



The EU-Mercosur Trade Agreement

Questions and Answers

The EU has negotiated a trade agreement with the four founding member countries of Mercosur (the Common Market of the South) – Argentina, Brazil, Paraguay and Uruguay. Here you can find out what is in it, what impact it will have, and how we will reach a final deal.

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- What happens after the technical discussions have finished?

1. Context

Why has the EU negotiated a trade agreement with Mercosur?

Mercosur is a big market for EU exports and it was until now the only major trading partner in Latin America with which the EU does not have a preferential trade agreement. EU firms exported to the four founding countries of Mercosur:¹

- €45 billion of goods (in 2018), and
- €23 billion of services (in 2017).

Mercosur's economies are highly protected and European firms face many trade barriers when exporting there, which makes it hard for them to compete under fair conditions. These include:

- high import duties
- burdensome procedures, and
- technical regulations and standards which differ from international standards.

So there is huge potential for EU firms to export even more to this large market of over 260 million people.

The EU already has trade deals in place with nearly all other countries in Latin America. Securing an agreement with the Mercosur countries allows us to extend preferential access to EU exporters still further and strengthens our political ties with all Latin American countries.

The more Europe exports, the more jobs it can safeguard and create.

The EU's trade agreement with Mercosur will:

- remove trade barriers and make it easier for EU firms to sell goods and services to Mercosur and to invest
- help the EU and Mercosur shape global trade rules in line with highest EU standards
- send a powerful signal to the world in favour of rules-based trade and that two of its biggest economic blocs reject protectionism, and
- further integrate value chains between our two regions, thereby helping industries on both sides stay competitive on the global market
- project our values via detailed obligations on trade and sustainable development, including climate change and labour.

¹ The four countries are Argentina, Brazil, Paraguay and Uruguay.

How big is the Mercosur market? How much trade does the EU do with Mercosur?

Mercosur is the world's fifth largest economy outside the EU. With a population of over 260 million, its annual output is over €2.2 trillion.

EU firms export over €45bn in goods and €23bn in services to Mercosur. Today, more than 855,000 jobs in the EU relate to exports to Brazil alone. Over 60,000 EU companies are already exporting there.

EU companies are also major investors in Mercosur and Mercosur companies are increasingly investing in the EU. Companies from Mercosur countries employ more than 30,000 people in the EU.

Yet both exporters and potential investors face significant barriers to trading in this important market. EU firms could increase exports to and invest more in Mercosur if it were easier to do so.

Over 20% of Mercosur's trade is with the EU, making it the region's most important trading partner. The EU is also the largest foreign investor in the region.

What sort of problems do EU firms face when exporting to or investing in Mercosur?

The Mercosur market is large, but highly protected. European firms often find it difficult to export there, due to:

- high Mercosur tariffs on most products, such as:
 - chemicals
 - pharmaceuticals
 - machinery
 - textiles
 - cars
 - information and communications technology (ICT) equipment
 - chocolate
 - whisky and other spirits.
- the cost of meeting Mercosur's rules and regulations, which often differ from international standards
- unnecessarily complex procedures to prove that EU products meet Mercosur's technical requirements or standards for food safety or animal and plant health
- limited access for EU businesses and an unequal playing field in key service industries such as:
 - financial services
 - postal and courier services
 - telecommunications
 - transport.

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- preference given to domestic firms and goods over foreign firms and goods in government contracts
- lack of easy access to information on how to do business in Mercosur countries. This hits smaller companies especially hard.

The EU wants the trade agreement with Mercosur to tackle unnecessary and discriminatory obstacles to European exports so that European firms can sell more goods and services to Mercosur.

What will Mercosur get from the deal?

It will become easier for Mercosur to export to the EU, as far as they respect the EU high standards.

The deal will also help integrate Mercosur industries into the EU's highly innovative value chains. This in turn will help them become more competitive. Mercosur countries want to rely less on exports of commodities and to diversify their economies by producing higher value goods and services. The agreement will help them do so.

The trade deal will give more opportunities for Mercosur citizens to be able to provide their services in the EU, including on a temporary basis through their physical presence in EU countries, including through business contracts or as independent professionals.

With the agreement, governments in Mercosur are committing to make it easier and simpler to do business in their countries by improving the business climate. They will do so via more predictable and transparent procedures and regulations and by providing enhanced access to their market. This will help them attract more investment from Europe, as well as the rest of the world.

Both the EU and Mercosur want to:

- shape global trade rules in line with their standards and shared values of democracy and rule of law, and
- send a powerful signal to the world that two of its biggest economies reject protectionism.

2. Content

What are the main things the agreement will do?

1. Get rid of tariffs

High Mercosur tariffs make European products in Mercosur more expensive. Mercosur imposes high tariffs on imports of European products such as:

- cars
- machinery
- information and communications technology equipment
- textiles
- chocolate
- spirits
- wine.

By removing these tariffs, the trade deal with Mercosur will make it easier for European firms to export to Mercosur countries.

2. Promote trade in other ways

The agreement aims to boost EU exports to Mercosur with provisions on:

- Non-tariff barriers to trade in goods
- Eliminating discriminatory tax treatment on imported goods
- Trade in services and establishment in services and manufacturing
- Government procurement
- Smaller and Medium Sized Enterprises (SMEs)
- Improving access to raw materials essential to the EU economy by lowering or removing export taxes and eliminating export restrictions and export monopolies.

3. Show the world that the EU and Mercosur reject protectionism

At a time when protectionist pressures are growing, a trade agreement between the EU and Mercosur sends a clear signal to the world that two of its largest economies:

- reject protectionism
- are open for business and for trade on the basis of fair rules and high standards.

4. Pursue a value-based trade agenda

Under the agreement, the EU and Mercosur agree to:

- protect labour rights
- protect the environment, including fighting climate change and deforestation
- promote corporate social responsibility
- cooperate on animal welfare standards, biotechnology, food safety and fight against antimicrobial resistance.

What will the agreement mean for trade in goods?

The EU wants Mercosur to abolish import tariffs on European goods. It also wants Mercosur to remove obstacles to EU exports, such as:

- unnecessarily restrictive rules and regulations that differ from international standards
- non-automatic import licences
- burdensome conformity assessment procedures.

Making it easier to export to Mercosur should benefit EU firms making and selling:

- agri-food products
- machinery
- pharmaceuticals
- cars
- textiles and clothing.

The more Europe exports, the more jobs it can safeguard and create.

What will the agreement mean for trade in services and investment?

The agreement will make it easier for EU firms to sell their services to Mercosur, both through local establishment and on a cross-border basis.

A wide range of services and manufacturing sectors should benefit, including:

- business services
- financial services
- telecommunications
- maritime transport
- postal and courier services.

The agreement will reduce and eliminate discrimination and expand opportunities for EU and Mercosur service providers and investors.

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The agreement will not:

- prevent the EU or Mercosur from continuing to regulate their services markets in a non-discriminatory manner
- liberalise public services like public healthcare or state-funded education.

For both foreign and domestic services suppliers, the agreement will not affect the capacity of regulators to develop and impose non-discriminatory rules and standards:

- protecting health, safety and the environment, as well as consumers
- ensuring high quality services and services providers guaranteeing labour rights and working conditions.

3. Impact

3.1. Benefits

What difference will the agreement make to trade between the EU and Mercosur?

Today, more than 850,000 jobs in the EU relate to exports to Brazil alone. Companies from Mercosur countries employ more than 30,000 people in the EU. Over 60,000 EU companies export to Mercosur. If we make trade and investment with Mercosur easier, these figures could be higher.

Which sectors (industries) will benefit most?

In the EU, the following sectors should benefit:

- in goods:

- agri-food products
- machinery
- pharmaceuticals
- cars
- transport equipment
- textiles and clothing.

- in services and establishment:

- business services
- financial services
- telecommunications
- transport
- postal and courier services
- manufacturing.

How will this agreement will help European industry?

The agreement will remove import duties on over 90% of EU goods exported to Mercosur. Duties for some products will be liberalised over longer staging periods to allow sufficient time for companies in Mercosur countries to adapt. Examples of current Mercosur tariffs on such goods are:

- Cars 35%
- Car parts 14-18%
- Machinery 14-20%
- Chemicals up to 18%
- Clothing 35%

- Pharmaceuticals up to 14%
- Leather shoes 35%.

How will the agreement help small businesses?

Trade barriers disproportionately affect smaller businesses more than large companies, because small firms may not have the time and resources to overcome them. This is why the EU has requested a dedicated chapter for small and medium-sized enterprises (SMEs) in trade agreements to address the specific challenges of SMEs in international trade and investment activities.

The EU wants the agreement to:

- make Mercosur regulations more transparent, and
- simplify Mercosur customs procedures.

These improvements will be especially helpful for small businesses.

How will European consumers benefit?

The agreement will create the conditions for European consumers to choose from a wider and more affordable range of products and services.

How will the agreement benefit the EU's farming communities?

EU farming communities stand to gain from easier access to the Mercosur market and more opportunities to sell their produce to Mercosur's over 260 million consumers.

Mercosur consumers like high-quality European products such as wines, cheese, chocolate and pork.

But Mercosur imposes high tariffs on imports of these and other European food and drink products. For example:

- Wine 27%
- Sparkling wines 20-35%
- Chocolate 20%
- Whiskey and other spirits 20-35%
- Pastries, waffles and biscuits 18%
- Canned peaches 55%
- Soft drinks 20-35%.

The deal will remove these high tariffs and other trade barriers such as unclear rules and regulations or burdensome procedures, so it will be easier for European producers to export to Mercosur.

How will the agreement help EU food and drink producers market their distinctive regional products (Geographical Indications)?

The EU is a major producer of distinctive high-quality regional food and drink products such as Prosciutto di Parma, Parmigiano Reggiano, Prosecco and Irish whiskey.

In the EU, these products enjoy protection under a special status called 'Geographical Indications' (GIs). GIs guarantee to consumers that the produce is the genuine article from the specific locality or region concerned. They also allow European producers to earn a premium price for the quality of their unique produce.

The deal will recognise some 350 European Geographical Indications, guaranteeing that only products with this status will be sold in Mercosur under the corresponding GI name.

This would make it illegal to sell imitations. This means that the use of a GI term for non-genuine GI products will be prohibited and expressions such as 'kind', 'type', 'style', 'imitation' or the like will not be allowed. Furthermore, the agreement grants protection from misleading use of symbols, flags or images suggesting a "false" geographical origin. For example no-one will be allowed to call cheese Roquefort unless it is the genuine cheese made in Roquefort, France, under specific production conditions.

The recognition and protection of EU GIs through the Agreement will:

- help European producers and exporters, and
- reassure Mercosur consumers that they are buying a genuine European product.

How will the agreement open up Mercosur's government procurement market?

The agreement will make it easier for European firms to bid for government contracts in Mercosur countries on equal terms with local companies. The agreement will make it easier for EU companies to tender for contracts in three ways. First, it will prevent discrimination by Mercosur governments against EU suppliers. Second, it will make the tendering process more transparent. Each Mercosur country has agreed to publish contract notices online at a single national point of access for procurement covered by the agreement. Third, the agreement also sets standards of fairness throughout the procurement process as well as for remedies available to bidding companies that feel they have been treated unfairly.

3.2. Standards and values

How will the agreement protect European standards, including food safety standards?

As with all the EU's trade agreements, the agreement with Mercosur will not change European standards, including standards for food, agricultural and fishery products. EU standards are not negotiable.

- **EU stringent food safety rules will not change**
 - o The agreement does not affect or undermine EU food safety and animal and plant health legislation because health standards are not negotiable
 - o We keep our strict approach on health protection for any food safety matter, including genetically modified organisms (GMO)
 - o The EU maintains its right to set maximum levels of residues for pesticides, veterinary medicines or contaminants.

- **The EU remains free to regulate food safety**
 - o The EU remains fully independent in deciding safety criteria for products that reach our market
 - o The agreement reaffirms our right to regulate food safety in the interest of EU citizens' health
 - o The agreement includes the '*precautionary principle*', allowing us to take measures to protect the health of EU citizens when the scientific evidence on whether imported food is safe or not is inconclusive.

- **All imported food must comply with the EU's standards**
 - o EU rules apply to all products sold in the EU, whether produced domestically or imported
 - o Our robust system of checks allows us to make sure that EU rules are respected.

The agreement aims to protect the life and health of consumers, animals and plants. It will reinforce and strengthen cooperation with Mercosur countries in ensuring that these high standards are respected. Thanks to the agreement, the EU and Mercosur will work more closely with each other, and together in the international standard-setting bodies.

Under the Agreement, the EU and Mercosur will work together to fight one of the world major health threat: the Antimicrobial Resistance.

How will the agreement help promote sustainable farming in both regions?

The agreement will address several aspects of sustainable farming:

- The EU and Mercosur have agreed to cooperate more closely to raise animal welfare standards.
- The EU and Mercosur have agreed to fight together against antimicrobial resistance linked to the use of antimicrobials in humans and animals – a first for an EU trade agreement.
- The EU and Mercosur have also agreed to cooperate in the scientific arena to ensure a high level of food safety and health protection.
- It includes commitments to ensure that forests are managed sustainably, to combat illegal logging and related trade.

How will the agreement protect sensitive EU agricultural products, in particular beef, ethanol and poultry?

The agreement opens up the EU market to goods from Mercosur, but limits imports from Mercosur of sensitive agricultural products such as beef, ethanol, pork, honey, sugar and poultry. This strikes the right balance: Mercosur exports will not put at risk the EU market through unlimited imports in sensitive sectors.

How will the agreement contribute to the fight against climate change?

Under the agreement, the EU and Mercosur commit to effectively implementing the United Nations Framework Convention on Climate Change and the Paris Agreement on climate change.

They also commit to promoting trade's positive contribution to the fight against climate change.

How will the agreement uphold workers' rights in both the EU and Mercosur?

Both the EU and Mercosur have strong laws protecting workers' rights. They have agreed that the trade deal between them must support existing rights and not reduce or dilute them.

The agreement prohibits either side from unduly encouraging trade and investment by:

- derogations from labour laws
- not enforcing labour laws.

The two sides have also agreed to ensure that core labour rights as defined by the International Labour Organisation (ILO) are respected. These concern:

- Non-discrimination at work
- Elimination of child labour and of forced labour
- Freedom of association and the right to collective bargaining.

They have also agreed commitments on labour inspection and on health and safety at work, in line with ILO standards.

What about the agreement's impact on the environment, including the Amazonian rainforest?

The EU and Mercosur have agreed that the trade deal between them must support existing environmental standards and labour rights and not lower or dilute them. They have also agreed that each side has the right to regulate in order to protect the environment and workers' rights.

The agreement prohibits either side from unduly encouraging trade and investment by:

- derogating from environmental laws
- failing to enforce environmental laws.

The agreement also contains commitments on sustainable fisheries and sustainable forest management, among others.

Both sides have agreed to effectively implement the Paris Agreement on climate change.

The agreement will also open opportunities for supply chains of products that are produced in a way that helps conserve the environment, such as Brazil nuts from natural forests.

Will the commitments on workers' rights and environmental protection (sustainable development) be enforceable?

Yes. The commitments set out in the section on Trade and Sustainable Development will be enforceable through a dispute settlement mechanism that includes:

- external review by an independent panel of experts
- a role for civil society, including representatives of employers and trade unions, at all stages
- calling on the expertise of international bodies such as the International Labour Organization.

Does the agreement contain a reference to the precautionary principle?

Yes. The agreement asserts the right of governments' to regulate on the basis of the precautionary principle.

The 'precautionary principle' means that governments 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 evidence is not conclusive.

This is expressly mentioned in the chapter on trade and sustainable development.

How will the agreement safeguard governments' right to regulate in the public interest?

The agreement will not affect the right of the EU or Mercosur:

- to regulate for public policy objectives such as protecting public, animal and plant life or health, as well as the environment or workers
- to provide public services.

Like all EU trade deals, the EU-Mercosur Agreement leaves governments on both sides entirely free to manage water distribution or other essential services as they see fit. They continue to choose whether such services are part of the public or the private sector. The EU–Mercosur agreement is no different.

The agreement will enable the EU and Mercosur to work together on some regulatory issues – on a voluntary basis.

Cooperation will only apply to EU laws that affect trade or investment. It will not include EU Member States' laws.

4. Process

When did the negotiations start?

The negotiations were launched on 28 June 1999. Following a suspension of talks, negotiations restarted in 2010. The longstanding negotiations gained new impetus in 2016 when the EU and Mercosur each made new offers to cut tariffs. On 28 June 2019 the European Union and Mercosur reached a political agreement for an ambitious, balanced and comprehensive trade agreement. The new trade framework - part of a wider Association Agreement between the two regions – will consolidate a strategic political and economic partnership.

How much control do elected governments and MEPs have over the whole process?

The European Commission negotiated on behalf of the EU in line with a mandate granted to it by the governments of the EU's 28 Member States.

The Commission has always ensured that the negotiation process is accountable to EU Member States and to the European Parliament.

The EU Commissioners concerned as well as the Commission negotiators and services:

- work together with EU Member States to prepare the negotiations and negotiating texts
- report back to Member States meeting in the Council on how the negotiations are going
- keep the European Parliament updated of developments
- appear before the European Parliament's International Trade Committee.

The European Parliament also set up a special Monitoring Group to follow the negotiations. The Commission has regularly reported on the state of play of the negotiations to this group, as well as to the European Parliament Delegations responsible for relations with Mercosur and Brazil.

How has the Commission ensured that everyone can follow what is happening in the talks?

Throughout the negotiations, the Commission has regularly met, informed and shared information with:

- EU Member State governments
- the European Parliament
- civil society organisations

On its website the Commission has published [dedicated pages](#) with links to:

- reports of negotiating rounds
- texts of EU proposals submitted to Mercosur
- press releases
- factsheets in plain English
- other background information about the negotiations

The Commission also:

- holds press conferences with journalists
- holds citizens dialogues in EU Member States
- uses social media, such as Twitter.

Has the Commission evaluated the impact that this agreement could have on the EU and Mercosur?

Since negotiations started, the Commission has conducted several studies on the potential impact of a trade agreement with Mercosur.

The Commission published a Trade Sustainability Impact Assessment (SIA) in 2009, an Economic Impact Assessment in 2011, and an impact assessment focusing on agriculture (also in 2011).

Work is currently underway on a new a Trade Sustainability Impact Assessment (SIA) evaluating the economic, social, environmental and human rights impact of a trade agreement between the EU and Mercosur. An independent contractor is carrying out the study.

A number of roundtable events and civil society dialogues have been held in Brussels and in Mercosur countries. The comments made in these discussions have into the work on the report and has informed the negotiation process.

How did the Commission ensure that it listened to everyone with a stake in the agreement?

The Commission regularly reports back to the governments of the EU's Member States and keeps the European Parliament informed of progress in the negotiations.

The European Commission has also held numerous meetings with representatives of many of the 460+ civil society organisations registered with its ongoing dialogue on trade policy. These EU-based, not-for-profit organisations include:

- trade unions
- consumer bodies

- employers' federations
- business federations
- farming organisations
- environmental organisations
- animal welfare organisations
- faith-based groups
- think tanks
- community-based groups.

These meetings enable a wide range of bodies to make their views heard and to comment on the negotiations. At the meetings, the Commission informs and updates civil society on the negotiations.

In 2015, the European Commission issued new guidelines for transparency. Since then, the Commission has made public all new negotiating papers tabled in the talks.

The European Commission's doors are open. Any organisation interested in the talks can meet officials to put forward their views and opinions.

What happens after the technical discussions have finished?

In the EU, once the discussions have finished and the text of the agreement has been completed, the text of the agreement will be published on the European Commission website and it will also be:

- checked by lawyer-linguists
- translated into all official EU languages.

The EU-Mercosur trade agreement is part of an association agreement, including also provisions related to larger political cooperation.

Of course, the applicable validation procedures always need to be decided on case by case basis, based on the content of a specific agreement in question.

This being said, similar agreements concluded by the EU in the past required a validation by all Member States according to their national constitutional procedures, in addition to the European Parliament and the ministers' vote in the Council.