

# Free trade agreement with the EU – A very relevant agreement at a key moment

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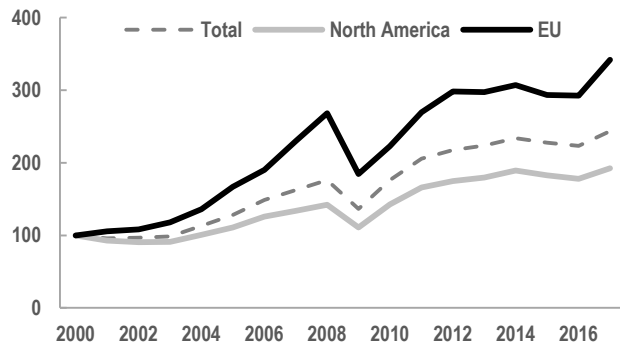
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- The Ministries of Economy and of Foreign Affairs announced the successful wrap up of negotiations of a free trade agreement (FTA) with the European Union (EU)
- Negotiations took place within the framework of the *EU-Mexico Global Agreement*, which was established in 1997
- The EU FTA not only deals with trade, but also with issues regarding human rights, environmental protection, and anticorruption measures, among other
- The agreement seeks to increase both trade and investment flows, as well as to boost scientific and technical cooperation
- In our opinion, the agreement with the EU is highly relevant at a key point for Mexico, amid the renegotiation of NAFTA and the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP)

**Successful negotiation.** The Ministries of Economy and of Foreign Affairs announced the successful wrap up of negotiations of a free trade agreement (FTA) with the European Union (EU). The negotiation took place within the framework of the *EU-Mexico Global Agreement* signed back in 1997, resulting in a trade agreement between Mexico and the EU in 2000. Since the approval of the trade agreement, trade with the EU has more than tripled, as shown in the chart below. In addition, the investments made by the EU in Mexico represent now 38% of FDI flows.

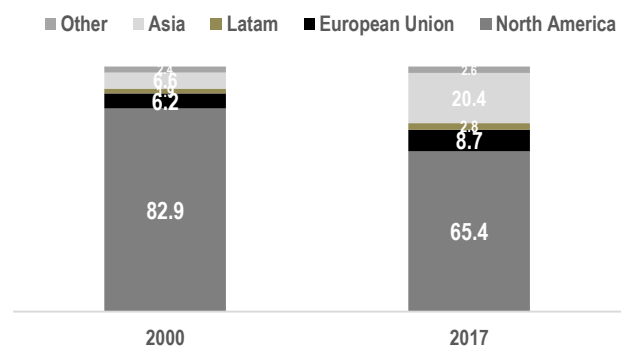
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**Trade between Mexico and the European Union\***  
Index, 100= Base year 2000



Source: INEGI  
Note: Total trade (X+M)

**Mexico's trade composition**  
% of total trade



Source: INEGI

**Negotiation of a new FTA.** It is worth mentioning that the new agreement now contains commercial issues that were not discussed in 2000's agreement. These include agricultural goods as well as issues related to intellectual property. In addition, some commitments in terms of human rights, anticorruption measures, and the compliance with the *Paris Climate Accord*.

**New measures that will facilitate trade.** As we have already mentioned, the agreement includes simpler customs procedures that will benefit various sectors of the economy, including the agricultural sector, the pharmaceutical, as well as machinery and transport equipment. In the case of the agricultural sector, tariffs will be eliminated on Mexican products such as orange juice, tuna, honey, agave syrup, ovalbumin, as well as fruits and vegetables. In addition, it was possible to protect sensitive products, such as apples, peaches and dairy products.

**The agreement also regulates trade in services.** The modernization of the agreement with the EU includes sectors such as telecommunications, the temporary flow of people and related services, in addition to reinforcing the provisions for the protection of investments, including a modern dispute resolution mechanism. We also highlight the chapter on intellectual property, in which the recognition and protection of so-called *Geographical Indications* was achieved. This term defines a geographical area or a product that contains said name and it is originated there, it has certain quality, reputation or other characteristics of the product fundamentally attributable to its geographical origin. For instance, tequila or mezcal will receive protection similar to that of the Spanish cava or French champagne.

**In our opinion, the agreement with the EU is relevant at a key juncture for our country.** The new trade agreement with the EU is a sign of the Mexican government's commitment to keep markets open, work together multilaterally to face global challenges at a time when some countries are opting for protectionist measures. In this context, we believe that the agreement will help to foster greater diversification of trade in our country within the framework of the renegotiation of NAFTA, with whom we still maintain 65.4% of our trade (see table on the following page), as well as the advances that have been made regarding the *Comprehensive and Progressive Trans-Pacific Partnership* (CPTPP). Finally, it is worth mentioning that the drafting and conclusion of the final legal text will be ready in approximately three months.

**Total trade with selected countries**

	<b>Total trade</b>	<b>Market share</b>	<b>Cumulative growth</b>	<b>Exports</b>	<b>Market share</b>	<b>Cumulative growth</b>	<b>Imports</b>	<b>Market share</b>	<b>Cumulative growth</b>
	US\$bn	%	%	US\$bn	%	%	US\$bn	%	%
<b>Total</b>	<b>829.9</b>	<b>100.0</b>	<b>198.2</b>	<b>409.5</b>	<b>100.0</b>	<b>200.3</b>	<b>420.4</b>	<b>100.0</b>	<b>196.1</b>
<b>North America</b>	<b>542.7</b>	<b>65.4</b>	<b>135.1</b>	<b>338.4</b>	<b>82.6</b>	<b>176.0</b>	<b>204.3</b>	<b>48.6</b>	<b>88.8</b>
US	521.5	62.8	131.2	327.0	79.8	171.9	194.5	46.3	84.8
Canada	21.2	2.6	302.4	11.4	2.8	392.4	9.8	2.3	231.9
<b>European Union</b>	<b>72.2</b>	<b>8.7</b>	<b>286.0</b>	<b>23.2</b>	<b>5.7</b>	<b>323.2</b>	<b>49.0</b>	<b>11.7</b>	<b>270.5</b>
Germany	23.4	2.8	228.0	7.0	1.7	232.1	16.4	3.9	226.3
Spain	9.3	1.1	308.5	4.2	1.0	350.1	5.0	1.2	278.7
Italy	7.5	0.9	311.4	1.3	0.3	677.7	6.2	1.5	273.6
France	6.0	0.7	255.6	1.9	0.5	561.8	4.1	1.0	192.1
UK	4.7	0.6	149.8	2.3	0.6	204.5	2.4	0.6	113.8
<b>Latin America</b>	<b>23.6</b>	<b>2.8</b>	<b>308.8</b>	<b>13.4</b>	<b>3.3</b>	<b>544.8</b>	<b>10.2</b>	<b>2.4</b>	<b>268.2</b>
Argentina	2.3	0.3	397.4	1.5	0.4	487.3	0.8	0.2	288.7
Brazil	9.1	1.1	496.9	3.7	0.9	821.7	5.4	1.3	381.9
Chile	3.3	0.4	218.2	1.8	0.4	392.3	1.5	0.4	124.8
Colombia	4.8	0.6	722.8	3.2	0.8	760.7	1.7	0.4	659.8
Ecuador	0.8	0.1	490.6	0.6	0.2	803.1	0.1	0.0	131.1
Peru	2.0	0.2	464.5	1.5	0.4	748.5	0.5	0.1	184.5
Venezuela	1.2	0.1	63.3	1.1	0.3	147.5	0.1	0.0	-60.3
<b>Asia</b>	<b>169.4</b>	<b>20.4</b>	<b>882.0</b>	<b>22.6</b>	<b>5.5</b>	<b>963.1</b>	<b>146.8</b>	<b>34.9</b>	<b>870.6</b>
<b>Rest of the world</b>	<b>21.9</b>	<b>2.6</b>	<b>225.8</b>	<b>12.0</b>	<b>2.9</b>	<b>191.7</b>	<b>9.9</b>	<b>2.4</b>	<b>279.2</b>

Source: Banorte with data from INEGI

\*As of 2017

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