

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/5919

27 November 1985

Limited Distribution

Original: Spanish

ACCESSION OF MEXICO

The following communication, dated 26 November 1985, has been received by the Director-General from the Secretary for Trade and Industrial Development of Mexico.

I have the honour to communicate to you the decision by the Mexican Government to request that the formal procedure be initiated for Mexico's accession to the General Agreement on Tariffs and Trade, in accordance with the provisions of Article XXXIII. The Mexican Government hopes to conclude the accession procedure in such a way as to be able to participate with full rights as a contracting party in the new round of multilateral trade negotiations.

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The text of the statement made by Under-Secretary Luis Bravo Aguilera, Head of the Mexican delegation to the forty-first session of the CONTRACTING PARTIES to GATT, is reproduced below at the request of the Mexican representative.

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"I should like to thank the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade for giving our delegation the opportunity to communicate the decision of our Government to apply for accession to that instrument.

The President of the Republic, Mr. Miguel de la Madrid, has instructed the Secretary of Trade of Mexico to initiate the procedures for accession to the General Agreement.

The Chief of the Executive made this decision after having heard the opinion of the producing sectors: entrepreneurs, workers, farmers.

This is not a decision that has been taken lightly; it has been analysed in depth on the basis of the present Administration's domestic policy in regard to foreign trade.

Since the beginning of his term of office, President de la Madrid underlined the need for structural change in the Mexican economy. The growth model based on import substitution has been exhausted, so that what is needed now is that our exports of non-petroleum products generate the necessary foreign exchange for economic growth, and likewise for us to be able to meet our international commitments. For growth we have to import, and to pay for imports we have to export.

My country considers that this is the time to accede to the General Agreement. In view of its importance in international trade, Mexico must participate in taking the decisions that regulate that trade and make use of the advantages that the General Agreement affords for settling disputes and, through the trade policy that is being applied, allow orderly access to its market of products from abroad.

I should like to read to you the text of the communication which the President of the Republic has addressed to my country's Secretary of Trade and Industrial Development, instructing him to initiate Mexico's negotiation process:

"Mr. Héctor Hernández Cervantes
Secretary of Trade and Industrial Development
(by hand)

One of the structural problems of the Mexican economy which has shaped the difficult situation we have been going through in recent years has been the weakening of our economic relations with other countries. Deficits in our trade balance, caused by more rapid growth of imports than of exports

of goods and services, led the country to incur a high level of external indebtedness in order to secure balance-of-payments equilibrium. This trend was facilitated by the more favourable conditions prevailing in the international petroleum market from 1979 to 1981.

When conditions of demand and the price of petroleum again became negative, access was restricted and external financing costs increased, Mexico encountered a severe balance-of-payments crisis throughout 1982. Thereafter, our external trade became increasingly dependent on petroleum exports and consequently hazardous.

One of the structural changes that I have proposed to the nation since my statement on taking office on 1 December 1982 is to insert the Mexican economy into the world trade on efficient and competitive terms; that has been stated explicitly in the National Development Plan and in the National Programme for Industrial Development and Foreign Trade. For this it is essential, among other policy instruments, to rationalize industrial protection in order to make our economy more efficient and competitive.

Accordingly, this administration has been replacing the prior permit by the tariff as the instrument for regulating imports, considering that in this way the level of effective protection becomes more transparent and distortions that quantitative restrictions had been causing in our economic structure can be avoided. By preventing a reasonable degree of competition, the excessive level of protection that we had incurred had encouraged excessive costs for our industry, generating inflationary pressures in the economic system and impairing Mexico's competitive capacity in international trade.

Mexico needs to participate actively in international economic negotiations in its various but inter-connected elements: financial, monetary and trade matters. We cannot isolate ourselves from an increasingly interdependent world.

The Federal Executive has carefully studied the various courses that we must take to promote our non-petroleum exports. We have concluded co-operation agreements and conventions with a number of countries with a view to achieving broader opening of markets for our exports. At the same time a set of programmes and measures has been implemented to that end.

The Government has closely followed the various dialogues at international level designed to promote world trade. At the present time, a round of multilateral negotiations is being organized to that end, and the great majority of countries with which Mexico has trade relations will be participating in it.

Such is the context in which we have to situate the question of Mexico's accession to the General Agreement on Tariffs and Trade.

The Senate of the Republic has made a broad and in-depth examination regarding accession of Mexico to the General Agreement on Tariffs and Trade. As you know, that procedure ended on 15 November last with a report by that House to the effect that, if deemed appropriate by the Executive for which I have responsibility, negotiations should be initiated to that end.

The conclusions resulting from that examination were to the effect that there are no impediments of an economic, political, legal or social character to such action. The report expressed the points of view and formal opinions of the labour sector, professional and academic associations, entrepreneurial bodies and many entities from the social sector.

In order to be in a position to take the corresponding decision, I have heard the members of the Foreign Trade Cabinet, who have unanimously expressed themselves in favour of Mexico's accession to the aforementioned institution.

Accordingly, and after having weighed the various arguments and opinions expressed on the matter, I have concluded that there are well-founded reasons why it is in the national interest to initiate procedures for Mexico's accession to the General Agreement on Tariffs and Trade.

There are four basic reasons why Mexico should participate as a contracting party to the General Agreement.

In the first place, one of the fundamental objectives of the National Development Plan is the promotion of non-petroleum exports, through the application of industrial reconversion policies and rationalization of protection, so as to allow adequate use of resources and efficient linkage with the external sector. Within the context of the Plan, international trade negotiations are seen as one of the instruments for attaining that objective since they can afford better access for our products to international markets.

The General Agreement on Tariffs and Trade is the principal multilateral instrument for negotiations on international trade. Being a forum for analysing and discussing world trade trends and for examining any such trends that distort trade flows, it can offer to Mexico a more reliable framework for our country's export effort. Similarly, since Mexico is a developing country, the negotiation and exchange of concessions within a multilateral framework can allow broader access for Mexico's products to markets of destination, consistently with the commercial policy that we have established.

In the second place, the General Agreement lays down a set of provisions affording protection to the industrial and trade interests of the nations which are parties to it. Among those provisions, one may

underline those concerning safeguards and unfavourable balance-of-payments situations. In addition to the protection afforded by the tariff, the safeguard provisions allow import restrictions to be applied when an industry is being affected by excessive imports. The General Agreement also provides that if one of its members encounters a critical balance-of-payments situation, it can apply similar measures to remedy that situation.

In this way, the General Agreement on Tariffs and Trade offers Mexico not only the possibility of better access for its exports, as mentioned above, but also the necessary provisions to protect the production structure and employment.

The third consideration concerns the dispute settlement mechanism established by the General Agreement, which broadens the opportunities of defence of its members in the solution of bilateral trade disputes, while protecting trade from unilateral measures. In this context it offers to Mexico an additional instrument for peaceful solution of disputes and defence of our trade interests.

In the fourth place, one should underline the undeniable fact that the economy, and in particular international trade, are experiencing a situation of adjustments and restructuring, on the basis of multilateral and bilateral negotiations.

Hence the importance for Mexico to have, for its own industrial reconversion process, the possibility of participating actively in that forum; what is more, our country will be able to contribute in this area to the formulation of rules beneficial to the developing countries. Accordingly, Mexico will be able to participate fully in multilateral negotiation mechanisms and not be limited to the useful but limited field of bilateral negotiation.

Having regard to the foregoing, and in pursuance of Article 89, Section X and Article 131, paragraph 2 of the Constitution of the United Mexican States, I have decided to empower you, as Secretary of Trade and Industrial Development, to carry out international negotiations for Mexico's accession to the General Agreement on Tariffs and Trade and to co-ordinate the relevant actions by the various departments of the Executive.

During the negotiating process, you are to ensure that the following guidelines and criteria are complied with:

- The Protocol of Accession is to be fully consistent with the provisions of the Constitution of the United Mexican States and all other legislation safeguarding the existence and exercise of national sovereignty: similarly, it must be consistent with the provisions of the National Development Plan and the sectoral and regional programmes

thereof, especially the chapters concerning industrial development and foreign trade so that, having regard to the purview of the Agreement to which it is our intention to accede, the modalities and orientation of our development policy are guaranteed in the relevant Protocol.

- The negotiations must take as a reference framework the Protocol negotiated by Mexico and adopted by the CONTRACTING PARTIES in 1979. The trade policy which we have been applying in recent years facilitates the accession process. In addition, full account will have to be taken of the provisions set forth in the Law establishing implementing provisions for Article 131 of the Constitution in regard to defence against unfair practices in foreign trade, the subject of an initiative submitted by me to the Congress of the Union.
- The accession procedure must recognize the status of Mexico as a developing country, and must likewise recognize as fully applicable the provisions affording differential and more favourable treatment for such countries.
- During the negotiations, full respect must be ensured for our sovereignty in regard to natural resources, in particular energy resources. Likewise, account must be taken of the relevant provisions regarding government procurement.
- In the negotiations, there is to be recognition of the priority character of Mexico's agricultural sector, since this constitutes a fundamental pillar for the country's economic and social development.
- Within the general framework of the negotiations, care is to be given to maintaining the necessary flexibility for the use of foreign trade controls, in the context of the present policy of gradually replacing the prior permit by the tariff. Products that cannot be considered in the negotiations are those which affect national security or public health, and agricultural products that are sensitive for the national economy.

Accordingly, you are hereby instructed to communicate to the Director-General of the General Agreement on Tariffs and Trade the Mexican Government's decision to request that the formal procedure be initiated for our country's accession to that Agreement, in such a way that Mexico may participate with full rights as a contracting party in the new round of multilateral trade negotiations.

Furthermore, you are to make the necessary recommendations to me for encouraging the industrial reconversion of sectors that so require, as well as for support measures intended for small and medium-sized industries, with a view both to maintaining their growth in the domestic market and to promoting those industries in foreign markets.

In accordance with the policy of the Executive for which I have the responsibility of keeping dialogue and concertation open, you are to make arrangements to ensure that the representatives of the Congress of the Union are kept duly informed of Mexico's accession procedure, and have appropriate opportunity for participation. Likewise, you are to maintain dialogue and make arrangements for consultation with the public, private and social sectors throughout this procedure.

In the course of the accession procedure you are to report to me regularly on progress, and to present a detailed report to me when the procedure is concluded.

Miguel de la Madrid H."

In pursuance of the instructions I have just read to you, Mr. Héctor Hernández, Secretary of Trade and Industrial Development, yesterday sent the following message to Mr. Dunkel, Director-General of the General Agreement:

"I have the honour to communicate to you the decision by the Mexican Government to request that the formal procedure be initiated for Mexico's accession to the General Agreement on Tariffs and Trade, in accordance with the provisions of Article XXXIII."

"The Mexican Government hopes to conclude the accession procedure in such a way as to be able to participate with full rights as a contracting party in the new round of multilateral trade negotiations."

It is essential that by virtue of Mexico being recognized as a developing country, it should be granted the special and more favourable treatment that the General Agreement affords for countries having that status. This will allow my country to grow in order to solve its economic and social problems, and thus overcome the crisis it is currently facing. We are convinced that in order to emerge from that crisis the main effort must be internal; but it also requires international backing, and in that context the opening of trade is a relevant factor. It is not possible that developing countries should be asked to open their economy while industrialized countries are applying measures in breach of the basic principles of the General Agreement in order to restrict access to their markets.

Mexico's resolve to participate in the General Agreement on Tariffs and Trade is aimed at contributing to expand the flows of international trade and improve the rules that regulate its operation. Hence our desire to participate, from the outset, with full rights in the preparation of the new round of international negotiations that is approaching. In this spirit Mexico has presented its application for accession to the General Agreement, and in this same spirit it will continue to act if, as we feel sure, the CONTRACTING PARTIES accept its participation."