

# **NATIONAL FOREIGN TRADE COUNCIL, INC.**

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**Comments of the National Foreign Trade Council  
to the Office of the U.S. Trade Representative  
Concerning Mexico's Expression of Interest in the Proposed  
Trans-Pacific Partnership Agreement  
January 13, 2012  
(Docket ID: USTR-2011-0020)**

The National Foreign Trade Council (NFTC) is responding to a request for comments published in the Federal Register on December 7, 2011, by the Office of the U.S. Trade Representative concerning Mexico's expression of interest in the proposed Trans-Pacific Partnership Agreement (TPP). The NFTC, organized in 1914, is an association of several hundred U.S. businesses engaged in all aspects of international trade and investment. Comprised of companies representing a broad cross section that drives the U.S. economy, we are dedicated to an open rules-based international trading system.

The NFTC welcomes Mexico's expression of interest in joining the TPP and supports its inclusion at the earliest opportunity as a full partner in negotiating its accession.

The NFTC strongly supports the TPP process and calls for the current negotiations to conclude in an agreement in 2012. A successful TPP agreement should cover all elements of trade and investment, including agriculture, goods, services, digital trade and intellectual property, with no product or sub-sector exclusions. To exclude sectors would limit the opportunities for American farmers, manufacturers and service providers to reach new markets, grow their businesses and support or create American jobs.

The current TPP partners are on a path to concluding an agreement which achieves greater economic integration, eliminates unnecessary barriers to competition, sets new higher standards of transparency, fairness and property protection, which opens all markets to trade and investment, and develops innovative new approaches to global platforms for manufacturing and provision of services, regulatory coherence and the enactment of disciplines on state-owned enterprises.

As the NFTC stated in its March 2009 testimony before the U.S. Trade Policy Staff Committee, "Starting with an existing agreement, with partners who have proven a willingness to negotiate to the highest standards is a sound strategy, although a calculated risk. The proof of success of the TPP process will be the ability to reach a critical mass under a high standard agreement that will also pull in larger economies in the region."

The NFTC believes Mexico is ready to join the TPP agreement process in a manner that will raise the standards of the agreement and increase momentum as the TPP moves to conclude an agreement and to expand to other nations in the region. A TPP which includes Mexico furthers a common goal of the agreement fully encompassing the Pacific Rim and expanding broad

hemispheric ties to Asia.

### Mexico's Track Record as a Reliable Partner

Mexico has a proven track record as a reliable partner in maintaining its existing commitments with the United States and other countries, and has undertaken significant unilateral actions to further reduce tariffs, eliminate regulatory barriers, increase regulatory coherence with the United States, enhance transparency and undertake new measures of trade facilitation.

Mexico has already undertaken a domestic consultation process with key stakeholders which demonstrates private sector support and domestic political consensus to participate fully to the highest standards of the TPP. Furthermore, with presidential elections looming, Mexican commitments in the TPP will solidify any unilateral trade and investment liberalization which was achieved through Presidential decree and could be subject to reversal by future Administrations.

The last major trade agreement between the U.S. and Mexico entered into force nearly 20 years ago. There is a tremendous opportunity to update key aspects of that agreement to reflect the current trading system, and to address evolving issues in labor, environment and intellectual property and other key areas under the TPP umbrella.

Despite this progress, we are very concerned about the brief the Mexican government recently filed before the Court of Appeals for the Second Circuit in *Corporación Mexicana De Mantenimiento Integral, S. De R.L. De C.V., v. Pemex-Exploración Y Producción* which argues that the Mexican government is not obligated to honor the results of third party arbitration in that case. U.S. companies doing business in Mexico are very concerned about the implications of the Mexican position for the integrity of their contracts.

### Economically Significant

As the world's 14th largest economy and 3<sup>rd</sup> largest economy among current TPP negotiating partners, Mexico's entry into the TPP is key to realizing the agreement's potential as a 21<sup>st</sup> century living agreement that evolves into a free trade area of the Pacific.

Mexico has made unprecedented strides in institutionalizing economic mobility out of poverty. The Brookings Institution reports that Mexico's middle class encompasses 60% of its population, and by 2030, 80% of the population will be in the middle class. In 2010 Mexico's \$1 trillion GDP grew by 5.4% and is expected to have grown nearly 4% in 2011.

An expanded TPP including Mexico has the potential to increase the TPP's ability to support and sustain future U.S. economic growth and the creation of American jobs.

### Strategic Benefit to the U.S. Economic Model

The world trading system's evolution to a global supply chain model is reflected in the TPP's priority focus on strengthening production and supply chains. The NFTC and the U.S. business community are united in working for a TPP agreement which eliminates duplicative, trade-distorting and unnecessary barriers within each country, enhances cross-border physical

connectivity, and improves the communication, coordination, and diffusion of regional and international best regulatory practices to facilitate trade among the TPP countries.

U.S. based companies successful in the global market operate from a highly integrated North American production platform. TPP commitments which do not include Mexico and Canada put the U.S. at a distinct disadvantage. Intermediate and capital goods account for 84% of total trade between the U.S. and Mexico. 75% of U.S. exports to Mexico are intermediate goods and Mexico's total manufacturing exports contain 35% U.S. content. Mexico's exports to the Asia-Pacific over the last five years have grown by over 17%. Therefore, increased market access for Mexico as a result of the TPP translates into additional U.S. exports to the markets in the agreement.

We urge you to actively support Mexico's participation and to work with other TPP countries to facilitate Mexico's entry into the TPP process at the earliest possible time.