Global Trade Gridlock in the EU-Mexico Relationship

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Introduction

Extensive asymmetries, geographical distance, and limited interdependence define the context of the bilateral relationship between the European Union (EU) and Mexico. Nonetheless, both parties have sought to develop practices and institutions that allow them to increase their political and economic interconnections. Since the early 1990s, the EU and Mexico have dealt with the changing global context and adapted their relationship to the new circumstances. Two salient moments have defined the relationship in the past three decades. The first moment starts with the end of the Cold War. It continues with the ascent of neoliberalism, ushering in a new era of international cooperation defined mainly by free trade agreements (Dominguez and Crandall 2019). While the EU embraced the 1993 Maastricht Treaty and Mexico walked on a new path to economic and political development, both parties negotiated and concluded the 1997 Global Agreement (GA), the first of its kind between the EU and a Latin American country. The GA stamped the next two decades of an EU-Mexico relationship characterized by a convergence in visions of public policy, and later, in 2008, Mexico became the second EU Strategic Partner in Latin America. Shifts in the international order have marked the second moment since the late 2000s: the 2008 financial crisis, the rise of China in global trade, the technological revolution, and questions about the durability of US global leadership. To face such a context, the EU has reinforced its role as the preeminent actor for free trade and liberal values, Mexico has worked to consolidate its economic and political stability, and both parties have agreed to modernize the GA in 2018.

One of the main goals of this paper is to explain and discuss the complexity of EU-Mexican trade relations, considering the challenges the global trade system is facing today. After reviewing the literature about the study of the EU-Mexico relationship and the contribution of the gridlock concept to explain its existence, this paper examines three significant points in the EU-Mexico relationship. First, it provides a contextual overview of the main trends of the world trade system and the potential effects on Latin America. Second, it explains the conditions that facilitated the negotiation of the GA., its evolution, and the subsequent Strategic Partnership (SP). The final section will discuss the rationale for the modernization of the GA and some of its unique details.

1. Global Trade Gridlock in the EU-Mexico Relationship

In contrast to the prolific scholarship addressing the theoretical debates and interpretations of EU external relations in geographical areas where there is a significant level of interdependence, such as relations with Russia or the United States, the literature regarding EU-Mexican relations has been more empirical and policy-driven than theoretically grounded. Potential explanations for such an empirical orientation could be derived from the low level of interdependence, asymmetries in political and social development, geographic distance between the EU and Mexico, and the outsized influence of the United States in Mexico. Four interrelated trends emerge within the existing literature, summarizing the rationale for the continued, expanding relationship between the EU and Mexico (Dominguez and Crandall 2019).

The first trend is based on a growing preference to diversify Mexican external relations to offset the dominant role of the United States. Several authors (Peña Guerrero 2008, Chanona 2008) argued that the diversification of external economic ties opened new opportunities for Mexico. Still, the tangible impact was limited because domestic economic actors were not ready to compete in the new environment generated by the implementation of new FTAs. Considering the Trump Administration's contestation of NAFTA and Mexican migration, the EU reappears as an obligatory reference point for Mexico's diversification intentions (Ruano 2018b). The second trend in the literature highlights the role of the institutionalization of the EU-Mexican relationship as a pivot for reinforcing the modernization process of the Mexican political system; the liberalization of the economy; and the strengthening of social inclusion and democratic governance (Peña Guerrero 2008, Dominguez 2008, Oberda Monkiewicz 2017).

A third complementary trend focuses on neo-liberal institutionalist perspectives and the absolute gains approach. The EU-Mexico relationship can be considered an exemplar of the absolute gains approach, where both parties pursue differentiated interests that do not necessarily collide or compete, ultimately incentivizing cooperation. In contrast, the relative gains approach employs the zero-sum game logic where one party wins and the other loses; hence conflict inhibits cooperation (Dominguez 2003). Consistent with the absolute gains approach, when a conflict of perspectives emerges, it can be remedied through bilateral negotiation (Espana Arrieta 2007). The fourth trend of the literature stresses the relevance of Mexico as an integral piece in the EU strategy toward Latin America (Chanona 2008). This perspective considers that Mexico and the EU share a vision in favor of free trade and the multilateral rules-based system of the World Trade Organization (WTO), which was strongly questioned by the Trump Administration (Ruano 2018b).

This paper adopts a different approach to explaining the EU-Mexico trade relationship. Rather than focusing exclusively on the rationale of action within the bilateral relationship, the paper observes the Modernized Global Agreement (MGA) negotiation as a mechanism to counterbalance three factors: a decade of global economic slowdown; contestation of the international liberal order; and the emergence of economic nationalism. Based on the analytical framework developed by Thomas Hale and David Held (2017), the central argument is that after a long period during which global governance mechanisms were regularly constructed, the international community has experienced a period of gridlock, which is defined as "the inability of countries to cooperate via international institutions to address policy problems that span borders" (Hale and Held 2017: 3). Following Hale and Held, the gridlock identifies four specific trends that make global governance more difficult in the twenty-first century: increasing multipolarity, more complex problems, institutional inertia, and growing fragmentation (Klasen 2017). Their argument indicates that global governance is not static and takes place simultaneously in different sectors and levels of societal organization. Actors in global governance move "through" and "beyond" gridlock. These terms refer to positions along the continuum of change in the outcomes of interests. "Through connotes incremental yet significant improvements… and beyond, in turn, refers to more fundamental transformation" (Klasen 2017: 12). In other words, "The existence of pathways through gridlock means that a positive difference can be made by bolstering resilient areas of governance and creatively seeking incremental progress… Moving truly beyond gridlock will require far-reaching and radical changes…" (Klasen 2017: 252).

Under the gridlock perspective, this paper argues that the 2000 GA came into force when the international trade system was experiencing a profound transformation with the creation of the WTO and the proliferation of FTAs. The global trade system and the GA with it were moving beyond the gridlock of the trading system derived from the Cold War. On the other hand, the 2018 MGA was negotiated under an international context where the global trade environment was affected by polarizing perspectives and rising trade powers: the BRICS, the increasingly important role of south-south trade, regional initiatives to advance trade liberalization, lack of hope for the conclusion of the Doha Round, and numerous non-tariff barriers (Klasen 2017: 73-74). Hence, following Hale and Held, the MGA is a pathway through gridlock in light of the gridlock in the global trade system of the 2010s. In other words, while "the global trade landscape suffers from extensive gridlock…. at the same time, elements of the trade regime have proven remarkably resilient and adaptive" (Klasen 2017: 80), and the MGA is a mechanism of adaptation and resilience to the advance the free-market liberal agenda between the EU and Mexico.

2. Dealing with the Global Trade Gridlock

The 2008 financial crisis and its aftermath left an enduring imprint on the global trade system. Recovery has been far from satisfactory, and the international trade growth has remained erratic for more than a decade. While the 4.6 percent growth in 2017 merchandise trade volume suggested a departure from the damage inflicted by the 2008 crisis, such expectations were quickly undermined with only 3 percent growth in 2018 and 2.6 percent growth in 2019 (Azevedo 2019). Global trade was further affected by the pandemic and the recovery has been uneven across regions of the world. In addition, nativist or neo-mercantilist trade perspectives have fanned the flames of uncertainty (Brexit and US unilateral tariffs) in the global trade system and perpetuated the lack of interest in concluding the Doha Round, which predated the 2008 crisis.

Against this background, explaining the global trade system based only on sluggish global trade growth, neo-protectionist perspectives, and the Doha Round stalemate would forecast a catastrophic future. Altogether, the combination of these three elements renders negative inputs and outputs for the global trade system. However, to assume trade actors would remain passive in the face of these challenges is inaccurate and would obscure the analysis. In fact, in prior times of uncertainty, governments worldwide have recalibrated their trade strategies and delivered various policy responses that have stimulated global, regional, and bilateral actions. Likely, this time is not different (Gomez Arana, 2022).

Despite the Doha Round collapse, the WTO is still the only organization overseeing global trade rules. WTO regulations cover around 98 percent of international trade and provide the mechanisms for countries to monitor and review each other's trade policies and the means to settle any disputes that may arise. Even during the Doha impasse, the WTO has struck significant agreements over the last few years, including the Trade Facilitation Agreement, the expanded Information Technology Agreement, and the deal to abolish export subsidies in agriculture (Azevedo 2019).

While the progress led by the WTO is far from its members' expectations, states have found alternative arrangements to advance their trade interests, sometimes complementary but also often in opposition to the global trade system. As indicated by Griller, Obwexer, and Vranes (2017), the rationale for the action of states to launch mega-regional, interregional, and bilateral agreements is based on some negative incentives such as the collapse of the Doha Round, the existing WTO rules that are perceived as being unsatisfactory as they often tend to reflect the lowest common denominator, and trade obstacles due to regulatory issues (behind the border measures). On the other hand, the main affirmative reasons propelling governments to enter into more reduced membership arrangements include improving preferential access to new markets; implementing economic stimulus in an era of tight budgets; upgrading "old" agreements; achieving higher ambition agreements; addressing current issues and creating potential precedents for future multilateral agreements; and improving competitiveness (Schwab and Bhatia 2014).

While the proliferation of bilateral and trilateral agreements mushroomed after the early 1990s, megaregional agreements also became part of the trade strategies toolbox in the late 2000s. Rather than the number of members, megaregional agreements increase their leverage in regulations and negotiations of the global trade system. Meléndez-Ortiz (2014) defines them as "deep integration partnerships between countries or regions with a major share of world trade and foreign direct investment (FDI), and in which two or more of the parties are in a paramount driver position, or serve as hubs, in global value chains" (Meléndez-Ortiz 2014: 13). Beyond market access, partnerships emphasize the quest for regulatory compatibility and a rules basket to iron out differences in investment and business climates (Meléndez-Ortiz 2014). In other words, beyond trade barriers, which are already low, mega-regional agreements are seen as necessary to advance the agenda on trade in services, investment, and regulatory cooperation, which is considered unmanageable at the multilateral WTO level. In particular, the EU and the US seek to establish, through mega-regional agreements, the core of future global regulatory standards by producing a global cascade effect and also setting a precedent for potential WTO reforms and negotiations (Griller, Obwexer, and Vranes 2017).

The Transatlantic Trade and Investment Partnership (TTIP) and the Trans-Pacific Partnership (TPP) were emblematic of the ascending wave of megaregional agreements. Others (Griller, Obwexer, and Vranes 2017) also consider that the Trade in Services Agreement (TiSA) is a sectoral megaregional agreement to reform international trade governance and bring about preferential commitments on trade in services between the three largest services markets in the world (EU, US and Japan) that potentially could be incorporated into the WTO/GATT agreement. The success of megaregional trade agreements was affected by the withdrawal of the United States. Yet, other significant regional agreements were also revisited and modernized in the second half of the 2010s. Three agreements are significant for the EU-Mexican relationship due to the membership of one of the parties or the potential effects on the modernization of the GA: NAFTA-USMCA, TTP-CPTPP, and TTIP.

Regarding the transition from the North American Free Trade Agreement (NAFTA) to the United States-Mexico-Canada Agreement (USMCA), presidential candidate Donald Trump and later under the Trump administration, the renegotiation of NAFTA was a top priority. Negotiations started in August 2017 and included some of the following areas: improving rules of origin for automobiles, trucks, other products, and disciplines on currency manipulation; modernizing and strengthening food and agriculture trade in North America; supporting new protections for intellectual property; and new chapters covering digital commerce, anti-corruption, and good regulatory practices (Office of the United States Trade Representative 2019). The final document of the new USMCA was signed in November 2018 and entered into force in July 2020. On the other hand, President Donald Trump withdrew the United States' participation in TPP in January 2017 and put on hold on the mega-regionals proposed by the Obama administration (Crespo 2018). Nevertheless, the other eleven[1] TPP parties embarked on negotiations towards entering into a Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) based on the TPP text. The CPTPP was signed in March 2018 and came into force on 30 December 2018. It incorporates TPP's text generally and suspends only 22 provisions from the original TPP agreement (New Zealand Foreign Affairs and Trade 2019). Finally, the TTIP negotiations were launched in 2013 and discontinued talks in 2016. In April 2019, the Council of the EU decided that the negotiating directives for the TTIP were obsolete, and the EU should pursue a more limited agreement with the United States covering the elimination of tariffs on industrial products only and excluding agricultural products (Council of the European Union 2019).

Latin American countries have implemented different strategies to address the slow global trade growth and the reorganization of trade groups. The interregional relationship between the EU and Latin America has been primarily conducted on a bilateral (EU-Mexico or EU-Chile) or sub-regional (EU-Central America or EU-MERCOSUR) basis. In contrast, the region-to-region dialogue has experienced a 'summitry fatigue,' particularly after the 2017 EU-CELAC summit postponement, which has opened a discussion about an interregional *rapprochement* Ruano (2018a) argues. Regarding mega-regional agreements (CPTPP and TTIP) on Latin American countries, the responses have varied depending on whether each country has trade agreements with CPTPP or TTIP parties and how vital those markets are for their exports (Leycegui 2014). In the case of the CPTPP, three groups can be identified: first, countries that are part of CPTTP (Chile, Mexico, and Peru); countries that have FTA agreements with the US and have increased the presence of Asian trade (Central America and Colombia) and hence may seek negotiations with the CPTPP to offset adverse effects and trade deviation; and other Latin American countries that are less dependent on the US and have a relatively small trade relationship with TPP Asian countries finding CPTPP less attractive (Leycegui 2014). Regarding the TTIP, negotiations were suspended in 2016 and later diluted to include simple tariffs negotiations in 2019. While the

[1] Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.

potential effect of the TTIP on Latin America could have been in the area of regulations, the diluted EU-US negotiations will very likely produce some trade deviation in the area of agriculture.

All in all, megaregional agreements and gridlock in the global trade system are a moving target for Latin American countries. The international trade variable geometry can change by adding the membership of FTAs and finding coordination strategies between the regulatory norms of various trade arrangements. For instance, in the case of this paper, Mexico is part of the CPTPP and NAFTA/USMCA, while the EU is negotiating lowering tariffs with the United States. The ripple effect on the EU-Mexico relationship is mainly related to the inclusion of new topics not included in the 1997 GA, the adaptation to potential trade deviation, and the innovation to reinvigorate regional chains of production. Baldwin (2014) argues that excluded trade actors (EU or Mexico in this case) could also include autonomous trade reforms, seek membership in mega-regional agreements, or initiate negotiations with other important trading partners, enabling them to raise the competitiveness of their productive apparatus.

3. The GA and the Consolidation of the Mexican Open Trade Model: Moving Beyond Gridlock

The combination of the 1990s global trade context and the alignment of EU and Mexican public policies led to the negotiation and implementation of the GA. From the perspective of this paper, actors in global governance move “beyond” gridlock when they experience a fundamental transformation in norms and implement far-reaching changes. Five main incentives advanced the negotiations of the EU-Mexico GA. First, the end of the Cold War was a transformational historical event that produced a debate regarding the most conducive models for economic growth in general and global and regional trade, which led to the proliferation of free trade agreements worldwide. Second, the creation of the WTO was symbolic of the direction of the global trade system. Third, NAFTA's prospects and eventual implementation produced uncertainty in the EU and motivated European economic and political actors to reduce potential losses due to NAFTA. Internal transformations in Europe and Mexico also strengthened the impetus to negotiate a GA, the fourth and fifth incentives. As Torrent and Polanco (2016) indicate, the European Commission (EC), either on its own or jointly with its Member States, developed a strategy to negotiate bilateral agreements with several countries and regions, including Latin America. There was growing consensus within the EC to provide more structured and coherent EU external relations in light of the geopolitical transformations of the early 1990s and to move forward with the EC's initiative to negotiate a new round of agreements with Latin America, first with MERCOSUR as a whole, and then with Chile and Mexico (Dominguez and Crandall 2019).

The radical internal transformation of Mexico allowed the EU to look for an enduring partnership with Mexico in the mid-1990s. The Administration of Miguel de la Madrid Hurtado (1982-1988) shifted the Mexican economic model from a protectionist model to a liberalized model by acceding to the GATT. The Administration of Carlos Salinas de Gortari (1988-1994) cemented Mexico's economic liberalization by embracing the open regionalism model. The main premises were opening new markets for Mexican products, attracting foreign investment (Villarreal 2017), and deepening the process of economic modernization and trade liberalization (Zabludovsky and Lora 2005). The transformations in Mexico incentivized the EU to deepen the relationship with Mexico, and in 1995, both parties signed the Solemn Joint Declaration (also known as the Paris Declaration), which paved the way for formal negotiations, ultimately leading to the GA of 2000. The EU and Mexico signed the Economic, Political, and Co-operation Agreement (Global Agreement) in Brussels in December 1997 and officially entered into force in October 2000. It was implemented in two phases: the trade in goods portion entered into force on 1 October 2000, with the liberalization of services and investment and cooperation in the intellectual property domain on 1 March 2001, after Decision 2/2001 of the EU-Mexico Joint Council.

The implementation of the GA opened new and numerous avenues of cooperation between the European Union and Mexico. While the GA is one of the most developed and comprehensive mechanisms of EU foreign policy, the EU-Mexico Strategic Partnership (SP) reinforced the bilateral negotiation. In contrast to the GA, the SP is an EU instrument designed to deepen cooperation with key partners and ensure liberal values and interests at the global level (Cîrlig

2012). In 2008 Mexico became the second country in Latin America, after Brazil, to become a Strategic Partner of the EU. While the main framework of the economic, political, and cooperation relationship is based on the GA, the SP has enhanced bilateral dialogue. To guide the EU-Mexico relationship, the SP Joint Executive Plan indicates that both parties agree to work together on issues of common interest at the bilateral, regional, and multilateral levels on global issues of common interest. Illustrative of the need to avoid duplication, the SP Joint Executive Plan also indicates that the SP will use the institutional structure of the GA to promote bilateral dialogue rather than producing new structures (Council of the European Union 2010). The GA and the SP have institutionalized practices of permanent communication and mutual commitment to good governance between the EU and Mexico. Informal and formal mechanisms allow for monitoring policies, exchange of experiences, and adapting diplomatic and cooperation instruments to the evolving challenges of the bilateral relationship.

The GA has increased trade volume and offered the EU and Mexico an instrument to deal with regional and global transformations. Yet, the pace of bilateral trade growth has slowed down in the past decade due to a combination of numerous factors: the slow economic growth in Mexico and the EU after the 2008 “Great Recession”; the stalemate of the WTO global negotiations; the increasing trend of economic populism in some countries resulting in the contestation of market liberalization: and the dominant presence of China in the global economy.

Despite these external forces, trade relations have grown more than 300 percent since the EU-Mexico FTA was established in 2000, with bilateral trade reaching a record of €61.8 billion in 2017 and trade volume growing each year since 2014. The EU represented 8.8 percent of Mexico’s total trade in 2017 and was its third trade partner, after the United States (62.3 percent) and China (10 percent). From the European perspective, Mexico was the twelfth largest trade partner of the EU and represented only 1.7 percent of its total trade. The trade balance has consistently favored the European Union - between €7.1 billion in 2003 and €14.1 billion in 2017. In the case of services, EU exports amounted to €9.8 billion and imports to €5 billion in 2016 (DG Trade 2018).

Mexico’s most significant exports to the EU (value) are machinery and transport equipment (automotive products and office and telecommunications equipment, a combined €8.1 billion) and petroleum products (€3.4 billion). The EU's largest exports to Mexico are machinery and transport equipment (€19.9 billion) and chemicals (€6.2 billion). Agriculture and fisheries products received considerable attention during the negotiation of the GA., despite trade in this sector only totaling €2.8 billion (DG Trade 2018). The trade balance in the agricultural sector between the two parties has oscillated, with Mexico achieving a slight advantage since 2014. Agriculture also performs the most parity of any industry. The GA provided a 10-year window after which all tariffs on agri-food products were eliminated. In 1999 only 8 percent of EU agri-food products could enter Mexico free of tariffs. By 2009 the percentage had climbed to 64 percent (Copenhagen Economics 2016).

While FDI benefits the investor and the recipient, the flow of FDI is significantly higher from the EU to Mexico than in the reverse direction. From this perspective, as often occurs with FTAs, one of the expectations is that the flow of FDI from the more to the less developed economy will produce jobs and contribute to increasing living standards. This premise also applies to the case of EU FDI flows to Mexico. In 2016 total accumulated FDI between Mexico and the EU was nearly €180 billion, with the balance heavily in favor of Mexico. €137 billion flowed to Mexico, primarily directed to manufacturing, transportation, and construction, followed by the retail/wholesale trade and financial services (European Commission 2018d). The EU is the second-largest investor in Mexico in various sectors and represents around 37 percent of total FDI in Mexico. For example, German companies employ more than 120,000 people in Mexico. German carmakers such as Audi, BMW, Daimler, and Volkswagen continue to invest billions in opening factories in Mexico, generating thousands of jobs for skilled workers (Konrad 2015). In 2015, the largest European investors in Mexico were Spain, Germany, Belgium, Italy, and France (Mexican Representation to the EU 2017).

From the political perspective, Mexico and the European Union have created a high-level political dialogue and eight sectoral dialogues on climate change, the environment, macroeconomic issues, human rights, security and justice, higher education, the digital agenda, and energy. The high-level political dialogue is the most important type of dialogue featured in the SP, and as of 2018, it had convened five times. These meetings, attended by high-ranking officials from both parties, at the level of deputy minister (Mexico) and secretary-general (EU), exist to review the most significant aspects of the bilateral agenda (SRE 2018a). International and regional issues have also been examined in the political dialogue, including exchanges of views about Iran, Syria, the situation in the Middle East, relations with strategic partners, and the EU's and Mexico's regional contexts.

Each sectoral dialogue is significant in its own capacity. Still, some are more visible due to immediate social needs and difficulty - particularly on behalf of the Mexican government - in raising the performance and effectiveness of existing oversight frameworks. The High-Level Dialogue (HLD) in Human Rights, and Security and Law Enforcement are two examples of sectoral dialogues where Mexico has struggled to make significant progress. Human rights have been an essential and sensitive item on the bilateral agenda for several years. EU annual reports on human rights consistently indicate that Mexico faces considerable challenges in security and human rights, despite substantial efforts made to strengthen further the country's legislative framework (EEAS 2017a). These challenges include cases of torture, forced disappearances, extrajudicial killings, threats, and attacks against high-ranking diplomats and journalists, femicides, high levels of impunity and corruption, and infiltration of state institutions by organized crime (EEAS 2017b). Structural deficiencies in the justice system cannot lessen impunity, and Mexico ranks among the countries with the highest levels according to the 2017 Global Impunity Index (IGI) (Le Clercq Ortega and Rodríguez Sánchez Lara 2017). The observation of human rights in the EU-Mexico agenda was a priority area even before implementing the GA. As of 2018, the HLD on Human Rights has held eight annual meetings (EEAS 2018).

Another critical dialogue is the HLD on Security and Law Enforcement, which was held for the first time in 2011, s a result of increasing levels of violence in Mexico. During her visit to Mexico in May 2016, Federica Mogherini, High Representative of the Union for Foreign Affairs and Security Policy, and Vice-President of the EC, attended the second HLD on Security and Justice. Her visit was symbolic because it revealed that security and law enforcement are among the most critical areas of the bilateral relationship. While acknowledging the progress made in Mexico, her remarks during the meeting were firm regarding the shared security concerns and the urgency to work together in the areas with potential for further cooperation (Delegation of the EU to Mexico 2016).

Cooperation in development is the third pillar of the GA and has been a very dynamic area of the EU-Mexico agenda. Two significant transformations have reshaped bilateral cooperation in development. First, changes in the EU development policy produced a differentiated approach where countries achieving middle-income country status would no longer be eligible for EU bilateral aid, only regional and thematic aid. Thus, given Mexico's status as a graduated country, the EU development partnership with Mexico for 2014-2020 no longer includes EU bilateral funds. Second, over the past two decades, Mexico has strengthened its dual nature as a recipient and provider of development cooperation through institutionalizing this approach with the creation of the Mexican Agency for International Cooperation for Development (AMEXCID).

Mexico has not been eligible for bilateral assistance since 2014. However, the main bilateral program under the 2007-2013 EU Country Strategy for Mexico was signed in November 2013 (Social Cohesion Lab, phase II) and maintained activities with 26 critical institutions in Mexico until 2018. Moreover, Mexico remains eligible to receive funding from several EU programs/instruments, such as the Development Cooperation Instrument (DCI), thematic programs; such as the Partnership Instrument (PI), and the European Instrument for Democracy and Human Rights (EIDHR). These programs are all continental programs for Latin America and external components of internal instruments (European Commission 2018c). The current overall development cooperation portfolio for Mexico represents some €100 million in grants leveraging an additional €40 million from Mexican institutions and close to €1 billion in development bank loans. Ongoing bilateral programs include actions co-financed by Mexican institutions and coordinated by AMEXID in the field of social cohesion (€42 million), economic innovation and competitiveness (€18 million), and culture (€5,6 million) (European Commission 2018c).

As a result of the bilateral convergence of approaches to cooperation in development, the EU and Mexico started sharing best practices, knowledge, and expertise to strengthen capabilities in developing countries - particularly in Central America and the Caribbean. In December 2018, as the Mexican President Andres Manuel Lopez Obrador (2018-2024) presented 'The Plan for Comprehensive Development to Central America', for which the EU Ambassador to Mexico expressed support and indicated the EU would seek to align its programs in the region to contribute to the Mexican President's initiative (SRE 2018b).

4. The Modernization of the GA: Innovating and Moving Through Gridlock

The First CELAC-EU Summit in Santiago, Chile, in 2013, was the formal starting point for exploring the potential modernization of the GA. with Mexico, in particular its trade pillar (Secretaria de Relaciones Exteriores 2019). The changing circumstances of the global economy and the increasing limitations of the GA led the former President of the European Commission, Manuel Barroso, former President of the European Council, Herman van Rompuy, and former Mexican President, Enrique Peña Nieto, to agree to the review and update the Mexico-EU bilateral legal framework. The EU-CELAC Summit held in Santiago was also significant because the leaders of the EU and Chile also agreed that they should explore options to modernize their Association Agreement (European Commision 2017). However, the pace of the negotiations to update the agreements with Mexico and Chile has been different. While the talks for the modernized EU-Mexico concluded in April 2018, the EU and Chile reached the fourth round of negotiations by April 2019.

In a context of a global trade system facing a gridlock, to follow the argument of this paper, the modernization of the GA. is significant because it reflects the political will of the EU and Mexico to provide an updated legal framework for areas of common interest that 1) were not included in the GA, 2) were contemplated in a limited way, 3) needed to be adapted to internal transformations in Mexico, the EU, and the international arena (Del Río and Saavedra Cinta 2018). The global factors that incentivized the EU-Mexico plans for modernizing the GA ranged from the urgent (such as the revolution in digital technology) to subtle (such as shifts in the international balance of power). The norm-based liberal international order established by the US, which is currently being challenged by populist politics and trade policies, and the rising influence of China's economic expansion represent two of the most important incentives for the EU and Mexico to forge a common front (Ruano 2018c). Additionally, transformations in international value chains, where trade and foreign direct investment are increasingly important, were a significant factor in revisiting the EU-Mexico mechanisms for investment protection, regulatory cooperation, and sustainable development, among others (Del Río and Saavedra Cinta 2018). A more positive incentive for the modernization of the GA is the legal and technical innovations of other comprehensive agreements concluded since then by the EU or Mexico after the 2000 GA, such as the Comprehensive Economic and Trade Agreement (CETA) or the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPATPP). Also, EU trade with Mexico faces increased competition from third countries, such as China and other Asian countries (European Commission 2015).

After preparatory work was completed, formal negotiations to modernize the GA. were launched in May 2016, ending in April 2018. The expectation was that negotiations would be completed within a year, and nine rounds were required to address the main areas of discussion (Rodríguez-Piñero Fernández 2018). The table below presents the sequence of the main achievements in each negotiation round. Similar to the negotiation process of the original GA, the talks were complicated but not highly contentious: 40 negotiation proposals were submitted by the EU (Harte 2020), with disputes arising in a variety of areas. The Members of the European Parliament and civil society organizations repeatedly expressed their concern for Mexico's ability to respect human rights and deter the rising impunity related to drugs and migration.

Negotiation of the Modernization of the GA EU-Mexico	
Round of Negotiations	*Achievements*
Round 1 Brussels Political, Cooperation, & Economic June 13 - 14, 2016	Mexico and the EU agreed to design a multidimensional framework that consists of bilateral, regional, bi-regional, and triangular cooperation projects.
Round 2 Mexico City Political & Cooperation 15 May 2017 Round 2 Mexico City Economic November 22-25, 2016	Agreement on issues relating to political dialogue bilateral, multilateral, and international development cooperation. Mexico and the EU work to modernize the Commercial Pillar of the Global Agreement (TLCUEM)

Round 3 Brussels Political & Cooperation 10 July 2017 Round 3 Brussels Economic April 3-7, 2017	A new agreement is to replace the current Economic Partnership Coordination and Global Agreement, which will help with future investment, trade, and reinforce their partnership. Talks continued on access to goods, rules of origin, trade facilitation, investment, competition, etc.
Round 4 Mexico City Political & Cooperation 6 October 2017 Round 4 Mexico City Economic June 26-29, 2017	Agreements were reached on organized crime, climate change, migration, gender equality, and corruption. The Ministry of Economy is to organize a Forum on the modernization of the Agreement. It will consist of opinions and recommendations from civil society organizations, academic institutions, industry and economic agents, and chambers of commerce.
Round 5 Brussels Political & Cooperation 13 November 2017 Round 5 Brussels Economic September 25-29, 2017	Delegates reached an agreement on issues consisting of the remaining articles on political dialogue and cooperation. Much of their talk consisted of institutional and final provisions. N/A
Round 6 Mexico City Political & Cooperation November 29-30, 2017 Round 6 Mexico City Economic November 27-December 1, 2017	Delegates concluded on political and cooperation issues with no relation to ongoing trade and investment. There is a reaffirmation of the commitment of both parties.

	In issues that consisted as part of the negotiation and the chapters that pertained to competition policy were completed.
Round 7 Brussels Economic December 11-21, 2017	Efforts towards market access, appellations of origin, intellectual property, geo indication, and investment are achieved.
Round 8 Mexico City Economic January 8-17, 2018	Mexico and the EU agreed to progress with various topics such as access to markets, trade barriers, and rules of origin.
Round 9 Brussels Economic 20 February 2018	Negotiations on the modernization of TLCUEM conclude. Topics such as technical barriers, trade, enterprises, subsidies, and trade in services were completed.

Source: Elaborated by the author based on the information in Secretaria de Relaciones Exteriores (2019).

While some areas of the EU-Mexico relationship have gradually adapted to the changing circumstances of the international arena, a few areas of the GA framework needed formal updates. The MGA will be more capable of adjusting to these new circumstances not only because of its focus on political, economic, and cooperation areas but also due to the inclusion of new policies and mechanisms of cooperation: such as the Strategic Partnership, the establishment of the Joint Parliamentary Committee (EU-Mexico JPC), the continually expanding scope of High-Level Dialogues (HLD) (Dominguez 2014), and the adoption of the Investment Tribunal System (European Commission 2018e).

The general spirit of the modernization effort in terms of trade was achieving the highest level of liberalization possible and securing better rules for all (Harte 2018). To that end, the modernized Agreement updated the eleven existing disciplines in the GA and added the following eight additional items: 1) anti-corruption; 2) transparency; 3) trade and sustainable development; 4) technical barriers to trade; 5) trade remedies; 6) small and medium enterprises (SMEs); 7) animal welfare and antimicrobial resistance; and 8) energy and raw materials (Ecorys 2015). Disciplines 1-3 are topics that have crossed over from the EU-Mexico cooperation agenda under the GA. to become formal institutionalized disciplines under the modernized Agreement. Items 4-6 are examples of where the GA. was insufficient to enhance trade, and items 7 and 8 represent shifts in global realities requiring international accord.

The modernization of the trade pillar needed to reflect transformations in three areas: trade policy, contemporary EU and Mexican priorities, and limitations of the 2000 Agreement. The realities of the new trade agenda required the modernized Agreement to address non-tariff barriers (NTBs), sustainability issues, growth in financial services, and e-commerce, among other items (Ruano 2018c). In addition to adding NTBs and sustainability topics to the disciplines covered, the modernized Agreement dedicated six chapters to address trade in services, including a chapter on digital trade (Rodríguez-Piñero Fernández 2018).

Among other trade innovations, the new agreement would remove custom duties on trade in goods resulting in the eventual liberalization of 99 percent of tariff lines (including full liberalization of trade in industrial goods). More than 85 percent of tariff lines would be fully liberalized in agricultural goods. At the same time, specific sensitive sectors (such as dairy and meat) would remain subject to restrictions (including quotas and tariff-rate quotas). The modernized agreement would also protect an additional 340 European Geographical Indications in Mexico. In addition, it includes chapters on rules of origin (including for cars), trade facilitation, trade remedies, technical barriers to trade, and sanitary and phytosanitary regulations. On services, the modernized Agreement would make it easier for EU firms to do business in Mexico (including in the maritime transport, telecommunications, and financial sectors) while protecting the rights of both parties.

Investment has been one of the driving forces of the EU-Mexican relationship. While both parties agreed on measures to make it easier for EU companies to invest in Mexico, one of the main innovations is adopting the Investment Court System (ICS). The EU has included in its investment negotiations as opposed to the traditional Investor-State Dispute Settlement (ISDS). The new ICS will consist of professional, independent judges bound by a strict code of conduct, held hearings in public, published documents related to cases online, and specified grounds on which an investor can challenge a state (European Commission 2018a). The inclusion of the ICS in investment negotiations was quite controversial. It opened a legal debate in the European Union, particularly regarding Canada's Comprehensive Economic and Trade Agreement (CETA). Proposed by the President of the European Commission, Jean-Claude Juncker, in 2014, the ICS became the template for all EU investment negotiations. European Court of Justice confirmed the compatibility of the Investment Court System with EU Treaties on 30 April 2019, which meant that no changes had to be made to the text of the EU-Canada agreement, which entered into force provisionally on 21 September 2017. Member States' ratifications can proceed for full-fledged implementation. Equally, the ICS provisions did not change in the agreements with Singapore (signed in 2018), Mexico, and Vietnam (negotiations concluded in 2018) (European Commission 2019).

Public procurement is a very significant area of the Mexican economy. In 2015, Mexico's federal government issued procurement contracts for €30 Billion, representing 5.2 percent of the GDP (European Commission 2018b). The MGA is the first trade agreement that commits Mexico to open its public procurement at the state level to non-Mexican firms. After the conclusion of the MGA in principle in April 2018, the Mexican Government started negotiations with the states and municipalities that will enable EU firms to tender for contracts before formally submitting the MGA for ratification (Morales 2019). While the agreement will offer reciprocal access for Mexican suppliers to the European procurement market, including the utilities market, the emphasis of the agreement is regarding the access of EU firms to the Mexican market. The agreement indicates that "to ensure a high level of predictability and transparency of its public procurement process covered by the Agreement by introducing new generation disciplines equivalent to those internationally agreed in the WTO Government Procurement Agreement" (European Commission 2018f: 12).

The modernized agreement would also include chapters on corruption, trade and sustainable development (TSD), transparency, energy and raw materials, small- and medium-sized enterprises, subsidies, competition, good regulatory practices, animal welfare, and antimicrobial resistance, as well as annexes on motor vehicles and wine and spirits. Lastly, the modernized Agreement would include a review clause on the need to include provisions on the free flow of data. A Commission Impact Assessment determined that a comprehensive and ambitious modernized Agreement could increase EU GDP by 0.01 percent per annum by 2028 and render improvements in social and environmental standards (Rodríguez-Piñero Fernández 2018).

Following the structure of the 2000 GA., the MGA retained the pillars of Political Coordination and Cooperation. Concerning modernizing the Political Coordination pillar, three existing elements have now been fully incorporated into the revised agreement: 1) the bi-annual summits of heads of state and government - designed to be the top political structure responsible for managing the most critical aspects of the common agenda and for projecting both sides as Strategic Partners in the global arena; 2) the annual inter-parliamentary meetings (the Mixed Parliamentary Commission EU-Mexican Congress) which have met uninterruptedly since 2005; 3) the dialogue with Civil Society Organizations (Ruano 2018c). Concerning the Cooperation pillar, Mexico and the EU have experienced convergence in positions on multiple issues on the international agenda, including sustainable development (in other areas not specifically related to trade); combatting corruption; agreements on fisheries, forestry, biodiversity; labor rights; preventing a race to the bottom; and an expanded human rights agenda addressing justice and security. Their talks also focused on the possibilities of expanding bilateral cooperation in research and development, especially in renewable energy, and on tools to facilitate mobility and academic collaboration between Mexico and the EU (Rodríguez-Piñero Fernández 2018).

Final Considerations

The evolution of the relationship between the EU and Mexico has been influenced not only by the international context but also by the policy choices of the EU and Mexico. As indicated in the first section of this paper, actors in global governance move “through” (incremental improvement) or “beyond” (more fundamental transformation) global trade gridlocks. The two turning points in the EU-Mexico relationship (GA. and MGA) have taken place in two entirely different international contexts that reveal the capacity of both parties to adapt to the changing circumstances.

The 1990s provided an environment conducive to significant transformations in the global trade system. The entry into force of the GA in 2000 marked a turning point in the relationship. Despite substantial differences in economic and political development, the EU and Mexico inked one of the most comprehensive bilateral agreements. More than just a trade agreement, the GA unwittingly set the EU and Mexico toward institutional convergence of good governance practices. However, negotiations for the GA were protracted and complex, and shifting international paradigms compelled both the EU and Mexico toward compromise and agreement. Internal transformations also strengthened their partnership. While Mexico experienced democratic consolidation and adopted the liberalized trade model, the EU expanded its membership and updated its external relations policies, leading to the Strategic Partnership in 2008. The initial GA institutionalized frameworks across trade, political dialogue, and cooperation, while the SP reaffirmed the principles of the EU-Mexico relationship and expanded cooperation areas to include Latin America.

The 2010s offered a context of recalibration to adapt to a global trade system under stress. Based on the lessons of the implementation of the GA., the negotiations to modernize the GA. is the capstone of three decades of EU-Mexico relations, which have experienced an intense acceleration in the last two decades. Although asymmetries in economic and political development still exist, the MGA is reinvigorating EU-Mexico relations when the liberal global order is being challenged and the leadership role of the US is being questioned. With the MGA consolidating and extending the institutional frameworks that have allowed for the decades-long durability of their relationship, the EU and Mexico are well poised to endure the challenges of contemporary international relations.

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