

Priorities of Mexico in the negotiations for the modernization of The North American Free Trade Agreement.

In the last 23 years, Mexico has developed trade, productive, as well as deep and complex investment bonds with the United States and Canada.

These bonds are a key factor for the competitiveness of Mexico's manufacturing plants and agro-food industry. They are also essential for the effectiveness of the US and Canada's production chains.

All over North-America, thousands of workers, from those who sow fields to the engineers who are in charge of the advanced manufacturing production, depend one way or another, on the value chains existing in the entire region.

Accepting and understanding this fact is a key step to evaluate adequately the North American Free Trade Agreement (NAFTA). Also, another key step is to identify areas of opportunity where we can work to strengthen the Treaty, without jeopardizing free trade, regional integration and above all, the jobs of millions of people in the three countries.

The modernization of NAFTA is an opportunity to increase its success, to face today's challenges and to adjust our integration model to make full advantage of the opportunities offered by the economy of the 21st century.

To advance towards that goal, we have drafted a group of priorities which are arranged in four central topics in order to strengthen Mexico's position in the global economy, to increase free trade benefits in our society and to reposition North America as one of the most competitive regions.

With this in mind, and taking into consideration comments and suggestions received through public enquiries between the 1st of February and the 26th of July 2017, as well as through the constant dialogue with the productive sector of our country by means of the Strategic Advisory Council on International Negotiations (CCENI), this document introduces the priorities of Mexico in the negotiations for the modernization of the NAFTA.

1. Strengthening North-America's competitiveness.

Competitiveness is a dynamic concept. What makes today an economy competitive, is probably not enough in the following years. That is why it is essential to develop outlines that permanently encourage regional competitiveness taking into account technology developments, functioning of value chains, improvement of logistic schemes and trade exchange facilitation.

The modernization of NAFTA must aim towards strengthening Mexico's competitiveness as a production and export platform, always promoting the participation of more industries and enterprises from the country in the global value chains and strengthening regional supply as well. To advance in this process, it is essential to promote the development of the capacities of the entire region, to be able to keep and strengthen the knowledge and abilities our human resources and industries need to continue innovating and adding value.

To this end, it is a priority:

- To maintain preferential access to Mexican goods and services in the markets of the NAFTA countries. In particular, to provide access to agricultural and livestock products, looking for clear rules, unobstructed proceedings and the elimination of barriers to trade.
- To encourage that trade of goods among the NAFTA countries become more predictable, agile and transparent, securing the existence of better customs procedures.
- To promote measures in order to avoid that rules and regulations constitute unjustified barriers or undercover obstacles to free trade.
- To promote good practices in planning, issuing, implementing, and reviewing regulations.
- To maintain non-discriminatory treatment, in accordance with international standards, for Mexican investors.
- To increase the number of migration items for the temporary entry of business people, as well as to improve timetables, transparency and processes for their entry. Also, look for innovative mechanisms for labor mobility.
- To create regional cooperation mechanisms promoting the design and implementation of development programs for labor competencies, as well as new education models to facilitate the adaptation of workers to the new labor market requirements.

2. Advancing towards an inclusive and responsible regional trade.

In recent years, there is an increased global concern to advance towards growth models that are more inclusive and sustainable. The modernization of NAFTA is an opportunity to promote "a leveled playing field", so that more entrepreneurs and more SMEs join competitively the flows of international trade and include regulations in the fields of labor law, environment and gender issues.

For that reason, we will focus on:

- Generating regional cooperation mechanisms that promote a better participation of small and medium enterprises in the regional supply network chains.
- Strengthening the compliance of national regulations and international commitments in labor law.
- Creating measures against acts of corruption that are harmful to trade and investments.
- Strengthening cooperation and dialogue among the NAFTA countries in the fields of trade and environment, seeking the improvement of border infrastructure.
- Adding gender perspective to certain regulations of the Treaty.

3. Making the most of the opportunities derived from the 21st century economy.

Many things have changed since NAFTA came into force 23 years ago. For example, the energy scenario of the region was transformed radically thanks to the development of new technologies. Today, we have access to resources such as gas shale and bituminous sands which, along with the opening of the Mexican energy industry, generate investment and association opportunities that will make possible to strengthen North-America's energy integration and security.

Likewise, the rapid development of information and communication technologies have promoted the digitalization of the economy and the growth of the "Internet of Things", originating the enlargement of electronic trade and the progress towards a "Fourth Industrial Revolution", where the manufacturing sector faces new challenges, but also has new tools to promote growth.

In this new context, facilitating trade in services, providing a bigger integration of telecommunication infrastructure, and strengthening the regional frame of intellectual property are essential tasks to generate more trade and investment opportunities and to intensify the development of Mexico and the region, always supported by new technologies.

To make that possible, it is a priority to:

- Update the range of the regulations on energy to make the most of the potential derived from the changes registered in the energy industry of Mexico and the entire region.
- Promote the development of the digital economy and the provision of financial services through digital platforms.
- Ensure better access to the US and Canadian markets for financial services providers and Mexican investors.

- Promote a better integration of the telecommunication markets from the three countries in order to make the most of the Mexican reform in this sector.
- Promote effective protection of intellectual property, maintaining a balance between public interest and the interest of innovators.

4. Promoting the certainty of trade and investments in North-America.

The NAFTA is a factor of certainty in the integration of North-America. That is why it is essential to keep and maintain regulations contributing to make foreign trade and investments more predictable. Here, controversial solution mechanisms play a crucial role, which throughout more than two decades have tried its effectiveness as an instrument that allows making regional trade more predictable, in addition to incorporating the most recent elements on transparency and participation of other relevant actors.

For all that, it is necessary to:

- Consolidate the legal framework regulation State productive enterprises, which allow them to achieve effective trade procedures.
- Modernize all the controversy-solution mechanisms provided in the NAFTA (investor-State, State-State, as well as antidumping and countervailing duties, and financial services) to make them more agile, transparent, and effective.
- Promote free competition through the improvement of cooperation and exchange of information among authorities of the NAFTA countries, in order to keep the efficiency of the markets and to protect consumers' rights.
- Provide legal certainty to Mexican providers in the (public) procurement procedures in North America.

Final considerations

NAFTA is a very important part of Mexico's economic growth. Its modernization provides an opportunity to generate a more balanced development with respect to the United States and Canada, considering the integration that has already taken place.

The priorities underlined above will guide Mexico's position on the negotiation table. The results will depend on the balances we reach among the three parties. The challenge is not easy. However, Mexico is ready. We have experience, knowledge and the firm commitment to look after Mexico's interests. We will dedicate the time and effort that is needed to accomplish it.

Source: The Secretariat of Economy of Mexico (August 2nd, 2017):

<https://www.gob.mx/se/articulos/prioridades-de-mexico-en-las-negociaciones-para-la-modernizacion-del-tratado-de-libre-comercio-de-america-del-norte>