

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

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MINUTES OF MEETING

Chairman: Mr. A. Szepesi (Hungary)

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I. INTRODUCTORY REMARKS BY THE CHAIRMAN OF THE COUNCIL

1. The Chairman, introducing the review of Mexico's trade policies and practices, welcomed the Mexican team of representatives from the capital and from the mission in Geneva. He recalled the objectives of the Trade Policy Review Mechanism, as decided by the CONTRACTING PARTIES on 12 April 1989 (BISD, 36S/403). The Council was to base its work on two reports, one submitted by the Government of Mexico (contained in documents C/RM/G/35 and Corr.1) and the other by the GATT Secretariat (contained in documents C/RM/S/35 and Corr.1).

2. In line with the Decision establishing the Trade Policy Review Mechanism, the Secretariat had sought clarification from Mexico on its trade policies and practices, as far as factual information in the six factual chapters of the Secretariat report was concerned.

3. Australia, Canada, Hong Kong, Japan and the United States had given advance notice in writing of points they wished to raise during the meeting. These points were conveyed to the Mexican delegation in Geneva.

4. Addressing the procedures for the Council's work, he urged delegations to communicate minor, technical points or corrections to the Secretariat after the meeting, so that the discussion could focus on major issues. Following the presentation by Mexico and comments by discussants, Council members could give their views, raise questions and make their appreciations with respect to main aspects of Mexico's trade policies and instruments as well as of its broader economic policies deemed to have an impact on external trade. He asked each speaker to make one statement and try to avoid repetition of points made by others as far as possible.

5. The Chairman thanked the two discussants, Ambassador Mrs. Lilia Bautista and Mr. Pierre Gosselin, who agreed to assist the Council. He emphasized that the discussants would speak in their personal capacities and not as representatives of their countries. He invited the representative of Mexico to give his opening statement, followed by the two discussants.

II. OPENING STATEMENT BY THE REPRESENTATIVE OF MEXICO

6. There could be no better opportunity than this for presenting to the international community the successful economic policy changes carried out by the Mexican Government in recent years.

7. The changes in Mexico have been profound, and the opening of trade is one of the most important variables in our economic policy. This process has been accompanied by wide-ranging macro- and microeconomic reforms. The central objective of these policies is to build a stable and competitive economy capable of generating more, and better, jobs for Mexicans.

8. I wish to pay a special tribute to the GATT Secretariat for their professional, dedicated and thorough work.

9. I shall now give a brief outline of the document prepared by my Government.

A. Macroeconomic context

10. At the outset of the 1980s, Mexico faced a profound economic crisis and therefore had to redefine its economic development strategy in order to stabilize the economy and achieve economic competitiveness. The country's new economic policy is characterized by the transformation of a highly regulated and protected economy into one that is geared towards external competition and the free play of market forces.

11. The stabilization and structural-change policies have allowed Mexico to achieve growth rates that are higher than the population growth rate, despite the generalized world economic slowdown: average annual GDP growth over the last four year was 3.5 per cent. Inflation has been curbed, down from 159.2 per cent in 1987 to 11.9 per cent in 1992, the lowest rate in the last 20 years.

Strengthening of public finances

12. One of the fundamental reasons for the success of the stabilization programme in Mexico is that we have maintained strict fiscal discipline.

13. This fiscal discipline enabled the public sector to swing from a deficit of 16.9 per cent of GDP in 1982 to a financial surplus in 1992 amounting to 0.6 per cent of GDP. If non-recurring revenue from the privatization of public enterprises in 1992 is included, the financial surplus was 3.5 per cent of the product.

14. In recent years, the gradual elimination of indirect supports to various sectors of the economy by the adjustment of official prices that were lagging behind inflation made a significant contribution to the improvement of public finances. The number of Government-controlled prices was reduced and timetables were drawn up for the adjustment of prices of goods and services still under Government control.

15. With regard to tax revenue, the Government has successfully designed and administered an efficient tax system. Modernization of the system has made it possible to expand the tax base, reduce marginal rates and ensure compliance with tax obligations, with steadily greater success.

Restructuring of external debt

16. The net transfer of resources abroad in the period 1982-1988 amounted to an annual average of 5.4 per cent of GDP, as a result of the excessive burden of the country's external debt service and a serious deterioration in the terms of trade. This flow of resources abroad represented the biggest obstacle to economic growth, as it prevented domestic savings from being channelled to consumption and investment.

17. The renegotiation of the external debt solved a fundamental part of the fiscal problem and reversed the net transfer of resources abroad. This not only provided the Government with the resources to finance economic growth but also restored the country's access to international capital markets.

Divestiture of public enterprises

18. The Mexican Government has reviewed its priorities in the allocation of public resources and redefined the State's rôle in the economy. Investment requirements to maintain the international competitiveness of public enterprises, together with the need to strengthen public finances, led to a far-reaching process of divestiture of these enterprises.

19. The divestiture process has considerably reduced the number of State enterprises, and strengthened those which fulfil constitutional provisions for certain strategic sectors for national development. The principal enterprises privatized during this period were in the following sectors: airlines, sugar mills, mining and fisheries, telecommunications, iron and steel, fertilizers and commercial banks.

20. Owing to the non-recurring nature of the revenue obtained from the sale of privatized enterprises, this income has not been used to cover current expenses but has been devoted to reducing the total internal debt. The savings made by reducing internal debt and its service enabled the State to devote increasing resources to programmes relating to production infrastructure, education, health, environmental conservation and, in general, social welfare through the Solidarity Programme.

Economic consistency and concerted social action

21. In addition to fiscal discipline, the success of Mexico's economic stabilization policy is based on the concerted conciliation of the wishes and interests of the various social sectors within what we in Mexico have called the Pact.

22. The Economic Solidarity Pact, begun in 1987 and renewed and updated at various stages, has minimized sectoral friction and thus made it possible to curb inflation without sacrificing economic growth.

B. Trade policy

Trade policy objectives

23. From 1940 to the early 1980s, Mexico like most Latin American countries, pursued an import substitution model, by protecting domestic industry with tariff and non-tariff measures and through the use of subsidies and, in general, extensive public-sector participation in the economy.

24. This strategy was successful for a long time, providing high growth rates and allowing the creation of a sizable industrial base, as well as skilled manpower and an entrepreneurial stratum that furnished the foundations for future development. Nevertheless, the inward-looking economic strategy ultimately created severe structural problems that became clear in the 1970s and finally led to a serious financial crisis at the beginning of the 1980s.

25. The consequences of this development model were, among other things, a lag in the country's competitiveness, a decoupling of industry and foreign trade, and an anti-export tendency.

26. With the aim of reversing these effects, as from 1983 Mexico set in place a programme of opening trade. The central goal has been the shaping of an efficient and competitive production system that will enable Mexican goods to obtain a better share of international markets and thus generate more jobs and better wages.

Evolution of the trade balance

27. As a natural consequence of Mexico's current stage of development, we have had a trade deficit since 1989, which has been financed by large capital inflows.

28. This deficit reflects a rise in imports, which has enabled domestic industry to improve and expand production capacity and raise exports. The large amounts of capital that have flowed into the country in recent years have financed the trade deficit resulting primarily from imports of intermediate and capital goods. These imports represented 85 per cent of total imports in 1992. They have been partly responsible for vigorous growth of exports of manufactures and of sales of the maquiladora (in-bond) sector, which grew at a faster pace than the national economy.

29. The composition of Mexican exports has altered substantially over the last ten years. In 1982 non-oil exports represented only 22 per cent of total foreign sales, whereas in 1992 they amounted to 70 per cent of total exports (US\$19.2 billion), a figure which does not include maquiladora-sector exports. This strong growth has kept up in recent years and is fundamentally due to the expansion of manufacturing exports.

30. Between 1989 and 1992 Mexican exports maintained an annual average growth rate of 9.7 per cent. Manufactures stand out with an average share of 55 per cent of the total during this period. The export strength of petrochemicals, metal products, machinery and equipment (primarily cars and buses), wood products, plastics, rubber products, televisions, refrigerators and stoves is particularly striking.

31. Owing to buoyant economic activity and the modernization of industrial plant, imports grew at an annual average rate of 23 per cent during the period 1989-1992. The value of total imports of goods, excluding the in-bond sector, amounted to US\$48.1 billion in 1992.

Implementation of trade policies

(i) Tariffs

32. In mid-1985, foreign trade liberalization accelerated and import permits were replaced by tariffs for 4,408 items. The use of tariffs as the principal tool of trade policy was confirmed. This measure

substantially reduced the value of imports subject to quantitative restrictions, from 83.4 to 35.1 per cent, bringing the weighted tariff average to 13.3 per cent during that year.

33. The tariff structure is now much more homogeneous. The weighted tariff average for imports of goods is 11.1 per cent, and economically speaking this is the relevant figure, rather than the simple average of 13.1 per cent mentioned in the GATT Secretariat's summary.

(ii) Quantitative restrictions

34. Until 1982, Mexico's import régime included, inter alia, a complicated system of quantitative restrictions and import licensing covering all products.

35. At present, quantitative restrictions have been replaced by tariffs for almost the entire Import Tariff.

36. As regards the allocation and distribution of permits, progress has been made in establishing a transparent regulatory framework. The Government of Mexico has laid down general criteria for allocating import permits based on clear rules and procedures, thus avoiding arbitrariness in decision-making. Procedures have also been further automated, enabling the authorities to give a reply to applications to import products subject to licensing within a maximum period of four days.

(iii) Customs administration and valuation

37. Customs operations are one of the areas where change has been greatest under the economic modernization process. Over the last five years, the major changes have been focused on establishing an effective and modern regulatory framework and customs procedures that will facilitate foreign trade.

(iv) Standards and other technical regulations

38. The Mexican Government carries out metrology, standardization, testing and certification activities in the country. In previous years, these activities were marked by a high degree of centralization and discretion, little private sector participation in drawing up and implementing standards, and a lack of resources for the modernization of the standardization, testing and certification process.

39. In 1992 the Congress adopted a new Federal Law on Metrology and Standardization which ensures that the process is fully transparent and modern. All provisions relating to standardization, including sanitary and phytosanitary regulations, are now published in the Official Journal, thus ensuring transparency for exporters and importers.

(v) Anti-dumping and countervailing measures

40. As of January 1993, the Mexican Government had initiated a review of eighty-three anti-dumping cases. Currently, eighteen cases are pending final determination.

41. According to trade flow data for 1991, existing anti-dumping duties affected less than 0.5 per cent of the value of that year's imports. On current figures, only 27 per cent of the 83 anti-dumping investigations have a trade-restrictive effect. In the remaining cases no anti-dumping duties are applied, or if they are, only to certain exporters. Only two subsidy investigations have been initiated in Mexico, these being against Venezuela and Malaysia.

42. Since 1991, the Government of Mexico has been conducting investigations of exporters abroad. The Ministry of Trade and Industrial Promotion consults in advance with the accountants of the company to be investigated and forwards a detailed work schedule two or three weeks ahead of the visit. This procedure contributes to the seriousness and professionalism of the system.

43. The Federal Government will submit to the Congress an initiative to establish a specific judicial instance (trade courts) for the expeditious resolution of problems arising in foreign trade, particularly those relating to unfair trade practices.

International trade agreements

44. The negotiation and signing of international trade agreements to gain access to external markets is a fundamental part of Mexico's economic policy.

(i) GATT

45. Mindful of the need to ensure a multilateral trading framework establishing principles, rules and bodies that are fully accepted and respected by all nations, the Mexican Government decided to begin its process of accession to GATT in 1985. Mexico's accession to the General Agreement was ratified by the Senate in September 1986 and came into force in November of that year.

46. On the basis of the guiding principles of the GATT and its Protocol of Accession, Mexico entered into a series of commitments towards its trading partners, which it has thoroughly fulfilled:

- (a) binding of the entire General Import Tariff at a rate of 50 per cent ad valorem, with the exception of 577 items of the present tariff classification, for which tariffs were bound at less than 50 per cent;
- (b) total elimination of the official prices used as the tax base for calculating import taxes;
- (c) action to remove prior import licensing to the extent possible;
- (d) adoption of the Harmonized System for the tariff classification of goods; and
- (e) accession by Mexico to four of the Tokyo Round Codes (Anti-dumping, Customs Valuation, Import Licensing and Technical Barriers to Trade).

47. Mexico attaches crucial importance to the strengthening of GATT and the success of the Uruguay Round of multilateral trade negotiations. The success of the Round is vital to boost world trade in goods and services, facilitate capital flows and technology transfer, and reverse the new protectionist tendencies.

(ii) Latin America

LAIA

48. The Treaty of Montevideo was signed in 1980 by eleven countries (Argentina, Bolivia, Brazil, Colombia, Chile, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela), thus establishing the Latin American Integration Association (LAIA). The Treaty establishes a system of preferences

consisting of regional mechanisms: the Regional Tariff Preference, Trade Recovery and Expansion Programme and Market Opening Lists.

49. Mexico has signed bilateral partial-scope agreements with each of the LAIA countries, and has concluded eighteen sectoral agreements. Despite Mexico's broad participation in the LAIA preference arrangements, over the last ten years the LAIA countries' share of Mexican trade was about 3.7 per cent annually.

50. In order to speed up Latin American economic integration, Mexico proposed in the LAIA a strategy for strengthening the Association and overcoming the limitations of earlier agreements.

51. In the framework of LAIA and with the firm purpose of stepping up economic and trade relations with Latin America, Mexico signed a free trade treaty with Chile, officially entitled the Economic Complementarity Agreement between Mexico and Chile, which entered into force on 1 January 1992.

Other agreements

52. In August 1992, Mexico and the five Central American Republics (Guatemala, El Salvador, Honduras, Costa Rica and Nicaragua) signed a framework agreement for trade co-operation. The agreement contains the basic principles that bilateral treaties signed with countries of the region should include.

53. In the LAIA framework, and with a view to strengthening trade and capital flows with Latin America, during 1993 the Government of Mexico is negotiating with Colombia and Venezuela to establish a free-trade area. Negotiations are also progressing very positively with Bolivia with a view to a free-trade agreement.

(iii) North America

54. On 17 December 1992, the Presidents of Mexico and the United States and the Prime Minister of Canada signed the North American Free Trade Agreement. In so doing, they brought to a close the trade negotiations between the Governments of the three countries, after two and a half years of talks and negotiations. This process has produced an agreement that is consistent with the GATT rules and respects the Mexican Constitution. It is now up to the legislative bodies of each country to examine the Agreement and, as the case may be, approve it. The three countries have set the objective that the Agreement should enter into force on 1 January 1994.

55. The scope of the Agreement goes beyond the elimination of tariff and non-tariff barriers. It also includes provisions relating to intellectual property, investment flows, trade and services, including financial services, government procurement and dispute settlement machinery.

56. This Agreement is undoubtedly a major instrument for promoting growth, jobs and better wages in Mexico. Nevertheless, it is only one instrument within a wide programme of changes in economic and social policy undertaken by the Government of Mexico. We are therefore surprised by the stress laid in the GATT Secretariat's Report on describing the Agreement. In particular, we consider the concentration on the commentary of the Agreement to be unfortunate, since it is a forward-looking project (to enter into force on 1 January 1994), in a study that should focus on the process through which the Mexican economy has moved in recent years. Furthermore, the exercise in which we are

engaged today should not be confused with the one that will have to be carried out in good time, and with the necessary thoroughness, by the working group to be set up to examine the Agreement.

(iv) Europe

57. In view of the increasing significance for Mexico of the Community market, second in order of importance for Mexican products, in May 1991 the two parties signed a framework agreement to govern economic relations between them. This agreement includes co-operation measures in trade, investment, technology transfer, intellectual property, quality rules and standards, agro-industry, pig-farming and fisheries, energy planning, environmental conservation and services. Mexico is working actively with the European Community to deepen trade relations effectively and lay broader foundations for the promotion of trade and investment.

(v) Eastern Pacific Basin

58. At present, the Eastern Pacific Basin is the third largest market for Mexican products. Mexico's total trade with this region exceeds US\$3 billion. It is also an important source of foreign investment for Mexico.

59. In view of the increasing importance of the Pacific Basin for Mexico's economy, and in order to strengthen the Mexican presence in the region, negotiations with the countries of the area have been stepped up in recent years. In 1989 Mexico joined the Pacific Basin Economic Council (PBECC) and in 1991 formally joined the Pacific Economic Cooperation Council (PECC). Mexican membership of the Asia-Pacific Economic Cooperation Mechanism (APEC) is at an advanced stage of negotiation.

(vi) Other multilateral agreements

60. Lastly, the Government of Mexico has stepped up its link with the Organization for Economic Cooperation and Development (OECD). Mexico is an official member of the OECD Steel Trade Committee and participates as an observer in various other Committees.

C. Other measures related to foreign trade

61. The Government has implemented a number of micro-economic policies to reduce costs and improve supply. These measures supplement the progress achieved in the management of the country's macroeconomic policy.

Economic deregulation

62. The reform of the regulatory framework for economic activities is one of the key elements of the change launched in Mexico in the mid-1980s. The process of deregulation has enabled enterprises to operate more efficiently and competitively.

63. The elimination of obsolete regulations has opened new markets and encouraged investment. The legal framework has also been strengthened in order to channel competition suitably. In December 1992, the Congress adopted a new regulatory framework for economic competition in order to foster economic efficiency and fairness. This new legislation will punish anti-competitive practices.

64. In December 1992 a new Federal Law on Consumer Protection was also adopted. The Law is designed to improve consumer information and protection mechanisms as well as reducing direct State control over economic activity.

Liberalization of foreign investment

65. The changes made in the regulatory framework for foreign investment in 1989, macroeconomic stability, economic deregulation measures and the upturn in the Mexican economy, have significantly increased inflows of foreign investment. As a result, investment recorded average real growth rates of 12 per cent between 1989 and 1991.

66. The new regulatory framework provides greater legal security for investors and opens up new sectors of the economy that were previously partially or entirely reserved for Mexicans. As a result of these reforms, foreign investors may now set up enterprises with foreign majority shareholders in many economic sectors, which represent 66 per cent of GDP.

Industrial policy

67. Industrial policy is designed to remove obstacles to competitiveness, expand the production base, encourage investment and promote new technologies.

68. In order to eliminate unnecessary administrative and regulatory obstacles to production, the Federal Government is encouraging co-operation agreements with industries that have demonstrated substantial production potential.

69. The Government and the production sectors assumes specific commitments on human resource development and the integration of production lines. These programmes are primarily promotional, and seek to avoid distortions or anti-export bias while bringing down costs, eliminating inconsistencies and boosting competitiveness.

Agricultural sector

70. In this oral presentation I shall refer specifically only to this sector, owing to its importance and sensitiveness. Other sectors are dealt with in our document.

71. Agricultural policy has sought to reduce the use of the more distorting forms of rural aids, such as subsidies to production and inputs or guaranteed prices, while as a general rule replacing them with more neutral systems of direct payments to farmers. In 1989, subsidies represented 1.4 per cent of GDP, while in 1991 they had declined to a mere 0.6 per cent.

72. Lastly, without prejudice to the rights that Mexico negotiated in the course of acceding to GATT, which are included in its Protocol of Accession, and in order to help liberalize agricultural markets, over the last seven years prior import licensing requirements have been eased for groups of specific products and replaced by tariffs. Agriculture has been multilaterally recognized, in its Protocol of Accession, as a sensitive sector for Mexico. Hence, the reference in the GATT Secretariat's Report (footnote 18, page 135) which refers to the sensitive issue of tariffication is wholly inappropriate. This is exclusively a matter for negotiation among countries in the Uruguay Round.

D. Problems in external markets

73. Mexico's substantial trade opening in recent years has taken place in an international environment that is still marked by protectionist trends. While Mexico has become one of the world's most open economies, its exports are still facing problems of access to the markets of its trading partners. These problems include the unjustified imposition of anti-dumping and countervailing measures, and the use of sanitary and phytosanitary measures that are not always based on scientific considerations. Mexico hopes that the rapid and successful conclusion of the Uruguay Round will significantly lessen these problems.

III. STATEMENT BY THE FIRST DISCUSSANT

74. The first discussant (Mr. Gosselin) commented on the main policy changes that contributed to Mexico's remarkable economic achievements in terms of stabilization and resumption of growth. The crisis of the early 1980s had precipitated major shifts in economic and trade policy orientation in Mexico. Major initiatives were grouped into three groups: market opening, fiscal and monetary reform, and privatization and regulatory reforms.

75. In the area of market opening, Mexico had abandoned its import substitution philosophy and opened its market to foreign competition. This exerted downward pressure on prices, forced international adjustment, assisted in a better allocation of resources and transformed Mexico into a more efficient and competitive economy. In 1987, it acceded to the GATT, eliminated most of its quantitative restrictions and non-tariff barriers, and rationalized tariffs. Mexico also negotiated a series of bilateral and plurilateral agreements with major trading partners, including from the Latin American Integration Association, Central American neighbours, and a free trade agreement with Chile. The NAFTA was a broad ranging free trade agreement with Canada and the United States that included a number of areas not traditionally covered, such as investment, cross-border trade in services, telecommunications, financial services, competition policy, monopolies and state enterprises, and intellectual property.

76. With respect to fiscal and monetary policy, he noted that the second major element of the recovery programme was a drastic reduction in inflation through the cut in public expenditure and reduction in public deficit. Mexico also unified its exchange rate and controlled its money supply. Another factor in Mexico's strategy to control inflation was the system of Pacts linking the Government, labour and employer organizations.

77. The third major element of the reform programme was privatization and deregulation. Mexico undertook an aggressive programme of privatization, and reformed the land tenure system. The main sector where privatization was limited was petroleum, although the secondary processing sector was partially liberalized. Divestiture of public enterprises resulted in efficiency gains to the economy and financial gains for the State which were used to reduce government debt. Regulations governing foreign direct investment were also liberalized, eliminating unnecessary barriers. However, existing rules still attached considerable conditions to foreign investment and continued to restrict access to certain defined sectors. As complement to its trade liberalization, Mexico had undertaken a broad reform of the regulatory régime of its economy. Major initiatives included a new law on standardization and anti-trust legislation.

78. The results achieved so far in controlling inflation, restoring investors confidence, and increasing growth and per capita income were impressive. Mexico also succeeded in diversifying its export mix away from a heavy dependence on oil. The challenge for Mexico was to consolidate and build on these gains.

79. Concerning Mexico's trade policy objectives, he referred to the following aspects: the continued protection of certain sectors or industries through tariff escalation, foreign investment controls, and remaining non-tariff barriers; the continued existence of monopolies and State corporations; the way under which changes in regulatory policies could lead to corresponding cultural changes among regulators, thus insuring an effective implementation of policy; and how gains achieved in the last decade could be consolidated and protected against reversals.

IV. STATEMENT BY THE SECOND DISCUSSANT

80. The second discussant (Amb. Bautista) congratulated Mexico for its success resulting from the macroeconomic reforms and trade liberalization started in 1982. She highlighted the rôle of the Pacts in the reform process. They moderated wage adjustments, ensured industrial peace, and permitted a unified approach to policy formulation, as well as helped in fostering expectations for lower inflation. These elements were key factors in ensuring economic stability in Mexico.

81. Trade liberalization, privatization and deregulation had transformed Mexico from an inward-looking to an open economy. She appreciated the fact that Mexico was spreading the fruits of success to the people by implementing social measures, such as better health care and education. Through this, the gaps in income distribution could be narrowed.

82. She sought clarification concerning Mexico's intentions on economic policy, further reforms and trade liberalization. In this respect she asked how Mexico aimed to manage inflation and sustain the relative stability in the exchange rate and the interest rate, in the light of a burgeoning current account deficit. She noted that Mexico had bound its entire tariff upon accession to the GATT, and asked about any plans concerning the existing gap between applied and bound rates. She also sought further clarification on Mexico's policy on tariff escalation and remaining items under import licensing.

83. On the agricultural sector, she noted that the 1992 amendments to the "ejido" system could promote the full exploitation of Mexican capability. In this respect, she asked whether Mexico had any plans to rationalize the structure of protection afforded to the agricultural sector. With respect to variable levies, which were applied only on sugar, she asked if Mexico would eventually phase it out, taking into account that the domestic reference price for sugar was significantly higher than prices from both subsidizing and non-subsidizing exporting countries.

84. Turning to institutional aspects of Mexico's reforms and liberalization, she asked what measures were being taken to ensure that liberalization was firmly institutionalized, and if Mexico's commitment not to use anti-dumping and countervailing duties as a disguised form of protection could be translated into clear and definite procedures. She also asked whether further steps were being considered concerning deregulation and privatization of sensitive sectors, such as petroleum, and changes in the responsibilities of the State trading entity CONASUPO. She sought further comments about the foreseeable evolution in the Pacts and in the maquiladoras, in the light of significant liberalization of the last few years and the prospects of freer trade with Mexico's North American neighbours.

85. She raised questions concerning Mexico's views on how it could harmonize the reforms it had taken autonomously, its commitment under NAFTA, and its commitments in the multilateral trading system. In this context, she expressed some concerns that NAFTA could further expose Mexico to cyclical swings in the U.S. economy and thereby pose complications to its own efforts of reform and liberalization, and that public finances could suffer from the expected drop in tariff revenues when NAFTA would be fully implemented.

86. Finally, she noted that NAFTA would encourage bigger changes in the economic and trade policies of Mexico, and asked if this would proceed in inverse proportion to the time, effort and resources Mexico would devote to promoting the multilateral trading system.

V. STATEMENTS BY MEMBERS OF THE COUNCIL

87. The representative of the European Communities said that Mexico's remarkable economic results over the last five years demonstrated that liberalization of foreign trade and investment régimes could be mutually supported by implementation of macroeconomic adjustment programmes. Mexico's integration into the multilateral trading system had been facilitated by social consensus. The European Communities welcomed the impressive results achieved by Mexico in almost all economic areas, including the considerable reform of the economy through privatization, deregulation, divestiture of public entities, the switch from an inward-looking industrial policy to an outward-oriented economy driven by the private sector, and export diversification. Improved confidence in the economy was reflected by a continuous increase in domestic and foreign investment.

88. As a result of the major reforms in foreign trade and investment policies implemented by Mexico since 1986, the structure of protection became more transparent and stable and the export régime was also rationalized. However, areas of concern for the European Communities included technical barriers to trade. He noted that Mexico maintained an import prohibition on bovine meat and certain dairy products from France, Ireland and the United Kingdom, due to sanitary reasons, despite the preventive measures undertaken by the Community. The European Communities disapproved Mexico's procedures for inspection. He also referred to certain excessively strict norms and standards applied by Mexico on electric apparatus, tyres and wool clothing.

89. Other areas of concern included: an import tariff increase on live animals and bovine meat; remaining quantitative restrictions on agricultural products, petroleum, pharmaceutical, and the motor vehicle and electronics sectors; certain elements of Mexico's investment rules in specific sectors, such as energy, mines, fishery, telecommunications and land holdings; and control in foreign participation in financial services. The European Communities were disappointed by Mexico's timid position with respect to the adoption of the first Tuna Panel.

90. Concerning NAFTA, he noted that the European Communities supported all regional trade arrangements to the extent they had a positive effect on the multilateral trading system, and generated trade with third-countries as well. He raised questions on four areas of concern about NAFTA, including a high level of preference margins, exemptions and quotas on certain specific sectors, possible discrimination against Community companies, and the risk of a more restrictive trade system.

91. He recalled that the European Communities had benefited from the opening and growth of the Mexican economy, and hoped that the increasing dynamism generated by NAFTA in the Mexican economy would permit a further increase in bilateral trade. In order not to disrupt the flow of foreign investment, it was essential that the Agreement, as well as the accompanied protocols currently under negotiation, be ratified soon.

92. The representative of Canada noted that his comments and questions were supplementary to written comments passed on earlier to the Mexican delegation. He congratulated Mexico for its remarkable reform efforts undertaken, particularly since 1988. Important measures undertaken by Mexico included the strengthening of public finances, deregulation, privatization, stable fiscal and monetary régimes, and liberalization of its foreign investment régime. As a result of these reforms, Mexico was now much more closely integrated in the world economy. Canada supported Mexico's entry into key multilateral economic organizations such as the OECD and APEC, and believed that Mexico was prepared to play a rôle commensurate with its economic stature. Canada encouraged Mexico to persevere in its reform efforts and congratulated it for recently adopted measures to increase protection

afforded to intellectual property rights. These new measures would improve Mexico's business climate, attract foreign investment and advanced technology, and enhance the competitiveness of the Mexican economy.

93. NAFTA was an important and historic agreement. It was the first free trade agreement in the region that joined a developing country with economically advanced countries. He stressed NAFTA's potential for greater trade creating effects.

94. Mexico had made a dramatic shift from a trade régime dominated by non-tariff measures to one based largely on tariffs. Its trade policies had become more transparent. He sought the publication of a consolidated list of products subject to import licensing; questioned the customs fee, which Canada felt was excessive and could contravene Mexico's obligations under Article VIII of the GATT; and said that Mexican sanitary and phytosanitary standards could be seen as non-tariff barriers.

95. He expressed interest in the Federal Economic Competition Act. Canada believed that a strong and vigorous competition policy was crucial for domestic industrial activity and for international competitiveness. He complimented Mexico for including a public interest provision in the new law. He asked whether the Competition Commission would have power to issue opinions on trade-related acts, including the effects of trade remedies. He also sought more information about a possible revision of Mexico's foreign trade law, and whether the Mexican Government planned to create a separate court for dealing with foreign trade conflicts.

96. The representative of Argentina spoke about Mexico's past and present economic performance and analyzed the elements behind Mexico's debt and macroeconomic crisis of the early 1980s. He commented on Mexico's adjustment and structural reforms. For his country, Mexico's experience was important because Argentina had applied a similar approach; it had opened the economy, drastically reduced State intervention, balanced its fiscal accounts, implemented a monetary policy linked to existing foreign reserves (through the Convertibility Law), and achieved similar trends in economic growth and the external sector. The main difference between the two experiences was that Mexico's stability resulted from economic and social arrangements, while in Argentina, it resulted from the free functioning of market forces and control of monetary supply. In relation with macroeconomic policies, he expressed concern about trends in the trade balance and in the balance of payments. He also referred to the rigidity arising from relative price levels which could affect long term export development.

97. He criticized the Secretariat for having included in its report on Mexico references to NAFTA, which had not yet been ratified. The Secretariat should limit its report coverage to existing trade policies and practices, as established in document MTN.TNC/11 adopted in Montreal. He also said that language in the report prepared by the Secretariat, which could lead to suppose the existence of misleading data provided by the country under review, should be avoided; and in particular, the meaning of certain conclusions, including references to the effectiveness of the Latin American Integration Association. He remarked that a countertrade deal between his country and Mexico was carried out using foreign exchange and financing under international reference prices, and that Argentinean exports were high value added products instead of farm products.

98. Concerning specific policies, he noted that seasonal tariffs were maintained by Mexico on sorghum and certain oilseeds, and that production subsidies and market protection continued for dairy products. In this respect, he asked Mexico's views on foreseeable changes in the present scenarios and commercial policies expected by the Government on demand and supply. He also referred to the State trading enterprise, CONASUPO, and stressed that, until early 1990, import licensing approval was subject

to product definition and financing conditions. He asked whether these conditions were still applied by Mexico. He referred to government procurement indicating that, in the past, the time limit for presenting offers in international bids financed with funds from multilateral institutions was shorter than other normal bids. He also commented on export financing conditions and the maquiladora industry in Mexico; in this respect, he asked how Mexico computed the concept of temporary importation to machinery and export equipment.

99. The representative of Australia complimented the Mexican Government for the rapidity with which it had introduced significant reforms, especially in trade liberalization and privatization. Australia supported Mexico's reduction and binding of its tariffs and the elimination of most non-tariff barriers. She said that her country encouraged Mexico to continue to reduce remaining barriers, and thus achieve an improved economy and more liberal and transparent trade policies and practices. In this respect, she referred to some areas where further reforms seemed necessary, including the absence of an independent statutory body to review and assess economic policies in Mexico. She asked how Mexican consumer interests were represented in the policy-forming process. She also noted that her delegation had submitted to the Mexican delegation written questions in advance.

100. The representative of Chile observed with satisfaction the important economic reforms implemented by the Mexican Government, characterized by an opening of the economy in close coordination with the private sector. Mexico's accession to the GATT in 1986 contributed to these reforms. She highlighted the replacement of quantitative restrictions with ad valorem tariffs, which became the main instrument of border protection in Mexico. Other important elements of the reforms were the elimination of direct export subsidies and fiscal incentives and the reduction of agricultural subsidies. She welcomed Mexico's decision not to use anti-dumping and countervailing measures as instruments of protection to the domestic industry. Mexico's active participation in the Uruguay Round proved its support for the multilateral trading system.

101. Remaining quantitative restrictions, including import permits and quotas, affected certain products of interest to Chile, such as agricultural products, foodstuffs, beverages and tobacco. Chile's interest was in dairy products, wood pulp and paper, textiles and garments, vegetables, wood, footwear and toys. Most agricultural products were subject to complex sanitary and phytosanitary regulations. With respect to Mexico's anti-dumping and countervailing legislation, she raised concern about the effect of applying provisional measures within five days of investigation and the absence of a sunset clause. She asked whether Mexico would eliminate its local content regulations in the motor vehicle sector.

102. Noting that a number of developing countries had made considerable efforts to integrate themselves into the international trading system, and that these efforts had not always been accompanied by a more open international trading environment, she stressed that a successful and prompt conclusion to the Uruguay Round would reinforce Mexico's efforts.

103. The representative of the United States commended Mexico for the enormous progress made in opening, deregulating and privatizing its economy, while liberalizing its trade policy. The reforms had transformed Mexico from an inward-looking economy with heavy government intervention into a largely open economy driven by private sector initiative. The Mexican experience demonstrated how the liberalization of international trade and investment régimes and a comprehensive macroeconomic adjustment programme could be mutually supportive. Mexican reforms, including those resulting from the successful implementation of NAFTA, would provide greater certainty for exporters and investors. The United States encouraged Mexico to push forward with its courageous and constructive economic reforms.

104. The United States supported regional trade agreements as long as they were trade creating and not trade distorting. Noting that GATT Article XXIV was the main provision addressing the formation of free trade areas, customs unions and common markets, he asked if Mexico's free trade agreements with countries of the region, such as Chile, met the provisions of this Article.

105. With respect to major trade policy instruments, he welcomed Mexico's efforts to streamline and automate its customs operations, and asked whether mechanisms had been created to improve communication between importers and customs, SECOFI and the Finance Ministry when new procedures came into effect. He noted that Mexico's 1992 Federal Law on Metrology and Standardization introduced important new reforms in the setting of standards and regulations creating a framework for greater transparency. Commending Mexico's goals of increasing coordination, introducing cost-benefit analysis to avoid over-regulation, and modernizing the entire system of standards, he emphasized the need for timely and transparent notification of new rules.

106. He raised the concerns of his country's agricultural exporters that Mexico might be replacing its former import licensing requirements with sanitary, phytosanitary or administrative obstacles. He also asked for clarification about the scope for the Commission on Tariffs and Foreign Trade Controls (CACCE) to order upward revisions to anti-dumping duties recommended by SECOFI.

107. He also commented and asked questions about other trade-related areas, including intellectual property, investment rules and competition policy. In this respect, he asked whether Mexico's new investment law would eliminate requirements such as local content, export performance and trade balancing.

108. The representative of Brazil noted that the fruits of Mexico's new economic policy, centred on macroeconomic stabilization, privatization and trade liberalization, were already being harvested. Mexico had made a major contribution in terms of leadership bringing the Latin American continent to a new stage of development. Mexico's unilateral liberalization constituted an important message of faith in the multilateral trading system. He expressed the hope that Mexico would in the future continue the same liberalization course.

109. All contracting parties expected that NAFTA's trade creation effects would outgrow those of trade diversion, and that the agreement would be fully consistent with GATT provisions. He acknowledged that this was not the appropriate forum to examine NAFTA, but raised concerns about some aspects of the proposed agreement, in particular the rules of origin applied to the automotive sector.

110. Brazil was also concerned with the fact that it had been the second target country for Mexico's anti-dumping investigations since 1987. He noted with satisfaction the intention of the Mexican Government not to use anti-dumping and countervailing measures as a protectionist device, but recognized that the mere initiation of an investigation could have an important "chilling effect" on imports.

111. He asked whether, in face of the important and growing trade deficit, the Government of Mexico envisaged to adopt trade measures to protect its balance of payments.

112. The representative of Bolivia congratulated the Mexican Government for having implemented important reforms, which had transformed its economy into one of the most open in the world. This had resulted in a high degree of economic efficiency and international competitiveness. Privatization had reduced the number of State enterprises considerably without negatively affecting employment

levels. The Mexican economy had experienced favourable evolution, as shown by the main economic indicators. Bolivia appreciated Mexico's contribution to the integration process in Latin America, which was expressed through the negotiation of bilateral agreements, such as that between his country and Mexico.

113. He raised questions concerning Mexico's policy on capital management, noting that there was a high level of foreign investment channelled through the stock exchange, and on the rapid increase of the private debt.

114. The representative of Venezuela appreciated Mexico's efforts to integrate its economy into the international trading system. The implementation of macro- and microeconomic reforms had benefited the Mexican economy. Mexico's participation in the GATT was a proof of the Government's interest in the positive evolution of international trade through the elimination of export restrictions and world trade liberalization. Noting that Mexico would need to implement new structural changes, he highlighted the importance of a successful conclusion to the Uruguay Round.

115. Venezuela and Mexico shared the view that trade liberalization through regional free trade agreements was complementary to the objectives pursued in the framework of the multilateral trading system of the GATT. He noted that his country, Mexico and Colombia were negotiating a free trade zone which would conform to Part IV of the GATT.

116. He asked about the legal framework and future changes concerning foreign investment restrictions. With respect to dispute settlement, he wanted to know the results of the last consultations under the framework of recommendations made by the GATT Panel on Tuna.

117. The representative of Norway, speaking on behalf of the Nordic countries, said that Mexico's economy and foreign trade régime had been considerably transformed in the last decade, and in particular since 1986 when it acceded to the GATT. The Nordic countries welcomed these policy changes. The policy reorientation of Mexico was successful, as shown by its main economic indicators. Exports and imports had grown at a rapid pace since Mexico's accession to GATT; there was no reasons for exaggerated concern about the rise in imports since these played a crucial rôle in contributing towards higher growth.

118. The Nordic countries recognized Mexico's efforts in liberalizing its import régime. He welcomed the use of ad valorem tariffs as the main instrument of border protection. He noted that narrowing the gap between bound and applied import tariff rates would improve the predictability and efficiency of the Mexican régime.

119. He welcomed the establishment of NAFTA, which would have a significant positive impact on the Mexican economy. The Nordic countries expected that a working party would be set up to examine its conformity with GATT. He asked about the effect of this agreement on the in-bond (maquiladora) industry in Mexico, and any developments relating to direct investment.

120. Concerning Mexico's trade policies, he raised questions covering the following aspects: remaining restrictions in the petroleum sector, a high degree of regulation in the automobile industry, the use of sanitary and phytosanitary measures, as well as whether Mexico had any intentions to join the Government Procurement Code, the Subsidies Code, and the agreements on Bovine Meat and Dairy Products.

121. The representative of the Republic of Korea welcomed the considerable progress made by Mexico in trade liberalization. He was impressed by Mexico's economic achievements in a short period of time. Korea hoped that Mexico would continue on this present economic path.

122. Korea was worried that NAFTA would become a significant source of trade diversion, with added local content requirements and other discriminatory standards. Korea's major concerns were on trade in textiles, automobiles and auto parts, together with provisions on services, investment and standards. He expressed Korea's strong hope that NAFTA was not designed and operated only to promote regional economic interests, but that it would also contribute to the development of world-wide free trade in general, and to the multilateral trading system of the GATT in particular.

123. Mexico's proposed new Foreign Investment Law should result in continued improvement of the foreign investment climate. In this respect, he asked about investment guarantee agreements and whether the law distinguished between NAFTA and non-NAFTA investors.

124. Anti-dumping was another area of concern for Korea. The recent frequent use of anti-dumping provisions raised some questions. Korea recognized that the current Government was committed to avoid anti-dumping actions. Korea encouraged Mexico to reform its anti-dumping law, in particular by curtailing the right to impose provisional duties at the beginning of an investigation. He requested for more information about "public interest" factors taken into account before an anti-dumping decision was reached. He also commented on two recent anti-dumping cases against Korea (rubber belts and polyester staple fibres).

125. Noting that Mexico's voluntary standards might not be consistent with international standards, he referred to complaints by Korean exporters about this issue.

126. The representative of Uruguay said that Mexico was an example of a successful process of reform with a radical change in the orientation of economic and trade policy. The redefinition of the rôle of the State and the opening and deregulation of the economy had started to bear fruits. He congratulated Mexico for its achievements. Mexico's trade liberalization was a significant contribution to the multilateral trading system.

127. Mexico's integration with Canada and the United States in the framework of NAFTA would benefit Mexico, and at the same time imply a big challenge. He shared the view that the agreement could, at least initially, result in trade diversion. Mexico's integration policy in the Latin American Integration Association could compensate this trend. However, he believed that Mexico needed to continue its opening process and further integrate into the international economy.

128. Noting that Mexico adopted a cautious liberalization approach with respect to its agricultural sector, he asked about Mexico's current position with respect to full tariffication, as envisaged in the Draft Final Act of the Uruguay Round.

129. The representative of New Zealand commended Mexico for its considerable success in transforming its economy into an open and market-driven one. The extensive liberalization of its trade and economic régime had produced more open and predictable trading opportunities, thus improving access to the Mexican market. This had also been reflected in the growth of New Zealand's bilateral trade with Mexico.

130. New Zealand was concerned about certain features of the Mexican trade régime, including remaining import licensing requirements, which were concentrated principally on agricultural products, and general import quotas applied on three dairy products. Higher levels of protection accorded to the Mexican agricultural sector, particularly meat and dairy, had some restraining effect on New Zealand's exports to Mexico.

131. Recalling certain elements of Mexico's Protocol of accession concerning justification of remaining quantitative restrictions, he sought for Mexico's comments on its justifications for maintaining import permits in the agricultural sector, and how these justifications related to provisions of the General Agreement.

132. Concerning NAFTA, he said that this initiative could help reinforce a stable economic environment in Mexico. He expressed the hope that NAFTA would not create significant disadvantages to third countries.

133. New Zealand was encouraged by Mexico's firm commitment to strengthening the multilateral trading system, as well as to regional economic integration. Mexico's autonomous liberalization on an m.f.n. basis indicated its commitment to the fundamental principle of the GATT.

134. The representative of Switzerland appreciated the considerable advances made by Mexico in the 1980s in implementing a liberal economic policy. He congratulated Mexico for its macroeconomic achievements, in particular for the efforts made in consolidating the process of modernization and stabilization of its economy. In the microeconomic context, Mexico had redefined its trade policy profoundly since 1983. Deregulation, liberalization and privatization had reduced barriers to competitiveness and efficiency in the domestic market.

135. Since 1990, Mexico had registered considerable deficits on trade and current account. These were due to the opening of the economy and the import needs generated by industrial modernization, but also to certain weakness in the structure of Mexico's foreign trade.

136. He believed that there was still room for discrimination in Mexico's government procurement legislation and practices. He strongly encouraged Mexico to join the GATT Government Procurement Code.

137. Switzerland welcomed the creation of NAFTA, but considered that any integration processes could not be considered as substitute to the multilateral trading system.

138. The representative of El Salvador, speaking also on behalf of Guatemala, said that Mexico was a model of how to transform an economy characterized by protectionism, heavy government intervention, and high inflation into an economy with an open trade régime. She congratulated the Mexican Government and people for the achievement of a national consensus with respect to the economic reforms. Economic reforms were aimed at integrating the Mexican economy into the international economy to benefit from its comparative advantages and the growth opportunities deriving from international trade. She asked whether the new policies were achieving the desired objectives. She noted the increase of Mexico's trade deficit, and said that this was the result of its restrictive monetary policy, which was principally aimed at reducing inflation.

139. Concerning trade policy, she remarked that Mexico was applying rigorous phytosanitary measures and that its anti-dumping investigations had increased recently. She encouraged Mexico to reduce the

gap between bound and applied tariff rates. While recognizing Mexico's efforts in simplifying customs procedures, she noted that administrative and infrastructural problems remained in the customs entry points in the south. She asked about Mexico's recent decision to increase the tariff on bovine meat imports.

140. She stressed that NAFTA would certainly benefit its members, and that it could benefit other trading partners to the extent the agreement promoted free trade. She made certain comments concerning NAFTA, including the possibility of a trade diversion effect and an increase in protection afforded to sensitive sectors, such as sugar. In this respect, she asked if Mexico was considering any adjustments to its sugar régime.

141. She highlighted the importance of an Economic Complementarity Agreement signed in 1992 between Mexico and countries in Central America, which provided the framework for future bilateral agreements. El Salvador, Guatemala and Honduras had decided to negotiate jointly with Mexico.

142. The representative of Hong Kong said that Mexico's foreign trade régime had over the last decade undergone substantial transformation. Significant liberalization of trade and foreign investment régimes would speed up economic growth. However, it would also lead to increased foreign competition in the domestic market, which could result in pressure from domestic industries for protection. He noted that it was important that the Mexican Government should resist such pressure.

143. He noted with concern an increasing trend in Mexico to resort to anti-dumping and countervailing actions. The sudden upsurge in anti-dumping investigations was worrying and could be seen as inconsistent with Mexico's trade liberalization policy. Hong Kong was concerned about any possible abuse of such actions for protectionist purposes. He recalled that his delegation had sent written questions to the Mexican delegation about anti-dumping procedures, including the response time to anti-dumping investigations and the relationship between injury determination and dumping margin. He asked the Mexican delegation if they could reaffirm their commitment to avoid the use of anti-dumping and countervailing measures as disguised protective devices. In this respect, he noted that the challenge for Mexico was to translate this intention into clearly defined legal and administrative procedures. He also noted that written questions about import licensing system had been submitted to the Mexican delegation.

144. NAFTA would have a significant impact on Mexico's economic development in the years to come. Hong Kong looked forward to an opportunity for closer examination of this agreement under Article XXIV of the GATT. Hong Kong firmly believed that regional trading arrangements should conform fully with the provisions of the GATT and should be complementary to and not substitute for the multilateral trading system. He expressed concern about certain provisions of NAFTA, including mutual exclusion of NAFTA and GATT dispute settlement mechanisms.

145. The representative of Poland commended the Government of Mexico for the overall radical economic programme initiated after the debt crisis, and welcomed Mexico's economic successes. Concerning Mexico's trade policies and practices, he raised some specific questions drawn from observations by Polish exporters. They noted with satisfaction the decrease in import tariff rates and the elimination of non-tariff measures; however they felt that some remaining commercial practices were restrictive or at least unjustified. These practices included standards and norms, testing procedures and sanitary regulations, different fees and charges for customs procedures, and variable levies imposed on sugar imports. He said that Polish exporters had some difficulties in exporting grains and seeds to the Mexican market due to a sanitary requirement introducing the obligation for imports from all

countries, except from Canada and the United States, to enter Mexico only through two small seaports. He asked what was the rationale for such requirement.

146. The representative of India commended the reforms undertaken by the Mexican authorities which had already begun to bear fruit. Following the debt crisis of 1982, Mexico had pursued a policy of economic and trade liberalization which had transformed its economy into a largely open one with the private sector playing a significant rôle. He noted the impressive results achieved as a result of such economic and trade reforms. The reforms had also had an impact on the structure of Mexican trade. In this respect he referred to certain economic and trade indicators.

147. He noted that NAFTA was an important trade policy development in Mexico, having also potential important implications for the multilateral trading system itself. Mexico had also entered into a free trade agreement with Chile, and preferential trading arrangements with countries in the Latin American region. In this respect, he stressed that India was sceptical about claims that regional trade agreements were necessarily trade creating in the multilateral context. He asked whether any analysis had been carried out on the possible impact of NAFTA on trade conducted by Mexico on an m.f.n. basis. Acknowledging that this was not the forum to examine NAFTA, he expressed concern about the differential rules of origin in the NAFTA agreement for the textiles sector.

148. The representative of Morocco noted that Mexico was cited as an example of economic success obtained through reform programmes resulting from open economic policies and driven by the private initiative. Mexico's important reforms introduced since 1982, including liberalization of foreign direct investment, deregulation of certain sectors, privatization, fiscal reform, consideration of the social cost of adjustment, debt management, and foreign trade liberalization, reminded Morocco's liberalization programme implemented since 1983. Morocco was thus very interested in Mexico's experience, especially in a period when certain trends were questioning the benefits of the opening. He said that his country also shared Mexico's market access problems in foreign markets, and thus hoped that the Uruguay Round would be promptly and successfully concluded.

149. He raised questions about economic and trade policies, including how the Mexican Government managed the consideration of the social cost resulting from economic adjustment and inflation control, and if there were specific criteria for deciding if a government tender should be a national or international tender. With respect to NAFTA, he asked whether the land tenure system (ejido) was included in the agreement.

150. The representative of Japan was pleased to note that Mexico's economic policy, together with the effects from the revised wage-price pact in 1991, had been successful in improving the economic situation in recent years. However, the Mexican economy had been experiencing a slowdown since the second half of 1992, while at the same time its trade deficit had increased. He asked for Mexico's comments about its future policy plans to address these issues.

151. Japan highly appreciated Mexico's liberalization and market opening policy pursued since the mid-1980s, and hoped that its policy would not go back to a protectionist one in face of the expansion of the trade deficit.

152. Japan was especially concerned about NAFTA. He said that regional agreements had to be in perfect conformity with the General Agreement, and they should contribute to the development and expansion of the world economy as a whole. Japan was of the view that NAFTA should be examined in the GATT before the Agreement came into force. He asked questions about the length of the

transitional period for the abolition of tariffs, and safeguard provisions. He also raised questions concerning certain specific provisions in NAFTA, including on TRIMs and TRIPs.

153. He noted that the present Mexican Foreign Investment Law still maintained a basically restrictive structure. Noting that trade balancing and local content requirements were still applied in the automobile sector, he said that Japan expected that these restrictions would be treated in accordance with the provisions of the General Agreement. He also expressed concern that the tariff burden for enterprises already operating under the maquiladoras would increase as a result of the abolition of the tariff exemption régime for maquiladoras by the year 2000. After replacement of the tariff exemption régime by a partial duty drawback system, the limits on the drawback quota would be quite disadvantageous for specific enterprises.

154. Japan encouraged Mexico to continue its efforts to reduce and eliminate tariff and non-tariff barriers with a view to also promote trade liberalization with third parties.

155. The representative of Hungary said that his country highly appreciated Mexico's economic and trade reforms which also included privatization and deregulation programmes. The liberalization of the economy had produced impressive results. Mexico deserved recognition for having moved to a mostly tariff-based import régime, thus bringing more predictability and transparency into it and reducing the discretionary power of governmental bodies.

156. A number of trade barriers, such as disguised administrative measures, continued to be applied by Mexico. For example, the registration requirement for exporters and importers was reintroduced in February 1992. Mexico's testing and certification procedures were rather complicated, arbitrary and apparently operated in a discriminatory way against imported goods.

157. He underlined that Mexico had been included among the beneficiary countries of the Hungarian GSP scheme since its introduction in January 1972.

158. Hungary shared the view that in the near future, a major change in Mexico's trade policy was expected to derive from its participation in the NAFTA agreement.

159. The representative of Austria appreciated Mexico's new outward-oriented economic policy. The development of the economy could be characterized by three elements: restructuring and adjustment process through the elimination of protectionist and State interference measures; opening and adjustment of the economy towards the parameters of NAFTA; and a certain slowdown in real economic growth as a result of anti-inflationary policy. In addition to radical economic reform programmes aimed at restoring growth and lowering inflation, Mexico was setting an example of how poverty could be attacked successfully. In this respect he referred to Mexico's anti-poverty initiative called Solidarity.

160. He raised questions concerning certain trade policy measures, including on import licences for certain pharmaceuticals, import quotas, and the closure of Bancomext's office in Vienna.

161. The representative of Peru welcomed Mexico's economic achievements resulting from its global reform programme which included trade liberalization and deregulation, privatization, fiscal reform, and an intensive regional integration process. Peru hoped that NAFTA would reinforce the multilateral trading system, would not result in trade diversion or increased trade restrictions, and that it would be fully consistent with the General Agreement.

162. He asked whether the Mexican intellectual property law, which was presented in many instances as a model to be followed, had resulted in increased investment in the areas covered by this law. Commenting on the maquiladora régime, he asked how Mexico could reconcile its bilateral textile agreement with the United States, which discriminated between inputs from the U.S. and inputs from elsewhere, with its obligations under the Multifibre Agreement.

163. The representative of Colombia highlighted the political tenacity and rigorous economic discipline with which Mexico had reformed its economy. In a short period of time, structural adjustment reforms had been implemented, including financial and monetary reforms and the rationalization of State participation in productive activities. Trade policy was also modified considerably, reducing effective protection and replacing discretionary instruments by price instruments. Economic indicators reflected the achievements of the new policies.

164. He noted that his country, together with Venezuela, was negotiating a free trade agreement with Mexico under the framework of the Latin American Integration Association. This was in conformity with the principles of Part IV of the GATT.

165. He was interested to know the Mexican experience concerning the management of the balance of payments under an opening and restructuring process, the administration of production support and subsidy instruments, in particular considering environmental issues, and the use of traditional measures such as standards, sanitary and phytosanitary measures. He also sought comments about Mexico's problems in foreign markets, many of which also affected Colombian exporters.

VI. COMMENTS AND RESPONSES BY THE REPRESENTATIVE OF MEXICO

166. The representative of Mexico first commented on Mexico's macroeconomic adjustment, current account and social dimension, and addressed questions expressed by some delegations about the trend in the trade and current account deficits.

167. The process of structural change and macroeconomic stabilization had created new investment opportunities in Mexico. The solid response by investors meant that domestic savings had been supplemented by external resources. The public sector was contributing to the availability of resources to finance private investment, unlike in the past when the current account deficit reflected excessive public spending. Mexico was a country of great opportunities and relatively low capitalization. This trend could therefore be seen as a natural and temporary consequence of the process of change through which the Mexican economy was passing.

168. The long-term viability of the present situation depended on the domestic strength of the economy. In view of the current account deficit, the authorities would continue to strengthen fiscal and monetary discipline and go further with structural change.

169. One difficulty in evaluating the progress of economic policy during the process of microeconomic reform stemmed from the apparent contradictions revealed by the aggregate statistics in period of rapid change. For example, during the time of the present Government a very important change had been observed in investment and productivity trends. Between 1988 and 1992, the growth rates of private sector gross fixed capital formation were over 10 per cent a year, including 20 per cent in 1992. As far as productivity was concerned, the product per man hour in manufacturing industry had risen by a total of 27 per cent in real terms between 1989 and 1992, while productivity in the commercial sector rose by 31.6 per cent. A wide variety of performances could, however, be observed breaking down these indicators at enterprise level. Those enterprises which had completed their reform by financial reorganization, investment in modern technology, administrative restructuring and adoption of strategies to tackle market globalization, were growing rapidly. In contrast, enterprises which had not been overhauled were facing difficulties in maintaining production and employment and sometimes had been forced to close. Between these two extremes, there was a large number of enterprises that were in the midst of reconversion and modernization.

170. The performance of these elements, beyond their microeconomic implications, made the process of price stabilization consistent with that of a rise in real wages and the prospects of sustained growth in the medium and long term, as well as a dip in the GDP growth rate in the short term.

171. The trend in relative prices of goods and services, in which the latter had risen steadily in recent years, could be explained by two factors. Firstly, as a result of the large devaluations in 1985 and 1986, the prices of goods rapidly came into line with international benchmarks, while prices of services responded to the devaluations only with a lag. Secondly, the rise in productivity resulting from structural change had also affected prices of goods and of services differently. Thus, the rise in the relative prices of services could be seen as a natural response whereby the economy adjusted to a new equilibrium. He added that this same phenomenon could be observed in Japan and the Asian NICs during their industrialization process.

172. The relative price trend had not affected the competitiveness of Mexico's exports. The index of unit labour costs, corrected for productivity, showed an undervaluation of about 30 per cent with respect to the long-term value, taking the average for 1975-1980 as a reference point.

173. With respect to concerns raised by certain delegations about the current account deficit, he noted that a more detailed analysis of import and export performance indicated that, despite the steady growth of economic activity in Mexico during 1992, the level of imports had remained virtually stable over the last eleven months. Meanwhile, exports had been affected by the sluggish growth of the international economy. Nevertheless, the latest data suggested an incipient change in the upward trend: during the first two months of 1993, the growth rate of exports (12 per cent) had been higher than that of imports (11.3 per cent).

174. Mexico's economic strategy, with its short-term goal of price stabilization and medium-term goal of establishing the conditions to support sustained growth, had involved social costs resulting from the adjustment of the production system. Consequently, when designing the policy, it had been necessary to establish a mechanism to lessen these costs and at the same time seek to provide benefits for the sectors unable by themselves to join in the development process owing to their extreme poverty. This mechanism was the National Solidarity Programme, whose features were described in the Secretariat document.

175. The recent close-down of Bancomext's office in Vienna was simply due to financial considerations.

176. Referring to the issue of the gap between bound and current tariffs, he noted that Mexico's trade liberalization had gone far beyond its international commitments. It would surely not have been better not to have reduced tariffs unilaterally well below the levels to which Mexico committed itself seven years before in the GATT. To advance rapidly and in depth along the trade liberalization path, Mexico required flexibility. While the general direction of tariffs had been clearly downwards, on rare occasions Mexico had found it necessary to make upwards adjustments, for example to narrow the dispersion between tariffs in different sectors or to resolve short-term problems in the least trade-distortive way, i.e. by using tariffs. This gap, which had been discussed at length in the Uruguay Round and in this Council meeting, was merely a reflection of the depth and speed of Mexico's unilateral trade opening. In addition, he noted that the difference between current tariffs and bound tariffs also reflected the rights negotiated by Mexico in GATT.

177. Mexico recognized the adverse effects of tariff escalation on economic efficiency. Nevertheless, the fact that this existed in many other countries showed how difficult it was to resolve it. Tariff escalation could be reduced by raising tariffs, but this would lead to an often unnecessary rise in import costs. Consequently, Mexico was seeking to reduce tariff escalation by tariff-cutting, a necessarily slow and gradual process.

178. The Commission on Tariffs and Foreign Trade Controls was currently studying a draft plan to reduce the number of items in the Mexican Tariff. The aim of this plan was to facilitate customs operations both for the authorities and for importers and exporters, by eliminating tariff items that were obsolete, had fallen into disuse or involved distinctions that were hard to verify.

179. Over the last four years, Mexico had made an unprecedented effort of modernization in order to bring customs operations into line with the openness of the Mexican economy. This had meant a shift from a customs system with a minimum of automatization and universal checking in customs clearance to a system of random checks with full electronic processing of data inputs. A considerable effort had been required to achieve this transformation; firstly, through the modernization of the customs infrastructure, which had been updated with the construction of new ports of entry, the purchase of computer equipment, and so on; secondly, through the training and professionalization of customs

personnel; and finally, through the updating of the regulatory framework in this field. Progress made in this field had been impressive.

180. In October 1989, the Mexican customs system was attached to the Under-Ministry of Revenue of the Ministry of Finance and Public Credit, in order to take advantage of its resources and structure. Since then, a number of legal and physical measures had been undertaken to modernize the customs service. The fundamental legal measures were the following:

- (a) Adoption of the principle of self-determination of customs obligations, whereby importers and exporters cleared their goods themselves through their customs brokers. Under this system, the customs reserved the right to check the accuracy of these determinations, and inspect goods with the following frequencies: (i) one in every ten cases for imports; (ii) one in every 30 cases for exports; (iii) one in every 100 cases for maquiladora operations; and (iv) one in every 30 cases for international passenger luggage. Powers of subsequent inspection through special checks were retained.
- (b) The temporary import régime was overhauled to create a new system known as "customs accounts", under which anyone importing inputs to produce export goods could recover, at the time of export, the taxes previously deposited in an interest-bearing account.
- (c) The schedule of fees of customs brokers was eliminated and the number of brokers had quadrupled so far, in order to lower the cost of operations.
- (d) Warehousing services in all customs had been privatized, as well as the computing services for the collection of foreign trade statistics.
- (e) Considerable progress had been made in developing a computerized automatic clearance system, which was already operating in real time at the Nuevo Laredo and Mexico City Airport Customs.

181. The most important measures relating to organization and infrastructure were:

- (a) Redistribution of customs responsibilities among the various divisions of the Under-Ministry of Revenue.
- (b) Remodelling of customs offices at the frontiers, ports, and airports, to adjust them to the new clearance system in which cargoes were inspected only in the ratio described above.
- (c) Elimination of the armed force known as the Customs Guard and creation of a new trained body known as the Federal Fiscal Police.
- (d) Creation of regional customs administrators to decentralize controls and increase supervision over field offices.
- (e) Substantial improvement in international relations with other customs systems, to the point that the Directorate-General of Customs of Mexico was appointed Representative for the American Continent in the Brussels Customs Co-Operation Council.

182. Despite the progress described above, the customs system had still some shortcomings, which were particularly marked on the southern border. Customs posts in Ciudad Hidalgo, State of Chiapas, the only land port of entry and exit for Guatemala and the rest of Central America, had benefited from all the changes mentioned above. The infrastructure of this customs office was certainly old, which raised some traffic problems. Nevertheless, these would be resolved thanks to a project already at the planning stage, which included a new bridge over the Suchiate River and large Mexican and Guatemalan customs facilities. Meanwhile, to the extent possible, the facilities of Ciudad Hidalgo had been improved, part of the traffic had been diverted to the El Carmen-Talismán bridge, and the establishment of customs brokers at Ciudad Cuauhtémoc had been authorized.

183. Concerning the customs fee, he said that given the severe fiscal restrictions stemming from the stabilization programme and the reduction in tariffs, the financing of the heavy investment needed to modernize Mexico's customs infrastructure had presented a serious problem for the country's financial authorities. To fund the Customs Modernization Programme, the Government had resorted to using the proceeds of the 0.8 per cent customs fee. These receipts had been reserved exclusively for this programme, which had high priority for the Federal Government. Without the customs modernization financed by this fee, operational and administrative obstacles to international trade would undoubtedly have arisen, and the huge growth of trade in recent years would have been physically impossible.

184. Part of the effort to modernize Mexican customs procedures consisted in updating the regulatory framework in which they operated. An additional consequence of the rapid opening of the Mexican economy had been that, in recent years, customs responsibilities had changed rapidly. The customs authorities had to respond continuously and as rapidly as possible to new and complex problems of control which simply did not exist under the previous system; however, this was sometimes at the expense of adequate communication and explanation of the measures adopted. In order to resolve this problem, the Ministry of Finance and Public Credit had been making increasing efforts to communicate with users of the service in order to improve its response capacity and ensure that the measures adopted matched the actual circumstances of customs operations. To that end, it had created various forums in which the authorities and importers and exporters discussed customs problems and their application. For example, the customs authorities held weekly meetings with the Mexican Confederation of Customs Brokers in order to monitor customs problems with the specialists most closely involved. In addition, the Complex system had been established as a permanent channel of communication between the customs authorities, the Ministry of Trade and Industrial Development, importers and exporters. Under this system, monthly meetings were held throughout the country at which customs problems were discussed and solutions proposed.

185. Mexico's Foreign Trade Act provided for a Commission on Tariffs and Foreign Trade Controls (CACCE), which was the Ministry of Trade's principal consultative body for the design and implementation of trade policy. The Commission consisted exclusively of various Federal Government Bodies such as the Ministry of Finance, the Bank of Mexico, the Directorate-General of Customs and so forth. The general public could, and very often did, present to the Commission proposals of all kinds concerning trade policy, to which the Commission was obliged to respond. In addition, the presence of entities such as the Banco de Mexico and the Ministry of Finance and Public Credit, which had no sectoral interest in the preparation of foreign trade measures, was designed to ensure that the public interest was taken into account in government decisions.

186. The Ministry of Trade had another channel for public consultation through the functioning of the COECE, the co-ordinating body of foreign trade business organizations. This co-ordinating body was originally set up to advise the Ministry of Trade in the negotiations on the North American

Free-Trade Agreement, to provide the viewpoint of the various production sectors with regard to tariff-cutting. However, as a result of the successful relationship established between the Ministry of Trade and COECE, the latter had become a permanent body acting as a channel for consultation for other negotiations as well as for general issues concerning trade policy.

187. Mexican law also established a consultative committee for consumer protection, which consisted of officials from the Ministry of Trade and Industrial Development and the Office of the Federal Attorney-General for Consumer Affairs and representatives of consumers, suppliers and institutions of higher education. One of the Committee's main functions was to advise the Ministry of Trade and Industrial Promotion on matters relating to consumer protection policy.

188. The national consultative committees for standardization were bodies set up for the preparation of Mexican official standards and promotion of compliance with them. Their membership included not only the competent government services but also representative of industrial organizations, service providers, agricultural, forestry or fishery producers, scientific or technological research centres, professional colleges and consumers.

189. Mexico did not rule out the possibility of signing other Codes in addition to those to which it was already a party. However, it did not envisage doing so for the time being. Firstly, because the signing of certain Codes, such as the Subsidies Code, currently usually involved a process of prior negotiation as well as the setting of conditions which could prove disproportionate. Secondly, and above all, this position was largely influenced by the expectations of the Uruguay Round in the context of the draft "single undertaking" proposed in the Round, which Mexico fully supported as the best guarantee against the current scattering of rights and obligations among the various Codes.

190. Concerning trade measures applicable to the automotive sector, Mexico previously had a restrictive legal framework which did not foster the full development of the motor-vehicle industry. This framework was greatly changed in 1989, with the promulgation of a Decree for the promotion and modernization of the motor-vehicle industry and transport vehicle manufacturing industry. The main features of the Decree included the following:

- for the first time, enterprises producing finished motor vehicles could freely decide on the number of models to produce, which enabled them to specialize and take full advantage of economies of scale in the sector;
- again for the first time in the recent history of trade policy in this sector, new vehicles could be imported into Mexico;
- up to 100 per cent foreign investment was allowed in assembly plants in the domestic industry;
- a restrictive local content system was replaced by a minimum national value-added system, which was more flexible;
- the Decree also provided for a system of foreign exchange balancing requirements that was eased every year.

The measures adopted in the motor-vehicle sector were fully consistent with the process of economic deregulation and open trade that Mexico had carried out in recent years.

191. Commenting on the pharmaceutical sector, he said that the process of deregulation and trade opening in this sector had been intense, and included the following measures:

- the final prices of most products had been liberalized;
- the administrative formalities for the registration of pharmaceutical enterprises had been simplified; and
- most quantitative restrictions had been eliminated. At present there was a small number of items controlled by prior licensing, which would be liberalized shortly.

192. He noted that a concern was expressed about the present sugar import régime, and specifically that Mexico's protection was higher than that in exporting countries. In this connection, he said that at present the United States tariff for refined sugar was 16 cents per pound, whereas in Mexico tariff protection was equivalent to 11.09 cents per pound. Regarding past interruptions in Mexican imports of Central American sugar, he stressed that this problem was a bilateral one (application of the safeguard clause to the Central American countries in relation to a preference granted in the LAIA framework); imports of sugar on an m.f.n. basis had never been interrupted.

193. Mexico had recently raised its tariffs on live bovine animals and bovine meat from zero to 15 per cent in the case of live animals, from zero to 20 per cent for chilled meat and from zero to 25 per cent for frozen meat. This measure was taken as a consequence of the serious difficulties faced by domestic livestock farmers during 1992, primarily as a result of extremely low world prices, over-supply on the world market and rising imports. During the second half of 1992, there was quite clearly a typical situation for the application of safeguards on imports of bovine animals and meat in conformity with the General Agreement: injury to the domestic industry, rising imports and loss of local market share by the domestic product. Nevertheless, instead of resorting to safeguards, Mexico decided to raise its tariffs within the margins permitted by its GATT bindings.

194. At the moment, it was not planned to modify the trading functions of CONASUPO. In tenders periodically issued by CONASUPO for the purchase of grains and powdered milk, CONASUPO required that full details be given of the characteristics of the product to be acquired (e.g. in terms of questions such as whether the final destination will be human consumption, animal consumption or agro-industrial consumption); likewise, it required that bids should explicitly state both the sale price and the financial terms and conditions of the operation.

195. In March 1992 Mexico had submitted its offer for both agricultural and non-agricultural products in the Uruguay Round negotiations. Specifically referring to agriculture, he said that at that time, Mexico offered to tariff almost all its non-tariff measures, although these were fully justified under its Protocol of Accession to the General Agreement. Nevertheless, tariffication was not offered for a small number of products. Mexico's position in this regard had not changed. Agriculture was a highly sensitive sector for Mexico. In the negotiating process, Mexico had repeatedly submitted proposals in all possible forums with a view to finding a pragmatic, acceptable and law-based solution to allow the exclusion from tariffication of the developing country measures that had a basis in law, such as the case of Mexico. The proposals set out in the draft text, which were not negotiated and in which the formulation of absolutist criteria prevailed, ruled out the above mentioned possibility. Conversely, as far as subsidies were concerned, he said that it was disappointing that the proposals under consideration were rather timid. The scale of internal and export subsidies meant that no significant improvement in the international environment could be visualized at least for the foreseeable future. He noted that

if the adjective "timorous" used by a major delegation could be fittingly applied anywhere, it would be aptly used when speaking of the proposals to reduce agricultural subsidies, and especially those referring to export subsidies.

196. Given the sensitivity of the agricultural sector for Mexico, its Protocol of Accession recognized the priority which Mexico attached to agriculture in its economic and social policies. Furthermore, it established that Mexico would continue applying its programme of gradual substitution of prior import licensing by tariff protection to the extent compatible with its goals in this sector. This was connected with paragraph 29 of the Report of the Working Party set up for the accession of Mexico to GATT. He said that it did not fall within the bounds of this special meeting to examine the provisions of Mexico's Protocol of Accession, and pointed out that the reasons attributed to the Government of Mexico for the application of import licences were in no way justifications as such. Mexico was continuing to implement its programme of gradual replacement of prior licensing by tariff protection. The results of this process, known to all contracting parties, were quite clear. Specifically referring to a question about cheese import quotas, he noted that only certain types of cheese were subject to prior import permits. Imports of cheese had considerably increased in the last years.

197. Concerning the Tuna Panel, he stated that Mexico protected the environment and considered such protection a fundamental element of social development policy. The Mexican Government was committed to sustainable development, as was shown by the enormous economic resources devoted every year to this objective. Mexico considered the protection of species a priority, but maintained that such protection needed to be based on international co-operation. Although, in this matter, the Panel's conclusions were in favour of Mexico, his Government was working together with the United States and Venezuela, among others, in the framework of regional co-operation (the Inter-American Tropical Tuna Commission) to find a lasting solution to this difficult global problem.

198. Mexico had considerably simplified administrative formalities for obtaining sanitary and phytosanitary permits on imports and exports of agricultural products. All such provisions were published in the Official Journal to ensure transparency. In 1986, all agricultural and forestry products required sanitary or phytosanitary authorization; at present, this requirement was applied solely to products with a high quarantine risk. The law established a maximum period of three days for obtaining a reply to an application for a phytosanitary import or export permit. The Ministry of Agriculture and Water Resources had concluded bilateral protocols with a number of countries to facilitate the process of sanitary and phytosanitary inspection and certification.

199. Mexico was working in relevant international organizations (Codex Alimentarius, International Office of Epizootics, International Plant Protection Convention, and its regional agencies, in this case the North American Plant Protection Organization (NAPPO)), with a view to making headway in the harmonization of sanitary and phytosanitary measures. In addition, the Federal Government recently tabled in Congress a new Federal Law on Animal Health, which incorporated various principles relating to transparency that were in keeping with the Federal Law on Metrology and Standardization. It would also shortly submit to Congress a new Federal Law on Plant Health.

200. Since 15 August 1992, Mexico required meat packers wishing to export bovine meat to Mexico to be certified by the Mexican authorities. So far, the only European Community member countries that had requested the Ministry of Agriculture and Water Resources to inspect their plants for certification purposes for meat exports to Mexico were Denmark and Ireland. During August 1992, 62 establishments in Denmark were accredited to export meat to Mexico. Ireland had two separate problems: according to the Mexican Government's procedures, if 10 per cent of the meat-packing plants visited for

accreditation were not approved, it was considered that the meat under inspection did not satisfy the established requirements. Once the adjustments or modifications mentioned for each plant had been carried out, a new inspection could be requested. The second problem concerned the presence in Great Britain and Northern Ireland of bovine spongiform encephalopathy ("mad cow disease"). Mexico would continue to apply this measure as long as further information is not available on the transmissibility of the virus at international level. This issue was discussed at the meeting on animal health issues between Mexico and the EC in Brussels on 11-12 February 1992. At that meeting Mexico agreed to review the quarantine for certain types of cheeses for which the transmission risk was considered minor. It was also agreed that this issue would be discussed once again at the meeting of the International Office of Epizootics to be held in Paris in May 1993.

201. He said that the Directorate General for Plant Health had found pests in three shipments of peaches, cherries, nectarines and apples from Chile. These shipments originated in areas that were considered free of such pests. In these circumstances, consultations were held between the phytosanitary authorities of the two countries in order to draw up a programme of work and quarantine controls; the results of these efforts were pending conclusion.

202. Concerning health inspection requirements for imported oilseeds and grains established in November 1991, he said that practically all countries of the world applied similar inspection systems. In the specific case of imports of Polish soybeans, the presence of the pest known as Capra was detected.

203. With regard to Mexican official standards, he noted that the Federal Law on Metrology and Standardization contained the following provisions:

- (i) Mexican official standards were prepared by the National Consultative Committees on Standardization (CCNN), in which producers, consumers and centres of higher research participated along with the competent authorities. All draft Mexican official standards received by the committees must be justified by a cost-benefit study showing that the social benefit of preparing and applying the standard was greater than its social cost. All draft standards prepared by the committees were published in the Official Journal, allowing a period of ninety days, prior to issue, for receiving comments from the public, including foreign governments and producers.
- (ii) In addition to the above, the titles of Mexican official standards (technical regulations) and Mexican standards (voluntary standards) which Mexico intended to draw up were published in the National Standardization Programme through the Official Journal. The National Standardization Programme of 1993 had been published on 29 March.
- (iii) With regard to voluntary standards (Mexican standards), the Federal Law on Metrology did not provide the obligation to publish them in the Official Journal. At present, the Ministry of Trade and Industrial Promotion was the only body that could issue Mexican standards, but the Law provided that the Ministry would cease to carry out this function once private national standardization bodies were accredited to do this work. These bodies would be accredited only once they had shown that their standardization committees comprised producers, consumers and higher research institutions as well as all those interested in participating in the preparation of standards, and provided their procedures for drawing up standards included public consultation.

204. The restrictions currently in force at Mexico's borders were not the result of the application of new Mexican official standards or technical regulations, as in all cases these had been issued and implemented for more than three years. Until some time ago, the Ministry of Trade and Industrial Promotion only inspected final points of sale to ensure product compliance, but in view of the non-compliance of many imported products the Ministry had been obliged to extend its supervision to the entry points of foreign products into the country. Nine Ministries or Departments of State in Mexico were engaged in reviewing their technical regulations. These had to be reviewed by 16 October 1993, justified by a social cost-benefit analysis and issued as Mexican official standards; otherwise they would disappear after that date.

205. Laboratories accredited in the national test accreditation system complied with international accreditation guidelines (i.e. ISO-IEC 28,40 and 48 and EN 45 000). There had been a problem in terms of the number of accredited laboratories; however, these had increased from 98 in August 1992 to 109 accredited laboratories and 65 officially recognized laboratories in process of accreditation in February 1993. Mexican law provided for the possibility of accrediting laboratories abroad, and Mexico invited foreign investors to establish test laboratories on the national territory. The Ministry of Trade and Industrial Promotion kept accredited laboratories under constant supervision so as to guarantee trustworthy results. The Ministry had removed accreditation from laboratories failing to comply with the Federal Law on Metrology and Standardization.

206. The Mexican Government certified compliance with Mexican Official Standards. Certification was based on test results and the submission of information requested in a simple application form. Certification could be obtained for both locally produced and foreign products sold in the country. Owing to the limited certification capacity of the Ministry of Trade and Industrial Development, the new Federal Law on Metrology and Standardization provided for the possibility of accrediting private certification bodies to carry out this work and concluding agreements on the recognition of certification with foreign authorities.

207. The Mexican public sector did not grant price preferences for bids submitted by national suppliers, nor did it impose local content requirements. The Law on Procurement and Public Works provided for the possibility of national or international calls for tenders: procurement officials had the ability to decide which type of tender they would issue. Nevertheless, this decision-making capacity was curbed by price, quality and financing terms and conditions which foreign suppliers could offer compared with national suppliers.

208. When the Mexican public sector used funds from international financial organizations, the tenders were carried out in accordance with the rules and procedures agreed by the procurement agency and the organization in question. These rules were based on principles of national treatment and non-discrimination. In particular, it was ensured that the time-period for submitting bids were reasonable enough to allow wide participation by potential suppliers, both national and international. These time-periods varied according to the size of the project, but were never less than 60 calendar days.

209. In order to ensure the best price, quality and financing terms and conditions, Mexican government procurement was practically open to foreign competition, primarily in the energy sector. Nevertheless, Mexican suppliers still faced serious discrimination in tenders in other countries. The lack of reciprocity was being corrected by the Mexican Government through trade negotiations in this field. Accordingly, Mexico was following with particular interest the course of the Government Procurement negotiations under Article IX:6(b), aimed at significantly broadening the present scope of the Agreement. As in

the case of the Uruguay Round, the successful conclusion of the Government Procurement negotiations would make it possible to strengthen the Agreement and make it more attractive to new members.

210. In the case of foreign investment legislation, as in any other area of economic policy, the Government of Mexico was continually evaluating the desirability of proposing possible changes to the Congress, always with a view to maintaining international competitiveness. He recalled that regardless of this, under the current legislative and regulatory framework Mexico had been very successful in attracting foreign investment.

211. The Federal Competition Commission was the agency responsible for ensuring compliance with the Competition Law. The Commission would consist of five Commissioners appointed for a ten-year period. In order to ensure the independence of its decisions, the Commission would be responsible both for investigative activities and for the application of penalties. The Federal Government was at the stage of selecting the Commissioners. The Commission was expected to begin work in July with a staff of about 130 officials.

212. The Mexican Constitution reserved the exploration, extraction, production and distribution of petroleum, other hydrocarbons and basic petrochemicals for the State. This strategic sector would therefore remain under the control of the Nation. The policy for pricing petroleum products was to follow international prices. Nevertheless, domestic prices were only exceptionally the same as world prices, as other factors come into play such as quality, transport costs, marketing costs and other logistical variables. The prices of most petroleum products currently reflected world prices. In the case of diesel fuel and liquid gas, monthly adjustments were being made in order to raise them gradually to international levels. Lead-free petrol in the border areas of Mexico was already sold at prices similar to those of United States border towns.

213. Coal imports were not subject to prior licensing.

214. Addressing questions about Mexico's anti-dumping system, he stated that the time-period for replying to questionnaires was 50 calendar days and not 50 working days. This period was longer than that provided in the GATT recommendations and was in line with international practice. Extensions were granted if and when justified. As a general rule, the Ministry of Trade and Industrial Promotion granted extensions when an exporter faced serious difficulties in completing a specific section of the questionnaire. For example, this happened when the number of transactions covered by the investigation was so large that additional time was required to process all the relevant data. Usually, such extensions did not exceed two to three weeks.

215. Although all the proceedings in an anti-dumping procedure were carried out in Spanish, the Government of Mexico sent exporters an English-language version of the questionnaire in order to facilitate as far as possible the submission of replies. This highlighted the Government's disposition to facilitate the participation of exporters in the investigation process so as to reach decisions on the basis of the fullest information.

216. When circumstances permitted, the Government of Mexico used the margin of dumping as a tool to establish the existence of a causal relationship between dumping and injury. The effect of the dumping margin on injury was taken as the effect of the dumping price on domestic industry prices: specifically, the investigation sought to determine what domestic production prices would have been in the absence of the unfair practice. If domestic industry prices actually adjusted to the dumping prices, then the bigger the dumping margin the bigger the price contraction observed in the domestic market.

This effect was explicitly provided for in paragraphs 1 and 2 of Article 3 of the Anti-Dumping Code. This did not mean that the Government of Mexico confined its injury analysis to a price analysis. What he wished to bring out was that in some cases the analysis of injury could be carried out on the basis of a sequential relationship starting from an initial price effect. He stressed that the Ministry of Trade and Industrial Promotion analyzed each of the factors laid down in the Code with regard to the injury determination.

217. Mexican law did not yet stipulate how many zero-rate reviews were required to discontinue an anti-dumping case. In all the cases discontinued so far, the Government of Mexico had required the exporter to show an absence of dumping during two or three consecutive years.

218. Concerning recommendations by CACCE for changes in the amount of the anti-dumping duty estimated by SECOFI, he said the margin of dumping was not the same as the rate of the anti-dumping duty. The latter could be lower than the former, at the authority's discretion. The fact that CACCE could modify the anti-dumping duty rate did not imply that it could also change the dumping margin. SECOFI had exclusive responsibility for the determination of the dumping margin. CACCE could not adjust the duty rate upwards; this would infringe Article 8:3 of the Anti-Dumping Code. CACCE could only recommend downward adjustments of the anti-dumping duty rate. Legally, this policy followed from Article 8:1 of the Anti-Dumping Code. CACCE recommended changes in the rate of an anti-dumping duty on grounds of public interest (basically, effect on consumers).

219. In addition, the resolutions which the Ministry of Trade and Industrial Promotion addressed to CACCE often envisaged that the anti-dumping duty rate be lower than the margin of dumping, for example for reasons of competitiveness. In this respect, he quoted from a recent resolution: "In the opinion of the Ministry, the margin of dumping (calculated by the investigation) is too large to be taken as a reference (for the purposes of determining the anti-dumping duty) because, if it were, imports of the product under investigation would become prohibitive, which would lead to market concentration and encourage monopolistic practices."

220. The Government of Mexico imposed provisional duties at the start of an anti-dumping investigation only in exceptional cases. In addition, the Mexican system combined the analysis of dumping and injury, so that these two elements were evaluated jointly at all stages of the procedure. Consequently, SECOFI could reject complaints in which the injury allegations were not sufficiently justified. This had occurred in one case of an anti-dumping complaint concerning sugar. Other examples of cases rejected because of lack of evidence of injury were complaints concerning soluble coffee and specialty glass.

221. About the absence of a sunset clause for anti-dumping duties, he said that the review procedure used by the Ministry of Trade and Industrial Promotion gave the same results as the sunset clause. The review evaluated not only dumping but also injury. Consequently, if it was shown that the domestic industry had ceased to have an interest in continuing the case, the case was closed, as would occur under a sunset clause.

222. Referring to an anti-dumping investigation on Korean rubber belts for motor-vehicle use, he affirmed that during the investigation period, Mexico had imported rubber belts of Korean origin, produced in Korea but exported to Mexico from the United States. Under Article 3:2 of the Anti-Dumping Code, when imported products were merely transshipped through the country of export, the normal value of the imported goods was the selling price in the country of origin. This situation applied to the case in question.

223. Concerning a provisional resolution on polyester staple fibre from Korea, he stressed that during this proceeding the exporters affected had ample opportunity to submit arguments and information in their defence. For example, once the resolution imposing provisional duties was published, the Ministry of Trade and Industrial Promotion held technical information meetings with two of the exporters concerned at which the methodology and sources of information used were explained in detail. Meetings were not scheduled with the other exporters involved because they did not so request. He felt that the comment of the Korean representative concerning a lack of substantive grounds was not justified in any way.

224. Answering the question if the Mexican Competition Commission would be able to express opinions in cases of unfair imports, he said that the question of joint treatment of competition policies and unfair trade policies was raised by Mexico in recent regional negotiations. This proposal did not prosper, but it would certainly be necessary to advance in that direction in future.

225. He noted that Mexico planned to establish an International Trade Court as a recourse for legally challenging SECOFI resolutions (at the moment, the channel for legal remedy was the Fiscal Court). Nevertheless, these procedures would continue to be administered by the Ministry.

226. Mexico noted the various concerns expressed concerning the possible use of anti-dumping remedies for protectionist purposes. In this connection, the Mexican delegation wished to stress the following aspects:

- (i) Mexico had one of the most open economies in the world, and this had been reflected in a rise in imports; it was not uncommon that at times these increasing flows of imports took place under unfair conditions.
- (ii) In the face of these import volumes, anti-dumping measures had been insignificant. Likewise, the coverage of import flows by the investigations opened was very small.
- (iii) Trade openness was one of the fundamental components of Mexico's structural reform process; the responsible and serious implementation of the anti-dumping system was therefore vital to consolidate this process. The depth of the macro- and microeconomic changes undertaken by Mexico were the best guarantee against possible abuses.
- (iv) The Mexican system was in the midst of a programme of ongoing professionalization and adaptation. In particular, the desirability of reforming the legal framework in order to institutionalize the substance of current practice was being evaluated.

227. About the direct effects on foreign investment of the 1991 Intellectual Protection Law, he recalled that together with the changes in the area of industrial protection, amendments in exchange and fiscal policies had been made; all of which were preceded by reforms in the foreign investment legislation. In that context, it was difficult to quantify the new investment due only to the intellectual protection law. However, he noted that important flows of foreign investment in the area had been registered, and these were illustrated by the impressive increases in the number of new patents, trade marks, and industrial designs. In some instances, such increases reached three digit levels.

VII. FURTHER COMMENTS AND QUESTIONS

228. The first discussant sought further information about Mexico's privatization programme, including whether the Government was planning to divest entirely. He asked if Mexico had any plans about corporations granted monopoly rights by the State. In the area of tariffs, he referred to the existing gap between bound and applied rates and noted that a large gap created uncertainty for exporters. Concerning Mexico's decision to increase the tariff on beef imports, he asked whether there had been a formal process of investigation before the tariff was raised. He also commented on the issue of tariff escalation, and asked if Mexico would consider reducing the difference of rates according to the degree of processing.

229. The representative of Mexico clarified that among the remaining 212 public entities, only 70 were productive corporations; the rest were entities required for administering the usual functions of the Mexican Government. Concerning the government corporations, he confirmed that the divestment programme would continue, and that, in 1993, certain financial and communications corporations were included in the programme. On the gap between bound and applied tariff rates, he said that there were two ways of eliminating this difference; one was to increase the applied rate, and the other to decrease the bound rate. He stressed that one of the main areas of the Uruguay Round was to decrease bound rates. He noted that Mexico preferred to increase the tariff on beef imports rather than to use a safeguard measure because this could have resulted in a tariff rate over the 50 per cent bound rate or in the establishment of quantitative restrictions. Tariff escalation was already reduced in January 1989, when zero rates were converted into 5 or 10 per cent rates.

230. Concerning the tariff increase on beef imports, the first discussant disagreed that Mexico needed to apply a rate higher than its 50 per cent bound rate simply because of the safeguard mechanism. He said that the issue was one of transparency and predictability. He wanted to know whether or not in deciding to raise the tariff, there had been an opportunity for affected exporters to present their case, and if there had been some sort of public instance where the prejudice was established.

231. The representative of Mexico noted that the Uruguay Round negotiations were addressing the issue of tariff reductions with a view to eliminate exporters uncertainties. He repeated that for Mexico it was technically not possible to use a safeguard measure unless the increased rate was higher than 50 per cent. Concerning public enquiries about tariff increases within bound rates, he stressed that it was not a common practice used by many countries.

232. The representative of Canada asked about the possibility of eliminating Mexico's 1985 Pharmaceutical Decree, and questioned the application of a customs service fee to finance the modernization of Mexico's customs administration.

233. The representative of Mexico said that there were no decrees in the pharmaceutical sector. Past agreements between producers and the Government had not been renewed. Consequently, prior import permits on pharmaceutical imports would be eliminated in the near future. He noted that the customs service fee would be revised once the customs modernization programme was completed.

234. The representative of Senegal congratulated the Mexican Government for its achievements in the area of trade, economic and financial reforms. He sought information about the privatization of customs services administration, the customs régime applied to maquiladoras, and asked if goods entered into a free zone were subject to customs duties when transferred for consumption to another part of the territory.

235. The representative of Mexico noted that Mexico had privatized the administration of warehouses and the customs information system. The Customs authority remained under the Government. There was a confidentiality clause in the handling of customs information. The maquiladora system was more flexible than a free zone régime, because it was not limited in terms of geographical location. Goods entered into a free zone and subsequently moved into the Mexican customs territory were subject to normal customs tariffs.

236. The representative of Colombia sought for further comments about problems encountered by Mexican exporters in foreign markets.

237. In this respect, the representative of Mexico referred to the application of sanitary and phytosanitary measures, certain unjustified anti-dumping cases, and, more generally, the lack of reciprocity to the unilateral trade opening measures undertaken by Mexico in the last years.

238. The representative of Japan welcomed Mexico's readiness to fully participate in the discussions under a working party examining NAFTA.

239. The second discussant asked if Mexico had any plans to completely phase out the value added requirement in the automobile sector, and if not, what was the GATT basis for its maintenance. She highly appreciated the efforts made by the Mexican delegation in answering all questions in a detailed manner. She noted that there were certain points resulting from the discussion in the Council which needed to be reflected to the authorities in Mexico City, including all comments on NAFTA. She pointed out that one true test of the benefits to be derived from NAFTA would be how it multiplied the opportunities for trade and investment throughout the world.

240. The representative of Mexico recalled that the Automobile Decree was justified under Mexico's Protocol of Accession. In that Protocol, Mexico took the commitment to gradually liberalize this sector, and indeed it had already considerably liberalized under changes introduced to the Decree in 1989. In the future, Mexico would continue to evaluate the situation of this industry.

241. Concerning standards, he noted that accredited laboratories functioned under internationally recognized norms, such as those of ISO. The operation of these laboratories was transparent, and they were discredited if discretionary behaviour was proved. Certification was done exclusively by the Mexican Government based on laboratory tests. The Government was considering the possibility of allowing private bodies to carry out certification with a view to speed up the process.

242. The representative of New Zealand commented about the flexibility for Mexico's policies resulting from the considerable gap between bound and applied rates, as well as from regional agreements. He asked whether, and if so how, Mexico considered that any perceptions of uncertainty associated with that sort of flexibility might have had real effects on trade and investment flows.

243. The representative of Mexico said that the relationship or link mentioned by the representative of New Zealand between regional agreements and the gap between bound and applied rates was not clear. However, he took note of the comments made in that respect.

244. The representative of Hong Kong asked if any plans existed to further reduce the number of products still subject to import licensing requirements, and the conditions for rejection of import licence applications.

245. The representative of Mexico noted that one area where changes had been the most important was in the mechanism for granting import permits for the reduced number of products still under this requirement. The time limit for answering applications had been reduced and did not exceed four days, the rules had been clearly defined, the answering system had been computerized, and the customs administration of import licences had been facilitated. He also pointed out that the process of import licence elimination had been gradual but steady. Many import permits for agricultural products had been eliminated, and the process would continue in the future.

VIII. CONCLUDING REMARKS BY THE CHAIRMAN OF THE COUNCIL

246. I would like to conclude this first Trade Policy Review of Mexico with my understanding of the salient points emerging from the discussion. These closing remarks are made on my own responsibility. The full discussion, including Mexico's responses to points raised by the participants, will be reflected in the minutes of the meeting.

247. In his opening statement, the representative of Mexico said that, since the deep crisis of the early 1980s, his country had transformed its highly protected and over-regulated economy into an open, market-oriented system. Main elements in the macroeconomic reform process were sound fiscal management, foreign debt restructuring and divestment of public enterprises, supported by a social consensus. As a result, real economic growth had been resumed and inflation substantially reduced.

248. Since 1983, a programme of trade liberalization had been pursued with the aim of promoting greater efficiency in Mexican industry and larger participation in world markets. Exports had been substantially diversified from petroleum into manufactures. Since 1989, the balance of trade had been negative; however, this had been financed by capital inflows. In the trade liberalization programme, quantitative restrictions had been virtually eliminated; tariffs had been reduced to a weighted average of 11 per cent; customs administration and valuation had been rationalized; a new law on standards and technical regulations had been introduced; and greater use had been made of anti-dumping and countervailing measures. Other important microeconomic changes undertaken to reduce costs and increase supply included deregulation and liberalization of foreign investment policies.

249. Mexico attached great importance to its participation in GATT. It had also concluded regional agreements under the Latin American Integration Association (LAIA), and other trade-related agreements with countries in Europe and the Pacific Rim. The North American Free Trade Agreement - which was yet to be ratified - was seen as fully compatible with GATT rules; it formed part of the extensive programme of economic and social policy changes undertaken by Mexico.

250. Agricultural policy in Mexico was aimed at reducing distorting forms of support, such as production or input subsidies, and at replacing them with direct payments to farmers.

251. A number of overseas trade barriers affected Mexican exporters, such as unjustified anti-dumping and countervailing measures, and the abuse of sanitary and phytosanitary measures. He hoped that a successful conclusion to the Uruguay Round could significantly reduce these problems.

252. All participants praised Mexico for its far-reaching economic reforms, which had been conducted with notable success. Stable macroeconomic policy, with fiscal and monetary discipline, had been supported by measures to achieve a broad social consensus and alleviate the burden of adjustment, including wage and price pacts. This had enabled Mexico to stabilize and transform its economy and to resume economic growth.

253. The trend of major policy changes in Mexico was towards the consolidation of an open, market-oriented economy. Liberalization of the trade régime, privatization of most State enterprises, and deregulation of economic activities were showing impressive results. Mexico's business environment for domestic and foreign suppliers had been transformed by these changes. Some participants also welcomed the liberalization of foreign investment statutes and improvements in the rules governing intellectual property protection. Some members queried, however, whether the pace of macroeconomic and trade policy reforms could be sustained, given the increasing trade deficits and the slowdown in

economic activity which had occurred in the second half of 1992. A question was also raised concerning changes in the structure of Mexico's foreign debt from public to private.

254. Participants welcomed Mexico's binding of all tariffs upon accession to GATT in 1986, reduction and rationalization of tariffs, modernization of customs procedures, virtual elimination of quantitative restrictions, and the considerable reduction in the scope of import licensing requirements. Participants strongly encouraged the Mexican Government to continue on its reform path.

255. A number of delegations raised questions about Mexico's anti-dumping and countervailing legislation. Main areas of concern included the five-day rule for establishing provisional measures, the "chilling" effect on imports of the initiation of investigations, the rôle of the dumping margin in considering determination of injury, the possibilities for upward revision of duty rates recommended by SECOFI, the lack of a sunset clause, and the extent to which procedures took into account public interest criteria. Participants were also interested in knowing the exact conditions under which final duties could be revoked, and whether extensions to the time-limit for filing responses to questionnaires could be accepted by Mexico when requested by the interested parties. Participants welcomed Mexico's stated commitment not to use anti-dumping or countervailing measures as a protectionist device.

256. Participants asked Mexico to elaborate a consolidated list of remaining products subject to import licensing. They questioned the reasons for retaining such a requirement. They also sought information on conditions under which licence applications could be rejected and the number of such rejections over the past three years.

257. Some participants asked if Mexico had any plans to change its ad valorem customs service fee into a specific fee, more linked to the cost of the service rendered. In this connection, it was asserted that the customs fee, which was unrelated to the cost of processing import documents, could contravene Mexico's obligations under Article VIII of the GATT.

258. Many participants expressed serious concern about Mexico's use of sanitary, phytosanitary and other standards-related measures to limit imports. In some cases, it appeared that licensing requirements had been replaced by sanitary, phytosanitary or administrative obstacles. Reference was also made to a lack of transparency in Mexican procedures.

259. Some delegations asked about preferences for national suppliers in government procurement, as well as about the terms under which national or international tenders were called. Another area of concern related to the short period of time available to submit offers. Mexico was encouraged to accede to the Government Procurement Code.

260. One participant noted that there was no independent statutory body with a mandate to publicly and regularly review and assess Mexico's economic policies, and asked if Mexico had any intention to establish such a body in the future.

261. A number of participants sought further elaboration on the experience of maquiladoras, including their future in the light of general trade liberalization. Concern was expressed that incentives for existing maquiladoras were likely to be eroded by provisions of the NAFTA agreement, including rules of origin.

262. Clarification was also sought and comments made on the following specific issues:

- the gap between bound and currently applied tariff rates;
- tariff escalation;
- a recent increase in tariffs on imports of live animals and bovine meat;
- variable levies applied on sugar imports; it was noted that the domestic reference price for sugar was significantly higher than prices from both subsidizing and non-subsidizing exporting countries;
- possibilities for creation of mechanisms to improve communication between importers, customs and other administrative bodies;
- any plans to rationalize the structure of protection in the agricultural sector;
- any plans to reform the State import monopoly with respect to milk powder;
- any plans to join further Tokyo Round Codes;
- the existence of export-import balancing requirements, as well as local content requirements, in the motor vehicle sector;
- conditions applied in export financing;
- the effects on trade of monopolies and State corporations and plans for further divestment; and
- any plans to deregulate the petroleum sector and privatize the State-owned oil company, PEMEX.

263. While it must be recognized that questions such as investment and intellectual property are not under review, some participants noted that certain stringent conditions, such as trade-related performance requirements, were still imposed in connection with approval of foreign direct investment. They asked if Mexico's new investment law would eliminate local content, export performance and trade balancing requirements. Other participants made favourable comments about the recent evolution of Mexico's competition and intellectual property laws.

264. Many members of the Council welcomed the proposed North American Free Trade Agreement (NAFTA). It was recognized that this meeting was not the forum for a full discussion of NAFTA, which was not yet ratified; in this context, participants looked forward to a complete examination of the Agreement under Article XXIV of the GATT. Some members noted that NAFTA offered the chance to reinforce Mexico's integration into the global economy, and consolidate its autonomous liberalization efforts. Others expressed concern about the possible diversion of trade from external trading partners and the length of the transitional period for the abolition of tariffs. Questions were also raised concerning the compatibility with GATT of the proposed exemption of NAFTA partners from Article XIX safeguard measures and the preference to be given to NAFTA over GATT procedures in dispute settlement. Certain delegations also referred to specific issues of concern arising in sensitive sectors, such as rules of origin in the textiles sector. The question of the compatibility of intellectual property provisions in NAFTA with the draft Uruguay Round TRIPs agreement was also raised.

265. In his reply, the representative of Mexico emphasized that the macroeconomic reforms undertaken had led to a marked improvement in public finances and thus encouraged new domestic and foreign investment which was necessary for future growth. Mexico's exports were adversely affected by the downturn in the world economy (although recent signs of renewed growth in exports were apparent), while imports remained largely unchanged. The social costs of adjustment had been mitigated by the National Solidarity Programme.

266. With respect to tariffs, the differential between bound and applied rates was a reflection of the pace of liberalization; tariff escalation was being progressively reduced and the tariff structure simplified. Customs procedures had been modernized, and the process was continuing; in the southern part of the country, much needed improvements in infrastructure were being implemented. The customs charge of 0.8 per cent was being used to finance the modernization process. Communication with exporters and importers had been improved to explain the changes and to resolve operational problems arising from them.

267. He said that, under the Foreign Trade Law, the Commission on Tariffs and Foreign Trade Controls (CACCE) had been established as the principal consultative body for the formulation and implementation of trade policy. The public could and did present proposals on foreign trade to this Council. The Coordinating Council of Foreign Trade Enterprises (COECE) had actively advised the Government in the NAFTA negotiations and, because of its effectiveness in this specific area, had acquired a permanent advisory rôle on overall trade policy. Another consultative committee acted as a channel for the views of consumers, suppliers and higher education establishments concerning consumer protection. There were also advisory committees on standards.

268. Mexico's adherence to further GATT Codes was not presently contemplated, principally because of Mexico's expectations for the single undertaking under the Uruguay Round, which should rectify the present fragmentation of rights and obligations.

269. Turning to questions on specific sectors, the representative described plans for the deregulation and liberalization of the automotive and pharmaceutical sectors; it was expected that prior import licensing in pharmaceuticals would disappear very soon. The Automotive Decree was justified under Mexico's Protocol of Accession; Mexico was committed to, and carrying out, a gradual liberalization in the sector. Aspects of the sugar régime were explained; it was stressed that no disruption to m.f.n. supplies had occurred. With respect to beef and live animals, tariffs had recently been increased within the framework of Mexico's GATT bindings, because of difficulties in the sector stemming from oversupply on world markets. Concerning tariffication in agriculture, Mexico had offered in the framework of the Uruguay Round to convert virtually all its non-tariff measures into tariffs; there were, however, a limited number of exceptions on which Mexico could not agree to tariffication and for which it sought an equitable, pragmatic solution in the negotiations. In this connection, he regretted that the Draft Final Act proposals on internal and export subsidies for agriculture were so weak. Concerning the outcome of the Panel on tuna, Mexico was working in a framework of regional cooperation to seek a durable solution to this difficult problem.

270. The Mexican representative gave a detailed description of procedures for the establishment of sanitary and phytosanitary regulations and their implementation, as well as for other standards. He noted that while in 1986, all farm, forestry and fishery products were subject to such regulations, these now applied only to high-risk products. Mexico was working in international organizations on the harmonization of SPS norms.

271. Regarding government procurement, Mexico had no price preferences or local content requirements. Tenders could be called nationally or internationally. Purchases with funding from international organizations fell under the rules of such organizations, which were normally based on the principles of national treatment and non-discrimination. Mexico hoped the current Government Procurement negotiations would lead to a strengthening of the Code, making it more attractive for outsiders to join. Concerning divestment of State enterprises, he confirmed that the process was continuing.

272. Mexico was continually evaluating its foreign investment laws with a view to putting modifications to Congress, aimed at increasing Mexico's competitiveness. The petroleum sector was designated as a State activity under the Constitution and no change was envisaged. International prices were the basis of domestic prices in this sector. Coal imports were not subject to prior import licensing. The Federal Council on Competition would start its work, under the new Law on Competition in July 1993.

273. The representative gave detailed replies to questions on Mexico's anti-dumping laws and procedures. The time limit for responses to questionnaires went beyond limits fixed under the Code, and extensions were granted if justified. The linkage between dumping margins and injury took account of adjustment to domestic prices prompted by the dumping. Procedures for suspension of anti-dumping duties gave the same results as a sunset clause; cases were closed when domestic producers no longer demonstrated any interest in their continuation, or when an exporter could show absence of dumping for two or three consecutive years. Duties could only be maintained or reduced on review, not increased. The imposition of provisional duties at the inception of an investigation was exceptional. Unification of dumping and injury investigations under one authority gave a greater degree of flexibility and coordination. Mexico intended to establish an International Trade Tribunal to hear appeals in relation to anti-dumping cases.

274. In conclusion, he noted that Mexico was now one of the most open economies. It was thus also vulnerable to cases of unfair competition. This was why anti-dumping investigations had increased, although their trade coverage was still small. The general liberalization of the economy was the best guarantee against abuse of the anti-dumping system. The appropriateness of further legislative reforms was being evaluated.

275. The Council recognized Mexico's commitment to an open multilateral trading system, and its active participation in the Uruguay Round negotiations. It also noted that the continuation of the liberalization and reform process in Mexico would be greatly facilitated by a supportive external economic environment, and particularly by a successful and prompt conclusion to the Round.