

INFORMATION

EXTERNAL RELATIONS

MEXICO AND THE EEC

117/76

The President of the EEC Commission, M. François-Xavier ORTOLI, will be going to Mexico on an official visit April 7 - 9 1976.

The following is an information note on the relations between Mexico and the European Community. It contains the following sections :

1. The EEC-Mexico Agreement
2. Trade
3. Development of economic relations

Annexe : Outline economic description of the United States of Mexico

1. THE EEC-MEXICO AGREEMENT :

The agreement between the EEC and Mexico was signed on July 15 1975. It marks the end of the period of sporadic bilateral relations between the two.

The agreement (1) came into force on November 1 1975 and is renewable each year automatically.

On the Mexican side the agreement was designed with three targets in view :

- to reduce Mexico's trade deficit vis-a-vis the Community, by expanding exports to the Nine;
- to diversify Mexico's external commercial and economic relations by decreasing its dependence on specific large-scale partners;
- to establish a relationship with the EEC on a basis better in line with the aspirations of the Third World, especially in connexion with industrial development.

On the Community side the agreement is part of the general policy of co-operation with developing countries, apart from the special relationship set up by the Lomé Convention with the countries of Africa, the Caribbean and the Pacific.

The negotiations had their origin in a number of visits by leading personalities. M. Echeverria, President of the United States of Mexico, paid a visit to the EEC Commission on April 7 1973.

Further clarification of the economic and political prospects resulted from the visit to Mexico (April 16 - 21 1975) by Sir Christopher Soames, Vice-President of the EEC Commission in charge of external relations.

Exploratory meetings were held in May 1973 and 1974. The EEC Council of Ministers, at its meeting on March 3 1975, adopted the outline for the negotiation to be opened with Mexico for a non-preferential agreement of commercial cooperation.

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(1) Official Journal of the European Communities -- L 247 of 23.9.75

The negotiations began on April 29 1975 and were concluded on June 10.

The agreement aims to expand the trade, seeking to stabilise it at the highest level possible, with special regard to Mexico's position as a developing country.

On the commercial side the agreement introduces the most-favoured-nation principle, not only with regard to customs duties, but also to administrative regulations, taxes on goods or services imported or exported, quantitative restrictions, payments and transport.

Exceptions to the most-favoured-nation principle are permitted in respect of advantages Mexico may give to other developing countries, notably the countries of Latin-America and the Caribbean.

Cooperation clauses

To facilitate economic, industrial and technological cooperation, linked with the expansion in trade, the EEC and Mexico will promote contacts between firms and business men for the purpose of carrying out "concrete projects".

To supervise the right functioning of the agreement a mixed EEC-Mexico Commission is to meet not less than once a year. It is vested with various powers of initiative, especially for trade diversification and cooperation.

2. TRADE BETWEEN MEXICO AND THE EEC (million Eur) (1) (2)

	Mexican exports	Mexican imports	Trade balance
1970	139	484	- 345
1971	134	499	- 365
1972	136	509	- 373
1973	172	606	- 434
1974	333	888	- 555
1975 (Jan-Oct)	250	763	- 513

(1) Eur = \$ 1.00 in 1971
= \$ 1.08 in 1972
= \$ 1.25 in 1973
= \$ 1.32 in 1975

(2) European Community Statistics Office.

Mexico is the only Latin-American country, the trade of which with the EEC shows a considerable deficit.

Only about a fifth of Mexico's external trade is done with the EEC

This trade absorbs 6.5 % of Mexico's total exports. Its national distribution is, Federal Germany 35.3 %, Italy 21 %, Netherlands 13 %, France 12.6 %.

The EEC share of Mexico's total imports is 15 %, of which, 44 % comes from Federal Germany, 16 % from France, 14.3 % from Great Britain and 9.5 % from Italy.

In 1974 the trade with Mexico represented 0.26 % of total imports into the Community and 0.8 % of total exports.

Composition of EEC trade with Mexico (million Eur) (1)

1974	EEC imports	%	EEC exports	%
Food, drink and tobacco	58	17.7	56	6.4
Energy products	22	6.7	6	0.7
Raw materials	76	23.2	7	0.8
Chemicals	47	14.3	141	16.1
Machinery and transport material	27	8.2	514	58.5
Other manufactures	98	29.9	154	17.5
Total	328	100.0	878	100.0

Mexican exports, unlike those of many Latin-American countries, are well diversified and do not relate only to a short list of products. Nearly half Mexico's export trade consists of manufactured goods.

(1) Sources : Eurostat : Monthly statistics, Special No. 1958/74.
Supplement to external trade monthly statistics No. 9/75

3. DEVELOPMENT OF ECONOMIC RELATIONS BETWEEN EEC AND MEXICO

The mixed Commission is to study the potential extension of cooperation,
as an additional factor promoting the greater expansion of the trade.

It is to determine which industries and products are likely to contribute to broadening the flow of trade.

It will assist contacts between firms aimed at adapting trade and marketing structures to long-term economic targets.

Steps will be taken to facilitate contacts and exchanges of information on all questions connected with economic cooperation.

The mixed Commission is mandated to consider such problems as may arise in regard to transport, especially by sea, with a view to seeking mutually satisfactory solutions.

The first meeting of the mixed EEC-Mexico Commission was held in Brussels on December 2 1975.

A mixed sub-Commission was set up to prepare the work of the second meeting of the mixed Commission, which is to be held in Mexico in October 1976. The mixed sub-Commission met in Mexico in March 1976.

A study was put in hand on the arrangements for regular exchanges of information between the Community and Mexico.

Generalised preference (1)

A special statement on generalised preferences was annexed to the text of the agreement between the EEC and the United States of Mexico. In this, the Community declares its willingness, as part of its work on the improvement of this system, to take into account the interests of Mexico, to include additional

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(1) Since July 1971 the European Community has been operating a system of customs franchise, known as "the system of generalised preferences" in favour of manufactured and semi-finished goods originating from developing countries.

products and to improve the terms in relation to those already included, with the aim of enlarging and strengthening Mexico's trade relations with the Community.

The mixed Commission, at its first meeting, examined a number of specific cases in connexion with the use made of the system of generalised preferences.

Seminars on the ways of using the generalised preferences system were held in March 2 - 9 1976 in the Mexican capital and two provincial cities.

Negotiations on textiles :

In regard to the multilateral arrangement on the international trade in textiles, reached in GATT in 1974, the EEC Council on May 5 1975, adopted the necessary directives for the negotiation on the textile agreement to be made with Mexico.

These negotiations began on July 29 1975. The Community is asking for "an obligatory consultation clause, which would take effect automatically in the event of market disturbance caused by Mexican exports."

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The agreement between the EEC and Mexico is the fourth made between the Community and a Latin-American country. The others are, Argentina (1971), Uruguay (1973) and Brazil (1973).

This marks the opening of a new phase in international economic co-operation.

It is fully in line with the letter and the spirit of the Charter of the Economic Rights and Duties of States, adopted by the United Nations in 1974.

Economic conditions in the United States of Mexico

Mexico covers an area of 1 972 546 sq. km. It has a population of 58 million, which will have grown to 68 million in 1980 and over 100 million by the year 2 000.

The gross internal product amounted in 1974 to Eur 52 000 million, or around \$US 65 000 million. The income per head was Eur 895, or around \$ 1 120 (1)

The growth in the Mexican G.I.P. has been regular :

1961/70	:	7.0 % (p.a.)
1972	:	7.3 %
1973	:	7.6 %

In 1974 the growth slackened to 6 %, because of the world recession, and especially the recession in the United States, which is the biggest market for Mexican exports.

The agricultural population accounts for 40 % of the total.

Nearly 25 % of the active population is engaged in industry. Mexico is now 23rd in order of size in the table of world steel producers. The discovery of new oil occurrences in 1974 has led to Mexico's conversion from being a net importer to being a net exporter of oil. In 1973 the net imports were around \$250 million; and in 1974 there were net exports of about \$ 500 million.

Up to 1970 Mexico's industrial production was for purposes of import substitution for the purpose of economising foreign currency expenditure and creating an industrial basis for the country. This policy, which was similar to that followed by most Latin-American countries, raised problems of quality and production costs, and of the sufficiency of the export orientations. A new strategic approach is now operating. The tendency is for Mexico to produce a higher proportion of intermediate goods and equipment items partly for the export market.

(1) The corresponding figures for the EEC were Eur 918 000 million and Eur 3 660.

Nevertheless, the cost of imports of capital goods considerably exceeds the receipts from the export trade.

The deficit in the trade balance rose from about \$ 1 000 million p.a. at the beginning of the seventies to \$ 1 500 million in 1973 and \$ 2 800 million in 1974.

The balance on current account also shows a deficit. The income from the tourist trade, though comparatively high, is not enough to cover the visible trade deficit.

In regard to capital movements, the cost of rewarding existing investments is greater than the new incomings for direct investment; and the remuneration of officially registered foreign capital exceeds the net entries of long-term capital funds.

The deficit in the balance of payments was about \$ 2 000 million in 1974.

The Mexican economy is a mixed one, with public utilities and a number of key industries, wholly or partly owned by public authorities. There is no general national development programme. There are, however, various sector development projects and others relating to specific constituent states. The planning for sector or regional development is in general the work of various authorities in the federal government.

The 1976 prospects are not particularly good. In the present economic state of the world, it is only with difficulty that Mexican exports can grow; and the country will not be in a position to reduce its imports of basic foodstuffs, capital goods and industrial raw materials other than oil.

The country's external economic relations are dominated by its relationship with the United States. Product penetration is greatly helped by the nearness of the United States and the existing trade organisation and connexions.

The United States accounts for 65 % of Mexico's external trade, 80 % of its investment and 80 % of its tourist traffic.

"External Relations"

Information notes

Copies of the following information notes are still available and can be obtained on demand from :

Directorate-General of Information
Commission of the European Communities
Rue de la Loi 200
B - 1049 Brussels (Belgium)

- 82/75 The Community system of generalised preferences
 - 91/75 The East European countries and the European Community
 - 97/75 Iran and the European Community
 - 100/75 Yugoslavia and the European Community
 - 105/75 Greece and the European Community
 - 106/75 The People's Republic of China and the European Community
 - 111/75 Japan and the European Community
 - 112/75 Aide-mémoire on the GATT multilateral trade negotiations
 - 113/76 Canada and the European Community
 - 115/76 List of agreements with third countries, signed by the European Community.
 - 116/76 The United States and the European Community -- recent trade developments.
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