

Trade Relations between Mexico, Latin America, and the European Union: Ready to face the New Scenario?

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This brief text seeks to outline the challenges facing Mexico, Latin America, and the European Union in a new international trade scenario, because of the globalization crisis, the effects of the COVID-19 pandemic, Russia's invasion of Ukraine, and phenomena such as nearshoring and the return of protectionist trends. Are the existing agreements between both sides of the Atlantic enough to face these changes? How can both Mexico and Latin America and the European Union be strengthened through their bi-regional trade relations? What role do other actors play in the commercial future of Mexico, Latin America, and the European Union?

Even if it is still difficult to fully outline the new trade scenario, some of its features can be sketched out due to the various crises that have affected the international scene since the beginning of the 21st century, and, particularly, during the current decade, characterized by overlapping crises. The era of globalization as we knew it, with the world with open borders that was brought about by the rise of liberalism and global value chains, was already under great pressure even before the 2020s began. Today, the outlook is even more complex.

Populisms, protectionism, and climate change had also already emerged to strongly defy the globalized world model. Moreover, Donald Trump's arrival to the US Presidency further increased the pressure, particularly by unleashing a trade war with China and engaging in clearly protectionist policies, under the motto "Make America Great Again". Later, the COVID-19 pandemic broke out and made things even more difficult in the international trade arena, this time even because of the physical impossibility to move goods across national borders. Finally, the crisis stemming from Russia's invasion of Ukraine, accompanied by high inflation, very tight monetary policies, and great uncertainty in financial markets, has been the pinnacle of this multi-crisis.

In such a scenario, the predominant feature is uncertainty and that is dangerous for the proper functioning of the cogs and gears of global trade, as it influences all phases and all aspects related to the international exchange of goods, services, and capitals, and affects international relations in general. If one were to simplify the main questions about the foreseeable future, one would have to ask whether we have entered a stage of de-globalization, with its severe consequences for global trade and the world economy. At the same time, one could also speculate over if, in the apparent new geopolitical configuration in the making, both the United States and China are hopelessly moving towards a shared hegemony, what so far goes under the name of "Cold War 2.0".

The great expansion of international trade in recent decades was driven by globalizing technology, government policies, and geopolitics. Digital technologies made more services tradeable, and, together with lower transport costs, enabled the development of very complex international supply chains for production of goods, including the "just in time" modality. Governments opened their markets and liberalized regulation, both unilaterally and under the aegis of bilateral, regional, and multilateral arrangements. The rule-based liberal international order led by the United States, anchored in the

World Trade Organization in the trade sphere, was key. Nevertheless, currently, all these systemic features that were considered as permanent are changing.

In this framework, in the technological sphere, for example, there are many advantages derived from the progress in robotics or artificial intelligence, but it also poses significant challenges in terms of the future of work, with potentially negative consequences for social stability in many parts of the world, as well as representing even ethical challenges derived from its far-reaching effects. Some of these negative consequences may be mitigated by public policies, but there is every reason to believe that whatever the different governments do to this effect will not be enough to moderate or stem these and other potential threats from human activity.

Even worse, it is possible that the measures implemented, and the regulations created to try to curb or control these phenomena end up not only being insufficient, but also conflict with each other, given that there is no coordinated effort in this area and no evident leadership that could unite wills, which would have serious effects on businesses and consumers. As an example, this has already become evident with the different systems proposed for data protection or the measures affecting fiscal policy from the European Union, the United States, China, or Russia. On the other hand, it cannot be forgotten or underestimated that the scope that regional, bi-regional, or multilateral actions on trade issues may have depends greatly on the broader geopolitical scenario and on whether, at the national level, nationalist populist or anti-establishment movements do not take root.

In sum, there are many factors that affect and can further affect both international trade patterns and volumes. Public policy options are likely to differ depending on the country or region concerned, and there may even be sectoral variations, depending on the political ideas, economic interests and intermediating institutions that hold sway at the time. What each international actor decides will also depend on the broader geopolitical landscape. Based on this analysis, it is worth noting that, given the dimension of the upcoming challenges, no international actor –no matter how powerful– can face them alone. It is therefore pertinent to ask whether, in the case of Latin America and the Caribbean, on the one hand, and the European Union, on the other, there are sufficient tools to face the scenario broadly described above.

In the case of Latin America and the Caribbean, the immediate answer is that they do not. It is almost a truism to say that the events of recent decades have made it a more disjointed, fragmented, impoverished, unequal, violent, ideologized, and polarized region than before. Its capacity for reaction and coordination is clearly diminished and, as a result, each of the various overlapping crises become missed opportunities for a region whose international irrelevance is becoming increasingly apparent.

In the case of the European Union, the picture is less negative, given that decisive actions were taken to enable the world's most advanced integration process to emerge from the pandemic crisis with stronger convictions and greater capacities, particularly

regarding the green and digital transitions. Nonetheless, Russia's illegal invasion of Ukraine has brought about another series of challenges which, combined with those that already existed internally such as those posed by rogue member states like Hungary or Poland and the popularity of populisms and the extreme right, imply that Europe is not necessarily out of the woods at this time of international turbulence.

Latin America and the Caribbean, and the European Union have a bi-regional strategic partnership since 1999, whose name is more pretentious than effective. At this point, to continue thinking that Latin America and the Caribbean are a single region, and that it can therefore coordinate its positions to the point of speaking with one voice, is unreal. However, the European Union is the only one that insists on thinking that this is the best way to approach the region, which it has described as the most "Euro-compatible", particularly in the context of the multi-crisis. Unfortunately, there are no conditions for Latin American and the Caribbean as a whole to be the design partner that the European Union is currently searching for.

Nevertheless, it is worth a try, but if anything positive is to come out of it, it will have to previously abandon an outdated narrative and begin to confront the realities of today on both sides of the Atlantic. This includes an honest review of the agreements negotiated pending signature and ratification between the European Union and Chile, Mexico, and Mercosur. The first question to ask is whether these agreements, negotiated before the pandemic, contain enough tools to deal with the the post-COVID-19 world and the one that will result after Russia's invasion of Ukraine. This is not a trivial question, especially if one considers that these agreements were negotiated to last, at least, a couple of decades.

On the other hand, it is worth asking whether the conditions exist on either side of the Atlantic, given the current situation in the European Union and Chile, Mexico, and Mercosur –particularly the positions of Brazil and Argentina–, to sign and, more importantly, ratify the agreements. If the European Union remains true to its spirit and its institutions, specifically the European Parliament and the national and sub-national parliaments involved in the ratification process of mixed agreements, keep in mind the values that underpin the European structure and that are repeated in the preambles of the agreements it signs with third countries in the form of essential clauses, it seems an absolute impossibility that these agreements will enter into force.

Recent discussions between the European Union and Chile and Mexico to separate the trade section of their respective modernized agreements, so that only that part can be ratified and enter into force as soon as possible, seems to be a risky route that would betray the supposed shared values that underlie these relations. This is so because it would imply that the European Union, so keen on presenting itself as a different international actor according to its own historical experience, would not be doing anything different from competitors, such as the United States and China, who offer Latin American countries pure and simple free trade and nothing more. The political dialogue and cooperation components would be left out, but more importantly, the

essential clauses that oblige the parties to uphold liberal democracy, human rights, and the rule of law, would be ignored. As attractive as the trade chapter might seem in these times, such a measure would be a betrayal of all those Latin Americans who, against all odds, want their countries to avoid the democratic regression and authoritarian drift that is a trend in the region.

In July 2023, Latin Americans, Caribbeans and Europeans will meet at a bi-regional summit in Brussels, under the Spanish Presidency of the Council of the European Union. Beyond speculating who will respond to the call, which is an issue in itself, the agenda should include a very frank discussion on the usefulness of the bi-regional strategic partnership –including what we mean by a partnership, by strategic and by bi-regional. Also, it should review the changes in both the European Union and Latin America and the Caribbean since 1999, and whether the minimal commitments made in discourse translate into the daily realities of the inhabitants of both regions. Moreover, if they really consider themselves compatible partners, they would have to discuss the other actors in the international stage that are having an impact on them, namely China, Russia and the United States, and whether our partnership contributes anything to counterbalance their influence. Finally, they would have to identify whether, at this point, we share enough to consider scenarios of cooperation and coordination to address the immense agenda of challenges we face, based on the recognition that even as integrated regions we will not be able to face them alone. At best, there is an opportunity to correct course; at worst, we would have missed yet another golden opportunity at a critical moment in the international scenario.

About the Project

The Jean Monnet Atlantic Network 2.0 is a small network of six members that keep intense communication and joint activities on the Atlantic Basin. The Network also serves as a central arena for discussing globalisation and key major trends in the several Atlantic microcosms. By combining the national with the regional perspective, its research and debates take into account the different foreign interests and pressures, as well as a critical view on the possible roles and future of the European Union (EU) in the area.

It is the present link of a long chain of projects. In 2016, the project that established the first Jean Monnet Network on Atlantic Studies (jeanmonnetnetwork.com.br) sought to foster knowledge and co-operation among scholars and researchers on topics of fundamental importance for Atlantic actors in general, and for the EU, in particular. It involved a greater number of centres and universities.

Seven years later, still focussed on the original three broad thematic axes -Energy/Sustainability, Trade/Economy (International Economic Flows) and Security/Inequality-, the Jean Monnet Atlantic Network 2.0 represents a continuation and a rupture with the previous undertakings.

It intends to offer a wide, innovative and sometimes controversial view on Atlantic problems and the expectations on and scope of the EU activities relative to them. The papers in this series are a sample of its achievements.





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