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## **Special Council to Coordinate Mexico-European Union Trade Negotiations**

by LADB Staff

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In mid-July, the European Union (EU) and Mexico announced the creation of special council to oversee negotiations on an EU-Mexico free-trade agreement. The council is required by an interim accord negotiated by EU and Mexican representatives in December 1997. The interim accord, which set the parameters for negotiation on a full agreement, commits the two sides to work toward "progressive and bilateral" reduction of tariffs (see SourceMex, 03/11/98 and 05/20/98).

The council will oversee the negotiations of working groups in 10 areas that will form part of the final agreement. Those areas include rules of origin, agriculture, dispute- resolution mechanisms, protection of intellectual property, market access, agriculture, and movement of capital and payments. At a press conference announcing the creation of the joint council, Trade Secretary Herminio Blanco said the working groups are scheduled to begin meetings in September and October to define their goals.

Blanco said Mexican negotiators will seek an agreement that, among other things, will allow Mexico to diversify its export markets, foster increased direct foreign investment, and promote the transfer of technology to Mexico. The EU and Mexico had announced their intention to negotiate a free-trade agreement in May 1995. But formal negotiations were delayed because of disagreements on agricultural trade, the timetable for tariff phaseout, and the EU's insistence that the accord include a clause committing Mexico to respect human rights (see SourceMex, 10/23/96).

In December 1997, the two sides finally reached an interim accord that set parameters for negotiation (see SourceMex, 12/17/98). In May 1998, the European Parliament overwhelmingly approved the accord, which set the stage for negotiations to begin (see SourceMex, 05/20/98). Deputy trade secretary Jaime Zabudovsky Kuper, who will head the Mexican negotiating team, said he anticipates difficult and complex negotiations because the two sides must reconcile discrepancies in such areas as textile tariffs and automobiles.

### ***Difficult negotiations anticipated on agriculture***

In addition, negotiators will face difficulties reaching a compromise on agricultural trade. Groups like the Consejo Nacional Agropecuario (CNA) have urged President Ernesto Zedillo's administration to "exercise extreme caution" in negotiations with the EU. In a meeting with Zabudovsky in late July, CNA president Ramon Iriarte urged the administration to take all steps necessary to protect domestic agricultural producers. In recent years, Mexico has imported grain, oilseeds, meat, and dairy products to supply the domestic market.

Rather than allow the EU to export these products to Mexico at low tariffs, said Iriarte, the administration should promote self- sufficiency. Iriarte said the Mexican team that negotiated the

North American Free Trade Agreement (NAFTA) failed to seek sufficient safeguards for Mexican agriculture. "The agricultural sector, which has been the ugly duckling of the Mexican economy for 60 years, has been unable to become competitive with economies as large as the US and Canada, much less the EU," said Iriarte."

The CNA's request contrasts sharply with the EU's current situation in which the 15-member bloc is seeking new markets for its surplus production. A recent EU document entitled Agenda 2000 proposed to gradually reduce domestic subsidies to reduce its surplus output. In the interim, some member countries are urging EU negotiators to seek greater access for EU agricultural products particularly powdered milk, butter, and other dairy items during negotiations with countries such as Mexico. Powdered milk is one of Mexico's principal agricultural imports from the EU.

During the negotiations on agriculture, Mexico will also seek greater access for its products in the EU. While Mexico's exports of grain and livestock products to the EU are marginal, the bloc is one of the top destinations for Mexican coffee beans. Preliminary accords signed with Germany & Belgium While the two sides have only begun to establish the framework for negotiations via the 10 working groups, Mexico may have completed preliminary steps toward a full accord by negotiating bilateral agreements with Germany and Belgium in August on protection of investments and intellectual property. Mexico is expected to conclude similar agreements with Austria and the Netherlands in the coming weeks.

Blanco said there was no reason to wait for a full EU- Mexico accord to negotiate the investment-protection agreements with individual members of the bloc. "The sooner we have these protections in place, the sooner we can attract new investment and create jobs," Blanco said. The negotiations are also expected to touch on social issues, although themes like human rights, labor rights, and environmental protection are not at the top of the agenda.

In the interim accord, the two sides agreed to include a section on political dialogue, which will address the EU's demands that Mexico commit to upholding democratic principles, including a satisfactory resolution to the conflict in Chiapas. (Sources: The Journal of Commerce, 07/05/98, 07/13/98; Reuters, 07/13/98; Notimex, 07/12/98, 07/14/98; Agence France-Presse, Associated Press, 07/14/98; Novedades, 07/14/98, 07/16/98; El Financiero International, 07/20/98; Excelsior, 07/13/98, 07/15/98, 07/24/98; El Universal, 06/12/98, 07/15/98, 07/21/98, 08/06/98, 08/27/98; El Economista, 07/13/98, 08/27/98, 08/31/98)

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