



Comprehensive Free Trade Agreement with Mercosur

Potential gains for the EU

May 2016

The EU negotiates a comprehensive free trade agreement with Mercosur to offer EU companies:

1. An easier and privileged access to a large and attractive market:

The Mercosur countries - Argentina, Brazil, Uruguay and Paraguay - form a free trade area, an increasingly integrated market of 250 million consumers. They also generate together the 5th largest GDP in the world.

In 2015, Mercosur was the 10th largest export market for the EU goods, Brazil alone being the EU's 10th largest trade partner and the 14th largest export market.

Mercosur is:

- by far the largest export destination for EU fertilisers,
- the 6th largest export market for EU pharmaceuticals,
- the 7th export market for EU chemicals,
- the 8th export market for EU machinery.

As regards agricultural products, Mercosur is equally one of the largest export markets for EU's:

- onion and garlic (1st export market),
- potatoes (2nd),
- olive oil (3rd),
- pears (2nd).

In 2014, Mercosur was the 8th largest export market for EU services (Brazil alone being the 9th largest).

Also, more than 5% of European Foreign Direct Investment (FDI) is already located in Mercosur. Brazil was the 3rd leading destination of EU outward FDI in 2014. Mercosur companies are also increasingly important in terms of FDI in the EU.

2. A significant comparative advantage in the Mercosur market

The EU is the only partner having free trade negotiations with Mercosur. This means EU companies could get a privileged access to Mercosur markets compared to their competitors from any other country outside Latin America.



3. Savings on custom duties of more than €4 billion

85% of EU exports to Mercosur are subject to import taxes. Exports that are of significant interest to the EU are subject to particularly high tariffs (e.g. between 20 and 35% for some machinery and appliances, 23 and 35% for cars, or between 20% and 35% for beer and spirits). The agreement could remove or at least lower those taxes, leading to significant savings.

4. Additional opportunities for EU most competitive sectors

Through the removal of particularly high tariffs, as well as non-tariff barriers, Mercosur could become one of the top markets for EU dairy, wine, spirits, processed foods, chocolates, all types of pork products, and canned fruits.

5. Access to essential raw materials at more competitive prices

Mercosur countries are key suppliers of raw materials for the EU industry. For example, around 60% of agricultural imports from Mercosur are raw materials for food industries and the EU livestock sector, with 80% of EU imports of vegetable proteins for animal feed being supplied by Mercosur.

The removal of export tariffs on inputs for the EU industry (e.g. food and feed, leather, etc.) is an important objective for the EU in the negotiation. Access to cheaper raw materials would make EU industry more competitive, in particular as regards the meat production.

6. Greater preferential access to a promising services market

Removing existing barriers for EU services providers and investors could result in many interesting business opportunities.

- 24% of EU exports to Mercosur consist already in services, with a large EU surplus in this area;
- Brazil alone is the 7th largest world market for EU services;
- More than 5% of EU Foreign Direct Investment is located in Mercosur, with an important presence of EU services companies in the sectors of retail, information and communication, financial services and transport.

7. An equal footing with local companies to supply public authorities in Mercosur countries

Local bidders and companies coming from within Mercosur are treated much better as it comes to government contracts than EU companies. Given governmental infrastructure development plans, public contracts in Mercosur hold an important potential. Conservative estimates indicate that the Brazilian procurement market alone could be worth nearly €150 billion.