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**COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE
EUROPEAN PARLIAMENT**

Towards an EU-Mexico Strategic Partnership

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1. MEXICO ON THE GLOBAL SCENE

Mexico is one of the two largest economies in Latin America, with a population of over 105 million and a per capita income of almost \$10 000. Mexico has been a member of the North American Free Trade Agreement (NAFTA) since 1994 and has concluded a set of free trade agreements (FTA) with its major commercial partners. At present it is one of the few emerging countries to have an FTA with the US, the EU and Japan. Furthermore, it has agreements with most Latin American countries, with the EFTA countries, and with Israel. This network of trade agreements covers a very large share of its foreign trade.

Mexico is the only Latin American country member of the Organisation for Economic Cooperation and Development (OECD), which it joined in 1994. As an emerging economy, Mexico plays an important role in the OECD process of enlargement and enhanced engagement aiming at bringing other emerging economies in the overall Heiligendamm Dialogue Process. It is also an active member of the World Trade Organisation.

Mexico's macroeconomic fundamentals are in order. Its relations with the international financial institutions are almost a "model" in present-day Latin America. Mexico is one of the world's main destinations for flows of foreign direct investment (FDI). As a recipient country, Mexico has the highest stocks of FDI in Latin America (174bn EUR). Moreover, Mexico is becoming one of the very few significant Latin American sources of FDI for third countries (26.7bn EUR), the main ones being the USA, the EU and selected Latin American countries.

Mexico has gone through significant political and socio-economic changes during the last two decades and it has carried out an important process of modernization. However, the country still faces a number of major challenges. In particular, the country still has to tackle a historical problem of inequality and unsatisfactory distribution of wealth. Moreover, a north-south gap in growth and income has emerged over the last decades. This gap is contributing to generate important internal and external migration flows, the latter mainly directed towards the USA. More in general, the level of social cohesion of the country still needs to be enhanced. In addition, further progress should be achieved in areas such as governance and human rights protection at local level. Mexico is also facing a security problem represented by an aggressive wave of organized crime and rampant drug-trafficking. In the economic field, the main challenges are in the area of market competitiveness and competition, notably in key network sectors such as telecommunications, and in implementing fiscal reforms aimed at reducing the dependence of the budget on oil revenues.

These current problems and challenges which need to be faced by Mexico should not however reduce the significance of the change that the country has already undergone in the last two decades. Mexico has grown considerably at all levels, it has still an important potential to exploit and will increasingly be a relevant actor on the global scene.

A major asset for Mexico in Latin America is its strategic geographic position at the boundary with the US. Mexico is a significant political, economic and cultural player in Latin America and its role in global issues is expected to grow with time. Its economy is fully integrated in the NAFTA and the voices of its rich culture are heard throughout Latin America. Mexico truly forms a cultural, political and physical "bridge" between North America and Latin

America and also, to a certain extent, between industrialized countries and emerging ones. Mexico's "bridging" position is one of its main assets in the context of a progressive multilateral and multicultural international community. Now that the economic weight of the country is increasingly evident, Mexico is becoming more assertive and is aspiring to play a more active role in today's rapidly changing international environment.

This new assertiveness is an important development compared to the past, when, for historical and geopolitical reasons, Mexico traditionally chose to adopt a cautious attitude in international affairs. However, even in the past, Mexico has systematically stressed the importance of multilateralism - a characteristic position that has become even stronger with time. Mexico has consistently been an active and supportive member of the UN. It is the world's tenth largest contributor to the UN Budget. In fact, Mexico's financial contribution to the UN is the biggest in Latin America and it alone accounts for about 50% of the region's total financial contributions to the organization.

2. THE EU AND MEXICO

In the mid 1990s, the European Union negotiated an Economic Partnership, Political Coordination and Cooperation Agreement with Mexico, which was signed in 1997 and entered into force in 2000. This agreement – hereinafter referred to as the “Global Agreement” – provided a suitable framework for both deepening and strengthening EU-Mexico political relations (see ANNEX 1) The Agreement has three main pillars: political dialogue, trade and cooperation. It also allowed the EU to reinforce its economic and commercial positions in Mexico, which had been under considerable pressure since the entry into force of NAFTA in 1994.

As from late 2004, and building on the basis of growing EU-Mexico economic links, the EU Institutions and Mexico have decided to pool their efforts in order to intensify high-level contacts. This process culminated in April 2007 when, at the EU-Mexico Joint Council, the parties acknowledged that a major qualitative change had occurred in their bilateral relations and that mutual links were much closer. During 2007 and 2008, there were a number of high-level official visits to Mexico by different EU Member States and European Commission representatives, including a visit in May 2008 by the President of the European Commission. During the same period, President Calderón travelled twice to Europe, visited a number of European capitals and paid a comprehensive visit to the EU Institutions in Brussels in June 2007. A number of Mexican ministers also carried out extensive European tours.

Since the entry into force of the Global Agreement, and during the last few years in particular, the EU and Mexico have developed an active and frank political dialogue on issues of mutual interest. This development has generated a good atmosphere between the EU and Mexico and has created the political conditions for the establishment of a closer dialogue on global issues. In this context, the need has been felt for a wider and more ambitious political framework to be established between the EU and Mexico, in order to translate the political dialogue into an effective instrument for the coordination of positions on global issues, as well as on other issues of mutual concern, within multilateral fora and international institutions.

Cooperation is one of the pillars of the Global Agreement and, accordingly, the EU and Mexico are implementing important and innovative development cooperation activities. Policy dialogues have been launched in areas such as environment and climate change, and also social cohesion. These dialogues aim at orienting cooperation activities and, at the same time, serve as a major vehicle for coordination between the EU and Mexico on sensitive global issues. In fact, on the issue of climate change, Mexico has adopted positions that are very close to those of the EU. By the end of this year, a policy dialogue on education and

culture will most probably also be launched, building on existing programmes in the fields of youth, higher education and on cooperation instruments recently developed in the area of culture.

Mexico's considerable science and technology capacity and the diversity of its knowledge fabric make it an attractive cooperation partner for Europe. Since the entry into force of the 2004 EU/Mexico sectoral agreement on Science and Technology, scientific and technological cooperation between the EU and Mexico has increased considerably. In parallel, a number of programmes and initiatives have been launched in areas such as human rights, culture, development of SMEs, trade facilitation, etc.

The progressive strengthening of EU-Mexico bilateral relations has ultimately led the EU and Mexico to clearly identify the need to establish closer bilateral political links and, in particular, to establish a "Strategic Partnership". From Mexico's point of view, the relationship with the EU is a vital factor for political diversification and balance in its international relations.

3. THE RATIONALE FOR AN EU-MEXICO STRATEGIC PARTNERSHIP

There are a number of good reasons for the EU to have Mexico as a strategic partner. Mexico is a global player, is active in the G8 + G5 group and plays an active role in the "Heiligendamm Process"¹. Its weight and influence will probably grow with time, even beyond Latin America. The EU enjoys a rich bilateral relationship with Mexico, which has led to important results and achievements in recent years. Furthermore, the EU shares with Mexico a set of key fundamental values and enjoys close historical and cultural links.

While the Global Agreement is a bilateral instrument with impressive potential, the strategic partner status is specifically intended to derive from the capacity of a partner country to exert a significant influence on global issues. Consequently, the European Commission believes that it is a sound policy to consider all members of the G5 group as strategic partners.

In purely political terms, the stepping up of bilateral relations to strategic partner status would raise the tone and the level of the relationship and would add a new source of dynamism to our cooperation. However, the main reason for establishing a strategic partnership with Mexico consists in the opportunity of further cementing our coordination in key multilateral fora and institutions. The Strategic Partnership would signify enhanced EU-Mexico cooperation on global issues. Coordination with Mexico could turn out to be particularly useful if the multidimensional "bridge" characteristics of this country are taken into account. Mexico has developed the capacity to balance OECD perceptions with developing country concerns, and this could indeed be a useful asset for reaching consensus at global level. A closer relationship with Mexico could also facilitate the development of consensus on key regional issues between the EU and its Latin American partners.

¹ In Heiligendamm the G8 leaders and the leaders of Brazil, China, India, Mexico and South Africa - grouped in the Outreach 5 (former O5, now G5) decided to initiate a new form of a topic-driven dialogue in a formalized and structured manner. This dialogue named since then, *Heiligendamm Process* aims at reinforcing **common understanding** about crucial areas of the **global economic governance** and to develop common grounds and practical steps forward in a **joint effort to better shape globalization**. The G8 +O5 decided to deal in this dialogue process with four issues: **Innovation and Intellectual Property Rights** (promoting and protecting innovation) **Investment and Social Responsibility** (promoting cross border investment and responsible business conduct); **Development** (common understanding, aid effectiveness); **Energy Efficiency** (sharing knowledge for improving energy efficiency and technology cooperation with the aim to contribute to reducing CO2 emissions).

In the multilateral context, the EU and Mexico should therefore aim at developing a common understanding on global and regional issues and jointly take practical steps in an effort to better shape globalization.

4. THE STRATEGIC PARTNERSHIP: A TWO-LEVEL MECHANISM

In consideration of the above, the main objective of the Strategic Partnership will consist in having Mexico and the EU act as global allies in all key multilateral fora and institutions.

In practical terms, the Strategic Partnership will have implications at two levels. First, it will enhance EU-Mexico coordination at the multilateral level on global issues. Secondly, it will lend additional political impetus to the development of bilateral relations and initiatives.

Consequently, the Strategic Partnership will function on the basis of a self-reinforcing two-level mechanism: bilateral dialogues and cooperation will be conducted as part of the legal and operational framework of the existing agreement, and will be strengthened by the newly established political framework and by the dynamics that will result from it. These dialogues and cooperation will create proximity and facilitate exchanges among experts, civil servants and policy-makers. This, in turn, will foster coordination on global issues in the corresponding areas.

In the new political context created by the Strategic Partnership, the EU and Mexico will have more opportunities to deal in depth with sensitive issues, even domestic ones. This will better enable the parties to pursue - with increased energy - the safeguarding of shared values, such as human rights, democracy, rule of law, good governance and legal security.

5. THE ADDED VALUE: EU-MEXICO COORDINATION ON GLOBAL ISSUES

The EU and Mexico already share values, perceptions and visions. From the EU perspective, Mexico is a “like-minded country”. In multilateral fora, Mexico on many occasions tends to adopt positions that are very close to those of the EU. The Strategic Partnership should help in further reinforcing this tendency, by providing a strong political framework and thus enhancing dialogue and coordination between the EU and Mexico.

The Strategic Partnership with Mexico, more than aiming at establishing a common agenda or at producing a specific action plan, will favour the adoption of a methodology for consultation and coordination. It should lead to the emergence of a new mutual sensitivity, causing the parties to pay due attention to their respective interests and concerns, on every occasion in which positions around global issues are at stake.

On global issues we are facing an evolving agenda. In recent years, the international community has had to confront a succession of issues of global concern, from terrorism to climate change, from international financial market volatility to increasing oil and food prices, etc. Rather than simply listing the areas for cooperation, what matters at this stage is to cultivate the habit of consultation and coordination, to develop the reflex of taking respective views and concerns into account during the elaboration and adoption of positions on specific global issues. There are several global issues on which the need for effective EU-Mexico coordination is already clearly felt and where, in various cases, some coordination is already being established under the existing Agreement. However, for the reasons explained above, this list is not and cannot be exhaustive. At present, the main areas to be highlighted for coordination are the following:

1. *Political issues*, such as multilateralism, democracy, human rights, rule of law, cultural dialogue, Latin America, regional integration, Rio Group;

2. *Security issues*, such as the fight against terrorism, failed states, organised crime, drug and human trafficking;
3. *Environmental issues*, such as climate change, natural disasters, fight against overexploitation of fish stocks;
4. *Socio-Economic issues*, such as development policy, investment and social responsibility, innovation and intellectual property rights, open markets, social policies, decent work/social protection, migration, poverty, global macro-financial stability, good governance in the tax area, energy security, sustainability and improved efficiency, food prices, fisheries, maritime policy and ocean governance, transport issues of common interest.

6. POSITIVE IMPACT ON BILATERAL ISSUES

The new political dynamism generated by the establishment of an EU-Mexico Strategic Partnership, is expected also to have a positive impact on specific EU-Mexico bilateral issues. Progress is to be expected in particular in areas such as social and economic cooperation, cooperation in human rights, cultural exchanges, cooperation in the fields of education, trade, competition and civil aviation. It should also help to better exploit the potential in the trade and investment area offered by the Global Agreement.

7. INSTITUTIONAL ARRANGEMENTS

The existing institutional structure established in the framework of the EU-Mexico Global agreement has proved itself viable and effective. Many advances have been achieved within this structure, which have culminated in the present good level of relations.

The Strategic Partnership should inject a new spirit into the workings of the existing framework. The parties should refrain from creating additional committees and structures unless it is really necessary. *Joint Councils* and *Joint Committees* are suitable mechanisms for coordination. The only changes to be introduced after the entry into force of the EU-Mexico Strategic Partnership would be adaptations of the agendas in order to devote additional space to coordination on relevant global issues. Furthermore, in order to ensure continuity and proper follow-up, a "lean" permanent mechanism of direct dialogue at senior official level should be established within the Joint Committee. The possibility should also be left open to call specific *ad hoc coordination meetings*, whenever there is a need to coordinate the positions to be adopted in international fora.

EU-Mexico *Summits* at Presidential level should continue the existing practice and be held every two years, and should be institutionalized. Their agenda and duration should be expanded to enable an exhaustive political dialogue to take place and to guarantee appropriate political coordination on the relevant issues of the moment.

Apart from the institutionalization of the EU-Mexico Summits, the main change to be introduced would therefore essentially consist in the development of more frequent exchanges at operational level. EU and Mexican Ambassadors should adopt the habit of having more frequent contacts in the host countries, even when they are posted outside Latin American or European regions. Ambassadors, Head of Missions and experts posted in UN capitals should be particularly concerned with coordination with a view to UN fora and debates. With time, dialogue at embassy level between diplomats and between experts on specific issues, would generate more acquaintance and would be conducive to the adoption of a "likeminded" approach to problems in the long run. This also applies to contacts and exchanges at civil servant or expert level in the framework of the existing EU-Mexico cooperation.

8. CONCLUSION

On the basis of the considerations and arguments presented above, the Commission therefore recommends the establishment of a Strategic Partnership between the European Union and Mexico.

ANNEX 1
THE EU AND MEXICO LEGAL, INSTITUTIONAL
AND OPERATIONAL FRAMEWORK

In legal terms, bilateral relations are governed by the Global Agreement, which institutionalizes a regular, high-level political dialogue. Mexico and the European Union have two fora in which their relations can be, coordinated, monitored and given political impetus: the *Joint Councils* at Ministerial level, which take place every two years and the *Joint Committees at Vice-Ministerial* or senior official's level, which are held once a year.

Furthermore, in order to raise the political profile of their bilateral relations and to maintain regular contacts at the highest level, the EU and Mexico have established the practice of holding *Presidential Summits* every two years.

The EU and Mexico have also established an active inter-parliamentary dialogue in the framework of the EU-Mexico Inter-Parliamentary Joint Committee, which meets twice a year.

The Global Agreement has created a comprehensive free trade area between Mexico and the EU, covering trade both in goods and services. In the years following the entry into force of the Agreement, bilateral trade between the EU and Mexico grew by more than 100 %. As a consequence, Mexico has become one of EU's most important commercial partners in Latin America, with significant growth potential. The EU is Mexico's second trading partner after the USA.

Apart from trade, the EU-Mexico Global Agreement covers a broad spectrum of economic issues. EU foreign direct investment flows have increased by 120% and the EU is now the second major investor in Mexico after the United States. A new Framework agreement between Mexico and the EIB was signed in 2006 and it provides the framework for cooperation in the infrastructure and environmental fields.

In addition, the agreement contains a number of review clauses aimed at further liberalizing trade relations between EU and Mexico in the areas of services, investment, and agricultural goods. In November 2004, the Parties agreed to start negotiations to fulfill these arrangements. Once these negotiations are completed, they will provide a more dynamic environment for business operators and will usefully complement the existing market access possibilities.

The EU and Mexico have established active development cooperation. For the period 2007-2013, taking into account that Mexico is now an upper middle income country; an indicative allocation of € 55 million has been earmarked under the DCI (Financing Instrument for Development Cooperation). Three focal sectors of cooperation have been identified: Social Cohesion; Sustainable Economy and Competitiveness; and Education and Culture. These three focal sectors are tied with different cross-cutting issues to be mainstreamed, in particular Human Rights, Gender issues and Environmental issues. Cooperation between EU and Mexico is centered on the innovative instrument of policy dialogues and its aim is to provide a qualitative contribution and support to Mexico's development through the exchange and transfer of relevant experiences and best practices to be adapted to specific local conditions. A Memorandum of Understanding (MoU) was signed on 6 June 2007 to enable the implementation of cooperation for the period 2007-2013.

ANNEX 2

Official Name:	United States of Mexico
Capital:	Mexico City (Distrito Federal)
Surface area:	1,972,55 km ²
Population :	105,790,725 (2007)
Official language:	Spanish / 56 indigenous languages
Currency:	Peso
Nature of the State:	Federal Republic
Administrative divisions:	31 states and 1 federal district
Head of Government (President):	Felipe Calderón (PAN)
Presidential and legislative elections:	Legislative July 2009 - Presidential July 2012
GDP per capita :	USD 9669 (2007)
GDP total	USD 1022,93 billion
GDP growth :	3,2 %
Inflation	3,8 %