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EMBAJADA DE MÉXICO
EN AUSTRALIA

**FADT References Committee inquiry into
Australia's relationship with Mexico**

**Submission by the Embassy of Mexico
on behalf of the Mexican Government**

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Introduction

The Embassy of Mexico, on behalf of the Mexican Government, salutes the decision of the Australian Senate -at the initiative of Senator Chris Back- to summon an inquiry on Australia's relations with Mexico. With the aim of making a constructive contribution, the Embassy hereby presents this document, which draws from the premise that Australia and Mexico are two growingly influential countries in the current world order:

- In the political field, Australia and Mexico are two constructive countries that share numerous values, such as democracy, human rights, open economy, social justice, and sustainable development. Such affinities allow Australia and Mexico to work closely together in the UN, and be partners in some of the most relevant global or regional groups, such as the OECD, G20, APEC, the Australia Group, MIKTA and the Open Government Partnership (OGP).
- In the economic field, Australia and Mexico are the 12th and 15th largest economies worldwide, with a high potential to complement each other. Both are also open economies that seek to build a more resilient and sustainable world economy. Both countries are parties to the recently concluded Trans-Pacific Partnership (TPP) negotiations.
- In the cultural field Australia and Mexico are countries that enjoy a high degree of "soft power", with a strong and appealing national culture, that make them leaders in their respective regions.

For the above reasons, Australia and Mexico can be privileged partners across the Pacific, and a bridge between Asia-Pacific and Latin America. In presenting the case of Mexico, this document shall make emphasis in three key concepts: A) Change, B) Openness and C) Complementarity.

A. Internally, Mexico is undergoing an historical transformation. It has embarked on a deep process of political, economic and social **change**.

B. Externally, Mexico is a global, responsible actor **fully open** to the world, seeking an efficient insertion in the Asia-Pacific economic, political and technological dynamics.

C. Bilaterally, the potential for **complementarity** with Australia in numerous fields is enormous, with clear benefits for the people of both countries.

A. Mexico, a nation immersed in a deep process of change

- **Mexico has a young, talented and qualified labour force.** In the last few decades Mexico has experienced dramatic demographic and social changes, passing from a mostly rural to an 80% urban country. Likewise, Mexicans increasingly have higher levels of education and specialization and the country as a whole enjoys the most significant development in human capital in Latin America.

Mexico is equipped with the ideal demographics to support its economic growth. The median age of its population is 27 years. According to the National Institute of Statistics and Geography, Mexico has 120.8 million inhabitants and the Economically Active Population (EAP) is 52.6 million people (43.5% of the total population). Each year, more than 100,000 engineers and technicians graduate from higher education institutions and increase the country's productivity and competitiveness.

- **A country that believes in education.** Mexico relies on education for the sustained progress of the country. According to the OECD, since 2011, 6.2% of Mexico's GDP has been dedicated to educational institutions, slightly above the OECD average (6.1%). Virtually all 5-14 year-olds are enrolled in education, and the proportion of primary through upper secondary students in public institutions is larger than the OECD average.

The current Administration, set out to improve and modernize education, undertook an **Education Reform** (a constitutional amendment together with both the enactment of new laws and changes to existing laws) to guarantee children and youngsters a comprehensive, inclusive and good quality education that meets the challenges of a globalized and increasingly digital world, that relies on entrepreneurial and innovation skills.

A Professional Teaching Service and a National Educational Assessment System are the key elements of the reform. Professional merit is the only way to become, remain and be promoted as a teacher. Evaluation mechanisms will allow for better identifying the faults, weaknesses and strengths of the education system. Based on this assessment, the authorities will articulate urgent and efficient solutions to improve education.

- **A stable democracy.** Mexico is a multiparty democracy and has a long political stability. Since 1934, a new president has been elected every six years, through peaceful elections, without any interruptions of the constitutional order. Its institutional strength and political maturity have allowed Mexico to pass transforming reforms that push forward its modernization process.

A Political and Electoral Reform was passed by the Mexican Congress in 2014 to consolidate Mexican democracy through mechanisms such as legislative re-election (Deputies and Senators), coalition governments, and a more equal gender representation in both Chambers of Congress (candidacies for the

Chamber of Deputies and the Senate will have to be distributed equally among men and women - 50% each)

- **Promoting transparency and anti-corruption.** In May 2015, President Peña Nieto enacted two significant reforms: a) The General Law of Transparency and Access to Public Information, an improved state-of-the-art law which will lay the groundwork to ensure that the right of access to information is exercised throughout the country on equal terms, without restrictions, incorporating gender perspective and without discrimination, and B) The National Anti-Corruption System, that will coordinate different authorities for the task of preventing, investigating and punishing possible acts of corruption, as well as those responsible for overseeing public resources. Both will allow the country to consolidate a culture of legality and rule of law.
- **Decisively preventing crime.** During the term of President Peña Nieto, Mexico has reinforced the institutional mechanisms and coordination between the Federation and all levels of Government and agencies in order to combat and prevent crime issuing a National Programme for Social Prevention of Violence and Crime with 10 Strategies that guide the Security Policy and Law Enforcement and integrates 9 Secretaries (Ministries) of State. As a result, substantial decreases in the level of homicide and violent crimes have registered over the last two years, with the violent crime rate falling in 2014 below its 2013 level.
- **An economy of global significance and macroeconomic stability.** Mexico is the second largest economy in Latin America and the 15th largest in the world. Mexico's GDP amounts to 1.3 trillion U.S. dollars, almost half of the product combined of the ten ASEAN countries. Mexico is building a platform to take off and increase growth rate in the coming years. JP Morgan estimates that Mexico will be the world's 5th largest economy by 2050.

Mexico is also a country with unparalleled macroeconomic stability and sound public finances. It has a low inflation rate, its debt level (44% of GDP) is lower than that of other more developed countries, and one of the OECD's lowest unemployment rates. It has an independent monetary policy, led by the Central Bank, with full autonomy, with a robust financial system, with capitalization levels of 16.1%, above the average for OECD and G20 countries.

- **Leader in high technology advanced manufactures.** 80% of Mexican exports are manufactures and only 20% are commodities, whereas in Brazil or Argentina the latter make up the majority of exports. Mexico produces more manufactures than the rest of Latin America as a whole. Overall, its exports are worth more than those of the entire region. Mexico ranks among the top three exporting powers of the G20 in terms of mid- and high-level technology manufactures. It is ranked as the first exporter of flat screens and refrigerators, the fourth exporter of computers and the eighth producer and fourth exporter of new vehicles in the world.

B. Mexico, a country fully open to the world

- **A global, responsible actor.** For several decades Mexico has been a good international citizen. Mexico has championed causes like the development of international law; the strengthening of the multilateral system; denuclearisation; peaceful resolution of conflicts, legal equality of the states; fighting climate change; achievement of sustainable development; framing development sustainable agendas; ensuring respect for human rights; and promoting collective security through active participation in international organisations.
- **Fully openness to international scrutiny in Democracy and Human Rights.** For more than two decades Mexican elections at all levels of government have been subject to scrutiny from other countries and the main international organizations. In the field of Human Rights, Mexico has accepted the mandatory jurisdiction of the OAS' Inter-American Human Rights Court, and requested in several occasions the support of the OAS' Human Rights Commission to solve particular cases of violation of human rights.

At the same time, the Mexican Government signed an agreement for the establishment of a regional office of the OHCHR in Mexico City. Within the framework of its mandate, OHCHR-Mexico monitors the human rights situation in the country, including the situation of human rights defenders, the fulfilment of economic, social and cultural rights, the impact of businesses on human rights, and indigenous peoples' rights to consultations. Mexico is also a State party to the nine universal human rights treaties, presenting periodical reports regarding the fulfilment of international obligations under such conventions to the corresponding committees.

- **Historic reforms that further open Mexico to the world.** Mexico embarked in a transformative and comprehensive process. To eliminate barriers that prevented the country to growth in accordance with its potential, during 2013 an ambitious agenda of structural reforms that complement and strengthen each other was passed. The launching of fundamental reforms in various strategic sectors such as labour, telecommunications, economic competition, the financial sector, fiscal policy, social security, and energy provide a legal and institutional framework that will allow Mexico to achieve a more competitive and productive country.
- **Top ten of most visited countries.** Mexico is one of the 10 most-visited countries by international tourists. In 2014, more than 29 million people visited the country. During the first semester of 2015, the number of international tourists traveling to Mexico surpassed 15.7 million. These facts are the result of the permanent effort to improve tourism services and to promote of the attributes of Mexico that make it a destination that caters for all tastes: it possess the largest cultural heritage in the Americas, it is one of the most mega-diverse countries, it has a world class tourism infrastructure, a gastronomy that has been declared UN intangible world heritage, amazing festivals and beautiful handicrafts.

- **Top ten of destinations of FDI.** According to the results of the World Investment Report 2013-2015, conducted by the United Nations Conference on Trade and Development, Mexico is now the 7th most important destination for productive investment. The 2015 A.T. Kearney Foreign Direct Investment Confidence Index places Mexico among the 10 countries that are becoming attractive for investment. Manufacturing, the sector traditionally targeted by foreign investors in Mexico, was a key driver in the country's ranking this year.

The index placed Mexico in number 3 for investment in light manufacturing – which includes goods such as electronics, furniture and textiles– and number 10 for heavy manufacturing of products such as cars and chemicals. Mexico is experiencing a climate favourable to investment, increasing productivity and competitiveness with the highest quality standards. The investment environment is continuously improving through structural reforms and the simplification of procedures, as well as higher ceilings on foreign equity and greater intellectual property protection.

Mexico is also a major investor in Latin America: the 1st Latin American investor in Brazil, Costa Rica, Guatemala, Honduras, Nicaragua and Dominican Republic, 2nd investor in Jamaica, the 3rd in Venezuela, the 4th in Panama, Paraguay and Peru, and the 5th in Chile.

- **Strongly committed to free trade.** Mexico has an open economy that guarantees access to international markets through a network of 11 FTAs with 46 countries that give us access to a market of over 1.1 billion consumers. Mexico has also 33 Reciprocal Investment Promotion and Protection Agreements (RIPPAs) and 9 trade agreements (Economic Complementation and Partial Scope Agreements) within the framework of the Latin American Integration Association (ALADI). Annual trade with the world is over 750 billion USD.

This framework has been assisting Mexican exporters to reach a record level in 2014 of US\$ 400 billion, where 85% were manufactured goods. Mexico also participates actively in multilateral and regional organizations and forums such as the World Trade Organization (WTO), the Asia-Pacific Economic Cooperation (APEC), the Organization for Economic Cooperation and Development (OECD) and the ALADI. Mexico is part of the recently concluded TPP negotiations.

- **Member of NAFTA.** Since 1994, Mexico signed, along with United States and Canada, the North American Free Trade Agreement which created the largest single market in the world. Today NAFTA represents 20.5 trillion USD. Tariffs were eliminated and others are being gradually reduced, such as for quotas and import licences. The trade among the partners has grown to 265% and the region generates 30% of the global goods and services accounting for more than one trillion dollars per year, while investments has been multiplied by six. The three governments continue to work closely to deepen and strength the integration of their supply chains of production, and to set new standards for international trade.
- **Leading trader in Latin America.** Mexico has become the leading exporter country for the region and a gateway to the rest of the world. In Latin America Mexico has FTAs in full operation with Colombia, Costa Rica, Chile, El Salvador,

Guatemala, Honduras, Peru and Nicaragua. On July 1, 2015 our newest Free Trade Agreement with Panama came into effect. In 2012, Mexico consolidated its participation in the Pacific Alliance, along with Colombia, Peru and Chile, which allows free movement of goods, services, capital and people among the four countries.

So far the Pacific Alliance will eliminate 92% of the import duties among its members, and the rest will be eliminated in the coming years, once the respective Protocol enters into force, probably in the beginning of 2016. It has also deepened the economic integration in the continent and strengthened global value chains, contributing to the economic growth in Latin America, with a global scope. Mexico has also signed 17 Economic Complementation Agreements (ECA) with Latin American countries, and one with MERCOSUR, to further enhance regional integration.

- **Strategic Association with E.U.** In 1997, Mexico was the first Latin American country to sign an Economic Partnership, Political Coordination and Cooperation Agreement with the EU. This “Global Agreement” covers political dialogue, trade and cooperation. One of its achievements has been to establish an EU-Mexico free trade area – a major boost to bilateral trade and investment. Since 2008 Mexico has become EU's strategic partner, with a Joint Executive Plan that enables a broader dialogue and deeper cooperation.

The EU-Mexico Free Trade Agreement covers trade in goods and services. It also includes specific chapters on access to public procurement markets, competition, intellectual property rights and investment. Mexico currently enjoys trade preferences with the EU under the Generalised Scheme of Preferences. The EU is Mexico's second biggest export market after the USA, and it is Mexico's third largest source of imports after the United States and China.

- **Full member of the Pacific Community.** In 1993, Mexico became APEC's first Latin American member, to further develop the economic relations with the Asia-Pacific region. In 2012, Mexico joined Australia, Brunei, Canada, Chile, United States, Japan, Malaysia, New Zealand, Peru, Singapore and Vietnam as a full member of the TPP initiative. TPP is the most ambitious FTA negotiated by Mexico since NAFTA, and highlights Mexico's strategic role as a player in the global supply chains for both the US and Asia-Pacific markets, by increasing at the same time the level of FDI, economic growth and competitiveness. Mexico has also a fully operational FTA with Japan, as well as Investment Promotion and Protection Agreements with Australia, Korea, China, India and Singapore. Currently, five out of our 10 largest trade partners (China, Japan, ROK, India and Malaysia) are located in Asia-Pacific.

C. Mexico, a country highly complementary to Australia

- **A fluid and dynamic political bilateral dialogue.** Mexico and Australia have developed a frank and productive political dialogue. President Peña Nieto has held three bilateral meetings with two Australian Prime Ministers. Last November he was warmly received in Brisbane to participate in the G20 Summit. Our foreign ministers have met several times within the framework of MIKTA. We have regular political bilateral and multilateral consultations.
- **Shared values and affinity of goals in global subjects.** Mexico and Australia have common views about most global issues and challenges, such as climate change, sustainable development, international trade, human rights and international security. In the last field, Australia supported the admission of Mexico to the Nuclear Suppliers Group (Nov. 2012), the *Wassenaar* Arrangement Export Controls for Conventional Arms and Dual-Use Goods and Technologies (Jan. 2012), and the Australia Group for the control of Precursor Chemicals and Biological Agents (Jun. 2013). Both countries are members of the *Non-Proliferation and Disarmament Initiative* (NPDI), and Mexico supported actively the Australian presidency of the diplomatic conference for the adoption of the Arms Trade Treaty (Apr 2013).
- **Partners in most relevant world and regional bodies.** Mexico and Australia not only work jointly everyday within the UN system; they are also partners in numerous organizations and mechanisms that are regarded among the most dynamic in the world, such as **APEC**, the **OCDE** and **G20**. Both countries celebrate the conclusion of the negotiations of the Trans-Pacific Partnership (**TPP**), and are keen to consolidate **MIKTA** as an important space of dialogue, and cooperation, along with South Korea, Indonesia and Turkey. Australia has become an active observer of the Pacific Alliance.
- **Comprehensive bilateral legal and institutional infrastructure.** Australia and Mexico have signed diverse treaties in the fields of trade and investment, judicial assistance, extradition, pacific use of nuclear energy, aerial services, taxation, and technical and scientific cooperation. MOUs have also been adopted on diverse topics, such as energy cooperation, exchange of financial information to avoid money laundering and financing of terrorism, agriculture, education, research, and vocational development. Last October, Mexico opened up a Military Attaché Office in Canberra, and in August a Trade Commission Office of ProMéxico.
- **Growing economic exchanges.** Mexico is Australia's largest trade partner in Latin America achieving a total amount of 2.5 billion trade balance in 2014. There are still areas of opportunity to further enhance bilateral exchange, but interest between businessmen in both countries is growing. Mexican investment in Australia is mostly focused in private real estate and manufacturing. Three of the most important Mexican companies have investments in Australia: Mission Foods, Katcon and Metalsa, the last two in advanced manufacturing for the

automotive industry. Mexican companies are strongly interested in expanding and diversifying their trade relationship with Australia.

Australian investment is composed of companies in different sectors, primarily mining, services and manufacturing, as well as investment funds with a strong focus in infrastructure and industrial real estate. Some of the major Australian companies in Mexico are Incitec Pivot, Nufarm, Elders, Azure Minerals, Global Resources Corporation, WorleyParsons, Chep, Spotless Group, QBE Insurance, UGL Equis, TNA Packaging, Securrency, CSL, Orica, Boart Longyear, Boral, Howe Leather and Lend Lease, Macquarie, Rubicon Water, Hancock Prospecting, SKM, New Crest Mining Limited, Intrepid Mines, Global Geoscience, Auricup Resources, Evrim Resources, Futuris, among other. With the objective of strengthening the relationship between both countries and fostering the expansion of business and investment opportunities; Mexico Trade Commission, ProMexico, has just opened an office in Australia last August.

- **High industrial complementarities.** Mexico has started a process of deep transformation, from a country with a strong focus on commodities and simple manufactures, to one of the most competitive, premium quality producers, which opens great opportunities for investment and joint ventures between companies of the two countries. Mexico is now manufacturing complex high standard products that require a high level of skills, especially engineering and design, which has made the country achieve a great reputation in recent years for its expertise in advanced manufacturing. There is a growing interest shown by Australian companies for the opportunities presented by the structural reforms recently adopted in Mexico, as well as to the advantages Mexico represents in terms of geographic location, market access, and existing free trade agreements.
- **Strong mining and agriculture complementarity.** Mexico is the world's largest producer of silver, second in fluorite and bismuth, third in celestine and it is among the top ten producers of other minerals globally. Mexico shares with Australia a long history of mining and has an attractive regulatory regime and business environment for foreign investment and participation in the sector. Australian technology and services are active in Mexico's mining sector but there are still many opportunities to expand and implement the successful practices of Australian companies. In agriculture, the harvest cycles are complementary to achieve year round supply of seasonal products. There are high expectations on the benefits that TPP will bring to Mexican and Australian business through ease of access and preferential treatment.
- **Extraordinary potential in educational and development cooperation.** There is a wide range of complementarity in development cooperation, since both countries share similar challenges to tackle global issues and support neighbouring countries, through capacity development. Mexican and Australian human capital complement each other, thus both countries are developing a portfolio of technical cooperation projects in fields as diverse as water, indigenous affairs, best practices, sustainable mining, space, vocational education, marine conservation, science and technology, competitiveness and access regimes. In order to strengthen and deepen the collaboration, it is recommended to start a

joint fund that would allow the establishment of a Development Cooperation Program, for bilateral, triangular or multinational collaboration.

Cooperation in the field of education has had a significant boost with the subscription of a Memorandum of Understanding between the Public Education Secretariat and the National Council of Science and Technology of Mexico and the Department of Education and Training of the Government of Australia in the fields of Education, Research and Vocational Training (April 2015). The subscription of this MoU clearly attests to the recognition, by both countries, of the immense achievements derived from the implementation of the MoU in the fields of Education and Training signed in 2008. The newly subscribed instrument will allow the development of a multitude of activities in the described fields, enhancing bonds between both countries.

- **Growing people-to-people links.** A growing number of Mexican students are choosing Australia when they decide to study abroad. In 2014 the increase was 20.8% compared with 2013, and 34% during the last five years. They come to Australia to study a wide array of disciplines that range from medicine to film making, public administration to environmental sciences. These students will foster the relationship between Mexico and Australia, as well as those going to Mexico to study, attend conferences and practice their knowledge on the other side of the Pacific. In 2014, the Mexican government, through the National Council for Science and Technology, granted 141 scholarships to Mexican students to continue their postgraduate studies in Australia. At the same time, the number of Australian visitors to Mexico has increased systematically: in the last three years it went up by 26.5% and during this year 7.8 per cent.

Mexico is willing to cooperate with Australia to build closer ties with the Caribbean countries. This year an Australian diplomat posted in Mexico attended the Mexican Diplomatic Academy's (*Instituto Matias Romero*) 2015 training program for foreign diplomats. She had the opportunity to complement her training with a two-week visit to Mexico's Embassy in Cuba in order to obtain firsthand knowledge of Mexico's foreign policy, its approach to the country and the region.

- **Cultural complementarity.** Our peoples share common cultural values and features, both have deep respect and appreciation for their indigenous cultures, and family values. There is a growing and mutual interest in the fields of gastronomy, music and other cultural manifestations. The cultural values that are embodied by Australia and the excellent life quality that its many cities offer are a magnet to Mexican tourists, students and highly skilled migrants. Every year, the number of Australian tourists and students traveling to Mexico is growing.
- **50th anniversary of diplomatic relations.** A celebration of this important anniversary in 2016 presents Australia and Mexico with a great opportunity to strengthen their relationship and expand their "bridges of understanding", both between peoples and governments. To this end, Mexico has the willingness, and the initiative, to present a joint exhibition of Indigenous "*Huichol*" art and shared expressions of Australian Aboriginal art. This will be complemented with several cultural and artistic activities in both countries.