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Carlos Navarro

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Mexico Seeks Trade Accords With Central, South American Countries

by Carlos Navarro
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Mexico is steadily moving ahead with plans to seek bilateral free trade accords with more countries in Central and South America. During March, Mexican trade officials plan to resume talks with Bolivia, and also initiate preliminary discussions with Peru, Guatemala, El Salvador, and Honduras. Nevertheless, negotiations on the Group of Three (G-3) agreement among Mexico, Colombia, and Venezuela remain stalled. At the same time, trade tensions have continued with Chile over Mexican tariffs on Chilean fishmeal. Mexico originally began trade negotiations with Bolivia in late 1991, but talks with that country have moved very slowly, and have only begun to gain momentum since late last year.

Bolivia negotiations ongoing

In November, Mexico's team of negotiators traveled to Bolivia to push the talks forward. According to Bolivian Foreign Minister Antonio Aranibar, the two sides made significant advances at that time, but they were not able to resolve "technical differences." A new round of talks is planned for the second half of March or early April, when Bolivian negotiators are scheduled to travel to Mexico City to resume discussions in the areas of services, agriculture, state purchases, and investments.

In an interview with the Mexican government news agency Notimex in early March, Bolivia's ambassador to Mexico City, Oscar Arze Quintanilla, said President Gonzalo Sanchez de Lozada's administration is especially interested in attracting Mexican investment and technology to the energy sector, including extraction of natural gas.

Other areas mentioned by Bolivian officials for possible Mexican investments are services such as transportation, communications, and banking. Meanwhile, possible accords with Peru and three more Central American countries remain at the exploratory stage.

Peru , Central American agreements explored

In early March, Peruvian and Mexican trade officials held preliminary talks in Lima to discuss the feasibility of eventually negotiating a free trade agreement. Participating in the meetings were representatives from Mexico's Trade Secretariat (Secretaria de Comercio y Fomento Industrial, SECOFI) and Peru's Ministry of Industry, Tourism, Integration, and Trade Negotiations.

According to SECOFI sources, the meeting was aimed both at exploring areas where the two countries might reduce or eliminate import tariffs for each other's products, and at identifying opportunities for investment.

In the case of the Central American countries, Mexico's deputy trade secretary Herminio Blanco met with his counterparts from Guatemala, El Salvador, and Honduras in San Salvador in mid-March to discuss the possibility of eventually negotiating an agreement to reduce some Mexican tariffs on

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imports from the three nations. Notwithstanding the progress in trade talks with those countries, however, negotiations remain stalled among the G-3 nations. In December of 1993 trade officials from Mexico, Colombia, and Venezuela told reporters that negotiations on their tripartite accord had been completed, and that the pact was ready to be signed by their respective presidents. However, a subsequent review found that in the haste to finalize the accord before year-end 1993, several important areas of disagreement were simply not addressed.

In early March, Mexican Trade Secretary Serra Puche told reporters he expected discussions on the G-3 agreement to resume sometime this month. He said the key issues yet to be resolved include differences over rules of origin and other technical matters.

Fishmeal remains an issue with Chile

Meantime, the dispute between Mexico and Chile over tariffs on fishmeal is now threatening to disrupt the close commercial relations those two countries have forged since enacting a free trade agreement in 1992. The two countries have been unable to resolve the dispute since SECOFI imposed interim countervailing duties on imports of Chilean fishmeal in February 1994. Speaking to reporters in Mexico City, Alejandro Jara, director of bilateral economic affairs for the Chilean Foreign Ministry, warned that the Mexican restrictions are placing the entire bilateral trade accord at risk. Jara made the comments before meeting with Trade Secretary Jaime Serra Puche to relay the Chilean government's concerns.

SECOFI's ongoing review of the case is scheduled to conclude with a final recommendation by June of this year on whether or not to make countervailing duties permanent. Jara told reporters that Chile earns an average of US$30 million in foreign exchange annually from exports of fishmeal to Mexico. He admitted that Chilean fishmeal is generally cheaper than a similar Mexican product, but said unfair trade practices have nothing to do with the price differential. Rather, he said prices were higher in Mexico because of a low- volume catch of sardines and other fish used in fishmeal. Jara said the Chilean government would attempt to resolve the conflict through the trade dispute mechanisms created under the Mexican-Chile bilateral accords.

Chile earlier threatened to take the matter to the General Agreement on Tariffs and Trade (GATT) if the two sides were not able to resolve the dispute through bilateral channels. On March 6, due to the trade dispute, Chilean companies cancelled a shipment of 8,500 metric tons of fishmeal to Mexico in order to avoid paying the applicable countervailing duty. Ernesto Mujica, president of the Chilean export firm Esparva, said the countervailing duty would have added another US$1 million to the $3.4 million cost of the shipment.

"This leaves us out of the Mexican market," said Mujica, who noted that the Chilean shipments will be replaced in Mexico by lesser-quality Peruvian fishmeal. Mujica warned that Mexico's action against Chilean fishmeal could have broader repercussions for trade between the two countries, since the move sets a precedent for future restrictions in other industries.

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