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Italy Delays Official Start of Mexico-European Union Accord

by LADB Staff
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The Italian Parliament voted to ratify the Mexico-European Union (EU) free-trade agreement in mid-July, after delaying a vote for more than two weeks. Using an administrative maneuver, Italian legislators set aside a final decision on the accord until after the July 2 Mexican presidential and congressional elections.

The agreement, scheduled to go into effect July 1, required ratification by the European Parliament, the Mexican Senate, and the legislatures of the 15 EU-member nations before it could become official. All those legislative bodies except the Italian Parliament approved the accord before its start-up date.

The Italian Parliament was especially vocal during negotiations on the Mexico-EU accord about ensuring that the agreement became a tool to protect human rights and promote democracy in Mexico.

In particular, the Italian legislators criticized President Ernesto Zedillo's actions against supporters of the Ejercito Zapatista de Liberacion Nacional (EZLN) in Chiapas (see SourceMex, 1998-01-28). The maneuver to delay a ratification vote until after the Mexican election angered the Mexican government.

In the election, opposition candidate Vicente Fox Quesada of the center-right Partido Accion Nacional (PAN) defeated Francisco Labastida of the governing Partido Revolucionario Institucional (PRI) by almost six percentage points (see SourceMex, 2000-07-05). On July 18, the Italian Parliament ratified the Mexico-EU accord by a vote of 435 to 19. Deputy Stefano Morselli said Italian legislators wanted to send a signal to the government of president-elect Fox that they approve of his plans to employ "economic policies with social orientation."

Still, Italy's ratification of the Mexico-EU accord was viewed as a formality, since the tariff reductions approved by the two sides in November 1999 went into effect as scheduled on July 1. The tariff reductions cover 90% of all goods and services traded between the two markets (see SourceMex, 1999-12-01).
As of July 1, the EU eliminated tariffs on 82% of the products from Mexico included on the list. Tariffs on the remaining 18% will be phased out gradually. Mexico, in turn, agreed to eliminate tariffs on 47% of manufacturing imports from the EU as of July 1, with the remaining products phased out by 2007.

**Accord to boost European investment in Mexico**

Several Mexican business chambers are looking forward to the full implementation of the Mexico-EU accord, which is expected to attract much-needed capital to the steel sector and other industries. In an interview in late June, Alejandro Elizondo Barragan, president of the Camara Nacional de la Industria del Hierro y del Acero (CANACERO), said the accord will promote an increasing number of partnerships between European and Mexican steel companies. One such partnership, a joint venture between Spain's Aceralia and Mexico's AHMSA, was already underway before the startup of the Mexico-EU accord (see SourceMex, 2000-03-29).

Much of the new investment is expected to come from four EU member countries: Germany, Spain, Britain, and France. Bruno Delaye, France's ambassador to Mexico, said the accord will increase opportunities for French companies to expand or initiate investments in such sectors as motor vehicles, auto parts, fiber optics, tourism, insurance, natural gas, and rail transportation. "We will see a large increase in French investment in Mexico, which will go from US$600 million last year to US$700 million this year," Delaye told the daily newspaper El Economista in mid-July.

Delaye said investors from France and other EU countries are waiting to see how president-elect Fox deals with the proposed privatization of the power and petrochemical sectors. These sectors are addressed specifically in Article 35 of the investment section of the Mexico-EU accord. Fox, like predecessors Ernesto Zedillo and Carlos Salinas de Gortari, is expected to push for some way to increase private investment in the undercapitalized electrical and petrochemical industries. But the president-elect is expected to meet resistance from the center-left Partido de la Revolucion Democratica (PRD).

In a recent interview with the daily business newspaper El Financiero, PRD Sen. Jorge Calderon reiterated his party's position that the investment section violates Article 27 of the Mexican Constitution, which specifies that natural resources are the patrimony of all Mexicans and should not be owned by any foreign or domestic private party.

**Mexico seeks accord with another European trade bloc**

The Mexico-EU accord is only the first step in Mexico's plan to integrate its economy with the European continent. In mid-July, the Zedillo administration initiated preliminary talks with the European Free Trade Association (EFTA) on possible trade. Trade between Mexico and the four-nation bloc comprising Norway, Switzerland, Iceland, and Lichtenstein totaled US$1.2 billion in 1999.

Of this total, the EFTA exports US$782 million to Mexico while importing US$456 million in Mexican goods and services, said Mexico's Secretaria de Comercio y Fomento Industrial (SECOFI). Marcus Keiser, Switzerland's ambassador to Mexico City, said the Mexican government is considering first
negotiating a bilateral accord with his country and then expanding the accord to the rest of the EFTA. He said a Mexico-Swiss accord could be completed by November 2000. (Sources: Associated Press, 07/06/00; Reforma, 04/24/00, 06/27/00, 07/14/00; Agence France-Presse, 07/14/00; Notimex, 07/13/00, 07/17/00, 07/18/00; Spanish news service EFE, 07/18/00; El Economista, 06/28/00, 07/14/00, 07/17/00, 07/19/00; Notimex, 07/13/00, 07/17/00, 07/18/00; Notimex, 07/13/00, 07/17/00, 07/18/00; Spanish news service EFE, 07/18/00; El Economista, 06/28/00, 07/14/00, 07/17/00, 07/19/00; Novedades, 06/28/00, 07/18/00, 07/19/00; El Universal, 06/28/00, 07/19/00; El Financiero, 07/06/00, 07/18/00, 07/19/00; Excelsior, 07/15/00, 07/18/00, 07/19/00; La Jornada, 07/19/00)