

EU-MERCOSUR ASSOCIATION AGREEMENT

[TABLED]

> OTHER FREE TRADE AGREEMENTS

NL

CONTENT

Background and state of play

On 28 June 2019, an agreement in principle was reached between the EU and the four founding members of the Common Market of the South (Mercosur) – Argentina, Brazil, Paraguay, and Uruguay – on the trade pillar as part of a wider Association Agreement (AA) including political dialogue and cooperation. The latter part was agreed upon in June 2018. After the change of government in Brazil in January 2023, the parties agreed on a roadmap for the first half of 2023 to negotiate an additional instrument as regards the commitments made under the trade and sustainable development (TSD) chapter of the trade pillar. After the EU submitted its text proposal to Mercosur in March 2023, Brazil, that in the second half of 2023 holds the pro tempore presidency of Mercosur, on 14 September 2023 transmitted to the Commission the Mercosur counterproposal that will serve as a basis for further negotiations between the parties. Negotiators met early in October 2023 to pursue their discussions against the background of a final deadline of 6 December to conclude the talks set by the President of Paraguay, Santiago Peña, at the end of September.

The FTA has a significant geopolitical relevance and economic security dimension and could be a strong sign against protectionism and unilateralism. If ratified, the FTA would establish the largest free trade zone the EU has ever created, covering a population of about 717 million, and consolidate the close political, economic and cultural ties between the two regions. Negotiations on the bi-regional AA started in 2000 based on Council negotiating directives of 1999. Currently, EU-Mercosur relations are governed by the 1995 Interregional Framework Cooperation Agreement.

The FTA would eliminate customs duties on 91% of EU goods exports to Mercosur. Mercosur would remove high import duties on industrial products from the EU such as cars, car parts, machinery, chemicals, clothing, pharmaceuticals, leather shoes, and textiles. Import duties on EU food and drink exports such as wine, chocolate, whiskey and other spirits, biscuits, canned peaches and soft drinks would be eliminated progressively. The FTA would also protect about 350 of the EU's geographical indications (GIs) on the Mercosur market. Moreover, the Mercosur countries would open their government procurement market to EU companies. The EU would remove import duties on 92% of Mercosur goods exported to the EU. For sensitive agricultural goods limited tariff rate quotas (TRQs), in-quota duties and long staging periods as well as a safeguard instrument have been incorporated. The FTA would contain a chapter on sanitary and phytosanitary measures, trade and sustainable development, bilateral safeguards, e-commerce, small and medium-sized enterprises, dispute settlement, and others.

The agreement in principle is the result of compromises and hence it presents benefits and challenges. While it has been highly welcomed by many EU industrial associations and agricultural associations of the Mercosur countries, it has also prompted significant criticism. Some EU agricultural associations have been outspoken in their negative assessment of the FTA. Civil society groups have expressed their strong opposition to the FTA arguing that it would foster large-scale deforestation and an expansion of agricultural land in the Mercosur countries, which would be incompatible with the climate change goals under the Paris Agreement and would also have serious implications for indigenous people.

In June 2020, five NGOs submitted a complaint to the European Ombudsman criticising that the external sustainability impact assessment for the trade pillar negotiations does not contain up-to-date environmental data, notably on deforestation.

Main negotiation issues

During the negotiations, the gap between the different positions concerning the level and pace of liberalisation of trade in agricultural and industrial goods, services and public procurement markets has been a challenge. Mercosur is a major producer of agricultural products such as beef and soybeans that already now make up a large part of Mercosur's exports to the EU. According to a 2016 impact assessment, EU agricultural sectors would be affected to different degrees by the further opening of the EU market for Mercosur agricultural imports. Some EU offensive agricultural goods would benefit from increased market liberalisation, such as cereals as well as wine and spirits. By contrast, sensitive products for the EU such as beef, rice, poultry and sugar would come under pressure. Apart from market access for agricultural products, provisions on SPS measures and the protection of GIs have been key issues for the EU. As regards industrial sectors, notably the automotive, pharmaceutical, chemical, and textile sectors, financial and maritime services, and public procurement, EU offensive interests have contrasted with Mercosur's defensive interests.

Position of the European Parliament

In its resolution of 7 October 2020 on the implementation of the common commercial policy – annual report 2018, the European Parliament emphasized that 'the EU-Mercosur agreement cannot be ratified as it stands.' In its resolution of 16 February 2023 on an EU strategy to boost industrial competitiveness, trade and quality jobs, it stressed that an EU strategy to boost industrial competitiveness, trade and quality jobs 'also includes ratifying the outstanding bilateral agreement with Mercosur, provided that pre-ratification commitments on climate change, deforestation and other concerns are satisfactory'.

During the 8th legislative term José Ignacio Salafranca (EPP, Spain) was the rapporteur for the EU-Mercosur Association Agreement.

References:



- European Parliament, resolution of 16 February 2023 on an [EU strategy to boost industrial competitiveness, trade and quality jobs](#).
- European Parliament, resolution of 7 October 2020 on the [implementation of the common commercial policy – annual report 2018](#).
- European Commission, [Sustainability Impact Assessment in Support of the Association Agreement Negotiations between the European Union and Mercosur](#), Final Interim Report, February 2020
- European Commission, [Civil Society Dialogue, Meeting on the EU-Mercosur Trade Agreement](#), 15 July 2019 and the [minutes](#) of 7 August 2019
- European Commission, [New EU-Mercosur trade agreement. The agreement in principle](#), [es] [pt] [fr] [Disclaimer: The texts are published for information purposes only and will be final upon signature. The agreement will become binding on the Parties under international law only after completion by each Party of its internal legal procedures necessary for the entry into force of the Agreement (or its provisional application)], Press Release, 12 July 2019
- European Commission, individual chapters of the agreement in principle: [Regional integration clause](#), [Trade in Goods](#), [Annex on import/export monopolies](#), [Annex on export duties](#), [Annex on trade in wine and spirits](#), [Protocol on rules of origin](#), [Specific measures concerning the management of preferential treatment](#), [Customs and trade facilitation](#), [Protocol on mutual administrative assistance in customs matters](#), [Technical barriers to trade](#), [Annex on motor vehicles, equipment and parts thereof](#), [Sanitary and phytosanitary measures](#), [Dialogues](#), [Trade defence and global safeguards](#), [Bilateral safeguards](#), [Trade in services and establishment](#), [Government procurement](#), [Current payments and capital movements](#), [Competition](#), [Subsidies](#), [State-owned enterprises](#), [enterprises granted exclusive or special privileges](#), [Trade and sustainable development](#), [Transparency](#), [Small and medium-sized enterprises](#), [Dispute settlement](#), [Annexes to the Dispute Settlement](#), [press release](#), 12 July 2019; [Intellectual property](#), [Annex I Legislation of the parties](#), 6 September 2019
- European Commission, EU-Mercosur trade agreement: [overview factsheet](#), [factsheets](#) on [sustainable development](#), [food safety](#) and [agriculture](#) as well as country factsheets: on [Austria](#) [DE], [Belgium](#) [FR] [NL], [France](#) [FR], [Germany](#), [Ireland](#), [Italy](#) [IT] and [Poland](#) [PL] [press release](#), 12 July 2019
- European Commission, [Cumulative economic impact of future trade agreements on EU agriculture](#), Joint Research Centre, 2016

Further reading:

- European Parliament, EPRS, Study, [EU trade with Latin America and the Caribbean: Overview and figures](#), July 2023
- European Parliament, EPRS, [Amazon deforestation and the EU-Mercosur deal](#), At a Glance, July 2023
- European Parliament, EPRS, [The trade pillar of the EU-Mercosur Association Agreement](#), International Agreements in Progress Briefing, [ES] [PT], August 2019

Author: Gisela Grieger, Members' Research Service, legislative-train@europarl.europa.eu

Visit the European Parliament homepage on [globalisation](#).

As of 20 October 2023.