

ISSUER IN-DEPTH

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Government of Germany

Auto tariffs would dampen German growth somewhat, but have no material credit implications for the sovereign

The [US \(Aaa stable\)](#) Commerce Department is currently conducting a review of whether auto imports harm national security and the US could impose 25% tariffs on vehicle and parts imports before the end of 2018. Our current base case assumes that trade measures will stop short of full implementation of the most severe potential measures announced so far. This expectation is supported by the recent first step of a rapprochement between the US and the EU at the meeting between US President Donald Trump and EU President Jean-Claude Juncker on 25 July 2018, but risks remain that this is only a temporary de-escalation of the ongoing US-EU trade tensions. If 25% tariffs on vehicles and parts were applied, they would slow [Germany's \(Aaa stable\)](#) GDP growth slightly next year but would have no credit implications for the sovereign. An intensification of current trade tensions that had a long-lasting and sizeable impact on global growth would likely have more meaningful fiscal and economic consequences for Germany. Still Germany's Aaa rating under that scenario would likely prove resilient.

- » **US tariffs on vehicles and parts still on the cards.** The US Commerce Department has 270 days to present the results of its review of whether auto imports harm national security, and the US president then has a time frame of 90 days to take action, meaning tariffs could be implemented by 18 May 2019.
- » **Germany is among those most exposed in Europe, but auto trade with the US is still relatively small.** Germany is the world's largest car exporter, and the US is its largest export destination. 13% of Germany's vehicles and parts exports went to the US in 2017. Yet, auto exports to the US represents less than 1% of the country's GDP. Other EU countries like [Slovakia \(A2 positive\)](#), [Czech Republic \(A1 positive\)](#) and [Hungary \(Baa3 stable\)](#) are also marginally exposed in part due to their high integration into German automotive value chains. Finally, the level of exposure in Europe is relatively small compared to the situation in [Mexico \(A3 stable\)](#) and [Canada \(Aaa stable\)](#). However, given that the imposition of the tariffs on those two countries would hurt US car manufacturers, they would likely be exempted.

- » **US tariffs on vehicles and parts would cause some headwinds to Germany's growth, but we see no material credit implications for the sovereign.** We currently expect solid real GDP growth of 2.2% in 2018 and 1.7% in 2019, and estimate a 25% tariff would shave 0.2 percentage points of our 2019 forecasts, with negligible effects on growth beyond the first year (assuming no further escalation of global trade tensions). This would therefore have only marginal negative ramifications on fiscal metrics and we would expect Germany's debt ratio to remain on its gradual declining path over the medium term.
- » **Broader escalation of global trade tensions (beyond autos) would be credit negative for Germany, but its economic and fiscal strengths, combined with policy responses, would offer significant mitigation against any downward pressure on the Aaa rating.** Germany's very open economy means its economic and fiscal strength is vulnerable to a global growth shock arising from an escalation in trade tensions. That said, the high diversification of its exports means it is less exposed to specific regional or goods shocks. Moreover, progress on regional trade agreements between the EU and other countries including the EU-Japan EPA, could mitigate disputes with other trading partners.

Risk of further tariffs on vehicles and parts still on the cards

The US Commerce Department is currently conducting a review of whether auto imports harm national security ([section 232 of the Trade Expansion Act of 1962](#)) and has [270 days to present the results of this review](#). The US president then has a time frame of 90 days to take action including tariffs or quotas, meaning tariffs could be implemented by 18 May 2019. Based on average time intervals between the launch of the investigation for solar panels and washing machines (announced on 22 January 2018) as well as steel and aluminum (announced on 1 March 2018), US tariffs on imported vehicles and parts could be announced in February 2019 (see also box "Protectionism has gained speed under US President Donald Trump" at the end of this report).

Our current base case assumes that trade measures will stop short of full implementation of the most severe potential measures announced so far. This expectation is supported by the recent first step of a rapprochement between the US and the EU at the meeting between US President Donald Trump and EU president Jean-Claude Juncker on 25 July 2018. Still, following the Trump-Juncker meeting, high-ranking US officials indicated that the US Commerce Department will continue to conduct its review on whether auto imports harm national security although for now further US tariffs will not be imposed as long as both parties remain at the negotiating table to resolve a broad range of trade issues. Thus, while the July summit has led to at least some temporary de-escalation of trade tension, further US tariffs on vehicles and parts are not permanently off the table.

Europe currently applies a 10% tariff on US imported vehicles and parts which is above the US car tariff of 2.5%. On average, EU tariffs on US goods imports are 5.2% higher than US tariffs on EU goods imports (3.5%, unweighted averages).¹

Germany is among those most exposed in Europe but auto exports to the US is still very small relative to the size of its economy

Germany is the world's largest exporter of vehicles and parts at \$220 billion, or 20% of global vehicles and parts exports, followed by [Japan \(A1 stable\)](#), the US and Mexico (Exhibit 1). The US has also been Germany's largest export destination since 2015 when it replaced [France \(Aa2 positive\)](#) (Exhibit 2). Overall, the US accounted for 9% of German exports and 20% of Germany's overall goods trade surplus of \$277 billion (7.5% of GDP) in 2017.

Although Germany is one of the most exposed countries in the EU, it is relatively small when considering that vehicles and parts exports that went to the US amounted to only 0.8% of GDP or 2% of total German exports last year. As discussed in the next section, the potential direct impact of such tariffs on Germany's economic activity would most likely be marginal. We also note that Germany's relative exposure to US automotive tariffs is less than that of Mexico and Canada. As seen in Exhibit 3, vehicles and parts exports to the US amounted to 4.6% of GDP in Mexico and 3.2% in Canada last year. This is due to the highly integrated cross-border auto supply chain amongst North American Free Trade Agreement (NAFTA) member countries (US, Canada and Mexico). However, given that the imposition of the tariffs on those two countries would hurt US car manufacturers, we believe that they would likely be exempted.

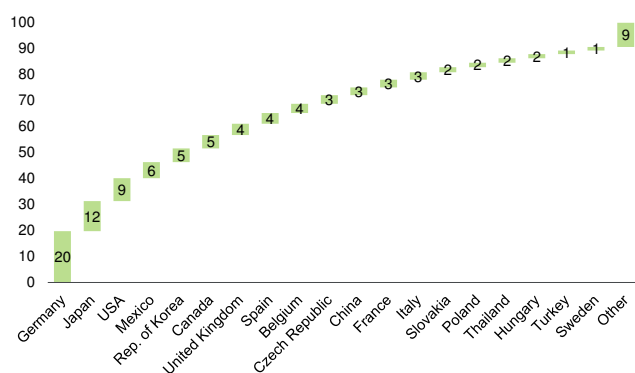
This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

Although Slovakia, Czech Republic and Hungary are highly dependent on overall vehicles and parts exports², their direct exposures to the US market are much lower (7.6% of total vehicles and parts exports went to the US, 0.4% and 3.6%, respectively, vs. Germany's 12.9%). Relative to GDP, only Slovakia's direct exposure is greater than that of Germany (1.7% of GDP, Exhibit 3). Overall exposure of these countries to US tariffs is somewhat higher when incorporating the indirect exposure due to their integration into the German automotive value chain, estimated at 0.1% of GDP for Slovakia, 0.2% for the Czech Republic and 0.1% for Hungary. Still as discussed below, we see the potential impact of US tariffs on their medium term growth prospects as marginal.

Apart from being large exporters to the US, German car makers are also large investors in the US and large exporters of cars out of the US. Direct investment by the German car sector into the US totaled €28 billion at end-2016 (25% of total foreign investment of German car sector or 2.5% of total stock of German foreign investment). German car makers account for around [a quarter of total US car exports](#) as, for example, Daimler and BMW export more than [half of the vehicles they produce at their US assembly plants](#). The US domestic content of German cars sold in the US amounted overall to 7% in 2016 according to the [2016 Kogod Made in America Auto Index](#) compared to US car makers having a domestic content of 64%.

Exhibit 1

Germany is the world's largest exporter of auto vehicles and parts
% of global exports of vehicles and parts*, 2017 or latest available year

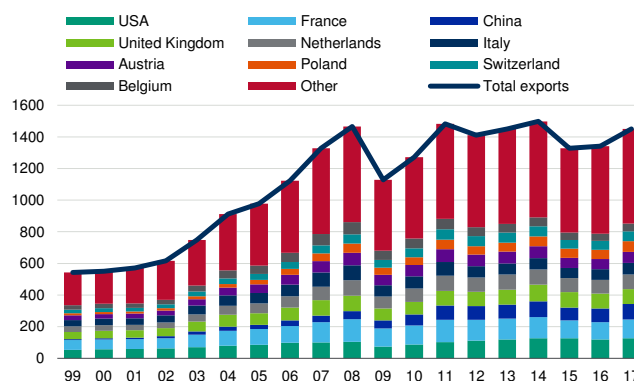


*Classification of products according to HS 8703 (vehicles) and HS 8708 (parts).
Sources: UN Comtrade, Moody's Investors Service

Exhibit 2

The US has been Germany's largest single export destination since 2015

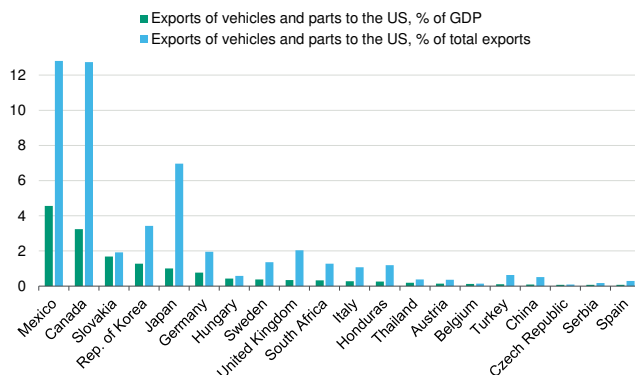
\$ billion, total German exports



Sources: UN Comtrade, Moody's Investors Service

Exhibit 3

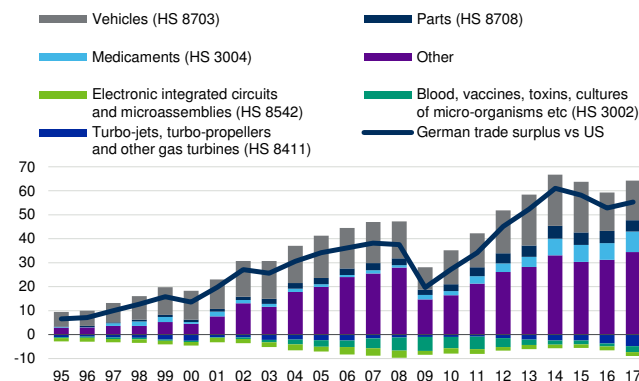
Germany's economy is one of the most exposed to US demand for vehicles and parts
Exports of vehicles and parts to the US (% of GDP, % of total exports), 2017 or latest available year



Sources: UN Comtrade, Moody's Investors Service

Exhibit 4

Germany's trade surplus with the US remains high
USD billion



Sources: UN Comtrade, Moody's Investors Service

Further US tariffs on vehicles and parts would cause some headwinds to German growth, but we see no material credit implications

The auto sector is crucial to the German economy: it accounts for 4.5% of gross value added, 6% of total investment. It directly employs 871,000 people (2% of total employment) and an estimated [1.4 million people](#) (2.8% of total employment) producing intermediate goods. We estimate a 25% tariff would slow German GDP growth by 0.2 percentage points in 2019.³ based on (1) the [short-term price elasticity of demand for automobiles of 1.35](#) reflecting US consumers buying more domestic US car manufacturers as a consequence of the tariff-related increase of car prices and postpone their car purchases⁴ (2) 32% of total German auto exports consist of imported intermediate goods (foreign value added share), which mitigates the impact on the German economy to \$6 billion from \$9 billion. Among EU-28 countries, only Slovakia would be hit harder.

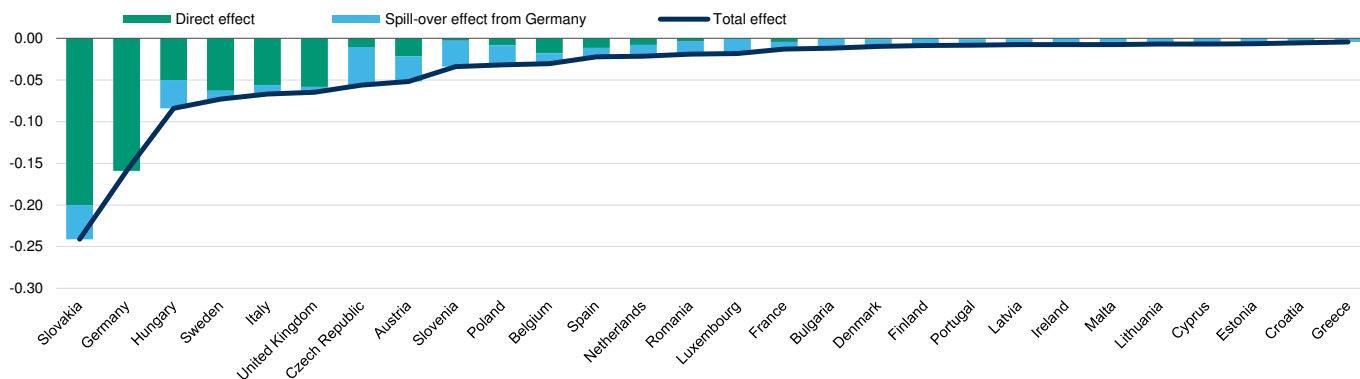
We note that Germany's premium brands – including [Bayerische Motoren Werke \(BMW, A1 stable\)](#), [Daimler AG's \(A2 stable\)](#) Mercedes-Benz, [Volkswagen's \(A3 stable\)](#) Audi and Porsche – may be better positioned to pass on at least part of any potential tariff burden to their customers, who are less price-sensitive than those buying mass-market brands (see "[Potential US tariffs on imported vehicles, parts credit negative for most of industry](#)").

There is a risk that the threat of further tariffs (and a potential escalation of trade tensions) could dampen corporate investments over the next 18 months, beyond our current expectations. These trends are supported by the weakening in corporate export and business expectations in recent months, particularly for the auto sector: Export expectations of German car makers are clearly in negative territory and on their lowest level since October 2012. We expect continued uncertainty on trade policies to continue to weigh on sentiment indicators that could show up in weaker than expected corporate investments as some companies could fall in a wait-and-see mode.

Exhibit 5

Growth in Slovakia and Germany would be most affected from US tariffs on vehicles and parts

Percentage point loss of GDP compared to 2019 baseline GDP forecast



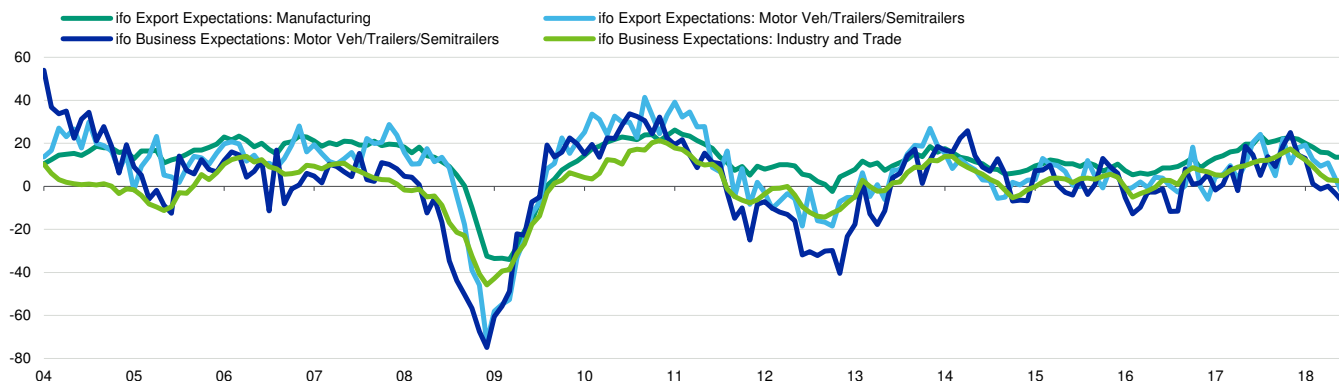
Sources: UN Comtrade, OECD, Moody's Investors Service

However, the ifo business climate index (including the services sector) remained slightly optimistic, probably because of solid fundamentals for private consumption and the construction sector. Moreover, the latest hard business cycle indicators imply solid GDP growth. We continue to expect above potential [GDP growth of 2.2% in 2018 and 1.7% in 2019](#), with constraints in the labour market⁵ and lower immigration (rather than tariffs) responsible for Germany's slowing growth.

Exhibit 6

Export and business expectations of German industrial corporates weakened recently

%, balance of opinion



Sources: ifo Institute, Haver Analytics, Moody's Investors Service

Moreover, although lower GDP growth would have marginal negative ramifications for fiscal metrics and the labour market, both have improved significantly in recent years. Germany's debt-to-GDP ratio fell to 62.9% in Q1 2018, its lowest level since Q3 2003 and down from 64.1% in Q4 2017 and 80.9% in Q4 2010. We expect it will fall further to 57.4% by 2019 and to 51.3% by 2022. Labour demand increased to a new peak in June 2018, employment expanded by 1.3% year-on-year and the unemployment rate decreased to 3.4% in May 2018 from 3.8% in May 2017, which is the second lowest in the EU behind only the Czech Republic (2.3%; EU-28: 8.4%). Moreover, growth of disposable incomes continued to surpass the inflation rate in Q1 2018 (3.3% year-on-year and 1.4%, respectively).

Over the medium-term, the effect of US tariffs on vehicles and parts on German GDP growth would be marginal because some potential US buyers of German cars would only delay their purchase of a new car as a reaction to uncertainty and to a large extent to higher prices stemming from possible import tariffs. However, some of the traditional buyers of German cars could permanently change their consumption pattern in favor of US car manufacturers because of tariff related changes in relative prices. Typically the overall demand for cars is relatively inelastic over the long-run as cars are goods being essential to everyday living. To avoid the US tariffs on imported vehicles and parts, German car manufacturers and its suppliers could increase their local production of cars in the US which could be negative for investments in Germany over the long term. Over the longer term, a larger challenge for the German auto manufacturers compared to the possible US tariffs on vehicles and parts will be harsher environmental standards, threats posed by electric cars and possibly tech companies entering the market with autonomous driving concepts (see also "[Auto sector transformation will drive global multi-sector credit trends](#)").

Negative spillover effects to other EU countries

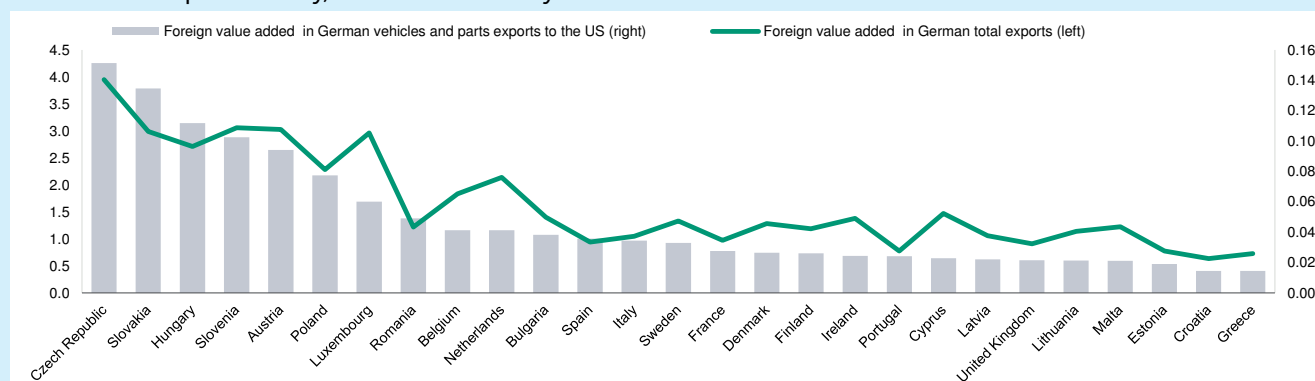
As an initial response to a demand shock, German companies typically cut production and employment in their foreign affiliates. The five countries most dependent on German supply chains of the car sector are Czech Republic, Slovakia, Hungary, Slovenia (Baa1 stable) and Austria (Aa1 stable).

Based on a reduction in the foreign value added share of German exports of \$3 billion¹ among the countries according to their respective share in German foreign value added of gross exports (latest available data of the [OECD Trade in Value Added database](#)) being added to the direct effect stemming from the country's exposure to the US car market, we estimate the tariffs would overall shave 0.2% of Slovakia's growth, almost 0.1% for Hungary and below 0.1% for the other EU28 countries (Exhibit 5). The spill over effects from Germany would surpass the direct effect in Czech Republic, Austria and Slovenia.

That said, Slovakia is still expected to grow 4.2% in 2018 and 4.5% in 2019 according to our forecast, which would continue to surpass 4% on average in 2018/19 even if further US tariffs on vehicles and parts are imposed.

Exhibit 7

Czech Republic, Slovakia, Hungary and Slovenia are most exposed countries to demand fluctuations within German supply chains % of GDP of the respective country, 2017 or latest available year



Sources: UN Comtrade, OECD, IMF, Moody's Investors Service

Broader escalation of trade tensions (beyond autos) would be credit negative for Germany, but its economic and fiscal strength, combined with policy responses, would offer significant mitigation against any downward pressure on the Aaa rating

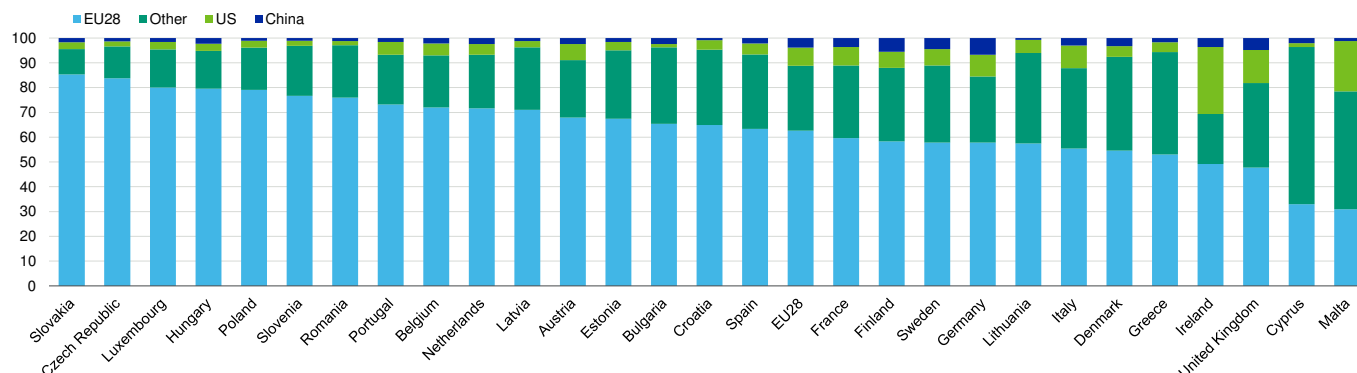
An intensification of global trade tensions, which would include further, sizeable tariffs on a broad range of goods and also non tariff barriers to trade, that weighs on global growth poses a clear downside risk to our baseline forecasts. Tensions between the US and EU coincide with US disputes with China and its neighbors Mexico and Canada and any intensification could have a long lasting, sizeable negative impact on the global economy: China, the US and Germany together accounted for 30% of global trade and 44% of nominal global GDP in 2017. Bilateral flows between China, the US and Germany jointly make up 6.3% of global imports. Flows between the US, Mexico and Canada jointly account for 6.4% of global imports.

Germany is one of Europe's most exposed economies to a broad-based demand shock among the 20 largest economies (Exhibit 9). The share of German goods shipped to non-EU countries exceeds the EU-28 average and it has the largest share of exports to China and ranks fifth for exports to the US (Exhibit 8).

Exhibit 8

German exporters are more dependent on non-EU demand than the EU average

% of total exports, 2017 or latest available year



Sources: UN Comtrade, Moody's Investors Service

Spillover to other EU countries

As mentioned above, this would also have growth implications on sovereigns closely linked with Germany's supply chains. As highlighted above, the three countries most exposed to German supply chains are Czech Republic, Slovenia and Austria (Exhibit 7), which delivered intermediate goods to German exporters worth 4%, 3.1% and 3.0% of their respective GDP in 2017. Note that the ranking diverges from the one for the automobile industry above.

This can be highlighted by a sensitivity analysis showing the impact of a fall in exports on GDP growth taking account of the mitigating effect from foreign value added share in exports. For every 10 percentage points fall in exports, GDP growth of Germany would decline by 3.5 percentage points, which is above the average of the largest 20 economies (-2.4 percentage points). The effect on GDP growth ranges from -5.8 percentage points for the [Netherlands \(Aaa stable\)](#) to -1 percentage points for the US. To put this sensitivity analysis into perspective, the assumed fall in exports is somewhat weaker compared to the decline in exports in OECD countries in the crisis year 2009 (-10.7% year-on-year; EU 28: -11.6%; Euro area: -12.3% and Germany: -14.3%).

That said, the high diversification of German exports by country of destination and by goods makes it less vulnerable to specific regional or goods specific shocks. Among the largest 20 economies, only Turkey and Italy have an even more diversified export structure than Germany (Exhibit 10). Therefore, Germany is more exposed to a synchronized slowdown of global growth compared to other countries, but relatively resilient to a regional or goods specific decrease of external demand.

Although the German economy could come under significant pressure by a broad-based shock to global growth, it is unlikely to have negative rating implications for Germany given the government's strong balance sheet. Germany's fiscal position improved strongly over recent years with the debt-to-GDP ratio falling to 64% end-2017 from 81% end-2010. We expect debt-to-GDP to fall to 51% by 2022 because of fiscal surpluses of on average more than 1% of GDP, nominal GDP growth of 3.5% and low funding costs. Additionally, Germany benefits from a safe haven status in times of a global crisis. That said, our assessment of the credit impact would also be informed by the policy reaction of the German government which based on country's history of effective policy responses to shocks and the strength of its institutions, would likely be credit supportive. On top of the automatic stabilizers inherent in the tax and transfer systems, which mitigate macroeconomic shocks and are typically far more sizeable in EU countries compared to, for example, the US, the German government could expand fiscal spending and could support specific industries in line with the EU state aid rules in case of a significant downturn.

Exhibit 9

Germany's high openness makes it more dependent on the global economy, but foreign value added share of exports mitigates external shocks

%, latest available year, sorted by exports-to-GDP

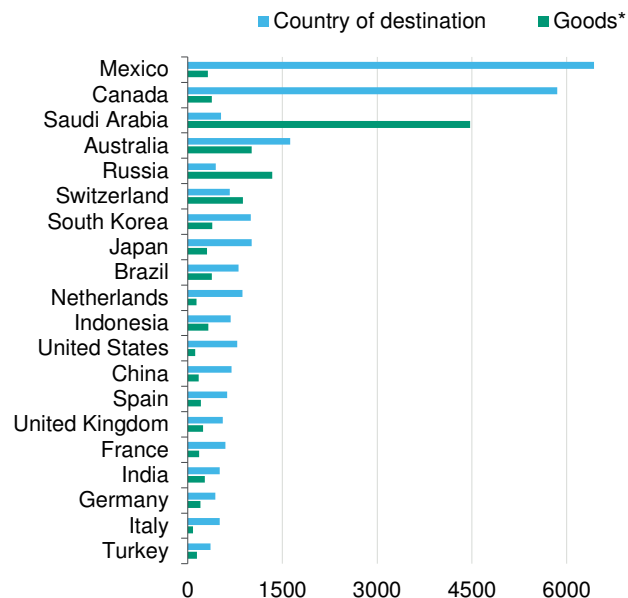


Sources: World Bank - WDI, OECD, Moody's Investors Service

Exhibit 10

German exports are more diversified than those of other large economies

Herfindahl-Hirschman Index (HHI), sorted by the average of HHI country of destination and HHI goods

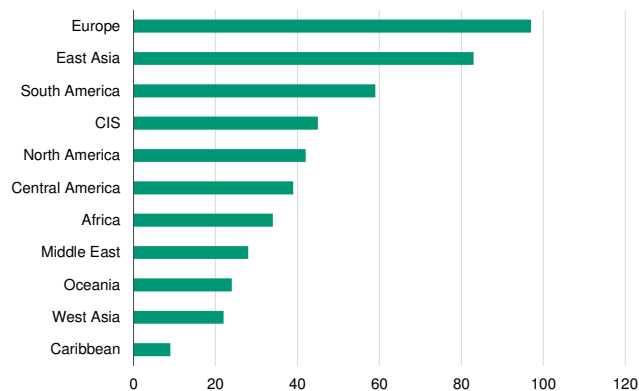


*Harmonized System: four-digit code (1260 categories)
Sources: UN Comtrade, Moody's Investors Service

Exhibit 11

Europe has the highest number of regional trade agreements globally

Notification of RTAs in force

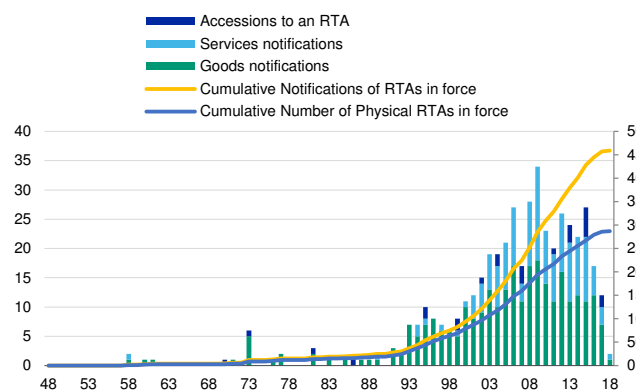


Source: WTO, Regional Trade Agreements Information System (RTA-IS), Moody's Investors Service

Exhibit 12

Number of regional trade agreements (RTA) increased rapidly since the 1990s

Number



Physical RTAs are counting goods and services together. Thus, the number of cumulative notifications exceeds the number of physical RTAs. WTO rules provide for notification of trade in goods and trade in services aspects of RTAs separately.

Sources: WTO, Regional Trade Agreements Information System (RTA-IS), Moody's Investors Service

That said, Germany could benefit from trade diversion effects because of US tariffs against other countries. Moreover, there is good progress on regional trade agreements between the EU and other countries that could mitigate these negative effects. The EU already

has the highest number of notifications of regional trade agreements (RTAs) in force (Exhibit 11). Most trade liberalization since the 1990s has taken place via RTAs because of the standstill in negotiations over multilateral trade agreements (Exhibit 12).

We also expect the number of Europe's RTAs to expand over the coming years. The EC expects an Economic Partnership Agreement (EPA) between the EU and Japan will eliminate an estimated €1 billion in EU-wide tariffs annually, and could enter into force in 2019 after ratification by the European parliament. German exports to Japan amounted to 1.5% of all its exports in 2017 (ranked 17th). This follows the Comprehensive Economic and Trade Agreement (CETA) signed with Canada in October 2016 (0.8% of total German exports; ranked 26th), which entered provisionally into force on 21 September 2017 and will enter into force completely after the completion of a ratification process in all EU member states. Other countries the EU is currently in active and/or advanced stage of negotiations or prior to signature include Singapore (0.5% of total German exports; rank 35),⁶ Vietnam (0.3%; rank 47),⁷ New Zealand (0.1%; rank 65), Australia (0.7%; rank 28),⁸ and Mexico (1%; rank 22).⁹

Protectionism has gained speed under US President Donald Trump

Average growth in global trade has undershot average global GDP growth since 2012, reflecting the rise in protectionism (mostly import tariffs and anti-dumping legislation) relative to liberalizing measures (net increase: +4,707 since November 2008), no progress on multilateral trade negotiations and as the transnational optimization of production processes through the establishment of global value chains seems to have reached its limits. Global trade growth was 1.5 times higher than global GDP growth between 1980 and 2017.

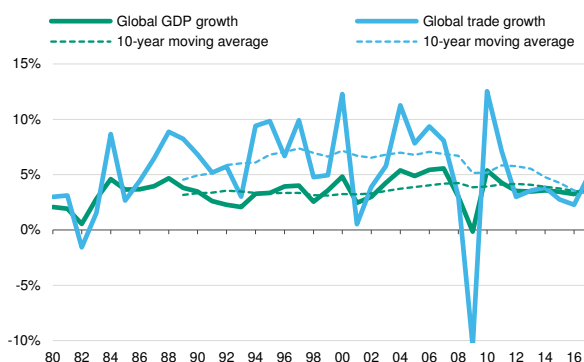
Global trade growth started to recover in the second half of 2016 and surpassed global GDP growth in 2017 broadening the global economic recovery. In line with the global recovery of trade flows, Germany's export growth also picked up. However, US President Trump's promises to challenge perceived unfair competition abroad has seen the US renegotiate NAFTA, step back from Trans-Pacific-Partnership (TPP), impose tariffs on solar panels and washing machines (20-30%) since January 2018, tariffs on aluminum (10%) and steel (25%) since 1 June 2018 and additional tariffs on Chinese goods as a response to alleged theft of US intellectual property on 6 July 2018.

US trading partners, including [China \(A1 stable\)](#), Canada, Mexico and the [European Union \(EU, Aaa stable\)](#) are hitting back with protectionist measures which in turn are answered by the US including announced 10% tariffs on an additional \$200 billion of Chinese goods on 11 July. The [EU imposed tariffs on US imports worth around €2.8 billion](#) (including steel and aluminum products and a combination of various other products with an increase of duty of 10%, 25%, 35% and 50%) being in line with the WTO rules and below the volume of €6.4 billion stemming from the US tariffs on aluminum and steel.

Despite running a bilateral current account surplus (due to the services trade surplus and the primary and secondary income surplus) with the EU since 2009 (Exhibit 14), President Trump has singled-out Germany for its goods trade surplus with the US and has threatened to impose 25% tariffs on imported vehicles and parts. Germany is the driving force behind the EU-wide goods trade surplus with the US. These tariffs risk to increase the price of the affected imports thereby lowering demand for those goods and risk breaking up global value chains, which would have negative consequences for multinational companies and consumers via higher prices. The recent first step of rapprochement between the US and the EU at the meeting between US President Donald Trump and EU president Jean-Claude Juncker on 25 July 2018 is a step in the right direction, but risk remain that this is only a temporary de-escalation of the ongoing US-EU trade tensions.

Exhibit 13

Trend growth of global trade slowed to global GDP growth % year-on-year, global trade and global GDP growth in real terms

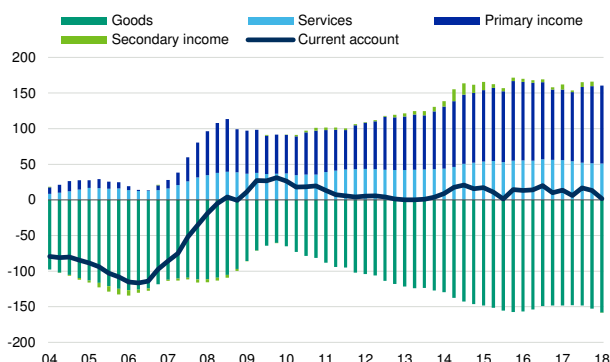


Sources: IMF, Moody's Investors Service

Exhibit 14

US runs a bilateral current account surplus with the EU since 2009

USD billion



Sources: U.S. Bureau of Economic Analysis, Moody's Investors Service

Moody's related publications

- » **Sector In-Depth:** [Cross-Sector - Global: Auto sector transformation will drive global multi-sector credit trends](#), 16 July 2018
- » **Sector In-Depth:** [Automotive - Global: Potential US tariffs on imported vehicles, parts credit negative for most of industry](#), 25 June 2018
- » **Issuer In-Depth:** [Government of Germany - Coalition deal ends months of uncertainty, but policy measures are credit negative overall](#), 6 March 2018
- » **Issuer In-Depth:** [Government of Germany - Aaa Stable: Annual Credit Analysis](#), 23 January 2018
- » **Credit Opinion:** [Government of Germany – Aaa Stable: Regular update](#), 18 July 2018
- » **Country Statistics:** [Germany, Government of](#), 30 May 2018
- » **Rating Action:** [Moody's affirms Germany's Aaa government bond rating; maintains stable outlook](#), 24 February 2017
- » **Outlook:** [Sovereigns – Euro Area: 2018 outlook stable as cyclical recovery offsets limited reform momentum](#), 15 January 2018
- » **Methodology:** [Sovereign Bond Ratings](#), 22 December 2016

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Endnotes

- [1](#) Felbermayr, G. (2018), Zölle im transatlantischen Handel: Worauf, wie viel und wie gerecht?, ifo Schnelldienst 6 / 2018 71. Jahrgang 22. März 2018.
- [2](#) Overall exports of vehicles and parts amount to 22% of GDP in Slovakia, 17% in the Czech Republic and 12% in Hungary compared to 6% in Germany.
- [3](#) See for other studies, for example, [Bruegel \(2018\) Still on the road? Assessing Trump's threat to European cars, 13 March 2018](#); [ifo Institute: US Tariffs on Cars would cost Germany Five Billion Euros, 24 May 2018](#)
- [4](#) Note that this is the short-term price elasticity of demand for the automobile sector which could be different between segments of the car market. Thus, there is uncertainty on the actual elasticity for German car makers. For Germany's premium brands, the short-term price elasticity of demand could be lower than the 1.35 because their customers are less price-sensitive than those buying mass-market brands.
- [5](#) The duration a position remains vacant was up to 109 days highlighting lack of skilled workers in several segments of the labour market.
- [6](#) The EU and Singapore concluded negotiations on two standalone agreements -- an FTA and an Investment Protection Agreement (IPA) -- which are now subject to signature and ratification process.
- [7](#) The EU and Vietnam concluded negotiations on an FTA and an IPA, which are currently under the legal review and being translated. The expectations are that the EU-Vietnam FTA will enter into force in 2019, whilst the IPA should follow the ratification in the EU countries.
- [8](#) The EU and Australia and EU and New Zealand are at the beginning of their negotiations, which started in mid-June this year.
- [9](#) The EU and Mexico started negotiations in mid-2016 to modernize the EU-Mexico Global Agreement. Currently, negotiators are addressing remaining technical issues and finalizing the full legal text, expected to be ready by the end 2018, whilst negotiators reached political agreements in April 2018.

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