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INDEX

<i>EXECUTIVE SUMMARY</i>	- 1 -
<i>1. OBJECTIVES OF EC COOPERATION</i>	- 2 -
<i>1.1 Global Objectives</i>	- 2 -
<i>1.2 Specific Objectives in Latin America</i>	- 2 -
<i>1.3 Specific Objectives in Mexico</i>	- 3 -
<i>2. ANALYSIS OF THE POLITICAL, ECONOMIC, SOCIAL AND ENVIRONMENTAL SITUATION AND MEDIUM TERM CHALLENGES</i>	- 3 -
<i>2.1 Political situation</i>	- 3 -
<i>2.2 Economy and Finance</i>	- 4 -
<i>2.3 Structure of Production and GDP Components</i>	- 5 -
<i>2.4 Foreign Trade</i>	- 6 -
<i>2.5 Social Cohesion and related issues</i>	- 6 -
<i>2.6 Environment</i>	- 7 -
<i>3. NATIONAL AGENDA</i>	- 8 -
<i>4. INTERNATIONAL AND EC COOPERATION WITH MEXICO - COORDINATION AND COHERENCE</i>	- 10 -
<i>4.1 The Importance of International Cooperation</i>	- 10 -
<i>4.2 EC Cooperation</i>	- 10 -
<i>4.3 Evaluation of the EC cooperation with Mexico</i>	- 12 -
<i>5. EC RESPONSE STRATEGY (2007-2013)</i>	- 12 -
<i>5.1 Objectives and modalities</i>	- 13 -
<i>5.2 Justification of the choice of the focal sectors</i>	- 14 -
<i>5.2.1 Social Cohesion and support to related Sectoral Policy Dialogues</i>	- 14 -
<i>5.2.2 Sustainable Economy and Competitiveness</i>	- 16 -
<i>5.2.3 Education and Culture</i>	- 17 -
<i>5.3 Coherence with Other EC Policies and Instruments</i>	- 17 -
<i>6. PRESENTATION OF THE NATIONAL INDICATIVE PROGRAMME</i>	- 17 -
<i>6.1 Main Priorities and Goals</i>	- 18 -
<i>6.2 Specific Objectives, Target Beneficiaries and Expected Results by Sector</i>	- 18 -
<i>6.2.1 Focal Sector: Social Cohesion and Support to related Policy Dialogues</i>	- 18 -
<i>6.2.2 Focal Sector: Sustainable Economy and Competitiveness</i>	- 20 -
<i>6.2.3 Focal Sector: Education and Culture</i>	- 22 -
<i>6.3 Consultation Process</i>	- 25 -
<i>6.4 Financial Envelopes and Work Programme</i>	- 25 -
<i>6.5 Cross-cutting Issues</i>	- 26 -
<i>6.6 Integration of Other Instruments</i>	- 27 -

ANNEXES

ANNEX 1:	MEXICO BASIC DATA
ANNEX 2:	EXTERNAL TRADE
ANNEX 3:	MILLENNIUM DEVELOPMENT GOALS, TARGETS AND OTHER INDICATORS
ANNEX 4:	GENDER PROFILE
ANNEX 5:	ENVIRONMENTAL PROFILE
ANNEX 6:	COUNTRY ANALYSIS AND MEDIUM TERM CHALLENGES
ANNEX 7:	INTERNATIONAL COOPERATION WITH MEXICO
ANNEX 8:	MAIN COOPERATION PROJECTS EU/MEXICO
ANNEX 9:	REGIONAL PROGRAMMES AND THEMATIC LINES
ANNEX 10:	COHERENCE WITH EC POLICIES (POLICY MIX)
ANNEX 11:	OTHER PROPOSED POLICY DIALOGUES
ANNEX 12:	INDICATORS

EXECUTIVE SUMMARY

The strategy presented in this paper is part of the framework of the EU-Mexico relations established by the *Agreement on Economic Partnership, Political Coordination and Cooperation* (the "Global Agreement") signed on 8 December 1997. This Agreement, which entered into force on 1 October 2000, defines the essential elements of the EU-Mexico bilateral relationship. It covers political relations (institutionalization of dialogue), economic cooperation and trade, with the establishment of a free trade area for goods and services (FTA). The Global Agreement is based on the respect for human rights and democratic principles.

This strategy paper intends to consolidate and expand the cooperation carried out in the context of the 2002-2006 Country Strategy Paper. Final project selection and allocations will be subject to a detailed identification and appraisal to be undertaken by the Commission. The scheduled work programme will be subject to the availability of respective funds in the overall EC budget. The allocation corresponding to the implementation of this strategy needs to be identified.

Mexico is the largest economy in Latin America and one of the emerging powers of the region. It is a member of NAFTA and OECD. In many ways, Mexico is a society evolving towards a more advanced stage of development. One of the main obstacles on this path is the serious lack of social cohesion in the country. Mexico, with its present level of income, can mobilize important national resources to attain its development objectives. Any support from external donors should take this fact into account.

The EU cooperation with Mexico ought thus to be conceived as a dynamic additional support, aimed at helping Mexico in setting up specific policies to tackle the problems linked to its present stage of development. An indicative allocation of € 55 million has been earmarked for Mexico in the period 2007-2013 under the financing instrument for development cooperation (DCI). These resources can be supplemented by projects and programmes financed under the Latin American regional programmes, as well as from thematic programmes.

The present programming strategy has been drawn up on these bases and can be divided in two main parts:

1. A first group of activities and programmes will be aimed essentially at helping Mexico to tackle the major problems of the country, in its current stage of development, that is:
 - Lack of social cohesion;
 - Insufficient competitiveness, especially at SMEs level.Policy dialogues, specific programmes and other actions will be devoted to support Mexico in these two main areas.
2. A second group of activities and programmes will be aimed at dealing with major issues of common interest for Mexico and the EU:
 - Strengthening and development of the EU-Mexico free trade area, with a special emphasis on the involvement of SMEs - both European and Mexican ones;

- Strengthening and deepening of the educational and cultural links, in order to increase the European presence in Mexico and vice versa.

Consequently, the three focal sectors of the strategy are:

1. Social cohesion and support to related policy dialogues.
2. Sustainable Economy and Competitiveness.
3. Education and Culture.

The focal sectors are tied with different cross-cutting issues to mainstream: Human rights, gender issues and environmental issues.

1. OBJECTIVES OF EC COOPERATION

1.1 Global Objectives

Article 177 of the **EU Treaty** lays down the broad objectives for Community development cooperation: sustainable economic and social development, smooth and gradual integration of the developing countries into the world economy, the fight against poverty, development and consolidation of democracy and the rule of law, respect for human rights and fundamental freedoms.

In November 2005, the Council, the Representatives of the Governments of the Member States, the European Parliament and the Commission approved “*The European Consensus on Development*”, providing for the first time a common vision that guides the action of the EU, both at Member States and Community levels, in development cooperation. The prime objective of Community development policy is stated as the eradication of poverty in the context of sustainable development, including pursuit of the Millennium Development Goals (MDGs), as well as the promotion of democracy, good governance and respect for human rights. The Consensus furthermore stresses the importance of partnership with the developing countries and of the promotion of good governance, human rights and democracy in view of a more equitable globalization. It reaffirms a commitment to promote policy coherence for development, based upon ensuring that the EU shall take account of the objectives of development cooperation in all policies that it implements which are likely to affect developing countries, and that these policies support development objectives. It reiterates the principle of ownership of development strategies and programmes by partner countries and advocates for enhanced political dialogue as well as a more prominent role for civil society in development cooperation.

1.2 Specific Objectives in Latin America

Mexico is eligible under the European Parliament and Council Regulation (EEC) No 1905/2006 of 18 December 2006 establishing a financial instrument for development cooperation (DCI) which refers to article 179 of the Treaty Establishing the European Community.

The 2004 Guadalajara Summit between Latin America, the Caribbean and the European Union put emphasis on multilateralism, regional integration and social cohesion (poverty

reduction, fight against inequality and exclusion) which are the main priorities for policy dialogue and cooperation.

In its December 2005 Communication on “A reinforced European Union-Latin America partnership”, the Commission restated its aim of a strategic partnership with the entire region and stressed the need for policy dialogues, targeted cooperation, promotion of trade and investments as well as improved alignment of co-operation with political agendas and with the needs of recipient countries.

1.3 Specific Objectives in Mexico

The main objective for EU cooperation is to support Mexico to complete the transition towards a higher level of sustainable development and a more equitable society.

Mexico is indeed a society evolving towards a more advanced stage of development. One of the main obstacles on this path is the serious lack of social cohesion in the country. In this respect, a closer partnership with Europe could help Mexico in identifying its own specific ways to enhance internal social cohesion.

Mexico, with its present level of income, can mobilize important national resources to attain its objectives of sustainable development. Any support from exterior donors should take this into account. EU cooperation with Mexico ought thus to be conceived as a dynamic additional support, aimed at helping Mexico in setting up specific policies to tackle the problems linked to its present stage of development.

The EU and Mexico already have strong economic and cultural links and their bilateral relations are based on a sound legal instrument, the 1997 Global Agreement. The two parties share values and interests on various global and regional issues, among them multilateralism, protection of global environment and finally, peace and stability in Latin America and the Caribbean.

In this context, cooperation is also seen as a necessary instrument to establish a stronger partnership between the EU and Mexico. The EU has thus intended to identify and adopt modalities of cooperation which better correspond to the level of development reached by Mexico and the international role it now plays. The EU also intends to take into account Mexico’s potential for further growth and the positive role it may actually play on the global scene.

2. ANALYSIS OF THE POLITICAL, ECONOMIC, SOCIAL AND ENVIRONMENTAL SITUATION AND MEDIUM TERM CHALLENGES

2.1 Political situation

The electoral victory of Vicente Fox in the 2000 Presidential elections ended 71 years of continuous government by the PRI and boosted confidence in Mexico’s democracy. President Fox’s programme focused on the fight against poverty, education, competitiveness and on ambitious reforms of the state and of the economy. However, the path to reforms has been more difficult than expected.

Given the lack of a strong parliamentary majority, only a limited number of major reforms were implemented during the Fox administration, and among them, the most relevant are: the Law on the Reform of the Civil Service and the Law on Transparency. Important pending reforms - in the field of taxation, energy market, labour relations, etc. – were not carried out before the 2006 federal congressional and presidential elections. On the other hand, it should be stressed that the Fox Administration pursued a more active policy towards a better protection of human rights.

In the July 2006 presidential elections, Felipe Calderón (PAN, right) obtained a tight positive result over his main rival, Andrés Manuel López Obrador (PRD, left). Following an appeal filed by López Obrador claiming presumed irregularities, on 6 September 2006, the Federal Electoral Tribunal (TRIFE) confirmed the validity of the elections and the victory of F. Calderón.

Calderón, who was sworn into office on 1 December 2006, presented his national strategy plan shortly after the Tribunal's decision. The Congress remains the main challenge for the newly-elected president. The PAN enjoys only a relative majority in both chambers and F. Calderón negotiated agreements with other political forces in order to carry out a programme of reforms.

The cabinet of President Calderón is formed by skilled technocrats, experienced members of the PAN and members of the PRI, the third political force in the Chamber of Deputies and second political force in the Senate. The balanced composition of the cabinet shows elements for a far-reaching consensus which could lead to the adoption of the necessary reforms.

Mexico faces three main political challenges in the near future. First of all, the executive and legislative branches need to find a way to institutionalize the dialogue and consensus politics. Secondly, a reform of the State is needed to ensure balance between, and independence of, the three branches of Government in order to consolidate the democratic transition and to strengthen Mexico's position in the world order. Thirdly, the Government's progressive human rights policy still needs to translate itself into more effective human rights protection measures, particularly at State level.

2.2 Economy and Finance

Mexico is a middle income country with one of the highest GDP per capita in Latin America (around US \$ 7300). It is estimated to be the world's 13th largest economy, 8th largest exporter of goods and the 5th largest producer of oil. Since the economic and financial crisis of 1994, Mexico has succeeded in maintaining a respectable degree of macroeconomic stability.

Since then, the state has reduced its role in the economy. At the same time, relatively low tax revenues (around 15% of GDP) do not allow an adequate long term financing of both socially oriented programmes and infrastructural projects. Furthermore, the present rather unequal distribution of the income constitutes an obstacle for the growth of the domestic market.

In most respects, after the 1994 crisis, Mexico's economic performances improved over the 1990s. GDP growth was vigorous, inflation fell steadily, and the current account deficit was moderate. Even the downturn which followed the United States slowdown in 2001 was milder than expected. After this downturn (2001-2003), Mexico's economic recovery strengthened and became more broadly based in 2004, with real growth picking up to 4.4 % at an annual rate (real GDP grew only 1.3 percent in 2003 and 0.6 percent in 2002). Business confidence and investment have risen, foreign direct investment inflows have strengthened, exports have increased, market perceptions of Mexico have remained favourable and modernization of the financial sector –which shows healthy balance sheets – has continued. This improvement in economic performance is due to the implementation of sound macroeconomic policies.

Oil and gas revenues, managed through the State-owned company "Pemex", provide about one-third of all Mexican Government revenues. Consequently it can be said that the budget of the Mexican state is dependent on the trends in the oil market.

Although a persistent deficit in the trade balance exists, it is compensated by remittances and by a positive flow of Foreign Direct Investment (FDI). Actually Mexico presents the largest rate of Net Direct Investments (NDIs) across the region, an important part of which is composed by FDI. The combined effect of remittances and FDI can guarantee sustainability of the deficit also in the medium term.

Despite these trends, the Mexican economy recorded a relative decline in competitiveness if compared to the main competitors at world level. Moreover, environmental degradation has had an impact on the sustainability of the economic performance.

The country has also suffered from insufficient growth in the USA, given the correlation between the Mexican economy and the US economic cycle.

Mexico faces three main economic challenges in the near future. First of all, the approval of the still pending fiscal, energy and labour market reforms is needed to boost income growth and to enhance human capital. In particular, public revenue and expenditure should be reviewed in order to enhance financing of social policies. Secondly, resources for education, training and technological development should be used more effectively and infrastructure capital should be upgraded. Finally, Mexico should ease regulatory measures and other impediments that weigh on entrepreneurial activity and business investment.

2.3 Structure of Production and GDP Components

In 2005, the services sector accounted for 70% of GDP, while industry was equivalent to 26%. Agriculture accounted for 4% employing around 23% of the total workforce. Mining accounted for only 1.2% of GDP in 2004, proportion that heavily understates the importance of oil production to the economy, particularly in terms of Government revenue. Oil exports represented 15% of total exports in 2005 and 28% of public revenue in 2004. The size of the informal economy is estimated at 12.7% of GDP in 2004 and represents about a quarter of total employment.

Mexico's industrial base is not yet fully developed. "Maquila" (in-bond assembly for re-export) production represents an important part of total exports (45% in 2005). "Maquila" industries, while extremely important for the concerned production areas, imply a relatively limited added value per each item of product.

As indicated above, remittances from expatriate Mexican workers in the US are now Mexico's second most important source of foreign currency after oil exports. In 2004, remittances from the US accounted for more than US \$17 billion, equivalent to 2% of Mexico's GDP. Such remittances benefit around 1.4 million families and contribute to keeping the level of internal consumption stable (ANNEX 1 and 6).

2.4 Foreign Trade

From the early 1990s Mexico pursued an ambitious policy of trade liberalization, culminating in the conclusion of various Free Trade Agreements (FTAs), including NAFTA with USA and Canada, the Global Agreement with the EU and recently an FTA with Japan. Trade with Canada and the US has tripled since the entry into force of NAFTA, though Mexico recently lost some of its market share in the US due to changes in the composition of US demand. Mexico has a trade surplus with those countries and the US in particular is still the destination of 85% of Mexican non-oil exports. However, maquila production represents more than 50% of Mexican non-oil exports to the US.

Since entry into force of the bilateral trade agreement, the EU share of the Mexican total trade has showed a recovery (from 6.5 % in 1999 to 8.2 % in 2005) and bilateral trade flows have increased by more than 90%. However, the trade balance with the EU remains negative on the Mexican side: EU exports to Mexico account for more than twice the amount of Mexican exports to the EU. Nonetheless, the bilateral trade deficit is partly balanced out by Mexico's surplus with the US (EU companies importing EU originating inputs for manufactures destined to the NAFTA market).

Additionally, due to the structure of the Mexican and EU economies, trade flows tend to be complementary with a high activity of intra-industry trade, in particular in the chemicals, transport and electronics sectors (ANNEX 2).

2.5 Social Cohesion and related issues

The concept of social cohesion is related to the reduction of poverty, inequality and social exclusion.

Despite the fact that Mexico has made considerable progress with regard to key indicators of social and economic development, large social and regional disparities remain. Mexico has a relatively high GINI coefficient (0.458, 2005) and around 40% of the population lives below the poverty line. The limited amount of fiscal revenues, if compared to the overall size of the economy, is one of the structural weaknesses of the country. A better redistribution still has to be ensured, possibly through a more courageous fiscal policy.

At present the level of fiscal revenue of the federal state accounts around 15% of GDP, of which only a small part originates from direct taxation. The tax/GDP ratio in Mexico is the lowest among OECD countries and one of the lowest in Latin America.

Regional disparities are large in Mexico and are an important feature of the general social cohesion problem of the country. In particular, there is a significant difference in living standards between the relatively richer and industrialised North and the poorer South. There is also a gender and ethnic dimension of poverty and social exclusion: disaggregated data by gender and ethnic origin show that poverty affects more severely women and the indigenous population (See Annexes 3 and 4). Mexico faces important challenges with regard to the treatment and development of its indigenous population. According to World Bank data, indigenous peoples make up nearly 11% of the population of Mexico, of which, 72% live in rural areas.

Social inequalities are deeply linked to human right issues. Although Mexico has repeatedly committed itself to the promotion of human rights, these are not always adequately protected, especially at state or local level.

It is also worth mentioning that increasing drug trafficking and organised crime is becoming a major concern for large sectors of the Mexican population.

The environmental degradation observed in the country has also an impact on the social cohesion situation. Environmental problems contribute to social inequality, as the livelihoods of the poorest segments of the rural population are often entirely dependent upon access to natural resources.

Concerning the Millennium Development Goals, a general positive trend can be outlined. Mexico was able to achieve most of the Millennium Development Goals in the social and public health areas (See Annex 3). It's worth noticing that the country improved its position in the areas of education, in particular for primary school (objective 2), and gender equality (objective 3). Notwithstanding that extreme poverty remains a major issue of concern (objective 1).

2.6 Environment

Environmental degradation is a serious problem for Mexico and the majority of studies points to an alarming degradation of strategic natural resources. The country suffers, in some areas, of the environmental consequences of the rapid growth rate which occurred in the previous decades, whereas poorer regions present problems normally associated with poverty and excessive human pressure on natural resources. Whereas some of OECD members have reached decoupling economic growth from environmental pressures, it remains a challenge for Mexico. However, the country recognizes the complex linkages between environmental and economic development. The EC regards environmental issues as crucial for Mexico's development and acknowledges that external assistance is still needed in order to reconcile economic growth with a sustainable management of natural resources. In this context, even if environment is not one of the three priority sectors, it will be addressed as well, in particular by cooperation through thematic lines.

While Mexico is considered to be one of the twelve countries with the greatest biological diversity in the world, demographic growth has placed increasing pressure *on natural ecosystems* (one third of tropical forests have disappeared in the last 20 years) ¹ and Mexico is now one of the countries with a largest rate of *destruction of forest resources*.

Unsustainable agricultural practices have led to high rates of soil erosion and desertification, which affect approximately 60 percent of arable lands. *Fishing* is the cause of over-exploitation and diminishing populations of many marine species of commercial value, and thus of the exhaustion of fishing grounds and damage to marine ecological networks.

Indeed, *Water resource* management is one of Mexico's most serious environmental problems. The government has set goals for its programs supporting sustainable resource management.

In terms of *air quality, pollution levels* have significantly declined overall in urban areas during the last ten years, including in Mexico City. However, relatively high emissions from industry, energy production and transport remain a challenge.

Major challenges to achieving MDG7 for environmental sustainability in Mexico thus include: uneven geographic distribution of the population, too rapid and relatively poorly planned urbanization with consequent harmful impacts on air, water and soil, degradation of natural resources. The country also has paid an environmental price for the rapid population growth of past decades. However current demographic trends are showing a considerable and relatively rapid deceleration of population growth.

Legal framework: The 2001–2006 Environment and Natural Resources Program (ENRP) has provided the framework for Mexico's environmental policy. Whereas the decentralisation of responsibilities in the area of environmental protection has placed an additional burden on state and municipal governments, the majority of them lack not only technical and financial capacities, but also the political sensibility necessary to make environmental protection a priority issue. On the other hand, México was one of the first countries to sign and ratify the Kyoto Protocol to the UN Framework Convention on Climate Change (for more details, see ANNEX 5).

3. NATIONAL AGENDA

During the first months of its mandate, the Fox administration drew up a number of plans intended to establish the Government's priorities for the following six years, in particular with regard to development policy.

The 2001-2006 National Development Plan was devised in a context of political, economic, social and demographic transition; it determines a certain number of priorities meant to inspire the actions of the current administration:

¹ National Development Plan 2000-2006.

- *The “Social and human development” component.* The promotion of more balanced development and a more effective approach to social problems, in particular education. The main objectives are: to improve the Mexicans’ level of education and well-being; to enhance equity and equality of opportunities; to promote education in order to develop personal capacities and both individual and collective initiatives; to strengthen social cohesion and make the Government more responsive so as to restore the citizens’ confidence in the institutions.

- *The “Growth with quality” component.* Objectives include: improving the economic competitiveness of the country through responsible management of the national economy; improving education, vocational training and scientific and technological development; a development process which is inclusive of the entire population, particularly those sectors hitherto excluded; balanced regional economic development; creating the conditions for sustainable development which ensures the quality of the environment and the availability of natural resources.

- *The “Order and respect” component.* Improving the state’s functioning, by achieving the following objectives: defending territorial independence, sovereignty and integrity; drawing up a new framework strategy for national security in the context of democratic governance and constitutional order; helping ensure political relations are conducted within the new democratic framework; building up a responsible collaboration between the different national authorities, and advancing towards real federalism; eradicating corruption and creating a transparent federal public service; guaranteeing public safety so as to reassure citizens; and guaranteeing that justice is properly administered.

The Fox administration has only partially met the above ambitious objectives. F. Calderón belongs to PAN and the general orientation of his term will not differ appreciably from the former administration. Nonetheless he may adopt a more social-oriented stance in order to respond to the demands of important sections of the Mexican population. Shortly after the validation of the results by the Electoral Tribunal in October, Calderón presented a new development plan called “Mexico 2030” in which he set forth a number of political priorities and development objectives. This project is aimed at improving social participation through consultation with citizens, civil society, the private sector and universities, and the construction of a long term strategy for the country. The project is articulated around five thematic areas:

- *Rule of law and public security*
- *Economic competitiveness and creation of jobs*
- *The promotion of equal opportunities*
- *Sustainable development*
- *Effective democracy and responsible foreign policy.*

The first steps of this plan will be set forth in the next 2007-2012 National Development Plan. Still, many of the priorities set out the 2001-2006 National Development Plan remain relevant to Mexico’s current and future development context and remain a reference for future EC-Mexico cooperation.

4. INTERNATIONAL AND EC COOPERATION WITH MEXICO - COORDINATION AND COHERENCE

4.1 The Importance of International Cooperation

Given Mexico's level of development and the fact that since 1994 Mexico has been a member of the OECD, the country is not considered as a priority country for development cooperation by most international donors. Cooperation flows therefore are mostly in the form of loans from multilateral institutions or projects involving civil society to address poverty. The World Bank and IDB are the main lenders to Mexico. Furthermore, Mexico has recently ratified the EIB agreement and cooperation with the EIB could start taking place soon.

The country is engaged in international cooperation with 46 countries from across the globe. The Ministry of Foreign Affairs is responsible for coordinating national efforts with regard to international cooperation. USA, Japan and the EC are amongst the main donors (for more information, see ANNEX 7). Some EU Member States such as Germany, Spain and France also have significant cooperation with Mexico (for more details see ANNEX 8).

4.2 EC Cooperation

The Global Agreement

The "Political Coordination, Economic Partnership and Cooperation Agreement" (the Global Agreement), which entered into force in October 2000, established a new framework for dialogue in the political, economic and cooperation fields between the European Union and Mexico. The Agreement also includes a Free Trade Agreement for goods and services between the EU and Mexico. The definition and implementation of bilateral cooperation between Mexico and the European Union is based on the *Country Strategy Paper* approved by the EU in March 2002 and on the *Programming Document (Memorandum of Understanding)* for the period 2002-2006 signed by the parties in the framework of the Second Meeting of the Joint Committee of the Agreement, in Puebla, on 3 October 2002. For details about this strategy see annex 8.

The key elements of this strategy are as follows:

1. Social development and the reduction of inequality;
2. Technological and scientific cooperation;
3. Economic sector cooperation;
4. Consolidation of the rule of law and institutional support.

Sectoral Agreements

The possibility of concluding bilateral sectoral agreements in selected fields such as *Education and Culture, Environment, Science and Technology* and *Fisheries* is specifically mentioned in the Global Agreement.

In the field of Science and Technology, a sectoral Agreement for Scientific and Technological Cooperation between the EU and Mexico was ratified by the EU in 2005. This agreement is aimed in particular at encouraging the exchange of scientists between Mexico and the EU Member States, increasing research capacity, stimulating technological innovation, promoting the transfer of technology and encouraging partnerships between research centres. The agreement allows for the participation of European and Mexican research institutes in each other's research programmes and should facilitate greater Mexican participation in the EU Framework Programmes.

EU Framework Programmes on Research and Development

Mexico was somehow under-represented in 6th EU Framework Programme for RTD (FP6) and participated in fewer projects than in the earlier Framework Programme (FP5). A potential for more cooperation exists (e.g. in biotech, energy, mobility programmes to/from Europe for researchers).

In this context, the recent creation of S/T Promotion Platforms with Latin-America based on a regional basis will widen our partnerships from a predominately bilateral to a bi-regional context. Four platforms have been launched end of 2005 on specific topics in that region with Chile on Health, Argentina on biotechnologies, Mexico on energy, and Brazil on environment.

These platforms illustrate the goal of the Commission under the coming 7th Research Framework Programme (2007-2013) to promote international cooperation and new coordination mechanisms. Besides, it must be recognised that such mutually beneficial platform fully value the potential of expertise and know-how that exists in that region.

Regional Programmes

The EC funds a significant regional cooperation programme with Latin America, strengthening the partnership between networks of actors in the two regions in key development areas. These actions complement bilateral relations and also encourage regional integration within Latin America as well as between Latin America and the European Union.

Mexico is increasingly participating in the EU regional programmes, some of which were devised in the framework of the EU-LAC Summits aiming at strengthening links between civil society and institutions/organisations from both regions. In the case of Mexico, regional programmes have been fostering cooperation between European and Mexican civil society and reflect the priorities of the bi-regional partnership as laid down by the Guadalajara Summit of May 2004. For an overview of EU-Mexico cooperation through regional programs, see ANNEX 9.

Cooperation through thematic lines

Cooperation with Mexico includes also thematic co-operation in the fields of human rights, gender, environmental and tropical forest cooperation, fight against drugs, reproductive and sexual health and rights, poverty diseases health and co-operation

through NGOs. For more details about EU-Mexico cooperation through thematic lines, see ANNEX 9.

4.3 Evaluation of the EC cooperation with Mexico

In accordance with the multi-annual programme and the Country Strategy Paper, four projects in three of the priority sectors for cooperation were launched for a total of 38.5 M € and a bilateral project in the science and technology sector was identified in 2006 with an EC matching contribution of 10 M €.

Evaluation and monitoring of the implementation of bilateral cooperation projects is carried out on a regular basis.

A number of specific problems have been encountered during the implementation of some bilateral projects which have led to delays and will be addressed before continuing with the next phase of bilateral cooperation. In particular where possible, national legislation should be harmonised in order to allow the application of EU rules and regulations to EU-financed projects, as is the case worldwide; ways and means should be identified in order to allow a smoother financial management of projects (new standard model to channel EU financing). Existing models of cooperation have proven somehow problematic and new, more flexible models will need to be developed for future bilateral cooperation projects. Apart from addressing the technical and administrative aspects of project implementation, future EC-Mexico bilateral cooperation should accentuate the added value of EU cooperation at the strategic and conceptual level.

Cooperation with Mexico through regional programmes has been, on the whole, quite satisfactory. In particular, the activities carried out in the context of AL INVEST have successfully contributed to adding value to the opportunities offered by the FTA. Cooperation carried out through thematic programmes and other instruments has also delivered positive results. Particularly in the field of human rights, this kind of cooperation has been very successful in terms of impact and visibility and has helped in building valuable contacts with sections of the local civil society. The management of the remaining thematic programmes and other instruments by the EC Delegation in Mexico opens up further opportunities in the field.

5. EC RESPONSE STRATEGY (2007-2013)

The main objective of the EC strategy, for the period 2007-2013, is to support Mexico's evolution towards a more advanced stage of development which combines environmentally sustainable economic growth, integration in the world market and social cohesion. The aim is a Mexico where economic growth translates in better living conditions for the Mexican population at large, in substantial advances in the democratic process and in enhanced rule of law.

Cooperation is an important element in the general upgrading of the European Union Mexican relationship. This upgrading will be based on 1) a reinforced political dialogue; 2) sectoral agreements aimed at promoting mutual interests and 3) policy dialogues aimed at coping with Mexico's internal challenges. In particular:

- *Political dialogue* needs to be reinforced and streamlined. Innovations have to be introduced both in terms of format and content. The objective is to establish an open and frank dialogue allowing effective exchange of views and focusing attention on issues of mutual interest. Coordination in multilateral fora is to be actively pursued.
- *Sectoral agreements* between the EU and Mexico, as the one recently entered into force on Science and Technology may be very important tools to establish more mature patterns of cooperation in areas of mutual interest.
- *Policy dialogues* should be carried out having as reference the modalities already adopted by the EU in its dialogue with other emerging countries of great economic and political relevance but adapting them to the specificities of the EU-Mexico relationship. In this context, particular attention should be devoted to the issue of social cohesion. The EU intends to share its experience with Mexico and support the country in identifying its own specific ways to enhance internal social cohesion and progress towards further development.

5.1 Objectives and modalities

As said above, cooperation is aimed at helping Mexico in its drive towards a more advanced stage of development, combining sustained economic growth, integration in the world market and social cohesion.

Cooperation is also an essential tool to establish a stronger partnership between the EU and Mexico. To be effective in that sense, EC cooperation should adhere to the following principles:

Cooperation as a political instrument: In the context of enhancement of the EU-Mexico relations, cooperation has to be conceived mainly as an instrument for fostering and deepening the political, economic and cultural links between the two sides.

Adding Value to the Global Agreement: The Global Agreement is a very advanced instrument and is the legal basis of the EU-Mexico relationship. It offers valuable opportunities to deepen the EU-Mexico bilateral relations, opportunities not yet fully grasped by the two sides. Projects and programmes specifically aimed at adding value to the agreement should be considered as a priority.

Synergies with the EU Member States: Cooperation programmes and other instruments such as scientific and cultural exchanges should try to involve EU Member States as much as possible. The recent experiences of the Institution Building projects and Twinning programmes implemented by the EC and by the EU MS in other geographical areas can provide useful lessons and possible inspiration for future cooperation.

Ownership and co-financing: In order to emphasize the spirit of partnership on equal grounds, and in line with the principles set during the past Joint Councils and Joint Committees, cooperation projects should be co-financed on the basis of an equal share and will be related to areas of mutual interest. Mexico should play a very pro-active role

in the definition of the cooperation's main priorities as well as in the process of identification of the specific programmes. EC support should be focused on those areas where the EU experience can bring about a significant, multiplier effect and thus provide added value to the Mexican policies.

Visibility and high profile: The opportunities offered by the cooperation projects have to be used to enhance the visibility of the EU-Mexico relations. Cooperation in the frame of present and future CSPs should take due account of the potential “visibility effect” of the projects and their capacity to help building bridges with the different sections of the Mexican society. Cooperation should also be an instrument for the promotion of EU values (human rights, social cohesion, sustainable development etc.) and for diffusion of European culture. There is therefore a strong case for enhancing cooperation with EU Member State Embassies in this field. It might also be possible to work more closely with Member States on the promotion of the FTA.

Flexible and innovative use of instruments: Cooperation programmes must be tailored to the specificities of the country with which we are trying to build a stronger relationship. Mexico is an emerging economy with aspirations, for instance, to scientific and technological development. It also has a strong sense of its cultural roots and is interested in identifying ways and means to protect and promote its culture and diversify its contacts and influences from abroad. Hence, scholarships and exchange programmes in education and scientific research are clearly important in this respect. They have to play an important role in the context of EU-Mexico cooperation and need to be conceived and promoted in flexible and innovative ways.

5.2 Justification of the choice of the focal sectors

The proposed programming strategy can be divided in three focal sectors.

1. Social cohesion, to reduce poverty, inequality and exclusion.
2. Strengthening of the competitiveness and deepening of the free trade area with the EU, in order to support Mexico's economic development.
3. Education and culture, in order to strengthen and deepen the cultural links between the EU and Mexico with mutual benefit.

5.2.1 Social Cohesion and Support to Related Sectoral Policy Dialogues

Social cohesion is *the* great challenge that Mexico will have to face in the next future, for which the EU is intended to help. The EU would like to support Mexico's programmes for internal reforms, through specific policy dialogues.

- a) In the area of social cohesion, with a specific policy dialogue and possibly through other instruments, the EU should support Mexico in identifying the internal barriers which obstruct the access of a large majority of Mexicans to the benefits of growth and development. The EU could help in identifying the “critical points” in the process of economic growth and distribution. The policy dialogue should thus be focused on the means to be deployed for disentanglement of the “critical points”, with the

ultimate objective of strengthening the social cohesion of the country. European experiences in addressing these kinds of issues and in identifying appropriate instruments to improve social cohesion are numerous.

The policy dialogue in the field of social cohesion should play a key role in the development of cooperation programmes for the sector. By linking policy dialogues with concrete possibilities of cooperation, it would be possible to provide Mexico with useful insights about EU experiences in key areas relevant for the social development of the country. At the same time, cooperation could also contribute to the medium term improvement of the Mexican economic environment. Cooperation in this field could include support to programmes aiming at strengthening the institutional capacity in view of adopting strategies in favour of social cohesion (amongst others in fiscal policy, educational policies, social inclusion, employment, sustainable urbanisation and sound natural resource management etc.). The improvement of social cohesion should also encompass programmes for a better promotion and protection of human rights at all levels.

More generally, the sectoral policy dialogue, if successfully carried out, should lead to the establishment of a specific Mexican Action Plan for Social Cohesion. If achieved, the objective of establishing such an Action Plan would represent a major result for the EU-Mexico cooperation. An important link between environmental degradation and social and demographic situation in Mexico should be addressed.

- b) In the other related areas, the main activities will consist in supporting the establishment of policy dialogues. In principle, no specific assistance programmes are envisaged for implementation in the immediate future. However, the result of this policy dialogue provides useful inspiration to the Mexican authorities in the elaboration of specific policies.

The sectoral policy dialogues envisaged are:

- Regional development and decentralization;
- Rule of law and institutional strengthening.

In addition to the above-mentioned policy dialogues, in the area of environment, dialogue will be promoted through expert level seminars and exchanges, studies and awareness raising campaigns.

For more details about the envisaged proposed policy dialogues, see ANNEX 11.

The activities developed in the context of the present strategy will take into consideration the link between social participation of non-State actors (NSA) as well as the development policy's focus on cross-cutting priorities such as gender, environmental protection, good governance, rights of the child, indigenous peoples' rights and combating HIV/AIDS.

NSAs are one of the key partners in thematic lines and regional EC programmes, with proven capacity to work in main development areas and addressing the needs of vulnerable social groups including gender specific needs, environmental concerns, human

and indigenous peoples' rights and democracy, promoting good governance, enhancing economic and social development as well as promoting and strengthening sectoral policy dialogue. NSA involvement in cooperation activities, therefore, has an important local impact. NSA could also provide adequate methodologies to facilitate participation of final beneficiaries as well as their ownership of the action and its results.

EC programmes and actions directly operated with NSA in Mexico are coherent with the present strategy and considered a useful tool to complement bilateral action. Important projects have been developed in the field of human and indigenous peoples' rights, environmental protection, forests and NGO co-financing, and there is an increased interest on the part of Mexican civil society to participate more actively in other EC lines covering sectors such as poverty diseases or gender. In the framework of the present strategy, it will be crucial to foster the involvement of Mexican civil society actors in other thematic lines such as decentralised cooperation or migration.

5.2.2 Sustainable Economy and Competitiveness

To be able to grow and create adapted conditions for improvement of the population's living standards, the Mexican economy would need to tackle the issue of its competitiveness on a global scale. Given the high degree of openness of the Mexican economy, the level of competitiveness of the economy is a vital issue for the country.

Environmentally sustainable economic growth (objective on page 12) can only be achieved if environmental concerns are addressed in the activities aimed at enhancing economic growth and competitiveness. Therefore due consideration of the impact of all programmes on the environment should be taken into account.

The EU financed programmes in the focal area of economy and competitiveness will be aimed at supporting Mexico in its efforts towards enhanced competitiveness and further integration into the world economy. Particular attention will be given to SMEs, in particular in areas such as technology transfer, co-investment, joint ventures, adoption of environmental standards, sustainable resource management and other forms of collaboration between Mexican and European SMEs. Moreover, EU financed SME programmes in Mexico are giving good results. It is important to expand and consolidate existing achievements. To continue to support the Mexicans' efforts in this field will contribute to further enlarge and diversify the country productive bases.

The programmes in this focal sector will also concentrate on increasing mutual interest and in particular on the valorisation of the Free Trade Agreement. The EC should continue to address the Mexicans' concerns about insufficient exploitation of the potentialities of the Global Agreement. Activities financed in the context of the previous Country strategy Paper have to be continued, in an updated format. Consequently, a flexible instrument to address specific FTA related issues has been included in the present strategy. Regional programmes devoted to the support of small and medium enterprises such as AL-Invest complement bilateral cooperation programmes and could generate positive synergies in the context of the present strategy. (Actually, Mexico absorbs already 50% of AL-Invest activities - see annex 9).

5.2.3 Education and Culture

The aim will be to increase the European cultural presence in Mexico and vice-versa. Cultural and educational cooperation allows societies to know each other and create the pre-conditions for a better interaction. In this area, Europe and Mexico can interact on equal foot and both sides have shown an interest in increasing cultural and educational exchanges. Moreover, the areas of education and culture are particularly conducive for the fostering of mutually-shared values such as in the area of human rights, gender equality, environmental sustainability. Actions in these fields could have a very positive impact in improving visibility of the EU-Mexico relationship. In the medium and long terms, this could become crucial for the deepening of the bilateral relations as well as for Mexico's growth and prosperity.

Specialised programmes (Alban, Alfa, @LIS, Erasmus Mundus, Urb-AL) as well as thematic lines are important tools to deepen and complement cooperation in this field. It will therefore be critical to foster and promote the active participation of Mexican entities in those programmes. A duplication of instruments and structures has to be avoided.

5.3 Coherence with Other EC Policies and Instruments

All EC policies and instruments (i.e. regional programmes, thematic lines, etc.) having a relevant impact on our relations with Mexico have been taken into account since the early formulation phases of the programming exercise.

The most relevant policies, in EU-Mexico relations, include trade, the common agricultural policy (CAP) and common fisheries policy (CFP), the sanitary and phytosanitary control policy, consumer protection, internal market, competition, research and development, environment, justice and home affairs, and information society. The present strategy is consistent with these EC policies. However, it is important to underline the following:

The CAP (Common Agriculture Policy) has traditionally been perceived by Mexico as an essentially protectionist policy for European products. In recent years however, the substantial complementarities between Mexican and European agriculture have been more and more acknowledged. The start of review clauses negotiations in agriculture is an important step towards further opening and economic integration between the two partners.

Also, in the area of sanitary and phytosanitary protection, Mexico has shown a tendency to perceive the EC measures as a form of non-tariff protection measures. Better information could be useful to dissipate such perceptions. For more detailed information, see ANNEX 10.

6. PRESENTATION OF THE NATIONAL INDICATIVE PROGRAMME

The indicative programme and the strategy are subject to an adaptation process. The revision of the strategy and the indicative programme will be made after consultations with the Mexican Authorities. Special attention will also be paid to indicators and the expected output of the strategy. A mid-term review is foreseen in principle in 2010.

6.1 Main Priorities and Goals

The main objective of the present strategy is to support Mexico to complete the transition towards a higher level of sustainable development and a more equitable society. An indicative allocation of € 55 million has been earmarked in the period 2007-2013.

Mexico can mobilize significant national resources to attain its development objectives. The EU cooperation with Mexico ought thus to be conceived as a dynamic additional support, aimed at helping Mexico in setting up specific policies to tackle the present problems of the country as well as to promote a stronger EU-Mexico relationship.

This *National Indicative Programme*, in its basic elements, covers the period 2007-2013.

In order to ensure adaptability to possible changing circumstances and also to ensure a proper consideration of the lessons learned during the first period of implementation, the National Indicative Programme will be divided in two parts. The first part, referred as to *National Indicative Programme 1* (NIP 1) will cover the period 2007-2010. The second part of the indicative programme will be referred to as *National Indicative Programme 2* (NIP 2) and will cover the period 2011-2013. It will be activated following the NPI 1 mid-term review.

In terms of specific allocations by focal sectors, the indicative allocations, as percentages of the total (NIP 1 + NIP 2) are as follows:

- | | |
|---|-----|
| a) Social cohesion & support to other policy dialogues: | 40% |
| b) Sustainable Economy and competitiveness: | 35% |
| c) Education and Culture: | 25% |

6.2 Specific Objectives, Target Beneficiaries and Expected Results by Sector

6.2.1 Focal Sector: Social Cohesion and Support to related Policy Dialogues

The main objective is to support the Mexican efforts to improve social cohesion in the country.

Dynamic interaction with Policy Dialogues: In this sector, cooperation activities will proceed in coordination with specific policy dialogues which could provide elements to progressively adjust specific sectoral strategies to the evolving situation on the ground, both at operational and legislative levels.

Areas of intervention: Interventions may involve three different levels. Some activities and programmes, more closely linked with Policy dialogues, will be aimed at supporting the Mexican legislative process in its efforts to elaborate measures targeted for the enhancement of social cohesion in the country. Other activities and programmes will be aimed at introducing changes at administrative and operational level by supporting administrative structures more directly concerned with social cohesion related issues. A

third type of programmes will be aimed at supporting changes in the field, as *pilot cases* in specific areas of intervention. In some cases it will also be possible to conceive activities or programmes aimed at providing inputs at more than one level of intervention.

In this sector, a number of programmes will imply training, seminars, exchanges of experts, contacts between different Mexican and EU Member States' administrations, contacts and exchanges between legislators and administrators, etc.

The EU experience of promoting social cohesion and employment through a coherent interaction of legislation, policy-driven processes, financial instruments, namely cohesion and structural funds, and a partnership approach between authorities, social partners and civil society, will be taken into account. Where suitable and feasible, the possible adaptation of these policies and approaches to the specificities of the Mexican situation could be considered, if decided by both Mexico and the EU.

In this focal sector, particular relevance may be given to strengthening institutional capacity at federal, state and local levels for policy and programme design and delivery; in particular as regards the social sectors (and taking into account the links between environmental degradation and social needs). Promotion of sustainable regional development and territorial planning (including sound urban planning) could also be considered. European experiences in the promotion of employment, labour market reform, labour standards, fight against tax fraud, local development initiatives, sustainable management of natural resources, could also be relevant.

The funding should be concentrated on those areas where the EU contribution can bring about a significant effect and added value, to increase synergies and maximise the impact of the funds available. The relevant policy dialogues could in principle provide indications for the identification of the most appropriate areas and sub-sectors for cooperation.

The target beneficiaries are to be identified with the Mexican society at large and particularly, in the medium-term, with its more disadvantaged sections.

In the definition of the programmes, special attention will be devoted to vulnerable groups (women, special-needs persons, indigenous populations, old-aged persons, rural population, etc.) both as direct beneficiaries of the assistance and as potential target groups in the elaboration of programmes aimed at support of legislative, administrative and operational measures.

The main policy measures to be taken by the Government as a contribution to the implementation of the strategy in this sector are:

- The adoption of legislative measures aimed at promoting social cohesion;
- The effective implementation of the National Development Plan;
- Approving a fiscal reform and channelling adequate public resources to social cohesion related activities and institutions;
- Creating infrastructure and quality public services in disadvantaged areas.

These policy measures, once put in place, can be considered as intermediate outputs.

The main expected result is to be identified in an improvement of social cohesion in Mexico.

The indicators to be taken into account are those related to social cohesion, social inclusion, poverty reduction and to the integration of indigenous people into the public system. For instance: levels of access to health and education, to housing, to water and energy, urban air quality, water treatment facilities. For more details, please see ANNEX 12.

Although the principal partner for EC support is the Secretary for External Relations, it is intended that this line of action will, as far as possible, be implemented through direct cooperation with other Ministries and agencies.

The participation of non-Governmental bodies in both planning and implementing the EC cooperation in this focal sector will be considered.

EC financing: 40% of the total amount allocated to Mexico for 2007-2013 (NIP1 + NIP2).

Mexico financing: Mexico will finance on equal share all activities in this sector.

6.2.2 Focal Sector: Sustainable Economy and Competitiveness

The main objectives are a) to facilitate the implementation of the Free Trade Agreement included in the trade chapter of the Global Agreement and b) to foster trade and investment and promote the establishment of alliances between the European and Mexican economic actors, while taking into account their environmental and social impacts.

The EC areas of intervention under this chapter are therefore to be divided into:

a) Support for the implementation of the FTA

In this area, support could be provided through a specific implementation fund allowing the financing of activities in FTA-related fields. The fund would be conceived in a way to allow, among other things, the mobilization of specific resources to tackle, by targeted actions, any possible bottlenecks identified in the implementation and running of the FTA.

Particular attention could be given to:

- Continuation of existing cooperation in the field of standards and technical regulations.
- Assistance in the field of sanitary and phytosanitary measures.
- Assistance on environmental regulations and standards.

- Technical cooperation between customs authorities, as well as promotion of customs and trade facilitation and the acceptance of international standards such as the WCO Framework of Standards to Secure and Facilitate Global Trade.
- Assistance in the field of intellectual property rights, in particular regarding enforcement of TRIPs implementing legislation.

Further actions can be considered as a follow up to efforts made in the above-mentioned areas and other FTA related ones. Among them, for example, the activities targeted at improving the investment climate, legal security, regulatory environment. Activities could be carried out in the framework of trade-related assistance, which is currently being defined in accordance with the agenda of the Doha round. Trade-related topics should continue to be integrated within the framework of development policies. Mutual supportiveness of trade and environment shall be promoted (including promotion of sustainable production and consumption patterns and boosting trade in environmental technologies and environmentally-friendly goods. Close donor co-ordination will be pursued in all trade-related cooperation issues.

b) Support to SMEs

In this area cooperation should aim at improving Mexican SMEs' performance in the EU market. New activities should take into account build upon existing and past EU-Mexico cooperation in the field.

The activities should include technical assistance and transfer of technology to increase SMEs competitiveness and efficiency, including a better fulfilment of environmental legislation and increasing awareness of environmental standards in the EU market. It should also strengthen entrepreneurial cooperation so as to increase trade and investment between both parties and forge strategic alliances. These actions should be focused on sectors likely to attract European investments, such as energy, the environment, clean technologies, cutting-edge technology, etc. The programmes should take into consideration past experience and should complement the existing economic cooperation instruments such as AL-INVEST.

From the financial and contractual point of view, appropriate mechanisms should be established in order to avoid the difficulties encountered in the managements of previous similar projects in the field.

c) Other considerations

More in general, economic cooperation should still focus on the improvement of the overall business conditions for private companies more than on specific industrial sectors. A reinforced coordination with the EU Member States would be a key factor to enhance the EU cooperation in this field.

The possibilities offered by the EU-Mexico sectoral agreement on science and technology need to be considered in the context of cooperation in the sector of economy and competitiveness. In the field of scientific research and applied technology, synergies should be explored between the EU and Mexico.

The main target beneficiaries are to be identified in those productive sectors of the Mexican society more exposed to international competition. SMEs will be subject to specific attention.

The expected results are to be identified, in the medium term, in a better competitive performance of the Mexican economy, and in deeper and expanded EU-Mexico economic relations.

The indicators will relate to the bilateral trade and investment performance of the parties and the reduction of trade barriers. Competitiveness indicators will also be considered. For more details, please see ANNEX 12.

Although the EC main partner for support is the Ministry of External Relations, it is intended that the Ministry of Economy will be directly involved in the implementation of programmes in the sector.

EC financing: 35% of the total amount allocated for Mexico over 7 years.

Mexico financing: The Mexican Government has committed itself to finance 50% of all programmes included in the Sustainable Economy and Competitiveness focal sector.

In order to foster synergies and to streamline implementation, all activities in this sector could be included in one single programme with specific sub-components.

6.2.3 Focal Sector: Education and Culture

The main objective is to provide a contribution to Mexican efforts to diffuse, promote and enhance higher education and culture, as well as to foster EU-Mexico links in these fields and increase their visibility.

Education is defined as the backbone of the Government's National Development Plan and is one essential issue for the future of Mexico. Access to higher education for the most disadvantaged populations, particularly the indigenous populations, is an issue that has yet to be resolved. Poverty, with its increasingly unequal spatial concentration, is related to a highly uneven distribution of educational services and achievements. In general, education performances vary according to the regions, with the north and northeast showing the biggest achievements and the centre-west and south-southeast lagging behind.

Areas of intervention: The EU has much to contribute and share with Mexico on educational matters. EC cooperation could be oriented towards improving the quality of higher education. The demand for higher education in Mexico continues to be greater than what universities offer, while funds have been reduced in the last few years.

On the other hand, Mexico is interested to exchange experiences with the EU in the area of homologation of education levels, in a way similar to what is currently being done between Member States.

The issue of education is coherent and complementary to the priorities of the Member States that cooperate in Mexico, particularly France, Spain, Germany, the Netherlands, etc. which have important exchange and training programmes.

The complementarity of these actions with the regional programmes, ALβAN and ALFA from which Mexico has widely benefited, is equally important.

Together with education, it is recommended that cooperation on culture be considered as a sectoral priority. Mexico is a country with enormous cultural richness that has been expressed in the arts and trades from the pre-colonial period to the present.

Culture is one of the issues where Mexico and Europe perceive each other as equals and therefore the strategic potential for cooperation on this issue should not be undervalued. In the 2002-2006 programming, there was no project of this nature, although the Member States have traditionally been very active on this issue. It is now recommended that the cultural affinities be used in order to develop dialogue and understanding between the societies; and that mutual interests in promoting cultural and linguistic diversity and developing cultural industries are concretised. This is highly relevant since both parties have a strong cultural identity which they want to preserve, as well as cultural industries to support this objective. Cooperation on this issue should not be limited to the traditional artistic promotional activities. Rather, within the framework of a shared commitment to cultural diversity embodied, in particular, in the UNESCO Convention on cultural diversity adopted in 2005, cultural cooperation could also foster the development of cultural industries (such as cinema, audiovisual, media, music, publishing etc), which play a significant role in economic development in terms of employment and growth and in the safeguard and promotion of cultural diversity. Exchanges of expertise and good practices could be fostered. This type of activities will facilitate the contact of Mexican agents in these fields with experts and professionals in the EU and familiarize them with EU approaches, procedures and standards. In addition a more extensive dialogue could be established on cultural policy, legislation and plans for the promotion and defence of popular cultures.

These proposals are compatible with the priorities of the EU and Mexico, as provided for in Article 31 of the Global Agreement. They could also contribute to the unification of positions at multilateral level, particularly in the framework of the debate on intellectual property, cultural diversity and other issues which is currently taking place within UNESCO.

Cultural cooperation is indispensable to strengthen the links between the EU and the Mexican society at large, go beyond technical assistance in order to open a different window. It involves strengthening the foundations of a two-way cultural link between Europe and Mexico, so that the two sides approach each other from a more human perspective of communication and mutual understanding.

In consistence with the approach proposed in the present strategy, two programmes could be financed:

University Cooperation and Scholarships

The objective is to facilitate access to European Higher Education Area for Mexican postgraduate students and university professionals in order to increase their employability skills and opportunities in their country.

This will in turn contribute to strengthening political, economic and cultural links between the EU and Mexico.

The programme will provide a means of funding scholarships for Mexican postgraduate students and may entail capacity-building for universities and exchange of teachers, while seeking a close coordination with the common higher education area ALCUE. A specific university-level scholarship programme will be established to facilitate links between the EU and Mexico in higher education and therefore increase the number of Mexican students who complete postgraduate studies in Europe. The programme should receive the highest visibility in particular through a name that embodies European excellence.

Special Fund for Culture, Information Dissemination and Visibility

A “Special Fund for Information, Dissemination and Visibility” should be created. It should be managed at the EC Delegation level, in coordination with the Mexican authorities and on the basis of co-financing of activities, which could include specific actions in the cultural field such as support to specific cultural projects in the field of cultural industries, specific cultural events (concerts, exhibitions, etc.) EU-Mexico Forums, media diffusions activities, information campaign, debates, seminars, etc. The Fund should finance activities aimed at promoting the EU values and at favouring better reciprocal knowledge and understanding between the Mexican and European societies as well as promoting cultural diversity. The activities financed by the Fund should provide those essential elements of culture and visibility needed to enhance the EU-Mexico relation.

A structure based on yearly work programmes could be suitable. It is however important that the modalities of implementation of the Fund retain a sufficient degree of flexibility to allow adaptability to changing circumstances and needs.

The main policy measures to be taken by the Government as a contribution to the implementation of the strategy in this sector are: a) Adequate budgetary funding of the education and cultural sector; b) Strengthening of the cultural heritage conservation and preservation laws and regulations, where needed.

The main target beneficiaries are to be identified in the new generation of Mexicans, whose access to European education and culture will expand their professional and cultural options, as well as Mexican cultural industries.

The main expected results will consist in increased cooperation between EU and Mexican higher education establishments, in an increased flow of knowledge and of students between the two sides, in more intense cultural exchanges and cooperation, and in a better mutual understanding between EU and Mexico.

The indicators to be considered for the development side of the activities may consist in variables such as access to higher education, enrolment ratio, improved job opportunity prospects, growth in cultural exchanges, scholarships, development of cultural tourism as a consequence of conservation and preservation activities, etc.

EC financing: 25% of the total for the 2007 – 2013 programming period.

Mexico financing: Mexico commits to equal share co-financing of projects and programmes in the focal sector.

Others: Article 30 of the Global Agreement establishes the possibility of setting up a sectoral agreement on education. The present strategy, by intensifying the links and cooperation opportunities between the EU and Mexico, could pave the way towards the signature of such an agreement, whose expected positive effects would be felt long after the end of the present programming cycle.

6.3 Consultation Process

The present strategy has been elaborated on the basis of a pre-programming study carried out between 2004 and 2005 and on the basis of lessons learned from past and ongoing cooperation. Intense consultation has been carried out with Mexican authorities during 2004 and 2005. Consultation with civil society started with the presentation of the Country Concept Note during the 2nd Civil Society Dialogue held in Mexico City in early March 2005. Online consultation has been launched in parallel by the EU and by the Mexican authorities.

6.4 Financial Envelopes and Work Programme

An indicative allocation of € 55 million has been earmarked in the period 2007-2013 for Mexico. Equivalent resources will be provided by the Mexican Government in order to achieve the target of co-financing on an equal share basis.

Following this strategy and taking into consideration the EU and Mexico's joint cooperation priorities, the work programme and related attributions, in percentages, are as follows:

Focal sector	2007	2008	2009	2010	2011-2013	
1. Social Cohesion (and support to other sectoral policy dialogues)	5 %		15 %		20 %	40 %
2. Sustainable Economy and Competitiveness		5 %		15%	15 %	35 %
3. Education and Culture						25 %
Special Fund	2%	2%	2%	2%		
Scholarships and University Cooperation	8%				9%	
TOTAL	15%	7%	17%	17%	44%	100%

It is underlined that the definitive NIP 2 allocations and annual breakdown of the same will be finally determined taking into account the EU-Mexico joint result assessment of activities financed under NIP 1. Consequently the sectoral allocations presented in the above table are merely indicative and subject to possible revision.

Final project selection and detailed specific amounts will be subject to a detailed identification and appraisal to be undertaken by the European Commission in close coordination with the Mexican Authorities; the scheduled work programme will be subject to the availability of respective funds in the overall EC budget.

EC funding will be matched by corresponding Mexican co-financing of the same amount.

6.5 Cross-cutting Issues

Gender Issues - Special attention should be given to gender issues which are of particular concern in Mexico due to its strong relationship with poverty. Moreover, during the last years, women's participation in the Mexican labour market has more than doubled. This represents a challenge for the public institutions, which should ensure equal opportunities for access to education, jobs, salaries and services. Socially it also represents a problem since men see their position questioned and in some areas this may backfire on women's condition (i.e. increase of domestic violence). This reality is even more evident in the rural areas. Cooperation through thematic lines should devote particular attention to gender issues and in particular to violence against women.

Environment - Although environment does not appear among the three priority sectors of the strategy 2007-2013, it is still considered an issue which requires special attention. In view of ongoing efforts of other donors including most notably EU Member States in the environmental sector, EC cooperation in this area will be carried out mainly through thematic lines. Particular attention will be given to the promotion of new technologies and cleaner energy.

The exploitation of the country's natural resources (forests, soil, water, etc.) has played a major role in the development of Mexico. Even though, during recent years, Mexican authorities have implemented an active policy and different programmes to overcome the environmental challenges, there is still much to be done.

Water issues and climate change represent important challenges, highlighted by recent developments such as Mexico's ratification of the Kyoto Protocol (September 2000) and the 4th World Forum on Water hosted by Mexico in March 2006. It should be noted that Mexico is the lead partner country in the Latin America partnership in the framework of the EU Water Initiative.

Reinforced collaboration between the EU and Mexico in the above areas is of mutual interest and will give increased visibility to joint efforts. To this end, the environment will be fully integrated into the existing EU-Mexico policy dialogue. Dialogue and co-operation between civil society groups and environmental organisations shall also be encouraged.

In this context cooperation through regional programmes should incorporate an environmental dimension. Climate change, Water and Forestry issues should play, among others, a very relevant role.

In order to ensure that environmental sustainability of the EC interventions, appropriate environmental impact assessments will be carried out at the individual project level and their results will be taken into account.

HIV/AIDS, and sexual and reproductive health in particular, are important issues in Mexico. In the EC response strategy an assessment is made of the risks and opportunities in the proposed focal sectors for combating HIV/AIDS and other diseases.

6.6 Integration of Other Instruments

Activities financed by thematic lines and other regional instruments should be consistent with the present strategy (please see ANNEXES 9 and 10). Adequate coordination mechanisms will be set up in order to ensure coherent use of instruments. In this context, the EC Delegation in Mexico, in close coordination with the Mexican authorities, can play a crucial role in assuring coherence in the use of the various instruments in the field. The Delegation already organises and/or participates in regular and ad hoc meetings with Member States Embassies and other donors in Mexico to exchange lessons-learned and ensure coherence of EC policies with other cooperation activities and programmes in the country. A pro-active role is also to be played by the concerned Mexican counterparts.

The actions included in this strategy should mainstream certain topics which need to be taken into consideration throughout the programme cycle, from identification through to evaluation: gender environment, respect for cultural diversity and traditional values, decentralisation and civil society participation, the fight against corruption and use of information and communication technologies.

Among the areas currently covered by thematic lines and regional programmes, the most relevant to Mexico are Human Rights, Environment, Business (AL-INVEST), cooperation in the field of Higher Education (ALBAN, ALFA, @LIS, Erasmus Mundus), Research and Development. Synergies in these areas will receive particular attention in the context of programme identification and implementation.

In the area of *Human Rights*, cooperation should continue to assist Mexico in implementing its National Human Rights Programme and address recommendations by UN and other international agencies and institutions. The main objective should consist in translating the progressive Human rights policy of the Mexican government into the daily life of ordinary citizens. Issues such as violence against women and torture should receive particular attention.

In the area of *Environment*, as indicated above, cooperation could focus on climate change, water issues and forestry. EU and Mexico should continue and enhance their fruitful cooperation on global environmental issues in multilateral fora.

In the area of *Business* (AL-INVEST) cooperation should be intensified along present successful lines, with a view to the opportunities opened by a possible successful conclusion of review clauses negotiations in the next future.

In the area of *Higher Education* (ALBAN, ALFA, Erasmus Mundus) cooperation through regional programmes should be closely articulated with the relevant activities to be conceived and carried out in the context of the present strategy. Synergies have to be exploited at the best in order to assure a long-term impact both in terms of substance and visibility.

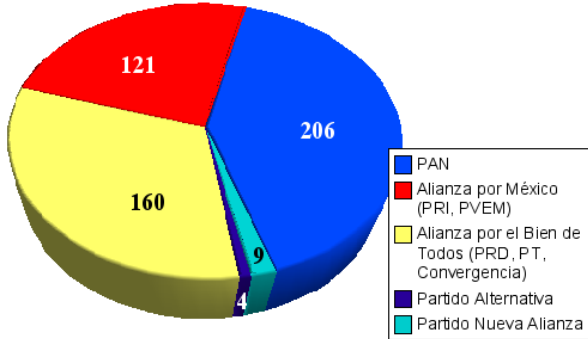




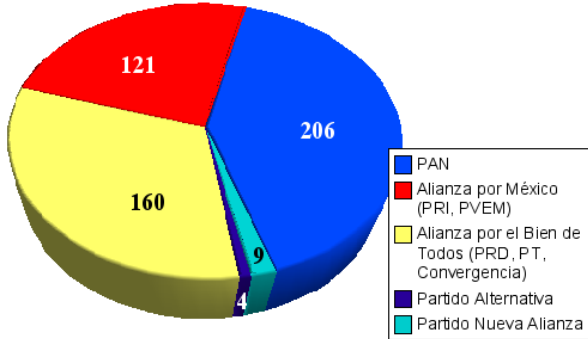




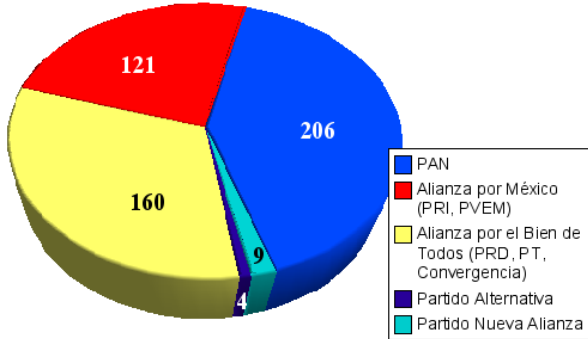




In the area of *Research and Development*, cooperation should contribute to foster and exploit the opportunities offered by the ratification of the EU-Mexico Sectoral agreement on Science and Technology.

In the area of *Information Society* (@LIS), cooperation should complement, when possible and useful, the regional dialogue and other activities that are taking place within the @LIS programme.

ANNEXES

- ANNEX 1: Mexico Basic Data
- ANNEX 2: External Trade
- ANNEX 3: Millennium Development Goals, Targets and Other Indicators
- ANNEX 4: Gender Profile
- ANNEX 5: Environment Profile
- ANNEX 6: Country Analysis and Medium Term Challenges
- ANNEX 7: International Cooperation with Mexico
- ANNEX 8: Main Cooperation Projects EU/Mexico
- ANNEX 9: Regional Programmes and Thematic Lines
- ANNEX 10: Coherence with EC Policies (Policy Mix)
- ANNEX 11: Other Proposed Policy Dialogues
- ANNEX 12: Indicators

Annex 1 Mexico Basic Data

Official name:	United States of Mexico										
Capital:	Mexico City (Distrito Federal)										
Surface area:	1,964,375 sq km										
Population :	103,263,388 (2005 est.)										
Official language:	Spanish / 56 indigenous languages										
Currency:	Mexican Peso (1 peso = 0.06898 € – Exchange rate 01.12.2005)										
Nature of the State:	Federal Republic										
Administrative divisions:	31 states and 1 federal district										
Head of <u>Government</u> (President):	Felipe Calderón (PAN).										
Presidential and legislative elections:	Legislative July 2009 - Presidential July 2012										
Mexican Senate Parliamentary Groups (128 seats) Source: http://www.senado.gob.mx/	<table style="width: 100%; border-collapse: collapse;"> <tr> <td>PAN</td> <td style="text-align: right;">52</td> </tr> <tr> <td>Alianza por México (PRI, PVEM)</td> <td style="text-align: right;">39</td> </tr> <tr> <td>Alianza por el bien de todos (PRD, PT, Convergencia)</td> <td style="text-align: right;">36</td> </tr> <tr> <td>Partido Nueva Alianza</td> <td style="text-align: right;">1</td> </tr> <tr> <td>TOTAL</td> <td style="text-align: right;">128</td> </tr> </table>	PAN	52	Alianza por México (PRI, PVEM)	39	Alianza por el bien de todos (PRD, PT, Convergencia)	36	Partido Nueva Alianza	1	TOTAL	128
PAN	52										
Alianza por México (PRI, PVEM)	39										
Alianza por el bien de todos (PRD, PT, Convergencia)	36										
Partido Nueva Alianza	1										
TOTAL	128										
Mexican Chamber of Deputies (500 seats) Source: http://www.diputados.gob.mx/	<table style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <tr> <td style="text-align: center;"></td> <td style="text-align: right;">206</td> </tr> <tr> <td style="text-align: center;"></td> <td style="text-align: right;">160</td> </tr> <tr> <td style="text-align: center;"></td> <td style="text-align: right;">121</td> </tr> <tr> <td style="text-align: center;"></td> <td style="text-align: right;">9</td> </tr> <tr> <td style="text-align: center;"></td> <td style="text-align: right;">4</td> </tr> </table>		206		160		121		9		4
	206										
	160										
	121										
	9										
	4										
GDP per capita :	USD \$7.298 (IMF, 2005 est.)										
GDP growth :	3 % (2005)										
Inflation	4 % (2005)										



Annex 2

MEXICO: FOREIGN DIRECT INVESTMENT

- US millions -	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004		Acum. 1994-2004 2/ Value	Part. %
											Jan-Dec Value	Part. %		
T O T A L	10.661,3	8.344,9	7.815,7	12.181,7	8.317,3	13.207,4	16.781,2	27.634,7	15.129,1	11.372,7	15.846,4	100,0	147.292,4	100,0
América del Norte	5.721,6	5.662,3	5.798,1	7.718,2	5.626,0	7.701,0	12.743,4	22.269,3	9.725,1	6.477,2	7.943,9	50,1	97.386,1	66,1
Canadá	740,7	170,2	542,1	240,1	208,3	623,3	668,2	982,4	172,2	180,1	334,8	2,1	4.862,4	3,3
Estados Unidos	4.980,9	5.492,1	5.256,0	7.478,1	5.417,7	7.077,7	12.075,2	21.286,9	9.552,9	6.297,1	7.609,1	48,0	92.523,7	62,8
Unión Europea	1.935,9	1.840,1	1.144,1	3.173,6	2.051,6	3.726,6	2.841,3	4.135,4	4.299,6	4.125,0	6.365,2	40,2	35.638,4	24,2
Alemania	307,5	548,6	201,4	483,8	137,3	753,2	344,4	-126,6	587,0	282,6	334,5	2,1	3.853,7	2,6
Austria	2,3	-0,2	0,4	0,6	5,9	1,8	1,1	2,4	7,1	-6,5	2,7	0,0	17,6	0,0
Bélgica	-7,1	54,2	1,7	46,2	30,7	33,7	39,6	71,3	84,6	39,9	12,9	0,1	407,7	0,3
Dinamarca	14,5	19,0	17,6	18,9	68,1	179,6	203,1	229,9	163,6	134,1	124,0	0,8	1.172,4	0,8
España	145,7	49,7	74,1	328,5	344,5	997,5	1.910,1	811,1	648,3	1.639,3	5.503,8	34,7	12.452,6	8,5
Finlandia	4,6	0,0	-0,1	1,0	1,7	28,2	216,3	83,7	25,2	120,3	-50,1	-0,3	430,8	0,3
Francia	90,5	125,9	124,0	59,8	127,8	168,0	-	400,3	261,1	389,0	122,5	0,8	-648,6	-0,4
Grecia	0,0	0,0	0,0	0,0	0,0	0,2	0,0	0,0	0,1	0,0	0,0	0,0	0,3	0,0
Holanda	757,6	744,7	493,3	358,8	1.069,9	1.013,2	2.584,9	2.564,2	1.196,3	537,4	233,7	1,5	11.554,0	7,8
Irlanda	4,4	0,5	19,6	15,0	-3,9	1,1	4,9	6,2	114,9	1,3	1,1	0,0	165,1	0,1
Italia	2,7	10,5	18,3	29,4	17,4	34,9	35,2	22,0	32,9	-0,6	1,6	0,0	204,3	0,1
Luxemburgo	10,4	7,2	14,9	-6,5	7,8	13,6	34,7	121,9	45,4	15,7	11,3	0,1	276,4	0,2
Portugal	0,1	0,0	0,1	0,9	3,4	4,2	-0,2	0,2	11,6	0,5	0,0	0,0	20,8	0,0
Reino Unido	593,4	218,9	82,2	1.830,0	181,3	-193,1	265,8	87,8	1.159,8	1.011,5	78,8	0,5	5.316,4	3,6
Suecia	9,3	61,1	96,6	7,2	59,7	690,5	-281,1	-139,0	-38,3	-39,5	-11,6	-0,1	414,9	0,3
Países seleccionados	2.951,6	794,4	799,8	1.220,0	551,5	1.706,2	1.066,0	1.135,4	779,0	679,3	1.448,3	9,1	13.131,5	8,9
Antillas Holandesas	468,5	70,3	62,8	9,1	5,7	16,1	67,5	36,8	40,0	36,7	15,2	0,1	828,7	0,6
Bahamas	89,7	53,5	9,2	6,0	33,4	24,5	10,8	121,9	3,5	1,2	41,1	0,3	394,8	0,3
Bermudas	2,0	1,8	5,9	93,3	41,6	17,1	46,1	33,2	1,8	3,9	3,0	0,0	249,7	0,2
Islas Caimán	93,1	28,6	48,8	330,3	108,8	85,3	84,1	76,7	18,1	103,0	-6,0	-0,0	970,8	0,7
Corea del Sur	15,1	103,8	85,8	199,2	52,6	46,2	29,9	44,3	30,6	34,9	13,7	0,1	656,1	0,4
Chile	2,6	8,5	3,4	43,3	7,1	6,4	4,5	4,7	31,7	13,6	2,7	0,0	128,5	0,1
China	1,5	5,4	10,1	4,9	11,4	5,0	10,8	2,4	-1,8	6,0	11,3	0,1	67,0	0,0
Filipinas	0,0	6,1	0,0	4,0	-6,5	-3,2	0,1	0,1	0,0	0,0	0,0	0,0	0,6	0,0
India	1.218,7	50,5	285,7	28,7	0,0	0,1	27,6	3,1	0,1	0,0	1,4	0,0	1.615,9	1,1
Japón	631,3	155,8	143,9	353,1	100,0	1.232,7	416,9	179,4	156,8	121,2	166,2	1,0	3.657,3	2,5
Panamá	338,2	59,6	18,3	16,4	18,1	-11,6	7,9	63,3	16,7	-4,4	7,6	0,0	530,1	0,4
Singapur	0,0	12,3	28,6	22,4	40,9	66,1	80,9	323,1	49,8	18,3	23,5	0,1	665,9	0,5
Suiza	53,8	200,2	81,8	26,7	48,5	124,6	151,7	130,2	422,5	307,5	1.143,9	7,2	2.691,4	1,8
Taiwán	2,5	2,7	2,7	7,8	31,5	19,8	11,5	40,9	14,0	13,2	6,0	0,0	152,6	0,1
Uruguay	6,0	15,5	0,7	9,6	17,9	10,6	35,1	-6,8	-20,7	6,3	13,4	0,1	87,6	0,1
Islas Vírgenes	28,6	19,8	12,1	65,2	40,5	66,5	80,6	82,1	15,9	17,9	5,3	0,0	434,5	0,3
Otros Países	52,2	48,1	73,7	69,9	88,2	73,6	130,5	94,6	325,4	91,2	89,0	0,6	1.136,4	0,8

Source: Secretaría de Economía. Dirección General de Inversión Extranjera.

MEXICO: EXPORTS TO THE EUROPEAN UNION in US millions

COUNTRY	2000	2001	2002	2003	2004
Germany	1543,9	1504,1	1236,3	1753	1924
Austria	17	19,6	15,4	10,2	28,2
Belgium	227	317,8	295,8	137,3	197,8
Denmark	44,7	44,4	37,8	38,9	44,8
Spain	1519,8	1253,9	1431	1464,4	1876,8
Finland	4,3	8,5	10,7	9,4	11,7
France	374,6	372,6	349,2	322,4	416,2
Greece	10	7,1	6,7	9	12,5
Netherlands	439	508,1	630,1	594,9	559,5
Ireland	112,2	186,4	186,9	167,7	157,9
Italy	222	239,7	173,7	267,2	220
Luxembourg	8	11,7	38,6	41,4	37,7
Portugal	194,3	148,7	133,1	183,4	128,2
United Kingdom	869,8	672,9	625	561,2	772,8
Sweden	23,5	37,2	44,2	31,3	78,6
Total EU-15	5610,1	5332,6	5214,5	5591,7	6466,7

MEXICO: IMPORTS FROM THE EUROPEAN UNION

COUNTRY	2000	2001	2002	2003	2004
Germany	5758,4	6079,6	6065,8	6274,9	7195,6
Austria	176,8	219,6	186,6	254,8	368,2
Belgium	465,6	630,5	556,9	573	719,1
Denmark	142	169,2	177,4	198,8	202,2
Spain	1430	1827,4	2223,9	2288,3	2861,8
Finland	211,7	249,5	150,9	277	244,1
France	1466,6	1577	1806,8	2015,8	2410,3
Greece	29,8	22,7	29,4	22,9	25,9
Netherlands	363,1	470,9	546,6	555,7	706,8
Ireland	403,6	550,9	614,4	794,6	705,8
Italy	1849,4	2100,3	2171,1	2474,2	2830,8
Luxembourg	17,3	17	17	29,9	40
Portugal	51,4	100,7	94,3	126,5	254
United Kingdom	1091,3	1344	1349,8	1242,3	1474,9
Sweden	1318	806,1	450,9	733,2	873,4
Total EU-15	14775,1	16165,5	16441,6	17861,9	20912,9

MEXICO: TOTAL TRADE WITH THE EUROPEAN UNION

COUNTRY	2000	2001	2002	2003	2004
Germany	7302,3	7583,7	7302,1	8027,9	9119,6
Austria	193,8	239,2	202	265	396,4
Belgium	692,6	948,3	852,7	710,3	916,9
Denmark	186,7	213,6	215,2	237,7	247
Spain	2949,8	3081,3	3654,9	3752,7	4738,6
Finland	216	258	161,6	286,4	255,8
France	1841,2	1949,6	2156	2338,2	2826,5
Greece	39,8	29,8	36,1	31,9	38,4
Netherlands	802,1	979	1176,7	1150,6	1266,3
Ireland	515,8	737,3	801,3	962,3	863,7
Italy	2071,4	2340	2344,8	2741,4	3050,8
Luxembourg	25,3	28,7	55,6	71,3	77,7
Portugal	245,7	249,4	227,4	309,9	382,2
United Kingdom	1961,1	2016,9	1974,8	1803,5	2247,7
Sweden	1341,5	843,3	495,1	764,5	952
Total EU-15	20385,2	21498,1	21656,1	23453,6	27379,6

MEXICO: TRADE BALANCE WITH THE EUROPEAN UNION

COUNTRY	2000	2001	2002	2003	2004
Germany	-4214,5	-4575,5	-4829,5	-4521,9	-5.271,60
Austria	-159,8	-200	-171,2	-244,6	-340,00
Belgium	-238,6	-312,7	-261,1	-435,7	-521,30
Denmark	-97,3	-124,8	-139,6	-159,9	-157,40
Spain	89,8	-573,5	-792,9	-823,9	-985,00
Finland	-207,4	-241	-140,2	-267,6	-232,40
France	-1092	-1204,4	-1457,6	-1693,4	-1.994,10
Greece	-19,8	-15,6	-22,7	-13,9	-13,40
Netherlands	75,9	37,2	83,5	39,2	-147,30
Ireland	-291,4	-364,5	-427,5	-626,9	-547,90
Italy	-1627,4	-1860,6	-1997,4	-2207	-2.610,80
Luxembourg	-9,3	-5,3	21,6	11,5	-2,30
Portugal	142,9	48	38,8	56,9	-125,80
United Kingdom	-221,5	-671,1	-724,8	-681,1	-702,10
Sweden	-1294,5	-768,9	-406,7	-701,9	-794,80
Total EU-15	-9165	-10832,9	-11227,1	-12270,2	-14.446,10

MEXICO: TOTAL EXPORTS US Millions

Country	1998	1999	2000	2001	2002	2003	2004
UNITED STATES	102.923,90	120.392,90	147.685,50	140.296,50	143.047,90	146.802,70	165.111,30
CANADA	1.518,90	2.391,30	3.353,10	3.069,50	2.806,00	2.831,80	2.764,80
SOUTH AMERICA	3.242,60	2.387,10	2.890,20	3.026,90	2.609,60	2.394,10	3.648,00
CENTRAL AMERICA	1.321,10	1.296,90	1.410,90	1.480,10	1.484,00	1.504,40	1.638,40
EUROPEAN UNION	3.889,20	5.202,70	5.610,10	5.332,60	5.214,50	5.591,70	6.466,60
EFTA	275,60	456,00	586,10	456,80	461,00	706,60	785,50
NIC'S	789,90	902,50	716,20	843,70	912,50	646,70	788,30
JAPAN	851,30	776,10	930,50	620,60	465,10	605,80	551,00
PANAMA	351,10	303,40	282,80	247,10	316,00	355,60	354,70
CHINA	106,00	126,30	203,60	281,80	455,90	463,00	466,70
ISRAEL	17,90	37,90	54,60	39,40	51,20	56,60	54,90
REST OF THE WORLD	2.172,00	2.118,10	2.731,30	2.747,90	2.939,00	3.396,20	6.570,30
TOTAL	117.459,60	136.391,10	166.454,80	158.442,90	160.762,70	165.355,20	189.200,40

MEXICO: TOTAL IMPORTS US Millions

Country	1998	1999	2000	2001	2002	2003	2004
UNITED STATES	93.258,4	105.267,3	127.534,4	113.766,8	106.556,7	105.685,9	109.558,2
CANADA	2.290,2	2.948,9	4.016,6	4.234,9	4.480,3	4.120,8	5.419,8
SOUTH AMERICA	2.589,0	2.857,5	4.017,5	4.743,4	5.473,9	6.528,7	9.044,3
CENTRAL AMERICA	221,5	316,6	333,1	359,7	623,5	867,6	1.254,3
EUROPEAN UNION	11.699,3	12.742,8	14.775,1	16.165,5	16.441,6	17.861,9	20.912,7
EFTA	648,3	777,0	851,1	906,9	872,1	921,2	1.079,8
NIC'S	4.187,0	5.313,8	6.911,3	8.235,9	10.261,6	8.500,9	11.626,0
JAPAN	4.537,0	5.083,1	6.465,7	8.085,7	9.348,6	7.622,8	10.720,0
PANAMA	16,0	25,6	119,6	45,2	35,3	37,8	41,4
CHINA	1.616,5	1.921,1	2.879,6	4.027,3	6.274,4	9.400,8	14.457,7
ISRAEL	137,4	172,7	296,5	257,7	250,1	313,5	408,2
REST OF THE WORLD	4.172,4	4.548,4	6.257,4	7.567,6	8.060,7	9.096,4	12.780,7
TOTAL	125.373,1	141.974,8	174.457,8	168.396,4	168.678,9	170.958,2	197.303,3

MEXICO: TRADE BALANCE US millions

Country	1998	1999	2000	2001	2002	2003	2004
UNITED STATES	9.665,5	15.125,6	20.151,1	26.529,7	36.491,2	41.116,8	55.553,1
CANADA	-771,3	-557,6	-663,5	-1.165,4	-1.674,3	-1.289,0	-2.655,0
SOUTH AMERICA	653,6	-470,4	-1.127,3	-1.716,5	-2.864,3	-4.134,6	-5.396,3
CENTRAL AMERICA	1.099,6	980,3	1.077,8	1.120,4	860,5	636,8	384,1
EUROPEAN UNION	-7.810,1	-7.540,1	-9.165,0	-10.832,9	-11.227,1	-12.270,2	-14.446,1
EFTA	-372,7	-321,0	-265,0	-450,1	-411,1	-214,6	-294,3
NIC'S	-3.397,1	-4.411,3	-6.195,1	-7.392,2	-9.349,1	-7.854,2	-10.837,7
JAPAN	-3.685,7	-4.307,0	-5.535,2	-7.465,1	-8.883,5	-7.017,0	-10.169,0
PANAMA	335,1	277,8	163,2	201,9	280,7	317,8	313,3
CHINA	-1.510,5	-1.794,8	-2.676,0	-3.745,5	-5.818,5	-8.937,8	-13.991,0
ISRAEL	-119,5	-134,8	-241,9	-218,3	-198,9	-256,9	-353,3
REST OF THE WORLD	-2.000,4	-2.430,3	-3.526,1	-4.819,7	-5.121,7	-5.700,2	-6.210,4
TOTAL	-7.913,5	-5.583,7	-8.003,0	-9.953,5	-7.916,2	-5.603,0	-8.102,9

MEXICO: TOTAL TRADE US millions

Country	1998	1999	2000	2001	2002	2003	2004
UNITED STATES	196.182,3	225.660,2	275.219,9	254.063,3	249.604,6	252.488,6	274.669,5
CANADA	3.809,1	5.340,2	7.369,7	7.304,4	7.286,3	6.952,6	8.184,6
SOUTH AMERICA	5.831,6	5.244,6	6.907,7	7.770,3	8.083,5	8.922,8	12.692,3
CENTRAL AMERICA	1.542,6	1.613,5	1.744,0	1.839,8	2.107,5	2.372,0	2.892,7
EUROPEAN UNION	15.588,5	17.945,5	20.385,2	21.498,1	21.656,1	23.453,6	27.379,3
EFTA	923,9	1.233,0	1.437,2	1.363,7	1.333,1	1.627,8	1.865,3
NIC'S	4.976,9	6.216,3	7.627,5	9.079,6	11.174,1	9.147,6	12.414,3
JAPAN	5.388,3	5.859,2	7.396,2	8.706,3	9.813,7	8.228,6	11.271,0
PANAMA	367,1	329,0	402,4	292,3	351,3	393,4	396,1
CHINA	1.722,5	2.047,4	3.083,2	4.309,1	6.730,3	9.863,8	14.924,4
ISRAEL	155,3	210,6	351,1	297,1	301,3	370,1	463,1
REST OF THE WORLD	6.344,4	6.666,5	8.988,7	10.315,5	10.999,7	12.492,6	19.351,0
TOTAL	242.832,7	278.365,9	340.912,6	326.839,3	329.441,6	336.313,4	386.503,7

Source: Banco de México / Secretaría de Economía

Annex 3

Millennium Development Goals, Targets and Other Indicators

OBJETIVO 1: ERRADICAR LA POBREZA EXTREMA Y EL HAMBRE

Meta 1: Reducir a la mitad el porcentaje de personas cuyos ingresos sean inferiores a 1 dólar diario entre 1990 y 2015.	1. Proporción de la población con ingresos per cápita inferiores a un dólar diario (Paridad Poder de Compra respecto al dólar)	10.8 (1989)	5.6 (1994)	8.6	4.1 (2002)	✓
	2. Coeficiente de la brecha de pobreza (incidencia por intensidad de la pobreza)	3.6 (1989)	1.3 (1994)	2.6	1.0 (2002)	✓
	3. Proporción del consumo nacional que corresponde al 20 por ciento más pobre de la población	6.4 (1989)	5.6 (1994)	5.3	5.7 (2002)	✓
Meta 2: Reducir a la mitad la proporción de la población que padece hambre entre 1990 y 2015.	4. Prevalencia de bajo peso en menores de cinco años	14.2 (1988)	n.d.	7.6 (1999)	n.d.	✓
	5. Proporción de la población por debajo del nivel mínimo de consumo de energía alimentaria	2.5 (1992)	2.5 (1996)	2.7	2.1 (2002)	✓

OBJETIVO 2: LOGRAR LA ENSEÑANZA PRIMARIA UNIVERSAL

Meta 3: Asegurar que, para el año 2015, todos los niños y niñas puedan terminar un ciclo completo de enseñanza primaria.	6. Tasa neta de matriculación en primaria (seis a 11 años de edad)	95.6	95.8	98.6	99.4	✓
	7. Eficiencia terminal en educación primaria	70.1	80.0	86.3	89.3	✓
	8. Tasa de alfabetización de la población entre 15 y 24 años de edad	95.3	95.8	96.5	97.3 ⁱⁱ	✓

OBJETIVO 3: PROMOVER LA EQUIDAD DE GÉNERO Y LA AUTONOMÍA DE LAS MUJERES

Meta 4: Eliminar las desigualdades entre mujeres y hombres en la enseñanza primaria y secundaria, preferiblemente para el año 2005, y en todos los niveles de la enseñanza antes del fin del año 2015.	9. Razón entre niñas y niños matriculados en la educación primaria	94.3	93.9	95.3	95.4	✓
	9a. Razón entre niñas y niños matriculados en la educación secundaria	95.0	93.7	96.4	98.1	✓
	9b. Razón entre mujeres y hombres matriculados en la educación media superior	93.6	98.0	102.4	104.2	✓
	9c. Razón entre mujeres y hombres matriculados en la educación superior	74.9	90.1	96.3	99.8	✓
	10. Tasa de alfabetización de las mujeres entre 15 y 24 años de edad	94.7	95.6	96.4	97.4 ⁱⁱ	✓
	10a. Tasa de alfabetización de los hombres entre 15 y 24 años de edad	95.8	96.0	96.7	97.6 ⁱⁱ	✓
	11. Proporción de mujeres asalariadas en el sector no agropecuario	38.8	37.8	37.3	36.8	n.a
	12. Proporción de mujeres en la Cámara de Diputados	14.5 (1994-1997)	17.4 (1997-2000)	17.8 (2000-2003)	22.6 (2003-2006)	✓
	12a. Proporción de mujeres en la Cámara de Senadores	10.2 (1994-1997)	15.6 (1997-2000)	18.0 (2000-2003)	18.8 (2003-2006)	✓

OBJETIVO 4: REDUCIR LA MORTALIDAD INFANTIL

Meta 5: Reducir en dos terceras partes la mortalidad de los niños menores de cinco años entre 1990 y 2015.	13. Mortalidad de menores de cinco años (defunciones por cada 1,000 nacimientos)	44.2	33.7	28.5	25.0	✓
	14. Mortalidad infantil (defunciones por cada 1,000 nacimientos)	36.2	27.6	23.3	20.5	✓
	15. Proporción de niños de un año vacunados contra el sarampión	n.d.	89.9	95.9	96.4	✓

CUADRO

OBJETIVO 5: MEJORAR LA SALUD MATERNA						
Meta 6: Reducir la mortalidad materna en tres cuartas partes entre 1990 y 2015.	16. Razón de mortalidad materna (defunciones por cada 100 mil nacimientos)	89.0	83.2	72.6	65.2	
	17. Proporción de partos atendidos por personal de salud especializado	54.7 (1974-1976)	67.6 (1985-1987)	83.3 (1994-1997)	87.9 (1997-1999)	✓
OBJETIVO 6: COMBATIR EL VIH/SIDA, EL PALUDISMO Y OTRAS ENFERMEDADES						
Meta 7: Haber detenido y comenzado a reducir la propagación del VIH/SIDA para el año 2015.	18. Prevalencia de VIH en población general (porcentaje)	0.04 (1987)	n.d.	n.d.	0.10 (2002)	✓
	19. Incidencia de SIDA según año de diagnóstico por 100 mil habitantes	4.4	6.0	8.2	8.2	
	20. Mortalidad por VIH/SIDA por 100 mil habitantes	1.8	4.3	4.2	4.4	✓
Meta 8: Haber detenido y comenzado a reducir la incidencia del paludismo y otras enfermedades graves para el año 2015.	21. Incidencia de casos de paludismo por 100 mil habitantes	53.3	8.1	7.5	3.7	✓
	22. Proporción de la población de localidades en zonas de riesgo de paludismo que reciben tratamiento focalizado para el control y la eliminación de la transmisión del <i>Plasmodium vivax</i> en un año	n.d.	76.0 (1999)	80.0	92.0 [#]	✓
	23. Incidencia de casos de tuberculosis (todas las formas), por 100 mil habitantes en un año	17.3	22.7	18.3	16.7	✓
	24. Mortalidad por tuberculosis (todas las formas) por 100 mil habitantes	7.5	5.2	3.4	3.2	✓
OBJETIVO 7: GARANTIZAR LA SOSTENIBILIDAD DEL MEDIO AMBIENTE						
Meta 9: Incorporar los principios del desarrollo sustentable en las políticas y los programas nacionales y revertir la pérdida de recursos del medio ambiente.	25. Proporción de superficie cubierta por bosques y selvas calculada con respecto a la superficie terrestre nacional	n.d.	36.6 (1993)	n.d.	33.4 [#] (2002)	
	26. Proporción de superficie ocupada por Áreas Naturales Protegidas	2.9	5.5	8.7	9.1	✓
	27. Uso de energía por unidad del PIB (kilojoules/cada peso)	4.5	4.5	4.0	3.9 (2002)	✓
	28. Emisiones de bióxido de carbono per cápita (toneladas equivalentes de CO ₂ /hab/año) derivadas de la quema de combustibles fósiles	n.d.	3.8 (1994)	4.0 (1998)	3.7 (2001)	✓
Meta 10: Reducir a la mitad el porcentaje de personas que carezcan de acceso sostenible a agua potable y a servicios básicos de saneamiento para el año 2015.	29. Proporción de ocupantes de viviendas particulares donde se usa carbón o leña como combustible para cocinar	23.4	20.7	19.8	n.d.	✓
	30. Proporción de ocupantes en viviendas particulares con agua entubada dentro del predio o la vivienda	75.4	83.0	83.3	89.4	✓
	31. Proporción de ocupantes en viviendas particulares con drenaje conectado a red pública o fosa séptica	58.1	69.2	72.9	77.3	✓
Meta 11: Mejorar considerablemente la vida de por lo menos 100 millones de habitantes de viviendas precarias para el año 2020.	32. Proporción de la población con derecho seguro a la tenencia de tierra	n.d.	n.d.	n.d.	n.d.	n.d.

CUADRO

OBJETIVO 8: FOMENTAR UNA ASOCIACIÓN MUNDIAL PARA EL DESARROLLO

Meta 12: Consolidar un sistema comercial y financiero abierto, basado en reglas previsibles y no discriminatorias (indicador número 33).						
Meta 13: Atender las necesidades especiales de los países menos adelantados (indicadores del número 34 al 39).					Como país de ingreso medio, México no da seguimiento a los indicadores establecidos para estas metas. Sin embargo, lleva a cabo importantes acciones para su cumplimiento.	✓
Meta 14: Atender las necesidades especiales de los países sin litoral y de los pequeños Estados insulares en desarrollo (indicadores del número 40 al 44).						
Meta 15: Encarar de manera general los problemas de la deuda de los países en desarrollo con medidas nacionales e internacionales, a fin de hacer la deuda sostenible a largo plazo (indicador número 45).						
Meta 16: En cooperación con los países en desarrollo, elaborar y aplicar estrategias que proporcionen a los jóvenes un trabajo digno y productivo.	46. Tasa de desempleo de las personas comprendidas entre los 15 y los 24 años	4.0 (1991)	8.28	3.45	4.6	
Meta 17: En cooperación con las empresas farmacéuticas, proporcionar acceso a los medicamentos esenciales en los países en desarrollo a un costo razonable (indicador número 47).					Como país de ingreso medio, México no da seguimiento al indicador establecido para esta meta. Sin embargo, lleva a cabo acciones para su cumplimiento.	✓
Meta 18: En colaboración con el sector privado, velar por que se puedan aprovechar los beneficios de las nuevas tecnologías, en particular de las tecnologías de la información y de las comunicaciones.	48. Número de líneas de teléfono por 1,000 habitantes	64	96	124	170p/	✓
	49a. Número de computadoras personales por 1,000 habitantes	n.a.	26	58	82	✓
	49b. Número de usuarios de Internet	n.a.	94 ^e	5.057 ^e	14.036 ^e	✓
n.a. No aplicable.						
n.d. No disponible.						
e/ Estimado.						
p/ Preliminar.						
NOTA 1: La Declaración del Milenio no establece metas para todos los indicadores. Por lo tanto, el criterio para definir el "¿cómo vamos?" en cada indicador responde a: 1) la situación (satisfactoria, poco satisfactoria y no satisfactoria) que refleja en el último año de referencia; 2) el grado de cumplimiento de una meta, siempre que el indicador esté directamente relacionado con ésta; o 3) la tendencia del indicador en el periodo 1990-2003.						
NOTA 2: Las fuentes de los indicadores se encuentran en el desarrollo de cada Objetivo dentro del Informe.						

A general positive trend can be outlined from these objectives.

This is notably the case in the area of education, in particular for primary school (objective 2) and gender equality (objective 3).

Extreme poverty remains the crucial concern and special attention should be given to this area (objective 1). That is one of the reasons why we focus on social cohesion in our strategy with Mexico.

Annex 4

Gender Profile

Mexico has made significant progress in terms of addressing the salient gender issues. However, gender is still an important economic and social development issue in Mexico with inequalities persisting.

SELECTED INDICATORS ²	Year	Females	Males	Total
Population over 60 years of age (%)	2000	54	46	100
Life expectancy at birth (Years)	2000	76	71	73
Total illiteracy rate (%)	2000	11	7	9
School attendance rate of urban population aged 13-19 (%)	1998	63	66	..
Heads of households in the total urban households (%)	1998	19	81	100
Poverty incidence by sex of head of household (%)	1998	26	32	31
Urban unemployment rate (%)	1998	3	4	3
Total urban employed population (%)	1998	37	63	100
Urban population employed in low-productivity sectors (%)	1998	41	59	100

Socially ascribed gender roles have placed women at a clear disadvantage in terms of health (especially reproductive health), labour, and personal safety.

There is a feminisation of poverty in Mexico due to the lack of opportunities and inequality. According to the National Women's Institute 60% of those living in extreme poverty are women.

Economic participation of women: In 2004, ³ the rate of economic participation by women older than 12 years of age was 27.6% among those with no formal education; however, the figure is more than double for those with higher education (61.3%) According to the National Women's Institute (Inmujeres), 31% of women claim never to have worked while among men this percentage is only 3.6% and women make from 36% to 50% of what men earn.

Remuneration for work and occupational segregation: With respect to income from work, in 2004 almost half (46.1%) of working women receive between one and two minimum salaries, while 35% of men receive similar income. The average income from salary of women is not equal to that of men, representing an average of 83.5%.⁴

Precariousness in work: Together with youth and older workers, women find themselves most affected by forced mobility of the workforce caused by changes resulting from adverse economic cycles: greater female unemployment. In addition, older women have greater rates of employment in the informal sector than men.

² http://www.eclac.cl/mujer/proyectos/perfiles_en/paises/mexico/mexico.htm

³ Objetivos de Desarrollo del Milenio en México: informe de avance 2005 – Gabinete de Desarrollo Humano y Social. Abril 2005

⁴ Objetivos de Desarrollo del Milenio en México: informe de avance 2005 – Gabinete de Desarrollo Humano y Social. Abril 2005

Education: Even though the gap in illiteracy rates between men and women has been reduced, it remains very significant in the population over 45 years of age. Of women between the ages of 45 and 49 in the year 2000, 19, 5% were illiterate, while among men the percentage was 11.3. The isolated and marginalized conditions facing broad sectors of the population, particularly critical in the smallest localities, have made it difficult for education programmes to reach a greater proportion of the adult population. At the same time, the lesser value given to education for women in these communities translates into greater illiteracy among women. In communities smaller than 15 thousand, the difference by gender in illiteracy rates is 6.8% to the disadvantage of women, while in communities larger than 15,000 it is 2.6%. In the year 2000, 12.7 percent of girls six to fourteen years old and 11.2% of boys of the same age in rural areas do not attend primary school. These figures contrast with the national level in which the rates range between 8 and 9 percent.⁵

Indigenous women: On average, women who speak an indigenous language have 3.4 live births; nearly one child more than non-indigenous women. This average is greater in rural areas (3.7) than in urban areas (3.1). Adolescent fertility among the indigenous population is greater than in the rest of the population. A fifth of indigenous women less than 20 years of age have already had one child.

Participation in political decision-making: A number of legislative reforms referring to equal opportunities and equity in acceding to elected office were approved in 1996 and 2002. Nevertheless, the participation of women remains particularly low: in 2000 only 14.6% of candidates for seats in the Senate based on proportional representation were women while in the House of Deputies the proportion was 15.3 %⁶.

Violence against women: According to the last National Survey on the Dynamics of Relations in the Home and data from the 1999 National Survey on Domestic Violence (ENVIF), in the metropolitan area of Mexico City, the figures indicate that of 4.3 million homes in Mexico City one out of three (which involves 5.8 million inhabitants) suffers some form of domestic violence. ENVIF discovered that the most aggressive family members were the head of the family (49.5%) and the spouse (44.1%), while the most frequent victims of abuse were girls and boys (44.9%) and the spouse (38.9%). For each 100 victims of violence, 96 are women and four are men. In terms of those perpetrating violence, nine out of 100 are women and 91 men.

Politics and programmes

The Creation of the National Women's Institute (*Inmujeres*) in 2001 represented a decisive advance in the pursuit of gender equality and equity. There is now a similar mechanism in each state in Mexico.

⁵ Objetivos de Desarrollo del Milenio en México : informe de avance 2005 – Gabinete de Desarrollo Humano y Social . Abril 2005

⁶ Op cit : ODM:Inform de Avances , México 2005

The National Programme for Equal Opportunities and Non-discrimination against Women (*Proequidad*) reflects the federal government's commitment to women. This government programme in the field of gender began in November 2001 and includes 9 fundamental objectives: 1) to incorporate a gender perspective as the leading axis for the federal public administration's plans, programmes and working methods; 2) to promote a legal framework that is efficient and in accord with international commitments regarding women's rights; 3) to promote equal economic opportunities between men and women; 4) to promote the development of public policies that are sensitive to the differences between men and women that condition poverty; 5) to guarantee, with equality and equity specific attention for girls and women in order to broaden their participation in all fields of human activity; 6) to eliminate all inequalities that impede women from achieving integral health; 7) to prevent, sanction and eradicate violence against women; 8) to guarantee women access to and full participation in the structures of power and decision-making; 9) to promote an image of women that is balanced, respectful of differences and without stereotypes in the cultural and sports fields and in media.

Faced with the challenge of designing public policies, in 2002 *Inmujeres* developed the *Proequidad Fund* project whose objective was to provide funding for civil society organisations, in order to support the development of various projects whose purpose is to improve living conditions for the female population.

The Fund's main priorities⁷ are, among others, the need to ensure that women living in indigenous communities and rural areas have educational opportunities, the need to take measures in favour of women not covered by the social security system, the creation of income and infrastructure that diminish the domestic workload and childcare and the strengthening and consolidation of changes that favour the political development of women.

⁷ ODM- Informe de Avance , México 2005

Annex 5

Environment Profile

State of the Environment

In the last decades, the environment has been one of the main victims of the growth of the Mexican economy. The majority of studies point to an alarming degradation of strategic natural resources.

According to the World Bank,⁸ Mexico today faces tremendous pressure on its natural environment. Available information on Mexico's environmental status suggests that severe degradation has taken place in a number of sectors—to the point where failure to reverse some of the most damaging environmental trends could not only act as a brake on continued growth but in some cases contribute directly to reduced social welfare and increased poverty.

During the 1990s, environmental deterioration was estimated to be responsible for a loss of around 10 percent of GDP. Approximately 90 percent of this was due to environmental degradation (mostly pollution) from economic activities; 10 percent represented natural resource depletion. Given the magnitude of Mexico's environmental challenges and the relatively short time that has passed since it began to formulate a comprehensive response, there remains a considerable unfinished agenda to improve the environment over the next decade.

Water resource management is perhaps Mexico's most urgent environmental problem, it is calculated that one third of the aquifers are overexploited, corresponding to 50% of subterranean water reserves. The government has set goals for its programs supporting sustainable resource management. With respect to the National Water Program, goals include:

- (a) the development of a consensus on solutions to the water problem;
- (b) increase incentives for water conservation and increase resources for investments and management through increase and rationalization of water fee collection;
- (c) improve water use and quality via better water rights and discharge administration, enforcement and through efficient water markets;
- (d) promote conservation of water resources by redirecting subsidies and other financial resources on a pilot basis; and
- (e) take an integrated approach to wastewater treatment that takes into account economic, social and environmental implications.

Some innovative mechanisms to permit banking and trading of water, as well as to increase operational and maintenance investment in irrigation districts have promoted more efficient water use among users.

⁸ COUNTRY ASSISTANCE STRATEGY OF THE WORLD BANK GROUP IN PARTNERSHIP WITH THE UNITED MEXICAN STATES, April 15, 2004

Unsustainable agricultural and fishing practices have led to high rates of soil erosion and desertification, which affect approximately 60 percent of arable lands. Traditional and subsistence farming has contributed to environmental degradation, encroaching on forests and fragile land to boost agricultural production. Land tenure reforms in the 1990s gave many Mexican farmers titles to property, providing incentives to increase productivity in agricultural and forestry activities and to consolidate small plots into viable farms. Fishing is the cause of over-exploitation and diminishing populations of many marine species of commercial value, and thus of the exhaustion of fishing grounds and damage to marine ecological networks.

Forest resources, Mexico's forests account for over 100,000 permanent jobs and are home to 10 percent of the national population. The country is unique in that 70 percent or more of its forest area is within the boundaries of *ejidos* and indigenous communities. Mexico suffers from one of the world's highest deforestation rates, around 1.2 percent per year. It is calculated that one million hectares of forest are lost each year due to forest fires, illegal logging, the extensive raising of cattle and land invasions for agricultural purposes. Based on preliminary information from the 2002 National Periodical Forest Inventory, approximately 770,000 hectares of arboreal forest per year were lost between 1993 and 2000. Of this total, 66 percent takes place in tropical forests, including areas of high biodiversity value.

Biodiversity, Mexico is considered to be one of the twelve countries with the greatest biological diversity in the world. The loss in natural resources places a significant toll on Mexico's biological wealth: 2,582 species and subspecies of birds, amphibians, reptiles and mammals are at risk, of which 41 are probably already extinct in the wild, 1,215 are endangered or threatened with extinction, and 1,326 are subject to special protection.

Air quality, pollution levels: In terms of air quality, pollution levels have significantly declined overall in urban areas during the last ten years, including in Mexico City. However, relatively high emissions from industry, energy production and transport remain a challenge.

Policy and Legislation

The 2001–2006 Environment and Natural Resources Program (ENRP) has provided the framework for Mexico's environmental policy. The underlying pillars of the ENRP include:

- (a) integrated ecosystem management: focus on ecological rather than political boundaries in the management of water, land, air quality, forests and biodiversity;
- (b) policy integration: sustainable development as the shared responsibility of Federal ministries and institutions that represent distinct sectors of the economy;
- (c) decentralized environmental management: shifting the emphasis from prevention and control to halting and reversing degradation of ecosystems.

This policy implies:

- (a) restructuring and decentralization of the federal environment sector, calling for shared and coordinated environmental action across federal, State and municipal levels;
- (b) inducing good behaviour on the part of environmental users through clear, efficient and innovative regulation and the formulation of incentives to promote efficient environmental performance;
- (c) provision and valuation of environmental services: improve management of natural ecosystems and ensure that those who benefit pay for these services;
- (d) enforcement of environmental legislation: strengthening inspection and compliance;
- (e) public participation and transparency.

The General Law on Ecological Balance and Environmental Protection (the overarching Federal environmental law) and other environmentally related Federal legislation are complemented by State environmental laws.

With respect to Multilateral agreements Mexico was one the first countries to sign the Kyoto Protocol to the UN Framework Convention on Climate Change.

Conclusions

The decentralisation of responsibilities in the area of environmental protection has placed an additional burden on state and municipal governments, the majority of which lack not only technical and financial capacities, but also the political sensibility necessary to make environmental protection a priority issue. As an example, it is estimated that more than half of the 35 million tons of municipal waste produced annually is sent illegal or unsanitary dumps.⁹

Advances have been made in reducing high levels of air pollution in urban areas, including the Federal District, and Mexico has signed and ratified the Kyoto Protocol on climate change. Mexico still has much to do in order to stop the advancement of environmental degradation, which, if the current rate continues, will put at risk economic growth and efforts to reduce poverty.

⁹ National System of Municipal Information, INAFED, October 2004.

Annex 6

Country Analysis and Medium Term Challenges

1. Political Situation

Elected under a coalition headed by the National Action Party (PAN), the Government of President Vicente Fox began in 2000 with the promise of leading a profound transformation of the country after 71 years of a one-party rule by the Institutional Revolutionary Party (PRI). The Fox Administration promised to reduce inequalities in income distribution, combat corruption and carry out the necessary reforms to renovate the economy and democratise the country.

With the arrival of a new Government, Mexico began a political and economic transition that today is viewed as being more difficult than was once believed. At present, political life has been enriched, but also complicated, with the emergence of a multi-party system, a more effective separation of powers and greater pluralism at the state and municipal levels.¹⁰ This transformation has brought with it a relative weakening of presidentialism, through which other political actors have been strengthened and grown more assertive.

From the beginning of its mandate, the Fox Government did not have a majority in the Mexican Congress and in July 2003, Fox's party suffered electoral setbacks in mid-term legislative elections.

The result was that the important changes expected, particularly on fiscal matters, were not carried out in the past presidential period.

Nevertheless, the Fox Government achieved advances in some important areas. For example, in 2003, the Civil Service Career Law was approved and the Single Registry of Public Servants was created, with the objective of eliminating corruption in public service and ensuring better and greater continuity in public management.

In 2003, the Federal Law on Transparency and Access to Government Information entered into force with the aim of fulfilling a repeated demand of the citizenry for greater accountability in the Government's work.

Likewise, Mexico has redoubled its efforts in the protection of human rights with the ratification by the Senate of 26 additional legal instruments, the creation of the Special Prosecutor's Office for Crimes of the Past, and the Inter-Secretarial Commission on Government Policies in the area of Human Rights. In July 2002, an agreement was signed with the Office of the United Nations High Commissioner for Human Rights (ONCHR) to open a representation office in Mexico and to carry out a thorough analysis of the human rights situation in Mexico. This initiative led to the adoption of a National Human Rights Plan.

¹⁰ In 1990, more than 70% of the population lived in municipalities governed by the PRI. In 2004, 33% of the population lived in municipalities governed by the PAN, 30% by the PRI, 13% by the PRD and 11% by coalitions. The rest corresponds to other parties or municipalities governed under the system of "Usages and Customs", principally in Oaxaca. Information from the *Dirección del Sistema Nacional de Información Municipal*, INAFED, SEGOB, November 2004.

The 2006 presidential elections were considered as an important step towards the strengthening of democracy in the country. The three main candidates were Andrés Manuel López Obrador (PRD, left), Felipe Calderón (PAN) and Roberto Madrazo (PRI). On election day, the right-wing candidate Felipe Calderón obtained a very slight majority of the votes, the margin between him and the left-wing candidate López Obrador being less than 0.6%. López Obrador filed an appeal at the Federal Electoral Tribunal (TRIFE). The TRIFE ordered a partial recount of the ballots and confirmed the validity of the results on 6 September 2006. Calderón's position does not differ in any major field from the line of his predecessor. His cabinet is formed by experienced technocrats for the economic charges, a signal of continuity, and politicians with a conservative background for the appointments to the social sector.

2. Rule of Law

Mexico has a democratically elected Government but the functioning of its political institutions remains fragile. In the sphere of the rule of law, the National Development Plan 2002-2006 identified the modernisation of the justice system as a fundamental issue for State reform. This is a crucial issue that permeates all political institutions and practices. In the framework of the CSP 2002 – 2006, it was agreed that support for the justice sector would be a priority theme for EU-Mexico cooperation.

Although at present the authorities continue to highlight the importance of the reform of the justice system, in practice, significant reform has yet to be carried out.

3. Social Cohesion

The National Development Plan 2001-2006, defined an ambitious “Vision of Mexico in 2025” and outlined the three main elements that directed the actions of the Government: social and human development, growth with quality and order and respect in governing the State. For this, four priority strategies for action were defined: the *fight against poverty*, an *increase in competitiveness*, *institutional strengthening of the State* and *environmental sustainability*.

The 2007-2012 National Development Plan presented by Calderón fits into the long-term strategy “Mexico 2030” which seeks to improve five major thematic areas: *rule of law and public security*, *economic competitiveness and job creation*, the *promotion of equal opportunities*, *sustainable development*, *effective democracy and responsible foreign policy*.

In the last two decades Mexico has made considerable progress with regard to key indicators of social and economic development. According to the World Bank, Mexico has achieved notable success in terms of human development¹¹: Mexico's per capita income (approx. USD 7,300) is the highest in Latin America, life expectancy at birth has increased to 73.6 years, infant mortality for children under five years of age has

¹¹World Bank

decreased from 46 to 30 per 1.000 in 1990-2000, the literacy rate has surpassed 90% and approximately 88% of the population has access to clean drinking water.

Although Mexico has made important gains in health and education, low and inequitable growth has kept income poverty high. The challenge of reducing poverty is particularly difficult for three overlapping social groups; women, indigenous populations, and the rural poor.

The persistence of poverty continues to be one of the country's main problems. Although advances have been made in the last few years, the numbers on absolute poverty and the indices of concentration of wealth continue to be at unacceptable levels. The prevalence of extreme poverty in rural areas and disparities between the poorest states of the south and the rest of the country continue to be severe. In 2004, 13.2 million Mexicans still do not have access to clean drinking water, 23.7 millions lack drainage services, and 5.4 million do not have access to electricity.

The level of poverty within the indigenous population continues to be a source of particular concern. The largest part of the indigenous population is found in the poorest municipalities and states (Oaxaca, Chiapas and Guerrero) and has the lowest human development indices in the country.¹² In particular the states of Oaxaca, Guerrero and Chiapas have a very low income per capita and their combined contribution to GDP is less than to 5%. This level of poverty is reflected in human development indicators; for example, the three poorest southern states all have illiteracy rates above 22% whereas northern states and the Federal District have illiteracy rates which are on average less than 5%. According to World Bank data, the indigenous population receives less remuneration for its work; life expectancy is 4 years less in indigenous communities and approximately only 65% of indigenous homes has access to clean drinking water as opposed to 85% in the case of non-indigenous homes.

In terms of Government responses to the issue of poverty, the Fox administration had put into place several mechanisms such as the programme called *IMPULSO* to improve the income of poor families in urban areas, or the programme *CONTIGO* that promotes their "economic empowerment." A new Health Insurance scheme was created through the new *General Health Law*, while the Ministry of Education continued its efforts to increase educational possibilities through the programme *CONAFE* programme, which has been very successful in rural areas. The programme *OPORTUNIDADES*, implemented with a loan from the IDB, works to help mothers through a direct subsidy to encourage the education of young people and medical care.

4. Economy and Trade

Current Economic Situation

Mexico is a middle income country. It is estimated to be the world's 13th largest economy, 8th largest exporter of goods and services and the 5th largest producer of oil.

¹² Diagnostic on the Human Rights Situation in Mexico, OHCHR, 2003.

According to the indicators published by the National Institute of Statistics, Geography and Informatics (INEGI), the informal economic activity accounts for 12.7% of GDP and represent about a quarter of total employment.

The wide-ranging structural reforms of the past fifteen years, including the entry into NAFTA and the signature of FTAs with the EU and Japan, have not yet led to a balanced rise in employment and productivity growth. Mexico's growth performance since the restoration of macroeconomic stability has been somehow below expectations. According to the OECD, economic growth in Mexico is constrained by low levels of human capital, while additional fiscal resources are needed to improve and expand inadequate physical infrastructure and combat poverty that lead to poor health and social marginalisation.

Although the public sector deficit has been reduced over the years, the allocation of public spending has been improved and tax revenue has increased, further improvement in public finances is achievable and necessary. General Government revenue is still low relative to GDP and highly dependent on volatile oil-related revenue. Spending in areas conducive to economic development (poverty relief, human and infrastructure capital) needs to be financed at a higher level and on a more predictable basis. Hence, fiscal reform is necessary in order to raise tax revenue in the medium term at least by 2 percentage points of GDP.

Mexico faces three main economic challenges in the near future. First of all, the approval of still pending fiscal, energy and labour market reforms is needed to boost income growth and to enhance human capital. Public revenue and expenditure must be set on a more solid and predictable footing. Secondly, resources for education, training and technology should be used more effectively, while the stock of infrastructure capital should be raised and improved. Finally, Mexico should ease regulatory measures and other impediments that weigh on entrepreneurial activity and business investment.

Trade

The potential of the EU-Mexico FTA has not yet been fully exploited by Mexico. Mexico's exports sector is currently ranked eight in the world. It is the US second trading partner and the leading exporter in Latin America. Nevertheless, barely 4% of Mexico's total exports reach EU markets.

The Free Trade Agreement between Mexico and the EU has been in force for almost five years and has resulted in a favourable evolution of trade between the parties that has helped the EU to recover some of the ground lost after NAFTA entered into force. However, Mexican exports to the EU are still far from reaching their potential.

Bilateral trade between Mexico and the EU is carried out through transactions between large, mainly multi-national, companies while small and medium sized companies - due to their structure, conditions and characteristics - have neither played a relevant role in Mexican export yet, nor have they benefited from the process of trade liberalisation.

Recent initiatives undertaken by Mexican authorities in order to set up a National System for SMEs Financing demonstrate the importance Mexico attaches to the development of SMEs. SMEs account for approximately 88% of the 2.85 million Mexican enterprises and 55% of GDP, while providing for 64% of jobs/employment at national level. Continuity of the bilateral cooperation in the fields of economy and competitiveness should therefore be ensured.

Mexico - GDP by Sector (*Source: Banco de México*)

	1998	2004
Gross Domestic Product	100.0	100.0
Agriculture	5.3	5.2
Industry	26.4	24.9
Mining	1.3	1.2
Manufacturing	19.6	18.2
Construction	4.0	3.9
Electricity, Gas, Water	1.5	1.6
Services	62.7	65.1
Commerce, Restaurants, Hotels	19.2	19.8
Transports and Communications	9.7	11.8
Financial	14.5	15.9
Communal, social and personal	19.3	17.5
Other	5.6	4.8

5. REGIONAL AND WORLD INTEGRATION

The relationship with the United States continues to be fundamental for Mexico. The Fox administration began with the hope that the issue of migration would feature prominently in the bilateral agenda and that an agreement on this issue could be reached. However, US security concerns following the terrorist attacks of Sept. 11, 2001 have made progress difficult.

Latin America continues to be a priority region for Mexico, particularly Central America and the Caribbean, which are the only regions that receive development aid from the Mexican Government. During almost the entire second half of the twentieth century, Mexico had maintained a non-interventionist foreign policy and was openly pro-Latin American.

The opening of the economy has resulted in Mexico becoming one of the countries with the greatest number of preferential trade agreements. It is estimated that the countries with which Mexico has preferential agreements represent around 60% of world trade and currently more agreements continue to be negotiated.¹³

¹³ Mexico has preferential trade agreements with the United States, Canada, the European Union, Nicaragua, Chile, Israel, El Salvador, Guatemala, Honduras, the European Free Trade Association, Bolivia, Costa Rica, Colombia, Venezuela, Uruguay and Japan. WTO, Trade Policy Review Mechanism, Mexico, 2003.

Regarding international cooperation, Mexico bases its policy on three principles: to receive cooperation from countries with relatively greater levels of development and from multilateral organisations; to cooperate on an equal level with partners of with a similar level of development, based on the logic of exchange; and to assist lesser developed countries.

It is likely that President Calderón will follow the approach pursued by the former administration in foreign policy as well.

In the multilateral sphere, the Fox Government had launched a more ambitious foreign policy than its predecessors, organising in 2003 the United Nations conference “Financing for Development” in Monterrey and the World Trade Organisation’s (WTO) Ministerial Conference in Cancun, as well as the Third European Union- Latin America and the Caribbean Summit of Heads of State and of Government in May of 2004.

Apart from having been the location of the signing of the United Nations Convention against Corruption, Mexico continues to actively participate in the Rio Group with 18 other countries of the region, where it is negotiating its position for the reform of the UN Security Council.

Mexico has proposed an integral reform of the UN system, increasing the number of seats in the Security Council, but with regional representation and the possibility of re-election. This situation has put it in confrontation with Brazil, who also supports the expansion of the Security Council but only for four countries: Brazil, Germany, Japan and India.

In the regional sphere, the Fox Government’s most ambitious initiative was the Puebla Panama Plan (PPP), which seeks to promote the integral development of nine states of the south-south-eastern region of Mexico and to coordinate actions with the governments of the seven Central American countries. The objective is to promote the balanced development of the Mesoamerican zone.

With the support of the Inter-American Development Bank (IDB) and the UNDP, the PPP is slowly advancing in eight priority issues: tourism, transportation, telecommunication, energy, trade facilitation, human development, sustainable development and the prevention and mitigation of disasters.¹⁴

As indicated in the National Development Plan (NDP), the relationship with the EU is considered to be a priority, particularly to diversify the foreign policy of the country and to balance the interdependent relationship with the United States. Likewise, the collaborative relationship with the EU is important in the way in which it complements and strengthens bilateral relationships with each of the Member States.

¹⁴ The states of Mexico are Puebla, Guerrero, Veracruz, Oaxaca, Tabasco, Chiapas, Campeche, Yucatán and Quintana Roo. For more information see: <http://ppp.sre.gob.mx>

Annex 7

International Cooperation with Mexico

The EU Member States and Other Donors

1. Coordination

According to Article 180 of the EU Treaty and the Council Resolution on Complementarity between the Community and Member States in the area of Development Cooperation, coordination between the EC and the Member States offers much potential for specialisation and coherence for future cooperation.

In Mexico, coordination between Member States has traditionally been carried out through regular meetings organised by the EU Presidency with mission staff responsible for cooperation issues. Beginning in 2005, the EC Delegation and MS embassies agreed to establish thematic working groups: 1. - Science and Technology; 2. - Social Development and Environment; 3. - Governance, Rule of Law and Human Rights and 4. - Economic Cooperation, with the objective to strengthen MS coordination and cooperation.

Coordination should be enhanced with the two most important bilateral donors, the US and Japan, as well as with the IFIs and with UNDP.

2. The EU Member States and the EIB

Member States

Only three EU Member States maintain significant cooperation activities with Mexico: France, Germany and Spain. In terms of amounts, the most important cooperation is from Germany with a yearly average of 4.5 M €, mainly in support of long-term environmental projects. Spain is second with an average of 4.4 M € annually, directed at projects for social participation, institutional development and the promotion of the economic fabric. France is third with 3, 4 M € in 2004 for administrative, scientific and cultural cooperation projects.

Together, Member States cooperation and the 2002-2004 EC cooperation reach an indicative average of 11, 5 M € (See table below).

European Investment Bank

In Mexico, the EIB gives emphasis to investment projects that comply with one or more of the following criteria: subsidiaries of European companies; joint ventures bringing together EU and local firms; private companies holding concessions to invest and run public services; transfer of European technology and enhancement of the objectives of the EU cooperation agreements. In Mexico, the EIB made loans worth about 210 M € for the period 1999-2004. (See annex 6)

3. Other Donors

World Bank: On its own, the World Bank accounts for more than 65% of total multilateral assistance to Mexico. The bank's 2004 annual programme includes the provision of more than 707 M € worth in loans for projects to support competitiveness, institutional strengthening, education, a decentralised infrastructure and the environment.

Inter-American Development Bank: IDB supports the modernisation of the social sector and education, regional integration and the private sector (SMEs) with a total programmed annual amount of approximately 395 M €. Since 1963, the bank has made 180 loans totalling \$17.6 billion and disbursements have totalled \$16.3 billion.

United Nations Development Program: UNDP supports projects in the areas of governance, the human development report, the environment and business development (SMEs), but with resources from other donors and only a small contribution from its own funds (6%). It should be mentioned that as of 2007, the UNDP will no longer finance development projects in Mexico from its own funds.

Food and Agriculture Organisation: FAO's focus in Mexico has been on agricultural and rural development and has provided assistance in the identification, formulation and implementation of programmes and projects in this field. According to the FAO's Technical Cooperation Department, projects in Mexico amounted to 16.895.359 EUR for the 2002-2006 period.

USAID: The United States, through its development aid agency, USAID, has a programme of approximately 27.1 M € for 2004. Its activities are focused on good governance and the rule of law, health, energy, micro-enterprise and education.

JAPAN: Although Japanese technical cooperation (implemented by the agency JICA) has been decreasing since 2000, it remains in second place in importance, with an annual budget of approximately 20.2 M €. The priority areas for Japanese cooperation are industrial and regional development, the preservation of the environment and supporting South-South cooperation, through the transfer of technology and the training for businessmen.

4. Sectoral Breakdown of Aid

PRIORITY SECTORS OF THE PRINCIPAL DONORS IN MEXICO	
Germany	Long-term environmental protection
Spain	Social participation, culture, institutional development, and the promotion of the economic development
France	Administrative, scientific, and cultural cooperation
United Kingdom	Economy, governance, sustainable development, and energy
Finland	Renewable energy, the forest sector, indigenous people and social cohesion
EC	Social cohesion, economic growth and competitiveness, consolidation of the rule of law, science and technology
World Bank	Competitiveness and the economy, institutional support, education, decentralised infrastructure, and the environment
FAO	Agricultural and rural development
IDB	Modernisation of the social sector, education, regional integration, support for the private sector (SMEs)
UNDP	Governance, the human development report, the environment, business development (SMEs)
US (USAID)	Governance and rule of law, health, energy, micro-enterprise, education
Japan (JICA)	Industrial development, regional development, the environment, South-South cooperation

Annex 8

Main cooperation projects between EU Member States and Mexico

Member country	Programme/ Project	Period	Budget	Counterpart	Activities	Place of Project
Germany	Integral Management of Water	2001-2009	3.6 M €	Users, testing the Valley of Toluca Basin Aquifer	Assistance and support for the elaboration and implementation of an Integral Management Plan.	Aquifer del Valle de Toluca, Cuenca del Rio Lerma.
	Eco-efficiency of the private sector	2002-2005	4.2 M €	SMEs and their consultants	Environmental protection, industrial competitiveness and professional training oriented towards the environment.	Mexico City and pilot regions in the country.
	Renewable Energies	2003-2006	0.5 M €	Industrial centres and authorities of Baja California Sur	Promotion and application of renewable energies and the rational use of energy. Assistance on training programmes and financial mechanisms for the support of renewable energies application.	Baja California Sur
	Support for solid waste management	1997-2002 y 2003-2005	3.3 M €	Municipalities	Continuous assistance for the elaboration of concepts and strategies of solid waste management, supported by studies and manuals. Support in finding conceptual solutions technically adapted to each municipality.	Estado de México
	Institutional Development	2001-2004	1.6 M €	Ministry of the Environment and Natural Resources (SEMARNAT)	Support for: i) the creation of a normative legal framework for the restoration of contaminated sites; ii) the elaboration of criteria and procedures for the evaluation of risks in contaminated sites; iii) the best use of data base .	Various states including the municipality of Tlalnepantla.
	Protection of Natural Resources	2004	2 M €	SEMARNAT, CONANP	Support to regional development: i) identification and dissemination of best practices in land use; ii) protection of forests and their biodiversity.	South-eastern Mexico
	Training initiative in the area of renewable energies	2002-2004	130 000 €	CANACINTRA, Mexican companies	Training and formation in the renewable energies area, mainly photovoltaic , with the participation of research institutes, universities and CANACINTRA, as well as German companies (Imprema, SET).	Several States

	Development of a model for environmental assistance for automotive workshops	2002-2004	\$1.1 million Pesos	Private sector (CEVDA)	Assistance and support for: i) environmental management improvement; ii) improvement of the automotive service infrastructure; iii) establishment of a programme of permanent support to the automotive service.	CEDVA Group at the national level.
	Support to achieve ANTAD's environmental initiatives	2003-2006	\$140 000 Pesos	Asociacion Nacional de Tiendas de Autoservicio y Departamentales (ANTAD)	Planning workshops in different parts of the country to reach development and implementation of the ANTAD's proposed goals, which have as final beneficiary the communities in which their commercial activities take place.	National level.
	Coprocessing of solid wastes in cement plants	2003-2006	480 000 €	Governmental Institutions, non governmental organisations and private companies	Assistance and support for developing an integral and ecologically efficient management of wastes (carrying out informative events, the organisation of dialogue between interested groups, observation, documentation and evaluation of individual processes of the project).	Mexico City and states.
	Management of municipal solid wastes	2003-2006	185 500 €	Private sector and municipalities	Assistance and support for: i) creation of organisational structures; ii) training of workers in this sector; iii) homogenisers required for the implementation of the system.	Mexico City and states.
Spain	Implementation of professional carrer in civil service in the federal administration	2003-2004	495 000 €	Ministry of the Public Function	N/A	N/A
	The Programme on legal Cooperation	2003-2004	460 000 €	National Commission of Superior Courts of Justice	N/A	N/A
	Programme on electoral cooperation	2004-2005	150 000 €	Federal Electoral Tribunal and Federal Electoral Institute	N/A	N/A
	Technical Assistance to the Ministry of Foreign Affairs (SRE)	2004	12 000 €	General Direction of Technical and Scientific Cooperation, (SER)	N/A	N/A

Support institutional strengthening for the modernisation of the State	2002-2004	150 000 €	Public administration officials	Diverse technical assistance specialised in issues such as: administration and public management; financial and tax administration; state and municipal decentralisation; modernisation of electoral institutions and cooperation.	N/A	
Cooperation on taxation	N/A	N/A	Tax Administration System	Technical assistance specialised to identify the project	N/A	
Pedagogic and organisative renovation in secondary schools and the promotion and improvement of education for migrants	2002-2003	750 000 €	Ministry of Public Education	N/A	N/A	
Programme for the incorporation of Spanish doctors in Mexican universities	2003-2004	364 000 €	National Association of Universities and Higher Education Institutions	N/A	N/A	
Programme for inter-university cooperation	2003-2004	95 300 €	N/A	N/A	N/A	
MAE scholarships for postgraduate studies	2003-2004	466 400 €	N/A	N/A	N/A	
Courses in training centres of the Spanish Agency for International Cooperation (AECI)	2003-2004	162 000 €	N/A	N/A	N/A	
Information	2002-2004	240 000 €	National Council of Science and Technology	Diverse cooperation projects in the area of information .	N/A	
Puebla School workshop	2003-2004	240 000 €	Officials of the state of Puebla, Autonomous University and Puebla city government	N/A	State of Puebla	
Rehabilitation of the kings' altar piece in Mexico City's cathedral	2004-2006	520 000 €	National Council of Culture and Arts	N/A	Mexico City	
Spain	Cultural activities	2003-2004	750 000 €	N/A	Cultural activities of the Spanish Cultural Centre in Mexico	Mexico City

	Support to the institutional development and strengthening of micro businesses	2004-2006	100 000 €	Ministry of the Economy and the National Programme of Micro Business Financing	N/A	N/A
	Microcredit programme	2004	15 M €	N/A	N/A	N/A
	Support for the formulation of projects	2003-2004	55 000 €	N/A	Diverse technical assistance specialised to identify and formulate cooperation projects in priority areas established by AECI in México	N/A
France	Scientific and technologic cooperation	2004	500 000 €	N/A	N/A	N/A
	Administrative cooperation	2004	162 000 €	INDESOL	Municipal cooperation and interventions on the law of public function; support for the formulation of application decrees.	Federal level and States.
	Statistics and geography	2004	52 920 €	N/A	Assistance and support for the establishment of a reception aerial for SPOT images and the formation and analysis of environmental and demographic statistics.	Federal level and States.
	University cooperation	2004	1 M €	N/A	N/A	N/A
	Support to the water sector	2004	97 000 €	N/A	N/A	N/A
	Support to the health sector	2004	43 900 €	N/A	N/A	N/A
	Support in norms	2004	37140 €	Officials of the General Directorate of Norms of the Ministry of the Economy	Cooperation actions in regards to norms for the electricity and automobile sectors.	N/A
	Multilateral support	2004	2740 €	NGOs	Support for activities to respond to international level biddings.	N/A
	Cultural support	2004	1.8 M €	N/A	N/A	N/A
United Kingdom	JEMAC Jovenes Empresarios de Mexico, A.C. (Young Mexican Entrepreneurs)	2003	£20 000	Informal Sector Businesses	Seminar for 250 young entrepreneurs of the informal small and medium companies sector in order to launch small businesses.	México, A.C.

	Bosque Modelo para Calakmul y Ecología Productiva, A.C. (Model Wood for Calakmul and Productive Ecology)	2003	£37 000	Indigenous Population	Creation of a tourist site in the Calakmul Jungle with the support of a Campeche NGO.	Calakmul Jungle
	Senate	2003	£25 000	Senators	Visit of six Mexican senators to the United Kingdom to become familiar with the justice system.	Department of Justice, United Kingdom
	IA/MEX	2003	£222 769	4 NGOs	Assistance in the application of the 10th Principle of the Rio Declaration and promotion of access to information.	Three Mexican States
	Transparency	2003	£47 000		Organisation of a Forum on Good Governance.	México, A.C.
	LIMAC Libertad de Informacion-México,A.C. (Freedom of Information)	2003	£46 000	NGOs & business people	Formation of trainers on transparency, justice & access to information.	México, A.C.
	Comision Nacional Gestion Aguas (National Water Management Commission)	2003	£40 000	National experts	Two seminars on strategies to improve the regulation of water services	Mexico City
United Kingdom	Asociación Internacional de Juristas/FCO (International Jurists Association)	2003		Judges	Two day workshop to treat suspicious cases of torture & anti torture manual.	Mexico City
	Xpujil Regional Indigenous and Popular Council	2003	£24 852	NGOs in Campeche and indigenous	Support to environmental tourism.	Calakmul
	World Vision	2003	£3 553	Indigenous Population	24 workshops for training trainers on human rights.	Calakmul
	IPPA	2003	£15 000	Legislators & Lawyers	Formation for legislation to protect investors.	Mexico, D.F.
	World Vision	2003	£3 500	Indigenous Population	Workshops on human rights	Estado de México y Michoacan
	Eco/ Energy Secretariat	2003	£65 000		REEEP project on renewable energies	Mexico, D.F.
	JEMAC	2003	£13 644	Young entrepreneurs	Workshops on the preparation of business plans.	Mexico, D.F.
	Fomento	2003	£20 000	Workers of the energy sector	Workshops on labour rights and democracy in the work place.	Mexico, D.F.

Denmark	Human Rights promotion	Desde 2001	DKK325 000	Indigenous people and NGO's	Support to indigenous peoples to enhance their living conditions	In Chiapas with the support of the Comision de Apoyo a la Unidad y Reconciliacion Comunitaria, A.C. (CORECO)
Finland*	N/A	N/A	N/A	N/A	N/A	N/A

Official Euro rate as November 2004: 1 Euro = 0.6957 (GBP) Pound Sterling; 1 Euro = 7,43 DKK; 1 Euro = 14.69 Mexican Pesos.

* Information on details of projects non available

The EU made a financial contribution of 56.2 M € for the period 2002-2006 (indicative amount) and defined the following priority areas of cooperation:

- Social development and the reduction of inequalities.
- Economic growth by facilitating the implementation of the Free Trade Area and by fostering small and medium-sized enterprises.
- Scientific and technical co-operation.
- Consolidation of the rule of law and institutional support.

Annex 9

Regional Programmes and Thematic Lines

A. Regional Programmes

The main activities are the following:

URB-AL programme: To date 154 joint projects have been selected, 21 of which with Mexican local authorities. Three external members from Mexico also participate in Urb-Al joint projects. Of the 268 different Latin American local authorities in joint projects, 15 are from Mexico (6% of the total), and five Mexican local authorities are project coordinators.

ALFA programme: The programme ALFA promotes academic strengthening and exchanges at tertiary level of education. To date 46 eligible Higher Education Institutions (HEI) from Mexico participate in 92 of the 208 approved projects of ALFA II in the context of the first 10 selection rounds. Mexico co-ordinates 3 of the 92 above-mentioned approved projects.

@LIS programme: Mexico participates in all @LIS areas of intervention including dialogues, networks and four demonstration projects (in e- Education, e- Inclusion).

AL-INVEST programme: Mexico have collaborated in 234 of the 464 activities organised by Al-Invest to date. It actively participates through five Eurocentros established in the country which so far have coordinated 44 of the 250 activities (approx. 18 %) led by Latin- American operators.

ALBAN: The programme Alban awards high-level scholarships for education and training at post-graduate level (master, doctorate, professional training) to be carried out in the European Union. To date the number of Mexican candidates to whom Alban scholarships were awarded is 297 out of 1.583 selected candidates, representing approximately the 18.8% of the total award. Mexico was increasingly benefited from the Programme: 21 scholarship awards (out of 553) in the first selection in 2003, 8.4%, to 143 (out of 779) in 2004, 18.4%, to 133 scholarship awards (out of 553) in 2005, 24%, third selection year of the Programme. Overall, the main study areas preferred by professionals from Mexico so far are Engineering and Technology (16%), Business Studies and Management Sciences (14%), Natural Sciences (8%), Social Sciences (17%), Mathematics/Informatics (7%).

Erasmus Mundus: The programme was launched in 2004 for the period 2004-2008 focusing on the creation of master courses developed by a minimum of 3 higher education institutions from Europe.

OBREAL: The programme operates through a network of 23 universities from Latin America and the EU created to inform about the relations between the regions as well to elaborate a strategic vision of each region. One Mexican academic institution is participating in the network.

EUROSOCIAL: This programme, whose objective is to foster social cohesion in Latin America, is particularly relevant for Mexico. The programme supports social cohesion oriented public policies in the field of education, health, administration of justice, fiscal policies, and employment. Mexican institutions participate in all four consortia selected by the European Commission in May 2005 to implement the programme during its 4 years of execution.

B. Cooperation through Thematic Lines

The main activities are the following:

Human Rights: Cooperation in the human rights sector has substantially increased since the European Initiative for Democracy and Human Rights (EIDHR) included Mexico as one of three priority countries in Latin America in 2002. In the framework of the EIDHR, the EC Delegation is currently responsible for 19 projects in Mexico for a total of approximately 3.2 M €. Additionally, new micro-project contracts with a total EC contribution of up to 425.000 € should be granted by the end of 2005. The Commission has also negotiated two targeted projects with the UN Office of the High Commissioner for Human Rights (OHCHR) with a total EU contribution of 1.4 M €. Cooperation in this sector should continue with a view to assisting Mexico in implementing its National Human Rights Programme and address the recommendations contained in the study carried out by the OHCHR as well as recommendations by rapporteurs from the UN and Inter-American system.

NGO Co-financing: Despite the relatively small size and value compared to bilateral cooperation, NGO co-financed projects in Mexico (7 projects / EUR 4.5 M €.) have an important impact as their thematic and grass-root focus is highly relevant to the social, cultural and economic situation of the country, complementing other EC policy priorities.

Fight against drugs: There is one regional action with participation of Mexican NGOs amounting to 774.636 €, and supporting a common response frame to drug use based on pilot experiences in Latin America and the Caribbean.

Migration and Refugees : The EC financed two projects supporting Guatemalan refugees in the South of Mexico, one in the States of Campeche, Quintana Roo and Chiapas (5,5 M €), the other to foster cultural identity and community development on the peninsula of Yucatán (800,000 €).

Environment and forest : Several projects of a total EC contribution of approx. 2,4 M € are financed in Mexico, including conservation activities and local community development, production and marketing of fair trade products in the local market, and sustainable forest management.

Participation of Non-State Actors (NSA) in thematic lines:

The CSP 2002-2006 had a strong civil society component. The new DCI (development cooperation instrument) Regulation includes different NSA amongst the entities directly eligible for community co-operation.

The deconcentration process of EC development cooperation management has facilitated closer follow-up and monitoring of NSA-implemented action, and reduced difficulties previously experienced due to procedural and legal complexities. The actions financed within thematic programmes have established and strengthened the networks between European and local NGOs as Mexican NSA often act as ‘‘local implementing partners’’ of European partner NGOs providing additional funds and experience with EC financing instruments. The former’s local expertise and the flexibility of their intervention compared to bilateral cooperation projects is critical for the success of the thematic programmes.

Annex 10

Coherence with EC Policies (Policy Mix)

1. Trade Policy.

Article 133 of the treaty states that the objectives of the Union's commercial policy is «to contribute, in the common interest, to the harmonious development of world trade, the progressive abolition of restrictions on international trade and the lowering of customs barriers». Its purpose is to promote the economic and political interests of the European Community. It covers all the main aspects of trade in goods and services (tariff and non-tariff barriers, trade defense, particularly in cases of dumping and subsidies, export loans) as well as key aspects of intellectual property, investment and competition.

The main objective of the EU trade policy towards Mexico is to correctly implement the Free Trade Area established between both parties and into force since 1 July 2000 concerning goods and 1 March 2001 in relation to services. The promotion of trade liberalization on a multilateral base is also part of the EU trade policy toward Mexico and coordination with Mexico in this field is appreciated and actively pursued by the European Commission.

The strategy set out in this document contributes fully to the achievement of such objectives, mainly in what concerns the economy and competitiveness focal sector. It also prepares the grounds for the exploitation of the opportunities open, to Mexico and to the EU, by a successful conclusion of the review clauses negotiations.

Occasional trade irritants or discussions on specific issues such as technical norms and specifications, banana regime, etc. do not constitute a major factor in the EU-Mexico trade relations. However the present strategy has been conceived in a way consistent to EC posture and specific positions in all respective fields.

2. Common agricultural Policy (CAP) and Common Fisheries Policy (CFP)

The Treaty of Rome in 1957 contained provision for a "common agricultural policy" (the CAP) and for a "common fisheries policy" (CFP). This policy sought to increase the productivity of European agriculture and fisheries, ensure reasonable living standards for farmers, stabilize farm produce markets and guarantee a stable food supply at fair prices for consumers. Many changes were made to the CAP and the CFP, modifying price policy, restricting market intervention, regulating output and introducing a system to control spending on agriculture.

Measures were added to stimulate development in rural areas. By 1992, a more radical overhaul of the CAP was called for: reduction of support prices, market management was adjusted to restore market balance, and more assistance was provided for social and environmental measures.

It has to be noticed that products include in the CAP have been the object of special treatment under the EU-Mexico FTA, being mainly excluded of the bilateral liberalization process.

The present strategy takes into account the provisions and practices of CAP. It has been conceived in a way to allow the exploitation of the opportunities, open to both Mexico and the EU, offered by a possible successful conclusion of the review clause negotiation in the field of agriculture.

Essentially all fisheries products are covered by the EU-Mexico FTA. A few products have received special treatment and are subject to tariff quotas.

3. Sanitary and Phytosanitary Control Policy – Consumer protection

In its external dimension, the Community policy in this sector is addressed to assure a high level of protection of health, safety and economic interests of the consumers, as well as the protection of public health in the EU. The implementation of this principle can be occasionally perceived, by some third countries, or economic sectors, as a form of non tariff trade protection that prevents the access of some products – mainly agricultural - to the European markets.

The emphasis given by this strategy on collaboration in the field of trade and on all aspects related to diffusion of information, transparency and visibility can give a positive contribution to the understanding of the real motives and spirit of EU Sanitary and Phytosanitary Control Policy and Consumer Protection.

At the same time, Mexico has raised concerns about non-reciprocal treatment by the EC in the implementation of certain Community principles of health inspection, such as that of regionalization.

4. Internal Market and Competition Policies

Internal market: the principal aim of this policy is to strengthen the process of economic integration for a liberalisation of the markets, as well as the development of a legislative framework compatible with that of the EC, which assures a suitable level of protection of industrial and intellectual property, prevents the laundering of money, protects the personal data and guarantees minimum standards for public calls for tender, avoiding any kinds of restrictive measure of the markets.

Regulatory convergence leads to mutual benefits, supporting trade and investment and favouring investment abroad of EU companies.

Competition policy: The interest in applying competition policy in the EU relations with third countries, mainly in the negotiation of trade agreements, is based on the establishment of a stable and clear legal framework for relations among economic operators that may prevent commercial conflicts.

At the same time, the discriminatory treatment between companies of both parties is avoided with respect to direct investments or access to the services market. Likewise, the EU takes part in multilateral co-operation in this sector in the framework of the World Trade Organisation (WTO).

The WTO working group on "trade and competition" examines the possibility of strengthening the convergence of policies for which a multilateral horizontal action might be explored by the EC.

These two policies are compatible with the present strategy since interventions promoting the aims of the above-mentioned policies are included, so much in the bilateral as in the regional context.

5. Research and Development Policy

In the EC, international co-operation in this area is covered by the Framework Programmes (FP) through two principal axes:

- an international co-operation dimension for each thematic research programme included in the FP; and,
- a specific international S&T Co-operation programme that contributes to the solution of common or sustainable development problems in third countries and regions, including Mexico.

The present strategy has been conceived in a way to allow the exploitation of the opportunities, open to both EU and Mexico, by the ratification of the EU-Mexico Sectoral Agreement on Science and Technology.

6. Governance, Capacity Building, Rule of Law

This is one of the decisive components for policies and reforms toward social cohesion. The level of social cohesion, economic development, environmental sustainability and human rights are depending from the quality of governance. Good governance is a critical factor for reaching the Millennium Development Goals even though there is no specific indicator related to it. The October 2006 *Conclusions of The Council and the Representatives of the Governments of the Member States meeting within the Council* and the August 2006 *Communication of the Commission "Governance on the European Consensus for the Development – Towards a harmonised approach within the European Union"* both propose a coordinated policy towards Governance by: :

- using the external dimension of community policies,
- making use of political dialogue and development aid programming to encourage change and to adopt the requisite support measures. ,
- developing a common approach of EU Member States, the Commission, the other donors and international organisations to support partner countries,
- developing a coherent common approach to promote all aspects of democratic governance.

The present strategy takes into account these recommendations. In the case of human rights and democracy, the EC mobilises support through the European Initiative for Democracy and Human Rights instrument ([see above](#)).

7. Human Rights, Democracy, Indigenous People

The basic idea is that democracy, rule of law, human rights and fundamental liberty are basic principles of the European Union, independently that national Governments are responsible of their respect.

The EC has developed different instruments in relation, and raised a number of thematic matters. The understanding of this traversal nature demands a considerable effort for assuring coherence. The EC identified three main areas of actuation:

- Stimulate coherent support policies, looking for a better coherence between cooperation and external relation, complementarity between the EC and Member States, and integrate these issues as cross-cutting issues within other policies and actions of the EU.
- Give a greater priority to human rights democracy in the relations with third countries.
- Have a more strategic focus when addressing programmes and project in this matter.

This is relevant for Mexico, and the CSP is fully compatible with this policy.

Cooperation through thematic lines and regional programmes should devote a due attention to Human rights in general as well as to democracy and to indigenous people. In particular the prevention of violence against women and torture should be object of specific programme activities.

In the context of the policy dialogue on social cohesion and in the related activities, socially disadvantaged women as vulnerable group and indigenous people should receive particular attention. These groups should be among the potential beneficiaries of pilot projects.

8. Environmental Policy.

The priorities of the environmental policy for Mexico are defined in two levels:

Objectives and principles included in the 6th Community Environment Action Programme (6EAP, 2002-2011): climate change, depletion of natural resources and the loss of biodiversity, participation in the discussions and negotiations on forest related issues (In line with the EC communication on “Forests and Development: the EC approach” – COM 1999 - 554).

To encourage Mexico to implement its international commitments under the different multilateral environmental agreements, notably: the Biodiversity Convention, Cartagena

Protocol of Biosafety, Climate Change Convention, the Kyoto Protocol, Stockholm Convention of Persistent Organic Pollutants and the Rotterdam Convention on the Prior Informed Consent Procedure for certain hazardous chemicals and pesticides in international trade.

These objectives are compatible with the present strategy in particular in view of the fact that environment as one of the main crosscutting issues for sustainable development has been mainstreamed into the co-operation strategy. Climate change, Water and Forestry issues should play, among others, a very relevant role.

Specific horizontal budget lines have been addressing certain environmental issues in Latin America for several years. It is important to continue to grasp the opportunity for cooperation under the new Thematic Programme on Environment and Sustainable Management of natural Resources including Energy (ENTRP) where appropriate.

9. Conflict Prevention

In its communication on conflict prevention (April 2001), the Commission announced its intention to focus its co-operation programmes more clearly on addressing root causes of conflict in an integrated manner. In this context, the Commission will seek to incorporate specific conflict prevention (or resolution) measures into its various sectoral programmes.

The analysis of potential sources of conflict in Mexico has put in evidence the need to strengthen the judiciary system, to increase citizen's security and respect for human rights, to decrease the social and economic inequalities, to foster the integration of indigenous people in the Mexican system while respecting their cultural differences and to develop the most deprived rural areas in the south –south east of the country.

Most of these issues were already tackled in the context of the Country strategy paper 2002-2006, and a number of EC financed activities are supporting current Mexican efforts in the field.

The present strategy for the period 2007 – 2013 will further consolidate the already existing joint effort and will expand the scope of cooperation by dealing on a more systematic way with the issue of social cohesion.

The establishment of various related policy dialogues will also contribute to a more articulated and ambitious cooperation in the field.

10. Justice and Home Affairs

At the external level, the EU drug strategy 2005-2012 is based on strengthening coordination in the fight against drugs and on supporting the development of relations with third countries. The EU action is guided by the principle of shared responsibility: partnerships with third

countries that address their overall social and economic development. This has been concretised by the EU-Latin American Action Plan of Panama adopted and ratified in 1999.

One should recall the special treatment received by the Andean and Central American countries, within the framework of the Generalised System of Preferences, in support to their efforts in combating drugs.

The Latin American Regional Strategy includes a new specific provision between the EU and Latin America to take place in addition to the *ad hoc* policy dialogue.

The instruments put into place by the EC in its relations with Mexico in the fight against drugs (UE Plan, Agreement on co-operation regarding the control of precursors and chemical substances frequently used in the illicit manufacture of narcotic drugs or psychotropic substances, political dialogue under the Global Agreement and co-operation projects) are coherent with the objectives of the present strategy.

The current policy concerning immigration could, in theory, have an impact on the development of Mexico due the importance of remittances from immigrants in hosting countries in the macro-economic equilibrium. However, for the moment, given the fact that the emigration flow from Mexico is directed to the USA, the above-mentioned impact is very limited.

It is also important to take into account that immigration will have an impact during the future negotiations on services foreseen in the Global Agreement. A FTA in services will include the four modes mentioned in the GATS, one of them is the provision of services by means of physical presence in the partners territory.

11. Information Society

The main objectives pursued by co-operation with Latin America in the Information Society field are the following:

Promoting the development of an inclusive Information Society in those countries and fighting the digital divide within and between countries and regions and, as such, contributing to the economic and social development of Latin American countries;

Fostering the integration of Latin American countries in the global Information Society;

Promoting European industrial interests in Latin America by creating a favourable environment for the EU Information Society stakeholders in the region, notably by promoting efficient regulatory and policy frameworks, as well as open and global standards;

Reinforcing technological co-operation in the field of Information Society, in particular through the European Union Framework Programme for RTD;

Those objectives are compatible with both the national and regional strategies.

12. Employment, social affairs and equal opportunities

In its 12 April 2005 Communication on *Policy Coherence for Development*, the Commission has defined coherence commitments in the overall framework of the EU sustainable development strategy. These commitments were endorsed by the Council (GAERC) on 24 May 2005. The Community proposed an integrated social and economic approach that regards economic, employment and social cohesion as interdependent elements with a view to fighting inequalities.

Employment is a crucial factor to achieve a high level of social cohesion. The Community will promote investments that generate employment and that support human resources development. The respect of fundamental labour rights (core labour standards) is a key element of the EU policy.

The Declaration of Guadalajara of May 2004, specifically underscores the commitment *"to the principles of decent work proclaimed by the International Labour Organisation, in the belief that respect for workers' rights and dignity is vital for achieving poverty reduction and sustainable social and economic development for our peoples"*.

In this respect, the Community will promote decent work for all in line with the ILO agenda. Special emphasis will be given to the progressive integration of the informal sector into formal economy, on social dialogue and on corporate social responsibility.

13. Other issues

The present strategy establishes a framework for enhanced EU-Mexico cooperation in a several areas. It contributes to the establishment of a closer partnership. This development could induce Mexico to take part, as other non-EU major countries, in the European Programme for Global Navigation Services (Galileo).

Another positive development could be the possibility of signing a EU-Mexico Horizontal Civil Aviation Agreement.

Annex 11

Other Proposed Policy Dialogues

Regional Development and Decentralization - The EU has valuable experience on regional development policies and has implemented strategies which integrate mechanisms for horizontal and vertical coordination of public authorities, planning, allocation of responsibilities and resources, subsidiarity etc. The Mexican government itself has included regional development in the priority list of the National Development Plan, by setting up the Office for Strategic Planning and Regional Development within the Presidency of the Republic.

Regional development is another aspect (through territorial) of the social cohesion problem of the country and requires coordination between the different levels of government and the local actors. As said above, the differences between North and South are important and decentralization could be a way to tackle the problem. Various experiences from EU countries, in the field of decentralization could provide Mexico with useful hints for future action.

Rule of Law and Institutional Strengthening - There is a clear link between enhanced rule of law and improved environment for investment. Mexico's reputation in international (and national) economic circles has suffered greatly because of a perception of persistence of juridical insecurity, legislative and regulatory opacity, administrative inefficiencies and high "transition costs" of informal or undue nature in the investment process. This could have negative impacts on aggregate investment level and on the general competitiveness of the system.

Rule of law is also the basis for the safeguard and effective promotion of citizens' rights. In a dynamic perspective, rule of law and democracy are mutually-reinforcing processes.

During the last ten years, in the context of the support to accession countries, the EU has accumulated a vast array of experience in supporting the establishment of rule of law and in many related issues. This patrimony of experience can be put at Mexico's disposal, in the context of mutually beneficial exchange of experiences, on an equal basis.

In the area of institutional strengthening, the issues of transparency, integrity and neutrality are of utmost relevance. To them are directly linked the two principal characteristics of a modern bureaucracy operating in a democratic system: effectiveness and access.

Any reform aimed at establishing an institutional system, characterised by the features mentioned above, implies appropriate legal and regulatory reforms supported by effective control mechanisms. Techniques and methodologies elaborated within the EU in the area of institutional strengthening could be of interest to Mexico.

Environment - As previously mentioned, environmental problems in Mexico are serious and susceptible of further degradation in absence of effective countermeasures and appropriate policies of environmental preservation and recovery. The EU and Mexico need to continue active cooperation in this area within the existing instruments. Furthermore, exchanges of experts and other related activities could be carried out in order to facilitate the mutual sharing of experiences. Recent EU experiences in environmental preservation policies, in particular with reference to the process of EU Enlargement, could be of great interest to Mexico.

Annex 12

Indicators

The following tables provide examples of indicators, per focal sectors, which could be taken into account during the project identification phase. The tables and the lists of indicators proposed herewith do not pretend to be exhaustive.

Table 1 – Social Cohesion

Indicator	Data / period	Source
Child Mortality Rate	Per each 1,000 live births: in 1970= 79; in 2002= 24	IDH, UNDP
Life expectancy	71 in 2002 for men while the average for the OECD countries is 74. 77.1 in 2002 for women, while the OECD average is 80.6	WBI, OECD
Maternity mortality rate	Per each 100.000 live births: 1985-2002 = 79, in 2000 = 83	UNDP
Physicians per inhabitant	156 per each 100.000 inhabitants (1990-2003)	UNDP
Global fertility rate	In 1990 the rate was 3.35 while in 2002 it was of 2.4. OECD average for the same period is 1.86 and 1.60 respectively.	OECD
Income Inequality index (Gini coefficient)	100 = perfect equality. Mexico 2000 = 54.6 Proportion of 10% wealthiest in total income = 43.1%; Proportion of 20% poorest in total income= 3.1 %	WB
Population living with less than US \$2 per day	From 1983 to 2000 = 37.7%	WB
Percentage of women in labour force	33% in 2004 while OECD average is 55.3%	WBI OECD
Percentage of marginalized indigenous population	10 million indigenous located in 871 municipalities with an indigenous presence, of which 295 (39%) have a “very high” rate of marginalization.	CONAPO CDI UNDP
Percentage of private housing of the indigenous population, with earth floor	43.7% of the total housing of the indigenous population	CDI UNDP
Incidence of poverty in the indigenous population	43.8% of the poorest 20% is indigenous. 79.3% of the poorest 50%, is indigenous (2000)	INEGI
Percentage of health expenditures	Public expenditure in health in 2002 is 2.8% while OECD average is 6% Private expenditure in health in 2002 is 3.4% while OECD average is 2.4% (1999-2002)	OECD
Index of subjective welfare	The proportion of population considering themselves “happy” is 91.7% against 88.2% of OECD average (1992-2002)	OECD
Suicide rate	The number of suicides per 1.000 persons is 3.8 against 13.9 OECD average (all ages, 2003)	OECD
Percentage of persons between 15 and 49 years old with HIV-AIDS	0.3% in 2001, of which 0.5% are men, and 0.1 women. In 2001 there were 27.000 orphan children with HIV-AIDS.	UNAIDS
Percentage of the population in a situation of extreme poverty by geographic distribution	South Pacific: 52.5%, Gulf of Mexico: 39.6%, Centre: 23.8%, North: 10.5% and Federal District (F.D.) 4.8% (2000)	CONAPO
Households living in poverty, by urban and rural zones	Percentage of household with income less than two times the “basic basket”. 34% in 1984 (28% urban, 45% rural). 33% in 2002 (27% urban, 45% rural)	CEPAL
Household under indigence situation, by urban and rural zones	Percentage of households with income less than the cost of basic goods. 11% in 1984 (7% urban, 20% rural). 11% in 2002 (5% urban, 21% rural)	CEPAL
Contribution of states to the inequality of the country	States with higher contribution to the percentage of country’s inequality level, in terms of income per household: Veracruz (7.6%), Oaxaca (7.5%), State of Mexico (6.5%), Chiapas (5%).	IDH Municipal UNDP- SEDESOL
Health coverage per region	South (Pacific) 78.4% of the population without coverage. F.D.: 46% of the population without coverage. National: 57.4% without coverage (2000)	INEGI
Decentralized expenditures	In relation to the total net expenditures: 1998 = 27.5%, 2000 = 30% of programmable expenditure	Chamber of Deputies
Index of Municipal Human Development (including delegations in the FD)	Of the first 8, 4 are located in the F.D., 2 in Nuevo León, 1 in Morelos and 1 in Oaxaca. Of the last 10, 4 are located in Oaxaca, 3 in Chiapas, 2 in Veracruz and 1 in Guerrero.	IDH Municipal UNDP-SEDESOL

Table 2 – Economy and Competitiveness

ECONOMY		
Indicador	Data / period	Source
Per capita GDP	2000 = \$8,939, 2001 = \$9,005, 2002 = \$9,080, 2003 = \$9,200 2002 = \$6,320 (adjusted to purchasing power in USD)	UNDP OECD
Deficit of balance of payment	As percentage of GDP: 2000 = -1.10%, 2001 = -0.69%, 2002 = -1.18%, 2003 = -0.70%	OECD
Participation of the manufacturing industry in the GDP	2000 = 21.2%, 2001 = 20.5% and 2002 = 20.2%	IMF ECLAC
Growth of Gross National Product	1992-2001 = 2.7%, 2002 = 1.6%, 2003 = 2.2%, 2004 = 4.2%. Estimate: 2005= 2.9%, 2006= 3.1%.	OECD
Average increase and variability of the GDP	During the period 1990-2000 Mexico displayed an average growth of 2.7%, while in China this was 9.3% and in Ireland 8%. The variability during the same period is 1.4, 0.2 and 0.3 points respectively, which indicates a low growth and many fluctuations for Mexico.	WB
Inflation	1992-2001 = 3.9%, 2002 = 2.6%, 2003= 2.0%	OECD
Growth rate of total population	Average annual rate per 100 inhabitants. 1980-1985= 2.2%, 1985-1990= 1.8%, 2000-2005= 1.4%, 2005-2010e= 1.2%	ECLAC
External debt as % of GNP	2000 =20.74%, 2001= 20.1%, 2002 = 20.80%, 2003 =24.3%	WB
Foreign investment net entry	Percentage of GDP: 1990 = 1.0%, 2002 = 2.3%	UNDP
Consumption of public spending by the government	As percentage of GDP: 2000 = 11.09%, 2001 = 11.77%, 2002 = 11.76%, 2003 = 11.90%	The Economist
Unemployment rate	1992-2001 = 6.8%, 2002 = 6.7%, 2003= 6.9%, 2004e= 6.6%	OECD
Salary per work/hour	In USD, 2000 = 1.57, 2001 = 1.74, 2002 = 1.79, 2003 = 1.68	The Economist
Growth of agriculture, forestry, hunting and fishing	Average annual rates on figures at 1995 constant prices: 1999 = 1.5%, 2000 = 0.4%, 2001 = 6.1%, 2002 =-0.4%	IMF ECLAC
COMPETITIVENESS		
Indicador	Data / period	Source
Systemic competitiveness index by States (ICSar)	In 2005, position among 32 federative entities 1 = FD, 2 = Nuevo León, 3 = Aguascalientes, 4 = Querétaro, 5 = Coahuila. 32 = Guerrero, 31 = Oaxaca, 30 = Chiapas.	Aregional.com
Efficiency of judicial system	Among 109 countries, Mexico has a less judicial efficiency for a minor procedure – such as cashing a bad check – than 85% of the other countries analyzed (2004)	IMCO
Property rights	Among 109 countries, Mexico has more complicated legal procedures to dispossess a delinquent tenant than 78% of the other countries analyzed (2004)	IMCO
Regulation of entrepreneurial sector activities	In Mexico, the average number of days to open a new business is greater than the worldwide average, but smaller than its main competitors (2004)	IMCO
Labour flexibility	Among 85 countries, Mexico has less labour flexibility than 80% of the other countries analyzed (2004)	IMCO
Protection of shareholders' rights	Among 49 countries analyzed, Mexico is one of the three countries with the least effective protection (2004)	IMCO
Protection of creditors' rights	Among 49 countries analyzed, Mexico is one of the three countries with the least protection of creditors (2004)	IMCO
Average of the number of procedures required to open a business	15 procedures (China = 7, Canada =2)	IMCO COFEMER
Average of days to open business	112 days (China = 111, Canada = 2)	IMCO, COFEMER
Competitiveness world rank	Classification according to governmental effectiveness and efficiency, business efficiency and infrastructure: Number 53 in 2001. (USA = 1, Canada = 8, Chile = 25)	IMD

Table 3 – Education and Culture

EDUCATION		
Indicador	Data / period	Source
Public spending on higher education	As a percentage of GDP	IDH-UNDP UNESCO
Enrolment rate in higher education	Of total persons in pertaining age 1999 = 20%, 2001 = 21%, 2002 = 20% (Peru = 32%, Venezuela = 27% in 2001)	IDH-UNDP UNESCO
Education level by age group (higher secondary education)	25-34 years = 25%, 35-44 years = 25%, 45-54 years =17%, 55-64 years =11%	OECD
Education level by age group (at least at the higher level)	25-34 years= 15%, 35-44 years = 15%, 45-54 years =11%, 55-64 years =7%	OECD
Desertion in higher secondary education	Percentage of students quitting before concluding the level: 2001-2002 = 16.9%, 2002-2003 = 17.4%	SEP INEGI
Utilization of labour market	Students having completed their education (but not completing final requirements) and not working in their profession: 2004 = 44%	SEP

CULTURE		
Indicador	Data / period	Source
Expenditure in culture	2002 = 5.2, 2003 = 6.17, 2004e = 5.3 (in million pesos)	SEP, CONACULTA
Average attendance to cinemas	Average per person per year= 1.1 (2002)	UNESCO
Cinema screens	Per one million persons. 1994 = 24	UNESCO
Printed communication media	Newspapers and other periodical publications (daily circulation per 1000 inhabitants) 1998 = 97 units	UNESCO
Consumption of cultural printed media	Metric tons per person 1997= 12 (Morocco = 2.3, Canada = 95)	UNESCO
Electronic communication media	Radio sets per 1000 inhabitants 1997= 329 TV sets per 1000 inhabitants, 1997 = 272	UNESCO INEGI
Computers per 1000 inhabitants	In 2004 = 83, USA = 659, Switzerland = 708, Sweden = 621	WB
Internet users	Per 1000 inhabitants. 1990= 1, 2002= 255	IDH-UNDP
Number of inhabitants per museum	2000 = 92,139. (Total museums = 1058)	INEGI
Number of inhabitants per theatre	2000 = 179,197 (Total = 544 theatres)	INEGI
Number of inhabitants per bookstore	2000 = 85,064 (Total =1,145 book stores)	INEGI
Cultural heritage	Sites considered as world heritage = 21. Cultural = 19, natural = 2, mixed = 0, pending = 17. (USA= 72)	UNESCO INEGI