



**TRADE POLICY REVIEW**

REPORT BY

MEXICO

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by Mexico is attached.

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## 1 INTRODUCTION

1.1. This Seventh Trade Policy Review of Mexico covers a period of great international economic instability. As an open economy with strong economic ties with the international community, our country has been hit by the adverse effects of this environment.

1.2. However, Mexico's macroeconomic strength, coupled with the implementation of measures by the monetary authority and the Federal Government, have mitigated these effects. Trade also remained strong, with both imports and exports exceeding the levels seen in the years prior to the pandemic.

1.3. Mexico has continued its process to open up trade through the modernization of major trade agreements with the United States, Canada and the European Union. It has also done so through the signing and entry into force of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Trade Continuity Agreement between Mexico and the United Kingdom.

1.4. This report comprises five sections. The first describes the impact of the economic environment, marked by uncertainty in the international markets, on Mexico's economic development. This is followed by a description of our country's trade negotiations policy at the bilateral, regional and multilateral levels. The key aspects of the trade policy implemented over the past five years are then outlined. The fourth section describes the policies and actions implemented by Mexico to improve the integration of small and medium-sized enterprises (SMEs) and of women into the economy. The final section presents the conclusions.

## 2 ECONOMIC ENVIRONMENT

2.1. The review period was marked by significant developments in the international arena that have had a major impact on economic development and, in particular, on Mexico's trade:

- Although the renegotiation of the North American Free Trade Agreement (NAFTA, now T-MEC) gave rise to positive expectations as it adapted the Agreement's rules to the realities of trade today, there was also significant uncertainty throughout its negotiation process regarding the outcomes and eventual conclusion.
- The imposition of trade measures and counter-measures by the United States on China created great uncertainty in the international markets, both because of the products covered and the duration of the measures.
- The COVID-19 pandemic, one of the most severe health crises in recent times, caused the global economy and, as a result, world trade, to shrink significantly, with serious repercussions for our country.
- The recent geopolitical crisis stemming from the conflict between Russia and Ukraine has led to an increase in food, fuel and fertilizer prices, as well as to greater economic uncertainty and lower global growth expectations.

2.2. All these factors have resulted in low growth in our country, with GDP declining significantly in 2020 (-8.3%) as a result of the COVID-19-induced economic paralysis.

2.3. The Government of Mexico therefore adopted measures to address the pandemic, such as:

- Advance payments equivalent to up to eight months of pensions.
- Acceleration of the processes for refunding value-added tax (VAT).
- Loans, known as *créditos a la palabra*, for SMEs if they keep their employees on the payroll.
- *Créditos a la palabra* for the self-employed.
- Support in the form of liquidity and guarantees from the development bank.

- Three months' financial support for workers who lose their jobs and have a mortgage with the Institute of the National Fund for Workers' Housing (INFONAVIT).
- The adoption of measures and facilities by the Bank of Mexico (Banxico) to provide liquidity for the healthy development of the financial system, promote the orderly functioning of the financial markets and strengthen credit channels.
- Joint efforts by the Federal Government and entrepreneurs to guarantee the supply of food and stocks, and to ensure that distribution remained uninterrupted.
- Expansion of digitization services for administrative procedures for imports and agri-food exports.

2.4. In addition to the above, Mexico's sound macroeconomic policy framework — which is based on responsible debt management, a monetary policy focused on ensuring low and stable inflation, and a flexible exchange rate — has safeguarded economic stability and easy access to international capital markets.

2.5. At the same time, facilitating foreign trade to maintain the flow of vaccines and medical products during the pandemic and supporting the prompt revival of supply chains (mainly those integrated in the North American regional market) by enabling the resumption of productive activities in sensitive sectors, such as the automotive sector, made a significant contribution to Mexico's economic recovery, with foreign trade as its driver of growth. Following a 12.6% drop in total trade in 2020, pre-pandemic levels were exceeded in 2021, topping the billion-dollar mark.

2.6. With regard to inflation, Banxico has constantly monitored the behaviour of this economic variable and its determinants, setting a benchmark rate aimed at achieving the orderly and sustained convergence of headline inflation to the 3% target within the period covered by the monetary policy.

2.7. The foregoing takes on greater relevance because, as a result of the worldwide inflationary pressures generated by the COVID-19 pandemic, which disrupted production and distribution chains, inflation in Mexico has exceeded 7% in recent months, which is higher than the target of 3%. It should be noted that this phenomenon of high inflationary pressure is being seen in practically all of the world's economies.

2.8. On the other hand, despite an unfavourable international economic environment, the Mexican economy is showing signs of strength:

- A stable exchange rate that has not seen any significant depreciations over the review period.
- International reserves amounting to almost USD 200 billion in May 2022, which is equivalent to almost five months' worth of exports.
- Responsible public debt management, along with a significant credit line from the International Monetary Fund.
- One of the lowest unemployment rates among members of the Organisation for Economic Co-Operation and Development (OECD).

2.9. Similarly, trade and investment flows grew steadily, with the exception of the period affected by the pandemic.

2.10. Exports increased by 12.5% from 2017 to 2019, rising from USD 409.4 billion to USD 460.6 billion. In 2020, the year hit hardest by the pandemic, exports declined by 9.4% on 2019. However, in 2021 they exceeded pre-pandemic levels, amounting to USD 494.8 billion, which is an 18.6% increase on the previous year.

2.11. Imports performed very similarly, with growth of 8.3% from 2017 to 2019, rising from USD 420.4 billion to USD 455.2 billion. As with exports, 2020 saw imports fall substantially by

around 15.9%, standing at USD 383 billion. However, in 2021, they recovered significantly by 32%, exceeding pre-pandemic levels to reach USD 505.7 billion.

2.12. In terms of attracting foreign direct investment (FDI), Mexico is among the top 10 recipient countries.<sup>1</sup> From 2017 to 2019, FDI flows remained at around USD 34 billion. However, as with trade, they fell by 18.3% in 2020 before recovering in 2021 to reach USD 31.7 billion.

2.13. With cases of COVID-19 at low levels and an ever-increasing proportion of the population vaccinated, the outlook for economic growth remains positive.

### 3 TRADE NEGOTIATIONS POLICY

3.1. Through the Sectoral Programme for the Economy 2020-24, Mexico has committed to: developing and implementing comprehensive policies for innovation, diversification and inclusion in production and trade; stimulating domestic and foreign investment; encouraging the use of mineral resources; and boosting the productivity and competitiveness of the economy to integrate it into regional and global value chains, with a view to improving the lives of the country's population.

3.2. Four major areas of action were therefore identified:

- (1) Promoting innovation in and the economic development of productive sectors.
- (2) Driving competition in the domestic market and regulatory improvement.
- (3) Promoting the creation and consolidation of productive micro, small and medium-sized enterprises (MSMEs) for greater productive inclusion.
- (4) Fostering economic diversification for greater equality among regions and sectors.

3.3. Our country's trade policy is shaped by the final objective and 10 lines of action have been set out to that end:

- (1) Strengthening the network of trade and investment treaties and agreements.
- (2) Designing strategies and actions to drive the integration and participation of Mexican companies in global and regional value chains.
- (3) Diversifying agri-food products for export, and seeking new markets from which to import goods that guarantee supply on the domestic market.
- (4) Promoting the increase of domestic content in exports, within the framework of our international commitments.
- (5) Designing far-reaching national outreach schemes to enable Mexican companies to make better use of the various trade and investment instruments.
- (6) Designing a tariff strategy that allows for productive linkages to increase competitiveness in Mexico.
- (7) Preparing analyses or studies on potential market or product diversification for Mexican exports, through business intelligence methodologies that offer opportunities for regional economic development.
- (8) Disseminating information, studies and analyses among government and business sectors for the diversification of national exports.
- (9) Ensuring technical support from government laboratories for the assessment of quality and safety parameters for exports.
- (10) Strengthening global value chains to boost exports of medicines and medical devices.

3.4. This has underpinned Mexico's trade policy work, meaning that the export sector and the attraction of FDI remain key components for national economic development, the creation of more and better jobs, access to new technologies and production processes, and a wider range of competitively-priced goods and services for consumers, producers and suppliers alike.

3.5. During the period covered by this Trade Policy Review, Mexico has consolidated its commitment and goal to strengthen and improve the efficiency of its export platform, with a view to further diversifying markets and exportable supply, increasing the competitiveness of the domestic productive sector and integrating more efficiently into regional and global value chains.

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<sup>1</sup> World Investment Report 2022, UNCTAD.

3.6. To that end, Mexico has worked on three trade-related strategic agendas.

### **3.1 Strengthening the multilateral trading system**

3.7. Mexico has established itself as an attractive recipient of investment and a platform for exporting to the world. This has in large part been possible thanks to the existence of a strong, transparent and non-discriminatory multilateral trading system, underpinned by a World Trade Organization (WTO) that is committed to fulfilling its mandate.

3.8. However, since the previous review of our trade policies, the WTO has been plunged into one of its most severe crises, which is threatening key elements of its structure such as the Dispute Settlement Body (DSB).

3.9. In response to this situation, Mexico has been actively working on and participating in the following initiatives.

#### **3.1.1 Reactivation of the Appellate Body (AB)**

3.10. Given the need to take action to address the non-functioning of the AB, Mexico, as a regular user of the dispute settlement system, aware of the importance of and need to keep its two tiers functioning, has participated in:

- The Walker Process. Mexico, together with 13 other Members, submitted various proposals to address concerns raised about the functioning of the AB and participated actively in the discussions convened by Ambassador David Walker.
- Joint proposal for launching the selection processes for AB members. Mexico has spearheaded and submitted this proposal to the DSB on behalf of 123 Members.
- Multi-Party Interim Appeal Arbitration Arrangement (MPIA). Mexico is conscious of the need to provide interested parties and their productive sectors with an interim solution to ensure compliance and the right to a second instance in trade disputes at the WTO. It therefore negotiated and participates in the MPIA together with 24 other Members.

3.11. For Mexico, it is crucial for both tiers of the dispute settlement system to be fully functioning and operational as a binding mechanism that offers guarantees that current and future provisions will be respected.

#### **3.1.2 Revival of the negotiating arm**

3.12. Mexico welcomes the successful conclusion of the negotiations on fisheries subsidies at the recent Twelfth Ministerial Conference (MC12). We are convinced that the WTO has fulfilled its obligation to help stop the plundering of our seas and ensure their sustainability.

3.13. In accordance with Article 20 of the Agreement on Agriculture, Mexico considers it a priority to press ahead with the agricultural reform process and establish disciplines to reduce trade-distorting domestic subsidies and tariffs.

3.14. Mexico is an active participant in the joint initiatives, launched by Members who share a common vision and are able to participate, that seek to make new commitments in the areas of investment facilitation, e-commerce and services domestic regulation. With regard to the joint initiative on services domestic regulation, we welcome its successful conclusion in 2021 and encourage other Members to participate in it.

3.15. Mexico is also actively participating in the joint initiative on MSMEs, as part of which it has led the coordination of the Trade4MSMEs platform. At the same time, Mexico supports and is calling for the increased participation and inclusion of women in international trade. It is therefore actively participating in the WTO Informal Working Group on Trade and Gender.

3.16. Mexico is participating in the Trade and Environmental Sustainability Structured Discussions (TESSD), as it recognizes that international trade and trade policies are key factors for facilitating

the transition to a green economy, and supports global efforts to attain the Sustainable Development Goals. Our country is therefore calling for discussions on how trade-related environmental measures can contribute to sustainable development and environmental protection.

3.17. Mexico is also conscious of the need to provide the WTO with tools to address the challenges of trade today and its new realities, and has consequently been a strong advocate for a WTO reform process. It is therefore an active participant in the "Friends of the System" group and the Ottawa Group, which have each submitted communications and proposals in support of the system and its reform.

3.18. The recent outcomes achieved at MC12 are a sign that, in a difficult economic environment, Members are able to reach consensus in the best interests of the system. Although we sought more ambitious outcomes on agriculture and fisheries, we are sure that the "Geneva Package" will give fresh impetus to a negotiating arm that, for many, had been paralyzed with no prospect of movement.

3.19. Mexico considers the WTO to be a global public good and is therefore committed to improving and strengthening the multilateral trading system.

### 3.2 Defence of Mexico's interests

3.20. Mexico has continued to defend the interests of our productive sector in the DSB, participating in the following cases during the review period:

#### (a) As complainant:

3.21. **United States – Certain Measures on Steel and Aluminium Products.** In June 2018, Mexico requested consultations with the United States concerning certain measures imposed to adjust imports of steel and aluminium. Mexico claimed that the measures appeared to be inconsistent with a number of provisions of the Agreement on Safeguards, the GATT 1994 and the WTO Agreement. In May 2019, the United States and Mexico notified the DSB of a mutually agreed solution, consisting of the United States' elimination of certain duties on these products from Mexico.

3.22. **Costa Rica – Measures Concerning the Importation of Fresh Avocados from Mexico.** In 2017, Mexico requested consultations with Costa Rica with respect to certain measures imposed that restrict the importation of fresh avocados. The Panel Report confirmed in April 2022 that these measures are inconsistent with a number of provisions of the Agreement on the Application of Sanitary and Phytosanitary Measures and the GATT 1994. It was adopted at the meeting of the DSB in May 2022.

#### (b) As respondent:

3.23. **Mexico – Additional Duties on Certain Products from the United States.** In July 2018, the United States requested consultations with Mexico concerning the imposition of duties with respect to certain products originating in the United States, claiming they were inconsistent with the GATT 1994. In May 2019, the United States and Mexico notified the DSB that they had reached a mutually agreed solution, which consisted of Mexico's elimination of certain duties on products originating in the United States.

3.24. Lastly, Mexico participated in 29 disputes as a third party.

### 3.3 Deepening and opening of new markets

3.25. Mexico is convinced of the need to further integrate into international markets, which will lead to an increase in well-paid jobs, in the best interests of our population.

3.26. It has therefore embarked upon an ambitious negotiating agenda on the following fronts.

### 3.3.1 Deepening trade agreements

#### 3.3.1.1 Free Trade Agreement between Mexico, the United States and Canada (T-MEC)

3.27. Mexico, the United States and Canada agree on the need to continue and deepen economic integration in North America and, in this way, improve the region's competitiveness as an exporting powerhouse of high-quality products and a prime destination for FDI, and adapt to the new realities of trade and regional and global value chains. The negotiation of T-MEC thus sought to strengthen this economic integration and posed major challenges for the three countries in areas such as labour and environment.

3.28. Mexico is committed to consolidating this Agreement as a catalyst for development and a tool that helps reduce regional inequalities. As a result, T-MEC:

- Is being consolidated as a cornerstone of Mexico's trade policy, providing legal certainty to trade operators, consumers, service providers, investors and entrepreneurs regarding the three countries' commitment to moving towards economic integration in North America that is adapted to a 21<sup>st</sup> century economy.
- Provides more opportunities for small entrepreneurs thanks to an improved business environment resulting from new chapters such as Competitiveness, Small and Medium-Sized Enterprises, and Digital Trade.
- Contributes to improving the living standards of workers in the region and strengthens the position of and cooperation among the three partners to support environmentally-aware trade.

3.29. In order to review the implementation and functioning of the Agreement, the first meeting of the T-MEC Free Trade Commission was held in May 2021, deepening the dialogue on relevant matters on the trilateral agenda concerning inclusive trade, labour issues and the environment.

#### 3.3.1.2 Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)

3.30. Following the formal withdrawal of the United States from the Trans-Pacific Partnership (TPP) Agreement in January 2017, the 11 remaining members began a negotiation process aimed at bringing the benefits of the Agreement to fruition.

3.31. The CPTPP is the most important trade agreement of recent times due to its level of ambition, the wide range of disciplines covered and the high standards that it establishes in each of them, such as, *inter alia*, investment, the environment, SMEs and labour.

3.32. The CPTPP entered into force on 30 December 2018 for Australia, Canada, Japan, Mexico, New Zealand and Singapore. It did so for Viet Nam on 14 January 2019 and for Peru on 19 September 2021. Brunei Darussalam, Chile and Malaysia are yet to ratify the Agreement.

3.33. Three and a half years after its entry into force, the United Kingdom is in the process of joining the Agreement.

3.34. The CPTPP represents a key pillar in Mexico's trade strategy by driving its closer integration with the Asia-Pacific region, which is one of the most dynamic regions in the world. It is also an opportunity to attract greater investment and promote access for Mexican products to international markets, thereby contributing to the diversification of our markets with the region that has the strongest growth rates in the world. Moreover, it epitomizes a trade and investment strategy geared towards the Asia-Pacific region, with the aim of making Mexico a central player in the region's value chains.

#### 3.3.1.3 Free Trade Agreement between Mexico and the European Union

3.35. On 28 April 2020, the negotiation process to modernize the Agreement's trade pillar, launched in 2016, was concluded.

3.36. The modernized Agreement is state of the art and, in addition to opening up increased market access for goods and services, updates disciplines and includes new ones such as, *inter alia*, sustainable development, small and medium-sized enterprises, good regulatory practices, transparency and anti-corruption.

3.37. Through the modernization of the Agreement, the Government of Mexico is seeking to strengthen its relationship with the countries of the European Union, which together are Mexico's third largest trading partner globally.

### **3.3.1.4 Trade Continuity Agreement between Mexico and the United Kingdom of Great Britain and Northern Ireland (TCA)**

3.38. The Trade Continuity Agreement between Mexico and the United Kingdom, which was signed on 15 December 2020, entered into force on 1 June 2021.<sup>2</sup> The Agreement maintained, from 1 January 2021, the trade preferences on market access and the disciplines that were in place under the Free Trade Agreement between Mexico and the European Union. It includes adjustments to agricultural quotas that reflect current trading conditions and a standard cumulation of origin with the EU for the rules of origin. In addition, both parties undertake to sign a broader, more modern and more comprehensive bilateral free trade agreement in three years' time. Negotiations were launched on 20 May 2022.

3.39. To ensure the proper implementation of the Agreement and its objectives, the schedule of import duties, the export quotas for Mexican agri-food products and the general rules on the application of customs provisions were published. Moreover, as part of the trade continuity between both countries, 1 September 2021 saw the entry into force of the Agreement on the Mutual Recognition and Protection of Designations for Spirit Drinks between Mexico and the United Kingdom, signed on 30 November 2020.

### **3.3.2 Ongoing negotiations**

#### **3.3.2.1 United Kingdom**

3.40. Article 9 of the Trade Continuity Agreement establishes that Mexico and the United Kingdom would commence negotiations for an ambitious, modern and comprehensive free trade agreement at the earliest possible opportunity and within one year of the date of entry into force of the current Agreement, striving to conclude them within three years of this date.

3.41. The official launch of negotiations for an FTA with the United Kingdom took place on 20 May 2022 in London, England, as part of which matters on the bilateral agenda were addressed in order to identify opportunities for the future signature of the agreement.

3.42. Both countries agree that these negotiations represent an historic opportunity to strengthen bilateral trade in areas of mutual interest such as agri-food products and cross-border trade in services. We agree on the modernization of rules relating to investment and intellectual property, as well as on the inclusion of provisions on matters relating to, *inter alia*, SMEs, gender and innovation. Through this initiative, the two nations share visions on the importance of inclusive trade and the benefits that an open and global economy brings for both countries' companies and consumers.

3.43. Moreover, in order to enhance the protection of both countries' appellations of origin, the Agreement on the Mutual Recognition and Protection of Designations for Spirit Drinks between Mexico and the United Kingdom of Great Britain and Northern Ireland was signed on 30 November 2020, guaranteeing protection and recognition of the six appellations of origin for spirit drinks from Mexico: Tequila, Mezcal, Bacanora, Raicilla, Sotol and Charanda, as well as the United Kingdom's appellations: Scotch Whisky, Irish Whisky, Uisce Beatha Eireannach/Irish Whiskey, Irish Cream and Irish Poteen/Irish Poitín.

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<sup>2</sup> Decree promulgating the Trade Continuity Agreement between the United Mexican States and the United Kingdom of Great Britain and Northern Ireland (Official Journal of the Federation (DOF) of 1 June 2021).

### **3.3.2.2 European Free Trade Association (EFTA) (Iceland, Liechtenstein, Norway and Switzerland)**

3.44. Mexico is still in discussions with the EFTA countries to explore the possibility of modernizing the **Free Trade Agreement between Mexico and EFTA**, which entered into force on 1 July 2001.

### **3.3.2.3 Negotiation of the Productive Integration Agreement between Mexico and Ecuador**

3.45. In September 2019, Mexico and Ecuador signed the General Framework for Negotiation of a Productive Integration Agreement between Mexico and Ecuador and the Modalities for the Exchange of Tariff Offers on Access to Goods Markets between Mexico and Ecuador. By signing these instruments, both countries formalized the initiation of trade negotiations.

3.46. The General Framework for Negotiation provided for the negotiation of 19 chapters, which seek to develop disciplines with high standards, adapted to the current international context, which will provide certainty and guarantees for both parties' trade and investment operators.

3.47. From 2020 to 2021, seven rounds of negotiations took place, in which significant progress was made on various chapters to be included in the new trade agreement.

3.48. The negotiation of this agreement not only seeks to boost trade and investment flows, but also to support, among other goals, the process of Ecuador's accession to the Pacific Alliance, the requirements of which stipulate that the country must have a bilateral trade agreement with the Alliance's member countries.

### **3.3.2.4 Republic of Korea**

3.49. The Republic of Korea is Mexico's fourth<sup>3</sup> largest trading partner, and the negotiation of a free trade agreement represents the next natural step in a strong relationship between two nations that are committed to economic growth and development through trade liberalization.

3.50. It is for this reason that, in March 2022, it was agreed to resume negotiations for a modern FTA that will allow us to address the challenges and take advantage of the opportunities of the 21<sup>st</sup> century, by establishing an institutional framework that reduces barriers to trade in goods and services, and facilitates mutual investment and technological exchange.

3.51. The FTA will provide a solid basis for strengthening cooperation on emerging trade-related issues, including the resilience of supply chains, environmental sustainability and the digital transformation.

3.52. This FTA represents an excellent opportunity to diversify Mexico's foreign trade and boost our agri-food and industrial exports.

### **3.3.2.5 Pacific Alliance - Associated States**

3.53. The Pacific Alliance (PA) is a trade integration process comprising Chile, Colombia, Mexico and Peru. One of its main objectives is to establish itself as a platform for policy coordination, economic and trade integration and outreach to the world, with particular emphasis on the Asia-Pacific region.

3.54. In order to achieve this objective, the trade ministers of the member countries agreed to strengthen the PA's trade integration with other countries through the "Associated State" model. The aim of this model is to promote trade negotiations, mainly with countries in the Asia-Pacific region, which lead to agreements with high economic and trade standards that support the opening up and integration of markets, including trade in goods and services and investment.

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<sup>3</sup> This is the position if the EU member countries are considered as a whole.

3.55. During the XII Summit of the Pacific Alliance, on 30 June 2017, the Heads of State of member countries announced the opening of negotiations with Australia, Canada, New Zealand and Singapore, which are candidate Associated States.

3.56. The Free Trade Agreement between Singapore and the members of the PA was signed on 26 January 2022 at the XVI Presidential Summit. Once this Agreement enters into force, Singapore will become the first Associated State of the PA, thereby strengthening trade integration in the Asia-Pacific region.

3.57. For Mexico, this Agreement will provide a legal framework and state of the art trade disciplines that increase levels of trade and investment, boost the development of supply chains, and promote SME participation in innovation schemes and women's economic participation.

3.58. As mandated by the Presidents of the PA member countries in the Bahía Málaga Declaration, the negotiation process for the Republic of Korea to become an Associated State will begin in 2022.

### **3.3.2.6 Argentina**

3.59. Bilateral trade between Mexico and Argentina is governed by Economic Complementarity Agreement No. 6, as well as by Appendix I of Economic Complementarity Agreement No. 55 for bilateral trade in the automotive sector. The latter, which has been in force since 2003, is an agreement strengthening trade in one of the main productive sectors of both countries. On 18 March 2022, it was agreed that the annual tariff-free quota mechanism for automotive trade would be extended for three years, helping to maintain trade flows between the two countries, which takes on greater importance in the current situation, given the impact of the COVID-19 pandemic.

### **3.3.2.7 Investment Promotion and Protection Agreements (IPPAs)**

3.60. Mexico has a network of 30 Investment Promotion and Protection Agreements (IPPAs) in force. However, the vast majority of these agreements were negotiated and signed before 2000. Given that, in the case of 25 of the 30 above-mentioned IPPAs, the initial 10-year validity has come to an end<sup>4</sup> and that one has been denounced (India), Mexico has embarked upon a policy of modernizing these agreements, reflecting the evolution of international investment law with state-of-the-art disciplines.

3.61. The efforts of Mexico's current administration have therefore focused on modernizing the IPPAs with the Republic of Korea<sup>5</sup>, China<sup>6</sup>, India<sup>7</sup> and Switzerland<sup>8</sup>, with a view to ensuring a better balance between the need to provide protection and legal certainty for foreign investors and their investments and the obligation to ensure the Mexican State has enough flexibility to regulate in the public interest.

### **3.3.2.8 Hong Kong Special Administrative Region of the People's Republic of China**

3.62. On 23 January 2020, Mexico and the Hong Kong Special Administrative Region of the People's Republic of China signed an IPPA. This Agreement was approved by the Senate of the Congress of the Union on 10 March 2021, and entered into force on 16 June 2021.

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<sup>4</sup> The only exceptions are the IPPAs with Bahrain; the United Arab Emirates; Hong Kong, China; Kuwait and Türkiye.

<sup>5</sup> The IPPA with the Republic of Korea was signed on 14 November 2000 and entered into force on 6 July 2002.

<sup>6</sup> The IPPA with China was signed on 11 July 2008 and entered into force on 6 June 2009.

<sup>7</sup> The IPPA with India was signed on 21 May 2007 and entered into force on 23 February 2008. India notified Mexico of its intention to denounce the IPPA on 20 September 2018, which took effect on 20 September 2019.

<sup>8</sup> This was the first IPPA concluded by Mexico. It was signed on 10 July 1995 and entered into force on 14 March 1996.

### **3.3.2.9 Prevention of investor-State disputes**

3.63. In 2021, the Ministry of Economic Affairs launched a comprehensive strategy for the prevention of investor-State disputes, based on the fundamental premise that these disputes can and should be prevented. To that end, the activities implemented by the Ministry of Economic Affairs are structured around three pillars:

- i. awareness-raising;
- ii. communication facilitation; and
- iii. permanent coordination among authorities.

3.64. In with the light of the foregoing, the Ministry of Economic Affairs held the first prevention week from 12 to 16 July 2021, aimed at raising awareness among government officials of the content of international investment agreements and warning of the consequences of failing to comply with them.

3.65. In addition, a working group for the prevention of investment disputes was established under the framework of the National Foreign Investment Commission, with a view to raising awareness of, analysing and discussing possible disputes between foreign investors and the Mexican State arising from the actions of officials and authorities.

## **4 TRADE POLICY**

### **4.1 Tariffs**

4.1. During the period under review, no unilateral tariff reduction measures were implemented. However, in order to address rising prices, in May 2022, 73 food and other basic products that are part of the basic food basket, including maize, beans, potatoes, rice, tuna, pork, chicken, beef, onions, maize flour, wheat flour and eggs, were temporarily exempted from import duties for one year, with the possibility of extending the measure for another year.

4.2. In December 2020, the Mexican nomenclature was restructured by updating the Law on General Import and Export Taxes (LIGIE) and implementing the Sixth Amendment to the Harmonized System, thereby reducing the number of tariff lines included in the LIGIE from more than 12,775 to 7,802. This restructuring did not change Mexico's tariffs.

### **4.2 Trade facilitation**

4.3. Since the last review, Mexico has implemented various trade and customs facilitation measures to make companies more competitive and help them to participate in international markets. These measures included establishing an electronic customs clearance system, which does not require the presentation of a physical document; updating the Single Window for Mexican Foreign Trade (VUCEM); and authorizing various Federal Government departments and bodies involved in the fight against the pandemic (the Ministries of Health, National Defence and the Navy, the Institute of Health for Well-being, the Mexican Social Security Institute and the Social Security and Services Institute for Government Workers) to receive goods without having to pay foreign trade taxes.

4.4. Moreover, in 2021, the National Trade Facilitation Committee was established to facilitate coordination among the Federal Government departments and bodies and autonomous constitutional entities that, within their different spheres of competence, participate in the regulation of foreign trade-related programmes.

4.5. Furthermore, in December 2021, to attract FDI to Mexico, the Ministry of Economic Affairs created the Invest in Mexico platform, which aims to provide investors with executive content and strategic statistical information, specialized advice and links with institutions responsible for the necessary procedures for investment, in addition to serving as direct contact with the agencies responsible for promoting and attracting investment.

4.6. In addition, the Ministry of Economic Affairs is working on the design of investment facilitation tools in three areas:

- (1) Streamlining, together with the National Commission on Regulatory Improvement, and the digitization of procedures
  - a. Identification of processes and procedures to be simplified
- (2) Dual training
  - a. Creation of joint dual training plans
- (3) Linking foreign companies with strategic federal and local stakeholders to facilitate their establishment in the country

### **4.3 Technical regulations and standards**

4.7. The Decree promulgating the Law on Quality Infrastructure (LIC) and repealing the Federal Law on Metrology and Standardization (LFMN) was published on 1 July 2020.

4.8. The objectives of the LFMN included establishing the General System of Units of Measurement, specifying basic metrological concepts, establishing requirements for the manufacture, importation, repair, sale, verification and use of measuring instruments and measurement standards, and making measurement mandatory in commercial transactions.

4.9. The purpose of the LIC is to establish and develop the bases of industrial policy within the scope of the National Quality Infrastructure System through standardization, harmonization, accreditation, conformity assessment and metrology, promoting economic development and quality in the production of goods and services in order to expand productive capacity, continuously improve value chains, foster international trade and protect legitimate public interest objectives.

4.10. The objectives of the LIC include promoting the involvement of the public, social and private sectors in the drafting and enforcement of Mexican Official Standards and other standards; establishing mechanisms for coordination and collaboration among the standardization authorities, the National Metrology Centre, designated metrology institutes, accreditation bodies and conformity assessment bodies, local and municipal bodies, and the social and private sectors, in the areas of standardization, conformity assessment and metrology; fostering technological innovation in respect of goods, products, processes and services, with a view to improving the quality of people's lives throughout Mexico; and encouraging the creation of enhanced physical and digital infrastructure for the proper implementation of conformity assessment activities.

4.11. In this sense, the LIC meets new international requirements by being aligned with one of the Sustainable Development Goals set out in the 2030 Agenda for Sustainable Development, and is therefore in line with the recommendations and best practices of the United Nations system in terms of inclusive and sustainable industrial development.

4.12. Thus, the creation of a new quality infrastructure regime contributes to the Government's policy objectives in areas such as industrial development, competitiveness in global value chains and international markets, the sustainable use of natural resources, food security, health, the environment and climate change.

4.13. As a result, the National Quality Infrastructure System covers essential aspects such as the strengthening of institutions and the development of productive sectors to be aligned with the trends and best practices in standardization, harmonization, conformity assessment and metrology in the main international organizations in these areas, as proposed by the International Network on Quality Infrastructure, which brings together leading bodies such as the International Bureau of Weights and Measures, the International Accreditation Forum, the International Electrotechnical Commission, the International Laboratory Accreditation Cooperation, the International Organization for Standardization, the International Telecommunication Union, the International Organization of Legal Metrology, the United Nations Economic Commission for Europe, the United Nations Industrial Development Organization, the World Bank Group and the WTO.

#### 4.4 Government procurement

4.14. The Federal Government's main objectives are to ensure that public spending is carried out under the best conditions for the State and that practices that impede the efficient allocation of public resources are eliminated. Accordingly, powers and functions related to the definition, planning and conduct of public procurement processes, functions that until 2018 were the responsibility of the Ministry of Public Administration, were transferred to the Office of the Chief Administrative Officer of the Ministry of Finance and Public Credit (SHCP).

4.15. In 2019, the Government of Mexico signed an agreement with the United Nations Office for Project Services for the latter to carry out public procurement processes for medicines and wound dressing materials until 2024, which has resulted in savings of MXN 11.8 billion, equivalent to 20% of the draft budget for 2021.

4.16. Subsequently, in 2020, given the imperative need for medicines to deal with the pandemic, the Ministries of Health and of National Defence and the Navy, as well as the Institute of Health for Well-being, the Social Security and Social Services Institute for State Workers and the Mexican Social Security Institute were authorized to carry out public procurement processes for medicines, medical equipment, diagnostic agents, reagents, surgical and wound dressing materials and hygiene products, along with all types of goods and services that may be necessary to cope with the health emergency.

4.17. Steps have also been taken to promote framework contracts based on agreements entered into by a department or body with one or more potential suppliers, establishing the technical specifications and conditions that will govern the acquisition or leasing of services or public works contracts. These strategies are focused on an economy of scale and are implemented through the issuance of administrative regulations aligned with applicable laws and regulations.

4.18. In addition, in 2021, the Office of the Chief Administrative Officer of the SHCP issued guidelines to coordinate consolidated procurement procedures for the acquisition or leasing of movable property or the provision of services and will determine the contracts that must be secured by the Federal Government.

#### 4.5 Trade in services

##### 4.5.1 Financial services

4.19. One of the major changes in the financial services sector was the enactment of the Law Regulating Financial Technology Institutions (known as the Fintech Law), published on 9 March 2018 in the Official Journal of the Federation.

4.20. This is the first legislation of its kind in Latin America that seeks to formalize financial services provided through mass technology or innovative platforms.

4.21. The Law seeks to provide users of financial service platforms with legal certainty regarding the type of transactions carried out through them, which it identifies and classifies as: **crowdfunding** or collective financing institutions, and electronic payment institutions.

4.22. Moreover, the Fintech Law established the operational basis for open finance, a scheme that will allow the sharing of structured data through standardized application programming interfaces (APIs) among the various entities of the financial system, together with a testing environment regulated by the National Banking and Securities Commission (CNBV) to promote financial innovation (commonly referred to as a regulatory sandbox).

4.23. In addition, in 2017, Banxico issued the Rules of the Interbank Electronic Payment System as an innovative way of providing payment services and strengthening the security of the financial system through the growing use of electronic means of payment. The Rules were amended in 2019 to make the payment system more efficient for the general public. This led to the development and implementation of the *Cobro Digital* electronic platform. This scheme allows users to transfer and receive funds through a mobile device or an Internet platform that is available 24 hours a day, 365 days a year.

4.24. The following measures were taken to strengthen **financial inclusion**:

- The **National Financial Inclusion Policy** (March 2020), which seeks to promote access to, and the efficient use of, the financial system, the development of economic and financial skills, and the empowerment of users of financial products and services.
- **Inclusion of minors.** In March 2020, a reform was published in the Official Journal of the Federation enabling adolescents aged 15 years and over to open bank accounts and have access to the funds deposited therein from government programmes, wages and salaries exclusively by electronic means, without the involvement of representatives.
- **Women.** In July 2021, the methodology for calculating women's loan loss reserves was modified. This led to the creation of incentives to reduce credit rates for women, thereby promoting their inclusion in the financial system.
- In October 2021, steps were taken to facilitate access to training and financial instruments for **indigenous and Afro-Mexican populations** and for populations in highly and very highly marginalized areas.

4.25. The 2018 amendment to the Law Regulating Financial Groups led to the establishment of bodies such as:

- The National Financial Inclusion Council, a consultative, advisory and coordinating body in charge of planning, implementing, executing and monitoring a national financial inclusion policy, involving the development of knowledge for the efficient use of the financial system; technological innovations; the development of financial infrastructure in underserved areas; greater access to formal financial services for excluded populations; greater confidence in the formal financial system through protection mechanisms; and the collection of data and measurements.
- The Financial Education Committee, a coordinating body for financial education efforts, actions and programmes in charge of defining financial education policy priorities and guidelines; preparing the national financial education strategy; and planning national financial education week activities and measurement methodologies, among other duties.

4.26. In March 2022, the Inter-Institutional Committee for Gender Equality in Financial Institutions was established to promote greater inclusion of women in the financial sector and in the Mexican economy, which will help to boost financial inclusion.

4.27. In order to expand the financial infrastructure and encourage an increase in the number of financial service distribution points, emphasis has been placed on non-bank service providers as a flexible, high-penetration and low-cost alternative for financial service providers, to the benefit of end users. In this regard, the process of authorizing correspondent entities was simplified and streamlined for financial institutions and the administrators of such entities.

#### 4.5.2 Banks

4.28. Between March and April 2020, in order to mitigate the adverse effects of the COVID-19 pandemic on the functioning of financial markets, the authorities implemented a series of measures to stabilize these markets and promote their orderly conduct, strengthen credit channels and provide liquidity for the healthy development of the financial system.

4.29. These measures are listed below:

- a. Liquidity provision measures
  - A reduction of MXN 50 billion in the monetary regulation deposit that commercial and development banks must maintain on a mandatory and permanent basis with Banxico.
  - Better conditions of access to the Ordinary Additional Liquidity Facility, including by temporarily extending access to development banks and widening the eligibility of debt securities in order to make the Facility more accessible.

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- Increased liquidity during interbank trading hours.
  - A repurchase agreement window for government securities for a total amount of up to MXN 150 billion.
  - A window for the temporary swap of debt securities for a total amount of up to MXN 50 billion.
  - A repurchase facility for corporate securities for a total amount of up to MXN 100 billion.
- b. Measures to promote the orderly conduct of financial markets
- Strengthening of the Market Makers Programme in collaboration with the SHCP.
  - A government securities swap programme with banking institutions for a total amount of up to MXN 100 billion.
  - Increasing the size of the peso-settled foreign exchange hedge programme from USD 20 billion to USD 30 billion, pursuant to the agreement of the Foreign Exchange Commission.
  - Foreign exchange hedges settled by differences in dollars with counterparties not domiciled in Mexico, pursuant to the agreement of the Foreign Exchange Commission.
  - Dollar loan auctions, financed by the short-term foreign exchange mechanism using the "swap" line with the Federal Reserve System of the United States for USD 60 billion, pursuant to the agreement of the Foreign Exchange Commission.
- c. Measures to strengthen credit channels
- The provision of resources to banking institutions to channel credit to MSMEs and individuals affected by the pandemic through the release of resources associated with the monetary regulation deposit or repurchase agreements for a total amount of up to MXN 250 billion; and
  - Financing facilities for banking institutions, secured with corporate loans and mortgages, in order to grant loans to MSMEs for a total amount of up to MXN 100 billion.

4.30. Regarding the use of these measures, including maturities and refinancing operations, the total amounts allocated were MXN 692.2 billion and USD 22.7 billion, respectively. It should be noted that the additional measures expired on 30 September 2021, with the exception of those that remain at the disposal of the Bank of Mexico indefinitely. Moreover, the term of the swap line with the US Federal Reserve System expired on 31 December 2021.<sup>9</sup>

4.31. In addition, other financial authorities, such as the CNBV and the National Insurance and Sureties Commission, implemented measures to support the financial system:

- a. In March 2020, special accounting criteria applicable to credit institutions and regulated multipurpose financial companies were issued in respect of consumer, housing and commercial loans for borrowers whose source of payment was affected by the COVID-19 emergency. This facilitated the implementation of support programmes for these borrowers, since loans renewed or restructured under these programmes were not considered past-due loans. This support consisted of partial or total deferral of principal and/or interest payments for up to four months, with the possibility of a two-month extension.
- b. In September 2020, in view of the end of the special accounting criteria, regulatory changes were announced to promote the restructuring of commercial bank loans to households and companies that could face difficulties in paying their debts. This new facility, which is voluntary for banks, was aimed at current loans granted before 31 March 2020, with restructuring to be completed before 31 January 2021.

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<sup>9</sup> For more details on the additional liquidity and credit measures implemented by the Bank of Mexico during the COVID-19 pandemic, please visit the specialized microsite at: <https://www.banxico.org.mx/portales-de-usuarios/medidas-adicionales-de-liquidez-y-credito/sano-desarrollo-mercados-fi.html>.

- c. Special accounting criteria established by the CNBV for:
- i. Financial institutions, consisting of partial or total deferral of principal and/or interest payments for up to four months, with the possibility of a two-month extension, with respect to the total amount due on loans to customers whose source of payment has been affected by the pandemic;
  - ii. *Sociedades financieras populares* (Sofipos) (popular financial entities) and savings and loan cooperative societies, applicable to consumer, housing and commercial loans and consisting of partial or total deferral of principal and/or interest payments for up to six months, and up to 18 months for rural sector loans;
  - iii. The voluntary suspension of the dividend payments of banking institutions and insurance companies for fiscal years 2019 and 2020, with the intention of keeping the profits generated as part of the capital, thus strengthening the solvency of financial institutions; and
  - iv. A regulatory facility to enable commercial banks to use the capital conservation supplement to continue granting loans to natural persons and companies without affecting their minimum liquidity.

4.32. In 2020, the CNBV issued regulatory facilities for banks' remote onboarding, for the remote opening of accounts and granting of loans to natural persons and companies. This will allow more people to have an account, especially those who do not live near a branch.

4.33. In addition, the CNBV has published regulatory amendments to increase the number of correspondent banks in the country through a simplified and more efficient authorization process that incorporates a risk-based approach. This measure is intended to boost access to financial services for the most vulnerable populations.

#### **4.5.3 Securities market**

4.34. The CNBV is still the main regulator of the Mexican securities market, and the stock exchanges are the primary channel through which securities market transactions are conducted in Mexico.

4.35. The Mexican Stock Exchange (BMV) remains a public company that operates under a concession from the SHCP, in accordance with the regulations contained in the Securities Market Law.

4.36. In addition to the BMV, in July 2018, the Institutional Stock Exchange (BIVA) began operations. Companies can list their debt securities on one of the two exchanges and their securities will be listed on both.

4.37. Each of the stock exchanges operates with different financial indicators: the BMV with the Price and Quotation Index (S&P/BMV/IPC), and the BIVA with the FTSE BIVA, on the understanding that the latter is theoretical, since the issuers that comprise it are not listed on the BIVA.

4.38. The authorization for the new stock exchange to start operations has generated greater competition among companies and increased their participation in the Mexican stock market.

#### **4.5.4 Telecommunication services**

4.39. In order to harness the potential of information and communications technologies (ICT), including broadband and Internet services that contribute to social, cultural and economic development, in September 2021, the National Digital Strategy 2021–24 (EDN) was established within the framework of the National Development Plan 2019–24 (PND).

4.40. The EDN describes the series of measures that the Government of Mexico is undertaking to enable the efficient, democratic and inclusive use and development of ICT through two main areas of action:

(1) The **Federal Public Administration's Digital Policy** to transform the Federal Public Administration through the use of ICT and actions aimed at improving government services and making them more transparent, combating corruption, fostering technological collaboration, digital government and information security, and promoting technological autonomy and independence, as well as substantive engagement. To this end, six specific objectives have been established:

- i. Improve and harmonize the regulatory framework of the Federal Public Administration's digital policy through the comprehensive and simplified coordination of technological guidelines for the country that make it possible to achieve technical and economic efficiency.
- ii. Standardize ICT procurement through transparent, simple and effective actions that generate savings and maximize the responsible use of public resources.
- iii. Promote technological autonomy and independence to establish the State's steering capacity to define its ICT.
- iv. Maximize the use of computer applications and infrastructure through information exchange and technological collaboration.
- v. Promote a culture of information security that generates certainty and trust among users of institutional and governmental technological services.
- vi. Promote the continuity and improvement of projects and programmes through the integration of institutionally available structured information.

(2) A **Digital Social Policy** to increase Internet coverage throughout the country, combat marginalization and connect the poorest and most remote areas, thus facilitating their participation in productive activities, by strengthening the interconnection of networks and guaranteeing connectivity and access to online communication, cultural and educational services. To this end, actions are being coordinated to roll out the National Fibre-Optic Network, provide Internet for all and develop digital services for social programmes, with three specific objectives:

- i. Promote the integration of publicly-owned fibre optic cables to transmit signals and narrow the digital divide in the country.
- ii. Promote Internet roll-out in all unconnected areas to achieve universal Internet coverage for the population, based on the Social Coverage Programme, in order to identify rural and urban locations that lack telecommunications services and the priority areas that require broadband and voice services.
- iii. Improve the quality of social programmes using technological solutions that facilitate and support actions to promote the well-being of the population.

4.41. The EDN seeks to guarantee democratic and universal access to digital resources, infrastructure and to open, standardized and secure government services, and to move towards technological autonomy with the aim of producing home-grown technical solutions and harnessing technical talent.

#### 4.5.4.1 Promoting competition and expanding services

4.42. In order to promote the expansion of telecommunications and broadcasting services in an environment of effective competition, the Federal Telecommunications Institute (IFT) has carried out the following actions, among others:

- i. Asymmetric regulatory measures for dominant economic operators in telecommunications and broadcasting, which are reviewed every two years to evaluate their effectiveness. In this regard, it is important to note the issuance of the first (2017) and second (2020) biennial resolutions on asymmetric measures, and the implementation of the functional separation of the incumbent fixed service operator in Mexico.
- ii. Competitive tendering processes for parts of the radio spectrum for broadcasting services (two for AM and FM radio services and two for digital terrestrial television services) and telecommunications services (five frequency band tenders for different services, including fixed and mobile wireless access).
- iii. Direct allocation of new spectrum concessions for public and social use, including community and indigenous concessions.

4.43. Moreover, in terms of general regulations, attention is drawn to the issuance of the net neutrality guidelines (2021). In addition, the IFT set up the Technical Committee on 5G Deployment in Mexico (5G Committee), a consultative and non-binding technical support body whose objective is to create a forum for interaction between the IFT, the industry sector as a whole, academia, public entities and any other interested parties, to discuss current and future 5G needs, strategies, forecasts and studies, with the purpose of developing contributions that will serve as input for the IFT to promote efficient 5G implementation in Mexico and thus move towards the development and deployment of 5G in the country.

4.44. The 5G Committee, through six working groups, is particularly focused on analysing issues related to: (i) the timely allocation of spectrum for 5G; (ii) the deployment and availability of 5G infrastructure; (iii) 5G applications and services; (iv) regulatory aspects of 5G; (v) cybersecurity for 5G; and (vi) 5G testing and trials.

4.45. In addition to the above, the regulatory framework for conformity assessment applicable to products, equipment, devices, apparatus and infrastructure for telecommunications or broadcasting that may be connected to a telecommunications network and/or make use of the radio spectrum, and for homologation, has been consolidated, which provides legal certainty to those involved in these processes, through, among others, the following regulatory instruments:

- The telecommunications and broadcasting conformity assessment procedure (25 February 2020) and its amendment (27 December 2021).
- The guidelines for the approval of products, equipment, devices or apparatus intended for telecommunications or broadcasting (29 December 2021).

#### 4.5.5 Transport services

4.46. The Programme for the Development of the Isthmus of Tehuantepec was established in 2018 to support the development of the Isthmus with a comprehensive, sustainable and inclusive vision, fostering economic, productive and cultural growth, mainly through the integration of the logistics platform known as the Interoceanic Corridor.

4.47. The Programme lays the foundations for the economic growth of the region and the well-being of the population through public investment in transportation infrastructure, 10 industrial parks and by attracting private investment.

4.48. The transportation and energy infrastructure projects that make up the logistics platform are: the rehabilitation of the Isthmus of Tehuantepec railroad track and stations, the modernization of the ports of Coatzacoalcos and Salina Cruz and the construction of container terminals at both ports,

the improvement of highway and rural road infrastructure, and the construction of a gas pipeline to cover the demand of the population and the 10 industrial parks.

4.49. Furthermore, a fibre-optic line will be laid along the Isthmus to increase connectivity and telecommunications services throughout the 79 municipalities that make up the Isthmus and the industrial parks, improve logistical operations between ports and the railroad, and provide free Internet services in public spaces.

4.50. The Interoceanic Corridor takes advantage of the geostrategic position of the Isthmus of Tehuantepec to offer a logistical and energy alternative that enables it to compete in world markets for the mobilization of goods through the combined use of various means of transportation.

4.51. The commercial strategy of the Isthmus focuses on the integration of the transportation infrastructure (ports, railroad) and the design and implementation of an efficient logistics service that helps to reduce logistics costs in the transit of goods, in addition to promoting efforts to attract private investment through the identification of productive vocations in 10 industrial parks with a vision of self-sustainability, respect for the environment and integration of the region's many cultures.

#### 4.5.6 Tourism

4.52. Tourism continues to be one of the mainstays of the Mexican economy. In 2021, it accounted for 7.1% of GDP, employed 4.1 million people and USD 19.796 billion in foreign exchange earnings. It was one of the sectors most affected by the economic paralysis caused by the COVID-19 pandemic. Despite this, Mexico welcomed almost 24.3 million foreign visitors in 2020 and 31.9 million international tourists in 2021, showing a rapid recovery and positioning itself as the world's third most popular tourist destination in 2020 and second most popular in 2021.

4.53. In addition to being constantly ready to face day-to-day challenges, Mexican tourism must undergo a complete transformation to enable it to understand the sector and its objectives in a different way, as a tool for social reconciliation that is capable of contributing to the eradication of poverty and the creation of a fairer and more egalitarian country.

4.54. This is why Mexico established the Sectoral Programme for Tourism 2020–24, which sets out four priority objectives: to ensure a social approach and respect for human rights in the country's tourism activities; to promote the balanced development of Mexico's tourism destinations; to strengthen the diversification of tourism markets at the national and international levels; and to promote sustainable tourism in Mexico.

4.55. The Ministry of Tourism, in coordination with the Ministry of Health, developed the following instruments to reopen the tourism sector in the face of the COVID-19 pandemic:

- (1) A care protocol for both Mexicans and foreigners staying in accommodation in Mexico during the mandatory COVID-19 quarantine period;
- (2) An update to the care protocol for persons in accommodation and restaurants during the mandatory COVID-19 quarantine period; and
- (3) National Guidelines for the Reopening of the Tourism Sector through the *Semáforo de riesgo epidemiológico* (epidemiological risk traffic light), a monitoring system to regulate the use of public spaces in accordance with the risk of COVID-19 infection.

#### 4.6 Intellectual property

4.56. The main change in intellectual property matters with respect to the previous review occurred with the issuance of the Federal Law on Industrial Property Protection (LFPPI), which entered into force on 5 November 2021 and repealed the Industrial Property Law.

4.57. The provisions of the LFPPI are in a logical order and sequence; the Law clearly specifies rights and requirements; and facilitates user understanding with the aim of simplifying procedures and processes for the due protection and recognition of the various intellectual property rights. It also incorporates international best practices. Moreover, it provides for the use of electronic means and promotes transparency. This is all in the spirit of administrative simplification and strengthening the rule of law.

4.58. In addition, the Federal Law on Copyright (LFDA) and the Federal Criminal Code (CPF) were amended to include provisions that extend copyright protection and related rights to digital media. These reforms constitute a state-of-the-art package of innovative provisions that provide comprehensive protection for intellectual property rights.

4.59. This new legal framework brings the Mexican Institute of Intellectual Property (IMPI) closer to the people to facilitate the protection of their trademarks and inventions, and thus promote inclusive economic development and innovation, facilitating procedures through electronic means. The Institute will have new powers and more tools to protect creators' intellectual property rights and apply effective sanctions to those who violate them.

4.60. Through the LFPPI and the amendments to the LFDA and the CPF, Mexico is complying with its industrial property commitments under the T-MEC and the CPTPP. This new law puts Mexico at the forefront and helps to meet the challenges of innovation.

## **5 ENHANCE THE INCLUSION AND PARTICIPATION OF WOMEN AND SMES IN MEXICO'S ECONOMY AND INTERNATIONAL TRADE**

### **5.1 Mexico's actions to promote greater participation of women in the Mexican economy and international trade**

5.1. Mexico, mindful of the need to achieve greater inclusion of women in the economy and in the labour market, has promoted an agenda geared towards this objective and has supported the following activities:

- **Inclusive Trade Action Group (ITAG) and Global Trade and Gender Arrangement (GTAGA)**

5.2. In October 2021, at the Meeting of the OECD Council at Ministerial Level, a ceremony was held to mark Mexico's affiliation to the ITAG and the GTAGA. The ITAG seeks to make trade policies increasingly inclusive and ensure that the benefits of trade and investment are shared more equitably. A key initiative in the Group's work was the establishment of the GTAGA, which aims to improve women's access to economic opportunities by helping to remove barriers to their participation in trade.

- **Pacific Alliance**

5.3. Mexico participates actively in the Gender Technical Group, which shares best practices, strategies and priority activities of Pacific Alliance countries to boost the export potential of women entrepreneurs and promote their integration in international markets.

5.4. During the XV Summit of the Pacific Alliance in 2020, the Presidents of the Alliance's member countries signed the Presidential Statement of the Pacific Alliance on Gender Equality, which is accompanied by a road map identifying priority areas for action and goals in terms of economic empowerment to guide the work of the Pacific Alliance in the design, implementation and evaluation of public policies and initiatives to promote the economic and social development of women in the region.

5.5. Mexico, having assumed the pro tempore presidency of the Alliance in 2022, has among its main objectives the mainstreaming of the gender perspective in the more than 25 technical bodies that form part of the mechanism.

- **World Trade Organization**

5.6. Mexico participates actively in and continues to support the initiative on trade and women's economic empowerment that emerged from Buenos Aires in 2017. It is a member of the WTO Informal Working Group on Trade and Gender, and participated in the "Friends of Gender" small drafting group established by the Group.

- **International Trade Centre**

5.7. In October 2021, Mexico joined the International Trade Centre's SheTrades Outlook initiative, a global platform that empowers women and promotes their participation in business to create value for their products and their communities by establishing a diagnosis of the situation of women in the national economy.

- **Domestic measures**

- Collaboration with the Embassy of the United Kingdom in Mexico on the development of a methodology and guide to measure the wage gap in Mexico.
- Collaboration between the Ministry of Economic Affairs, the Ministry of Tourism, the World Economic Forum and the Inter-American Development Bank to implement a 30-month action plan to reduce the economic gender gap.
- For three consecutive years, the Ministry of Economic Affairs, in collaboration with other federal entities such as the Ministry of Culture, the SHCP and the Ministry of Foreign Affairs, the National Women's Institute, the Inter-American Development Bank, ConnectAmericas, the Mexican Association of Women Heads of Business, the Mexican Federation of LGBT+ Entrepreneurs, and the Mexican chapter of the Organization of Women in International Trade (OWIT), has organized *MujerExportaMx*, a virtual business round table for MSMEs in a position to export, led by Mexican businesswomen, where business opportunities stemming from trade agreements such as the T-MEC, the CPTPP and the Free Trade Agreement between Mexico and the European Union are presented.
- Financial Support Programme for Family Microenterprises (so-called *créditos a la palabra*) providing MXN 25,000 to businesses with up to 10 employees, including women-led businesses. In 2021, a total of 33,854 loans were granted.
- In September 2021, the Ministry of Economic Affairs signed a collaboration agreement with Mastercard with the objective of promoting initiatives that have an impact on the digitalization of payments and on financial inclusion with a gender focus. The agreement will remain in force until 2024.
- The guiding principles of the Ministry of Agriculture's programmes include gender equality and support for the indigenous population and for small-scale producers, among whom the percentage of women beneficiaries has been increasing every year.

## 5.2 Micro, small and medium-sized enterprises in Mexico

5.8. MSMEs play an important role in Mexico's economy. According to the most recent economic census, conducted in 2019, 98.8% of the country's establishments are MSMEs. They employ 67.9% of the workforce and account for 45.3% of the gross value added as measured by the census.

5.9. The 2002 Law on the Development of the Competitiveness of Micro, Small and Medium-Sized Enterprises establishes that the authority in charge of its implementation is the Ministry of Economic Affairs, which, in agreement with the SHCP, defines such enterprises as follows:

**Table 5.1 MSMEs by number of employees**

Size	Sector		
	Industry	Trade	Services
Micro	0-10	0-10	0-10
Small	11-50	11-30	11-50
Medium-sized	51-250	31-100	51-100

5.10. Within the Ministry of Economic Affairs, the Productive Development Unit is in charge of reviewing, proposing, promoting, designing, coordinating and executing public policy to support MSMEs, with a view to reducing inequality between people and regions. Its aim is to revive the Mexican economy and make it more inclusive, diverse and innovative by stimulating strategic economic sectors for domestic and foreign markets.

5.11. The Unit has taken various steps to support and train Mexican MSMEs with a view to their greater and better integration into the digital economy and international markets:

- *Development of business skills.* Free virtual workshops and webinars, which have been viewed live more than 1,500 times and replayed 38,000 times, aimed at developing and strengthening business and digital skills in order to boost the competitiveness of MSMEs.
- *Digital tools.* The *MiPyMEs MX* platform at <https://mipymes.economia.gob.mx> offers tools, valuable content, events and programmes aimed at developing and strengthening the business capabilities and skills of entrepreneurs and MSMEs in order to increase their participation in national and international markets.

5.12. In addition, the Global Economic Intelligence Unit (UIEG) was created under the current administration to design strategies to promote foreign trade and attract FDI. This administrative Unit has also developed free public platforms for SMEs to consult, including:

- *ComerciaMX:* This platform enables Mexican companies to expand their business to international markets. It allows registered companies to interact with potential customers, suppliers, partners and investors from the Americas and other regions of the world.
- *ExportaMx:* Search engine for export opportunities by product or country of interest.
- *DataMéxico:* Tool for integrating, visualizing, distributing and analysing data from Mexico's federal and local governments, in addition to generating economic complexity maps by activity for each sphere of government. Companies can identify optimal activities by region, expand their productive capacities and detect areas for innovation, sectors to increase exports around the world and spaces to diversify foreign investment in the country.

5.13. Moreover, since 2020, as a consequence of the COVID-19 pandemic, the Ministry of Economic Affairs, through the UIEG, has promoted the development and organization of virtual business round tables to promote the foreign trade of Mexican SMEs around the world in collaboration with strategic partners.

5.14. Mexico remains committed to supporting the participation of MSMEs in international trade, improving their capabilities and promoting their economic growth. It also recognizes the importance of creating a regulatory environment conducive to competitiveness and growth.

5.15. Within the WTO framework, Mexico has participated actively in the Informal Working Group on MSMEs since its launch in 2017, supporting and promoting activities and work to enhance the participation of MSMEs in world trade.

## 6 CONCLUSIONS

6.1. This Seventh Trade Policy Review of Mexico is taking place in a complicated economic environment, characterized by an atmosphere of great uncertainty in international markets, with significant challenges to the multilateral order and one of the worst health crises of recent times.

6.2. Despite this, Mexico has reaffirmed its commitment and redoubled its efforts to ensure that the multilateral trading system is solid, functional and responsive to the realities of trade today. Furthermore, Mexico has pursued its policy of integration into international markets through the negotiation of new agreements and the modernization of existing ones.

6.3. In addition, the responsible implementation of measures to address the COVID-19 pandemic made it possible to safeguard public finances and debt while supporting the financial system and the recovery of SMEs through direct support measures.

6.4. Mexico has continued to implement domestic reforms to make its governance more efficient and appropriate to the circumstances required by current realities.

6.5. Although the future challenges facing the multilateral trading system are great, largely because of the uncertainty generated by the current geopolitical situation, Mexico is convinced of the importance of trade as a vital element in the functioning of the international economy. Mexico therefore reiterates its firm commitment to continue working to maintain channels for dialogue that will make it possible to build the consensus needed to keep the Organization at the heart of global governance.

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