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NOTE

ON THE POLITICAL AND ECONOMIC SITUATION

IN MEXICO

AND ITS RELATIONS WITH THE EUROPEAN UNION

Summary:

Mexico began the transition towards full democracy in 2000, following the election of Mr Vicente Fox as President of the Republic. His victory brought to an end the long reign of the Institutional Revolutionary Party, which had been in power since 1929. Despite its good intentions as regards reform, the Fox administration was unable to give effect to a great many of its promises for want of a parliamentary majority. The 2006 presidential election provoked a big right-left polarization in the Mexican political life. Felipe Calderón, the conservative candidate was the winner with a slim majority of 0.57% from the left wing candidate Andres López Obrador.

Relations between the two partners have developed considerably following the entry into force of the EU-Mexico Global Agreement on 1 July 2000.

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I. POLITICAL SITUATION

1. Introduction

1.1. History

Mexico is situated in North America and is a major Latin American country. The inheritor of pre-Colombian and colonial cultures, it is attempting to preserve its mixed-race identity while adopting the neo-liberal model. However, it is faced with numerous challenges, such as reducing regional imbalances, melding economic liberalism, social progress and democracy, and containing the growth of a burgeoning capital.

In 1529, the Spanish *conquistadores* seized Mexico and started to build a vast colonial empire stretching from Florida to Patagonia. They exploited the riches of the land and its mineral resources on a vast scale over three centuries to the advantage of their homeland, while the indigenous population was reduced to quasi-slavery under the *encomienda* system of tribute and forced labour.

The period 1810 to 1910 was a highly eventful one in Mexico. In 1810, outraged at the poverty among the indigenous population, Father Miguel Hidalgo raised a native army that was swiftly crushed by the colonising power. However, the idea of independence had taken hold, and Mexico was proclaimed independent in 1821 by Augustin Iturbide, who was crowned emperor in 1822 and overthrown by the army a year later.

In 1876, Porfirio Díaz was elected president of a country ruined by disputes and US and European intervention and then 're-elected' himself up until 1910. He re-established order, concentrated power, created an efficient administration and oversaw an economic recovery, but also abolished communal land ownership, savagely despoiling native communities of their lands. By 1910, 1% of the population owned 97% of the land and 90% of the rural population had to work in exploitative conditions on large farms. This situation bred a peasant revolt, led by Emiliano Zapata and Pancho Villa. The enormous social and political upheaval that was the Mexican revolution rid Mexico of domination by the landowning aristocracy and culminated in the agrarian reform law of 1917 and the adoption of the Constitution in the same year, strengthening the authoritarian grip of the state.

Lázaro Cárdenas, who became president in 1934, nationalised all foreign oil companies and redistributed 16 million hectares of land. This land reform, which was one of the revolution's major achievements, is the mainstay of social stability in Mexico. However, this desire for reform and the expropriation of foreign companies affected relations with Mexico's powerful northern neighbour, the United States.

Between 1940 and 1970, Mexico experienced a growth phase in which industrialisation, the rapid growth of exports and an influx of foreign investment bolstered the country's economic take-off. But Mexico failed to escape the crisis of the early 1970s. The rise in energy prices (the country was a net oil importer until 1974), the public deficit and inflation plunged the whole country into depression.

José López Portillo, who was president from 1976 to 1982, re-established confidence among business circles, undertook political reform (opening the parliament to the opposition parties, including the Communist party), assuaged trade union demands and enacted the first five-year

plan (1978-1982), with the financing of a wide range of socio-economic programmes being underpinned by the rapid increase in petroleum exports. The two presidents Miguel de la Madrid (1982-1988) and Carlos Salinas de Gortari (1988-1994) pursued a liberal economic policy marked by a wave of privatisations. Mexico gradually abandoned the multilateralism that had been its hallmark for 20 years and, dispensing with its Latin America 'preference', turned resolutely towards the United States. The North American Free Trade Agreement between the United States, Mexico and Canada entered into force on 1 January 1994. The same day saw an uprising by hundreds of rebels belonging to the Zapatista National Liberation Army (*Ejército Zapatista de Liberación Nacional* – ELZN) in the southern state of Chiapas. After an initial period of repression which led to around 400 deaths, President Carlos Salinas halted military operations and opened negotiations. On top of the political disturbances in Chiapas and the assassination of Luís Colosio, the presidential candidate for the ruling Institutional Revolutionary Party (*Partido Revolucionario Institucional* – PRI), a financial crisis threatened the country (December 1994).

On taking office in 1994, President Ernesto Zedillo acknowledged that the collapse of the peso, which had lost 60% of its value against the dollar in one week, was due to serious errors by the administration. It impacted on the population's living standards and threatened the stability of the country. Mexico was saved from bankruptcy by a package totalling 48.7 billion dollars prepared by the United States and the international financial institutions. With this foreign backing, political stability became more necessary than ever. In February 1995, President Zedillo launched a new operation against the insurgents in Chiapas. One month previously he had mollified the opposition by entering into a joint National Agreement aimed at initiating genuine democratisation (independence of the legislature and judiciary, campaign funding, access to the media).

Despite an improvement in the macroeconomic indicators (rise in GDP and fall in inflation and the unemployment rate) Mexicans sought to censure the government at the 1997 general elections and backed the opposition. For the first time since 1929, the PRI lost its absolute majority in the Legislative Assembly and on the Mexico City Council. The decline of the PRI was to continue. On 2 July 2000, the National Action Party (PAN) candidate, Vicente Fox, was victorious at the polls and succeeded Ernesto Zedillo as the country's president.

This change at the top came to signal a new phase in Mexican political life and progress in the consolidation of democracy.

Six years after President Fox took office, democracy has been strengthened in Mexico, government policy has become more transparent and there is far greater freedom of the press. For the first time in the country's history, a rigorous separation of powers has been established. However, the major reforms promised by the Mexican President and his PAN party are yet to see the light of day, owing to their lack of a parliamentary majority.

In this way, the law on indigenous rights, which was the key theme in pacifying unrest in the State of Chiapas, was voted through the Congress after being stripped of its content, bringing the negotiation process between the government and the Zapatista Army to a sudden halt.

The tax reform intended to equip the state with better resources and improve wealth distribution was also adopted by the Congress in December 2001 in a watered-down form.¹ The state reform

¹ Without this reform, which is synonymous with an increased state budget, the government is reduced to reapplying its predecessors' social policies, spruced up with essentially cosmetic amendments.

aimed at modernising Mexico's constitutional and institutional machinery in order to adapt this to the new political realities of the country has still to emerge from the Congress. The Fox Administration had to settle for implementing measures on sound public finance management, but nevertheless set up a permanent civil service and adopted a law on transparency and access to information (under which the government is obliged to make public all its activities). The other major reform promised by Mr Fox – that of the energy sector – has scarcely made better progress and is, moreover, linked to the necessary tax reform, since oil revenue still accounts for 37% of all federal state resources.

The fact that President Fox did not enjoy a majority in either the upper or lower Chamber of the Congress is clearly an obstacle, for reasons relating both to the limitations on his policy actions (and even mistakes in these) and to the political configuration. Since it did not have a majority in parliament, his government was reduced to seeking the support of the PRI or PRD on an ad hoc basis, with the inevitable concessions that entails. Furthermore, the Congress, which now wields more power than in the past, has often tended, above all other considerations, to vote in whichever way highlights its independence from the government.

1.2. Geography

Mexico is bordered to the north by the United States and to the south by Guatemala and Belize and covers 1 972 547 km², between the tropical latitudes of 14°30' north and 32°43' north.

Mexico has a population of over 100 million, making it the largest Hispanic country in the world and the second largest country in Latin America in demographic terms, after Brazil. It has a young population, 45% of whom are under 20. Analysts estimate that over 40% of Mexicans are living below the poverty line. Along with the social problems there are also cultural differences: although basically a mixed-race country, Mexico has the largest indigenous population in Latin America (12 million people), which remains very much marginalised.

The geographical spread of population groupings and economic activities is very uneven. Notwithstanding the highly centralised nature of the state (the capital far outweighs the rest of the country in demographic, economic and political terms), there are several distinct regions. The predominantly agricultural south-east, which has a humid tropical climate and a considerable native population, has much in common with the countries of Central America. The centre and the north, which have a hot and arid climate and are considerably more industrialised and 'European', are US-oriented. The Gulf of Mexico seaboard constitutes the third major area. It has a climate suited to arable and livestock farming and is also where the oil industry operates.

2. Internal politics

2.1. Institutional system

Mexico is a federal republic consisting of the Federal District of Mexico City and 31 states. The political apparatus is based on the constitution that arose out of the 1917 revolution, which draws on the US model in establishing a presidential-style democratic system and proclaiming freedom of thought, religion, expression and association.

Each state enjoys a degree of autonomy at an executive level (through a governor) and at a legislative and judicial level. However, the Mexican state is still characterised by a very strong

centralisation of political power, albeit restricted by the decisions adopted by the state governors. Despite its federal structure, Mexico is entirely reliant on the powers of the President of the Republic and the national budget, the bulk of which are under centralised control, as is the army.

(a) President

The president is elected by direct universal suffrage for a six-year term and cannot stand for re-election. He is head of both the executive and the army. The presidential elections of 2 July 2006 were won by Felipe Calderón of the liberal-right National Action Party (*Partido Acción Nacional* – PAN).

(b) Parliament

The national Congress (*Congreso de la Unión*) consists of two chambers: the Senate (*Senado*) and the Federal Chamber of Deputies (*Camara Federal de Diputados*). 128 senators (4 for each state) are elected to the Senate for a six-year term. 96 are elected by direct universal suffrage and 32 are allocated seats on the basis of a proportional distribution among the various parties. The Chamber of Deputies has 500 members, who are elected for a three-year term. 300 deputies are elected by direct universal suffrage and 200 are allocated seats distributed proportionally among the various parties. Fresh elections to this chamber were held in July 2006¹. Mexico is currently, besides Costa Rica, the only democracy not to allow its senators or deputies to hold two consecutive terms of office, which makes it difficult for them to acquire the experience needed to attain high standards in their legislative work.

(c) Political parties

The Mexican political scene is dominated by three parties: the PRI, the PAN and the PRD. The PRI was set up in 1929 as the National Revolutionary Party, and was then renamed the Mexican Revolutionary Party before becoming the Institutional Revolutionary Party in 1946. It provided Mexico with every President of the Republic between 1929 and 2000, monopolised power and in effect masked a one-party system based largely on patronage and the fragmentation of other political groupings. The National Action Party (PAN) has its origins in the conservative elites which governed Mexico before the revolution (1910-1917). Its values are akin to those of European Christian Democracy. The Democratic Revolutionary Party (PRD) was established in 1988 following a split within the PRI. The PRD advocates social progress, economic development based on domestic industry and greater state involvement in the economy. The PRD candidates Cuauhtémoc Cardenas and Andrés Manuel López Obrador, known as AMLO, have both been elected mayor of Mexico City. Despite the latter's popularity, the PRD has no political power in 50% of the country.

(d) Legal system

The judiciary consists of a system of federal and regional courts with the Supreme Court of Justice at its apex. The judges who sit in the Supreme Court of Justice are nominated by the President and approved by the Senate.

(e) Administrative system

¹ See Annex III.

Mexico is a federal republic composed of 31 states and the Federal District of Mexico City. Each state governor is elected directly for a six-year term while elections are also held for local majors and councillors of Mexico's 2411 municipalities.

2.2. Elections and electoral system

(a) 2003 parliamentary elections

In the parliamentary elections held on 6 July 2003, which were marked by a very high rate of abstention (58%), President Fox's PAN party lost 54 seats in the Chamber of Deputies (153 seats as against 207 in 2000) while the PRI consolidated its position by winning an additional 15 seats (224 as against 209 in 2000). The PRD almost doubled its previous tally by winning 96 seats. This change was symptomatic of the disenchantment felt by Mexicans, who are disappointed at the government's inaction and suspension of the reforms, and in itself also exacerbated the government's inability to pursue its own policies, at least until the general elections in 2006. Furthermore, the government reshuffles of September 2003 and August 2004 failed to bear fruit.

(b) July 2006 presidential and parliamentary elections

From 2005 Mexican political life was dominated by the prospect of the general (parliamentary and presidential) elections scheduled for 2006. None of the three main presidential candidates, however, seemed prepared to cast doubt on the successes of the macroeconomic and financial stabilisation policy launched in the wake of the serious monetary crisis of 1994. The PRI candidate, Roberto Madrazo, was hoping to carry off the presidency and thereby regain what was lost in 2000. The PAN candidate was Felipe Calderón, who had already resigned from his post as Energy Minister. Andrés Manuel López Obrador ('AMLO'), the popular Mayor of Mexico City, was the candidate of the PRD. He resigned from his post as mayor of the capital in late July 2005 to devote himself to an election campaign that centred on security, reform of the political system, economic growth and employment. AMLO forged an electoral alliance (*Por el Bien de Todos - For the Good of All*) with the Labour Party (*Partido del Trabajo*) and the Convergence Party (*Convergencia*).

Despite the popularity of the former Mayor of Mexico City, his party, the PRD, still carried little weight: it governs only 5 of the 32 states making up the federation (Baja California Sur, Zacatecas, Michoacán, Guerrero and Chiapas). But Mr López Obrador's record in Mexico City had put him in the spotlight: his lifestyle was visibly frugal; he launched a huge public works programme; and he introduced benefits for single mothers, the elderly, and people with disabilities. The same measures were included in the manifesto of his 'Alliance for the Good of All'. Furthermore, the attempts by his enemies to debar him from standing have made him even more popular.

Roberto Madrazo, the PRI candidate, had a considerable asset: the support of the party which ruled Mexico for 70 years and has substantial financial and human resources to call on. On the other hand, not everyone in the party approved of him, and his image was tarnished by his links to a party machine weakened by accusations of corruption and authoritarianism.

Felipe Calderón had a very solid reputation and was helped by the fact that he had left a government which had certainly not kept the promises it made in 2000. In addition, he was supported more strongly within PAN than Mr Fox.

Two other candidates, supported by small political parties, also stood: Patricia Mercado of the (left-wing) Alternative Party and Roberto Campa of the New Alliance Party (PANAL).

General elections were held in Mexico on Sunday, 2 July 2006 to fill the following federal offices:

- the President of the Republic, Head of State and Government, who is elected for a six-year term and may not be re-elected, set to take office on 1 December 2006, succeeding President Vicente Fox, who was elected in 2000.
- 128 Senators, members of the upper house of Congress. Each state in the federation and the Federal District elected 3 Senators directly, and a further 32 were chosen from a national list. All the Senators will serve for a six-year term, which began on 1 September 2006.
- 500 Federal Deputies, members of the lower house of Congress, that is to say, 300 elected directly, one for each of the single-member constituencies electing a single candidate, and 200 elected indirectly under a system of national lists for each of five mega-constituencies. All the Deputies will serve for a three-year term, which began on 1 September 2006.
- 3 state governors and the Mexico City mayor.

Federal electoral procedures are organised by the Federal Electoral Institute (*Instituto Federal Electoral – IFE*), an independent body administered by a board of citizens and not bound by the interests of any party or the government; they are conducted in accordance with the Constitution and the Federal Code of Electoral Institutions and Procedures (*Código Federal de Instituciones y Procedimientos Electorales – COFIPE*).

The IFE declares the electoral procedure open when it registers the party candidates and their election platforms. This also marks the start of campaigning, which continues for six months in the run-up to the election. Campaigns must end three days before the election date: from that moment on, it is forbidden to circulate propaganda, opinion polls, or statistical studies relating to the election by any means whatsoever.

Polling stations in Mexico are called *casillas*. They are set up in schools, open spaces, public buildings, or private houses; there is one polling station for each ward, that is to say, a subdivision of a district comprising a group of between 300 and 800 electors. To conduct voting operations at a polling station, the IFE appoints four officials by lot from among the electors assigned to that station: these are the chairman, the secretary, and two scrutineers. In addition, every political party may register a representative at each polling station.

Elections are held on the first Sunday in July of an election year, as laid down in the COFIPE. Polling stations open at 8.00 and close at 18.00 or after any electors queuing up to vote have completed the operation.

Once the polling station has closed, all the ballot papers are counted, and those left blank are discarded. The results are entered in the records, which are signed and hence approved by the polling station officials and the party representatives.

The official final results are announced at a meeting of the IFE governing body held on the Wednesday after polling day.

Later, the Federal Electoral Court deals with any complaints about irregularities in the conduct of the elections. If these are not deemed to constitute grounds for declaring the elections void or altering the results, it declares the elections to be valid and issues certificates of election to the

winning candidates, who are declared President-elect, Senator-elect, or deputy-elect, as the case may be. This final formality brings the entire electoral procedure to a close.

There were five candidates on the ballot, but, in a development emblematic of the pronounced right-left polarization evoked by an unforgiving campaign, only a few hundred thousand votes - out of a total of 41 million - separated the two frontrunners: the conservative Felipe Calderón and the left-winger Andrés Manuel López Obrador (AMLO). The latter contested the result, which gave Mr Calderón a slim majority of 0.58%, through the Federal Electoral Tribunal (TRIFE). Mr López Obrador claimed electoral fraud, called for a full recount, and stated that he would not recognise a Calderón government.

The TRIFE refused a full recount of the disputed 2 July 2006 vote and decided that only 9% of polling stations would be subject to new scrutiny.

The Federal Electoral Tribunal ruled on 28 August 2006 that it was annulling the presidential election in a small number of polling stations, but that the overall result was unaltered. The recount involved about 4 million votes, of which nearly 238,000 were annulled.

The annulled votes were evenly distributed among the political parties. As a result, the difference between Calderón and López Obrador barely changed. The margin went down to 240 000 votes (0.57% of the total vote) from 244 000 (0.58%). Proportionally, the most affected candidate was Roberto Madrazo of the PRI, with 63 000 votes annulled. The PRI came a poor third in the election, its worst result ever¹.

López Obrador reaffirmed on the same day that his supporters would hold a National Democratic Convention (CND) in Mexico City's main square, the Zócalo, on 16 September. López Obrador announced that the Convention would vote on five points:

- to reject recognition of the official presidential election results;
- to reject the 'usurpation' of Calderón and all officials appointed by him;
- to choose a 'legitimate' president, or vote for a national coordinator of the civil disobedience movement;
- to vote for a government programme, and
- to decide whether to 'inaugurate' a government on 20 November (anniversary of the Mexican Revolution) or 1 December 1, when the TRIFE-designated president- elect was to take office.

On 5 September, the TRIFE ruled that the 2 July elections were valid and unanimously proclaimed Mr Calderón winner of the presidential election. Despite this last TRIFE decision, Mr López Obrador is still resisting.

The legislative vote indicates an impressive swell in support for what was formerly Mexico's third party. The PRD doubled its number of seats in the Senate and increased its presence in the lower house by 50%. Concurrently, the PAN became the largest single party in both chambers for the first time in its history. It is also the first time that the PRI has not dominated Mexico's legislative branch. It has now lost the presidential election for two consecutive terms. Having slipped into third place in the legislature, the PRI is fraught with schisms. Felipe Calderón's triumph gives the PAN a chance to revive an incomplete government project. A Congress dominated by the opposition repeatedly obstructed President Fox's efforts to adopt reforms. The future governing party's improved position makes it easier to progress with reforms requiring

¹ See Annexes II and III

constitutional change, although it will need to find ways of working with the fractured PRI. The ideological divisions between the PAN and the PRD run deep and an alliance will be even less likely after the bitterly fought election.

The future is unclear and the potential for turmoil is abundant in the aftermath of what was seen as the most bitter campaign struggle in the recent country's history.

But, barring a reversal of the official result of the presidential vote, it appears that Mexicans have chosen a middle-of-the-road, status quo course which reflects a pragmatic nod to the realities of the country's economic situation.

Felipe Calderón, a Harvard-educated technocrat, offered his country a continuation of the policies endorsed by outgoing President Vicente Fox, who has tied Mexico's future in general terms to the same free-trade orientation. He has stated that he will balance budgets to keep inflation and interest rates under control and is willing to turn to the private sector for the investment needed to make Mexico's economy more competitive globally.

López Obrador's charismatic appeal and his work on behalf of the disadvantaged when he was mayor of Mexico City won him a large following, and he had been seen as the likely successor to Fox until he lost ground to Calderón during the last months of the campaign.

It appears that thousands of Mexicans were convinced, fairly or not, by Calderón's campaign to liken López Obrador to Venezuelan President Hugo Chávez, seen here as a socialist extremist. Some consider that López Obrador was too radical: concerns that he would usher in a free-spending, anti-business regime that would jeopardise Mexicans' hard-won prospects of economic growth and more jobs appeared to play a role in the election outcome.

Despite the sharp political divisions exposed by the election, it was a watershed for this country's evolving democracy. It marked the second fully democratic election (the first was in 2000), and relegated the PRI, which controlled Mexico for seven decades, to an unequivocal third-party role. This opens the way for an energetic two-party system that can perhaps more effectively meet Mexico's competitive needs.

According to observers, the Federal Electoral Institute, Mexico's independent election authority, had lived up to its reputation as a modern, professional body capable of running a fair, transparent election process. The international electoral observers also considered these elections, in general, to be fair and transparent¹.

Andrés López Obrador, who continues to oppose Felipe Calderón's victory, declared himself the 'legitimate President of Mexico' on 20 November 2006, the anniversary of the Mexican Revolution of 1910 and 10 days before the investiture of the President-elect, Felipe Calderón. The leftist former candidate refused to recognise the constitutionally elected Mexican President and announced the creation of a parallel government to 'defend Mexicans' interests' and exert constant pressure on Mr Calderón's future administration. Mr López Obrador also set out a list of 20 priority measures, which included opposing the construction by the United States of a 1200-km-long wall along its border with Mexico, protecting Mexican migrants to the US from ill-

¹ See the European Union's position in chapter III.

treatment and discrimination, and fighting to prevent the privatisation of the electricity and oil sectors¹.

A poll in the daily newspaper *Reforma* showed that 56% of the population disapproved of the fact that Mr López Obrador had declared himself the 'legitimate President', while 61% felt that protests of this nature damaged Mexico's image. Furthermore, Mr López Obrador is losing influence in his own party. Public criticism of its leader are increasing. Among the PRD members some are ready to work with Mr Calderón and the current institutional framework despite Mr López Obrador's ban. The PRD's current challenge is to end these internal divisions and reverse its decline in the polls before the mid-term elections for the lower house of Congress scheduled for July 2009. Mr López Obrador's supporters still criticize the results of the last presidential election. They claim that there were fraudulent practices and censorship during this election. The tensions inside the parties are increasing with the approach of the gubernatorial, regional elections and municipal elections. Also to be noted is the emergence in recent days of a guerrilla group called the People's Revolutionary Army (*Ejército Popular Revolucionario - EPR*), which carried out a sabotage operation on gas pipelines at the PEMEX plant in Veracruz. The authorities fear that this act may be part of a deliberate destabilisation strategy.

2.3. Aims and challenges for the Calderón government

The Calderón administration was confronted with a threefold challenge:

- finding a way to overcome the political chasm created by the election campaign to work cooperatively with the other parties in the country's legislature;
- reducing the poverty that affects millions of Mexicans;
- restoring the authority of the state, which is being flouted by the drug traffickers.

Following last summer's parliamentary elections, the PAN is the strongest party in Congress. However, the governing party still lacks the parliamentary majority necessary for the adoption of its initiatives and, most importantly, of the reforms that the Fox administration was unable to push through for the same reason.

In spite of Mexico's economic development, poverty affects almost 40% of the population², President Calderón is aware that the most deprived sections of the population voted en masse for Mr López Obrador. The draft 2007 budget places emphasis on social programmes (+6.9%) and security (+60%). Despite government efforts, the high incidence of infant mortality and of nutritional and infectious diseases shows that major infrastructure improvements are needed, particularly in the south. Violence related to drug trafficking has reached alarming levels. According to a parliamentary report, drug trafficking has been the cause of 9 000 murders since 2001³. In 2006, around 700 people were killed in drug gangs' battles. Facing that situation, the Mexican President sent thousands of troops to troubled areas. Various joint operations by the army and the federal police have been carried out in several cities, such as Tijuana and Monterrey. In Tijuana, the army ordered all local police officers to surrender their weapons, as it

¹ With his 'Government', López Obrador still presents initiatives as the 'legitimate Mexican President'. His propositions are available at the 'legitimate' government website: <http://www.amlo.org.mx/index.html>.

² According to the World Bank, nearly half the population lives in poverty and some 20% suffer extreme poverty.

³ These murders are the result of the break-up of cartels, whose members are waging an interminable battle to control transport routes, involving greater recourse to violence. Following the collapse of the large Colombian cartels in Medellín and Cali, the drugs trade in Latin America is controlled from Mexico, and more specifically by the cartels in Ciudad Juárez and Nuevo Laredo. Traffickers with large incomes usually buy off ill-paid police and customs officers..

is suspected that a few officers have ties with drug cartels. Other states where action has been taken include Michoacán, Tamaulipas, Baja California, Sinaloa, Tabasco and Guerrero. Mexico and the USA have decided to coordinate their fight against this criminality. On 19 January 2007, Mexican authorities captured alleged drug cartel leader Pedro Díaz Parada (the first major drug arrest for the Calderón administration) and accepted the extradition to the US of chiefs of organized crime. The 14 February 2007, police evicted the population living in an old northern district of Mexico City called 'Tepito' before demolishing it. Tepito was well known for drug trafficking and counterfeiting.

Since taking up office on 1 December 2006, Calderón's government has made an important reform of the pension system which was approved by the lower house and then by the Senate in March 2007. Its adoption is a good example of the government's negotiations with opposition parties. Negotiating a deal was necessary. Indeed, since the 2006 congressional elections no party has an absolute majority in the two chambers. Consequently, the President needs to find coalition partners in order to pass ambitious legislation. This reform was backed by the PRI and three smaller parties. The former President never succeeded in this way. This new bill changes the social security system for workers employed in the public sector. It raises the retirement age, increases workers contributions¹ while allowing voluntary contributions, sets up individual retirement accounts guaranteeing a minimum pension, and states that the new pension funds will be administered by a public institution called 'Pensioniste'. The new President has also launched a National First Employment Programme that aims to create new opportunities for people who are entering the job market in the country. The programme will give cash incentives to companies for hiring first job holders, including young people graduating from higher education, and millions of women who have never worked. Furthermore, because the international price of corn rose dramatically throughout 2006 leading the inflation of tortilla prices (the main food product of the poorest section of the population), President Calderón signed, at the beginning of January 2007, a 'Tortilla Price Stabilization Pact' with several tortilla producing companies. In this Pact they opted for using price ceilings for tortillas that protect local producers of corn.

Calderón's popularity has grown, with recent polls showing that he has the support of over 50% of the population². From the beginning he has shown his determination and his will to progress. He offered to include opposition politicians in the Government in order to restore unity. He has begun to strike against Mexican organised crime, carrying out military operations in several states, and has moved federal police and soldiers to Oaxaca state. In addition, the new President wants to fight against violent crime, in particular by raising salaries in the army.

He asserts his independence from the US criticising US immigration policy. In fact, Mexico has to face an exodus of many poor Mexicans to the USA. They risk their lives crossing the US border, hoping to find jobs and a better life. When they succeed they send money ('remesas', remittances) to their family in their country. Numerous poor and rural areas in Mexico survive³ thanks to this money. 'Las remesas' have become the second source of currency after oil; they represented 25 billion dollars in 2006. The country needs to redistribute this money fairly. Since the FTA with the USA, 12 years ago, the amount received in 'remesas' has been equivalent to the total of European regional aid funds received by Spain. Now inequality is still increasing. This wage mass represents a third of the GDP. US immigration policy is hardening against this

¹ The increase would rise from 3,5% to 6,125% by 2012.

² A Parametria poll conducted from 27 to 30 January showed that Calderón's approval rating was 48%. Later, a poll by Grupo Reforma (16 to 18 February) revealed that it had reached 58%. Mexicans interviewed gave Calderón and his actions a score of 6.6 out of 10. His most popular actions are related to health and combating drug trafficking, and he did not score so well on domestic and foreign policy.

³ Over 4 million families benefit from 'remesas'.

massive immigration. The American government has decided to build a wall by 2008 and step up military controls on the border. President Bush gave the authorization for the construction of a new fence (of 1100 km) at the border in spite of Mexican opposition. In Mexico President Calderón has pledged to create more jobs in order to stop this exodus and to pursue major infrastructure projects (roads, airports, bridges and dams). The US President promised to make a global reform of immigration policy before August 2007. In March 2007, Presidents Calderón and Bush met in order to discuss this reform.

President Calderón's government faces many challenges which will call for major reforms, notably of taxation and the energy sector. As regards the former area, the country has to raise the tax base and reduce the federal treasury's dependence on the oil industry. Regarding the latter sector, the Calderón administration has decided to attempt regulatory changes which would allow greater foreign participation without amending the Constitution's ban on this kind of foreign participation¹.

2.4. Protests in Oaxaca

The political and social crisis in Oaxaca, a poor state in the south of the country, was prompted by the ongoing problem of poverty and the actions of the state Governor. In May 2006, 70 000 teachers in the state went on strike, calling for better pay and working conditions. Members of the National Union of Education Workers and 200 other civil society organisations united to form the Popular Assembly of the Peoples of Oaxaca (APPO). Its supporters occupied the streets and public buildings, blocking access to them. The situation worsened following the decision by the Governor of Oaxaca, Ulises Ruiz of the PRI, to order the police to remove protesters. APPO representatives called for Ulises Ruiz to step down because of his harsh repressive measures, a precondition for their beginning negotiations with the government. While the PRI supported the Governor of Oaxaca, parliamentarians from the PRD and PAN considered that his resignation would be a welcome step that would appease protesters.

On 22 September, 6000 demonstrators set out on a march to Mexico City, a journey of 450 km, for a sit-in in front of the Senate².

The Federal Police were deployed on 28 October 2006 after the situation worsened. In the space of less than a month, there were violent clashes between APPO demonstrators and police officers. Dozens of people were injured and around a hundred arrested: some are reported missing. Some of the leaders of the protest claim to have lost control of the situation.

Despite these repressive measures, at the beginning of February and again in May 2007 protest movements, including teachers and other groups, were once again mobilised against the Governor Ruiz, demanding his resignation. The teacher's movement widened to include associations defending indigenous people's rights and left organizations.

2.5. Human rights

President Fox's government took considerable steps to improve respect for human rights in Mexico. The most significant initiatives in this area concern information on the massacres of students in 1968 and 1971 during a series of demonstrations, and on the numbers that

¹ On 17 April 2007m the Mexican Energy Minister declared that the government refused to privatize Mexican companies in this sector.

² The Senate is the only institution with the power to remove governors.

disappeared¹. The National Human Rights Commission established in 2003 that at least 275 of the 500 people who disappeared were detained, tortured and murdered by the security forces². Former President Luís Echeverría was recently imprisoned for his role in the 1968 student massacre.

Another step was recently taken by the Mexican Supreme Court. This Court judged that the law stating that AIDS be added to the list of afflictions preventing sufferers from joining the armed forces was discriminatory. After this decision the Mexican Ministry of defence decided, at the beginning of March, to reinstate four HIV-positive soldiers to their Army posts. The Court will examine six more cases.

The NGO Human Rights Watch (HRW) has welcomed the progress made while regretting the continuing abuses, especially by the police. HRW cites the ongoing 12-year mystery surrounding the murders of hundreds of women in Ciudad Juárez as proof of the police force's incompetence³. The Federal Government took ten years to get involved in the dark events in Ciudad Juárez and launch a police liaison plan coordinating national, departmental and municipal investigators. The murders were the subject of a recent European Parliament hearing⁴.

This year Amnesty International has again denounced violence against women, the crisis in the criminal justice system, arbitrary detentions, torture, unfair trials and arrests, ill-treatment of detained persons, and impunity. It is the poorest and most vulnerable members of society (most particularly indigenous people) who suffer these abuses. Amnesty International noted fears for physical safety and death threats against members of human rights organizations in Mexico. It signalled the murder of a migrants' rights defender at the beginning of April 2007 in Nuevo León state in north-eastern Mexico⁵.

According to Reporters Without Borders, the situation of the media is not good even if there are various Mexican newspapers reflecting different political views, several radio stations and more competition in Mexican TV, where the 'Televisa group'⁶ is losing its monopoly. Their watchdogs noted in 2005 that local and regional media were vulnerable to pressure and attacks from criminals, politicians and police. Nine journalists were recently killed in Mexico, which continues to be the most dangerous country for the profession after Iraq⁷.

Indigenous people's rights are still an issue in Mexico. In spite of the San Andrés Accords aimed at recognising the rights of the indigenous peoples, they continue to suffer discrimination. In 2001, a law fell short of giving them political autonomy. A report by the UN Commission on Human Rights⁸ calls on the federal government to take measures such as:

¹ Secret service files totalling eight million pages, covering the period 1952 to 1985, have been declassified.

² Luis Echeverría, the President at the time, may well have to appear in court.

³ Over 400 women were kidnapped, raped and murdered in the border town of Ciudad Juárez. Most of them could not be identified owing to the mutilation they had suffered. These serial murders sparked an international reaction and condemnation of violence against women in Mexico. A UN report on the events is highly critical of the passiveness of the Mexican authorities and especially the local authorities. According to federal government officials and MPs, there are strong reasons to suspect complicity between criminal circles and both the regional and local authorities. According to witnesses, the underlying motives were linked to 'drug trafficking, trade in body organs and trade in women for sexual exploitation and for the production of violent videos'.

⁴ See page 26.

⁵ The victim was a member of the Foro Laboral del Obrero Campesino, which protects the human rights of Mexican migrants who go to the USA as seasonal farm workers.

⁶ This major TV group had links with the PRI until its electoral defeat.

⁷ On 6 April 2007 a journalist, Amado Ramirez, was murdered in Acapulco.

⁸ E/CN-4/2004/80.

- reopening the debate on constitutional reform as regards the rights of the indigenous peoples;
- pursuing the dialogue with the Zapatistas;
- implementing ILO Convention No 169 after adapting it to the actual circumstances of the indigenous peoples;
- protecting the integrity of indigenous people's land and their environment;
- reviewing the criminal justice system as applied to the aforementioned groups;
- implementing a system for the protection of indigenous migrants;
- strengthening bilingual education and improving indigenous peoples' access to culture (radio, TV, etc.).

In spite of the President's opposition Mexico legalized abortion on 24 April 2007. In Mexico City, this law allows voluntary abortion on demand in the first three months of pregnancy. In Latin America only Cuba, Guyana and Puerto Rico allow this type of abortion. Many other countries in the region permit it in exceptional cases. The Catholic community is protesting against legalization and wants to start an international campaign and complain to the Inter-American Court of Human Rights. This legalization follows the legalization of gay civil unions in the capital and one other state. Currently, Mexico's Senate has begun discussing the legalization of euthanasia.

3. External policies

President Fox's was project to project a new image of Mexico in the field of foreign policy. The country has therefore started to play a more conspicuous role on the international scene (organisation of the Monterrey Summit on Financing for Development) and is taking on increased responsibilities within international forums, not least in the field of drugs and human rights. For all this, the country's relations with Washington have become more important than ever.

3.1. Relations with the United States

In the early 20th century Mexicans would lament: 'Poor Mexico – so far from God and so close to the United States!' as they helplessly witnessed constant interference by Washington in their country's domestic affairs. Now, at the start of the 21st century, relations have calmed following the entry into force on 1 January 1994 of the North American Free Trade Agreement (NAFTA). Mexico's population of 100 million has in a few years turned the country into the tenth biggest economic power in the world, thanks to the opportunities offered by the US market. The problem may have taken on a different guise, but it still exists: Mexico remains as dependent as ever on the United States, with which it conducts around 90% of its trade¹. However, relations between Washington and Mexico City are not limited to economic and commercial matters. Issues such as drugs, security, energy, water, regional integration and migration also number among Mexico's priorities².

The prospect of a bilateral agreement on migration faded with the attacks of 11 September 2001, which led to the emphasis being placed on US homeland security to the detriment of other priorities.

¹ Thanks to NAFTA, Mexican trade with the USA has multiplied by 5. In 2006, the American market accounted for 212 billion dollars of Mexican products, or 84,7% of Mexican exports.

² Almost 10 million Mexican citizens live in the United States (as do around 10 million US nationals of Mexican origin).

President Bush needed the Chicano vote to be re-elected and therefore brought forward a proposal in January 2004 for a three-year renewable work permit aimed at regularising the situation of the 5 million illegal immigrants living in the United States and, at the same time, fighting illegal immigration more effectively. American political opinions are divided about bill 4437. The Republican Party is torn between the business world and its grassroots voters, some of whom are calling for the borders to be sealed off. The Democrats are likewise split. The trade unions believe that the pool of cheap labour is preventing low wages from rising, despite continuing vigorous economic growth.

Be that as it may, the debate on this issue featured in the Mexican election campaign, especially since the millions of Mexicans living in the United States are now the first time be entitled to vote. Nevertheless, conditions for migrant workers will remain at the top of Mexico's agenda, whereas strategies for improving security along the 3000-km border will continue to be a priority for the United States as part of its 'war on terror'. On 4 October 2006, President Bush approved the building of a wall stretching 1 200 km along the border. This proposal has been heavily criticised by Mexico and by the Central American countries.

A US-Mexican initiative has been signed with a view to combating drug-related organised crime.

Mexico-US relations have also been affected by a conflict over water supply. The United States accuses Mexico of failing to honour its undertakings to supply water set out in a bilateral agreement on the management of water in the border region signed in 1944.

The implementation in the United States of death sentences on Mexican nationals regularly brings the two countries into conflict. On 21 January 2003, Mexico appealed to the International Court of Justice to freeze the executions of 54 Mexican nationals sentenced to death in the United States. Mexico considers that the United States has violated the 1963 Vienna Convention on consular relations between the two countries by failing to observe the obligation of informing the accused Mexican citizens of their right to consular assistance. Furthermore, Mexico has pointed out that 27 seven executions have already been averted thanks to a legal aid programme for detainees facing the death penalty in the United States, but that many cases have still to be processed, with the various states concerned having omitted to inform the Mexican nationals of their consular rights.

At the time of the Iraq crisis, Mexico was a non-permanent member of the UN Security Council, and was closely courted by the United States. Backed by Chile, Mexico opposed the use of force against Baghdad. This stance led to a cooling of relations between the two countries. After his re-election, George Bush sought to turn the page and revitalise the North American Free Trade Agreement (NAFTA). It was against this backdrop that the United States, Mexico and Canada signed, on 23 March 2005, the Security and Prosperity Partnership of North America, which provides for

- strengthening of border controls;
- coordination of maritime and air transport surveillance;
- implementation of a common energy strategy;
- abolition of certain regulations presenting obstacles to trade;
- cooperation in combating the drugs trade and illegal immigration.

The current Mexican government has been confronted by large protests of the population against NAFTA. UNORCA (National Union of the Autonomous Peasant Organizations) calls for resistance and struggle, and more Mexican social movements are expected to join this platform

this year. According to the NAFTA agreement, agriculture will be liberalized by 2008. According to UNORCA, this liberalization will worsen the Mexican agricultural situation, facilitating the domination of transnational companies and increasing Mexican food dependence. Nearly 3 million farmers will not be capable of standing up to American competition. Mr López Obrador had promised that he would renegotiate the treaty, but this kind of negotiation with the US is likely to prove difficult.

3.2. Relations with the Central American states

On 27 June 2001, President Fox launched the Puebla-Panama Plan (PPP) in association with his Central American counterparts. This is a regional development plan involving nine southern Mexican states and the seven nations of the Central American Isthmus. It covers a vast area of over one million km² inhabited by 65 million people (28 million Mexicans and 37 million Central Americans). This plan, which was devised by the Inter-American Development Bank (IDB) and the World Bank and which forms the basis of a major drive towards economic modernisation that would mesh together southern Mexico and the Central American countries, is aimed at

- increasing the level of development of the population;
- fostering the participation of civil society in development actions;
- supporting structural changes in the economy of the region in a manner that assures lasting growth;
- improving the region's infrastructure through the construction of roads, ports and airports, the interconnection of electricity grids and telecommunications integration;
- promoting productive investments that stimulate employment opportunities;
- implementing synchronised objectives and joint strategies for the southern Mexican states and the countries of Central America;
- modernising and strengthening local and regional institutional capacities.

II. ECONOMIC SITUATION

1. Introduction

1.1. Historical background

In 1982, the Mexican authorities announced that they were unable to honour their international obligations. The financial crisis that had been brewing for some time suddenly struck and Mexico was forced to implement a sweeping structural adjustment programme based on neo-liberal policies. Despite a remarkable recovery in the Mexican economy, a fresh crisis broke out in 1994-1995. However, this crisis was that of an emerging country faced with a problem of macroeconomic policy, and not, as was the case in the 1980s, that of a developing country faced with excessive foreign debt. From the late 1980s onwards, an abundance of global savings requiring investment (at a time when the world was slipping into recession) and the fact that Mexico had become a credible place to invest meant that the country initially benefited from an upswing in the markets. The country saw a revaluing of its currency (the peso), an upsurge in growth and a further increase in its foreign debt. What might have been a matter simply of readjusting a national currency that was clearly overvalued assumed catastrophic proportions with the flight not only of foreign but also of national savings. This occurred when doubt was cast on the state's ability to meet its public debt repayment deadlines. The Mexican crisis was

above all a crisis of confidence and therefore of liquidities rather than one of solvency. Large-scale financial assistance from the international community enabled the country to cope with the crisis, but this was at a high social cost with persisting economic frailties: the poverty that affects half the population and the extreme dependence of the economy on the United States and on the international environment in general.

The structure of the Mexican economy, which is the tenth largest in the world, can be summarised in the following figures: almost 90% of all trade is with the United States; 33% of revenue under the annual budget derives from the state-run oil company, Pemex, and 2.5% of Mexico's GDP comes from the remittances sent by the 9 million Mexicans who live in the United States. The slightest twitch from its big northern neighbour, fluctuations in the price of the barrel (Mexico is the leading oil producer in Latin America and the second largest exporter after Venezuela) and competition from Asia, and China in particular, all have immediate repercussions on the country's economic health.

1.2. Economic sectors

The agriculture industry's contribution to the economy (alongside fishing, which is the biggest employer in coastal areas) has been decreasing since the 1980s. Agriculture represented just 4% of GDP in 2003, but it still constitutes a major source of employment: 19.5% of the workforce. Farmers complain of the impact that NAFTA has had on their activities. With the exception of a few limited areas, such as vegetables, that have benefited from NAFTA, the agreement has given rise to a sharp increase in the importation of subsidised US products which has severely hit small producers unable to withstand the competition. According to the trade unions, almost 2 million farmers have lost their jobs since 1994, the year that NAFTA entered into force. The main agricultural crops grown for internal consumption are sorghum, wheat, maize, rice, beans and potatoes, while coffee, sugar cane, fruit and vegetables are grown for export. Although the country's physical geography and climate limit agricultural possibilities (just 20% of the land surface is under cultivation), real estate, economic and technical constraints are largely responsible for the agrarian problem. The agriculture sector has a dual structure which pits highly productive modern farms geared to speculative production (coffee, fruit and citrus fruits) against the *minifundios* and *ejidos* (communal holdings) which are devoted to food crops (maize and beans).

Industry employs 23% of the labour force, represents around 30% of GDP and accounts for a little over 90% of all exports (33% excluding crude oil). The metallurgical, textile and agri-food industries have been developing since the end of the 19th century. Following the 1929 crisis, a policy of import substitution has enabled industry to diversify. This development was sustained by a wealth of mineral resources, state support, the dynamism of the middle classes and foreign investment. The proximity of the United States gave a strong boost to the manufacturing sector, with *maquiladoras* (US-financed subcontracting industries) springing up along the border. In these *maquiladoras*, semi-finished products from the United States are finished off and sent back north of the border. In this way, the United States benefits from the low wages and low rates of taxation available in Mexico and also takes advantage of the lack of health and safety standards and industrial pollution regulation.

The *maquiladora* export model grew 20% a year between 1990 and 2000. That sector's share of the country's total exports has duly risen from 35% in 1990 to almost 50% at present. In 2003, *maquiladoras* accounted for 77.7 billion dollars' worth of exports, or 47% of all Mexican exports. However, *maquiladora* exports slumped by 6.2% between 2000 and 2001 before stagnating in 2002 and 2003. This fall can be attributed to the slowdown in US economic growth

and its adverse effect on demand, as well as to increasingly strong competition from Asia and China in particular¹.

Mexico has a large mining industry and produces a wide range of minerals, including silver, bismuth, arsenic, antimony and sulphur. The country also has modest reserves of iron, zinc and cadmium. This sector accounts for 1.4% of GDP. However, the country's greatest natural resource, and the one that generates the most revenue, is crude oil and its derivatives.

Mexican trade policy has known profound changes over the last two decades, since the country has replaced the protectionist import substitution model with a more liberal, deregulated system. These attempts at liberalisation and deregulation have been flanked with a strategy of internationalisation and a policy of regional integration. Mexico's desire for involvement in economic globalisation has found expression in its membership of the main international economic forums: Mexico joined the OECD in 1993 and the WTO in 1994².

Besides this, Mexico has strengthened its regional position by establishing a huge network of bilateral and regional agreements relating to trade liberalisation. Consequently, almost all Mexican trade is now conducted on the basis of preferential agreements. Free trade agreements have been signed with over forty countries, including the United States and Canada (NAFTA, 1994), the European Union (2000), Japan (2005), Israel (2000), the neighbouring Central American countries (Costa Rica, Nicaragua, Guatemala, Honduras and El Salvador) and several countries of South America (Bolivia, Colombia, Chile, Venezuela and Uruguay). Although it still has a long way to go, Mexico has managed in the space of a few years to become the world's eleventh leading exporter. It is currently trying to consolidate its position. This is no easy business, but it now has a far firmer industrial fabric on which to build.

2. *Economic outlook*³

2.1. *Economic growth*

The Mexican economy has been growing since 1995, but has been unable to avoid the impact of the economic slowdown in the United States, its main trading partner. The OECD considers that the economic decline of 2001, contrary to those which came before it, is not linked to macroeconomic instability or to a crisis of confidence, but is more a reflection of Mexico's steady integration into NAFTA. After the 2001 slowdown, the Mexican economy began to grow again in 2002, and grew by 4% in 2006 thanks to a favourable international climate⁴. According to analysts, it will slow in 2007 in line with US import demand.

The economy grew by 2,7% between February 2006 and February 2007; economic activity is expected to increase by 0.2% between January and February, but is likely to enter a slowdown this year as in the USA⁵.

2.2. *Financial markets*

¹ While Mexico has a 12% share of the US market, in 2003 China overhauled it as the United States' second leading supplier behind Canada.

² It had already joined GATT – now the WTO – in 1986.

³ See Annex III.

⁴ GDP growth reached 3.1% in 2005.

⁵ The IMF announced a US growth rate of only 2.2 % for this year, whereas the EU rate will increase from 2.4% to 2.6% (according to the European Commission).

The peso fell in value in 2002 owing to several factors: weakness of the dollar, political instability of Mexico's Latin American partners (Argentina, Brazil and Venezuela), adverse developments on the financial markets, etc. However, the depreciation of the peso played a positive role as it contributed to the increase in exports and the reduction in imports, and a policy of depreciation was operated between 2003 and 2005. For the end of 2007, the EIU forecasts an exchange rate of Ps 11.2: US\$1.

2.3. Inflation

The rate of inflation has decreased considerably since 1997, when it was running at 20% per annum. The authorities are striving to bring it down to the same level as in the United States with the aid of high interest rates. According to Global Insight, the rate of inflation in 2006 was around 3.5%.

2.4. Budget

The adoption of the 2005 budget saw a confrontation between the executive and the legislature. On 30 November 2004, President Fox vetoed the budget adopted by the Chamber of Deputies, which has sole responsibility for it. The President does not, in fact, have a right of veto under the Constitution, but can simply submit his comments on the draft budget drawn up by the Lower Chamber, which then adopts the draft budget by a two-thirds majority. The matter was referred to the Supreme Court of Justice, which has ruled that the President has a right of veto over any amendments proposed by the deputies.

On 5 December 2006, the Calderón administration submitted its draft budget to Congress. The draft reveals the new Government's concerns: increasing social spending, spending on education and health and, above all, spending on security (by more than 40%). The current economic climate is favourable, as Mexico is benefiting from US economic growth and high oil prices. Improvements in the Mexican economy continue to be dependent on outside factors. A drop in oil prices or a recession in the United States would have serious consequences for Mexico. It is imperative, therefore, for President Calderón's Government to carry out the necessary structural reforms.

2.5. Trade

Mexico has signed free trade agreement with over 40 countries. Prominent among these agreements are NAFTA and the agreement linking Mexico and the European Union. Since Mexico joined NAFTA in 1994, exports have tripled and production and investment have been stimulated¹. However, 90% of all exports go to the United States, which makes Mexico highly dependent on the markets of its big northern neighbour. Mexico also has to rely to a great extent on oil (which provides a third of state revenue). If the international oil price is high, Mexico benefits. Nevertheless, the free trade agreements signed with the European Union (2000) and Japan (2005) should enable Mexico to become economically less dependent on Washington.

Despite the agreements aimed at enhancing free trade, Mexico's balance of trade has been very much in the red since 1998. The trade deficit will narrow in 2006 before widening in 2007 as

¹ The absence of any adequate legislation for attracting foreign investment has prevented this from reaching the 20 billion dollars per annum advocated by the government. In 2005, foreign direct investment reached USD 17.6 billion.

export growth decelerates. However, positive trends on the non-trade current account in 2007 will keep the current-account deficit to less than 1% of GDP.

2.6. Social issues

39.6 million of Mexico's 107 million inhabitants live in poverty. 20% growth in formal employment (i.e. with a social safety net) in five years and stable and full-time jobs has not been enough to soak up the increase in the labour force. Indeed, only an annual economic growth rate of 6% would create enough jobs for the million or so young people entering the job market each year. Consequently, more than 400 000 people a year leave to try their luck – illegally – in the United States. This large-scale emigration helps to bolster household consumption by generating massive foreign currency transfers (remittances) – almost USD 20 billion in 2005¹, with just over a third, according to analysts, accounted for by the laundering of 'dirty' money. The growing influence of drug trafficking on the Mexican economy, especially at the country's northern and southern borders, is alarming investors because of the security risk and the dangers posed to the rule of law.

Despite the advantage of its geographical closeness, Mexico is being ousted by China on the American market and has become correspondingly less competitive. Mexico therefore urgently needs to pursue strategies beyond oil revenue and cheap textiles. If it is to do so it will have to implement painful structural reforms.

Furthermore, there has been an increase in the informal sector, which already employs 11 million people, or 28% of the labour force. Unemployment, which has been rising since 2001, affected 16% of the population in 2006.

Besides this, a large gulf separates managerial staff, whose pay is equivalent to that of their US counterparts, from a mass of workers on low incomes. There is also a yawning divide between the regions that has been created by NAFTA: average annual income is over 7 000 dollars in northern Mexico but less than 700 dollars in the southern areas. Real wages, which slumped by 25% during the 1994 crisis, are still a long way from returning to that mark, despite the increases since 1997. The minimum wage went up in December 2006 to MXN 50.57 a day, equivalent to just USD 4.67. In the long term, the situation will be improved only through advances in labour force training and skills. Mexico has managed to ensure that almost all children attend primary school, but the schooling offered is incomplete, and secondary education and vocational training remain inadequate.

Economists insist that Mexico will move forward if it changes its economic model, which is excessively dependent on the United States and conducive to the concentration of wealth. The richest 10% of Mexicans receive 46% of the aggregate income. It was against this background that President Fox launched an anti-poverty package.

Hurricanes Emily and Wilma, which struck Mexico's seaboard in 2005, were very damaging to the Mexican economy, and particularly the energy, tourism and agriculture sectors, as well as causing loss of life.

¹ In the first seven months of 2006, remittances accounted for USD 13.4 billion.

III. EU-MEXICO RELATIONS

1. *Introduction*

The political, economic and cultural links between the European Union and Mexico are of major importance. Mexico is one of the European Union's main partners on the American continent. It represents a market of 107 million consumers and is of great strategic importance to European exports, both in view of the network of agreements it has woven with many other countries in Latin America and in the context of the NAFTA Agreement signed with the United States and Canada. Over the last decade, Mexico has implemented a strategy aimed at reforming and liberalising the economy, and this strategy has turned the Mexican market into one of the most dynamic and open in the world.

It was against this backdrop that the European Union and Mexico signed, on 8 December 1997, the Economic Partnership, Political Coordination and Cooperation Agreement. Also known as the 'Global Agreement', it entered into force on 1 July 2000¹ in respect of industrial and agricultural goods and in March 2001 in respect of services, intellectual property and investment². There has been full liberalisation for Mexican industrial exports since 2003 and the same is due to apply to EU exports in 2007.

Since the Global Agreement has not been in force for long and few studies have been conducted on it, no clear conclusions can be drawn as to its impact on the economy and development. The data collected³ show there has been a significant increase in trade, especially between companies, and a more substantial increase in European exports to Mexico than in Mexican exports to the European Union. Imports from the EU have risen sharply. There is more trade and substantially more EU direct investment, but the import-export gap has widened and Mexico's trade deficit with the EU has thus increased.

On the other hand, what does seem evident, from the preliminary studies and data from the Commission and other public and private bodies, is the low take-up among small- and medium-sized enterprises (SMEs), with large enterprises being the only ones to take advantage of the commercial opportunities offered by the Agreement. This would appear to be due to the weakness of the SME sector and to the SMEs being geared towards the domestic market and towards the United States, as well as to the lack of support for globalisation and a general lack of awareness of the Global Agreement.

2. *The Global Agreement*⁴

2.1. *Political coordination*

This Agreement sets up not only a free trade area, but also a genuine institutionalised political dialogue aimed at promoting democratic principles and respect for human rights. The two sides have emphasised the role of the many high-level meetings held since the Agreement was signed in order to 'strengthen the political dialogue between Mexico and the European Union'. They

¹ OJ L 157, 30.6.2000.

² OJ L 70, 12.3.2001.

³ See Annexes IV to VI.

⁴ OJ L 276, 28.10. 2000.

have also encouraged technical-level exchanges on their respective stances in a multilateral context, not least as regards climate change, the protection of cultural identities, the combating of terrorism, drug trafficking, money laundering, and the death penalty.

Unlike the previous agreement signed in 1991, which limited itself to a reference to the principles of democracy and human rights, the new agreement contains a clause on the 'fulfilment of obligations' (Article 58) which provides for suspension of the Agreement if one side fails to honour its obligations. A specific mechanism is provided for in the event of this occurring. The Global Agreement also establishes a framework for political dialogue. This consists of a Joint Council that will meet regularly at Presidential and Foreign Minister level with a view to taking the decisions needed to achieve the objectives of the Agreement, assisted by a Joint Committee of officials.

At the Fourth EU-Mexico Joint Council Meeting on 25 May 2005 the two sides discussed how they could strengthen their political dialogue and coordinate their activities in international forums. They reaffirmed their desire to help attain the Millennium Development Goals. In addition, future EU-Mexico cooperation should encompass dialogues in the specific policy areas covered by the Global Agreement, focusing especially on social cohesion. The two partners also called for the dialogue with civil society to be established on an official footing.

2.2. Trade

The document signed by Mexico was the first EU-Latin America 'fourth-generation agreement', going beyond the usual political and economic cooperation measures to assume the shape of an effective free trade agreement.

As regards trade, the Global Agreement is aimed at gradually establishing a free-trade area for goods, services and capital and at the adoption of rules on competition and intellectual property protection as well as a dispute settlement mechanism. Added to this is the decision to liberalise investment and the payments relating to this. Considerable access – comparable to that opened up under NAFTA – will also be granted to the Mexican public contracts system. On the other hand, exceptions have been made for the audiovisual markets, maritime links and air traffic.

Concerning agriculture, the agreement stipulates that 62% of trade should eventually be fully liberalised, with restrictions for meat, dairy products and cereal crops. Exports of wine, spirits and olive oil will enjoy preferential treatment and preferential access will be granted to Mexico for products such as orange juice, avocados and flowers.

The Agreement is designed to end the situation which has caused a marked slowdown in trade between the EU and Mexico. The EU was the source of 18% of Mexican imports in 1980, but only 6% in 1999, as it has suffered from the advantageous tariffs granted to the United States and Canada under NAFTA. It has also suffered from the advantages granted by Mexico to some Latin American countries. The Global Agreement should enable the European Union to gradually re-establish parity with NAFTA.

The Commission released EUR 8 million in September 2004 to boost trade with Mexico within the framework of the Global Agreement. This funding has been matched by Mexico, making a total of EUR 16 million for the project. The aim is to ease the passage of goods through customs and to keep enterprises better informed of the opportunities offered by the Agreement.

Trade between Mexico and the European Union has grown by 95% over the last six years thanks to the Global Agreement. The EU has established itself as Mexico's second export market, after the United States. It has also become the second biggest source of foreign direct investment, having poured in USD 47 billion over the last 12 years.

In 2005, Mexican exports to the EU were worth a record EUR 9 billion. They reached USD 13 billion in 2006, or 166% more than the pre-agreement level. According to European statistics, this level of growth can be attributed, on the one hand, to the rise in the price of oil exports and, on the other, to an increase in the supply of medical equipment and optical and measuring devices to Europe. In addition, there has been a broadening of the range of cars, food and drink products and electrical appliances, in particular televisions, exported to Europe. The Mexican products most in demand on the EU market are mineral products (oil), machinery and electrical equipment and transport material and machinery.

Imports to Mexico from the EU-25 rose to EUR 16.8 billion in 2005. In 2006 Mexico-EU trade reached USD 42 billion, of which Mexican imports accounted for 29 billion. Of those imports, growth in comparison to 2004 was biggest in the transport equipment sector, followed by steel and mineral products (petrol and natural gas). Other sectors also experiencing a rise in demand from Mexico were machinery and chemicals and plastics. The European goods most exported to Mexico are primarily machinery and electrical equipment, followed by transport material, chemicals and steel.

Mexican exports to the EU also rose by 31% while its exports overall increased by 'just' 12%. At the same time, imports from the EU rose by 14.1%. In spite of the more dynamic growth of Mexican imports, Mexico's trade deficit in relation to the EU still came to EUR 7.8 billion. However, it should be borne in mind that this deficit is mainly accounted for by intermediate and capital goods subsequently used for export to the United States. In this sense, part of Mexico's trade deficit towards the EU is reflected in its surplus towards its northern neighbour.

In May 2004, 10 Central European countries joined the EU. While Mexican imports to these countries rose gradually, following a sharp drop in 2001, imports increased at a constant rate between 2000 and 2005 (by 40% on average). Since acceding to the EU, Hungary and the Czech Republic in particular have succeeded in expanding their sales to Mexico up to a value of around USD 250 million. In 2004 and 2005, Estonia, Lithuania and Latvia experienced the strongest growth, although still at a low level, with an increase of 110%, reaching a value of USD 40 million.

At present, 7 349 companies in Mexico are benefiting from European Union investment in their share capital, which represents 22.1% of all companies receiving foreign direct investment (FDI) in Mexico (33 209). The companies in which the European Union has invested operate chiefly in the service sector (43.6% of the total) and the manufacturing industry (24.8%), and are mostly located in Mexico City and the states of Mexico, Quintana Roo and Jalisco.

Between January 1999 and June 2006, the companies benefiting from European Union capital invested USD 36 880.1 million, which accounts for 27.4% of the total FDI that entered the country over this period (USD 134 787 million). The subsector receiving the most investment during this time was the banking sector (USD 7 167.8 million). Overall, the European Union was the second largest investor in Mexico. The main EU investors are Spain (40%), the Netherlands (32.3%), the United Kingdom (11.5%) and Germany (7.6%).

2.3. Cooperation

The European Union and Mexico have signed a memorandum of understanding setting out the priorities for cooperation for the period 2002-2006, as well as a framework financing convention. The Community provided EUR 56.2 million in aid, with the projects relating, *inter alia*, to

- modernisation of the judicial system (EUR 15 million);
- consolidation of the production structure in the south and south-east regions of Mexico (EUR 15 million);
- assistance to small and medium-sized enterprises aimed at ensuring that they capitalise on the Agreement (EUR 12 million);
- scientific and technical cooperation.

In context of the last project, Mexico and the EU signed, on 3 February 2004, a scientific and technical cooperation programme¹ promoting the establishment of long-term institutional alliances between research centres. Implementation of that agreement will enable Mexico to participate in projects under the 6th Framework Programme for Research. According to the Mexican Mission to the EU, 45 joint scientific and technical cooperation projects have already been conducted by the two sides since 1986. Two further sectoral agreements are also in force:

- the Agreement on the mutual recognition and protection of designations of origin for wines and spirits of 27 May 1997;²
- the Agreement on cooperation regarding the control of precursors and chemical substances used in the manufacture of narcotic drugs of 13 March 1997³.

This cooperation will be pursued in the frame of the 7th Framework Programme for Research (2007-2013).

In addition to this, the European Commission and Mexico concluded, on 3 March 2005 in Brussels, the first round of trade negotiations aimed at extending the Global Agreement to include services and investment. The two sides met at the Fifth EU-Mexico Joint Council Meeting in Santo Domingo, in April 2007.

The two parties decided:

- in the political field, to step up cooperation on migration;
- in the cooperation field, to continue the programme of support for SMEs, develop technical and scientific cooperation in the framework of the recent EU-Mexico Agreement, and identify the priority sectors for public procurement (2007-2013);
- in the commercial field, to assess the trends in trade relations since the Global Agreement.

In the framework of the Global Agreement, the Commission has launched the Project for the Facilitation of the EU-Mexico Global Agreement aimed at improving the present arrangements so as to encourage trade between the partners, for which EUR 40 million has been made available. This project will be coordinated by a managing body whose responsibilities will include carrying out sectoral studies, training Mexican officials, providing technical assistance and advice, and equipping and modernising customs facilities and laboratories in the health sector. A priority is helping Mexican small and medium-sized enterprises (SMEs) to make full

¹ OJ L 290, 4.11.2005.

² OJ L 152, 11.6.1997.

³ OJ L 77, 9.3.1997.

use of the benefits offered by the Global Agreement. There are plans to improve the judicial system and human rights in Mexico, to tackle social inequalities and to support tax reform and, possibly, electoral reform.

According to the new Mexico Country Strategy Paper, bilateral cooperation for the period 2007-2013 will focus on supporting policy dialogue in three priority areas: Social cohesion and related policy dialogues by the strengthening of institutional capacities, including policy formulation and implementation. Specific policy dialogues are envisaged, namely: social cohesion, regional development and decentralization, rule of law and institutional strengthening, environment, economy and competitiveness (particular attention will be given to the development of SMEs), and education and culture. The main areas of cooperation will include higher education and activities aimed at improving mutual understanding, cultural exchanges and visibility.

It is also worth noting that relevant cross-cutting issues, such as gender issues, indigenous populations, etc. will receive particular attention when specific projects and programmes are formulated. In addition, assistance in this sector will be conveyed through horizontal and regional programmes.

3. Role of the European institutions in closer EU-Mexico relations

Besides their joint efforts to implement the Global Agreement, the three institutions – Commission, Council and Parliament – have also turned their attention to many other aspects affecting the political and economic situations of the two partners.

3.1. Commission

The Commission sponsors the Institute for European Integration Studies (*Instituto de Estudios de la Integración Europea*), which is the only one of its kind in Latin America. Its aim is to disseminate European ideas on integration, in a region where this is the focus of political debate. At the end of the first EU-Mexico Civil Society Dialogue Forum, held in Brussels on 26 November 2002, the Mexican authorities and the Commission pledged to support the setting-up of an observatory to assess the social and ecological effects of the EU-Mexico Global Agreement.

On 6 July 2006, the following statement was made by the Commissioner for External Relations and European Neighbourhood Policy, Benita Ferrero-Waldner:

'Last June, in response to a request by the Mexican Federal Electoral Institute (IFE) and in the context of the excellent bilateral relations between Mexico and the European Union, I agreed to send an Election Observation Mission to Mexico. I have been informed by the Head of this Mission, MEP Ignacio Salafranca Sanchez-Neyra, that the elections were conducted in an orderly manner in accordance with the principles of democracy.

We have faith in the Mexican electoral institutions. Our mission highlighted their professionalism, transparency and independence throughout the electoral process. We believe that the Federal Electoral Institute has the means and the capacity to operate openly and responsibly even in the event of conflict. We support the maximum transparency of the electoral process as laid down by Mexican law. I am gratified by the positive role played by the Election

Observation Mission, which made a valuable contribution to reinforcing confidence in the electoral process.'

3.2. Council

The Council presidency has issued a number of declarations on Mexico in recent years. These essentially relate to the presidential elections of 2000 and 2006, the situation in the State of Chiapas, the reopening of the dialogue between the government and the Zapatistas and respect for human rights.

On 27 September 2002, the Danish Presidency issued the following declaration on behalf of the European Union:

'The European Union continues to follow events in Mexico closely. It welcomes and strongly supports President Fox's efforts to strengthen democracy and ensure greater public accountability as well as the Mexican administration's determined efforts to root out corruption in Mexico, both in public and private sectors, and to put an end to impunity. The European Union remains committed to supporting the consolidation of a democratic, pluralistic and transparent Mexico.'

Also important is the agreement signed on 6 June 2007 between the High Representative for the Common Foreign and Security Policy, Javier Solana, and the Mexican President, Felipe Calderón, during the latter's most recent visit to the Community institutions. The objective of this agreement is to deepen the EU-Mexico political dialogue.

3.3. European Parliament

The interparliamentary conferences between the European Parliament and the Latin American Parliament (Parlatino) have offered the EP and the Mexican Congress the possibility to begin forging relations. In addition to this, several members of the Mexican Chamber of Deputies and the Mexican Senate have visited the European Parliament. President Fox addressed a formal sitting of the European Parliament on 15 May 2002, at which he thanked it for its steadfast support for the process of democratisation in Mexico and expressed the hope that the exchanges with the EU and its institutions, as well as with its Member States and their regions, could be extended.

The Delegation for relations with Central America and Mexico made an official visit to Mexico from 25 to 30 November 1998, during which the first EU-Mexico interparliamentary meeting was held. This formalised interparliamentary dialogue and cooperation. The dialogue was institutionalised by way of a joint declaration which followed on from the solemn declaration adopted in the Association Agreement, in which the need to institutionalise dialogue at a parliamentary level had been highlighted. It was against this backdrop that an EU-Mexico Joint Parliamentary Committee (JPC) was set up. That committee held its first meeting on 28-29 September 2005 in Strasbourg. The meeting adopted the rules of procedure of the JPC and proposals aimed at revising certain aspects of the Global Agreement were brought forward. In addition to this, the European Parliament established a specific delegation for relations with Mexico following the 2004 elections. The bureau of that delegation visited Mexico City (Federal District of Mexico) and Monterrey from 13 to 16 June 2005. The meetings held enabled the new interparliamentary dialogue framework, laid down in the Association Agreement, to be implemented. The themes covered were: evaluation of the Global Agreement, respect for human rights and the feminicides in Ciudad Juárez. The second meeting of the EU-Mexico JPC was

held in Mexico City and Monterrey from 9 to 13 January 2006. The European and Mexican participants discussed security, immigration, and trade. In addition, they applauded the success of the Global Agreement and hoped that the interparliamentary dialogue would intensify. The third meeting of the EU-Mexico JPC was held in Brussels on 30 May 2006. The fourth meeting of the EU-Mexico JPC was held in Mexico from 26 February to 2 March 2007. During this meeting the Committee focused mainly on the European Parliament's support for the proposed Mexico Country strategy paper in order to start the 2007-2013 cooperation activities in the second part of this year. The two parties agreed to launch sectoral dialogue in the areas of social cohesion, education and culture. They also agreed to support action in the science and technology sectors and to strengthen cooperation and support for small and medium-sized enterprises. The delegations appealed to the European and Mexican authorities to increase their cooperation in the environmental area. The next EU-Mexico JPC's meeting will take place in Brussels on 27 November 2007, and will discuss, essentially, political, social, economic, trade and coop issues. Both delegations note that biregional relations are currently flourishing. Furthermore, they welcome the establishment of a Euro-Latin American Parliamentary Assembly, the progress on social cohesion, and the protection of the rights of all migrant workers and members of their families.

On top of this, the EP has adopted almost 25 resolutions relating to Mexico since 1985¹. These essentially concern respect for human rights, the situation in the state of Chiapas and economic and trade relations between Mexico and the EU. In its resolution of 5 April 2001 the EP welcomed the moves towards peace and reconciliation in Chiapas. It expressed its support for Vicente Fox's government, the Mexican Congress and the Zapatista National Liberation Army in the process of political dialogue, which it viewed as the most appropriate means of seeking solutions that would reconcile Mexico with its indigenous peoples.

The alarming rise in the number of women murdered in Mexico and Guatemala was condemned at a hearing held at the European Parliament on 19 April 2006. According to official figures, more than 400 women have been murdered in the last decade in just one Mexican city (Ciudad Juárez); and, during the past three years, there have been a further 2 800 victims in Guatemala (of whom 600 were killed in 2005 alone) and 437 in Honduras. The phenomenon has assumed such proportions that it has been termed 'femicide'. In the final declaration the Members urged the Mexican and Guatemalan governments to comply with the international agreements and treaties that they had signed in the areas of human rights and discrimination and violence against women. On this issue, and following a meeting held in Brussels on 11 September 2007, the EP's Committee on Women's Rights and Gender Equality adopted a resolution on femicide in Central America and Mexico. This resolution was adopted by the EP plenary on 11 October 2007, thus highlighting the EP's role in the denunciation of the phenomenon. The resolution urged the countries concerned to remove all forms of discrimination from their law and called on the EU institutions to ensure better coordination of their policies for combating femicide. It was adopted by 500 votes to 4 with 6 abstentions. The EP made it clear that the countries of Central America and Mexico have not done enough to combat the roots of femicide, and stressed that the fight against such crimes calls for measures to be taken to prevent discrimination and remove it altogether from the law. In addition, the text called on the EU, in its cooperation with Mexico and Central America, to prioritise the restructuring and strengthening of the region's legal systems. It was added that this cooperation should also involve other players, such as the International Labour Office and the OECD in Mexico, with a view to developing, where necessary, programmes to ensure women's safety and access to decent working conditions and equal pay.

¹ See Annex VII.

ANNEX I



MÉXICO

RESULTADOS DE LAS ELECCIONES PRESIDENCIALES DE 2006¹

CANDIDATOS	VOTOS	% DEL TOTAL
Felipe CALDERÓN	15 000,284	35,89
A.M. LÓPEZ OBRADOR	14 756,350	35,31
Roberto MADRAZO	9 301,441	22,26
Patricia MERCADO	1 128,850	2,70
Roberto CAMPA	401,804	0,96
Otros candidatos	297,989	0,71
Votos nulos y en blanco	904,604	2,16
TOTAL	41 791,322	100,00

¹ Según los resultados finales anunciados en septiembre de 2006.

Composición de la Cámara de Diputados y del Senado
el 2 de julio de 2006

CÁMARA DE DIPUTADOS		SENADO DE LA REPÚBLICA	
Partido	Escaños	Partido	Escaños
PRI ¹	103	PRI	29
PAN ²	206	PAN	52
PRD ³	127	PRD	33
PVEM ⁴	18	PVEM	6
CONVERGENCIA	17	CONVERGENCIA	5
PT ⁵	16	PT	2
NUEVA ALIANZA	9	NUEVA ALIANZA	1
ALTERNATIVA	4	ALTERNATIVA	0

¹ PARTIDO REVOLUCIONARIO INSTITUCIONAL

² PARTIDO ACCION NACIONAL

³ PARTIDO DE LA REVOLUCION DEMOCRATICA

⁴ PARTIDO VERDE ECOLOGISTA DE MEXICO

⁵ PARTIDO DEL TRABAJO

MEXICO
MACROECONOMIC DATA AND FORECASTS

	1999	2000	2001	2002	2003	2004	2005	2006	2007
Real GDP (% change)	3.9	6.6	-0.2	0.8	1.4	4.2	2.8	4.8	3.3
Nominal GDP (US\$bn)	481.2	581.4	621.8	648.6	638.2	682.9	767.7	839.8	890.6
Nominal GDP Per Capita US\$	5,024	5,963	6,265	6,420	6,208	6,539	7,245	7,821	8,196
Consumer Price Index (% change)	16.6	9.5	6.4	5.0	4.6	4.7	4.0	3.6	3.3
Population (mil)	95.77	97.50	99.25	101.04	102.82	104.44	105.97	107.37	108.66
Population (% change)	1.8	1.8	1.8	1.8	1.8	1.6	1.5	1.3	1.2
Current Account Balance (US\$bn)	-13.9	-18.6	-17.6	-14.0	-8.8	-6.7	-4.9	-1.8	-7.7
Current Account Balance (% GDP)	-2.9	-3.2	-2.8	-2.2	-1.4	-1.0	-0.6	-0.2	-0.9
Trade Balance (US\$bn)	-5.5	-8.2	-9.5	-7.5	-5.7	-8.7	-7.6	-6.1	-12.6
Trade Balance (% of GDP)	-1.1	-1.4	-1.5	-1.2	-0.9	-1.3	-1.0	-0.7	-1.4
BOP Exports of Goods (US\$bn)	136.3	166.1	158.7	161.0	164.7	188.0	214.2	250.0	265.1
BOP Imports of Goods (US\$bn)	141.8	174.3	168.2	168.5	170.4	196.7	221.7	256.1	277.8
Exchange Rate (LCU/Euro, end of period)	9.50	8.83	8.15	10.67	14.14	15.43	12.64	14.34	15.46
Foreign Direct Investment, Net (US\$bn)	-	-	23.1	18.4	14.1	18.0	13.3	13.3	14.8
Foreign Direct Investment, Net (% of GDP)	-	-	3.7	2.8	2.2	2.6	1.7	1.6	1.7
Total External Debt (US\$bn)	-	-	-	162.0	162.4	166.2	173.1	169.0	169.1
Total External Debt (% of GDP)	-	-	-	25.0	25.4	24.3	22.5	20.1	19.4
Total External Debt Service (% of forex earnings)	34.1	46.9	38.5	35.2	32.0	34.0	21.8	20.3	12.6

Source: Global Insight

Trade relations EU(27)-Mexico, 2006

By products

1000
EUR

HS Chapters	Harmonised System (HS): Sections and chapters	Imports (cif)		Exports (fob)	
		1000 EUR	% of total	1000 EUR	% of total
01-99	Total	10.653.211	100,0	19.104.563	100,0
	of which:				
01-24	Agricultural prod. (incl. fish, prepared foodstuffs etc.)	548.344	5,1	644.282	3,4
	of which:				
06-14	Vegetable products	231.970	2,2	86.072	0,5
16-24	Prepared foodstuffs; beverages	258.576	2,4	441.261	2,3
	of which:				
22	Beverages, spirits and vinegar	186.159	1,7	194.892	1,0
25-27	Mineral products	2.587.471	24,3	1.726.250	9,0
	of which:				
27	Mineral fuels/oils and products of their distillation; etc.	2.442.984	22,9	1.553.252	8,1
28-38	Products of the chemical or allied industries	577.666	5,4	2.776.943	14,5
	of which:				
29	Organic chemicals	297.862	2,8	722.892	3,8
30	Pharmaceutical products	52.163	0,5	1.054.672	5,5
32	Tanning or dyeing extracts; tannings and their derivatives; dyes, pigments etc.	111.356	1,0	134.201	0,7
33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations	22.217	0,2	329.848	1,7
39-40	Plastics and rubber and articles thereof	236.482	2,2	811.977	4,3
	of which:				
39	Plastics and articles thereof	157.380	1,5	570.054	3,0
44-49	Wood/art. of woods etc; pulp of wood or other fibrous cellulosic	40.595	0,4	563.097	2,9
	of which:				
48	Paper and paperboard; art. of paper pulp, of paper or of paperboard	33.201	0,3	376.209	2,0
50-63	Textiles and textile articles	98.166	0,9	609.475	3,2
68-70	Articles of stone, plaster, cement, asbestos etc.	46.544	0,4	247.427	1,3
72-83	Base metals/articles of thereof	592.370	5,6	1.790.222	9,4
	of which:				
72+73	Iron and steel and articles of iron or steel	464.923	4,4	1.308.777	6,9
84-85	Machinery and mechanical appliances; elec. eq., sound recorders etc.	2.621.407	24,6	2.699.055	14,1
	of which:				
84	Nuclear reactors, boilers, machinery and mechanical appliances	1.233.348	11,6	4.039.473	21,1
85	Electrical machinery/equip. and parts thereof; sound recorders etc.	1.388.058	13,0	1.659.582	8,7
86-89	Vehicles, aircrafts, vessels and associated transport equipment	1.501.276	14,1	2.621.675	13,7

87	of which: Vehicles other than railway/tramway rolling-stock etc.	1.469.900	13,8	2.222.698	11,6
90-92	Optical, photographic, cinematographic etc. instruments	1.313.152	12,3	678.464	3,6
90	of which: Optical/photographic/cinematographic/measuring/medical or surgical inst. Etc.	1.304.172	12,2	669.382	3,5
94-96	Miscellaneous manufactured articles	76.077	0,7	348.572	1,8
94	of which: Furniture; bedding, mattresses, mattress supports, cushions/similar; lamps etc.	24.826	0,2	257.568	1,3
Various ch	Other products	361.010	3,4	318.039	1,7

Source: COMEXT database, EUROSTAT

Production: JDa/DG4/European Parliament

Trade of the EU with Mexico by Member States, 2006

	EU-imports (cif)		EU-exports (fob)	
	1000 €	- % -	1000 €	- % -
Total (EU27)	10.653.211	100	19.104.563	100,0
<i>of which:</i>				
France	569.306	5,3	1.670.985	8,7
Netherlands	784.684	7,4	1.262.319	6,6
Fr Germany	2.716.286	25,5	6.346.127	33,2
Italy	292.024	2,7	2.567.826	13,4
Utd. Kingdom	1.569.406	14,7	1.086.964	5,7
Ireland	100.618	0,9	536.135	2,8
Denmark	79.606	0,7	157.162	0,8
Greece	29.444	0,3	26.214	0,1
Portugal	261.280	2,5	139.410	0,7
Spain	2.765.104	26,0	2.943.491	15,4
Belgium	812.942	7,6	707.479	3,7
Luxembourg	14.353	0,1	44.943	0,2
Sweden	76.935	0,7	555.577	2,9
Finland	110.364	1,0	180.589	0,9
Austria	105.398	1,0	320.128	1,7
Malta	901	0,0	3.839	0,0
Estonia	2.406	0,0	1.237	0,0
Latvia	2.080	0,0	1.484	0,0
Lithuania	4.813	0,0	14.613	0,1
Poland	81.978	0,8	96.403	0,5
Czech Republic	84.520	0,8	136.503	0,7
Slovakia	15.084	0,1	48.836	0,3
Hungary	86.854	0,8	155.550	0,8
Romania	62.109	0,6	47.368	0,2
Bulgaria	14.396	0,1	23.072	0,1
Slovenia	8.487	0,1	30.279	0,2
Cyprus	1.834	0,0	30	0,0

Source: COMEXT database, EUROSTAT

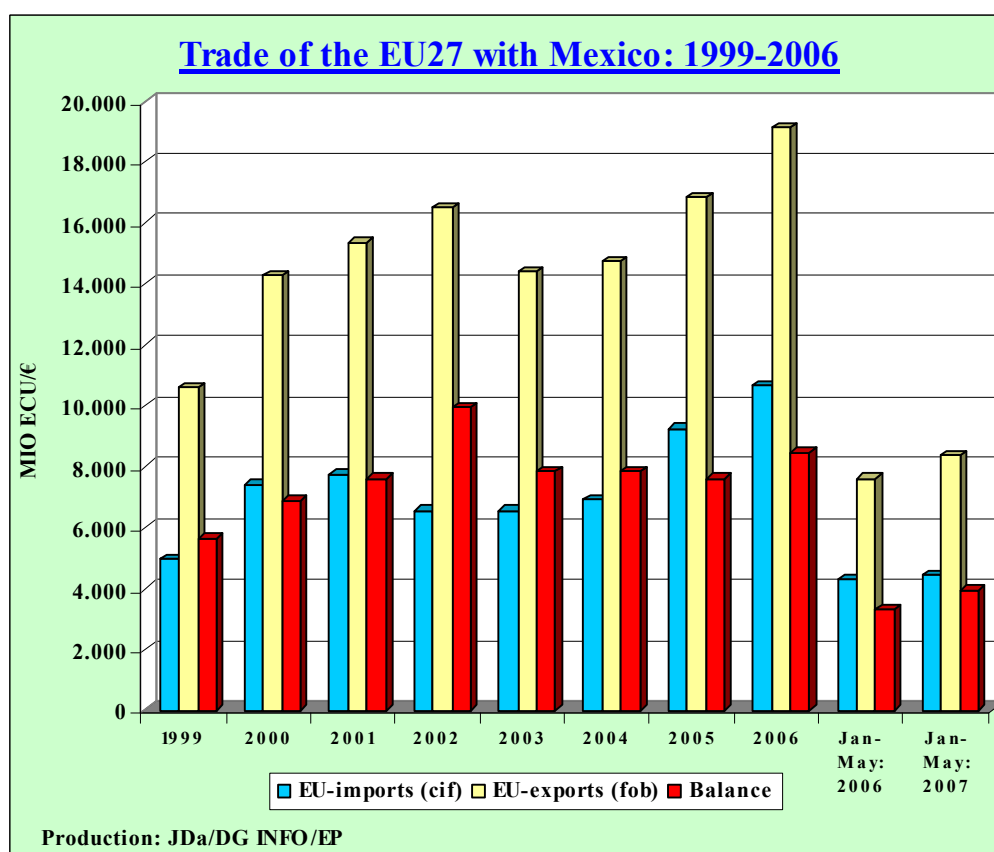
Production: JDa/DG4/European Parliament

Trade of the EU27 with Mexico: 1999-2006 (May 2007)

	<i>MIO ECU/€</i>		
	EU-imports (cif)	EU-exports (fob)	Balance
1999	4.949	10.585	5.636
2000	7.404	14.280	6.876
2001	7.727	15.336	7.609
2002	6.565	16.508	9.944
2003	6.547	14.390	7.843
2004	6.905	14.726	7.821
2005	9.245	16.837	7.592
2006	10.653	19.105	8.451
Jan-May: 2006	4.309	7.620	3.311
Jan-May: 2007	4.432	8.358	3.926

Source: COMEXT database, EUROSTAT

Production: JDa/DG INFO/European Parliament



**RESOLUTIONS ADOPTED BY THE EUROPEAN PARLIAMENT
ON MEXICO**

Resolution of 10 October 1985 on the earthquakes in Mexico City¹.

Resolution of 10 September 1991 embodying the opinion of the European Parliament on a proposal from the Commission to the Council for a decision concerning the conclusion of the Framework Agreement for cooperation between the European Economic Community and the United Mexican States².

Resolution of 10 September 1991 on economic and trade relations between the European Community and Mexico³.

Resolution of 15 December 1992 on the Free Trade Agreement between the United States of America, Canada and Mexico (NAFTA)⁴.

Resolution of 20 January 1994 on the peasant uprising in Chiapas⁵.

Resolution of 19 January 1995 on the situation in the Mexican State of Chiapas⁶.

Resolution of 16 February 1995 on the situation in Chiapas⁷.

Resolution of 13 July 1995 on the situation in Mexico⁸.

Resolution of 17 November 1995 Resolution on the Commission communication 'Towards closer relations between the European Union and Mexico'⁹.

Resolution of 21 October 1997 on the hurricane in Mexico¹⁰.

Resolution of 13 January 1998 on the murder of 45 indigenous peasants in the Mexican State of Chiapas¹.

¹ OJ C 288, 11.11.1985, p. 99.

² OJ C 267, 19.10.1991, p. 61.

³ OJ C 267, 19.10.1991, p. 61.

⁴ OJ C 21, 25.1.1993, p. 77.

⁵ OJ C 44, 14.2.1994, p. 158.

⁶ OJ C 43, 20.2.1995, p. 87.

⁷ OJ C 56, 6.3.1995, p. 109.

⁸ OJ C 249, 25.9.1995, p. 159.

⁹ OJ C 323, 4.12.1995, p. 163.

¹⁰ OJ C 339, 10.11.1997, p. 164.

Resolution of 23 April 1998 on the proposal for a Council Decision concerning the conclusion of the interim agreement on trade and trade-related matters between the European Community, on the one part, and the United Mexican States, on the other part².

Resolution of 22 April 1999 on the proposal for a Council Decision concerning the conclusion of the Economic Partnership, Political Coordination and Cooperation Agreement between the European Community and its Member States, on the one part, and the United Mexican States, on the other part³.

Resolution of 16 March 2000 on the proposal for a Council decision on the Community position within the EC-Mexico Joint Council on the implementation of Articles 3, 4, 5, 6 and 12 of the Interim Agreement on trade and trade-related matters⁴.

Resolution of 15 February 2001 on the proposal for a Council decision establishing the Community position within the EC-Mexico Joint Council with a view to the adoption of a decision implementing Articles 6, 9, 12(2)(b) and 50 of the Economic Partnership, Political Coordination and Cooperation Agreement⁵.

Resolution of 5 April 2001 on the situation in Mexico⁶.

Resolution of 14 December 2004 proposal for a Council decision on the conclusion of an Additional Protocol to the EU-Mexico Economic Partnership, Political Coordination and Cooperation Agreement⁷.

Resolution of 28 April 2005 on the EC-Mexico scientific and technological cooperation agreement⁸.

Resolution of 23 May 2007 on the EC-Mexico Economic Partnership, Political Coordination and Cooperation Agreement.

Resolution of 11 October 2007 on Murder of Women in Mexico and Central America

¹ OJ C 34, 15.01.1998, p. 161.

² OJ C 167, 1.6.1998, p. 99.

³ OJ C 279, 6.5.1999, p. 404.

⁴ OJ C 377, 29.12.2000, p. 323.

⁵ OJ C 276, 1.10.2001, p. 243.

⁶ OJ C 21, 24.1.2002, p. 356.

⁷ OJ C 226, 15.9.2005, p. 19.

⁸ OJ C 45, 23.2.2006, p. 14.