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Mexico Strengthens Ties with Chile; Trade Deficit a Strong Concern

by LADB Staff

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Chilean President Michelle Bachelet visited Mexico City in late March amid growing concerns that the bilateral accord signed between the two countries is offering greater benefits to the South American country than to Mexico. Still, Mexicans received the Chilean president very cordially, in contrast to US President George W. Bush, who was the target of numerous protests about immigration, drug policy, and foreign relations on an earlier visit to Yucatan.

During Bachelet's visit to Mexico on March 19-21, she and Calderon announced plans to deepen economic, political, and cultural cooperation between the two countries. The two leaders unveiled a new strategic association agreement (Acuerdo de Asociacion Estrategica, AAE). "[The AAE] is one more step in that direction that will contribute to strengthening relations in all areas," said Calderon. The agreement builds on a similar accord signed by former Presidents Vicente Fox of Mexico and Ricardo Lagos of Chile (2000-2006) in January 2006.

The Mexico-Chile bilateral trade agreement was a major subject of discussions between Calderon and Bachelet. The two leaders committed to add a financial-services section to the bilateral accord to "obtain in the shortest time possible results that favor the business area."

The two countries agreed that the accord has promoted a significant expansion of trade, which has gone from US\$158 million in 1990 to US\$3.2 billion in 2006, an increase of about 220%. The Mexican Senate ratified the bilateral accord in December 1991 (see SourceMex, 1991-12-18).

The two countries later agreed to expand the accord to cover most areas included in Mexico's North American Free Trade Agreement (NAFTA) with the US and Canada (see SourceMex, 1994-01-26, 1998-03-25 and 1999-07-28).

Trade deficit has quintupled for Mexico

Despite the expanded bilateral trade, the Consejo Mexicano de Comercio Exterior (COMCE) noted that Mexico's trade deficit with Chile has ballooned to US\$1.5 billion, five times higher than it was in 1999. COMCE leaders urged Bachelet and Calderon to take steps to reverse the trend. "Using soccer terms, I would like to tell Mexican businesses that we are seeking a tie," said COMCE president Valentin Diez Morodo. "We have to try to even out our trade balance with Chile."

Armando Paredes, president of the Consejo Coordinador Empresarial (CCE), said there are areas that Mexico could address with Chile, including sanitary regulations for pork and poultry and restrictions on cellular telephones. Responding to the concerns of the Mexican business leaders, Bachelet noted that the bilateral relationship between Mexico and Chile "has enormous room

to grow," adding that she saw "great opportunities for the business owners of the two nations," including investors.

Bachelet called on the government and business leaders in Mexico to use the bilateral agreement to promote policies that will generate more jobs and reduce inequalities in society. "I am convinced that the true development is that which makes possible progress for all members of society," she said.

Visit helps Calderon promote Latin America policy

Bachelet's trip to Mexico appeared to be highly beneficial for Calderon, who was attempting to promote an image of a president who is reaching out to Latin America while at the same time reducing Mexico's strong political and economic reliance on the US. Calderon went out of his way to tout the historically close relationship between the two countries. In contrast, he sent mixed signals about his meeting with Bush a week earlier.

While also boasting of close relations with the US, he scolded Bush for US drug and immigration policies, particularly the US decision to construct a wall along the US-Mexico border (see SourceMex, 2007-03-14 and NotiCen, 2007-03-15). At a joint news conference with Bachelet, Calderon said Mexico's relationship with Chile is an example of the kind of ties his government is seeking with other Latin American nations.

In particular, the Mexican president reiterated his commitment to "constructive relations" with Cuba and Venezuela. Mexico's ties those countries deteriorated during Fox's presidency (see SourceMex, 2002-04-24, 2005-11-016, and 2006-05-17). Earlier this year, Calderon committed to repair relations with the two countries, but efforts to boost ties with Caracas were set back when he became engaged in a public debate with Venezuelan President Hugo Chavez regarding investment policies (see SourceMex, 2007-02-21).

Bachelet acknowledged Calderon's desire to strengthen Mexico's ties to Latin American and the Caribbean nations. "We have a bilateral space wherein we can tighten our relations, but we can and must undertake this association from a regional and, at the same time, global perspective," said the Chilean president. (Sources: Agencia de noticias Proceso, 03/19/07; Reforma, 03/20/07, 03/21/07; El Financiero, 03/13/07, 03/20/07, 03/21/07; The Herald-Mexico City, 03/21/07; El Economista, 03/13/07, 03/19/07, 03/20/07, 03/22/07; Milenio Diario, 03/19-21/07; La Jornada, 03/19-22/07; El Universal, 03/20/07, 03/22/07)

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