


The main advantages of the trade pillar of the modernised EU-Mexico Global Agreement

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VDMA supports the rapid entry into force of the trade pillar of the modernised EU-Mexico Global Agreement for the following main reasons:

- **Modern Rules of Origin**

An important advantage for the mechanical engineering industry is the adaptation of outdated Rules of Origin: the old agreement already includes duty-free trade in machinery, but the permissible proportion of non-EU preliminary materials in the machinery sector is generally 30%. The modernised Agreement provides that the permissible third country share will be increased to 45 - 50%. This is a response to a long-standing demand of the VDMA. In the future, only an origin declaration by a "Registered Exporter (REX)" will serve as proof of origin.

- **Easier customs procedures**

The modernised Agreement also has a section on rules on easier customs procedures. They will streamline the customs procedures, they will lay down common standards and they will make sure that there is more transparency in relation to customs legislation, decisions and administrative policies. This will be beneficial for the exports of machinery to Mexico.

- **More opportunities in the field of public procurement**

The Agreement opens-up the public procurement market of Mexico for EU companies. Companies from the EU will be placed on an equal footing with companies from Mexico, irrespective of whether they present a bid in Mexico or in the EU. Moreover, Mexico offers for the first time in a trade agreement sub-central access (e.g. Mexico City and Veracruz) for EU bidders.

- **Reduction of technical barriers to trade**

The Agreement promotes transparency and the use of international standards (ISO/IEC/ITU) to facilitate market access for our member companies. It should be expressly pointed out, however, that the conformity assessment procedures are not to be harmonized on both sides and therefore no mutual recognition of the respective conformity assessment results (e.g. in the form of a manufacturer's self-declaration) is provided for. The "one standard, one test - accepted everywhere" demanded by VDMA has therefore not been realised.

On the other hand, conformity assessment bodies located in the EU are allowed to test products for conformity with Mexican technical regulations if they are accredited by a Mexican accreditation body. This makes it easier for EU companies to demonstrate that their products conform with Mexican standards and regulations.

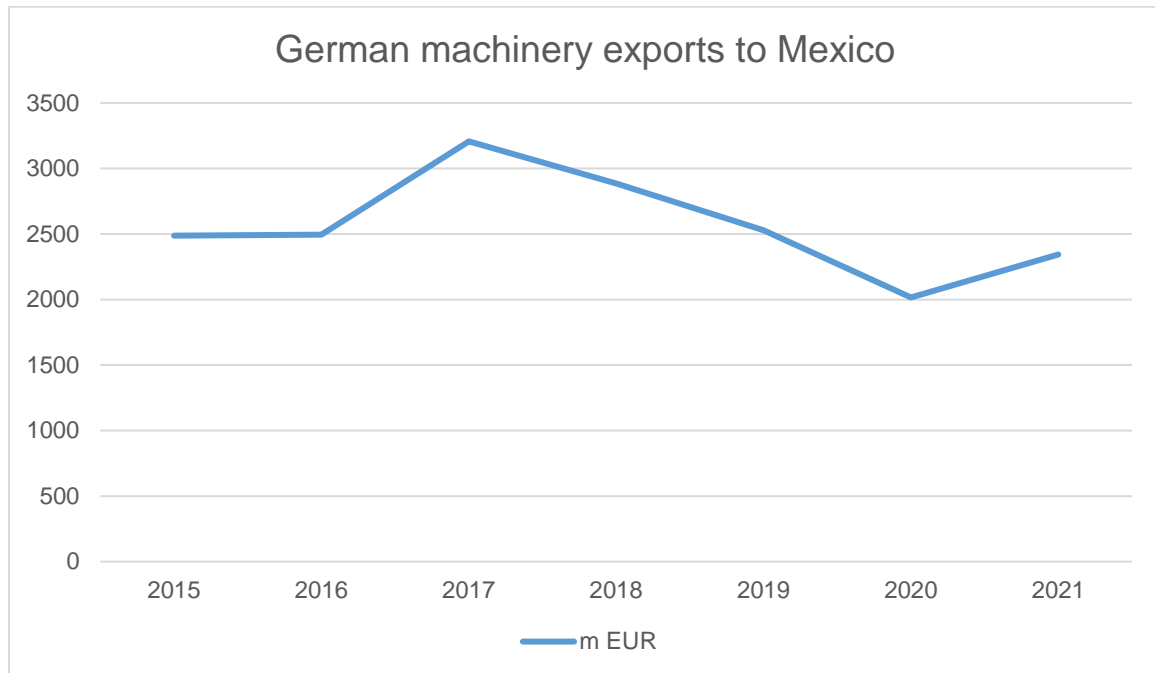
- **Level playing field in subsidies and State-owned Enterprises**

The Agreement acknowledges as well that certain subsidies can hinder competition and trade. Therefore, the Agreement mentions that export subsidies are banned and the Agreement consists of provisions to limit the potential negative effects of other subsidies. For example, a company can warn its Government about subsidies, that affect their business. If the subsidy's negative effect is confirmed, the EU and Mexico will try to find a satisfactory solution.

Furthermore, the EU and Mexico agreed on rules to ensure that private companies can compete on a level playing field with State-owned Enterprises.

- **Fulfilment of geo-political interests**

The Agreement can be described as a strategically important and economically beneficial agreement in Latin America, that comes at a crucial time in the Covid-19 recovery and in the increasing active role of China in the region. Moreover, there are close cultural and historical ties between Mexico and the EU.



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