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More than a year after Argentina and Mexico resolved a major trade disagreement regarding automobiles, the two countries are ready to take their bilateral relationship to a new level. In a meeting with Mexican Economy Secretary Ildefonso Guajardo in Mexico City in late March, Argentine Industry Minister Débora Giorgi proposed that Mexico and Argentina join with Brazil to expand and integrate their auto parts industries.

Giorgi’s willingness to offer such a bold plan is a strong indication that Mexico and Argentina have emerged from a rocky period in their bilateral relationship less than two years ago, when Argentina threatened to withdraw from a trade agreement that the Southern Cone Common Market (MERCOSUR) negotiated with Mexico in 2002. The agreement allowed for Mexico and the MERCOSUR countries to trade motor vehicles without paying tariffs (SourceMex, June 19, 2002).

In June 2012, Argentina withdrew from the agreement, known as the Acuerdo de Complementación Económica (ACE 55), on the premise that an increase of automobiles from Mexico was widening its trade gap with its Latin American neighbor. In suspending its participation in ACE, Argentina immediately announced a 35% tariff on imports of Mexican motor vehicles (SourceMex, July 18, 2012).

Argentina’s decision followed similar action by Brazil against Mexico in February (SourceMex, Feb. 15, 2012). The two countries were able to reduce trade tensions when Mexico agreed to reduce exports of motor vehicles to Brazil for a three-year period (SourceMex, March 21, 2012).

Ironically, it was the agreement with Brazil that prompted Argentina to take its own action in June. At that time, Argentine President Cristina Fernández’s administration said the settlement violated the original ACE 55 accord and that the two countries failed to inform the other parties to the agreement about the modifications.

In contrast to the quick agreement with Brazil, Mexico’s dispute with Argentina went unresolved for six months until the two countries reached an agreement in December 2012. Under the agreement, Mexico would continue to export motor vehicles to Argentina without paying duties, but exports to the South American country would be subject to a quota for 27 months (SourceMex, Dec. 19, 2012).

Argentina proposes integrated auto-parts industry

Giorgi’s recent proposal to create an integrated industry for auto parts is intended to take advantage of the ACE 55. The three countries, she said, could become a major source for the region. "Only 3% of the auto parts manufactured in Latin America are acquired in the region, so there is a huge opportunity to boost trade within the Americas," the Argentine industry minister told reporters in Mexico following a meeting with Guajardo. Argentina’s Foreign Minister Héctor Timerman and Agriculture Minister Carlos Casamiquela accompanied Giorgi on the trip.
While the talks centered on auto parts, there is a potential for the three countries to work closer together in creating a larger market for motor vehicles. Argentina, Brazil, and Mexico have increased production of cars and trucks by 29% since 2009, and the three countries account for 9% of global production of cars and trucks. Manufacturing plants in the three countries are subsidiaries of European, US, or Asian manufacturers.

Giorgi said there is a great potential to increase sales of motor vehicles in Latin America, which has a market estimated at about 5.8 million units. "That is why it is incumbent that we ensure a stable and sustainable growth in the long term," said the Argentine minister.

Representatives from the motor vehicle industries of the two countries also attended part of the talks.

While trade in motor vehicles and auto parts took center stage at a press conference after the meeting between Mexican and Argentine officials, the two sides discussed other initiatives to integrate the markets of the two countries, including narrowing the technological gap in Mexico and Argentina in the next decade.

"[Giorgi and Guajardo] said they were extremely willing to explore all options for expanding trade in both directions," the Secretaría de Economía (SE) said in a statement.

In an interview with the Mexico City daily newspaper La Jornada, Timerman discussed expanded bilateral relations. "Mexico is a country with whom we want to forge a more positive and deeper relationship," said the Argentine foreign minister. "Mexico is a fundamental piece in the Latin American landscape as well as an important representative for our region on the global stage. That is why we’re always looking for closer ties with Mexico."

Timerman pointed out that Argentina has been a popular destination for Mexican investors. "We noticed that more Mexican companies are coming to Argentina," Timerman told La Jornada. "Mexico ranked 12th among the principal investors in Argentina in 2012. There is the same level of Mexican investment in our country as there is in Brazil."

**Energy cooperation on the agenda**

Timerman also credited Mexico’s state-run oil company PEMEX for helping forge a compromise in an acrimonious dispute between Spanish energy company Repsol and the Argentine government regarding the nationalization of Repsol’s Argentine subsidiary (NotiSur, May 4, 2012). PEMEX, which owns a 10% share in Repsol, brokered an agreement by which Argentina would compensate Repsol the equivalent of about US$5 billion in bonds denominated in dollars and guaranteed by the government (SourceMex, Dec. 4, 2013).

"PEMEX played a remarkable and positive role in the negotiations between [Argentina’s] Yacimientos Petrolíferos Fiscales [YPF] and Repsol," said Timerman.

Timerman raised the possibility that an expanded relationship between Argentina and Mexico could lead to agreements in the energy sector. "We hope that the relationship between YPF and PEMEX will deepen," said the Argentine foreign minister. "The two state-run companies are suppliers of raw material for the oil industry and would benefit from a cooperative relationship."

YPF could play a role in the Mexican energy sector with the new legislation approved by Congress to allow more outside participation in PEMEX (SourceMex, Dec. 18, 2013).
Officials said Argentina also could potentially share some of its experiences in the energy sector. The Argentine delegation included Carlos Matus, who has headed YPF’s efforts to contract local providers and small businesses in Argentina.

Officials also established the groundwork for greater scientific cooperation between the two countries, including a memorandum of understanding that would link Mexico’s Centro Nacional de Metrología (CENAM) and Argentina’s Instituto Nacional de Tecnología Industrial de Argentina (INTI) in weather forecasting.

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