



**EUROPEAN COMMISSION**  
Regulatory Scrutiny Board

Brussels,  
D(2015)

**Opinion**

**Title**

**DG TRADE – Recommendation for a Council Decision authorising the European Commission and the High Representative of the Union for Foreign Affairs and Security Policy to open negotiations and to negotiate with Mexico a modernised Global Agreement**

**(draft version of 30 September 2015)\***

**(A) Context**

The EU-Mexico Economic Partnership, Political Coordination and Cooperation Agreement (‘Global Agreement’) includes a trade liberalisation component, the ‘EU-Mexico Free Trade Agreement (FTA)’ covering trade in goods (which entered into force in 2000) and partially trade in services (which entered into force in 2001). Fifteen years after its entry into force, the EU-Mexico FTA fails to address some of the important trade and investment issues relevant today (e.g. non- tariff barriers, intellectual property rights including geographical indications, contribution of trade and investment to sustainable development) in the way other comprehensive agreements concluded since then by the EU or Mexico do. At the EU-Mexico Summit on 12 June 2015, the EU and Mexico reaffirmed their ‘willingness to launch, in 2015, the process of starting negotiations, according to the legal framework of each side to modernise our Global Agreement and to reinforce [their] Strategic Partnership’. This impact assessment aims to inform the Commission decision to request authorisation from the Council to launch negotiations and accompanying draft negotiating directives.

**(B) Overall opinion: POSITIVE**

**The Board recommends that the IA report be further improved, with special attention to the following aspects:**

- 1) The report should substantiate upfront the magnitude of unfulfilled EU-Mexico trade potential and explain under what conditions it can be delivered, particularly taking into account the difficulties of eliminating non-tariff barriers.**
- 2) The report should further develop the baseline scenario (i.e. how the situation will evolve without a modernised EU-Mexico FTA), in particular by explaining the impact of other trade agreements concluded by either party on EU-Mexico trade and investment in different sectors.**

\* Note that this opinion concerns a draft impact assessment report which may differ from the one adopted

**3) The report should clearly indicate what issues can and need to be decided at this point of time. It should clarify to what extent the objectives are bound by the results of the scoping exercise as described in the Joint Vision Paper.**

**4) The report should complement the estimated quantitative impacts on different sectors with a qualitative assessment, in particular for the scenarios where there seems to be a loss of output for EU and Mexico. It should also clarify the impacts on consumer protection, eradicating poverty and inequality, environment and employment.**

### **(C) Main recommendations for improvements**

**(1) Clarify the problem definition.** The report should clarify if the problems identified originate from poor implementation of the current EU-Mexico FTA or from the design of the current FTA. It should present upfront a credible estimation of the magnitude of unfulfilled trade and investment potential between the EU and Mexico based on clear assumptions. The report should elaborate under what conditions this potential can be delivered drawing from the experience with other FTAs, notably on eliminating non-tariff barriers. It should better explain the assumptions for removing non-tariff barriers (3% and 10% cut under conservative and ambitious scenarios) clarifying what type of non-tariff barriers would likely to remain due to different levels of protection for environment, public health or other standards.

**(2) Further develop the baseline scenario.** The report should better describe how EU-Mexico bilateral trade and investment are likely evolve in the absence of a modernised agreement, where possible in quantitative terms. In particular, it should illustrate the dynamic elements of the baseline scenario: how trade agreements concluded by either the EU or Mexico have affected EU-Mexico trade and investment in different sectors (e.g. agreements with China) or where such impacts are expected in the future (e.g. Trans-Pacific Partnership).

**(3) Improve the assessment of impacts and clarify the underlying assumptions.** The report should add a qualitative assessment to the estimated impacts in different sectors most affected by the modernised EU-Mexico FTA, in particular as a number of sectors seem to suffer from the loss of output on both sides under the conservative and ambitious scenarios. The impacts on the agriculture sector should be further discussed. It should describe the impact on eradicating poverty and inequality (including gender equality) in line with Sustainable Development Goals. The report should clarify the impacts on consumer protection - for example, it should explain if the concern by beef industry on lowering the environmental, sanitary, animal welfare and food safety standards is only one example or a common concern across different sectors, and how it will be addressed. It should substantiate with evidence (i.e. from the past FTAs) the statement that a more significant presence of EU companies adopting modern policies such as equal remuneration and equal treatment will improve the working conditions in Mexico. The report should describe how different groups of Member States will be affected or clarify why such an assessment would not be meaningful in this context. It should elaborate on likely impacts on the environment taking into account most affected products/sectors and the experience from past FTAs. Finally, the modelling assumptions and limitations should figure more prominently in the report, in particular regarding the employment impacts.

*Some more technical comments have been transmitted directly to the author DG and are expected to be incorporated in the final version of the impact assessment report.*

**(D) Procedure and presentation**

The report should be clearer about what can and needs to be decided at this point of time. It should avoid comparing the options to one another already at the assessment stage.

**(E) RSB scrutiny process**

Reference number	2015/TRADE/001
External expertise used	No
Date of RSB meeting	28 October 2015