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Mexico, Israel Set Groundwork to Negotiate Bilateral Trade Agreement

by LADB Staff

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The governments of Mexico and Israel have completed the preliminary work for negotiations on a bilateral free trade and investment agreement. Following a meeting in Mexico City in mid-September, Trade Secretary Herminio Blanco and his Israeli counterpart Natan Sharansky announced plans to begin formal discussions on the new agreement sometime in early 1998. Both trade ministers pledged to work for a rapid conclusion to the negotiations, since they would like to implement a bilateral accord in late 1998 or early 1999.

Spokespersons for the Secretaria de Comercio y Fomento Industrial (SECOFI) said the trade agreement could help the two countries gain access to new markets. Mexico hopes an agreement with Israel would boost its exports to the Middle East, while Israel believes an accord would allow it to gain a foothold in other Latin American markets.

According to SECOFI, an agreement with Israel would be consistent with Mexico's goals to diversify its trade partners. Furthermore, SECOFI said, a Mexican accord with Israel would also complement Israeli agreements with Mexico's current or prospective trade partners, the US, Canada, and the European Union (EU). Mexico seeks Israel's technological expertise SECOFI said the agreement could help Mexico gain access to Israeli technological expertise and capital, particularly through direct investments in such areas as software development, electronics, and agricultural inputs.

At the same time, SECOFI said, a bilateral agreement could help Mexico increase exports of certain products to Israel, including agricultural products, seafood, light manufactures, and electrical semiconductors. More importantly, both Israel and Mexico said the agreement could correct some of the trade imbalance, which currently favors Israel. According to SECOFI statistics, total Israeli-Mexican trade reached US\$90 million in 1996, but only US\$10 million involved Mexican exports to Israel.

Israeli industry cautious about Mexico accord

According to Sharansky, initial negotiations in January will focus on identifying the sensitive economic sectors which each country wants to protect. However, some Israel industries have already expressed reservations about the negotiations. For example, Daniel Singerman, an economist with an Israel manufacturing association, acknowledged the need for Israel to maintain an open economy, including negotiation of free-trade agreements. However, to protect sensitive industries in Israel, Singerman said the business community is asking Prime Minister Benjamin Netanyahu's government to maintain some protections for industries such as textiles and footwear, and to seek extended phaseout periods for tariffs on other products.

According to Singerman, the Israeli domestic market comprises only 6 million people and cannot absorb a huge increase in imports. For instance, Singerman said, a surge in imports of clothing and

textile products from Mexico could severely damage the Israeli textile industry, which currently employs some 46,000 workers. He warned that the loss of textile jobs would devastate some communities, where the manufacture of clothing is the principal economic activity. (Sources: Excelsior, 09/18/97; El Economista, El Universal, 09/18/97, 09/19/97)

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