
EU-MEXICO
TRADE AGREEMENT


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Why is the EU negotiating a trade agreement with Mexico

The world has changed since the EU-Mexico Global Agreement entered into force in 2000.

The European Union has:

- 13 new Member States
- further developed its Single Market
- introduced the euro.

Mexico has:

- become one of the world's most dynamic emerging economies
- seen per capita output grow by almost 20% in real terms
- joined the OECD.

In 1997 the EU and Mexico signed an Economic Partnership, Political Coordination and Cooperation Agreement. It included a part on trade, which mostly opened up trade in goods. This trade agreement came into force in 2000. The part of the agreement covering trade in services came into force in 2001. Nearly two decades on, it is time to update the agreement. The EU and Mexico already trade a lot:

- €62 billion of goods (in 2017)
- €15 billion of services (in 2016).

As a dynamic emerging economy of 128 million people, Mexico holds huge potential for EU firms to increase their exports.

Every €1 billion of EU exports supports some 14,000 jobs in Europe. So the more Europe exports, the more jobs it can safeguard and create.

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How big is the Mexican market? How much trade does the EU do with Mexico?

Mexico is the second largest economy in Latin America and the 15th largest in the world in nominal terms, according to the International Monetary Fund. It promotes similar values to the EU, including open and fair trade based on international rules.

The EU is Mexico's third biggest trading partner. Mexico is the EU's second biggest trading partner in Latin America after Brazil.

EU firms exported to Mexico…

- €38 billion of goods in 2017
- €10 billion of services in 2016

and imported from Mexico…

- €24 billion of goods in 2017
- €5bn of services in 2016

EU firms could import and export more from and to Mexico if it were easier to do so.

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What are the shortcomings of the existing EU-Mexico trade agreement?

The EU-Mexico trade agreement of 2000 has greatly benefited EU firms. But it does not address some of the new and important trade and investment issues relevant today in the same way as other agreements the EU or Mexico have concluded since 2000.

So there is unfulfilled potential on both sides for more trade and investment. This unfulfilled potential means:

- higher prices,
- less choice and innovation available to EU and Mexican consumers
- lost opportunities to create export-related jobs, which are on average higher-paying.

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What is the added value of a new trade agreement?

The modernised agreement aims to make it even easier to export to and invest in each other's markets by:

- lifting non-tariff barriers, such as:
    - Mexican restrictions on EU food products
    - problems with safeguarding European intellectual property in Mexico
- lowering tariffs on more products – mainly agricultural goods
- protecting Geographical Indications (GIs) – distinctive food and drink products from specific regions in the EU
- opening up new markets in services and government procurement
- protecting European investments in Mexico.

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What do the EU and Mexico want from the deal?

The EU wants Mexico to remove unnecessary obstacles to European imports so that EU firms can export more.

Our common objectives are to:

- open up each other's markets for goods, services and investment
- promote greater economic integration
- strengthen competitiveness
- ensure a high level of protection of intellectual property rights
- eliminate, prevent and reduce unnecessary barriers to trade
- reinforce cooperation between the EU and Mexico
- contribute to the EU's and Mexico's shared objectives on labour rights and the environment (sustainable development)
- shape global trade rules in line with our high standards and shared values of democracy and the rule of law.

Beyond these objectives, concluding a new, modernised agreement would send a powerful signal to the world that Mexico and the EU both reject protectionism.

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What are the main things the agreement will do, in a nutshell?

1. Remove tariffs

High Mexican tariffs in certain sectors make European products in Mexico more expensive and so less attractive to Mexican consumers.

Mexico imposes high tariffs on imports from the EU such as:

- food and other agricultural products,
- fisheries products.

Under the agreement, Mexico will get rid of almost all of these tariffs so that:

- European products will be more competitive in Mexico
- it will be easier for European producers and exporters to sell their goods in Mexico.

A trade deal with Mexico could make it much easier for European producers to export to Mexico and see up to over €100 million a year in tariffs progressively removed.

2. Remove non-tariff obstacles to trade

Rules and regulations which are not consistent with international agreements, international standards or established practices may create obstacles to EU exporters by imposing extra compliance costs.

Most EU standards are based on international ones but Mexican standards often differ from international standards.

This makes it difficult and expensive for EU exporters because they have to set up separate production lines for the Mexican market.

The agreement will bring improvements in over 25 areas where trade barriers make it difficult for European exporters and importers.

Mexico will bring its standards closer to the EU's which will:

- make it easier for EU firms to export to Mexico
- reinforce international standards

3. Show the world that the EU and Mexico reject protectionism

At a time when protectionist pressures are growing, a trade agreement between the EU and Mexico would send a clear signal to the world that they both:

- reject protectionism
- are open for business and for trade on the basis of fair rules and high standards.

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What will the agreement mean for trade in goods?

The EU wants Mexico to:

- abolish its remaining import tariffs on European goods
- remove obstacles to EU exports, such as those resulting from unclear rules and regulations.

Making it easier to export to Mexico is expected to benefit all EU firms, but especially those making and selling:

- agri-food products
- machinery
- mineral fuels and related products
- pharmaceuticals
- transport equipment

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What will the agreement mean for trade in services?

The agreement will make it easier for EU firms to sell their services in Mexico.

Firms in the following areas in particular are expected to benefit:

- business services
- financial services
- telecoms
- transport

As a general rule the agreement will prevent the EU or Mexico from discriminating against each other's service providers.
The agreement will:

- ensure the EU or Mexico can regulate their services markets in a non-discriminatory manner
- not affect public services like healthcare or education.

Whether they apply to foreign or domestic services suppliers, the agreement will not change or affect the EU's or Mexico's rules on:

- health and safety
- environmental standards
- qualification requirements
- labour rights
- working conditions.

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Which sectors will benefit most?

All industries trading between Mexico and the EU will benefit directly or indirectly from the modernisation of this agreement. However, certain sectors may benefit more, including:

- food and drink because tariffs will be cut and it will become illegal in Mexico to sell imitations of certain distinctive European regional food and drink products, such as Parma ham, Italian Prosecco and Irish whiskey.
- cars and car parts – manufacturers will have more certainty because they'll continue to be able to export using international standards
- machinery because EU firms will be on a more level playing field.
- medicaldevices

pharmaceuticals because rules of origin will be streamlined.

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How will the agreement help small businesses and not just big ones?

Smaller exporters are disproportionately affected even by smaller barriers because they don't have the time or resources needed to overcome them. That is why the EU wants to have a

dedicated chapter for them in the agreement.
The EU wants the agreement to:

- make it easier for exporters to find out which Mexican rules apply to their product
- make Mexican regulations more transparent
- simplify Mexican customs procedures

These improvements will be especially helpful for small businesses.
A new, modernised trade agreement between the EU and Mexico would:

- create an opportunity to strengthen existing joint projects
- find new ways and programmes to help smaller firms increase exports.

Smaller firms will benefit from:

- lower costs through removal of non-tariff barriers
- simpler rules of origin requirements
- increased regulatory cooperation between the EU and Mexico

convergence of EU and Mexican standards.

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How will European consumers benefit?

The agreement should see Mexican products in the shops become cheaper and provide European consumers with a wider variety of products to choose from.

Consumers are also workers and also stand to benefit from a strong EU economy and export-related job opportunities.

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How will the agreement benefit the EU's farming communities?

EU farming communities stand to gain from easier access to the Mexican market and more opportunities to sell their produce to Mexico's 128 million consumers.

Mexican consumers like high quality European products such as cheese, poultry, pork, processed foods, and chocolate.

Mexico will remove its high tariffs on key EU food products such as pasta (currently subject to tariffs of up to 20%), chocolate and confectionary (with tariffs exceeding 20%), blue cheeses (up to 20%), apples and canned peaches (up to 20%), virtually all pork products (up to 45%) and economically relevant poultry products (up to 100%).

For other products the agreement will deliver significant new market access within annual limits, for example:

EU product	***Current Mexican duty rate***	***Volume of 0% tariff-rate quota for EU products***
Milk powder	Up to 50%	50,000 tonnes
Other Cheeses	Up to 45%	20,000 tonnes
Fresh and processed cheeses	Up to 45%	5,000 tonnes

Mexico and the EU also agree to lift other trade barriers such as unclear rules and regulations so it will be easier for European producers to export their produce to Mexico.

European producers of distinctive regional food and drink products also stand to gain because it will become illegal in Mexico to sell imitations of them (see below).

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How will the agreement help EU food and drink producers market their distinctive regional products (Geographical Indications)?

The EU is a major producer of distinctive regional food and drink products such as Parma ham, Parmesan cheese, Italian Prosecco and Irish whiskey.

These products enjoy a special status known as a 'Geographical Indication' which lets consumers know that they are the genuine article. It also allows European producers to earn a premium for the quality of their produce and makes sure that they are not being copied abroad.

About a hundred EU spirits with geographical indications are already protected under the EU’s existing agreement with Mexico. Under the new trade agreement, the EU wants Mexico to protect an additional 340 European Geographical Indications on wines and food. This means that only products produced in the EU will be allowed to be sold in Mexico under the name in question.

This will:

- help European producers and exporters
- reassure Mexican consumers that they are buying a genuine European product.

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How will the agreement open up Mexico's public procurement market?

The Mexican government procurement market is estimated at some €30 bn a year.

Under the new agreement Mexico has agreed to:

- open up more tenders to European bidders
- make it easier for European firms to bid for Mexican government contracts
- treat bids from European firms on an equal footing to those from Mexican firms
- ensure its public procurement processes are predictable and transparent.
- Mexico has also committed to enter into negotiations with the Mexican States to allow EU firms to tender for contracts at State level by the time the agreement is signed.

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How will the deal help Europe's creative industries, innovators and artists?

Both the EU and Mexico have robust systems for protecting and enforcing intellectual property rights such as:

- trademarks
- patents
- designs
- trade secrets

The new agreement reaffirms both the EU's and Mexico's existing intellectual property laws.

The deal also encourages Mexico to comply with international standards, notably on copyright protection.

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How will the agreement encourage more investment between the EU and Mexico?

The agreement will make it easier for European and Mexican firms to invest in each other's markets, so more Mexican companies might invest in Europe or set up production in the EU.

The agreement also contains provisions on corporate governance. The aim is to attract and encourage investment by raising investor confidence and improving competitiveness. This will enable investors to make the most of the opportunities created by the trade agreement.

The EU is committed to integrating its new approach to solving disputes related to investment protection which includes an investment court system.

The investment court system will create a more predictable environment for investors.

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How will the agreement help uphold human rights issues in Mexico?

The trade agreement is a part of the wider new Global Agreement between the EU and Mexico, which will strengthen cooperation and the regular high-level meetings between Mexico and the EU in the areas of human rights, security and justice.

The EU will continue to support projects implemented by non-governmental organisations to promote human rights, social cohesion and security in Mexico, as well as the role of civil society.

And the new agreement will enable the EU and Mexico to discuss a range of issues like human rights with civil society, including:

- trade unions
- environmental campaigners
- human rights groups
- business associations
- journalists
- academia and think tanks

Doing so will give the EU more ways to discuss human rights with Mexico than we have now.

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How will the agreement protect European standards, including food safety standards

As with all the EU's trade agreements, the agreement with Mexico will not affect European product standards, including standards for food and agricultural products.

And, like all the EU’s trade agreements, it safeguards the EU's right to apply its own standards to all goods and services sold in Europe.

All imports from Mexico have to meet EU rules on:

- technical standards for products
- consumer safety
- environmental protection,
- animal and plant health
- food safety and genetically modified organisms (GMOs).

Thanks to the talks, the EU and Mexico are working more closely with each other in several international standard-setting bodies in areas such as:

- pharmaceuticals
- chemicals
- the International Organization for Standardization (ISO),
- the International Electrical Commission and

- the Codex Alimentarius – the food standards set by the United Nations Food and Agriculture Organization and the World Health Organization

As EU standards are already in line with international ones, this will make it easier for EU firms to export to Mexico.

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How will the agreement help to stem corruption?

The new EU-Mexico trade agreement is part of a wider Global Agreement to prevent and combat corruption.

Both sides commit themselves to:

- making bribery a criminal offence for government officials
- consider making bribery an offence for businesses
- ensuring that private individuals or businesses that act in a corrupt way can be prosecuted.

In addition, the EU and Mexico will work on preventing corruption. They will:

- put in place and enforce codes of conduct for government officials
- encourage companies to:
    - train their staff in ethics
    - audit and publish their accounts.

The EU and Mexico will fight money laundering by ensuring that:

- the identity of who really owns a bank account, trust or fund (the 'beneficial owner') is always known
- tax, judicial and other relevant authorities can access that information.

The Global Agreement enables civil society to hold the EU and Mexico accountable for fulfilling their pledges in the agreement.

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How will the agreement uphold people's right at work (labour rights) in both the EU and Mexico?

The EU has strong laws protecting workers' rights. The EU and Mexico have agreed that the new trade agreement must support existing rights and not lower or dilute them.

The agreement prohibits either side from unduly encouraging trade and investment by:

- derogations from labour laws

- not enforcing labour laws

By ensuring that liberalising trade goes hand in hand with upholding workers' rights we can help shape globalisation.

Including provisions on sustainable development in the new agreement will have a positive impact on the promotion and respect of human rights because it will encourage Mexico to:

- implement International Labour Organization (ILO) core labour standards
- ratify the fundamental ILO Convention on the right to organise and collective bargaining.

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What about the agreement's impact on the environment?

Before launching the negotiations, the Commission carried out an impact assessment. The study, published in 2016, looked at the potential environmental, social and economic effects of the agreement.

It concluded the agreement would:

- see growth in trade in green technologies. This would offset any negative environmental effects such as an increase in waste and use of resources
- benefit less energy- and emission-intensive sectors and see a move in production towards cleaner sectors in both the EU and Mexico
- not raise energy demand
- not lead to a rise in imports of natural resources

Both the EU and Mexico have agreed that the trade deal between them must support existing environmental laws and not lower or dilute them.
The agreement prohibits either side from pursuing 'a race to the bottom'. So they must not unduly encourage trade and investment by:

- derogating from environmental laws
- not enforcing environmental laws

The European Commission contracted an independent consultant to carry out a Sustainability Impact Assessment (SIA) of the EU-Mexico trade agreement. The SIA looks in even greater detail at the potential environmental, social and economic effects of the agreement.

As part of the ongoing assessment the contractor is organising several workshops to collect stakeholders' views. The assessment informs the EU's negotiators as to which measures they might need to integrate into the agreement to offset any potentially negative environmental effects and ensure it fits in with EU environmental policies.

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How else will the agreement promote sustainable development?

The new trade agreement includes commitments on:

- promoting the sustainable management of fisheries and forests
- conserving biodiversity
- combating the illegal wildlife trade.

In their new trade agreement the EU and Mexico pledge to:

- cooperate on environmental and workers' rights issues that have a link to trade
- put into practice all the Multilateral Environmental Agreements that they have signed, including the Paris climate accord.

The EU and Mexico have also agreed to promote various other initiatives, such as:

- encouraging companies to co-operate:
    - responsibly, by respecting the environment and workers' rights
    - accountably, by being open about where they buy the inputs to make their products
- fair trade and promoting trade in environmentally friendly products like sustainably produced cocoa and coffee.
- energy efficiency and the use of climate-friendly technologies
- recycling.

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Will the agreement force EU governments to privatise state-owned firms or break up state-owned monopolies?

No. The agreement will NOT require EU governments to:

- privatise any existing state-owned firms or monopolies
- take rights or privileges away from state-owned firms or monopolies
- lower the standard of public services.

The EU would like European firms to be able to sell products or services to Mexican state-owned firm without being discriminated against.

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Does the agreement contain a reference to the precautionary principle?

Yes, it does. The precautionary principle is also enshrined in the EU treaties and EU trade agreements must respect those treaties.

The EU ensures that all its trade agreements:

- fully respect the right to regulate on the basis of the precautionary principle
- are in line with the EU's existing food safety regulations and other 'secondary legislation' which includes the precautionary principle.

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Will the chapter on sustainable development be enforceable?

Yes.

The agreement's chapter on sustainable development covers issues such as:

- workers' rights
- the environment
- climate change

The commitments set out in the chapter will be enforceable through a dispute settlement mechanism that includes:

- external review by an independent panel of experts
- a role for civil society, including representatives of employers and trade unions, at all stages
- expertise of international bodies such as the International Labour Organization

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How will the agreement affect public services in Europe?

The agreement will not affect public services.

No EU trade agreement forces governments to privatise or deregulate any public service at national or local level. The EU–Mexico agreement is no different.

EU governments will still be able to nationalise any privately provided services. Of course, they would have to respect their own and EU laws – for instance on conditions for ending a contract early or for paying compensation for expropriation.

EU trade agreements do not affect any country's ability to regulate its services markets. They try to stop governments discriminating between service suppliers because of their nationality.

The EU-Mexico agreement will not change rules suppliers – whether foreign or domestic – have to meet to:

- protect people's health and safety
- organise education systems

- distribute water
- protect the environment.

Some EU Members States have chosen to allow non-EU service providers to provide private education and health services. Others have specifically barred them.

Whatever a Member State decides, the neither the trade agreement with Mexico nor the Lisbon Treaty limits:

- EU Member States' ability to regulate or provide services of general interest such as energy and water
- the EU's ability to regulate such services in a non-discriminatory manner

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How will the agreement safeguard governments' right to regulate in the public interest?

The agreement will not affect the right of EU or Mexico:

- to regulate to protect the public health, the environment or workers
- to provide public services.

No EU trade agreement forces governments to privatise or deregulate any public service at national or local level. The EU–Mexico agreement is no different.

The agreement will enable the EU and Mexico to work together on some regulatory issues – on a voluntary basis.

Cooperation will only apply to general EU laws or those that affect trade or investment. It will not include EU Member States’ laws.

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Why does the EU want to include an investment court system when Mexico already has an independent, impartial judiciary?

The EU is committed to integrating its new approach to investment protection and dispute resolution – an investment court system – in *all* its new trade agreements. The investment court system:

- sets up a permanent tribunal for each EU trade agreement, together with the trade partner
- has highly qualified judges, randomly assigned to each case
- avoids conflict of interest by preventing judges from also working as investment lawyers

- includes the right to appeal against verdicts and the possibility to reverses the court's decisions
- makes all documents available online, with webstreamed hearings for all to see.

The EU has already included the investment court system in its recent agreements with Canada and Vietnam.

Like Canada, Mexico has an independent, impartial judiciary.

The EU sees including an investment court system in its trade agreements as a step towards the higher goal of creating a public, international investment court with:

- highly qualified judges
- transparent working methods

An international investment court would replace the current panoply of private arbitration arrangements contained in thousands of bilateral trade deals around the world.

This represents another important step in shaping globalisation and ensuring a fair, rules-based system based on the highest standards.

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Who decided to launch negotiations for a trade agreement with Mexico?

It was the EU's Member States, meeting as the Council of the European Union, that decided to launch the negotiations.

On 23 May 2016 the Council of the European Union approved the 'negotiating directives' – often referred to as the 'mandate' – to replace the 2000 EU-Mexico Global Agreement with an updated agreement.

The governments of the EU's Member States instructed the European Commission to negotiate on behalf of the EU. The 'mandate' – a series of guidelines – set out what they wanted it to achieve.

The EU and Mexico held the first round of negotiations in June 2016.

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How much control did elected governments and MEPs have during the negotiations?

The European Commission is negotiating on behalf of the EU in line with the guidelines given to it by the governments of the EU's 28 Member States.

The Commission has always ensured that the negotiation process is accountable to EU Member States and to the European Parliament.

Cecilia Malmström, the EU's Trade Commissioner, and the Commission's negotiators:

- work together with EU Member States to prepare the negotiations and negotiating texts
- report back to the Member States meeting in the Council on how the negotiations are going
- keep the European Parliament updated of developments
- appear before the European Parliament's International Trade Committee.

Since January 2016, there have been 13 meetings with all EU Member States and 10 with the European Parliament's International Trade Committee (INTA).

The European Parliament has also set up a special Monitoring Group to follow the negotiations.

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How did the Commission make sure that everyone could follow what was happening in the talks?

Throughout the negotiations the Commission has regularly met, informed and shared information with:

- EU Member State governments
- the European Parliament
- civil society organisations

On its website the Commission has published:

- reports of negotiating rounds
- texts of EU proposals submitted to Mexico
- press releases
- background information about the negotiations

The Commission also:

- holds press conferences with journalists
- holds citizens dialogues in EU Member States
- uses social media, such as Twitter.

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How did the Commission ensure that it listened to everyone with a stake in the agreement?

The Commission regularly reports back to the governments of the EU's Member States and keeps the European Parliament informed of progress in the negotiations.

The European Commission also held numerous meetings with representatives of many of the more than 460 civil society organisations registered with its ongoing dialogue on trade policy. These EU-based, not-for-profit groups include:

- trade unions
- consumer bodies
- employers' federations
- business federations
- farming organisations
- environmental organisations
- animal welfare organisations
- faith-based groups
- think tanks
- community-based groups.

These meetings enable a wide range of bodies to make their views heard and to comment on the negotiations. At the meetings, the Commission informs and updates civil society on the negotiations and listens to their views.

In 2015, the European Commission issued new guidelines for transparency. Since then, the Commission has made public all new negotiating papers tabled in trade talks.

The European Commission's doors are open. So any organisation interested in the talks can meet officials to put forward their views and opinions.

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When did the negotiations to update the EU-Mexico agreement start? When will they end?

The negotiations began in 2016. In April, the EU and Mexico reached a two sides' intention is to conclude a final text of the agreement by the end of 2018.

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What happens now that the negotiations have finished?

Once the negotiations have finished, in the EU the text of the agreement will be:

- published on the European Commission website

- translated into all official EU languages
- checked by lawyer-linguists
- sent to EU Member States, the European Parliament and possibly Member State national parliaments for approval

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Who has the final say on whether or not the agreement goes ahead?

The trade agreement with Mexico is part of a wider Global Agreement, which covers areas for which both the EU and EU Member States are responsible not just the EU. This means it is a so-called ‘mixed agreement’ as opposed to an ‘EU only’ agreement.

Once the negotiations have ended, as a 'mixed' agreement, it must then be approved by:

- the governments of the EU's Member States
- the European Parliament
- Member State national – and possibly regional – parliaments

In Mexico, it is the Senate that must approve the agreement.