



INFOCARD ELANBiz The EU – Mexico Trade Agreement

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This Infocard provides a general overview of the trade part of the EU-Mexico Global Agreement and presents perspectives for EU companies

Why is the EU-Mexico Agreement important for European companies?

Mexico is the second largest economy in Latin America and the 14th in the World with a GDP of \$1.046 trillion USD. It has a population of 127.5 million people, and a GDP per capita of \$8.201 USD¹.

The country has an attractive environment for doing business, thanks to its legal system, highly developed economic sectors, competitive manufacturing costs, macroeconomic stability and relatively low inflation.² The 2017 World Bank's annual "Doing Business" report ranked Mexico in the 47th place across 190 economies.

Twelve free trade agreements link Mexico to 46 countries. Through them businesses in Mexico have access to multiple international markets including the world's largest: NAFTA.

The European Union and Mexico concluded the Economic Partnership, Political Coordination and Cooperation Agreement in 1997³, This Agreement institutionalized the political dialogue and aimed at strengthening the trade and economic relations and expanding cooperation on the basis of reciprocity and common interest

As part of the Global Agreement, a Free Trade Agreement was signed in 2000 and subsequently most of the tariffs between the EU and Mexico were gradually reduced or eliminated. In May 2016, the European Union and the United States of Mexico launched the negotiations to

¹ World Bank

² [ProMéxico-Why Mexico?](#) and [Reasons to Invest in Mexico](#)

³ [Economic Partnership, Political Coordination and Cooperation Agreement between the European Community and the United Mexican States.](#)



modernize the Global Agreement, including rules on trade, and strengthen their strategic partnership⁴.

The negotiations are progressing at a good pace with full engagement from both partners and it is expected that they could culminate by the end of 2017. After a successful fourth Round of negotiations in Mexico (21 June-5 July 2017) with good progress achieved in various chapters, the latest round of talks with Mexico took place in Brussels from 25 to 29 September 2017⁵.

The modernisation of the trade pillar of the Global Agreement should offer new opportunities for EU companies interested in exporting their products or investing in Mexico. In particular the SMEs should gain on a number of levels, including non-tariff barrier cost reduction, simpler rules of origin, increased regulatory cooperation between the EU and Mexico as well as convergence towards international standards.⁶

Which products benefit from the Agreement?

The Trade Agreement liberalised trade in all industrial goods (and most of the agricultural ones), and improved market access conditions to either market for Mexican and European exporters, except for a small list of sensitive items that include meat, cereals and dairy products. The agreement also established tariff quotas for certain agricultural and fisheries products

However, there is a list of agricultural goods in both markets categorized as “sensitive” such as live animals (cattle, poultry, sheep), meat and dairy products (milk, cream, butter, cheese) and fisheries among others⁷, that were excluded from the liberalization process and are subject to tariffs or import quotas.

Which tariffs are applied to European goods?

Not all tariffs were eliminated at the same time. According to the tariff reduction schedules established in the FTA, in 2003, the EU eliminated all tariffs on imports of Mexican industrial products and Mexico completed the process for EU products in January 2007. As for agricultural and fisheries products, the EU eliminated import duties in 2008, and Mexico in 2010.

⁴ <http://ec.europa.eu/trade/policy/countries-and-regions/countries/mexico/>

⁵ Report on the Fourth Round of Negotiations and other EU revised proposals on telecommunications or Technical Barriers to Trade issues, see http://trade.ec.europa.eu/doclib/cfm/doclib_section.cfm?sec=132

⁶ http://trade.ec.europa.eu/doclib/docs/2016/march/tradoc_154399.572244.1.SWD_2015_290_EN%20IAR%20Executive%20Summary.pdf

⁷ Delegation of the European Union to Mexico – [Free Trade Agreement](#)



For more detailed information regarding the tariff reduction schedules, please consult Title II of the Decision 2/2000.

Speed of Tariff Reduction	Period of transition (year in which the product reached full liberalization)
Industrial Goods	
A	July 1, 2000
B	July 1, 2003
B+	July 1, 2005
C	January 1, 2007
Agricultural Goods	
Cat. 0	Excluded from the FTA
Cat.1	1 July, 2000
Cat.2	1 July, 2003
Cat.3	1 July, 2008
Cat.4	1 July, 2010
Cat.5	Sensitive goods not liberalised
Cat. 6	Quota concessions
Cat. 7	Tariff concessions

What is the "rule of origin" and what requirements must European products comply to benefit from the preferential tariff regime?

Annex III sets out the applicable rules of origin, which establish when a product can be considered originating in either part. A product fulfils these criteria if they are fully obtained or produced in the territory of one of the EU Member states or Mexico. If the goods were not entirely produced in the national territory of either part, they will be treated as originating goods as long as they undergo a tariff shift. The regulations of the tariff shift are found in the Appendix II of the Annex III of the Decision 2/2000.

Annex III covers as well:

- provisions related to bilateral accumulation, which allows for the use of EU-made inputs in the production goods produced in the Mexico destined to the EU;
- the tolerance rule, which is fixed at 10% of the ex-works price of the product (except for textile and clothing, for which a specific tolerance will apply);
- evidence of direct transport;



- drawback provisions (duty drawback is prohibited);
- The required documents to prove the originating status of the imported goods (such as the EUR1 movement certificate and the associated declarations).

Furthermore, Appendix III contains useful information on how to fill out both, the EUR1 Movement Certificate and the application form. As for the invoice declaration, "approved exporters" can use it to replace the EUR1 certificate, or exporters in general if the value of the shipment does not exceed 6.000 EUR. All the conditions regarding an invoice declaration are set out in the articles 20 and 21 of Annex III.

How are standards, technical regulations and conformity assessment procedures covered in the Agreement?

Article 19 covers the rules regarding standards, technical regulations and conformity assessment procedures, which do not exceed the parties rights and obligations under the WTO Agreement on Technical Barriers to Trade⁸. This article does not apply to sanitary and phytosanitary measures, which are covered by Article 20 of this Decision.

The Agreement also foresaw the creation of a committee that meets annually to identify, address and reach mutually acceptable solutions to problems that may arise from the application of specific standards, technical regulations and conformity assessment procedures.

28% of the Mexican norms are similar to the international ones. The legal framework for standards is established in the [Federal Law on Metrology and Standardization](#) (LFMN by its acronym in Spanish) and defines 3 types of norms: Official Mexican Norms (NOM) that are mandatory, Mexican Norms (NMX) that are of voluntary compliance and the Reference Norms that are used by State companies such as PEMEX, CFE, Social Security, etc. Mexico has also implemented the National Standardization, Metrology and Conformity Assessment System, which seeks to coordinate the development of standards and regulations and to promote their use.

⁸ https://www.wto.org/english/tratop_e/tbt_e/tbt_e.htm



How are sanitary and phytosanitary regulations covered by the Agreement?

According to Article 20 of the Decision 2/2000: "The Parties reaffirm their rights and obligations set out in the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS)."⁹

As established¹⁰ on the WTO Agreement some of the rights and duties of the parts are:

1. Both parts have the right to implement sanitary and phytosanitary measures necessary for the protection of human, animal or plant life or health, provided that such measures do not interfere with the provisions of this Agreement.
2. Both parts shall ensure that their sanitary and phytosanitary measures do not arbitrarily or unjustifiably impose discriminatory effects where identical or similar conditions prevail.
3. Sanitary and phytosanitary measures shall not be applied in a manner that would constitute a disguised restriction on international trade.

The Agreement also established the creation of a committee that meets annually to identify, address and reach mutually acceptable solutions to problems that may arise from the application of specific sanitary or phytosanitary measures.

How does the Agreement regulate the trade in services and investments?

Regarding trade in services, two fundamental principles apply: the "Most Favoured Nation Treatment" and "National Treatment". These two principles ensure that services providers of either part benefit from the same market access conditions as its nationals. Furthermore, a limit cannot be imposed on the number of services providers, the total value of transactions or assets, the total number of services operations or the shares owned by foreign entities.

Provisions specific to financial services are covered in Chapter III of Decision 2/2001. These include insurance and related services, banking, financial leasing, payment and money transmission services, guarantees, money market instruments, foreign exchange, transferable

⁹ Decision 2/2000 of the EC-Mexico Joint Council:

http://www.sice.oas.org/Trade/mex_eu/English/Decisions_Council/2_2000_e.asp

¹⁰ Agreement on the Application of Sanitary and Phytosanitary

Measures: https://www.wto.org/english/tratop_e/sps_e/spsagr_e.htm



securities, participation in issues of all kinds securities, money broking, asset management, and advisory services for other auxiliary services activities.

In terms of investment, there are a number of restrictions on foreign investment set out in the Mexican legislation. Based on that, "the parties have the obligation to not impose restrictions on payments related to foreign direct investment, which have not existed on the date the treaty entered into force."¹¹ However, certain exceptions were agreed in relation to "difficulties and monetary policy change" and "difficulties in their balance of payments." These measures are only to be used as a remedy to the situation of the balance of payments; they shall be applied to the extent strictly necessary and should not be discriminatory.

What opportunities exist regarding government procurement?

The Agreement sets out provisions to ensure access of Mexican and European operators to either market, as long as the value of the procurement exceeds certain pre-defined thresholds. However, the benefits laid out in the procurement chapter do not extend to all governmental entities, or all services or products. Title III of Decision 2/2000 specifies that the Agreement only applies to purchases made by entities at the federal level in Mexico. Purchases made by state and sub-central entities are expressly excluded.

With regard to procurement processes related to construction, four main requirements must be met: the contracting entity must be listed in Annex VI of Decision 2/2000, purchases of the Navy and National Defence are expressly excluded, the service must be listed in Part A of Annex VIII and the purchase amount must be equal to or greater than the current amount set out in Part A of Annex X.

Relevant links

- [Text of the Agreement](#)
- [Report on the fourth round of negotiations for modernising the trade pillar](#)
- [EU-Mexico trade negotiations - List of published textual proposals](#)
- [Decision 2/2000](#)
- [Delegation of the European Union to Mexico](#)
- [About the Trade Agreement](#)
- [Guidelines for using the Trade Agreement EU-Mexico](#)
- [ProMéxico](#)

¹¹Information was obtained from : [SICE/Descripción de las disciplinas establecidas en el TLCUEM](#)



- [Description of the disciplines set out in the EU-Mexico Free Trade Agreement](#)
- [Mexican Secretariat of Finance and Public Credit](#)
- [Portal of the Mexican Embassy to the EU, related to foreign trade](#)



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