



Report from the XXXIth round of negotiations of the Trade Part of the Association Agreement between the European Union and Mercosur

Brussels, 29 November-8 December 2017

The XXXIth negotiation round of the Trade Part of the EU-Mercosur Association Agreement took place from 29 November to 8 December 2017 in Brussels.

The talks were led on the EU side by EU Chief Negotiator, Director Sandra Gallina, DG TRADE. The Mercosur delegation was led by Brazil's Chief Negotiator, H.E. Ambassador Ronaldo Costa Filho.

Negotiation working groups covered the following areas: (1) Trade in Goods; (2) Wines and Spirits; (3) Rules of Origin; (4) the Anti-fraud Clause; (5) Technical Barriers to Trade; (6) Sanitary and Phytosanitary Measures; (7) Trade Defence Instruments; (8) State-Owned Enterprises (SOEs); (9) Subsidies; (10) Dispute Settlement; (11) Services and Establishment; (12) Government Procurement; (13) Intellectual Property (including Geographical Indications); (14) Trade and Sustainable Development; (15) SMEs; and (16) Institutional Affairs. Both sides exchanged and discussed revised market access offers. The EU submitted a revised offer only for goods (with some clarifications of May 2016 GP offer) and Mercosur submitted revised offers for goods, services and government procurement.

Below is a summary of the discussions on negotiating texts.

Chief negotiators joined Ministers in Buenos Aires to continue discussions in the margins of the 11th WTO Ministerial, and instructed negotiators to continue working during the week of 11 to 14 December.

1. Trade in Goods

Constructive discussions took place on outstanding issues, but progress was limited. The EU made a proposal on export duties. The provision on STEs remained open pending engagement by Mercosur on the SOEs proposal from the EU. The Parties discussed also their respective proposals on export competition.

The Parties discussed the revised market access offers exchanged, indicating where further improvements were necessary for a final Agreement.

2. Wines and spirits annex

The Parties reviewed the EU and Mercosur text proposals, as well as a list of terms used on wines and spirits by Mercosur countries transmitted by Mercosur. Substantive progress on the text was made. Main outstanding issues relate to traditional expressions and labelling.

3. Rules of Origin

Both text and product-specific rules of origin (PSR) were discussed and further progress was made. On Section A (General provisions) a few issues remain open, including the definition of origin for fisheries products. Regarding Section B (Proof and Verification), the outstanding issue is the transitional period for the introduction of EU self-certification. On PSR, good progress was made on rules of origin for textiles and chemicals, which are close to an agreement. Progress was also made on agricultural and processed agricultural products. Further progress is needed on machinery, shoes, iron and steel, glass, and paper. The Mercosur proposal on rules of origin for the car sector is still pending.

4. Anti-fraud Clause

Further progress towards an agreed text was made and the Parties discussed a compromise proposal.

5. Technical Barriers to Trade

The Parties addressed all pending issues of the TBT Chapter, and intensified the exchange of views on the respective proposals on motor vehicles. Substantive progress was made, with agreement on articles on marking and labelling and transparency, among others. Articles on Joint Cooperation on Trade Facilitating Initiatives and standards are mostly agreed. The Mercosur proposal on private standards is outstanding. The Parties made also substantial progress on Conformity Assessment Procedures, including the annex proposed by the EU. The Parties will need to keep discussing various elements of this Annex, including the scope of its provisions. Mercosur is ready to recognise test results for products which in the EU are subject to supplier's declaration of conformity. On the Annex on motor vehicles, positions remained apart.

6. Sanitary and Phytosanitary Measures

An agreement has been already reached on provisions regarding prelisting, regionalisation and audits. A large part of the chapter is now agreed. The Parties also discussed for the first time the EU proposals for cooperation and dialogue on issues such as animal welfare, antimicrobial resistance, biotechnology and food safety. Further work is necessary on phytosanitary issues, incorporation of the SPS Agreement and simplification, deadlines and resources for SPS procedures.

7. Trade Defence Instruments

Outstanding issues on bilateral safeguards are now limited to: transitional period over which safeguards can be imposed, triggering factor (link to the agreement) and application of safeguard measures to products subject to TRQs.

8. State Owned Enterprises

Mercosur reiterated its objection to provisions going beyond existing WTO obligations on State Trading Enterprises and transparency provisions.

9. Subsidies

Mercosur reaffirmed its objection to engage in negotiations on subsidies disciplines going beyond existing WTO obligations.

10. Dispute Settlement

The negotiations on Dispute Settlement (DS) were completed.

11. Services and Establishment

The Title is well advanced and only few issues of different degree of complexity remain open, including the period of stay for some mode 4 categories (services supplied through presence of natural persons) or

the EU proposal for a section on Maritime Transport. Further work is required to conclude E-commerce provisions. The Parties also discussed the revised Mercosur market access offer on services. The EU stressed the need for further improvements in this offer in order to reach a final agreement.

12. Government Procurement

Parties discussed the text of the Government Procurement Title and market access. Substantive progress was made on the text of the government procurement chapter with an agreement of the Parties to grant suppliers national treatment. In addition, an agreement was reached on other important outstanding issues, including on Mercosur's proposals on cooperation and on denial of benefits. Some other provisions, mostly linked to market access, *inter alia* offsets, remained open.

As to market access, Parties discussed and exchanged clarifications on the revised market access offers.

13. Intellectual Property (including GIs)

Significant progress was made on IPR. On protection of regulatory test data in patents, the EU tabled a revised proposal but positions are still apart. Provisions on plant varieties were agreed. Provisions on border measures and on enforcement are close to completion.

The parties continued their work on textual provisions related to **geographical indications**, and exchanged information on the respective lists of geographical indications to be protected through the agreement and possible conflicts. The principle of coexistence of geographical indications with existing trademarks was agreed.

14. Trade and sustainable development

The TSD Title is close to be agreed. The provisions on dispute resolution and institutional issues were discussed and some progress was achieved.

15. Small and Medium Enterprises

Further progress on the text SMEs was achieved. Some issues remain open regarding information sharing obligations and the institutional set-up.

16. Institutional Affairs

Parties continued the discussion on general provisions for the Trade Part of the Agreement, including structure, objectives, institutional set up for trade-related matters, exceptions, and other general provisions. The provisions on consultations with civil society for trade-related matters were agreed, as were most of the exceptions, the trade-related recitals in the Preamble and the objectives of the Trade Part of the Agreement.