



*Statement of the United Mexican States to the 2st draft of Forum of 21st Century on
Global economic issues*

 **Proposal of the Forum:**

Forum for the 21st Century calls for quick finalization of the Doha Development Round. With the agriculture sector being one of the most problematic issues on the worldwide scale as well as in the Doha Development Agenda, the Forum sees the earliest possible agreement highly essential. By the year 2015, the tariff restrictions on agricultural products import from the developing countries should be lifted so that even the countries not being in the WTO's Generalized System of Preferences will have the access to the world agricultural markets without the current disadvantages. Already benefiting from extensive subsidies, agricultural production from developed countries holds twice the advantage on the world markets. As the world food prices soar, the suspension of subsidies and removing tariff restrictions must be gradually adopted in order to stop the steep increase in food price levels that endangers the already troublesome access to nutrition in the poorest regions of the world. Such an action would provide developing countries with vital incomes to spur their progress and at the same time cheaper food in developed countries. Moreover, according to research from organizations such as OECD, suspension of subsidies would greatly contribute to increase the world's GNP output.

Besides withdrawing from using free market-deforming instruments, the Forum calls for research activities to be carried out by participating countries in order to identify new means of aid to the countries suffering from the lack of food. The Forum expects the reports to be presented by the end of year 2013. Until the policies resulting from the research are adopted, participating countries should direct the development aid into the technical assistance, mainly the irrigation facilities that will enable developing countries to raise their food sovereignty.

Statement of the Mexican representation:

Understanding the necessity of reaching a considerable consensus regarding the reduction of tariff restrictions on agricultural products import from the developing countries in order to stop the steep increase in food price levels that endangers the already troublesome access to nutrition in the poorest regions of the world, the Mexican representation encourages that the Forum comes to a reasonable agreement. Mexico strongly supports that by the year 2015, the tariff restrictions on agricultural products import from the developing countries will be eliminated so that even the countries not being in the WTO's Generalized System of Preferences will have the access to the world agricultural markets without the current disadvantages.





Moreover, the Mexican representation highly appreciates the idea of research in order to identify new means of aid; however thinks that this research should be carried out by the end of the year 2012 at last, for there already are many data available.

 **Proposal of the Forum:**

Of the main imbalances present in the world economy, the Forum finds China's long-term trade surpluses and, on the other hand, US trade deficits the most pressing one. Yuan, China's national currency is still considerably undervalued compared to US dollar as well as other ones. Taking this into consideration, it is apparent that China's exports hold unfair advantage in the world trade. Moreover, the amount of Chinese monetary reserves in US dollars creates the unprecedented situation when the exchange rate of the main world reserve currency, that US dollar still remains, could be significantly influenced by the economic policy of China. Therefore, the Forum recommends that China, as well as other countries, namely Japan and South Korea; stop intervening in favour of keeping the exchange rates at artificially low levels and gradually level their present value with the real ones. This process should be finalized by the end of the year 2015 so that the domestic exporters will be given sufficient time for accommodation.

Statement of the Mexican representation:

Fair trade means fair and equal opportunities for every participant. If any country participating in the world trade violates the set rules, whether it is China, Mexico or USA, it should know this cannot go on forever without any consequences or appropriate retaliations by other countries. We cannot force any country how to manage its own monetary policy, however, we could make some arrangements that would penalize, e.g. by financial means, the countries violating the principles of fair trade, such as artificial undervaluation of national currency in order to gain unfair advantage on the markets. Mexico proposes that the Forum establishes a committee, which will deeper analyze this issue and make adequate proposals of how to deal with it. The Committee will be financed by the common budget of the Forum. The Committee shall announce its results and proposals within 6 months from now on.

 **Proposal of the Forum:**

With its value falling due to it's the long-term depreciation, the unique position of US dollar slowly but steadily deteriorates. The Forum proposes that the use of the International





Monetary Fund reserve currency shall be augmented. The Forum recommends the SDR currency basket to be composed of five to six currencies based on the respective countries' share in the world trade as well as the amount of their currency reserves that would provide stability in the times of general monetary instability. Both these prerequisites would amount to 50% of SDR's value (based on the weighted average). At the same time, it should be revaluated every two years in order to reflect the economic reality with no currency being granted an automatic share. It is clear that even the augmented use of SDR cannot completely replace traditional currency reserves. Taking this into account, the Forum suggests that the currencies of regional economic leaders were to be used more on the intra-regional level. Besides diversifying monetary reserves themselves, this would lower foreign exchange losses.

Statement of the Mexican representation:

The Mexican representation absolutely agrees that there is a great need to reconsider the system of SDR. The SDR currency basket will be composed of five currencies based on the respective countries' share in the world trade as well as the amount of their currency reserves that would provide stability in the times of general monetary instability. Both these prerequisites would amount to 50% of SDR's value (based on the weighted average). The basket should be revised every three years, or during the extreme world crisis. These measures will lead to better stability on the world markets and at the same time flexibility, for the Mexican representation considers the current status as highly ineffective and rigid.

 **Proposal of the Forum:**

As the examples from the past showed, countries' currencies, and thus countries themselves, can become victims to speculative capital originating from uncontrolled sources, such as hedge funds. As means of protection, the Forum advises countries to adopt legal provisions limiting the flow of their currencies. The amount of currency that could be bought and sold by a single investor, with the exception of national banks and Greenfield investments, should be restricted to 0.5% of a country's monetary base per month and 4% per year. This kind of precaution will prevent the speculative attacks on currencies and so protect countries' economies on the whole.

Statement of the Mexican representation:

Mexico is an open and market-based economy; therefore its government uses monetary and fiscal methods to prevent speculating with capital and to fight with the global financial crisis. Consequently, the Mexican government must disagree with the proposal of the Forum and stand against any capital control.





 **Proposal of the Forum:**

Similarly to the volume restriction of foreign exchange trade, the Forum calls for adoption of legal provisions in order to protect vulnerable countries against the outflow of speculative capital in form of portfolio investment. To ensure protection, the outflow should be restricted to 5% of country's GDP.

Statement of the Mexican representation:

Again, the Mexican representation must express its disagreement with the proposal of the Forum for the same reasons that have already been stated. Official position of Mexico regarding the control of capital flow is that Mexico is against any such control, as this is against the principles of the free market economy.

 **Proposal of the Forum:**

To counterbalance drawbacks caused by the "brain drain" phenomenon, the Forum recommends the adoption of measures that would guarantee the return of funds invested in education of individuals who do not contribute to the gross domestic product. As a possible solution, the Forum proposes using remittances to help the least developed countries in their progress. Remittances frequently represent the key component of income for people living in the least developed countries. On the other hand, gathering resources for the improvement or construction of infrastructure presents a difficult challenge for countries. Utilizing remittances as a source of funds provides a unique option to hasten the development. As income from remittances is mostly used for consumption and not supplementing much-needed investments. Imposing a 12% tax on them could be an adequate way to gather required financial resources. New funds under the supervision of the World Bank would be created to guarantee effective use of money, with each country being in possession of one. Funds could be used only for projects improving country's infrastructure (road network, construction of schools, sanitary facilities, research facilities etc.) that would create healthy and sustainable basis for future growth.

Statement of the Mexican representation:

In Mexico there are more private high schools and universities than public ones, therefore it would be very difficult to regulate which emigrants are due to return the investment being given to them from the state and which are not, because they have already paid for it. However, the brain drain phenomenon still remains a problematic issue for many countries, Mexico being no exception. Therefore the Mexican representation proposes that a certain





percentage of the taxes (e.g. 2%) that the migrating worker has already paid to the recipient State will be sent back to the “donor” State, but only up to the amount of the education of the person in question. There should not be any additional taxes imposed on the migrating worker.

 **Proposal of the Forum:**

Forum for the 21st Century recommends that, in the global dispute over the sources of energy, greater space is given to scientists who oppose pessimistic scenarios concerning the depletion of conventional sources of energy. Existing scientific studies, which question the pessimistic scenario accepted worldwide without contradicting voices being heard, provide us with a different perspective regarding the future use of energy resources. Using financial resources and scientific capacities to further improve efficiency of already existing facilities is substantial. Funding the development of alternative sources of energy should be done based on both environmental and economic arguments.

Statement of the Mexican representation:

For many countries, including Mexico, the production of conventional resources of energy is very important for the economy, and at the same time these countries do not have necessary financial sources for funding usage of alternative sources. Therefore, the Mexican representation agrees that the forum should definitely discuss further improvement of usage of the conventional energy resources and is prepared to financially support a scientific research regarding mining and processing of oil above all, for this represents an important part of national economy. We should not forget the nuclear energy as well as water and thermal energy. The Forum should also consider a creation of a team of experts and scientists from all participating countries, whose research will be financed either directly by these countries on a voluntary basis, or the Forum may suggest a creation of a fund and agree on country’s minimal fee.

 **Proposal of the Forum:**

The Forum suggests that the countries re-evaluate their spending on the economically ineffective energy sources and, by the end of the year 2012, prepare reports measuring the efficiency of the particular sources in their respective conditions. Based on these reports, the countries ought to ensure that the share of the most efficient energy source, except the ones producing greenhouse gases, will rise by at least 10% by the end of the year 2020. The Forum regards reopening the debate on the use of nuclear energy highly essential. To make nuclear energy even safer, creating a scientific team consisting of the world’s best experts is





advised to be done by the end of the year 2011 with its focus being to find environment-friendly way of disposal of the nuclear waste which remains one of the few negative sides to the nuclear energy.

Statement of the Mexican representation:

Mexico is open to any further investigation regarding nuclear energy and offers help of its National institute on nuclear investigation that specializes exactly on the issues of proposed team of experts. The Mexican representation advises that the national institutes and experts work together with the Nuclear Energy Agency in order to find environment-friendly way of disposal of the nuclear waste which remains one of the few negative sides to the nuclear energy.

The Mexican representation maintains a position that every country uses the most effective ways of producing energy and sees no reason in re-evaluating the spending on the economically ineffective energy sources, for this is being done continually. As for the energy producing greenhouse effect, this issue shall be discussed at the environment session.

