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Symposium on Japan's Economic Partnership Agreements

Mexico-Japan EPA Success Story

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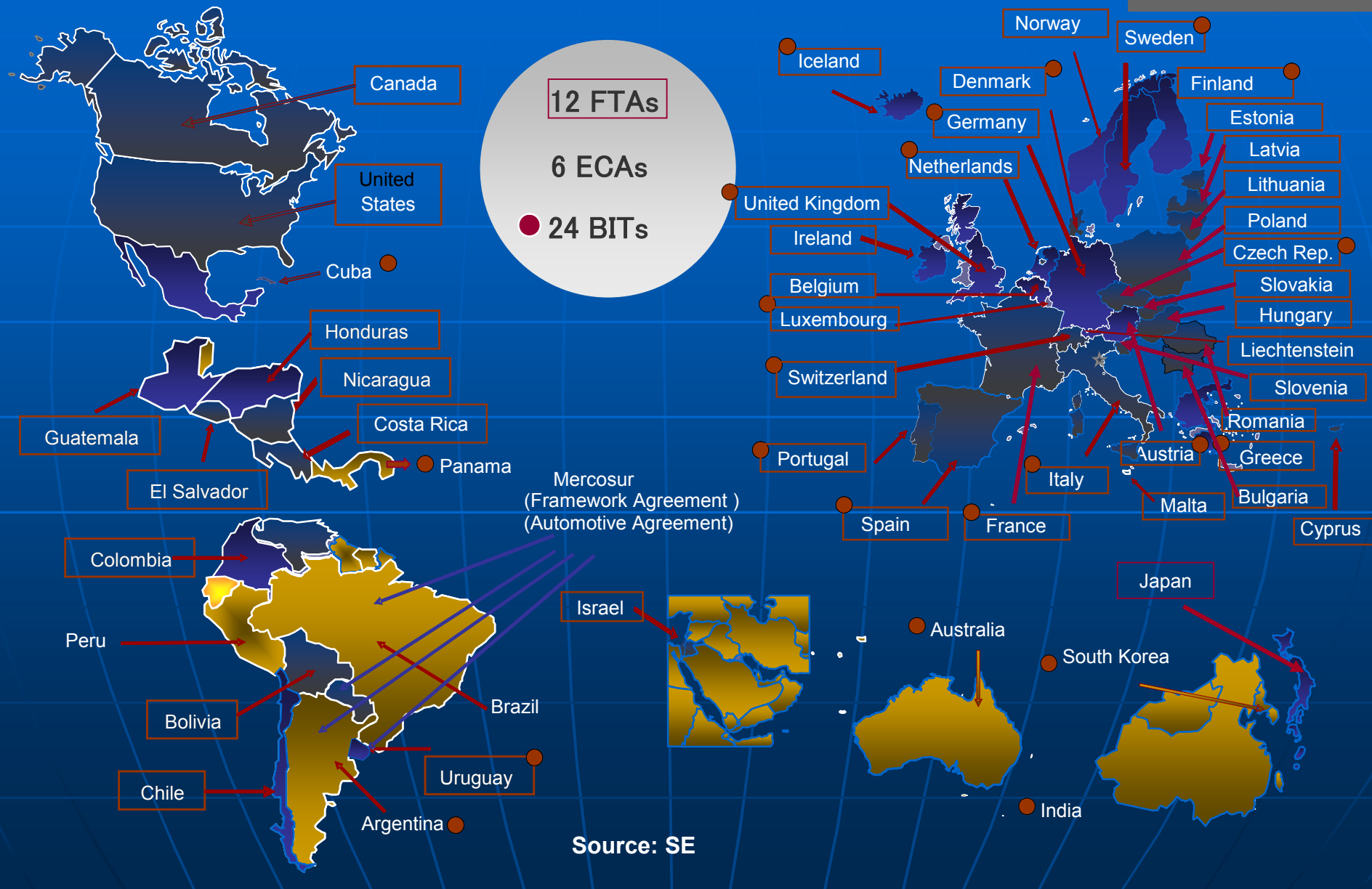
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Mexico has preferential FTAs with 44 countries, including the EPA with Japan

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Source: SE

Context of the Mexico-Japan EPA

- ✓ Japan's first comprehensive EPA ever negotiated*
- ✓ Mexico's first EPA with an Asian country
- ✓ For the first time in a trade negotiation, Japan agreed to open its market to imports of agricultural products under preferential treatment.

* The Japan-Singapore EPA didn't include the agricultural sector

Why an EPA with Mexico?

Complementarities

JAPAN	MEXICO
Population Age Average of 43 years Highly Educated Labor Force	Population Age Average of 27 years Abundance of Young and Capable Workers
High Saving Rates	Economy in Need of Maintaining Growing Levels of Domestic Investment and FDI
Its Companies are a Major Source of FDI	4 th Place Among Emerging Economies in FDI Attraction
Leading Producer and Exporter of High Technology Products	Importer of High Technology Products and Systems
Technology Companies Outsourcing Production Abroad	Producer and Exporter of High-value Added Goods. Maquiladora Outsourcing
Importer of 60% of its Food Consumption, (3 ^{er} World Largest Importer)	Producer and Exporter of Agro Food Products
Main market of Mexico's exports in Asia	First destination of Japanese exports in Latin America

Historic and economic ties dating back to 1888*

***Japan-Mexico Treaty of Amity, Commerce, and Navigation**

Mexico-Japan EPA Rationale

JAPAN secured:

- 1) Access to the growing Mexican market under preferential terms
- 2) Protection of Japanese investors in Mexico
- 3) Access to Mexico's Government Procurement contracts
- 4) Japanese firms wanted duty free entry to the U.S. and Canadian markets through Mexico's NAFTA membership.

MEXICO:

The EPA with Japan is Mexico's cornerstone of its strategy to expand and diversify its trade and investments with Asia:

- 1) Exports, to develop the presence of Mexican products in new markets.
- 2) Imports, to facilitate low cost supplies, particularly of high technological content to strengthen production of high value added goods in Mexico.
- 3) Investment attraction, in supporting production in high value added sectors in Mexico.
- 4) Cooperation, to take advantage of the liberalization benefits, and the opening of market of goods, services, and capital.

Mexico-Japan Trade 2004-2008

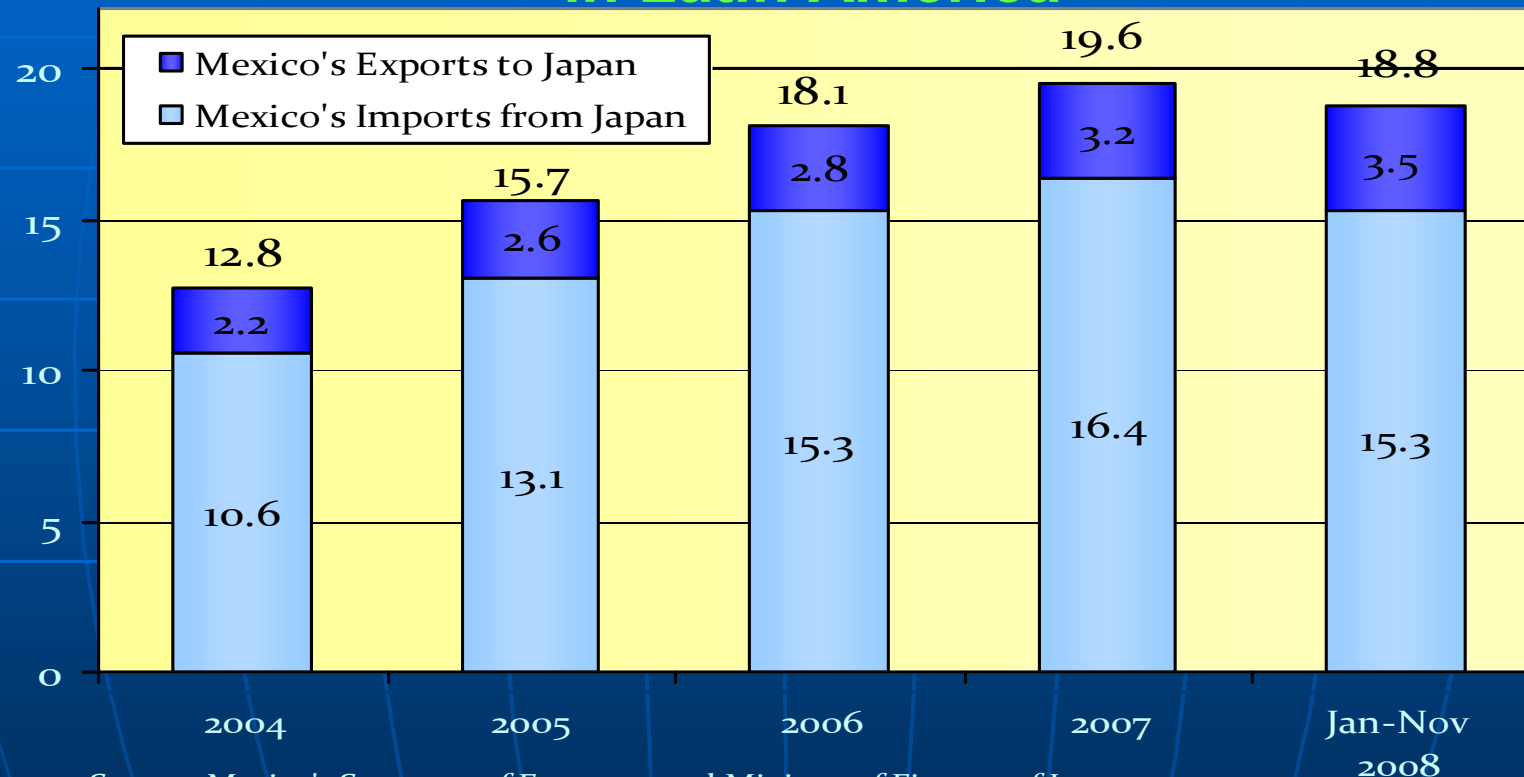
(Unit: Billion USD)

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**Mexico is Japan's first export destination
in Latin America**



Source: Mexico's Secretary of Economy and Ministry of Finance of Japan

*Data is based on registered imports of both countries

From January to November, 2008, Japan's trade with Mexico represented less than 1% of Japan's total trade. Likewise, Mexico's trade with Japan represented only 3% of the country's total trade.

Mexico Rejects Protectionist Measures: Unilaterally Reduces Import Tariffs



- ✓ Last December, Mexico announced that more than 8,000 industrial products will face a gradual reduction or elimination of tariffs in the following four years, starting in 2009.
- ✓ By 2013, 63% of Mexico's industrial tariff lines will have no duties, with the average industrial tariff rate lowered from an actual 10.4% to 4.3%.
- ✓ Just as in Japan, Mexico's economy is dependent on open markets for its exports.
- ✓ Mexico rejects any form of protectionist measures being used as a mistaken excuse by some country governments to cushion negative impacts caused by the worldwide economic downturn.

Japanese Foreign Direct Investment (FDI) in Mexico

- ❖ Since 2006, Japanese companies have announced investments in Mexico's manufacturing sector for over US\$1.7 billion
- ❖ Mexico's main sectors receiving Japanese FDI are: Automotive and automobile parts; Electric and Electronic; and Machineries
- ❖ Japanese companies are lured by Mexico:
 - 1) A leading emerging economy with more than 100 million consumers
 - 2) An export platform for Japanese manufacturers to access duty free the NAFTA market, South America, and Europe, through Mexico's FTAs with those regions

Mexico-Japan EPA Manufacturing Success Story

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Automotive Industry:

- ❖ Mexico is one of the world's ten largest producers of vehicles
- ❖ In 2008, 2.1 million automobiles were produced in Mexico
- ❖ Japanese automakers producing in Mexico accounted for one-fourth of that production last year, or a total of 550,579 units

How to promote Utilization of the EPA, particularly among SMEs

- ❖ FOODEX JAPAN, 2009
- ❖ Japan International Aerospace Exhibition , 2008
- ❖ Seminar on Mexico's infrastructure sector , 2008
- ❖ Seminar on Mexico's energy sector , 2009
- ❖ Mission of aerospace companies to Mexico , 2009
- ❖ Mission of auto parts companies to Mexico , 2008
- ❖ JETRO's business matching events , 2009

Notwithstanding the efforts, much more promotion and information dissemination are needed. We have not even reached 5% of the growth potential, both in terms of trade and investment, which the two countries could achieve.

EPA's Committee for the Improvement of the Business Environment

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Functions:

Provides recommendations and acts on measures to improve the business environment in Mexico and in Japan

Characteristics:

Governments and private sectors meet regularly to act on specific actions to improve industries' competitiveness

Examples of subjects discussed :

Interest of Mexico's private sector

- Market access conditions of agricultural products in the Japanese market
- Sanitary and phytosanitary measures
- Strengthening of supporting industries and human resource development
- Investments in the National Infrastructure Program
- Renewable energies and clean technologies
- Support to Mexican SME's and capacity training.....

Interest of Japan's private sector

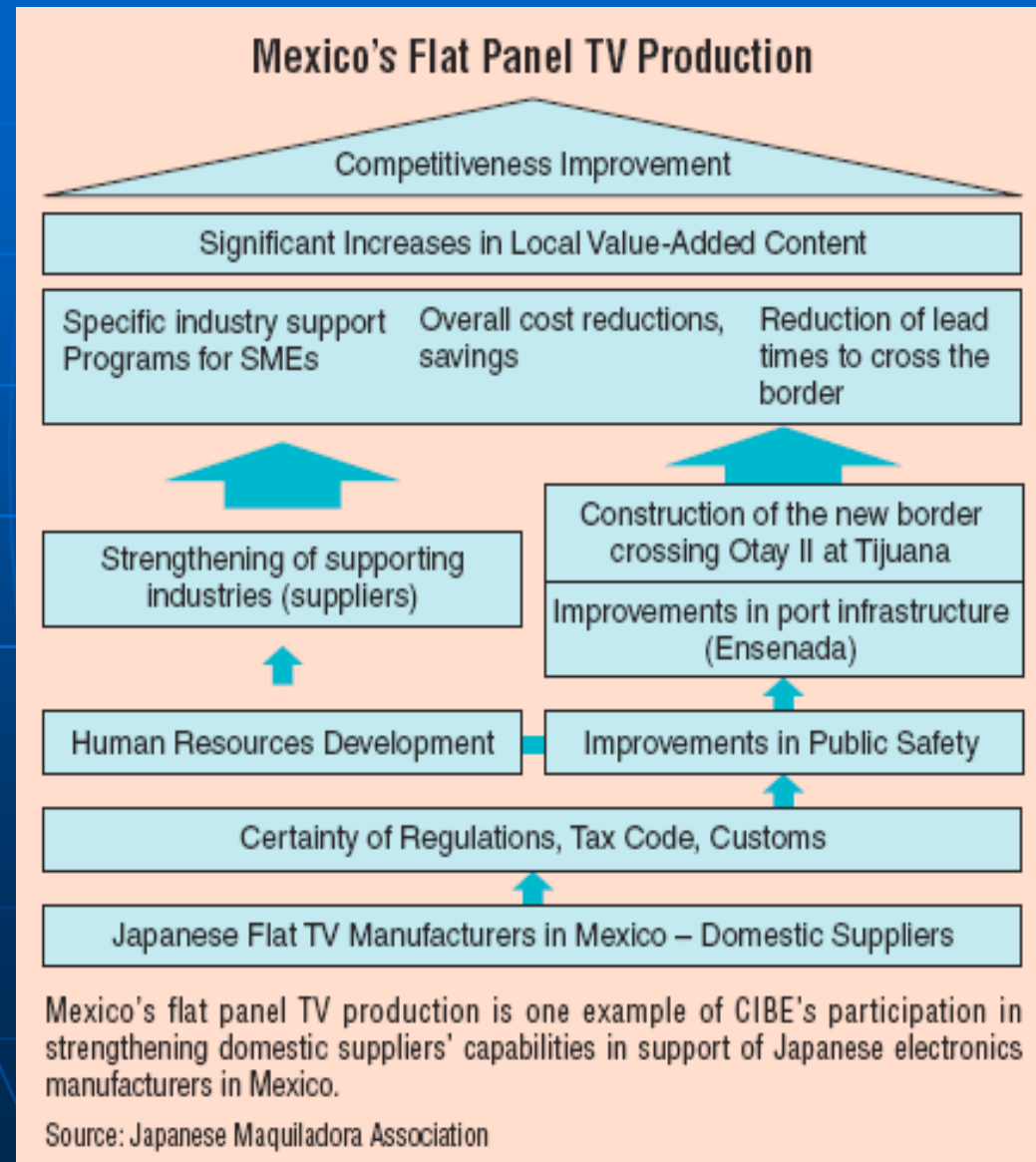
- Infrastructure (land border crossing efficiencies to the U.S.), ports and railways
- Intellectual property rights
- Customs procedures and tariff issues
- Public safety
- Information on the reimbursement of VAT for tourists
- Migration procedures
- Development of suppliers for the auto parts and electronic sectors

NAFTA and the Mexico-Japan EPA linkages on Flat Panel TV Manufacturing

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Japan and Mexico: Strategic Partners in Today's Difficult Financial Environment

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The current international financial crisis opens new opportunities to increase bilateral trade and investments between Mexico and Japan in areas such as:

Infrastructure:

- Maritime ports
- Transport logistics
- Railroad and highways
- Waste water treatment
- Urban transport, including suburban trains

Energy:

- Clean technologies (wind, solar, geothermal, etc)
- Energy efficient technologies
- Transport and storage of natural gas
- Construction and operation of electric power plants

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THANK YOU!

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Mexico - Japan

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エネルギー改革法案、国会で可決

去る10月、国の石油および天然ガスの探査、掘削能力を強化し、炭化水素資源の埋蔵量と石油生産量を引き上げる目的で出されていたエネルギー改革法案がメキシコの国会で可決されました。改革の一部として、議会は再生可能エネルギー利用促進法と持続的エネルギー利用法という2つの法律の制定も承認されました。これらの法律により、メキシコでは水力、風力、太陽光といったクリーンエネルギーの利用と省エネが加速されることとなります。



Deep water oil platform in the Gulf of Mexico. Source: shutterstock.com

メキシコの石油生産量は近年減少傾向にありますが、その原因は新技術利用のための投資不足や新掘削田開発、特にメキシコ湾沖の深層油田の開発が進んでいないことなどにあります。このまま新しい油田が見つからなければ、メキシコは今後10年以内に原油の純輸入国に転じる可能性が指摘されています。現在のメキシコの石油生産は2007年比10%減の日量平均280万バレルです。

エネルギー改革の結果、メキシコの国営石油会社（PEMEX）が予算、負債の管理を行なう際の経営自主権が強化されます。これによりPEMEXは新掘削田、ガス探査と生産に多くの資金を投入できるようになるほか、深層から原油を採掘するのに必要な技術を導入することが可能になります。メキシコの有望な油田の半分はメキシコ湾の深層に存在することから、特に後者は大きな重要性を持ちます。民間業者はパフォーマンスに応じたインセンティブ条項を含むPEMEXとのサービス契約により探査や掘削事業に参加することが可能です。

PEMEXには業績の監査を行なう外部の監査人を導入することにより、企業としての透明性とアカウンタビリティを高めめます。さらに重要なことは、この改革によりメキシコの石油セクターにはおよそ58億ドルの追加投資が行われ、新たに30万人を超える雇用創出の可能性が生まれました。

エネルギー改革ではまたクリーンエネルギー利用への移行と省エネに関する長期的な計画立案を促すことも目指しています。

(改訂・続く)

(Continued on next page)

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Mexican Congress Approves Energy Reform

In October, Mexico's Congress approved an Energy Reform that will strengthen the country's capacity for petroleum and natural gas exploration and drilling, allowing Mexico to increase its hydrocarbon reserves and petroleum production. As part of the Reform, the legislators also approved two other important statutes, the Law for the Use of Renewable Energies and the Law for the Sustainable Use of Energy, which will enable Mexico to accelerate the utilization of clean energies, such as hydro, wind, and solar power, and the improvement of energy efficiency.

Mexico's oil production has been diminishing in recent years due mainly to the lack of investments in the use of new technologies and not being able to find new oil deposits to tap, particularly in deep waters of the Gulf of Mexico. It is estimated that, unless new reserves are discovered, Mexico may become a net importer of oil over the next decade. Currently, Mexico produces an average of 2.8 million barrels of oil a day, down 10% from 2007 levels.

As a result of the Reform, Mexico's oil company (PEMEX) will have sufficient autonomy in managing its budget and debt. This will allow the company to spend major resources in new oil and gas exploration and production projects, as well as to acquire technology needed to extract oil in deep water fields, which is vital since more than half of Mexico's potential oil reserves are in the deep waters of the Gulf of Mexico. Third parties will be allowed to participate in exploratory and drilling works under efficiency-oriented service contracts that include performance-based incentives.

PEMEX will incorporate independent advisers who will be in charge of monitoring the company's performance, making it more transparent and accountable. Most importantly, the Reform has the potential to generate further investments in Mexico's oil sector for approximately US\$ 5.8 billion in the following years, creating over 300,000 new jobs.

The Reform also aims to promote the transition to the use of clean energies and a long-term planning on energy conservation. To achieve this goal, it created the Energy Transition and Sustainable Energy Use Fund, with initial resources of US\$ 250 million. This Fund will be used to finance environmental projects that encourage the use of renewable energies and domestic and Industrial energy efficiency in the country. The latter is of the utmost interest to Japanese energy companies and financial institutions.



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