

RESILIENCE IN THE MODERNIZATION OF THE EU-MEXICO GLOBAL AGREEMENT

Roberto Domínguez

July 27th, 2020

Resilience and Rationale of the GA

The synergy of three variables has defined the EU-Mexico relationship in the past three decades. First, the transformations in the global system. To a greater or lesser extent, four moments have influenced the strategic calculations of international actors, and the EU-Mexico relationship is not the exception: a) the end of the Cold War and the subsequent neo-liberal moment in the 1990s; b) the 9/11 terrorist attacks in the United States and the invasion to Iraq; c) the great financial crises and the secular stagnation; and d) the rise of natio-nalism and the “Chimerica” international order.

Second, the transformations within the EU and Mexico. From the EU perspective, the fortress Europe not only enlarged from 12 to 28, and later 27, members, but also deepened the integration process with several treaties and enhancement of policies. Mexico, on the other hand, has embraced a political process of democratization and an open economy. Yet, it is still seeking to provide the benefits that increase

living standards and reduce organized crime-related violence. In other words, Mexico and the EU have undergone significant changes in the past three decades in response to domestic preferences. The third element is the alignment of policy perspectives. Transformations over time may produce distancing or a closer relationship between both parties. In the case of the EU and Mexico, both have developed shared perceptions of “like-mindedness” or coincidental junctures (Kavalski, 2016) to work together in multiple areas. As a result, permanent dialogues have contributed to developing trust over contestation, negotiation of agreements to consolidate commitments and exploration of new institutional formulas not only to adapt to unique circumstances but also to build resilience for facing the present moment and future.

The Global Agreement (2000), Strategic Partnership (2009), and Modernized Agreement (2020) are a sequence of tangible mutual actions that reveal the resilience of the EU-

Mexico relationship. More than a mere adaptation (Chandler, 2012), the concept of resilience highlights the ability to withstand, adapt and quickly recover from stresses and shocks, and, from the perspective of the 2012 Commission Communication on the EU approach to resilience, entails the capacity to reform in a context of democracy, trust in institutions and sustainable development (European Commission, 2012). In the area of EU external relations, the concept of resilience in the making of foreign affairs encloses a variety of different angles, but some considerations are particularly significant: a) strengthening resilience is a means not an end; b) building upon underlying institutional and societal strengths in partner countries to achieve long term sustainable development or security goals; and, c) harnessing the transformative dimension of resilience is key (European Commission, 2017).

The resilience of the EU-Mexico bilateral relationship should not be taken for granted. While Mexico and Chile have embarked on the modernization of their agreements with the EU, other Latin American countries have faced more obstacles for deepening their relationships with the EU. For instance, other elements may prevent or compete with the institutionalization of the relationship with the EU. The role of China and the United States as frequent

competitors for Latin American markets provides for one example, amongst others: the EU-27 represented 7.8% of Mexico's total trade, after the United States (62.4%) and China (10.1%) in 2019, while the EU-27 represented 16.0% of Brazil's total trade, after China (24.3%) and followed by the United States (15.1%) (European Commission, 2020c, 2020d).

The coincidental juncture and the alignment of policies paved the way for improving the institutionalization of the EU-Mexico relationship in the 1990s. The 2000 Global Agreement was negotiated under the rationale of revitalizing bilateral trade and reassuring a competitive position of European investment in Mexico vis-à-vis the potential competition derived from the looming implementation of NAFTA. As circumstances changed in the 2000s, in the context of the first CELAC–EU Summit in Santiago de Chile in 2013, the EU and Mexico decided to explore the possibilities for a comprehensive update to their GA, and in particular its trade pillar. Numerous factors incentivized the EU–Mexico plan for modernizing the GA: slow global economic growth after the great recession; the rising economic influence of China; transformations in international value chains and production; global debates regarding mechanisms for investment protection, regulatory cooperation, and sustainable

development; and legal and technical innovations of other trade agreements that the EU and Mexico concluded after 2000 (Dominguez & Crandall, 2019).

After both parties completed the preparatory work, formal talks to modernize the GA started in May 2016. The negotiation table included numerous shared expectations to: open up each other's markets for goods, services, and investment; promote greater economic integration; strengthen competitiveness; ensure a high level of protection of intellectual property rights; eliminate, prevent and reduce unnecessary barriers to trade; reinforce cooperation between the EU and Mexico; contribute to the EU's and Mexico's shared objectives on labor rights and the environment (sustainable development); and shape global trade rules in line with high standards and shared values of democracy and the rule of law. Negotiations concluded in April 2018 with an agreement in principle. Negotiations were complicated, but not highly contentious: the EU submitted around 40 negotiation proposals (Harte, 2018). After the April 2018 agreement in principle was reached, negotiation continued for further discussion about some outstanding technical issues. In April 2020, both parties finalized a significant upgrade to their free trade deal after completing the last remaining topic: access to public

procurement (European Commission, 2020a).

Reasonable Expectations

The progress and achievements in the bilateral relationship must be put in perspective to develop realistic expectations. The effects of the modernized agreement will be contingent on the combination of the new GA legal framework, the political will of the governments to maximize its potential, and the actions of economic actors to take advantage of the opportunities of trade and investment. The overarching estimation of the GA based on the current economic trends and potential incentives that institutional and legal innovations will bring to the relationship is positive. However, in the case of quantitative forecasting, the possible positive effects depend on the variables and model used for the projection, under the assumption that externalities will not affect the prediction.

One of the most significant positive trends is the steady growth of the volume of EU-Mexican trade flows. In contrast to Brazil, the largest economy in Latin America and leading trade partner of the EU in the region for decades, trade between Mexico and the EU has increased significantly to the point that Mexico became the 11th trade partner of the EU in 2018, displacing Brazil, who fell to 13th place. It is unclear

whether Mexico will continue as the leading trade partner of the EU in Latin America, as the Brazilian economy can get back on the track of sustainable growth and regain its trade position. Against this background, a long-term look at the evolution of the trade relationship between both Latin American economies and the EU indicates the following: total trade between Mexico and the EU grew from 24.1 billion in 2009 to 61.8 in 2019 (182.5%), while the total trade between Brazil and the EU grew from 42.7 to 59 billion (38.1%) in the same period (European Commission, 2020c, 2020d).

Forecasting the future of the EU-Mexico relationship from a quantitative perspective is always more challenging than looking at past and current trends. When the EU and the United States decided to negotiate the TTIP, numerous models were used to estimate the potential transatlantic agreement. All the analysis based on general equilibrium, modified general equilibrium or Armington trade models tended to emphasize the positive effects of the TTIP (Felbermayr, Heid & Lehwald, 2013; Francois, 2013), while the Tufts study (Capaldo, 2014) that adopted the UN trade model concluded that potential adverse effects existed, stemming from lower demand in Europe. As opposed to the case of the United States, which represents

15.2% of the EU's total trade and makes the analyses more complicated, the case of Mexico, which represents 1.5% of total EU trade, has been less controversial from the perspective of forecasting models. In the case of the GA, LSE Consulting, the consulting arm of the London School of Economics and Political Science (LSE), carried out the Sustainability Impact Assessment (SIA) using the Computable General Equilibrium (CGE) model (European Commission, 2019).

The main finding of the SIA in a long-term (2028) comparison of GDP under the Modernized GA and the original GA points out that both Mexico and the EU will benefit from the modernization exercise (European Commission, 2019). In more concrete terms, the EU's total exports of goods and services to Mexico could increase by 17% in the conservative scenario, and by 75% in the ambitious scenario. EU imports of goods and services from Mexico could increase by 9.3% in the conservative scenario, and by 32.5% in the ambitious scenario. In the conservative scenario, the EU's Gross Domestic Product (GDP) would increase by 500 million euros, while Mexico's GDP would increase by 1 800 million euros. In the ambitious scenario, the EU's GDP would increase by EUR 1 800 million, while Mexico's GDP would increase by EUR 6 400 million (European Commission, 2020b).

While numerous areas included in the old and new GAs focused on boosting economic growth through trade and investment. Some sections of the new GA will have an immediate and measurable effect on trade flows. The new GA will result in the eventual removal of 99% of tariffs in most areas except in sensitive agricultural sectors (sugar, dairy, and meat), in which 85% of tariff lines will be liberalized. The SIA indicates that the most substantial absolute increases in bilateral trade flows at a sectoral level will take place in chemicals, motor vehicles and other machinery for EU exports to Mexico; and in motor vehicles, chemicals, and metal products for Mexican exports to the EU (European Commission, 2019).

Beyond the direct removal of trade barriers, other areas will also play an influential role in stimulating trade and investment flows by providing more certainty for economic actors. Examples include the GA chapters on rules of origin, customs and trade facilitation, trade remedies, technical barriers to trade, and sanitary and phytosanitary measures, as well as the inclusion of a new chapter on small and medium-sized enterprises (SMEs). Also, regarding Geographical Indications (GIs), the updated agreement will protect an additional 340 European GIs in Mexico on top of spirit GIs protected in the Spirits Agreement between the

EU and Mexico (1997) (European Commission, 2019).

Several chapters of the GA are crucial but will take longer to produce more tangible effects: competition policies, regulations, subsidies, investment protection, and government procurement. Both parties' right to regulate will be protected by the agreement, which also includes the EU's state of the art investment protection provisions, and the EU's new Investment Court System (ICS). As one of the critical areas for investment, public procurement was the last chapter where both parties reached an agreement. Mexico agreed to open up access to purchase beyond the federal level for the first time, with 14 states ready to open up their procurement markets to EU companies (Drazen & Blenkinsop, 2020). One example is the case of EU companies that may now compete in the procurement of goods and services to port managers, including Altamira and Veracruz in the Gulf of Mexico, and Manzanillo and Lázaro Cárdenas in the Pacific coast (Orrantia Dworak, 2020).

Official documents from the Mexican government and the EU have also outlined other essential innovations in the areas of environment, anticorruption, and human rights. The effects of the GA on these three areas are more challenging to assess as mutual

declaratory commitments guide the chapters of the agreement, and only in a few specific cases is it possible to detect a potential effect. Regarding the environment, while the agreement includes commitments to effectively implementing the Paris Climate Agreement, the provisions that may produce some beneficial effects are an increase in trade in environmental goods and services as both Parties will benefit from increased access to each other's market and technology (European Commission, 2019).

The provisions to combat and prevent corruption in trade and investment are a significant innovation because this is the first time such provisions are included in an EU agreement. It will also provide a forum for bilateral discussion and cooperation on anticorruption related issues, including a mechanism to solve disputes between the parties (European Commission, 2018). The inclusion of a chapter on human rights could eventually have positive effects on the Mexican government's willingness to respect specific human rights, particularly concerning women and labor rights as well as data protection (European Union, 2019).

Reinforcing institutions and practices

The modernized GA is indicative of the resilience in the EU-Mexico relationship, which has been based

on the already 20-year-old framework of institutional dialogue. The Joint Committee (JC) and the Joint Council (JCo), both created under the 2000 GA, have been reactivated in light of the prospects of the implementation of the modernized GA. Also, quite significant in substantiating the relationship are the practices embedded in the agenda of EU-Mexico dialogues under the Strategic Partnership, which explore the following five High-Level Dialogues: political area, multilateral issues, human rights, climate change, and justice/security. An additional three dialogues are also part of the agenda: macroeconomic issues, social cohesion/employment, and digital (Delegation of the European Union to Mexico, 2020c). While all the bilateral dialogues are essential in its domain, respect for human rights has been prominently ranked in the bilateral agenda. In this regard, part of the practice of the High-Level Dialogue on Human Rights has been the celebration of an EU-Mexico civil society organizations seminar, one day prior to each convention of the High-Level Dialogue. Thus, representatives of Mexican and European organizations present recommendations to Mexico and the EU (Delegation of the European Union to Mexico, 2020a).

Mexico, as an upper-middle-income country, has ceased to receive the traditional aid for bilateral

development cooperation based on grants from the Commission since 2014. Hence, the actions in mutual collaboration indicate an adaptation within four areas. First, the use of EU instruments still available for Mexico (Partnership Instrument, regional, sub-regional and thematic schemes of the Development Cooperation Instrument, the European Instrument for Democracy and Human Rights, the Instrument for Stability, Erasmus for All and Horizon 2020). Second, modest EU support to Mexico in cases of unexpected events, including: 160,000 Euros to facilitate the return of students to school following an earthquake that damaged infrastructure in Oaxaca in 2017 (Delegación de la Unión Europea en México, 2017); or 7 million Euros to face the Covid-19 pandemic in 2020 (Garcia, 2020). Third, support for alleviating structural problems, such as assisting the implementation of the Supreme Court decision in the case of Mariana Lima in Mexico in criminal investigations of femicide, (EEAS, 2020) or the promotion of business opportunities. The EU sponsored eight webinars for businesspeople in the north of Mexico regarding strategies for implementing circular economy practices (Delegation of the European Union to Mexico, 2020b). And fourth, the potential of triangular cooperation, such as the EU's contribution to the "El Salvador - Honduras - Guatemala -

Mexico Comprehensive Development Plan (Delegation of the European Union to Mexico, 2020c).

The institutionalization of the dialogue also includes the European Parliament and the Mexican Congress, which provide a set of constructive persuasion and episodic veto power (European Union, 2019). Since 2005, the annual meetings of the EU-Mexico Joint Parliamentary Committee (JPC) open avenues of collaboration and alignment of positions of members of both legislative powers to issue recommendations regarding the state of the bilateral relation and, in some crucial moments such as the approval of the modernized agreement, influence the policy process as potential veto players. Joint statements of the EU-M-JPC usually reference numerous areas of the bilateral relationship phrased in uncontroversial language. Nonetheless, the permanent dialogue provides input for the debates in multiple areas of the bilateral agenda, as well as democratic scrutiny of the implementation of the European Union's external funding instruments, including the assessment of the effectiveness of Union projects funded from the Union budget. In addition to the support for innovations in the modernized agreement, both parliaments may encourage governments to work more proactively in areas such as gender equality, violence against

women, and mutual learning in good practices in environmental policies (CPM-UE-México, 2020).

Final Considerations

The modernization of the GA will strengthen the EU-Mexico bilateral relationship. Revisiting the legal framework of the relationship contributes to update and innovate to the new circumstances. Whether the bilateral relationship falls short of, meets or surpasses the current expectations is contingent on the combination of numerous factors in the years to come. From the perspective of this document, reasonable expectations entail contextualizing current trends and capacity of the economic and political actors in both parties to capitalize on the potential benefits of the relationship.

The road ahead is already facing some obstacles. Under the assumption that the COVID-19 pandemic will recede in the coming months and that the global economy will bounce back in 2021, the United States, Mexico and Canada Agreement (USMCA), which entered into force in July 2020, will pave the way to further competition to European investment and trade in the Mexican market. On the other hand, the presence of Chinese products in Mexico and Europe is also a challenge to factor in the EU-Mexico relationship. Against the odds, the sustained growth of the trade volume

between the EU and Mexico over the past decade is a positive sign that predates the new agreement.

Numerous areas related to regulations and good practices enshrined in the GA will be contingent on the commitment and capacity of the EU and Mexico to implement them effectively. Particularly in the case of Mexico, institutional weaknesses in the areas of security, the rule of law, human rights, and inequality may produce some indirect disruptions in the milieu for investment or the flow of trade. These types of contextual extra-GA elements may negatively affect the bilateral relationship, and some potential disagreements may emerge in the foreign policy approach for dealing with third parties, but they will hardly derail it.

The agreement will need to be revised and then, in Brussels, translated into all EU languages before being submitted to EU governments and the European Parliament for approval. That submission might typically be made by the end of 2020, although it could be delayed due to coronavirus restrictions (Drazen & Blenkinsop, 2020). In the meantime, in the European Parliament, key actors in the approval process welcomed the conclusion of negotiations. In particular, Massimiliano Smeriglio, chair of the EU-Mexico joint parliamentary committee, and

Inmaculada Rodríguez-Piñero, member of the European Parliament's trade committee (S&D Group, 2020). Based on the experience of the approval of the 2000 GA, contestation from political parties may emerge in some national parliaments. Still, the post-COVID world in 2021 will likely welcome the entry into force of the modernized EU-Mexico GA.

Roberto Domínguez is the Professor of International Relations at Suffolk University (Boston). He is chair of the section EU-Latin America at the European Union Studies Association (EUSA). Dr. Dominguez has conducted research projects for the European Parliament, the European Commission, the Library of Congress and Transparency International. He has also been Jean Monnet Fellow at the European University Institute and editor of the Journal Relaciones Internacionales (UNAM-Mexico).

Bibliographical references

CAPALDO, J. (2014): "The Trans-Atlantic Trade and Investment Partnership: European Disintegration, Unemployment, and Instability", *Working Paper* n° 14-03. Paper presented at the Global Development and Environment Institute. <https://ase.tufts.edu/gdae/Pubs/wp/14-03CapaldoTTIP.pdf>.

CHANDLER, D. (2012): "Resilience and human security: The post-interventionist paradigm", *Security Dialogue*, 43(3), pp. 213-229.

CPM-UNIÓN EUROPEA-MÉXICO (2020): "Declaración Conjunta XXVII Reunión de la Comisión Parlamentaria Mixta Unión Europea-México", Comisión Parlamentaria Mixta Unión Europea-México (February 3).

DELEGACIÓN DE LA UNIÓN EUROPEA EN MÉXICO (2017): "La Unión Europea destina 158.575 euros para que niñas y niños puedan volver a clases en México Comisión Europea", Comunicado de Prensa (December 7).

DELEGATION OF THE EUROPEAN UNION TO MEXICO (2020a):

- “9th EU-Mexico High-Level Dialogue On Human Rights”, Press Release (July 10). Retrieved from https://eeas.europa.eu/delegations/mexico/82729/9th-eu-mexico-high-level-dialogue-human-rights_en.
- (2020b): “La Unión Europea organiza el Primer Foro de Economía Circular virtual para los Estados del Norte de México”, Press Release (July 7).
- (2020c): “XIII EU-Mexico Joint Committee”, Press Release (June 22). Retrieved from https://eeas.europa.eu/delegations/mexico/81329/xiii-eu-mexico-joint-committee_en.
- DOMINGUEZ, R. & CRANDALL, M. (2019): “EU-Mexico”, in F. Laursen (ed.): *Oxford Research Encyclopedia of EU Politics*, Oxford, Oxford University Press.
- DRAZEN, J. & BLENKINSOP, P. (2020): “EU, Mexico concludes talks to update the free trade deal”, *Reuters* (April 28). Retrieved from <https://uk.reuters.com/article/uk-mexico-eu/eu-mexico-conclude-talks-to-update-free-trade-deal-idUKKCN22A2L2>.
- EEAS (2020): “EU Annual Report on Human Rights and Democracy in the World 2019”, Brussels.
- EUROPEAN COMMISSION (2012): “Communication From The Commission to the European Parliament and The Council the EU Approach to Resilience: Learning From Food Security Crises”, COM(2012) 586, p. March 3.
- (2017): “Joint Communication to the European Parliament and the Council. A Strategic Approach to Resilience in the EU’s External Action. High Representative of the Union for Foreign Affairs and Security Policy” (July 7).
- (2018): “New EU-Mexico agreement: The Agreement in Principle and its texts”, Brussels.
- (2019): “Sustainability Impact Assessment (SIA) in support of the negotiations for the modernisation of the trade part of the Global Agreement with Mexico”, Luxembourg, Publications Office of the European Union.
- (2020a): “EU and Mexico conclude negotiations for new trade agreements”, News (April 28). Retrieved from

- <https://trade.ec.europa.eu/doclib/press/index.cfm?id=2142>.
- (2020b): “European Commission Services’ Position Paper On The Sustainability Impact Assessment In Support Of Negotiations For The Modernisation Of The Trade Part Of The Global Agreement With Mexico”, Sustainability Impact Assessments (January). Retrieved from https://trade.ec.europa.eu/doclib/docs/2020/january/tradoc_158559.pdf.
- (2020c): “European Union, Trade in goods with Brazil”, Directorate-General for Trade (May 8).
- (2020d): “European Union, Trade in goods with Mexico”, Directorate-General for Trade (May 8).
- EUROPEAN UNION (2019): “An Introduction to the Delegation to the EU-Mexico Joint Parliamentary Committee and summary of activities during the eighth parliamentary term (2014-2019)”, Delegation to the EU-Mexico Joint Parliamentary Committee.
- FELBERMAYR, G., Heid, B. & Lehwald, S. (2013): “Transatlantic Trade and Investment Partnership (TTIP). Who benefits from a free trade deal?”. <http://www.bfna.org/sites/default/files/TTIP-GED%20study%2017June%202013.pdf>.
- FRANCOIS, J. (2013): “Reducing Transatlantic Barriers to Trade and Investment. An Economic Assessment”, Paper presented at the Centre for Economic Policy Research, London. http://trade.ec.europa.eu/doclib/docs/2013/march/tradoc_150737.pdf.
- GARCIA, A. (2020): “Destina UE 7 millones de euros para apoyo a México”, *El Universal* (May 6). Retrieved from <https://www.eluniversal.com.mx/nacion/union-europea-destina-7-millones-de-euros-para-apoyo-mexico>.
- KAVALSKI, E. (2016): “The EU–India strategic partnership: neither very strategic, nor much of a partnership”, *Cambridge Review of International Affairs*, 29(1), pp. 192-208.
- ORRANTIA DWORAK, F. (2020): “EU-Mexico Trade Agreement May Create Opportunities for Port Services Providers”, *National Law Review*, X(177)

online. Retrieved from <https://www.natlawreview.com/article/eu-mexico-trade-agreement-may-create-opportunities-port-services-providers>.

S&D GROUP (2020): “Modernised EU-Mexico agreement will strengthen multilateralism and help fight corruption in Mexico, say S&Ds”, S&D Press Release (June 29). Retrieved from <https://www.socialistsanddemocrats.eu/newsroom/modernised-eu-mexico-agreement-will-strengthen-multilateralism-and-help-fight-corruption>.

Fundación Carolina, julio 2020

Fundación Carolina
C/ Serrano Galvache, 26.
Torre Sur, 3ª planta
28071 Madrid - España
www.fundacioncarolina.es
@Red_Carolina

ISSN: 2695-4362
https://doi.org/10.33960/AC_45en.2020

La Fundación Carolina no comparte necesariamente las opiniones manifestadas en los textos firmados por los autores y autoras que publica.



Esta obra está bajo una licencia de Creative Commons Reconocimiento-NoComercial-SinObraDerivada 4.0 Internacional (CC BY-NC-ND 4.0)