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LADB Staff

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*by LADB Staff*
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In mid-May, the European Union's (EU) council of foreign ministers approved a proposal for the European bloc to enter into negotiations with Mexico on an economic and trade agreement. The ruling directs EU officials to negotiate a commercial and trade agreement with Mexico that complies with the rules established by the World Trade Organization. "In order to strengthen our relationships, the union and Mexico have created a favorable framework to promote the exchange of products, services, and investment," the EU said in a prepared statement announcing the decision. "The framework will involve a reciprocal and progressive opening." The council's approval removes a major obstacle that had previously blocked an accord with the 15-member European bloc.

Some EU members, namely France and the Netherlands, had openly opposed an agreement on the grounds that the European bloc was proceeding too quickly in signing agreements with countries around the world (see SourceMex, 04/03/96). France, which is one of the EU's top agricultural producers, had expressed strong concerns that the EU could be suddenly deluged with agricultural products from outside the community.

During the debate on the Mexican agreement, Michel Barnier, French Minister for European Affairs, said EU members risked losing the advantages provided by the European bloc if too many accords are negotiated at once. In the past year, the EU has completed or initiated negotiations with individual countries in Latin America such as Chile, as well as with multilateral blocs, including the Southern Cone Common Market (Argentina, Brazil, Paraguay, and Uruguay) and the members of the Central America Integration System (SICA).

On the other hand, French officials emphasized that their intent was not directed specifically at Mexico, but was rather a general effort to slow down the fast pace with which the EU is negotiating agreements. In fact, France which was one of Mexico's top trading partners in 1995 would stand to gain from a further opening of the Mexican market. France ranked fourth as both Mexico's largest destination for exports and as a supplier of imports last year. France has had a trade surplus with Mexico each year since 1990.

In response to French concerns, Spain one of the staunchest supporters of an EU-Mexico agreement cited statistics from the European Commission showing that Mexico is a net importer of agricultural products. According to the data, Mexico supplies only about 0.4% of the EU's total agricultural imports. Furthermore, agricultural products comprise only about 18% of the EU's total imports from Mexico. Among Mexico's agricultural, livestock, and fishery exports to EU countries, only six products are shipped in any significant quantity strawberries, bananas, honey, asparagus, canned tuna, and tobacco.

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In promoting the EU-Mexico agreement, Spain's foreign minister, Abel Matutes, said an agreement with Mexico is particularly important to help European companies better compete against US and Canadian counterparts, which have special access to the Mexican market via the North American Free Trade Agreement (NAFTA). "If we don't move forward on free trade, our companies could lose their market share in Mexico," Matutes told reporters. While Spain and Great Britain were staunch defenders of an agreement with Mexico, sources said that Germany cast the deciding vote. "I have the impression that the EU has underestimated the importance of Mexico and its role in Latin America," said Germany's foreign minister, Klaus Kinkel, after the vote.

Following the foreign ministers' vote, the two sides agreed to form a joint commission to handle negotiations on the agreement. The commission will separate trade issues that affect both the EU as a whole from those that involve bilateral trade between individual countries and Mexico. In the former case, any decision will require a simple majority, while in the latter case, decisions would require unanimous approval. Some decisions on matters such as services and investment will require unanimous approval from all 15 member states of the EU. The first round of negotiations is scheduled to begin in June. If the two sides reach an interim agreement in the next several weeks, the provisions could be implemented on an interim basis until the accord is ratified by Mexican and EU legislators.

Officials for the Mexican Foreign Ministry (SRE) said the EU and Mexico would like to implement an agreement in a single phase, rather than the multiple phases negotiated in recent EU accords with the MERCOSUR and Chile. According to a joint statement from Mexico's Foreign Ministry (SRE) and Trade Secretariat (SECOFI), Mexico hopes to increase exports to the EU by 20%, which would help reduce the country's annual deficit of about US$3 billion with the EU. In 1995, exports from EU member countries to Mexico declined considerably because of the devaluation of the peso. Spain's exports to Mexico declined the most among EU members, falling by about 48% from 1994. Other major EU economies reported declines that ranged from 13% for Germany to 25% for Britain and 36% for France. Meanwhile, in addition to enhancing trade and investment with the EU, the SRE requested that the agreement expand Mexico's access to scientific and technological information. (Sources: Reforma, La Jornada, El Financiero, 05/14/96; Agence France-Presse, 05/13/96, 05/20/96)

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