european community

BACKGROUND INFORMATION

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BACKGROUND NOTE

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EC-MEXICO TRADE AGREEMENT GOES INTO EFFECT

A new style trade agreement between Mexico and the European Community, based on economic and trade cooperation, goes into effect Saturday, November 1.

The accord, signed July 15 in Brussels, is part of the Community's overall policy of cooperation with developing countries outside the special relations established with 46 African, Caribbean, and Pacific countries by the Lome Convention. The nonpreferential agreement runs for five years. The European Community currently has accords with three other Latin American countries -- Argentina (1971), Uruguay (1972), and Brazil (1973).

Provisions of the Agreement

The agreement gives Mexico most-favored nation (MFN) status in respect to customs duties, taxes, national regulations, import and export quotas,and payments. MFN treatment will not apply to advantages related to frontier-zone traffic, free trade areas, and customs unions, nor to advantages granted by Mexico to other developing countries in accordance with the General Agreement on Tariffs and Trade (GATT), and to Latin American or Caribbean countries. For its part, the Community will consider Mexico's special interests in improving its generalized preference system.

The main instrument of mutual cooperation between Mexico and the Community will be a Joint Committee, which will meet at least once a year and recommend ways of improving commercial relations, such as by eliminating nontariff barriers and improving trade promotion and private business contacts. The committee will also study any difficulties that may arise from the agreement.

The agreement should

- reduce Mexico's trade deficit with the Community, which reached 555 million units of account (UA) in 1974, by increasing exports to the Nine (One UA equals $1.20635.)

- reduce economic dependence on the United States, which now accounts for two-thirds of Mexico's foreign trade and 80 per cent of its foreign investments

- set relations with the Community on a basis more in line with the demands of the Third World, especially as regards industrial development.

Unless disowned by one party six months before its expiration, the agreement can be extended from year to year. It can be amended by mutual agreement.

Expanded EC-Mexico Contacts

Negotiations for the agreement began in April 1973 with Mexican President Luis Echeverria Alvarez's visit to the Commission. This visit was part of the Mexican Government's "opening up" policy, which also took the President to Moscow and Peking. Exploratory exchanges followed. The EC Council of Ministers gave the Commission the go ahead on February 5, 1975, to open formal negotiations with Mexico. EC Vice President Christopher Soames, responsible for external relations, visited Mexico April 16-21 to clarify economic and political prospects before the official opening of negotiations on April 29. These negotiations were concluded June 10.

Mexico's Foreign Trade

Mexico runs a large overall foreign trade deficit, which increased from $1.0 billion a year at the beginning of the Seventies to $2.8 billion in 1974. Unlike most developing countries' exports, Mexico's are fairly diversified, nearly half being processed products or manufactured articles. In 1974, Mexico became a net exporter of oil. Until recently, Mexican industrial production was geared mainly to import substitution, but a new strategy for exports is in the works.

The European Community buys one-fifth of Mexico's exports and has run a growing trade surplus with Mexico over the last three years.

EC-Mexico Trade (in million units of account)

	1972	1973	1974
EEC exports to Mexico	513	634	888
EEC imports from Mexico	137	183	333
EEC trade surplus	376	451	555

Source: European Community Statistical Office