Mexico And Brazil Define Parameters To Negotiate Trade Accord

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The Mexican and Brazilian governments have taken another step to restore trade relations that were damaged shortly after Mexico entered into the North American Free Trade Agreement (NAFTA) with the US and Canada. At a meeting in Mexico City in early February, officials from the two countries agreed to define the negotiating process and determine a timetable for a bilateral trade accord by the middle of this year. Mexico and Brazil had negotiated a tariff-preference accord in 1995, but the agreement was scrapped in 1997 because of disputes regarding NAFTA's impact on Brazilian trade with the US (see SourceMex, May 5, 1999, July 28, 1999). The two countries have already held initial discussions on issues such as rules of origin, dispute-resolution mechanisms, and market access (see SourceMex, September 22, 1999). Mexico's Secretaria de Comercio y Fomento Industrial (SECOFI) said negotiators will meet again in Brasilia in March to hammer out a list of products to be included in a trade agreement, as well as to further define a common position on rules of origin and dispute-resolution regulations. "Both sides want to conclude the negotiations by June of this year at the latest," said Eduardo Solis Sanchez, SECOFI's chief Latin America negotiator.

Accord would restore tariff preferences eliminated in 1997
Solis acknowledged that the accord is a simple attempt to restore some of the trade preferences removed in 1997 and is not as far-reaching as other agreements Mexico has negotiated in recent years with other Latin American countries. But Jose Alfredo Graca Lima, Brazil's deputy foreign minister for economic integration, said completion of the accord this year could provide immediate benefits to the steel, chemical, textile, and toy industries of the two countries. In any case, the accord would be another step in Mexico's partial integration with the Southern Cone Common Market (MERCOSUR). In December 1999, Mexico and MERCOSUR member Uruguay completed negotiations to expand their existing bilateral trade agreement. Solis said the expanded agreement eliminated tariff restrictions on most products traded between the two countries and also clarified rules of origin, customs procedures, and dispute-resolution mechanisms. Mexico and Uruguay enacted a limited tariff-reduction agreement in 1986. They made a strong push last year to expand the products covered by the accord (see SourceMex, July 28, 1999). Those negotiations culminated in the expanded trade accord completed in late December. The accord with Uruguay, however, is only a small piece of the puzzle in Mexico's strategy to develop a long-term relationship with MERCOSUR. The completion of bilateral accords with Brazil and Argentina are more significant steps toward this goal.

Mexican & Brazilian auto industries reach own accord
Some private business organizations in Brazil and Mexico have already taken steps to expand economic relations. In late January, the Asociacion Mexicana de la Industria Automotriz (AMIA) and Brazil's Associao Nacional dos Fabricantes de Veiculos Automotores (Anfavea) formed a
working group to analyze how the automobile sectors in the two countries could be integrated. AMIA president Cesar Flores said organization representatives met in Mexico City to sign a declaration urging their respective governments to place a high priority on eliminating tariff and nontariff barriers for motor vehicles traded between the two countries. Under the present tariff regime, Mexico charges a 20% tariff on motor vehicles from Brazil. Conversely, Mexican motor vehicles are levied a tariff of 35% by the Brazilian government. Flores said the two organizations discussed the potential for complementing each other's production processes and expanding trade in automobiles and light trucks. The Mexican-Brazilian trade in motor vehicles is dominated by subsidiaries of the German company Volkswagen. The company's subsidiary in Brazil ships several thousand Pointer models to Mexico each year. In turn, Volkswagen de Mexico exports a limited number of Golf models to the Brazilian market. The German company Mercedes Benz also exports some vehicles from its Brazilian plants to Mexico. Brazil's motor-vehicle sector also offers some investment opportunities for Mexican companies. Late last year, Mexican truck manufacturer Consorcio G Grupo Dina announced plans to begin operations at a plant in Brazil sometime in 2001. The company had initially expected to enter the Brazilian market this year, but the plan was delayed because of financial considerations. Dina has already gained a foothold in the MERCOSUR market with the construction of a plant in Argentina in 1997. The plant produces only about 625 heavy vehicles per year. Dina's corporate finance director Jose Ignacio Moreno Oliveros said operations at the Brazilian plant will be more extensive than those in Argentina. "We will be a little more aggressive with our Brazilian operations," Moreno Oliveros told Reuters news agency. Other Mexican businesses have also recently taken steps to enter the Brazilian market. In December 1999, Mexico's telecommunications giant TELMEX and its US partner SBC Communications acquired a stake in Brazilian wireless carrier Algar Telecom Leste. Terms of the agreement were not disclosed, but sources told Reuters the move would give the SBC-Telmex partnership access to the fast-growing wireless telephone market in Rio de Janeiro. (Sources: Excelsior, 01/04/00; El Universal, 01/31/00; Reuters, 11/13/99, 12/20/99, 02/03/00; El Economista, 01/04/00, 01/18/00, 02/01-04/00; Notimex, 01/25/00, 02/04/00; El Financiero, 02/02/00, 02/03/00, 02/08/00)

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