



THE MOST
IMPORTANT POINTS

POINTS ABOUT THE EU-MERCOSUR AGREEMENT

ABOUT THE AGREEMENT

The agreement between the European Union (EU) and the Mercosur bloc (Brazil, Argentina, Paraguay and Uruguay) is a Trade Agreement, as part of an Association Agreement, that has been discussed for many years by the blocs and has gained notoriety in current times for its importance and return to discussions. The current draft of the agreement is really wide, with chapters that go from trade regulation to conflict resolution, and has potential to affect an even wider range of countries, in the economic field and a diversity of other sectors.

This agreement is considered to be one of the largest in the world regarding trade exchanges, given the GDP (around USD 20 trillion) and the population (over 780 million people) of the blocs combined. The next sections aim to give a context on the current economic relations between the blocs, to discuss the most important points of the agreement and which advantages and downsides both blocs are expected to receive from its terms.



THE CURRENT BILATERAL TRADE

As noted by the Brazilian Institute of Applied Economic Research (IPEA) and the EU Commission, the trade relations between the blocs are already well established. In terms of exports, the EU exported €45 billion in goods in 2021 and €17 billion in services to the Mercosur in 2020, the EU is also the most significant foreign investor in the bloc with around €330 billion in stock, in the period of 2020. On the EU side, the most exported products are machinery and appliances, chemicals, pharmaceutical products and transport equipment (reaching 64.6% of the exports). Those products have high tariffs in the Mercosur reaching values of over 10% in some cases.

On the other hand, the Mercosur exports for the EU reached €43 billion in the same period and the most exported products were minerals, vegetables, food, beverages and tobacco (reaching 62.15% of the total exports). Mercosur also exported €7.7 billion of service to the EU in 2020 and almost all the products exported by the bloc face tariffs close or equal to zero.



ADVANTAGES

OF THE AGREEMENT

MORE TRADE AND INVESTMENT OPPORTUNITIES

In the perspective of the economic sector, the main objectives of the agreement are to eliminate or reduce to the max the trade barriers between current and new commercial exchanges. Therefore by making the exports cheaper and alongside other important points of the agreement, the trade between the EU and Mercosur will become more competitive and effective.

Looking at the terms of the agreement that bring positive results for both parties, we can point out the aspect of government acquisitions. This happens because of larger bilateral opportunities, greater access to the exchanges and the establishment of common and international patterns of transparency in the role process, which will ensure for both parties equal access to public procurement opportunities.



The agreement also covers trade in terms of services and investment, important economic sectors in the history of the relations between the blocs. The terms discussed intend to develop and consolidate a more predictable and transparent legal framework for the financial actors. This new structure will most certainly create a wide sense of security for all those who already have business in the regions and also the ones who intend to.

Given this scenario, the commercial goals of the agreement are to provide room for a significant raise of trade and investment in both sides, while also providing a lower or non-tariff trade barriers. This will represent a mutual win for the both blocs, creating more opportunities of economic growth and development.



WIDER PROTECTION OF INNOVATIONS AND THE ENVIRONMENT

The terms of the agreement establish the duties and rules that aim to protect intellectual property rights and geographical indications. Both actions will protect business owners and creators from both sides by regulating the security of patents, trademarks and copyrights. This will be followed by the commitment from the Mercosur side to ensure that the original products from the EU will be protected from imitations and are the only ones that can be sold on a registered name basis. Therefore, extremely important boundaries are going to be established to act as a shield from uncertainties and risks regarding innovation and technological production.



AN OVERVIEW OF THE CRITICISMS AROUND THE AGREEMENT

Despite the positive sides and advantages noted above, the agreement also faces a load of criticism around particular points. An interesting aspect to note is that some of the critics go around terms that are also seen as the positive points, the critics focus on the lack of discussion of a specific aspect, on the omission of it or on the possible downsides. The following sections discuss a little further on the specific critical points.



ENVIRONMENTAL AND HUMAN RIGHTS IMPACT

Despite the chapters around sustainable development and the commitment with climate change agreements and other UN conventions, criticism came to the surface around the possibility of amplification of deforestation and environmental degradation. With a greater focus and preoccupation with the Mercosur side, especially because of the Amazon rainforest, the critics point out that it should include stronger commitments in terms of protection of biodiversity and forests.



The absence of notes and comments regarding the role of extensive agricultural and livestock production in the matter of deforestation is also pointed out by critics. Those arguments also extend themselves for the climate change aspect, critics have shown concerns around the possibility of rise in the greenhouse gas emissions because of the increment in trade, therefore the need to increase production. There are also concerns in terms of lack of commitment in promoting the process of transition to a low-carbon economy, which would contribute as well for the climate change consequences.

Now in terms of human and labor rights, even though the parties have committed to respect the principles of the International Labor Organization, critics argue that there are risks around the commercial exchanges with countries that already have history in terms of poor human rights and weak labor standards. The critics highlight the lack of protection for workers' rights, in countries that have had abuses reported.



FAIRNESS IN THE AGRICULTURAL SECTOR, ANIMAL WELFARE AND FOOD SAFETY

In the fairness of trade in the agricultural sector, critics have pointed out the possibilities of problems regarding the EU subsidies and the Mercosur cheaper products. The first point highlights chances of an unfair competition that would jeopardize especially the work of smaller farmers in the Mercosur, because of all the subsidies that the EU gives to its producers. The latter one, raises concerns around the the results of the absences of trade barriers that would lead to cheaper market prices for the Mercosur products, a reality that could undermine the EU farmers, especially the smaller ones.

In terms of animal welfare and food safety there are critics show concern regarding the lack of commitments to stronger terms about the protection of both points in question, despite the cooperative scenario that is being set to provide common patterns and stardes for both. The critics have elaborated its concerns that the agreement could result in the rise of imports from the Mercosur that does not align with the EU standards.



CONCLUSION

As noted from the discussion above, the agreement has great potential to bring stability and new opportunities for the parties involved, amplifying and consolidating the commercial relations of the EU and Mercosur. Companies, governments and all businesses from both sides have grounds to benefit from trading with lower tariffs, security of all the new regulations and transparency policies and new open markets possibilities.

It is also important to add attention to the relevance of the critics around the agreement, to the fact that its existent draft so far can change because of new scenarios regarding the political and economic part of the negotiations and to that both the EU and Mercosur have a long run until the full implantation of its clauses.



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