

**AGREEMENT BETWEEN THE  
GOVERNMENT OF AUSTRALIA AND THE GOVERNMENT OF THE  
UNITED MEXICAN STATES FOR THE AVOIDANCE OF DOUBLE  
TAXATION AND THE PREVENTION OF FISCAL EVASION WITH  
RESPECT TO TAXES ON INCOME, AND PROTOCOL,  
DONE AT MEXICO CITY ON 9 SEPTEMBER 2002  
[2002] ATNIF 24**

**Documents tabled on 9 September 2003:**

**National Interest Analysis**

**Text of the Proposed Treaty Action**

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# NATIONAL INTEREST ANALYSIS: CATEGORY A TREATY

## SUMMARY PAGE

### **Agreement between the Government of Australia and the Government of the United Mexican States for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, and Protocol, done at Mexico City on 9 September 2002 [2002] ATNIF 24**

#### **Date of tabling of proposed Treaty Action**

1. 9 September 2003

#### **Nature and timing of proposed Treaty Action**

2. The Agreement between the Government of Australia and the Government of the United Mexican States for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, and Protocol (“the Treaty”) will enter into force on the date of last notification that the respective statutory and constitutional procedures required for the entry into force of the proposed Treaty for each party have been met. It would be desirable for Australia to be in a position to deliver its note in late 2003.

#### **Overview and National Interest summary**

3. The proposed Treaty will complete Australia’s tax treaty network with North American Free Trade Area (NAFTA) countries. It will add to Australia's existing tax treaty network, expanding the international economic framework within which many of Australia’s international trade and investment activities occur.

4. The key objectives of the proposed Treaty are to: (i) improve Australia’s relations with Mexico, (ii) facilitate trade and investment, (iii) combat fiscal evasion and protect Australian tax revenues, and (iv) maintain Australia’s position in the international tax community. The proposed Treaty aims to achieve these objectives by harmonising aspects of the two tax systems. The provisions facilitate cross-border activities in trade, investment, transport, employment, pension payments, residential transfers, while also improving the integrity of the tax system.

5. The proposed Treaty’s reductions in dividend withholding tax (DWT) rate limits and royalty withholding tax (RWT) rate limits, and its locking-in of limits to interest withholding taxes (IWT) will remove obstacles to international investment and trade and improve the Australian tax system’s international competitiveness. The proposed Treaty provisions for clarification and allocation of taxing jurisdiction (including clarification of capital gains taxation) and exchange of information will improve tax system integrity and reduce uncertainty for taxpayers. They will also assist in overcoming fiscal evasion, and in this way protect Australian tax revenues.

6. Taxation provisions in the proposed Treaty balance the need for maintaining the international competitiveness of the Australian taxation system while appropriately protecting Australian revenue. The direct cost to Commonwealth revenue as a result of the withholding tax (WHT) reductions is likely to be more than offset by reductions in Australian tax relief

claims for Mexican taxes. However, the proposed Treaty also has more general benefits of promoting investment and trade flows.

7. The international economic significance of Mexico means that an Australia-Mexico treaty is important for providing the framework for future economic relations between the two countries.

### **Reasons for Australia to take the proposed treaty action**

#### *Improving relations with Mexico*

8. The existence of a tax treaty between Australia and a trade and investment partner recognises the current (and future) importance of the economic relationship between Australia and the partner. The dimensions of the Australia-Mexico economic relationship set out below provide a context for consideration of the tax treaty.

9. Australia's trade and investment relationship with Mexico is the largest Australia has with any Latin American country but it does not figure among Australia's top ten relationships. Even so, the size of the Mexican economy (9<sup>th</sup> largest in the world) and its growth performance (real economic growth has averaged 4 per cent since the mid-1990s) underline the potential importance of the economic relationship.

**Table 1: Australia-Mexico – Comparative Economic Statistics 2001**

	Australia	Mexico
Population in 2001 (millions)	19.4	101.9
GDP (Current \$US billions)	357.7	624.1
GDP/Capita in (Current \$US)	18,437	6,091
Share of aggregate world GDP (percentage using PPP exchange rates)	1.14	1.97
Exports fob (\$US billions)	63.4	158.5
Imports cif (\$US billions)	63.9	182.7*
Share of world exports+imports (percentage)	1.0	2.7*

Sources: IMF WEO database 2003; IMF International Financial Statistics 2002 Yearbook; US Census Bureau  
Notes: \* Mexican import data not available for 2001. Data for 2000 used.

10. Total Australia-Mexico trade exceeded \$A1 billion in 2002. Over the last five years Australian exports to Mexico grew at an annual rate of more than 27 per cent, although

Mexican exports to Australia have declined, largely due to the closure of an export fertiliser business. In 2002, Australian merchandise exports were \$A439 million and merchandise imports \$A514 million with services exports and imports \$A15 million and \$A28 million respectively. Major Australian exports to Mexico included coal and agricultural products while major imports included telecommunications equipment, computers and computer parts, and motor vehicle parts.

11. The stock of Australian investment in Mexico is modest at just over \$A200 million. Australian interests have invested in over 60 Mexican enterprises in the manufacturing, mining, fisheries, and services sectors. There is little or no direct investment by Mexico in Australia, and portfolio investment is low.

12. Given the international economic significance of Mexico, a tax treaty with it is clearly important for future economic relations.

#### *Facilitation of investment and trade*

13. The potential for double taxation, high rates of WHTs<sup>1</sup> on payments to foreigners of dividends, interest, and royalties, and uncertainty and risk in the business environment arising from overlapping tax jurisdictions can be viewed as major disincentives to the expansion of international trade and international investment.

14. Costs are raised not only for Australian enterprises seeking international expansion but also for domestic producers using imported resources, such as capital. The additional costs place both types of business at a competitive disadvantage – in foreign markets with respect to competitors from countries that have double tax agreements (DTAs) with lower WHT rate limits, and relative to domestic competitors not facing import competition.

15. The proposed Treaty aims to minimise these disincentives in a number of ways: (i) by clearly allocating tax jurisdictions between the treaty partners, (ii) where taxing rights are allocated to both countries, the proposed Treaty ensures that source country taxation rights are given priority and double tax is avoided through the provision of tax relief by the residence country, (iii) by providing mechanisms to resolve disputes in contentious areas, and (iv) by mutually reducing WHT rates. Taken together, these measures favourably impact on business costs, providing a positive impetus to the expansion of international investment and trade.

16. Investment inflow into a host country is usefully divided into foreign direct investment (FDI) and portfolio investment. FDI is defined as net inflows of investment to acquire a lasting management interest (10 per cent or more of voting stock) in an enterprise operating in an economy other than that of the investor. It includes equity capital, reinvested earnings, and other long and short-term capital. Portfolio investment is comprised of non-FDI net investment inflows. Portfolio investment includes non-debt creating portfolio equity flows (country funds, depository receipts, and purchases of shares by foreign investors) and portfolio debt flows (bond issues purchased by foreign investors).

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<sup>1</sup> WHTs are levied on the gross amount of income without reference to any costs involved in producing it.

17. While both FDI and portfolio investment provide benefits to host countries, FDI is more sought after among nations because it is usually associated with construction of new assets rather than changes in ownership.

18. In 2001, worldwide FDI flows were \$US 735.1 billion (UNCTAD 2002) while direct investment inflows into Organisation for Economic Cooperation and Development (OECD) countries amounted to \$US 565.8 billion (OECD 2003). In 2001-02, foreign investment inflow into Australia was \$ 72.5 billion.

19. Australia is a destination competitor for world FDI flows and has shaped its economic environment to make Australia an attractive investment destination that obtains an adequate share of international flows. Competitive changes in its investment regime, such as those in the proposed Treaty, recognise the international trend towards increasing mobility of financial capital<sup>2</sup>, and help Australia gain a fair share of international capital flows.

20. Rather than taking unilateral action to reduce WHTs under domestic law, Australia has adopted the approach of agreeing to any such reductions on a reciprocal, bilateral basis (Articles 10,11,and 12). This approach “locks-in” the WHT limits in both countries, ensuring the financial framework for business between the treaty partner countries is stable and not subject to unilateral change by either country.

21. However, the stock of Australian investment in Mexico is fairly modest at just over \$ 200 million. Australian interests have invested in over 60 Mexican enterprises in the manufacturing, mining, fisheries, and service sectors. There is little or no direct investment by Mexico in Australia, and portfolio investment is low. Any investment effects that the proposed Treaty will produce will be small, but nonetheless, positive.

22. For Australian businesses expanding to Mexico, the provisions in the proposed Treaty regarding WHT limits imposed by Mexico on repatriated dividends, interest, and royalties are important. Moreover, by providing long-term certainty it encourages Australian investment in Mexico.

23. The major WHT features of the proposed Treaty that are attractive to business are:

- reduction of DWT rate limits from 30 per cent to 15 per cent on unfranked portfolio dividends,
- establishment of a 10 per cent rate limit on RWT,
- locking-in Australian domestic tax law that sets a zero rate for DWT on dividends which have been fully taxed at the corporate level, and where the dividend recipient is a company that holds directly at least 10 per cent of the capital of the company paying the dividend, with a 15 per cent limit applying to other dividends, and

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<sup>2</sup> *The New Zealand Tax Review 2001 – Issues Paper* observes that “Greater mobility of skilled labour and financial capital means the economic costs of taxes are higher than they were previously, for any given tax rate. Greater mobility also makes it increasingly likely that taxes on skilled labour and financial capital will be shifted on to others, including people without internationally marketable skills and landowners”. (p.18).

- locking-in Australian domestic law that establishes IWT rate limits of 10 per cent or 15 per cent depending on the nature of the interest.

24. The changes to DWT rate limits and IWT rate limits are expected to modestly improve the flows of capital both ways.

25. The reduction in RWT will reduce costs to Australian businesses that make royalty payments to Mexico. At present the amount involved is insignificant. However, as the economic relationship between Australia and Mexico grows, the benefit of locking-in this lower rate will rise.

26. The effect of the proposed Treaty on the trade environment will be to improve conditions for Australian traders in Mexico. They will face an improved competitive position in relation to domestic traders operating in Mexico and in relation to traders from other countries that have low WHT rate limits in their DTAs with Mexico. The improved competitive position of Australian traders will enhance their growth prospects, enabling the sector to expand relative to other sectors in the Australian economy. The improved allocation of resources should result in static efficiency gains for the economy through expansion of national output above what it would be in the absence of the tax treaty-related changes.

27. The scenario above is a traditional picture of the static gains arising from trade liberalisation involving removal of trade impediments (such as tariffs). There is widespread agreement that while the static gains are positive, the gains are relatively small.

28. Nevertheless, the static gains from trade liberalisation will be supplemented by dynamic (i.e. growth-enhancing) gains. Dynamic gains are sourced in productivity improvements that flow from the more open and competitive environment, and the consequent changes in behaviour, that accompanies trade liberalisation. Unfortunately, while there is abundant anecdotal evidence of the pervasiveness of dynamic gains it is difficult to estimate their quantum.

29. For purposes of the current NIA, it is Treasury's judgement that the overall economic impact of the trade liberalising effects flowing from the proposed Treaty are likely to be small positive benefits for both static and dynamic gains.

#### *Combating fiscal evasion*

30. Reducing fiscal evasion is another key objective of tax treaties.

31. The clarification of taxing jurisdictions for each party to the proposed Treaty reduces double taxation. Where taxing rights are allocated to both countries, the proposed Treaty gives priority to source taxing rights and ensures that relief is provided by the residence country (Article 23). Jurisdictional clarification also has the effect of limiting opportunities for unintended double non-taxation of income, thereby improving the integrity of the tax system.

32. The problem of overlapping tax jurisdictions is addressed by the treaty partner countries agreeing to give up, or limit, their taxing rights over various types of income. For example, the proposed Treaty contains the standard tax treaty provision that neither country will tax business profits derived by residents of the other country unless the business

activities in the taxing state are substantial enough to constitute a permanent establishment (PE) and the income is attributable to that PE (Article 7).

33. The proposed Treaty also provides a framework for the exchange of information between revenue authorities (Article 25) and for the establishment of a mechanism for settling jurisdictional disputes (Article 24). The two tax administrations can also use the mutual agreement procedure to develop a common interpretation, and resolve differences in application of the proposed Treaty. This supplements jurisdictional clarification and improves administration and integrity of the tax system, protecting and enhancing tax revenues.

#### *Maintaining Australia's position in the international tax community*

34. All of Australia's tax treaties are based, to a greater or lesser extent, on the OECD Model, which is recognised as the international benchmark. Implementing the proposed Treaty to take account of developments in the OECD's Model Tax Convention will help maintain Australia's status as an active OECD member.

#### *Summary of benefits and costs of the proposed Treaty*

35. There is no generally agreed methodology for quantifying the benefits of tax treaties. Other countries do not appear to undertake quantitative assessments of tax treaties. The following evaluation is based on a methodology that continues to evolve.

36. The proposed Treaty will directly impact on the Governments of Australia and Mexico, Australians and Mexican nationals investing in and trading with the Mexico and Australia, and Australians and Mexican nationals working in or supplying services in Mexico and Australia. It will also have flow-on effects on the well-being of residents of the two nations from the changes in investment, trade, and taxation that occur as a result of the proposed Treaty.

37. Treasury estimates that the proposed Treaty will have a direct cost to Commonwealth Budget revenue of \$ 2 million annually. This small cost arises from reduced Australian WHT collections.

38. It is difficult to estimate with confidence the quantitative benefits of the proposed Treaty. Moreover, there are no generally agreed estimates of responsiveness of investment to reductions in WHTs in DTAs, or even of the responsiveness of investment to changes in interest rates. Treasury has, however, consulted with affected parties, reviewed the literature, and analysed relevant data.

39. It is likely that the cost of withholding tax (WHT) reductions to Australian revenue will be more than offset by a reduction in Australian tax credit claims for Mexican taxation flowing from the reduction in Mexican WHT. This outcome results from the relatively large stock of Australian investment in Mexico (over \$ 200 million in June 2002) compared with the much smaller stock of Mexican investment in Australia (less than \$ 10 million at the same date).

40. Other minor offsets to the revenue cost include a small increase in GDP and an increase in the Australian economy's growth rate from the reduction in pricing distortions and a more open and competitive environment in Australia.



41. The cut in RWT in the proposed Treaty will produce a reduction in Australian business costs (especially where intellectual property is supplied on a net price basis) and reductions in tax deductions. While not important at present, this benefit will grow as the economic relationship matures.

### **Obligations**

42. The proposed Treaty requires the two governments to relieve double taxation of cross-border income in accordance with its terms (Article 23). The specific types of income dealt with by the proposed Treaty are referred to in the preceding section headed 'Reasons for Australia to take the proposed Treaty action'. The proposed Treaty also establishes procedures for mutual agreement of double taxation issues that may arise under the proposed Treaty (Article 24) and for exchange of information under the proposed Treaty (Article 25).

43. The proposed Treaty does not impose any greater obligations on residents of Australia than Australia's domestic tax laws would otherwise require. However, the proposed Treaty may require information concerning the tax affairs of Australian residents to be supplied to the Mexican competent authority, which in turn the Australian Taxation Office may obtain from Australian residents (Article 25).

### **Implementation**

44. As the proposed Treaty affects Commonwealth income tax legislation, enabling legislation must be enacted by the Commonwealth to give the proposed Treaty the force of law in Australia. This will be achieved by incorporating the text of the proposed Treaty as a schedule to the *International Tax Agreements Act 1953* prior to its coming into force in Australia. No action is required by the States or Territories. There is no change to the existing roles of the Commonwealth, or the States and Territories, in tax matters that will arise as a consequence of implementing the proposed Treaty.

### **Costs**

45. The direct cost to revenue from implementing the proposed Treaty's WHT provisions is estimated to be approximately \$ 2 million per annum.

46. The main features of the proposed Treaty that give rise to the cost to Australian revenue are the restrictions on source state taxation of income from Mexican investments and other business activities in Australia. The proposed Treaty restrictions are:

- reduction of DWT from 30 per cent to 15 per cent on unfranked company dividends, and
- establishment of a 10 per cent rate limit on RWT.

47. As mentioned previously, the cost of WHT reductions to Australian revenue is likely to be offset by a reduction in Australian tax credit claims for Mexican taxation flowing from the reduction in Mexican WHT.

48. Other minor offsets to the revenue cost include a small increase in GDP and an increase in the Australian economy's growth rate from the reduction in pricing distortions and a more open and competitive environment in Australia.

49. Given the modest investment and trade relationship between the two countries, and the identified offsets, any net revenue cost is not expected to be significant.

50. No material costs to taxpayers have been identified as likely to arise from the implementation of this proposed Treaty.

51. There would be a small unquantifiable cost in administering the changes made by the proposed Treaty, including minor implementation costs to the ATO in educating the taxpaying public and ATO staff concerning the new arrangements.

52. There are also 'maintenance' costs to the ATO and the Department of the Treasury associated with treaties in terms of dealing with enquiries, mutual agreement procedures (including advance pricing arrangements) and OECD representation. However, these costs are estimated to be minor.

### **Consultation**

53. In December 1997 and February 1998, the Agreement was submitted for consideration by the ATO's advisory panel of industry representatives and tax practitioners for review. While the Agreement applies only to federal taxation, information on the Agreement has been provided to the States and Territories.

54. Further details of consultations are provided in Annexure 1.

### **Regulation Impact Statement**

55. A Regulation Impact Statement is attached.

### **Future Treaty action**

56. The proposed Treaty does not create obligations concerning the negotiation of future legally binding instruments (although this does not preclude the two Governments from agreeing in the future to amend the proposed Treaty). Any treaty amendment, including termination, would be subject to the Australian treaty process.

### **Withdrawal or Denunciation**

57. The proposed Treaty provides for termination (Article 28) by either of the Contracting States on or before 30 June in any calendar year beginning after the expiration of five years from the date of entry into force.

### **Contact Details:**

International Tax Treaties Unit  
International Tax and Treaties Division  
Commonwealth Treasury

## References

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- Bloch, Harry and James Ted McDonald (2000). "Import Competition and Labour Productivity", *Melbourne Institute Working Paper No. 9/00*.
- OECD (2002). *Foreign Direct Investment for Development: Maximising Benefits, Minimising Costs: Overview*. (Paris: OECD).
- Productivity Commission (2000). *Review of Australia's General Tariff Arrangements: Inquiry Report No.12* (Melbourne: Productivity Commission)
- UNCTAD (2002). *UNCTAD Handbook of Statistics, 2002*. (New York and Geneva: UNCTAD).

## **ANNEXURE 1**

### **Agreement between the Government of Australia and the Government of the United Mexican States for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, and Protocol, done at Mexico City on 9 September 2002 [2002] ATNIF 24**

#### **Consultations**

In December 1997 and February 1998, the Agreement was submitted for consideration by the ATO's advisory panel of industry representatives and tax practitioners for review. The Panel includes representatives from the:

Taxation Institute of Australia,  
Institute of Chartered Accountants,  
Law Council of Australia,  
Australian Society of Certified Practising Accountants,  
Corporate Tax Association,  
Business Council of Australia,  
Minerals Council of Australia,  
Australian Bankers' Association, and  
the Metal Trades Industry Association.

The Panel raised issues concerning the drafting of Article 13.2 and this was addressed with the Mexican Government. The Panel was also concerned that Mexican income tax (which may reduce an assets tax liability) would be creditable - and the ATO has been able to confirm that the income tax is creditable in these circumstances. Subject to these comments, the Panel had no objections to the signature of the Agreement.

While the Agreement applies only to federal taxation, information on the Agreement has been provided to the States and Territories through the Commonwealth-State Standing Committee on Treaties' Schedule of Treaty Action.



## ANNEXURE 2

### **Agreement between the Government of Australia and the Government of the United Mexican States for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, and Protocol, done at Mexico City on 9 September 2002 [2002] ATNIF 24**

#### **Mexico Political Brief**

##### Political Overview

Mexico is a constitutional parliamentary democracy with a directly elected President. A separation of powers exists among the executive, legislative, and judicial branches of government. The President serves a six-year term and cannot be re-elected. Mexico has a bicameral legislature. The Senate is the Upper House and has 128 members, with Senators serving a six-year term. The Chamber of Deputies has 500 members, all of whom serve a three-year term.

##### Economic Overview

Two decades ago, Mexico's economy had hefty barriers to foreign investment and trade. Regulation was extensive; many sectors were protected against local and foreign competition, and direct government involvement in the economy was common. President Carlos Salinas (1988-94) began the process of restructuring the economy. This process was continued under the Zedillo Administration (1994-2000), which was responsible for increasing competition and privatisation.

These reforms and growing ties with the US economy (NAFTA came into effect in January 1994) have led to growth and stability in the Mexican economy. Mexico is now the largest trading nation and economy in Latin America, ahead of Brazil.

##### Australia-Mexico Relations

Australia has a substantial and multifaceted bilateral relationship with Mexico. It is currently enjoying unprecedented activity. Mexico's hosting of APEC in 2002 and the UN Financing for Development Conference resulted in the Prime Minister, four Cabinet Ministers (Mr Costello, Mr Macfarlane, Mr Vaile (twice) and Ms Vanstone), a Parliamentary Secretary (Mrs Gallus) and several parliamentarians visiting Mexico. The then-Mexican Economy Minister (now Foreign Minister), Dr Derbez, visited Australia in 2002.

2003 is shaping up to be an equally busy year with planned visits to Australia by President Fox and several Mexican Ministers and official and business delegations. In addition to the visit by Mr Truss in July, the Trade Minister, Mr Vaile, will visit Mexico for the WTO Ministerial Conference in Cancun in September.

Two-way trade now stands at over A\$1 billion, with considerable potential for expansion. Our challenge remains to diversify Australian exports. While Australian exports are growing rapidly, the top four categories of exports by value are currently all primary products: coal, meat, live animals and dairy products. Mexico's major exports to Australia include telecommunications equipment, motor vehicles and parts, and computers. A major

contributing factor to the growth in two-way trade has been significant recent reductions in tariffs on key Australian exports to Mexico, such as wool and coal.



Australian investment in Mexico is estimated at over A\$200 million. Due to its liberal investment laws and membership of NAFTA, Mexico has the potential to attract greater Australian investment. Australian companies with interests in Mexico include Orica, Pacific Dunlop, Walkers, Howe Leather, Mincom, Baja Aqua Farms, and TNA Packaging Systems. By contrast, there is little or no direct investment by Mexico in Australia, and portfolio investment is low.

Australia signed an Education & Training MOU with Mexico in March, which fits in with Mexico's status as an Australian government/industry 'priority country'. The MOU encourages and facilitates cooperation between government agencies and educational institutions, including the exchange of academic staff and students. Following the signing of the MOU, the largest and highest-level Education delegation to leave Mexico visited Canberra in May 2002. The delegation was very pleased with its program which served to further strengthen bilateral cooperation in education.

## ANNEXURE 3

### Agreement between the Government of Australia and the Government of the United Mexican States for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, and Protocol, done at Mexico City on 9 September 2002 [2002] ATNIF 24

#### DFAT Country Fact Sheet - Mexico

##### *General information*

<b>Capital:</b>	Mexico City	<b>Head of State and Head of Government</b>
<b>Surface area:</b>	1,958,000 sq km	H.E. President Mr Vincente Fox
<b>Official language:</b>	Spanish	
<b>Population:</b>	101.9 million (2002)	
<b>Exchange rate:</b>	A\$1 = 5.7436 New Pesos (Dec 2002)	

##### *Recent economic indicators*

	1998	1999	2000	2001	2002(a)	2003(b)
<b>GDP (US\$bn):</b>	421.2	481.1	580.7	617.8	630.8	615.5
<b>GDP per capita (US\$):</b>	4,396	4,941	5,873	6,155	6,193	5,958
<b>Real GDP growth (% change YOY):</b>	4.9	3.7	6.6	-0.3	0.9	2.5
<b>Current account balance (US\$m):</b>	-16,097	-14,017	-17,764	-17,708	-18,152	-18,065
<b>Current account balance (% GDP):</b>	-3.8	-2.9	-3.1	-2.9	-2.9	-2.9
<b>Goods &amp; services exports (% GDP):</b>	30.7	30.7	31.0	27.6	26.9	29.3
<b>Inflation (% change YOY):</b>	15.9	16.6	9.5	6.4	5.0	4.0
<b>Unemployment rate (%):</b>	3.2	2.5	2.2	2.5	3.0	4.0

##### *Australia's trade relationship with Mexico*

<b>Major Australian exports, 2002 (A\$m):</b>		<b>Major Australian imports (A\$m)</b>	
Coal	132	Telecommunications equipment	109
Meat (excl. bovine)	72	Computer parts	46
Milk and cream	33	Computers	43
Bovine meat	27	Motor vehicle parts	36
Live animals	26	Medicaments (including Veterinary)	25

<b>Australian merchandise trade with Mexico</b>		<b>Total share:</b>	<b>Rank:</b>	<b>Growth (yoy):</b>
Exports to Mexico (A\$m)	439	0.4%	32 <sup>nd</sup>	8.5%
Imports from Mexico (A\$m)	514	0.4%	34 <sup>th</sup>	-16.3%
Total trade (exports+imports) (A\$m)	953	0.4%	31st	-6.4%
Merchandise trade deficit with Mexico (A\$m)	74			

<b>Australia's trade in services with Mexico, 2002</b>		<b>Total share</b>
Exports of services to Mexico (A\$m)	15	0.0%
Imports of services from Mexico (A\$m)	36	0.1%
Services trade deficit with Mexico (A\$m)	21	

##### *Mexico's global trade relationship*

<b>Mexico's principal export destinations, 2001:</b>			<b>Mexico's principal import sources, 2001:</b>		
1	United States	82.2%	1	United States	72.5%
2	Canada	5.3%	2	Germany	3.4%
3	Japan	1.2%	3	Japan	3.0%
4	Spain	0.9%	4	China	1.6%
5	Germany	0.9%	5	Korea	1.5%

21

*Australia*

0.2%

33

*Australia*

0.1%

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*Compiled by the Market Information and Analysis Section, DFAT, using the latest data from the ABS, the IMF, and various international sources.*

(a): all recent data subject to revision; (b): EIU forecast.



## **ANNEXURE 4**

### **Agreement between the Government of Australia and the Government of the United Mexican States for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, and Protocol, done at Mexico City on 9 September 2002 [2002] ATNIF 24**

#### **Treaties between Australia and Mexico**

Basic Agreement between the Government of Australia and the Government of the United States of Mexico on Scientific and Technological Co-operation  
[1983] ATS 4

Treaty on Extradition between Australia and the United Mexican States.  
[1991] ATS 13

Treaty between Australia and the United Mexican States on Mutual Assistance in Criminal Matters and Record of Negotiations  
[1992] ATS 31

Agreement between the Government of Australia and the Government of the United Mexican States concerning cooperation in Peaceful Uses of Nuclear Energy  
[1992] ATS 32

Trade and Investment Agreement between the Government of Australia and the Government of the United Mexican States  
[1997] ATS 15

Agreement between the Government of Australia and the Government of the United Mexican States for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (not yet in force)  
[2002] ATNIF 24



## ANNEXURE 5

### **Convention between the Government of Australian and the Government of the United Mexican States for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and on Capital Gains, done at Canberra on 21 August 2003, and an Associated Exchange of Notes. [2003] ATNIF 15**

#### **Australia's Double Tax Treaties**

##### Argentina

Agreement between Australia and the Argentine Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income  
[1999] ATS 36

##### Austria

Agreement between Australia and the Republic of Austria for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income  
[1988] ATS 21

##### Belgium

Agreement between Australia and the Kingdom of Belgium for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income  
[1979] ATS 21

##### Belgium

Protocol amending the Agreement between Australia and the Kingdom of Belgium for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income of 13 October 1977  
[1986] ATS 25

##### Canada

Convention between Australia and Canada for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income  
[1981] ATS 14

##### Canada

Protocol amending the Convention between Australia and Canada for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income  
[2002] ATS 26

##### China

Agreement between the Government of Australia and the Government of the Republic of the People's Republic of China for the Avoidance of Double Taxation of Income and

Revenues Derived by Air Transport Enterprises and International Air Transport  
[1986] ATS 31



## China

Agreement between the Government of Australia and the Government of the People's Republic of China for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income  
[1990] ATS 45

## Czech Republic

Agreement between Australia and the Czech Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income  
[1995] ATS 30

## Denmark

Agreement between the Government of Australia and the Government of the Kingdom of Denmark for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income  
[1981] ATS 26

## Fiji

Agreement between Australia and Fiji for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income  
[1990] ATS 44

## Finland

Agreement and Protocol between Australia and Finland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income  
[1986] ATS 6

## Finland

Protocol to amend the Agreement between Australia and Finland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes and Income  
[2000] ATS 24

## France

Agreement between the Government of the Commonwealth of Australia and the Government of the French Republic for the Avoidance of Double Taxation of Income Derived from Air Transport  
[1970] ATS 13

## France

Agreement between the Government of Australia and the Government of the French Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income  
[1977] ATS 21

## France

Protocol Amending the Agreement between the Government of Australia and the Government of the French Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income of 13 April 1976  
[1990] ATS 26

## Germany

Agreement and Protocol between the Commonwealth of Australia and the Federal Republic of Germany for the Avoidance of Double Taxation of Income and the Prevention of Fiscal Evasion with respect to Taxes on Income and Certain Other Taxes  
[1975] ATS 8

## Greece

Agreement between the Government of Australia and the Government of the Hellenic Republic for the Avoidance of Double Taxation of Income Derived from Air Transport  
[1981] ATS 10

## Hungary

Agreement between Australia and the Republic of Hungary for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income  
[1992] ATS 18

## India

Agreement between the Government of Australia and the Government of the Republic of India for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income  
[1991] ATS 49

## Indonesia

Agreement between the Government of Australia and the Government of the Republic of Indonesia for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income  
[1992] ATS 40

## Ireland

Agreement between the Government of Australia and the Government of Ireland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital Gains  
[1983] ATS 25

## Italy

Agreement between the Government of the Commonwealth of Australia and the Government of Italy for the Avoidance of Double Taxation of Income Derived from

International Air Transport  
[1976] ATS 7

Italy

Convention and Protocol between Australia and the Republic of Italy for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income  
[1985] ATS 27

Japan

Agreement between the Government of the Commonwealth of Australia and Japan for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income  
[1970] ATS 9

Kiribati

Agreement between Australia and the Republic of Kiribati for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income  
[1991] ATS 34

Korea, Republic of

Convention and Protocol between the Government of Australia and the Government of the Republic of Korea for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income  
[1984] ATS 2

Malaysia

Agreement between the Government of Australia and the Government of Malaysia for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income  
[1981] ATS 15

Malaysia

Exchange of Letters constituting an Agreement Prolonging the Effect of Certain Provisions of the Agreement between the Government of Australia and the Government of Malaysia for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income of 20 August 1980  
[1999] ATS 24

Malaysia

Protocol amending the Agreement between the Government of Australia and the Government of Malaysia for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income  
[2000] ATS 25

## Malaysia

Second Protocol amending the Agreement between the Government of Australia and the Government of Malaysia for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income as amended by the First Protocol of 2 August 1999  
[2002] ATNIF 16

## Malta

Agreement between Australia and Malta for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income  
[1985] ATS 15

## Mexico

Agreement between the Government of Australia and the Government of the United Mexican States for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (not yet in force)  
[2002] ATNIF 24

## Netherlands

Agreement between Australia and the Kingdom of the Netherlands for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, and Protocol  
[1976] ATS 24

## Netherlands

Second Protocol Amending the Agreement between Australia and the Kingdom of the Netherlands for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Protocol of 17 March 1976  
[1987] ATS 22

## New Zealand

Agreement between the Government of Australia and the Government of New Zealand for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income  
[1997] ATS 23

## Norway

Convention between Australia and the Kingdom of Norway for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and on Capital  
[1983] ATS 19

## Papua New Guinea

Agreement between Australia and the Independent State of Papua New Guinea for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income  
[1989] ATS 37

The Philippines

Agreement between the Government of Australia and the Government of the Republic of the Philippines for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income  
[1980] ATS 16

## Poland

Agreement between Australia and the Republic of Poland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income  
[1992] ATS 14

## Romania

Agreement between the Government of Australia and the Government of Romania for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, and Protocol  
[2001] ATS 4

## Russian Federation

Agreement between the Government of Australia and the Government of the Russian Federation for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income  
[2000] ATNIF 10

## Singapore

Agreement between the Government of the Commonwealth of Australia and the Government of the Republic of Singapore for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income  
[1969] ATS 14

## Singapore

Exchange of Letters constituting an Agreement between the Government of the Commonwealth of Australia and the Government of the Republic of Singapore Extending the Operation of Article 18 (3) of the Agreement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income of 11 February 1969  
[1975] ATS 18

## Singapore

Exchange of Notes constituting an Agreement between the Government of Australia and the Government of the Republic of Singapore to further extend the operation of Article 18(3) of the Agreement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income of 11 February 1969  
[1981] ATS 31

## Singapore

Exchange of Notes constituting an Agreement between the Government of Australia and the Government of the Republic of Singapore to Further Extend the Operation of Article 18(3) of the Agreement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income of 11 February 1969  
[1989] ATS 26

## Singapore

Protocol amending the Agreement between Australia and the Government of the Republic of Singapore for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income of 11 February 1969  
[1990] ATS 3

## Slovakia (Slovak Republic)

Agreement between Australia and the Slovak Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income  
[1999] ATS 35

## South Africa

Agreement between the Government of Australia and the Government of the Republic of South Africa for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income  
[1999] ATS 34

## Spain

Agreement and Protocol between Australia and the Kingdom of Spain for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income  
[1992] ATS 41

## Sri Lanka

Agreement between Australia and the Democratic Socialist Republic of Sri Lanka for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income  
[1991] ATS 42

## Sweden

Agreement between the Government of Australia and the Government of Sweden for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income  
[1981] ATS 18

## Switzerland

Exchange of Notes constituting an Agreement between the Government of Australia and the Federal Council of the Swiss Confederation, on behalf of the Canton of Vaud, Terminating the Declaration Relative to the Succession of Legacy Duties of 27 August 1872  
[1959] ATS 15

## Switzerland

Agreement and Protocol between Australia and Switzerland for the Avoidance of  
Double Taxation with Respect to Taxes on Income  
[1981] ATS 5



## Thailand

Agreement between Australia and the Kingdom of Thailand for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income  
[1989] ATS 36

## United Kingdom

Agreement between the Government of the Commonwealth of Australia and the Government of the United Kingdom of Great Britain and Northern Ireland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital Gains  
[1968] ATS 9

## United Kingdom

Protocol amending the Agreement between the Government of the Commonwealth of Australia and the Government of the United Kingdom of Great Britain and Northern Ireland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital Gains  
[1980] ATS 22

## United Kingdom

Convention between the Government of Australia and the Government of the United Kingdom of Great Britain and Northern Ireland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and on Capital Gains  
(not yet in force)  
[2003] ATNIF 15

## United States of America

Convention between the Government of the Commonwealth of Australia and the Government of the United States of America for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Gifts  
[1953] ATS 4

## United States of America

Convention between the Government of the Commonwealth of Australia and the Government of The United States of America for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on the Estates of Deceased Persons  
[1953] ATS 4

## United States of America

Convention between the Government of Australia and the Government of the United States of America for the Avoidance of Double Taxation and the Prevention of Fiscal

Evasion with Respect to Taxes on Income  
[1983] ATS 16

United States of America

Protocol amending the Convention between the Government of Australia and the Government of the United States of America for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income of 6 August 1982  
[2003] ATS 14

Vietnam

Agreement between the Government Australia and the Government of the Socialist Republic of Vietnam for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income  
[1992] ATS 44

Vietnam

Exchange of Notes constituting an Agreement between Australia and the Socialist Republic of Vietnam to Amend [Article 23] of the Agreement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income of 13 April 1992  
[1997] ATS 20

Vietnam

Exchange of Letters constituting an Agreement between Australia and the Socialist Republic of Vietnam to Amend the Agreement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income of 13 April 1992, as amended by the Exchange of Notes of 22 November 1996  
[2003] ATS 9