

| ROADMAP  |   |                 |            |
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| TITLE OF THE INITIATIVE  | MODERNISATION OF THE TRADE PILLAR OF THE EU-MEXICO GLOBAL AGREEMENT                               |                 |            |
| LEAD DG – RESPONSIBLE UNIT – AP NUMBER   | DG TRADE/C3 – 2015/TRADE/001  | DATE OF ROADMAP | 18/06/2015 |
| LIKELY TYPE OF INITIATIVE  | Recommendation for a Council Decision   |                 |            |
| INDICATIVE PLANNING  | <a href="#">Insert hyperlink to forecast report</a>   |                 |            |
| ADDITIONAL INFORMATION   | <a href="#">Insert link to "Commission decides" or to the specific website for the initiative</a> |                 |            |
| <p><b>This indicative roadmap is provided for information purposes only and can be subject to change. It does not prejudice the final decision of the Commission on whether this initiative will be pursued or on its final content and structure.</b></p> |   |                 |            |

## A. Context, Subsidiarity Check and Objectives

| Context   |
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| <p>In 1997, Mexico was the first Latin American country to conclude an Economic Partnership, Political Coordination and Cooperation Agreement with the EU (hereinafter ‘the Global Agreement’), including trade provisions that were developed in a Free Trade Agreement that entered into force in October 2000 for the part related to trade in goods and in 2001 for the one related to trade in services.</p> <p>Many changes occurred since the entry into force of the Global Agreement. In 2006, the European Commission adopted a ‘Global Europe’ strategy, modernising its agenda for EU trade policy and seeking deeper trade Agreements covering much more than tariff dismantling to also address regulatory barriers in goods, services and investment, intellectual property rights, government procurement, the protection of innovation, sustainable development (i.e. decent work, labour standards and environmental protection) and other important issues.</p> <p>Successive EU trade negotiations with Mexico's neighbours in the Americas reflect this ambition (e.g. the EU recently concluded a Comprehensive Economic and Trade Agreement with Canada, and is negotiating an ambitious agreement with the US). So, as the Mexican economy is also very integrated with that of the US<sup>1</sup>, any modernisation of the EU-Mexico Agreement must be considered in an overall North American context in order to ensure, as far as possible, comparable conditions for investors and trade operators in Mexico, the US and Canada. Furthermore, Mexico has carried out significant reforms in key areas (e.g. energy, taxation, telecommunications sector and banking) through the <i>Pacto por México</i> that may create new opportunities.</p> <p>Hence, the EU and Mexico decided, in the context of the EU- CELAC Summit (Latin America and Caribbean States) in Santiago in January 2013, “to explore the options for a comprehensive update of the Economic Partnership, Political Co-ordination and Co-operation Agreement between the EU and Mexico”. The understanding was that this exercise could possibly lead to a negotiation process for modernising the three pillars of the EU-Mexico Global Agreement. In particular, the trade pillar should be modernised in an ambitious manner, and taking into account other Free Trade Agreements (FTAs) concluded or in the course of negotiation by each party. It was also decided to establish an EU-Mexico Joint Working Group (including a Sub-Group on trade and investment) to that effect.</p> <p>The sub-group on trade and investment met on 22-23 October 2013 and on 11-13 February 2014, and on the basis of the work achieved, the EU and Mexico have decided to launch a scoping exercise (called a ‘Joint Vision Report’) to explore in greater depth and detail the results for which a negotiation on the modernisation of the EU-Mexico Global Agreement should aim.</p> <p>The scoping exercise was successfully completed by the time of the EU-Mexico Summit of 12 June 2015, and the Presidents of both sides announced “to launch, in 2015, the process of starting negotiations, according to the legal framework of each side”, which would imply <a href="#">making a recommendation to the Council for the opening of negotiations with Mexico before the end of the year.</a></p> <p>This initiative builds on the existing EU-Mexico Global Agreement and draws on all the Free Trade Agreements with other countries which have been concluded since then, which provide useful benchmarks or a starting point in a number of areas.</p> |

<sup>1</sup> The US is the main foreign investor in Mexico, with 50% of total FDI over the period 2000-2012. Nearly 78 % of Mexico's exports went to the US in 2012 and many investment decisions by EU firms in Mexico are actually linked to the possibility of having access to the US market.

| <b>Issue</b>  |
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| <p>The trade pillar of the existing EU-Mexico Global Agreement was quite broad for an Agreement of its kind at the time that it was negotiated. It covers trade in goods and parts of services. It also includes specific chapters on non-tariff measures, government procurement, competition and certain areas of intellectual property rights.</p> <p>However, since it entered into force in 2000, there have been significant trade policy developments for both parties, which have concluded a number of Agreements with other trading partners. Mexico has for example joined the Pacific Alliance<sup>2</sup> and the Trans-Pacific Partnership<sup>3</sup> negotiations; the EU has concluded a 'new generation' Agreement with South Korea, has ended negotiations with Canada and Singapore, and has been negotiating with the US (TTIP<sup>4</sup>) since 2013.</p> <p>These Agreements or on-going negotiations go well beyond the existing content of the trade pillar of the EU-Mexico Global Agreement and as a result, Mexico's and the EU's preferential relationship now risks falling behind when compared to respective relationships with other trading partners.</p> <p>Moreover, since the entry into force of the Lisbon Treaty in 2009, the EU exclusive competence now covers investment and it is worth noting that there are currently 16 bilateral investment treaties (BITs) between EU Member States and Mexico, differing in their level of ambition and creating potential inconsistencies in the treatment of EU investors in Mexico.</p> <p>Attempts to modernise the existing Agreement's chapters on agriculture, services and investment in a sectoral manner using the review clauses in the Agreement have so far been unsuccessful. Accordingly, the EU and Mexico have instead agreed, at the highest level at the Santiago CELAC summit in 2013, to consider further developing the bilateral relationship on the basis of a comprehensive modernisation of the Global Agreement.</p> <p>As a consequence, modernising the EU-Mexico Agreement has been confirmed as a political priority (see the hearing to the European Parliament of Commissioner designate Malmström on 29 September 2014<sup>5</sup> as well as the Joint Statement of the EU-Mexico Summit of 12 June 2015<sup>6</sup>).</p> <p>The joint scoping exercise (Joint Vision Report) was successfully completed just before the EU-Mexico summit in June 2015, and leads to the conclusion that there is a common understanding between the EU and Mexico as to what such an ambitious and modernised FTA should achieve. Modernising the FTA will affect EU and Mexican businesses including manufacturers, service industries, trading companies and their workforces, all of whom are likely to feel the effects of the updated Agreement, as well as consumers of both parties.</p> |
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| <b>Subsidiarity check</b>   |
| <p>The initiative falls under the exclusive competence of the EU according to Article 3 of the Treaty on the Functioning of the European Union (TFEU). Therefore, the subsidiarity principle does not apply.</p>  |
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| <b>Main policy objectives</b>   |
| <p>The main policy objective is to set a new framework for the EU-Mexico trade and investment relationship qualitatively comparable with the latest generation of trade Agreements concluded or being negotiated by Mexico or the EU, and notably the recently concluded CETA between the EU and Canada. This should create the conditions for boosting bilateral flows of trade and investment, contributing to the creations of jobs and further economic growth on both sides.</p>   |
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| <b>B. Option Mapping</b>  |
| <p>The first option (the baseline) would be to maintain the status quo as per the existing trade pillar of the EU-</p>  |

<sup>2</sup> The Pacific Alliance is a regional free-trade initiative formed by Chile, Colombia, Mexico and Peru, with some features of further integration such as economic integration, a visa-free travel area, a common stock exchange, and common external representation for trade matters.

<sup>3</sup> The Trans-Pacific Partnership (TPP) is a proposed Free-Trade Agreement under negotiation between Australia, Brunei, Chile, Canada, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam. It aims at enhancing trade and investment among the TPP countries, promote innovation, economic growth and development and support the creation of jobs in order to integrate the economies of the Asia-Pacific region.

<sup>4</sup> Transatlantic Trade and Investment Partnership.

<sup>5</sup> <http://www.europarl.europa.eu/ep-live/en/committees/video?event=20140929-1430-COMMITTEE-HEARING2014CM>

<sup>6</sup> <http://www.consilium.europa.eu/en/press/press-releases/2015/06/12-eu-mexico-summit-final-statement/>

Mexico Global Agreement.

The second policy option would be to review the current Agreement on the basis of the sectoral review clauses foreseen in Decisions 2/2000 and 2/2001 of the EU-Mexico Joint Council for further liberalisation in agriculture (Article 10), services (Article 17) and investment (Article 35).

The third option would be to modernise the current Agreement to achieve a 'comprehensive and ambitious' Agreement including a broad range of issues that both parties want to address, such as: market access in agriculture, trade in services, investment, technical barriers to trade, sanitary and phytosanitary measures, intellectual property rights (including GIs), public procurement, trade facilitation, mediation, competition, trade and sustainable development. All these are standard elements included in recent Free-Trade Agreements.

Thus, the Impact Assessment will assess the likely economic, social and environmental impacts of these three options and compare their respective advantages and disadvantages in order to identify the most effective, efficient and coherent policy proposal.

#### Proportionality check

None of the options considered goes beyond what is necessary or appropriate to achieve the EU's expected policy objective.

### C. Data collection and Better Regulation instruments

#### Data collection

*An Assessment of 6 EU Free-Trade Agreements*<sup>7</sup> (including Mexico) commissioned by the Commission was carried out in February 2011. **An ex post evaluation of the trade pillar of the existing EU-Mexico Global Agreement and an ex ante assessment looking at options for modernisation are currently being conducted by an external contractor.**

The contract was signed in December 2013. However, **due to unexpected methodological difficulties**, especially on the issues of non-tariff measures and services, the project has experienced **considerable delays**, *inter alia* due to the unavailability of relevant data.

Nonetheless, an **interim report concerning the ex post evaluation** has been completed and will be shared with the participants to a local workshop organised by the consultant in Mexico on **9 July 2015**. As a consequence, the Impact Assessment Report will mainly rely on the available information contained in the interim report, together with a thorough qualitative evaluation provided by the European Commission services.

The Commission intends to pursue the quantitative analysis, of both the ex-post and ex-ante chapters of the study, and use it to feed a continuous loop between the Impact Assessment and the negotiating process, notably through the Sustainability Impact Assessment that DG Trade is committed to carry out during the negotiations themselves.

#### Consultation approach

The contractor for the external studies undertaken in support of this initiative has organised numerous consultation and outreach activities, including: a dedicated website for documents and activities linked to the studies; and online survey of stakeholders<sup>8</sup>, launched in October 2014; a workshop in Mexico<sup>9</sup>, to be held on 09 July 2015; and personal interviews.

In the context of the Impact Assessment, DG Trade will also consult interested stakeholders on this initiative, including businesses, civil society stakeholders, NGOs, trade unions as well as trade associations, chambers of commerce and other private interests.

Given the agreed timeline for the modernisation of the EU-Mexico Agreement (see section A) and as there have been previous consultation activities by the contractor (see above), the online public consultation will take place during 8 weeks and is expected to be launched on 30 June 2015.

<sup>7</sup> [http://trade.ec.europa.eu/doclib/docs/2011/may/tradoc\\_147905.pdf](http://trade.ec.europa.eu/doclib/docs/2011/may/tradoc_147905.pdf)

<sup>8</sup> <https://s.chkmt.com/?e=31906&d=e&h=5373634D6F27DC1>

<sup>9</sup> <http://www.fta-evaluation.com/mexico/sample-page/workshop/>

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| <b>Will an Implementation plan be established?</b>  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No   |
| No implementation plan is foreseen, since negotiated international Agreements are not subject to the requirements for implementation plans.   |
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| <b>Will an impact assessment be carried out for this initiative and/or possible follow-up initiatives?</b>  |
| Yes. An IASG was set up in April 2014 and is planned to meet up to 8 times. DGs to be invited to take part are: EEAS, DEVCO, MARKT, TAXUD, GROW, FISMA, SANTE, ENV, CLIMA, COMM, HOME, JUST, CONNECT, DIGIT, ECFIN, AGRI, MARE, MOVE, INFOS, SG, EMPL, COMP, ESTAT, ENER, REGIO, BUDG, RTD, EAC, ECHO, ELARG, JRC and SJ. |
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