

Trade Agreement EU - MERCOSUR

Key data



72 % of South America
4 Member States



260 million
people



a GDP of
2,2 trillion €



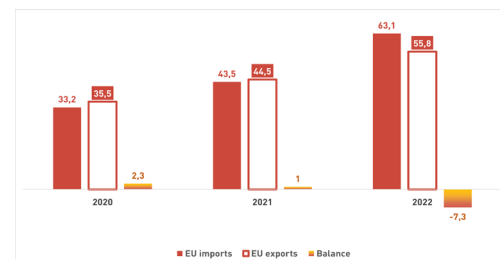
MERCOSUR is the
6th largest economy

MERCOSUR States:
Argentinien, Brasilien,
Paraguay und Uruguay

The current political situation creates a new window of opportunity for the conclusion of the EU-Mercosur agreement.

The potential advantages of the EU-Mercosur trade agreement for Europe include

- ▶ Providing new impulses for a thriving economy and creating secure jobs, which are indispensable for Europe in times of crisis.
- ▶ Mitigating the adverse effects of Russia's aggression against the Ukraine.
- ▶ Strengthening the resilience of the European economy.
- ▶ Ensuring the diversity and security of supply chains and essential resources.
- ▶ Opening up new export markets for EU companies.
- ▶ Incorporating commitments to comply with the Paris Climate Agreement and combat deforestation.
- ▶ Expanding the EU's trade network and maintaining its leadership in setting international standards.



Enhanced protection of the rainforest and labor rights

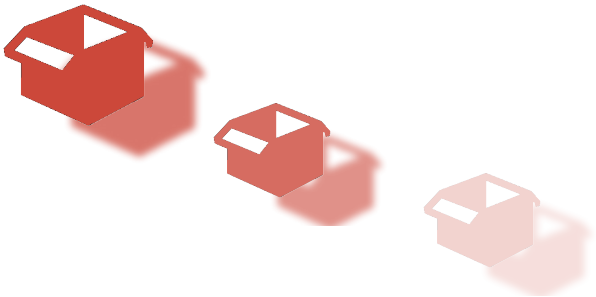
- ▶ A separate additional instrument will ensure the implementation of commitments to environmental and labor protection. Various planned EU legal acts (e.g. regulation of deforestation-free products, due diligence, etc.) will provide an additional contribution to the protection of the rainforest.

No EU-Mercosur trade agreement means

- ▶ Insufficient natural resources for the production of solar panels and wind turbines
- ▶ Problematic economic dependencies with certain authoritarian states will continue
- ▶ Loss of market position to competitors
- ▶ Not being in dialogue with these countries will eventually result in having no influence on climate protection in the Amazon rainforest
- ▶ Lack of advancement and innovation, leading to stagnation

Beneficial trade relationship

For years, Europe has had a trade surplus with the Mercosur countries. Important economic sectors and export success include pharmaceuticals, chemicals, measuring devices, steel products, machinery and electrical appliances, soft drinks, paper goods etc.

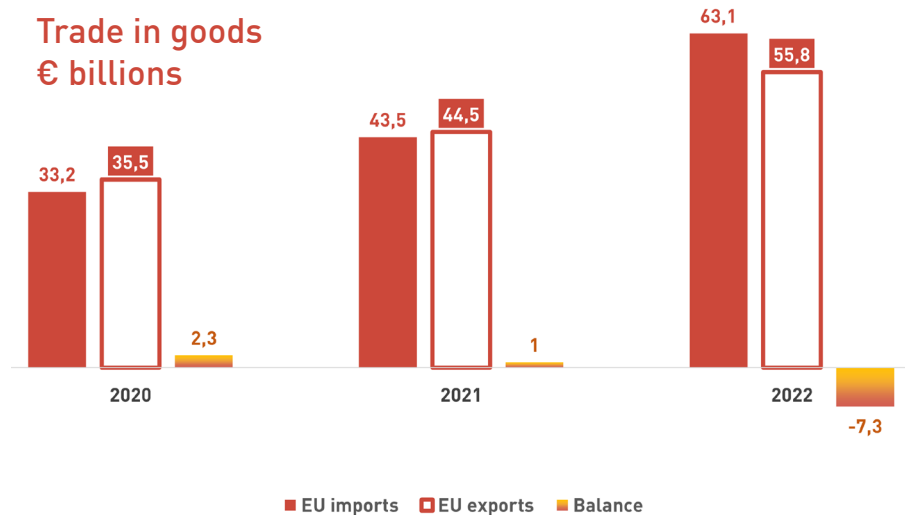


Easier access to raw materials and parts

The Mercosur countries as an important supplier of raw materials for the EU, e.g. minerals from Argentina (lithium) and Brazil (hafnium, magnesium, niobium, silicon metal, rare earths in the form of gadolinium). Hides and skins for the leather industry or soybean products, which are essential for livestock feed. Whether wind turbines, photovoltaic systems or electric car batteries - without raw materials, no energy transition can be achieved.

Investment protection

Investment protection was not part of the negotiations between the EU and Mercosur countries and therefore investment protection is not part of the EU-Mercosur trade agreement.



Source: European Commission

No negative effects through trade agreements

Example CETA:

- ▶ **Trade balance with Canada improved!**
- ▶ **Exports of agricultural products have increased!**
- ▶ **No reduction of EU food safety standards!**

Fact check



Myth: „Cheap beef will flood our market“

To protect the interests of European farmers, the EU market was not completely opened. Specifically, two quotas for beef - one for fresh beef and one for frozen beef - totaling 99,000 metric tons for all four Mercosur countries, with a tariff of 7.5 percent. These are available to any importer in the EU and will be allocated on a first come first serve basis. Once the quotas agreed in the agreement are exhausted, any further imports are subject to the higher third-country tariff of the EU. These quotas represent only slightly more than 1 percent of the eight million metric tons consumed in Europe each year. Of these 99,000 metric tons, again (only) 55 percent is high-quality „fresh“ beef and 45 percent is frozen beef. If we break down the amount of additional beef per EU citizen, we are talking about a maximum of 221g per capita. In other words, at most one normal steak per year.

The fact is that only a small amount of beef can benefit from tariff reductions. Therefore, a feared oversupply of cheap Latin American beef is in fact not possible.

Myth: „Low-quality hormone-treated meat will end up in our supermarkets“

All food products that enter the European Union must comply with our strict food safety standards. The trade agreement between the EU and Mercosur does not change this. This means that no hormone beef or other genetically modified (GMO) products that are not approved can enter the internal market. The precautionary principle is explicitly reaffirmed in the agreement. Both sides maintain the right to take measures to protect the health of humans, animals, and plants. Mandatory controls by a border veterinarian with a veterinary document for approval of import are still required. Thus, the agreement will not change the right to implement protective measures, nor will it lead to a decrease of quality of the veterinary controls.

The fact is that there will be no relaxation of food standards and the well-thought-out control system will stay in place.

Myth: „The rainforest is under the threat of deforestation due to the significant expansion of cattle farming caused by the new trade agreement“

In Brazil alone, 11 million tons of beef are produced annually. Therefore, the agreed quota of 99,000 tons, which will be divided among the four Mercosur countries, cannot lead to a statistically significant increase in beef production. Moreover, the EU-Mercosur trade agreement is crucial for the advancement of a global climate policy as it reinforces the parties' commitment to the Paris climate protection agreement. The trade agreement also includes a sustainability chapter that provides for cooperation in international forums, focusing on sustainable forest management and the fight against deforestation. This creates additional opportunities to ensure that the parties to the trade agreement are committed to implementing climate protection agreements.

The fact is that the agreement does not result in the destruction of the rainforest for new cattle pastures. Instead, it encourages the Mercosur countries and especially Brazil to provide more protection to the rainforest.

EU-Mercosur Agreement

Ten benefits for domestic companies and international climate protection

1. Important raw materials at lower prices: essential for crisis resilience, food supply, and the green transition.
2. Significant lever for achieving sustainability goals (e.g. Paris Climate Agreement) thanks to a dedicated chapter in the agreement and a specially negotiated additional instrument.
3. High EU standards are not lowered. Importers from Mercosur countries have to comply with high EU standards.
4. Fair play for public tenders for European companies in Mercosur countries.
5. Access to dynamic service markets and an opportunity to address the shortage of skilled workers.
6. Competitive advantage over competitors from overseas and the Far East (especially China and the USA).
7. Significant savings in customs duties.
8. Great opportunities for SMEs.
9. Protection of geographical indications, such as Tyrolean bacon.
10. Sustained creation and safeguarding of jobs.

More information:

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