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Mexico's international telecommunications policy: Origins, the WTO dispute, and future challenges

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Abstract

Mexico is by far Latin America's largest trader and the country with the most free trade agreements. Notwithstanding the success of its trade policy, the liberalization of its telecommunications sector was limited and generated a dispute at the WTO. This article offers an overview of Mexico's trade policy, with special emphasis on its policy regarding trade in telecommunications services and the 2002–2004 Mexico–United States dispute over telecommunications at the WTO. The dispute is the first one over trade in telecommunications services at the WTO and has generated interest among many developed and developing countries.

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0. Introduction

Mexico's trade liberalization in telecommunications services has been the subject of significant discussions at both domestic and international levels. Topics such as the adequate speed and

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depth of liberalization and the role of the incumbent generate controversy. This article provides a brief overview of Mexico's trade strategy, assessing some of the reasons that led to the limited liberalization of telecommunications and the ensuing dispute over trade in telecommunications services at the World Trade Organization (WTO).

The first section discusses trade policy developments in Mexico, given that a proper understanding of the particulars of the liberalization of trade in telecommunications services requires an understanding of Mexican trade policy reforms and the logic behind them. The second section provides a brief review of Mexico's international telecommunications commitments, the third one explains the rationale behind the trade strategy and the role that telecommunications played within it, and the fourth section highlights the contending positions between Mexico and the US over Mexico's telecommunication liberalization commitments under the General Agreement on Trade in Services (GATS), which were reviewed by a panel under the WTO's Dispute Settlement Understanding from 2002 to 2004. The dispute is the first one over trade in telecommunications services reviewed by a WTO panel, and has generated great interest among both developing and developed countries that have also undertaken commitments under GATS. The final section concludes the paper.

1. The trade policy context

Mexico is the major trade power in Latin America. In 2002 its exports surpassed those of the major Latin American economies (Fig. 1)

As part of its aggressive trade liberalization strategy, Mexico negotiated a significant number of free trade agreements since the early 1990s, and as of mid-2004 it had free trade agreements with 43 countries. It is also a founding member of the WTO, an active participant in the multilateral trade negotiations linked with the Doha Development Agenda, and an important player in the negotiations aimed at establishing the Free Trade Area of the Americas (FTAA) (Table 1).

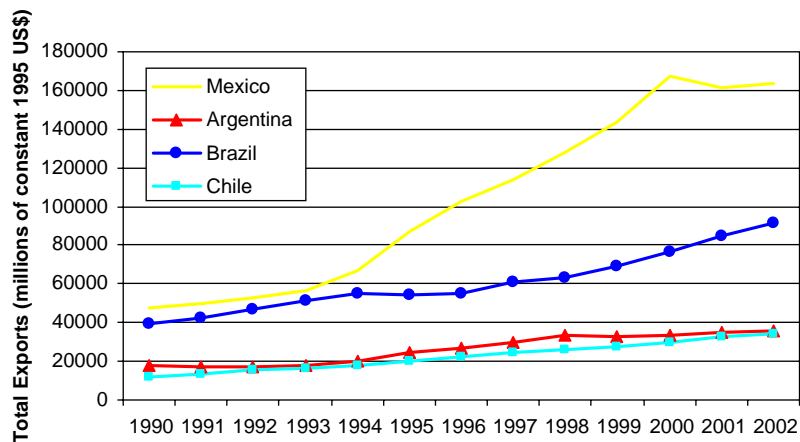


Fig. 1. Selected Latin American economies: total exports 1990–2002. *Source:* World development indicators. World Bank, 2004.

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