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Carlos Navarro

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## Mexico Views Expanded EU Accord, TPP as Possible Alternatives to NAFTA

by Carlos Navarro

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Mexico is pushing hard for the completion of a full free-trade agreement with the European Union (EU) this year, given the potential loss of some of its market in the US if President Donald Trump succeeds in his efforts to weaken or eliminate the North American Free Trade Agreement (NAFTA). Trump's protectionist policies already led the US to withdraw from negotiations over the Trans-Pacific Partnership (TPP), but Mexico is also pushing forward with that agreement as a means to help boost commercial relations with Asian countries. Both moves would also help diversify Mexico's trade partners.

Representatives from the EU and Mexico met in early April for the latest round of talks to expand and upgrade a free trade agreement that the two sides negotiated in 1999 ([SourceMex, Aug. 11, 1999](#), and [Dec. 1, 1999](#)) and enacted in 2000 ([SourceMex, Feb. 23, 2000](#), and [March 29, 2000](#)). Mexico views the accord as a major step in reducing reliance on commercial relations with the US.

"It's paramount. Right now, there's no other issue, no other negotiation on top of the trade agenda for Mexico but this one," Juan Carlos Baker, deputy minister for foreign trade at the Secretaría de Economía (Economy Ministry, SE), said in an interview with Reuters.

A EU-Mexico free trade agreement could help expand a growing commercial relationship between the two sides. Trade between the EU and Mexico more than tripled from US\$18.5 billion in 1999 to US\$61.6 billion in 2016, according to statistics from the Mexican government.

According to Baker, an agreement this year is realistic because the 2000 Mexico-EU pact already created the framework for an expanded accord. The initial accord reduced or eliminated tariffs on some products traded between the two sides, particularly industrial goods. The two parties agreed in 2015 to explore an expansion and held two rounds of discussions in 2016 before meeting again in April.

### *Targeting an EU accord by year-end*

Economy Secretary Ildefonso Guajardo and EU Trade Commissioner Cecilia Malmstrom are scheduled to meet on May 8 to evaluate the progress of the talks and to discuss the parameters for a fourth round of talks on June 26-30 in Mexico. The two sides have tentatively set the fifth round of negotiations for Brussels in October, followed by similar meetings in Mexico City in November, with the goal of completing an accord before the end of the year. "Except for the summer break, we will be meeting pretty much every five to six weeks," Baker said.

According to officials close to the negotiations, discussions during the April meeting centered on such topics as rules of origin, health standards for agriculture products, trade in services, investment, sustainable development, energy, non-tariff barriers, and electronic commerce.

For the Europeans, a priority is the energy market, particularly in light of Mexico's recent reforms in this sector and the investment opportunities available in oil and gas projects ([SourceMex, Dec. 18, 2013](#), and [Aug. 6, 2014](#)).

Another objective for the EU, Agence France-Presse reported, is to ensure "maximum" patent protection in the rules of origin for 300 European products.

The two sides are also keen on gaining greater access for their agriculture products through a free-trade agreement, with each pushing for a different set of products. In the Mexican market, the EU is seeking increased access to dairy products, wines, and processed meats, like sausages. Mexico is asking the Europeans to open up their market to such items as asparagus, bananas, tuna, wheat, honey, and some meats.

"A major priority for Mexico is to strengthen and deepen access to the EU agricultural market," Baker said. Some Mexican exporters have also asked for increased opening in Europe to items like beans, sugar, chocolates, wheat, cheeses, and live animals, he added.

"There's no issue that's off the table or looks like an unsolvable challenge," Baker noted.

While Mexico's relationship with the US remains uncertain, the EU is also facing some concerns about its future. In the summer of 2016, British voters supported a proposal for the United Kingdom to leave the EU ([SourceMex, July 6, 2016](#)). There is some concern that France might follow the same path, as Marine Le Pen—one of the two presidential candidates who advanced to a runoff on May 7—has centered her campaign on a French exit from the EU.

Most polls suggest centrist Emmanuel Macron will win the French presidential runoff, but there is concern nevertheless about a possible upset victory by Le Pen. "The economic side of her program scares some conservatives and retirees who are otherwise open to her discussion on identity and immigration," Nicolas Lebourg, a researcher in politics at the University of Montpellier, told Bloomberg news service.

## *Mexico reiterates support for TPP*

Mexico is also interested in maintaining momentum for the TPP to create trade and investment opportunities if Mexico loses some market opportunities in the US with a downsizing or elimination of NAFTA. Mexico was one of 12 countries that negotiated the TPP in 2015 ([SourceMex, Oct. 28, 2015](#)) and signed the accord in 2016 ([NotiSur, Feb. 12, 2016](#)).

The US, which played a central role in the creation of the TPP, has since withdrawn from the process, a move that President Trump promoted during his presidential campaign ([SourceMex, July 27, 2016](#)).

Of the remaining 11 signatory countries, only the Japanese legislature has ratified the agreement. The appropriate legislative bodies in the other countries—Australia, Brunei, Canada, Chile, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam—have yet to give a green light to the TPP.

Guajardo noted that the departure of the US might create some obstacles for final ratification. "We have to see if nations such as Vietnam would put the same things on the table without the United States," he said.

Some trade experts point out that creating an 11-member TPP remains a viable option. “You’d still have four of the world’s 20 largest economies—Japan, Canada, Australia, and Mexico— alongside significant emerging economies like Vietnam and Malaysia,” Wendy Cutler, a former negotiator for the US Trade Representative’s office and current vice president of the Asia Society Policy Institute, wrote in an Asia Society brief ahead of the meeting. “It would be difficult, but it is worth consideration.”

With the US departure, Japan has stepped up as a potential leader of the bloc. In mid-April, the Japanese government called for a meeting of the bloc’s trade ministers to meet in Vietnam at the end of May.

“We will start talks on an 11-member TPP, minus the US, at the [Asia-Pacific Economic Cooperation, APEC] meeting in May,” Japanese Finance Minister Taro Aso told reporters at a recent event in New York.

Guajardo said Mexico welcomed the message from Japan. “We will continue to engage with our colleagues in the TPP at the APEC meeting to analyze the Japanese proposal and whether it creates the possibility to continue a TPP11,” he said. “We want to discuss what conditions are required to make this a reality.”

Some observers suggested that resurrecting the TPP minus the US would be difficult because a new draft would be required, even if the document recycles much of the language from the original agreement.

“At the end of the day, you have to create a whole new legal text. You can’t just strike the United States out of it,” said trade expert Lauren Bosma of Albright Stonebridge Group.

Other observers noted a dilemma for Mexico, particularly if NAFTA, albeit in a reduced version, remains in place. “In this context, it is crucial for Mexico to remain a part of the TPP negotiations in order to maintain its competitiveness,” Rodrigo Pérez-Alonso, of

[www.techonomics.mx](http://www.techonomics.mx), wrote in a guest piece in the daily newspaper *Excelsior*. “Nevertheless, there is also a risk, as the TPP could remove some advantages that Mexico enjoys through NAFTA, namely the preferential access to the largest economy of the world, which is the US.”

One alternative floated at a meeting of TPP representatives in Viña del Mar, Chile, in March was the possibility of inviting China and South Korea to join the TPP. This proposal is ironic because the TPP was originally created as a means to counter the dominance of China in the global market.

The Chinese government, meanwhile, has made a strong effort to contrast its trade policies to the protectionist actions of the Trump administration. “We have to promote the liberalization of trade and investment,” Chinese President Xi Jinping told participants at the World Economic Forum in Switzerland in January.

However, membership in the TPP might not be a goal for China, which is itself promoting a mega trade bloc known as the Regional Comprehensive Economic Partnership (RCEP). That bloc would include the members of the Association of Southeast Asian Nations (ASEAN) (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam) and the six states with which ASEAN has existing free trade agreements (Australia, China, India, Japan, South Korea, and New Zealand). The RCEP lacks the high labor, intellectual property, and environmental

protections enshrined in the TPP. “While China could, in theory, enter into talks to join the TPP, it has little motivation to do so because RCEP requires far fewer sacrifices on its part,” said The Washington Diplomat newspaper.

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