



**EUROPEAN COMMISSION**

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**Open for business: The European Union's relations with Mexico in a changing world**

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Ladies and gentlemen,

I am very pleased to be with you today here in Mexico City.

I am delighted to return to this both ancient and forward looking city, this time as European Commissioner for Trade.

And I am pleased because it gives me a chance both to take stock of where we stand in the relationship between Mexico and the European Union and to think about where we wish to go next.

The links between our countries are strong and longstanding.

Mexico is a place where many Europeans have come to build new lives. Spaniards, certainly, but also French, Germans, Italians, Belgians, Polish, Portuguese and Irish people all crossed the Atlantic to these shores. This shared history contributes to our shared values about the best ways to organise our societies and, indeed, economies.

Maybe this is why our commercial relationship is so successful.

The European Union is Mexico's third largest trading partner. The flows of goods and services between our economies are worth almost 50 billion euro.

These trade links are backed up by a robust and growing investment relationship. European companies have long been significant investors in Mexico's economy. For almost fifty years Volkswagen manufactured the Beetle here. Ericsson built Mexico's first telephone network. And today EU holdings of foreign direct investment in this country amount to over 80 billion euro.

But what is most encouraging about investment flows is that now they go in two directions. Multinational Mexican companies like Cemex, Bimbo and Maseca have come to Europe, part of a current stock of over 10 billion euros worth of Mexican investments in the EU.

These strong ties help both of our economies to grow. We offer each other large export markets, as well as access to world class imported goods and services which increase the competitiveness and efficiency of our companies.

Of course, having more integrated economies also means we are more exposed to each other's ups and downs.

For example, trade went down in 2009 because of the crisis but immediately rebounded strongly.

So I can understand the genuine concern that many of our partners feel about the economic challenges that Europe is facing at the moment.

And I can assure you that European leaders are fully aware of the importance of dealing with those challenges, for our own good and for the wider world.

That's why we have already acted boldly to resolve our difficulties, and why we will keep doing so until they are resolved.

Let me give you some examples:

European Union Member States have taken and are still taking very tough decisions about spending and taxation to restore their fiscal stability. They are also reforming their economies to make labour markets more flexible and allow more competition in key sectors.

At the Union level we have put in place a vast stability fund to act as a firewall against contagion between Member States;

We have agreed on unprecedented new oversight of national budgets;

We are moving towards a full banking union;

And we are providing funding to those countries that need it.

The European Central Bank has also taken exceptional steps to shore up confidence in sovereign debt markets.

Now: This effort is not a sprint; it is a marathon. We will not finish it tomorrow. But I believe that we can already see the light at the end of the tunnel and that when we emerge from it we will be stronger.

I'm looking forward to that moment not just because of what it means for Europe's people, I'm also looking forward to it because the bad news about the crisis won't be grabbing all the headlines any more.

With all the doom and gloom it can be easy to forget our strengths. The European Union is still the world's largest market, with 500 million affluent consumers. Our GDP of over 12 and a half trillion euro is only rivalled by the United States at 11 trillion. China and Japan, the next biggest economies, are considerably smaller, at around 4 trillion.

The EU also remains the world's largest exporter, importer, source and recipient of foreign direct investment.

We have managed to hold on to our 20 % share of total world exports despite the rise of China, while Japan and the US have seen clear declines in their shares. This also holds true for the EU's piece of the cake of trade in Latin America.

We have a very strong manufacturing trade surplus of 281 billion euro, a figure that has increased five-fold since 2000 and has largely compensated for the increase in our energy bill over the same period.

The EU's surplus in services has expanded by a factor of 17 in 10 years, to stand at 86 billion euro in 2010. Our balance on agricultural products has shifted from a deficit of 3.3 billion euro in 2000 to a surplus of about 7 billion euro in 2011.

These surpluses are not there because we import less but because we export even more. In fact, our imports for the first seven months of 2012 are up by over 4% on the same period last year.

In the context of the crisis these facts can get lost. But they remain true. And they are the reason why the European Union remains an indispensable partner for any country, like Mexico, that sees international trade and investment as part of its growth strategy.

Of course, Europe also needs partners. And Mexico is an essential one.

This is first of all because of the strengths of your economy. There is the large and growing population, the steady growth that quickly recovered from the crisis, the low and declining unemployment rate and the stable prices that have allowed for low interest rates.

There are the world-beating companies taking advantage of the major markets not only to the north but also far to the east, west and south.

And there is the fact that Mexico's government policies are making it an ever more open place to do business. Trade represents nearly 70% of Mexico's GDP. Tariffs are low, at less than 6% on average. I have already spoken of how foreign investment is welcomed. And, by the measure of the World Bank's Doing Business index, Mexico continues to reform its business environment, moving up for the fourth consecutive year to the 48th position, one that is far higher than any of the BRIC countries.

So, ladies and gentlemen, there is great potential in both the Mexican and the European economies.

The question is how to make the most of it.

We already have a very successful free trade agreement. It became effective in the year 2000 and since that time, not only has our trade vastly increased it has increased by much more than our respective trade with the rest of the world.

Our investment relationship has also massively grown. More than three quarters of collective stocks in each other's economies have been invested since the agreement entered into force. And here we are talking about long term, high quality, job-creating investment.

But even with all this success there are still reasons for us to look again at this agreement. Is it still the right framework for our economic relations after twelve years of changing times?

For one thing, our economies have become more integrated - with each other and with the wider world - through global value chains. Today's products are made in an integrated series of steps across several countries, not just in one place. This means that the border barriers that do remain between our economies, though sometimes small, can still be significant. Regulatory barriers to trade are also more important in this more integrated context.

For another, international trade in services has become more significant. Many tasks that in the past were carried out within manufacturing companies are today provided from the outside as services by specialised firms. And services that in the past required suppliers and customers to be based in the same country are today more tradable because of spectacular advances in electronic communications and dropping transport costs.

Our trade agreement was one of the first to liberalise trade in services but there is scope to go much further.

Finally, the context of trade policy has changed since we did our deal at the end of the last century.

In addition to NAFTA, Mexico now has agreements with the Central American countries, Columbia, Peru and Chile. It has also recently joined the negotiations for a Transpacific Partnership and launched a new Pacific Alliance with some like-minded Latin American partners.

Europe's trade relations, particularly with the Americas, are also being transformed.

In the south, we are about to ratify new agreements with Columbia, Peru and Central America. Our businesses and citizens will be able to reap the benefits of these agreements in 2013. We are also continuing to negotiate with Mercosur.

In the north, I expect to conclude a comprehensive economic agreement with Canada very soon. And, even more crucially, it is possible that we will start talks for a deep free trade agreement with the United States, if our leaders agree on this in the New Year.

All of these agreements, both Mexico's and Europe's, go well beyond what we have in the EU-Mexico FTA. They cover the barriers to trade and investment that matter in today's globalised economy. Border barriers certainly, but also services, investment, regulatory cooperation, public procurement, and trade facilitation.

As a result we find ourselves in a paradox. Mexico and the European Union have been pioneers of transatlantic free trade but our legal relationship now risks falling behind.

That is why we need to explore how to bring ourselves up to speed.

One possible approach would be to update the agreement using its own, quite limited tools. But I fear that it will not be enough.

Instead, we should probably look at a comprehensive modernisation that includes a broad range of issues that we both want to address. This should naturally cover agriculture and services but also other issues such as investment, technical barriers to trade, and public procurement. Such a package could provide us with the right incentives to take a bold new step. We are ready to explore options with Mexico.

Before finishing, I want to make sure I mention that our cooperation does not and should not stop with our bilateral relationship.

Mexico and the European Union share important values that make us natural partners on the global stage.

In the G20, Mexico's very able leadership achieved a reinforced commitment by all members to avoid protectionist policies at this difficult time for the global economy.

In the Doha Round of talks at the World Trade Organisation we are also allies on a range of issues, from services to trade facilitation. These are two areas where there is a real possibility to advance things at the multilateral level. And I know that we will be working closely together to make sure that next year's Bali Ministerial Conference delivers significant results.

We are also partners in enforcing the WTO's rules. We have both taken action in the Dispute Settlement Body on import restrictions in Argentina and Europe has joined Mexico's textiles case against China as a third party. I am confident that both cases will be successful.

Ladies and gentlemen,

In these times of challenge and of change it is important to value your friends. The strategic partnership between Mexico and the European Union must be protected and nourished.

We must remain open for business to each other and be prepared to go further in integrating our two economies.

In doing so, we as government leaders will require the support of the wider community – both business and civil society. I hope we will have yours.

Thank you very much for your attention.