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# The Impact of NAFTA and Options for Tax Reform in Mexico

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The North American Free Trade Agreement (NAFTA) has had a profound impact on Mexico's economy and institutions. Mexico's tax reform should be guided not by NAFTA considerations, however, but by the objectives of higher revenues and a simpler, more efficient, and more equitable tax system.

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## Summary findings

The North American Free Trade Agreement (NAFTA) has had a profound impact on Mexico's economy and institutions. Clearly, no consideration of tax reform can ignore its role. The thinking about tax reform in Mexico requires evaluating NAFTA's effect on Mexico's economy, including its tax structure, and the effect of its tax system on trade and capital flows between Mexico and its NAFTA partners, the United States and Canada.

Martinez-Vazquez and Chen review the evidence on NAFTA's economic effects, focusing on the changes in foreign trade and foreign direct investment flows in Mexico and the effects of these changes on Mexico's tax base and ability to raise tax revenues. Using marginal effective tax rate analysis, the authors also compare Mexico's tax system with those of Canada and the United States in terms of the effect on foreign direct investment.

Martinez-Vazquez and Chen draw two main conclusions from their analysis. First, by fueling Mexico's exports and foreign direct investment inflows, NAFTA has altered the country's economic structure and hence the industrial distribution of the tax base. This transformation calls for adapting the tax structure to an economy oriented toward services and manufacturing exports. And second, Mexico's membership in NAFTA provides no significant reasons for fundamental change in its tax structure. The new wave of tax reform should concentrate on raising revenues, simplifying the tax structure, and increasing the efficiency and overall equity of the tax system.

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# The Impact of NAFTA and Options for Tax Reform in Mexico

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## INTRODUCTION

The North American Free Trade Agreement (NAFTA) was signed in December 1992 and came into effect January 1, 1994. By most accounts NAFTA has had a significant effect on Mexico's economy and institutions. The ongoing consideration of tax reform in Mexico requires an evaluation of the role of NAFTA in Mexico's economy and how Mexico's tax system may affect its trade with its NAFTA partners, Canada and the U.S., and equally important, how tax reform may affect the cross-border investment flows from those two countries into Mexico. Clearly, no good tax reform in Mexico can ignore the role of NAFTA.

This paper attempts to answer several related questions. What has been the impact of NAFTA on the Mexican economy and more in particular, on tax bases and the ability to raise tax revenues? How compatible are the tax regimes of Mexico and its partners in NAFTA, the United States and Canada? How do these tax differences affect the direction of foreign direct investment and trade within NAFTA? What ought to be done, if anything, about those tax differences in Mexico's future tax policy reform?

The rest of the paper is organized as follows. We first review the evidence on the economic impact of NAFTA, focusing mainly on the evolution of foreign trade and foreign direct investment (FDI) flows in Mexico, and how these changes have affected Mexico's tax structure. The paper then considers the differences between Mexico's tax system and those of Canada and the U.S., estimates marginal effective rates of taxation (METRs) for FDI across the three countries, and assesses the consequences of the differences in taxation.

We conclude with a consideration of the main implications for tax reform in Mexico. Our main conclusion is that there are no weighty reasons from a NAFTA perspective for Mexico to undertake fundamental changes in its tax structure. Instead, Mexico should concentrate on the objectives of raising revenues, simplifying the tax structure, and increasing the efficiency and overall equity of the tax system.

## THE ECONOMIC IMPACT OF NAFTA

### Mexico's Standing Within NAFTA

Mexico plays a relatively minor role within NAFTA. As of 1998, Mexico represented 4.3 percent of NAFTA or North America's GDP as opposed to Canada's 6.5 percent and the United States' 89.2 percent (Table 1). Over the last two decades, Mexico's share in North America's GDP was at its highest in 1981 (8.4 percent) and at its lowest in 1986 (2.7 percent). Overall, as shown in Graph 1, Mexico's share has fluctuated up and down and no definite trend has emerged.

**Impact On Cross-Border Trade**

The openness of the Mexican economy increased dramatically over the last decade. The sum of exports and imports as a proportion of GDP rose from 35 percent in 1991 to 62 percent in 1999. Over this period, exports in U.S. dollar terms have grown by 165 percent or at an average annual rate of 14 percent per year (Table 2). Over the last decade, also, Mexico has become much less dependent on oil for its export revenues. In 1991 oil exports still represented 19 percent of all Mexico's exports. By 1999 this share had fallen to 7 percent (Table 3 and Graph 3). While oil exports in U.S. dollars remained basically at the same level over the last 10 years, non-oil exports took off, especially after 1994 (Graph 2).

The high rate of growth on exports over the past decade has been uneven (Table 4). The merchandise trade by type of industry shows that exports by manufacturing industries tripled in U.S. dollars from 1991 to 1998, while the value of exports in the extractive industries decreased and in agriculture and forestry increased more moderately. Over the decade, exports from manufacturing went from representing 76 percent of total exports in 1991 to representing 91 percent in 1998 (Table 5). Within the manufacturing sector, the best export performers over the 1994-1998 period were "textile, apparel and leather" with an export growth of 202 percent and "metallic products, machinery and equipment" with an export growth of 111 percent. Many other manufacturing industries had export increases in 1994-1998 of over 80 percent (Table 6). The most significant of all of these increases was in the "metallic products, machinery and equipment," mostly the auto industry, which represented 64 percent of all Mexico' exports in 1998, up from 48 percent in 1991.

This explosion of manufacturing exports has been accompanied by a significant growth of imported intermediate inputs, linking many of the fastest growing areas of Mexican imports to the demand for Mexican exports rather than to fluctuations in Mexican domestic demand.[1] As shown in Tables 7 to Table 9, total imports by manufacturing industries have remained dominant. They represented 93 percent of all imports in 1998 and many of the fastest growing import sectors were also among the fastest growing export sectors over the 1991-1998 period.

A significant share of the export growth has come from the export assembly plants or maquiladora sector. By 1998, the maquiladora sector represented 45 percent of all exports, up from 37 percent in 1991 (Table 5). Over the 1994-98 period, exports from maquiladoras grew by 102 percent by comparison to 86 percent of non-maquiladora exports. However, some manufacturing industries traditionally not in the maquiladora sector, such as "metallic products, machinery and equipment," mostly the auto industry, grew even at faster rates than the maquiladora sector (Table 6).

The impressive performance of the maquiladora sector in production, total employment, and salaries is documented in Tables 10 and 11. From 1990 to 1997, total output in constant 1993 pesos tripled and value added doubled.[2] Over the same period of time, the total number of

[1] See Hinojosa Ojeda et al. (2000)

[2] Interestingly, at the time of the NAFTA signing it was expected that Mexico would suffer the biggest losses in the maquiladora sector because of the loss in competitive advantage since all firms would thereafter face the same tax and tariff regulations See Bulmer-Thomas et al. (1994). The role of NAFTA is discussed below.

workers in factories and other locations doubled, and the annual pay per worker in current pesos more than tripled. As shown in the last row of Table 11, by far the largest gains on all counts of the maquiladora sector took place from 1994 onwards.

Another significant feature of the growth in Mexico's exports is that geographically it has been highly concentrated in exports to the U.S. This is clear from Graph 4, where we see that the growth in exports to the U.S. closely mirrors the growth of Mexico's exports, at the same time exports to Canada and the Rest of the World have increased at much slower rates. From 1989 to 1999, Mexico's total exports in U.S. dollars went from U.S.$ 35 billion to U.S. $ 137 billion and Mexico's exports to the U.S. went from U.S. $ 28 billion to U.S. $ 121 billion (Table 12). By comparison, Mexico's exports to Canada, the second largest trading partner for Mexico, went from U.S. $ 277 million in 1989 to U.S. $ 2.3 billion in 1999. This is also an impressive increase, but Mexico's exports to Canada represent less that 2 percent of those to the U.S. Despite their large size, Mexico's exports to the U.S. have increased over 133 percent from 1994 to 1999. Exports to other countries have increased faster over the past five years, but no other country comes even remotely close to the relative size played by the U.S. (Table 13). The share of exports to the U.S. in Mexico's total exports went from 81 percent in 1989 to 90 percent in 1999. In a distant second place was Canada, which represented less than 2 percent of Mexico's total exports in 1999 (Table 14). The economic integration of Mexico with the U.S. economy is two-sided. Mexico's total imports in 1999 were U.S.$ 142 billion, of which U.S. $ 105 billion were imports from the U.S. Mexico's imports from Canada were under U.S. $ 3 billion (Table 15).[3] Not surprisingly, imports from the U.S. and Canada grew fast over the 1989-1999 period (Table 16). Imports from the U.S. represented 74 percent of all of Mexico's imports in 1999. Canada at 2 percent was behind Germany, Japan and South Korea (Table 17).

What has been the impact of NAFTA on the tremendous growth in Mexico's exports? This impact is difficult to disentangle for several reasons. First, Mexico's foreign trade and foreign investment regime liberalization, through the reduction in tariffs and quantitative restrictions or quotas, started in the mid1980s. Other important institutional breakthroughs in Mexico, including joining GATT, the liberal *Foreign Investment Law* of 1989 (which reversed Mexico's previous restrictive policies toward foreign investment), and the elimination of foreign exchange controls in 1991, had their effect on trade before 1994 when NAFTA came into being (Graph 5). The time series for exports makes it clear that an increasing integration of North America's market through cross-border trade was already occurring in the late 1980s and early 1990s prior to NAFTA. Therefore, NAFTA may have continued and consolidated trends that already existed but it did not necessarily represent a fundamental shift in the growth of exports.

Second, as we have reviewed above, the growth in exports to the U.S. and Canada, especially to the U.S., did take off sharply in 1994 –95. Again, however, there were other factors which may have had as much, or more, of an impact on the growth of exports than NAFTA itself.[4] The most important of these factors were the sharp devaluation of the peso in December 1994 and the 1995-96 recession, which pushed exporters and traditionally non-exporters alike to

[3] By comparison, Mexico's imports in 1999 from Germany and Japan wereU.S. $ 5 billion each, and those from Korea were about the same as from Canada.

[4] See, for example Krueger (1999) and Hinojosa Ojeda et al. (2000).

seek sustained demand in the export markets.[5] What is clear is that NAFTA facilitated the acceleration of exports by providing increased access to the U.S. and Canadian markets and by providing safety and certainty to U.S. investors in Mexico. This also meant that because of NAFTA, quite likely Mexico's recession was much less pronounced than it would have been without NAFTA.

**Impact On Cross-Border Investment Flows**

Even though there may be some controversy as to the net impact of NAFTA on cross-border trade vis-à-vis other factors, the impact of NAFTA on cross-border investment flows appears to be much clearer. Total foreign direct investment into Mexico took off with the liberalization reforms of the mid 1980s (Table 18). After the approval of the *Foreign Investment Law* in 1989, FDI into Mexico further shifted up totaling between U.S. $ 3 billion and U.S. $ 4 billion per annum. After NAFTA came into force in 1994, FDI again experienced a significant increase reaching over U.S. $ 10 billion per annum in 1994 and 1997 and not less than U.S. $ 7 billion in 1995-96 (Graph 6).[6] The exception was 1998 when total FDI was only U.S.$ 4 billion. This latter dip was in the aftermath of the East Asian crisis in 1997 and the Russian crisis in 1998.

FDI in Mexico has been dominated by the U.S. since the early 1980s (Table 19). The share of U.S. FDI in total FDI was 66 percent in 1980 and 71 percent in 1998. Because of the lumpiness of many large FDI projects, the shares of the U.S., and other important home countries, such as the U.K., Germany, and Japan, for FDI in Mexico have fluctuated over the years, but the U.S. continues to be the dominant presence (Graph 7). On the other hand, Canada represented less than 3 percent of all FDI in Mexico for 1998.

**Regional Effects**

NAFTA has also had an impact on the distribution of economic activity through the location of FDI, especially in the maquiladora sector. Before economic liberalization in the mid 1980s, the import-substitution economic activity was located mainly in Mexico DF and some other areas in the center of the country. With economic liberalization and the growth of the maquiladora sector, a considerable share of economic activity shifted to the northern border states. After NAFTA it would appear that the economic activity, including the location of the maquiladora has spread to some extent throughout the country. For example, the state of Puebla had 146 new maquiladoras started from 1994 to 1998, almost double those started in the states of Sonora and Coahuila, both northern border states, during the same period (Graph 8). However,

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[5] Hinojosa Ojeda et al. (2000) argue that statistically the lower tariffs due to NAFTA can explain only a small portion of the increase in Mexico's exports since 1994, and that a much lager role should be attributed to the collapse of the peso and the subsequent recovery and to the on-going bi-national integration between Mexico and the U.S. Hinojosa Ojeda et al. also argue that exports for the commodities liberalized by NAFTA actually grew more slowly than those commodities that were not (either because they were already liberalized before NAFTA, liberalized by other means or not at all liberalized).

[6] Although Mexico's 1994 crisis and devaluation and ensuing recession in 1995-96 can be argued to have had an independent impact (from NAFTA) on Mexico's exports, it is less likely that these same events have had a significant independent pull on FDI. However, see Trigueros (2000) for a more skeptical view. See also Rubin and Alexander (1995) for an early review of FDI issues in NAFTA

there is no indication that NAFTA has been able to narrow the divide between the poor South and the rich North.[7] If any thing, the impact of NAFTA on production, employment, and exports has been more pronounced in the northern border states of Mexico than elsewhere in the country. This has helped to keep wages at a higher level in the area, especially after the devaluation and macroeconomic adjustment of 1994-95.[8]

**Impact On Tax Bases**

The most relevant question, but also the hardest to answer, is whether NAFTA has had any discernable impact on tax bases or the ability to collect taxes in general. This information would be valuable to policymakers in order to adapt the country's tax structure to the new economic environment created by NAFTA. We have seen, however, that even some of the more direct effects of NAFTA, such as the impact on cross-border trade, are difficult to disentangle. Therefore, we have no expectations of being able to identify the direct impact of NAFTA on tax bases and tax revenues. However, we can observe that NAFTA has likely contributed to several changing trends in the composition of GDP.

Since the late 1980s, the time of the most important tax reforms, there has been significant economic growth.[9] However, some of this growth may not have translated into growth of the main tax bases. Value added from the service sector increased from 50 percent of GDP in 1986 to 61 percent of GDP in 1998. Over the same period, value added in the industrial sector decreased from 32 percent to 26 percent. Actually, the impact of NAFTA may have been to slow down the decline of industrial value added, specifically in manufacturing, vis-à-vis the value added in services. The implication of these trends is that it is easier to collect both income taxes (CIT and withheld PIT) and VAT from large manufacturing enterprises than from more fragmented service-oriented firms.

The service sector in Mexico includes the difficult-to-tax "banking and financial institutions" which grew from 8 percent of GDP in 1986 to 13 percent of GDP in 1998. The service sector also includes "transport and communications," part of which is more lightly taxed through the special regime in the CIT, and which grew from 7 percent of GDP in 1986 to 10 percent of GDP in 1998. Finally, the service sector also includes "public administration and defense" which are not taxed, and grew from 16 percent of GDP in 1986 21 percent of GDP in 1998 (Table 20). However, not all trends in the composition of GDP have narrowed the tax base or made tax collection more difficult. In particular, the share of agriculture, a sector that is traditionally hard to tax and which is also preferentially treated under the VAT and the CIT, decreased from 9 percent of GDP in 1986 to 5 percent in 1998. Another positive trend has been, as mentioned above, the growth of FDI and export oriented firms in manufacturing. The downward trend of the contribution of manufacturing to GDP was reversed after NAFTA in 1994. However, this advantage for tax base growth is offset by the fact that this sector tends to be dominated by the maquiladoras, which traditionally pay lower taxes, and by firms with foreign ownership and large Mexican enterprises, which have been able to escape taxation in varying degrees through different schemes, such as the use of consolidated returns.

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[7] See Bulmer-Thomas et al. (1994).

[8] See Dávila Flores (2000) and Katz (2000).

[9] But the country also experienced considerable macroeconomic instability. See Lustig (2001).

How should the tax system adapt to these major trends? There are no easy answers. However, these findings seem to strengthen the case for the elimination of special tax treatment of some service sectors such as transport, for the strengthening of the taxation of services under the VAT, for more effective ways to tax the banking and financial sectors, and for better control for the use of consolidated returns for large firms, foreign and domestic.

**Intangible Benefits of NAFTA**

The impact of NAFTA on the Mexican economy lies not only in the increased trade and investment flows, but also in numerous intangible benefits that should contribute to sustained economic growth in the years to come. Numerous NAFTA observers have emphasized the relevance of these intangible benefits from NAFTA including the following:[10]

- NAFTA has served as a commitment device to force reforms and some of the reform process has been extended to other sectors of the economy (Tornell and Esquivel, 1995; Blomstrom and Kokko, 1997).
- NAFTA has produced major advances in areas such as government procurement, intellectual property rights, and conflict resolution with binding investor-state arbitration (Blomstrom and Kokko, 1997).
- The foreign competition introduced by NAFTA, in turn, has induced significant gains in productivity in the Mexican economy (Trigueros, 2000).
- NAFTA has contributed to more stable and mature economic and political relations between Mexico and the U.S. and Canada, helped to open Mexico to the world, and brought certainty and stability in the international arena (Fernández de Castro, 2000; von Wobeser, 2000; and Krugman, 1993).
- NAFTA has served as an insurance device to foreign investors against policy reversals not only by Mexico but also by the U.S., as exemplified by the fact that the explosion in Mexico's exports to the U.S. after the 1994 peso devaluation was not followed by U.S. retaliation. In addition, NAFTA very likely played a role in the U.S. support to prevent a default Mexico in 1995 (Fernandez, 1997; Studer, 2000).

However, not all is well after NAFTA. The question is how broadly and deeply the export-led growth has benefited the rest of society. World Bank (2000) takes a pessimistic view. In this view, the maquiladoras and the large exporting and foreign–owned firms may be creating an enclave that is not integrated with the rest of the economy. The export sector has been an engine of growth, but much less successful as a vehicle for equitable growth.[11]

[10] But see Fernandez (1997) for a critical view on some of these intangible benefits.
[11] See also Lustig (2001).

## NAFTA AND MEXICO'S TAX POLICY

### NAFTA Is About Cross-Border Trade and Investment Flows and Not About Tax Policy

The fundamental objective of NAFTA is to achieve trade and investment liberalization within the three member countries.[12] The goal of achieving the free flow of goods is pursued by imposing a nondiscrimination rule (granting the trade partners the same treatment provided to nationals), and by removing over time (for up to 15 years) the existing tariffs.[13] The goal of freeing investment flows is pursued by requiring each member to provide investors and investments from the other two countries the same treatment provided to its own nationals in all aspects of the investment process (from acquisition to management to disposition of investments).[14]

Quite clearly, NAFTA is not about tax policy coordination among the member countries. NAFTA lets the member states freely develop their domestic tax policies and relies on the bilateral treaties to coordinate any problems that may arise. The only article in NAFTA dealing with tax policy issues (article 2103) states that "nothing in NAFTA shall apply to taxation measures" and that "nothing in NAFTA shall affect the rights and obligations of any of the three countries under any tax convention." [15] In the case of any contradictions between the tax treaties and NAFTA, the former are supposed to prevail.

The build-up to NAFTA led Mexico to conclude comprehensive bilateral tax treaties with Canada, which became effective January 1992, and with the United States, which became effective January 1994. The three treaties (including the Canada-U.S. treaty) apply to all income taxes imposed by the federal governments. The two treaties with Mexico also specify the coverage of Mexico's asset tax. All three treaties contain anti-discrimination provisions which apply to additional taxes. These provisions ensure that national taxes placed on goods and services do not discriminate against foreign goods and services in favor of domestic ones. Of course, the three treaties accept the different treatments of capital income among the three member countries and nothing is done to address the impact of these differences on cross-border investment flows.[16] In addition, the three countries have agreements for information sharing to simplify the tasks of the tax administration and improve tax enforcement.

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[12] See, for example, McDaniel (1994) for a good summary of the issues.

[13] Still extensive rules of origin apply for trade within NAFTA and a few economic sectors are exempted completely from the removal of tariffs.

[14] In particular, a country may not impose minimum levels of equity to be held by its nationals, nor require senior management to be of a particular nationality, nor impose performance criteria, such as exporting a given percentage of production. However, the majority of the board of directors may be required to be of a particular nationality.

[15] Three other articles in NAFTA touch upon tax issues. There is a general nondiscrimination provision, extended to state and local governments, in article 301, accompanied by the prohibition against using discriminatory taxes on exports (article 314). In addition, article 604 has several provisions on energy taxes. Tax-like barriers to trade such as customs duties, anti-dumping and countervailing duties, and importation fees are not considered "taxation measures" according to article 2107.

[16] See Cockfield (1998) for a discussion of how the three bilateral tax treaties coordinate the tax treatment of cross-border flows in trade and investment

## Differences In Tax Regimes within NAFTA and Their Implications

Of course, the tax systems of Mexico, the US, and Canada differ in some ways and are similar in other ways. One main difference is the level of overall tax effort in the three countries. In 1997, general government tax revenues represented 37 percent of GDP in Canada, 29 percent in the U.S., and less than 17 percent in Mexico. Clearly, the tax systems in the three countries are used to pursue different objectives, including the level of services to be provided through the public sector. There are also differences in tax structure. For example, Mexico and Canada have a national VAT while the U.S. does not. Other differences include rates and base definition for income taxes, social security taxes and excises. The U.S. and Canada have wider social security programs and use payroll taxes more heavily than Mexico does. On the other hand, all three countries during the 1980s introduced similar reforms for income taxes by cutting rates, broadening bases and reducing tax incentives. The most significant round of reforms was after the 1986 U.S. tax reform, to some extent followed by both Canada and Mexico.[17]

Which differences in tax structures matter within the context of NAFTA? Or, which differences in tax structures have the potential of negatively affecting trade and the cross-border flow of investment funds? Few of the differences in tax systems in the three countries are likely to affect trade and cross-border investment flows. For example, differences in personal income taxation do not count for much because NAFTA does not provide for the free mobility of labor.[18] Other tax differences with the potential to distort trade patterns, such indirect taxes and differences in corporate income taxes, in reality do not because exchange rates offset the impact of differences in uniform taxes.[19]

The differences in the tax systems that are of relevance in the context of NAFTA are those with the potential to distort cross-border investment patterns. The definition of taxable income and tax rates in each of the countries may impact the mobility and final allocation of investment resources. These effects should come primarily from differences in the CIT, but also from differences in property taxes and because of the gross asset tax in Mexico. The most important differences in the CIT across the three countries include[20]:

- different withholding rates imposed by the three bilateral treaties on cross- border payments of parent/subsidiary dividends, portfolio dividends, interest, and royalties (See Table 21)
- different systems of mitigating double taxation employed by the three countries (worldwide taxation by the U.S. and Mexico versus the exemption of territorial systems by Canada)

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[17] The pressure on Canada and Mexico has been to narrow differences, mostly for the corporate income tax (CIT), with U.S. taxes in order to continue to offer an attractive environment to highly mobile capital. The CIT in Canada and the U.S. have converged considerably over the years (Boadway and Bruce, 1992) and so has the CIT in Mexico with that in the U.S. (Gordon and Ley, 1994). But, as reviewed below, significant differences remain in the CITs of the three countries.

[18] See Gordon and Ley (1994).

[19] Gravelle (1986) shows that direct effects of corporate income taxes are offset in the aggregate by an adjustment in the exchange rate.

[20] See for example McDaniel (1994) and Gordon and Ley (1994).

- differing levels of integration between the CIT and PIT, with the use of dividend credit in Canada, dividend exclusion in Mexico, and the classical system with no integration at all in the U.S.
- the potential for over and under-taxation caused by the lack of agreement on source rules for different categories of income and deductions.
- different tax subsidies used in each country to encourage the development of particular economic activities
- differences in the tax treatment of leasing (Mexico does not allow the use of leasing agreements to transfer depreciation allowances from one firm to the other, while the U.S. and Canada do)
- differences in indexing for inflation (full indexing of assets and liabilities in Mexico and not in the U.S and Canada)
- differences in the treatment of inventories (expensing of purchases in Mexico versus traditional LIFO/FIFO treatment in the U.S. and Canada)
- differences in depreciation allowances for fixed assets
- differences in capital import duties (both Canada and the U.S. exempt the import duty on capital goods but Mexico only does that for exporters).
- differences in the transfer of losses among enterprises through purchases and other means (which are much more restricted in Mexico vis-à-vis the U.S. and Canada).

The differences in tax regimes clearly can lead to the distortion of investment decisions on how much to invest, in what economic activity and in what country.[21] The differences in tax regimes may also lead to tax arbitrage (i.e., corporations attempting to gain tax benefits offered by one country without any changes in their real economic activities.[22] The gross asset tax in Mexico plays a particular role in tax arbitrage between the three countries. Since the gross asset tax can reduce the CIT to zero on reported income, U.S. and Canadian multinationals have an incentive to transfer income to Mexico via transfer pricing or other means.

The basic case for reforming the tax structures of the three countries within NAFTA is that overall consumer welfare (in the three countries) would be maximized if current distortions to the cross-border investment flows were eliminated. The urgency to carry out these reforms is that existing distortions are expected to get more pronounced as cross-border activity continues to increase.[23] However, it will be important to know how significant these distortions may be. To get an idea of this significance, in the next section we estimate marginal effective rates of taxation (MERT) on new investment in the three countries. But before we do that two qualifications are necessary to the welfare loss argument. First, capital is unlikely to bear the burden of the tax distortions induced on investment activities. Factors with less mobility including labor and, of course, land, are more likely to bear that burden. Second, the differences in business costs may not always lead to distortions (changes in investment behavior). Taxpayers may not change location if they derive additional benefits from higher government expenditures

[21] For example, because intermediate inputs are treated more favorably in Mexico, firms with substantial inventories may want to locate there; or because of Mexico's restrictions on the transfer of losses, firms with tax losses may want to locate in the U.S. or Canada. See Gordon and Ley (1994) for other examples.

[22] For example, profits are moved from a high to a low tax rate jurisdiction via transfer pricing, or because of the existing differences in the treatment of leasing between companies in the U.S. and Mexico.

[23] See McDaniel (1994) or Cockfield (1998).

in a particular location or if there exist pure rents that firms enjoy in reference to a particular location.

There is one final potential implication of differences in tax regimes of member countries in a free trade area, negative tax competition. This has been an important concern, for example, among European Union officials.[24] The traditional concern about tax competition is that it may lead to a "race to the bottom." By continuously lowering tax burdens on capital income, every country may find that its revenues are insufficient to cover all needed expenditures.[25] However, there is no evidence of harmful tax competition within NAFTA, or if there is tax competition, that it has led to undesired lower tax revenues. Nevertheless, as pointed out above, there has been a process of convergence in tax rates and the broad definition of the base for corporate income taxes, with Canada and Mexico following the lead of the U.S.[26]

## Marginal Effective Tax Rate Analysis of Mexico's Corporate Tax System within the NAFTA

This section provides a marginal effective tax rate (METR) analysis on the Mexican corporate tax system in comparison with those in Canada and the United States. A summary of the corporate tax systems in these three countries is presented in Appendix 1, and an explanation of the impact of non-tax parameters on the marginal effective tax rate in Appendix 2. The simulations of the effective tax rate on capital are carried out for multinational firms from each of the three NAFTA countries investing in the other two NAFTA countries. The simulation covers only manufacturing and service sectors, which are the focus of foreign direct investment. Assuming that multinational firms in these sectors are generally large, this simulation does not include any special tax treatment for small taxpayers.

The main results of the simulations are presented in Table 22 with METRs on foreign capital investment in Mexico, Canada and the U.S. respectively. In each of these three countries as a host, the other two are simulated as foreign investors. The first two panels (1A and 1B) in Table 22 are for Mexico as a host and foreigners as non-exporters and exporters respectively. As described in Appendix 1, the special tax benefit enjoyed by exporters is the import duty exemption for inputs including capital goods, which is not available to the non-exporters. Panels 2 and 3 of Table 22 are for Canada and the U.S. as host country respectively. It should be recalled that both Canada and the U.S. exempt the import duty on capital goods.

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[24] See Weiner (2000) for a recent discussion of issues in tax competition within the European Union, including the Code of Conduct introduced in 1997 with measures against harmful tax competition.

[25] Tax competition may have advantages intra-nationally by keeping subnational governments more efficient (McLure, 1986). However, these benefits are much less likely to arise internationally among countries in a free trade area.

[26] Given the relative size of the U.S. economy vis-à-vis its partners in NAFTA, any tax competition will be necessarily one-sided. The differences in relative size imply that the U.S. tax system will always have a disproportionate effect on capital movement within NAFTA and that the U.S. is less likely to be affected by the tax policies of its NAFTA partners (Cockfield, 1998). As noted in Appendix 1, according to the Federal Mini-budget 2000 and Ontario-Budget 2000, the combined CIT rate in Ontario will be reduced to 30 percent for all industries by year 2005.

There are mainly four findings from the simulations:

First, when the import duty is exempted, Mexico appeared to be the lowest taxed country among the three NAFTA members.[27] This is well justified by its low CIT rate compared with the other two (i.e., 35 percent versus around 40 percent in Canada and the US). However, when we look at the case for non-exporters (Panel 1A, Table 22), Mexico's tax advantage disappears in the manufacturing industry and withers in the services sector compared to the case for the U.S. as a host for foreign investors.

Second, Canada appears to be the highest taxed country for foreign investors within NAFTA. This is also evident due to its high CIT rate (36 percent for manufacturing and 43 percent for services sector[28]). The other factors contributing to the high METR in Canada include the provincial capital tax rate (about 0.3 percent) and the FIFO accounting method required for tax purposes[29].

Third, Canadian and Mexican investors appear to be at a disadvantage, when they invest in each other's country, compared with their U.S. cousins (Panels 1A, 1B and 2, Table 22). This is mainly because they both have a better treaty with the U.S. but not with each other. That is, the withholding tax on repatriated dividends is higher between Canada and Mexico (10 percent) compared to that between each of them with the U.S. (5 percent).

Fourth, in any given host country, the marginal effective tax rate borne by foreign investors differs from each other. This is a combined result of the given home country's tax system and the bilateral treaty between the home and host countries. More specifically, a foreign investor from a country with higher CIT rate could benefit more from the interest deduction and hence incur a lower financing cost of capital brought to the host country[30]. Furthermore, a higher withholding tax rate could cause a higher financing cost for capital brought by the foreign investors from home. For example, Panel 2 shows that the U.S. investors incurred a lower METR in Canada compared with their Mexican counterparts. Similarly, the Canadians incurred a lower METR in the U.S. compared with their Mexican counterparts (Panel 3, Table 22). In both cases, the lower CIT rate in Mexico reduces the tax benefits from the interest deductibility for the

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[27] Similar results have been found in previous research. Chen and McKenzie (1997) estimated METRs for investment in capital employed in manufacturing and services undertaken by domestic investors in the G7 countries (which include Canada and the U.S.), plus Mexico and Hong Kong. In the manufacturing sector, Mexico's domestic investors for large firms face the lowest METR after Hong Kong. The METR in Mexico is 16.5 (while in Hong Kong it is 11.9). By comparison, these rates were 25.5 for Canada and 21.5 for the US. In the case of services, Mexico's METR is slightly higher at 17.7 (versus Hong Kong 3.7). For services, the METR in Canada is 32.2 and in the U.S. 19.9. In a previous study Iqbal (1994), using a cash-flow model, also found tax burdens in Mexico to be more competitive than those in Canada and the U. S.

[28] For simplicity, we use Ontario's CIT rate (i.e., 13.5 percent for manufacturing and 15.5 percent for other sectors) representing the provincial CIT rate in Canada.

[29] As explained in Appendix 2, the FIFO accounting method could cause inflated taxable income and hence pump up the METR. This impact can be significant when a rather high capital share has to be allocated on inventory such as often happens to the manufacturing sector compared with the services sector.

[30] It should be noticed that we are aware of the restriction which could be imposed by the U.S. interest allocation rule on the interest deductibility for the U.S. multinationals at home. For simplicity, our simulation for the U.S. multinationals includes only the case of "excessive limit for foreign tax credit", in which the U.S. multinationals do not face the restriction on the interest deduction (for the tax purpose) at home.

Mexican investors. In the case where Canada is the host country (Panel 2, Table 22), the higher withholding tax on dividends between Canada and Mexico (10 percent compared to 5 percent with the US) further increase Mexico's tax disadvantage compared with the U.S. When we look at the case where Mexico is the host country (Panels 1A and 1B, Table 22), we are unable to draw such a clear-cut conclusion. This is true in particular for the services sector where not only the Canadian CIT rate is higher but also Mexico's withholding tax rate for dividends repatriated to Canada are higher than to the U.S. Obviously, the effect of the higher withholding tax on the dividends to Canada appears to more than offset the effect of the higher CIT rate (for the interest deduction) in Canada.

**How Does Mexico Compare and What Needs to be Done?**

In summary, given the existing differences in the taxation of capital income within NAFTA, Mexico does well in being competitive for attracting cross-border investment flows. Mexico could do better if it were to follow the U.S. and Canada in exempting from import duty all capital imports for both exporters and non-exporters. Although Canadian foreign direct investment flows into Mexico are not large, bringing the current withholding tax rate on repatriated dividends between Mexico and Canada from 10 to 5 percent (the latter again is the rate between Canada and the U.S. and Mexico and the U.S.) would increase Mexico's attractiveness to Canadian investors vis-à-vis the U.S.

The differences in METRs estimates could encourage investment to move to Mexico because of its lower rates even if Mexico has lower before-tax rates of return for those investment activities. If this were the case, the overall pool of capital available in the three countries would be used less efficiently, or in other words, the overall level of output for NAFTA would be lower. But clearly, a more efficient allocation of resources within NAFTA would not necessarily mean that Mexico would become better off. At any rate, it would not be possible for Mexico alone to eliminate existing distortions in cross-border investment flows. In addition, the welfare losses arising from these distortions are not likely to be large. Note that the METRs are only an approximation of the manner in which the current tax systems favor or discourage investment relative to other countries, but they do not provide an estimate of the actual welfare losses.[31]

## SUMMARY AND CONCLUSIONS

NAFTA has so far had a very significant impact on Mexico's economy. Even though the tremendous increase in exports since 1994 can be partly explained by other factors, mainly the devaluation of the peso in December 1994 and the pressure to export that followed with the recession of 1995-96, NAFTA also appears to have played a significant role in the sustained increase in the level of exports. The positive impact of NAFTA on the sharp increase in cross-border investment flows is much less controversial. Mexico's dependence on oil exports in the past has been shed for a strong export oriented manufacturing sector based not only on the maquiladora sector but also on the general economy fueled by sustained foreign direct

[31] In an early estimate, Brown et al. (1992) concluded that NAFTA could add around 0.1 percent to U.S real income and around 4 percent to Mexico's real income. We would expect the distortions to investment flows be a fraction of those gains.

investment, largely from the U.S. NAFTA has also had a variety of positive intangible effects on the modernization and opening of Mexico's economic and political institutions.

Mexico's profound economic transformation over the last decade has also had important effects on tax bases, and quite likely on the ability of the government to collect taxes. The relative importance of agriculture in GDP has declined sharply. The relative roles in GDP of some types of manufacturing have held steady, but most of them have also declined in importance. On the other side of the coin, the relative roles of the service sector and public administration in GDP have increased. These changes in economic structure and tax bases call for the adaptation of the tax structure to a service and manufacturing-export oriented economy.

Joining NAFTA has enhanced the potential effects of Mexico's tax structure on trade and, more importantly, on cross-border investment flows. The obvious significant implication of NAFTA for Mexico is that a traditional constraint for tax policy reform has become more binding. No reform proposals should now be considered without an explicit analysis of how they may affect Mexico's standing in NAFTA, in particular how new measures may affect cross-border trade and investment flows into Mexico from the U.S. and Canada.

The existing differences in the tax treatment of capital income among the three NAFTA members translate at times into quite different METRs. This has the potential of distorting cross-border capital flows. The existing differences in taxes may also lead to tax arbitrage as multinational firms take advantage of national tax differentials in their financial planning. But so far there is no evidence that these differences in tax structure are motivated by tax competition or that tax competition has produced revenues losses for Mexico or other NAFTA members.

What ought to be done, if any thing about the existing differences in CIT regimes? The first option is to do nothing. These differences may be justified because they reflect the different objectives of the governments in the three countries. Note that this issue is not only about the level of overall tax effort or what share of GDP should be channeled through the public sector, but also about how to raise those funds. After all, tax policy typically pursues quite different objectives from those of trade policy, including maintaining different types and amounts of public goods and services, as well as degrees and patterns of income distribution.[32] Maintaining sovereignty over tax policy also allows policy makers to neutralize other sources of economic distortion or encourage activities that are considered important at a national level.

Doing nothing has the cost of not fully exploiting the potential gains from trade and from an efficient allocation of investment resources. But it is not clear that Mexico is harmed by many of the current differences in tax systems. Because, in general, Mexico's METRs are lower than those in the U.S. and Canada, and too much capital may be invested in Mexico vis-à-vis the U.S. and Canada. Other existing differences in CIT structure also benefit Mexico. In the case of Mexico's gross asset tax, not only does it facilitate tax enforcement domestically, but U.S. and Canadian parent companies have an incentive to shift income to their Mexican subsidiaries to convert the asset tax into an income tax which then becomes creditable in their home countries.

[32] See, for example, Bird (1994).

A second possibility is to attempt to bring the CIT systems in the three countries closer together. A concrete proposal is for the three countries to adopt a trilateral tax treaty, which would incorporate the formulary taxation of the unitary enterprises operating in more than one member country. [33]

What takes away from any momentum for moving the tax system of the three countries closer together is that at the present time there is little information available on the welfare costs imposed by the existing tax differences for Mexico, the other two countries, or for the trade block as a whole. The information there is would seem to point in the direction of small additional benefits to be gained form more coordination or uniformity of their tax structures. Under these circumstances, only a very weak case can be made for the three countries to relinquish some control over their tax policies to gain closer coordination in their tax treatment of capital income. This is not to say that NAFTA has already brought an erosion of real government control over certain aspects of taxation, especially for Mexico and Canada.

Even if the three countries were to move their CIT systems closer together the question is in what direction they should move. Given the very junior status of Mexico in the NAFTA partnership it is quite unlikely that Canada would move closer to Mexico's CIT structure, even if in many respects Mexico's CIT may be a priori more appealing. Of course, the other option would be for Mexico to move closer to the CIT structure in the U.S. and Canada. But, that may suggest that Mexico give up the indexation of the CIT for inflation or the integration of the PIT and the CIT to avoid the double taxation of dividends. That would not seem right either. In short, there are no weighty reasons from a NAFTA perspective for Mexico to undertake fundamental changes in its tax structure. The new wave of tax reform should concentrate on the objectives of raising revenues, simplifying the tax structure, and increasing the efficiency and overall equity of the tax system.

[33] See, for example, McDaniel (1994).

## APPENDIX 1

## NAFTA BUSINESS TAX PROVISIONS BY COUNTRY: AN OVERVIEW

This appendix this appendix provides an overview of business taxation in each of three NAFTA member countries: Canada, Mexico, and the United States. The business taxation means taxes that may affect business activities, particularly the real capital investment. The major business taxes include capital taxes, and transaction taxes on business inputs. The capital taxes in our context include the corporate income tax, personal income taxes on investment income[34], and the property tax on immovable properties. The description presented in this appendix is based on the publication of International Bureau of Fiscal Documentation, the 1999 Worldwide Corporate Tax Guide published by Ernst & Young, and recent issues of Tax Note International.

Table A1 summarizes the main features of each country's corporate tax system.

## CANADA

Corporations resident in Canada are taxed on their worldwide income from all sources including income from business or property and net taxable capital gains.

### The Capital Tax Provisions

*The corporate income tax rate*. The corporate income tax is levied at both federal and provincial level. The general federal CIT rate is 29 percent including the 4 percent surtax; however, manufacturing industries, pay a lower rate of 22 percent. The provincial CIT is not deductible for federal CIT purposes and the rates range from 8.9 percent to 17 percent. Some provinces also impose lower rates on manufacturing sector. The combined CIT rate, based on the industrial structure among provinces, is about 43 percent for the services sector and 35 percent for the manufacturing sector. However, Canadian governments at both Federal and provincial level are phasing in, or considering, significant tax reduction. As a result, the combined CIT rate in Ontario by year 2005 will be only 30 percent for all industries[35].

*The tax depreciation rule*. The tax depreciation is based on the declining balance and varies by capital asset classified for the tax depreciation purpose. The average depreciation rate for buildings is 5 percent for manufacturing and 6 percent for services; the rate for machinery is 38 percent and 31 percent respectively[36].

*Capital Taxes*. There are two types of capital taxes in Canada. At the federal level, a large corporate tax is imposed at a rate of 0.225 percent on paid-up capital in excess of $10 million. This tax, however, is creditable against the corporate surtax. At the provincial level, five provinces including British Columbia, Alberta, Manitoba, Ontario

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[34] As illustrated by the effective tax rate analysis, taxes on any personal investment income could affect the cost of capital investment through financing.

[35] Refer to Canadian Federal Mini-Budget 2000 and Ontario-Budget 2000.

[36] These rates are our estimates based on the Canadian capital structure by industry.

and Quebec also impose a tax on capital. The weighted-average of provincial capital tax rates is about 0.36 percent.

*Inventory accounting method.* In Canada, only the first-in-first-out (FIFO) method is allowed in inventory accounting for the income tax purpose.

*Loss carry-overs*. Business losses may be carried back for three years or forward for 7 years.

*The withholding tax rate on dividends.* There is no withholding tax on dividends distributed from the after-tax profits. Dividends paid by a Canadian company to a Canadian resident individual are generally taxable, but the individual also receives a tax credit because the income has already been taxed within the corporation. Dividends paid to a non-resident shareholder (e.g., a foreign multinational firm) are subject to a withholding tax. According to the Canadian bilateral treaties, the withholding tax rate on dividends paid to an U. S. firm is 5 percent and that to a Mexican firm 10 percent assuming the recipients hold at least 10 percent of the voting shares of the payer.

*The property tax*. In Canada, the tax base and rate vary widely by locality, and there is no average estimate available.

**The Transaction Taxes**

The main transaction tax that affects the capital investment in Canada is the provincial sales taxes applied to some capital goods. According to the Mintz Report, the effective sales tax rate on capital goods is about 1.7 percent for the manufacturing and 3.4 percent for the services sector.

## MEXICO

Mexico adopts certain rules regarding inflation adjustment. The adjustment factor is the proportional difference in the consumer price index between the starting month and the ending month of a given period. The income tax law recognizes the effects of inflation on the following items and transactions: depreciation of fixed assets, cost on sales of fixed assets, sales of capital stock (shares), monetary gains and losses, and tax loss carried forward.

**The Capital Tax Provisions**

*The corporate income tax rate*. The corporate income tax has been increased from 34 percent to 35 percent in 1999. There appears to be a tax deferral of 5 percentage points until the dividends are effectively distributed to shareholders. The taxable income for a residential corporation is its worldwide income from all sources, while that for a non-residential corporation is its income derived from its Mexican source.

*Minimum tax on net assets*. There is a minimum tax of 1.8 percent on the net assets of corporations, which provides a credit for the CIT payable. Any minimum tax paid in excess of income tax for any tax year may be carried forward 10 years or back three years to offset CIT

liabilities or CIT paid. More specifically, in the case of carrying back the minimum tax credit, a refund of tax paid in the last 10 years (-IBFD) up to that credit (and adjusted for inflation) is permitted.

*The tax depreciation rule*. The tax depreciation is based on the straight-line method. Depreciation is computed on original cost of fixed assets, with the amount of depreciation indexed for inflation as measured by price indices. The maximum annual deprecation rates are set by law. Our reading of the Official scheme of depreciation and amortization (IBFD 1999) indicates the following rates for annual depreciation allowance: 5 percent for buildings used by all sectors and 10 - 25 percent for machinery and equipment. More specifically, the annual allowance for machinery and equipment is 10 percent for manufacturing, public utility, trade and other services, 12 percent for transportation and storage, 20 percent for communication and 25 percent for agriculture, forestry and construction.

*Inventory accounting method*. For inventory valuation, the basic requirement is the adjustment for inflation, which is, in effect, equivalent to the average cost method.

*Loss carry-overs*. Business losses may be carried forward for 10 years.

*The withholding tax rate on dividends.* There was no withholding tax on dividends distributed from the after-tax profits until 1999. Under the new tax laws effective January 1999, the dividends paid out of the after-tax profits must first be grossed up by the factor of 1.5385 and then subject to a withholding tax of 5 percent. As a result, the effective withholding tax rate is 7.7 percent. (The old regime, if the distributing corporation does not have sufficient accumulation in its "net tax profit" account to cover the dividend, then the dividends are taxed at the corporate level at the CIT rate of 34 percent. In this case, dividends distributed to foreigners subject to the lower of the treaty rate and the CIT rate. In its treaty with the US, the withholding tax is 5 percent or 10 percent with the lower rate applicable to the receipt owning at least of 10 percent of the payer. (E&Y)

*The property tax*. The property tax is levied at the municipal level. As a result, the tax rate varies by location. In the Federal District, the tax rate ranges from 0.131 percent to 0.647 percent.

**The Transaction Taxes**

The VAT is levied at a general rate of 15 percent with a lower rate of 10 percent in border regions. There is also a real estate acquisition tax, levied at the local or state level, on the market value of the transferred property. The approximate rate is 3.3 percent.

## The Payroll Taxes

The social security contribution (covering pension, unemployment insurance, health insurance, etc.) is levied on salaries up to a specified amount[37]. A housing fund is also payable by the employer at 5 percent on salaries with a ceiling. Furthermore, the federal district and states levy a payroll tax on the total remuneration for dependent personal services at a rate up to 2 percent. The resultant gross rate payable by an employer is above 20 percent and that by the employee is 4 percent.

There is also a mandatory employee profit sharing plan, which accounts for 10 percent of the taxable profits excluding the inflation effect. However, losses of prior years are not deductible in computing profit to be shared. Furthermore, the portion of profits shared by employees is not deductible for the income tax purpose. However, new enterprises are exempt from profit sharing for the first year of operation and those engaged in manufacturing a new product are exempt for the first 2 years of operation.

## Tax Incentives

The main features of the Mexican tax incentive regime are its preferential tax treatments towards mostly primary industries, smaller taxpayers and taxpayers outside the three largest metropolitan districts[38]. More specifically, there are four types of tax incentives as described below.

*Cash-flow-based regime.* This regime allows firms engaged in agriculture, livestock, forestry, fishery and land transportation activities to calculate their taxable income on a cash-flow basis, where only resources taken out of the entity are subject to tax. In other words, firms are able to defer their tax liability until recover all their capital expenditure and operating expenses.

*Special rate regime.* Under this regime, a lower CIT rate of 17 percent is applied to firms engaged in agriculture, livestock, forestry, fishery, silviculture and publishing. The applicable CIT rate will be higher (i.e., 25.5 percent) if the taxpayers within these industries except publishing commercialize or industrialize their products.

*Special regime for small taxpayers.* Taxpayers with an annual gross income below 2.2 million pesos (or roughly below $350,000) fall into this regime under which taxpayers subject to simplified tax of 0.25 - 2.5 percent of gross income.

*An immediate deduction on depreciable assets.* Under this regime, qualified taxpayers may choose, instead of taking annual depreciation allowance under ordinary rules, an immediate depreciation deduction for certain assets. This deduction is a percentage of original cost, which equals the present value of the annual depreciation allowances using a real discount rate of 3

[37] The maximum taxable amount is defined by specific times the minimum salaries, which varies from 15 to 25 minimum salaries depending on the category of contribution. The maximum amount will be set at 25 minimum salaries for all categories of contribution in year 2007 as some currently levies with lower taxable base being gradually reduced.

[38] There is also a tax-incentive-package related to maquiladoras. It includes a rather generous safe-harbor rule, which set the minimum taxable income as 5 percent of the total value of assets used in the operation. However, there is presently a clear trend towards treating maquiladoras for tax purposes in the same way as any other Mexican corporation.

percent. For example, the percentage is 74 percent for buildings, 74-95.7 percent for machinery and equipment, and 94 percent for computers and peripherals.

Qualified taxpayers include those outside the three largest metropolitan districts -- Mexico City, Monterey, and Guadalajara -- and taxpayers regardless of their location with gross income and assets not exceeding 7 and 14 million pesos (roughly $1.1 millions and $2.2 millions) may enjoy an immediate deduction for their capital investment. The rate of deduction equals the present value of the annual depreciation allowance using a real discount rate of 3 percent.

## THE UNITED STATES

U. S. firms are subject to federal taxes on their worldwide income, including income of foreign branches (whether or not the profits are repatriated). In general, a U.S. firm is not taxed by the United States on the earnings of a foreign subsidiary until the subsidiary distributes dividends or is sold or liquidated. Numerous exceptions to this deferral concept may apply, resulting in current U.S. taxation of some or all of the foreign subsidiary's earnings.

### The Capital Tax Provisions

*The corporate income tax rate*. A progressive CIT scheme is applied to the taxable income. Firms with taxable income between $335,000 and $1 million are effectively taxed at 34 percent on all taxable income. Corporations with taxable income of less than $335,000 receive partial benefit from graduated rates of 15 percent and 25 percent that apply to the first $75,000 of taxable income. A firm's taxable income exceeding $15 million but not exceeding $18,333,333 is subject to an additional tax of 3 percent. Firms with taxable income in excess of $18,333,333 are effectively subject to tax at a rate of 35 percent on all taxable income. These rates apply both to U.S. corporations and to the income of foreign corporations that is effectively connected with an U.S. trade or business.

In addition, most states and some local governments levy an income tax up to 13 percent. (An average rate of 6.5 percent is used for our effective tax simulation.) This type of sub-national income tax is deductible for the federal income tax purpose. By using an average state rate of 6.5 percent and the highest CIT rate at the federal level, the combined CIT rate is about 39 percent.

*The tax depreciation rule*. Tangible depreciable assets placed in service after 1986 is generally depreciated under a modified accelerated basis (MACRS). Under the MACRS system, assets are grouped into eight different classes and each class is assigned a recovery period and a depreciation method. For example, an asset with a useful life of 10 to 17 years is classified as a seven-year property. A seven-year property is recovered using the 200 percent declining-balance method with a half-year rule for the first year and a switch to the straight-line method in the sixth and seventh year, using the depreciation rate of the fifth year; and then a residual is written off in the eighth year. Based on the MACRS and the capital structure by industry, we estimated the equivalent tax depreciation rates based on the declining balance, which varies by industry and is above 5 percent for buildings and well above 30 percent for machinery and equipment.

*Inventory accounting method.* Both FIFO and LIFO are allowed as inventory accounting method for tax purposes. However, the method chosen must be applied consistently. In practice, about 75 percent firms in the U.S. using the LIFO accounting method.

*Loss carry-overs.* Business losses, or net operating loss, may be carried back 3 years and forward 15 years, or until the loss is used up.

*The withholding tax rate on dividends.* Dividends paid by an U. S. company to a non-resident shareholder (e.g., a foreign multinational firm) are subject to a withholding tax. According to the treaties, the withholding tax rate on dividends paid to both Canadian and Mexican firms is 5 percent assuming that, among other conditions, the recipients is a corporation owning a specified percentage of the voting power of the distributing corporation.

*The property tax.* The property tax is levied at the municipal level. As a result, the tax rate varies by location, and no sensible estimate is available for our effective tax rate calculation.

**The Transaction Taxes**

The main transaction tax that affects the capital investment in the U.S. is the state sales taxes applied to some capital goods. According to the Mintz Report, the effective sales tax rate on capital goods is about 4.2 percent across the sectors.

## Table A1
## Business Tax Provisions Applicable to Manufacturing and Service Industries

| | Canada | Mexico | U. S. |
|---|---|---|---|
| **The Capital Taxes** | | | |
| Corporate income | 36/43 incl. the provincial CIT[a] | 35 | 39.5 incl. the state |
| Assets-based tax | 0.35% | 1.8 | None |
| Thin capitalization | Yes | None | Yes |
| Tax depreciation rate[b] | | | |
| Buildings | 5.0 DB | 5.0 SL | Equivalent to 5.0+ |
| Machinery | 30.0+ DB | 10 and up SL | Equivalent to 31.0+ |
| Inventory accounting | FIFO | Equivalent to LIFO | Optional |
| Loss carry-over[c] | 3-yrs (B) and 7-yrs | 10-year (F) | 3-yrs (B) and 15-yrs |
| WH tax on dividends | | | |
| To Canada | | 10.0 | 5.0 |
| To Mexico | 10.0 | | 5.0 |
| To the U.S. | 5.0 | 5.0 | |
| Urban property taxes | Vary by location | FD 0.131-0.647 | Vary by location |
| Property transfer tax | | 3.3 | |
| Sector-oriented | Yes | Yes | None |
| **The Indirect Tax on Capital Goods** | | | |
| Effective sales tax | Around 3.0 | None | 4.2 |
| Import duty | 0 | 11 (average) | 0 |

[a] As noted in the text, the combined CIT rate in some Canadian provinces (e.g. Ontario) will be reduced to 30 percent by year 2005.

[b] As the classification of depreciable assets varies by country, please refer to the text for details. Also note that DB = declining-balance method, and SL = straight-line method.

[c] Following the number of years for loss carry-over, the letters in parentheses indicate the following: F = forward, B = backward, and R = certain restriction in the value of loss to be written off. Please refer to the text for details.

## APPENDIX 2

## IMPACT OF NON-TAX PARAMETERS ON THE ESTIMATE OF EFFECTIVE TAX RATES

### Expected Inflation Rate

The expected inflation rate affects the effective tax rate on capital through its impact on the nominal interest rate. For a given real interest rate, the higher the inflation rate, the higher the nominal interest rate will be. *When there is no regulation for adjusting the inflation impact*, the nominal interest rate interacts with taxes mainly through the following three channels. Firstly, interest cost is deductible for income tax purposes at the nominal rate. As a result, the higher the nominal interest rate in relation to a fixed real interest rate, the lower the real after-tax financing cost, and hence the lower the METR. This effect is particularly favorable for leveraged land financing. Secondly, The accumulated present value of a given annual tax depreciation allowance decreases as the nominal interest rate rises. Since higher inflation lowers the present value of tax depreciation allowance, it increases METR on depreciable assets. And finally, if the first-in-first-out method is used for the inventory accounting, it may results in inflated taxable income and, hence, a higher METR on inventory when prices rise. Since inflation thus affects METR on different assets in different directions, its net impact on capital will depend upon the capital structure related to a given industry. (See the end section of this appendix for further explanation of the capital structure by industry.)

### Expected Real Interest Rate

The impact of the real interest rate on the effective tax rate is in part similar to the impact of inflation. For example, as the real rate rises, so will the nominal rate, thus increasing the effective tax rate on depreciable assets. For a given debt-asset ratio, however, unless inflation is high, there is unlikely to be much of a distortion in effective tax rate arising from the deductibility of interest. We use the U.S. real interest rate for our study assuming a full mobility of investment fund within NAFTA and the American's dominant role in the North America financing market. As shown in Table A2, the real interest rate in the U.S. is 6.1 percent corresponding to the nominal interest rate of 8.4 percent and the inflation rate of 2.3 percent.

### Debt-Asset Ratio

The ratio of debt to assets is sometimes referred to as the financing structure. As already noted, the impact of this ratio on the effective tax rate is related to the expected inflation rate and (real) interest rate. For a given inflation rate and real interest rate, the higher the debt-asset ratio, the more the potential benefit from the tax deductibility for debt financing cost, or interest expenses. A higher debt-asset ratio may thus reduce effective tax rate through lowering the real after-tax cost of financing. For simplicity, we apply a debt to assets ratio of 40 percent across sector and across border in our study.

## Economic Depreciation

The economic depreciation rate interacts with the tax depreciation allowance to affect the effective tax rate. Suppose, for example, under our assumption of fully mobile capital and technology that a given type of machinery is depreciated at the same economic rate everywhere around the world. Countries with faster tax depreciation allowances for this type of machinery will then encourage this type of capital investment through a lower effective tax rate.

## Capital Structure

A real capital investment generally involves two categories of capital: depreciable and non-depreciable assets. These two categories can be further divided into four types: buildings and machinery (both depreciable) and inventory and land (non-depreciable). Capital investments in different industries are as a rule structured differently. Moreover, under the same statutory tax rate(s), different types of assets may incur different effective tax rate due to the various interactions between tax provision and non-tax parameters discussed above. In the absence of other information, we use the same capital structure by industry, based on the Canadian data, to aggregate these differentiated effective tax rate on various type of capital for a given industry across countries.

**Table A2**
**Non-Tax Parameters**
(in percent)

| | Canada | Mexico | U. S. |
|---|---|---|---|
| **Expected inflation rate** | 1.7 | 21.7 | 2.3 |
| **Expected real interest rate**[a] | 6.1 | 6.1 | 6.1 |
| **Debt to assets ratio** | | | |
| Debt raised abroad to home capital | 40.0 | 40.0 | 40.0 |
| Debt to assets ratio in home country | 40.0 | 40.0 | 40.0 |
| **Economic depreciation rate** | | | |
| Manufacturing | | | |
| Buildings | 3.8 | 3.8 | 3.8 |
| Machinery | 16.4 | 16.4 | 16.4 |
| Services | | | |
| Buildings | 3.5 | 3.5 | 3.5 |
| Machinery | 24.4 | 24.4 | 24.4 |
| **Capital structure by asset type** | | | |
| Manufacturing | | | |
| Buildings | 24.0 | 24.0 | 24.0 |
| Machinery | 38.1 | 38.1 | 38.1 |
| Inventory | 35.9 | 35.9 | 35.9 |
| Land | 2.0 | 2.0 | 2.0 |
| Services | | | |
| Buildings | 60.6 | 60.6 | 60.6 |
| Machinery | 11.7 | 11.7 | 11.7 |
| Inventory | 9.5 | 9.5 | 9.5 |
| Land | 18.2 | 18.2 | 18.2 |

[a] The expected real interest rate of 6.1 percent is derived from the U.S. inflation rate and bank lending rate based on the IMF, *International Financial Statistics*, March 2000.

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**TABLE 1**
**North America GDP at Market Prices in U.S. Dollars**
(Percent Composition)

| Year | Canada | Mexico | United States |
|---|---|---|---|
| 1980 | 8.32 | 6.99 | 84.70 |
| 1981 | 8.15 | 8.42 | 83.43 |
| 1982 | 8.38 | 4.49 | 87.13 |
| 1983 | 8.45 | 3.83 | 87.72 |
| 1984 | 7.95 | 4.02 | 88.03 |
| 1985 | 7.65 | 3.96 | 88.39 |
| 1986 | 7.62 | 2.71 | 89.66 |
| 1987 | 8.16 | 2.75 | 89.09 |
| 1988 | 8.82 | 3.30 | 87.88 |
| 1989 | 9.05 | 3.70 | 87.25 |
| 1990 | 8.96 | 4.12 | 86.92 |
| 1991 | 8.88 | 4.75 | 86.37 |
| 1992 | 8.17 | 5.23 | 86.60 |
| 1993 | 7.58 | 5.52 | 86.91 |
| 1994 | 7.14 | 5.46 | 87.39 |
| 1995 | 7.26 | 3.63 | 89.11 |
| 1996 | 7.13 | 3.96 | 88.91 |
| 1997 | 6.88 | 4.56 | 88.56 |
| 1998 | 6.51 | 4.27 | 89.22 |

## TABLE 2
## Mexico's Trade

| (Millions of USD) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **1991** | **1992** | **1993** | **1994** | **1995** | **1996** | **1997** | **1998** | **1999** |
| Total Trade | 112,061.90 | 129,115.20 | 138,589.40 | 163,267.81 | 211,333.00 | 219,675.00 | 218,760.00 | 253,624.00 | 278,767.14 |
| Exports of goods and services | 51,459.50 | 55,406.00 | 61,391.00 | 71,396.40 | 110,505.00 | 113,568.00 | 109,285.00 | 122,956.00 | 136,703.36 |
| Imports of goods and services | 60,602.40 | 73,709.20 | 77,198.40 | 91,871.40 | 100,828.00 | 106,107.00 | 109,475.00 | 130,668.00 | 142,063.78 |
| Trade Balance | -9,142.90 | -18,303.20 | -15,807.40 | -20,475.00 | 9,677.00 | 7,461.00 | -190.00 | -7,712.01 | -5,360.43 |
| **(Annual percent growth)** | | | | | | | | | |
| | **1991** | **1992** | **1993** | **1994** | **1995** | **1996** | **1997** | **1998** | **1999** |
| Exports of goods and services | 5.07 | 4.98 | 8.09 | 17.80 | 30.19 | 18.23 | 10.81 | 9.72 | 16.40 |
| Imports of goods and services | 15.18 | 19.62 | 1.86 | 21.25 | -15.04 | 22.88 | 22.80 | 14.20 | 13.30 |
| **(Percent of GDP)** | | | | | | | | | |
| | **1991** | **1992** | **1993** | **1994** | **1995** | **1996** | **1997** | **1998** | **1999** |
| Total Trade | 35.64 | 35.51 | 34.35 | 38.48 | 58.17 | 62.26 | 60.79 | 64.45 | 62.40 |
| Exports of goods and services | 16.36 | 15.24 | 15.22 | 16.83 | 30.42 | 32.18 | 30.37 | 31.25 | 30.60 |
| Imports of goods and services | 19.27 | 20.27 | 19.13 | 21.65 | 27.75 | 30.07 | 30.42 | 33.21 | 31.80 |

SOURCE: World Bank LDB

## TABLE 3
## Mexico's Exports

| | **Total** (USD millions) | **Oil** (USD millions) | **Non-Oil** (USD millions) | **Oil** (percent) | **Non-Oil** (percent) |
|---|---|---|---|---|---|
| 1991 | 42,687.7 | 8,166.4 | 34,521.0 | 19.13 | 80.87 |
| 1992 | 46,195.5 | 8,306.6 | 37,889.0 | 17.98 | 82.02 |
| 1993 | 51,886.0 | 7,418.4 | 44,467.4 | 14.30 | 85.70 |
| 1994 | 60,882.2 | 7,445.1 | 53,437.3 | 12.23 | 87.77 |
| 1995 | 79,541.6 | 8,422.4 | 71,119.0 | 10.59 | 89.41 |
| 1996 | 95,999.7 | 11,653.7 | 84,346.1 | 12.14 | 87.86 |
| 1997 | 110,431.3 | 11,323.0 | 99,108.2 | 10.25 | 89.75 |
| 1998 | 117,459.4 | 7,134.3 | 110,325.2 | 6.07 | 93.93 |
| 1999 | 136,703.2 | 9,920.2 | 126,783.0 | 7.26 | 92.74 |

SOURCE: INEGI

**TABLE 4**
**Mexico's Merchandise Trade by Type of Industry: Exports**
(Millions of USD)

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
|---|---|---|---|---|---|---|---|---|
| **TOTAL EXPORTS** | **42,688** | **46,196** | **51,886** | **60,882** | **79,542** | **96,000** | **110,431** | **117,460** |
| Maquiladoras | 15,833 | 18,680 | 21,853 | 26,269 | 31,103 | 36,920 | 45,166 | 53,083 |
| Non-maquiladoras | 26,855 | 27,516 | 30,033 | 34,613 | 48,438 | 59,079 | 65,266 | 64,376 |
| **Agriculture and forestry** | **2,373** | **2,112** | **2,505** | **2,678** | **4,016** | **3,592** | **3,828** | **3,797** |
| Agriculture | 1,877 | 1,679 | 1,961 | 2,221 | 3,324 | 3,197 | 3,408 | 3,436 |
| Livestock | 414 | 373 | 488 | 395 | 579 | 188 | 247 | 254 |
| Fisheries | 82 | 60 | 55 | 62 | 114 | 207 | 173 | 107 |
| **Manufacturing industries** | **32,307** | **36,168** | **42,500** | **51,075** | **67,383** | **81,014** | **95,565** | **106,550** |
| Food, Beverages and Tobacco | 1,421 | 1,365 | 1,590 | 1,896 | 2,529 | 2,930 | 3,325 | 3,508 |
| Textile, Apparel and Leather Industries | 2,014 | 2,317 | 2,770 | 3,256 | 4,899 | 6,339 | 8,815 | 9,844 |
| Lumber and derivatives | 443 | 499 | 574 | 586 | 619 | 861 | 1,047 | 1,057 |
| Paper, printing and publishing | 622 | 655 | 662 | 562 | 872 | 895 | 1,063 | 1,164 |
| Oil derivatives | 643 | 624 | 719 | 544 | 653 | 664 | 683 | 561 |
| Petrochemicals | 259 | 263 | 214 | 263 | 340 | 247 | 278 | 174 |
| Chemicals | 2,120 | 2,298 | 2,344 | 2,756 | 3,972 | 4,011 | 4,403 | 4,610 |
| Plastic and rubber products | 697 | 794 | 1,005 | 1,064 | 1,218 | 1,416 | 1,707 | 1,801 |
| Other non-metallic mineral products | 836 | 919 | 1,125 | 1,215 | 1,405 | 1,718 | 2,025 | 2,290 |
| Iron and steel | 1,261 | 1,145 | 1,399 | 1,535 | 3,088 | 3,085 | 3,655 | 3,282 |
| Mining-metallurgy | 827 | 929 | 1,024 | 1,085 | 1,801 | 1,705 | 1,703 | 1,657 |
| Metallic products, machines and equipment | 20,463 | 23,711 | 28,352 | 35,324 | 44,681 | 55,736 | 65,166 | 74,783 |
| Other manufacturing industries | 701 | 649 | 722 | 989 | 1,306 | 1,406 | 1,696 | 1,821 |
| **Extractive industries** | **7,812** | **7,776** | **6,764** | **6,994** | **7,875** | **11,192** | **10,840** | **6,865** |
| Oil and natural gas | 7,265 | 7,419 | 6,485 | 6,638 | 7,430 | 10,743 | 10,362 | 6,399 |
| Extraction of metallic minerals | 251 | 158 | 135 | 184 | 311 | 249 | 278 | 280 |
| Extraction of other minerals | 294 | 198 | 144 | 173 | 234 | 200 | 200 | 186 |
| Other extractive industries | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Non-classified products** | **196** | **139** | **118** | **134** | **168** | **202** | **198** | **247** |

SOURCE: BANXICO
** Figures may not add up due to rounding off.

**TABLE 5**
**Mexico's Merchandise Trade by Type of Industry: Exports**
(In Percentage)

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
|---|---|---|---|---|---|---|---|---|
| **TOTAL EXPORTS** | **100.00** | **100.00** | **100.00** | **100.00** | **100.00** | **100.00** | **100.00** | **100.00** |
| Maquiladoras | 37.09 | 40.44 | 42.12 | 43.15 | 39.10 | 38.46 | 40.90 | 45.19 |
| Non-maquiladoras | 62.91 | 59.56 | 57.88 | 56.85 | 60.90 | 61.54 | 59.10 | 54.81 |
| **Agriculture and forestry** | **5.56** | **4.57** | **4.83** | **4.40** | **5.05** | **3.74** | **3.47** | **3.23** |
| Agriculture | 4.40 | 3.63 | 3.78 | 3.65 | 4.18 | 3.33 | 3.09 | 2.93 |
| Livestock | 0.97 | 0.81 | 0.94 | 0.65 | 0.73 | 0.20 | 0.22 | 0.22 |
| Fisheries | 0.19 | 0.13 | 0.11 | 0.10 | 0.14 | 0.22 | 0.16 | 0.09 |
| **Manufacturing industries** | **75.68** | **78.29** | **81.91** | **83.89** | **84.71** | **84.39** | **86.54** | **90.71** |
| Food, Beverages and Tobacco | 3.33 | 2.95 | 3.06 | 3.11 | 3.18 | 3.05 | 3.01 | 2.99 |
| Textile, Apparel and Leather Industries | 4.72 | 5.02 | 5.34 | 5.35 | 6.16 | 6.60 | 7.98 | 8.38 |
| Lumber and derivatives | 1.04 | 1.08 | 1.11 | 0.96 | 0.78 | 0.90 | 0.95 | 0.90 |
| Paper, printing and publishing | 1.46 | 1.42 | 1.28 | 0.92 | 1.10 | 0.93 | 0.96 | 0.99 |
| Oil derivatives | 1.51 | 1.35 | 1.39 | 0.89 | 0.82 | 0.69 | 0.62 | 0.48 |
| Petrochemicals | 0.61 | 0.57 | 0.41 | 0.43 | 0.43 | 0.26 | 0.25 | 0.15 |
| Chemicals | 4.97 | 4.97 | 4.52 | 4.53 | 4.99 | 4.18 | 3.99 | 3.92 |
| Plastic and rubber products | 1.63 | 1.72 | 1.94 | 1.75 | 1.53 | 1.48 | 1.55 | 1.53 |
| Other non-metallic mineral products | 1.96 | 1.99 | 2.17 | 2.00 | 1.77 | 1.79 | 1.83 | 1.95 |
| Iron and steel | 2.95 | 2.48 | 2.70 | 2.52 | 3.88 | 3.21 | 3.31 | 2.79 |
| Mining-metallurgy | 1.94 | 2.01 | 1.97 | 1.78 | 2.26 | 1.78 | 1.54 | 1.41 |
| Metallic products, machines and equipment | 47.94 | 51.33 | 54.64 | 58.02 | 56.17 | 58.06 | 59.01 | 63.67 |
| Other manufacturing industries | 1.64 | 1.40 | 1.39 | 1.62 | 1.64 | 1.46 | 1.54 | 1.55 |
| **Extractive industries** | **18.30** | **16.83** | **13.04** | **11.49** | **10.03** | **11.66** | **9.82** | **5.84** |
| Oil and natural gas | 17.02 | 16.06 | 12.50 | 10.90 | 9.34 | 11.19 | 9.38 | 5.45 |
| Extraction of metallic minerals | 0.59 | 0.34 | 0.26 | 0.30 | 0.39 | 0.26 | 0.25 | 0.24 |
| Extraction of other minerals | 0.69 | 0.43 | 0.28 | 0.28 | 0.29 | 0.21 | 0.18 | 0.16 |
| Other extractive industries | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| **Non-classified products** | **0.46** | **0.30** | **0.23** | **0.22** | **0.21** | **0.21** | **0.18** | **0.21** |

SOURCE: BANXICO

** Figures may not add up due to rounding off.

**TABLE 6**
**Mexico's Merchandise Trade by Type of Industry: Exports**
(Annual Percent Growth)

| | 1991-92 | 1992-93 | 1993-94 | 1994-95 | 1995-96 | 1996-97 | 1997-98 | 1994-98 |
|---|---|---|---|---|---|---|---|---|
| **TOTAL EXPORTS** | **8.22** | **12.32** | **17.34** | **30.65** | **20.69** | **15.03** | **6.37** | **92.93** |
| Maquiladoras | 17.98 | 16.99 | 20.21 | 18.40 | 18.70 | 22.33 | 17.53 | 102.07 |
| Non-maquiladoras | 2.46 | 9.15 | 15.25 | 39.94 | 21.97 | 10.47 | -1.36 | 85.99 |
| **Agriculture and forestry** | **-11.00** | **18.61** | **6.91** | **49.96** | **-10.56** | **6.57** | **-0.81** | **41.78** |
| Agriculture | -10.55 | 16.80 | 13.26 | 49.66 | -3.82 | 6.60 | 0.82 | 54.71 |
| Livestock | -9.90 | 30.83 | -19.06 | 46.58 | -67.53 | 31.38 | 2.83 | -35.70 |
| Fisheries | -26.83 | -8.33 | 12.73 | 83.87 | 81.58 | -16.43 | -38.15 | 72.58 |
| **Manufacturing industries** | **11.95** | **17.51** | **20.18** | **31.93** | **20.23** | **17.96** | **11.49** | **108.61** |
| Food, Beverages and Tobacco | -3.94 | 16.48 | 19.25 | 33.39 | 15.86 | 13.48 | 5.50 | 85.02 |
| Textile, Apparel and Leather Industries | 15.04 | 19.55 | 17.55 | 50.46 | 29.39 | 39.06 | 11.67 | 202.33 |
| Lumber and derivatives | 12.64 | 15.03 | 2.09 | 5.63 | 39.10 | 21.60 | 0.96 | 80.38 |
| Paper, printing and publishing | 5.31 | 1.07 | -15.11 | 55.16 | 2.64 | 18.77 | 9.50 | 107.12 |
| Oil derivatives | -2.95 | 15.22 | -24.34 | 20.04 | 1.68 | 2.86 | -17.86 | 3.13 |
| Petrochemicals | 1.54 | -18.63 | 22.90 | 29.28 | -27.35 | 12.55 | -37.41 | -33.84 |
| Chemicals | 8.40 | 2.00 | 17.58 | 44.12 | 0.98 | 9.77 | 4.70 | 67.27 |
| Plastic and rubber products | 13.92 | 26.57 | 5.87 | 14.47 | 16.26 | 20.55 | 5.51 | 69.27 |
| Other non-metallic mineral products | 9.93 | 22.42 | 8.00 | 15.64 | 22.28 | 17.87 | 13.09 | 88.48 |
| Iron and steel | -9.20 | 22.18 | 9.72 | 101.17 | -0.10 | 18.48 | -10.21 | 113.81 |
| Mining-metallurgy | 12.33 | 10.23 | 5.96 | 65.99 | -5.33 | -0.12 | -2.70 | 52.72 |
| Metallic products, machines and equipment | 15.87 | 19.57 | 24.59 | 26.49 | 24.74 | 16.92 | 14.76 | 111.71 |
| Other manufacturing industries | -7.42 | 11.25 | 36.98 | 32.05 | 7.66 | 20.63 | 7.37 | 84.13 |
| **Extractive industries** | **-0.46** | **-13.01** | **3.40** | **14.03** | **40.34** | **-3.15** | **-36.67** | **-1.84** |
| Oil and natural gas | 2.12 | -12.59 | 2.36 | 11.93 | 44.59 | -3.55 | -38.25 | -3.60 |
| Extraction of metallic minerals | -37.05 | -14.56 | 36.30 | 69.02 | -19.94 | 11.65 | 0.72 | 52.17 |
| Extraction of other minerals | -32.65 | -27.27 | 20.14 | 35.26 | -14.53 | 0.00 | -7.00 | 7.51 |
| Other extractive industries | -100.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| **Non-classified products** | **-29.08** | **-15.11** | **13.56** | **25.37** | **20.24** | **-1.98** | **24.75** | **84.33** |

SOURCE: BANXICO
** Figures may not add up due to rounding off.

**TABLE 7**
**Mexico's Merchandise Trade by Type of Industry: Imports**
(Millions of USD)

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
|---|---|---|---|---|---|---|---|---|
| **TOTAL EXPORTS** | **49,967** | **62,129** | **65,367** | **79,346** | **72,453** | **89,469** | **109,808** | **125,373** |
| Maquiladoras | 11,782 | 13,937 | 16,443 | 20,466 | 26,179 | 30,505 | 36,332 | 42,557 |
| Non-maquiladoras | 38,184 | 48,192 | 48,924 | 58,880 | 46,274 | 58,964 | 73,476 | 82,816 |
| **Agriculture and forestry** | **2,130** | **2,858** | **2,633** | **3,371** | **2,644** | **4,671** | **4,173** | **4,773** |
| Agriculture | 1,687 | 2,402 | 2,324 | 2,993 | 2,479 | 4,346 | 3,660 | 4,281 |
| Livestock | 434 | 443 | 293 | 352 | 148 | 308 | 486 | 455 |
| Fisheries | 9 | 13 | 16 | 26 | 17 | 17 | 27 | 38 |
| **Manufacturing industries** | **46,967** | **58,237** | **61,568** | **74,426** | **67,500** | **81,138** | **101,587** | **116,431** |
| Food, Beverages and Tobacco | 2,635 | 3,336 | 3,356 | 3,989 | 2,616 | 3,115 | 3,587 | 3,931 |
| Textile, Apparel and Leather Industries | 2,237 | 3,023 | 3,525 | 4,167 | 3,618 | 4,603 | 6,146 | 7,441 |
| Lumber and derivatives | 428 | 551 | 571 | 695 | 350 | 390 | 461 | 544 |
| Paper, printing and publishing | 1,812 | 2,189 | 2,366 | 3,039 | 2,899 | 2,887 | 3,280 | 3,536 |
| Oil derivatives | 1,335 | 1,458 | 1,368 | 1,275 | 1,243 | 1,626 | 2,515 | 2,319 |
| Petrochemicals | 479 | 513 | 600 | 759 | 920 | 942 | 1,217 | 1,188 |
| Chemicals | 3,695 | 4,413 | 4,855 | 5,818 | 5,521 | 6,884 | 8,226 | 9,157 |
| Plastic and rubber products | 2,534 | 3,153 | 3,404 | 3,972 | 4,157 | 5,275 | 6,470 | 7,070 |
| Other non-metallic mineral products | 568 | 717 | 820 | 1,010 | 910 | 1,264 | 1,462 | 1,538 |
| Iron and steel | 2,994 | 3,461 | 3,312 | 3,931 | 3,693 | 4,542 | 5,469 | 6,235 |
| Mining-metallurgy | 792 | 1,048 | 968 | 1,195 | 1,203 | 1,407 | 1,813 | 2,282 |
| Metallic products, machines and equipment | 26,903 | 33,731 | 35,673 | 43,490 | 39,709 | 47,462 | 59,792 | 69,689 |
| Other manufacturing industries | 555 | 644 | 750 | 1,086 | 662 | 741 | 1,149 | 1,501 |
| **Extractive industries** | **386** | **520** | **390** | **438** | **600** | **649** | **854** | **916** |
| Oil and natural gas | 31 | 180 | 90 | 73 | 106 | 59 | 106 | 120 |
| Extraction of metallic minerals | 73 | 104 | 76 | 84 | 122 | 127 | 204 | 246 |
| Extraction of other minerals | 251 | 181 | 161 | 214 | 260 | 322 | 350 | 359 |
| Other extractive industries | 31 | 55 | 62 | 67 | 112 | 141 | 195 | 190 |
| **Non-classified products** | **483** | **514** | **776** | **1,112** | **1,709** | **3,011** | **3,194** | **3,253** |

SOURCE: BANXICO
** Figures may not add up due to rounding off.

**TABLE 8**
**Mexico's Merchandise**
**Trade by Type of Industry: Imports**
(In Percentage)

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
|---|---|---|---|---|---|---|---|---|
| **TOTAL EXPORTS** | **100.00** | **100.00** | **100.00** | **100.00** | **100.00** | **100.00** | **100.00** | **100.00** |
| Maquiladoras | 23.58 | 22.43 | 25.15 | 25.79 | 36.13 | 34.10 | 33.09 | 33.94 |
| Non-maquiladoras | 76.42 | 77.57 | 74.85 | 74.21 | 63.87 | 65.90 | 66.91 | 66.06 |
| **Agriculture and forestry** | **4.26** | **4.60** | **4.03** | **4.25** | **3.65** | **5.22** | **3.80** | **3.81** |
| Agriculture | 3.38 | 3.87 | 3.56 | 3.77 | 3.42 | 4.86 | 3.33 | 3.41 |
| Livestock | 0.87 | 0.71 | 0.45 | 0.44 | 0.20 | 0.34 | 0.44 | 0.36 |
| Fisheries | 0.02 | 0.02 | 0.02 | 0.03 | 0.02 | 0.02 | 0.02 | 0.03 |
| **Manufacturing industries** | **94.00** | **93.74** | **94.19** | **93.80** | **93.16** | **90.69** | **92.51** | **92.87** |
| Food, Beverages and Tobacco | 5.27 | 5.37 | 5.13 | 5.03 | 3.61 | 3.48 | 3.27 | 3.14 |
| Textile, Apparel and Leather Industries | 4.48 | 4.87 | 5.39 | 5.25 | 4.99 | 5.14 | 5.60 | 5.94 |
| Lumber and derivatives | 0.86 | 0.89 | 0.87 | 0.88 | 0.48 | 0.44 | 0.42 | 0.43 |
| Paper, printing and publishing | 3.63 | 3.52 | 3.62 | 3.83 | 4.00 | 3.23 | 2.99 | 2.82 |
| Oil derivatives | 2.67 | 2.35 | 2.09 | 1.61 | 1.72 | 1.82 | 2.29 | 1.85 |
| Petrochemicals | 0.96 | 0.83 | 0.92 | 0.96 | 1.27 | 1.05 | 1.11 | 0.95 |
| Chemicals | 7.39 | 7.10 | 7.43 | 7.33 | 7.62 | 7.69 | 7.49 | 7.30 |
| Plastic and rubber products | 5.07 | 5.07 | 5.21 | 5.01 | 5.74 | 5.90 | 5.89 | 5.64 |
| Other non-metallic mineral products | 1.14 | 1.15 | 1.25 | 1.27 | 1.26 | 1.41 | 1.33 | 1.23 |
| Iron and steel | 5.99 | 5.57 | 5.07 | 4.95 | 5.10 | 5.08 | 4.98 | 4.97 |
| Mining-metallurgy | 1.59 | 1.69 | 1.48 | 1.51 | 1.66 | 1.57 | 1.65 | 1.82 |
| Metallic products, machines and equipment | 53.84 | 54.29 | 54.57 | 54.81 | 54.81 | 53.05 | 54.45 | 55.59 |
| Other manufacturing industries | 1.11 | 1.04 | 1.15 | 1.37 | 0.91 | 0.83 | 1.05 | 1.20 |
| **Extractive industries** | **0.77** | **0.84** | **0.60** | **0.55** | **0.83** | **0.73** | **0.78** | **0.73** |
| Oil and natural gas | 0.06 | 0.29 | 0.14 | 0.09 | 0.15 | 0.07 | 0.10 | 0.10 |
| Extraction of metallic minerals | 0.15 | 0.17 | 0.12 | 0.11 | 0.17 | 0.14 | 0.19 | 0.20 |
| Extraction of other minerals | 0.50 | 0.29 | 0.25 | 0.27 | 0.36 | 0.36 | 0.32 | 0.29 |
| Other extractive industries | 0.06 | 0.09 | 0.09 | 0.08 | 0.15 | 0.16 | 0.18 | 0.15 |
| **Non-classified products** | **0.97** | **0.83** | **1.19** | **1.40** | **2.36** | **3.37** | **2.91** | **2.59** |

SOURCE: BANXICO
** Figures may not add up due to rounding off.

**TABLE 9**
**Mexico's Merchandise Trade by Type of Industry: Imports**
(Annual Percent Growth)

| | 1991-92 | 1992-93 | 1993-94 | 1994-95 | 1995-96 | 1996-97 | 1997-98 | 1994-98 |
|---|---|---|---|---|---|---|---|---|
| **TOTAL EXPORTS** | **24.34** | **5.21** | **21.39** | **-8.69** | **23.49** | **22.73** | **14.17** | **58.01** |
| Maquiladoras | 18.29 | 17.98 | 24.47 | 27.91 | 16.52 | 19.10 | 17.13 | 107.94 |
| Non-maquiladoras | 26.21 | 1.52 | 20.35 | -21.41 | 27.42 | 24.61 | 12.71 | 40.65 |
| **Agriculture and forestry** | **34.18** | **-7.87** | **28.03** | **-21.57** | **76.66** | **-10.66** | **14.38** | **41.59** |
| Agriculture | 42.38 | -3.25 | 28.79 | -17.17 | 75.31 | -15.78 | 16.97 | 43.03 |
| Livestock | 2.07 | -33.86 | 20.14 | -57.95 | 108.11 | 57.79 | -6.38 | 29.26 |
| Fisheries | 44.44 | 23.08 | 62.50 | -34.62 | 0.00 | 58.82 | 40.74 | 46.15 |
| **Manufacturing industries** | **24.00** | **5.72** | **20.88** | **-9.31** | **20.20** | **25.20** | **14.61** | **56.44** |
| Food, Beverages and Tobacco | 26.60 | 0.60 | 18.86 | -34.42 | 19.07 | 15.15 | 9.59 | -1.45 |
| Textile, Apparel and Leather Industries | 35.14 | 16.61 | 18.21 | -13.17 | 27.22 | 33.52 | 21.07 | 78.57 |
| Lumber and derivatives | 28.74 | 3.63 | 21.72 | -49.64 | 11.43 | 18.21 | 18.00 | -21.73 |
| Paper, printing and publishing | 20.81 | 8.09 | 28.44 | -4.61 | -0.41 | 13.61 | 7.80 | 16.35 |
| Oil derivatives | 9.21 | -617 | -6.80 | -2.51 | 30.81 | 54.67 | -7.79 | 81.88 |
| Petrochemicals | 7.10 | 16.96 | 26.50 | 21.21 | 2.39 | 29.19 | -2.38 | 56.52 |
| Chemicals | 19.43 | 10.02 | 19.84 | -5.10 | 24.69 | 19.49 | 11.32 | 57.39 |
| Plastic and rubber products | 24.43 | 7.96 | 16.69 | 4.66 | 26.89 | 22.65 | 9.27 | 78.00 |
| Other non-metallic mineral products | 26.23 | 14.37 | 23.17 | -9.90 | 38.90 | 15.66 | 5.20 | 52.28 |
| Iron and steel | 15.60 | -4.31 | 18.69 | -6.05 | 22.99 | 20.41 | 14.01 | 58.61 |
| Mining-metallurgy | 32.32 | -7.63 | 23.45 | 0.67 | 16.96 | 28.86 | 25.87 | 90.96 |
| Metallic products, machines and equipment | 25.38 | 5.76 | 21.91 | -8.69 | 19.52 | 25.98 | 16.55 | 60.24 |
| Other manufacturing industries | 16.04 | 16.46 | 44.80 | -39.04 | 11.93 | 55.06 | 30.64 | 38.21 |
| **Extractive industries** | **34.72** | **-25.00** | **12.31** | **36.99** | **8.17** | **31.59** | **7.26** | **109.13** |
| Oil and natural gas | 480.65 | -50.00 | -18.89 | 45.21 | -44.34 | 79.66 | 13.21 | 64.38 |
| Extraction of metallic minerals | 42.47 | -26.92 | 10.53 | 45.24 | 4.10 | 60.63 | 20.59 | 192.86 |
| Extraction of other minerals | -27.89 | -11.05 | 32.92 | 21.50 | 23.85 | 8.70 | 2.57 | 67.76 |
| Other extractive industries | 77.42 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| **Non-classified products** | **6.42** | **50.97** | **43.30** | **53.69** | **76.18** | **6.08** | **1.85** | **192.54** |

SOURCE: BANXICO
** Figures may not add up due to rounding off.

## TABLE 10
## Exports Assembly Plants
(Maquiladoras)

| | Production Account* | | | Employees | | | Average Annual Payment** | | | Productivity |
|---|---|---|---|---|---|---|---|---|---|---|
| | Production | Intermediate Cons. | Gross Value Added | Total | Factory | Other | Total | Factory | Other | Index*** |
| 1990 | 50,163,134 | 40,276,610 | 9,886,524 | 451,169 | 418,035 | 33,134 | 11,432 | 9,685 | 33,472 | 100.0 |
| 1991 | 52,804,962 | 43,489,508 | 9,315,454 | 434,109 | 401,086 | 33,023 | 13,807 | 11,730 | 39,033 | 98.0 |
| 1992 | 60,732,377 | 49,718,230 | 11,014,147 | 503,689 | 465,112 | 38,577 | 16,168 | 13,643 | 46,618 | 99.8 |
| 1993 | 68,158,225 | 56,628,991 | 11,529,234 | 526,351 | 487,298 | 39,053 | 17,715 | 14,886 | 53,016 | 100.0 |
| 1994 | 87,375,493 | 74,607,081 | 12,768,412 | 562,334 | 522,345 | 39,989 | 19,661 | 16,706 | 58,256 | 103.7 |
| 1995 | 107,344,659 | 93,171,078 | 14,173,581 | 621,930 | 578,286 | 43,644 | 25,032 | 20,809 | 80,990 | 104.0 |
| 1996 | 132,810,723 | 115,845,784 | 16,964,939 | 748,262 | 694,296 | 53,966 | 31,952 | 26,388 | 103,538 | 103.5 |
| 1997 | 157,072,932 | 137,704,846 | 19,368,086 | 899,167 | 834,968 | 64,199 | 38,820 | 32,412 | 122,172 | 98.3 |

*Thousand pesos at 1993 constant prices.
**Current pesos per worker
***1993=100
SOURCE: INEGI

## TABLE 11
## Exports Assembly Plants
(Maquiladoras, In Percentage)

| | Production Account* | | | Employees | | | Average Annual Payment** | | | Productivity |
|---|---|---|---|---|---|---|---|---|---|---|
| | Production | Intermediate Cons. | Gross Value Added | Total | Factory | Other | Total | Factory | Other | Index*** |
| 90-91 | 5.27 | 7.98 | -5.78 | -3.78 | -4.05 | -0.34 | 20.78 | 21.12 | 16.61 | -2.00 |
| 91-92 | 15.01 | 14.32 | 18.24 | 16.03 | 15.96 | 16.82 | 17.10 | 16.31 | 19.43 | 1.84 |
| 92-93 | 12.23 | 13.90 | 4.68 | 4.50 | 4.77 | 1.23 | 9.57 | 9.11 | 13.72 | 0.20 |
| 93-94 | 28.20 | 31.75 | 10.75 | 6.84 | 7.19 | 2.40 | 10.99 | 12.23 | 9.88 | 3.70 |
| 94-95 | 22.85 | 24.88 | 11.01 | 10.60 | 10.71 | 9.14 | 27.32 | 24.56 | 39.02 | 0.29 |
| 95-96 | 23.72 | 24.34 | 19.69 | 20.31 | 20.06 | 23.65 | 27.64 | 26.81 | 27.84 | -0.48 |
| 96-97 | 18.27 | 18.87 | 14.17 | 20.17 | 20.26 | 18.96 | 21.49 | 22.83 | 18.00 | -5.02 |
| **94-97** | **79.77** | **84.57** | **51.69** | **59.90** | **59.85** | **60.54** | **97.45** | **94.01** | **109.72** | **-5.21** |

*Thousand pesos at 1993 constant prices.
**Current pesos per worker
***1993=100
SOURCE: INEGI

## TABLE 12
## Mexico's Trading Partners: Exports
(Millions of USD)

| | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total** | **35,171** | **40,711** | **42,688** | **46,196** | **51,886** | **60,882** | **79,542** | **96,000** | **110,431** | **117,460** | **136,703** |
| America | 30,209 | 34,683 | 37,171 | 41,160 | 47,667 | 56,209 | 73,295 | 89,067 | 103,281 | 110,665 | N.A. |
| **North America** | **28,398** | **32,748** | **34,956** | **38,420** | **44,609** | **53,177** | **68,260** | **82,746** | **96,458** | **104,612** | **122,920** |
| United States | 28,121 | 32,290 | 33,930 | 37,420 | 43,068 | 51,680 | 66,273 | 80,574 | 94,302 | 103,093 | 120,609 |
| Canada | 277 | 458 | 1,025 | 1,000 | 1,541 | 1,497 | 1,987 | 2,172 | 2,157 | 1,519 | 2,311 |
| **Central America** | **560** | **463** | **617** | **612** | **645** | **684** | **951** | **1,180** | **1,494** | **1,673** | **1,597** |
| Costa Rica | 82 | 70 | 80 | 107 | 99 | 95 | 142 | 188 | 221 | 282 | 250 |
| El Salvador | 91 | 111 | 116 | 121 | 112 | 127 | 148 | 158 | 214 | 218 | 244 |
| Guatemala | 106 | 114 | 225 | 153 | 204 | 218 | 310 | 360 | 498 | 590 | 544 |
| Nicaragua | N.A. | N.A. | 18 | 18 | 21 | 21 | 31 | 53 | 64 | 57 | 65 |
| Panama | 100 | 78 | 99 | 109 | 145 | 124 | 224 | 281 | 334 | 351 | 303 |
| Other | 181 | 90 | 79 | 104 | 64 | 99 | 96 | 140 | 163 | 174 | 191 |
| **South America** | **736** | **908** | **991** | **1,370** | **1,598** | **1,631** | **2,904** | **3,499** | **3,813** | **3,024** | **2,214** |
| Argentina | 113 | 120 | 186 | 180 | 278 | 248 | 313 | 520 | 498 | 384 | 256 |
| Bolivia | 4 | 4 | 13 | 9 | 17 | 13 | 24 | 30 | 32 | 35 | 32 |
| Brazil | 194 | 168 | 187 | 408 | 291 | 376 | 800 | 878 | 703 | 536 | 400 |
| Colombia | 110 | 110 | 156 | 219 | 236 | 306 | 453 | 438 | 513 | 449 | 368 |
| Chile | 83 | 96 | 127 | 152 | 194 | 204 | 490 | 689 | 842 | 625 | 366 |
| Peru | 56 | 66 | 78 | 63 | 94 | 110 | 179 | 211 | 238 | 196 | 178 |
| Venezuela | 62 | 137 | 127 | 199 | 227 | 174 | 380 | 424 | 675 | 546 | 436 |
| Other | 114 | 206 | 118 | 140 | 261 | 200 | 265 | 309 | 312 | 253 | 178 |
| **Antilles** | **515** | **565** | **607** | **758** | **815** | **717** | **1,180** | **1,642** | **1,516** | **1,356** | **N.A.** |
| **Europe** | **2,815** | **3,772** | **3,515** | **3,556** | **2,819** | **2,989** | **4,005** | **3,995** | **4,462** | **4,305** | **N.A.** |
| Germany | 361 | 453 | 530 | 491 | 427 | 395 | 515 | 641 | 719 | 1,152 | 2,073 |
| Austria | 36 | 21 | 25 | 70 | 40 | 10 | 13 | 10 | 16 | 11 | 11 |
| Belgium-Luxembourg | 137 | 219 | 321 | 283 | 282 | 271 | 487 | 409 | 373 | 230 | 247 |
| Spain | 1,134 | 1,457 | 1,150 | 1,235 | 874 | 864 | 797 | 907 | 939 | 714 | 944 |
| France | 481 | 552 | 600 | 567 | 429 | 518 | 483 | 426 | 430 | 401 | 289 |
| Holland | 152 | 336 | 183 | 163 | 123 | 174 | 177 | 192 | 262 | 339 | 487 |
| Italy | 138 | 211 | 172 | 146 | 76 | 86 | 197 | 134 | 273 | 181 | 171 |
| UK | 182 | 187 | 219 | 233 | 215 | 267 | 481 | 532 | 664 | 639 | 747 |
| Sweden | 15 | 13 | 22 | 26 | 17 | 24 | 30 | 20 | 53 | 46 | 24 |
| Switzerland | 69 | 206 | 121 | 130 | 141 | 158 | 608 | 360 | 344 | 258 | 445 |
| Former USSR | 51 | 24 | 17 | 7 | 12 | 5 | 17 | 152 | 14 | 6 | N.A. |
| Other | 58 | 93 | 156 | 205 | 183 | 217 | 200 | 212 | 376 | 329 | N.A. |

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**TABLE 12** (continued)

| | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Asia** | **1,982** | **2,128** | **1,856** | **1,381** | **1,307** | **1,548** | **2,078** | **2,757** | **2,420** | **2,221** | **N.A.** |
| Korea | 71 | 113 | 63 | 41 | 26 | 41 | 91 | 198 | 68 | 73 | 154 |
| Taiwan | 90 | 69 | 76 | 43 | 21 | 23 | 44 | 42 | 43 | 50 | 91 |
| Hong Kong | 66 | 43 | 87 | 62 | 62 | 174 | 504 | 434 | 283 | 217 | 178 |
| Israel | 196 | 215 | 164 | 187 | 103 | 3 | 11 | 10 | 30 | 18 | 38 |
| Japan | 1,394 | 1,506 | 1,241 | 793 | 700 | 1,001 | 979 | 1,393 | 1,156 | 851 | 777 |
| Singapore | 11 | 33 | 37 | 104 | 131 | 67 | 173 | 235 | 387 | 449 | 480 |
| China | 0 | 9 | 63 | 20 | 45 | 42 | 37 | 38 | 46 | 106 | 126 |
| Other | 155 | 139 | 126 | 131 | 219 | 197 | 239 | 407 | 407 | 456 | N.A. |
| **Africa** | **73** | **61** | **70** | **42** | **14** | **16** | **47** | **81** | **120** | **94** | **N.A.** |
| **Oceania** | **53** | **57** | **76** | **57** | **56** | **69** | **75** | **75** | **88** | **123** | **N.A.** |
| Australia | 38 | 37 | 51 | 49 | 48 | 54 | 63 | 58 | 76 | 109 | N.A. |
| Other | 16 | 20 | 25 | 8 | 8 | 15 | 12 | 17 | 12 | 14 | N.A. |
| **Rest of the World** | **38** | **10** | **0** | **0** | **22** | **52** | **42** | **25** | **60** | **52** | **N.A.** |

SOURCE: State of the Nation Report from 1989-98, Secofi for 1999, both with Banxico data.

*Exports includes transportation and insurance expenses.

**Figures may not add up due to rounding off.

## TABLE 13
## Mexico's Trading Partners: Exports
(Annual Percent Growth Rate)

| | 1989-90 | 1990-91 | 1991-92 | 1992-93 | 1993-94 | 1994-95 | 1995-96 | 1996-97 | 1997-98 | 1998-99 | 1994-99 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total** | **15.75** | **4.86** | **8.22** | **12.32** | **17.34** | **30.65** | **20.69** | **15.03** | **6.37** | **16.38** | **124.54** |
| America | 14.81 | 7.17 | 10.73 | 15.81 | 17.92 | 30.40 | 21.52 | 15.96 | 7.15 | N.A. | N.A. |
| **North America** | **15.32** | **6.74** | **9.91** | **16.11** | **19.21** | **28.36** | **21.22** | **16.57** | **8.45** | **17.50** | **131.15** |
| United States | 14.83 | 5.08 | 10.29 | 15.09 | 20.00 | 28.24 | 21.58 | 17.04 | 9.32 | 16.99 | 133.38 |
| Canada | 65.34 | 123.80 | -2.44 | 54.10 | -2.86 | 32.73 | 9.31 | -0.69 | -29.58 | 52.14 | 54.38 |
| **Central America** | **-17.32** | **33.26** | **-0.81** | **5.39** | **6.05** | **39.04** | **24.08** | **26.61** | **11.98** | **-4.54** | **133.48** |
| Costa Rica | -14.63 | 14.29 | 33.75 | -7.48 | -4.04 | 49.47 | 32.39 | 17.55 | 27.60 | -11.35 | 163.16 |
| El Salvador | 21.98 | 4.50 | 4.31 | -7.44 | 13.39 | 16.54 | 6.76 | 35.44 | 1.87 | 11.93 | 92.13 |
| Guatemala | 7.55 | 97.37 | -32.00 | 33.33 | 6.86 | 42.20 | 16.13 | 38.33 | 18.47 | -7.80 | 149.54 |
| Nicaragua | N.A. | N.A. | 0.00 | 16.67 | 0.00 | 47.62 | 70.97 | 20.75 | -10.94 | 14.04 | 209.52 |
| Panama | -22.00 | 26.92 | 10.10 | 33.03 | -14.48 | 80.65 | 25.45 | 18.86 | 5.09 | -13.68 | 144.35 |
| Other | -50.28 | -12.22 | 31.65 | -38.46 | 54.69 | -3.03 | 45.83 | 16.43 | 6.75 | 9.77 | 92.93 |
| **South America** | **23.37** | **9.14** | **38.24** | **16.64** | **2.07** | **78.05** | **20.49** | **8.97** | **-20.69** | **-26.79** | **35.74** |
| Argentina | 6.19 | 55.00 | -3.23 | 54.44 | -10.79 | 26.21 | 66.13 | -4.23 | -22.89 | -33.33 | 3.23 |
| Bolivia | 0.00 | 225.00 | -30.77 | 88.89 | -23.53 | 84.62 | 25.00 | 6.67 | 9.38 | -8.57 | 146.15 |
| Brazil | -13.40 | 11.31 | 118.18 | -28.68 | 29.21 | 112.77 | 9.75 | -19.93 | -23.76 | -25.37 | 6.38 |
| Colombia | 0.00 | 41.82 | 40.38 | 7.76 | 29.66 | 48.04 | -3.31 | 17.12 | -12.48 | -18.04 | 20.26 |
| Chile | 15.66 | 32.29 | 19.69 | 27.63 | 5.15 | 140.20 | 40.61 | 22.21 | -25.77 | -41.44 | 79.41 |
| Peru | 17.86 | 18.18 | -19.23 | 49.21 | 17.02 | 62.73 | 17.88 | 12.80 | -17.65 | -9.18 | 61.82 |
| Venezuela | 120.97 | -7.30 | 56.69 | 14.07 | -23.35 | 118.39 | 11.58 | 59.20 | -19.11 | -20.15 | 150.57 |
| Other | 80.70 | -42.72 | 18.64 | 86.43 | -23.37 | 32.50 | 16.60 | 0.97 | -18.91 | -29.64 | -11.00 |
| **Antilles** | **9.71** | **7.43** | **24.88** | **7.52** | **-12.02** | **64.57** | **39.15** | **-7.67** | **-10.55** | **N.A.** | **N.A.** |
| **Europe** | **34.00** | **-6.81** | **1.17** | **-20.73** | **6.03** | **33.99** | **-0.25** | **11.69** | **-3.52** | **N.A.** | **N.A.** |
| Germany | 25.48 | 17.00 | -7.36 | -13.03 | -7.49 | 30.38 | 24.47 | 12.17 | 60.22 | 79.97 | 424.86 |
| Austria | -41.67 | 19.05 | 180.00 | -42.86 | -75.00 | 30.00 | -23.08 | 60.00 | -31.25 | 0.00 | 10.00 |
| Belgium-Luxembourg | 59.85 | 46.58 | -11.84 | -0.35 | -3.90 | 79.70 | -16.02 | -8.80 | -38.34 | 7.39 | -8.86 |
| Spain | 28.48 | -21.07 | 7.39 | -29.23 | -1.14 | -7.75 | 13.80 | 3.53 | -23.96 | 32.21 | 9.26 |
| France | 14.76 | 8.70 | -5.50 | -24.34 | 20.75 | -6.76 | -11.80 | 0.94 | -6.74 | -27.93 | -44.21 |
| Holland | 121.05 | -45.54 | -10.93 | -24.54 | 41.46 | 1.72 | 8.47 | 36.46 | 29.39 | 43.66 | 179.89 |
| Italy | 52.90 | -18.48 | -15.12 | -47.95 | 13.16 | 129.07 | -31.98 | 103.73 | -33.70 | -5.52 | 98.84 |
| UK | 2.75 | 17.11 | 6.39 | -7.73 | 24.19 | 80.15 | 10.60 | 24.81 | -3.77 | 16.90 | 179.78 |
| Sweden | -13.33 | 69.23 | 18.18 | -34.62 | 41.18 | 25.00 | -33.33 | 165.00 | -13.21 | -47.83 | 0.00 |
| Switzerland | 198.55 | -41.26 | 7.44 | 8.46 | 12.06 | 284.81 | -40.79 | -4.44 | -25.00 | 72.48 | 181.65 |
| Former USSR | -52.94 | -29.17 | -58.82 | 71.43 | -58.33 | 240.00 | 794.12 | -90.79 | -57.14 | N.A. | N.A. |
| Other | 60.34 | 67.74 | 31.41 | -10.73 | 18.58 | -7.83 | 6.00 | 77.36 | -12.50 | N.A. | N.A. |

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**TABLE 13** (continued)

| | 1989-90 | 1990-91 | 1991-92 | 1992-93 | 1993-94 | 1994-95 | 1995-96 | 1996-97 | 1997-98 | 1998-99 | 1994-99 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Asia** | **7.37** | **-12.78** | **-25.59** | **-5.36** | **18.44** | **34.24** | **32.68** | **-12.22** | **-8.22** | **N.A.** | **N.A.** |
| Korea | 59.15 | -44.25 | -34.92 | -36.59 | 57.69 | 121.95 | 117.58 | -65.66 | 7.35 | 110.96 | 275.61 |
| Taiwan | -23.33 | 10.14 | -43.42 | -51.16 | 9.52 | 91.30 | -4.55 | 2.38 | 16.28 | 82.00 | 295.65 |
| Hong Kong | -34.85 | 102.33 | -28.74 | 0.00 | 180.65 | 189.66 | -13.89 | -34.79 | -23.32 | -17.97 | 2.30 |
| Israel | 9.69 | -23.72 | 14.02 | -44.92 | -97.09 | 266.67 | -9.09 | 200.00 | -40.00 | 111.11 | 1166.67 |
| Japan | 8.03 | -17.60 | -36.10 | -11.73 | 43.00 | -2.20 | 42.29 | -17.01 | -26.38 | -8.70 | -22.38 |
| Singapore | 200.00 | 12.12 | 181.08 | 25.96 | -48.85 | 158.21 | 35.84 | 64.68 | 16.02 | 6.90 | 616.42 |
| China | N.A. | 600.00 | -68.25 | 125.00 | -6.67 | -11.90 | 2.70 | 21.05 | 130.43 | 18.87 | 200.00 |
| Other | -10.32 | -9.35 | 3.97 | 67.18 | -10.05 | 21.32 | 70.29 | 0.00 | 12.04 | N.A. | N.A. |
| **Africa** | **-16.44** | **14.75** | **-40.00** | **-66.67** | **14.29** | **193.75** | **72.34** | **48.15** | **-21.67** | **N.A.** | **N.A.** |
| **Oceania** | **7.55** | **33.33** | **-25.00** | **-1.75** | **23.21** | **8.70** | **0.00** | **17.33** | **39.77** | **N.A.** | **N.A.** |
| Australia | -2.63 | 37.84 | -3.92 | -2.04 | 12.50 | 16.67 | -7.94 | 31.03 | 43.42 | N.A. | N.A. |
| Other | 25.00 | 25.00 | -68.00 | 0.00 | 87.50 | -20.00 | 41.67 | -29.41 | 16.67 | N.A. | N.A. |
| **Rest of the World** | **-73.68** | **-100.00** | **N.A.** | **N.A.** | **136.36** | **-19.23** | **-40.48** | **140.00** | **-13.33** | **N.A.** | **N.A.** |

SOURCE: State of the Nation Report from 1989-98, Secofi for 1999, both with Banxico data.

*Exports includes transportation and insurance expenses.

**Figures may not add up due to rounding off.

## TABLE 14
## Mexico's Trading Partners: Exports
(In Percentage)

| | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total** | **100.00** | **100.00** | **100.00** | **100.00** | **100.00** | **100.00** | **100.00** | **100.00** | **100.00** | **100.00** | **100.00** |
| America | 85.89 | 85.19 | 87.08 | 89.10 | 91.87 | 92.32 | 92.15 | 92.78 | 93.53 | 94.22 | N.A. |
| **North America** | **80.74** | **80.44** | **81.89** | **83.17** | **85.98** | **87.34** | **85.82** | **86.19** | **87.35** | **89.06** | **89.92** |
| United States | 79.96 | 79.32 | 79.48 | 81.00 | 83.01 | 84.89 | 83.32 | 83.93 | 85.39 | 87.77 | 88.23 |
| Canada | 0.79 | 1.13 | 2.40 | 2.16 | 2.97 | 2.46 | 2.50 | 2.26 | 1.95 | 1.29 | 1.69 |
| **Central America** | **1.59** | **1.14** | **1.45** | **1.32** | **1.24** | **1.12** | **1.20** | **1.23** | **1.35** | **1.42** | **1.17** |
| Costa Rica | 0.23 | 0.17 | 0.19 | 0.23 | 0.19 | 0.16 | 0.18 | 0.20 | 0.20 | 0.24 | 0.18 |
| El Salvador | 0.26 | 0.27 | 0.27 | 0.26 | 0.22 | 0.21 | 0.19 | 0.16 | 0.19 | 0.19 | 0.18 |
| Guatemala | 0.30 | 0.28 | 0.53 | 0.33 | 0.39 | 0.36 | 0.39 | 0.38 | 0.45 | 0.50 | 0.40 |
| Nicaragua | N.A. | N.A. | 0.04 | 0.04 | 0.04 | 0.03 | 0.04 | 0.06 | 0.06 | 0.05 | 0.05 |
| Panama | 0.28 | 0.19 | 0.23 | 0.24 | 0.28 | 0.20 | 0.28 | 0.29 | 0.30 | 0.30 | 0.22 |
| Other | 0.51 | 0.22 | 0.19 | 0.23 | 0.12 | 0.16 | 0.12 | 0.15 | 0.15 | 0.15 | 0.14 |
| **South America** | **2.09** | **2.23** | **2.32** | **2.97** | **3.08** | **2.68** | **3.65** | **3.64** | **3.45** | **2.57** | **1.62** |
| Argentina | 0.32 | 0.29 | 0.44 | 0.39 | 0.54 | 0.41 | 0.39 | 0.54 | 0.45 | 0.33 | 0.19 |
| Bolivia | 0.01 | 0.01 | 0.03 | 0.02 | 0.03 | 0.02 | 0.03 | 0.03 | 0.03 | 0.03 | 0.02 |
| Brazil | 0.55 | 0.41 | 0.44 | 0.88 | 0.56 | 0.62 | 1.01 | 0.91 | 0.64 | 0.46 | 0.29 |
| Colombia | 0.31 | 0.27 | 0.37 | 0.47 | 0.45 | 0.50 | 0.57 | 0.46 | 0.46 | 0.38 | 0.27 |
| Chile | 0.24 | 0.24 | 0.30 | 0.33 | 0.37 | 0.34 | 0.62 | 0.72 | 0.76 | 0.53 | 0.27 |
| Peru | 0.16 | 0.16 | 0.18 | 0.14 | 0.18 | 0.18 | 0.23 | 0.22 | 0.22 | 0.17 | 0.13 |
| Venezuela | 0.18 | 0.34 | 0.30 | 0.43 | 0.44 | 0.29 | 0.48 | 0.44 | 0.61 | 0.46 | 0.32 |
| Other | 0.32 | 0.51 | 0.28 | 0.30 | 0.50 | 0.33 | 0.33 | 0.32 | 0.28 | 0.22 | 0.13 |
| **Antilles** | **1.46** | **1.39** | **1.42** | **1.64** | **1.57** | **1.18** | **1.48** | **1.71** | **1.37** | **1.15** | **N.A.** |
| **Europe** | **8.00** | **9.27** | **8.23** | **7.70** | **5.43** | **4.91** | **5.04** | **4.16** | **4.04** | **3.67** | **N.A.** |
| Germany | 1.03 | 1.11 | 1.24 | 1.06 | 0.82 | 0.65 | 0.65 | 0.67 | 0.65 | 0.98 | 1.52 |
| Austria | 0.10 | 0.05 | 0.06 | 0.15 | 0.08 | 0.02 | 0.02 | 0.01 | 0.01 | 0.01 | 0.01 |
| Belgium-Luxembourg | 0.39 | 0.54 | 0.75 | 0.61 | 0.54 | 0.45 | 0.61 | 0.43 | 0.34 | 0.20 | 0.18 |
| Spain | 3.22 | 3.58 | 2.69 | 2.67 | 1.68 | 1.42 | 1.00 | 0.94 | 0.85 | 0.61 | 0.69 |
| France | 1.37 | 1.36 | 1.41 | 1.23 | 0.83 | 0.85 | 0.61 | 0.44 | 0.39 | 0.34 | 0.21 |
| Holland | 0.43 | 0.83 | 0.43 | 0.35 | 0.24 | 0.29 | 0.22 | 0.20 | 0.24 | 0.29 | 0.36 |
| Italy | 0.39 | 0.52 | 0.40 | 0.32 | 0.15 | 0.14 | 0.25 | 0.14 | 0.25 | 0.15 | 0.13 |
| UK | 0.52 | 0.46 | 0.51 | 0.50 | 0.41 | 0.44 | 0.60 | 0.55 | 0.60 | 0.54 | 0.55 |
| Sweden | 0.04 | 0.03 | 0.05 | 0.06 | 0.03 | 0.04 | 0.04 | 0.02 | 0.05 | 0.04 | 0.02 |
| Switzerland | 0.20 | 0.51 | 0.28 | 0.28 | 0.27 | 0.26 | 0.76 | 0.38 | 0.31 | 0.22 | 0.33 |
| Former USSR | 0.15 | 0.06 | 0.04 | 0.02 | 0.02 | 0.01 | 0.02 | 0.16 | 0.01 | 0.01 | N.A. |
| Other | 0.16 | 0.23 | 0.37 | 0.44 | 0.35 | 0.36 | 0.25 | 0.22 | 0.34 | 0.28 | N.A. |

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**TABLE 14** (continued)

| | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Asia** | **5.64** | **5.23** | **4.35** | **2.99** | **2.52** | **2.54** | **2.61** | **2.87** | **2.19** | **1.89** | **N.A.** |
| Korea | 0.20 | 0.28 | 0.15 | 0.09 | 0.05 | 0.07 | 0.11 | 0.21 | 0.06 | 0.06 | 0.11 |
| Taiwan | 0.26 | 0.17 | 0.18 | 0.09 | 0.04 | 0.04 | 0.06 | 0.04 | 0.04 | 0.04 | 0.07 |
| Hong Kong | 0.19 | 0.11 | 0.20 | 0.13 | 0.12 | 0.29 | 0.63 | 0.45 | 0.26 | 0.18 | 0.13 |
| Israel | 0.56 | 0.53 | 0.38 | 0.40 | 0.20 | 0.00 | 0.01 | 0.01 | 0.03 | 0.02 | 0.03 |
| Japan | 3.96 | 3.70 | 2.91 | 1.72 | 1.35 | 1.64 | 1.23 | 1.45 | 1.05 | 0.72 | 0.57 |
| Singapore | 0.03 | 0.08 | 0.09 | 0.23 | 0.25 | 0.11 | 0.22 | 0.24 | 0.35 | 0.38 | 0.35 |
| China | 0.00 | 0.02 | 0.15 | 0.04 | 0.09 | 0.07 | 0.05 | 0.04 | 0.04 | 0.09 | 0.09 |
| Other | 0.44 | 0.34 | 0.30 | 0.28 | 0.42 | 0.32 | 0.30 | 0.42 | 0.37 | 0.39 | N.A. |
| **Africa** | **0.21** | **0.15** | **0.16** | **0.09** | **0.03** | **0.03** | **0.06** | **0.08** | **0.11** | **0.08** | **N.A.** |
| **Oceania** | **0.15** | **0.14** | **0.18** | **0.12** | **0.11** | **0.11** | **0.09** | **0.08** | **0.08** | **0.10** | **N.A.** |
| Australia | 0.11 | 0.09 | 0.12 | 0.11 | 0.09 | 0.09 | 0.08 | 0.06 | 0.07 | 0.09 | N.A. |
| Other | 0.05 | 0.05 | 0.06 | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | 0.01 | 0.01 | N.A. |
| **Rest of the World** | **0.11** | **0.02** | **0.00** | **0.00** | **0.4** | **0.09** | **0.05** | **0.03** | **0.05** | **0.04** | **N.A.** |

SOURCE: State of the Nation Report from 1989-98, Secofi for 1999, both with Banxico data.

*Exports includes transportation and insurance expenses.

**Figures may not add up due to rounding off.

## TABLE 15
## Mexico's Trading Partners: Imports
(Millions of USD)

| | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total** | **34,766** | **41,593** | **49,967** | **62,129** | **65,367** | **79,346** | **72,453** | **89,469** | **109,808** | **125,373** | **142,064** |
| America | 28,359 | 32,887 | 39,405 | 47,683 | 50,176 | 59,391 | 57,082 | 71,481 | 86,770 | 98,626 | N.A. |
| **North America** | **27,369** | **31,268** | **37,484** | **45,268** | **47,630** | **56,382** | **55,276** | **69,280** | **83,969** | **95,549** | **108,305** |
| United States | 26,948 | 30,810 | 36,814 | 44,216 | 46,467 | 54,762 | 53,902 | 67,536 | 82,001 | 93,258 | 105,357 |
| Canada | 421 | 458 | 670 | 1,052 | 1,163 | 1,621 | 1,374 | 1,744 | 1,968 | 2,290 | 2,949 |
| **Central America** | **188** | **189** | **246** | **192** | **180** | **175** | **97** | **179** | **221** | **238** | **342** |
| Costa Rica | 5 | 38 | 21 | 15 | 22 | 28 | 16 | 58 | 77 | 87 | 191 |
| El Salvador | 4 | 3 | 19 | 12 | 14 | 19 | 8 | 19 | 24 | 25 | 18 |
| Guatemala | 42 | 41 | 87 | 77 | 61 | 82 | 51 | 77 | 80 | 81 | 83 |
| Nicaragua | N.A. | N.A. | 14 | 18 | 11 | 11 | 8 | 12 | 11 | 14 | 15 |
| Panama | 122 | 83 | 93 | 58 | 61 | 24 | 9 | 7 | 19 | 16 | 26 |
| Other | 15 | 24 | 12 | 12 | 11 | 11 | 5 | 6 | 10 | 14 | 9 |
| **South America** | **711** | **1,283** | **1,538** | **2,038** | **2,158** | **2,588** | **1,416** | **1,734** | **2,273** | **2,561** | **2,835** |
| Argentina | 137 | 401 | 365 | 241 | 251 | 333 | 191 | 300 | 236 | 264 | 212 |
| Bolivia | 5 | 5 | 10 | 17 | 16 | 19 | 5 | 8 | 10 | 7 | 8 |
| Brazil | 361 | 482 | 803 | 1,109 | 1,193 | 1,226 | 565 | 690 | 869 | 1,038 | 1,129 |
| Colombia | 22 | 34 | 50 | 72 | 83 | 121 | 97 | 97 | 124 | 151 | 220 |
| Chile | 46 | 61 | 50 | 96 | 130 | 230 | 154 | 171 | 372 | 552 | 684 |
| Peru | 26 | 76 | 102 | 190 | 170 | 210 | 99 | 117 | 142 | 143 | 180 |
| Venezuela | 57 | 171 | 140 | 207 | 227 | 297 | 214 | 234 | 421 | 303 | 297 |
| Other | 57 | 52 | 18 | 106 | 88 | 152 | 91 | 117 | 98 | 103 | 105 |
| **Antilles** | **90** | **146** | **137** | **185** | **208** | **245** | **293** | **289** | **307** | **279** | **N.A.** |
| **Europe** | **4,080** | **5,723** | **6,746** | **8,290** | **8,358** | **9,741** | **7,237** | **8,335** | **10,732** | **12,589** | **N.A.** |
| Germany | 1,368 | 1,840 | 2,328 | 2,477 | 2,832 | 3,101 | 2,687 | 3,174 | 3,902 | 4,543 | 5,032 |
| Austria | 25 | 45 | 71 | 113 | 103 | 121 | 88 | 113 | 139 | 192 | 170 |
| Belgium-Luxembourg | 157 | 246 | 328 | 306 | 269 | 337 | 210 | 239 | 327 | 355 | 305 |
| Spain | 329 | 520 | 573 | 875 | 1,152 | 1,338 | 694 | 629 | 978 | 1,257 | 1,321 |
| France | 564 | 712 | 967 | 1,305 | 1,077 | 1,527 | 979 | 1,019 | 1,182 | 1,430 | 1,394 |
| Holland | 130 | 225 | 215 | 240 | 241 | 240 | 218 | 225 | 262 | 328 | 326 |
| Italy | 365 | 455 | 623 | 984 | 818 | 1,021 | 771 | 999 | 1,326 | 1,581 | 1,649 |
| UK | 327 | 491 | 499 | 619 | 590 | 707 | 532 | 679 | 915 | 1,056 | 1,135 |
| Sweden | 222 | 316 | 356 | 333 | 261 | 277 | 201 | 229 | 354 | 339 | 700 |
| Switzerland | 314 | 333 | 379 | 497 | 497 | 490 | 389 | 457 | 559 | 589 | 720 |
| Former USSR | 7 | 17 | 16 | 49 | 75 | 141 | 64 | 59 | 180 | 246 | N.A. |
| Other | 271 | 522 | 391 | 492 | 443 | 442 | 404 | 513 | 607 | 672 | N.A. |

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## TABLE 15 (continued)

| | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Asia** | **2,097** | **2,616** | **3,584** | **5,798** | **6,419** | **9,645** | **7,775** | **9,061** | **11,526** | **13,123** | **N.A.** |
| Korea | 247 | 265 | 434 | 617 | 662 | 734 | 974 | 1,178 | 1,831 | 1,951 | 2,964 |
| Taiwan | 195 | 312 | 429 | 543 | 658 | 1,029 | 716 | 891 | 1,137 | 1,527 | 1,557 |
| Hong Kong | 184 | 229 | 309 | 403 | 62 | 250 | 159 | 129 | 189 | 216 | 253 |
| Israel | 10 | 17 | 24 | 43 | 45 | 85 | 47 | 79 | 112 | 137 | 173 |
| Japan | 1,309 | 1,470 | 1,596 | 3,041 | 3,369 | 4,780 | 3,952 | 4,132 | 4,334 | 4,537 | 5,083 |
| Singapore | 49 | 46 | 86 | 104 | 158 | 213 | 289 | 383 | 426 | 493 | 540 |
| China | 0 | 30 | 142 | 425 | 353 | 428 | 521 | 760 | 1,247 | 1,617 | 1,921 |
| Other | 104 | 247 | 564 | 622 | 1,112 | 2,126 | 1,117 | 1,509 | 2,250 | 2,645 | N.A. |
| **Africa** | **69** | **97** | **80** | **98** | **131** | **149** | **129** | **221** | **271** | **368** | **N.A.** |
| **Oceania** | **118** | **256** | **151** | **258** | **268** | **317** | **178** | **261** | **318** | **401** | **N.A.** |
| Australia | 38 | 65 | 80 | 105 | 113 | 167 | 99 | 128 | 166 | 244 | N.A. |
| Other | 81 | 191 | 72 | 153 | 155 | 150 | 79 | 133 | 151 | 156 | N.A. |
| **Rest of the World** | **42** | **13** | **1** | **2** | **14** | **103** | **52** | **109** | **191** | **267** | **N.A.** |

SOURCE: State of the Nation Report from 1989-98, Secofi for 1999, both with Banxico data.

*Exports includes transportation and insurance expenses.

**Figures may not add up due to rounding off.

## TABLE 16
## Mexico's Trading Partners: Imports
(Annual Percent Growth Rate)

| | 1989-90 | 1990-91 | 1991-92 | 1992-93 | 1993-94 | 1994-95 | 1995-96 | 1996-97 | 1997-98 | 1998-99 | 1994-99 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total** | **19.64** | **20.13** | **24.34** | **5.21** | **21.39** | **-8.69** | **23.49** | **22.73** | **14.17** | **13.31** | **79.04** |
| America | 15.97 | 19.82 | 21.01 | 5.23 | 18.37 | -3.89 | 25.23 | 21.39 | 13.66 | N.A. | N.A. |
| **North America** | **14.25** | **19.88** | **20.77** | **5.22** | **18.37** | **-1.96** | **25.33** | **21.20** | **13.79** | **13.35** | **92.09** |
| United States | 14.33 | 19.49 | 20.11 | 5.09 | 17.85 | -1.57 | 25.29 | 21.42 | 13.73 | 12.97 | 92.39 |
| Canada | 8.79 | 46.29 | 57.01 | 10.55 | 39.38 | -15.24 | 26.93 | 12.84 | 16.36 | 28.78 | 81.92 |
| **Central America** | **0.53** | **30.16** | **-21.95** | **-6.25** | **-2.78** | **-44.57** | **84.54** | **23.46** | **7.69** | **43.78** | **95.54** |
| Costa Rica | 660.00 | -44.74 | -28.57 | 46.67 | 27.27 | -42.86 | 262.50 | 32.76 | 12.99 | 120.00 | 583.57 |
| El Salvador | -25.00 | 533.33 | -36.84 | 16.67 | 35.71 | -57.89 | 137.50 | 26.32 | 4.17 | -27.20 | -4.21 |
| Guatemala | -2.38 | 112.20 | -11.49 | -20.78 | 34.43 | -37.80 | 50.98 | 3.90 | 1.25 | 2.47 | 1.22 |
| Nicaragua | N.A. | N.A. | 28.57 | -38.89 | 0.00 | -27.27 | 50.00 | -8.33 | 27.27 | 7.14 | 36.36 |
| Panama | -31.97 | 12.05 | -37.63 | 5.17 | -60.66 | -62.50 | -22.22 | 171.43 | -15.79 | 62.50 | 8.33 |
| Other | 60.00 | -50.00 | 0.00 | -8.33 | 0.00 | -54.55 | 20.00 | 66.67 | 40.00 | -38.57 | -21.82 |
| **South America** | **80.45** | **19.88** | **32.51** | **5.89** | **19.93** | **-45.29** | **22.46** | **31.08** | **12.67** | **10.70** | **9.54** |
| Argentina | 192.70 | -8.98 | -33.97 | 4.15 | 32.67 | -42.64 | 57.07 | -21.33 | 11.86 | -19.70 | -36.34 |
| Bolivia | 0.00 | 100.00 | 70.00 | -5.88 | 18.75 | -73.68 | 60.00 | 25.00 | -30.00 | 14.29 | -57.89 |
| Brazil | 33.52 | 66.60 | 38.11 | 7.57 | 2.77 | -53.92 | 22.12 | 25.94 | 19.45 | 8.77 | -7.91 |
| Colombia | 54.55 | 47.06 | 44.00 | 15.28 | 45.78 | -19.83 | 0.00 | 27.84 | 21.77 | 45.70 | 81.82 |
| Chile | 32.61 | -18.03 | 92.00 | 35.42 | 76.92 | -33.04 | 11.04 | 117.54 | 48.39 | 23.91 | 197.39 |
| Peru | 192.31 | 34.21 | 86.27 | -10.53 | 23.53 | -52.86 | 18.18 | 21.37 | 0.70 | 25.87 | -14.29 |
| Venezuela | 200.00 | -18.13 | 47.86 | 9.66 | 30.84 | -27.95 | 9.35 | 79.91 | -28.03 | -1.98 | 0.00 |
| Other | -8.77 | -65.38 | 488.89 | -16.98 | 72.73 | -40.13 | 28.57 | -16.24 | 5.10 | 1.94 | -30.92 |
| **Antilles** | **62.22** | **-6.16** | **35.04** | **12.43** | **17.79** | **19.59** | **-1.37** | **6.23** | **-9.12** | **N.A.** | **N.A.** |
| **Europe** | **40.27** | **17.88** | **22.89** | **0.82** | **16.55** | **-25.71** | **15.17** | **28.76** | **17.30** | **N.A.** | **N.A.** |
| Germany | 34.50 | 26.52 | 6.40 | 14.33 | 9.50 | -13.35 | 18.12 | 22.94 | 16.43 | 10.76 | 62.27 |
| Austria | 80.00 | 57.78 | 59.15 | -8.85 | 17.48 | -27.27 | 28.41 | 23.01 | 38.13 | -11.46 | 40.50 |
| Belgium-Luxembourg | 56.69 | 33.33 | -6.71 | -12.09 | 25.28 | -37.69 | 13.81 | 36.82 | 8.56 | -14.08 | -9.50 |
| Spain | 58.05 | 10.19 | 52.71 | 31.66 | 16.15 | -48.13 | -9.37 | 55.48 | 28.53 | 5.09 | -1.27 |
| France | 26.24 | 35.81 | 34.95 | -17.47 | 41.78 | -35.89 | 4.09 | 16.00 | 20.98 | -2.52 | -8.71 |
| Holland | 73.08 | -4.44 | 11.63 | 0.42 | -0.41 | -9.17 | 3.21 | 16.44 | 25.19 | -0.61 | 35.83 |
| Italy | 24.66 | 36.92 | 57.95 | -16.87 | 24.82 | -24.49 | 29.57 | 32.73 | 19.23 | 4.30 | 61.51 |
| UK | 50.15 | 1.63 | 24.05 | -4.68 | 19.83 | -24.75 | 27.63 | 34.76 | 15.41 | 7.48 | 60.54 |
| Sweden | 42.34 | 12.66 | -6.46 | -21.62 | 6.13 | -27.44 | 13.93 | 54.59 | -4.24 | 106.49 | 152.71 |
| Switzerland | 6.05 | 13.81 | 31.13 | 0.00 | -1.41 | -20.61 | 17.48 | 22.32 | 5.37 | 22.24 | 46.94 |
| Former USSR | 142.86 | -5.88 | 206.25 | 53.06 | 88.00 | -54.61 | -7.81 | 205.08 | 36.67 | N.A. | N.A. |
| Other | 92.62 | -25.10 | 25.83 | -9.96 | -0.23 | -8.60 | 26.98 | 18.32 | 10.71 | N.A. | N.A. |

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**TABLE 16** (continued)

| | 1989-90 | 1990-91 | 1991-92 | 1992-93 | 1993-94 | 1994-95 | 1995-96 | 1996-97 | 1997-98 | 1998-99 | 1994-99 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Asia** | **24.75** | **37.00** | **61.77** | **10.71** | **50.26** | **-19.39** | **16.54** | **27.20** | **13.86** | **N.A.** | **N.A.** |
| Korea | 7.29 | 63.77 | 42.17 | 7.29 | 10.88 | 32.70 | 20.94 | 55.43 | 6.55 | 51.92 | 303.81 |
| Taiwan | 60.00 | 37.50 | 26.57 | 21.18 | 56.38 | -30.42 | 24.44 | 27.61 | 34.30 | 1.96 | 51.31 |
| Hong Kong | 24.46 | 34.93 | 30.42 | -84.62 | 303.23 | -36.40 | -18.87 | 46.51 | 14.29 | 17.13 | 1.20 |
| Israel | 70.00 | 41.18 | 79.17 | 4.65 | 88.89 | -44.71 | 68.09 | 41.77 | 22.32 | 26.28 | 103.53 |
| Japan | 12.30 | 8.57 | 90.54 | 10.79 | 41.88 | -17.32 | 4.55 | 4.89 | 4.68 | 12.03 | 6.34 |
| Singapore | -6.12 | 86.96 | 20.93 | 51.92 | 34.81 | 35.68 | 32.53 | 11.23 | 15.73 | 9.53 | 153.52 |
| China | N.A. | 373.33 | 199.30 | -16.94 | 21.25 | 21.73 | 45.87 | 64.08 | 29.67 | 18.80 | 348.83 |
| Other | 137.50 | 128.34 | 10.28 | 78.78 | 91.19 | -47.46 | 35.09 | 49.11 | 17.56 | N.A. | N.A. |
| **Africa** | **40.58** | **-17.53** | **22.50** | **33.67** | **13.74** | **-13.42** | **71.32** | **22.62** | **35.79** | **N.A.** | **N.A.** |
| **Oceania** | **116.95** | **-41.02** | **70.86** | **3.88** | **18.28** | **-43.85** | **46.63** | **21.84** | **26.10** | **N.A.** | **N.A.** |
| Australia | 71.05 | 23.08 | 31.25 | 7.62 | 47.79 | -40.72 | 29.29 | 29.69 | 46.99 | N.A. | N.A. |
| Other | 135.80 | -62.30 | 112.50 | 1.31 | -3.23 | -47.33 | 68.35 | 13.53 | 3.31 | N.A. | N.A, |
| **Rest of the World** | **-69.05** | **-92.31** | **100.00** | **600.00** | **635.71** | **-49.51** | **109.62** | **75.23** | **39.79** | **N.A.** | **N.A.** |

SOURCE: State of the Nation Report from 1989-98, Secofi for 1999, both with Banxico data.

*Exports includes transportation and insurance expenses.

**Figures may not add up due to rounding off.

## TABLE 17
### *Mexico's Trading Partners: Exports*
(In Percentage)

| | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Total** | **100.00** | **100.00** | **100.00** | **100.00** | **100.00** | **100.00** | **100.00** | **100.00** | **100.00** | **100.00** | **100.00** |
| America | 81.57 | 79.07 | 78.86 | 76.75 | 76.76 | 74.85 | 78.78 | 79.89 | 79.02 | 78.67 | N.A. |
| **North America** | **78.72** | **75.18** | **75.02** | **72.86** | **72.87** | **71.06** | **76.29** | **77.43** | **76.47** | **76.21** | **76.24** |
| *United States* | 77.51 | 74.07 | 73.68 | 71.17 | 71.09 | 69.02 | 74.40 | 75.49 | 74.68 | 74.38 | 74.16 |
| Canada | 1.21 | 1.10 | 1.34 | 1.69 | 1.78 | 2.04 | 1.90 | 1.95 | 1.79 | 1.83 | 2.08 |
| **Central America** | **0.54** | **0.45** | **0.49** | **0.31** | **0.28** | **0.22** | **0.13** | **0.20** | **0.20** | **0.19** | **0.24** |
| Costa Rica | 0.01 | 0.09 | 0.04 | 0.02 | 0.03 | 0.04 | 0.02 | 0.06 | 0.07 | 0.07 | 0.13 |
| El Salvador | 0.01 | 0.01 | 0.04 | 0.02 | 0.02 | 0.02 | 0.01 | 0.02 | 0.02 | 0.02 | 0.01 |
| Guatemala | 0.12 | 0.10 | 0.17 | 0.12 | 0.09 | 0.10 | 0.07 | 0.09 | 0.07 | 0.06 | 0.06 |
| Nicaragua | N.A. | N.A. | 0.03 | 0.03 | 0.02 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 |
| Panama | 0.35 | 0.20 | 0.19 | 0.09 | 0.09 | 0.03 | 0.01 | 0.01 | 0.02 | 0.01 | 0.02 |
| Other | 0.04 | 0.06 | 0.02 | 0.02 | 0.02 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 |
| **South America** | **2.05** | **3.08** | **3.08** | **3.28** | **3.30** | **3.26** | **1.95** | **1.94** | **2.07** | **2.04** | **2.00** |
| Argentina | 0.39 | 0.96 | 0.73 | 0.39 | 0.38 | 0.42 | 0.26 | 0.34 | 0.21 | 0.21 | 0.15 |
| Bolivia | 0.01 | 0.01 | 0.02 | 0.03 | 0.02 | 0.02 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 |
| Brazil | 1.04 | 1.16 | 1.61 | 1.78 | 1.83 | 1.55 | 0.78 | 0.77 | 0.79 | 0.83 | 0.79 |
| Colombia | 0.06 | 0.08 | 0.10 | 0.12 | 0.13 | 0.15 | 0.13 | 0.11 | 0.11 | 0.12 | 0.15 |
| Chile | 0.13 | 0.15 | 0.10 | 0.15 | 0.20 | 0.29 | 0.21 | 0.19 | 0.34 | 0.44 | 0.48 |
| Peru | 0.07 | 0.18 | 0.20 | 0.31 | 0.26 | 0.26 | 0.14 | 0.13 | 0.13 | 0.11 | 0.13 |
| Venezuela | 0.16 | 0.41 | 0.28 | 0.33 | 0.35 | 0.37 | 0.30 | 0.26 | 0.38 | 0.24 | 0.21 |
| Other | 0.16 | 0.13 | 0.04 | 0.17 | 0.13 | 0.19 | 0.13 | 0.13 | 0.09 | 0.08 | 0.07 |
| **Antilles** | **0.26** | **0.35** | **0.27** | **0.30** | **0.32** | **0.31** | **0.40** | **0.32** | **0.28** | **0.22** | **N.A.** |
| **Europe** | **11.74** | **13.76** | **13.50** | **13.34** | **12.79** | **12.28** | **9.99** | **9.32** | **9.77** | **10.04** | **N.A.** |
| Germany | 3.93 | 4.42 | 4.66 | 3.99 | 4.33 | 3.91 | 3.71 | 3.55 | 3.55 | 3.62 | 3.54 |
| Austria | 0.07 | 0.11 | 0.14 | 0.18 | 0.16 | 0.15 | 0.12 | 0.13 | 0.13 | 0.15 | 0.12 |
| Belgium-Luxembourg | 0.45 | 0.59 | 0.66 | 0.49 | 0.41 | 0.42 | 0.29 | 0.27 | 0.30 | 0.28 | 0.21 |
| Spain | 0.95 | 1.25 | 1.15 | 1.41 | 1.76 | 1.69 | 0.96 | 0.70 | 0.89 | 1.00 | 0.93 |
| France | 1.62 | 1.71 | 1.94 | 2.10 | 1.65 | 1.92 | 1.35 | 1.14 | 1.08 | 1.14 | 0.98 |
| Holland | 0.37 | 0.54 | 0.43 | 0.39 | 0.37 | 0.30 | 0.30 | 0.25 | 0.24 | 0.26 | 0.23 |
| Italy | 1.05 | 1.09 | 1.25 | 1.58 | 1.25 | 1.29 | 1.06 | 1.12 | 1.21 | 1.26 | 1.16 |
| UK | 0.94 | 1.18 | 1.00 | 1.00 | 0.90 | 0.89 | 0.73 | 0.76 | 0.83 | 0.84 | 0.80 |
| Sweden | 0.64 | 0.76 | 0.71 | 0.54 | 0.40 | 0.35 | 0.28 | 0.26 | 0.32 | 0.27 | 0.49 |
| Switzerland | 0.90 | 0.80 | 0.76 | 0.80 | 0.76 | 0.62 | 0.54 | 0.51 | 0.51 | 0.47 | 0.51 |
| Former USSR | 0.02 | 0.04 | 0.03 | 0.08 | 0.11 | 0.18 | 0.09 | 0.07 | 0.16 | 0.20 | N.A. |
| Other | 0.78 | 1.26 | 0.78 | 0.79 | 0.68 | 0.56 | 0.56 | 0.57 | 0.55 | 0.54 | N.A. |

continues next page...

**TABLE 17** (continued)

| | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Asia** | **6.03** | **6.29** | **7.17** | **9.33** | **9.82** | **12.16** | **10.73** | **10.13** | **10.50** | **10.47** | **N.A.** |
| Korea | 0.71 | 0.64 | 0.87 | 0.99 | 1.01 | 0.93 | 1.34 | 1.32 | 1.67 | 1.56 | 2.09 |
| Taiwan | 0.56 | 0.75 | 0.86 | 0.87 | 1.01 | 1.30 | 0.99 | 1.00 | 1.04 | 1.22 | 1.10 |
| Hong Kong | 0.53 | 0.55 | 0.62 | 0.65 | 0.09 | 0.32 | 0.22 | 0.14 | 0.17 | 0.17 | 0.18 |
| Israel | 0.03 | 0.04 | 0.05 | 0.07 | 0.07 | 0.11 | 0.06 | 0.09 | 0.10 | 0.11 | 0.12 |
| Japan | 3.77 | 3.53 | 3.19 | 4.89 | 5.15 | 6.02 | 5.45 | 4.62 | 3.95 | 3.62 | 3.58 |
| Singapore | 0.14 | 0.11 | 0.17 | 0.17 | 0.24 | 0.27 | 0.40 | 0.43 | 0.39 | 0.39 | 0.38 |
| China | 0.00 | 0.07 | 0.28 | 0.68 | 0.54 | 0.54 | 0.72 | 0.85 | 1.14 | 1.29 | 1.35 |
| Other | 0.30 | 0.59 | 1.13 | 1.00 | 1.70 | 2.68 | 1.54 | 1.69 | 2.05 | 2.11 | N.A. |
| **Africa** | **0.20** | **0.23** | **0.16** | **0.16** | **0.20** | **0.19** | **0.18** | **0.25** | **0.25** | **0.29** | **N.A.** |
| **Oceania** | **0.34** | **0.62** | **0.30** | **0.42** | **0.41** | **0.40** | **0.25** | **0.29** | **0.29** | **0.32** | **N.A.** |
| Australia | 0.11 | 0.16 | 0.16 | 0.17 | 0.17 | 0.21 | 0.14 | 0.14 | 0.15 | 0.19 | N.A. |
| Other | 0.23 | 0.46 | 0.14 | 0.25 | 0.24 | 0.19 | 0.11 | 0.15 | 0.14 | 0.12 | N.A. |
| **Rest of the World** | **0.12** | **0.03** | **0.00** | **0.00** | **0.02** | **0.13** | **0.07** | **0.12** | **0.17** | **0.21** | **N.A.** |

SOURCE: State of the Nation Report from 1989-98, Secofi for 1999, both with Banxico data.

*Exports includes transportation and insurance expenses.

**Figures may not add up due to rounding off.

**TABLE 18**
**Foreign Direct Investment**
**By Country of Origin**
(Millions of Dollars)

| Year | Total | USA | UK | Germany | Japan | Switzerland | France | Spain | Sweden | Canada | Others |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1980 | 1,622.6 | 1,078.6 | 48.6 | 170.8 | 123.1 | 111.4 | 19.5 | 80.0 | 10.9 | 17.5 | -37.8 |
| 1981 | 1,701.1 | 1,072.1 | 40.9 | 146.3 | 212.1 | 74.9 | 10.3 | 101.8 | 15.3 | 5.2 | 22.2 |
| 1982 | 626.5 | 426.1 | 7.4 | 39.9 | 65.4 | 23.1 | 6.8 | 40.4 | -2.0 | 8.1 | 11.3 |
| 1983 | 683.7 | 266.6 | 49.2 | 110.0 | 3.8 | 16.2 | 110.0 | 12.7 | 29.1 | 22.1 | 64.0 |
| 1984 | 1,429.8 | 912.0 | 44.3 | 152.5 | 35.6 | 59.8 | 8.7 | 11.7 | 61.1 | 32.5 | 111.6 |
| 1985 | 1,729.0 | 1,326.8 | 56.3 | 55.5 | 79.3 | 141.2 | 10.7 | 14.0 | 5.5 | 34.9 | 4.8 |
| 1986 | 2,424.2 | 1,206.4 | 104.3 | 218.5 | 142.2 | 34.1 | 316.9 | 93.7 | 24.6 | 40.6 | 242.9 |
| 1987 | 3,877.2 | 2,669.6 | 430.9 | 46.9 | 132.8 | 95.2 | 31.2 | 125.8 | 36.7 | 19.3 | 288.8 |
| 1988 | 3,157.1 | 1,241.6 | 767.6 | 136.7 | 148.8 | 86.3 | 152.4 | 34.1 | 32.5 | 33.9 | 523.2 |
| 1989 | 2,499.7 | 1,813.8 | 44.7 | 84.7 | 15.7 | 194.4 | 16.5 | 44.0 | 6.9 | 37.5 | 241.5 |
| 1990 | 3,722.4 | 2,308.0 | 114.4 | 288.2 | 120.8 | 148.0 | 181.0 | 10.4 | 13.3 | 56.0 | 482.3 |
| 1991 | 3,565.0 | 2,386.5 | 74.2 | 84.7 | 73.5 | 68.5 | 500.5 | 43.8 | 13.9 | 74.2 | 245.2 |
| 1992 | 3,599.6 | 1,651.7 | 426.8 | 84.9 | 86.9 | 315.3 | 69.0 | 37.2 | 2.0 | 88.5 | 837.3 |
| 1993 | 4,900.7 | 3,503.6 | 189.2 | 111.4 | 73.6 | 101.7 | 76.9 | 63.5 | 2.4 | 74.2 | 704.2 |
| 1994 | 10,493.1 | 4,825.1 | 593.4 | 305.0 | 630.9 | 53.9 | 90.5 | 145.1 | 9.3 | 740.4 | 3,099.5 |
| 1995 | 8,077.1 | 5,265.4 | 213.5 | 548.5 | 155.7 | 200.2 | 119.5 | 41.6 | 61.1 | 168.7 | 1,302.9 |
| 1996 | 7,396.4 | 4,966.5 | 74.4 | 193.9 | 139.3 | 76.1 | 118.9 | 59.8 | 96.6 | 482.0 | 1,188.9 |
| 1997 | 10,795.6 | 6,460.6 | 1,814.3 | 467.6 | 342.3 | 28.7 | 59.0 | 263.5 | 7.2 | 202.5 | 1,122.9 |
| 1998 | 4,470.6 | 3,153.4 | 109.5 | 130.2 | 84.6 | 10.1 | 47.6 | 113.5 | 9.6 | 123.2 | 688.9 |

Data from 1980-93 and 1994-98 are not strictly comparable due to a change in the methodology.
SOURCE: INEGI

**TABLE 19**
**Foreign Direct Investment**
**By Country of Origin**
(Percent Composition)

| Year | USA | UK | Germany | Japan | Switzerland | France | Spain | Sweden | Canada | Others |
|---|---|---|---|---|---|---|---|---|---|---|
| 1980 | 66.47 | 3.00 | 10.53 | 7.59 | 6.87 | 1.20 | 4.93 | 0.67 | 1.08 | -2.33 |
| 1981 | 63.02 | 2.40 | 8.60 | 12.47 | 4.40 | 0.61 | 5.98 | 0.90 | 0.31 | 1.31 |
| 1982 | 68.01 | 1.18 | 6.37 | 10.44 | 3.69 | 1.09 | 6.45 | -0.32 | 1.29 | 1.80 |
| 1983 | 38.99 | 7.20 | 16.09 | 0.56 | 2.37 | 16.09 | 1.86 | 4.26 | 3.23 | 9.36 |
| 1984 | 63.79 | 3.10 | 10.67 | 2.49 | 4.18 | 0.61 | 0.82 | 4.27 | 2.27 | 7.81 |
| 1985 | 76.74 | 3.26 | 3.21 | 4.59 | 8.17 | 0.62 | 0.81 | 0.32 | 2.02 | 0.28 |
| 1986 | 49.76 | 4.30 | 9.01 | 5.87 | 1.41 | 13.07 | 3.87 | 1.01 | 1.67 | 10.02 |
| 1987 | 68.85 | 11.11 | 1.21 | 3.43 | 2.46 | 0.80 | 3.24 | 0.95 | 0.50 | 7.45 |
| 1988 | 39.33 | 24.31 | 4.33 | 4.71 | 2.73 | 4.83 | 1.08 | 1.03 | 1.07 | 16.57 |
| 1989 | 72.56 | 1.79 | 3.39 | 0.63 | 7.78 | 0.66 | 1.76 | 0.28 | 1.50 | 9.66 |
| 1990 | 62.00 | 3.07 | 7.74 | 3.25 | 3.98 | 4.86 | 0.28 | 0.36 | 1.50 | 12.96 |
| 1991 | 66.94 | 2.08 | 2.38 | 2.06 | 1.92 | 14.04 | 1.23 | 0.39 | 2.08 | 6.88 |
| 1992 | 45.89 | 11.86 | 2.36 | 2.41 | 8.76 | 1.92 | 1.03 | 0.06 | 2.46 | 23.26 |
| 1993 | 71.49 | 3.86 | 2.27 | 1.50 | 2.08 | 1.57 | 1.30 | 0.05 | 1.51 | 14.37 |
| 1994 | 45.98 | 5.66 | 2.91 | 6.01 | 0.51 | 0.86 | 1.38 | 0.09 | 7.06 | 29.54 |
| 1995 | 65.19 | 2.64 | 6.79 | 1.93 | 2.48 | 1.48 | 0.52 | 0.76 | 2.09 | 16.13 |
| 1996 | 67.15 | 1.01 | 2.62 | 1.88 | 1.03 | 1.61 | 0.81 | 1.31 | 6.52 | 16.07 |
| 1997 | 59.84 | 17.06 | 4.33 | 3.17 | 0.27 | 0.55 | 2.44 | 0.07 | 1.88 | 10.40 |
| 1998 | 70.54 | 2.45 | 2.91 | 1.89 | 0.23 | 1.06 | 2.54 | 0.21 | 2.76 | 15.41 |

Data from 1980-93 and 1994-98 are not strictly comparable due to a change in the methodology.
SOURCE: INEGI

**TABLE 20**
**Mexico's GDP Composition**
(In Percentage)

| | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| GDP at market prices | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| Net indirect taxes | 7.98 | 9.69 | 8.13 | 8.30 | 8.50 | 8.53 | 8.56 | 8.24 | 8.02 | 8.61 | 9.06 | 9.48 | 8.54 |
| GDP at factor cost | 92.02 | 90.31 | 91.87 | 91.70 | 91.50 | 91.47 | 91.44 | 91.76 | 91.98 | 91.39 | 90.94 | 90.52 | 91.46 |
| Agriculture, value added | 9.48 | 8.74 | 7.26 | 7.11 | 7.18 | 6.88 | 6.11 | 5.78 | 5.28 | 5.00 | 5.53 | 5.01 | 4.82 |
| Industry, value added | 32.12 | 34.31 | 29.50 | 26.93 | 26.00 | 25.64 | 25.69 | 24.62 | 24.70 | 25.53 | 25.84 | 25.87 | 26.03 |
| Construction, value added | 4.26 | 4.06 | 3.67 | 3.46 | 3.59 | 3.76 | 4.12 | 4.40 | 4.87 | 3.72 | 3.78 | 4.03 | 4.29 |
| Gas, electricity and water, value added | 1.45 | 1.40 | 1.20 | 1.22 | 1.24 | 1.36 | 1.46 | 1.46 | 1.35 | 1.16 | 1.06 | 1.08 | 1.07 |
| Mining and quarrying, value added | 3.61 | 5.03 | 2.71 | 2.17 | 2.14 | 1.69 | 1.60 | 1.29 | 1.23 | 1.58 | 1.42 | 1.38 | 1.22 |
| Manufacturing, value added | 22.80 | 23.82 | 21.92 | 20.08 | 19.03 | 18.83 | 18.52 | 17.47 | 17.25 | 19.06 | 19.58 | 19.38 | 19.45 |
| Services, value added | 50.42 | 47.26 | 55.11 | 57.65 | 58.31 | 58.95 | 59.63 | 61.37 | 62.00 | 60.86 | 59.56 | 59.63 | 60.61 |
| Transport, storage and communication, value added | 7.39 | 7.24 | 8.69 | 8.37 | 8.32 | 9.12 | 8.71 | 8.54 | 8.79 | 9.15 | 9.26 | 9.59 | 9.90 |
| Trade, value added | 20.51 | 19.12 | 23.29 | 22.88 | 22.63 | 21.18 | 20.86 | 19.99 | 19.41 | 19.15 | 19.57 | 19.34 | 18.30 |
| Banking, value added | 7.68 | 7.01 | 8.91 | 11.12 | 12.13 | 12.53 | 13.24 | 14.55 | 14.89 | 16.79 | 13.67 | 12.10 | 12.61 |
| Public administration and defense, value added | 16.13 | 15.19 | 15.63 | 15.88 | 16.29 | 17.30 | 18.92 | 20.97 | 21.90 | 20.69 | 19.31 | 19.93 | 20.80 |
| Other services, valuc added | -1.30 | -1.31 | -1.41 | -0.60 | -1.05 | -1.18 | -2.10 | -2.68 | -2.99 | -4.91 | -2.25 | -1.33 | -1.00 |

SOURCE: World Bank LDB

## TABLE 21
## Withholding Tax Rates as of 1997
(In Percentage)

| | Tax Treaties | | |
|---|---|---|---|
| | Canada-Mexico | Canada-U.S. | U.S-Mexico |
| Parent/Subsidiary Dividends | 10.00 | 5.00 | 5.00 |
| Portfolio Dividends | 15.00 | 10.00 | 15.00 |
| Interest | 15.00 | 10.00 | 15.00 – 10.00 |
| Royalties | 15.00 | 10.00 | 10.00 |
| Capital Gains | 0.00 | 0.00 | 0.00 |

SOURCE: Cockfield (1998).

## TABLE 22
## Effective Corporate Tax Rate on the Foreign Capital Investment
(In Percentage)

**1A. Mexico as the host, non-exporters**

| | Manufacturing | | Services | |
|---|---|---|---|---|
| | U.S. | Canada | U.S. | Canada |
| Buildings | 9.5 | 11.8 | 8.7 | 10.3 |
| Machinery | 31.2 | 32.3 | 40.9 | 41.7 |
| Inventory | 26.9 | 28.5 | 26.9 | 28.1 |
| Land | 22.9 | 24.5 | 22.9 | 24.2 |
| **Aggregate** | **25.2** | **26.7** | **18.9** | **20.3** |

**1B. Mexico as the host, for exporters (i.e., with import duty exemption)**

| | Manufacturing | | Services (for illustration only) | |
|---|---|---|---|---|
| | U.S. | Canada | U.S. | Canada |
| Buildings | 9.5 | 11.8 | 8.7 | 10.3 |
| Machinery | 17.1 | 18.9 | 25.8 | 27.0 |
| Inventory | 22.9 | 24.5 | 22.9 | 24.2 |
| Land | 22.9 | 24.5 | 22.9 | 24.2 |
| **Aggregate** | **17.9** | **19.8** | **15.6** | **17.0** |

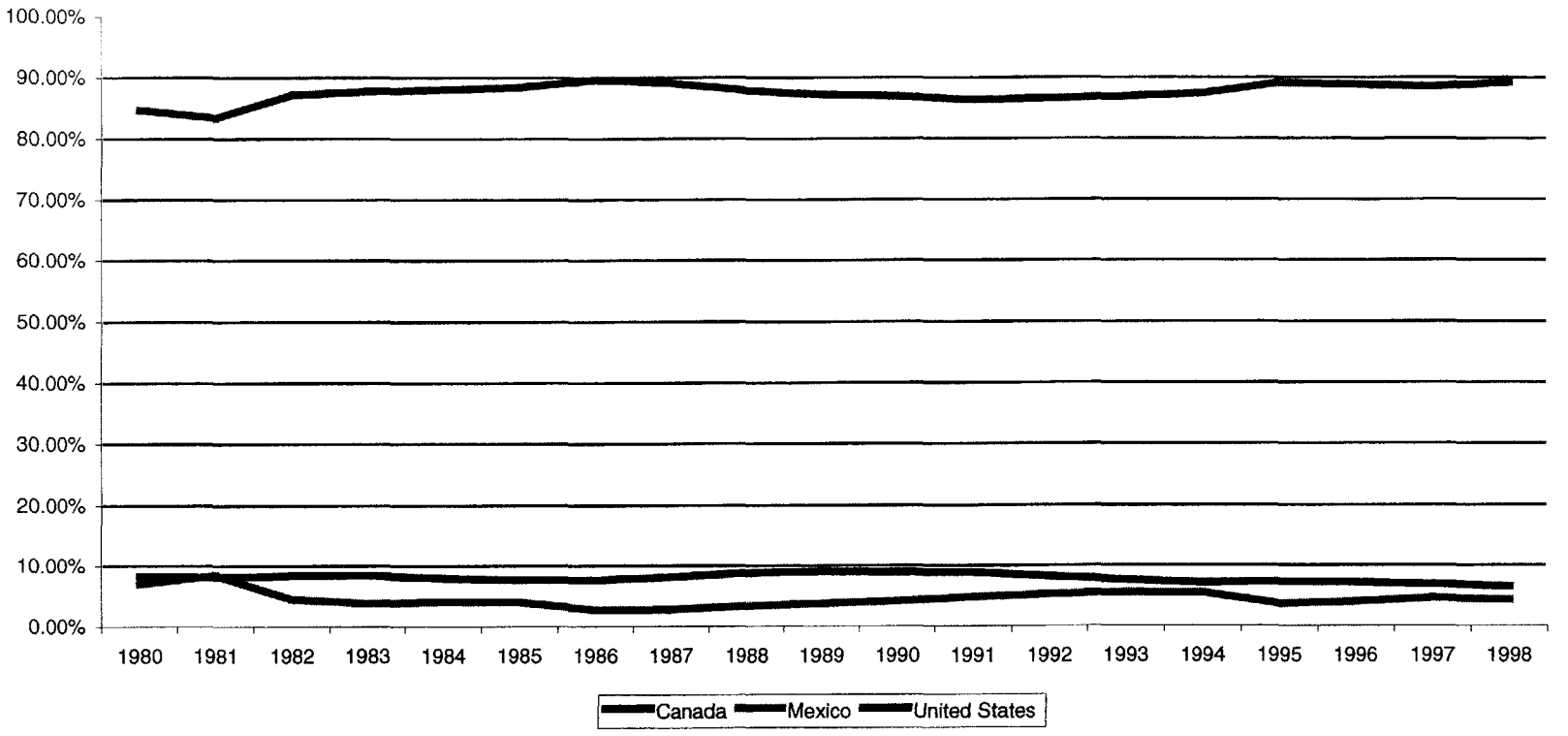
**2. Canada as the host**

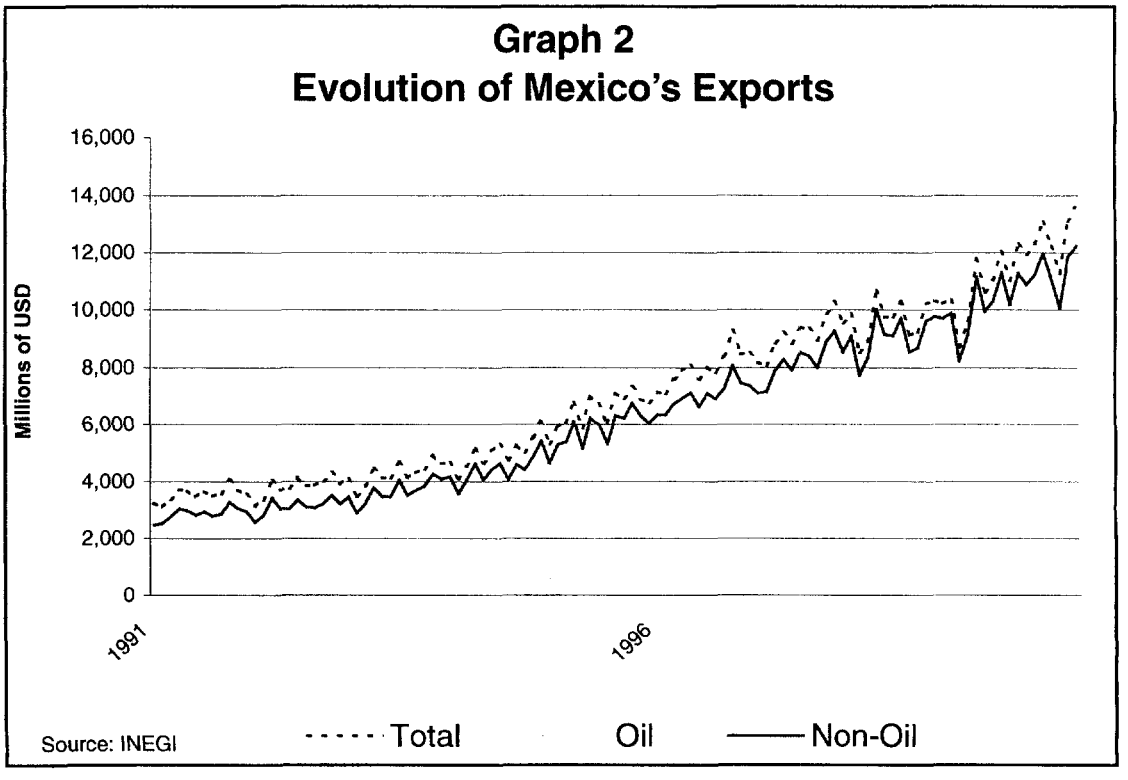
| | Manufacturing | | Services | |
|---|---|---|---|---|
| | Mexico | U.S. | Mexico | U.S. |
| Buildings | 31.4 | 23.0 | 29.5 | 20.9 |
| Machinery | 25.4 | 16.3 | 46.1 | 39.4 |
| Inventory | 41.0 | 33.7 | 45.4 | 38.7 |
| Land | 32.0 | 23.7 | 35.1 | 27.3 |
| **Aggregate** | **33.5** | **25.3** | **35.0** | **27.1** |

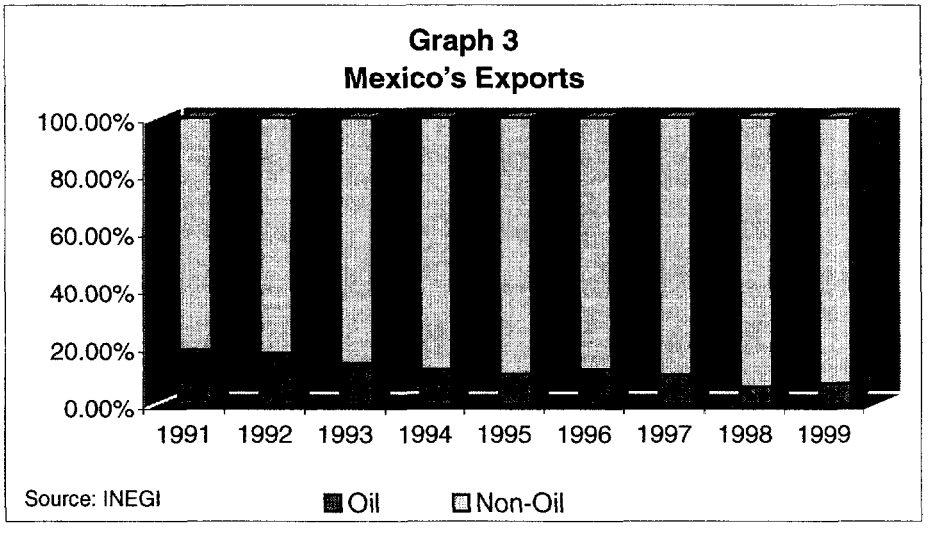
**3. The U.S. as the host**

| | Manufacturing | | Services | |
|---|---|---|---|---|
| | Mexico | Canada | Mexico | Canada |
| Buildings | 23.8 | 21.7 | 22.4 | 19.8 |
| Machinery | 25.4 | 22.2 | 35.5 | 32.1 |
| Inventory | 21.1 | 19.8 | 21.1 | 19.2 |
| Land | 21.1 | 19.8 | 21.1 | 19.2 |
| **Aggregate** | **23.4** | **21.2** | **23.8** | **21.3** |

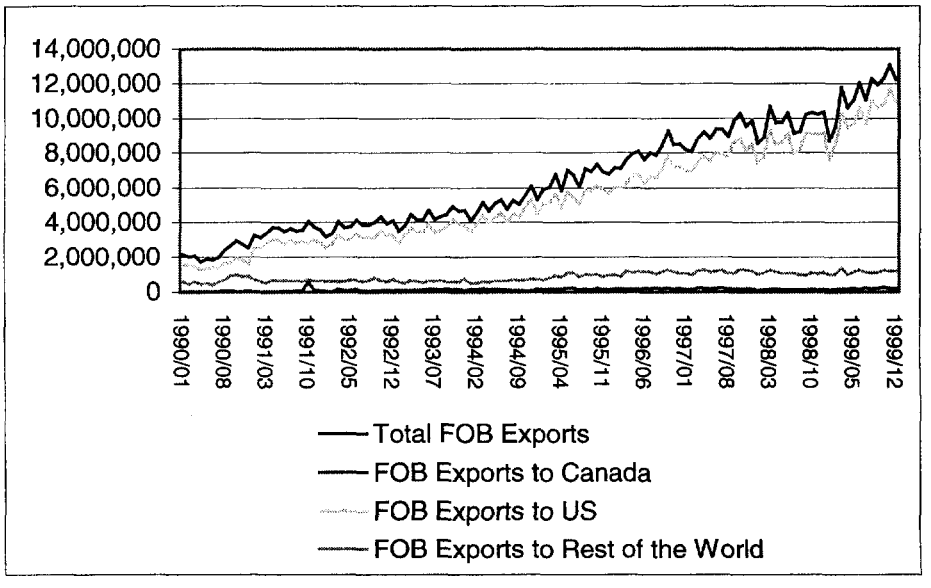
## Graph 1
## North American GDP



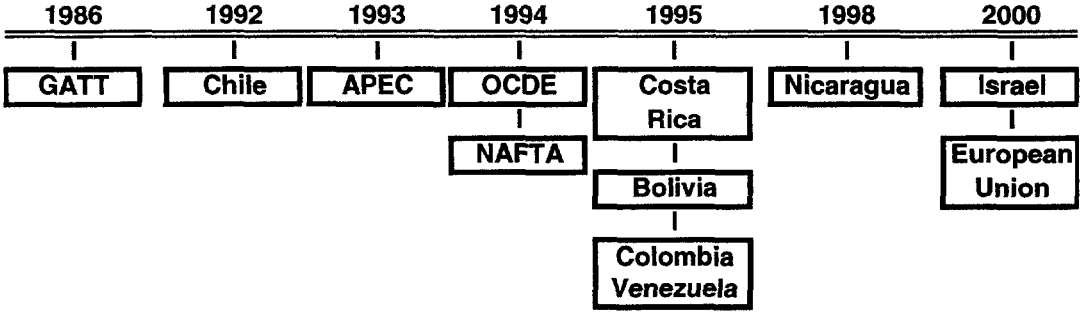

Graph 2
Evolution of Mexico's Exports
Millions of USD
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
1991
1996
Source: INEGI
Total
Oil
Non-Oil


Graph 3
Mexico's Exports
100.00%
80.00%
60.00%
40.00%
20.00%
0.00%
1991
1992
1993
1994
1995
1996
1997
1998
1999
Source: INEGI
Oil
Non-Oil

## Graph 4
## Composition of Exports by Country



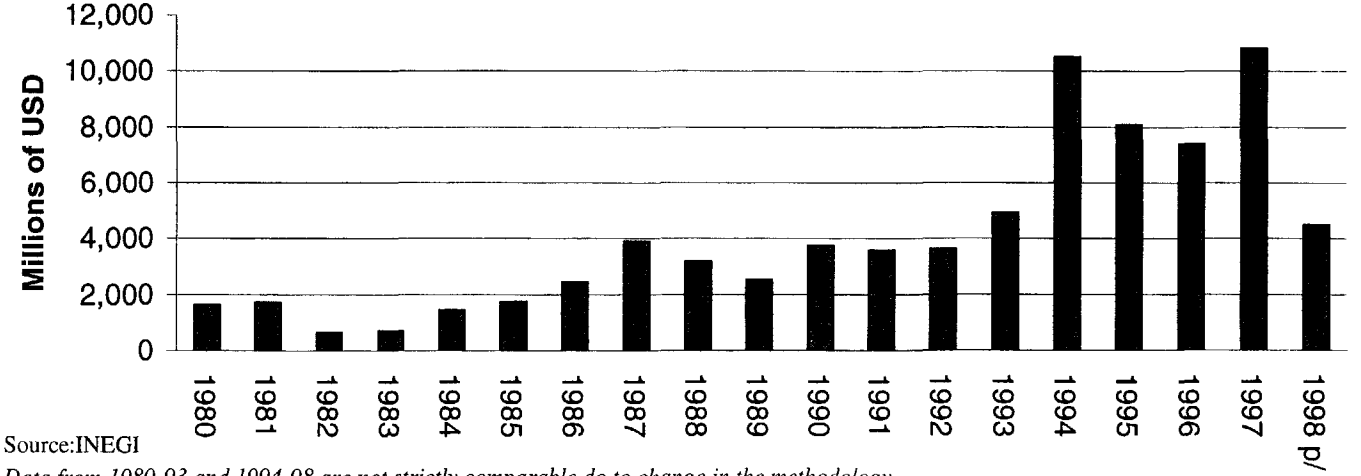

## Graph 5: MEXICO in the Global Market




## Trade Agreements Currently Being Negotiated by Mexico

**Guatemala, Honduras and El Salvador**
**Belize**
**Ecuador**
**Panama**
**Peru**
**Trinidad and Tobago**

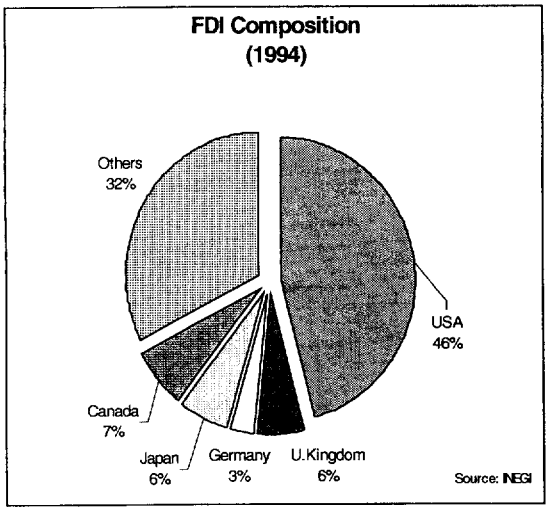
## Graph 6
## Foreign Direct Investment

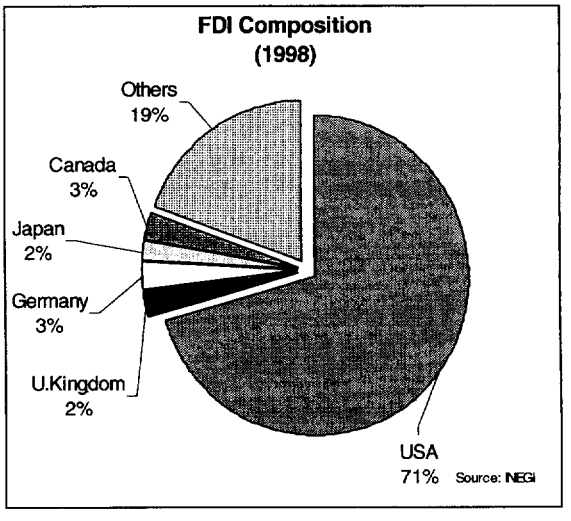


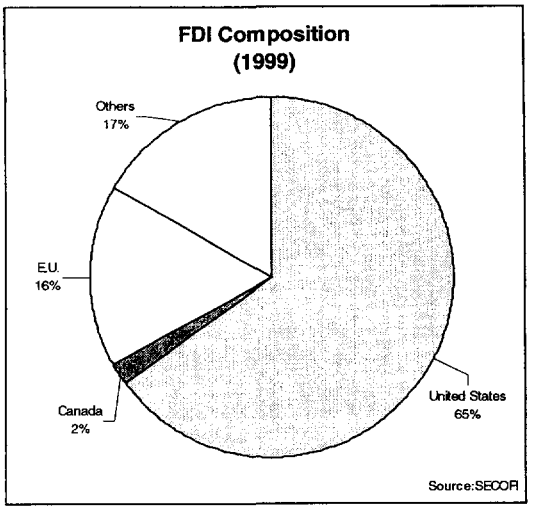

Source:INEGI

*Data from 1980-93 and 1994-98 are not strictly comparable do to change in the methodology*

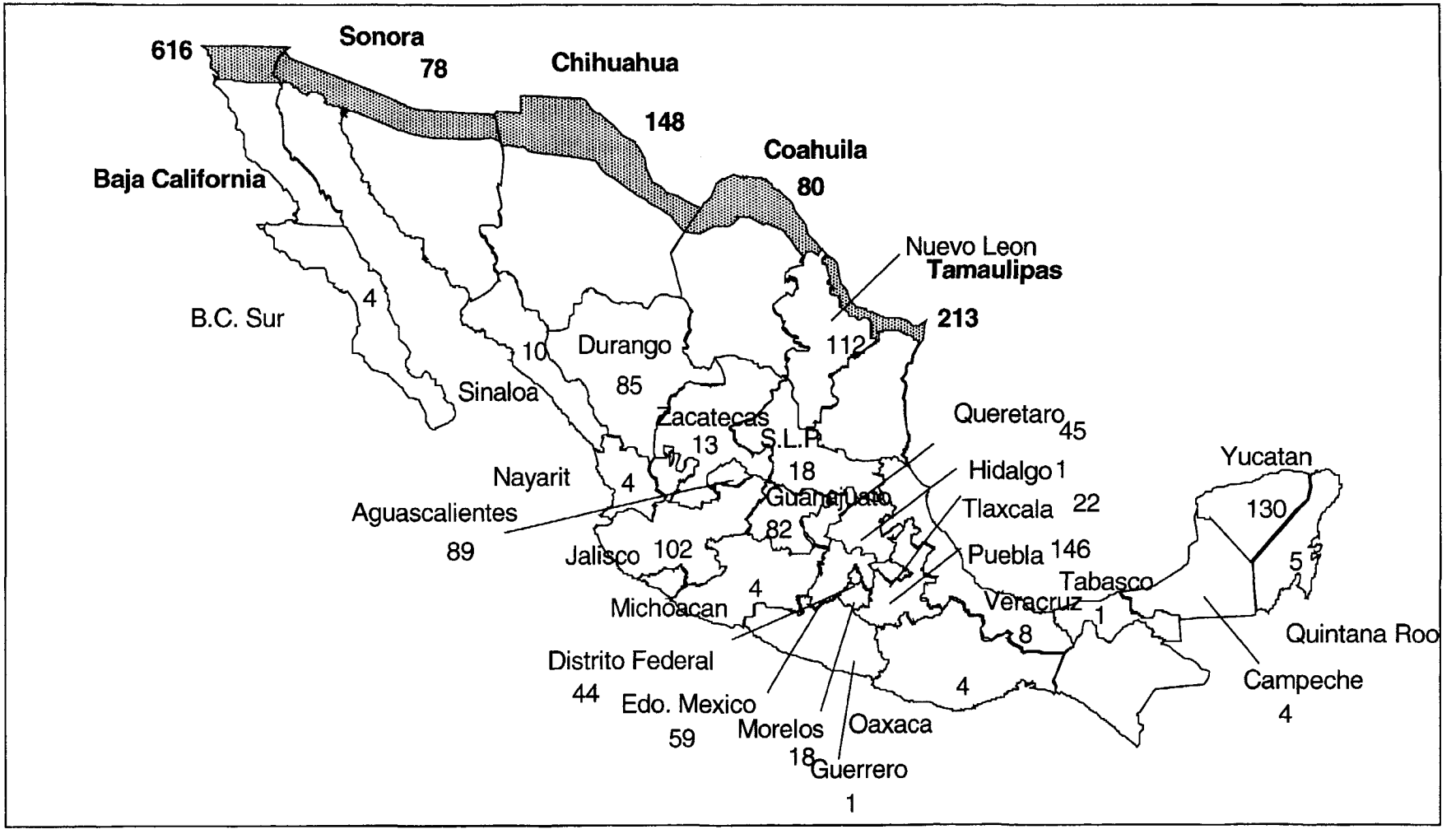
# Graph 7 FDI Composition



# Graph 8 New Maquiladoras per State 1994-1998



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