



## EU-Mexico Trade: Modernising our Relations

11 May 2015

**Cecilia Malmström**, Commissioner for Trade

*Brussels – Presentation of study on EU-Mexico Trade Relations*

Minister Guajardo, Ladies and Gentlemen,

*Es un honor para mí dar la bienvenida al Ministro Guajardo y contar con su presencia aquí en Bruselas.*

I'm very honoured with the presence of Minister Guajardo and his delegation for travelling so far to be with us.

I'm very grateful to the Centre for European Policy Studies for bringing us here and to BBVA for the report on the EU-Mexico FTA and providing us with some food for thought.

I'm very glad we are here today to talk about strengthening ties between the EU and Mexico.

\*\*\*

The ties between Europe and Mexico are already strong.

First, our history and peoples are deeply intertwined. There are communities of Mexicans in many parts of Europe. And Mexico has ethnic communities from almost all EU Member States. Personally I was delighted to learn about the town of *Nueva Escandinavia* in the state of Chihuahua, which was built by Swedish emigrants in the last century.

Second, we cooperate closely in many different international arenas...

... from the World Trade Organisation and the OECD to UN talks on climate change and human rights. Our EU-Mexico Global Agreement is broad in scope and has been backed up by a Strategic Partnership since 2008.

And, most importantly for our discussions today, our economies are closely connected.

Every week, we trade more than a billion euros worth of goods and services. And our total shared foreign investment stocks are worth more than 120 billion euros.

It's a close and vital economic relationship.

A great deal of that closeness is thanks to the success of the trade provisions of the Global Agreement, which have been in force for the last 15 years.

We will hear more details about just how successful later this morning.

But what is very clear is that it has allowed trade to increase significantly.

At an overall level, our trade is up by almost 250%! The EU has become the second largest destination for Mexican exports. And the third largest source of its imports.

That is an achievement in itself. But there are many more individual success stories: Like the very significant increases in Mexico's exports of cars, cereals, vegetables and fertilizers... And the progress made by European exports of cars, chemicals, textiles and footwear. This trade is supporting jobs on both sides. We have figures for Europe only, but they suggest that our exports to Mexico support several hundred thousand jobs here. The numbers for employment in Mexico are also likely to be impressive. This agreement, therefore, gives us much to celebrate.

\*\*\*

But that does not mean that we can stand still. 15 years is a long time, full stop. So much has happened in recent years that the year 2000 seems a lifetime ago. Since we put this deal into effect, the European Union has added 13 new Member States, gradually deepened our Internal Market and experienced the highs of the launch of the euro and the lows of its more recent difficulties. Mexico has become one of the world's most dynamic emerging economies, with GDP per capita up almost 20% in real terms since 2000. Like Europe Mexico is facing real challenges, but I believe its prospects are also very bright. Beyond our bilateral relationship, the world has changed immeasurably since the year 2000. We've weathered the biggest economic crisis since the Great Depression. We learned many things from that experience, but one of the most significant was the importance of trade and keep markets open, goods and services flowing. The G20 Summit – which itself didn't exist in 2000 – made this clear through its pledge to avoid protectionism. Furthermore, the structure of the world economy has changed. Emerging and developing countries share of world GDP was 20% in 2000. By last year, it had almost doubled, reaching 39%. The global economy is also much more densely linked than in the past. We produce goods along international value chains, meaning both trade and foreign direct investment are more important than before. And services play a much more important role, even in the business of companies that make goods. That's because of both new business practices and the revolution of digital technology. It's worth noting that when we launched this agreement online business was in its naïve infancy. The Dot Com bubble was just about to burst. Today, the Internet is at the centre of many companies' business strategies. All of these changes to the world economy coincided with a change in trade policy. As a bilateral free trade agreement, the EU-Mexico deal was something of a pioneer. Today almost all countries are negotiating these agreements. Moreover, the nature of those agreements has changed. The kinds of trade deals that the European Union and Mexico are negotiating today are very different to what we agreed on all those years ago. They remove many more types of barriers, making them much more effective at opening markets.

We in Europe have just concluded one of the world's most ambitious trade agreements ever with Canada. We are deeply engaged in negotiations with the United States for a Transatlantic Trade and Investment Partnership, which we want to go even further.

It's a similar situation with Mexico's partners to the South. In recent years we have put in place comprehensive agreements with the countries of Central America and with Columbia and Peru. Last year, we concluded an agreement with Ecuador. All these agreements go much further than the EU-Mexico deal.

At the same time, Mexico too is expanding both its network and its ambition through the Transpacific Partnership as well as its work with the Pacific Alliance.

\*\*\*

All of these changes are what bring us here today. We both know that the relationship between our two economies is too important to leave to a free trade agreement from another era.

Our deal needs to be dragged into modernity.

But doing so means we must be ready to commit to a highly ambitious negotiation.

There is no point doing things by halves.

Mexico's economy is deeply integrated with its partners to the North. We should be aiming for an EU-Mexico deal that is comparable to our deal with Canada and to what TTIP will become. Ultimately, both the EU and Mexico will want to consolidate all this new openness in North America. The closer our modernised deal is to those high standards, the easier that will be.

What does that involve?

For trade in **goods**, it means seeing where we can do more on tariffs but also on trade facilitation, going beyond the WTO agreement.

We also need a much more ambitious approach to **the relationship between regulation and trade**. Our aim should be to make trade easier without weakening regulatory protection for our citizens.

That means comprehensive chapters on non-tariff barriers for industrial goods, food and agriculture. We should also make commitments to promote good regulatory practices like impact assessments and public consultations. And we should address barriers in specific sectors where this is needed.

As far as **trade in services** is concerned, there is also major scope for improvement. We should be aiming for something that builds on the work we are doing together in the Trade in Services Agreement - TiSA. It should cover all sectors, address mobility of service providers and include regulation as well.

We also need to address **investment**. That includes market access in sectors like telecoms and energy. It also includes investment protection. The European Union is currently reforming its approach on this. We want a fairer system but one that is still effective. And we believe this should be part of any modernised agreement with Mexico.

The modernisation should also address **intellectual property rights**. The EU-Mexico agreement on the mutual recognition and protection of geographical indications was signed in...1997. Since then many bottles of Tequila, Mezcal, Grappa and Cognac have been emptied, all of them GIs protected under that deal. But many other excellent products are not covered. So we have work

to do there too. And we have an excellent benchmark to measure our efforts in the EU's recent agreement with Canada.

Furthermore, we need to look at the question of public procurement. Our current agreement is a good start but only covers the central level of government. The next step is to include all levels of government. Here again the Canada agreement sets for us a good precedent.

Finally all of this ambition to open markets needs to be backed up by clear commitments on sustainable development. We need a modern approach here too, that makes sure workers and the environment are fully protected. A new deal must be about raising standards, not lowering them.

\*\*\*

Our teams have been working together to assess the prospects of an agreement like this over the last year.

I am happy to say that this scoping exercise has made very good progress and is now nearing its conclusion.

Today we start the next step: the process of launching negotiations to modernise our agreement. It is my intention to request a mandate from the EU Member States in the Council to launch negotiations this year.

We still have to complete some formal and institutional steps, in particular finalising an impact assessment.

Mexico too will also have democratic procedures to follow.

So we must all remember that we are now just at the beginning of the process. Both sides will need to stay committed to our ambition over the coming months and years.

Free trade negotiations take time and effort, we face more complex issues than those we negotiated in 2000. But this effort would certainly be worth it.

We have the chance now to significantly deepen the relationship between Europe and Mexico.

Modernising our trade relationship would be a hugely significant step towards open markets between Europe and the Americas. Between this deal, TTIP, CETA and the prospect of a similar modernisation with Chile – we would have effective modern agreements between Europe and the entire Pacific coast.

That would boost our growth prospects...

... make our firms more competitive...

... give our people new and better jobs

... and lower prices and widen choice for our consumers.

We know it will be a challenge, like all negotiations.

But for me it's a challenge worth taking on.

Thank you very much for your attention.