

Main Accords in the Mexico-E.U. Free Trade Agreement

I. MARKET ACCESS

- Gradual, reciprocal elimination of import tariffs.
- The asymmetry between Mexico and the European Union is recognized through differentiated time limits for tariff elimination.
- Europe will eliminate tariffs in 2003, Mexico in 2007.
- Preferential access for Mexican exports in the general system of preferences.
- Establishment of a 10-year, linear elimination of tariffs for agricultural and agro-industrial products, import quotas and a waiting list for products protected by the European Union.
- 95 percent of Mexico's agricultural exports to the European Union will have preferential access.
- Quantitative restrictions and prohibitions (import or export permits) will be eliminated, but the right to adopt measures needed to protect human, animal or vegetable life and health and public morality will be preserved.

II. RULES OF ORIGIN

- Rules of origin were negotiated guaranteeing that the benefits from the agreement remain in the region.
- Among the most important rules of origin are those for textiles, transportation, auto parts, electrical appliances, footwear and plastics.

III. TECHNICAL NORMS

- It was agreed that the right to adopt and apply norms will be preserved as long as they do not become unnecessary obstacles to trade.

- A special committee will be created to foster cooperation in information exchange about systems of normalization and the solution of problems of access related to technical norms.

IV. SANITARY AND PHYTOSANITARY NORMS

- A specialized sub-committee will be formed and will meet yearly to exchange information, identify and facilitate the solutions of problems of access, promote equivalent norms in Mexico and the European Union and foster the recognition of areas free of disease.

V. SAFEGUARDS

- Safeguards can be adopted for a maximum of three years to provide temporary relief to a sector that might face serious damage or the threat of damage due to substantial increases in imports.
- In all cases, the application of a safeguard will require compensation. If an agreement cannot be reached about the amount of the compensation, a measure with equivalent effects can be adopted to compensate for the damage to trade.

VI. INVESTMENT AND RELATED PAYMENTS

- The current opening will be consolidated in national legislation.
- For Mexico, this will not imply additional opening to FDI in any sector.
- International commitments with regard to investment will be reiterated.
- The right to adopt safeguards because of problems related to exchange rate, monetary or balance of payment policies will be preserved.

- A mechanism will be instituted to promote reciprocal investment through information exchange for identifying business and corresponding legislative opportunities.
- The commitment to reciprocally promote investment and design ways to carry out joint investments will be established.

VII. TRADE IN SERVICES

- Mexican service providers will have access to the E.U. service market without restrictions on the number of operations or providers and will enjoy national treatment and most-favored-nation status.
- The current degree of economic opening stipulated in national laws will be consolidated to guarantee that none of the countries pass more restrictive legislation.

VIII. PUBLIC PROCUREMENT

- Mexican exporters of goods and services to the E.U.'s 10,000 public sector institutions and companies that make more than U.S.\$400 million in purchases a year will be given better access than other E.U. trade partners; in addition, they will enjoy national treatment.
- The aforementioned measure will include purchasing by Mexican federal government institutions and companies as well as the entities of the central governments and para-state companies of the member states and the executive body of the E.U.
- This measure will be applied on acquisitions of goods and services including those for construction, whose value exceeds certain amounts.
- Mexico will have a transitional reserve for seven years for purchases by PEMEX, the Federal Electricity Commission, non-energy sector construction and the acquisition of non-patent medicines.
- These measures will not enter into force until the E.U. presents detailed, disaggregated statistics for the purchases of at least 150 public companies.

IX. COMPETITION

- To guarantee an environment conducive to entrepreneurial activity, competition will be promoted and monopolistic practices combatted.
- A working group will be established to promote technical cooperation and information exchange; to coordinate general studies on the matter as well as specific consultations; and to consider issues linked to the relationship between policies and the laws of competition and trade, to avoid the application of restrictive trade measures.

X. INTELLECTUAL PROPERTY

- According to respective legislations, obligations will be established about the acquisition, conservation and exercise of intellectual property rights.
- A special consulting committee will be established to deal with issues and disagreements in matters of intellectual property, while the right to resort to the dispute settlement mechanism established in the agreement will be preserved.
- The rights and obligations established in signed international treaties and conventions are confirmed.

XI. DISPUTE SETTLEMENT

- A consultation and dispute settlement mechanism is established with clear, expedite procedures.
- Priority will be given to conciliation for settling disputes.
- The right to appeal to the World Trade Organization's dispute settlement mechanism is preserved.
- Arbitral procedures will be agile and transparent.
- In case of non-compliance, equivalent agreed-upon benefits may be temporarily suspended until such time as the decision of the arbitral panel is carried out.