



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 31.1.2007
COM(2007) 38 final

2007/0011 (ACC)

Proposal for a

COUNCIL DECISION

on a Community position within the EU – Mexico Joint Committee

relating to Annex III to Decision No 2/2000 of the EU-Mexico Joint Council of 23 March 2000, concerning the definition of the concept of 'originating products' and methods of administrative cooperation

(presented by the Commission)

EXPLANATORY MEMORANDUM

1) CONTEXT OF THE PROPOSAL

- **Grounds 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 EU-Mexico Joint Council established by the Agreement (hereinafter "Decision No 2/2000").

Annex III to Decision No 2/2000 of the EU-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.

Mexico and the Community have agreed to introduce certain amendments to the rules of origin contained in Annex III to Decision No 2/2000.

- **General context**

Some of the rules of origin contained in Annex III to Decision No 2/2000 were originally agreed on a temporary basis and require regular monitoring. This is the case in particular for the special rules applying to certain chemical products of HS (Harmonized System) headings 2914 and 2915 and those applying to hides and skins and leather products of HS headings 4104 and 4107.

The temporary derogation for chemical products was initially agreed until 30 June 2003. This period was subsequently extended until 30 June 2006. It is now proposed to extend the period of application of these special rules for another three years, i.e. until 30 June 2009.

The temporary derogation for hides and skins and leather products was initially agreed until 31 December 2002, linked to the likely conclusion of the ongoing round of WTO negotiations. This period was subsequently extended until 31 December 2004. It is now proposed to further extend the period of application of these special rules until conclusion of the WTO negotiations.

Annex III to Decision No 2/2000 lays down annual quotas for Community exports to Mexico of certain textiles and footwear products under application of special rules of origin. Those 'origin quotas' concern textiles products of HS headings 5208 to 5212, 5407 and 5408, 5512 to 5516, 5801, 5806 and 5811 and footwear products of HS headings 6402, 6403 and 6404.

Annex III to Decision No 2/2000 provides that those textiles and footwear annual quotas should be allocated by Mexico through auction. In both cases the Agreement provides for a review of the quotas, in 2003 in the case of textiles and in 2004 in the

case of footwear. The quotas' utilisation rate has been consistently very low, which the Community perceives as being the result of a burdensome quota management method applied by Mexico. It is now proposed to change the management method of these 'origin quotas' from the present auction system to a "first come, first served" basis.

The specific rule of origin set out in Annex III to Decision No 2/2000 for cereal products of HS heading 1904 does not allow the use of non-originating *Zea indurata* maize in the manufacture of products of this heading. This particular type of maize, which is required for the manufacture of certain products, namely corn flakes, is however not available within the preferential area. It is now proposed to introduce an exception allowing the use of non-originating *Zea indurata* maize.

The specific rule of origin set out in Annex III to Decision No 2/2000 for unwrought aluminium of HS heading 7601 describes the working or processing required for the acquisition of origin in a restrictive way, leaving out the most commonly used manufacturing process. It is now proposed to include an alternative rule which broadens the scope of the working or processing enabling the acquisition of origin.

- **Existing provisions in the area of the proposal**

There are no existing provisions in the area of the proposal.

- **Consistency with the other policies and objectives of the Union**

Not applicable.

2) CONSULTATION OF INTERESTED PARTIES AND IMPACT ASSESSMENT

- **Consultation of interested parties**

Not relevant.

This proposal introduces amendments to a previous text.

- **Collection and use of expertise**

There was no need for external expertise.

- **Impact assessment**

Not relevant. This proposal introduces amendments to an existing bilateral trade agreement. There are no other options to be considered.

Not relevant. For the reasons given above there are no other options to be considered.

3) LEGAL ELEMENTS OF THE PROPOSAL

- **Summary of the proposed action**

The Council is asked to adopt a Community position on a draft Decision of the European Union - Mexico Joint Committee introducing amendments to the rules of origin contained in Annex III to Decision No 2/2000 of the EU-Mexico Joint Council,

concerning the definition of the concept of 'originating products' and methods of administrative cooperation.

- **Legal basis**

Article 38 of Annex III to Decision No 2/2000 of the EU-Mexico Joint Council empowers the Joint Committee to amend this Annex.

- **Subsidiarity principle**

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

- **Proportionality principle**

The proposal complies with the proportionality principle for the following reason(s).

Not relevant

Not relevant

- **Choice of instruments**

Proposed instruments: other.

Other means would not be adequate for the following reason(s).

Decision of the EU - Mexico Joint Committee

4) **BUDGETARY IMPLICATION**

The proposal has no implication for the Community budget.

Proposal for a

COUNCIL DECISION

on a Community position within the EU – Mexico Joint Committee

relating to Annex III to Decision No 2/2000 of the EU-Mexico Joint Council of 23 March 2000, concerning the definition of the concept of 'originating products' and methods of administrative cooperation

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 133 thereof,

Having regard to the proposal from the Commission,

Whereas:

- (1) 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 1997¹. The trade liberalisation provisions were laid down in Decision No 2/2000 of the EU-Mexico Joint Council established by the Agreement (hereinafter "Decision No 2/2000")².
- (2) Annex III to Decision No 2/2000 of the EU-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.
- (3) Article 38 of Annex III to Decision No 2/2000 provides that the Joint Committee may amend this Annex.
- (4) Mexico and the Community have agreed to introduce certain amendments to the rules of origin contained in Annex III to Decision No 2/2000,

¹ OJ L 276, 28.10.2000, p. 45.

² OJ L 157, 30.6.2000, p. 10 and OJ L 245, 29.9.2000, p. 1 (Annexes). Decision as last amended by Decision No 1/2004 of the European Union - Mexico Joint Committee (OJ L 113, 20.4.2004, p. 60).

HAS DECIDED AS FOLLOWS:

Sole Article

The position to be adopted by the Community within the EU – Mexico Joint Committee relating to Annex III to Decision No 2/2000 of the EU-Mexico Joint Council of 23 March 2000, concerning the definition of the concept of 'originating products' and methods of administrative cooperation, is that set out in the attached draft Decision of the Joint Committee.

Done at Brussels,

*For the Council
The President*

DRAFT

**DECISION No .../2007 OF THE EUROPEAN UNION - MEXICO JOINT
COMMITTEE**

of ... 2007

**relating to Annex III to Decision No 2/2000 of the EU-Mexico Joint Council of 23 March
2000, concerning the definition of the concept of 'originating products' and methods of
administrative cooperation**

THE JOINT COMMITTEE,

Having regard to Decision No 2/2000 of the EU-Mexico Joint Council of 23 March 2000³ (hereinafter "Decision No 2/2000"), and in particular its Annex III concerning the definition of the concept of 'originating products' and methods of administrative cooperation;

Whereas:

- (1) Annex III to Decision No 2/2000 sets out the rules of origin for the products originating in the territory of the Parties to the Agreement.
- (2) According to Joint Declaration V to Decision No 2/2000, the Joint Committee shall review the necessity to extend beyond 30 June 2003 the application of the rules established in Notes 2 and 3 of Appendix II(a), if the economic conditions which formed the basis for establishing the rules set out in those Notes continue. On 22 March 2004 the Joint Committee adopted Decision No 1/2004 of the EU-Mexico Joint Committee⁴ extending the application of the rules of origin established in Notes 2 and 3 of Appendix II(a) to Annex III to Decision No 2/2000 until 30 June 2006.
- (3) It is considered appropriate to extend once again, on a temporary basis, the application of the rules of origin established in Notes 2 and 3 of Appendix II(a) to Annex III to Decision No 2/2000, thereby ensuring the continuity of application of the mutual advantages provided for under that Decision.
- (4) According to Joint Declaration VI to Decision No 2/2000, the Joint Committee shall extend beyond 31 December 2002 the rules of origin established in Note 4 of Appendix II(a) to Annex III to Decision No 2/2000 until the current round of multilateral negotiations within the World Trade Organisation (WTO) has finished.

³ OJ L 157, 30.6.2000, p. 10 and OJ L 245, 29.9.2000, p. 1 (Annexes). Decision as last amended by Decision No 1/2004 of the European Union - Mexico Joint Committee (OJ L 113, 20.4.2004, p. 60).

⁴ OJ L 113, 20.4.2004, p. 60.

- (5) By Decision No 1/2002 of the EU-Mexico Joint Committee of 20 December 2002⁵, the application of the rules of origin established in Note 4 of Appendix II(a) to Annex III to Decision No 2/2000 was extended until 31 December 2004. The WTO negotiations have not been concluded to date and it is thus necessary to extend once again the application of these rules of origin, thereby ensuring the continuity of application of the mutual advantages provided for under Decision No 2/2000.
- (6) The management method currently used to allocate the annual quotas set out in Appendix II to Annex III to Decision No 2/2000 for products classified in HS (Harmonised System) headings 5208 to 5212, 5407 and 5408, 5512 to 5516, 5801, 5806 and 5811 exported from the Community to Mexico should be changed from the present auction system to a "first come, first served" basis in order to simplify access to such quotas and bring about a higher utilisation rate.
- (7) The management method currently used to allocate the annual quotas set out in Note 9 of Appendix II(a) to Annex III to Decision No 2/2000 for products classified in HS headings 6402 to 6404 exported from the Community to Mexico should be changed from the present auction system to a "first come, first served" basis in order to simplify access to such quotas and bring about a higher utilisation rate.
- (8) The rule of origin set out in Appendix II to Annex III to Decision No 2/2000 for products classified in HS heading 1904 should be amended to allow the use of non-originating *Zea indurata* maize in the manufacture of products of this heading.
- (9) The rule of origin set out in Appendix II to Annex III to Decision No 2/2000 for products classified in HS heading 7601 should be amended to allow the acquisition of origin through different manufacturing processes,

HAS DECIDED AS FOLLOWS

Article 1

The rules of origin set out in Notes 2 and 3 of Appendix II(a) to Annex III to Decision No 2/2000 shall apply until 30 June 2009 instead of the rules of origin set out in Appendix II to Annex III to that Decision.

Article 2

The rules of origin set out in Note 4 of Appendix II(a) to Annex III to Decision No 2/2000 shall apply until the conclusion of the present round of WTO negotiations instead of the rules of origin set out in Appendix II to Annex III to that Decision.

Article 3

1. The text of the footnotes in Appendix II to Annex III to Decision No 2/2000 referring to products classified in HS headings 5208 to 5212, 5407 and 5408, 5512 to 5516,

⁵ OJ L 44, 18.2.2003, p. 97.

5801, 5806 and 5811 shall be replaced by the text contained in Annex I to this Decision.

2. A new Note 13 shall be added to Appendix II(a) to Annex III to Decision No 2/2000, the text of which is contained in Annex I to this Decision.

Article 4

The text of Note 9 of Appendix II(a) to Annex III to Decision No 2/2000 shall be replaced by the text contained in Annex II to this Decision.

Article 5

The rule of origin set out in Appendix II to Annex III to Decision No 2/2000 for products classified in HS heading 1904 shall be replaced by the text contained in Annex III to this Decision.

Article 6

The rule of origin set out in Appendix II to Annex III to Decision No 2/2000 for products classified in HS heading 7601 shall be replaced by the text contained in Annex IV to this Decision.

Article 7

This Decision shall enter into force on the date the Parties exchange written notifications certifying the completion of their respective legal procedures.

Article 1 shall apply from 1 July 2006.

Article 2 shall apply from 1 January 2005.

Done at Brussels,

*For the Joint Committee
The President*

ANNEX

ANNEX I

(Referred in Article 3)

**TEXT OF THE FOOTNOTES IN APPENDIX II TO ANNEX III TO DECISION NO 2/2000
REFERRING TO PRODUCTS CLASSIFIED IN HS HEADINGS 5208 TO 5212, 5407 AND 5408,
5512 TO 5516, 5801, 5806 AND 5811**

FOOTNOTE TO HS HEADINGS 5208 TO 5212

The printing rule shall apply only to exports from the EC to Mexico for an aggregate annual quota of 2 000 000 m². This quota will be allocated on a "first come, first served" basis by Mexico. See Note 13 to Appendix II(a).

FOOTNOTE TO HS HEADINGS 5407 AND 5408

The printing rule shall apply only to exports from the EC to Mexico for an aggregate annual quota of 3 500 000 m². This quota will be allocated on a "first come, first served" basis by Mexico. See Note 13 to Appendix II(a).

FOOTNOTE TO HS HEADINGS 5512 TO 5516

The printing rule shall apply only to exports from the EC to Mexico for an aggregate annual quota of 2 000 000 m². This quota will be allocated on a "first come, first served" basis by Mexico. See Note 13 to Appendix II(a).

FOOTNOTE TO HS HEADINGS 5801, 5806 AND 5811

For HS headings 5801, 5806 and 5811, the printing rule shall apply only to exports from the EC to Mexico for an aggregate annual quota of 500 000 m². This quota will be allocated on a "first come, first served" basis by Mexico. See Note 13 to Appendix II(a).

TEXT OF NOTE 13 OF APPENDIX II(A) TO ANNEX III TO DECISION NO 2/2000

Note 13

Mexico shall allocate the benefit of the annual quotas set out in Appendix II for products classified in HS headings 5208 to 5212, 5407 and 5408, 5512 to 5516, 5801, 5806 and 5811 on a "first come, first served" basis.

The Joint Committee shall review in 2009 the annual quotas to adjust them in the light of the experience in managing them and the bilateral trade flows.

ANNEX II
(Referred in Article 4)

TEXT OF NOTE 9 OF APPENDIX II(A) TO ANNEX III TO DECISION No 2/2000

Note 9

For HS headings 6402, 6403 and 6404:

HS heading	Description of product	Working or processing carried out on non-originating materials that confers originating status	
(1)	(2)	(3)	or (4)
6402 to 6404	Footwear of plastics, leather and textiles	Manufacture from materials of any heading, except from assemblies of uppers affixed to inner soles or to other sole components of heading 6406	

This rule shall confer origin only to goods exported by the EC to Mexico within the following annual quotas for each heading:

6402	120 000 pairs
6403, only for pairs with a customs value over USD 20	250 000 (women's pairs) 250 000 (men's pairs) 125 000 (children's pairs)
6404	120 000 pairs

Mexico shall allocate the benefit of these annual quotas on a "first come, first served" basis.

The Joint Committee shall review in 2009 the conditions established in this Note to adjust it in the light of the quota management experience with a view to allowing effective use of the trading opportunities offered.

ANNEX III
(Referred in Article 5)

**RULE OF ORIGIN SET OUT IN APPENDIX II TO ANNEX III TO DECISION NO 2/2000
FOR PRODUCTS CLASSIFIED IN HS HEADING 1904**

HS heading	Description of product	Working or processing carried out on non-originating materials that confers originating status	
(1)	(2)	(3)	or (4)
1904	Prepared foods obtained by the swelling or roasting of cereals or cereal products (for example, corn flakes); cereals (other than maize (corn)) in grain form or in the form of flakes or other worked grains (except flour, groats and meal); precooked, or otherwise prepared, not elsewhere specified or included	Manufacture: – from materials not classified within heading 1806, – in which all the cereals and flour (except durum wheat and <i>Zea indurata</i> maize, and their derivatives) used must be wholly obtained, – in which the value of any materials of Chapter 17 used does not exceed 30 % of the ex-works price of the product	

ANNEX IV
(Referred in Article 6)

**RULE OF ORIGIN SET OUT IN APPENDIX II TO ANNEX III TO DECISION NO 2/2000
FOR PRODUCTS CLASSIFIED IN HS HEADING 7601**

HS heading	Description of product	Working or processing carried out on non-originating materials that confers originating status	
(1)	(2)	(3)	or (4)
7601	Unwrought aluminium	Manufacture: – from materials of any heading, except that of the product, and – in which the value of all the materials used does not exceed 50 % of the ex-works price of the product or Manufacture by thermal or electrolytic treatment from unalloyed aluminium or waste and scrap of aluminium	