

## **Key elements of the EU-Mercosur trade agreement**

Brussels

On 28 June 2019, the European Union and Mercosur member countries Argentina, Brazil, Paraguay and Uruguay concluded longstanding negotiations on a landmark trade agreement.

The current EU bilateral trade with Mercosur already totals €88 billion a year for goods and €34 billion for services. The EU exports to Mercosur goods worth €45 billion a year and imports Mercosur products of nearly the same value (€43 billion). When it comes to services, the EU exports more than twice as much as it imports: €23 billion of services supplied by EU firms to clients in Mercosur versus €11 billion in services delivered to EU clients by firms from Mercosur countries.

EU companies will benefit from privileged access to a market of over 260 million consumers. EU exporters will gain from progressive tariff cuts that over time will bring European companies yearly savings of more than €4 billion.

### **Elimination of customs duties**

The agreement will, over time, remove duties on 91% of goods that EU companies export to Mercosur. For example, Mercosur countries will remove high duties on industrial products, such as:

- Cars (taxed today at 35%)
- Car parts (taxed at 14 to 18%)
- Machinery (taxed at 14 to 20%)
- Chemicals (taxed up to 18%)
- Clothing (taxed at up to 35%)
- Pharmaceuticals (taxed at up to 14%)
- Leather shoes (taxed at up to 35%)
- Textiles (taxed at up to 35%)

The agreement will also progressively eliminate duties on EU food and drink exports, such as:

- Wine (taxed today at 27%)
- Chocolate (taxed at 20%)
- Whiskey and other spirits (taxed at 20 to 35%)
- Biscuits (taxed at 16 to 18%)
- Canned peaches (taxed at 55%)
- Soft drinks (taxed at 20-35%)

The agreement will also eliminate import duties on 92% of Mercosur goods exported to the EU.

### **Food safety, animal and plant health**

The ambitious chapter on Sanitary and Phytosanitary (SPS) matters, which covers, food safety, and animal and plant health, will uphold our highest standards. Nothing in the agreement changes the way the EU adopts and enforces its food safety rules, be it for domestically produced or imported products.

The agreement also explicitly upholds the 'precautionary principle', meaning that public authorities have a legal right to act to protect human, animal or plant health, or the environment, in the face of a perceived risk even when scientific analysis is not conclusive.

The EU and Mercosur will reinforce joint work on SPS matters to ensure rapid intervention in emergencies related to imports and exports of agriculture and fishery products. Among other things, this cooperation will include increased transparency, fast information exchange and technical consultations, bilateral and international cooperation in key areas, official controls and certification as well as border import checks.

### **Environmental protection and labour conditions**

The agreement includes a chapter dedicated to sustainable development that will cover issues such as sustainable management and conservation of forests, respect for labour rights and promotion of responsible business conduct. It also offers civil society organisations an active role to overview the implementation of the agreement, including any environmental concerns.

The agreement will also provide for a new forum to work closely together on a more sustainable approach to agriculture.

Through this agreement, the EU and Mercosur are also committed to effectively implement the Paris Agreement on Climate Change. The text of the agreement reached today includes an explicit reference to the Paris Agreement and the two sides commit to fight against climate change and work towards the transition to a sustainable low-carbon economy. This includes among others a commitment to tackle deforestation. The agreement includes a set of binding commitments to protect the environment based on the Multilateral Environmental Agreements, such as the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), the Convention on Biological Diversity, the United Nations Food and Agriculture Organization fisheries management measures and regional agreements to manage fisheries.

The agreement also includes an obligation to effectively implement the International Labour Organization's fundamental standards covering subjects such as freedom of association, the right to collective bargaining, the elimination of all forms of forced and compulsory labour, the abolition of child labour and non-discrimination.

Both sides commit not to derogate from or fail to effectively enforce labour and environmental legislation to encourage trade or investment and to promote responsible business conduct and corporate social responsibility, in line with United Nations and OECD principles and guidelines.

The trade and sustainable development part of the agreement will have clear and robust rules, and include a mechanism for independent and impartial assessment of such matters by a panel of experts.

### **Trade in services and establishment**

Each year, the EU exports more than €20 billion in services to Mercosur countries.

The agreement will make it easier for EU firms to provide services to the rapidly expanding Mercosur market and will provide new opportunities to invest through establishment in both services and manufacturing sectors. It will also ensure a level playing field between EU service providers and their competitors in the Mercosur market.

The services covered include a wide range of sectors and sector-specific regulatory provisions exist for postal and courier services, telecommunications and financial services.

The agreement also contains advanced provisions on the movement of professionals for business purposes, such as managers or specialists that EU companies post to their subsidiaries in Mercosur countries.

### **E-commerce**

The agreement contains general rules regarding e-commerce that aim to remove unjustified barriers to trade made by electronic means, bring legal certainty for companies and ensure a secure online environment for consumers, with their data being appropriately protected.

### **Government procurement**

For the first time, Mercosur countries will open up their government procurement markets. EU companies will be able to tender for contracts with public authorities, such as central government ministries and other governmental and federal agencies, on an equal footing with companies from Mercosur countries.

The trade agreement will also make the tendering process more transparent. Each Mercosur country has agreed to publish contract notices for the procurement covered by the agreement online at a national single point of access.

The EU has offered Mercosur suppliers reciprocal access to the EU procurement market at central level, meaning procurement by EU institutions, and by central government contracting authorities in EU Member States.

### **Intellectual Property Rights**

The EU and Mercosur recognise that protecting Intellectual Property Rights and trade secrets is important for fostering innovation and creativity and for ensuring that their respective industries stay competitive.

The agreement includes solid provisions covering Intellectual Property Rights on copyright, trademarks, industrial designs, geographical indications and plant varieties. The section on Intellectual Property Rights also includes comprehensive provisions on the protection of trade secrets.

### **Geographical Indications**

The EU is a major producer of distinctive high-quality regional food and drink products such as Prosciutto di Parma, Champagne, Port wine, and Irish whiskey. These products enjoy a special status; their names are protected 'Geographical Indications'.

Under the agreement, Mercosur will protect 357 European Geographical Indications for wines, spirits, beers and food products. The EU will also protect the names of traditional Mercosur products such as Cachaça (a Brazilian distilled spirit) or Mendoza wine from Argentina.

### **Technical regulations and standards**

Different technical regulations and standards on products in other markets can be a big obstacle to exporters because they impose extra costs for complying with them.

The agreement promotes transparency and the use of international standards to facilitate market access while safeguarding the levels of protection that each party deems appropriate. It will also be easier for companies to prove compliance with standards and regulations, notably through the recognition by Mercosur countries of conformity tests on EU products performed in the EU in certain sectors.

### **Easier access to raw materials and parts**

The agreement also offers EU and Mercosur industries easier access to high-quality raw materials and parts to boost their competitiveness. The agreement will reduce or eliminate duties that Mercosur currently imposes on exports to the EU of products such as hides and skins (which are key raw materials for the EU leather industry) or soybean products (which are key materials to feed for EU livestock). The agreement also prohibits import and export price requirements, and import and export monopolies.

### **Small and Medium-Sized Enterprises**

The vast majority of companies in both the EU and Mercosur are small and medium-sized enterprises (SMEs) and the agreement will address their specific needs. It notably requires both parties to provide information on market access on a specific SME website and creates a 'SME Coordinator' on each side to cooperate in identifying ways for these companies to benefit from the opportunities offered by the agreement.

### **Bilateral safeguard mechanism**

The agreement includes a bilateral safeguard mechanism. It allows the EU and Mercosur to impose temporary measures to regulate imports in the event of an unexpected and significant increase in imports, which causes, or threatens to cause, serious injury to their domestic industry. These safeguards also apply to agricultural goods.

### **Transparency**

Negotiations between the EU and Mercosur began in 2000, based on a mandate unanimously approved by EU Member States. In full consultation with EU Member States, the Commission has progressively adapted the EU's negotiating position to developments in EU trade policy over the years.

Throughout the negotiations, the Commission has ensured full transparency and has kept both the EU's Member States and the European Parliament informed of each step of the process. Likewise, it has discussed the ongoing negotiations with civil society.

The Commission has published negotiating documents and reports of the negotiating rounds online. Transparency will continue to be the Commission's priority in the process of finalising any technical work on the draft agreement and in preparing the Commission's proposals for Council and Parliament decisions to sign and ratify it.

### **Involving civil society**

The agreement gives civil society a prominent role in its implementation, including on the provisions on trade and sustainable development. The EU and Mercosur will keep employers' and workers' organisations, business organisations, environmental interest groups and others informed of how they are implementing the agreement. At both national level and in a Joint Forum set up for the purpose, these civil society groups will be able to voice their views and provide input to discussions on how the trade part of the agreement is being implemented.

### **Enforcing the agreement and solving disputes**

The agreement puts in place a fair, efficient and effective mechanism to solve disputes that may arise regarding the interpretation and application of its provisions. Among other things it includes independent panellists and due process and transparency involving open hearings, the publication of decisions, and the opportunity for interested parties to submit views in writing.

The mechanism will ensure that the EU and Mercosur fully implement their obligations under the agreement so that businesses, workers and consumers can enjoy its benefits.

### **Next steps**

Based on this agreement in principle, the parties will proceed to legal revision, to produce a final text of the agreement. The Commission will then translate the text into all EU official languages and submit the agreement for approval by the Council and the European Parliament.