

## **FREE TRADE AGREEMENT BETWEEN THE EFTA STATES AND MEXICO**

### **SUMMARY**

The Free Trade Agreement between the EFTA States and Mexico was signed in Mexico City on 27 November 2000 and entered into force on 1 July 2001. The Agreement covers trade in industrial products as well as fish and marine products. The transitional period ends on 1 January 2007. In addition, bilateral agricultural agreements between the individual EFTA countries and Mexico have been concluded which form part of the instruments creating the free trade area.

Among the objectives of the Agreement (Objectives, Article 1) are the progressive liberalisation of trade in goods in conformity with Article XXIV of the GATT and the liberalisation of trade in services in conformity with Article V of the GATS. It is thus a so-called second generation Free Trade Agreement in so far as in addition to covering trade in goods, it also includes within its scope trade in services, investment and public procurement.

### **NAVIGATING THE AGREEMENT**

The Agreement consists of nine Chapters with a total of 85 Articles, twenty-one Annexes, four Joint Declarations and a Record of Understanding.

- **General provisions**
- **Trade in Goods**
- **Services and Investment**
- **Competition**
- **Government Procurement**
- **Intellectual Property**
- **Institutional Provisions**
- **Dispute settlement**

## **TRADE IN GOODS**

Mexico is one of the EFTA States' most important trading partners in Latin America and an important market for its exports, with significant growth potential.

Bilateral trade in goods in 2000 amounted to 816,4 million USD (EFTA exports amounting to 647 million USD, whereas Mexico's exports to the EFTA States represented 169,4 million USD (EFTA trade statistics/ Mexico).

### ***Rules of Origin***

The rules of origin for industrial goods (Annex I) concerning the definition of the concept of originating products and the methods for administrative co-operation, are based on the current European model, maintaining the general structure and the substance of the European standard rules.

The specific list rules (Appendix 1 to Annex I) to the origin Annex are based on the EU-Mexico framework rules, adjusted to specific needs and requirements of the EFTA States and Mexico, taking into account the trade flows between the parties.

The result is more liberal rules in sectors where either party is faced with a lack of raw materials or components (e.g. for chemicals, machinery and car parts).

In the textile and apparel sector Mexico allocates quotas to the EFTA States for the importation into Mexico of textiles and apparel goods under a more liberal regime (Appendix 2(a) to Annex I).

### ***Industrial Goods***

The Agreement provides for effective market access for industrial goods in terms of tariffs and rules of origin, creating NAFTA and EU parity for EFTA exports to Mexico.

Mexico will gradually liberalise all industrial products with the same tariff dismantling schedules as in NAFTA and the EU-Mexican Agreement (Annex V), meaning that 47 % of the industrial goods originating in the EFTA States will be duty free as of the entry into force of the agreement.

By 2003 the percentage will increase to 60 % and by 2005 another 6 % of the goods will become free. Tariffs on the remaining 34 % will be eliminated by 2007.

In exchange, EFTA accords duty free access for Mexican exports of all industrial products by the entry into force of the Agreement (Annex IV).

### ***Fish and marine products***

The Agreement covers trade in all fish and other marine products (Article 4 and Annex III).

The EFTA States grant duty free access on imports of all Mexican fish products.

As of entry into force of the Agreement, an important share of fish and other marine products from the EFTA States will benefit from duty-free access to the

Mexican market (Annex III). Other fish products are subject to tariff dismantling schedules of three, eight, nine and ten years, respectively. Mexico will maintain existing tariffs concerning a limited number of products for the time being which are of less economic importance to the EFTA States.

The most important benefits for the EFTA States is that the Mexican tariff on salted and/or dried white fish is reduced from thirty to zero per cent upon entry into force, and that the rules of origin for salted and/or dried, cod and ling are liberal.

In the longer term the Agreement makes it possible for the EFTA States to further develop the Mexican market for their products.

For instance, for salmon, which is exported to Mexico only to some extent today, a tariff reduction to zero for fresh, frozen and smoked salmon takes effect as of entry into force of the Agreement.

### ***Agricultural products***

Trade in agricultural products is covered in three bilateral agricultural agreements negotiated between the respective EFTA State (Iceland (Agricultural Agreement between Iceland and Mexico), Norway (Agricultural Agreement between Norway and Mexico) and Switzerland/Liechtenstein (Agricultural Agreement between Switzerland and Mexico) and Mexico.

These agreements form part of the instruments establishing the free trade area and are subject to the relevant disciplines for trade in goods in the main agreement.

They provide for substantial concessions on both sides, while taking into account the respective sensitivities. Each agreement contains specific rules of origin, generally based on the "wholly-obtained" criteria.

## **SERVICES AND INVESTMENT**

The Chapter on trade in services and investment (Chapter III, Articles 19 to 50) covers trade in services, including separate sections on maritime and financial services, and investment.

The services provisions under the Agreement are of considerable importance to the EFTA States, not least in view of the fact that they to a large extent are based on the Agreement concluded by the European Union with Mexico in this area, thereby creating equal competitive conditions for EFTA operators in the Mexican market.

The general services section covers all four modes of service supply, as defined under the WTO GATS (Article 19), as well as all services sectors – including maritime services, financial services, telecom, distribution, energy, audiovisual tourism and environment - with the exception of air transport.

A so-called standstill obligation (i.e., a prohibition on the introduction of new or more restrictive measures affecting market access) (Article 24) took effect as of the entry into force of the Agreement, securing that services suppliers from the

EFTA States will gain access to the Mexican market on an equivalent basis with that enjoyed by suppliers from Mexico's preferential trading partners.

In the financial services sector, for which a separate section has been negotiated (Section III, Articles 28 to 43), another standstill obligation has been introduced (Article 34), and the Parties have listed measures maintained by them which are inconsistent with Article 29 to 33 (Article 34, Annex VIII) most of which are subject to further elimination starting three years after the entry into force of the Agreement (Article 34, paragraph 3). The financial services section ensures that EFTA banks and insurance companies will be authorised to operate and establish directly on the Mexican territory on equal terms with financial service suppliers from Mexico's other preferential partners.

The Parties have committed to liberalise substantially all trade and service sectors within a timeframe of 10 years, in conformity with Article V of the GATS.

The investment section (Section V, Articles 45 to 49) mainly provides for the liberalisation and protection of certain payments and transfers related to foreign direct investment (Article 46), and for investment promotion between the Parties (Article 47). The investment section is subject to a general review clause (Article 49).

## **COMPETITION**

Regarding competition (Chapter IV, Article 51 to 55), the agreement includes provisions on co-operation and exchange of information with the aim of ensuring and facilitating the enforcement of the Parties' respective competition laws.

## **GOVERNMENT PROCUREMENT**

The Chapter on government procurement (Chapter V, Articles 56 to 68) is the most comprehensive concluded by the EFTA States in this field with any third country.

The EFTA States and Mexico grant each other non-discriminatory access to procurement markets for goods, services and public works at the central government level (Annex XII, section 1) and for entities operating in the fields of drinking water, electricity, urban transport, airports and ports (Annex XII, section 2).

Mexico will provide access to EFTA suppliers under the same conditions as for suppliers from the European Union, United States or Canada. In return, the EFTA States will grant similar access as under the WTO Government Procurement Agreement (GPA), excluding the sub-central level.

## **INTELLECTUAL PROPERTY**

The Chapter on protection of intellectual property rights (Chapter VI, Article 69 and Annex XXI) covers, inter alia, patents, trademarks and copyright and geographical indications.

The level of protection in certain areas goes beyond what is stipulated under the WTO Agreement on Trade Related aspects of Intellectual Property, taking into account the principles of most favoured nation treatment and of national treatment.

The Agreement contains provisions regarding geographical indications.

## **INSTITUTIONAL PROVISIONS**

The Agreement establishes a Joint Committee (Article 70) which supervises and administers the Agreement. Information exchanges and consultations can take place in the Joint Committee. The Joint Committee also takes decisions in cases provided for by the Agreement or makes recommendations. The Joint Committee is further to keep under review the removal of further barriers to trade between the EFTA States and further elaboration of the Agreement.

## **DISPUTE SETTLEMENT**

A separate Chapter on dispute settlement (Chapter VIII, Articles 71 to 78) aims at ensuring effective dispute settlement and implementation of the provisions of the Agreement.

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