

Mexico

Overview

The fundamentals of the Mexican economy are strong, and Mexico's commitment to free trade remains solid. Mexico recognizes the success of the North American Free Trade Agreement and is looking to build on the Agreement as a means of responding to challenges from other regions in the world, particularly Asia.

NAFTA has been a success for all three partners. According to Statistics Canada, in 2004 Mexico was Canada's 5th largest merchandise export market and 3rd most important source of imports. Total two-way merchandise trade in 2004 reached \$16.4 billion. NAFTA has also increased foreign direct investment. According to Mexico's Economy Ministry, in 2003 FDI in Mexico reached \$143.9 billion, with Canada being Mexico's 5th most important investor. Currently, close to 1,400 Canadian companies have offices or representatives in Mexico. Mexican FDI in Canada, while still relatively small, is growing.

Over the last 10 years, Mexico has actively sought to build on the success of NAFTA, establishing a wide network of 12 free trade agreements (including a free trade agreement with Japan, which is expected to enter into force in the spring of 2005) and providing preferential access to 43 countries on three continents. Mexico is an active participant in the WTO Doha Development Round and in the Free Trade Area of the Americas negotiations. Mexico has also reached out to its South American trading partners, and in 2004 it began negotiations with Mercosur to become an associate member.

In 2004, the Mexican government announced a series of measures designed to increase the country's competitiveness, strengthen economic development and transform Mexico into a major world manufacturing centre. The program includes reductions in Mexico's duties on specific goods from its non-FTA partners; the government states that these reductions are urgently needed if Mexico is to retain its share of the U.S. and other markets. While the government insists that these reductions have been negotiated with domestic industry, there are still pockets of resistance

THE CANADA-MEXICO PARTNERSHIP

In October 2004, Mexican President Vicente Fox Quesada led a team of ministers, parliamentarians, members of the press and a large business delegation on a working visit to Canada. The centrepiece of the visit was the launch of the Canada-Mexico Partnership (CMP), a high-level public-private forum that will bring together business leaders, academics and senior policy-makers to build strategic networks and partnerships, facilitate cooperation, and enhance opportunities for economic development and investment.

The CMP will serve as a mechanism for identifying policy areas in which we can facilitate cooperation and enhance opportunities for economic development and investment with the objective of improving our competitiveness as North American economies. The agreement was designed as a cooperative arrangement that will be complementary to NAFTA and will not duplicate efforts under way in other forums or organizations. The titular leaders of the CMP are Prime Minister Martin and President Fox, who will receive regular progress reports. The quadripartite approach, which involves the public and private sectors of both countries (with academic input), will focus on results in advancing initiatives.

A binational steering group involving key stakeholders has been created to guide the process, and an action plan for the CMP was completed in March 2005. By June 2005, a number of working groups are expected to have selected potential opportunities from among those initially identified for cooperative action under the Partnership. Subsequent areas of cooperation will be evaluated and selected as the Partnership gains momentum.

to a unilateral opening of the economy in what is seen as the last bastion of Mexican protectionism: its most-favoured-nation (MFN) duties. Canadian exporters could face competition from non-FTA partners as Mexico begins to reduce its MFN duties.