



Trade policies and negotiations

Mexico shares lessons learned

The Policy and Trade Node: Focal Point Mexico is a meeting point which allows the Mexican experience to converge with the needs of other countries in the region that can be enriched by it.

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Abstracts

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The global changes which took place at the end of the twentieth century were the inevitable result of a search for genuine solutions that could fuel the development and economic growth of nations.

Economic liberalization and the removal of trade barriers were the key component of a new strategy, intended to put countries on the path to long-term sustainable development.

For most of the countries of Latin America and the Caribbean, this entailed structural reforms which sought to change not only the conception of public policy, but also the way in which public institutions operated, and the design and application of the instruments employed by specialized programs in each country.

In the specific case of the agricultural sector – which was also part of the global changes taking place – the internal transformations resulting from the new conception of the role of the State had a multilateral effect. International agricultural trade was regulated for the first time as a result of the Agreement on Agriculture included in the Uruguay Round Agreements, which also created the World Trade Organization (WTO).

The impact of these changes was substantial, as countries were forced to consolidate and reduce the discretionary measures they had traditionally employed to protect their agricultural sectors and artificially increase their international competitiveness, by way of subsidies.

The rules which make up the Agreement on Agriculture are distinguished by the fact that they transcend foreign trade, regulating not only tariffs, non-tariff trade barriers and export subsidies, but also domestic support measures. Restrictions are established regarding policies to stimulate domestic production and protect the national agricultural sector.

Consequently, this multilateral framework, while not exhaustive, is a mandatory point of reference for every nation's foreign trade and sectoral policies.

The quest for access to foreign markets has reached its highest form of expression in the signing of free trade agreements. While the multilateral scene offers some opportunities in this regard, through the Most Favored Nation clause, negotiated free trade agreements provide more efficient access and faster results.

Trade negotiations of this nature require a significant amount of effort; the negotiators must prepare, establishing the goals they seek to achieve, and creating some type of mechanism to address

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disparities, when the economies of the negotiating countries are unequal. Implementing the agreements reached and extracting the greatest possible benefits from them, however, requires significant efforts at the national level. The private sector must adopt all measures necessary to achieve sustainable access to the market of the trade partner in question, and the public sector must adopt policies, programs and instruments to support the national productive sector in this task.

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The countries of Latin America and the Caribbean have signed many free trade agreements over the last few years, in order to achieve proper market access for their exports. By their own admission, however, these countries need to strengthen their negotiating capabilities – particularly their ability to implement trade agreements.

The Inter-American Institute for Cooperation on Agriculture (IICA) has developed a Regional Cooperation Program entitled “Policy and Trade Node: Focal Point Mexico” to help its member states meet these challenges. The program is in keeping with the organization’s mandate, which requires IICA to “support member states, facilitating the active participation of the agricultural sector in each aspect of trade negotiations, and support public policymaking, in order to ensure that insertion into international markets and improvements in the competitiveness of agri-food systems serve as suitable, effective tools for increasing the profitability of agriculture, raising living standards and reducing rural poverty”

The program is part of a larger effort being conducted through the Institute’s Trade Policies and Negotiations thematic area, as well as the Regional Programs currently underway in various parts of the hemisphere.

The Policy and Trade Node: Focal Point Mexico

Mexico began to unilaterally open its market by joining GATT, in the mid-1980s. The country then deepened and consolidated its trade liberalization process through the concessions negotiated as part of NAFTA.

The adoption of a new development strategy required a wide-ranging structural reform, which affected every level of the Mexican state. These reforms included changes to the country’s constitution, the rethinking and closure of institutions, conceptual and operational modifications in the instruments used by the State to intervene in the economy, and a new approach to the development and implementation of public policies.

In the agricultural field, the establishment and deployment of a sectoral policy designed to contribute to the country’s development objectives has been a complex task, requiring the involvement of a large number of public and private actors who have set to work designing novel instruments to accompany the productive sector in its transition toward free trade.

Ten years of consistent, continuous sectoral policies have provided Mexicans with a rich source of analytical tools for sectoral policy-making.

During this period, a number of new programs have been designed and set in motion. They are consistent with the reforms adopted, and their short, medium and long-term objectives have been to support the productive sector in its path toward free trade, in order to ensure its successful insertion into the world economy, increase the income of producers, encourage producers to switch to more profitable crops and give them a greater sense of certainty over the long term.

The experience gained in the use of these instruments, which have been evaluated in terms of their ability to bring about compliance rather than their ability to achieve sectoral policy goals, has been used as the basis for modifications to these tools.

Also worthy of mention is the feedback and analysis provided by the decision-makers who have been simultaneously designing and implementing sectoral policy through their instruments, making corrections as necessary.

Mexico possesses significant capabilities and experience in one of the most complex areas of public policy reform: institutional reform and the development of instruments for the agricultural sector, within the framework of trade liberalization processes.

The country’s greatest asset in this regard is probably the continuity of the policies undertaken, as well as the teams responsible for their implementation.

Mexico also possesses ten years of experience implementing the North American Free Trade Agreement with the United States and Canada, which is the first instance in which a developing country has entered into an agreement with developed ones. The agreement contains no exceptions, and compensates for economic disparities by providing longer tariff phase-out terms.



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countries.

Most of the countries of Latin America and the Caribbean have followed similar paths. Economic openness and structural reform have been the basis of their development strategies since the beginning of the 1990s.

The search for new ways to generate economic growth was accompanied by structural reforms consistent with the new requirements facing countries. Public spending was reduced, the role of the State and its institutions was redefined and new public policies were adopted and implemented.

These changes in the development strategies of the countries of the region have entailed a complex transition process for their agricultural sectors, given the paradigm shifts involved. These countries have developed a range of agricultural negotiating skills and gained experience in that area, but it has not been a planned process. The force of recent developments far outstrips the technical and institutional capabilities available at the national level.

With this in mind, taking into account the IICA mandate mentioned above, a cooperation program entitled "Policy and Trade Node: Focal Point Mexico" has been developed. The purpose of the program is to allow the Mexican experience to converge with the needs of other countries in the region that can be enriched by it.

Objectives

The program seeks to help the countries of Latin America and the Caribbean become acquainted with the experience of Mexico in the management of public agricultural policies, in support of the productive sector as it moves toward free trade.

The program is also intended to disseminate the perspective of the Mexican agricultural sector (both public and private) on treaty follow-up efforts, the use of opportunities arising from the opening of markets, identification of difficulties and possible solutions.

Another objective of the program is to study the way in which the Mexican private sector organized its operations during the transition toward free trade, as well as its experiences in dealing with the country's authorities.

Finally, the program seeks to share its analysis of the performance of the Mexican agricultural sector, ten years after the entry into force of NAFTA, as well as the sector's successes and the challenges it faces.

In order to achieve the goals of the program, five main thematic areas were identified. Technical cooperation activities will be conducted for the benefit of member states within the framework of those areas.

Working areas

The working areas listed below make up the operating procedures of the Policy and Trade Node. The initial areas identified are as follows:

1. **Studies and their dissemination.** A large number of agricultural impact analyses have been produced by the Secretariat for Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA), academic groups, the productive sector and IICA. These studies adopt a comprehensive approach to the repercussions of market liberalization, the policies of trade partners, the competitiveness of production chains and the performance of the sector in general.

Other countries in the region could benefit from these studies, not only because their conclusions and recommendations may be useful for economic agents in those countries, but also because their methodology can be replicated.

2. **Talleres y seminarios.** Every region and country organizes training activities, as well as consensus-building and analysis meetings, to assess the implications of governmental decisions, develop free trade proposals, monitor the progress of multilateral and hemispheric negotiations and identify the best policies for protecting and assisting the sector during the transition to free trade. Participants in these activities can benefit from the experience of Mexican experts in this regard.

First Node activities

In keeping with its agenda, the Node began its operations during the second half of 2004, beginning with an internship program for Central American agricultural employees. The program was carried out in association with the Regional Program for the Development of Human Resource Capacities for the Administration of Free Trade Agreements. The visiting employees spent a week becoming acquainted with the practical operations of the public and private Mexican institutions responsible for administering treaties, promoting agricultural exports, managing information systems and dealing with unfair trade practices. The internship program was followed by activities in Nicaragua and El Salvador, in early 2005, where members of the Mexican Secretariat for Agriculture provided in-depth analyses of specific issues.

A seminar was also organized in early 2005 for a group of public and private sector employees from Colombia. The group wished to become acquainted in detail with the workings of NAFTA, and the actual impact of that agreement on the Mexican agricultural sector.

3. **Specific missions.** Countries have specific needs which require specific technical support. These needs may involve the development, implementation or evaluation of institutions responsible for carrying out programs and public services. This is another area where the technical capabilities developed in Mexico can be of great use.
4. **Internships.** This type of technical cooperation consists of one-week visits to Mexico, organized at the request of interested parties, to become acquainted with the operation of the public institutions responsible for administering public policy instruments and free trade agreements.
5. **Advanced training in the design and execution of public policies.** The benefits of trade liberalization and free trade agreements are not automatic, and they do not depend solely on good negotiating skills.

Countries must enact public policies based on a longterm vision one which includes short and mediumterm measures to assist the producers facing the greatest difficulties adjusting to free trade. It is also important to develop instruments and institutions that help increase competitiveness; properly enforce technical regulations; and ensure that inter-institutional and intersectoral coordination mechanisms operate efficiently, in order to ensure broader, more effective management capabilities.

The experience of Mexico in this regard can be very enriching, inasmuch as that country has had a consistent, continuous sectoral policy in place for over ten years. The performance of this policy has also been revised, and corrective measures have been taken when necessary.

Future challenges

Implementing the agreements reached and extracting the greatest possible benefits from them requires significant efforts at the national level. The private sector must adopt all measures necessary to achieve sustainable access to the market of the trade partner in question, and the public sector must adopt policies, programs and instruments to support the national productive sector in this task.

market hinges on their ability to meet these challenges.

The Policy and Trade Node was conceived as a program to enable IICA member states to share the Mexican experience from a variety of perspectives, ranging from the organization and preparation of trade negotiations to the administration of treaties and the management of public policies, instruments and institutions.

An Advanced Course on the Design and Execution of Public Policies is being organized this year, in an effort to help countries develop agricultural support policies and instruments that are in line with the economic reforms and development agenda of each country.

The program's role as a point of convergence for needs and solutions provides the Node with a great deal of flexibility in the organization and execution of needed activities.

With the same objective in mind, the Panamanian Minister of Agriculture was provided with a detailed analysis of the current international trade negotiation framework, particularly at the bilateral level. The purpose of the analysis was to support the integration of the Ministry department responsible for such issues in Panama.

The IICA office in Mexico also developed a "Report on the Impact of the U.S. Farm Security and Rural Investment Act of 2002 and its Implications for Mexico and International Agricultural Markets", which has been shared with all of the Institute's offices and departments. This report is distinguished by the fact that, in addition to analyzing all of the instruments and programs established by the Act, it provides case studies of specific products, and their performance after the enactment of the *Farm Bill*.

The countries of Latin America and the Caribbean have followed an intense agenda of trade negotiations over the last few years. The number of free trade agreements in the region has increased rapidly, with some countries involved in ongoing negotiations and others engaged in talks for that purpose.

The situation is complex, given the tendency of countries to subscribe the specific trade agreements required to gain access to the markets of their main trade partners.

As mentioned above, however, this negotiating effort – exhausting in itself – must be accompanied by national capabilities to administer free trade agreements.

In that regard, both the public and private sectors face a number of substantial tasks. Successful insertion into the international

