| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Limao, Venables (2001) | | | 28,0% | | | Reducing infrastructure from median to 75th percentile, reduction in trade | World |
| Freund, Weinhold (2004) | | | | | 0,2% | 10% increase in Web volume, impact on exports | World |
| Anderson, Marcouiller (2002) | | | | 34,0% | | Aligning Latin American institutions with European Union standards | Latin America |
| Behar, Manners, Nelson (2012) | | | 36,0% | | | 1 standard deviation increase in logistics index (incl. affordability/ speed of shipments, IT and other metrics), impact on exports | World |
| Helble, Shepherd, Wilson (2007) | | | | 7,5% | | Bringing APEC nations with transparency measures below average to the regional average | APEC |

**Table 10: Literature overview: Additional quantification of trade barriers**

| Article | Relevant empirical result | Geographic focus |
|---|---|---|
| Kee, Olarreaga, Nicita (2006) | Average ad valorem equivalent (AVE) tariff of current in-place restrictions is 10.7% | World |
| Hummels, Skiba (2004) | Doubling trade flow leads to a 12% reduction in shipping costs | Latin America |
| Cadot, de Melo (2007) | 10% decrease in the % of unit cost required to be from a rules of origin (RoO) country leads to 2-5% increase in use (decrease in effective tariff) | North America/ Africa |
| Arvis, Duval, Shepherd, Utoktham (2012) | Effect on trade costs of a one-standard deviation increase in logistics index 10x greater than a one-standard deviation decrease in tariffs | World |
| Hoekman, Nicita (2011) | Convergence of logistics in low-income countries to average of middle-income countries is associated with 15% increase in exports; comparable convergence of tariffs associated with 10.6% increase in exports | World |
| Adler, Brunel, Hufbauer, Schott (2009) | Implementation of Doha trade facilitation negotiations (freedom of transit, limited border fees, transparent trade regulations) could increase GDP by US$ 385 billion | World |
| Decreux, Fontagne (2009) | 50% reduction in import/export clearance times by countries above world median increases GDP by US$ 99 billion | World |

## US–Mexico Competitiveness Agenda – The Urgency of Accelerating the Pace

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To successfully integrate and compete in global value chains, the leaders of Canada, the United States and Mexico need to address with a greater sense of urgency the competitiveness agenda of the region. The agenda should include the following priorities: regulatory cooperation, 21st century borders and intellectual property.

**Regulatory cooperation**

Costs in time and money associated with regulatory compliance are one of the main obstacles to international trade. Therefore, regulatory cooperation is central to the competitiveness agenda.

To facilitate trade, Mexico and the United States need to continue working on adopting compatible measures, either through harmonization or through mutual equivalence recognition. (Despite being different, they provide the same degree of protection.) That way, producers do not have to differentiate their products depending on the rules or measures required in the target market. Also, mutual recognition of conformity assessment procedures represents savings to producers, as it helps them avoid going through certification procedures several times.

To facilitate communication, coordination and cooperation among the more than 20 agencies in charge of regulation in each country, the North American Free Trade Agreement (NAFTA) parties have complemented the institutional framework contemplated under the agreement creating bilateral high-level regulatory cooperation councils, which comprise senior-level regulatory, trade and foreign affairs officials. After extensive public consultations, the US-Mexico Council enacted a Working Plan focused on seven priority areas: food, transportation, nanotechnology, electronic medical records, oil and gas, and conformity assessment procedures. Equivalence has been implemented in measures applicable to electronics, medical devices, food safety, aircraft components, and telecommunications equipment.

**21st-century border**

A significant part of the benefits in competitiveness derived from tariff elimination under NAFTA have been offset by excessive delays at ports of entry between the US-Mexico and US-Canada, as shown in the accompanying graphs. In 2010, approximately 95% of the flow of goods and persons between the US and Mexico took place through land transportation. Addressing this situation has been a priority.

Despite efforts under NAFTA´s institutions and those put in place after 9/11, progress has not met the demand of this enormous challenge. The seamless and intelligent border became a thickened one. To improve coordination, in 2010 the US-Mexico Executive Steering Committee on Twenty-First Century Border Management was created. It comprises high level government officials from 17 offices of the United States and Mexico. [45] The committee focuses on improving infrastructure, establishing effective risk management procedures and facilitating pre-clearance of goods:

- **Infrastructure** After 10 years, three new ports of entry were inaugurated and the first new railroad in 100 years is being constructed, increasing the number of railroad border crossings from seven to eight. Railroad transportation is considered as a priority because of its greater efficiency, security and reduction of emissions.

- **Risk management** Mexico, together with its partners, is promoting effective risk management programmes to rigorously monitor high-risk trade while at the same time accelerating the flow of low-risk passengers and trade through the expansion of reliable traveller and safe load programmes.

- **Pre-clearance** Three pilot programmes are in the process of starting operations and, if successful, will become permanent and broader: Laredo, Texas Airport; Otay Mesa, Baja California for agriculture products; and Foxconn company facilities adjacent to Mexican customs in San Jerónimo, Chihuahua.

- **Metrics** The United States and Mexico have agreed to a common methodology to measure wait times at land ports of entry. As of August 2012, three of the seven research studies on wait times have been completed. It is necessary to carry out regular assessments to obtain complete information on the impact of implemented measures to compare the performance of both countries and, if convenient, to make the necessary adjustments to the adopted policies.

Figure 39: Each trade barrier can disrupt a company's supply chain and lead to higher costs

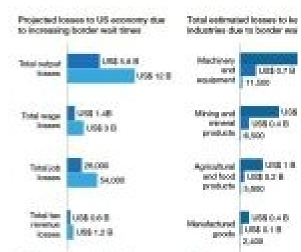

**Figure 39:** Each trade barr
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### Intellectual property

To promote creativity and innovation, generate foreign and domestic investment and increase competitiveness, the NAFTA Parties subscribed to several commitments under the Agreement, followed by the Security and Prosperity Partnership, and most recently the signing of the Anti-Counterfeiting Trade Agreement.

Over the past years, the three countries have been working on these issues. Now, with US President Obama's re-election and a new administration taking office in Mexico, there is an opportunity to adopt a common and comprehensive strategic vision that will hopefully accelerate the implementation of the former agenda. There is no more time to lose.