

Barton Deakin Brief: Mexico-Australia Economic Relationship

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On 20 August 2015 Australia's economic relationship with Mexico was referred to the Senate's Foreign Affairs, Defence and Trade Reference Committee for inquiry and report. The Committee is currently accepting submissions on the Inquiry. Submissions close 9 October. The Final Report will be released 3 December 2015.

This Barton Deakin Brief outlines the significant elements in the Mexico – Australia economic relationship.

Mexico-Australia Relationship

Australia has a strong relationship with Mexico, and continues to foster economic and trade ties as Mexico develops as a significant market for Australian exports.

In 2014 Australian exports to Mexico were worth A\$516 million, 0.2 per cent of total Mexican imports. This made Australia Mexico's 33rd largest importer and presented a 31.3 per cent growth from 2013. Australian imports from Mexico in 2014 were valued at A\$1,972 million. Mexico was Australia's 24th largest import partner.

Australia's top exports to Mexico are coal, meat (excluding beef), plastic products and mineral ores. Mexican exports to Australia included telecom technology parts, alcoholic beverages and medical instruments.

Mexico and Australia are closely linked by a series of significant bilateral agreements. These include:

- A Memorandum of Understanding on Education, Research and Vocational Training (2015);
- A Bilateral Plan for Action to provide a framework for co-operation in areas of mutual interest (2011);
- A Memorandum of Understanding on Co-operation in Agriculture (2010);
- A Memorandum of Understanding on Mining (2010);
- A Memorandum of Understanding on Political Consultations (2009); and
- A Memorandum of Understanding on Energy (2005).

The Australian Department of Foreign Affairs and Trade (**DFAT**) and the Mexican Ministry of the Economy produced an [Australia-Mexico Joint Experts Group on Strengthening Bilateral Economic Relations: Joint Report](#) in 2007.

Mexico and Australia are also members of a number of multilateral international bodies. They co-operate directly through their membership of [MIKTA](#), an organisation consisting of Mexico, Indonesia, Korea, Turkey and Australia with a goal of advancing consensus on global issues. Mexico and Australia are also both members of the [Organisation for Economic Co-operation and Development \(OECD\)](#), the G20 and the [Asia-Pacific Economic Co-operation \(APEC\)](#) forum.



In 2012 Mexico joined the group nations currently in negotiations to finalise the Trans-Pacific Partnership. Australia is also a party to these negotiations.

Export Opportunities

The increasing growth of the Mexican economy provides a number of significant growth opportunities for Australia's export market.

Energy

As population and living standards in Mexico continue to grow a greater supply of energy will be required. Australia's coal, gas and oil exports will benefit from reforms in the Mexican energy sector. There is also significant potential for the export of renewable energy technology.

Agriculture

Australia's agricultural and food exporters are also well placed to take advantage of the growth in the Mexican middle class. Australian wine has been increasingly exported to Mexico with positive results. Australian agricultural technology exports may also have potential to grow in the established Mexican agricultural sector.

In recent times the live export of animals to Mexico from Australia has decreased due to drops in Australia's supply capacity and competition from countries with operating Free Trade Agreements (FTAs) with Mexico, such as the United States.

Infrastructure

The Mexican Government has increased its construction of infrastructure in recent years, making it a possible growth area for the Australian construction and engineering industry. Major Australian firms Lend Lease and Macquarie Capital are currently engaged in the Mexican market.

The Mexican Government's planned water infrastructure projects are also key areas of interest to Australia's water management and infrastructure providers, as are Mexican utility and government-owned water companies.

Mining

Mexico is one of the world's largest producers of mineral resources. It produces the largest amount of silver in the world, is among the top producers of 15 other minerals, and has a developed mining sector. However large areas of Mexico remain unexplored or under-explored, providing opportunities for investment and export for Australia's mining technology and exploration companies.

There are a number of major Mexican mining companies currently operating in Australia including Grupo Mexico and Luismin.

Education

The Australian education industry also has the potential to benefit from the increasing wealth and demand for education among Mexicans. Mexico is the fourth largest education export market in



Latin America, behind Brazil, Colombia and Chile. DFAT has stated that Australian education and vocational training services are well regarded in Mexico.

For the Australian Trade Commission's (Austrade) market profile of Mexico, click [here](#).

Mexico's Economic Overview

Mexico's major trading partners are similar to those of Australia. In 2014 its principle export destinations were the United States, Canada, and China. The United States made up 80.2 per cent of Mexico's total export value. Similarly, the United States, Canada and China were the largest sources of imports to Mexico in 2014. These three nations made up almost 70 per cent of Mexican imports. This prominence of the United States and Canada in Mexican trade is facilitated by the North American Free Trade Agreement (**NAFTA**) to which all three countries are signatories.

Mexico's sovereign credit rating is A according to Moody's. It was upgraded in 2012 and was only the second Latin American country to achieve this. Standard and Poor's and Fitch both rate Mexico BBB+.

Mexico is party with a significant number of FTAs. It has a network of agreements spanning 43 countries.

Background

The Mexico, officially the United Mexican States, is a democratic nation with a bicameral parliament and a directly elected President. The President is the Head of State and serves for a single six year term. The Mexican congress is seated in the capital of Mexico City.

Mexico is the world's 14th largest country on land mass. 2014 estimates put Mexico's population at approximately 120 million. Mexico possesses the largest Spanish speaking population in the world. Catholicism is the dominant religion.

The current President is Enrique Pena Nieto. He was elected in 2012, and will serve until December 2018.

In September 2007 the Joint Standing Committee on Foreign Affairs, Defence and Trade tabled a Final Report into [Australia's trade with Mexico and the Region](#). Chapter 6 of the Report notes that an FTA between Mexico and Australia would have significant positive impact on trade and investment between the two countries.

Further information

To access the Department of Foreign Affairs and Trade fact sheet click [here](#).

To access the Senate Committee Inquiry's website, including information on submissions, click [here](#).

To access the complete Terms of Reference for the Senate Committee's Inquiry click [here](#).

Barton Deakin has produced several Briefs on Australia's economic relationship and free trade agreements with [Singapore](#), [Korea](#), [China](#) and [Japan](#).



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