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**UNITED NATIONS
(ECONOMIC COMMISSION
FOR LATIN AMERICA AND THE CARRIBBEAN)
and
MEXICO**

**Memorandum of Understanding on the project “Mexico:
A competitiveness strategy compatible with its effective
integration in the world market”. Signed at Mexico City
on 7 and 8 June 1993**

Authentic text: Spanish.

Registered ex officio on 8 June 1993.

**ORGANISATION DES NATIONS UNIES
(COMMISSION ÉCONOMIQUE
POUR L'AMÉRIQUE LATINE ET LES CARAÏBES)
et
MEXIQUE**

**Mémorandum d'accord relatif au projet « Mexique : Une
stratégie de concurrence compatible avec une insertion
efficace du pays dans le marché mondial ». Signé à
Mexico les 7 et 8 juin 1993**

Texte authentique : espagnol.

Enregistré d'office le 8 juin 1993.

[TRANSLATION — TRADUCTION]

MEMORANDUM OF UNDERSTANDING¹ BETWEEN THE GOVERNMENT OF THE UNITED MEXICAN STATES AND THE ECONOMIC COMMISSION FOR LATIN AMERICA AND THE CARIBBEAN (ECLAC)1. *Background*

The economic stabilization policy carried out in Mexico in recent years has markedly reduced inflation, reactivated national productive activity and attracted large flows of capital from abroad. This favourable macroeconomic performance has been accompanied by a radical change in the environment in which Mexican firms operate, generated by more openness to external competition and less direct State intervention in the production system.

The efforts of firms to adjust to these new market conditions have produced substantial results in the manufacturing sector, whose productivity has risen significantly and whose rate of export growth has outstripped that of world trade. However, the expansion of its output has gradually been losing momentum and its labour absorption capacity has proved to be inadequate. Moreover, the unevenness of these effects seems to be widening inter- and intra-sectoral disparities and reinforcing the tendency of industry to become concentrated in certain areas.

(a) *Objective of the umbrella project “Mexico: a competitiveness strategy compatible with its effective integration in the world market”*

It is therefore worthwhile to investigate what courses of action and support measures the State could take, in concert with the private sector, to speed up the process of modernizing and enhancing the competitiveness of the industrial apparatus and to reduce the costs of adjusting to the new economic conditions, thereby ensuring the transition to a more advanced stage of development.

Against this backdrop, the Office of the President and the Ministry of Commerce and Industrial Development are preparing the project “Mexico: an industrial policy strategy compatible with its effective integration in the world market”, whose aim is to work with the business sector in defining an industrial policy strategy. To that end, four conglomerates — the food, textile and clothing, petrochemical and automotive industries — will be analysed to identify the factors that help to enhance their domestic and international competitiveness and to reduce the trade gap to levels compatible with faster economic expansion and sustained national development.

(b) *Description of umbrella project*

The umbrella project has three components. The first focuses on three issues: (i) industrial development policy in Mexico, (ii) industrial policies in the United States, Canada and the other member countries of the Organization for Economic Cooperation and Development (OECD) countries, and (iii) Comparative analysis of these policies.

¹ Came into force on 6 June 1993 by signature, in accordance with section 7.

The second component is a diagnostic study of the competitiveness of the Mexican production system in terms of: (i) the issue of external macroeconomic imbalance, (ii) identifying the branches of production (at the four-digit level) that account for the trade deficit, and (iii) determining the obstacles and possibilities inherent in each of the sectors in which Mexico could, in principle, specialize: the food, textile and clothing, petrochemical and automotive industries.

The third component is the design of a strategy to strengthen industrial competitiveness in Mexico, using the North American Free Trade Agreement (NAFTA) and OECD industrial policy practices as a frame of reference.

(c) *Contribution of ECLAC*

The contribution of ECLAC will form part of the project "Mexico: an industrial policy strategy compatible with its effective integration in the world market". The Office of the President has asked ECLAC to participate in the project conducting studies on the competitiveness of the petrochemical and automotive industries. The agreed duration of ECLAC participation would be from 1 August to 31 December 1993.

2. *Objectives, outputs and activities of the ECLAC contribution*

(a) *Objectives*

The objective of the ECLAC contribution is to prepare two studies on the competitive position of the petrochemical and automotive industries in Mexico, identifying the characteristics and relative weight of various determinants of that competitiveness. The determinants to be analysed are: factors of production, conditions of demand, associated industries and support activities, conditions of competition in the product market and the amount of feedback among these determinants.

By identifying the problems that effect the competitiveness of the industries, it should be possible to pinpoint the areas in which horizontal State intervention could be most effective in enhancing that competitiveness. In addition, identifying the specific obstacles and advantages that exist with regard to the attainment of a favourable position in the international market should help to clarify which activities should be targeted by local (regional or sectoral) measures.

(b) *Outputs (O) and activities (A)*

O1. *Profile of the petrochemical and automotive industries*

A1.1. Analysis of relevant information: industry censuses, Annual Industrial Survey conducted by the National Institute of Statistics, Geography and Informatics (INEGI)

A1.2. Interviews with officials of the petrochemical and automotive industries and chambers of industry

A1.3. Identification of the chief activities of each industry and their forward and backward production linkages

A1.4. Identification of support activities for the industries

O2. *Identification of a subset of industrial activities within each industry that are considered internationally competitive*

A2.1. Compilation of relevant statistical information and conduct of interviews