

EUROPEAN PARLIAMENT

1999



2004

Session document

FINAL
A5-0066/2000

13 March 2000

REPORT

on the proposal for a Council decision on the Community position within the EC-Mexico Joint Council on the implementation of Articles 3, 4, 5, 6 and 12 of the Interim Agreement on trade and trade-related matters
(5965/1/2000 – COM(2000) 9 – C5-0076/2000 – 2000/0024(CNS))

Committee on Industry, External Trade, Research and Energy

Rapporteur: Concepció Ferrer

<i>Symbols for procedures</i>	<i>Abbreviations for committees</i>
<p>* Consultation procedure <i>majority of the votes cast</i></p> <p>**I Cooperation procedure (first reading) <i>majority of the votes cast</i></p> <p>**II Cooperation procedure (second reading) <i>majority of the votes cast, to approve the common position</i> <i>majority of Parliament's component Members, to reject or amend the common position</i></p> <p>*** Assent procedure <i>majority of Parliament's component Members except in cases covered by Articles 105, 107, 161 and 300 of the EC Treaty and Article 7 of the EU Treaty</i></p> <p>***I Codecision procedure (first reading) <i>majority of the votes cast</i></p> <p>***II Codecision procedure (second reading) <i>majority of the votes cast, to approve the common position</i> <i>majority of Parliament's component Members, to reject or amend the common position</i></p> <p>***III Codecision procedure (third reading) <i>majority of the votes cast, to approve the joint text</i></p> <p>(The type of procedure depends on the legal basis proposed by the Commission)</p>	<p>I. AFET Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy</p> <p>II. BUDG Committee on Budgets</p> <p>III. CONT Committee on Budgetary Control</p> <p>IV. LIBE Committee on Citizens' Freedoms and Rights, Justice and Home Affairs</p> <p>V. ECON Committee on Economic and Monetary Affairs</p> <p>VI. JURI Committee on Legal Affairs and the Internal Market</p> <p>VII. INDU Committee on Industry, External Trade, Research and Energy</p> <p>VIII. EMPL Committee on Employment and Social Affairs</p> <p>IX. ENVI Committee on the Environment, Public Health and Consumer Policy</p> <p>X. AGRI Committee on Agriculture and Rural Development</p> <p>XI. PECH Committee on Fisheries</p> <p>XII. REGI Committee on Regional Policy, Transport and Tourism</p> <p>XIII. CULT Committee on Culture, Youth, Education, the Media and Sport</p> <p>XIV. DEVE Committee on Development and Cooperation</p> <p>XV. AFCO Committee on Constitutional Affairs</p> <p>XVI. FEMM Committee on Women's Rights and Equal Opportunities</p> <p>XVII. PETI Committee on Petitions</p>

CONTENTS

	Page
PROCEDURAL PAGE	4
DRAFT LEGISLATIVE RESOLUTION.....	5
EXPLANATORY STATEMENT	6

PROCEDURAL PAGE

By letter of 19 January 2000 the Council consulted Parliament, pursuant to Article 300(3), first subparagraph of the EC Treaty, on the proposal for a Council decision on the Community position within the EC-Mexico Joint Council on the implementation of Articles 3, 4, 5, 6 and 12 of the Interim Agreement on trade and trade-related matters (5965/1/2000 – COM(2000) 9 – 2000/0024(CNS)).

At the sitting of 18 February 2000 the President of Parliament announced that she had referred this request to the Committee on Industry, External Trade, Research and Energy as the committee responsible and the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy and the Committee on Development and Cooperation for their opinion (C5-0076/2000).

At its meeting of 24 February 2000 the Committee on Industry, External Trade, Research and Energy appointed Concepció Ferrer rapporteur.

It considered the proposal for a Council decision and draft report at its meetings of 24 February and 13 March 2000.

At the latter meeting it adopted the draft legislative resolution by 43 votes to 2, with 1 abstention.

The following were present for the vote: Nuala Ahern, acting chairman; Peter Michael Mombaur, vice-chairman; Concepció Ferrer, rapporteur; Gordon J. Adam (for Massimo Carraro), Maria del Pilar Ayuso González (for Guido Bodrato), Alexandros Baltas, Eduard Beysen (for Willy C.E.H. De Clercq), Yves Butel, Gérard Caudron, Giles Bryan Chichester, Nicholas Clegg, Dorette Corbey (for Claude J.-M.J. Desama), Harlem Désir, Jonathan Evans (for Renato Brunetta), Christos Folias, Glyn Ford, Neena Gill (for Mechtilde Rothe), Michel Hansenne, Malcolm Harbour, Dimitrios Koulourianos (for Konstantinos Alyssandrakis), Werner Langen, Peter Liese (for Konrad K. Schwaiger), Rolf Linkohr, Albert Jan Maat (for Alain Lamassoure), Erika Mann, Marjo Tuulevi Matikainen-Kallström, Linda McAvan, Eryl Margaret McNally, Barbara O'Toole (for Elena Valenciano Martínez-Orozco), Reino Kalervo Paasilinna, Elly Plooi-j-van Gorsel, Samuli Pohjamo (for Astrid Thors), John Purvis, Godelieve Quisthoudt-Rowohl, Alexander Radwan (for Paul Rübig), Bernhard Rapkay (for Norbert Glante), Imelda Mary Read, Christian Foldberg Røvsing, José Ignacio Salafranca Sánchez-Neyra (for Angelika Niebler, pursuant to Rules 153(2)), Gilles Savary (for François Zimeray), Ilka Schröder, Esko Olavi Seppänen, Claude Turmes (for Nelly Maes), Jaime Valdivielso de Cué, W.G. van Velzen, Alejo Vidal-Quadras Roca (for Anders Wijkman) and Dominique Vlasto.

The Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy and the Committee on Development and Cooperation decided on 24 and 23 February 2000 respectively not to deliver opinions.

The report was tabled on 13 March 2000.

DRAFT LEGISLATIVE RESOLUTION

European Parliament legislative resolution on the proposal for a Council decision on the Community position within the EC-Mexico Joint Council on the implementation of Articles 3, 4, 5, 6 and 12 of the Interim Agreement on trade and trade-related matters (5965/1/2000 – COM(2000) 9 – C5-0076/2000 – 2000/0024(CNS))

(Consultation procedure)

The European Parliament,

- having regard to the proposal for a Council decision (COM(2000) 9¹),
 - having regard to Annexes I to XVI and Joint Declarations I to XV, COM(2000) 9,
 - having regard to Article 47(2), last sentence, Article 55 and Article 133 of the EC Treaty,
 - having been consulted by the Council pursuant to Article 300(3), first subparagraph, of the EC Treaty (C5-0076/2000),
 - having regard to Rules 67 and 97(7) of its Rules of Procedure,
 - having regard to the report of the Committee on Industry, External Trade, Research and Energy (A5-0066/2000)
1. Approves the proposal for a Council decision;
 2. Instructs its President to forward Parliament's position to the Council and the Commission and to the governments and parliaments of the Member States and the United Mexican States.

¹ Publication in OJ pending

EXPLANATORY STATEMENT

I. INTRODUCTION – CONTENT OF THE PROPOSAL

1. By letter of 9 February 2000 the Council of Ministers of the European Union consulted the European Parliament on the proposals for Council decisions on the Community position within the EC-Mexico Joint Council on the implementation of the trade aspects falling within the Community's competence of the Economic Partnership, Political Coordination and Cooperation Agreement signed with Mexico on 8 December 1997 (Articles 3, 4, 5, 6 and 12 of the Interim Agreement (COM(2000) 9 – 5965/1/00/rev 1 - C5-0076/2000 – 2000/0024 (CNS))).
2. In addition to establishing a free trade zone, the Global Agreement also institutionalises a political dialogue designed to promote democratic principles and respect for human rights, together with cooperation on the environment, social affairs, poverty, the protection of human rights and measures to combat drugs. Because it is a mixed agreement, it requires the approval not only of the Council and Parliament, but also of the national parliaments of the 15 Member States of the European Union. The European Parliament gave its assent to the Agreement on 6 May 1999.
3. To enable the trade aspects of the Agreement falling within the Community's competence to come into force, the Interim Agreement was signed as soon as possible. This is a temporary agreement enabling trade negotiations to begin without having to wait for the ratification of the Global Agreement by the Member States to be completed. Once this process has been completed, the results of the negotiations conducted under the Interim Agreement will be incorporated into the Global Agreement. The European Parliament gave its assent to the Interim Agreement on 13 May 1998² and the Agreement came into force on 1 July 1998. The trade negotiations began on 14 July 1998 and concluded on 24 November 1999.

II. SIGNIFICANCE AND CONTENT OF THE AGREEMENT

4. Historically, the political, economic and cultural ties between the European Union and Mexico have been very important. Mexico has been one of the European Union's main trading partners on the American continent, represents a market of 90 million consumers and is of great strategic importance to European exports because of the network of trade agreements Mexico has developed with eight countries of the Latin

² OJ C 167, 1.6.98, pp. 78-99

American region and , above all, the NAFTA Agreement between Mexico, the United States and Canada, a consequence of the strategy to reform and liberalise its economy pursued by the country over the last decade and which has made the Mexican market one of the most dynamic, with annual growth rates for imports among the highest in the world (18%).

5. In recent years, however, the European Union's share of Mexican imports has declined markedly. During the 1990s, 18% of Mexican imports originated in the EU, yet by 1998 this figure had fallen to around 9.4%. Similarly, Community exports fell from around 11 000 million euro in 1992 to only 3700 in 1999, mainly because conditions for access to the Mexican market are less favourable to EU exporters than to those from the NAFTA countries. By way of example, the average duty on United States industrial exports to Mexico in 1999 was 1.8%, whereas for European exports in sectors such as clothing or automobiles the rates were 35% and 23% respectively.
6. The aim of this Agreement, which for all the above reasons is of considerable importance to the European Union, is to establish a new framework to enable the EU to reassert its position on the Mexican market and ensure that in future it can compete on equal terms with countries with which Mexico has concluded free trade agreements, particularly the United States and Canada. For its part, Mexico is keen to bring diversity and balance to its external trade relations and thus prevent a situation where its trade balance is dependent mainly on trade with the United States, as has been the case since the entry into force of NAFTA. Indeed, since that time the United States has doubled its exports to Mexico, while 80% of Mexico's current external trade is with the other NAFTA partners.

III. CONTENT OF THE PROPOSAL AND OUTCOME OF THE NEGOTIATIONS

7. The package of trade measures negotiated under the Interim Agreement, together with those negotiated under the Global Agreement, represents the most extensive agreement ever concluded between the EU and a third country from outside its geographical region and, in your rapporteur's opinion, will encourage trade and investment flows between the European Union and Mexico to the general benefit of both parties. In addition, the inclusion of the democracy clause as an essential component of the Agreements guarantees a commitment to democracy and respect for human, social and environmental rights on the part of Mexico, which will not only be beneficial for the development of trade relations but also for the development of a fully democratic system where fundamental rights are guaranteed and for promoting sustainable development and a fairer social balance. With this in view, it is worth remembering that, as well as the democracy clause contained in the preamble and Article 1, there is an additional clause (Article 16 of the Interim Agreement and Article 58 of the Global Agreement) providing for the Agreement to be suspended if

one of the parties fails to meet the obligations laid down.

8. The implementation of Articles 3, 4, 5, 6 and 12 of the Interim Agreement, on which Parliament is required to give its opinion in this report at the request of the Commission, involves negotiating the following trade rules:
 - (a) Trade in goods, including tariff liberalisation, rules of origin, customs cooperation, anti-dumping and compensatory measures, safeguard measures, standards, technical regulations and conformity assessment procedures, sanitary and phytosanitary measures (Article 3 of the Interim Agreement);
 - (b) Public procurement (Article 4 of the Interim Agreement);
 - (c) Competition (Article 5 of the Interim Agreement);
 - (d) Consultation mechanism for questions relating to intellectual property (Article 6 of the Interim Agreement);
 - (e) Dispute settlement (Article 12 of the Interim Agreement).
- (a) Trade in goods
9. As a result of the negotiations, Mexico is undertaking to liberalise 47% of its industrial products when the Agreement comes into force and 5% in 2003, which will mean the effective elimination of tariffs for 52% of all products by this date. The remaining 48% will have to be liberalised by 1 January 2007, with a maximum tariff of 5% being applied and a minimum of 2% in 2003, to be phased out completely from 2003 to 2005 or 2007. For its part, the European Community will liberalise all industrial products from 1 January 2003, 82% when the Agreement comes into force and the remaining 18% from 1 January 2003. On both sides the starting point is the duty effectively applied. For Mexico this means a commitment to eliminate from the date of entry into force of the Agreement not only the tariff increases decided unilaterally during 1999, against which Parliament has already spoken out, but also the increases levied on footwear and certain textile products since 1995.
10. The negotiations on rules of origin managed to meet the specific concerns of both parties, with an agreement to apply the EC harmonised rules of origin to most industrial products, but introducing changes to these rules in some sectors such as vehicles and spare parts, the textile and clothing industry and footwear. In these sectors compromises were sought, which made it possible to secure better access to the Mexican market for Community products. The provisions laid down in this area

are technically complex and will require scrupulous management and monitoring in order to prevent fraud. Your rapporteur therefore believes that a close watch must be kept on the application of these provisions and that under no circumstances may the adoption of exceptions to the Community rules of origin serve as a precedent for other agreements.

11. The Agreement provides for the liberalisation of 62% of trade in agricultural products, which account for 7% of bilateral goods trade with Mexico. This will affect products which are particularly sensitive for the Union such as wines, spirits and olive oil, which will have duty-free access to the Mexican market. In exchange for these concessions, the Community is granting partial liberalisation for certain products of interest to Mexico such as orange juice, avocados and cut flowers. This tariff package will be complemented by sanitary and phytosanitary measures and the establishment of a special committee to settle any problems which might arise in this area.
12. With regard to products of interest to Chiapas and other isolated rural areas, such as coffee, bananas, mangoes and exotic flowers, your rapporteur welcomes the fact that when the Agreement enters into force the EC has undertaken to liberalise all types of coffee, including 'organic' coffee, which is starting to become fashionable in Europe and which indigenous groups are beginning to produce, as well as mangoes. Exotic flowers will be partially liberalised under a zero tariff quota, while bananas unfortunately cannot be liberalised yet because of the WTO panel that has been set up.
13. In the field of customs cooperation, it should be noted that a bilateral customs cooperation committee has been set up to encourage dialogue and cooperation between the parties. The establishment of this committee is especially important for monitoring the implementation of the rules of origin and for preventing fraud.

(b) Public procurement

14. The Agreement is also of particular interest when it comes to public procurement, although it relates solely to federal purchases (which account for 80% of public procurement), since the Federal State, which is the signatory to the Agreement, does not have responsibility for the sub-federal level. In fact, under the agreements negotiated, European undertakings will be accorded essentially the same treatment as those of Mexico's NAFTA partners, particularly as regards access to information and impartial award procedures. In addition, a committee has been set up to improve conditions for mutual market access and an undertaking has been given to develop electronic purchasing systems to give suppliers better access to the respective public contracts. In addition, key sectors for the European Community, such as

petrochemicals (PEMEX), electricity (CFE) and construction, are fully covered by the Agreement.

(c) Competition

15. The Agreement also establishes a mechanism for cooperation between the authorities responsible for applying the two parties respective competition laws and an undertaking has been given to exchange information and mutual assistance with the aim of eliminating activities which infringe these laws.

(d) Intellectual property

16. With regard to intellectual property, the negotiations resulted in the recognition of the two parties' respective laws and the establishment of a special committee on intellectual property responsible for resolving any conflicts which might arise in the application of these laws.

(e) Dispute settlement

17. The Agreement establishes a two-stage mechanism for the prevention and settlement of disputes, involving first consultation between the parties and then an arbitration panel. Your rapporteur believes that this mechanism provides legal certainty for potential European exporters or investors in Mexico that will help foster trade.

Your rapporteur has reached the following conclusions:

1. Reiterates the conclusions set out in the Miranda de Lage report (A4-0156) and in particular welcomes the fact that the democratic clause contained in the Agreement represents a legal basis for it (Article 1 of the Agreement), since it believes that respect for human rights and democratic principles must be a fundamental objective of all European Union policy;
2. Welcomes the progress made by Mexico in the field of human rights and democracy since the implementation of the Global Agreement, particularly the recent granting of permanent observer status to Mexico at the Council of Europe and the constitutional reform adopted on 6 June 1999, under which Mexico granted autonomy to its National Commission on Human Rights;
3. Stresses the need to pursue the reform process so as to ensure full respect for fundamental rights and freedoms and to seek equitable solutions to the social crisis which has accompanied economic liberalisation in Mexico;
4. Regrets that it was not kept systematically informed during the negotiating process in order to make the Agreement more transparent;
5. Recognises that the areas negotiated in the Agreement will bring substantial benefits to both parties, since they will enable trade and investment flows to increase

significantly;

6. Notes that, although Community rules of origin have been applied to most of the products affected by liberalisation, the exceptions only relate to a small part of the negotiations; nevertheless, regrets that these exceptions have once again affected key sectors of European industry and hopes that they will not serve as a precedent for future agreements;
7. Welcomes the setting up of the customs cooperation committee and hopes that it will help strengthen bilateral customs cooperation, thereby preventing any fraud which might arise in connection with the application of the rules of origin that have been agreed.
8. Delivers a favourable opinion on the Commission communication accompanying the final text of the draft decisions by the EC-Mexico Joint Council establishing the Community position within that Council.