



The benefits of open trade with Mercosur

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Speech by Cecilia European Commissioner for Trade

Event on "Free trade as an engine of growth"

[Translation from Spanish]

Ministers, Secretary of State, Ambassadors, Ladies and gentlemen,

It's a pleasure to be here again in the Madrid, in the Casa de América, which represents like nothing else a place where Latin America meets Spain – and, indeed, Europe. The EU and Mercosur have many things in common.

We have a common history, and common values; we share languages and identities. Democracy and the rule of law are essential pillars which unite our countries. And we also share many tastes and passions: from food to football.

In the World Cup final, it's common to see a European team playing against a team from Mercosur: as happened in 2014 in Brazil, when Germany played Argentina. As we all know, on the football field, there are winners and there are losers.

But trade agreements are not like football. If we work together, we can reach a good, balanced agreement in which we are all winners. We see that when we work together on climate change, or scientific research, which benefits everyone.

The trade in goods and services can benefit everyone too. Our companies get new market opportunities; our people get better choices and lower prices. A trade agreement brings more confidence to investors, benefiting everyone.

Across the Mercosur region, over 5000 EU affiliates employ more than 1.5 million people. In Brazil alone, Spanish company Telefonica supplies nearly one hundred million with access to phones, mobiles, TV and the internet.

The Volkswagen plant in Pacheco, near Buenos Aires, sells its Amarok model in almost 70 markets all over the world. In Uruguay, new investment by leather company Bader has created 400 jobs; it exports car seats to Brazil and other markets.

The world economy today is made up, not simply of exports and imports, but of ever more complex global value chains. Parts, components and raw materials from many different countries come together in a planetary production line.

This is the new rules and reality of global trade; those who isolate themselves and raise barriers are excluded from this reality. Global markets offer a great opportunity for products and businesses from Mercosur. Opening up more to the world means new and greater opportunities to attract new investment, and export more.

Then they can start to create, not just more jobs but better jobs, higher up the value chain.

Today, just 24% of Mercosur's exports to the EU are manufactured products. For Mexico, since 2000 our free trade agreement has allowed manufactured products to become more significant; today they represent 70% of its exports to Europe.

There's nothing wrong with being competitive in commodity markets: on the contrary. But overdependence makes the economy vulnerable to volatility. As many have seen recently. By increasing openness to trade the economy can be stronger, more diverse, more resilient.

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An agreement between two of the world's five biggest economies would show our commitment to work together towards open, rules-based trade, even in a time of rising protectionism.

We are Mercosur's biggest trading partner and biggest foreign investor; the region represents one euro in twenty of the foreign investment our companies make. The EU has the chance to be the first major partner in the world to conclude a free trade agreement with Mercosur, to be pioneers in a market of over 275 million people.

A market with far to grow: we believe in the future of Mercosur as a region. Today, there are too many barriers between the EU and Mercosur. EU exporters pay over 4 billion euros in tariffs a year.

And that's not to mention non-tariff barriers, market access, intellectual property or procurement.

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EU trade agreements make a real difference. Take South Korea. In the first five years our trade agreement was in effect, our exports went up 55% and our exporters saved nearly 3 billion euros in tariffs.

I hope we'll see a similar impact from our other deals which recently or will soon come into effect with Ecuador, Guatemala, Southern Africa, Vietnam, Singapore and Canada. And, by the way, we are also making good progress in talks with Japan and Mexico.

The benefits are not just for big companies. Big companies can use experts and lawyers to help them get past trade barriers. Small companies need the barriers to be removed, with transparency and legal certainty. This is what trade agreements deliver.

One small company making guitars, Guitarras Manuel Rodríguez from Toledo, near here, saw its exports to South Korea rise 800% over three years. Optim, a sunglass maker from Barcelona, saw sales to Mexico rise 22% a year, thanks to our trade agreement with them.

We could see the same happen in Mercosur; a place where European products, from food to fashion, are in growing demand. The EU exports 66 billion euros of goods and services to Mercosur each year.

Our impact assessment suggests a free trade agreement could double those figures. Of course, we have sensitive sectors, particularly in agricultural products. And Mercosur is well aware of our concerns. At the same time, I know this agreement has many opportunities for EU farmers and food-makers.

Most of the agricultural imports we get from Mercosur — for example, feed for livestock — help European farmers stay competitive. On the export side, just taking drinks, olive oil and other vegetable oils, we currently pay an annual €90 million in tariffs to enter the Mercosur market.

But our food products face more than high tariffs. They also face long processes for certification and authorisation.

It's also important to preserve our high-quality brands: European geographical indications. The agreement would offer better protection for products like Jerez sherry or Queso Manchego cheese.

The EU-Mercosur agreement has been a long time coming. The negotiations have just turned 18; reaching the age of majority. When we started them, the EU was still 15 countries and people in Madrid paid in pesetas.

Even if it has not been the swiftest of our trade negotiations it has, more recently, gained new commitment and new momentum. Last May, we exchanged offers for the first time since 2004. Then in October, a new negotiating round there was another round last March and yet another taking place in Brussels this week.

Strong trade can help countries recover from a crisis, and give people back jobs and stability. Spain is a good example of recovery through exports. I firmly believe more trade will improve Mercosur's economy and mean more jobs.

Through the CETA trade agreement, the EU and Canada have taken forward a more progressive trade agenda, covering more topics like labour and environmental protections. We welcome the vote in the Spanish Congress of Deputies to ratify the agreement with Canada, a friendly country with whom we share many values.

In the world, we are hearing voices in favour of protectionism. At a time when some want to build walls, we need more than ever to be building bridges. We have a unique chance to build this transatlantic bridge with the EU-Mercosur agreement.

And I hope that can happen very soon.