



Department for
International Trade



Department for
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By email: goldsmithp@parliament.uk

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Dear Peter,

Thank you to your Committee and officials for the report entitled “Scrutiny of international agreements: Trade Continuity Agreement with Mexico”. I am writing to offer a response to points raised concerning the Trade Continuity Agreement between the United Kingdom of Great Britain and Northern Ireland and the United Mexican States (“UK-Mexico Agreement” or “Agreement”).

Engagement with Devolved Administrations, Crown Dependencies and Gibraltar

Within the report, you recommend that HM Government’s Explanatory Memorandum should include information about any significant issues of concern raised by the Devolved Administrations (and others), or alternatively confirm that no significant concerns have been expressed.

Throughout the course of the continuity programme, we have held a regular and detailed dialogue with Devolved Administrations, Crown Dependencies and Gibraltar. This has included regular Ministerial engagement, including through the Ministerial Forum for Trade and regular correspondence on specific agreements. DIT has also held regular official-level engagement, providing comprehensive updates on negotiations, advance sight of agreement text and support with legislative implementation.

Devolved Administrations, Crown Dependencies and Gibraltar have not routinely raised concerns with the trade continuity programme. It is important that any concerns which may be raised are handled in confidence and with discretion. However, we acknowledge the Report’s request for more details on the specific nature of any concerns raised and will seek to further improve Explanatory Memoranda based on feedback.

Scrutiny of Joint Council decisions under the Constitutional Reform and Governance Act (CRaG) 2010

Within the report you seek confirmation of the circumstances in which decisions by the Joint Council or Joint Committee would engage parliamentary scrutiny.

Decisions of the Joint Council will primarily focus on ensuring the implementation and operation of the UK-Mexico Agreement. Joint council decisions can only be taken with consent of both parties. This would allow for domestic scrutiny of a decision where necessary and appropriate, prior to UK representatives giving agreement. The Department will also work with Mexico to agree a Rules of Procedure for the Joint Council, which will include procedures around decisions.

In the UK-Mexico Agreement, amendments to the Agreement pursuant to Article 11(1) of the Agreement would engage the Parliamentary scrutiny process set out in the CRaG Act.

Whether or not an amendment triggers CRaG, amendments will be published as they are made, and we look forward to working with Parliament on the appropriate level of scrutiny. HM Government agrees that it is important to have a complete and up-to-date record of the treaties to which the United Kingdom is a party, and so the FCDO is working with departments to ensure that all amendments to treaties are published in the UK's Treaty Series, including those that are not subject to CRaG.

Introduction of an Entry Price System (EPS)

The report asks HM Government to confirm the reasons for not introducing an EPS in the UK-Mexico Agreement, and its assessment of the impact of this on UK growers of fruits and vegetables.

After the UK left the EU customs union, the UK government simplified the UK's tariff schedule, the UK Global Tariff (UKGT), by removing certain complex elements of the EU's MFN tariff, such as the EU's Entry Price System (EPS). In the EU's FTAs, the EU often liberalised products covered by the EPS, but retained the EPS element of the MFN tariff. Since the UK removed the EPS from the MFN tariff, the UK also removed the EPS from applied preferential FTA tariffs. The relevant obligations under the Continuity FTAs (e.g., with Mexico) remained unchanged.

Careful consideration was given to the proposed changes to the MFN tariff underlying the overall approach to simplification, and a range of evidence, including responses to the public consultation (available on gov.uk), was reviewed. The removal of the EPS will reduce the administrative burden on importers of the relevant products and reduce cost pressures for consumers.

Tariff Rate Quotas (TRQ)

In the report you seek clarification on whether low-income or banana-dependent Commonwealth countries that export bananas to the UK could be adversely affected by Mexico's increased inward TRQ volume for bananas.

The Agreement we have reached with Mexico aims to replicate the effects of the current EU-Mexico Global Agreement, where TRQs were resized appropriately to reflect the new bilateral relationship between the UK and Mexico. However, in some areas the TRQs have been updated to reflect where trade flows have changed significantly since the EU-

MX Global Agreement was concluded 20 years ago. This is the case for the banana TRQ, which has been increased to reflect current trade flows.

Prior to negotiating this increase, the Department assessed the likely impact it would have on developing countries, particularly those in the Caribbean and West Africa, which export significant quantities of bananas to the UK. The Department, in consultation with the FCDO, determined that the anticipated impact would be limited. This is because the TRQ offered to Mexico is equal to current UK imports from Mexico (average 2014-16 figures) and maintains the £58/ton rate in FTAs with other non-African/Caribbean/Pacific banana-exporting countries. This reduced rate on Mexican imports under the TRQ could still reduce the competitive advantage afforded to developing countries with duty free, quota free preferential access. The UK Government will monitor trade flows from African and Caribbean producers to aid our understanding of the potential impact of the TRQ.

Rules of Origin and Cumulation

In the report you acknowledge that the extended cumulation provision which facilitates EU cumulation is time-limited, and seek assurance HM Government will seek to transition this arrangement into an enhanced future agreement with Mexico.

As you note, the UK and Mexico have agreed to review the UK-Mexico Agreement within one year of entry into force, with the intention of reaching a more modern and ambitious agreement within three years. It is the UK Government's aim to have this new agreement in place prior to the expiration of the time-limited Rule of Origin provision.

Prior to the commencement of these new negotiations the Department will build a robust understanding of where changes to, or the retention of, provisions would be in UK interests – including, but not limited to, extended cumulation. As with other agreements, we will gather views of stakeholders prior to commencing new discussions with Mexico which will inform our objectives in the future negotiation. The Department has prepared an eight week call for input that was launched on 18th May. This is similar to those recently carried out for Japan, the US, New Zealand and Australia.

This engagement will provide all stakeholders with the opportunity to give their views on the potential future Free Trade Agreement (FTA) negotiations, and the responses will help to inform our overall approach to potential negotiations – including on rules of origin and extended cumulation.

Human Rights and Workers' Rights

The report calls on HM Government to set out the monitoring process for human rights compliance, noting the essential elements clause in the UK-Mexico Agreement.

The UK has a strong history of safeguarding human rights and promoting our values globally. We are clear that upholding that record can and will go hand-in-hand with our trading ambitions, and that trade can help create relationships and opportunities to promote human rights internationally, a key goal of our foreign policy. Strengthening our trading relationship with Mexico will present opportunities to promote human rights in and with Mexico. We monitor human rights situations across the world, including in Mexico as required, and where there are human rights concerns we raise them with the Mexican government to take action as appropriate.

We recognise the human rights challenges Mexico faces. As a close partner, we have encouraged Mexico to make the protection of fundamental rights, including in the areas of protection of journalists and human rights defenders, an appropriately high priority. Mexico has ratified 81 International Labour Organisation conventions and each of the 8 fundamental labour rights conventions. We regularly engage with civil society in Mexico, including to inform our understanding of the situation and how international agreements are being implemented. The Joint Statement agreed between both countries provides that we will continue regularly to discuss our shared values of democracy, the comprehensive promotion and protection of human rights, the rule of law, gender equality and social inclusion. The UK addresses, supports and engages on a broad range of human rights topics bilaterally and in multilateral fora, including the Human Rights Council UN Universal Periodic Review. Furthermore, we will continue to cooperate closely on human rights including via our political dialogue and through a series of bilateral projects.

Swift ratification of the Agreement

The report notes that the UK-Mexico Agreement is not yet fully in force and urges HM Government to secure swift ratification, noting that this will enable preferential trade in services to resume.

HM Government is committed to ensuring the right level of Parliamentary scrutiny for all international agreements. In the UK, CRaG provides an effective and robust framework for scrutiny of treaties that require ratification, including free trade agreements. In Mexico the agreement must undergo a similar process of domestic scrutiny in the Mexican Senate, prior to its ratification.

The Mexican Senate closed before the Agreement could be ratified and did not return until 1 February 2021. To minimise the impact of this, as you have noted, the UK and Mexico signed an exchange of letters to prevent a gap in preferences on tariffs and rules of origin.

The UK-Mexico Agreement has now completed its process in the UK Parliament under CRaG, and the Mexican domestic processes are still ongoing. The Agreement will enter into force once these processes are complete in both the UK and Mexico.

Both the UK and Mexico are committed to implementing the Agreement as soon as possible.

Review Commitment

The report welcomes HM Government's commitment to launch new negotiations towards an enhanced agreement with Mexico. The report recommends an agreement more closely matching the EU-Mexico Association Agreement would be highly desirable.

The Department is committed to upgrading our existing trade deal with Mexico, now that the UK has left the EU. As you have noted in the report, the UK-Mexico Agreement contains a review commitment; to begin discussions on a more modern and ambitious agreement within twelve months of entry into force of the UK-Mexico Agreement.

When signing the UK-Mexico Agreement, both sides published a Joint Statement¹ which sets out the UK and Mexico's shared ambition for the shape of this new agreement. The

¹ The Joint Statement can be viewed at <https://www.gov.uk/government/news/joint-statement-by-the-uk-and-mexico>

Joint Statement states a future deal should be '*at least as liberalising as the recently agreed EU-Mexico Modernised Agreement*' and announces a shared ambition to go further in areas of mutual interest.

We remain committed to ensuring this new agreement is tailored to the needs of the UK. As discussed above, we will shortly be commencing a call for input to gather feedback on stakeholder priorities prior to commencing new discussions with Mexico.

I am placing a copy of this letter in the House of Lords Library.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Grimstone', written in a cursive style.

Lord Grimstone of Boscobel, Kt
Minister for Investment
Department for International Trade
Department for Business, Energy and Industrial Strategy