

ນທດຍ່ອ

ຂໍ້ຕອກລົງກາຮົາເສື່ອຮ່ວ່າງສທກພູໂຮປແລະເມັກຊີໂກ:

ກາຮົາກຳທັນດູທົມສາສົກົບແລະຫລັກເກນ໌ກ

ໂດຍ ພິລີປປ່ອ ເດືອ ລົງແບ່ງເດວ

ໃນບັນຫາມນີ້ ຜູ້ເຂົ້າໃຈວິເຄາະຫຼອງກົດປະກອບທາງເຕົຮ່າງກົງໃຈໃນຂໍ້ຕອກລົງກາຮົາ
ເສື່ອຮ່ວ່າງສທກພູໂຮປແລະເມັກຊີໂກທີ່ກຳທັນດູໃນປີ 2002 ໂດຍໃຫ້ກາພຣາມຂອງ
ຄວາມລັມພັນຮົງກາຮົາເຕົຮ່າງກົງຈະຮ່ວ່າງສທກພູໂຮປແລະເມັກຊີໂກ ອົບນາຍເນື້ອທາຫລັກຂອງ
ຂໍ້ຕອກລົງໂດຍແນ່ນທີ່ເຮືອງຫລັກເກນ໌ກ ແລະເສັນອັນຂ້ວວິເຄາະຫຼອງທາກຫລາຍໃນປະເດີນຂ້ອ
ຕອກລົງດັ່ງກ່າວຈາກແມ່ນຸ່ມທາງກາຮົາເມືອງແລະເຕົຮ່າງກົງ

The EU-Mexico Free Trade Agreement: Strategic and Regulatory Issues

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Introduction

In today's world economy, a complex system of regional trade and integration agreements is operating. The system does not consist only of a set of (traditional) bilateral, regional and multilateral agreements, but is further complicated by the fact that overlapping agreements exist and that inter-regional agreements are being signed. In this short article the interesting case of the recent EU-Mexico Agreements will be presented and analysed. These agreements are important, not just because the two economically most important regions of the world are involved, but also because of the strategic position of Mexico and the asymmetric character of the agreement, being signed between one NAFTA member and the EU as a whole.

After a short review of the history of economic diplomacy between Mexico and the EU, I will evaluate the contents of the agreement and sketch some of the political economy aspects of it.

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1. Economic Diplomacy Between Mexico and the EU: Short Overview

The official relations between Mexico and the European Economic Community (EEC) started as soon as 1957, but were formalised with the opening of the Mexican Mission to the EEC in 1960.¹ This coincided with an attempt to diversify Mexico's external relations under the Government of president Adolfo López Mateos.² In the mid-seventies the EEC signed a Framework Agreement with Mexico (1975), but also with Argentina, Brazil and Paraguay in order to diversify its relations with Latin America. In 1987, an agreement was reached on mutual trade in textiles, through an exchange of diplomatic notes. This agreement was signed in the framework of the GATT negotiations on import quotas for Mexican textiles in the European market.

In 1989, a permanent representative of the European Commission, with the rank of Ambassador, was posted in Mexico.

The Framework Agreement of 1975 has been substituted by a new Framework Agreement for Cooperation in 1991. At that moment it was considered as one of the most advanced of its kind (Fernández, 2003:2).

In 1995 a Framework Agreement was signed between Mexico and the European Investment Bank and a Joint Solemn Declaration is signed by the EU and Mexico, expressing the political will of both parties to start consultations and procedures for the signing of a new political, commercial, economic and cooperation agreement.

¹ Only in 1989, a Delegation of the European Commission is formally established in Mexico.

² This section is largely based on Fernández (2003).

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This was followed in 1997 by the signature of four agreements: (i) interim agreement on trade and trade related issues (in preparation of the FTA), and which is enforced in 1998, (ii) agreement on economic association, political consultation and cooperation, (iii) agreement on mutual recognition and protection of original names of liquors, (iv) cooperation agreement for the control of trade in chemicals for drugs production.

Mexico became the first Latin American country with observer status in the Council of Europe in 1999.³

The Mexico-EU Free Trade Zone came into effect on July 1st and the Agreement on Economic Association, Political Consultation and Cooperation on October 1st of the year 2000. This was followed by the first session of the Joint Mexico-EU Council and of the Joint Mexico-EU Committee (which is the technical arm of the Council) in 2001. In the same year, the Joint Council decision 2/2001 on services, intellectual property, capital flows and international payments became effective.

In 2002, the I Summit between Mexico and the EU was held in Madrid. This Summit was created as a political monitoring and prospective instrument. A framework agreement was signed on financial and technical aid, judicial cooperation was activated, and sectoral negotiations on science and technology were launched. The first Mexico-EU civil society forum was also celebrated.

The II Summit was held in Guadalajara in 2004. The Agreement for Scientific and Technological Cooperation was signed in the

³ The Mexican Congress obtains observer status in the Parliamentary Assembly of the Council of Europe as of the same year.

same year, and the European Commission and Mexico agreed on a co-financed project to facilitate and support the implementation of the EU-Mexico FTA.

2. EU-Mexico Free Trade Agreement and Regulation: A Comparative Technical Perspective

Looking at the agreements reached between Mexico and the EU that came into force in 2000, one observes obvious differences in approach, compared to NAFTA. Whereas NAFTA goes further as far as trade liberalisation is concerned, the EU-Mexico agreements are broader, incorporating also political cooperation. We will first evaluate the trade and trade related issues, before addressing political issues in the following section.

Compared to NAFTA, trade in manufactures is significantly liberalised but the agreement does not cover all sectors and implementation is slower, important agricultural sectors (cereals, milk and dairy products, and meat) are excluded, trade in services still needs to be negotiated, and the environment and social protection are not dealt with. However, in spite of all this, the EU-Mexico FTA covered 95% of total current trade and 62% of agricultural products (Sampson, 2003), which is quite considerable.

A recent research project compared the EU-Mexico Free Trade Zone with five other agreements and tried to answer the following questions: “First, what is the impact of regional agreements in those non-border areas of regulation that have most recently become the subject of trade agreements? Second, how do the approaches to regulatory barriers differ between regions, and in particular, is there a form of “regulatory regionalism” where

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different approaches compete? Finally, are regional trade agreements competing with or complementing multilateral attempts to remove regulatory barriers to trade?" (Sampson, 2003).⁴

The methodology employed involved the consideration of a number of "new" regulatory issues in regional trade agreements, such as services, investment, competition, public procurement, technical barriers to trade, and sanitary and phytosanitary measures. In addition a model for the analysis was proposed, consisting of impact areas for each issue (i.e. non-discrimination, transparency, due process, promotion of institutional infrastructure, approximation or compatibility, mutual recognition, regulatory discretion, effective reviews and remedies, and promotion of competitive markets), and a typology to classify the different clauses of the agreements according to their degree of compatibility with multilateral (WTO) rules (WTO-plus, WTO-plus or WTO-consistent) (Woolcock, 2002).

In Table 3, a synthesis of the findings are presented.⁵ The EU-Mexico Agreement was found to be WTO-plus in services, broadly in line with the Government Procurement Agreement of the WTO, WTO consistent in TBT and SPS provisions, WTO-plus in procedural provisions. As far as investment is concerned, the parties only reiterated their international commitments.⁶ The general conclusion of the comparative study was that the

⁴ The results are published by United Nations University Press (Sampson and Woolcock, 2003).

⁵ For further details on the EU-Mexico FTA, see Reiter (2002).

⁶ Compared to other countries, Mexico has signed few BITs (Lizarazo, 1997). Rather it has preferred to include investment provisions in trade agreements. NAFTA, the G-3 agreement, and the bilateral free trade agreements with Bolivia and Costa Rica all contain investment provisions (SICE; Anzola, 1997). In 1997 a BIT was signed between Mexico and Argentina.

NAFTA and EU regulatory models are to a large extent convergent (Sampson and Woolcock, 2003). According to the authors, the signature of the cross-regional EU-Mexico Agreement precisely illustrated that there were no insurmountable problems in order to accommodate the NAFTA approach in public procurement and services. This is obviously related to the existence of the WTO and OECD frameworks.⁷

Table 1: WTO Compatibility of Regulatory Issues in the EU-Mexico FTZ Agreement: a Comparison

	EU-Mexico	Euro-Med (Tunisia)	EU-Poland	NAFTA	Chile-Canada	CER
Services	WTO-plus. All 4 modes of delivery are included for all sectors. The only exceptions are audio-visual, air transport and maritime cabotage.	In line with GATS.	WTO-plus	WTO-plus	WTO-plus (NAFTA model, but excludes financial services)	WTO-plus (mutual recognition)
Investment	Continued use of BITs (no substantive provisions)	Continued use of BITs (no substantive provisions)	WTO-plus (standstill on any new restrictions)	WTO-plus	WTG-plus (NAFTA model)	(no provisions)
TBT	WTO consistent	WTO-plus	WTO-plus	WTO compatible	(no provisions)	WTO-plus (mutual recognition)
SPS	WTO consistent	WTO-plus	WTO-plus	WTO-plus	(no provisions)	WTO-plus
Public procurement	WTO-plus*		WTO-plus	WTO-plus*	(no provisions)	WTO-plus
Competition		WTO-plus				WTO-plus (common policy)

* EU-Mexico Agreement and NAFTA are broadly in line with the WTO GPA, but they are WTO-plus in the sense that Mexico is not a party to the plurilateral WTO GPA.

Sources: Reiter (2002), Woolcock (2002a), Sampson (2003).

⁷ Mexico acceded to the OECD in 1994.

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EU-Mexico Free Trade Agreement and Strategy: a Political Economy Perspective

According to analysts, the agreements between Mexico and the EU that came into effect in the year 2000, can be considered as the most important Mexican diplomatic success during President Zedillo's six year period in power (1994-2000) (Sberro, 2001:213).⁸ For Mexico and some of its economic sectors or states, there is a clear interest in diversifying their economic relations and opening European and other markets.⁹ In 2000, only about 7% of Mexican exports were sold in the EU, contrasting with more than 80% corresponding to NAFTA.

These efforts fitted in a more general strategy from the side of Mexico to diversify its economic relations. Mexico was also seeking and concluded agreements with Latin American countries (Costa Rica, Bolivia, Chile, and with Colombia and Venezuela in the framework of the Group of Three¹⁰), the Caribbean (Association of Caribbean States - ACS¹¹), EFTA¹² and with the Asia-Pacific region (APEC¹³) (tables 2 and 3). It is also considering arrangements with countries in East and Southeast Asia. In the case of the bilateral agreements with Latin American

⁸ For an appreciation of EU-Mexican relations under president Salinas, see for example, Sberro (2001:215-217).

⁹ See, Plan Nacional de Desarrollo 2001-2006

[<http://www.pnd.presidencia.gob.mx/pnd/cfm/index.cfm>]. See also, Rodríguez (2003).

¹⁰ All these agreements date back to 1995. The Group of Three (G-3) free trade agreement was entered on the previously existing mechanism of political concertation which, in turn, substituted the Grupo Contadora. On the G-3, see e.g. Reina et al. (1996).

¹¹ The Association of Caribbean States was created in 1994.

¹² The Free Trade Agreement was signed on Nov. 27th 2000, and entered into force on July 1st 2001 (Norway and Switzerland) and on October 1st 2001 (Iceland).

¹³ APEC was created in 1989; Mexico was formally accepted as a member in 1993.

countries and the G-3, the strong interest in the agreements from the side of the counterparts reflects the tendency of those countries that cannot aspire to be part of NAFTA in the short run, mainly because of a lack of interest from the US, to opt for a strategy of closer relations with Canada or Mexico (Axline, 2002:183-184). The “mosaic” of treaties (Musset, 2001) in which Mexico took part was, although predominantly, not exclusively based on a commercial logic. Mexico’s participation in the Group of Rio¹⁴ and the ACS, for example, reflects also a geo-political interest in contributing to the stability in the region. In any case, it seems that Mexico is playing and will play a crucial role in the determination of the eventual form of regionalism on the American continent.¹⁵

Table 2: Free Trade Agreements signed by Mexico

Parties	Date of signature	Entry into force
NAFTA	August, 1992	Jan. 1, 1994
Colombia – Venezuela (Group of Three)	Sept., 1990	Jan. 1, 1995
Bolivia	Sept. 10, 1994	Jan. 1, 1995
Chile	Oct. 1, 1998	August 1, 1999
Costa Rica	April 5, 1994	Jan. 1, 1995
Parties	Date of signature	Entry into force
EFTA	Nov. 27, 2000	July 1, 2001 (Norway and Switzerland); Oct. 1, 2001(Iceland)
EU	Feb., 1995	July 1, 2000

¹⁴ The Group of Rio was created in 1986.

¹⁵ See also, González and Chabat Madrid (1996).

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Israel	April 10, 2000	July 1, 2000
Nicaragua	August, 1992	July 1, 1998
Northern Triangle (Honduras, Guatemala, El Salvador)	June 29, 2000	March 15, 2001 (El Salvador, Guatemala); June 1, 2001 (Honduras)

Source: SICE-OAS Database

Table 3 : Economic complementation and partial scope trade agreements

Parties	Type of agreement	Date of signature	Entry into force
MERCOSUR	Economic Complementation Agreement	July 5, 2002	
Brazil	Economic Complementation Agreement	July 3, 2002	
Panama	Partial-Scope Agreement	May 22, 1985	April 24, 1986
Uruguay	Economic Complementation Agreement	Dec. 29, 1999	March 1, 2001

Source: SICE-OAS Database

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The economic rationality of Mexico's efforts of economic diplomacy can be understood with the aid of the so-called hub and spoke model (Wonnacott, 1975; Lipsey, 1990; Wonnacott and Wonnacott, 1996). In the simple hub and spoke model (with one hub), the advantages of the specific network of agreements for the hub can easily be demonstrated. They are related to the asymmetrical system of preferences in favour of the hub, both in terms of the tariff free access to inputs as in terms of the access to export markets, and to the centralising effect on the location of FDI. In a complex hub and spoke model, as the ones presented to analyse scenarios for integration processes in the Americas by Wonnacott and Wonnacott (1996), secondary hubs can also attract part of the (theoretical) benefits of the hub. Strategic maneuvering and negotiation of trade agreements can increase the level of centrality within such a complex system. This is apparently a major driver of Mexican foreign economic policy and is consistent, for example, with the double-track strategy towards the American continent; where Mexico is simultaneously supporting the FTAA project, and actively pursuing new agreements or the deepening of existing agreements on a bilateral and sub-continental basis.

As far as Mexico's European strategy is concerned, it should be added and clarified also that the strategy towards the EU as a whole is complemented with targeted efforts towards the UK, Spain and France. This makes the strategy more sophisticated. It was labelled a strategy of "multilateral bilateralism" by President Fox (Rodríguez, 2003).

Although the economic pillar of the agreements with the EU is thus the most important, the efforts of the Mexican government cannot be seen disconnected from the internal political, social and

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economic situation in the country and the government's perceptions of the dynamics of the international system; they cannot be understood in terms of mere commercial calculations. On the one hand, the beginning of the Zedillo government was particularly difficult; it had to face the crisis in the ruling party, the Chiapas rebellion and the profound economic crisis. The signature of a major commercial agreement with the EU fitted in the strategy of the president and the government to improve their image, regain legitimacy and international investor confidence. The opposition parties received the signature of the agreement with almost indifference (PRI) or as a positive evolution given the growing dependence of Mexico vis-à-vis the United States (left-wing parties) (Rodríguez, 2003). On, the other hand, the changes taking place in the international system, which was perceived by the government as being in a period of transition, led Mexico to pursue a more active role in international diplomacy and a policy of being present where and when the world order is being shaped.¹⁶ In other words, at the governmental level there was and is a clear and real effort being made to strategically position the country in a number of fora and reap maximum benefits from its participation in the global community and economy.

- The negotiations of the agreements were thus apparently more important for Mexico than what naked trade figures would suggest. That probably weakened Mexico's negotiation position and explains why the EU obtained relatively easily the exclusion of agriculture and certain services, and the inclusion of the democratic clause (Sberro, 2001:217-218). The outcome would probably have been different (more beneficial for Mexico) if the

¹⁶ See e.g. the speech of President Fox delivered before the French National Assembly in November 2002 [<http://www.presidencia.gob.mx/>].

agreement would have been negotiated during the Salinas government.

From a European perspective, there is a strategic interest in having close ties with Mexico because of its membership in NAFTA and its (potential) role in Latin America. Of particular interest for the EU were also the existence of a network of regional trade agreements established by Mexico, which allowed for some degree of indirect access to third markets, the deregulation process taking place in Mexico which offered various opportunities for European companies, and the anticipation of trade diversion effects due to the gap between Mexico's average applied MFN tariff (8.7%) and the preferential tariff (<2%) (Sampson, 2003). It should be acknowledged however, that the fact that the trade liberalisation agreement did not come closer to NAFTA levels was primarily due to European resistance (Sberro, 2001:214). For the Europeans, the political pillar is equally (if not, more) important than the economic pillar of the agreement, and a third pillar (development cooperation) has also been considered as essential. This is related to the presence of center-left and green political parties in the EP and member states' government coalitions, the pressure of European NGOs, etc.

These differences in visions between European and Mexican delegations made the initial talks rather difficult. A consensus was reached, consisting of signing a political framework agreement first (the European priority), but allowing for the immediate start of trade talks (the Mexican priority). Once the parties found a way out to this initial incompatibility of priorities and timing, the negotiations went rather smoothly.

Conclusions and Perspectives

From the previous sections, the importance of the EU-Mexico Free Trade Agreement should be clear. This is the case not only because of the potential impact on trade flows, but also because for at least three other reasons.

First, it illustrates how the NAFTA and EU regulatory models can apparently be bridged without too much problems. Second, the case shows how a country like Mexico can increase its degree of centrality in the world economic system through a planned diplomatic strategy and reap the benefits of it. Third, although the agreement on trade liberalisation has been the most tangible outcome of the recent negotiations between Mexico and the EU, the political dimensions are also very important, especially from a European perspective.

As far as the perspectives for the future are concerned, the position of the European Commission is apparently rather ambiguous as to further liberalising trade with non-EU member states (Sberro, 2001: 215). Since this type of agreements erodes the community preference, the reticent position could well become more prominent with the enlargement of the EU with 10 new members become co-decision makers. In several sectors their companies are (potentially) competing with Mexican and other Latin-American firms, whereas direct trade relations are often marginal.

Another uncertain element in EU-Mexico commercial relations is the linkage between the economy and socio-political context, stressed by the Europeans. Commercial relations might thus catch fall-out effects of the European (paternalistic) appreciation of Mexico's internal or external policies or lack of policies in

different areas (Chiapas, poverty, drugs trade, migration, social rights, regional conflicts in Latin America, terrorism, etc.).

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