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## **In Good Times and Bad: Trade Relations Between the EU and Mexico Facing the New Trump Administration**

### **I. Introduction**

At the beginning of the 2000s, Mexico and the European Union (EU) agreed to establish a strategic partnership aimed at strengthening political will and fostering closer cooperation. As a result, Mexico became one of the EU's key partners due to its geopolitical significance and regional influence.<sup>1</sup> The flagship project of this partnership was the making of a free trade agreement between Mexico and the EU (European Community at the time), which was signed in 1997 and was officially ratified in 2000<sup>2</sup>.

Initially, the European Commission described this relationship as a genuine cultural, political, and even physical bridge.<sup>3</sup> In quantitative terms, since the implementation of the EU-Mexico agreement, exports between the two parties have increased.<sup>4</sup> Since 2023, Mexico has been the EU's second largest trading partner in the Americas, and the EU is Mexico's third largest trading partner behind the United States and China<sup>5</sup>.

In 2025, negotiations for the modernization of the EU-Mexico agreement were concluded. These negotiations were extensive, spanning nearly a decade. Notably, several significant events influenced the motivations of both parties throughout this process,

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<sup>1</sup> Franco Hijuelos, C. "La Asociación Estratégica México-Unión Europea: origen y perspectivas." *Revista Mexicana de Política Exterior*, 2010, 59-60.

<sup>2</sup> European Union. "Economic Partnership, Political Coordination and Cooperation Agreement between the European Community and its Member States, of the one part, and the United Mexican States, of the other part - Final Act - Declarations." 2000:

[https://eur-lex.europa.eu/eli/agree\\_internation/2000/658](https://eur-lex.europa.eu/eli/agree_internation/2000/658)

<sup>3</sup> European Union, "Economic Partnership, Political Coordination and Cooperation Agreement.", p. 61.

<sup>4</sup> European Commission. "Trade and Economic Security. EU-Mexico Agreement." Accessed April 2, 2025: [https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/mexico/eu-mexico-agreement\\_en](https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/mexico/eu-mexico-agreement_en).

<sup>5</sup> Le Grand Continent. "Face au retour de Trump, l'Union renforce ses liens commerciaux avec le Mexique." January 17, 2025: <https://legrandcontinent.eu/fr/2025/01/17/face-au-retour-de-trump-lunion-renforce-ses-liens-commerciaux-avec-le-mexique/>.

including changes in government, tariff threats from the United States, a global health crisis, the introduction of new environmental protection frameworks, and more.

These negotiations also took place amid the economic uncertainty generated by Donald Trump. Throughout his campaign, the now-president had declared his intention to impose various trade restrictions on Mexican and European products. Although initially perceived as mere campaign rhetoric, from his first day in office, Trump signed a series of executive orders aimed at “promoting the national economy.”<sup>6</sup> The balance among the affected parties in these orders is unequal. Beyond migration-related policies, the new U.S. administration's decisions have sought to restrict imports of goods labeled “Made in Mexico” and challenge all the agreements under the T-MEC/CUSMA/USMCA, particularly in the automotive sector.<sup>7</sup> Regarding modifications to trade with the EU, in March 2025, Trump threatened to impose a 200% tariff on wine, cognac, and other alcoholic beverages imported from Europe in retaliation for reciprocal tariffs imposed by the EU.<sup>8</sup>

Faced with the onset of this trade war, affected countries have little choice but to form alternative alliances. A notable example is the EU-Mexico agreement, which, as mentioned, seeks to strengthen trade between two nations that, while not geographically proximate, recognize the necessity of joining forces against common threats. This article will examine the positions and needs of both actors regarding their trade relations, as well as the strategy they are likely to implement in response to these challenges.

## **II. Mexican Agenda**

In alignment with Mexico’s strategic agenda, one of its primary interests in the negotiations was the protection of the designation of origin. As a precedent, in 2017, Mexico

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<sup>6</sup> The White House. "Fact Sheet: President Donald J. Trump Established the United States Investment Accelerators." March 2025: <https://www.whitehouse.gov/fact-sheets/2025/03/fact-sheet-president-donald-j-trump-establishes-the-united-states-investment-accelerator/>

<sup>7</sup> The White House. "Fact Sheet: President Donald J. Trump Adjusts Imports of Automobiles and Automobile Parts into the United States." March 2025: <https://www.whitehouse.gov/fact-sheets/2025/03/fact-sheet-president-donald-j-trump-adjusts-imports-of-automobiles-and-automobile-parts-into-the-united-states/>

<sup>8</sup> Lawder, David, Philip Blenkinsop, Leika Kihara, and Howard Schneider. "Trump threatens tariffs on European wine and spirits in escalating trade war." Reuters, March 13, 2025. <https://www.reuters.com/markets/trump-threatens-200-wine-tariff-if-eu-does-not-remove-whiskey-tariff-2025-03-13/>.

and the EU faced a dispute over the designation and production of certain cheeses.<sup>9</sup> A similar conflict arose in 2020 when the Mexican government filed a complaint against European alcoholic beverage companies that falsely marketed their products as "tequila."<sup>10</sup> With the new agreement, these disputes have been resolved, as both parties have established protections for geographical indications on specific products.

Additionally, the Mexican government sought to strengthen dialogue and facilitate trade and investment for European private-sector actors. This updated agreement prioritizes the triangular and regional cooperation model, as well as the participation of both public and private sectors. Furthermore, alongside the EU, the Mexican government aimed to send a strong message against rising protectionist trends, emphasizing the value of multilateral agreements.<sup>11</sup>

As part of its strategic interests, the Mexican government sought—alongside the European Union—to reinforce the importance of multilateral agreements in global trade, positioning the updated agreement as a response to rising protectionist policies. This modernization process not only strengthened Mexico's economic ties with the EU but also provided an opportunity to align its regulatory framework with key European priorities, particularly in environmental protection, anti-corruption measures, and dispute resolution mechanisms.

Regarding environmental commitments, Mexico pledged to adapt its trade policies following the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement. This entails ensuring compliance with international standards on labor rights, transparency, animal welfare, and the sustainable management of supply chains. By incorporating these commitments into the agreement, Mexico aims to enhance its regulatory framework and contribute to broader global efforts toward environmental sustainability.

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<sup>9</sup> Nájjar, Andrés. "La guerra de los quesos entre México y Europa: la pelea por el manchego, roquefort y parmensano," *BBC News*, October 16, 2017:

<https://www.bbc.com/mundo/noticias-america-latina-41647241>

<sup>10</sup> Romo, Pablo. "Conflicto legal entre Heineken y tequila mexicano escala a la Comisión Europea." *El Economista*, September 17, 2020: <https://www.eleconomista.com.mx/estados/Conflicto-legal-entre-Heineken-y-tequila-mexicano-escala-a-la-Comision-Europea---20200917-0060.html>

<sup>11</sup> Secretaría de Relaciones Exteriores, México. "Mexico and the European Union. Beneficios del Acuerdo." <https://portales.sre.gob.mx/globalmx/es/acuerdo-global-mx-ue/beneficios-del-acuerdo>

Anti-corruption measures were a key requirement from the EU, leading Mexico to commit to strengthening internal controls, enhancing external auditing mechanisms, and reinforcing institutional frameworks in line with international best practices. The inclusion of this chapter underscores the EU's broader strategy to promote transparency and accountability in its trade agreements.

Finally, in the area of dispute resolution, the primary objective was to provide greater legal certainty for investors and ensure that trade disputes are addressed efficiently and impartially. To achieve this, Mexico agreed to establish a permanent arbitration tribunal, reinforcing legal predictability and strengthening investor confidence in its regulatory framework. By modernizing its commitments in these areas, Mexico not only secures a stronger economic partnership with the EU but also enhances its institutional and regulatory landscape, positioning itself as a more attractive and reliable global trading partner.

### **III. European Agenda**

From the EU perspective, the renewal and modernization of the trade agreement with Mexico has been presented as an occasion to diversify supply chains and foster economic security, in a geopolitical moment in which Europe seems more and more isolated. The EU, just like Mexico, can no longer count on the US as a reliable trading partner. For example, beginning in March 2025 EU will no longer benefit from an exemption on steel and aluminium tariffs on exports to the US. Like other trading partners of the US, imports of these materials will be subject to a 25% import tax in the US. The newly imposed tariff, which also affects Mexico, currently one of the top suppliers of steel and aluminium in the US<sup>12</sup>, pushed the EU to enhance cooperation with other trading partners, such as Mexico and fellow countries from Latin America and the Caribbean (LAC). Therefore, the finalized update of the EU-Mexico trade agreement has to be framed within a larger European strategy of cooperation with LAC partners<sup>13</sup>, which also entails the EU-Mercosur agreement and the EU-Chile advanced framework agreement<sup>14</sup>.

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<sup>12</sup> Sherman, Natalie. "Trump Says No Metal Exemptions with Metal Tariffs to Start in March." BBC News, February 11, 2025. <https://www.bbc.com/news/articles/c360dz384n5o>.

<sup>13</sup> Jütten, Marc. *EU-Latin America: Enhancing Cooperation on Critical Raw Materials* (Briefing; European Parliamentary Research Service, 2024).

<sup>14</sup> European Commission. "EU-Chile Agreement." Accessed April 2, 2025: [https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/chile/eu-chile-agreement\\_en](https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/chile/eu-chile-agreement_en).

While the EU-Mercosur trade agreement is currently provoking animous debates in the European Parliament and within civil society, the EU-Mexico Global Agreement seemed to produce less aversion among Europeans, probably because of the lack of major changes to the prior state of the agreement. However, benefits from the modernisation of the agreement are non negligible, and have to be contextualised within the aforementioned renewed global context, where the EU is in quest for new strategic alliances.

The modernisation of the Global Agreement is the result of nine years of negotiations, which covered different topics, such as the harmonisation of regulatory frameworks, protection of investment, and a shared vision on sustainable development, human rights, democratic values, and the rule of law<sup>15</sup>.

Therefore, the renewed Global Agreement goes beyond a merely economic dimension and implies political, social, and environmental consequences for both partners. Furthermore, the modernised agreement includes measures that will tackle two key elements for the EU: the digital and green transition, through regulation of digital trade and environmental protection, promotion of reuse and repair of products and, last but not least, securitization of the Critical Raw Materials (CRM) supply chain for European states, which the European Commission claim to be essential to fuel energy and green transition.

On this matter, the enhanced cooperation between the EU and Mexico has been fulfilled against the backdrop of the EU's Critical Raw Material Act<sup>16</sup>, a regulatory framework passed by the European Parliament in April 2024, aiming at foreseeing and containing potential supply disruptions of CRM through the imposition of a sustainable supply chain.

Actually, CRM is at the centre of multilateral cooperation between the EU and LAC partners, in tune with the centrality of competitiveness within the priorities of the new Von Der Leyen's Commission. The secured acquisition of CRM is deemed necessary for "the

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<sup>15</sup> Baker, Juan Carlos, Estevadeordal, Antoni, and Talvi, Ernestot. "The New EU-Mexico Agreement: The EU Fast-Tracks Integration with Latin America." *Real Instituto Elcano, The Royal Institute*, February 3, 2025. <https://www.realinstitutoelcano.org/en/analyses/the-new-eu-mexico-agreement-the-eu-fast-tracks-integration-with-latin-america/>

<sup>16</sup> European Parliament and Council. "Regulation (EU) 2024/1252 of the European Parliament and of the Council of 11 April 2024 Establishing a Framework for Ensuring a Secure and Sustainable Supply of Critical Raw Materials and Amending Regulations (EU) No 168/2013, (EU) 2018/858, (EU) 2018/1724 and (EU) 2019/1020 (Text with EEA Relevance)." *Official Journal of the European Union*. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32024R1252>

technologies prioritised in the Net Zero Industry Act, such as wind turbines, solar PV systems, batteries, grid technologies, and hydrogen electrolyzers”<sup>17</sup>.

From these assessments, we can conclude that the enhancement of competitiveness could be a way to counterbalance strict European environmental regulation, which member states are struggling to comply to<sup>18</sup>, and which has been the object of ongoing attacks from rightwing groups<sup>19</sup>.

Before delving into the peculiarities of the modernization process, it is important to mention that already since its ratification in 2000, the Global Agreement was of extreme importance for both parties, tripling trade flows between the two<sup>20</sup>. From the point of view of the EU, European foreign direct investments (FDI) in Mexico accounted for 8.2 billions of euro prepandemic, while EU exports into the Mexican market corresponded to 35.2 billions of euro<sup>21</sup>. As trade flows between the EU and Mexico contracted after the COVID-19 pandemic, reflecting the global trend of reduced economic integration, the modernization of the agreement becomes even more crucial to reinforce the trade partnership between the two parties.

In the previous section, we discussed the benefits for Mexico from the trade agreement, particularly in terms of regulatory harmonization, which could strengthen Mexico's environmental and social policies, as well as its efforts to combat organized crime and human rights violations. It is important to acknowledge that the EU also has a clear interest in fostering political and economic stability in Mexico, advocating for alignment with its own ambitious policies on these matters, such as the European Green Deal and the European Pillar of Social Rights.

According to the sustainability impact assessment of the modernization process, produced by the European Commission to guide negotiations, the main improvement from

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<sup>17</sup> Keating, Dave. "Industrial Competitiveness, the Mantra of a Von Der Leyen Second Term?" *Euractiv's Advocacy Lab*, March 18, 2024: <https://www.euractiv.com/advocacy-lab/industrial-competitiveness-the-mantra-of-a-von-der-leyen-second-term/>

<sup>18</sup> Jakob Hanke Vela. "The EU's Green Deal Fail." *Brussels Playbook*, December 19, 2023. <https://www.politico.eu/newsletter/brussels-playbook/the-eus-green-deal-fail/>

<sup>19</sup> Thalberg, Lars. *Populism and Its Consequences*. Jacques Delors Institute, February 2024: [https://institutdelors.eu/wp-content/uploads/2024/02/PP296\\_Populisme\\_Thalberg\\_EN\\_2.pdf](https://institutdelors.eu/wp-content/uploads/2024/02/PP296_Populisme_Thalberg_EN_2.pdf)

<sup>20</sup> European External Action Service. "The European Union and Mexico", European Union, accessed April 2, 2025:

[https://www.eeas.europa.eu/mexico/european-union-and-mexico\\_en](https://www.eeas.europa.eu/mexico/european-union-and-mexico_en)

<sup>21</sup> European External Action Service, "The European Union and Mexico".

the modernization will be the “legal certainty provided by setting up broad and comprehensive rules on trade and investment, including investment protection.”<sup>22</sup>. However, the document highlighted how the benefits of regulatory harmonization will primarily apply to Mexico, for example, on human rights, through the European vigilance and assistance in capacity building<sup>23</sup>.

However, the renewed Global Agreement brings an advantage for the EU as well. Firstly, the modernization grants greater access to public procurement for EU businesses, more than to any other trading partner<sup>24</sup>. Moreover, at a times where Europe is torn between geopolitical isolation, competitiveness gap compared to the US and China and internal political instability, strengthening cooperation with a partner like Mexico and other LAC countries goes beyond the mere securement of CSM, which is by itself a strong element: it allows to reinforce its international position and promotes values of multilateral cooperation and sustainable development.

As concerns the agricultural sector, the EU has a special interest in securing its privileged trade relations with Mexico, being the second largest importer of agrifood products in the country. In this sector, the modernisation implies further elimination of customary duties and protection of European Geographical Indications.

However, to measure whether or not this will actually lead to an improvement in the field, the regulatory convergence is once again key, because it could lead to improvement in animal welfare, sanitary and environmental measures. To this date, the EU has stricter norms on such topics, though the trade agreement guarantees that all the products imported from abroad have to comply with such norms. Consequently, from the point of view of the EU it is important to rigorously monitor the products imported from Mexico, to make sure that the European norms are respected.

#### **IV. Conclusions: New Trump, New Strategies, and New Scenarios**

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<sup>22</sup> European Commission: Directorate-General for Trade and Economic Security. "Sustainability Impact Assessment (SIA) in Support of the Negotiations for the Modernisation of the Trade Part of the Global Agreement with Mexico – Final Report." Publications Office, 2020:

<https://data.europa.eu/doi/10.2781/575630>

<sup>23</sup> European Commission: Directorate-General for Trade and Economic Security, "Sustainability Impact Assessment (SIA)", p.9.

<sup>24</sup> European Commission: Directorate-General for Trade and Economic Security, "Sustainability Impact Assessment (SIA)", p. 12.



The EU-Mexico Global Agreement's modernization serves as a test case for the future of multilateral cooperation in an era of rising economic nationalism. The EU, facing increasing competition from the US and China, views Mexico as a key partner in securing economic and political stability in Latin America. Meanwhile, Mexico strengthens its trade diversification strategy and regulatory framework. However, the success of the modernization process will rely on whether or not the EU and Mexico honour their commitment towards regulatory harmonization and properly monitor the implementation of the sustainability goals associated with the agreement, in terms of human and labour rights, as well as the environment. This requires both parties to the agreement to translate long-term legal commitments into tangible improvements, particularly in sustainability, investment protection, and trade facilitation.

The trade agreements emerging from this new trade war will not be easy, especially if Mexico and the European Union yield to the pressures imposed by Trump. The solution to counter protectionism and propagandist rhetoric lies in a genuine, transparent, and equitable commitment from both parties.