



COMMISSION OF THE EUROPEAN COMMUNITIES

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DECLASSIFIED PART

COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

NEGOTIATING GUIDELINES

For

TRADE LIBERALISATION

BETWEEN THE EUROPEAN COMMUNITY AND ITS MEMBER STATES AND THE
UNITED MEXICAN STATES

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EXPLANATORY MEMORANDUM

le 23 JUN 2009

1. INTRODUCTION

On 8 December 1997, the European Community and its Member States signed an "Economic Partnership, Political Co-ordination and Co-operation Agreement" (Global Agreement) with Mexico. On the same date, the European Community and Mexico also signed an "Interim Agreement on Trade and Trade-related Aspects" (Interim Agreement).

1.1. Background

The impetus towards a new agreement with Mexico to replace the existing framework cooperation agreement signed in 1991, can be traced back to in June 1994 when the European Council (Corfu) confirmed its intention to strengthen its political and economic relations with Mexico.

The Solemn Joint Declaration signed in Paris on 2 May 1995, reaffirmed at the highest political level the desire of the parties to conclude such an agreement. It included an undertaking to establish "a framework to encourage the development of trade in goods, services and investment, *inter alia* through progressive and reciprocal liberalisation, taking account of the sensitive nature of certain products and in accordance with the relevant WTO rules".

In October 1995, the Commission recommended to the Council the adoption of negotiating directives. In respect of trade, provision was made for the establishment of a "a framework to encourage the development of trade in goods, services and investment, including progressive and reciprocal liberalisation, taking account of the sensitive nature of certain products and in accordance with the relevant WTO rules".

In the course of the subsequent examination of the draft directives by the Council of Ministers, and at the request of the latter, the Commission carried out a study in line with the June 1995 Council & Commission conclusions on FTAs¹. The study presented to the Council in April 1996 showed an FTA to be *a priori* compatible with WTO rules, with the EC's common policies (notably the CAP) and with its commitments and relations with its principal trading partners.

A consensus on the negotiating directives was reached at the May 1996 General Affairs Council under the Italian Presidency on the basis of a single-stage agreement involving two phases providing for the creation of a joint body (Joint Council) with the power to

¹ Commission staff working paper: "A Free Trade Area between the EU and Mexico", SEC (96) 843 (henceforth referred to as "the 1996 FTA study").

take decisions on the future arrangements and calendar for trade liberalisation². The Council formally adopted the mandate in June 1996.

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On this basis, negotiations took place in Brussels on 10-12 June 1997. The results were initialled by the Commission and Mexico on 23 July.

1.2 Broad trade strategy with Mexico

Both in the context of and in parallel with the bilateral trade liberalisation with Mexico provided for in the Agreements signed in December 1997, the Community and Mexico will continue to exchange information regarding their implementation of multilateral commitments. Also in this context, trade liberalisation should also contribute to the promotion of internationally recognised labour standards.

The Community shall also endeavour to encourage Mexico to sign up to multilateral agreements such as the Information Technologies Agreement.

1.3. Content of the Agreements in respect of trade

In respect of trade, the Global Agreement establishes the clear overall objective of "a framework to encourage the development of trade in goods and services, including a bilateral and preferential, progressive and reciprocal liberalisation of trade in goods and services, taking into account the sensitive nature of certain products and service sectors and in accordance with the relevant WTO rules"³, in particular Article XXIV of the GATT in respect of goods and Article V of GATS in respect of services.

In addition to the preferential liberalisation of goods and services, the Agreement establishes the following objectives:

- (a) the opening up of respective public procurement markets,
- (b) the liberalisation of capital movements & payments,
- (c) the establishment of disciplines on competition and intellectual property.

In order to achieve these objectives, the Agreement establishes a Joint Council with the power to take decisions to implement the results of the negotiations.

The Interim Agreement incorporates all those trade and trade-related provisions contained in the Global Agreement with the exception of the preferential liberalisation of services, the liberalisation of capital movements & payments and certain aspects of intellectual property. It also establishes a Joint Council, creating a "fast-track" for the negotiation of

² Council Document 7592/96 dated 23 May 1996 "Relations with Mexico: Negotiating directives for a new agreement & Joint declaration on political dialogue between the EU and Mexico.

³ Article 4

the arrangements and calendar to achieve these objectives and to implement the results via the decisions provided for in the Agreement.

In addition and in order to achieve a global negotiated package covering both goods and services, a Joint Declaration signed at the same time as the Agreements was drawn up to provide for the parallel negotiation of those aspects covered by the Global Agreement but not included in the Interim Agreement.

1.4. Guidelines for Negotiation of Global Trade Liberalisation

In approving the more flexible interpretation of the mandate proposed by the Commission in March 1997, the Council stated that it would have to approve a further set of negotiating directives before the Commission could embark upon trade liberalisation negotiations. It also stated that it would pronounce itself on the results of the negotiations covering all those sectors foreseen by the 1996 directives, prior to the entry into force of the results of these negotiations in respect of the liberalisation of trade goods⁴. This was reiterated in a Council Declaration in July 1997 to which the Commission formally associated itself.⁵ Hence the inclusion of all trade aspects covered by the Agreements in these guidelines.

With the attached draft guidelines for negotiation, the Commission is responding to the Council's request, and presenting it with a more detailed proposal as regards the framework of future trade arrangements between the EU and Mexico on the basis of the agreements signed in December 1997.

1.5. Implementation of results of future trade negotiations

The results of future trade liberalisation negotiations with Mexico will be implemented via a series of decisions of the respective Joint Councils created by the Global & Interim Agreements. The decisions foreseen in the Global & Interim Agreements shall be approved by the respective Joint Councils of those agreements and "will have to be taken in accordance with the Parties' own procedures".⁶ This implies that prior to any formal Decision by the Joint Council, the Council, acting on behalf of the Community, and where appropriate the representatives of the Governments of the Member States, acting on their own behalf, will have to establish, in accordance with their respective powers, their positions with regard to the Decisions in question. The Community positions and where appropriate those of the Member States will be drawn up in the form of approval of the draft Decisions of the Joint Council. The Council will act on the basis of a Commission proposal.⁷

Once the Council of Ministers has pronounced itself on the results of the negotiations covering all sectors (goods and services), those decisions provided for under the Interim Agreement, such as the liberalisation of trade goods, may enter into force upon approval by the Joint Council established by that Agreement.

⁴ Council document 6718/97 of 3 April 1997

⁵ Council document 9941/97, 16 July 1997.

⁶ Negotiating Directives for a new agreement with Mexico 1996 (Council Doc. 7592/96) p.4

⁷ idem p.4 (footnote 1).

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Those decisions foreseen in the Global Agreement such as the liberalisation of trade in services may be taken once the relevant procedures required for the entry into force of the Global Agreement are fully completed and the Joint Council provided for therein is established.

Upon the entry into force of the Global Agreement, any Decisions adopted by the Joint Council of the Interim Agreement shall be deemed to have been adopted by the Joint Council of the Global Agreement. Consequently, the Interim Agreement shall cease to be applicable upon the entry into force of the Global Agreement⁸.

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2. TRADE WITH MEXICO: THE FACTS

	Imports		Exports		Total trade		Balance	
1990	3,0	-	3,9	-	6,8	-	0,9	-
1991	3,1	3,4	4,8	24,3	7,9	15,1	1,8	92,4
1992	2,9	3,9	5,7	18,5	8,7	9,8	2,8	57,1
1993	2,3	-20,6	5,9	2,8	8,2	-5,1	3,6	27,4
1994	2,6	12,7	6,8	15,4	9,4	14,6	4,2	17,2
1995	3,2	22,6	4,5	-33,7	7,7	-18,1	1,3	-69,2
1996	3,4	-3,6	5,1	13,8	8,2	6,6	2,0	57,5

Mexico is traditionally one of EU's most important trading partners in Latin America. Although the EU remains Mexico's most important trading partner after the USA, EU-Mexico trade has declined significantly in recent years. Despite a small recovery after the Peso crisis, both volume of trade and EU exports remain below 1992 levels. Between 1994 and 1996, the overall volume of EU-Mexico trade fell 12.3%.

Prior to 1994, trade with Mexico represented an average 18% of EU's total trade with Latin America. Since 1995 however, this proportion declined down to 12.3%. Over the same period, EU's trade with Latin America has risen by about 20%.

Source: EUROSTAT	Amount in M€ (1996)			percentage (1996)
	1994	1995	1996	
Industrial products & fish	1,832	2,416	2,283	85 %
Agricultural products	217	332	318	12 %
Other products	83	81	79	3 %
Total normal imports (Regime 1)	2,131	2,829	2,680	100%
Inward/Outward processing trade	492	386	454	
Total imports (Regime 4)	2,623	3,215	3,134	

⁸ Art 16 of Interim Agreement & Art 60 of Global Agreement

As the table above shows, Mexican exports to the EU increased by 19.5% between 1994 and 1996. In contrast, during the same period, EU exports decreased by 24.5% (see below).

EU EXPORTS TO MEXICO	Amount in MEUCU			Percentage (1996)
	1994	1995	1996	
Industrial products & fish	4,929	3,480	3,904	86 %
Agricultural products	326	224	313	7 %
Other products	379	225	323	7 %
Total normal imports (Regime 1)	5,634	3,928	4,539	100%
Inward/Outward processing trade	1,155	570	581	
Total exports (Regime 4)	6,789	4,498	5,121	

Although the EU still enjoys a trade surplus with Mexico, this has declined by 52% since 1994.

EU TRADE BALANCE WITH MEXICO	Amount in MEUCU		
	1994	1995	1996
Industrial products & fish	3,097	1,064	1,621
Agricultural products	109	-109	-5
Other products	296	144	244
Trade balance (Regime 1)	3,503	1,100	1,860
Inward/Outward processing trade	663	184	127
Total trade balance (Regime 4)	4,166	1,284	1,987

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3. INTEREST AND IMPACT OF A TRADE LIBERALISATION WITH MEXICO

3.1 Commission's working paper of 30 April 1996

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⁹ The following studies were presented by the Commission to the Council:

- "Conséquences de l'ouverture du marché de l'Union Européenne aux produits agro-alimentaires en provenance du Mexique".
- "The economical impact on the EU of a trade liberalisation agreement with Mexico" including: assessment of FTA effects on the EU economy ; cost & benefit analysis for EU agricultural sector; potential impact on third countries associated with the EU; rules of origin.

¹⁰ [1 footnote : EU RESTRICTED]

3.2 Council's request for additional information

In April 1997, the General Affairs Council updated the 1995 FTA conclusions calling for an assessment of the economic and political impact of future preferential agreements between the EC and third countries: "In considering any new proposal for preferential agreements, the Commission and the Council will thoroughly weigh the economic and political advantages against the disadvantages". These conclusions were approved during the European Council held in Amsterdam in June 1997.

They included the following new issues to be addressed:

- (1) Will the proposed agreement achieve identifiable offensive interests of the EU?
 - (2) What would be the political and other benefits of the proposed agreement?
 - (3) What will be the overall economic effect of the proposed agreement?
- Would the proposed agreement be likely to support the development of the multilateral trading system?

Although not included in the 1995 conclusions, the question of the overall economic effect was addressed by the Commission in Chapter 2 of its April 1996 working paper.

Prior to negotiation of the agreements with Mexico in June, the Council (113 Committee) asked the Commission to supplement its FTA study by addressing those questions still outstanding. The Commission has deemed it appropriate to do so in the context of this explanatory memorandum.

3.2.1 Political and other benefits

The agreements signed with Mexico on 8 December 1997 should be viewed in the context of the EU's global strategy towards Latin America which aims to strengthen political and economic ties both via a regional and country-based approach.

In setting up the basis for a political co-ordination and an economic partnership between the EU and Mexico, these agreements aim to strengthen the bilateral dialogue with one of Europe's most important partners in Latin America. In this regard, a greater integration between the EU and Mexico will help foster the dialogue on political and trade issues to the benefit of both parties and regions.

While embarking upon trade liberalisation with Mexico, the EU will attach particular importance to underpinning Mexican efforts towards comprehensive democratisation and further bridging the gap with the different elements making up Mexican society as well as Latin America's efforts towards integration and economic development.

In this context, the EU and Mexico will also attach particular importance to the implementation of internationally recognised labour standards.

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The strategy set out by the Commission in its 1995 communication on prospects for closer partnership with Latin America,¹¹ states that "in order to promote foreign trade, the Union must foster freer trade in both directions and offer Latin American products greater access to its market in order to promote the smooth integration of these countries to the world economy".

The trade liberalisation foreseen with Mexico is consistent both with this strategy, and with its particular interest in restoring and strengthening its position in the Mexican market.

Mexico's efforts towards economic and political reform have also been accompanied by a strategy of involvement in the international institutional framework, as illustrated by its accession to the OECD in 1994. An FTA with the EC and its Member states would further contribute to this process.

In the last few years Mexico has privileged its regional economic position by signing a series of free trade agreements most notably with the United States and Canada (NAFTA), Colombia and Venezuela (G3), Costa Rica and, more recently, Nicaragua.

An FTA with Mexico would allow it to diversify its relations which are at present weighted heavily in favour of its near neighbours, and reinforce links with a part of the world with which it shares strong historical and cultural links.

In economic terms, Mexico would gain from access to the world's most important market not only for its goods, but also as a source of capital and modern technology.

Equally, an increased presence of European goods and businesses in Mexico's domestic market would lead to greater competition with North American imports hence increasing the competitiveness of the Mexican economy.

2.2 EU interest

Mexico is a principal trading partner for the EU in the context of Latin America with a significant growth potential.

After years of protection and strong regulation, the Mexican economy has undergone substantial liberalisation in the last decade, opening its markets to foreign trade and investment. As a result, European economic operators now perceive it as both a highly promising market and an attractive destination for foreign investment. The Commission's 1996 Study showed that an FTA with Mexico would open up significant export opportunities in various areas both in the agricultural and industrial sectors.

The entry into force of NAFTA has added a significant dimension to Mexico's foreign trade. In so doing, it has provided the United States and Canada with a significant competitive advantage relative to the EU.

¹¹ Communication of 23.10.1995: "The European Union and Latin America: the present situation and prospects for closer partnership 1996-2000" (COM 95 495 final)

It is a prime example of a situation "where Free Trade Areas are formed between countries where one or more of the partners has comparatively high duties on imports from the EU, but zero duties on trade within the FTA", thereby resulting in a loss of market share and market access for the EU¹².

The significant difference between bound and applied tariffs leaves EU's exporters vulnerable to sudden tariff increases which can have adverse effects, underlining the vulnerability of EU exporters to sudden increases and therefore further justifying the elimination of those barriers altogether. Whilst in the case of NAFTA partners, tariff barriers have been removed or are in the process of being dismantled, EU exports have to contend with applied tariffs mostly in the range of 20%-10% and bound tariffs as high as 50% for certain products.

In March 1995, for example, Mexico raised its applied tariffs on imports of clothing products from non-NAFTA countries from 20 per cent to 35 per cent. Tariffs on imports from NAFTA partners were unaffected. Consequently, they were granted an apparent 10% average tariff advantage over foreign suppliers. Over the period 1994 to 1996, whilst US clothing exports to Mexico increased by 47%, EU exports fell by 55%.¹³

Estimated average duty	1996		1994	
	EU	Mex	EU	Mex
Into EU from Mexico				
Industrial products & Fish	1,5 %	12,4 %	1,1 %	12,4 %
Agricultural products	8,4 %	21,3 %	6,2 %	21,3 %
Total trade	2,3 %	13,3 %	1,7 %	13,3 %

*Source EUROSTAT **Source SECOFI ***Into EU from Mexico and vice-versa

The above table shows that an elimination of tariffs would be in EU's clear interest, given that average Mexican duty levels are far higher than those of the EU which are already very low.

In addition to high duty levels, Mexico's long-running trade deficit with the EU has prompted the authorities to resort to measures such as stricter rules on certificates of origin, other non-tariff barriers in respect to sensitive sectors.

In contrast to NAFTA exports, which have not had to contend with such obstacles, EU exports to Mexico have suffered. Trade figures show that whilst between 1994 and 1996 EU exports to Mexico fell by 25%, NAFTA partners' exports increased 23%. Similarly, whilst total EU-Mexico trade fell by 12% in the same period, Mexico's trade with its NAFTA partners increased by 20%¹⁴.

The above elements provide convincing arguments for the EU to pursue the bilateral and preferential route with Mexico in order to secure optimum market access. In this

¹² Communication of 16 January 1997: "WTO aspects of EU's preferential trade agreements with third countries" (SEC 96, 2168 final) p. 5

¹³ Source: WTO Secretariat report on Trade Policy Review for Mexico (Doc. WT/TPR/S/29 of 2/9/97)

¹⁴ Sources: EUROSTAT (EU-Mexico trade); SECOFI (Mexico-NAFTA trade)

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case the aim will be to secure equivalent or better access for Europe's economic operators with respect to that enjoyed by their NAFTA counterparts, thereby restoring the competitiveness of EU exports in a strategically important market with significant growth potential.

3.2.3 Support for the development of the multilateral trading system

As the world's major trading entity, the EC is committed to the development and strengthening of the multilateral trading system via the consolidation of the results of the Uruguay Round and the implementation of and respect for WTO rules.

FTAs have been a long-standing feature of this system. The EU and the WTO consider that "on the whole, the effect of regional integration agreements concluded since 1947 has been to create rather than divert trade and has therefore tended to reinforce the benefits of the multilateral system rather than undermine them".¹⁵

In the preamble to the Understanding on the interpretation of Article XXIV of the GATT 1994, the WTO recognises "the contribution to the expansion of world trade that may be made by the closer integration between the economies of the parties to such (free trade) agreements".

Further, the Commission considers that "preferential trade agreements do serve to open markets by pushing forward a pattern of tariff disarmament in partner countries, helping them to prepare for further trade liberalisation".¹⁶

The Commission has identified both the multilateral and the bilateral as two parallel and complementary routes available to the Community so as to ensure better market access.

It considers that in certain cases, a bilateral approach can be deemed particularly appropriate and desirable so as to gain better market access and «achieve quicker results»¹⁷. Mexico is a case at point given that, as the WTO noted recently, "almost 90% of Mexico's exports and 80% of imports now take place under FTAs".¹⁸

The Agreements signed with Mexico on 8 December 1997 stress the paramount importance that the results of future FTA negotiations should be WTO compatible. Indeed they make specific reference to Article XXIV of the GATT and Article V of the GATS.

An FTA with Mexico that fully respects WTO rules, as envisaged by the Commission¹⁹, would by its very nature, contribute to strengthening the multilateral

¹⁵ Communication of 16 January 1997: "WTO aspects of EU's preferential trade agreements with third countries" (SEC 96, 2168 final).

¹⁶ Idem

¹⁷ see points 14 & 16 of Commission Communication "The global challenge of international trade: a market access strategy for the European Union" (COM 96, 53 final), 14 February 1996.

¹⁸ WTO Trade Policy Review for Mexico Secretariat report: WT/TPR/S/29 dated 2/9/97, page 26.

¹⁹ Chapter 3 of the FTA study.

system and the rules established therein. In this context, it could further be deemed to contribute to the overall goal of multilateral trade liberalisation.

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4. STRUCTURE AND CONTENT OF GUIDELINES

The Agreements signed with Mexico on 8 December 1997 establish the clear objective of "a bilateral and preferential, progressive and reciprocal liberalisation of trade between the EC and Mexico (...) in accordance with the relevant WTO rules".

4.1. Liberalisation of trade in goods

The objective of the establishment of an EFA is clearly set out in these Agreements which provide for a "liberalisation of tariff and non-tariff barriers to trade in goods in accordance with (...) Article XXIV of the GATT, and taking account of the sensitive nature of certain products".

- Elimination of tariffs and non tariff barriers

A decision by the Joint Council shall provide for the elimination of tariffs and non-tariff barriers to trade between the EU and Mexico.

The following table shows that a high proportion of EU imports from Mexico already enjoy duty-free access to the EU market.

EU IMPORTS FROM MEXICO	1997	1996
MFN duty free	42 %	55 %
GSP duty free	17 %	42 %
Total percentage of duty free imports	59 %	67 %
EU DUTIABLE IMPORTS FROM MEXICO	1997	1996**
Dutiable industrial products & fish	36 %	30 %
Dutiable agricultural products	72 %	55 %
Dutiable imports as percentage of total trade	41 %	33 %

*Source DG I on the basis of EUROSTAT **On the basis of 1996 trade volumes

During the negotiation, the Commission will also pay particular attention to the question of harmonising the systems of customs valuation between the treatment of EU and NAFTA products entering the Mexican market, in order to eliminate the current difference in favour of goods originating from NAFTA countries.

- Coverage

In order to be compatible with Article XXIV of the GATT this decision shall liberalise "substantially all trade" in goods between the EC and Mexico and shall not XX exclude a "major sector".²⁰

- Sensitive products

Taking into account the particular sensitivity of certain Community products, special provisions will be required.

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²⁰ See 1996 FTA study, pages 18-21.

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- **Methodology**

As these guidelines were prepared without the benefit of consultations with Mexico as to how it would envisage a possible FTA, the various lists of products and the schedule of reductions applicable to each list shall be determined during the negotiating process in close consultation with the Council.

In drawing up lists of products and schedules of reduction applicable to each list, and taking due account of its specific interests, the Community shall aim to achieve broad parity with Mexico's NAFTA partners as regards concessions that Mexico has granted or will grant to the latter.

- **Rules of origin**

Given the fact that an FTA will grant tariff preferences to the products originating in Mexico or the EU respectively, as in all other agreements of this nature, and taking account of Mexico's existing free trade commitments with its geographical neighbours, it will be imperative to agree on a definition of "originating products" and on the related administrative provisions and to ensure the proper operation of such rules. These provisions concern essentially the documents necessary in order to prove that a given product complies with the agreed definition of origin and the methods for their verification. These elements shall be laid down in a specific protocol attached to the decision.

Particular importance shall be attached to measures aiming to ensure a correct implementation of the rules, in particular to administrative co-operation between the competent authorities as provided for in the Communication of the Commission to the Council on preferential tariff régimes (Doc. COM (97) 402 final).

- **Transitional periods**

The content of the decisions to be adopted by the Joint Council shall be implemented within a reasonable length of time which should, in principle, last a maximum of 10 years starting from the date of the entry into force of the decision. In "exceptional cases", longer transitional periods may be required in order to cater for the specificity of certain sensitive products, taking into account the requirement of a full explanation on a product by product basis in the WTO.

4.2. Liberalisation of trade in services

Decisions by the Joint Council shall liberalise trade in services between the parties except in the audiovisual sector, where the exception which the EU secured in the Uruguay Round, by combining MFN exemptions and the absence of commitments on national treatment and market access in the GATS Agreement must be fully preserved. The liberalisation will take place over and above commitments made under the GATS and provide for the application to companies and nationals of the other party treatment no less favourable than that accorded to companies and nationals of the other party or of a third party. Such decisions shall also provide for a commitment not to take any new or more discriminatory measures from the day of their entry into force.

Having in mind the objective of further improving and increasing market access opportunities to mutual advantage of the parties, the decisions should provide for the progressive liberalisation of trade in services within a time frame of, in principle, not more than ten years, and less wherever this is possible. The content of the decisions should be supportive of the multilateral trading system, and consequently be in accordance with the relevant WTO rules, in particular those governing economic integration agreements.

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The following shall also be implemented by means of one or more decisions to be adopted by the Joint Council.

4.3.1 Capital movements and payments

As provided for in Articles 8 and 9 of the Global Agreement, the Joint Council shall decide on the appropriate measures with a view to ensure a progressive and reciprocal elimination of restrictions on capital movements and payments

4.3.2 Public procurement

As provided for in Article 4 of the Interim agreement (Article 10 of the Global Agreement) the Joint Council shall provide for the "mutual opening of agreed government procurement markets on a reciprocal basis".

4.3.3 Competition

As provided for in Article 5 of the Interim agreement (Article 11 of the Global Agreement) a decision shall "establish mechanisms of co-operation and co-ordination among their authorities with responsibility for the implementation of competition rules". Negotiations on competition should also cover state aids, state monopolies and public undertakings to which special or exclusive rights have been granted.

4.3.4 Intellectual property

On the basis of Article 6 of the Interim Agreement a decision of the Joint Council shall provide for a consultation mechanism with a view to reaching mutually satisfactory solutions in the event of difficulties in protection of intellectual property.

As provided for in Article 12 of the Global agreement, a decision of the Joint Council shall also provide for detailed and appropriate measures with a view to ensuring an adequate and effective protection of intellectual property rights, in accordance with the highest international standards and taking into account, in particular, the relevant multilateral conventions on intellectual property.

4.3.5 Dispute settlement

As provided for in Article 12 of the Interim Agreement (Article 50 of the Global Agreement), a specific trade or trade related dispute settlement procedure compatible with the relevant WTO rules shall be established by means of a decision by the Joint Council. This procedure shall not influence the parties' rights and obligations under WTO rules, in particular the Understanding on Rules and Procedures Governing the Settlement of Disputes.

The above procedure should be structured in such a way as to ensure the continued integrity and effectiveness of the WTO dispute settlement mechanism and the right of the parties to resort to this mechanism.

5. CONCLUSION

The Commission requests the Council to approve the draft guidelines for negotiation in Annex 1.

(Annex: EU RESTRICTED)