

EU and Mercosur reach agreement on trade

The European Union and Mercosur reached today 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 and create significant opportunities for sustainable growth on both sides, while respecting the environment and preserving interests of EU consumers and sensitive economic sectors.

The EU is the first major partner to strike a trade pact with Mercosur, a bloc comprising Argentina, Brazil Paraguay and Uruguay. The agreement concluded today will cover a population of 780 million and cement the close political and economic relations between the EU and Mercosur countries. It represents a clear commitment from both regions to rules based international trade and will give European companies an important head start into a market with an enormous economic potential. It will anchor important economic reforms and modernisation undergoing in Mercosur countries. The agreement upholds the highest standards of food safety and consumer protection, as well as the precautionary principle for food safety and environmental rules and contains specific commitments on labour rights and environmental protection, including the implementation of the Paris climate agreement and related enforcement rules.

President of the European Commission Jean-Claude **Juncker** said: *“I measure my words carefully when I say that this is a historical moment. In the midst of international trade tensions, we are sending today a strong signal with our Mercosur partners that we stand for rules-based trade. Through this trade pact, Mercosur countries have decided to open up their markets to the EU. This is obviously great news for companies, workers and the economy on both sides of the Atlantic, saving over €4 billion worth of duties per year. This makes it the largest trade agreement the EU has ever concluded. Thanks to the hard and patient work of our negotiators, this is matched with positive outcomes for the environment and consumers. And that’s what makes this agreement a win-win deal.”*

Commissioner for Trade Cecilia **Malmström** added: *“Today’s agreement brings Europe and South America closer together in a spirit of cooperation and openness. Once this deal is in place, it will create a market of 780 million people, providing enormous opportunities for EU businesses and workers in countries with whom we have strong historical links and whose markets have been relatively closed up to now. The agreement will save European companies over €4 billion in duties at the border – four times as much as our deal with Japan – whilst giving them a head start against competitors from elsewhere in the world. It also sets high standards and establishes a strong framework to jointly address issues like the environment and labour rights, as well as reinforcing sustainable development commitments we have already made, for example under the Paris Agreement. Over the past few years the EU has*

consolidated its position as the global leader in open and sustainable trade. Agreements with 15 countries have entered into force since 2014, notably with Canada and Japan. This agreement adds four more countries to our impressive roster of trade allies."

Phil **Hogan**, Commissioner for Agriculture and Rural Development, said: *"The EU-Mercosur agreement is a fair and balanced deal with opportunities and benefits on both sides, including for Europe's farmers. Our distinctive, high quality EU agri-food products will now get the protection in Mercosur countries that they deserve, supporting our market position and growing our export opportunities. Today's agreement also presents some challenges to European farmers and the European Commission will be available to help farmers meet these challenges. For this agreement to be a win-win, we will only open up to agricultural products from Mercosur with carefully managed quotas that will ensure that there is no risk that any product will flood the EU market and thereby threaten the livelihood of EU farmers."*

Main features of the EU-Mercosur trade agreement

The EU-Mercosur region-to-region agreement will remove the majority of tariffs on EU exports to Mercosur, making EU companies more competitive by saving them €4 billion worth of duties per year.

- As regards EU **industrial sectors**, this will help boost exports of EU products that have so far been facing high and sometimes prohibitive tariffs. Those include cars (tariff of 35%), car parts (14-18%), machinery (14-20%), chemicals (up to 18%), pharmaceuticals (up to 14%), clothing and footwear (35%) or knitted fabrics (26%).
- The EU **agri-food sector** will benefit from slashing existing Mercosur high tariffs on EU export products, chocolates and confectionery (20%), wines (27%), spirits (20 to 35%), and soft drinks (20 to 35%). The agreement will also provide duty-free access subject to quotas for EU dairy products (currently 28% tariff), notably for cheeses.

Mercosur countries will also put in place legal guarantees protecting from imitation **357** high-quality European food and drink products recognised as **Geographical Indications (GIs)**, such as Tiroler Speck (Austria), Fromage de Herve (Belgique), Münchener Bier (Germany), Comté (France), Prosciutto di Parma (Italy), Polska Wódka (Poland), Queijo S. Jorge (Portugal), Tokaji (Hungary) or Jabugo (Spain).

The agreement will open up new business opportunities in Mercosur for EU companies selling under **government contracts**, and to **service suppliers** in the information technology, telecommunications and transport sectors, among others. It will simplify border checks, **cut red tape** and limit the use of export taxes by Mercosur countries. **Smaller companies** on both sides will also benefit thanks to a new online platform providing easy access to all relevant information.

While delivering significant economic benefits, the agreement also promotes high standards. The EU and Mercosur commit to effectively implement the **Paris Climate Agreement**. A dedicated **sustainable development** chapter 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 human rights, social or environmental concerns. The agreement will also provide for a new forum to work closely together on a more sustainable approach to agriculture and, as part of the political dialogue under the Association Agreement, address the rights of indigenous communities. The agreement also safeguards the EU and Mercosur's **right to regulate** in the public interest and preserves the right to organise public services in the way they consider appropriate.

EU **food safety** standards will remain unchanged and all imports will have to comply with the EU's rigorous standards, as is the case today. The agreed food safety, and animal and plant health provisions will reinforce cooperation with the authorities of the partner countries and speed up the flow of information about any potential risks through a more direct and efficient information and notification system. In this way, the agreement will increase our efficiency in ensuring the safety of the products traded between the EU and Mercosur countries.

The trade agreement reached today is part of a comprehensive new **Association Agreement** under negotiation between the EU and Mercosur countries. It is composed of a political and cooperation pillar – on which negotiators already reached a general agreement in June 2018 in Montevideo – and the trade pillar. Beyond trade, the agreement will enhance political dialogue and increase cooperation in areas such as migration, digital economy, research and education, human rights, including the rights of indigenous people, corporate and social responsibility, environment protection, ocean governance, as well as fight against terrorism, money laundering and cybercrime. It will also offer increased possibilities for cooperation at multilateral level. The Association Agreement will complete the network of Association Agreements in the Americas and consolidate the relations with the important partners in the region, supporting EU positions on many global issues.

Another milestone trade agreement concluded by the Juncker Commission

Agreement	Population covered	Trade in goods	Trade in services	Tariff savings for EU companies	Joint GDP
Canada	550 million	€72 billion	€35 billion	€0.6 billion	€18 trillion
Japan	639 million	€135 billion	€53 billion	€1 billion	€21 trillion
Mercosur	773 million	€88 billion	€34 billion	Over €4 billion	€19 trillion

Next steps

Both sides will now perform a legal revision of the agreed text to come up with the final version of the Association Agreement and all its trade

aspects. The Commission will then translate it into all official EU languages and submit the Association Agreement to EU Member States and the European Parliament for approval.

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