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International Trade and Its Impact on Economic Growth in Mexico In Relation To the Mexico-Colombia Free Trade Agreement. Agricultural Sector 2016-2018

Lic. María del Sol Zetina ÁVALOS
Universidad Juárez Autónoma de Tabasco
solmzetina@gmail.com, https://orcid.org/0000-0002-4211-0051

M.A. William Baldemar LÓPEZ RODRÍGUEZ
Universidad Juárez Autónoma de Tabasco
willbaldemar.oficial@gmail.com, https://orcid.org/0000-0002-4211-0051

Dr. Francisco Javier Jiménez TECİLLO
Universidad Juárez Autónoma de Tabasco
tecillo3302@gmail.com, https://orcid.org/0000-0002-4211-0051

Abstract

International trade has allowed countries to have a greater relationship around the export and import of goods and services, it has been a fundamental part of international economic growth allowing countries to extend their borders thanks to the conclusion of international treaties, which have the function of achieving that between two or more countries can export and import goods and services among themselves, avoiding double taxation in addition to obtaining various benefits which were agreed by the delegations assigned by each of the countries involved. Mexico currently has international agreements with 14 countries, which has allowed it to expand its market. One of them is the Mexico-Colombia Free Trade Agreement, which entered into force in January 1995, which would see its closure in 2006 with the departure of Venezuela, but which resulted in negotiations between Mexico and Colombia to close the bilateral treaty that is in force until today. Since then, Colombia has become Mexico's second largest trading partner in Latin America. Exports of Mexican products have had a great growth, being reflected mainly in the agricultural sector, where agri-food exports due to the variety, health, safety and quality of the products Mexicans have contributed to the country having a larger trade surplus.

Keywords: Trade, Growth, Market, Production.

Introduction

More than a dynamic economic phenomenon that constantly induces changes in the structure of the different productive sectors, economic growth is the increase or quantitative expansion of the income and value of the final goods and services produced in the economic system, during a certain period of time and is measured through the growth rate of the Gross Domestic Product (GDP), and it is appropriate to calculate it in real terms to eliminate the effects of inflation.

In recent centuries, there has been sustained economic growth, especially in the most industrialized countries. It should be noted that economic growth is not given equallyin all countries. That is why various theories have emerged about economic growth, such is the case of the theory raised by the first classical economists: Adam Smith (considered the father of economics), David Ricardo and Thomas Malthus who studied the subject of growth and introduced fundamental concepts such as the one raised by Adam Smith (1776) where diminishing returns and their relationship to the accumulation of physical or human capital, the relationship between technological progress and the specialization of work or the competitive approach as an instrument of dynamic equilibrium analysis.

What is commerce?

The Royal Academy of the Spanish Language[1] defines trade as a negotiation, which is carried out by buying, selling or exchanging goods or merchandise. We could define that trade is an activity that consists of the direct or indirect intermediation between producers and consumers of goods and services, in order to facilitate and promote wealth.

Approach to international trade

Samuelson and Nordhaus[2] define international trade "as the process by which countries import and export goods, services, and financial capital."

International trade encourages economic growth. So it increases production, employment and improves economic diversification. In addition, it increases the probability of achieving economic development.

Mayorga[3] states that international trade increases the potential market for goods produced by a given economy and characterizes relations between countries allowing to measure the strengths of their respective economies.

[1] Dictionary of the Spanish language, Royal Spanish Academy. 2021. Available in: https://dle.rae.es/contenido/cita

[2] P. Samuelson and W. Nordhaus, Macroeconomics with applications (Madrid: McGraw-Hill, 2019).

[3] J. Z. Mayorga Sánchez & C. Martínez Aldana, "Paul Krugman y el nuevo comercio internacional", Criterio Libre num 8 (2008) 80. Available in: https://dialnet.unirioja.es/servlet/articulo?codigo=4547087

For Rodríguez[4] InternationalTrade is of great importance due to the movement it generates within the local, regional and global economy; For each transaction that is carried out more than one sector is benefited, by generating a cascading effect from production, marketing, transfer, insurance of goods, nationalization of these, and a host of economic actors involved[5].

In Mexico, strong devaluations have increased inflation in such a way that entrepreneurs or large industries seek to reduce their costs and increase prices in order to curb this situation. That is why the government as a commercial strategy seeks to open its borders and reduce protectionism, to create healthy competition and achieve price controls as well as foreign investment. International relations are of great importance, that is why Mexico has signed free trade agreements with the whole world, governments have sought to increase trade relations with all continents and important economies, Mexico and countries in general require investment. And seek to optimizetheir trade balance through exports, since the need to exchange goods is imminent.

World trade has been growing much more than world production in the last thirty years, and it is increasingly articulated around global value chains. Between 1980 and 2011, the value of world merchandise trade increased by more than 7% annual average, totaling US$18 trillion in the last year of the period. Real merchandise trade growth quadrupled.

International trade iscomprised of rules and regulations governing trade transactions between countries. In Mexico these rules are regulated by the Fiscal Code of the Federation, the Foreign Trade Law, the Import and Export Law, the Law of Mercantile Companies, and the Customs Legislation, and the operation that is most important is that of the International Agreements that are signed between two or more countries.

What iseportation?

Exports are the sale, barter or donation of goods and services from residents of a country to non-residents; it is a transfer of ownership between inhabitants of different countries.

While SAT[6], considers that export is that operation by which national goods are sent abroad in a legal manner regulated by tax and customs laws to be destined to an economic function of use, production or consumption.

What is Import?

Article 96 of the Customs Law states that "Importation is understood as the entry of goods from abroad to remain in national territory for an unlimited time".

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[4] C.H. Rodriguez, International Trade. 1st Ed. (Third millennium network. 2012). Available in: http://www.aliat.org.mx/BibliotecasDigitales/economico_administrativo/Comercio_internacional.pdf

[5] G. Romero & F. Antonio, "Current international trade and the external insertion of developing countries: challenges for the Cuban economy", Economy and Development, num 153 (2015): 191. Available in: http://scielo.sld.cu/scielo.php?script=sci_arttext&pid=S0252-85842015000100012

[6] Tax Administration Service (SAT), Exporters. 2021. Available from: https:// www.sat.gob.mx/consulta/78455/ex

For SAT[7] the importation of goods is that operation by which a good of foreign origin is regulated and supervised in tax matters to be destined to an economic function of use, production or consumption, there are two types of import: definitive and temporary.

In Mexico, in matters of economic law, imports are regulated by normative bodies, such as the Customs Law, and it's Regulations, the General Import Tax Rate, the Foreign Trade Law, as well as other agreements.

What is a tariff?

Tariffs are taxes or taxes, which are applied to goods that are exported and imported. They are the basic instruments that regulate international trade, an instrument of trade policy, which has a collection purpose, as well as increasing the price of exported goods and increasing production National. Tariffs are taxes that distort the results of trade, both in the distribution of profits and in the winners and losers of these[8].

Mexico-Colombia Free Trade Agreement

FTAs are more advanced trade policy instruments compared to tariff preference systems, but with less impact on customs unions and economic unions[9].

The treaties were made to be able to make international markets can unite with certain preferences in the countries where they are made, conflicts often arise to decide which are the best tariff rates in order to have a good cost in order to have a good cost in both exported and imported products.

For Silva[10], the conflict provides a transcendental guideline for disputes to be addressed through educational processes, that is, to educate citizens for peace, to actively assume their responsibilities; preventive, in which citizens act or respond to acts of proliferation of mechanisms; resolute, from achieving or reaching agreements that put an end to conflicts by creating solutions.

The Mexico-Colombia free trade agreement has its beginnings in 1994 when Mexico, Colombia and Venezuela proposed the creation of a trilateral free trade agreement, in order to eliminate tariffs and facilitate the circulation of goods and services between countries, as well as continuous economic growth and the strengthening of commercial and economic ties between them. It was

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[7] Tax Administration Service (SAT), Importers. 2021. Available from: https:// www.sat.gob.mx/consulta/54336/im

[8] J. P. Góngora Pérez & S. Medina Ramírez, S. "La política arancelaria y el comercio exterior", Comercio exterior, Vol: 60 num 3 (2003): 233. Available in: http://revistas.bancomext.gob.mx/rce/magazines/136/5/233_ARANCELES_comercio.pdf

[9] g. Alarco Tosoni, "Free trade agreements, growth and potential product in Chile, Mexico and Peru", UNAM Economy, Vol: 14num 42(2017): 25. Available in: http://www.scielo.org.mx/scielo.php?script=sci_arttext&pid=S1665- 952X2017000300024&lng=es&tlng=es.

[10] F. Silva Hernández, "Towards an understanding of conflict in alternative justice", Revista De Investigaciones Universidad Del Quindío, Vol: 32 num 1 (2020): 65. https://doi.org/10.33975/riuq.vol32n1.435

also established that the treaty would be valid for 10 years and was called The Group of Three (G3) entering into force on January 1, 1995.

In November 2006 Venezuela announced its withdrawal from the G3, and itwas here that the negotiation began to adapt and deepen the trilateral agreement to a bilateral one, thus signing in 2010 the agreement between Mexico and Colombia entering into force in 2011. And thanks to this alliance, it has been possible to promote trade integration between these two countries, where Colombia has become Mexico's second largest trading partner in Latin America. Determined to contribute to the harmonious development, expansion of world trade and expansion of international cooperation of both nations

The G3 FTA included a significant opening of markets for goods and services and established clear and transparent rules on trade and investment, contemplating a tariff reduction program for most of the tariff universe in a period of 10 years, excluding most of the agricultural sector. Currently, 97% of the tariff universe is with 0% tariff.

Functions of the treaty
Import tax relief

1. Except as otherwise provided in this Agreement, no Party may increase any existing import tax, or adopt any new import tax, on originating goods.

2. Except as otherwise provided in this Agreement, each Party shall progressively eliminate its import taxes on originating goods as established.

3. For purposes of the relief of import taxes in accordance with this Article, the transitional tariff rates or tariffs shall be approximated towards

Below, at least to the nearest tenth percent or, if the tariff rate is expressed in monetary units, at least to the nearest .001 of the official monetary unit of the Party.

4. The Commission shall consult to examine the possibility of accelerating the rebate of import taxes for one or more goods or of including one or more goods in the Grading Schedule and shall make the Parties the relevant recommendations. Once the relevant legal requirements have been met, the accelerated relief of import taxes on a good achieved for two or more Parties shall prevail over any import tax or staging periodfor that good between those Parties. The inclusion of assets in the Relief Schedule between two or more Parties shall take effect for those assets between those Parties once the relevant legal procedures are completed.

Customs valuation

1. The customs value of an imported good shall be determined in accordance with the principles of the Customs Valuation Code.

2. The taxable amount on which import taxes will be applied to goods imported from another Party shall not be the value of a good produced in the territory of the importing Party, nor an arbitrary or fictitious value.

3. In accordance with Article 13 of the Customs Valuation Code, if in the course of determining the customs value of imported goods it is necessary to delay the final determination of that value, the importer may withdraw them from customs if, where required, it provides sufficient security in the form of a bond or, if the importer so chooses, by another means of guarantee provided for by the Party's law. The guarantee shall cover the payment of taxes to which the goods may ultimately be subject. It shall be released within a period not exceeding twenty working daysfrom the date on which the importer delivers the appropriate documentation to the customs authority, unless the customs authority itself has begun to exercise its powers to Verification or verification.

4. Goods imported from another Party to the Party that will be subject to the aforementioned guarantee when the customs value declared by the importer is lower than the estimated price determined by the customs authority of the importing Party based on a history of values of transaction previously obtained and analyzed.

5. Before adopting the estimated price referred to in paragraph 6, the Party shall communicate to the other Parties the description of the good, its tariff heading, the estimated price it intends to establish and the reasons for taking the measure.

6. It shall not be considered as the basic price for the determination of the taxes of import.

Temporary importation of goods

1. Each Party shall authorize temporary importation duty-free or with suspension of payment thereof, at least for the goods listed below, which are imported from another Party, regardless of their origin and that like, direct competitors or substitutes are available in the territory of the importing Party

2. Except as otherwise provided in this Agreement, each Party may subject temporary admission free of import duty or with suspension of payment of the same good.

a) That are introduced by natural or juridical persons legally established in the Party, or by nationals of another Party.

b) That the property is used exclusively by the person who enters temporarily or under his personal supervision, in the performance of his activity, trade or profession.

c) That the property is not subject to sale or lease or is transferred in any other way while it remains in its territory.

d) That the temporary importation is guaranteed by a bond or other guarantee not exceeding 110% of the charges that would be caused by the definitive importation of the good, which will be released at the time of re-export.

e) That the good is capable of identification when re-exported.

f) That the good is re-exported at the departure of the person or within a period that reasonably corresponds to the purpose of the temporary importation, which may not exceed in any case six months extendable to nine months.

g) That the good is imported in quantities no greater than reasonable in accordance with the intended use; and that the good is re-exported in the same form in which it was imported.

Except as otherwise provided in this Agreement, the Parties may make the temporary importation duty-free or with suspension of payment thereof of a good subject to temporary importation duty.

Methodology

The implemented method is a qualitative methodologywith a fully descriptive approach to better understand the situation and describe the problem to develop an appropriate solution.

A descriptive review was performed to obtain records and important information. This research is non-experimental, since it will be carried out under certain variables and only information will be collected with the objective of knowing the economic growth and international trade in Mexico in relation to the Mexico-Colombia free trade agreement.

Conclusion

International relations are very important, that is why Mexico has signed free trade agreements with the world, the government seeks to increase trade relations with all continents and economies, Mexico and other countries in general need foreign investment and seek to optimize the trade balance through exports of the exchange of goods because the need is imminent. In this research we realize that Colombia is a very important trading partner for Mexico.

International trade has allowed countries to expand their borders achieving greater growth in their economy, this thanks to the export and import of goods and services that help meet the needs of society, so this type of trade has become a fundamental part of global economic growth.

Since the signing of the agreement, the export of Mexican products has continued to grow, mainly in the agricultural sector. Due to the diversity, health, safety and quality of Mexican products, the country’s agricultural exports have contributed to the country's business surplus. Contributing to our country having an agri-food trade surplus.

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