

MEXICO-ASIA.

Conditions to Face the “reorientalization” of World Trade and Investments in 2013?

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TOPICS

- **General References**
- **Mexico's Liberalization Strategy and Asia**
- **Public, private and academic institutions**
- **Mexico-Asia performance**
- **Conclusions and proposals**

I. GENERAL REFERENCES

- **PEF. 2013. Plan Nacional de Desarrollo. 2013-2018.**
- **SRE. 2012**
- **Dussel Peters, Enrique, Adrian Hearn and Harley Shaiken. 2013. China and the New Triangular Relationships in the Americas. China and the Future of US-Mexico Relations. U. Miami, U. California/Berkeley, UNAM/Cechimex.**
- **Cechimex: <http://www.economia.unam.mx/cechimex>**
- **Dussel Peters, Enrique. 2013. Recent China-LAC Trade Relationship. Impact on Inequality? Free University of Berlin.**
- **RED ALC-CHINA: <http://www.redalc-china.org/>**

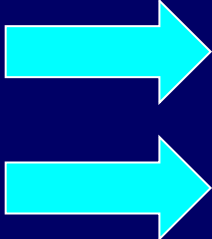
EOI (1)

- **International + LA scenarios (1960s-1970s)**
- **Concepts (Balassa/Bhagwati/Krueger...):**
 - **Direct response to ISI + “close” to NCT**
 - **Rent-seeking behaviour, inefficiencies, costs (consumers + producers+State+”society”), benefits of trade (import) liberalization + export-orientation, ...**
 - **“New” Rationality: X \longrightarrow productivity \longrightarrow g' + development**
 - **Benefits: “social profitability” + efficiency + exports (foreign exchange + stability in balance of payments + no public costs + ...)**
 - **“Case”: Asia (“East Asian Miracle”, WB 1993)**

EOI (2)

- **Policy proposals:**

- **Structural change: from macro to microeconomics**
- **Macroeconomic stability (monetary and fiscal policy, exchange rate policy/inflation)**
- **Trade (import) liberalization**
- **“Lean state” to eliminate/reduce market distortions**
- **Neutral/horizontal public policies**
- **Export-orientation of private sector (manufacturing/elasticity?)**



Adjustment costs (time?) + employment + income distribution + ...?????

EOI: mainstream development economics

LIBERALIZATION STRATEGY LAC/MEXICO

Cheap labor power

Import
liberalization

Inflation

**LIBERALIZATION
STRATEGY, macro-
“dictatorship”
(1988-)**

Fiscal deficit

Privatization,
private
manufacturing at
center of strategy

FDI attraction

EOI (4)

- **Implications of Liberalization Strategy:**
 - **Globalization = Integration to North America (Salinas, Blanco, PND 90-2013...)**
 - **NAFTA: no explicit reference/competition with Asia**
 - **Asia? A. “diversification”, B. APEC, PECC, FOCALAE, and Japan (2005), rest?**
 - **PND (2013-2018), Asia:**
 - **Trade + “diversification of economic ties”**
 - **Mexico’s global presence as an “emerging power” ... “Mexico’s global responsibility”**
 - **Strengthen diplomatic presence: APEC, ANSEA, FOCALAE, PECC**
 - **NAFTA and Asia? “the 4th uninvited guest”, not considered**

MEXICO-ASIA: INSTITUTIONS (1)

❖ PUBLIC INSTITUTIONS:

- ❖ 12 FTAs with 44 countries + 28 Agreements for the Promotion and Reciprocal Protection of Investments (APPRI)
 - ❖ With Asia? Japan (2005) and 4 APPRIs (China (2008); South Korea (2000); India (2007) and Singapore (2005))
 - ❖ Proposals from South Korea and China for FTA (5 years +)
 - ❖ General Direction for Asia Pacific at SRE, highest ranked public institution on Asia; no other public institution
 - ❖ APEC, FOCALAE, PECC, ...
 - ❖ TPP (2012): "... the most ambitious trade negotiation worldwide" (PND 2013:95)
 - ❖ Pacific Alliance (2013): Chile, Colombia, Mexico and Peru
 - ❖ Initiatives at the provincial level: Mexico City, Michoacán, Jalisco, ...
- ❖ In general: very weak institutional setting (see Undersecretary for North America, ...)

MEXICO-ASIA: INSTITUTIONS (2)

❖ PRIVATE INSTITUTIONS:

- ❖ COMCE, only institution with an “Asian” perspective and national committees (South Korea, China, Taiwan, New Zealand, ...)
- ❖ Business organizations related to specific Asian countries: Cámara Japonesa de Comercio e Industria de México; Confederación de Asociaciones Chinas en México (Cachimex); Cámara de Comercio de México en China; Cámara de Comercio y Tecnología México-China, ...
- ❖ In general weak financial resources and little research and proposals (on trade and investments)

MEXICO-ASIA: INSTITUTIONS (3)

❖ ACADEMIC INSTITUTIONS:

- ❖ CEAA/Colmex (1964)
 - ❖ UNAM (Philosophy/Cechimex)
 - ❖ UdG and Department on Pacific Studies (1990s)
 - ❖ Center for Studies and Research on Pacific Basing at UC
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- ❖ At the international level of knowledge on Asia (trade and investments)?

PERFORMANCE: TRADE (1)

MEXICO: SHARE OVER TOTAL TRADE (percentage over total) (1993-2012)

	TOTAL	UNITED STATES	EUROPEAN UNION	ASIA	CHINA	OTHER
1993	100.00	75.23	9.05	7.44	0.37	8.28
1994	100.00	75.91	8.61	7.85	0.39	7.62
1995	100.00	79.07	6.71	6.41	0.37	7.81
1996	100.00	79.86	6.17	6.25	0.43	7.72
1997	100.00	80.09	6.46	6.22	0.59	7.23
1998	100.00	80.79	6.59	6.19	0.71	6.42
1999	100.00	81.03	6.71	6.20	0.74	6.07
2000	100.00	80.73	6.19	6.59	0.91	6.50
2001	100.00	77.74	6.80	8.43	1.32	7.04
2002	100.00	75.35	6.90	10.51	2.10	7.23
2003	100.00	74.45	7.41	10.60	3.09	7.53
2004	100.00	71.55	7.44	12.56	3.99	8.45
2005	100.00	69.28	8.06	13.40	4.32	9.26
2006	100.00	67.61	7.91	14.88	5.16	9.60
2007	100.00	65.47	8.73	15.72	5.71	10.07
2008	100.00	64.15	9.41	15.81	6.12	10.63
2009	100.00	64.12	8.37	17.17	7.48	10.34
2010	100.00	63.95	7.82	17.77	8.30	10.45
2011	100.00	64.09	8.07	17.37	8.31	10.46
2012	100.00	63.77	8.46	17.67	8.45	10.10

Source: own elaboration based on Banxico (2013).

PERFORMANCE: TRADE (2)

MEXICO: TRADE BALANCE (\$billion) (1993-2012)

	TOTAL	UNITED STATES	EUROPEAN UNION	ASIA	CHINA	OTHER
1993	-13,481	-2,383	-5,204	-6,025	-342	132
1994	-18,464	-3,216	-6,324	-7,920	-457	-1,005
1995	7,088	12,371	-3,458	-5,655	-484	3,830
1996	6,531	13,034	-4,303	-6,397	-721	4,197
1997	623	12,375	-6,084	-8,923	-1,201	3,256
1998	-7,834	9,743	-7,976	-10,639	-1,511	1,037
1999	-5,613	14,995	-7,696	-13,005	-1,795	94
2000	-8,337	19,865	-9,586	-18,113	-2,676	-504
2001	-9,617	26,798	-11,423	-23,122	-3,745	-1,870
2002	-7,633	35,341	-11,506	-28,050	-5,620	-3,418
2003	-5,779	38,933	-12,428	-28,171	-8,426	-4,113
2004	-8,811	53,695	-14,968	-40,459	-13,388	-7,079
2005	-7,587	65,016	-16,838	-48,875	-16,561	-6,889
2006	-6,133	81,488	-18,003	-62,508	-22,750	-7,110
2007	-10,074	83,660	-19,268	-71,838	-27,848	-2,628
2008	-17,261	82,188	-21,895	-77,586	-32,646	32
2009	-4,602	72,747	-15,600	-64,596	-30,321	2,848
2010	-3,009	93,677	-18,065	-85,215	-41,425	6,594
2011	-1,468	100,075	-18,639	-92,564	-46,284	9,661
2012	163	102,714	-18,750	-96,349	-51,215	12,548

Source: own elaboration based on Banxico (2013).

PERFORMANCE: TRADE (4)

MEXICO: MAIN IMPORTED AND EXPORTED CHAPTERS TO ASIA (2012)

	1995	2000	2005	2010	2011	2012	1995-2012
EXPORTS							
main 5 exported chapters (according to 2012)	39.78	61.57	53.58	59.77	62.33	70.34	58.17
27-Oil	25.62	17.60	11.16	15.07	20.27	20.41	16.11
26-Ores, slag and ash	0.77	1.05	9.02	14.69	16.62	18.15	10.79
85-Electrical machinery	4.79	12.98	7.17	12.62	9.64	15.40	11.39
87-Automobiles	0.58	1.78	8.47	10.32	10.15	10.26	7.69
84-Autoparts	8.02	28.17	17.75	7.07	5.66	6.13	12.19
IMPORTS							
main 5 imported chapters (according to 2012)	64.96	63.67	79.16	79.33	77.34	76.05	76.77
85-Electrical machinery	35.46	35.69	45.65	47.37	44.54	41.73	43.81
84-Autoparts	20.30	16.97	21.53	19.28	19.53	20.50	19.89
87-Automobiles	3.08	5.62	4.99	5.39	5.86	6.55	5.27
90-Optical instruments	3.20	2.87	3.99	4.74	4.65	4.40	5.14
39-Plastics	2.92	2.51	3.01	2.54	2.74	2.88	2.67

Source: Own calculations based on WTA (2013).

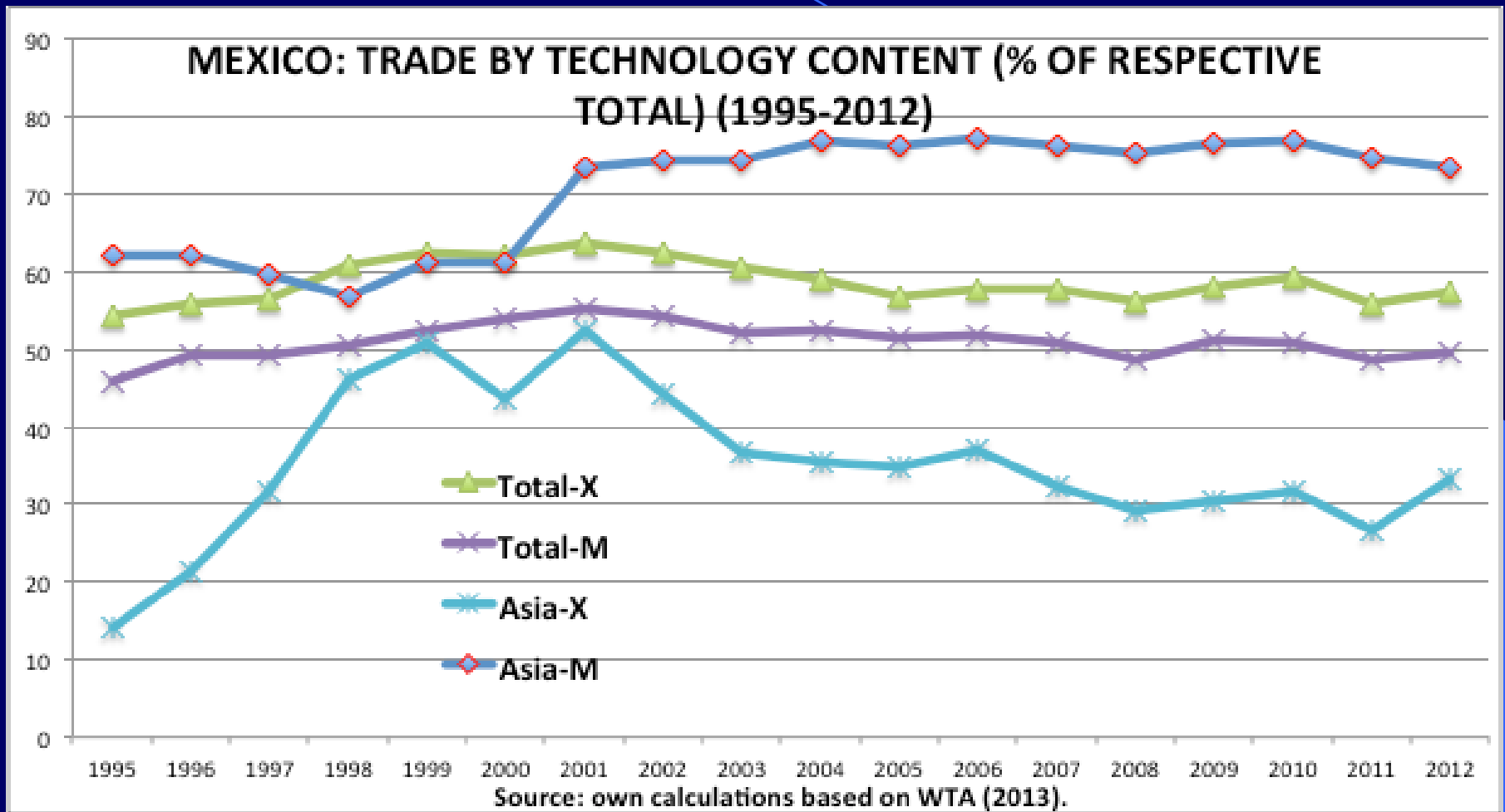
PERFORMANCE: TRADE (5)

MEXICO: ASIA'S IMPORT QUOTA OVER TOTAL IMPORTS (percentage)

		1995.00	2000.00	2010.00	2011.00	2012.00	1995-2012
	Imports from Asia	10.48	11.19	31.27	29.86	29.99	23.20
	Raw Materials	3.50	3.80	5.48	4.28	4.75	4.41
	Medium and high technology	14.16	12.72	47.26	45.76	44.19	33.75
46	Manufacturas De Espartería O Cest	45.36	74.30	95.43	94.67	92.37	87.47
67	Plumas Y Plumón Preparados Y Art	71.81	73.58	92.42	91.47	92.17	85.15
66	Paraguas, Sombrillas, Quitasoles, B	60.79	69.04	91.82	91.69	91.59	83.56
64	Calzado, Polainas Y Artículos Análo	40.28	38.97	76.95	76.85	79.85	62.79
95	Juguetes, Juegos Y Artículos Para R	47.12	45.80	70.91	73.15	77.86	68.85
92	Instrumentos Musicales; Sus Parte:	21.55	49.50	72.09	70.77	75.14	62.16
65	Sombreros, Demás Tocados, Y Sus	33.12	43.01	70.70	68.21	71.00	62.28
50	Seda	22.90	22.44	63.31	56.09	63.90	39.26
42	Manufacturas De Cuero; Artículos I	18.55	22.24	53.93	58.24	61.22	41.13
85	Máquinas, Aparatos Y Material Elé	15.57	15.09	63.02	61.53	59.78	44.81
90	Instrumentos Y Aparatos De Óptic	12.63	12.40	43.84	43.64	41.66	36.14
84	Reactores Nucleares, Calderas, Má	15.44	13.08	38.86	38.02	37.51	29.48
87	Vehículos Automóviles, Tractores,	6.08	6.41	20.58	21.50	22.44	13.66

Source: own elaboration based on WTA (2013).

PERFORMANCE: TRADE (6)



PERFORMANCE: FDI (1)

Mexico: number of firms with FDI-flows (1999-2012)

	1999	2000	2005	2010	2011	2012*	1999-2012
	SHARE (percentage)						
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Top 5	75.20	74.58	72.54	70.37	70.65	71.85	72.37
United States	59.94	58.65	54.85	49.59	48.87	50.40	54.31
Spain	4.89	4.86	7.23	7.36	8.51	8.81	6.59
Canada	3.60	3.99	4.69	5.82	6.16	5.37	4.81
Holland	3.71	4.10	3.26	4.27	3.79	3.68	3.78
Germany	3.07	2.97	2.50	3.32	3.32	3.59	2.88
ASIA	6.38	5.92	5.55	6.61	6.70	8.51	6.04
JAPAN	1.53	1.35	1.13	1.67	1.76	3.72	1.50
SOUTH KOREA	2.58	2.23	1.93	1.46	1.33	1.61	1.89
CHINA	0.81	0.72	1.01	1.14	1.10	1.16	0.95
SINGAPORE	0.29	0.29	0.18	0.54	0.48	0.58	0.29
TAIWAN	0.34	0.47	0.50	0.46	0.53	0.43	0.43
INDIA	0.13	0.18	0.14	0.29	0.22	0.26	0.19

Source: own elaboration based on SE (2013/b).

PERFORMANCE: FDI (2)

Mexico: FDI flows by country of origin (1999-2012)

(SHARE OVER TOTAL, percentage)

	1999	2000	2005	2010	2011	2012	1999-2012
Total FDI to Mexico	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1 Top 5	73.1	103.6	79.1	85.9	76.9	62.3	84.4
2 United States	54.2	72.1	48.2	25.1	49.8	58.5	50.1
3 Spain	7.5	11.6	7.0	8.8	16.2	-12.0	13.7
Holland	7.8	14.8	16.4	41.8	6.9	5.7	13.4
Canada	5.0	3.7	2.0	7.1	3.7	8.2	4.3
United Kingdom	-1.3	1.6	5.5	3.0	0.3	2.0	2.8
ASIA	10.0	3.3	1.4	3.3	5.9	15.7	3.1
1 JAPAN	9.0	2.4	0.7	2.6	4.2	13.1	1.9
2 SOUTH KOREA	0.3	0.2	0.4	0.0	0.5	0.8	0.4
3 TAIWAN	0.2	0.1	0.2	0.5	0.1	0.7	0.2
4 CHINA	0.0	0.1	0.1	0.1	0.1	0.6	0.1
5 SINGAPORE	0.5	0.4	0.1	0.2	0.7	0.4	0.4

Source: own elaboration based on SE (2013/b).

PERFORMANCE: FDI (3)

- ❖ Most -54%- of Asia's FDI comes from new investments, contrary to total FDI (18.2%)
- ❖ Amount per transaction of Asian FDI is 51.03% of Mexico's total for 1999-2012
- ❖ During 1999-2012, 74.32% and 13.71% of Asia's FDI was channelled to manufacturing and commerce
- ❖ Enormous possibilities for deepening analysis: by sector, country, region-destination, etc.: Japan's FDI accounted for 71.2% of Aguascaliente's FDI reception during 1999-2012 (Nissan)

CONCLUSIONS (1)

- ❖ Only until very recently Asia was considered in Mexico's liberalization strategy, and mainly as a “diversification” factor
- ❖ Very weak institutional framework/setting: who will invest and lead the process regarding Asia and each of its countries?
- ❖ Huge gap between institutions-trade-investment; will Asia follow a second stage after trade (with investments)?
- ❖ Trade: growth, deficit, raw materials-manufacturing, content of trade (differences with debate on “commodification” of LAC's exports)
- ❖ FDI: led by Japan, the performance of the rest is poor

PROPOSALS (1)

- ❖ Investments in public, private and academic institutions immediately (!) ... see current efforts; start for a “discussion on strategy towards Asia”?
- ❖ Priorize within Asia: China, Japan, South Korea, India and Taiwan
- ❖ TPP and Pacific Alliance? Relevance strictly in terms of trade and FDI? Not for Mexico.
- ❖ In order to discuss/negotiate with Asia: update, reform NAFTA after 20 years
- ❖ “Integral strategic partners” Mexico-China? CHINA? (see: Agendasia + Cechimex)
- ❖ And: “commodities” vs. processes in segments of value-added chains

PROPOSALS (2)

❖ Most significant:

- ❖ Collaboration public-private-academic sectors
- ❖ Start from the work that has already been done
- ❖ Prepare institutions at all levels
- ❖ In the case of China:
 - ❖ Pork meat exports promised for 5 years
 - ❖ Tequila (promised for 3 years)
 - ❖ “Integral strategic partners” (10 years a strategic partners)
 - ❖ ...