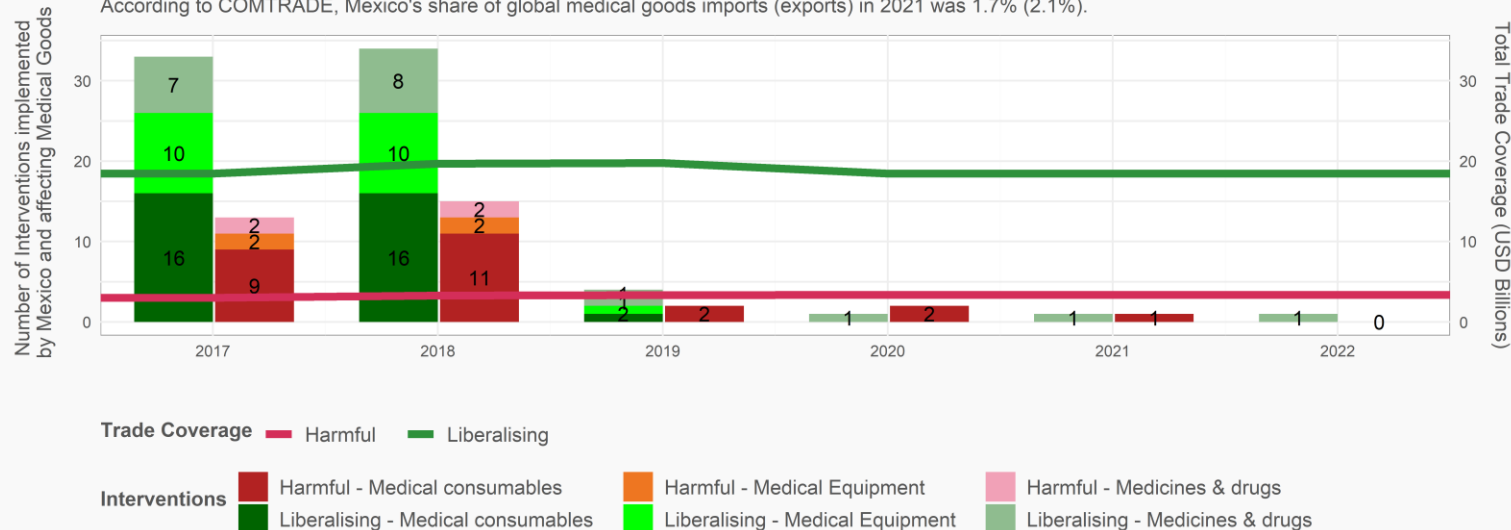


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Medical Goods' Interventions since last TPR

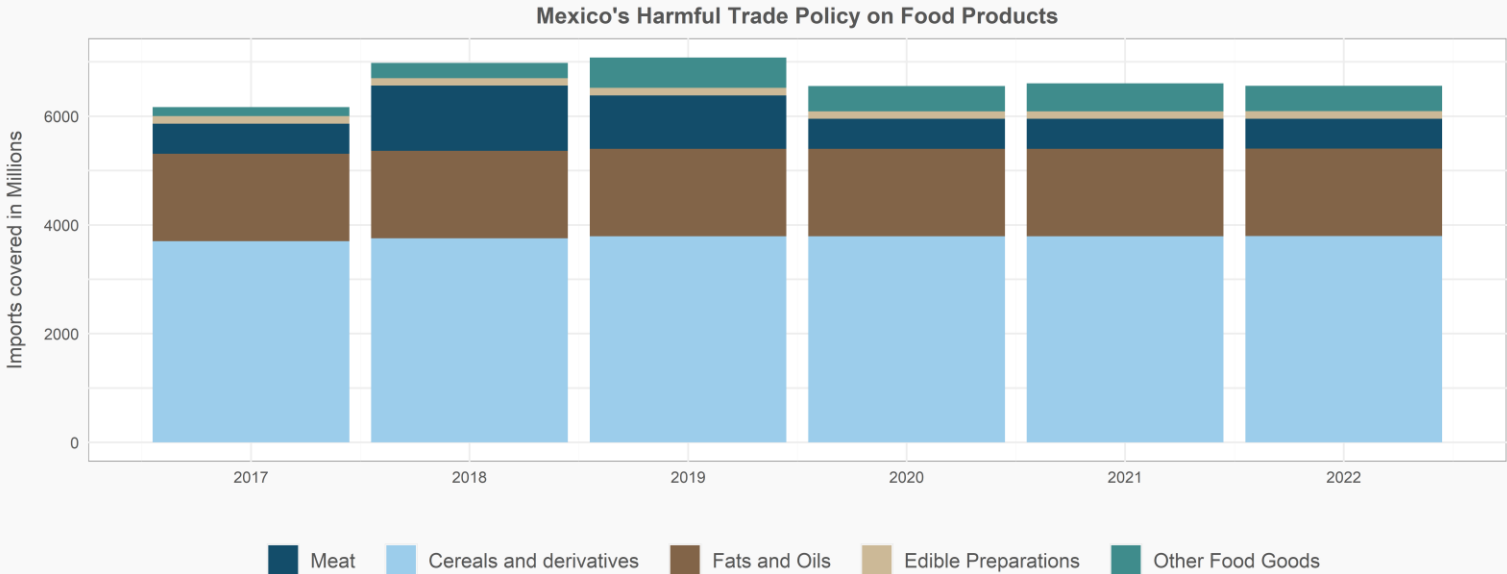
Mexico's trade policy towards Medical Goods

According to COMTRADE, Mexico's share of global medical goods imports (exports) in 2021 was 1.7% (2.1%).



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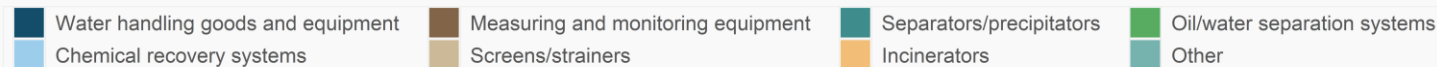
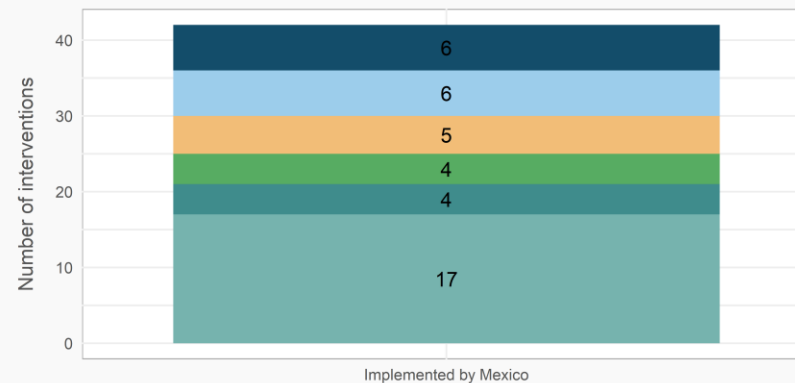
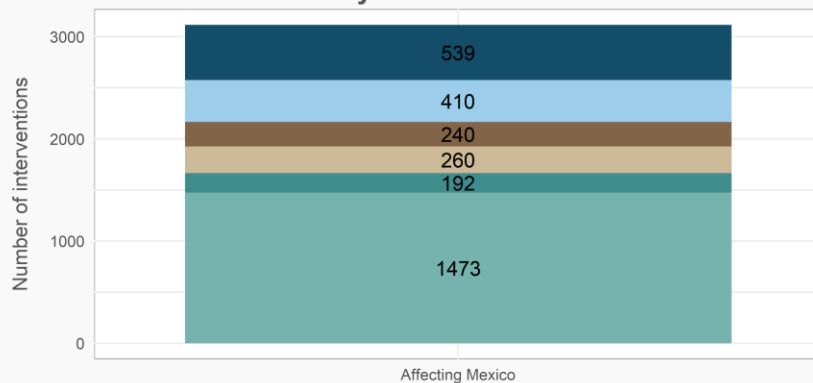
Interventions on Food since last TPR



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Environmental Goods' Interventions

Harmful Trade Policy on Environmental Goods



Note: The list of HS codes for environmental goods was extracted from Sauvage (2014).

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