

Modernisation of the trade pillar of the EU-Mexico Global Agreement

OVERVIEW

On 21 April 2018, the EU and Mexico reached an agreement in principle on a modernised trade pillar of the EU-Mexico Economic Partnership, Political Coordination and Cooperation Agreement, also known as the Global Agreement, in force since 2000. On 28 April 2020, negotiations were formally concluded after the only outstanding item – EU access to sub-federal public procurement contracts in Mexico – was agreed upon.

The trade pillar of the Global Agreement was the first trade liberalisation agreement the EU concluded with a Latin American country. It has contributed to a significant increase in EU-Mexico trade in services and industrial goods. However, it has become outdated, as both parties have entered into a wide range of preferential trade agreements with state-of-the-art provisions reflecting new developments in trade and investment policies. Removing non-tariff barriers to trade, and further liberalising trade in agricultural goods would allow the EU and Mexico to enhance their competitive edge in each other's markets.

After the trade pillar's legal scrutiny and translation, it will become part of a three-pronged Global Agreement that will also contain revamped political dialogue and cooperation pillars and will be signed by the Council of the EU and its Mexican counterpart. The new Global Agreement will subsequently be submitted to the European Parliament for its consent.



Economic Partnership, Political Coordination and Cooperation Agreement between the European Union and its Member States, of the one part, and the United Mexican States, of the other part

Committee responsible: International Trade (INTA)

Rapporteur: Inmaculada Rodríguez-Piñero Fernández (S&D, Spain)

Introduction

Currently, EU-Mexico trade and investment relations are governed by the trade pillar of the EU-Mexico Economic Partnership, Political Coordination and Cooperation [Agreement](#) (hereafter the Global Agreement), which was signed in 1997 and entered into force in 2000, as well as by the [bilateral investment treaties](#) (BITs) that several EU Member States have concluded with Mexico.¹

For Mexico, which became increasingly integrated with the value chains of Canada and the United States after the North American Free Trade Agreement (NAFTA) entered into force in 1994, the Global Agreement with the EU has been part and parcel of an ambitious trade diversification strategy and of a shift from a former [import substitution industrialisation](#) model to an export-led economy. The EU, for its part, has sought NAFTA-equivalent [market access](#) to Mexico to counteract a NAFTA-entailed loss of competitiveness and trade diversion. Unlike its subregional integration policy for the rest of Latin America (except for Chile and Cuba), the EU has pursued a [country-based approach](#) to Mexico, a like-minded country. Accordingly, in 2009 the EU entered into a

[strategic partnership](#) with Mexico; this partnership is based on close historic, cultural and economic ties and shared values, and is underpinned by [sectorial dialogues](#). In a broader context, the two partners have worked together on global issues in international fora such as the Organisation for Economic Co-operation and Development ([OECD](#)) and the World Trade Organization (WTO).²

The drivers of the launch in 2016 of EU-Mexico negotiations aimed at modernising the trade pillar of the Global Agreement were the profound changes in global trade and investment policy since 2000 and the conclusion by the EU and [Mexico](#) of a wide range of new trade and investment agreements with third parties. These include state-of-the-art provisions that go far beyond those of the Global Agreement. Their absence from the Global Agreement has prevented the EU and Mexico from fully exploiting their comparative advantages. Moreover, under the centre-right Enrique Peña Nieto government (2012-2018), Mexico carried out a series of structural [reforms](#) ([Pacto por México](#)), opening up key sectors previously closed off to foreign investment, such as energy and telecommunications, thereby creating business opportunities for EU firms.³

As for the EU, its enlargement process has substantially increased both its size and the diversity of its Member States' interests. The Lisbon Treaty, in force since 2009, has broadened the scope of the EU's common commercial policy, allowing the EU, among other things, to incorporate substantive investment provisions in the new trade pillar. Moreover, the reform of the EU's common agricultural policy ([CAP](#)) has facilitated EU concessions to Mexico on imports of agricultural goods. After the protectionist turn of US trade policy under the Trump Administration in 2017, the EU and Mexico have also sought to reassert their commitment to the rules-based multilateral trading system.

Figure 1 – Map of Mexico with economic indicators



Data source: [Eurostat](#), [World Bank](#), [WEF](#), [Transparency International](#). In the EU, Mexico's GDP PPP compares with Bulgaria's (US\$23 000) and in Latin America, with Costa Rica's (US\$19 600) and Chile's (US\$24 200).

Existing situation

Legal framework of EU-Mexico trade relations

The trade pillar of the EU-Mexico Global Agreement was the first trade liberalisation agreement the EU (then the European Community) concluded with a Latin American country. It is unique in terms of the complexity of its legal structure, content and negotiation procedure, chosen to reflect the specific [negotiation context](#), the partners' different policy priorities and the division of trade and investment competences between the European Community and its Member States at the time. Unlike current EU trade agreements, the trade pillar of the Global Agreement essentially set general objectives for a range of trade areas. It left more detailed substantive and procedural provisions, and tariff liberalisation schedules for implementing these objectives, to a Joint Council to negotiate. It established an institutional framework – the [EU-Mexico Joint Council](#) and the Joint Committee – to supervise the implementation of the agreement. Civil society involvement was not envisaged.

While the text of the Global Agreement was undergoing ratification, the objectives of the trade pillar aspects under Community competence were framed in more detail in an [interim agreement](#) that entered into force in 1998, two years before the Global Agreement. In addition, a 1997 [joint declaration](#) provided for parallel negotiations by the Joint Council on trade and trade-related issues under Community competence (at the time) and on trade issues (services, investment, and intellectual property rights (IPRs)) under Member State competence at the time.

The Joint Council's first decision, taken in [2000](#), defined the progressive liberalisation schedules for trade in goods, taking into consideration the asymmetry in economic development between Mexico and the European Community by specifying different tariff reduction schedules and transition periods. It also set out provisions for government procurement, cooperation mechanisms for [competition](#) and intellectual property and provisions on [dispute resolution](#).

The Joint Council decision of [2001](#) determined the liberalisation schedules for trade in services and set out provisions on [investment](#) promotion and investment-related payments and protection of intellectual property. Apart from a general [standstill clause](#) as regards non-discriminatory measures, trade in services saw only a few specific commitments for financial services. Mexico essentially [granted](#) the EU the same market access to financial services as to Canada and the US under NAFTA. Audiovisual services, air services and maritime cabotage were excluded.

Although the trade and investment areas covered were considered comprehensive and ambitious at the time, the provisions in some cases [reflected](#) a mere reaffirmation of the parties' commitments under WTO multilateral trade agreements such as the one on sanitary and phytosanitary ([SPS](#)) standards and the one on technical barriers to trade ([TBTs](#)). Progress on deepening the trade pillar through the review clauses on agriculture, services and investment that were both innovative at the time and legally binding in nature, has failed to materialise, reportedly for [lack of political will](#).

Tariff barriers to trade

The tariff liberalisation introduced by the 2000 Joint Council decision [focused](#) on industrial goods, which were progressively but fully liberalised. This is significant, because already at that time EU-Mexico trade was predominantly in industrial goods. By contrast, only [309](#) out of a total of 1 192 agricultural and fisheries tariff lines were fully liberalised, with the majority of remaining tariff lines being governed by most favoured nation (MFN) tariffs that were very high on both sides.⁴ For some particularly sensitive agricultural import items the EU granted Mexico tariff rate quotas (TRQs). Certain agricultural products (e.g. meat, cereals, dairy and fruit) were entirely [excluded](#) from tariff liberalisation, including those whose denomination is protected within the EU (particularly cheese and wine). Trade in [fisheries](#) was to be fully liberalised after 10 years, with the exception of tuna, where tariff reductions and TRQs were applied (Mexico has [barely used](#) these over time). By the end of the liberalisation period, [62 %](#) of EU-Mexico trade in agricultural goods was duty free. There was

thus scope for further liberalisation, notably considering that Mexico's NAFTA partners benefit from [full liberalisation](#) on all agricultural goods, which gives them a significant competitive advantage over EU exporters. With a 69 % market share, the US is Mexico's top supplier of agricultural goods.

Non-tariff barriers to trade

Since the Global Agreement's emphasis was not on non-tariff barriers (NTBs) to trade, bilateral trade is still hampered by these barriers. The EU's market access database, consulted in August 2020, showed 11 NTBs for Mexico covering several SPS measures such as lack of reciprocity of the [pre-listing system](#) (i.e. lack of an approved list of establishments from which products can be imported without prior inspection), [import restrictions](#) for fresh fruit and vegetables, [lack](#) of recognition of EU regionalisation measures for African Swine Fever, and [import restrictions](#) on EU sawn wood. It also included [barriers](#) related to administrative or customs procedures, [discrimination](#) against EU firms in public procurement, lack of IPR [enforcement](#) and [protection](#) of geographical indications (GIs), and a [burdensome](#) registration and approval procedure for health products and agro-chemicals.

Trade in goods

During the past 10 years, total EU-Mexico trade in goods has almost tripled, reaching [€61.8 billion](#) in 2019, with the EU running a trade in goods surplus with Mexico of €13.3 billion. That same year, Mexico was the 11th-largest trading partner for the EU-27 and its biggest trading partner in Latin America ahead of Brazil ([€59.0 billion](#) as per February 2020 data). Again in 2019, the EU-27 was Mexico's third-largest trading partner, accounting for a share of 7.8 % of Mexican trade after the US (62.4 %) and China (10.1 %).

Mexico and the EU have made almost equal use of the trade preferences envisaged under the Global Agreement: while Mexico has [increased](#) its preference utilisation rates (PUR) on exports to the EU from 52 % in 2015 to 74 % in 2018, the EU's PUR on exports to Mexico declined from 76 % in 2015 to 70% in 2018. Unlike the EU's agrifood-dominated imports from other Latin American countries, EU imports from Mexico – just like EU exports to Mexico – are mainly in the form of industrial goods (94.7 % and [96 %](#) respectively). In 2019, EU imports of agricultural products and fisheries from Mexico accounted for only 4.9 % and 0.5 % respectively, and EU exports of those goods to Mexico for merely 3.9 % and 0.1 % respectively.

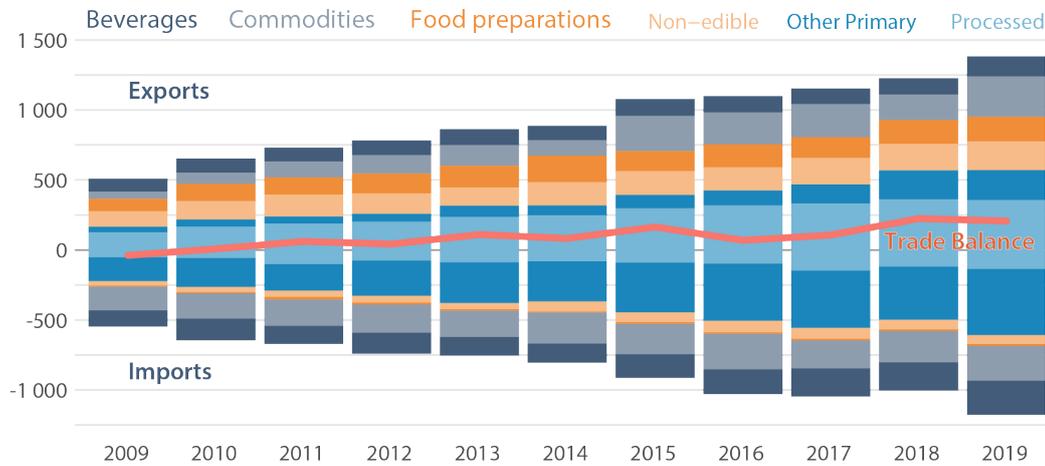
Table 1 – Top five items of EU-Mexico industrial and agricultural trade in 2019

EU industrial exports to Mexico	EU industrial imports from Mexico	EU agrifood exports to Mexico	EU agrifood imports from Mexico
machinery and appliances (33.9 %)	machinery and appliances (25.6 %)	wine, vermouth, cider and vinegar (10.3 %)	tropical fruit, fresh or dried, nuts and spices (21.4 %)
transport equipment (17.3 %)	transport equipment (25.1%)	miscellaneous seeds and hop cones (10.1%)	beer (11.2 %)
products of the chemical or allied industries (14 %)	mineral products (15.9 %)	spirits and liqueurs (7.2 %)	spirits and liqueurs (9 %)
base metals and articles thereof (8.2 %)	optical and photographic instruments (13.7 %)	casein, other albuminoidal substances and modified starches (7.1 %)	fruit juices (7.4 %)
plastics, rubber and articles thereof (5.2 %)	products of the chemical or allied industries (3.8 %)	food preparations (5.9 %)	unroasted coffee, tea in bulk and maté (7.1 %)

Source: [European Commission](#), data as of February 2020; [EU agrifood trade with Mexico](#), March 2020.

In 2019, Mexico was the EU's 23th-largest import market for agri-food, accounting for €1.4 billion or 0.8 % of total extra-EU trade, and the EU's 28th-largest export market for agri-food, representing €1.1 billion or 1 % of total extra-EU trade (Figure 2).

Figure 2 – Structure of EU-Mexico trade in agricultural goods (€, billions)



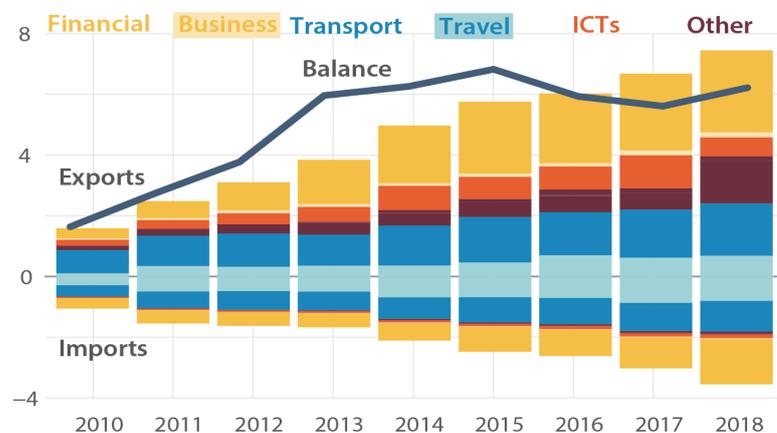
Source: [EU agri-food trade with Mexico](#), statistical factsheet, European Commission, March 2020.

A 2016 [study](#) found that EU agri-food exports to Mexico increased during 1995-2014, although at a slower pace than the increase in total Mexican agri-food imports, and that the EU lost some of its market share in Mexico throughout most of the above period. The increase in EU agri-food exports to Mexico was chiefly due to an expanded export volume of **processed agri-food products** that EU producers were already exporting to Mexico before the provisions of the trade pillar kicked in. Growth in EU imports from Mexico was larger than the growth in total EU agri-food imports, and Mexico expanded its market share throughout most of the period under consideration. Similarly, this increase was predominantly due to a larger import volume of **primary agricultural products** that were already being imported from Mexico before the provisions of the trade pillar entered into force. The partial liberalisation of agrifood trade under the Global Agreement thus has had only a limited effect. This is confirmed by a 2017 [evaluation](#) stating that Mexican exporters have not fully used their EU TRQs since other markets – including the Canadian and the US ones – have offered Mexico better market access conditions for its agricultural export products than the EU.

Trade in services

As can be seen in Figure 3 on the right, in 2018 overall EU-Mexico trade in services amounted to €13.2 billion. EU exports of services to Mexico accounted for €8.2 billion and consisted mainly of business (€2.8 billion), transport (€1.8 billion), travel (€0.7 billion) and ICT services (€0.6 billion). EU imports of services from Mexico represented €5 billion and were dominated by business (€1.5 billion), transport (€1.0 billion) and travel (€0.8 billion).

Figure 3 – Structure of EU trade in services with Mexico (€, billion)



Source: Eurostat, International trade in services, [\[bop_its6_det\]](#), July 2020.

World Bank and OECD data [demonstrate](#) that there are barriers hampering EU exports of business and professional services to Mexico. The main barriers for EU service providers in Mexico include the enforcement of national technical standards; licence requirements; specific legal, administrative and bureaucratic hurdles; and lack of regulatory transparency and implementation.

EU-Mexico trade frictions

The EU's and Mexico's use of trade remedies

Both the EU and Mexico are moderate users of trade remedies against each other. In 2015, the European Commission [initiated](#) anti-dumping (AD) investigations against Mexico based on an industry complaint concerning allegedly dumped Mexican exports of certain manganese oxides. The probe was [terminated](#) in 2016 without the imposition of a measure. Between 2016 and 2019, the EU did not launch any investigations against Mexico. Mexico [imposed](#) five new AD measures against the EU between 2016 and 2019. It did not initiate any new probes against the EU in 2018 and 2019; at the end of 2019, a total of seven Mexican AD measures were in force against the EU.

Defensive and offensive WTO cases: Numbers and issues

WTO cases filed by the EU and Mexico against each other have essentially focused on two agricultural issues. Mexico, a WTO founding member like the EU, has brought only three cases ([DS16](#), [DS27](#) and [DS158](#)) against the EU since 1995. They all took issue with the then EU regime for the importation, sale and distribution of bananas and included Guatemala, Honduras, Panama, and the US as complainants. This long-standing banana dispute was finally settled in November 2012. The EU, for its part, lodged a complaint ([DS53](#)) against Mexico in 1996 concerning customs valuation of imports from Mexico, which was solved without a panel being formed. In 2004, the EU requested consultations with Mexico concerning the imposition by Mexico of provisional countervailing measures on imports of olive oil originating in the EU ([DS314](#)). The same issue was the subject of a second complaint ([DS341](#)) brought by the EU in 2006. The case was decided in the EU's favour, with Mexico eliminating the measure in 2008.

Comparative elements

Table 2 below presents a comparison of the trade pillars of EU association agreements with Latin American countries that have recently been negotiated (with Mercosur), thoroughly modernised (with Mexico) or are still being modernised (with Chile).

Table 2 – Scope of the EU-Mexico, EU-Mercosur and EU-Chile trade pillars

	TSD	SPS	IPR	SMEs	Energy and raw materials	Govern-ment procurement	Digital trade	Invest-ment	Invest-ment dispute resolu-tion	Anti-corrup-tion	Trade and gender equality
Mexico	yes	yes	yes/ GI list	yes	yes	yes	yes	yes	yes	yes	no
Chile	yes	n.a.	yes	yes	yes	yes	yes	yes	n.a.	yes	yes
Mercosur	yes	yes	yes/ GI list	yes	no, proposal not included	yes	yes , in services chapter	no	no	no	no

Source: EPRS, TSD = trade and sustainability development; SME = small and medium-sized enterprises; EU-Mexico '[agreement in principle](#)', EU-Mercosur '[agreement in principle](#)' and [EU text proposals](#) for the modernisation of the EU-Chile trade pillar, n.a. = not available.

It shows that the EU-Mexico and the EU-Chile trade pillars have a much broader scope and more innovative chapters than the [EU-Mercosur trade pillar](#). This is mainly due to the fact that the Council mandate used for the negotiations of the EU-Mercosur association agreement dates back to 1999 and that the mandates for the other two negotiations are more recent. The new EU-Mexico trade pillar would be the EU's first preferential trade agreement to include a chapter on anti-corruption measures. However, it would not contain a chapter on trade and gender equality, which would be a special feature of the [EU-Chile trade pillar](#).

EU negotiation objectives

According to the European Commission's 2015 [impact assessment](#), the general objectives of the upgrading of the trade pillar of the EU-Mexico Global Agreement include:

- promoting smart, sustainable and inclusive growth through the expansion of trade (including promoting the EU's values and principles embedded in its relations with the wider world, such as sustainable development and the protection of human rights);
- creating job and labour opportunities and welfare gains;
- lowering consumer prices and providing other benefits to consumers;
- improving the EU's competitiveness in global markets, and
- reinforcing cooperation on trade-related issues with a like-minded partner.

The specific objectives include:

- mutually enhancing market access for goods, services and investment (including through access to government procurement) from the EU and Mexico by further eliminating, reducing or preventing unnecessary barriers (including NTBs);
- ensuring a high level of protection of investment and IPR both in the EU and in Mexico;
- reinforcing dialogue and cooperation on regulatory frameworks (including SPS measures, standards, technical regulations and conformity assessment procedures) and administrative practices to improve regulatory coherence; and
- contributing to the shared objective of promoting sustainable development, inter alia by including trade-related provisions on labour and environment.

Counterpart's position

For the Mexican government of Enrique Peña Nieto (2012-2018), the task of modernising the trade pillar of the EU-Mexico Global Agreement, which was [part](#) of a trade diversification [agenda](#), became much more urgent when Donald Trump, on the 2016 presidential campaign trail, [referred](#) to NAFTA as the 'single worst deal [the US has] ever approved' and announced that he would either renegotiate it to rebalance it in favour of the US or pull out of it.

The Peña Nieto government [expressed](#) interest in incorporating new areas such as e-commerce, energy, trade facilitation and TSD into a modernised trade pillar, and in aligning the trade pillar with trade agreements the EU was then negotiating with Canada and the US. As far as agrifood is concerned, Mexico had offensive [market access](#) interests, especially for [bananas](#), beef, honey and sugar. Some Mexican commentators [posited](#) that the modernisation of the Global Agreement could actually balance EU-Mexico trade relations in Mexico's favour, referring to the not fully utilised potential of bilateral investments and Mexico's growing [trade deficit](#) with the EU.

Parliament's position

During a 2014 [plenary debate](#) based on a [parliamentary question](#) for an oral answer on the modernisation of the trade pillar of the Global Agreement, MEPs recalled the positive evolution of

EU-Mexico trade relations and recent reforms in Mexico that created interesting perspectives for EU companies in areas such as telecommunications and energy. Parliament expressed its support for the modernisation of the EU-Mexico Global Agreement in its 2016 [resolution](#) on a forward-looking and innovative future strategy for trade and investment. In its 2017 [resolution](#) on the EU's political relations with Latin America, Parliament called for speeding up EU-Mexico negotiations and for finalising them in 2017. In its 2018 [resolution](#) on the annual report on the implementation of the common commercial policy, it notably endorsed ambitious provisions on combating corruption, recalling that free trade agreements offer a good opportunity to increase cooperation in the fight against money laundering, tax fraud and tax evasion.

In addition, MEPs have posed numerous parliamentary questions to the Commission and the Council on a variety of topics such as the [negotiating directives](#), market access for [agricultural goods](#), [tariff quotas for beef](#), future [Mexican beef imports](#) to the EU, the impact of the EU-Mexico Agreement on [French beef farmers](#), the [Covid-19 context](#) of food security and food sovereignty, [health risks](#) associated with Mexican beef imports; [geographical indications](#) (GIs), EU [business and investment opportunities](#) in Mexico, a [TSD](#) chapter, and [SMEs](#).

Advisory Committees

On 17 September 2015, the European Economic and Social Committee (EESC) [adopted](#) an opinion on the revision of the Global Agreement's trade pillar, stressing the importance of civil society involvement, the need to include an obligation to sign and ratify International Labour Organization (ILO) conventions, and the importance of including chapters on IPRs (including GIs) and investment protection to replace the existing BITs.

Preparation of the agreement

At the 2013 EU-CELAC (Community of Latin American and Caribbean States) [summit](#) in Santiago de Chile, the EU and Mexico decided to explore the [possibilities](#) of updating the Global Agreement. An EU-Mexico joint working group was set up to carry out a scoping exercise aimed at testing the degree of convergence between the EU and Mexico on the coverage and the level of ambition of a possible modernisation of the trade pillar. This work [resulted](#) in a Joint vision report on trade and investment issues that was presented to the EU-Mexico summit [held](#) in June 2015.

In December 2013, the Commission contracted an [external consultant](#) to perform an ex-post evaluation of the implementation of the Global Agreement's trade pillar and an ex-ante assessment of options for its modernisation. This evaluation included a [stakeholder consultation workshop](#) in Mexico City in July 2015. In 2015, the EU [held](#) an [online](#) public consultation. Prior to the publication of the [final report](#) of the evaluation in 2017, the Commission's 2015 [impact assessment](#) predicted that the future trade effects of a modernised trade pillar in the conservative scenario would result in yearly EU GDP gains of [€500 million](#) and Mexico GDP gains of €1 800 million by 2028. In the ambitious scenario, the EU's GDP would grow by €1 800 million and Mexico's GDP by €6 400 million on a yearly basis. It stated that total EU-Mexico trade in goods and services would increase by 17.0 % in the conservative scenario and by 75.1 % in the ambitious scenario. For EU imports from Mexico, total trade across all sectors would increase by 9.3 % in the conservative scenario and by 32.5 % in the ambitious scenario.

Negotiation process and outcome

In May 2016, the Council [approved](#) an unpublished mandate for the Commission to start the negotiations. Between June 2016 and February 2018, a total of nine negotiating rounds took place, with the Commission usually publishing a report on the progress achieved (respectively reports on the [1th](#), [2nd](#), [3rd](#), [4th](#), [5th](#), [6th](#), [7th](#), [8th](#), and [9th](#) round). In parallel to the negotiating rounds and in line with the Commission's commitment to a transparent and inclusive trade policy, a wide range of [text proposals](#) was published. The Commission contracted an external consultancy to carry out a

sustainability impact assessment (SIA) and [invited](#) EU business to provide comments on questionnaires that would accompany the negotiations. The [final SIA report](#), which among others provides a sectoral update of the Commission's 2015 impact assessment, was published in September 2019. The different stages of the SIA's drafting process were presented at civil society dialogues organised by the Commission on [18 December 2017](#), [13 March 2018](#), and [4 July 2019](#).

On 21 April 2018, the EU-Mexico negotiations were [concluded](#) with an agreement in principle on the new trade pillar, while Mexico was in parallel talks with Canada and the US on a revision of NAFTA, which ended in September 2018.⁵ On 28 April 2020, the EU and Mexico [concluded](#) their talks by agreeing on the last element: EU access to Mexican subfederal public procurement markets.

The changes the agreement would bring

Liberalisation of trade in **agricultural goods** would concern [85 %](#) of not yet liberalised product lines, with exceptions applicable to the sugar sector ([EU schedule](#); [Mexico schedule](#)). Partial liberalisation and TRQs with different phasing-in periods would apply to sensitive agricultural goods (see box).

On **services**, the provisions would ensure access to [telecommunications](#), [maritime](#), [financial](#) and [delivery services](#) and establish a level playing field for EU service providers in Mexico, while reaffirming the parties' [right to regulate](#) and to keep services public. The agreed text provides for [advanced provisions](#) on the movement of people for business purposes (mode 4). Provisions on [digital trade](#) would remove barriers to online trade.

As regards **public procurement**, the [provisions](#) would ensure reciprocal access for EU and Mexican firms to the EU and to the Mexican public procurement markets, with Mexico for the first time opening up its markets not only at federal but also at [subfederal level](#) in a trade agreement, thus creating significant new business opportunities for EU firms. The federal procurement market alone is worth some €20 billion each year. Mexico would also grant non-discriminatory access for EU firms to public private partnership (PPPs), while the EU would grant similar access to EU works concessions. The agreement moreover would incorporate new generation disciplines, including on transparency, equivalent to those under the WTO Agreement on Government Procurement ([GPA](#)), to which Mexico is not a party. Under the current trade pillar, Mexico applies NAFTA rules and procedures to procurement contracts. The provisions would also foresee the possibility to take into account environmental and social considerations.

The agreement [includes](#) high standards of protection and enforcement of **IPR** going beyond those set out in the Agreement on Trade-Related Aspects of Intellectual Property Rights ([TRIPS](#)), with for instance copyright and related rights, industrial designs, and trade secrets benefiting from rules aligned with the most recent EU regulations. As IPR enforcement in Mexico has remained a [source](#)

Agri-food TRQs

EU exports to Mexico of cheeses and dairy products, for which high duties of 45-50 % are in place, would be duty free under several [TRQs](#), such as for mature cheeses: TRQ of 20 000 t to be phased in in five years; fresh cheeses: TRQ of 5 000 t in five years, skimmed milk powder: TRQ of 50 000 t in five years; dairy preparation: TRQ of 13 000 t.

Almost all EU pork exports (tariffs of up to 45 %) would be liberalised (except a TRQ of 10 000 t of loins) and EU poultry exports (tariffs of up to 100 %): TRQ of 20 000 t of leg quarters, while mechanically deboned chicken meat would be fully liberalised. Chocolate, confectionery and pasta would be duty free without TRQs. Customs duties for some EU fruit exports to Mexico would be phased out over time (e.g. apples over 10 years, tin peaches over seven years).

Mexico would gain market access for beef: [TRQ](#) of 10 000 t carcass weight equivalent (CWE) and for beef offal: TRQ of 10 000 t CWE, both TRQs with 7.5 % duty phased in in five years; Mexican pork exports would be fully liberalised except for frozen ham: TRQ of 10 000 t CWE; poultry exports from Mexico would be fully liberalised except for chicken breast: TRQ of 10 000 t. Egg products would become duty free under a TRQ of 5 000 t egg equivalent for egg yolks in seven years.

Exports of Mexican bananas would be aligned to the preferential tariff as for the other preferential banana exporters (€75/t) on entry into force of the trade pillar. Mexico's exports of honey would be duty free in seven years and an existing TRQ would be replaced by one of 35 000 t duty free. For Mexican ethanol, a TRQ of 25 000 t would be phased in in five years and for raw sugar for refining, a TRQ of 30 000 t at €49/t phased-in in three years would be applicable.

[of serious concern](#), the negotiated text includes provisions on civil and administrative IPR enforcement and border enforcement measures.

As for **GIs**, on top of the existing protection for EU spirits through the 1997 [Spirits Agreement](#) as [amended](#) in January 2020, 340 EU names for foodstuffs, wines and beers would be [protected](#), significantly more than for the Mexican side. Mexico in 2018 [introduced](#) a special registration procedure for the protection of GIs through amendments to its [Law on Industrial Property](#).

The **SPS chapter** incorporates a string of trade facilitation measures, including a swift and transparent import approval procedure, clear time-frames, treatment of the EU as a single entity, reduction of the number of audits, elimination of preclearance, i.e. an inspection by Mexican inspectors in the EU for each consignment exported for many fruits and vegetables, and Mexico's endorsement of the so-called '[prelisting](#)' principle for the export of animal-based products. This means that approved Member States would have their establishments listed without prior additional audit by Mexico. The chapter also contains ambitious provisions on [regionalisation](#) aimed at limiting trade restrictions to the specific areas in the event of outbreaks of pests or diseases.

[Provisions](#) on **animal welfare** and **anti-microbial resistance** are set to boost cooperation, including on improving the implementation of the World Organisation for Animal Health [standards](#) and phasing out the use of some substances as growth promoters.

The [chapter](#) on **energy and raw materials** sets out rules on transparent and non-discriminatory authorisation procedures ensuring EU firms' access to Mexican hydrocarbon and clean energy markets. The aim is to eliminate export restrictions of energy and raw materials and to ban export monopolies and export or dual pricing where export prices are set above domestic prices.

The agreed text contains both **investment liberalisation** and **protection provisions**. Market access commitments (positive list approach) would apply to services, manufacturing and basic industries, including the recently liberalised Mexican energy sector. The provisions on non-discriminatory treatment (negative list approach) include a prohibition on performance requirements, such as local content or transfer of technology requirements, as a condition for the establishment or operation of companies. On the investment protection side, the negotiated text defines precisely the scope of protection standards thus removing the scope for discretionary interpretation by tribunals. The protection of investment is extended beyond the currently existing BITs, which would be replaced, to the remaining EU Member States, thereby guaranteeing equality of treatment and opportunities for all EU investors. As regards [international dispute settlement](#), Mexico has agreed to the establishment of a standing international investment court system.

The **TSD chapter** would mandate among others that the parties cannot lower their environmental and labour standards with a view to attracting investment; that the parties retain the right to regulate in pursuit of public policy objectives; and that core ILO conventions and multilateral environmental agreements already ratified by the parties are effectively implemented. Mexico is a party to a large [number](#) of MEAs. In 2018, it [ratified](#) the last of eight core ILO conventions, the Convention 98 on the Right to Organise and Collective Bargaining. On 3 July 2020, it also [ratified](#) the Domestic Workers Convention. That said, [researchers](#) have found [weaknesses](#) in the implementation of workers' rights in Mexico.

The TSD chapter moreover includes the precautionary principle and locks in the parties' commitments to implementing the Paris Agreement. Like the TSD chapters in other recent EU preferential trade agreements, controversies between the parties would be governed by chapter-specific soft dispute settlement arrangements distinct from the dispute settlement mechanism covering the overall agreement horizontally and devoid of the possibility of imposing sanctions.

The modernised trade pillar would also include chapters on [transparency](#), small and medium-sized enterprises ([SMEs](#)), [rules of origin](#), [TBTs](#), including provisions on regulatory cooperation as well as provisions establishing cooperation to achieve mutual recognition. On [competition policy](#), it

contains chapters on [subsidies](#) and [state-owned enterprises](#) (SOEs). The agreement also includes [provisions](#) on the fight against corruption in the field of trade and investment.

Stakeholder views⁶

The Foreign Trade Association (ex Amfori) [advocated](#) liberalised rules of origin, improved customs procedures, closer regulatory cooperation as well as strong IPR and SPS rules. NGOs have raised concern against incorporating provisions on investment protection and investment dispute settlement into the agreement, as experience has shown that large multinational corporations, predominantly from the US, have brought a [flood of](#) cases against the Mexican government under NAFTA rules. They have also pointed at [environmental damage](#) associated with large multinationals. NGOs have also [criticised](#) the fact that the Council's mandate has not been published, that there is an [asymmetry](#) between the investment chapter and the TSD chapter in terms of enforceability. NGOs have also voiced their fears over the potential [adverse impact](#) on small farmers and food sovereignty in Mexico and their concerns over the lack of a linkage between trade liberalisation and a better human rights record. French farmers have [raised concerns](#) about the beef TRQs granted to Mexico, questioning Mexican food production standards, notably the traceability of animals.

Signature and ratification process

After its legal review and translation into all official languages, the agreement in principle will be presented to the Council for signature. In May 2018, the Council [decided](#) that depending 'on their content, association agreements should be mixed' and that the 'ones that are currently being negotiated, such as with Mexico, Mercosur and Chile, will remain mixed agreements'. The EU-Mexico Global Agreement would thus not only require the European Parliament's consent prior to its conclusion by the Council, but also ratification by the parliaments of all EU Member States.⁷

EP SUPPORTING ANALYSIS

Domínguez R. and Velasco Pufleau M., [The modernisation of the European Union-Mexico 'Global Agreement'](#), Directorate-General for External Policies (EXPO), European Parliament, 2015.

Gómez-Ramírez E., Mexico's Parliament and other institutions, briefing, EPRS, European Parliament, forthcoming 2020.

Grieger G., [EU trade with Latin America and the Caribbean: Overview and figures](#), [DE], [ES], [FR], [PT], in-depth analysis, EPRS, European Parliament, December 2019.

Ioannidis I., [The effects of human rights related clauses in the EU-Mexico Global Agreement and the EU-Chile Association Agreement](#), ex-post impact assessment, [ES], EPRS, European Parliament, 2017.

Torrent R. and Polanco R., [Analysis of the upcoming modernisation of the trade pillar of the European Union-Mexico Global Agreement](#), study, Directorate-General for External Policies (EXPO), European Parliament, 2016.

OTHER SOURCES

Boulanger P., Dudu H., Ferrari E., Himics M., M'barek R., [Cumulative economic impact of future trade agreements on EU agriculture](#), Joint Research Centre (JRC), Science for Policy Report, 2016.

Bergstrand J., Baier S., Sunesen E. R., and Thelle M. H., [Ex-post Assessment of Six EU Free Trade Agreements](#). An Econometric Assessment of their Impact on Trade, Copenhagen Economics, for Directorate-General Trade, European Commission, February 2011.

European Commission Services' [position paper](#) on the sustainability impact assessment in support of negotiations for the modernisation of the trade part of the Global Agreement with Mexico, 2020.

Ex-post Evaluation of the Implementation of the EU-Mexico Free Trade Agreement, [final report, summary](#), Ecorys, for Directorate-General Trade, European Commission, 2017.

[Impact Assessment](#) Accompanying the document Recommendation for a Council Decision authorising the European Commission and the High Representative of the Union for Foreign Affairs and Security Policy to open negotiations and to negotiate with Mexico a modernised Global Agreement, SWD(2015) 289, European Commission, 2015; [Executive summary](#), SWD(2015) 290, European Commission, 2015.

[Impacts of EU trade agreements on the agricultural sector](#), Copenhagen Economics for the Directorate-General for Agriculture and Rural Development, European Commission, 2016.

Serrano C., Martínez A., Rodríguez y Saidé Salazar R., [Evaluación de los efectos del Tratado de Libre Comercio entre la Unión Europea y México en el comercio bilateral y la inversión](#), [EN] BBVA, Documento de Trabajo, N°15/13, 2015.

Sustainability Impact Assessment (SIA) in support of the negotiations for the modernisation of the trade part of the Global Agreement with Mexico, [Final Report](#), LSE Consulting, for Directorate-General Trade, European Commission, 2019.

ENDNOTES

- ¹ The modernisation of the Global Agreement also includes the political dialogue and the cooperation pillars of the current agreement, but they are not covered by this briefing. The agreed text of the political dialogue and the cooperation pillars will be in the public domain, once they are signed by the Council of the European Union and the Mexican government. After signature, all three parts will be submitted to the European Parliament for its consent.
- ² In the WTO context, Mexico joined the EU-initiated [multiparty interim appeal arbitration](#) arrangement (MPIA) as a stop-gap solution to the US-blocked WTO Appellate Body.
- ³ [Regulatory changes](#) in the Mexican energy sector made by the Andrés Manuel López Obrador (AMLO) government, in power since 2018, may have adverse consequences for foreign private sector investment in the energy sector.
- ⁴ [Examples](#): 125 % on meat and edible offal of poultry, 125 % on potatoes, 125 % on several types of sugar fructose, 60 % on animal or vegetable fats and oils, 60 % on cheese (45 % as from 2016), 60 % on milk and cream in solid form, 60 % on lard, pig and poultry fat, 60 % on roasted coffee, 45 % on eggs and on barley.
- ⁵ The US-Mexico-Canada agreement ([USMCA](#)) or NAFTA 2.0, includes new rules of origin, new rules on minimum wages for Mexican workers, notably in the car sector, and rules on [agricultural trade](#), including on 'a more rigorous process for establishing [GIs](#)'. Like NAFTA rules in the 1990s, the new USMCA rules are likely to impact on future decisions by EU investors in Mexico. The USMCA entered into force on 1 July 2020.
- ⁶ This section aims to provide a flavour of the debate and is not intended to be an exhaustive account of all different views on the agreement. Additional information can be found in related publications listed under 'EP supporting analysis' and 'other sources'.
- ⁷ For more recent information, see the respective entry in the EPRS [legislative train schedule](#), which is updated on a monthly basis.

DISCLAIMER AND COPYRIGHT

This document is prepared for, and addressed to, the Members and staff of the European Parliament as background material to assist them in their parliamentary work. The content of the document is the sole responsibility of its author(s) and any opinions expressed herein should not be taken to represent an official position of the Parliament.

Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the European Parliament is given prior notice and sent a copy.

© European Union, 2020.

eprs@ep.europa.eu (contact)

www.eprs.ep.parl.union.eu (intranet)

www.europarl.europa.eu/thinktank (internet)

<http://epthinktank.eu> (blog)



Second edition of a briefing originally drafted by Roderick Harte. The 'International Agreements in Progress' briefings are updated at key stages throughout the process, from initial discussions through to ratification.