

# THE QUALITATIVE ASSESSMENT OF THE EU – MEXICO MODERNISED AGREEMENT

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## Abbreviations

AMA	Agricultural market access
AMR	Anti-microbial resistance
AW	Animal welfare
BIT	Bilateral Investment Treaty
CETA	(EU-Canada) Comprehensive Economic and Trade Agreement
CTF	Customs and Trade Facilitation
RM	Raw materials
EU	European Union
FDI	Foreign direct investment
FTA	Free Trade Agreement
GATS	General Agreement on Trade in Services
GDP	Gross domestic product
GI	Geographical indication
GPA	Government Procurement Agreement
GVC	Global value chains
HS	Harmonized Commodity Description and Coding System
ILO	International Labour Organization
IMF	International Monetary Fund
IPR	Intellectual property rights
ISDS	Investor-to-State Dispute Settlement
MEA	Multilateral Environmental Agreement
MFN	Most favoured nation
MS	Member state
NAFTA	North American Free Trade Agreement
NAMA	Non-agricultural market access
NOM	Non-originating material
NTB	Non-tariff barrier
NTM	Non-tariff measure
OECD	Organisation for Economic Co-operation and Development
OIE	World Organisation for Animal Health
PAP	Processed agricultural product
PSR	Product-specific rules (of origin)
SDR	Special drawing rights
SIA	Sustainability impact assessment
SME	Small and medium enterprise
SOE	State-owned enterprise
SPS	Sanitary and Phytosanitary measures
TBT	Technical barriers to trade
TRIMS	Agreement on Trade-Related Investment Measures
TRIPS	Agreement on Trade-Related Aspects of Intellectual Property Rights
TRQ	Tariff rate quota
UN	United Nations
UNCAC	United Nations Convention Against Corruption
UNCTAD	United Nations Conference on Trade and Development
USMCA	United States Mexico Canada Agreement
VA	Value added
WCO	World Customs Organization
WTO	World Trade Organization

# 1. Introduction and rationale for an EU Mexico FTA

The EU and Mexico have a longstanding political, trade and economic cooperation relationship. In 1997, Mexico was the first Latin American country to conclude an Economic Partnership, Political Coordination and Cooperation Agreement with the EU (also known and hereinafter referred as ‘the Global Agreement’). The Global Agreement encompasses three pillars: political, cooperation and trade. The trade provisions 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.

In economic terms Mexico is an upper-middle income economy and has a GDP, current prices totalling over €1.7 trillion in 2024. In 2025, the EU was Mexico’s third-largest trading partner (with bilateral trade in goods amounting to €86.8 billion) after the United States and China, and second largest destination of Mexican exports after the US. The EU accounts for 3.58% of Mexican merchandise exports (€21.1 billion) and 9.7% (€60.4 billion) of Mexican imports of goods in 2024. Furthermore, the EU has been a major contributor to the growth of FDI into Mexico, representing about 30% (€206.6 billion) of Mexico’s total inward FDI in 2025.

Many changes occurred since the entry into force of the Global Agreement. The European Union grew to 27 Member States and further deepened its Single Market. In 2006, the European Commission adopted a ‘Global Europe’ strategy, modernising its agenda for EU trade policy and seeking more and deeper trade Agreements. Successive EU trade negotiations reflect this ambition. Furthermore, Mexico became a member of OECD and carried out significant reforms in key areas (e.g. taxation, telecommunications and banking) to create new opportunities. Currently, new priorities and global challenges highlight the importance of forging closer alliances with trusted allies and the need to accelerate the energy and digital transitions, reinforce strategic supply chains and diversify sources of supply.

An assessment of six EU Free-Trade Agreements (including Mexico) commissioned by the European Commission was carried out in February 2011. An ex-post evaluation of the trade pillar of the existing Global Agreement and an ex-ante assessment looking at options for modernisation was completed in 2016. This analysis of the Global Agreement demonstrated that, while the coverage of the existing trade pillar was comprehensive at the time, there was scope for further improvements of the rules and achieving further market access. It also concluded that it was necessary to update the agreement to reflect new realities.

Hence, in order to adapt the existing Global Agreement to adequately address current global challenges, 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 three pillars of the Global Agreement. The negotiations on the modernisation were conducted on the basis of the negotiating directives adopted by the Council on 4 May 2016 and a political agreement was reached on 17 January 2025.<sup>1</sup>

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<sup>1</sup> The two sides reached an ‘agreement in principle’ on the trade part in April 2018 and the final technical details on public procurement were concluded in April 2020.

In this perspective, the Modernised Global Agreement introduces numerous improvements to the legal framework of EU-Mexico bilateral trade relations, by setting an innovative trade and investment framework on a basis of reciprocity and promoting new opportunities for business, while including strong and clear commitments on human rights, sustainable development and the fight against corruption. The agreement is also important to strengthen EU's efforts on diversification and economic security. In addition, the new Agreement will also remove most of the remaining customs duties (mainly for agricultural and fisheries products), extend access to public contracts at sub-central level, open up services' market, enhance cooperation on critical raw materials, offer predictable conditions for investors and ensure a high level of protection of intellectual property rights and EU's Geographical Indications. The new Agreement will also contain guarantees and measures to make sure that the economic gains do not come at the expense of fundamental rights, social standards, governments' right to regulate, environment protection or consumers' health and safety.

This report presents a qualitative assessment of the negotiated agreement. It is not based on assumptions about the expected outcome, but on the actual text of the negotiated modernised agreement (in comparison to the existing EU-Mexico Global Agreement).

As the original Global Agreement already eliminated tariffs on nearly all industrial goods, with only exceptions for certain agricultural and fisheries products and most of the new provisions focused on non-tariff barriers (NTBs), regulatory alignment, services liberalisation, investment protection, sustainable development, and digital trade, rather than traditional tariff reductions, the assessment provided is of a qualitative nature. It presents a chapter-by- chapter comparison of the provisions and commitments included in the existing agreement with those in the modernised one.

## 2. Overview over EU-Mexico economic and trade relations

### 2.1. Summary

Mexico is a dynamic emerging economy that shares similar values to the EU, such as open and fair trade based on international rules. Its GDP growth over the last two decades has followed a similar pattern to the one experienced by the EU. Currently, Mexico has free trade agreements with 52 countries and is one of the most open and competitive markets in the world. The EU-Mexico Global Agreement has led to tariffs being eliminated on most products.

Total merchandise trade between the EU and Mexico grew by 337% between 2002 and 2025. The EU is Mexico's third largest supplier of goods after the US and China and third largest destination of Mexican exports following the US and Canada. The EU accounts for 3.58% of Mexican exports (€21.1 billion), 9.7% (€60.4 billion) of Mexican imports, and 7% of total Mexican merchandise trade in 2025.

Mexico plays a significant role as a global supplier of Critical Raw Materials, such as fluorspar, strontium and baryte, which are also categorized as CRMs in the latest technical assessment of CRMs for the EU (European Commission, 2023b). In the case of fluorspar, Mexico is the main EU provider, but for strontium and baryte Mexico provides less than 1% of extra EU imports. Mexico serves as an important source for the EU for other important raw materials, such as, lead (3rd main EU supplier with a 6%

share), silver (main EU supplier with a 3% share), and cadmium (3rd main EU supplier and 4% share). There is potential, however in enhancing trade in other raw materials that are strategic for the twin transitions.

The EU has been a major contributor to the growth of Mexican inward FDI and represents around 30% of Mexico's total stock of inward FDI. Mexico's 35.9% share of foreign value added in exports in 2018 stands out in an international comparison. It indicates that Mexico has relatively very high dependence on foreign inputs in its production chains. The pattern of exports being more oriented to intermediates than to final goods is what predominates in OECD countries. However, there has been a small shift in the breakdown of Mexican exported goods since 2015 as final products account for slightly more than 50%.

Finally, it is worth noting that SMEs make up a very large share of the total number of EU exporters to Mexico and account for 22% of the total value of EU exports and 82% of all EU firms that export to Mexico.

## 2.2. Short overview of the Mexican economy

Mexico is an upper-middle income economy with GDP, current prices totalling €1.7 trillion in 2024 and 3.3 trillion if measured in Purchasing Power Parity (PPP, international dollars)<sup>2</sup> in 2024 (see table 1). GDP per capita, current prices in Mexico is €12,940, while the one in the EU is €39,870.

**Table 1: Main economic indicators EU and Mexico, 2024**

	EU27	Mexico
Gross domestic product, current prices (€ billions)	17,981	1,712
Gross domestic product, current prices, PPP (international dollars billions)	28,100	3,317
Population (million persons)	451	132
GDP per capita, current prices (€)	39,870	12,940

Source: Eurostat for population and GDP in euros. International Monetary Fund data for GDP in PPP, with data converted to Euro from USD using 1€ (2024) = 1.0824USD (from Euro/ECU exchange rates - annual data [ert\_bil\_eur\_a])

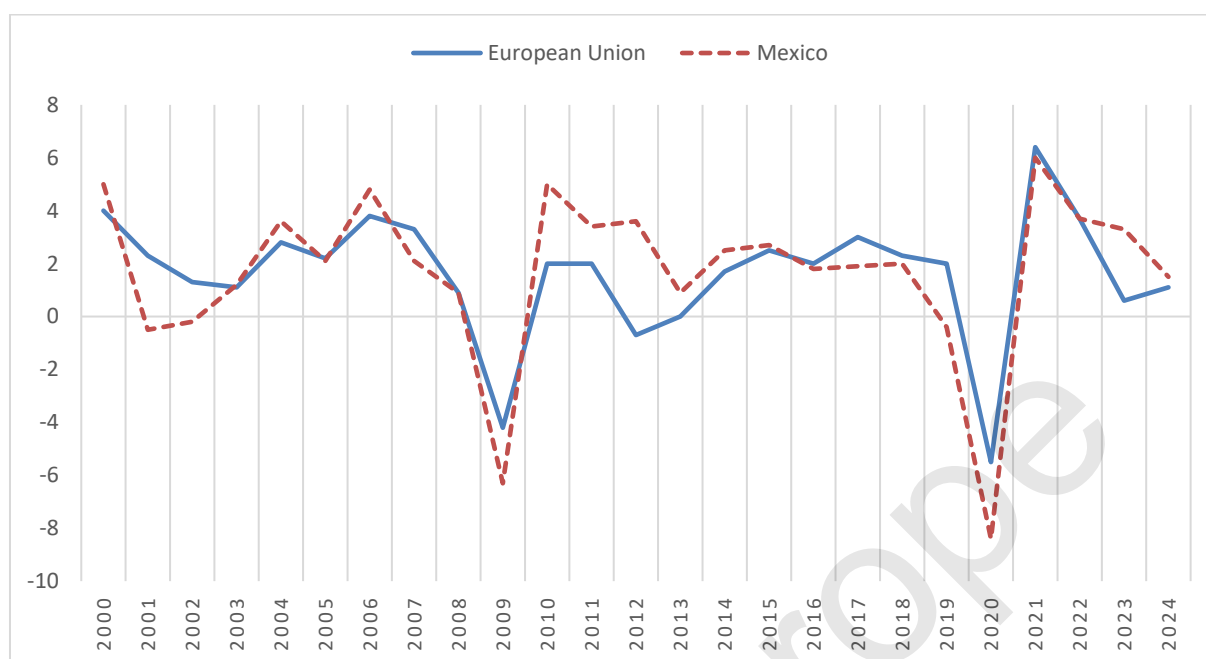
In spite of these gaps in overall income, Real GDP growth in Mexico has been relatively in line with the EU since the 2000s (see figure 1). According to the April's 2025 IMF World Economic Outlook, Real GDP is expected to decrease slightly from 1.5 percent in 2024 to -0.3 percent in 2025, given weaker U.S. and global growth and tighter global financial conditions.<sup>3</sup> On the other hand, according to the Spring 2025 Economic Forecast of the European Commission, GDP growth in the EU is expected to be 1.1% and 1.5% in 2025 and 2026, respectively.<sup>4</sup>

<sup>2</sup> The PPP measure takes into account how costly it is to acquire the same basket of goods and services in different countries. By doing so, it factors in the differences in price levels and in the standard of living across countries.

<sup>3</sup> [World Economic Outlook, April 2023: A Rocky Recovery \(imf.org\)](https://www.imf.org/en/Publications/WEO/Issues/2024/04/01/wEO2404)

<sup>4</sup> [Spring 2025 Economic Forecast: Moderate growth amid global economic uncertainty - European Commission](https://ec.europa.eu/economy_finance/2024-06-13-spring-2025-economic-forecast-moderate-growth-amid-global-economic-uncertainty)

**Figure 1: Evolution of the Real GDP growth rate for Mexico and the EU (in %), 2000-2024**



Source: International Monetary Fund data.  
[World Economic Outlook \(April 2025\) - Real GDP growth](#)

### 2.3. Tariff profile of the EU and Mexico

Table 2 shows that, on average, imports entering both the EU and Mexico face relatively low MFN tariffs with EU tariffs being lower than Mexican ones. Using simple averages, tariffs are 5.0% versus 6.8% and with trade weighted averages, they are 2.7% versus 3.9% for the EU and Mexico, respectively. Additionally, EU tariffs are lower than the Mexican ones both in non-agricultural and agricultural goods. Both economies place higher tariffs on agricultural products than in non-agricultural ones. However, these products account for a very small share in overall trade, as will be seen below.

**Table 2: Tariff profiles of EU and Mexico (in %), 2024**

	EU			Mexico		
	Total	Ag	Non-Ag	Total	Ag	Non-Ag
Simple average MFN applied in %	5.0	10.8	4.1	6.8	11.9	6.0
Trade weighted average in %	2.7	8.4	2.3	3.9	7.3	3.7

Source: WTO tariff profiles available at [World Tariff Profiles | WTO iLibrary](#)

### 2.4. Trade and investment

Currently, Mexico has 14, Free Trade Agreements (FTAs) with 52 countries, including the United States–Mexico–Canada Agreement (USMCA), which entered into force on July 1, 2020, replacing the North American Free Trade Agreement (NAFTA).<sup>5</sup> These agreements make the Mexican market one of the most open and competitive in the world. The EU and Mexico have a relatively strong trading

<sup>5</sup> [WTO | Regional trade agreements.](#)

relationship. The EU is Mexico's third largest supplier of goods and second largest destination of Mexican exports and accounts for 3.58% of Mexican exports (€21.1 billion) and 9.7% (€60.4 billion) of Mexican imports (see table 3). However, the US remains Mexico's largest trade partner and accounts for 83% and 41% of Mexican exports and imports, respectively. All in all, the EU27 accounts for 7% of total Mexican merchandise trade, while the US accounts for 60%, in 2025.

**Table 3 Mexico merchandise trade by main trade partner, 2025**

Imports from Mexico by origin				Exports from Mexico by destination			
Rank	Partner	€ million	Share %	Rank	Partner	€ million	Share %
	<b>World</b>	<b>622,929</b>	<b>100.00%</b>		<b>World</b>	<b>588,350</b>	<b>100.00%</b>
1	United States	234,323	37.62%	1	United States	488,474	83.02%
2	China	125,015	20.07%	2	<b>EU27*</b>	<b>21,077</b>	<b>3.58%</b>
3	<b>EU27*</b>	<b>60,444</b>	<b>9.70%</b>	3	Canada	19,618	3.33%
4	Taiwan	43,702	7.02%	4	China	9,040	1.54%
5	South Korea	21,641	3.47%	5	South Korea	5,843	0.99%
6	Vietnam	20,986	3.37%	6	Brazil	4,126	0.70%
7	Japan	17,413	2.80%	7	Japan	3,658	0.62%
8	Malaysia	14,686	2.36%	8	United Kingdom	3,400	0.58%
9	Thailand	12,318	1.98%	9	Colombia	2,844	0.48%
10	Canada	11,777	1.89%	10	Guatemala	2,550	0.43%
	<b>Rest of the world</b>	<b>60,624</b>	<b>9.73%</b>		<b>Rest of the world</b>	<b>27,720</b>	<b>4.71%</b>

Source: IMF IMTS

**Table 4 EU27 merchandise trade by main trade partner, 2025**

Imports from EU27 by origin				Exports from EU27 by destination			
Rank	Partner	€ million	Share %	Rank	Partner	€ million	Share %
	<b>Extra EU27</b>	<b>2,514,425</b>	<b>100%</b>		<b>Extra EU27</b>	<b>2,643,760</b>	<b>100%</b>
1	China except Hong Kong	559,513	22.3%	1	United States	554,878	21.0%
2	United States	355,673	14.1%	2	United Kingdom	345,441	13.1%
3	United Kingdom	158,601	6.3%	3	Switzerland	219,473	8.3%
4	Switzerland	143,156	5.7%	4	China except Hong Kong	199,489	7.5%
5	Türkiye	103,293	4.1%	5	Türkiye	114,294	4.3%
6	Norway	95,550	3.8%	6	Japan	65,761	2.5%
7	South Korea	69,699	2.8%	7	Norway	64,041	2.4%
8	India	69,436	2.8%	8	South Korea	54,537	2.1%
9	Vietnam	63,831	2.5%	9	<b>Mexico</b>	<b>52,950</b>	<b>2.0%</b>
10	Japan	63,339	2.5%	10	United Arab Emirates	52,065	2.0%
13	<b>Mexico</b>	<b>33,860</b>	<b>1.3%</b>	11	India	48,900	1.8%
	<b>Rest of the world</b>	<b>798,475</b>	<b>31.8%</b>		<b>Rest of the world</b>	<b>871,930</b>	<b>33.0%</b>

Source: Eurostat (Comext, statistical regime 4)

Note: Trade flows reported by Mexico do not align with the mirror values reported by Eurostat. While these figures should, in principle, coincide, discrepancies arise due to inherent statistical asymmetries. These are primarily driven by differences in valuation methods, timing of recording, and currency conversion, alongside other methodological factors.

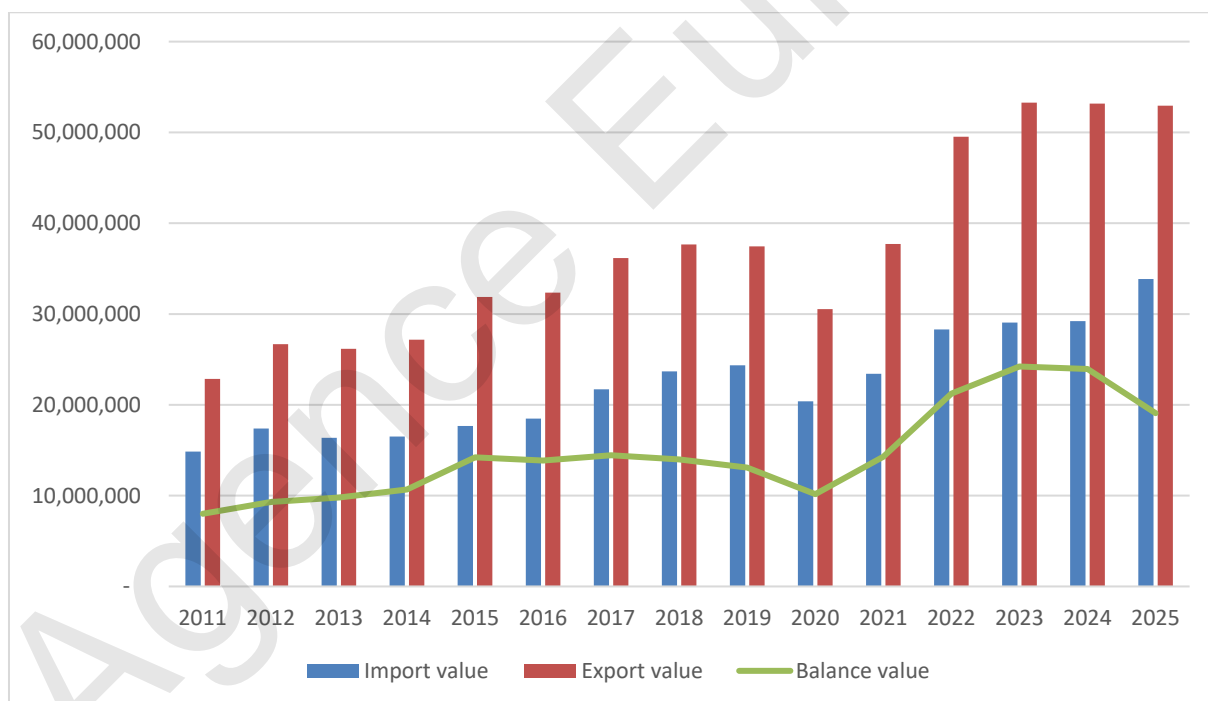
On the other hand, table 4 shows that Mexico is the EU’s 13<sup>th</sup> largest source of imports and 9<sup>th</sup> largest export destination, accounting for 1.3% and 2% of EU27 goods imports and exports, respectively.

### 2.4.1. Trade in goods

Trade in goods between the EU and Mexico grew by 337% between 2002 and 2025.

Figure 2 shows the evolution of trade in goods between the EU and Mexico in the last 12 years. The EU has held a trade surplus with Mexico in all these years, which amounts to €19 billion in 2025. This has been driven by significant growth in exports, with the exception of the year 2020 which was affected by the COVID-19 pandemic. EU exports grew from €26.7 billion in 2012 to €53 billion in 2025. Imports of goods from Mexico also increased over this period, rising from €17.4 billion in 2012 to €33.9 billion in 2025.

**Figure 2: EU merchandise trade with Mexico in € million, 2011-2025**



Source: Eurostat COMEXT, statistical regime 4

Table 5 presents a breakdown of the most recent data on trade in goods between the EU and Mexico by sections of the Harmonized System (HS), using 2023 figures for imports and 2024 figures for exports. In 2024, 68.2% of EU exports to Mexico were concentrated in three sections: i) Machinery & mechanical appliances (€18 billion), ii) Chemical products (€8.6 billion), and iii) Transportation equipment (€8.1 billion). In contrast, 68.7% of EU imports from Mexico in 2023 were concentrated in

three sections: i) Machinery & mechanical appliances (€8 billion), ii) Transportation equipment (€6.9 billion), and iii) Mineral products (€4.9 billion).

**Table 5: EU-Mexico merchandise trade and tariff structure by HS section, 2023 – 2024**

HS section	EU27 imports - 2023				EU27 exports - 2024			
	€ Million	%	MFN tariff (%)	Preferential tariff (%)	€ Million	%	MFN tariff (%)	Preferential tariff (%)
I. Animals & animal products	54.0	0.2%	7.05	0.46	267.5	0.5%	12.63	3.05
II. Vegetable products	458.6	1.6%	5.36	0.51	562.1	1.1%	10.96	1.85
III. Animal or vegetable fats	96.0	0.3%	6.66	0.00	408.7	0.8%	6.95	2.21
IV. Prepared foodstuffs	726.4	2.5%	11.89	3.75	1,189.7	2.3%	17.28	5.89
V. Mineral products	4,941.8	17.1%	0.58	0.00	201.9	0.4%	0.15	0.00
VI. Chemical products	1,390.4	4.8%	2.92	0.00	8,637.2	16.9%	2.57	0.03
VII. Plastics & rubber	605.8	2.1%	3.98	0.00	2,555.7	5.0%	5.63	0.00
VIII. Hides & skins, leather	52.7	0.2%	4.24	0.00	231.8	0.5%	7.18	0.00
IX. Wood & wood products	4.6	0.0%	2.32	0.00	183.2	0.4%	8.09	0.00
X. Wood pulp products	18.7	0.1%	0.00	0.00	891.2	1.7%	6.57	0.00
XI. Textiles & textile articles	179.3	0.6%	9.18	0.00	810.9	1.6%	15.13	0.00
XII. Footwear, headgear	34.8	0.1%	8.10	0.00	236.8	0.5%	21.26	0.00
XIII. Articles of stone, glass and ceramics	171.6	0.6%	4.27	0.00	452.3	0.9%	10.83	0.00
XIV. Pearls, (semi-)precious stones & metals	75.0	0.3%	0.96	0.00	317.7	0.6%	5.98	0.00
XV. Base metals & articles thereof	773.0	2.7%	2.45	0.00	4,173.3	8.2%	12.25	0.00
XVI. Machinery & mechanical appliances	8,030.5	27.8%	1.73	0.00	18,053.3	35.4%	3.28	0.00
XVII. Transportation equipment	6,896.2	23.9%	4.89	0.00	8,128.5	15.9%	10.83	0.00
XVIII. Instruments - measuring, musical	4,177.3	14.5%	1.46	0.00	2,888.4	5.7%	2.98	0.00
XIX. Arms & ammunition	2.6	0.0%	2.89	0.00	23.4	0.0%	12.56	0.00
XX. Miscellaneous	203.2	0.7%	2.57	0.00	784.9	1.5%	11.09	0.00
XXI. Works of art	11.4	0.0%	0.00	0.00	30.9	0.1%	0.00	0.00

Source: TAXUD Taric, ESTAT Comext, TRADE Statistics Unit calculations.

Table 5 also shows that the level of protection at the MFN level varies widely across sectors. The simple average MFN tariffs currently faced by European exporters to Mexico are highest for prepared foodstuffs (17.28%), live animals and animal products (12.63%), textiles (13%), footwear (15.13%), and arms and ammunition (12.56%). Looking at the EU's tariff profile on Mexican imports, the sectors that are currently most protected from Mexican imports under MFN simple average tariffs are prepared foodstuffs (11.89%), textiles (9.18%), and footwear (8.1%). Although they are basically the same that are the most protected in Mexico, MFN tariffs in the EU are considerably lower than in Mexico. This is consistent with what we had already seen in Table 1.

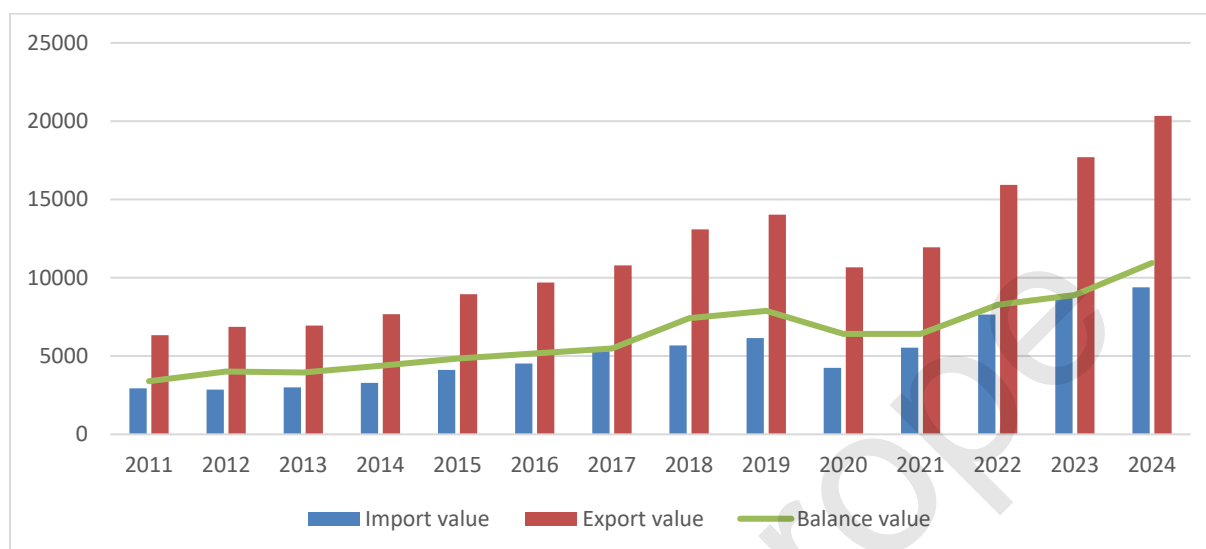
Thanks to the Global Agreement trade between the partners experiences much lower tariffs than the MFN ones, including full liberalisation for industrial goods. It is evident that there has been a reduction in tariffs in all sectors following the EU Mexico Agreement with tariffs remaining (at significantly reduced levels) only in certain agriculture and fish products.

#### 2.4.2. Trade in services

Usually trade in services accounts for a smaller share than trade in goods in bilateral trade across countries. In that line, trade in services between the EU and Mexico is smaller than trade in goods. The EU also holds a trade in services surplus with Mexico. This has been driven by an increase in EU services exports to Mexico, which grew from €6.4 billion in 2011 to a peak of €20.4 billion in 2024, during the COVID-19 crisis, exports declined to €10.7 billion in 2020 and €11.9 billion in 2021, before recording the strongest growth of the entire period in 2024. Imports increased from €3.0 billion in 2011 to a peak

in 2024 of €9.4 billion, while they also experienced a COVID-19 related contraction in 2020 and 2021 with a value of €4.2 and €5.5 billion respectively (see figure 3).

**Figure 3: EU trade in services with Mexico in € million, 2011 -2024**



Source: Eurostat (bop\_its6\_det/tot)

**Table 6: EU-Mexico trade in services by sector, 2024**

Sector	EU27 Imports		EU27 Exports	
	€ million	Share %	€ million	Share %
Manufacturing services on physical inputs owned by others	804.8	8.6%	30.3	0.1%
Maintenance and repair services n.i.e.	114.0	1.2%	419.9	2.1%
Transport	1,429.3	15.2%	3,569.9	17.6%
Travel	2,279.2	24.3%	3,057.2	15.0%
Construction	158.9	1.7%	267.8	1.3%
Insurance and pension services	292.2	3.1%	464.8	2.3%
Financial services	69.7	0.7%	379.3	1.9%
Charges for the use of intellectual property n.i.e.	408.2	4.3%	1,943.3	9.6%
Telecommunications, computer, and information services	594.5	6.3%	4,803.6	23.6%
Other business services	3,055.1	32.5%	4,578.9	22.5%
Personal, cultural and recreational services	47.6	0.5%	787.3	3.9%
Government goods and services n.i.e.	21.4	0.2%	22.1	0.1%
Others - Services not allocated	114.4	1.2%	12.1	0.1%
<b>Total</b>	<b>9,389.4</b>	<b>100%</b>	<b>20,336.3</b>	<b>100%</b>

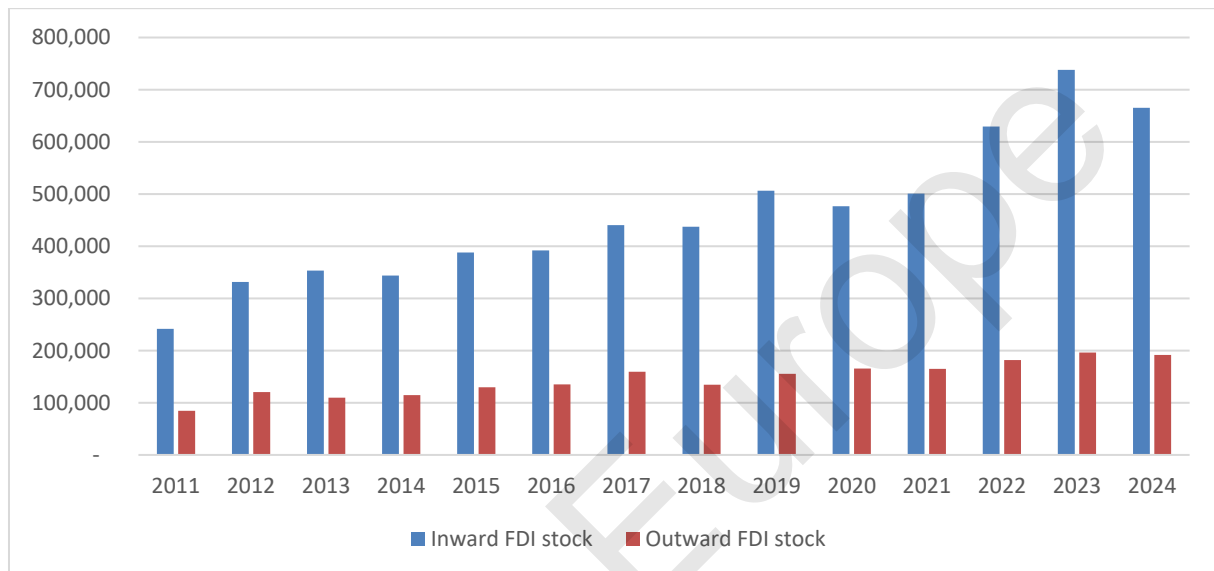
Source: Eurostat (bop\_its6\_det)

Business services account for the largest share of the EU-Mexico trade in services. In 2024, this sector accounted for €3 billion (32.5%) of total EU services imports from Mexico, while it amounted to €4.6 billion (22.5%) of EU services exports to Mexico. Telecommunications, Transport and Travel also account for significant share of EU exports to Mexico, with 23.6%, 17.6% and 15% of the total (see table 6).

### 2.4.3. Foreign Direct Investments (FDI)

Figure 4 illustrates the steady growth of Foreign Direct Investment (FDI) stocks in Mexico in recent years. Both inward and outward stocks more than doubled between 2011 and 2024. Inward stocks increased by 175%, rising from €241.5 billion in 2011 to €665.4 billion in 2024, while outward stocks grew by 127%, from €84.5 billion to €191.67 billion over the same period.

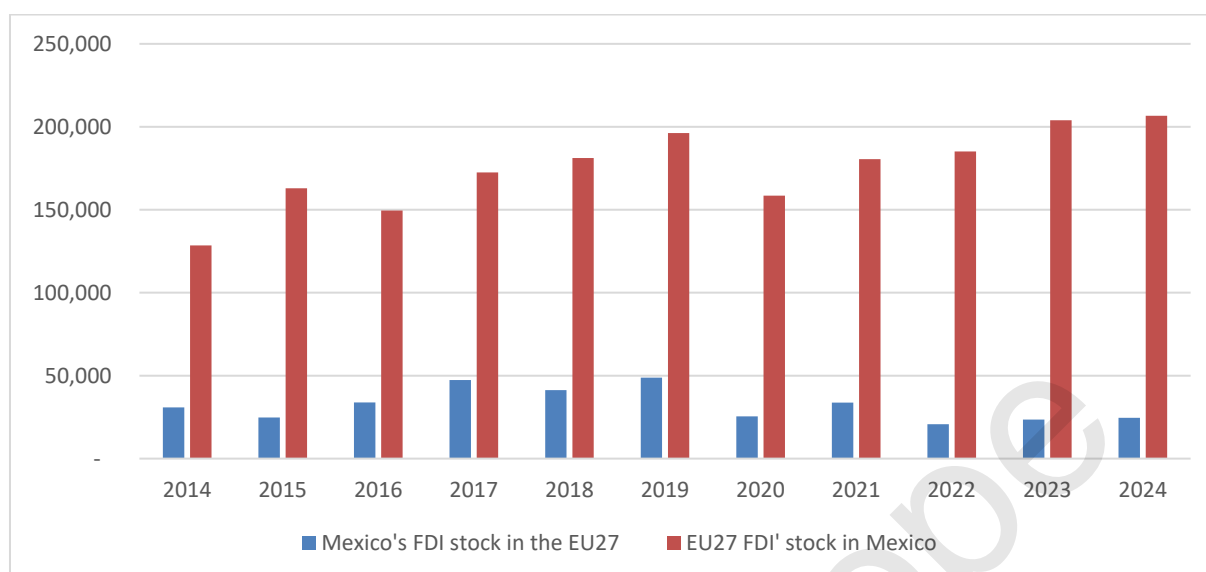
**Figure 4: Global FDI stocks in Mexico in € million, 2011-2024**



Source: UNCTAD.

The EU has been a major driver in the growth of Mexican inward FDI. It is the second largest provider of inward investment to Mexico after the US. Figure 5 shows that EU outward investment to Mexico rose from €128.5 billion in 2014 to €206.6 billion in 2024 and represented around 30% of the total Mexican inward FDI stock in 2024. EU inward FDI from Mexico also grew and reached a peak of €48.8 billion in 2019. Mexico accounts for 0.4% of EU's extra EU27 inward FDI stocks.

**Figure 5: EU-Mexico FDI stocks € million, 2014-2024**



Source: ESTAT (bop\_fdi6\_geo)

#### **2.4.4. Value added trade (Global Value Chains, GVCs, integration)**

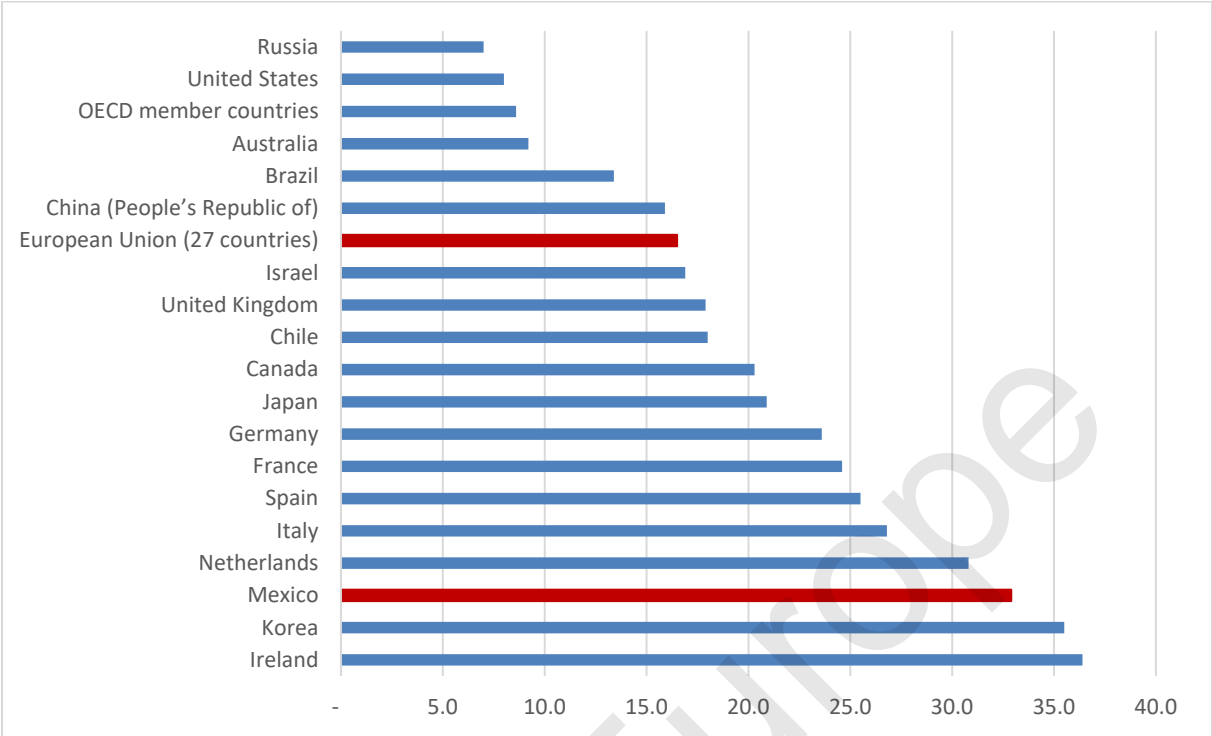
The share of foreign value added in exports is quite high in Mexico (32.9%) compared to other OECD countries in 2022 (see figure 6). This indicates that Mexico has a relatively high dependence on foreign inputs in its production chains. The US, for instance, has a share of only 8.0% as larger economies tend to have lower foreign value added content in their exports than smaller economies, given their ability to source intermediate goods and services from a larger pool of domestic suppliers. In the same line, the EU27 has a share of 16.5%, when the EU27 is seen as a single economy (i.e. intra-region flows of value added are considered as domestic flows). The OECD also provides the foreign value added share in exports when intra-EU trade is, by contrast, considered “foreign content”. In this latter case, the share of foreign value added is of more than 35%.<sup>6</sup>

Figure 7 presents the most recent data from the 2025 edition of TiVA. For Mexico, the composition of exports has shifted, with final products gaining importance and averaging 60% of total exports between 2015 and 2022. This share has remained stable over the period.

By contrast, in OECD member countries, intermediate products account for a slightly larger share of exports—53% on average between 2008 and 2022—compared with 47% for final products over the same period.

<sup>6</sup> Do note that the OECD has excluded the United Kingdom from these figures and that it provides different calculations for the EU28, even though the United Kingdom’s departure took place officially in 2020.

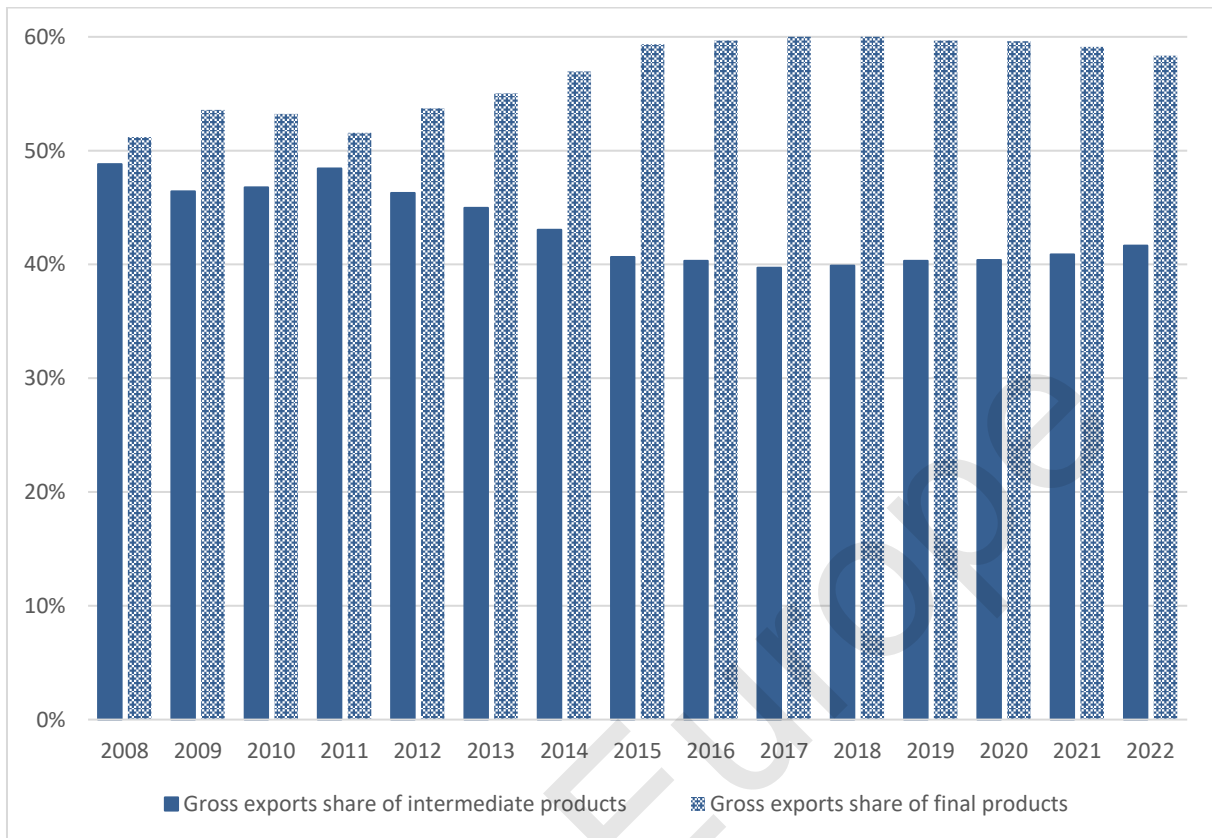
**Figure 6: Share of Foreign Value Added (VA) in exports, 2022 (%)**



Source: OECD TIVA Database. The EU27 is considered as a single country (i.e, intra-region flows of value added are considered as domestic flows).

Agence Europe

**Figure 7: Share of gross exports for Mexico by final and intermediate products, 2008-2022**

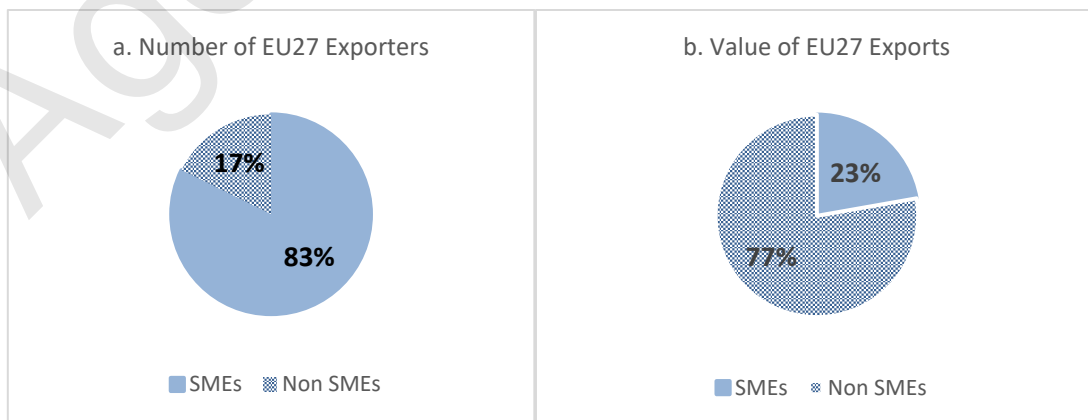


Source: OECD TiVA Database.

#### 2.4.5. Trade by Small and Medium Size Enterprises (SMEs)

Figure 8 shows the role that SMEs play in total EU trade with Mexico. In 2024, over 39,608 (88% of) EU firms that export goods to Mexico were SMEs and these accounted for 23% of the total value of EU exports (figure 8). Furthermore, SMEs account for 80% of the total number of EU enterprises importing from Mexico in 2024 (22% in value).

**Figure 8: EU goods exports to Mexico by size of enterprise, 2024**



Source: Eurostat TEC database (table ext\_tec10), DG Trade calculations

Note: These figures only cover trade of the Business Register population. Figures for the remaining populations are under preparation by Eurostat.

#### 2.4.6 Trade in Critical Raw Materials

Critical Raw Materials (CRMs) are those that are in high supply risk but needed for societal well-being and for the European industry, other than materials from agricultural production or the ones used as fuel. The supply of many CRMs is heavily concentrated, with only a few countries currently extracting them. Therefore, the EU's interest is to diversify the supply chains to ensure their security and sustainability. According to the latest technical assessment of CRMs for the EU in 2023 (European Commission, 2023b)<sup>7</sup>, Mexico plays a significant role as a global supplier. It is the second-largest global provider of fluorspar, the fourth-largest provider of strontium and the sixth-largest of baryte (table 7). Fluorspar, strontium and baryte are categorized as CRMs in the 2023 report.<sup>8</sup> The report also highlights Mexico's significant role as a global supplier of copper—classified as a Strategic Raw Material (SRM)—positioning the country as the world's ninth-largest producer.

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<sup>7</sup> European Commission (2023b): [Study on the Critical Raw Materials for the EU 2023 - Final Report \(europa.eu\)](https://europea.eu)

<sup>8</sup> The composition of the list of critical raw materials has changed over the course of the five technical assessments conducted by the European Commission to identify them. For a material to be included on the list, it must meet two criteria: 1) "High economic importance": This criterion takes into account the significance of a particular material in the EU for end-use applications, considering the value added by the corresponding EU manufacturing sector. It also considers the technical and cost performance of alternative materials in these applications; 2) "High supply risk": This criterion evaluates the concentration of primary supply by considering both global suppliers and the countries from which the EU sources the raw materials. It also considers governance performance and trade aspects, such as trade restrictions and agreements, as well as the existence and importance of substitutes. Substitution and recycling are viewed as measures that can help mitigate supply risks.

**Table 7. The role of Mexico as a global and EU provider of Critical Raw Materials, Strategic Raw Materials and other Raw Materials**

		Mexico's role in global production		EU27's provision from Mexico		Processing stage
		Position	Share (%)	ExtraEU position	Share (%)	
CRM	Baryte	6	4	< 1%		E
	Fluorspar	2	20.5	1	33	E
	Strontium	4	11.2	< 1%		E
Strategic	Copper	9	3.7	7	1	E
Other	Cadmium	6	4.3	3	4	P
	Diatomite	4	5.7	2	1	E
	Gold	7	4.1	< 1%		E
	Gypsum	3	5.4	< 1%		E
	Kaolin	6	3	< 1%		P
	Lead	5	5.8	3	6	E
		5	3.5	< 1%		P
	Molybdenum	5	6.4	5	1	E
		-	-	7	3	P
	Selenium	8	3.1	< 1%		P
	Silver	1	24%	1	3	E
	Titanium	8	3.1	< 1%		P
	Zinc	6	5.8	4	7	E

Source: DG TRADE elaboration based on European Commission (2023b)

Notes: E stands for "extraction stage" and P for "processing stage". The extraction stage covers the production of ores and concentrates, while the processing stage covers the separation, refining, chemical and metallurgical modification of raw materials.

Although not categorized as CRMs or SRMs, the European Commission (2023b) also evaluates other raw materials that may be included in the future list of CRMs. In this regard, Mexico plays a significant global role in the supply of silver (ranking 1<sup>st</sup> worldwide), gypsum (3<sup>rd</sup> globally) and diatomite (4<sup>th</sup> worldwide). Table 7 also includes other raw materials in which Mexico is among the top 10 world providers and has a global supply share that is at least more than double of its weight in global GDP, which is 1.4%.<sup>9</sup> It is important to note that a material being classified as non-critical does not imply that its availability and importance to the EU economy can be disregarded. The composition of the CRMs list changes over time as new data and developments influence the risk and economic significance of different CRMs. For example, in the case of molybdenum, the EU is entirely dependent on imports.

Mexico's significance at the global level also extends to the EU, albeit only for some of the raw materials. The right-hand side of table 7 highlights Mexico's critical role as the main EU provider of fluorspar. Additionally, Mexico serves as an important source for lead (3<sup>rd</sup> main EU supplier with a 6% share), silver (main EU supplier with a share of 3%), and cadmium (3<sup>rd</sup> main EU supplier with a 4% share).

<sup>9</sup> 1.4% is Mexico's weight in world GDP measured in constant prices (constant 2015 US\$) in 2022, according to the World Development Indicators (World Bank). As a consequence, shares that are more than double than this 1.4%, indicate a relatively strong specialization in the production of those raw materials.

Securing these supplies is therefore essential. Moreover, there is significant potential to expand trade in other raw materials where Mexico also holds a strong global position, as EU imports from Mexico currently account for less than 1% in several of these commodities.

The next table below summarizes the applications of raw materials in which Mexico plays a significant global role (Table 8).

**Table 8. Main uses of Mexico's raw materials**

<b>Raw Material</b>	<b>Use</b>
Baryte	Fuel cells, Electrolysers, data transmission networks, data storage and servers, smartphones, tablets and laptops
Fluorspar	Li-ion batteries, solar photovoltaics, heat pumps, data transmission networks, smartphones, tablets and laptops, robotics, drones, space launchers and satellites
Strontium	Fuel cells, Electrolysers, data transmission networks, smartphones, tablets and laptops, robotics, drones
Copper	Wind turbines, traction motors, solar photovoltaics, heat pumps, li-ion batteries, fuel cells, electrolysers, data transmission networks, data storage and servers, tablets and laptops, 3D printing, robotics, drones and space launchers and satellites.
Cadmium	Solar photovoltaics, smartphones, tablets and laptops
Diatomite	Drones
Gold	Electrolysers, heat pumps, data transmission networks, data storage and servers, smartphones, tablets and laptops, robotics, drones, space launchers and satellites
Gypsum	Data transmission networks
Lead	Wind turbines, solar photovoltaics, data transmission networks, smartphones, tablets and laptops, robotics, drones, space launchers and satellites
Molybdenum	Smartphones, tablets and laptops, drones, robotics, 3D printing, data transmission networks, heat pumps, solar photovoltaics, traction motor, wind turbines, electrolysers.
Selenium	Solar photovoltaics, data transmission networks, space launchers and satellites
Silver	Electrolysers, solar photovoltaics, heat pumps, data transmission networks, data storage and servers, smartphones, tablets and laptops, robotics, drones, space launchers and satellites.
Titanium	Li-ion batteries, fuel cells, Electrolysers, data transmission networks, data storage and servers, drones
Zinc	wind turbines, solar photovoltaics, heat pumps, data transmission networks, data storage and servers, smartphones, tablets and laptops, robotics, drones, space launchers and satellites

Source: DG TRADE elaboration based on European Commission (2023a)

## 3. Content of the EU Mexico agreement

### 3.1. Trade in goods

The 1997 Global Agreement between the European Union and Mexico demonstrated a high degree of ambition with respect to the liberalisation of industrial goods, whereas the scope of liberalisation for agricultural and fisheries products was comparatively limited. The Agreement effectively eliminated all tariffs on industrial goods. In contrast, 883 tariff lines for agricultural and fisheries products—

equivalent to approximately 74% of the total—were fully liberalised, while 309 tariff lines (out of a total of 1,192) remained partially or wholly excluded from tariff elimination.

Furthermore, the existing Agreement did not contain many of the provisions on trade in goods that have since become standard in trade agreements. In particular, rules on custom procedures were framed in the context of cooperation, without specific mutual commitments and were not in compliance with the most recent international developments on Trade facilitation such as the WTO Trade Facilitation Agreement. Therefore, existing rules and custom procedures did not tackle the complex administrative or technical requirements which resulted in excessive costs for importers and exporters.

The Modernised Agreement fills these gaps. Specifically, 99% of products will be traded between the EU and Mexico duty free and for 98% of goods there will be no duties from the moment the agreement becomes effective.

The Modernised agreement will benefit significantly the EU agricultural sector. The new agreement will remove most remaining tariffs on EU agriculture exports, simplify the SPS (Sanitary and Phytosanitary) rules for EU exporters, while also increasing the protection of EU food and wines through the increased use of GIs (Geographical Indications) comparable to that inside the EU.

### **3.1.1 Industrial Products**

Full liberalisation in all industrial sectors was already agreed under the existing agreement including chemicals, plastics, cosmetics, textiles and clothing, where the EU is very competitive. However, by lifting non-tariff barriers, the modernised agreement will benefit EU exports in several industries, notably: machinery, transport equipment and pharmaceuticals.

### **3.1.2 Agriculture and fisheries**

With the new Agreement, full liberalization will reach more than 85% of lines that had not been liberalized, thus granting a greater access for producers in those sectors to the Mexican market. Exclusion of products has been kept to the strict minimum and refers essentially to the sugar sector. For the remaining items, increased market access has been negotiated, with partial liberalization or Tariff Rate Quotas (TRQs). All TRQs obtained by the EU are duty free, except the beef TRQs, for which the duty will be phased out to zero in 7 years after the entry into force of the modernised Agreement.

#### **Dairy products**

For cheese, there will be a considerable improvement in the preferential treatment of EU exports to Mexico. From the current duty rate, set at 20% or 45% depending on the product type, the Agreement provides for a TRQ of 20,000 t phased in 5 years for mature cheeses, and 5,000 t phased in 5 years for fresh cheeses, while blue cheeses enjoy full liberalization. The Agreement provides for a TRQ of 50,000 t phased in 5 years for milk powder. Furthermore, dairy preparations will benefit from two TRQs, for a total volume of 13.000 t .

#### **Pork**

There will be a considerable improvement of market access conditions for EU's exports for pork, since the current Mexican duty rate, which is currently set at 20%, will be fully liberalized in 7 years, with the exception of a TRQ of 10.000 t for loins.

## **Poultry**

EU poultry products will benefit from full liberalization at entry into force for mechanically deboned chicken meat and a TRQ of 20.000 t of leg quarters, while other poultry products will be fully liberalized in up to 7 years.

## **Fruit & Vegetables**

Among the few fruit and vegetables not yet liberalized by Mexico, import duties for apples will be fully phased out in 10 years. Beans, potatoes, nectarines, and tin peaches will be liberalized in 7 years.

## **Processed Agricultural Products**

The agreement will achieve liberalization for key processed agricultural products (PAPs) such as pasta, confectionery and chocolates, biscuits, lactose and lactose syrup, with rapid or immediate tariff dismantling products.

The new Agreement also provides a series of annexes attached to the Trade in Goods text, which guarantee continued trade between the parties. Specifically:

### **Annex on wine and spirits**

Wine and spirits are currently among the top EU agricultural exports to Mexico. The new Agreement will also include an agreement for the facilitation of trade in wine between the parties, which will make access for wines easier on both sides. This will help EU exports but will also allow Mexico better access to the EU market for its developing wine industry.

### **Annex on motor vehicle**

The annex on motor vehicles will guarantee the access for EU cars and car parts by recognition of UN/ECE and EU regulations on cars. Mexico is increasing its export of cars to the EU, while the EU's export of parts is increasing in parallel.

### **Annex on pharmaceutical products**

Mexico is the 11th largest market for pharmaceuticals in the world and the second in Latin America after Brazil<sup>10</sup>. Mexico's imports of pharmaceutical products remain important while demand for foreign specialised medicines increases. The recognition of the EU regulatory regime would provide the certainty that this trade can continue unhindered. The annex on pharmaceutical products confirms the Parties' cooperation on the adoption of international standards. Both sides will work towards seeking to achieve a Mutual Recognition Agreement on Good Manufacturing Practice to new pharmaceutical products.

## **Lifting of non-Tariff Barriers**

The Trade in Goods text contains reinforced rules that will facilitate trade between the EU and Mexico. Apart from the elimination of most of the remaining customs duties, the text contains provisions on fees and formalities, import and export licensing; it bans export duties, and contains new generation provisions on remanufactured goods, on goods entered after repair and temporary admission of goods. These provisions contribute to promote the reuse and repair of products and, finally, the reintroduction of high quality recycled materials into the economy in line with EU circular economy objectives.

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<sup>10</sup> <https://www.export.gov/apex/article2?id=Mexico-Healthcare-Products-Services>

Fair competition will be ensured by firm standstill guarantees that the parties will not be able to increase duties towards each other, while banning export subsidies.

The section on Agriculture contains a declaratory article on cooperation in international fora on matters related to trade in agriculture, in particular the developing of disciplines on exports restrictions, which may affect availability of supplies in the international markets. It then contains a second article on Export Competition reaffirming Parties' commitment to the WTO Nairobi Declaration, eliminating all export subsidies and all export measures having equivalent effects not allowed by the WTO agreements. It finally establishes a mechanism of transparency and exchange of information.

### 3.2. Rules of Origin

In the existing Agreement, the rules of origin are regulated in Annex III of the Joint Council Decision No. 2/2000, which established the definitions of originating products, the general disciplines concerning the compliance of origin rules, general and specific rules of origin, customs procedures, as well as documentary evidence required by customs authorities for the imported goods to benefit from preferential treatment.

The general criterion that defines a product as originating in one of the parties is that:

- It is wholly obtained in the exporting party;
- or if it incorporates materials that were not wholly obtained in the exporting party, then, of having undergone sufficient working or processing in the exporting party.

The current regime allows bilateral cumulation of origin and provides a *de minimis* condition for non-originating materials whose total value does not exceed 10% of the former ex-works price of the product, Chapters 50 to 63 of the Harmonised System (textile and clothing) having differences to this rule. Additionally, prohibition of drawback of, or exemption from import duties, applies to non-originating materials used in the manufacturing of products that needs to fulfil origin requirements to be exported from one party to the other. Self-certification of origin is allowed by way of invoice declarations by approved exporters and for any exporter for shipments valued at under €6,000. The approved exporter scheme is widely used in the EU, but to a lesser extent by Mexico. Finally, in Title VI (Articles 30 to 35), the parties established procedures for the verification of proofs of origin, penalties in case of incorrect information provided for the purpose of obtaining preferential treatment, and dispute handling related to the verification of origin—which must be submitted to the Special Committee on Customs Cooperation and Rules of Origin.

In the Modernised Agreement, the rules of origin negotiated follow the EU approach of recent agreements, but a number of requirements and flexibilities take into account the specific trade between Mexico and the EU. The Chapter on Rules of Origin and Origin Procedures of the Modernised Agreement consists of three sections on Rules of Origin, Origin Procedures and Miscellaneous.

The requirements for originating products include the key provisions of the absorption rule and the principle of territoriality. The provision on cumulation retains bilateral cumulation between the Parties and the tolerance of 10%, based on the ex-works price is maintained for all products, except for textiles and clothing. The EU traditional provision on insufficient operations applying as a limit to product specific rules is refined with a clearer more targeted list. Accounting segregation may be applied for

materials and for some final products. The so called 'non-alteration' rule allows certain activities to be undertaken in respect of originating products transiting a non-Party such as operation to preserve the products, storage, splitting of consignments, exhibitions, etc. Duty drawback is not prohibited.

The claim for preferential tariff treatment shall be based on self-certification in the form of a statement on origin issued by the exporter (Registered Exporter system in the EU). The EUR.1 movement certificate used up to now will be abolished. Regarding the verification, the customs authorities of the importing party may request administrative cooperation of the exporting party to determine the origin of the product. Direct visits by the customs authorities of the importing party to an exporter/ producer in the exporting party shall not be allowed for the verification. Where the parties cannot agree on the origin of the products, the Sub-Committee on Customs Cooperation and Rules of Origin will try to reach a common position.

The Miscellaneous section provides specific provisions concerning Ceuta and Melilla; as well as transitory provisions. The standard provisions on Andorra and San Marino are also included in the Annex 3-C.

### **The Product Specific Rules of Origin (PSR)**

The Product Specific Rules of Origin (PSR) were established with the intention of allowing EU exporters to qualify for the tariff reductions negotiated under the agreement without imposing undue restriction. In almost all areas, the PSRs have been modernised and aligned with the rules seen in newer agreements. The key points for Annex II (Product Specific Rules of Origin) are the following:

#### **PSR for Cars and car parts**

Industrial PSR for Cars and other vehicles (HS headings 8701-8707) is 45% max NOM (Non-Originating Material). Therefore, the permanent PSRs are the same as in the EU-Japan or EU-Korea FTA. In addition, temporary arrangements have been granted by the EU for certain Mexican car imports:

- For passenger cars with gasoline engine above 1,8 l (HS Ex 8703.23, and 8703.24), for chassis fitted with engines for the motor vehicles of heading 8703 (HS Ex 87.06) there is a staging period of 6 years, during which the threshold is at 55% max NOM the first 3 years and at 50% max NOM the following 3 years.
- For passenger cars with gasoline engines of 1.8 l and above, there is a staging period of 6 years, during which the threshold is at 55% max NOM.
- For non-passenger vehicles (HS 87.01, 87.02, 87.04 and 87.05), a quota of 10,000 units split into 2,500 units for tractors (HS 8701) and 7,500 units for other vehicles (HS 8702, 8704, 8705), there is a staging period of 6 years, during which the threshold is at 55% max NOM the first 3 years and at 50% max NOM the following 3 years.

For electric vehicles and plug in hybrids, the Modernised agreement contains asymmetric rules for electric vehicles and plug in hybrids, EV batteries and the main chemicals used to produce those batteries. For exports from Mexico, the rules of the current Agreement between the EU and Mexico will continue to apply. For EU exports to Mexico, modernised product specific rules of origin will apply, aligned with recent EU Trade Agreements. Additionally, there is a temporary three-year relaxation of the rules for batteries exported from the EU to Mexico. Moreover, a review clause is included, allowing the parties to reconvene in three years after entry into force of the agreement to potentially reassess and adjust the applicable rules.

### **PSR for textiles and clothing**

For textiles and clothing, the current double transformation rule for textiles and clothing has been maintained with additional flexibility in some areas (technical textiles, synthetic fibres and non-woven).

### **PSR for chemicals**

For chemicals, the rules agreed reflect modern production processes and are similar to those agreed in the EU-Japan EPA.

### **PSR for machinery and electronics**

For machinery and electronics, more flexible rules were established, permitting the use of up to 50% non-originating materials in most cases. Additionally, for the majority of products within this category, an alternative change in tariff heading rule is included.

## **3.3. Customs and Trade Facilitation**

While the EU-Mexico Agreement currently in force contains only limited provisions relating to customs cooperation, in the Modernised Agreement the parties have agreed on an ambitious Chapter on Customs and Trade Facilitation (CTF). The chapter has been developed on the basis of the provisions contained in the WTO Agreement on Trade Facilitation (of which both Parties are signatories) going beyond WTO commitments wherever possible. The objectives of this chapter are twofold: to facilitate bilateral trade and to ensure the efficiency of customs through disciplines and enhanced customs cooperation. The chapter aims at the modernisation and simplification of rules, requirements, formalities and procedures related to import, export and other regimes including transit, in order to ensure efficiency and proportionality.

In this regard, the CTF chapter provides for:

- substantial provisions on transparency ensure that traders and the public have access to relevant information on customs legislation, decisions or administrative policies and that for new customs-related initiatives, interested persons have an opportunity to comment before their adoption;
- simplified, modern and where possible automated procedures for the efficient and expedited release of goods, resorting to risk management, and where appropriate streamlined requirements on data and documentation, release of goods at the first point of arrival, and pre-arrival processing;
- the commitment of both Parties to issue, upon request, binding preliminary information to traders on the tariff classification of goods and origin (advance rulings), which will provide them with legal certainty and stability in the customs treatment of their international trade;
- an impartial and transparent system for addressing complaints by operators about customs rulings and decisions;
- the adoption and maintenance of risk management systems for the identification of high-risk goods and post-clearance audits to ensure compliance with customs and other related laws or regulations;

- cooperation between the Parties in establishing, if relevant and appropriate, the mutual recognition of respective Authorised Economic Operators programmes, provided that the programmes are compatible and based on equivalent criteria and benefits;
- provisions regarding other areas such as penalties, transit, single window, customs brokers and pre-shipment inspections.

In conclusion, the CTF chapter reflects the ambition of the EU and Mexico to make it easier for companies trading goods between the Parties to get their goods through customs, while ensuring that firms can only trade goods which comply with rules and requirements, thereby protecting people and the environment.

### 3.4. Trade remedies

The existing agreement confirmed the right of both parties to apply the anti-dumping and anti-subsidy instruments. The agreement also provided for the possibility to adopt global safeguard measures. for a period of one year (or in very exceptional cases for a maximum period of three years) by suspending the applicable tariff rate reduction within the liberalisation programme of the agreement or by increasing the tariff rate of the product concerned.

The modernised agreement contains a full chapter on trade remedies, which goes beyond reconfirming the WTO minimum standards. It establishes additional rules to bring clarity and legal certainty to the economic operators by making a clear distinction between the different instruments and clarifying the conditions for their application. The chapter contains three sections: two are related to the use of the existing WTO instruments (anti-dumping/anti-subsidy and global safeguards), and one relates to bilateral safeguards.

The most relevant elements of novelty introduced in the modernised agreement, in addition to increased transparency and additional consultations are:

- provisions allowing for the possibility to introduce a limited level of duties if this is sufficient to remove the injury caused by dumped or subsidized imports (the so called lesser duty rule) and to take into account the interests of all interested parties (public interest test);
- the introduction of a bilateral safeguard clause intended to protect a particular domestic industry from an increase in preferential imports of any product which is causing, or which risks causing, serious injury to that industry. This clause can be applied only during the transition period (in general 10 years from the date of entry into force or for a tariff elimination of 10 or more years, transition period is the tariff elimination period plus three years) and allows for the suspension of preferences during a period of up to 2 years, with a possible extension of one year;
- outermost regions clause (under bilateral safeguards) which is an additional safety net for the vulnerable regions as it provides for a less stringent injury standard i.e. serious deterioration as opposed to serious injury (other products).

### 3.5. Sanitary and Phytosanitary measures

The current Agreement contains limited provisions on Sanitary and Phytosanitary measures (SPS). It essentially reproduces the commitments undertaken by the Parties under the WTO Agreement on the

Application of SPS Measures. It calls for a generic commitment to increase cooperation on SPS matters to minimize the impact of national measures on international trade and for the creation of a SPS Committee to oversee the application of these provisions, to provide a forum to identify and address problems arising from the application of SPS measures as well as to exchange information.

The Modernization goes beyond the WTO SPS Agreement and has led to a fully-fledged Chapter on SPS, providing many specific trade facilitation measures. In addition, the architecture of the relationship has been much strengthened with provisions on increased transparency, information exchange, cooperation, certification and import checks, a process for technical consultations etc. Both sides agreed to swift and transparent import approval procedures. These trade facilitating steps are balanced by clear provisions enabling both Parties to establish the level of protection it determines to be appropriate (in line with Article 5 of the SPS Agreement).

Regarding trade facilitation measures, the agreed text will enable faster yet safe trade, ensuring that agri-food products of appropriate quality are traded without any unnecessary and unjustified SPS constraints. In terms of process, clear timeframes will prevent any unnecessary delay. Of particular interest to the EU is the progress made with regard to treating the EU as a single entity. For applications concerning products already exported from another EU Member State, Mexico shall approve the application in no later than 6 months, unless in duly justified circumstances. Both Parties also agreed to endeavour to reduce the number of audits, as befits trading partners with a mature relationship.

Furthermore, for exports of many fruits and vegetables, so far Mexico has required 'preclearance' i.e. an additional layer of inspection carried out in the EU by Mexican inspectors for each consignment exported. As the costs for these controls are being passed to the EU Member States, this practice has hindered EU exports very significantly. The agreed text foresees the elimination of preclearance.

Until now, for export of animal-based products (particularly meat), Mexico conducted an inspection of every Member States' establishment interested in exporting to Mexico at the cost of EU exporters. This led to high costs and unnecessarily long processes. Mexico has now agreed to the 'prelisting' principle, whereby approved Member States will see their establishments listed without prior additional audit by Mexico whenever Mexico has approved a market access application of the Member State and recognised the system as safe. In addition, audit costs will no longer be paid by exporters but by the auditing Party.

Inevitably, from time to time both Parties will face outbreaks of pests or diseases in certain areas of their territory. This has in the past led to export difficulties for some EU Member States. To tackle this, both Parties agreed to ambitious provisions on regionalization, aiming to limit trade restrictions to the specific areas suffering the outbreak. Importing countries should recognise measures put in place by exporting countries in the disease affecting area, region or zone and should thus limit possible trade restrictive measures only to the affected area and not the whole country. It is foreseen that the importing Party shall normally base its own determination of the areas on the information provided by the exporting Party and that it will operate under clear and swift deadlines (e.g. within 90 days of receipt of the required information).

### **Technical consultations and Specialised Committee on SPS measures**

To help solve trade irritants, in addition to the existing specialised committee on SPS measures, the SPS Chapter establishes a mechanism under which the parties shall endeavour to avoid disruption of trade and reach a mutually acceptable solution. The objective is to enhance communication and co-operation and to serve as a forum to address solutions for trade irritants if technical consultation has not provided a satisfactory solution.

### **3.6. Cooperation on Animal Welfare and Anti-Microbial Resistance**

In the current Agreement, there are no specific provisions on animal welfare (AW) or anti-microbial resistance (AMR).

The Modernization has led to a fully-fledged Chapter on AW/AMR, providing many specific commitments for enhanced cooperation. The Chapter is not subject to dispute settlement.

In addition, the architecture of the relationship has been much strengthened with the setting up of a working group, which will share information with the SPS Sub-Committee (established under the agreement).

Regarding AW the EU and Mexico have agreed to:

- cooperate more closely to raise standards of welfare of animals reared to produce meat;
- recognise animals as sentient beings;
- improve the implementation of animal welfare laws;
- enhance the implementation of the World Organisation for Animal Health (OIE) standards, in line with the EU policies of supporting the development and improved implementation of OIE AW standards.

All around the world, many common infections are becoming resistant to the antimicrobial medicines used to treat them. For this reason, the Parties recognize the importance of tackling antimicrobial resistance (AMR) and of working together to control it. In this sense, the Parties commit to phasing out the use of some substances as growth promoters, as well as to promote and support international standards and cooperation in the multilateral fora. The EU and Mexico also agreed to set up a working group of agricultural officials and scientists with the purpose of exchanging expertise, experiences and best practices especially on the subjects of antibiotics resistance (particularly in animals reared for meat) and on animal welfare.

Furthermore, the working group may invite experts for certain activities, thus opening the door to exchanges with different stakeholders. The information shall be shared with the SPS Sub-Committee, thus ensuring that there is a good flow of information and exchanges.

### **3.7. Energy**

In the chapter on energy of the modernised agreement the parties reiterate their respective recognition of the right to regulate in the energy sector and the reservation to the state of the ownership and management of hydrocarbons.

In terms of the reservations for Services and Investment, the agreement includes specific reservations for Mexico for hydrocarbons and electricity distribution and transmission activities, which allow for private participation on the basis of specific contracts and under certain terms and conditions.

As for electricity generation, in line with the recent Mexican reforms, the reservations included in the agreement clarify that the activity is reserved to Mexican state-owned-enterprises but may be opened up to the private sector under specific conditions.

Finally, the agreement includes a guarantee that EU investors will be treated on an equal footing with investors from other Mexican trading partners through a backward- and forward-looking MFN clause specific to the “energy sector”, i.e. which would extend beyond the electricity sector, also to hydrocarbons.

### 3.8. Technical barriers to trade

The existing Agreement contains a Chapter on standards, technical regulations and conformity assessment procedures. These provisions cover technical barriers as defined in the WTO, namely regulations that affect, directly or indirectly, trade in goods. Specifically, the substantial provisions confirm the level of commitment present in the WTO TBT agreement, in particular the MFN treatment, national treatment, necessity, and transparency obligations, exchange of information and bilateral consultation as well as the promotion in the use of international standards. The existing agreement established a Special Committee on Standards and Technical Regulation whose functions included the monitoring of the implementation and administration of the rules contained in the Chapter.

The Modernised Agreement reiterates the previous commitments and further tackles differences between the EU and Mexico by addressing the following matters:

- Promotion of the use of international standards as a basis for developing technical regulations and further agreement on an open list of international standard-setting organisations.
- Recognition of the different approaches of the parties for what concerns conformity assessment (for the EU the use of supplier’s declaration of conformity and for Mexico the acceptance of product certificates issued in the EU), simplification of conformity assessment procedures through the use of international standards, risk-assessment, and transparency of procedures.
- Agreement to apply “good regulatory practices” to ensure transparency whenever regulators prepare new regulations or seek to update existing ones by publishing in advance the list of products or topics they intend to regulate, consulting businesses, consumers and civil society and by facilitating companies to find applicable regulations online.
- Fostering transparency based on WTO TBT Agreement and further commitments based on the decisions and recommendations of the WTO TBT Committee such as extended time for comments by the other Party after notification or minimum time prior to entry into force of a new measure.

Finally, the TBT Chapter of the Modernised Agreement contains information exchange and technical discussions provisions to address trade irritants in a timely manner and marking and labelling provisions that will facilitate labelling for economic operators while respecting the health and safety requirements of the Parties.

### 3.9. Investments

The current Agreement regulates investment protection in Articles 28-35 of the Decision No. 2/2001 of the EU-Mexico Joint Council. The provisions are mainly limited at regulating payments and capital flows since the discipline of investments promotion and protection was left to Bilateral Investment Treaties (BITs) between Mexico and individual Member States. The only substantial investment-related provisions were the ones referring to investment promotion in Art. 33 (information mechanism on legislation and investment opportunities, the development of a mutual legal framework favourable to investments and the establishment of uniform and simplified procedures) and the ones establishing a Review clause according to which the parties committed themselves to review the investment legal framework, the investment climate and the flow of investment between their territories in accordance with their commitments in international investment agreements.

The Modernised Agreement aims at liberalising Foreign Direct Investment (FDI) and protecting investments between the EU and Mexico through a comprehensive approach covering both services and non-services sectors. The new chapter contains investment protection provisions that provide basic guarantees such as:

- non-discrimination;
- no expropriation without prompt and adequate compensation;
- a general guarantee of fair and equitable treatment and physical security. The FTA defines precisely when governments are in breach of the fair and equitable treatment obligation and removes the scope for discretionary interpretation by tribunals.

The chapter also enables the establishment and operation of enterprises in the territory of each Party, guaranteeing market access as well as non-discriminatory treatment. One area in which both Parties committed to relevant advancement is that of performance requirements. Performance requirements are stipulations imposed by countries on investors to behave in a certain way or to achieve certain goals in the host economy. While such measures can often be justified in light of economic development and public policy objectives, certain categories of performance requirements are known to harm the investment environment and distort competition and have therefore been prohibited by the WTO Trade-Related Investment Measures (TRIMS) Agreement as well as by various bilateral or regional trade agreements.

The new Agreement contains a list of prohibited performance requirements to date, which apply not only to goods sectors, like in TRIMS, but equally to services sectors. Thus, improved market access conditions are granted to investors through the prohibition of new performance requirements, which are not linked to subsidies, such as the requirements to:

- locate regional or global headquarters in the host country; hire a given number or percentage of nationals;
- achieve a given level or value of research and development;
- limit the royalties or the duration of a license contract between private parties.

The above-mentioned commitments ensure legal certainty for entrepreneurs of both Parties, by binding the actual level of liberalization in the economies of the EU and Mexico, at all levels of

government and with maximum transparency regarding the restrictions in place or allowed in the future.

The liberalisation of FDI achieved by these provisions is complemented by commitments allowing for the free movement of capital, transfers and payments necessary for the proper functioning of an investment. Safeguard measures can be applied if justified by e.g. balance of payments or monetary problems, under the same conditions as those allowed by the WTO and EU Treaties.

To conclude, the liberalisation commitments in this Agreement go substantially beyond those of the previous agreement and will in particular bind the recent opening of Mexico's energy sector. The protection of investment is extended beyond the existing 15 bilateral investment treaties to the remaining EU Member States, ensuring equality of treatment and opportunities for all EU investors.

### **Investments dispute settlement**

The Modernised Agreement fully implements the EU's new approach to investment dispute resolution by replacing the old-style ISDS (Investor-to-State Dispute Settlement) system with the new Investment Court System, thus ensuring transparency, predictability and legitimacy of the dispute settlement process. It establishes a standing international Investment Court System composed of a Tribunal of First Instance and an Appeal Tribunal.

Disputes about the respect of any of the investment protection provisions included in the EU-Mexico Agreement (such as protection against expropriation without compensation, non-discrimination or fair and equitable treatment) will be submitted to a standing international and fully independent Investment Tribunal System.

The main features of the new Investment Court System are the following:

- Independence: Members of the Tribunal System will be appointed in advance by the EU and by Mexico and are composed by professional independent judges bound by a strict code of conduct.
- Transparency: hearings are held in public and documents related to cases are published online.
- Fairness: the new rules clearly specify the grounds on which an investor can bring a claim and safeguard the parties against potential abuses of the system, notably through the prohibition of multiple claims, enhanced disclosure requirements and the application of the 'loser-pays principle' to the allocation of procedural costs. In addition, decisions of the Tribunal of First Instance can be appealed to a permanent Appeal Tribunal, which will ensure legal correctness and certainty about the interpretation of the agreement.

## **3.10. Trade in services**

The current EU – Mexico Agreement addresses trade in services in Title II of the Decision No. 2/2001. The discipline provided in Articles 2-27 cover all four modes of services supply and all sectors (with the exception of audio-visual, air transport and maritime cabotage). The process of liberalisation of trade in services followed the rules of the General Agreement on Trade in Services (GATS), including the provisions on market access, Most Favoured Nation (MFN) treatment and national treatment.

Specifically:

- **Market access:** the Parties agreed that they shall not maintain nor adopt limitations on the number of services suppliers, on the total value of services transactions or service operations, on the total number of persons employed, or on the participation of foreign capital; the same provisions are enacted for Financial Services.
- **Most Favoured Nation:** the Parties committed to treat each other's services suppliers or financial services suppliers in a manner no less favourable than that granted to like services or financial services suppliers of any third country. A reservation is made for treatment to third parties with whom a separate agreement has been signed and notified under Article V of the GATS.
- **National Treatment:** The Parties granted that service suppliers from one party shall receive a treatment no less favourable than the treatment given to domestic services suppliers.

Other important provisions contained in the Global Agreement concern:

- The establishment of a standstill clause that prevents the Parties from introducing or increasing discrimination, thus ensuring a commitment to maintain the level of openness achieved at the moment of the enforcement of the agreement by consolidating the domestic legislation and a commitment to adopt a decision "providing for the elimination of substantially all remaining discrimination (...) in the sectors and modes of supply covered by this Chapter," no later than three years following the enforcement of the agreement.
- An objective to seek the mutual recognition of requirements, qualifications, licences and other regulations necessary for the authorisation, licensing, operation and certification of services providers, within a three-year period.

The EU – Mexico Modernised Agreement trade in services' disciplines, while reaffirming the provisions and guarantees already present in the Global Agreement on market access, MFN and National Treatment, contains a number of additional provisions that apply horizontally to services and non-services sectors. Important to note that under the Modernised Agreement both the EU and Mexico retain the right to regulate on the basis on public policy objectives.

Unlike the Global Agreement, the Modernised agreement includes specific commitments of the Parties extending to most services sectors (with few exceptions), as well as to non-services activities.

Furthermore, the Modernised Agreement aims at establishing a level-playing field for EU companies in Mexico by establishing specific rules for the following sectors: telecommunications, international maritime transport services, financial services, as well as digital trade.

In particular:

#### **Delivery services (postal and courier)**

The new agreement includes provisions on universal service obligations, licences and the independence of the regulators. The agreement will also ensure a level-playing field between EU suppliers of postal and courier services and their Mexican competitors, such as Mexpost.

#### **Telecommunications**

The new agreement includes provisions focused on three main aspects. Firstly, it seeks to ensure access to telecommunications services for all service providers. Secondly, it seeks to establish a level

playing field for telecommunications services providers by including disciplines dealing with the regulation of the sector. These cover the independence and activities of regulators (including when resolving disputes between providers), mechanisms to deal with situations of market power (establishing competitive safeguards and ensuring interconnection with and access to essential facilities of suppliers with market power), and dispositions on licencing, on allocation of scarce resources and on management of universal service obligations. Finally, the agreement also includes a set of consumer-oriented provisions, such as those pertaining to number portability, international mobile roaming or confidentiality of communications.

### **International maritime transport services**

The new agreement contains obligations to maintain open and non-discriminatory access to international maritime services (transport and related services) as well as access to ports and port services.

### **Financial services**

The new agreement contains specific definitions, exceptions and disciplines on financial services new to the territory of a Party, self-regulatory organisations, payment and clearing systems and transparency. Many of these provisions are based on rules developed under the World Trade Organisation, while addressing specificities of the financial services sector.

### **Temporary movement of company personnel**

The new agreement includes advanced provisions on movement of people for business purposes (otherwise known as "mode 4"). They cover all traditional categories such as intra-corporate transferees, business visitors for investment purposes, contractual service suppliers, and independent professionals, as well as newer categories such as installers and maintainers. The EU and Mexico have also agreed to allow spouses and children to accompany those who are either service suppliers or who work for a service supplier. This will in turn support investment in both directions.

### **Digital Trade**

The new agreement sets out horizontal rules that apply to any trade done by electronic means, thus having implications that go beyond trade in services. The provisions seek to fulfil three main objectives: to remove unjustified barriers to trade by electronic means; to bring legal certainty for companies; and to ensure a secure online environment for consumers. The first objective is addressed through ambitious provisions prohibiting the imposition of customs duties on electronic transmissions and banning authorisation procedures that specifically target online services for protectionist reasons. The objective of bringing legal certainty for companies is addressed in provisions that guarantee the legal validity and effect of electronic contracts, and of electronic authentication and trust services (such as electronic signatures or digital certificates) and that prevent countries from requiring access to a company's proprietary source code. Finally, consumer-oriented provisions seek to improve online consumer trust by ensuring transparent and effective consumer protection rules in the online environment, by precluding the spreading of "spam" and by ensuring that consumers have access to an open internet. The chapter includes a review clause providing that the Parties shall reassess, within three years of entry into force of the agreement, the need for inclusion of provisions on the free flow of data.

### 3.11. Public Procurement

International agreements on public procurement set out the rules that must be followed in procurement procedures and specify – usually in an annex or a compound of annexes – the procurements to which these rules apply. The basic principle is non-discrimination: within the scope of covered procurement each Party is obliged to provide to suppliers, goods and services of the other Party the same treatment it provides to its domestic suppliers, goods, and services.

The Global Agreement between the EU and Mexico already includes a chapter on public procurement but with asymmetrical disciplines, Mexico agreed to use NAFTA (the predecessor of the agreement with US and Canada - USMCA) rules and the EU the WTO Government Procurement Agreement (GPA).

Mexico is neither a signatory nor an observer of the WTO Government Procurement Agreement (GPA). Nevertheless, in the modernisation Mexico accepted to ensure a high level of predictability and transparency of its public procurement processes covered by the Modernised Global Agreement by introducing new generation disciplines equivalent to those internationally agreed in the GPA. These include for example high standards for the remedies available to bidding companies if they think they have been treated unfairly.

The new regulatory disciplines are set out in Chapter 21 of the Agreement. They comprise a list of four additional new disciplines that go beyond the provisions of the GPA. Among the most significant is the commitment to enhance transparency of the tendering process by publishing all public tenders on a single procurement website. This will make information about opportunities in the Mexican market more easily accessible for European companies thus creating new opportunities for European business including SMEs.

A new element in the agreement is also the possibility to take into account environmental and social considerations throughout the procurement procedure, provided they are non-discriminatory and they are linked to the subject-matter of the contract.

The Agreement also provides for a provision on national treatment for established suppliers. Companies owned by EU investors established in Mexico will receive the same treatment as a company owned by Mexican investors. This is a major safety net to protect EU subsidiaries against restrictions based on the ownership of the bidder.

With regard to market access, Mexico will open up more new public procurement opportunities to the EU companies than to any of its other trading partners. EU companies will be able to bid to provide goods and services to Mexican public entities. This includes hospitals, airports and universities.

Mexico also reconfirmed the commitments already contained in Annex I (Federal Level) and Annex III (other entities) of the previous Agreement. This already covered some very important public procurement purchasers such as the Mexican Social Security Institute (IMSS), the State's Employees' Social Security and Social Services Institute (ISSSTE) as well as the two largest energy entities: the Federal Electricity Commission (CFE) and PEMEX (*Petróleos Mexicanos*).

In addition, in Annex II (Sub central Level), Mexico committed to grant non-discriminatory access to its public procurement market at sub-central level and also committed to achieve a minimum coverage of public entities for the states that offer access to EU bidders. This aspect is particularly important because it is the first time that Mexico opens public procurement at State level in a trade agreement.

Mexico agreed to cover a large portion of its States, 14 out of 21 including Mexico City and State of Mexico. In addition, within 2 years from the entry into force, Mexico will also cover the States of Coahuila and Aguascalientes. This means that those States will apply GPA rules in their government procurement procedure ensuring non-discrimination for EU companies in key sectors such as water or urban transportation.

Finally, Mexico has also offered non-discriminatory access for EU companies to “Public Private Partnership” contracts.

To be noted that Mexico agreed on threshold for central entities for the procurement of goods and services (79 507 USD) is lower than the existing GPA thresholds and lower than the thresholds in the EU Directives.

### 3.12. State Owned Enterprises

The modernised agreement includes a new chapter on State Owned Enterprises (SOEs), which sets out rules that aim at ensuring a level playing field between private and public enterprises.

Most importantly, it establishes binding rules requiring SOEs to:

- act according to commercial considerations, and
- ensure non-discriminatory treatment when they engage in commercial activities.

In practical terms, this means that the decisions of SOEs must be commercially motivated and that SOEs must not discriminate towards the other Party's goods, services and enterprises when buying or selling, when located in their own territory or in the other Party's territory. A set of rules concerning the regulatory framework means that regulators are not allowed to give undue preferences to SOEs in their regulatory activities. Both sides have also agreed to apply the OECD Guidelines on Corporate Governance of State-Owned Enterprises where possible. Rules on transparency allow both sides to seek further information on particular enterprises and their activities on a case-by-case basis.

The scope of the activities covers the largest SOEs, enterprises granted special rights or privileges and designated monopolies at all levels of government where the turnover threshold exceeds 200 million Special Drawing Rights (SDR).

The agreement fully protects both the EU's and Mexico's right to provide public services to their citizens. The agreement does not lead to any privatization of public enterprises - both sides are free to organize their economies in this respect as they choose.

### 3.13. Competition

The existing Agreement already contained a provision regarding competition, and further details were set out in a Joint Council decision (Decision 2/2000, Annex XV). The parties established a mechanism of cooperation, coordination and guidance for the execution of enforcement activities with a view to preventing distortions or restrictions on competition which may affect trade. The following obligations were created in the existing Agreement and the Joint Council decision:

- to adopt or maintain measures aimed to prevent or eliminate anti-competitive conduct;

- to take enforcement actions in respect of these measures; and
- to mutually cooperate through notifications, consultations and exchange of information.

These obligations are further detailed in Annex XV to the Joint Council decision, which in particular defines the relevant competition laws and competent competition authorities. It also sets out the principles of cooperation (including mutual technical assistance), coordination of enforcement activities, as well as the avoidance of conflicts in such enforcement activities.

The EU – Mexico Modernised Agreement contains a chapter on competition policy, which reaffirms the principles and obligations as set out in the existing Agreement and Joint Council Decision 2/2000, brought in line with other recent Free Trade Agreements concluded by the EU.

The Parties are subject to the following obligations:

- To maintain competition laws proscribing anticompetitive practices specified in a list.
- To maintain an operationally independent authority equipped with the necessary powers and competence to effectively enforce the competition law.

Particular emphasis is put on ensuring a level playing field, by setting out that all undertakings, private or public, shall be subject to the competition law. Only limited exceptions for tasks of public interest are allowed, and such exceptions must be proportionate to the desired public policy objective and transparent.

In addition, the new Agreement sets out principles of procedural fairness and transparency, and it also includes specific rules on cross-border cooperation and coordination, technical cooperation, and consultation, while a more detailed arrangement on such cooperation is laid down in an administrative arrangement between the Parties' competition authorities.

### 3.14. Subsidies

The EU and Mexico acknowledge that certain kinds of subsidies can hinder competition and trade. Therefore, the Modernised Agreement introduced a new subsidy chapter, which includes rules to limit the potential negative effects of the subsidies, while at the same time recognizing that subsidies may be necessary to achieve a public policy objective.

In this perspective, Mexico has agreed to ensure transparency not only as regards subsidies to goods, but also as regards subsidies to services, thereby going beyond the existing WTO rules. As a result, both sides will make public information about subsidies in selected services sectors, which are important from a market access point of view, such as telecommunications, financial services, transport and energy. This requirement seeks to ensure that companies and citizens have information on how government money is spent.

Companies have the possibility to alert their governments to subsidies which may have negative effects on their business and, ultimately, on trade and investment between the EU and Mexico. Governments can then engage in a consultation process and exchange information about the subsidy. In case the negative effect of the subsidy is confirmed, both sides will do their best to find a satisfactory solution.

Finally, both the EU and Mexico have agreed to apply conditions on two types of subsidies: guarantees are allowed on condition that they are limited in terms of amounts and duration, and subsidies to ailing companies are possible only if a viable restructuring plan exists. These conditions ensure that inefficient and unviable companies do not receive unlimited state support and distort the level playing field for other companies.

The chapter is an important achievement when it comes to levelling the playing field for European and Mexican companies. It is a major improvement in comparison to the previous agreement with Mexico, which did not include rules on subsidies at all.

### **3.15. Intellectual Property Rights**

The Global Agreement between the EU and Mexico only contained one limited and general Article on Intellectual Property Rights, which indicated the aim of ensuring IPR protection to the “highest international standards”. Consequently, it did not extend IPR protection beyond the minimum standards established in the TRIPS Agreement and therefore it only brought limited added value for EU right holders. Moreover, the existing rules and commitments did not include specific provisions on control of abusive or anti-competitive practices, on enforcement of intellectual property rights, or on procedural and remedial aspects of civil and administrative procedures.

The Modernised Agreement includes a comprehensive chapter on all the main Intellectual Property Rights (IPR). It ensures high standards of protection of intellectual property and their enforcement beyond those set out in the World Trade Organization's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

The commitments on copyright and related rights included in the modernised Agreement cover all the rights protected by the EU acquis, including resale rights, and mirror the high EU standard as regards the term of protection.

The trademark provisions include the important commitment to acceding to the Madrid Protocol and the Nice Agreement and follow the new EU approach on the possibility of seizing goods in transit.

On designs, the Agreement includes the EU's definition of industrial designs (including complex designs) and protects them for up to 25 years. As regards pharmaceutical products, the IPR chapter contains the possibility of patent term extension for unreasonable delays in the marketing authorisation process. Moreover, for both pharmaceutical and plant protection products, the IPR Chapter lays down provisions on the protection of the data submitted by the innovative companies to obtain the necessary marketing authorisations. Plant varieties are protected in line with the latest international standards. The IPR chapter integrates the most significant parts of the recently established EU acquis in relation to the scope of protection of trade secrets and the procedural rules applicable in this regard.

The IPR chapter further includes a detailed section on civil and administrative enforcement, which provides for the availability of provisional and precautionary measures and remedies. A dedicated text on border enforcement ensures the active involvement of customs authorities in targeting and identifying IPR infringements with respect to all goods under customs control. Customs authorities

shall also be supported by a central database and may act upon their own initiative to suspend the release of or detain suspect goods.

### **3.16. Geographical Indications**

Regarding Geographical Indications (GIs), while 237 spirits GIs were already protected under the 1997 Spirits Agreement, the previous Global Agreement did not grant the protection of the rich variety of EU food and wine GIs. The Modernised Agreement greatly increases the level of protection of EU food and wine exports to Mexico and complements the liberalisation of the agri-food trade.

Within the context of the new Agreement, Mexico has agreed to extend the protection to 337 food and wine GIs from the EU at a high level of protection comparable to the one existing in the EU. These include, among other, a wide range of wines from various EU Member States (e.g. Vinho Verde, Rioja, Prosecco, Champagne or Tokaj) as well as beers (e.g. České pivo, Münchener Bier), different kinds of cheese (e.g. Gouda Holland, Danablu, Feta, Comté, Gruyère) and many other products (olive oils, pork hams, cured meat, etc.). Such protection will be enforced by appropriate administrative and judicial procedures and authorities will act both on their own initiative and at the request of an interested party.

In addition, the 1997 Spirits Agreement is now incorporated into the IPR Chapter of the new Agreement and 231 EU Spirits GIs will enjoy the same highest level of protection and enforcement as food and wine GIs. An update of the Spirits Agreement is ongoing to include the most complete list of EU spirits GIs.

Regarding the relationship between trademarks and GIs: coexistence with pre-existing trademarks is addressed and rejection of subsequent trademarks will be the rule.

Direct protection of EU GIs under the modernized Agreement means no individual application to the domestic GI system. For GIs not protected under the agreement, there is the possibility to amend the list to include additional GIs or to apply directly to the domestic GI system.

### **3.17. Trade and Sustainable Development**

The trade part of the modernised agreement includes a comprehensive Trade and Sustainable Development (TSD) chapter. This chapter – that did not exist in the current EU-Mexico Agreement – promotes sustainable development as part of the trade relationship between the Parties through legally binding commitments on labour rights, environmental protection and climate change, based on the multilateral system of the International Labour Organisation (ILO) Conventions and the Multilateral Environmental Agreements (MEAs).

These obligations include the respect, promotion and effective implementation of ILO standards on freedom of association and the effective recognition of the right to collective bargaining, elimination of all forms of forced and compulsory labour, effective abolition of child labour and the elimination of discrimination in respect of employment and occupation. These are complemented by a resolve to promote the ILO Decent Work agenda, including on occupational health and safety, working conditions, and labour inspection.

Furthermore, the TSD Chapter contains specific provisions on the fight against climate change and the transition to a sustainable low-carbon economy (including obligations to effectively implement the Paris Agreement). The new trade agreement includes commitments on promoting the sustainable management of fisheries and forests, conserving biodiversity and combatting illegal wildlife trade. Furthermore, the two Parties have also agreed to promote various other initiatives to encourage cooperation between companies in respecting environmental and labour laws, recycling, energy efficiency and the use of climate-friendly technologies, ensuring fair trade and promoting environmentally friendly products such as sustainably produced cocoa and coffee.

The modernised agreement prohibits either side from unduly encouraging trade and investment by derogations from or non-enforcement of environmental and labour laws. The commitments set out in the TSD chapter will be enforceable through a dispute settlement mechanism which includes an external review by an independent panel of experts, a role for civil society (including representatives of employers and trade unions, at all stages) and the expertise of international bodies such as the International Labour Organization.

The TSD chapter also includes a review clause which requires the parties to discuss possible further improvements of the sustainability provisions, including the provision of countermeasures in case of breaches and the possibility to consider the inclusion of the Paris Agreement as an essential element of the agreement. The review will be launched upon entry into force of the agreement and should be concluded within 12 months.

The Parties have also agreed on a Joint Declaration on trade and gender equality in the annex of the agreement. The Declaration includes provisions on the effective implementation of the international obligations addressing gender equality and women's rights, and to strengthen cooperation on trade-related aspects of gender equality policies and measures. The Joint Declaration forms an integral part of the Agreement.

### **3.18. Transparency**

The Modernised Agreement contains a new chapter on Transparency, which includes ambitious provisions on the publication, administration, and review and appeal of measures of general application related to trade matters. The Parties have committed that a measure of general application with respect to any matter covered by the Agreement will be published via an officially designated medium and will provide an explanation of the objective of, and rationale for, the measure; and that adequate non-discriminatory procedures of review and appeal shall exist to challenge those measures.

### **3.19. Good Regulatory Practice**

The Modernised Agreement presents for the first time a chapter, not subject to dispute settlement, fully dedicated to establishing a set of Good Regulatory Practices that the Parties will use when developing regulatory measures.

The provisions ensure that the public is aware in advance of the major regulatory activities that regulators are planning to undertake.

Furthermore, the new discipline ensures that opportunities will be available for the public to contribute to the regulatory process at an early stage. It specifies that these opportunities are available to a wide set of interested persons, and that foreign stakeholders are not discriminated. Stakeholders should be given sufficient information about the regulatory initiative in order for them to be able to ascertain if and how their interests could be affected by the planned regulations.

The chapter also contains provisions regarding the use of Regulatory Impact Assessments for the development of regulatory initiatives, where the Parties commit, according to their rules and procedures, to considering the need of the regulatory act, to examining all possible regulatory alternatives and to assessing potential impacts of future regulations before issuing them.

Other commitment concerns the Parties' evaluations of their regulations, in order to assess if they have been effective and efficient and if they have achieved the outcomes for which they were designed.

### **3.20. Small and Medium Enterprises**

82% of the 45,300 EU companies exporting to Mexico are Small and Medium-sized Enterprises (SMEs). They are by far the dominant size of companies in all business sectors activities. However, they have fewer resources than large companies to overcome the challenges of trading internationally and therefore the needs of SMEs have to be taken into account in all trade areas.

Consequently, a new dedicated SMEs chapter has been introduced in the EU-Mexico Modernised Trade Agreement.

The chapter contains provisions aimed at improving information sharing on the agreement and transparency on market access conditions. Each party has committed to provide through a single website relevant information for SMEs seeking to access its market, including rates of custom duties and quotas, rules of origin, information related to non-tariff measures, import procedures etc. In addition, each party shall appoint a SME Contact Point that will carry out government to government work to ensure that SMEs' needs are taken into account and that SMEs benefit from the modernised trade agreement.

The SME chapter is complementary to the other chapters of the trade agreement and aims at making bilateral business easier for SMEs on both sides.

### **3.21. Raw Materials**

The EU and Mexico agreed to include for the first time a new chapter on raw materials (RM), which complements other chapters relevant to raw materials (goods, services, investment, technical barriers, state owned enterprises, TSD and procurement). In terms of the complementarity with the Trade and Sustainable development (TSD), the RM chapter facilitates trade and investment in raw materials, notably minerals relevant for the green and digital transition, thereby supporting climate action.

While both Parties remain fully sovereign regarding decisions on whether to allow the exploitation of their natural resources, the RM chapter with Mexico nonetheless ensures:

- Increased transparency and fairness of licensing authorisation processes for raw materials as means to improve governance and investment conditions. The new provisions ensure that the public procedures to allocate and/or issue such authorisations are fair and transparent and are open on equal basis to EU investors.
- Increased access to raw materials goods. The parties agreed to eliminate export restrictions of raw material goods, including the elimination in principle of all duties (or any measure having an equivalent effect).
- Enhanced cooperation in the raw materials sectors.

Moreover, while both the EU and Mexico fully retain the right to regulate, the Modernised Agreement prohibits export monopolies and unjustified government intervention in the price setting of raw materials for industrial customers and bans export or dual pricing where export prices are set above domestic prices.

### 3.22. Dispute Settlement

The existing Agreement already contained disciplines to regulate disputes arising from the matters related to trade in goods and services, capital movement and payments, public procurement and competition.

The established dispute resolution mechanism envisaged a two-stage process consisting in an initial consultation between the parties within the Joint Council, which allows 30 days to resolve any dispute on the application or interpretation of legal instruments covered. Once the consultation is terminated, the concerned party can request the establishment of an arbitration panel (whose composition is to be agreed by both parties) that must submit a final report on the controversy no later than six months after the convening of the panel. The measures to implement the final report are binding for the party concerned and must be implemented immediately or within a term to be agreed upon the parties.

The arbitration procedure was not applicable to matters related to:

- the WTO agreements on antidumping, subsidies and countervailing measures, on TBT and on SPS;
- measures adopted because of balance of payment difficulties;
- the constitution of free trade areas and custom unions with third parties;
- mutual recognition of requirements, qualifications, licenses and other regulation agreements in trade services in conformity with Article VII of GATS;
- intellectual property rights; and
- international commitments on investment undertaken by the parties.

The Modernised Agreement introduced a full chapter on Dispute Settlement, which covers most of the matters under Title (Part) III of the Agreement. It provides for an effective, efficient and transparent mechanism for avoiding and solving dispute between the Parties.

The mechanism is triggered when one Party considers that the other has failed to comply with the obligations under the Agreement. The Parties are expected to embark in consultations to find an amicable solution. The Dispute Settlement Chapter also foresees the possibility for both Parties to find an amicable solution with the help of a mediator (“mediation” mechanism).

If no solution is found, the complainant can request an independent and impartial panel of arbitrators to rule on the matter. It must be composed by three arbitrators with high qualifications, expertise and

experience in trade and international law, who must observe high standards of ethical conduct and render decisions fairly.

During the proceedings, both sides have the possibility to be heard and to expose their arguments. Hearings are open to interested persons, who can also make their own submissions to the panel. The panel will issue a report and its decision is final and must be respected by the Parties. If a Party is found in breach of its obligations, such Party must bring its measures into compliance with the Agreement. The complainant can put in place counter-measures if the infringing Party fails to implement the decision.

The panel that adjudicates the dispute is agreed by the Parties. The dispute settlement procedures are based on due process and transparency principles, allowing interested parties to attend hearings and make their own submissions to the panel.

As a result, the Dispute Settlement Chapter in the Agreement with Mexico puts in place effective, timely and transparent procedures to ensure that both Parties abide by the rules and obligations in the Trade Part of the Agreement.

### **3.23. Anti-Corruption**

The EU- Mexico Modernised Agreement introduces provisions to combat and prevent corruption in trade and investment, both in the public and private sector.

Corruption in trade undermines the economic objective of opening markets: it compromises market access opportunities, erodes trade concessions, and distorts commitments aiming to create a level playing field. More importantly, corruption also undermines the EU's values-based goals of supporting development, human rights or defending high regulatory standards and consumer protection.

One of the key objectives of the Anti-corruption Protocol is to prevent corruption in trade and investment through different measures, notably by promoting integrity in the private and public sector, enhancing internal controls, external auditing and financial reporting. The Protocol also seeks to strengthen the fight against corruption pursued already through international conventions, in particular the United Nations Convention Against Corruption (UNCAC). In this regard, the Parties reiterate their commitment to make corruption a criminal offence for government officials and to consider as well making corruption an offence for businesses.

The two sides will also tackle money laundering notably by ensuring that the identity of who really owns a bank account, trust or fund (the 'beneficial owner') is always known and the relevant authorities, such as tax or judicial authorities, can access that information.

The Parties seek to promote the active participation of civil society in the prevention and fight against corruption. The Domestic Advisory Groups will be able to present proposals on how to better address corruption in bilateral agreements such as the one with Mexico.

A consultation mechanism will allow the Parties to consult with a view to finding an amicable solution to any disagreement on the interpretation or implementation of the Anti-corruption provisions. In the consultation procedure, the Parties can seek the assistance of a Group of Experts, which would issue an Opinion with a proposed solution. Such Opinion would be made public and would require the

Parties to discuss, with the help of their civil society if appropriate, ways of implementing such recommendations.

## 4 Conclusion

The EU-Mexico Modernised Agreement represents a significant upgrade from the original 1997 Global Agreement, reflecting the evolving economic and geopolitical landscape. By eliminating nearly all tariffs (99% of goods), simplifying customs procedures, and addressing non-tariff barriers, the agreement deepens bilateral trade integration while fostering a more predictable and competitive environment for businesses on both sides. Key advancements include enhanced market access for EU agricultural exports—such as dairy, pork, and poultry—through expanded tariff-rate quotas and phased liberalisation, alongside stronger protections for Geographical Indications (GIs), benefiting iconic EU products like wines, cheeses, and spirits.

The agreement also breaks new ground in sustainability, with a legally binding Trade and Sustainable Development (TSD) chapter that aligns with ILO labour standards and the Paris Agreement, reinforcing commitments to climate action, biodiversity, and fair labour practices. Innovations in digital trade, public procurement, and state-owned enterprise (SOE) further level the playing field, while a modernised investment chapter replaces traditional ISDS with a transparent Investment Court System, enhancing legal certainty. Critically, the agreement addresses supply chain resilience by boosting cooperation on critical raw materials (CRMs), such as fluorspar and copper, vital for the EU's green and digital transitions.

For SMEs, which constitute 82% of EU exporters to Mexico, dedicated provisions improve market access through streamlined information-sharing and support mechanisms. Meanwhile, robust chapters on anti-corruption, animal welfare, and anti-microbial resistance underscore the agreement's alignment with EU values and global standards. By combining economic ambition with sustainability and regulatory coherence, the modernised agreement not only strengthens EU-Mexico ties but also positions both partners to navigate future challenges—from geopolitical shifts to climate change—while upholding high standards in trade and investment.