



## **Report from the XXXIIth round of negotiations of the Trade Part of the Association Agreement between the European Union and Mercosur**

Asuncion, 21 February – 2 March 2018

The XXXIIth negotiation round of the Trade Part of the EU-Mercosur Association Agreement took place from 21 February to 2 March 2018 in Asuncion, Paraguay.

The talks were led on the EU side by EU Chief Negotiator, Director Sandra Gallina, DG TRADE. The Mercosur delegation was led by Paraguay's Chief Negotiator, Vice-Minister Luis Fernando Avalos Giménez.

Negotiations covered the following areas: (1) Trade in Goods; (2) Wines and Spirits; (3) Rules of Origin; (4) Technical Barriers to Trade; (5) Sanitary and Phytosanitary Measures; (6) Services and Establishment; (7) Government Procurement; (8) Intellectual Property (including Geographical Indications); (9) Trade Defence Instruments (10) SMEs; (11) Subsidies; (12) State-Owned Enterprises; and (13) Institutional Affairs. Both text on disciplines and market access were discussed.

Below is a summary of the discussions.

### **1. Trade in Goods**

The parties continued discussions relating to the few unresolved remaining textual proposals and clarified positions in view to find a common ground to conclude the chapter on trade in goods. Outstanding issues are: tariff treatment of imports from Paraguay, treatment of repaired and remanufactured goods, consular transactions, domestic support, industrial development clause, export duties and State Trading Enterprises (the latter linked to the EU proposal on SOEs).

The Parties continued working on agriculture-related elements in the Trade in Goods text related to export competition and cooperation in agriculture.

The Parties continued working on market access with a view to address their respective export interests. The EU clarified its requests on key sectors such as automotive and dairy. Mercosur signalled strong sensitivities on these sectors.

### **2. Wines and spirits annex**

The Parties discussed and made significant progress on the draft text on wines and spirits. The EU raised concerns regarding the import restriction imposed by Mercosur with a maximum size of wine bottle.

### **3. Rules of Origin**

Steady progress was made on the rules of origin. EU and Mercosur discussed the disciplines on the definition of origin and product specific rules. Regarding the general provisions, most of the text is now agreed. On the rules of origin for fish which remain outstanding, there was some convergence of views.

Discussions continued on proof and verification of origin, where most of the text is agreed. On the product specific rules of origin, several chapters were closed and differences narrowed in other open chapters. The key area of cars was discussed and it was agreed further work is needed to bridge differences between the Parties.

#### **4. Technical Barriers to Trade**

The Parties continued their discussion on the few open issues of the TBT Chapter. Difficulties remain in certain issues related to regulatory cooperation and conformity assessment.

Technical exchanges continued on the EU proposal for specific provisions on motor vehicles.

#### **5. Sanitary and Phytosanitary Measures**

The EU and Mercosur reviewed the joint text resulting from the round of December 2017. The constructive atmosphere of the group allowed the two sides to progress and agree on some additional elements of the SPS Chapter, such as the recognition of the EU as a single entity, regionalisation, and deadlines for the procedures. The chapter is now almost concluded. The Parties have agreed to continue working on the remaining open issues.

The Parties also agreed to continue working on the Chapter on dialogues, which includes issues such as animal welfare and anti-microbial resistance.

#### **6. Services and Establishment**

Discussions in the Services group focused on cleaning the few outstanding points in the text. This objective was reasonably attained. On the other hand, there are still some areas where the respective positions still need to converge, such as the scope of the e-commerce chapter (where Mercosur is seeking exceptions), a number of EU market access requests and Mercosur's request with respect to mode 4.

#### **7. Government Procurement**

The parties discussed the text of the government procurement (GP) title and market access.

The Parties made further progress on the text, agreeing on few outstanding provisions, such as definitions, some aspects relating to scope and coverage, the EU proposal on modification of coverage, and the text of the limited tendering. The text is now agreed with the exception of few outstanding aspects mostly linked to market access (e.g. offsets).

As to market access, discussions allowed for a clarification of each other's market access offers exchanged on 5 December 2017. Parties discussed the requests for improvements of each other's offers.

#### **8. Intellectual Property (including GIs)**

The IPR group made some further progress on general principles and copyright.

As regards GIs, the parties substantially advanced on their work on textual provisions and exchanged on the respective lists of geographical indications to be protected through the agreement, concentrating on a number of geographical indications where prior use exists in the territory of Mercosur countries.

#### **9. Trade Defence Instruments**

The parties had a constructive discussion on all outstanding issues and many could be solved. As a result, the bilateral safeguard clause will be an effective tool for industries of both parties, if faced with difficulties following the trade liberalisation under the agreement.

Remaining unsolved elements (e.g. agricultural safeguard) are linked to the negotiation on market access and will be addressed in that context.

#### **10. Small and Medium Enterprises**

Both sides worked on a compromise text that will be subject to the agreement of both sides. The negotiation focused on the main remaining issues of information sharing regarding the content of website links and of the searchable database, as well as on the set-up of SME Coordinators.

#### **11. Subsidies**

The EU presented a revised proposal on subsidies in an attempt to take into account some of the concerns expressed by Mercosur. Mercosur reacted by presenting their own proposal. Both sides agreed to further reflect on each other's proposals.

#### **12. State-Owned Enterprises (SOEs)**

The EU reiterated its request to negotiate specific disciplines on SOEs and tabled a new text proposal.

#### **13. Institutional Affairs**

There was good progress in institutional and other general trade provisions, including "objectives" of the trade part, the trade-related tasks of both the Association Council and the Association Committee and the general exceptions. The EU explained its proposal for a "regional integration clause".

Mercosur tabled a counter-proposal on transparency.