



Evaluation of the implementation of the EU-Mexico FTA and an assessment of the possible modernisation of this Agreement

Report of the Stakeholder Consultation Workshop,
9 July 2015 in Mexico City

Commissioned by: the European Commission – DG TRADE

Conducted by: Ecorys Netherlands B.V. in co-operation with Integral



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Table of contents

Report of the workshop	5
Annex 1: Workshop programme	13
Annex 2: List of participants	15
Annex 3: Panelists' resumes	17
Annex 4: Background information	21
Annex 5: Presentations	23

Report of the workshop

Summary of the workshop

A stakeholder consultation workshop on the “Evaluation of the EU-Mexico Free Trade Agreement”, held in Mexico City on July 9th 2015, was organised and conducted by independent consultants from ECORYS and Integral, as part of the ex-post evaluation of the implementation of the EU-Mexico Free Trade Agreement and an assessment of the possible modernisation of this Agreement.¹

The workshop was led by the Ecorys Team Leader of the project, Ms. Nora Plaisier MSc, with a total attendance of 47 representatives of Mexican civil society, business organisations and academia². It was organised around the three main parts of the impact study – i.e. economic, social and environmental impacts of the EU-Mexico FTA – following a brief introduction describing the study and the workshop modality, and a presentation on the regulatory issues. Three panels took place in which a presentation of each one of the chapters was commented by three Mexican panelists³ and discussed by the participants. Mr. Rua Boiero moderated the panels and participants’ interventions.

Overall, the workshop succeeded in reaching its main objectives, namely to inform stakeholders and gather their opinions about the findings of the study. The panelists’ interventions were shown to be a valuable resource, not only because of the merit of their opinions, but also as a motivation to a more active involvement of the participants in the discussion.

Introduction to the workshop and opening address by the EU Delegation representative

Ms. Nora Plaisier opened the workshop and welcomed all participants to the venue, and introduced Ambassador Andrew Standley, Head of Delegation of the European Union to Mexico, who gave the opening address.

Ambassador Standley pointed out the European Union strategic partnership with Mexico and the main issues of mutual interest and attention for both parties: environment, climate change, the role of Small and Medium Enterprises (SMEs), education, and human rights. He emphasized the need for Mexico to diversify markets, and compared the importance of the economic and trade relationship between the EU and Mexico with the one that Mexico has with the United States and Canada markets, to which the EU also has a favored access through its association with Mexico.

Referring to trade flows between the parties, that amount to about 65,000 million dollars per year, he highlighted the fact that trade flows have significantly grown since the FTA enforcement, in spite of the Mexican bilateral trade deficit, which does not represent a problem or a negative signal in itself. As a result, the trade agreement can be characterised as successful, and there is an opportunity to further develop Mexican exports to the EU by improving Mexican exporters knowledge of the European market.

¹ The Workshop Programme is included in Annex 1. As the workshop was conducted in English and Spanish, simultaneous translation was made available during the event. The Workshop Programme as well as the Background Information that participants received prior to the event (Annex 4), were translated to Spanish and distributed to participants. The slides of the presentations are included in Annex 5.

² The lists of attendees can be consulted in Annex 2. A total of 74 persons were registered and confirmed their attendance, of which finally attended 47. Including the EU Delegation and Ecorys and Integral teams, the total number of attendees to the workshop was 55 persons.

³ Panelists resumes are included in Annex 3.

In sum, he concluded by stressing the need for open markets and the continuous improvement of competitiveness, underlining the importance of the telecommunications, transport, financial services and energy sectors in the modernisation of the agreement.

Ambassador Standley closed his speech by thanking the participants for attending the workshop and accentuating the importance of gathering stakeholders opinions.

First session: Background to the study, its methodology and approach, and EU-Mexico FTA Regulatory Analysis

Ms. Nora Plaisier presented at the beginning of this first session the background to the study, its methodology and approach, and the workshop scope and objectives. She also invited participants to take part of the online survey⁴ and to actively participate in the exchange of ideas and information that would follow during the event.

Mr. Rodolfo Rúa Boiero presented the regulatory analysis of the EU-Mexico FTA, successively referring to the structure and contents of the agreement, the analysis of the context in which the FTA had been negotiated and subscribed, the identification of the regulatory changes since the agreement enforcement, and the institutional framework of the FTA. Among the main findings of his analysis, Mr. Rúa Boiero mentioned that the agreement had successfully reached its original objectives in terms of the issues to be negotiated and agreed – with the exception of the so-called review clauses, most of which not yet implemented –, as well as in relation to the observed growth of trade and investment flows. He also referred to the fact that Mexico undertook several trade reforms as part of its trade policy and in line with trade liberalization; and finally, that the institutional framework had performed accordingly to its design, and the observed failure in reaching, for instance, the negotiation of the review clauses, can be attributed to the fact that the conditions were simply not conducive to an agreement.

A clarification was made about one participant question on the democratic clause and the political dialogue – and the dialogue with the civil society – explaining that these three issues were not directly related to trade issues that are the object of the impact study conducted by Ecorys/Integral, but to the Global Agreement.

Second session: The economic impacts of the EU-Mexico FTA

Ms. Corine Besseling presented the economic impacts of the EU-Mexico FTA. She first explained the methodological approach based on the CGE model, done to establish to what extent the observed developments can be attributed to the FTA, and the gravity model, aimed to determine whether the impact of the current agreement on bilateral trade is caused by tariff liberalization alone, or whether other factors like non-tariff measures have played a role as well. Thereafter, she presented the main economic trends and developments that can be observed in the past 20 years, as well as the modelling results.

Ms. Besseling pointed out the following main results of the study:

- Significant expansion of bilateral trade in goods after entry into force of the FTA, with exports and imports having more than doubled.
- Exports from the EU to Mexico have grown slightly faster than exports from Mexico to the EU.
- The trend in bilateral exports largely follows the trend in overall exports of both partners.

⁴ It was mentioned that the survey will be online until July 31st 2015.

- The share of EU in Mexican exports was 3.8 percent in 1999 and 4.9 percent in 2013. The share of Mexico in EU exports increased from 0.5% to 0.7% from 1999-2013.
- Bilateral trade is concentrated in a limited number of sectors: more concentration for Mexican exports to the EU; an increase in diversification for the EU exports to Mexico.
- Significant increase in bilateral trade in services, in line with developments in overall services trade.
- Reduction in tariffs between the trade partners are estimated to have led to minor losses in tariff revenues.
- The model assumes that in the long run, resources will reallocate across sectors as a result of the FTA. This means that some sectors could have experienced a positive effect on output and employment, while other less-competitive could have contracted as resources flow to the growing sectors. According to the modelling results, it is estimated that most sectors have experienced only a limited positive or negative impact, with two exceptions: motor vehicles (+16.5%) and electrical machinery (-11.5%).

Mr. Ruperto Flores y Fernández stated that the globalization process, together with the new technologies, introduce a totally different international context within which the negotiation of the modernized trade agreement will take place. He alerted about the fact that most of Mexican firms are not prepared nor well informed about the benefits of the agreement, what they want to negotiate, what are they willing to concede, or what they want to remain unchanged. The companies that benefitted from the FTA were well-prepared and informed. He expressed his favorable opinion about the modernisation of the agreement, and specifically referred to the need of simplification of customs procedures, particularly by reviewing the process of certification of origin, subject in Mexico to multiple difficulties and differences in the interpretation of regulations by the customs authority. He also affirmed that the dispute settlement mechanism should be modified to allow private sector to act as demanding party. Mr. Ruperto Flores y Fernández called on the private sector to be prepared for a renewed FTA in order to benefit from it.

Mr. Norberto Valencia Ugalde presented the performance of the agriculture sector under the agreement, pointing out that while agriculture exports had grown, their potential had been somehow limited by the existence of tariff quotas that had not been reviewed as was originally the objective. He showed some examples of how Mexican agriculture exports have become more competitive in third markets – i.e. Japan – than in the European market, and the negative implications that the accession of new Member States to the EU had on the competitiveness profile of Mexican exporters.

The third panelist, Ms. Beatriz Nadia Pérez Rodríguez emphasized the role of cooperation and political dialogue as the main instruments to expand the EU-Mexico FTA and its potential. She underlined that while the impact on trade flows has been very positive, it has been relatively lower than in other agreements and concentrated in a few European countries, therefore bringing about the need to further develop the economic and commercial relationship with the other Member States, especially with those recently joined the EU. Ms. Pérez Rodríguez proposed to support the expansion of development oriented economic cooperation, particularly in the areas of innovation and competitiveness throughout technical assistance projects. She concluded that the renegotiation of the EU-Mexico FTA should take into account the present negotiation initiatives as the Trans-Pacific Partnership (TPP) and the Transatlantic Trade in Partnership (TTIP), as well as to generate favorable conditions to access the markets of the EU Member States with low participation in bilateral trade flows. Agriculture and fisheries, further liberalization, reciprocity in sanitary and phytosanitary measures, energy and e-commerce should be the main issues to be included in the modernisation renegotiation.

Some of the above points were also discussed by the participants.

- Some opinions pointed out that trade agreements had not been beneficial for Mexican development and productivity, and asked for ad hoc regulations to be included, for example a preferential treatment for local firms in the chapter of government procurement. Other participants' opinions, nevertheless, manifested that low productivity and lack of competitiveness were the result of deficient Mexican policies rather than an outcome of trade agreements.
- It was asked why being the FTA so successful, Mexico still shows relatively high poverty and inequality figures. Trade agreements, according to other opinions from the participants, do not explain neither cause poverty and inequality in themselves, these negative effects are mainly associated with local policies.
- Regarding the trade obstacles resulting from the existence of tariff quotas in agriculture, a question was posed about the incomplete use of tariff contingents by Mexican exporters. It was signaled that the existence of a non-zero tariff for agricultural contingents implied by itself the fact that exports of these products had better market access conditions in other markets, therefore bringing them to divert their exports to these markets instead of fully using EU quotas.
- It should be important to qualitatively assess the impact of the FTA in different sub-periods, as well as to estimate the costs of non implementation of commitments.

Third Session: The Social Impacts of the EU-Mexico FTA

Ms. Nora Plaisier presented the social trends and developments in Mexico resulting from the FTA, that the study assessed through quantitative and qualitative methods, translating price and wage changes from CGE model into impacts on disposable income of individual households in terms of purchasing power, and computing various indicators of poverty and income inequality and compare these to the counterfactual scenario of not having an FTA.

Among the main impacts estimated by the study, Ms. Plaisier mentioned the following:

- Employment effects are positive but very small, and labor displacement is estimated to have been limited.
- There are no explicit provisions on promoting labor standards, hence impacts on labor rights could be detected because of an increased interaction between EU and Mexican firms, to the extent that Mexican producers must comply with EU product and production regulations in order to enable their access to the EU market.
- Impact on an increased demand for more social security resulting from increased incomes is estimated to be insignificant.
- As the contribution of the FTA to GDP and income growth has been relatively limited, and given social dialogue is affected by many other factors that are not FTA related, the effect on issues related to social dialogue is small.
- The changes in poverty and inequality as a result of the FTA are very small, but mainly show a positive change.
- Given the small economic and social effects, the FTA impact on human rights is also small; if there are any effects, they are estimated to be mostly positive (e.g. due to increased wages, increased government revenue) but some questions remain (e.g. impact of EU exporters and investors, informal economy, etc.).

The panelists discussed what they consider the most complicated social FTA related issue, that is the impact in terms of welfare, welfare for the population as a whole. They referred to bilateral relationship, negotiations, conflicts and disputes, wondering who actually are the counterparts: multinational companies, governments of one or another European nation, or the European Union as a bloc.

Mr. Peña Guerrero presented the increased developments in FDI that have taken place since the FTA, which could have affected human rights. He also presented a summary of bilateral cooperation, showing the importance of the funding allocated to social projects, and particularly to the Social Cohesion Laboratory financial agreement. He also made additional comments on the need of transparency and on the low impact of the FTA on employment and poverty. Furthermore he notes that the Global Agreement includes a clause on human rights, however this has practically never been used.

Ms. Laura Becerra Pozos stressed that the three pillars of the agreement cannot be isolated one from the others, and that the economic aspect in itself is not an adequate indicator of the effects of the agreement. She reaffirmed the basis of the model of social cohesion through cooperation and political dialogue between both parties, with the necessary participation of civil society. While supporting the need for a modernization of the agreement, she proposed that acknowledging the changes in the international context and the global crisis, as well as the relevant role of Mexico in Latin America, the renegotiation of the agreement must include a stronger commitment with the democratic clause, transparency in mechanism of dialogue and the full incorporation of civil society through the creation of a quadripartite committee. She also proposed the joint development of social indicators and the promotion of social observatories to monitor social impacts of trade and investment bilateral relationships. Regarding the effect of foreign investment on human rights, she asks who is responsible in case of violation of human rights. In general it can be said that the government is kind to the private sector. It is important that a modernized FTA will include a clause on human rights.

Ms. Olga Guzmán Vergara qualified the impact of the agreement on human rights as one with more awareness but the current situation is worse than at the moment of its entry in force. She observed that the democratic clause is merely enunciative due to the lack of a legal instrument, and the EU role in face of violations to human rights has also been only declarative and limited itself to cooperation actions. Although EU cooperation projects aim to the dissemination and respect of human rights, some European companies lack accountability and do not respect the rights of workers, nor the communities in which they settle, nor even collective rights related to the environment or land tenure of indigenous people. She recommends the evaluation team to have a look at human rights issues in the so-called “mega projects”.

An important question raised from one of the participants, essentially addressed to the panelists, referred to the fact that not all social or human rights problems or deficiencies could be attributed to the role of the EU or to the EU-Mexico FTA. Most of them, in an opinion that was agreed by other participants, result from the lack of adequate policies in Mexico or from the inability to implement them. It was said that solving the Mexican internal social problems cannot be asked from the EU.

Fourth Session: The environmental impacts of the EU-Mexico FTA

Ms. Corine Besseling first presented the environmental impacts, that is the effects of the FTA on natural resources, ecosystems and biodiversity, air pollution, water, waste, climate change, and green growth, explaining that the impact assessment takes into account three impact channels, namely: the implications for environmental externalities and resource use associated with economic activity triggered by the FTA; the harmonization of regulation and standards that can mean an upgrade of environmental protection in Mexico; and increased trade which means increased transport but also potential increases in trade in environmentally friendly goods (such as green technologies) or environmentally unfriendly goods (such as fossil fuels).

The following main points resulted from the study:

- The impact of FTA on green growth through economic channel is small and mixed.
- The intensity of air pollution and greenhouse gases emissions are estimated to have gone down as a result of the FTA, mainly due to the composition effect – i.e., the most polluting sectors are estimated to have contracted as a result of the FTA.
- Main water consuming sectors are estimated to have been negatively influenced.
- Land use intensity and fisheries are estimated to have slightly increased.
- Although trade flows of environmental goods and services have increased significantly, a clear link to FTA is difficult to establish.

All the panelists indicated the need to understand and address the socio-environmental conflicts arising from economic and trade practices.

Ms. María de Lourdes Aduna Barba started her intervention questioning the information on environment and climate change that the study has taken into consideration, due to her belief that it show inconsistencies and that Mexican context has not been appropriately considered. She particularly signaled that in her opinion the effects on air pollutant emissions or on the water consumption in agriculture remain unexplained.⁵ She also mentioned the figure of “environmental dumping” and the need to consider it as a central issue in the renegotiation of the agreement, explaining with an example the unfair competition practice resulting from the biased use of environmental standards: Mexican vehicle motors producers cannot use local aluminum (produced from aluminum bauxite, that Mexico does not produce), nor aluminum produced from aluminum waste (not allowed by environmental standards), therefore they have to import aluminum and face unfair competition from exporters from third countries that are not restricted by these standards.

Mr. Federico Arce Navarro pointed out the disagreements about the methods to measure environmental impacts, and signaled that a great number of effects are the consequence of the operation of new installed European companies that incorporate new technologies and show high environmental standards, occasionally higher than those applied by United States firms. He supported the need of reviewing the agreement to build capacities to level the field in this area. Finally, he emphasized the importance of international cooperation to improve environmental conditions and standards. Without the FTA, many environment related cooperation projects would not have taken place.

Mr. Andrea Cerami claimed for the harmonization of the national legislation on environment, and specifically referred to the inclusion of the energy sector and regulations – i.e. the Mexican energetic reform – in the modernized agreement, since central aspects as the respect for human rights has not been properly considered. He gave examples about the lack of regulations and control practices with regard to some mega investment projects from European companies in Mexico. Even if acknowledging that it is not within the scope of the EU-Mexico FTA, he asked to include the topic in the bilateral dialogue to pressure Mexico into effectively complying with local regulations, as there is a lot of knowledge and many relevant technologies available in the EU, which could help Mexico with its environmental issues.

During the discussions, the subsidies and permits provided by the Mexican government were debated, which may be good for the development of the private sector, but bad for the environment. The EU may be able to provide advice on more efficient systems. At the end of this session a question arose concerning the actual influence of trade agreements on local regulations related to environmental – and also social – issues. Some of the participants interventions posed the question

⁵ The project team explained that more context information can be found in the full Interim Technical Report, which is available online.

about whether the commitments assumed in a trade agreement are determinants of a more strict enforcement of local regulations associated with an improvement in social and environmental conditions. To this respect, it was signaled that the negotiation of highest standards only implies that these will be required to economic operators to access the market or to invest, regardless of their effective and efficient local implementation.

Wrap-up and Conclusions

Ms. Nora Plaisier summarized the main issues presented and discussed during the workshop, and the conclusions that were reached. She congratulated the panelists and participants for their interventions and welcomed the results of the workshop that will serve as valuable inputs to complement the study.

Panelists views, as well as the opinions of the participants during the discussion of the topics, showed a positive reaction towards a modernization of the agreement, albeit with differences regarding issues to be included in the negotiation and their priority. Some of the opinions expressed in the workshop pointed out the necessity to further liberalize trade flows – mostly in the agricultural sector – and to facilitate trade; others stressed the importance of cooperation and political dialogue to improve social impacts.



Annex 1: Workshop programme

From	Till	Activity
9:00	9:45	Registration of participants and coffee
9:45	10:00	Opening of the event by Ambassador Andrew Standley , Head of Delegation of the European Union to Mexico.
10:00	10:30	Presentation: "Background to the Ecorys/Integral study on the EU-Mexico Free Trade Agreement". Ms Nora Plaisier MSc, Ecorys Team Leader Questions & Answers
10:30	11:00	Presentation: "The EU-Mexico Free Trade Agreement: Contents, regulatory analysis and institutional framework". Rodolfo Rua Boiero (President of Integral) Questions & Answers and plenary discussion
11:00	11:15	Coffee break
11:15	12:45	Presentation: "The economic impacts of the EU-Mexico FTA. Macro and sectoral trends and effects on GDP, imports and exports, wages and employment in Mexico". Ms Corine Besseling MSc (Ecorys) Panel discussion by local experts in different trade issues: Lic. Ruperto Flores y Fernández , Representative of the Presidency for Foreign Trade, Chamber of Commerce, Services and Tourism (CANACO) Lic. Norberto Valencia Ugalde , Director of Foreign Trade, Agriculture National Council (CNA) Prof. Beatriz Nadia Pérez Rodríguez , Chief of International Policy Area, National Autonomous University of Mexico (UNAM) Questions & Answers and plenary discussion
12:45	13:00	Coffee break
13:00	14:30	Presentation: "Social trends and developments in Mexico. The effects of the FTA on Decent Work, poverty and inequality, and human rights". Ms Nora Plaisier MSc, Ecorys Team Leader Panel discussion by local experts in different social issues: Dr. Roberto Peña Guerrero , Professor and Researcher of the Center of International Relations of the Faculty of Political and Social Sciences (UNAM) Prof. Laura Becerra Pozos , Director Central America, Mexico and the Caribbean Region – Latin American Association of Organizations of Development Promotion (ALOP) Prof. Olga Guzmán Vergara , Director of Incidence National and International, Mexican Commission of Defense and Promotion of Human Rights (CMDPDH) Questions & Answers and plenary discussion
14:30	15:30	Lunch and informal discussions
15:30	17:00	Presentation: "Environmental trends and developments in Mexico. The effects of the FTA on natural resources, pollution, waste and climate change". Ms Corine Besseling MSc (Ecorys) Panel discussion by local experts in different environmental issues: Eng. María de Lourdes Aduna Barba , Consultant in sustainability, climate change, competitiveness and environment performance improvement Dr. Federico J. Arce Navarro , General Director, Agency of Development Implementation AID/KWL. Lic. Andrea Cerami , Coordinator of Human Rights and Environment, Mexican Center for Environmental Law Questions & Answers and plenary discussion
17:00	17:20	Wrap-up and conclusions
17:20	17:30	Closure

Annex 2: List of participants

Nº	NAME	Organisation
1	Sergio Aguillón Gutiérrez	Megasa SA Industrial Constructions
2	Ramón Brambila	Mexican Association of Machinery Distributors (AMDM)
3	Michaele Esther Campos Del Prado	National Autonomous University of Mexico (UNAM) – International Relations Review
4	J. Alfonso Carrillo S.	Mexican Chamber of the Construction Industry (CMIC)
5	Gerardo Castillo Ramos	Center of Economic Studies of the Private Sector
6	Ileana Cid Capetillo	International Studies Mexican Association
7	Antonio Cíntora	Consultant Expert in Gender UNAM
8	Consuelo Dávila Pérez	International Studies Mexican Association
9	Claudia de Anda	Center of Analysis and Research – FUNDAR A.C.
10	Alvaro Erramuspe	CRECEN Global
11	José Rivelino Flores Miranda	National Chamber of the Pharmaceutical Industry
12	Raúl González Pietrogiovanna	Kichink Services
13	Matti KEPPPO	Embassy of Finland in Mexico
14	Mateo Lejarza	Mexican Council on Foreign Relations (COMEXI)
15	Carolina Maldonado	OXFAM
16	Ana Lucía Márquez Escobedo	The Hunger Project Mexico
17	Alejandro Martínez Patiño	National Autonomous University of Mexico (UNAM) – International Relations Review
18	Alejandra Méndez Salorio	Mexican Business Coordination Council (CCE)
19	Mariana Moreno Bortoni	National Chamber of Trucking (CANACAR)
20	José Refugio Muñoz López	National Chamber of Trucking (CANACAR)
21	Hajer Najjar	French-Mexican Chamber of Commerce
22	Mariana Ramos	French-Mexican Chamber of Commerce
23	Guillermo Navarrete	National Autonomous University of Mexico (UNAM) – Center of European Studies
24	José Ernesto Ortiz Sánchez	Economic and Commerce Department - Embassy of Uruguay in Mexico
25	Teresa del Socorro Pérez Rodríguez	National Autonomous University of Mexico (UNAM) – Center of European Studies
26	Annette Perusquia Diaz	Mexican Council on Foreign Relations (COMEXI)
27	Gaëlle Powis de Tenbossche	Embassy of Belgium in Mexico
28	Emma Giraud	Embassy of France in Mexico
29	Giancarlo Quacquarelli	Italian Chamber of Commerce in Mexico
30	Ana Riquelme	National Chamber of the Pharmaceutical Industry
31	Mariana Tello Hernández	Mexican Association of Machinery Distributors, A.C. (AMDM)
32	Roxana Torres Pérez	National Autonomous University of Mexico (UNAM) - Faculty of Political and Social Sciences
33	Ana Luisa Trujillo Juárez	Mexican Association of International Studies (AMEI)
34	Víctor Hugo Valdez Rojas	Kichink Services
35	Lorena Vázquez Ordaz	The Hunger Project Mexico
36	David Costello	Embassy of Ireland in Mexico

N°	NAME	Organisation
37	Laura Montes de Oca	Embassy of Ireland in Mexico
38	Gustavo Velarde	National Chamber of the Pharmaceutical Industry
PANELISTS		
39	Ruperto Flores y Fernandez	Mexican Chamber of Commerce, Services and Tourism (CANACO)
40	Norberto Valencia Ugalde	National Agricultural Council (CNA)
41	Beatriz Nadia Pérez Rodríguez	Autonomous Metropolitan University – Xochimilco Unit
42	Roberto Peña Guerrero	National Autonomous University of Mexico (UNAM) - Faculty of Political and Social Sciences
43	Laura Becerra Pozos	EQUIPO PUEBLO
44	Olga Guzmán Vergara	INCIDENCIA – Mexican Commission for the Defense and Promotion of Human Rights, A.C. (CMDPDH)
45	María de Lourdes Aduna Barba	Commission of sustainability and climate change - CANACINTRA
46	Federico J. Arce Navarro	AID \ KWL Implementation Agency for Development
47	Andrea Cerami	Mexican Center for Environmental Law, AC (CEMDA)
EU DELEGATION TO MEXICO		
48	Andrew Standley	EU Delegation to Mexico
49	Domenico Fornari	EU Delegation to Mexico
50	Annabel Boissonade	EU Delegation to Mexico
ECORYS and INTEGRAL		
51	Nora Plaisier	Ecorys
52	Corine Besseling	Ecorys
53	Alejandra Wong	INTEGRAL
54	Rodolfo Rua Boiero	INTEGRAL
55	Maricarmen Meza	INTEGRAL

Annex 3: Panelists' resumes

PANEL ON ECONOMIC ISSUES

▪ RUPERTO FLORES Y FERNÁNDEZ

- Bachelor of Business Administration and Bachelor of Foreign Trade and Customs.
- Holder of national patent as customs broker.
- Professor of the Technological Institute of Superior Studies of Monterrey and of the National Autonomous University of Mexico.
- Has been Director of the National Foreign Trade Bank and Chairman of various companies.
- Advisory Board Member of the Unit of International Trade Practices of the Ministry of Economy.
- Private sector representative for the TPP negotiations (Trans-Pacific Partnership)
- Coordinator of the areas of trade and services for the Free Trade Agreement with the United States and Canada, among others.

▪ NORBERTO VALENCIA UGALDE

- Bachelor in International Trade in agricultural products from the Autonomous University of Chapingo. Since 2000 he produces studies on agricultural sector foreign trade and contributed to the publication of several articles on the food industry.
- Since January 2007 he is Director of Foreign Trade at the National Agricultural Council (CNA). In that same body he has been Manager of Economic Information (2000-2006). Since joining the Council he is the CNA's Technical Secretary of the Commission of Foreign Trade.
- He has participated as Assistant Coordinator for the Agricultural Sector in the Coordination of Business Organizations of Foreign Trade during the negotiations of the treaties and trade agreements between Mexico and the European Free Trade Association, Argentina, Uruguay, Japan, Central America, Cuba, Panama and the Pacific Alliance.
- Has worked in the agricultural sector defense on the FTAs with Colombia and Peru. He is involved in various other processes of trade negotiations Mexico as the TPP, FTAs with Turkey and Jordan.
- Has participated in the Foundation's National Export Award since its inception. Since September 2014 he is a member of the Advisory Council for International Trade Practices Mexico. He is part of the organization of Global Agri-Food Forum event organized annually since 2004 by the CNA.

▪ BEATRIZ NADIA PÉREZ RODRÍGUEZ

- Professor and researcher - full time, at the Department of Politics and Culture of the Autonomous Metropolitan University - Xochimilco (UAM - X)
- Is currently the head of the Department of International Politics at the same institution.
- Teaches European Union at the Faculty of Political and Social Sciences (FCPyS) of the National Autonomous University of Mexico (UNAM)
- Was Coordinator of the Center for European Studies at the Faculty of Political and Social Sciences of the UNAM in 2008-2011.
- Has coordinated publications on European studies them "Achievements and challenges ten years of the Global Agreement Mexico-European Union" published by the European Union Delegation in Mexico and the Faculty of Political and Social Sciences of the UNAM.

- Has published articles on issues of the European Union and has served as a lecturer in specialized events at national and international level.

PANEL ON SOCIAL ISSUES

ROBERTO PEÑA GUERRERO

- Doctor in International Relations, European Union and Globalization (Complutense University, Madrid) Degree in International Relations (Faculty of Political and Social Sciences - UNAM)
- Associate Professor at Centre for International Relations FCPyS-UNAM and Chief of the Division of Graduate Studies (December 2013 to date)
- Has been General Secretary of the same Faculty (2008-2012); Coordinator of the Center for European Studies (2006-2008) and the Centre for International Relations (2000-2005) and Chief of the Division of Professional Studies (1997-2000).
- President of the Mexican Association of International Studies (2006-2007).
- Last publications on Mexico-European Union: "The Crossroads of the social model of the EU face the economic crisis." In Journal of International Relations at the UNAM, No. 114. September-December 2012. "Collaboration between educational institutions and public policies on the internationalization of higher education." In Jocelyne Gacel-Avila (Coordinator), further progress towards Euro-Latin American space for higher education, science, technology and innovation. University of Guadalajara, Mexico, 2015.

LAURA BECERRA POZOS

- Master in Planning and Development for the Multinational Support Program for Latin America of the Organization of American States (OAS) and the Autonomous University of Morelos.
- Social anthropologist at the National School of Anthropology and History (ENAH) of the National Institute of Anthropology and History (INAH - SEP)
- Author of many articles, co-author of books and papers on civil society, citizen participation, advocacy and development cooperation, among others.
- Was consultant-adviser of various civil society organizations and networks in Mexico and Latin America, Central America specialized in processes strengthening.
- Currently is the Executive Director of DECA, Team Pueblo, and Director of the Central America and Mexico Region (CAMEXCA) of the Latin American Association of Development Promotion Organizations (ALOP)
- Representative of CSOs in the Consultative Mechanism for the Dialogue Civil Society-Government Institutions, under the EU-Mexico Global Agreement.
- President of the Initiatives for the Development of Oaxacan Women; part of the Political Commission of the Democratic Alliance of Civil Society Organizations (ADOC), Mexican CSO platform;
- Was Member of the Technical Advisory Council of the Commission for the Promotion of the Federal Act for the Promotion of work done by CSOs, from 2012 to 2014.

OLGA GUZMÁN VERGARA

- International Master in Social Policy at the University of Kent, UK, and a BA in International Relations from the University of the Americas Puebla.
- Worked as researcher in Pueblo Team on issues related to economic, social, cultural and environmental rights and worked for the Mexican Coalition for Human Rights to Water (COMDA), Social Watch and the Mexican Campaign for Ratification of the Optional Protocol to the ICESCR.
- Was coordinator of Education and Legal Assistance Liaison for Human Rights, working in publications and lectures about the new criminal justice system and the rights of detainees in prisons.

- Currently Director of National and International Impact of the Mexican Commission for the Defense and Promotion of Human Rights (CMDPDH), where he does advocacy in the UN system, Inter-American System and in the Commission and European Parliament on drug policy, enforced disappearance, torture, extrajudicial executions, human rights defenders and forced internal displacement.

PANEL ON ENVIRONMENTAL ISSUES

■ MARÍA DE LOURDES ADUNA BARBA

- Chemical Engineer, Faculty of Chemistry, UNAM, with Masters in Environmental Engineering from the Faculty of Engineering of the UNAM.
- She has been president of the Commission for Environmental Sustainability COPARMEX (2007-2011); Citizen Advisor for the Environmental Attorney and Land Management (PAOT) in the Federal District (2008-2011); representative of Industrial Chambers and Associations since 1999.
- Founder of the National Waste Recycling Competition and initiatives to boost the national recycling. In June 2009 she was selected for the presentation of the Citizen Proposal on Climate Change to the three environment ministers of NAFTA. Represented COPARMEX in the roundtable to promote Green Economy in Mexico at the representation of UNEP, among others.
- Since 2013 serves as chairman of the CANACINTRA Committee on the Environment, Sustainability and Climate Change, and is Vice President of CONCAMIN Waste in the Committee on Sustainability and Climate Change.

■ FEDERICO J. ARCE NAVARRO

- Postgraduate studies in regional development, economy and environment and climate change at universities in America and Europe.
- Consultant for companies and organizations. He has over twenty years of experience in sustainability issues.
- Was senior advisor to the Mexico-German Alliance for Climate Change with the German Technical Cooperation (GTZ).
- Since 2014 he is General Director of the Implementation Agency for Development (AID) on issues of climate clusters, technology transfer and innovation, corporate environmental responsibility and renewable energy.

■ ANDREA CERAMI

- Lawyer specialized in international law.
- Has a Law degree from the Università degli Studi di Milano, Italy, and has also studied at the University of La Coruna, Spain.
- He has conducted research on the implementation of the Kyoto Protocol in Argentina in collaboration with the Catholic University of Salta, Argentina and the Università Bocconi in Milan, Italy.
- Since 2007 he collaborates with NGOs defending human rights in Latin America.
- Since 2010 he works at the Mexican Center for Environmental Law (CEMDA) and from January 2014 is Coordinator of Human Rights and the Environment.
- He published with the CNDH the Fascicle "The right to participate directly in decision-making on public issues as a mechanism for environmental protection" and with Yale University the Article "Indigenous People's Human Rights and Mexican Environmental Impact Assessment: the case of the Yaqui River".

Annex 4: Background information

The EU-Mexico Free Trade Agreement

As part of its trade strategy towards Latin America, the European Union has concluded and is negotiating Free Trade Agreements (FTAs) with various countries and trading blocs in the region. Mexico was the first country in the region that signed an Economic Partnership, Political Coordination and Cooperation Agreement (“Global Agreement”) with the EU in 1997. This Agreement came into force in 2000 and covers political dialogue, trade relations and cooperation. The Global Agreement also included trade provisions that were developed in a comprehensive Free Trade Agreement covering trade in goods and trade in services, which came into force in October 2000 and 2001 respectively. Access to public procurement markets, competition, intellectual property rights and investment are also covered by this FTA. These agreements have led to closer economic and political co-operation between the EU and Mexico. In 2008, Mexico became a strategic partner of the EU, which has further increased co-operation and dialogue. This strategic partnership specifically enhanced EU-Mexico cooperation on global issues like multilateralism (e.g. in the WTO), climate change and terrorism.

The existing FTA includes review clauses for increased liberalization in agriculture, services and investment to further strengthen the relationship. In January 2013, both partners decided “to explore the options for a comprehensive update of the Economic Partnership, Political Coordination and Co-operation Agreement between the EU and Mexico”.

The present study

In the context described above, the European Commission contracted ECORYS and Integral to jointly carry out an ex-post evaluation of the implementation of the EU-Mexico Free Trade Agreement and an assessment of the possible modernisation of this Agreement.

Hence, the current study is divided into two modules:

1. An ex-post evaluation of the economic, social and environmental effects of the existing EU-Mexico FTA;
2. An ex-ante evaluation aiming at identifying the advantages and disadvantages of possible policy options for the modernisation of the existing FTA.

Both modules are based on two substantive methodological pillars:

- Quantitative and qualitative analysis, using economic modeling and qualitative techniques such as literature review, interviews, etc.
- Extensive consultations with key stakeholders in both the EU and Mexico, including private sector representatives, labour union representatives, civil society, NGOs, academia, research institutes, and the general public, to inform and engage them and obtain valuable inputs on the “reality on the ground”.

The interim report for Module 1 has been completed. However, before finalizing the ex-post evaluation and continuing the assessment of potential modernisation of the FTA, the study team wants to disseminate the findings so far and obtain views, comments, suggestions and other contributions from key stakeholders in Mexico and the EU. For this purpose, a stakeholder consultation event is organised in Mexico City on the 9th of July 2015.

Annex 5: Presentations

Evaluation of the implementation of the EU-Mexico FTA and an assessment of the possible modernisation of this Agreement

Stakeholder consultation workshop

Ecorys & Integral

Mexico City, Thursday 9 July 2015

ECORYS



Evaluation of the EU-Mexico FTA and an assessment of its possible modernisation

“Background to the Ecorys/Integral study on the EU-Mexico Free Trade Agreement.”

Speaker: Ms Nora Plaisier MSc,
team leader of the study (Ecorys)

ECORYS



Background to the study

Purpose of the study & aim of the workshop

Partnership EU and Mexico:

- The FTA is part of the “Economic Partnership, Political Coordination and Cooperation Agreement” (Global Agreement) from 1997.
- FTA entered into force in 2000 for goods, 2001 for services.
- FTA covers trade in goods and services, public procurement, competition, IPR and investment.

Recent developments:

- 2008 Mexico became strategic partner of the EU.
- 2013 decision to explore options for update of the FTA.
- EU policy makers announced that negotiations for a modernised FTA will likely start at the end of 2015.



Background to the study

Purpose of the study & aim of the workshop

Objective of current study:

“to assess the economic, social and environmental impacts of the EU-Mexico FTA since its entry into force, and to identify new/future trade and investments interests, and most relevant manner to address them in the context of a modernisation of the EU-Mexico FTA.”



Background to the study

The team

- Study is conducted by consortium of Ecorys and Integral consultants.
- Ecorys: economic modelling, social, environmental, HR experts
- Integral: regulatory analysis, local consultations team (workshop, interviews)



Background to the study

Approach and methodologies

- Two modules: ex-post and ex-ante analysis.
- Ex-post analysis includes:
 - Analysis of agreement w.r.t. its context, structure and institutional framework.
 - Evaluation of past policies along sustainability dimensions:
 - Economic analysis;
 - Social analysis;
 - Environmental analysis.
 - Conclusions and policy recommendations.
- Methodologies used:
 - Quantitative: statistical analysis, economic modelling, further social and environmental modelling.
 - Qualitative: literature review, CCA, stakeholder consultations.



Background to the study

Approach and methodologies

- Aim of stakeholder consultations:
 - Validate the results and put them into perspective;
 - Inform the stakeholders;
 - Promote an interactive dialogue.
- Continuous consultation and dissemination are a key element of the study.
- The inputs of stakeholders contribute to a higher quality of the study.



Background to the study

Stakeholder consultation & dissemination tools

- Website: www.fta-evaluation.com/mexico
- Email address: eu-mexico@ecorys.com

- Social media tools
 - Twitter: @EUMexico
 - LinkedIn

- Online survey

- Local workshop

- Ad hoc consultations



Background to the study

Timeline of the study

Activity	Timing
Local workshop in Mexico City	9 July 2015
Closure of the online survey	31 July 2015
Draft final report ex-post analysis	September 2015
Draft final report ex-ante analysis	<i>November 2015</i>
Final report ex-post analysis	November 2015
Final report ex-ante analysis	<i>December 2015</i>



Background to the study

Agenda of the workshop

From	Till	What
9:00	9:45	Registration and coffee
9:45	10:00	Opening of the event by Ambassador Andrew Standley, Head of Delegation of the European Union to Mexico
10:00	10:30	Introduction: "Background to the Ecorys/Integral study on the EU-Mexico Free Trade Agreement."
10:30	11:00	Regulatory session: "The EU-Mexico Free Trade Agreement: Contents, regulatory analysis and institutional framework"
11:00	11:15	Coffee break
11:15	12:45	Economic session: "The economic impacts of the EU-Mexico FTA. Macro and sectoral trends and effects on GDP, imports and exports, wages and employment in Mexico."
12:45	13:00	Coffee break
13:00	14:30	Social session: "Social trends and developments in Mexico. The effects of the FTA on Decent Work, poverty and inequality, and human rights."
14:30	15:30	Lunch and informal discussions
15:30	17:00	Environmental session: "Environmental trends and developments in Mexico. The effects of the FTA on natural resources, pollution, waste and climate change."
17:00	17:20	Wrap-up and conclusions
17:20	17:30	Closure

Evaluation of the EU-Mexico FTA and an assessment of its possible modernisation

“The EU-Mexico Free Trade Agreement: Contents, regulatory analysis and institutional framework.”

Speaker: Rodolfo Rua Boiero (Integral)



REGULATORY ANALYSIS

Four main sections:

- Description of the EU-Mexico FTA: structure and content
- Analysis of the FTA context
- Identification of Regulatory Changes
- Analysis of FTA Institutional Framework



The EU-Mexico FTA: Structure and Content

Background, chronology and overview

- 1995 (Joint Solemn Declaration): Agreement to negotiate on three main pillars: political dialogue, cooperation and trade liberalisation.
- October 1996: Starting of formal negotiations between the parties.
- December 1997: Economic Partnership, Political Coordination and Cooperation Agreement (Global Agreement-GA); an Interim Agreement (IA) that provided the framework and mechanisms for trade liberalisation; and a Final Act authorizing the EC to negotiate services, investment and intellectual property chapters.
- April-May 1998: approval of the IA by Mexican and European parliaments; IA enforced by July 1998.
- May 1999-March 2000: Approval of the GA by European and Mexican parliaments.
- July 2000 and March 2001: enforcement of trade liberalisation in goods and services.



The EU-Mexico FTA: Descriptive Content

The EU-Mexico FTA establishes trade disciplines in eleven areas

- a. Market access, including tariff liberalisation schedule of trade in goods
- b. Origin Rules and customs cooperation
- c. Safeguards
- d. Standards, Technical Regulations and Conformity Assessment Procedures
- e. Sanitary and Phytosanitary Measures
- f. Government procurement
- g. Competition
- h. Trade in services
- i. Investment and related payments
- j. Intellectual property
- k. Dispute settlement



Trade disciplines: brief description

Market Access, Origin rules and Safeguards

- Elimination of tariff restrictions in a ten-year period
- National treatment with exceptions for Mexico (petroleum, automotive, clothing)
- Acknowledgement of asymmetries in economic development: longer transition period for Mexican tariffs liberalisation
- Tariff quotas and review clauses for Agriculture and Fisheries
- Origin rules:
 - Originating goods wholly obtained or having undergone sufficient working or processing –tariff heading shift, minimum value locally added, processes specific requirement–
 - Only bilateral cumulation of origin is allowed
 - *De minimis* clause (10% of ex-works price) except for textile and clothing
 - Limited self-certification
- Safeguard clause



Trade disciplines: brief description

Standards, SPS, Government Procurement and Competition

- Standards: adherence to WTO-TBT agreement and establishment of a Special Committee on Standards and Technical Regulations
- SPS: adherence to WTO-SPS agreement and establishment of a Special Committee on SPS
- Government Procurement:
 - Wide coverage of entities and goods and services (listed in Annexes)
 - Non-discriminatory access to agreed markets
 - Legal and transparent procedures
 - Establishment of a Committee on Government Procurement
- Competition: provisions aimed to prevent anti-competitive activities
 - The parties will apply their respective competition laws
 - Obligation of adopting or maintaining measures aimed to prevent or eliminate anti-competitive conduct; of taking enforcement actions with regard to these measures; and of mutually cooperating through notifications, consultations and exchange of information
 - Provisions related to coordination of enforcement activities and avoidance of conflicts



Trade disciplines: brief description

Services, Investment, IPR, and Dispute Settlement

- **Services:**
 - Liberalisation covers all sectors and all four modes of supply: cross-border trade, consumption abroad, commercial presence, and presence of natural persons
 - “Negative List” approach: list of non-conforming measures
 - Commitment to provide “for the elimination of substantially all remaining discrimination (...) in the sectors and modes of supply covered” and in Financial Services, no later than three years following the enforcement of the agreement (still not implemented)
- **Investment:**
 - The coverage of investment promotion and protection provisions themselves is left to bilateral investment treaties (BITs) between Mexico and individual Member States, and other substantive provisions are regulated in the chapters on financial services
 - A review clause related to the investment legal framework is established but has not been implemented
- **Intellectual Property Rights:**
 - General principles according to WTO-TRIPs and other international treaties, and establishment of a Special Committee on IP
 - No specific provisions on control of abusive or anti-competitive practices, on enforcement of IPR, or on procedural and remedial aspects of civil and administrative procedures
- **Dispute Settlement:**
 - Government to government mechanism: matters related to trade in goods and services, capital movement and payments, public procurement and competition
 - Recourse to DS mechanism without prejudice of actions under the WTO-DSS



Analysis of the FTA context

General context and Mexican trade policy

- Mexican trade policy three main axes:
 - Unilateral trade liberalisation
 - Trade policy reforms
 - Building-up of a wide network of trade agreements
- Unilateral trade liberalisation starts and develops after Mexico accession to GATT and deepens in 2009
- The building-up of a network of trade agreements, with NAFTA as its milestone, becoming Mexico the country with the largest number of trade agreements among Latin American countries
- Two further reasons to promote unilateral trade liberalisation and trade policy reforms:
 - The gap between average MFN and preferential agreements tariffs, and distortions in tariff structure were negatively affecting Mexican competitiveness
 - Tariff dispersion along with multiple trade regulations resulting from trade agreements were the cause for a mounting complexity in customs administration



Comparison of Mexico and EU FTAs

Introductory considerations

- Mexico: 20 trade agreements with third parties + trade initiatives currently under negotiation (Pacific Alliance, Trans-Pacific Partnership Agreement)
- Comparison main criteria:
 - Tariff liberalisation plus trade-related disciplines
 - Relative importance of trade and investment flows
- Trade with NAFTA (67%) and the EU (8.1%) represents 75% of total Mexico's trade, and investment with NAFTA (54.9%) and the EU (12.4%) represents 67.3% of Mexico total foreign direct investment
- EU: FTAs are considered a stepping stone toward progress at the multilateral level
- EU-South Korea FTA: first major agreement within the EU new trade policy strategy



Comparison of Mexico and EU FTAs

Mexico FTAs: NAFTA and Chile, Colombia, and Peru FTAs

- Major differences among these agreements:
 - Asymmetrical tariff liberalisation schedules in EU-Mexico and NAFTA
 - Investment chapter: deeper scope and stronger protection clauses in NAFTA and Mexico-Chile, including recourse to the DS mechanism
 - Stronger IPR protection (WTO-plus) in NAFTA
 - DS major differences: recourse of private investors, exclusion of alternative forum and nullification/impairment of benefits
 - Stronger environmental and labour standards in NAFTA
 - Mexico-Chile and NAFTA have more complex institutional frameworks



Comparison of Mexico and EU FTAs

European Union-South Korea FTA

- Main differences with EU-Mexico FTA: NTBs commitments and enhancement of environmental and labour protection standards
- Extended transition period and lower coverage for agricultural and fisheries products liberalisation
- SPS formal dialogue on issues affecting trade
- TBT sector-specific commitments beyond WTO
- Protection for geographical indications in the field of IPR
- Government procurement commitments beyond WTO-GPA
- Competition: new provisions on subsidies, including prohibitions of particularly distorted subsidies affecting competition and trade
- Trade Committee at a ministerial level and a significant number of specialised committees and working groups to monitor the agreement implementation



Identification of regulatory changes

Regulatory changes related to the FTA implementation

- Decisions of the Joint Council and the Joint Committee are the main sources of regulatory changes due to the agreement implementation:
 - Rules of procedure of the institutional bodies
 - Trade liberalisation in goods –including trade-related disciplines–, and in services
 - Additional protocols to take into account the accession of EU new members
 - Other implementation measures (for instance: decision on a preferential tariff rate quota for tuna loins originating in Mexico; setting up of a framework to negotiate mutual recognition agreements; establishment of mutual administrative assistance in customs matters)



Identification of regulatory changes

Trade policy measures since EU-Mexico FTA enforcement (1)

- **Tariffs:** Unilateral tariff reduction programme (2009) to be implemented over five years; further modifications added in 2010 and 2013
- **Customs:** New Certified Enterprises Scheme programme (2011), and Customs Modernization Plan 2007-12 (changes in registration requirements, documents and other import procedures; creation of the digital window; and elimination of the estimated price mechanism)
- **Import and export restrictions:** Prior import and export permit regime (2007) and other export prohibitions
- **Contingency measures:** procedures and administrative penalties amended in 2006
- **Technical regulations and standards:**
 - Official Mexican Standard (2004, amended in 2011 and 2012) on labelling
 - COFEPRIS homologation of EU standards in GMP-GDP for pharmaceuticals (2013)



Identification of regulatory changes

Trade policy measures since EU-Mexico FTA enforcement (2)

- **Export promotion and other incentives**
 - ProMexico: investment and foreign trade promotion (2007)
 - INMEX and PROSEC programmes
- **Foreign Investment Law** (1993); amendments (2008, 2011 and 2012) notably in the list of activities reserved to Mexican nationals
- **Public procurement**
 - Modifications in procedures
 - New preference margin (15%) in international bids (2009)
- **Federal Law on Economic Competition** amendments (2011 and 2012) improving legislation enforcement
- **Intellectual Property Rights regulations:**
 - Declarations protecting appellations of origin of several products
 - National Anti-Piracy Decision (2007) to protect copyright, related rights and industrial property
 - National Supreme Court of Justice ruling (2010) on the 'linkage' between sanitary registration and intellectual property rights (i.e., rights protected by valid patents)



The FTA's Institutional Framework

Institutional bodies, functions and procedures

- Joint Council
- Joint Committee
- Special Committees on:
 - Customs cooperation and rules of origin
 - Standards and technical regulations
 - Sanitary and Phytosanitary measures
 - Steel products
 - Government procurement
 - Intellectual property matters
 - Financial services
- Dispute Settlement Mechanism



Evaluation of the Institutional Framework

Main elements to evaluate its performance

- Meetings of the Joint Council, the Joint Committee and the Special Committees are not public, so that the only sources for evaluating their performance are their decisions and the press communiqués, even if the latter only express the opinions and positions that they have agreed to publicly disclose
- The analysis of the decisions shows that the negotiation mandate has been fulfilled, except for the implementation of the review clauses
- The treatment of trade issues as it is reflected by the press communiqués provides evidence that the parties have reaffirmed their intention or interest in implementing the review clauses, but that no progress has been made in these aspects of the negotiation



The Institutional Framework

Conclusions and recommendations

- Institutional Framework failures or non-fulfillment of tasks can be attributed to the parties lack of political will rather than to the design of the institutional framework or to its operation procedures
- The observed failure in reaching, for instance, the negotiation of the review clauses, can be attributed to the fact that the conditions were simply not conducive to an agreement
- The scenario of a possible modernisation of the accord can maintain a similar institutional design; however, institutional bodies should be given the power to monitor non-compliance and make recommendations to the governments
- The dispute settlement mechanism should be reviewed to include trade-related disciplines that have been excluded or not included in it— possible only if parties' commitments are legally binding
- The roster of Special Committees should be reviewed taking into account their relevance in the present circumstances



Coffee break



Evaluation of the EU-Mexico FTA and an assessment of its possible modernisation

“The economic impacts of the EU-Mexico FTA. Macro and sectoral trends and effects on GDP, imports and exports, wages and employment in Mexico.”

Speaker: Ms Corine Besseling MSc
(Ecorys)



Economic impacts of the FTA

Methodologies ex-post

- Statistical analysis: economic trends and developments
 - Analysis of available data complemented by literature.
- Economic modelling
 - Assess the current economic situation compared to a counterfactual scenario of what would have been the situation without an FTA with the use of CGE model.
 - Gravity model is used to determine the specifications of the CGE model, determining to what extent NTMs have been reduced.



Economic impacts of the FTA

Methodologies ex-post – CGE model

- Computable General Equilibrium (CGE) modelling
- CGE takes into account all economic linkages.
- CGE compares the situation with and without the FTA.
- The results from the CGE model are obtained in different detail:
 - Macro-economic results
 - Sector-specific results
 - Short-run
 - Long-run
 - Effects on 3rd countries
- Scenario: negative (FTA removal) experiment (counterfactual)



Economic impacts of the FTA

Gravity analysis

The tool:

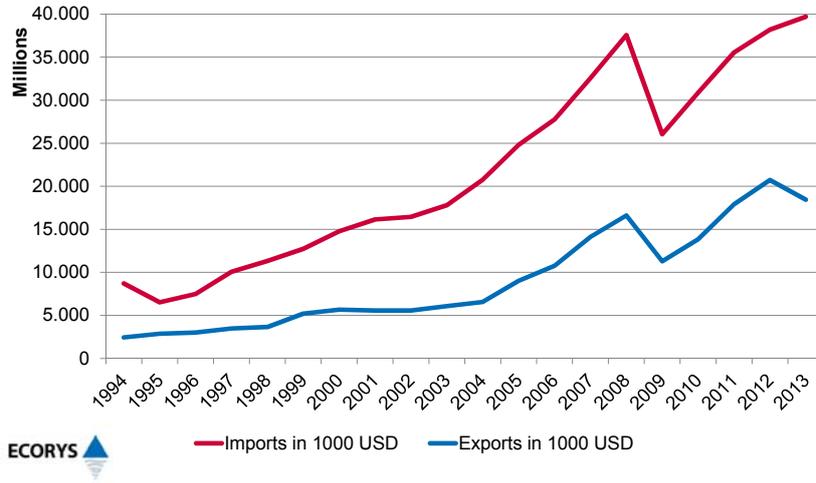
- The gravity analysis is an econometric method to calculate NTM levels for goods in the context of the EU-Mexico free trade agreement.
- The purpose: estimation of trade cost reductions, beyond tariffs, pertaining to the existing agreement for the ex-post analysis.
- We compare the level of trade created by the EU-Mexico FTA to other FTAs, and identify if there is more trade creation than can be explained by tariffs alone. If more trade creation is found, then we will estimate the level of NTM reductions as indicated above and include these in the CGE-based ex-post analysis.



Economic impacts of the FTA

Economic trends & developments

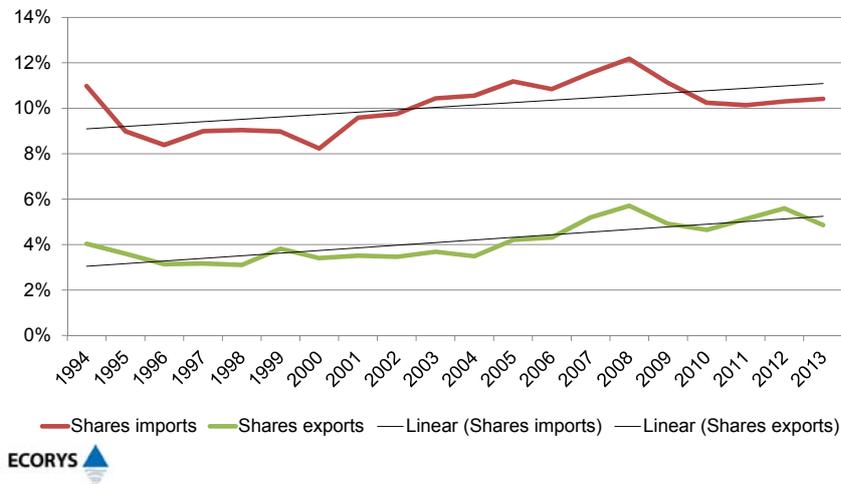
Mexican imports from and exports to the EU15 over time



Economic impacts of the FTA

Economic trends & developments

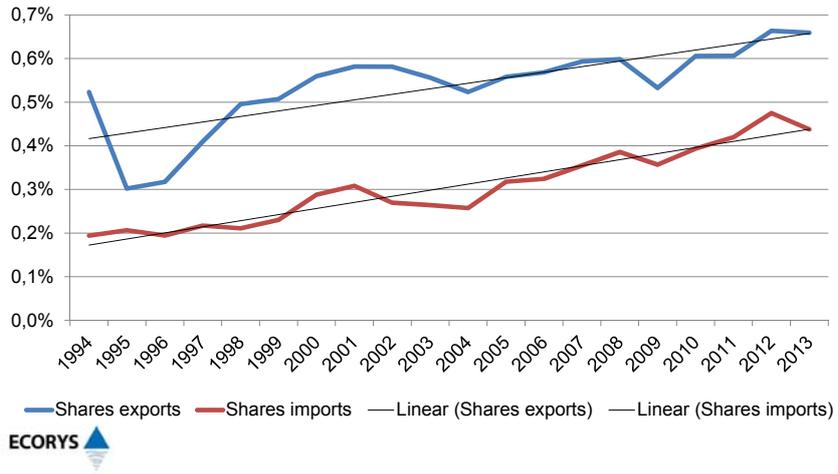
Share of EU15 in Mexico's trade flows



Economic impacts of the FTA

Economic trends & developments

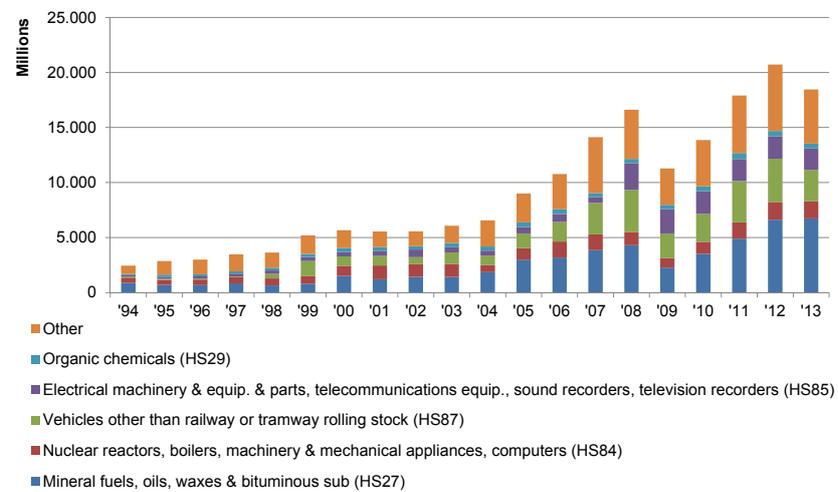
Share of Mexico in EU15's trade flows



Economic impacts of the FTA

Economic trends & developments

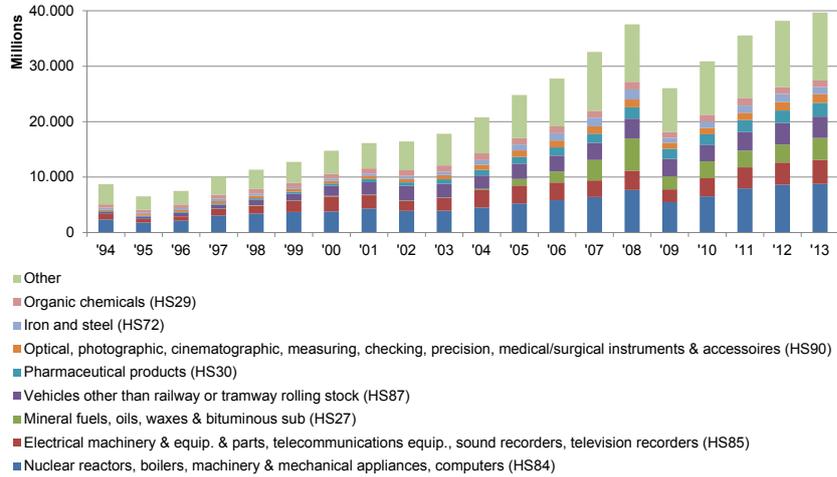
Mexican exports to the EU15 by product group



Economic impacts of the FTA

Economic trends & developments

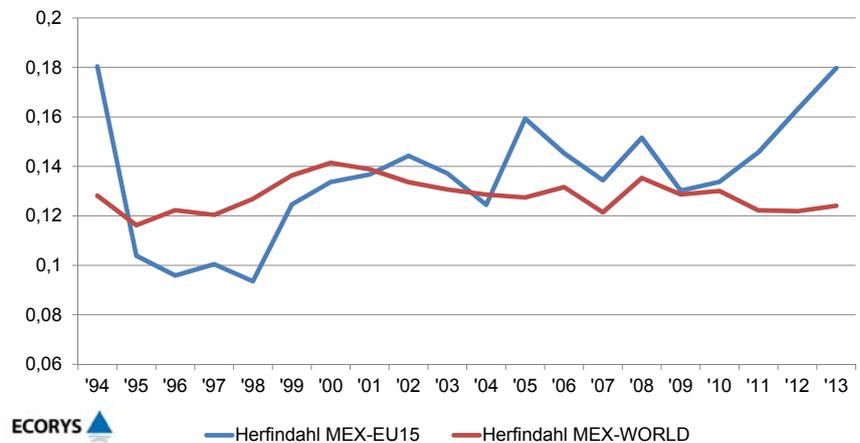
Mexican imports from the EU15 by product group



Economic impacts of the FTA

Economic trends & developments

- Herfindahl index (HI) indicates level of export concentration.
- HI of Mexico-EU15 exports and Mexico-World exports:



Economic impacts of the FTA

Economic trends & developments

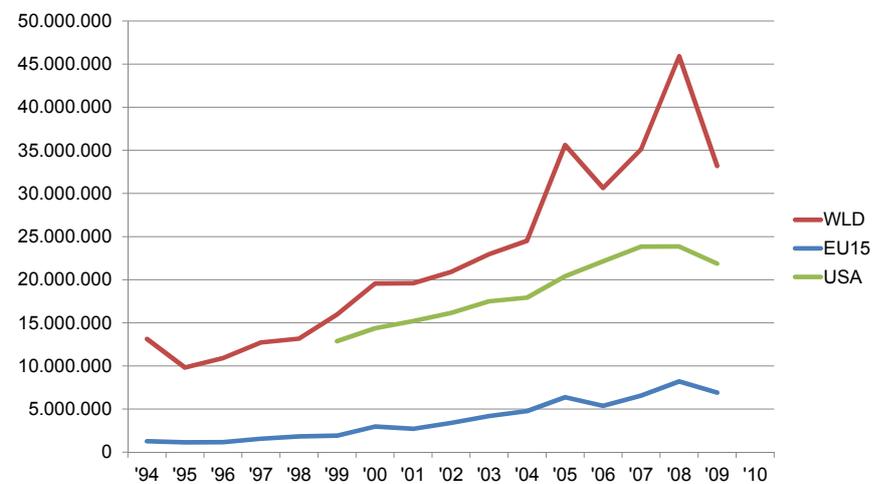
Herfindahl index for EU15-Mexico exports



Economic impacts of the FTA

Economic trends & developments

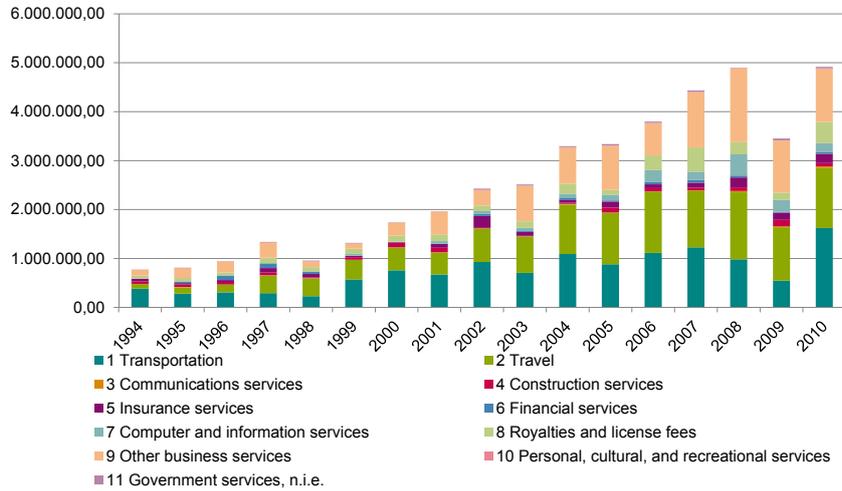
Mexican total exports of services



Economic impacts of the FTA

Economic trends & developments

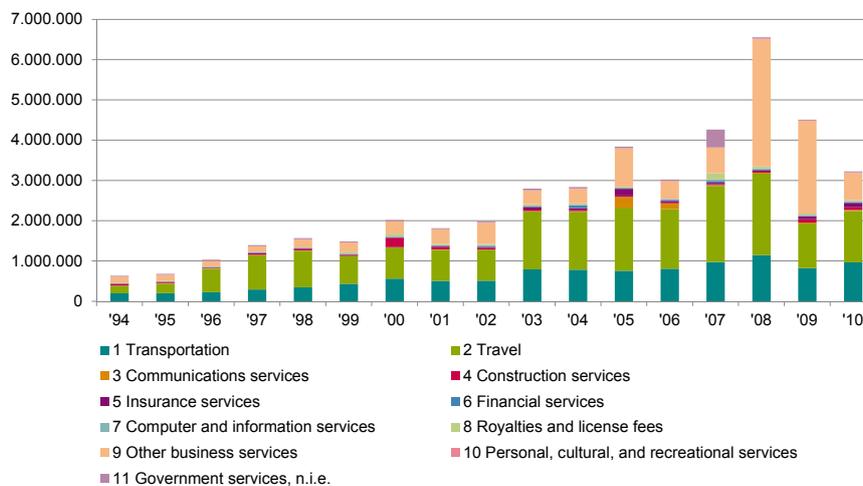
Mexican exports of services to the EU, per sector



Economic impacts of the FTA

Economic trends & developments

Exports of the EU15 to Mexico, per sector



Economic impacts of the FTA

Gravity analysis

Outcomes:

- The current FTA does not generate additional trade beyond what can be expected based on tariff elimination alone.
- Other transport equipment (aircraft) and petro-chemicals are exceptions.



Economic impacts of the FTA

Results CGE model – macro level

Estimated effect of the FTA on GDP

Country	Baseline value in million EUR	Change real income in million EUR per year	% change
European Union	13,217,925.95	1,559	0.01
Mexico	875,224.00	2,876	0.34



Economic impacts of the FTA

Results CGE model – macro level

Estimated effects of the FTA on wages

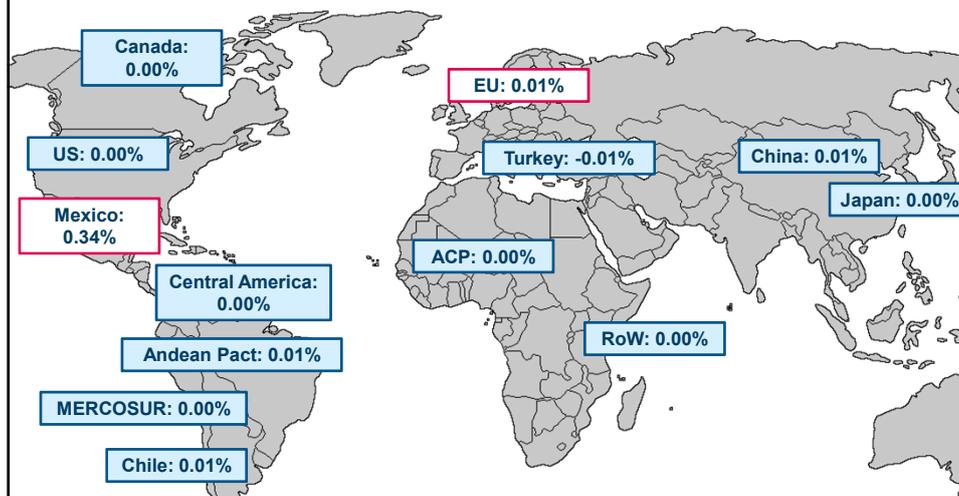
Country	Low Skill	Medium Skill	High Skill
European Union	0.02	0.02	0.02
Mexico	0.24	0.45	0.36



Economic impacts of the FTA

Results CGE model – macro level

Estimated impact FTA on GDP of third countries



Economic impacts of the FTA

Results CGE model – macro level

Total imports and exports

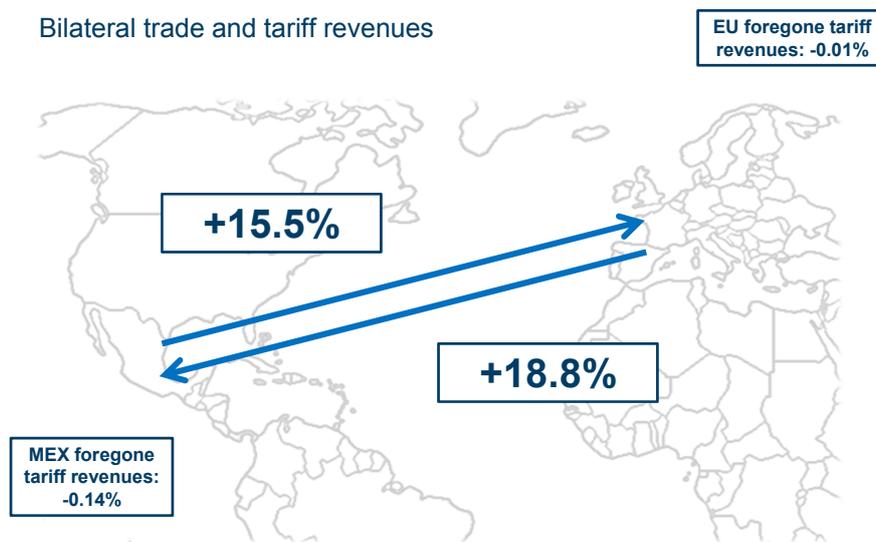
Country	Exports in million euros	% change	Imports in million euros	% change
European Union	4,826,440	0.1	4,956,292	0.1
Mexico	275,325	1.6	236,942	1.7



Economic impacts of the FTA

Results CGE model – macro level

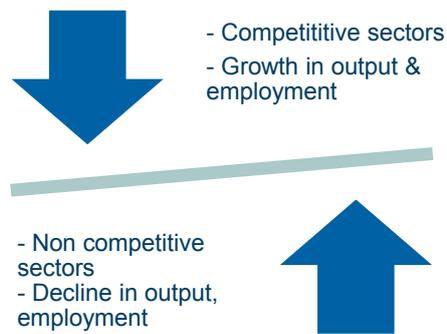
Bilateral trade and tariff revenues



Economic impacts of the FTA

Results CGE model – sector level

Impact of the FTA on output and employment: Winners and losers



Economic impacts of the FTA

Results CGE model – sector level

Mexican sectors that have benefitted most from the FTA:

Sectors	value added shares (%)	Impact on output (%)	% change bilateral exports
Motor vehicles	3,2	16,54	68,8
Distribution services	14,3	0,92	-0,8
Construction	6,7	0,44	-0,7
Land, other transport	6,7	0,40	-0,7
Water transport	0,1	0,34	-0,6
Finance	2,1	0,26	-0,6
Business services	18,7	0,20	-0,5
Other services	19,5	0,19	-1,2
Communications	2,2	0,16	-0,7
Milk and dairy products	0,7	0,10	-0,9

Economic impacts of the FTA

Results CGE model – sector level

Mexican sectors which are estimated to have been affected negatively:

Sectors	value added shares	Impact on output (%)	% change exports
Rice	0,0%	-0,45	-2,1
Gas manufacture, distribution	0,1%	-0,52	-0,7
Sugar, cane, beet	0,4%	-0,60	-2,8
Wearing Apparel	0,4%	-0,64	-0,51
Leather Products	0,3%	-0,70	5,15
Chemicals	2,4%	-1,24	0,91
Other machinery	2,8%	-1,61	-2,3
Metals and metal products	2,5%	-2,34	-3,3
Wood and paper products	0,9%	-2,47	-3,4
Electrical machinery	2,6%	-11,45	-12,7



Economic impacts of the FTA

Results CGE model – sector level

Impact on Mexican workers

Sector	Low skill		Medium skill		High skill	
	share	% change	share	% change	share	% change
Motor vehicles	4%	14,6	1%	14,4	1%	14,4
Distribution services	9%	0,6	32%	0,4	4%	0,5
Construction	16%	0,3	1%	0,0	2%	0,1
Water transport	0%	0,2	0%	-0,1	0%	0,0
Land, other transport	10%	0,2	4%	-0,1	4%	0,0
Other services	10%	0,2	38%	0,0	62%	0,0
Chemicals	5%	-1,3	1%	-1,5	1%	-1,4
Other machinery	8%	-1,6	2%	-1,8	1%	-1,7
Metals and metal products	4%	-2,2	1%	-2,4	1%	-2,3
Wood and paper products	2%	-2,3	1%	-2,6	0%	-2,5
Electrical machinery	3%	-10,2	1%	-10,4	1%	-10,3



Coffee break



Evaluation of the EU-Mexico FTA and an assessment of its possible modernisation

“Social trends and developments in Mexico. The effects of the FTA on Decent Work, poverty and inequality, and human rights.”

Speaker: Ms Nora Plaisier MSc,
team leader of the study (Ecorys)



Social impacts of the FTA

3-step approach

- Step 1: Analysis of current situation
- Step 2: Identify issues/channels affected by the FTA
- Step 3: Assess the impact of the FTA
 - Quantitative and qualitative methods.



Social impacts of the FTA

Methodology quantitative social analysis

Background:

- CGE model provides the impact of the FTA on average real income, but cannot assess distributional and poverty impacts.
- Additional data at household level provide insight in spending patterns and levels across individuals in Mexico.

Aim of analysis:

- **Assess distribution of FTA welfare impacts, changes in poverty and inequality.**

Approach:

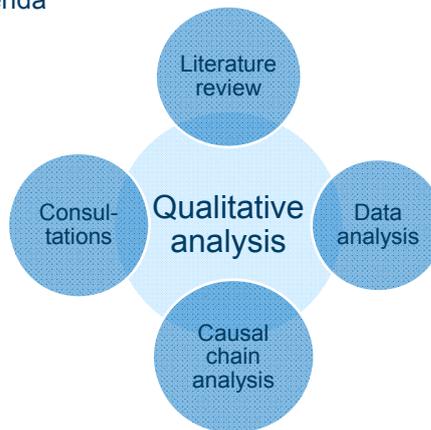
- Translate price and wage changes from CGE model into impacts on disposable income of individual households in terms of purchasing power.
- Compute various indicators of poverty and income inequality and compare to the counterfactual.



Social impacts of the FTA

Methodology qualitative social analysis

- Qualitative analysis is used to assess impacts on:
 - Decent work agenda
 - Informality



Social impacts of the FTA

Impact of the FTA on the Decent Work Agenda



Social impacts of the FTA

Impact of the FTA on the Decent Work Agenda



Job creation

- Wage changes from CGE model are an indication for the demand for labour.
- Employment effects are estimated to be positive but very small.
- Labour displacement is estimated to be limited.

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Social impacts of the FTA

Impact of the FTA on the Decent Work Agenda



Rights at work

- FTA does not have explicit provisions on promoting labour standards.
- Provisions on SPS and TBT are similar as WTO.
- Increased interaction between EU and MEX firms may have had an impact on labour rights.
- FTA could have pushed Mexican producers to comply with EU product and production regulations in order to enable entrance to the EU market.

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Social impacts of the FTA

Impact of the FTA on the Decent Work Agenda



- Theory: trade liberalisation could lead to an increased demand for more social security because of increased incomes.
- Impact is estimated to be insignificant given the very small effect on GDP (0.34%).

Social impacts of the FTA

Impact of the FTA on the Decent Work Agenda



- Theory: societal interest in issues related to social dialogue increase as a result of higher economic growth and higher average living standards because of FTA.
- Given limited contribution of FTA to GDP and income growth, and given social dialogue is affected by many other factors not related to FTA, estimated effect is limited.

Social impacts of the FTA

Impact on informality

- Informal sector in Mexico is large.
- Effects of trade agreements depend on many factors.
- Informal employment is mostly concentrated in non-tradable goods (services, hotels and restaurants, construction).
- These service sectors have experienced small positive effect according to modelling results, so not likely that informality in those sectors has increased, but direction of effects is not a clear-cut issue.



Social impacts of the FTA

Impact on poverty and inequality

- The changes in poverty and inequality as a result of the FTA are very small, but mainly show a positive change.

	Situation with FTA	Counterfactual
<i>Poverty rate (headcount)</i>		
Absolute poverty line	58.34	58.43
Relative poverty line	47.76	47.71
Extreme absolute poverty line	18.87	18.82
<i>Poverty gap (per cent)</i>		
Absolute poverty line	14	14
<i>Inequality indicators</i>		
Decile dispersion ratio	9.25	9.26
Gini coefficient	0.585	0.585



Social impacts of the FTA

The impact on the human rights situation in Mexico

- Included in the Global Agreement:
 - refers to determination to conduct a trade relationship based on respect for democracy and human rights
 - Contains clause to provide for suspension of trade relations in case of HR violations.
- Given the small economic and social effects, impact on HR also small. If there are any effects, they are estimated to be mostly positive (e.g. due to increased wages, increased government revenue) but some questions remain (e.g. impact of EU exporters and investors, informal economy, etc.).



Lunch break



Evaluation of the EU-Mexico FTA and an assessment of its possible modernisation

“Environmental trends and developments in Mexico. The effects of the FTA on natural resources, pollution, waste and climate change.”

Speaker: Ms Corine Besseling MSc
(Ecorys)



Environmental impacts of the FTA

3-step approach

- Step 1: Analysis of current situation
- Step 2: Identify issues/channels affected by the FTA
- Step 3: Assess the impact of the FTA
 - Quantitative and qualitative methods.



Environmental impacts of the FTA

Methodology quantitative environmental analysis

Aim of analysis:

- Assess the impact of the FTA on air pollution levels and the costs to society.

Approach:

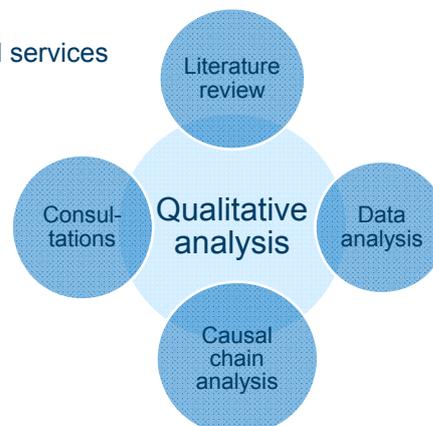
- Translate changes in level and sector structure of economic activity from the CGE model into impacts on air pollution levels: scale and composition effects.
- Assess impact on external costs due to these emissions (mainly via effects on human health).
- FTA impacts on climate change and related costs are addressed separately.



Environmental impacts of the FTA

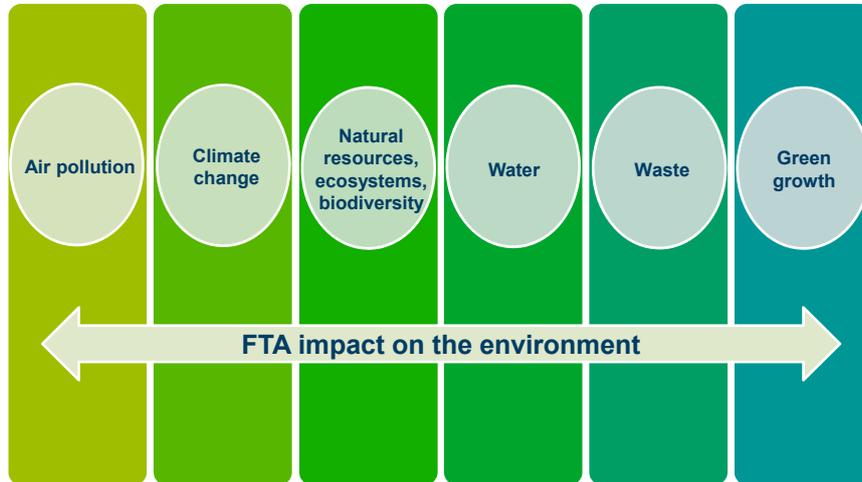
Methodology qualitative environmental analysis

- Qualitative analysis is used to assess impacts on:
 - Natural resources, ecosystems, biodiversity
 - Water
 - Waste
 - Green growth and env. goods and services



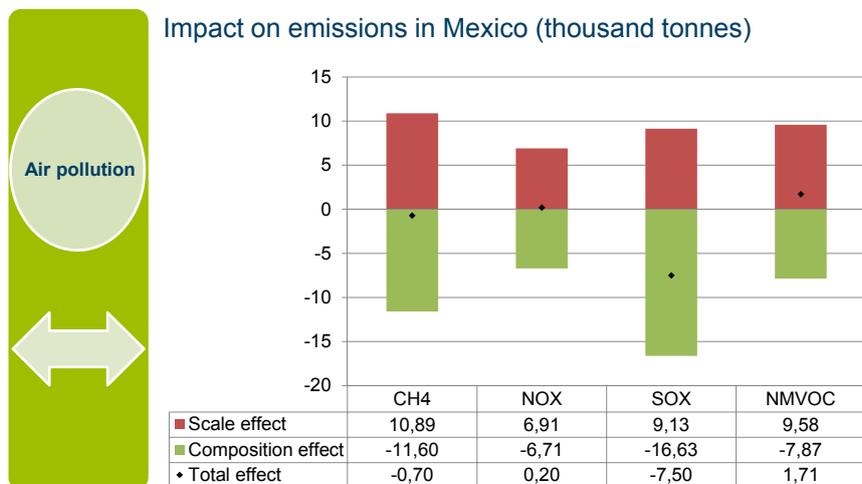
Environmental impacts of the FTA

Impact of the FTA on environmental indicators



Environmental impacts of the FTA

Impact of the FTA on environmental indicators



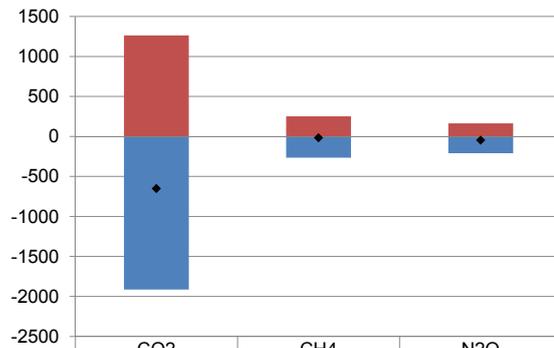
Environmental impacts of the FTA

Impact of the FTA on environmental indicators



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FTA effects on Mexican GHG emissions, in 1,000 tonnes of CO2 equivalent



	CO2	CH4	N2O
Scale effect	1262,79	250,52	163,97
Composition effect	-1913,21	-266,71	-208,96
Total effect	-650,42	-16,19	-44,98

Environmental impacts of the FTA

Impact of the FTA on environmental indicators



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- Natural resources
 - FTA decreased fossil fuel extraction and other primary industries
 - Land use intensity increased by 0.13%.
 - Fisheries increased by 0.04%.
- Ecosystems
 - Decrease in agricultural activities
 - Forest conversion for livestock production
 - Tourism.
- Biodiversity
 - Is affected by FTA through effect on ecosystems.

Environmental impacts of the FTA

Impact of the FTA on environmental indicators



- Agriculture is the main water user, and FTA is estimated to have had a reducing effect on agricultural output.
- Difficult to establish link between FTA and wastewater and wastewater management.
- Effect on water is mainly indirect and estimated to be small.

Environmental impacts of the FTA

Impact of the FTA on environmental indicators



- Direct link is hard to show.
- FTA is likely to have contributed to an increase in municipal solid waste production.
- Hazardous waste effect ambiguous.
- Drilling waste is likely to have gone down.

Environmental impacts of the FTA

Impact of the FTA on environmental indicators



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- Impact of FTA on green growth through economic channel is small and mixed.
 - Intensity of air pollution and GHG emissions went down;
 - Main water consuming sectors negatively influenced.
 - Land use intensity and fisheries increased.
- FTA does not include specific provisions on EGS.
- Flows in trade of environmental goods and services have increased significantly. But clear link to FTA is difficult to establish.

Evaluation of the EU-Mexico FTA and an assessment of its possible modernisation

Wrap-up and conclusions of the workshop

Speaker: Ms Nora Plaisier MSc,
team leader of the study (Ecorys)



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Wrap-up and conclusions

Next steps

- Module 1:
 - revise report based on stakeholder consultations;
 - conclusions;
 - policy recommendations.
- Timeline:

Activity	Timing
Local workshop in Mexico City	9 July 2015
Closure of the online survey	31 July 2015
Draft final report ex-post analysis	September 2015
Draft final report ex-ante analysis	<i>November 2015</i>
Final report ex-post analysis	November 2015
Final report ex-ante analysis	<i>December 2015</i>



Wrap-up and conclusions

Your inputs and feedback are much appreciated

Link to the online survey: www.fta-evaluation.com/mexico/survey

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