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2017/0020 (NLE)

Proposal for a

COUNCIL DECISION

on the position to be adopted on behalf of the European Union within the EU-Mexico Joint Committee relating to amendments to Annex III to Decision No 2/2000 of the EC-Mexico Joint Council of 23 March 2000, concerning the definition of the concept of originating products and methods of administrative cooperation

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

- **Reasons for and objectives of the proposal**

The Economic Partnership, Political Coordination and Cooperation Agreement between the European Community and its Member States, of the one part, and the United Mexican States, of the other part, was signed in Brussels on 8 December 1997. The trade liberalisation provisions were laid down in Decision No 2/2000 of the EC-Mexico Joint Council established by the Agreement (hereinafter "Decision No 2/2000").

Annex III to Decision No 2/2000 of the EC-Mexico Joint Council, concerning the definition of the concept of 'originating products' and methods of administrative cooperation, sets out the rules of origin for the products originating in the territory of the Parties to the Agreement.

The European Union has in place a customs union with the Principality of Andorra, for products falling within Chapters 25 to 97 of the Harmonized System, and the Republic of San Marino, for all products. By virtue of this customs union goods originating in Mexico benefit from preferential treatment under the EU-Mexico Agreement when entering Andorra and San Marino.

It was agreed that Mexico will now accept products falling within Chapters 25 to 97 of the Harmonized System originating in the Principality of Andorra and products originating in the Republic of San Marino as originating in the EU within the meaning of Annex III to Decision No 2/2000.

It was agreed with Mexico that Decision No 1/2017 of the EU-Mexico Joint Committee should be amended to make permanent the product specific rules for chemicals in heading 2914 and 2915 of the Harmonised System contained in this Decision. This is in line with the approach of the on-going modernisation of the EU-Mexico Agreement as regards product specific rules of origin.

- **Consistency with existing policy provisions in the policy area**

In free trade agreements between the European Union and third countries reciprocity is granted to Andorra and San Marino allowing products originating in these countries to be treated as if they originate in the European Union. This reciprocity is now extended to Mexico.

- **Consistency with other Union policies**

Not applicable.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

- **Legal basis**

As the proposal relates to the commercial policy of the European Union the appropriate legal basis is Article 207(4) first subparagraph in conjunction with Article 218(9) of the Treaty on the Functioning of the European Union.

- **Subsidiarity (for non-exclusive competence)**

The proposal falls under the exclusive competence of the European Union. The subsidiarity principle therefore does not apply.

- **Proportionality**

The proposal does not go beyond what is necessary or appropriate to achieve the expected outcomes.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Stakeholder consultations**

Not relevant. This proposal introduces amendments to update a previous text.

- **Impact assessment**

This proposal introduces amendments to an existing bilateral trade agreement. There are no other options to be considered.

4. BUDGETARY IMPLICATIONS

The potential budgetary effect is a loss of own resources from customs duties of approximately EUR 5 million per year.

5. OTHER ELEMENTS

None.

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 207 in conjunction with Article 218(9)¹ thereof,

Having regard to the proposal from the European Commission,

Whereas:

- (1) Annex III to Decision No 2/2000 of the EC-Mexico Joint Council of 23 March 2000² sets out the rules of origin for the products originating in the territory of the Parties to the Agreement. Article 38 allows the EU-Mexico Joint Committee to amend Annex III to Decision No 2/2000.
- (2) The European Union has in place a customs union with the Principality of Andorra for products falling within Chapters 25 to 97 of the Harmonized System and with the Republic of San Marino for Chapters 1 to 97 of the Harmonized System. This customs union allows goods originating in Mexico to benefit from preferential treatment under Decision No 2/2000 also when exported to Andorra and San Marino.
- (3) It has been agreed that Mexico will accept products falling within Chapters 25 to 97 of the Harmonized System originating in the Principality of Andorra and products falling within Chapters 1 to 97 of the Harmonised System originating in the Republic of San Marino as products originating in the EU within the meaning of Annex III to Decision No 2/2000.
- (4) A new Appendix VI to Annex III to Decision No 2/2000 should be added to allow those products to be treated, when imported to Mexico, in a similar way to products originating in the Union, and to lay down provisions regarding the application of Annex III to those products.
- (5) Joint Declaration V³ to Decision No 2/2000 of the EC-Mexico Joint Council⁴ established by the Economic Partnership, Political Coordination and Cooperation Agreement between the European Community and its Member States, of the one part, and the United Mexican States, of the other part, signed in Brussels on 8 December 1997⁵ provides that the EU – Mexico Joint Committee established by that agreement is to review the necessity to extend beyond 30 June 2003 the application of the rules of

¹ OJ C 326, 26.10.2012, p. 146

² OJ L 157, 30.06.2000, p. 10

³ OJ L 245, 29.9.2000, p.1167.

⁴ OJ L 245, 29.9.2000, p.1, cf. OJ L 157, 30.6.2000, p.10

⁵ OJ L 276, 28.10.2000, p. 45.

origin set out in Notes 2 and 3 of Appendix II(a) to Annex III to Decision No 2/2000. That review concerns the product specific rules in Appendix II to Annex III to Decision No 2/2000 for certain chemical products under the Harmonised System headings 2914 and 2915.

- (6) On XX/XX/2017 the Joint Committee adopted Decision No 1/2017 which extends the application of the product specific rules of origin for chemical products in Harmonised System headings 2914 and 2915 for the fourth time. Decision No 1/2017 applies until 31 December 2019.
- (7) It is considered appropriate to extend on a permanent basis the application of the product specific rules of origin established in Annex I to Decision No 1/2017 because they are in line with the principles of the modernisation of the agreement between Mexico and the European Union.

HAS ADOPTED THIS DECISION:

Article 1

1. The position to be adopted on behalf of the Union within the European Union-Mexico Joint Committee regarding amendments to Decision No 2/2000 of the EC-Mexico Joint Council and Decision No 1/2017 of the EU-Mexico Joint Committee shall be based on the draft Decision of the European Union-Mexico Joint Committee attached to this Decision.

2. The representatives of the Union in the European Union-Mexico Joint Committee may agree to minor changes to the draft Decision of the European Union-Mexico Joint Committee referred to in paragraph 1 without further decision of the Council.

Article 2

After its adoption, the Decision of the European Union-Mexico Joint Committee regarding amendments to Annex III to Decision No 2/2000 of the EC-Mexico Joint Council of 23 March 2000 shall be published in the *Official Journal of the European Union*.

Done at Brussels,

For the Council
The President

LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

- 1.1. Title of the proposal/initiative
- 1.2. Policy area(s) concerned in the ABM/ABB structure
- 1.3. Nature of the proposal/initiative
- 1.4. Objective(s)
- 1.5. Grounds for the proposal/initiative
- 1.6. Duration and financial impact
- 1.7. Management mode(s) planned

2. MANAGEMENT MEASURES

- 2.1. Monitoring and reporting rules
- 2.2. Management and control system
- 2.3. Measures to prevent fraud and irregularities

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

- 3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected
- 3.2. Estimated impact on expenditure
 - 3.2.1. *Summary of estimated impact on expenditure*
 - 3.2.2. *Estimated impact on operational appropriations*
 - 3.2.3. *Estimated impact on appropriations of an administrative nature*
 - 3.2.4. *Compatibility with the current multiannual financial framework*
 - 3.2.5. *Third-party contributions*
- 3.3. Estimated impact on revenue

LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Council Decision on the position to be adopted on behalf of the European Union within the EU-Mexico Joint Committee relating to amendments to Annex III to Decision No 2/2000 of the EC-Mexico Joint Council of 23 March 2000, concerning the definition of the concept of originating products and methods of administrative cooperation

1.2. Policy area(s) concerned in the ABM/ABB structure⁶

Revenue line: Chapter 12 (Customs duties and other duties referred to in Article 2(1)(a) of Decision 2007/436/EC, EURATOM)
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1.3. Nature of the proposal/initiative

- The proposal/initiative relates to **a new action**
- The proposal/initiative relates to **a new action following a pilot project/preparatory action⁷**
- The proposal/initiative relates to **the extension of an existing action**
- The proposal/initiative relates to **an action redirected towards a new action**

1.4. Objective(s)

1.4.1. *The Commission's multiannual strategic objective(s) targeted by the proposal/initiative*

Not applicable

1.4.2. *Specific objective(s) and ABM/ABB activity(ies) concerned*

<u>Specific objective No</u> Not applicable <u>ABM/ABB activity(ies) concerned</u> Customs duties
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⁶ ABM: activity-based management; ABB: activity-based budgeting.

⁷ As referred to in Article 54(2)(a) or (b) of the Financial Regulation.

1.4.3. *Expected result(s) and impact*

Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.

Trade in those chemical products under HS (harmonised System) 2914 and 2915, for which the product specific rules on origin will be made permanent, will not decrease between Mexico and the EU.

1.4.4. *Indicators of results and impact*

Specify the indicators for monitoring implementation of the proposal/initiative.

Not applicable

1.5. Grounds for the proposal/initiative

1.5.1. *Requirement(s) to be met in the short or long term*

Not applicable

1.5.2. *Added value of EU involvement*

The proposal falls under the exclusive competence of the European Union.

1.5.3. *Lessons learned from similar experiences in the past*

Not applicable

1.5.4. *Compatibility and possible synergy with other appropriate instruments*

Not applicable

1.6. Duration and financial impact

- Proposal/initiative of **limited duration**
 - Proposal/initiative in effect from [DD/MM]YYYY to [DD/MM]YYYY
 - Financial impact from YYYY to YYYY
- Proposal/initiative of **unlimited duration**
 - Implementation with a start-up period from 01/01/2020
 - followed by full-scale operation.

1.7. Management mode(s) planned⁸

- Direct management** by the Commission
 - by its departments, including by its staff in the Union delegations;
 - by the executive agencies
- Shared management** with the Member States
- Indirect management** by entrusting budget implementation tasks to:
 - third countries or the bodies they have designated;
 - international organisations and their agencies (to be specified);
 - the EIB and the European Investment Fund;
 - bodies referred to in Articles 208 and 209 of the Financial Regulation;
 - public law bodies;
 - bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees;
 - bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that provide adequate financial guarantees;
 - persons entrusted with the implementation of specific actions in the CFSP pursuant to Title V of the TEU, and identified in the relevant basic act.
 - *If more than one management mode is indicated, please provide details in the 'Comments' section.*

Comments

Not applicable

⁸ Details of management modes and references to the Financial Regulation may be found on the BudgWeb site: http://www.cc.cec/budg/man/budgmanag/budgmanag_en.html

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

Specify frequency and conditions.

Not applicable

2.2. Management and control system

2.2.1. Risk(s) identified

Not applicable

2.2.2. Information concerning the internal control system set up

Not applicable

2.2.3. Estimate of the costs and benefits of the controls and assessment of the expected level of risk of error

Not applicable

2.3. Measures to prevent fraud and irregularities

Specify existing or envisaged prevention and protection measures.

Not applicable

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

Not applicable

3.2. Estimated impact on expenditure

3.2.1. Summary of estimated impact on expenditure

Not applicable

3.2.2. Estimated impact on operational appropriations

- The proposal/initiative does not require the use of operational appropriations
- The proposal/initiative requires the use of operational appropriations, as explained below:

3.2.3. *Estimated impact on appropriations of an administrative nature*

3.2.3.1. Summary

- The proposal/initiative does not require the use of appropriations of an administrative nature
- The proposal/initiative requires the use of appropriations of an administrative nature, as explained below:

3.2.3.2. Estimated requirements of human resources

- The proposal/initiative does not require the use of human resources.
- The proposal/initiative requires the use of human resources, as explained below:

3.2.4. *Compatibility with the current multiannual financial framework*

- The proposal/initiative is compatible the current multiannual financial framework.
- The proposal/initiative will entail reprogramming of the relevant heading in the multiannual financial framework.

Explain what reprogramming is required, specifying the budget lines concerned and the corresponding amounts.

Not applicable

- The proposal/initiative requires application of the flexibility instrument or revision of the multiannual financial framework.

Explain what is required, specifying the headings and budget lines concerned and the corresponding amounts.

Not applicable

3.2.5. *Third-party contributions*

- The proposal/initiative does not provide for co-financing by third parties.

3.3. Estimated impact on revenue

- The proposal/initiative has no financial impact on revenue.
- The proposal/initiative has the following financial impact:
 - on own resources
 - on miscellaneous revenue

EUR million (to three decimal places)

Budget revenue line:	Appropriations available for the current financial year	Impact of the proposal/initiative ⁹					The proposal has no end date		
		Year N	Year N+1	Year N+2	Year N+3				
Article 120	20 000 500 000	-5	-5	-5	-5				

For miscellaneous 'assigned' revenue, specify the budget expenditure line(s) affected.

Not applicable

Specify the method for calculating the impact on revenue.

Certain chemical products in HS 2914 and 2915 imported from Mexico have a preferential duty rate of 0% through a temporary derogation which ends on 31 December 2019. The MFN rate of 5.5%, which would have been applicable as from 1 January 2020, is forgone on these chemical products by making the derogation permanent.

⁹

As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 25 % for collection costs.