12-17-1997

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LADB Article Id: 54942
ISSN: 0000-0000

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by LADB Staff
Category/Department: Mexico
Published: 1997-12-17

In early December, the European Union (EU) and Mexico completed an agreement on the framework for an economic cooperation accord. The pact commits Mexico and the EU to work toward the "progressive and bilateral" reduction of tariffs to increase access to each other's markets. The accord signed by Mexican Foreign Relations Secretary Jose Angel Gurria Trevino, Mexican Trade Secretary Herminio Blanco, and European Council President Jacques Santer includes three separate legal documents dealing with commercial relations, political cooperation, and a joint declaration.

The accord is very similar in structure to an interim agreement reached by EU and Mexican negotiators in June of this year. That agreement was blocked in July by the EU's legislative body, the European Parliament. At that time, some EU countries expressed concern about Mexico's commitment to democratic principles, and they raised questions regarding maritime issues and the proposed timetable for tariff phaseout (see SourceMex, 06/11/97 and 07/16/97).

EU and Mexican officials said the new accord, which set the parameters for negotiations, appears to have sufficiently addressed the concerns raised by member nations. "We now have the political groundwork settled, which is very important," said Blanco. "The Mexican president will now have the forum to meet with his European counterparts to discuss political progress in a formal and systematic manner."

Formal talks to begin in 1998

The EU and Mexican officials said they expected the European Parliament, the individual European countries, and the Mexican Senate to ratify the agreement sometime in early 1998. A clause in the accord allows the two sides to begin discussions on tariff reduction before the accord is ratified. As part of the framework agreement, the EU and Mexico will establish a special committee to set a timetable for a "progressive and bilateral" reduction of tariffs, with the aim of eventually creating a free-trade zone.

The EU-Mexico panel will also be responsible for improving cooperation in 30 different areas, such as investment rules, movement of capital, protection of intellectual property, dispute resolutions, drug trafficking, environmental protection, and tourism. An accord with the EU is expected to open the door for Mexico to diversify its economic relations, particularly in trade and investment. Some economists believe the Mexican economy is too closely linked to the US, which accounts for roughly 80% of Mexican exports. According to recent projections from the Secretaria de Comercio y Fomento Industrial (SECOFI), an accord with the EU could help increase Mexican exports to the European bloc by about US$8 billion annually.

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The SECOFI projections point out that the 15-member EU represents a market of 370 million people. "This agreement offers one of the clearest growth opportunities for Mexican companies," said economist Isaac Katz of the Instituto Tecnologico Autonomo de Mexico (ITAM). An agreement with the EU is also expected to help Mexico compete more fairly with former European colonies in Africa and the Caribbean, which enjoy special tariff privileges in agricultural trade. A study published by the Amsterdam office of the Banco Nacional de Comercio Exterior (BANCOMEXT) said existing EU tariffs are particularly severe against imports of Mexican agricultural and fisheries products. For example, imports of Mexican honey to the EU currently carry a 25% tariff, while the same product imported from certain Caribbean and African countries is allowed to enter the EU duty free.

Economists said the EU also hopes an accord with Mexico will help companies from its 15 member nations compete against counterparts from the US and Canada, which enjoy significant tariff and investment advantages under the North American Free Trade Agreement (NAFTA). According to EU estimates, the European bloc accounted for only 6% of Mexico's overall trade in 1996, compared with a 14% share in 1986. Economists believe the EU is in a strong position to reverse this trend because of its status as Mexico's second-largest trading partner. (Sources: Notimex, 11/25/97; El Nacional, 12/01/97; Novedades, 12/02/97; Associated Press, Los Angeles Times, 12/08/97; El Economista, 12/01/97, 12/02/97, 12/08/97, 12/09/97; The News, 12/02/97, 12/09/97; Excelsior, El Universal, 12/08/97, 12/09/97; Miami Herald, Dallas Morning News, Diario de Yucatan, 12/09/97)

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