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Zedillo Seeks Trade Accords with European Union, Israel by End of 1999

by LADB Staff

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President Ernesto Zedillo is pushing to expand commercial relations with the European Union (EU), Israel, Japan, and Ecuador before the end of his term in 2000. The administration is making a strong effort to complete negotiations on a free-trade agreement with the EU by year-end 1999, which would allow Mexico to reduce its reliance on the US and Canada, its partners under the North American Free Trade Agreement (NAFTA).

In three rounds of meetings since the end of 1998, the EU and Mexican negotiators have reached agreement in such areas as protection of intellectual property and guidelines for purchases from government agencies.

EU, Mexico enter "difficult" phase of negotiations

But the two sides are expected to face their most difficult round of negotiations during the fourth round in Mexico City, scheduled for mid-April. Trade Secretary Herminio Blanco said discussions will center on four themes: dispute-resolution mechanisms; health and safety regulations for food, plants, and animals; rules of origin; and tariff reductions.

Blanco told reporters the discussions on rules of origin and tariff reductions will be "particularly difficult," since various sectors in the EU and Mexico want to retain government protection. Some EU member countries are pushing negotiators to retain agriculture protection. In Mexico, some industrial sectors, such as steel, want a longer phaseout of nontariff barriers on EU imports.

The question of tariff reduction is particularly thorny for the EU and Mexico. In January, the EU lodged a strong protest against Mexico's decision to temporarily raise duties on products from countries that do not currently have a free-trade agreement with Mexico. The temporary increase was an emergency measure intended to help the government cope with a budget shortfall caused by a projected decline in oil-export revenues. The Zedillo administration appeased the EU by promising that the tariff increase would be temporary (see SourceMex, 1999-01-27).

Despite the ongoing differences between the EU and Mexico, Blanco said he is optimistic that an agreement will be completed before year-end 1999. "I believe there is a good chance these negotiations will conclude during 1999," Blanco told participants at meeting with Portuguese Economy Minister Joaquin de Pina Moura in Mexico City. Once the agreement is reached, the treaty will have to be presented to the Mexican Senate and the European Parliament for approval in 2000.

While negotiations with the EU have retained a fairly high profile, discussions on a free-trade agreement with Israel have received less attention. Mexican and Israeli negotiators concluded a fourth round of negotiations in Mexico City in late March, pledging to complete the accord by the

end of 1999. "Our goal was to try to conclude negotiations this year," Israeli negotiator Irsak Manor told the daily newspaper El Universal. Manor said an Israel-Mexican agreement would also give the two countries access to nearby regions. For example, Manor said Israel has an agreement with Turkey, which would help promote Mexican products in the Middle East and Eastern Europe. In turn, he said,

Israel would look at an accord with Mexico as an opportunity to gain access to other Latin American nations. He said the two sides have a strong potential for trade in agricultural products, metals, plastics, and furniture. "Mexican avocados are very popular in Israel," he said. Human rights advocates in the two countries have attempted to pressure negotiators to include a clause on human rights in their accord. But Manor said the matter has not come up in negotiations. "Our discussions have centered only on commercial matters," he said.

Mexico also schedules trade talks with Ecuador, Japan

The Zedillo administration, meanwhile, has also begun discussions with Ecuador to resume full negotiations on a bilateral accord. Eduardo Solis, Mexico's chief trade negotiator for Latin America, traveled to Quito in early March to discuss the resumption of negotiations with Jose Luis Icaza, Ecuador's deputy trade minister.

Zedillo and Ecuador's former president Sixto Duran Ballen first announced their intention to negotiate a bilateral accord in 1995. The Mexican government held negotiations on some technical aspects of an agreement with Duran Ballen's successor Abdala Bucaram in 1996 (see SourceMex, 1996-10-02). However, the two sides have not met since late 1996.

If negotiations succeed, Ecuador would be the fifth country in South America to negotiate a free-trade agreement with Mexico. Mexico currently has bilateral agreements with Bolivia and Chile and a trilateral accord with Venezuela and Colombia.

Mexico has also approached the Japanese government about negotiating some sort of bilateral agreement. Mexican Trade Secretary Blanco said the two sides have agreed to form a commission of high-level officials to discuss expanding trade and investment. Blanco said this commission is scheduled to hold its first meeting in June. Japanese companies invested US\$13 billion in Mexico between 1994 and 1998, or roughly 3.3% of the total direct foreign investment in Mexico. The accord will try to balance out trade, which favors Japan by a margin of 2-to-1. Mexican-Japanese trade reached US\$5.4 billion in 1998, but roughly US\$3.5 billion involved Japanese exports to Mexico. (Sources: Notimex, Reuters, 03/08/99; Excelsior, 04/05/99; Bloomberg news service, 04/12/99; Novedades, 04/08/99, 04/13/99; The News, 04/13/99; El Universal, 03/28/99, 03/30/99, 04/08/99, 04/12-14/99; El Economista, 03/25/99, 04/05/99, 04/12-14/99)

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