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PROPOSAL

From: Secretary-General of the European Commission,
signed by Mr Jordi AYET PUIGARNAU, Director

date of receipt: 8 February 2017

To: Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of
the European Union

No. Cion doc.: COM(2017) 65 final

Subject: 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.

Delegations will find attached document COM(2017) 65 final.

Encl.: COM(2017) 65 final



Brussels, 8.2.2017
COM(2017) 65 final

2017/0021 (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 list of working or processing required to be carried out on non-originating materials in order that the product manufactured can obtain originating status, the "product specific rules", is contained in Appendix II of Annex III to Decision No 2/2000.

A derogation to the product specific rules was contained in Notes 2 and 3 of Appendix IIa of Annex III to Decision No 2/2000 for certain chemical products in the Harmonised System (HS) under headings 2914 and 2915. This derogation applied initially until 30 June 2003 and was then renewed three times; until 30 June 2006 by Decision No 1/2004 of the EU-Mexico Joint Committee, until 30 June 2009 by Decision No 1/2007 of the EU-Mexico Joint Committee and until 30 June 2014 by Decision No 1/2010 of the EU-Mexico Joint Committee. Thereafter the derogation lapsed.

Mexico and the European Union have agreed to reintroduce the product specific rules contained in the derogation in Notes 2 and 3 of Appendix IIa of Annex III to Decision No 2/2000 retroactively as from 1 July 2014 and limited in time until 31 December 2019. Moreover, Mexico and the European Union have agreed upon some modernised alternative product specific rules.

The application of the amendments to the product specific rules will be retrospective as from 1 July 2014 when the previous EU-Mexico Joint Committee Decision expired. To allow for that retroactive application, the delay for the presentation of the proof of origin by a movement certificate EUR.1 or an invoice declaration has been extended from 2 years to 3 years for the relevant chemical products entering the European Union between 1 July 2014 and 30 June 2015.

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

The amendments to the product specific rules for chemical products in HS headings 2914 and 2915 are in line with the modernisation of the EU-Mexico Agreement which aims to clarify and simplify the rules of origin.

- **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 (most particularly para 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.

- **Collection and use of expertise**

External expertise was sought from trade bodies which confirmed the benefits for simpler and more flexible product specific rules.

- **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 reduction 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) Joint Declaration V² to Decision No 2/2000 of the EC-Mexico Joint Council³ 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 1997⁴ provides that the EC–Mexico Joint Committee established by that agreement is to review the necessity to extend beyond 30 June 2003 the application of the rules of 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.
- (2) On 17 September 2010 the Joint Committee adopted Decision No 1/2010⁵ which extended the application of the rules of origin established in those Notes for the third time. Decision No 1/2010 applies until 30 June 2014.
- (3) It is considered appropriate to extend 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 with effect from 1 July 2014 until 31 December 2019 in line with the principles of the modernisation of the agreement between Mexico and the European Union to ensure continuity with future product specific rules.
- (4) Since the extension of 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 granted by Decision No

¹ OJ C 326, 26.10.2012, p. 146

² OJ L 245, 29.9.2000, p.1167.

³ OJ L 245, 29.9.2000, p.1, cf. OJ L 157, 30.6.2000, p.10

⁴ OJ L 276, 28.10.2000, p. 45.

⁵ OJ L 277, 21.10.2010, p. 30.

1/2010 expired on 30 June 2014, it is considered appropriate to apply the new extension retroactively, from 1 July 2014 in order avoid disruption in existing economic conditions.

- (5) For the purposes of the retroactive application, the time-limit for presentation of the proof of origin by way of a EUR.1 movement certificate or an invoice declaration should be extended from 2 years to 3 years for the relevant chemical products imported into the Union in the period from 1 July 2014 to 30 June 2015,

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 Annex III to Decision No 2/2000 of the EC-Mexico Joint Council of 23 March 2000 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 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

- 1.1. Title of the proposal
- 1.2. Policy area(s) concerned in the ABM/ABB structure
- 1.3. Nature of the proposal
- 1.4. Objective(s)
- 1.5. Grounds for the proposal
- 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)

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*

Specific objective No

Not applicable

ABM/ABB activity(ies) concerned

Customs duties

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 are changing, will increase 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 01/07/2014 to 31/12/2019
- Financial impact from YYYY to YYYY

Proposal/initiative of **unlimited duration**

- Implementation with a start-up period from YYYY to YYYY,
- 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

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

Not applicable

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

None identified

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						
		Year N	Year N+1	Year N+2	Year N+3	Year N+4	Year N+5	Total
Article 120	20 000 500 000	-2.5	-5	-5	-5	-5	-5	-27.5

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 pay duty at MFN (most favoured nation) of 5.5%. A change to the product specific rules of origin would allow the importation of those chemicals at a preferential duty rate of 0%.

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.