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EU-Mexico relations

Brussels, 15 February 2006

OPINION

of the
European Economic and Social Committee
on
EU-Mexico relations
(own-initiative opinion)

On 1 July 2004, the European Economic and Social Committee decided to draw up an own-initiative opinion, under Rule 29(2) of its Rules of Procedure, on

EU-Mexico relations.

The Section for External Relations, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 26 January 2006. The rapporteur was Mr Rodríguez García-Caro.

At its 424th plenary session held on 14 and 15 February 2006 (meeting of 15 February 2006), the European Economic and Social Committee adopted the following opinion by 107 votes to four with six abstentions.

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1. Introduction

- 1.1 The aim of this opinion is to analyse the development of relations between the European Union (EU) and Mexico since December 1995, when the EESC adopted its first opinion on the issue¹, and to propose areas for discussion in order to develop and strengthen these relations, as regards both the future of EU-Mexico relations and the involvement of civil society in both regions.
- 1.2 Considerable progress has been made in EU-Mexico relations, resulting in the EU-Mexico Economic Partnership, Political Coordination and Cooperation Agreement (Global Agreement) signed in October 2000, which provided for a free trade area. This opinion therefore aims to provide information which will help to highlight the strategic importance of EU-Mexico relations and to strengthen and improve the EU-Mexico Association Agreement, whilst giving consideration to the specific features of each region.
- 1.3 One specific aim referred to in that Agreement (Articles 36 and 39) is the need to involve civil society from the two regions in the development of EU-Mexico relations.

In the Declaration² adopted at the Third Meeting of European Union, Latin American and Caribbean civil society organisations held in April 2004 in Mexico (in which the EESC played an active role), a series of initiatives were agreed, with a threefold goal: to step up the partnership between the European Union, Latin America and the Caribbean, to establish an

¹ Point 5.5 of the opinion on EU-Mexico relations, adopted on 21 December 1995 (OJ C82, 19.03.96, p. 68).

² Point III of the summary and points 33, 34 and 35 of the Final Declaration adopted by the Third Meeting of European Union-Latin American-Caribbean civil society organisations held in Mexico on 13, 14 and 15 April 2004. This document acknowledges the progress made on the recognition of cultural and ethnic diversity and the rights of indigenous peoples.

agenda for social cohesion, and to strengthen the role of organised civil society. The Declaration highlights the need to create “structured bodies for dialogue at national and regional level” and the parties’ “willingness to commit themselves fully to the process of creating and strengthening such institutions”, and calls for “the support of the European Economic and Social Committee in transferring expertise and fostering dialogue”.

- 1.4 The EESC believes, with respect to EU-Mexico relations, that the objective of incorporating civil society into the Agreement should not only involve the promotion of relations between civil society in both regions and between its representative bodies; it should also enable civil society to participate effectively in the institutional framework of the Agreement, by means of a consultative body acting either via mandatory consultations on matters relating to the Agreement or through own-initiative proposals. The EESC considers that this participation should be implemented by creating a Joint Consultative Committee, within the framework of the Agreement.

2. **Political, economic and social situation and outlook for Mexico**

2.1 **Political situation**

- 2.1.1 Mexico's democratic transition has been a long and unusual process. The events that have marked the country's political life in the last twenty years have created a solid basis for a pluralist and democratic regime. Mexico has experienced a changeover, strengthening and independence in its legislative and judicial powers, as well as changes in the distribution of political power and far-reaching institutional changes, such as the reform of the Mexican Supreme Court of Justice (Corte Suprema de Justicia de la Nación), the Federal Electoral Institute (Instituto Federal Electoral), and the Federal Electoral Court (Tribunal Electoral del Poder Judicial de la Federación).
- 2.1.2 The Mexican political situation reached a turning point in 2000, with the victory of presidential candidate Vicente Fox Quesada for the National Action Party (Partido de Acción Nacional - PAN), bringing an end to the 71-year governmental reign of the Institutional Revolutionary Party (Partido Revolucionario Institucional - PRI). This event highlighted the need for alternation in power to ensure the smooth running of the democratic system, and heralded a period of change.
- 2.1.3 The Mexican government's National Development Plan 2001-2006 was designed as a tool for political, economic, social and demographic change. It established a number of priorities for the current administration's activities, focusing on social and human development, growth with quality, and order and respect.
- 2.1.4 Various reform bills considered crucial by the current Mexican government (such as tax and energy policy reforms) have been blocked, because there is not a sufficient majority in

parliament (Congress and Senate) for them to be passed, and because of the forthcoming presidential elections scheduled for July 2006.

- 2.1.5 The degree of economic growth and relative political stability that Mexico enjoyed throughout much of the second half of the 20th century boosted the country's role as a player on the international scene. This state of affairs changed in the wake of the economic crisis suffered by Mexico in the eighties and the upheavals that occurred internationally in the nineties, forcing the country to re-examine its economic, political and external relations objectives.
- 2.1.6 Since then, Mexico's strategic stance towards Europe, and vice versa, has been set down in the Global Agreement, which goes beyond the specific aspects of the bilateral relationship. Thus Mexico and the EU's positions on international matters have shown an increasing tendency to coincide in recent years, and the two regions have also displayed a growing ability to coordinate their stances in multilateral forums. Mexico and the EU have cooperated on issues such as the environment (Kyoto Protocol), development policy (Johannesburg and Monterrey summits), and human rights. For its part, Mexico has maintained very close relations with the rest of Latin America, as shown by the country's political cooperation with the Rio Group. Mexico also supports the Mercosur integration process and partnership with the bloc, and the Free Trade Area of the Americas (FTAA).
- 2.1.7 As a pivotal country on the American continent, Mexico must be a key strategic reference point for the EU in all aspects – present and future – of its relations with the area.

2.2 **Economic situation**

- 2.2.1 Mexico has also undergone a major economic transition over the last decade as its economy has become much more open: it is the only country to have Free Trade Agreements with the USA, Canada, Japan and the EU, and with the European Free Trade Association (EFTA), Israel and most Latin American countries. Furthermore, in 1984 it joined the GATT, now the World Trade Organisation (WTO), and in 1993 became a member of APEC (Asia-Pacific Economic Cooperation). Since 1994, it has been a member of the Organisation for Economic Cooperation and Development (OECD). The scale and speed of the Mexican reform process have exceeded those of most other developing countries that have made similar economic changes in recent years. The rise in domestic consumption, growth in US demand, the increase in the price of US assets, the rising price of oil, the major influx of foreign direct investment (FDI), the contributions from the tourist sector and remittances from emigrants have been among the key factors for Mexico's economy.
- 2.2.2 Approximately 98% of Mexican firms can be considered micro-enterprises or small and medium-sized enterprises (SMEs). They play a vital role in job creation, regional economic activity and training of business leaders and technical experts. Their potential contribution to Mexico's economic and social development is huge, not just when it comes to meeting the

basic needs of the population, but also because they provide large companies with raw materials and components, and generate direct and indirect exports.

- 2.2.3 Since the end of the eighties, it is the SME sector that has been most affected by the changes in economic policy, financial crises and the withdrawal of financial incentives for investment, employment and regional development. These companies have seen their business reduced substantially. It is widely agreed that, especially in the case of SMEs, the policies and instruments in force are not sufficient for their future survival and development.
- 2.2.4 According to the Report on Mexico by the International Monetary Fund (IMF)³, management of public debt in Mexico has seen considerable progress in the last five years, due to an effective management policy and increased transparency. However, despite this progress, the public sector is still vulnerable to refinancing and interest rate risks.
- 2.2.5 Furthermore, the opening up of trade that began in 1986 when Mexico joined the GATT⁴ has made Mexican exports the country's biggest driver of economic growth, with Mexico evolving from an exporter of raw materials to an exporter of manufactured goods, focused particularly on *maquiladoras* (assembly plants).⁵ Nonetheless, Mexico's trade slowdown since the year 2000 has brought to light the country's vulnerability to fluctuations in foreign demand.
- 2.2.6 The slowdown of the Mexican economy is a result of the following cause-effect chain:
- the lower growth prospects in the USA have a direct impact on Mexican exports;
 - Mexican exports decrease, and hence investments in the export sector;
 - in general, the lower investment levels affect national production;

³ Report on Mexico by the International Monetary Fund (IMF) no. 04/418, 23 December 2004.

⁴ General Agreement on Tariffs and Trade.

⁵ According to Mexico's national council for the exporting *maquila* industry (Consejo Nacional de la Industria Maquiladora de Exportación - www.cnime.org.mx), *maquila* refers to the industrial or service-based process involving the processing, production or repair of goods of foreign origin which are temporarily imported and subsequently exported, performed by *maquiladoras* or companies that export under the terms of the Mexican decree for the supply and operation of the exporting *maquiladora* industry and its reforms. Industrial activity in Mexico includes the mining, manufacturing, construction, electricity, gas and water sectors. The fall in investment flows to the manufacturing sector between 2001 and 2003 led to a drop mainly in manufacturing and construction. During this period, the manufacturing sectors suffering the biggest reductions were those that were worst hit by the decrease in exports, especially the following: metal products (automobiles, electrical goods, electronics, machinery and equipment), textiles, clothing and leather, and chemical substances (oil, pharmaceuticals, rubber, plastic). The manufacturing sectors with the greatest reductions in actual production are those for which *maquiladoras* account for over 50%, i.e. over half of their exports are from *maquiladoras*: for example, textiles and clothing (62%), machinery and equipment (60%) and wood (56%).

– the drop in national production levels has an impact on employment indicators⁶.

2.2.7 The US economy's less than optimal recovery is not the only factor impacting on the Mexican economy. Other factors include the economic emergence of China⁷ and Mexico's loss of global competitiveness.

2.2.8 As regards Mexico's loss of global competitiveness, and according to the Mexican Institute of Competitiveness⁸, Mexico's competitive position on the international stage has deteriorated in recent years. The reasons for this loss of competitiveness include, in particular, the collapse of Mexico's low-wage-based economic model, and the lack of improvements in other areas that would boost business activity, such as the cost of basic infrastructure (transport, communications, water), energy, taxation, education, the skill level and productivity of the workforce, security and government management.

2.2.9 In this context, the country is faced with the challenge of achieving conditions that will enable it to become truly competitive, based on such factors as improved competitiveness, productivity, a skilled workforce, technological development and innovation, and democracy. In trade terms, Mexico will need to strengthen its legal security, logistical processes and infrastructure to facilitate investment and the transport of goods, and develop a more competitive tariff structure.

2.3 Social situation

2.3.1 As mentioned above, Mexico is a country undergoing transition, whose social condition is characterised by inequality. The disparities between regions and individuals have increased (differing degrees of development, particularly between north and south), the rural exodus continues (spawning massive conurbations), and most Mexicans still live in conditions of extreme social fragility and insecurity.

2.3.2 After a long period during which the social situation deteriorated, the National Development Plan 2001-2006 was adopted, making social policies one of the highest priorities of the country. In recent years, government social programmes have been expanded, with an increase in the number of recipients and the benefits and aid granted. Social spending has

⁶ According to the Mexican Department for Trade and Industry, all manufacturing industry subsectors recorded, between 2001 and 2003, an increase in unemployment of 17.8% for *maquiladoras* and 13.8% elsewhere, as compared to the 1995-2000 period. The recovery in 2004 has not affected employment indicators, which continue to show a downward trend.

⁷ Competitive pressure from China and its presence on the US and EU textile and garment market mean that other countries exporting to these markets will need to adapt. The consequences are particularly harsh for Mexico. Moreover, China's development potential poses a real threat to Mexico's current position, particularly as regards labour-intensive goods, given Mexican wage levels.

⁸ Analysis of competitiveness in Mexico. Mexican Institute of Competitiveness (IMCO). September 2003.

grown in real terms: spending on education, social protection and schemes aimed at the poor increased annually by 8.4% in the 90s, and has grown by 9.8% a year since 2000.

- 2.3.3 However, there are differences in the growth rates, and the State's redistributive capacity is limited by the meagre tax intake and low fiscal pressure. Consequently, social cohesion policies are inadequate, and this situation is exacerbated by the low-volume domestic economy and the lack of a fully-fledged internal market.
- 2.3.4 Between 2000 and 2002, 3.4 million people rose above the breadline, i.e. they became able to cover their own food requirements and to invest – albeit modestly – in education and healthcare. This statistic is in contrast with the situation recorded between 1994 and 1996, when the number of people living below the breadline increased by 15.4 million.
- 2.3.5 The percentage of the population living below the breadline (homes whose income per person is not high enough to cover their food requirements) in urban areas dropped from 12.6% to 11.4%, while in rural areas the percentage fell from 42.4% to 34.8%. Despite the reduction in the number of people living in poverty, these percentages are still extremely high, given the country's level of development and wealth. Nonetheless, the progress recorded can be seen as a positive trend⁹. The disparity within Mexican society is not linked solely to poverty, however. It also relates to the quality of and access to educational opportunities and healthcare, which complicates the situation for disadvantaged regions. In terms of education, illiteracy levels in the north of the country (5%) contrast sharply with those in the south/southeast, which are as high as 17%.
- 2.3.6 The issue of human rights is a serious problem, often linked to more than legal shortcomings. Large-scale trafficking of drugs and persons only exacerbates the issue, to the extent that the human rights situation in Mexico, particularly for the indigenous population, remains distinctly unsatisfactory. The main difficulties are caused by major shortcomings in the police forces and legal system. People are not always guaranteed satisfactory access to the justice system, although this problem is being combated at the highest levels of government.
- 2.3.7 Moreover, although in recent years Mexico has made progress in constitutional matters as regards the recognition of cultural and ethnic diversity and the rights of indigenous populations, it is still facing major challenges in effectively protecting and promoting the human rights and fundamental freedoms of these peoples. These problems include land-related conflicts, discrimination in access to and administration of justice, and the displacement of people against their will¹⁰.

⁹ Ministry for Social Development. *Development measurement*. Mexico 2000-2002. 23 June 2003.

¹⁰ UN Bulletin no. 03/042, 17 June 2003, on the fundamental rights and freedoms of indigenous peoples in Mexico.

- 2.3.8 Another key social problem is the issue of land distribution in Mexico. The Metropolitan Area of Mexico City (MAMC), with a population of approximately 25 million people, is undergoing two main transitions: first, from high population growth to relative demographic stability and spatial redistribution, and second, from a declining manufacturing economy focused on national markets to one based on services competing internationally¹¹.
- 2.3.9 The MAMC has considerable growth potential linked to the concentration of corporate headquarters and of education and research facilities, as well as rich cultural resources and high flows of FDI. However, potential growth is constrained by the concentration of low-income populations in precarious settlements, with limited or non-existent public services and infrastructure, and vulnerability to natural disasters. Education levels are insufficient and the insecurity index in these areas is much higher¹².
- 2.3.10 Nonetheless, between 2000 and 2002, the educational situation of those living below the breadline did change. The percentage of five to fifteen year-olds not attending school dropped from 14.3% to 11.9%. The biggest drop can be seen in the twelve to fifteen year-old age group: the percentage of those working fell from 18.6% to 6.6% during the reference period. Likewise, there was a decrease in the illiteracy rate and the percentage of fifteen-plus year-olds who do not complete their primary education. However, although these are positive developments, the level and quality of the education and healthcare systems are not adequate, nor therefore are they sufficient to achieve desirable levels of social cohesion.
- 2.3.11 As regards employment, Mexico's unemployment rate in 2004 was 3.1%; during the same period, the unemployment rate was 8.2% in the EU-15 and 5.6% in the USA¹³. According to the newly launched Employment Observatory¹⁴, the last decade has seen an increase in professionals in almost every field of knowledge. It is worth noting that 56% of all salaried professionals are concentrated in three fields of knowledge: economy/administration, education and social sciences. Of these, the first field has seen the greatest number of jobs created in the last four years.
- 2.3.12 The statistics also show that most women are gaining access to the labour market. However, only 40% of women with a degree have a job, despite the fact that women account for 52% of graduates.

11 OECD Policy Brief, October 2002. *Territorial reviews: Mexico City*.

12 Poverty in Mexico: an assessment of conditions, trends and government strategy, World Bank, 2004.

13 OECD, Employment Outlook, 2005.

14 The Employment Observatory is an instrument set up by the Mexican government to improve the labour market. A delegation from the EESC was present when it was inaugurated by the President of Mexico at his official residence, Los Pinos, on 2 March 2005.

2.3.13 Eight out of ten Mexican workers are salaried¹⁵; i.e. they have an employment contract and receive a wage. While the highest-paid fields are those with the lowest employment rates (engineering, physico-mathematical science and biological science), it is the field of education that has the highest employment rate, but the lowest salaries.

2.3.14 Mexico's institutional framework has progressed in terms of social development and the promotion of civil society through networks and alliances. In this context, it is worth noting the law on access to public information, the social development law, and the law to promote civil society organisations.

3. **Background and evaluation of the EU-Mexico Global Agreement**

3.1 **Background**¹⁶

3.1.1 The Economic Partnership, Political Coordination and Cooperation Agreement between the EU and Mexico (Global Agreement) took effect on 1 October 2000. It also includes a Free Trade Agreement between the two parties, and covers aspects of political dialogue and joint cooperation. This Global Agreement was preceded by an agreement signed in 1991 between the European Community and Mexico. In 1995, the two parties signed a Joint Declaration in Paris, setting down the political, economic and trade objectives that would be reflected in a new Agreement. Negotiations began in October 1996 and were concluded in July 1997. The result was the Global Agreement and the Interim Agreement, signed in Brussels on 8 December 1997.

3.1.2 The main priorities of the Global Agreement are to institutionalise political dialogue, strengthen trade and economic relations via bilateral, preferential, gradual, reciprocal liberalisation of trade in accordance with WTO rules, and to broaden the scope of cooperation, which currently includes around thirty different areas. Lastly, the Agreement established a Joint Council which is responsible for supervising its implementation.

3.1.3 The Interim Agreement¹⁷ enabled the parties to swiftly apply the provisions on trade and the supporting measures, pending the ratification of the Global Agreement. It took effect on 1 July 1998.

3.1.4 In November 2004, in the context of the Joint Committee, the EU and Mexico decided to implement the review clauses contained in the Agreement for the chapters on agriculture,

15 National Institute for Geographical Statistics and IT. Mexico City, 8 March 2004.

16 "EU-Mexico relations", Permanent Representation of Spain to the EU.

17 Framework agreement which defined the trade negotiation rules, representing a fast track for initiating trade negotiations, via the Joint Council provided for by the Global Agreement.

services and investments. In parallel to this, it was agreed that negotiations in these sectors should begin in early 2005, with a view to concluding them within the year.

3.2 **Assessment**

Over five years after the entry into force of the **EU-Mexico Economic Partnership, Political Co-operation and Co-operation Agreement** (Global Agreement), the EESC believes that it is a powerful tool and that its progressive nature benefits both sides in the three areas that form the pillars of the Agreement (political dialogue, trade development and cooperation). The EESC is positive in its appraisal of the trade and investment figures and the strengthening of institutional dialogue. However, the EESC considers that the Global Agreement has not been implemented to its full potential; a number of comments are therefore included in this opinion.

3.2.1 **Political dimension**

3.2.1.1 In November 2004, at the fourth meeting of the EU-Mexico Joint Committee in Mexico City, Mexico and the EU agreed to drive bilateral political dialogue forward and reiterated their commitment to strengthening multilateralism. They also exchanged views on the International Criminal Court, and agreed on the need to support it.

3.2.1.2 In addition to the Summits of Heads of State or Government of the EU and Mexico, and the various councils and committees that bring together experts on specific subjects, the Global Agreement has opened up new, permanent channels for communication that did not exist before, enabling both sides to achieve high-quality dialogue. The Agreement has made it possible to bring political representatives closer. Meanwhile, and particularly as a result of the Third Meeting of European Union, Latin American and Caribbean civil society organisations held in April 2004 in Mexico City and organised by the EESC, relations have been stepped up between civil society organisations in both regions.

3.2.1.3 However, the EESC believes that the quality of the agreements should be improved by the inclusion of provisions on cooperation and institutionalised dialogue, and by bringing all the sectors concerned into the decision-making loop. In this connection, the EESC welcomes the conclusions of the Joint Council meeting, concerning the possibility of institutionalising dialogue with civil society and calling for the identification of "the most appropriate methodology and format for such an institutionalisation"¹⁸.

3.2.1.4 At the EU's proposal, the Agreement includes the so-called "democratic clause" which establishes "Respect for democratic principles and fundamental human rights, proclaimed by the Universal Declaration of Human Rights, underpins the domestic and external policies of both Parties and constitutes an essential element of this Agreement." This clause aroused great hopes within civil society, as it was a step towards making trade a means of sustainable

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Point 15 of the Communiqué by the EU-Mexico Joint Council, Luxembourg, 26 May 2005.

development and an instrument for the guarantee of human rights, including economic and social rights. However, nothing further is specified with regard to economic and social rights.

3.2.2 Economic dimension

3.2.2.1 Generally speaking, both parties believe that the results have been positive since the Agreement was signed five years ago, highlighting the significant increase in trade¹⁹ and investment between Mexico and the EU.

3.2.2.2 The Agreement has also enabled the EU to compete on equal terms with those countries with which Mexico has free trade agreements, allowing European countries equal access to the conditions that the USA obtained in Mexico through the North American Free Trade Agreement – a situation known as NAFTA parity. Meanwhile, Mexico benefits from the high potential of European investment, technology transfer and the extensive European market.

3.2.2.3 However, the results could be greatly improved upon. Although trade flows between the EU and Mexico have increased since the Agreement came into force, this has not translated into a greater share of overall percentages for the EU, while the Mexican trade deficit continues to grow. Nonetheless, it should be borne in mind that this deficit relates mainly to imports of semi-finished goods and capital needed to modernise Mexico's production infrastructure, and the manufacture by European companies set up in Mexico of finished products with greater added value for export to the US market.

3.2.2.4 The EU's total investment in Mexico from January 1994 to June 2004 stood at 33,656.6 million dollars²⁰, which accounts for 24.3% of all the foreign direct investment (FDI) received by the country during this period. Between 1999 and 2004, Mexico received a total of 78,060 million dollars in FDI, 19,791 million dollars of which came from the EU. With respect to FDI flows between January 1994 and June 2004, the EU Member States' contributions are ranked as follows: Spain (8.3%), Netherlands (8.2%), UK (3.7%), and Germany (2.6%). The growth in investment from the European Union highlights Mexico's strategic importance for the EU. Mexico and the EU must make the most of the options provided by the Global Agreement for extending and expanding the service sector (essential for the EU) and investment.

3.2.2.5 The EESC emphasises other economic effects of the Agreement, such as:

¹⁹ From June 2000, when the trade chapter of the Agreement came into effect, until June 2004, total trade between the EU and Mexico increased by 31%, i.e. 111,000 million dollars. *Europa en México, 2004*, EU Delegation to Mexico, 2004.

²⁰ All the FDI data are based on the information contained in: *Europa en México, 2004*, EU Delegation to Mexico, 2004.

- EU investment must diversify (particularly in the fields of scientific and technological development), as it is restricted to a very low number of productive sectors and regions in Mexico;
- Mexico is exporting more products, but these are still concentrated in a very limited range; Mexican companies should therefore seek out niches for new products and markets in other EU countries;
- the increase in trade and investment has been positive for the economy in general, but it has not had the desired effects on social development and the campaign against poverty;
- while large Mexican and European companies take advantage of the Agreement, SMEs have not been able to reap all the potential benefits;
- the legal framework of the Agreement is not sufficient to attract greater investment, which is why it is essential to increase legal security;
- the Agreement does not in itself constitute an immutable structure for trade relations: new ways to improve and update it, via the review clauses, should therefore be considered.

3.2.3 Cooperation dimension

3.2.3.1 Cooperation between Mexico and the EU is based on four aspects: firstly, bilateral cooperation at government level; secondly, regional programmes offered by the European Commission for all of Latin America (AL-Invest; URBAN; ALFA; @lis, Eurosocio, etc.), in which Mexico participates; thirdly, cooperation on specific issues such as human rights, the environment and NGOs; lastly, Mexico has the possibility of accessing other programmes such as the 6th Research and Development Framework Programme.

3.2.3.2 A solid legal framework for bilateral cooperation is laid down in the Agreement's chapter on cooperation and in the Memorandum of Understanding on EU-Mexico multi-annual co-operation guidelines 2002-2006, under which both parties agreed to gear cooperation towards social development and the reduction of inequalities, consolidation of the rule of law, economic cooperation, and technological and scientific cooperation. Through co-financing, the EU has earmarked EUR 52.6 million for the 2002-2006 programming period, while the Mexican institutions implementing the projects have contributed a similar amount. Another of the instruments that has been set up is the Financing Framework Convention, which serves as the basis for specific cooperation projects between Mexico and the EU.

3.2.3.3 Moreover, greater impetus has also been given to the negotiation and adoption of additional instruments for strengthening cooperation between Mexico and the EU: for example, in February 2004, the Sectoral agreement for scientific and technological cooperation was signed. Meanwhile, contacts are being sustained with a view to formalising the Sectoral agreements on higher education and the environment.

3.2.3.4 The Integrated support programme for SMEs; (PIAPYME) is also being implemented. Among other things, this aims to build technical capability to boost productivity of SMEs; to support technology transfer; to boost business cooperation programmes in order to drive joint

investment and strategic alliances between Mexican and European SMEs, and to modernise and internationalise SMEs. Furthermore, the Programme for the facilitation of the Agreement is geared towards specific fields such as customs, technical standards, health and plant-health standards, consumer protection and intellectual property.

3.2.3.5 In the field of human rights cooperation, there are projects for the "Implementation of the recommendations resulting from the diagnosis of the human rights situation in Mexico" and the "Promotion and protection of the indigenous peoples' human rights in Mexico".

3.2.3.6 As regards the management and administration of cooperation, some Mexican government institutions have drawn the EESC's attention to the complexity of Community procedures and mechanisms for implementing cooperation. With regard to future cooperation, Mexico and the EU apparently agree on the importance of stepping up relations through a new cooperative approach, by identifying and adopting additional measures such as sectoral dialogue and trilateral cooperation between Mexico, the EU and third countries, particularly Central America. As regards the future areas of cooperation that need to be established for 2007-2013, the EESC considers it necessary to strengthen the support currently given to SMEs, together with social cohesion, education and the environment, among others.

3.2.4 **Effects of the enlarged EU on relations with Mexico**

3.2.4.1 The dynamism of trade between Mexico and the EU is particularly evident in its trade with some of the ten new Member States. Worth noting, for example, is the growth in trade with the Czech Republic, Hungary and the Slovak Republic. It is clear that the medium and small-scale economies are benefiting more than the larger economies. Nonetheless, trade between Mexico and the new Member States is still at an embryonic stage.

3.2.4.2 For Mexico, enlargement means that the special trade relationship that has existed with the EU since the Global Agreement came into force has been extended to the ten new members. Enlargement should therefore have a tangible effect for companies in Mexico and the new Member States, giving them access to a free trade area of more than 550 million²¹ consumers (EU and Mexican populations combined²²). With enlargement, the new Member States also participate in the EU's trade policy, so that transactions in the new Member States by companies from non-EU countries such as Mexico have been considerably simplified, due to the application of a single set of trade regulations, single tariff and single set of administrative procedures.

3.2.4.3 Both Mexico and the new Member States agree that their markets offer many opportunities for each other's companies, with emphasis on the manufacturing sector in the new Member

²¹ Including Bulgaria and Romania.

²² In 2003, Mexico's population was 102 million (OECD Fact Book, 2005).

States and the agricultural sector in Mexico. Moreover, the economic growth that has been visible in the new Member States will further increase demand. This gives Mexican exporters a relative advantage over their Latin American and Asian competitors who do not yet have a preferential agreement with the EU.

4. **The EU-Mexico Global Agreement and the North American Free Trade Agreement (NAFTA)**

4.1 Mexico's proximity to one of the biggest markets the world, the USA, largely explains the level of integration of the Mexican economy with that of its neighbour. The USA was concerned to increase its competitiveness in relation to its main rivals, the EU and Japan. Meanwhile, Mexico hoped to establish its presence in the global economy. Mexico's relations with the USA were therefore channelled through NAFTA, which was greatly beneficial for North America and for small and large companies in general. The EU, meanwhile, was occupied with opening up to Eastern Europe, a process triggered by the reunification of Germany.

4.2 Since NAFTA came into force on 1 January 1994, three-way trade has risen to over USD 623 billion, more than double the pre-NAFTA level. Between 1994 and 2003 FDI in the three countries increased by more than USD 1.7 trillion. In addition to NAFTA, the North American Agreement on Environmental Cooperation (NAAEC) and the North American Agreement on Labour Cooperation (NAALC) also came into force²³.

4.3 According to the estimations of the World Bank²⁴, without NAFTA, Mexican exports and foreign investment would have been lower. North America is Mexico's main source of investment (while the EU is its second biggest source). From 1999-2004, North American investment went mainly into manufacturing industry (43.7% of the total) and services (38.4% of the total). However, NAFTA's effects have been questioned in other areas, particularly unemployment, migration, per capita income and agriculture. Since NAFTA came into force, the massive inflow of investment has not had the promised result of closing the gap between Mexico and its North American partners²⁵.

4.4 Lately, the NAFTA countries have been working to further economic integration in North America, seeking additional means to improve trade, investment and competitiveness. However, NAFTA does not address fundamental issues such as migration or mobility of workers, with the USA offering only a limited number of visas for professionals. Since the liberalisation of trade, the number of illegal Mexican immigrants in the USA went from

23 Joint declaration by the Free Trade Commission of the North American Free Trade Agreement. 16 July 2004.

24 Report on Mexico, Área de Estudios de Caja Madrid, May 2002. The World Bank "Lessons From NAFTA for Latin America and the Caribbean Countries: A Summary of Research Findings" D. Lederman, W.F. Maloney and L. Serven, 2003.

25 World Bank, World Development Indicators Online.

2 million in 1990 to 4.8 million in 2000²⁶, which increased the problems at the border. In 2004, approximately 10 million people born in Mexico were residing in the USA. Add to this the number of US citizens of Mexican origin and the total rises to 26.6 million – 9 percent of the North American population. One of the most visible impacts of migration is the sending of remittances, which in 2004 added up to over 13 billion dollars²⁷.

- 4.5 The fundamental difference between NAFTA and the EU-Mexico Global Agreement is that the latter goes beyond trade: not only has it made the EU Mexico's second biggest trading partner, with a more balanced and fairer trade relationship, but it also incorporates fundamental aspects of political cooperation and coordination that are not included in NAFTA. NAFTA does not provide any mechanisms for civil-society involvement in the decision-making process.
- 4.6 After five years, trade between the EU and Mexico has increased considerably although statistics²⁸ show that it has not been possible to counterbalance Mexico's predominance of trade with the USA, which remains its main trade partner. 90% of Mexican exports in 2003 were to the NAFTA²⁹ countries, while exports to the EU represented only 3.4%. Meanwhile, 64.2% of Mexico's imports came from the USA, compared to only 10.4% from the EU.

5. Institutionalisation of dialogue with organised civil society

- 5.1 The Global Agreement institutionalises political dialogue, which encompasses all bilateral and international matters of mutual interest, at all levels. In this respect, it provides for the creation of a Joint Council (Article 45) responsible for supervising the implementation of the Agreement, and assisted in its tasks by a Joint Committee (Article 48). The Agreement also stipulates that the Joint Council **may decide to set up any other special committee or body to assist it in the performance of its duties (Article 49)**.
- 5.2 The participation of Mexican and European civil society must be promoted if the interests of the social sectors on both sides are to be incorporated in the application of the Global Agreement. The whole spectrum of civil society organisations need to be better represented – farmers, consumers, women, environmental, human rights and professional groups and SMEs.
- 5.3 Titles VI and VII of the Global Agreement contain the articles cited above and provide the legal basis for creating an EU-Mexico joint consultative committee. Firstly, Article 36 is an explicit acknowledgement of the need to involve civil society in the regional integration

²⁶ John Audley, *ibidem*, p. 49.

²⁷ Press release no. 71/04, Mexican Ministry of the Interior, 17 December 2004.

²⁸ Source: the Mexican Association of Importers and Exporters (ANIERM), with data from the Ministry of the Economy.

²⁹ However, it should be noted that of this 90% , oil accounted for 10% and assembled products for 50%.

process. Secondly, Article 39 stipulates the areas on which cooperation should focus, the first area being the development of civil society. Lastly, Article 49 enables the Joint Council to set up any other consultative committee or body it deems necessary in order to implement the agreement. Meanwhile, the future developments clause (Article 43) provides for the widening of the scope of cooperation. There is therefore a real possibility of creating this joint EU-Mexico body, which would provide an opportunity for involvement in various aspects of the Agreement. The EESC believes, based on experience³⁰, that the name of this body should be the EU-Mexico Joint Consultative Committee (JCC).

- 5.4 The EESC believes that such a committee could be more easily created and run if Mexico had an **independent, representative, legitimate body equivalent to the EESC**, which would represent the three traditional sectors (employers, employees and various interests). However, several parliamentary attempts to create a Mexican ESC have thus far come to nothing, despite the tabling of a federal bill aimed at creating an Economic and Social Council as a public body domiciled in Mexico City³¹. Nor have trade union, employer and third-sector organisations reached any consensus to set up such a body. When it comes to defining the nature of this type of body, there is some confusion regarding the instruments of social dialogue (consultation, cooperation and negotiation) and the consultation of civil society.
- 5.5 For the government, dialogue (more social than civil) with part of civil society revolves around the so-called Council for Productive Sectors Dialogue (CDSP)³², which represents trade unions and employers, together with the central and regional administration. The third sector has a partial, insufficient presence through academic and agricultural representatives. The government has also been maintaining dialogue with other platforms incorporating various civil society organisations (trade unions, chambers of small businesses, NGOs), particularly as regards the trade agreements signed by Mexico.
- 5.6 The Mexican government and employers are keen for the CDSP to be the EESC's discussion partner, although the government does acknowledge that this would be a means of testing the water for the involvement of third sector organisations. The trade unions play an active role and recognise, for the most part, the CDSP, although they are not unanimous on whether it should be equivalent to the EESC. The organisations in the civil society platform are pushing for an ESC to be set up from scratch.

³⁰ Article 10 of the EU-Chile Association Agreement (in force since 1 March 2005, OJ L352 of 30.12.2002) establishes the "Joint Consultative Committee" whose role is to "to assist the Association Council in promoting dialogue and cooperation between the various economic and social components of organised civil society" in the EU and Chile.

³¹ Article 1 of the bill.

³² For more information, see the following website: http://www.stps.gob.mx/consejo_dialogo/cpdsp/frameset.htm.

6. Conclusions and recommendations

- 6.1 Although the changes occurring in Mexico are to be welcomed, it is evident that many reforms are still required. For example, it will be necessary to strengthen the rule of law guaranteeing freedom and legal security, deal with problems in the application of justice, redistribute wealth more fairly, develop social protection, provide access to high-quality education and healthcare, and boost the internal market through SMEs (among other things), making social cohesion the crux of all the requisite improvements, in order that Mexico be considered a developed country with all the necessary guarantees.
- 6.2 The EESC believes that the full potential of the Agreement, in all its aspects, has not been sufficiently developed. It therefore considers that the implementation of the Agreement must be pushed forward in order to reduce tariffs, remove technical barriers to trade and open up new sectors to trade in services and investment. It is necessary to promote the development of businesses on both sides, facilitating institutional relations, creating a favourable climate for business activity and promoting forums for dialogue. Bilateral cooperation must be stepped up in external initiatives of common interest, particularly in the rest of Latin America and the USA. The social and occupational aspects of the Agreement (training, equal opportunities, employment, etc.) should be developed through cooperation projects.
- 6.3 In order to enable civil society to participate in the implementation of these tasks, the EESC believes that an EU-Mexico JCC could be set up. The EESC is firmly in favour of the creation of an opposite number in Mexico and, to this end, calls on the Mexican representatives to continue working towards this goal.
- 6.4 In the EESC's opinion, the EU-Mexico JCC could be a consultative arm of the Joint Council and would be involved in the development, monitoring and application of the Global Agreement. It would issue opinions on the basis of referrals from the Joint Committee or Joint Council, on such topics as they decide. It could also issue own-initiative opinions or recommendations on matters relating to the Agreement. Moreover, it would be required to draw up a periodical report on the progress of the Agreement and to coordinate the meetings of the EU-Mexico Civil Society Forum, with the support (including financial) of the Joint Committee. The JCC would hold regular meetings with the EU-Mexico Joint Parliamentary Committee (formats to be decided) in order to improve follow-up of the Agreement.
- 6.5 In order to study the possibility of setting up an EU-Mexico JCC, the EESC believes it necessary to pursue relations with Mexican civil society – which have thus far been sporadic – in a more systematic fashion. It therefore calls on Mexican civil society to appoint, by consensus, three representatives from each civil society group (employers, employees and the third sector). For its part, the EESC could appoint three representatives from each of its three groups, as a counterpart. The aim would be to create a joint working group which would make progress "one step at a time".

- 6.6 The purpose of this Joint EESC-Mexican civil society working group would be to draw up a proposal for the establishment, membership, duties and rules of procedure of an EU-Mexico JCC. This proposal could be drawn up over the course of 2006 and submitted to the Joint Council in 2007.
- 6.7 Moreover, bilaterally and outside the Agreement, the EESC would be willing – to the best of its ability and insofar as there were a consensus within Mexican society – to support the creation of an equivalent, national body in Mexico. This would facilitate the development of relations between the various European and Mexican civil society organisations, and would be a positive step towards stronger EU-Mexican relations.
- 6.8 The EESC believes that this body should reflect the pluralism of Mexican civil society and should therefore comprise the three sectors mentioned above. Like the EESC, it should be based on the principles of representativeness, independence and legitimacy. The EESC's experience has shown that in order to successfully set up this type of institution, there must be a concerted effort by the different civil society sectors involved, and a clear definition of how the various organisations will be represented therein.

Brussels, 15 February 2006.

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of the
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