



## CIVIL SOCIETY DIALOGUE

# SIA IN SUPPORT OF NEGOTIATIONS FOR THE MODERNISATION OF THE TRADE PILLAR OF THE GLOBAL AGREEMENT BETWEEN THE EUROPEAN UNION AND MEXICO

**Date:** 13 March 2018

**Time:** 15:00-17:00

**Location:** Charlemagne building, room Sicco Mansholt, 170 rue de la Loi, Brussels

**Lead Participants:** Ms Helena Konig, Director Asia and Latin America, TRADE/C3; Mr Matthias Jorgensen, Head of the Latin America Unit, TRADE/C3; Dr Andreas Freytag, Team Leader, LSE Consulting; Ms Daniela Baeza Breinbauer, Project Officer, LSE Consulting

**Moderator:** Ms Eeva Tella, TRADE/A3 Information, Communication and Civil Society, Directorate-General for Trade

## Agenda

### 1. Brief introduction by the European Commission

### 2. Update on the state of negotiations by Ms Helena Konig

Ms Konig stated that the block continues to negotiate intensely with Mexico as concluding by the end of 2017, as originally envisioned, would have been too fast. The director explained that the last phase of negotiations is always the most difficult. However, she underlined that although a number of chapters remain open for negotiation, progress has been made. Ms Konig reminded participants of the need for a modernisation because of the substantial changes to both the EU and Mexico since the implementation of the existing agreement in 2000. The EU has expanded in member states, Mexico's economy has grown substantially in the past 15 years, and numerous developments in trade policy have taken place worldwide where new agreements offer further benefits from trade liberalisation.

Ms. Konig followed by speaking to the CSD meeting organised in Mexico City to engage stakeholder perspectives of the partner country, explaining that the meeting was successful in collecting stakeholder voices. She emphasized that the EU is working to export the CSD framework to engage civil society in Mexico as stakeholder dialogues there typically involve businesses rather than civil society. The focus on conversation surrounded rules of origin, geographical indications,

protection levels, and public procurement - most notably on the sub-federal level as it is not covered in the previous agreement.

The director concluded by mentioning that the trade negotiations look at every chapter to assess which aspects must be modernised to standardize the trade pillar to the level of recent agreements, such as the CETA. The next round of negotiations is set to take place on the week of April 16th in Brussels.

### 3. Q&A

**The Confederation of the German Textile and Fashion Industry** inquired about the status of the negotiations specifically regarding rules of origin and textiles.

**Ms Helena Konig, Director Asia and Latin America, TRADE/C3** responded that the Mexican negotiators have adopted a defensive position with textiles where the EU cites economic rational for their transformation. This chapter remains open and flagged where the key objective is to ensure any changes do not leave either side worse off than the existing agreement.

**EuroGroup for Animals** requested an update specifically regarding the issue of animal welfare and enforcement of IE commitments in the negotiations, questioning whether animal sentience would be acknowledged in the agreement.

**Ms Helena Konig, Director Asia and Latin America, TRADE/C3** explained that while the SPS chapter includes a provision on animal welfare, it was not a controversial issue with the Mexico delegation.

**The International Confederation of Inspection and Certification Organizations** asked when the report and text of the closed TBT chapter would be released for the public.

**Ms Helena Konig, Director Asia and Latin America, TRADE/C3** clarified that while text and reports are routinely published after the closure of a chapter, the text is first routinely screened to avoid errors.

**The Irish Farmer's Association** questioned the director's comments about not concluding negotiations if the proper substance is not there, questioning how substance is defined in this case. The representative underlined that some sectors have not seen any increase in exports to Mexico since the implementation of the last agreement, citing numerous non-tariff barriers (NTBs) as impediments to progress. The association finally inquired what steps the commission is envisioning to address these NTBs.

**Ms Helena Konig, Director Asia and Latin America, TRADE/C3** clarified that the proper substance would be reflected in text strong enough to implement improvements where they are needed. It means if the deal is not good enough broadly, the negotiations cannot conclude politically. She warned that within trade agreements there will always be groups less content with the outcomes than others, but the aim is to ensure that stakeholders will not be worse off than in the state of the existing agreement. The implementation of the existing agreement is facing difficulties regarding access into Mexico as it is hampered by difficult procedures related to SPS. In parallel, the director explained that the EU has dialogues with the ministry in charge of SPS issues where both parties are working to clear the backlog of complications. Tariff wise, the modernisation is partly inspired by the fact that the current agreement misses out on potential benefits as it does not cover the agricultural sector. Ms Konig went on to emphasize that the

the negotiators are well aware of the sensitivities in the beef sector. The EU is quite offensive regarding the agricultural export sector, specifically identifying cheeses, along with areas of pork and poultry where the EU has adopted an offensive position. In general, the EU has an offensive agenda with Mexico in comparison to other trade negotiations. Getting the balance right required reaching an agreement which brings things forward across the board – whether it is in trade and sustainable development, or in procurement, or agricultural goods. A balanced agreement essentially entails making sure that when market access is reached, it will not be overcome by SPS procedures.

**Freshfel Europe** requested an update on the negotiations regarding TRQs.

**Ms Helena König, Director Asia and Latin America, TRADE/C3** responded that the discussion regarding TRQs remains open where, while recognizing that some level of quotas will remain, the aim is to be as ambitious as possible. The EU has an interest in keeping a few packages open to counterbalance packages that includes apples, fruits and vegetables, where the negotiators are aware of the economic interest in access for those fruits.

**The European Fruit and Vegetable Trade Association (EUCOFEL)** questioned where the audit report on the closed SPS chapter could be found.

**Ms Helena König, Director Asia and Latin America, TRADE/C3** responded that the report is out on the web, and added that it is a good chapter where some improvements have been put in place by Mexico. There are difficulties in the sense that it is infeasible for the agreement to be ideal for both countries in every aspect, but the aim is to ensure that included provisions will make access significantly simpler.

COMITE EUROPEEN des FABRICANTS de SUCRE questioned how the suspension of the agreement in the NAFTA region is being taken into consideration, expressing that this acts as the regulation for trade in sugar between the United States and Mexico which is currently free. The representative added that there should be no concessions as sugar in Mexico is heavily subsidized.

**Ms Helena König, Director Asia and Latin America, TRADE/C3** responded that while the EU is seeking duty free access, negotiators are not ready with this sector of negotiations. Regarding the suspension agreement, the director explained that it is complicated because Mexico is somewhat restricted in liberalising market access under their agreement with the U.S. When the EU tries to negotiate a number of issues, it is seldom a direct negotiation, citing sugar v. sugar as an example. Sectors are negotiated in groups where they are combined into sorts of packages. The only chance to reach a balanced package is to look at all possibilities within it.

The director did underline that Mexico has been very clear in expressing their desire for the EU agreement, possibly to strategize partnerships apart from the United States. Ms König went on to explain that even if substance is obtainable in regards to text by April, there is a high chance that political implications will influence negotiations. The negotiator added that while the agreement is valuable, it is important to recognize that there is no possibility that the 10% of EU trade can replace the 80% of trade that NAFTA represents for Mexico. However, it will in any case, be beneficial for the EU to conclude this agreement as it is an advantage where most trade participating sectors benefit from this existing agreement more than in Mexico.

#### **4. Presentation by the Consultant on the content of the draft interim report**

Presentation published on the website of the Contractor (<http://www.siaeumexico.com/consultations.html>)

#### **5. Q&A**

**GMB Trade Union** expressed concern that the EU delegation has stated that the Mexican government is very motivated to improve labour rights domestically while trade unions have recently been expelled. The representative additionally lamented that no reference is made to trade unions in the social analysis chapter requesting that it be done in the next report.

**Eurogroup for Animals** inquired whether the 2014 regulations surrounding horse meat are taken as a given in the analysis - assuming that their recognition and enforcement will not change. The representative additionally noted that the consultants are assessing levels of carbon emissions where animal based production may lead to greater emissions. Looking at more intensive farming in Mexico, the representative explained that systems are not conducive to fighting climate change or sustainable development. Finally, the impact on animal welfare at farm level was questioned.

**Dr Andreas Freytag, Team Leader, LSE Consulting** responded that the consultants have no interest in neglecting trade unions in the report, and will ensure to include them in the next report. In response to the question regarding horse meat, the team leader clarified that the analysis is indeed assuming the 2014 regulations as given and thus not assessing trade changes in horse meat. Finally, in response to farm level impacts to production, the team lead observed that while Mexican farms are small they hire a lot of people, and thus productivity gains in comparison to other fronts are being assessed by the team. While the issues of animal welfare were not the most prominent, the consultants recognize the stakeholders' concerns and will speak to the senior expert on environmental issues on the possibility of including it in the team analysis.

**GMB Trade Union** commented in relation to NAFTA observing that American producers have large pig farming plants located in Mexico. The representative inquired whether these pigs would be identified as Mexican or American?

Matthias Jorgensen, Head of the Latin America Unit, TRADE/C3 responded that this question speaks to the Rules of Origin aspect of the negotiations. The head of unit explained that when it comes to animals, the location of where the animal is born and raised defines its origin rather than who it is owned by. In other words, if a pig or a cow is born and raised in Mexico, it is to be considered Mexican - even if it is owned by a European or American firm.

**COMITE EUROPEEN des FABRICANTS de SUCRE** asked if certain sectors are being excluded from the report? Bearing in mind the timeline, the representative inquired whether there is any interest or possibility in modeling the effects of TRQs.

**Dr Andreas Freytag, Team Leader, LSE Consulting** responded that the consultants have not done any modelling, as they have been asked by DG TRADE to use the existing modeling results from the 2015 impact assessment.