

European BACKGROUND INFORMATION Community

EUROPEAN COMMUNITY INFORMATION SERVICE

2100 M Street NW, Washington DC 20037 Telephone (202) 872-8350

New York Office: 277 Park Avenue, New York NY 10017 Telephone (212) 371-3804

April 7, 1976

BACKGROUND NOTE

No. 17/1976

EC COMMISSION PRESIDENT PAYS OFFICIAL VISIT TO MEXICO

Francois-Xavier Ortoli, President of the Commission of the European Communities, begins a three-day official visit to Mexico today.

During the visit, Ortoli will meet with the President of Mexico Luis Echeverria Alvarez, Foreign Minister Alfonso Garcia Robles, Minister for Industry and Commerce Jose Campillo Sainz, Minister for Finance and Public Credit Mario Ramon Beteta, and other officials. Ortoli will also meet with representatives of the private sector.

The visit by the Commission President follows the entry into force last November of the Community's economic and trade cooperation agreement with Mexico.

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 is a Joint Committee which meets at least once a year and recommends ways of improving trade promotion and private business contacts.

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 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)

	<u>1972</u>	<u>1973</u>	<u>1974</u>
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