Sustainability Impact Assessment in support of association agreement negotiations between the European Union and Mercosur

Inception Report • 24 January 2018 • TRADE 2014/01/01 • Request for services REVISED-TRADE2016/C3/C12
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## Table of contents

Table of contents .............................................. 3  
List of tables and figures .................................. 5  
List of abbreviations ........................................ 7  
Executive Summary .......................................... 10  
1. Introduction .................................................. 11  
   1.1 Background ............................................. 11  
   1.2 Research Aims and Objectives ..................... 13  
2. Methodology & Tools ....................................... 15  
   2.1 CGE Modelling ......................................... 15  
   2.1.1 CGE Baseline development ....................... 15  
   2.2 Policy Scenario ....................................... 18  
   2.3 Quantification of Non-tariff Barriers ............ 20  
   2.4 Qualitative Analysis ................................ 21  
   2.5 Proposals for policy recommendations and accompanying measures 22  
   2.6 Cross-Cutting Issues ................................ 22  
   2.6.1 Least Developed Countries (LDC) ................ 22  
   2.6.2 Small and Medium Enterprises (SMEs) ........ 23  
   2.6.3 Consumer Impacts ................................ 23  
   2.6.4 Impact on EU outermost regions ............... 24  
3. Economic Analysis ......................................... 25  
   3.1 Draft Literature Review .............................. 25  
   3.2 Descriptive statistics ................................ 26  
4. Social Analysis ............................................. 67  
   4.1 Methodology ........................................... 67  
   4.2 Baseline (preliminary screening of issues) ...... 68  
   4.3 Analysis ................................................. 71  
5. Environmental Analysis .................................... 73  
   5.1 Methodology ........................................... 73  
   5.2 Baseline (preliminary screening of issues) ...... 73  
   5.3 Analysis ................................................. 74  
6. Human Rights Analysis ..................................... 76  
   6.1 Methodology ........................................... 77  
   6.2 Baseline ................................................. 79  
   6.2.1 The EU & Human Rights ........................... 79
6.2.2 Mercosur & Human Rights 80
6.2.3 Third Party Free Trade Agreements 84
6.3 Analysis (Preliminary Screening) 84
6.3.1 Rights of Indigenous People 85
6.3.2 Right to the Enjoyment of the Highest Attainable Level of Physical and Mental Health 86
6.3.3 Right to an Adequate Standard of Living 87
6.3.4 Gender Equality 87
7. Sectoral Analysis 91
7.1 General Approach 91
7.2 Impacts on SMEs 92
7.3 Preliminary sector selection (preliminary screening) 93
8. Stakeholder Consultation 95
8.1 Objectives 95
8.2 Dedicated website and electronic communications 96
8.3 Online public consultation 97
8.4 Roundtables, interviews, meetings and questionnaires 98
8.5 Civil Society Dialogue Meetings 99
8.6 Workshop in the partner countries 100
8.7 Risk mitigation for stakeholder consultation 101
8.8 Feedback mechanisms: from process to outcome 102
9. Timeline for finalising the work 103
9.1 Deliverables 103
9.2 Timeline 104
Bibliography 106
Annex 1. Preliminary Indicators and Data Sources 112
Annex 2. Preliminary list of stakeholders 115
List of tables and figures

Box 1: Sectors to be included ................................................................. 16
Box 2: Regions .................................................................................. 17
Box 3: Preliminary agenda for stakeholder meetings in Brussels .......... 98

Table 1: NTB cuts in EU and MERCOSUR ........................................... 19
Table 2: EU-Mercosur trade by broad product groups ......................... 36
Table 3: Top 20 products exported from the EU to Mercosur (2014-2016). 37
Table 4: Top 20 products imported by the EU from Mercosur (2014-2016) 38
Table 5: Ad-valorem import tariffs, EU and Mercosur .......................... 38
Table 6: Top 20 EU products not exported to Mercosur (2014-2016) ....... 39
Table 7: Top 20 EU imports not imported from Mercosur (2014-2016) .... 40
Table 8: Composition of EU exports to Mercosur by service type ........... 46
Table 9: Composition of EU imports from Mercosur by service type ...... 46
Table 10: Service Trade Barriers for Selected Service Types .................. 47
Table 11: Origin of value added in EU exports ..................................... 49
Table 12: Origin of value added in Argentina and Brazil exports .......... 50
Table 13: Origin of value added in EU imports from Argentina and Brazil .. 50
Table 14: Origin of value added in Argentina and Brazil imports from the EU 51
Table 15: Sectoral origin of Argentina and Brazil value added in EU exports (2011) 52
Table 16: Sectoral origin of EU value added in Argentina and Brazil exports (2011) 53
Table 17: Origin of VA of sectoral EU final demand (2011) ................... 55
Table 18: Origin of VA in Argentina and Brazil sectoral final demand (2011) 58
Table 19: Composition of EU-Mercosur trade by use of products (In percentages) 60
Table 20: EU outward investment to Mercosur 2015 ............................ 62
Table 21: FDI Regulatory Restrictiveness Index 2016 ........................... 63
Table 22: Identification of Trade Measures for Possible Inclusion in the FTA 78
Table 23: Status of Ratification ............................................................ 81
Table 24: Identification of Trade Measures for Possible Inclusion in the FTA 84
Table 25: Gender Vulnerabilities .......................................................... 88
Table 26: Preliminary risk and mitigation strategy for stakeholder consultation 101
Table 27: Deliverables .................................................................. 103
Table 28: Gantt chart .................................................................... 104
Table 29: Selected indicators .............................................................. 112
Table 30: Primary and secondary data sources .................................. 113

Figure 1: Annual percentage growth in GDP per capita in Mercosur countries and the EU, 2000-2016 ................................................................. 27
Figure 2: Distribution of employment across broad sectors in Mercosur countries and the EU, 2000-2014 ................................................................. 28
Figure 3: Unemployment rates in Mercosur countries and the EU28, 2005-2016. 29
Figure 4: Annual growth in real monthly earnings of employees in Brazil, Paraguay, Uruguay and the EU, 2000-2015 .................................................. 30
Figure 5: General government debt as a percentage of GDP in Mercosur countries and the EU, 2005-2016 ................................................................. 31
Figure 6: EU goods exports and imports to/from Mercosur .................... 32
Figure 7: EU goods exports to selected countries (% of total extra-EU28 exports) 33
Figure 8: EU goods imports from selected countries (% of total extra-EU28 imports)........33
Figure 9: Mercosur exports to selected markets (% of total extra-Mercosur exports)........34
Figure 10: Mercosur imports from selected markets (% of total extra-Mercosur imports)....35
Figure 11: Finger-Kreinin Index for LDC and Mercosur Exports to the EU (2004-2016)......41
Figure 12: EU service exports and imports to/from Mercosur ........................................42
Figure 13: EU service exports to selected countries .......................................................43
Figure 14: EU service imports from selected countries ...................................................44
Figure 15: Importance of the EU as trading partner for Mercosur (services) .................45
Figure 16: Inward investment in Mercosur 1991-2016 ..................................................62
Figure 17: Mercosur Ease of doing business ranking, 2015-2016 ..................................63
Figure 18: Number of people living with less than $1.90 a day (millions, 2011 PPP) ....69
Figure 19: Number of people living with less than $3.10 a day (millions, 2011 PPP) ....70
Figure 20: Inequality in Mercosur (Gini coefficient) ....................................................70
# List of abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>AA</td>
<td>Association Agreement</td>
</tr>
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<td>ARG</td>
<td>Argentina</td>
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<td>AVE</td>
<td>Ad Valorem Equivalents</td>
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<td>BEC</td>
<td>Broad Economic Categories</td>
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<td>BRA</td>
<td>Brazil</td>
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<td>CAP</td>
<td>Common Automobile Policy</td>
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<td>CDE</td>
<td>Constant Difference Elasticity</td>
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<td>CEDAW</td>
<td>Convention on the Elimination on all Forms of Discrimination Against Women</td>
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<td>CERD</td>
<td>Convention on Elimination of all Forms of Racial Discrimination</td>
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<td>CETA</td>
<td>EU-Canada Comprehensive and Economic Trade Agreement</td>
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<td>CETM</td>
<td>Copenhagen Economic and Trade Model</td>
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<td>CGE</td>
<td>Computable General Equilibrium</td>
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<td>CLS</td>
<td>Core Labor Standards</td>
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<td>CMC</td>
<td>Consejo Mercado Comun</td>
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<td>CMPED</td>
<td>Centro Mercosur de Promocion de Estado de Derecho</td>
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<td>CO2</td>
<td>Carbon Dioxide</td>
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<td>CSD</td>
<td>Civil Society Dialogue</td>
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<td>DDA</td>
<td>Doha Development Agenda</td>
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<td>DG</td>
<td>Directorate General</td>
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<td>DOM</td>
<td>Domestic</td>
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<td>EBA</td>
<td>Everything But Arms</td>
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<td>EBRD</td>
<td>European Bank for Reconstruction and Development</td>
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<td>European Instrument for Democracy and Human Rights</td>
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<td>Foreign Direct Investment</td>
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<td>International Federation for Human Rights</td>
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<td>FTA</td>
<td>Free Trade Agreement</td>
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<td>FTIS</td>
<td>Foreign Trade Information System</td>
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<td>General Agreement on Trade in Services</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GDyn Model</td>
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<td>Green House Gas</td>
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<td>Global Public Goods and Challenges</td>
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<td>Generalized System of Preferences</td>
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<td>GTAP</td>
<td>Global Trade Analysis Project</td>
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<td>HR</td>
<td>Human Rights</td>
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<td>HRC</td>
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<td>HS6</td>
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<td>ICCPR</td>
<td>International Covenant on Civil and Political Rights</td>
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<td>IEA</td>
<td>International Energy Agency</td>
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<td>Acronym</td>
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<td>ICESCR</td>
<td>International Covenant on Economic, Social, and Cultural Rights</td>
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<td>ILO</td>
<td>International Labor Organization</td>
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<td>INADI</td>
<td>National Institute Against Discrimination, Racism, and Xenophobia</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<tr>
<td>IPPDH</td>
<td>Instituto de Políticas Publicas en Derechos Humanos</td>
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<td>ITUC</td>
<td>International Trade Union Confederation</td>
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<td>I2E</td>
<td>Import to Export</td>
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<td>JRC</td>
<td>Joint Research Centre</td>
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<tr>
<td>LDC</td>
<td>Least Developed Country</td>
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<td>LES</td>
<td>Linear Expenditure System</td>
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<td>LMDI</td>
<td>Log Mean Divisia Index</td>
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<td>LSE</td>
<td>London School of Economics and Political Science</td>
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<td>MEA</td>
<td>Multilateral Environmental Agreements</td>
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<tr>
<td>MERCOSUR</td>
<td>Mercado Comun del Sur</td>
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<td>MFN</td>
<td>Most Favoured Nation</td>
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<td>NAMA</td>
<td>Non-Agricultural Market Access</td>
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<td>NGO</td>
<td>Non-Governmental Organization</td>
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<td>NTB</td>
<td>Non-Tariff Barriers</td>
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<td>NTM</td>
<td>Non-Tariff Measures</td>
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<td>NUTS2</td>
<td>Nomenclature of Territorial Units for Statistics Level 2</td>
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<td>ODM</td>
<td>Observatorio de la Democracia del Mercosur</td>
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<tr>
<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
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<tr>
<td>PE</td>
<td>Partial Equilibrium</td>
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<td>PRY</td>
<td>Paraguay</td>
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<td>RAADH</td>
<td>Reunion de Ministras y Altas Autoridades de DDHH y Cancillerías del Mercosur y Estados Asociados</td>
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<td>RAFRO</td>
<td>Reunion de Ministros y Altas Autoridades sobre los Derechos de los Afrodescendientes</td>
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<td>RAPIM</td>
<td>Reunion de Autoridades Sobre Pueblos Indigenas</td>
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<td>RCA</td>
<td>Revealed Comparative Advantage</td>
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<td>R&amp;D</td>
<td>Research and Development</td>
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<td>RAAM</td>
<td>Reunion de Altas Autoridades de la Mujer</td>
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<td>RoW</td>
<td>Rest of World</td>
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<td>RTA</td>
<td>Regional Trade Agreements</td>
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<td>SADC</td>
<td>South Africa Development Community</td>
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<td>SDT</td>
<td>Special Differential Treatment</td>
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<td>SIA</td>
<td>Sustainability Impact Assessment</td>
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<td>SENAF</td>
<td>National Secretariat of Childhood, Adolescence, and Family</td>
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<td>SITC</td>
<td>Standard International Trade Classification</td>
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<td>SME</td>
<td>Small Medium Enterprise</td>
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<td>SPS</td>
<td>Sanitary &amp; Phytosanitary</td>
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<td>STRI</td>
<td>Service Trade Restrictiveness Index</td>
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<td>TBTs</td>
<td>Technical Barriers to Trade</td>
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<td>TEU</td>
<td>Treaty on European Union</td>
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<td>TiVA</td>
<td>Trade in Value Added</td>
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<td>ToR</td>
<td>Terms of Reference</td>
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<td>TPP</td>
<td>Trans-Pacific Partnership</td>
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<td>TRQ</td>
<td>Tariff Rate Quotas</td>
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<td>TTIP</td>
<td>Trans-Atlantic Trade and Investment Partnership</td>
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<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
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<td>Acronym</td>
<td>Full Form</td>
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<tr>
<td>UNDRIP</td>
<td>Declaration on the Rights of Indigenous Peoples</td>
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<td>UNEP</td>
<td>United Nations Environmental Program</td>
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<td>UNESCAP</td>
<td>UN Economic and Social Commission for Asia and the Pacific</td>
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<td>UNIDO</td>
<td>United Nations Industrial Development Organization</td>
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<td>UN UPR</td>
<td>UN Universal Periodic Review</td>
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<td>URY</td>
<td>Uruguay</td>
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<td>VAT</td>
<td>Value Added Tax</td>
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<td>WDI</td>
<td>World Development Index</td>
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<td>WIOD</td>
<td>World Input-Output Database</td>
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<td>WTO</td>
<td>World Trade Organization</td>
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<td>WTO MC</td>
<td>World Trade Organization Ministerial Conference</td>
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Executive Summary

This Inception Report for the EU-Mercosur Association Agreement Sustainability Impact Assessment provides an overview of the proposed framework for conducting the sustainability assessment analysis and methodologies to be employed, including the consultations activities, for the study. The Inception Report provides the preliminary analysis for the tasks to be expanded upon throughout the implementation of the project, namely, the quantitative and qualitative methodologies for the 1) economic analysis; 2) social analysis; 3) environmental analysis; 4) human rights analysis; and the 5) sectoral analysis. Drawing on similar designs of previous studies, the report develops the quantitative model to be employed. For each component of analysis, the inception report provides a review of literature, covering prior studies assessing impacts of FTAs on the economic, social, environmental, and human rights issues within the EU and Mercosur. Further, the inception report outlines the stakeholder consultation plan to be followed throughout the impact assessment. The interim report then extends upon the preliminary screening to offer a preliminary analysis of the key issues identified herein this report. The final report will also include recommendations to maximise the benefits of the agreement while ensuring the competitiveness of enterprises and preventing or minimising potential negative impacts.
1. Introduction

1.1 Background

On 7 July 2017, the EU and Mercosur concluded the XXVIIIth round of the Mercosur-EU bi-regional Negotiating Committee in Brussels. The report from the negotiation round highlights the significant progress achieved with regards to the consolidated text “on customs and trade facilitation, mutual administrative assistance, Financial Services and Capital movements and payments, as well as important progress on a range of other texts, notably goods, services and establishment, government procurement, geographical indications, trade and sustainable development and dispute settlement.”

The two sides have achieved one of the key objectives during the previous round, namely to have a common negotiating text in every group. In light of this, the current impact assessment can provide timely input to the negotiating team and information to stakeholders, providing channels to further discuss expectations and opportunities of the Association Agreement. The European Commission has already published a number of EU proposals on the negotiating text and our aim is to raise further awareness of the agreement and its potential impact.

Since the launch of the negotiations in 1999, Mercosur and the EU have been trying to negotiate a free trade agreement that liberalises trade between both partners. In 2015 for Mercosur, the EU represented nearly 17% of its exports and 19% of its imports. On the other hand, Mercosur received 2.6% of EU exports and generated 2.7% of the imports. However, this trade is performed primarily under MFN basis where average tariffs applied by Mercosur are 13% and by the EU – 6%. There are also significant tariffs peaks in both schedules. Moreover, in addition to the tariff barriers, there are numerous and high non-tariff barriers affecting trade. They include sanitary and phytosanitary (SPS) measures as well as technical barriers to trade (TBTs). Multiple regulations exist that affect the trade in services in all provision modes, specially related to the movement of natural persons as well as Foreign Direct Investment (FDI).

This suggests that an FTA between both partners would be highly mutually beneficial. However, political developments in Mercosur in the mid-2000s complicated negotiations as governments adopted an ever more pro-manufacturing and protectionist stance. Moreover, the high commodity prices observed during the same period, postponed the need of an agreement on the Mercosur side. Many key sectors in the EU have also been wary about the possibility of granting greater access to Mercosur exporters.

The process was suspended in 2004 with negotiation rounds resuming between 2010 and 2012. The process was relaunched again with the exchange of offers of May 2016, the first such exchange since 2004, followed by three further negotiation rounds. Building on this renewed engagement, the two sides have committed to the goal of concluding by the end of 2017.

This will require reaching agreement on the full range of issues, including finding the right balance between offensive and defensive market access interests on both sides. In agriculture, Mercosur is expecting improved access for competitive agriculture sectors where the EU remains defensive. It

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2 Source: UN Comtrade database.
3 Non-ad valorem duties excluded.
should be noted, however, that in this area there are also offensive interests on the EU side associated with inter alia beverages, processed agricultural products and the protection of EU geographical indications, where given the European influence in the region, there are certain conflicts with products from, for example, Spain and Italy. These issues are addressed both in the overall economic analysis of the AA and in the analysis of specific sectors.

On the industrial side, some sectors where the EU industry is competitive are considered defensive by Mercosur countries. The Mercosur manufacturing sector remains heavily protected across the board using tariffs as well as administrative measures to slow down the flow of imports. The car manufacturing sectors in Argentina and Brazil are seen as key in their economic transformation strategies. In fact, the sector is not liberalised within Mercosur and there is a Common Automobile Policy that regulates the trade within the bloc and protect it from foreign competition (Brambilla, 2005; Garriz, et al 2016). However, there is also an important value chain activity involving SMEs and large firms in both countries as well as European firms (i.e. a significant share of the car manufactures are of European origin) (Ciravenna, 2003). Thus, Mercosur will be on the one hand vigilant as to how the agreement may affect this sector while also alive to the opportunities that may arise to integrate further into European value chains. Issues pertaining to the car and car parts will be dealt in a separate section of our final report. The machinery sector, which also figures prominently in the EU’s exports, will also be addressed in a separate section. There are other sectors (e.g. pharmaceuticals or chemicals) where intellectual property rights play an important role alongside market access.

There is no a common services policy in Mercosur, as levels of protection differ between members, beyond some liberalisation existent within the bloc (Quijano, 2009). However, there are barriers, which hinder the provision of foreign services in key sectors (e.g. financial, communications, transportation, etc.) in almost every relevant provision mode. The regulatory frameworks in some sectors tend to be burdensome, affecting the provision and the investments regardless of the origin (Rozemberg and Gaya, 2015). The existing arrangements within Mercosur and possible scope for cooperation with the EU in the area of business services will also be reviewed in-depth in the final report of the SIA.

For the EU, the AA presents the opportunity to secure and increase trade and investment with a region with important cultural and economic links. This is particularly timely as China is strengthening its position as a strong competitor in key European sectors such as machinery and transport equipment. For Mercosur, an agreement with the EU will help to address the relative loss of market access that Mercosur faces (i.e. Mercosur’s competitors gaining better market access through FTAs with the EU) as well as the chronic trade diversion, affecting productivity, competitiveness and poverty in Mercosur countries due to intra-Mercosur protection (Chang and Winters, 1999; Bohara et al, 2004).

The current SIA draws on the 2009 EU-Mercosur Sustainability Impact Assessment (SIA) which assessed the impact of the agreement on the respective economies as well as social and environmental impacts.

Compared to the current study, the previous SIA did not account for many of the latest development in Mercosur trade flows. For example, the study still represented the EU as receiving nearly 25% of Mercosur exports. Although China already represented 8.5% of the exports and 13% of the imports, the study did not consider that by 2015, China would have matched the share of the EU in the trade
with Mercosur. This has brought important implications for Mercosur trade, making it more dependent on commodities such as soybeans and iron ores and increasing trade diversion within the bloc.

At the time of completion of the 2009 SIA, the four Mercosur members were GSP beneficiaries. This implied a more benevolent default market access in the absence of an agreement with the EU as they were already receiving duty-free or reduced tariffs in almost 90% of the tariff lines. Currently Paraguay still benefits from the preferential regime under the GSP+ scheme, but is expected to fulfil the criteria for graduation from the GSP+ in the near future.

In this context, the current study differs from the existing SIA not only in using most recent data available, but also in addressing important dimensions associated with the trade in value added that exists between the EU and Mercosur. We, therefore, also look at the ways in which trade interacts with value chains and intermediate goods and services are used in the production processes.

Furthermore, this study prioritises human rights analysis, an area which was not considered in the 2009 SIA. In line with the terms of reference and existing guidelines on gender mainstreaming, the team will identify particular measures foreseen in the agreement which may enhance or impair women’s rights or affect gender equality. This is particularly important in light of other studies, which assess the impacts of the potential agreement on rural livelihoods and women as well as other disadvantaged or vulnerable groups (Hinojosa, 2009; Ribeiro Hoffmann, 2014; Jelin et al, 1998).

### 1.2 Research Aims and Objectives

The SIA will include an examination of how the anticipated trade agreement might impact on economic, social, human rights and environmental issues or have any other possible unintended consequences in the EU and Mercosur. This is also examined in relation to other relevant countries such as developing and least developed countries (LDC) and thereby lay the basis for designing flanking and mitigating measures.

Overall, the SIA consists of two complementary components, notably:

(i) a robust analysis of the economic, social, human rights and environmental impacts, that the association agreement under negotiation could have, in the EU, in the partner countries and in other relevant countries; and.

(ii) a wide consultation process involving stakeholders both in the EU and in the partner countries, which provides opportunities for information-gathering and dissemination results.

The analysis starts with a screening and scoping exercise, and is then followed by overall and sectoral impact analyses which lead to conclusions and recommendations.

To achieve its objectives, the SIA will be carried out in accordance with the following indications:

1. Overall analysis of the sustainability impacts arising from the negotiations. While a number of key sustainability issues to be analysed in the SIA are cross-cutting and should therefore be

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4 Directorate-General for Employment, Social Affairs and Equal Opportunities, 2008. Manual for gender Mainstreaming employment, social inclusion and social protection policies
mainstreamed in the analysis, the identified impacts on LDCs, SMEs, and consumers will be summarised in specific sub-sections;

1.1. Economic analysis: impact of removing tariff and non-tariff measures and wider economic impact of the possible effects of the AA;

1.2. Social analysis: different types of potential social impact, direct and indirect, of the potential agreement; analysis of the impact of trade opening on employment, working conditions, and distributional impacts, as well as interaction between the envisaged agreement and effective implementation of international conventions inter alia Core Labour Standards (CLS) and fundamental Conventions of the International Labour Organisation (ILO);

1.3. Environmental analysis: detailed analysis of potential environmental impacts, both direct and indirect, of the potential agreement; analysis of the impact of trade opening on the environment by identifying scale, technology, and product effects, as well as the potential interaction between the future AA and multilateral environmental agreements;

1.4. Human rights analysis: detailed analysis of potential impacts of the future AA on human rights; analysis of the impact of particular measures in the agreement under negotiations and their potential impact on the enjoyment of human rights; assess the impact on vulnerable groups and on gender equality.

2. Detailed analysis of specific sectors: the selection of these sectors is proposed in this inception report.

3. Consultation process: the qualitative and quantitative analysis is complemented by detailed input from stakeholders through a thorough consultation process.

4. Policy recommendations and accompanying measures: covering enhancement and prevention/mitigation measures.

The scope of the project extends consideration to the Mercosur-4 (Argentina, Brazil, Paraguay, and Uruguay). Our analysis uses all relevant data encompassing the period from 2009, when the last SIA was conducted, to the present.
2. Methodology & Tools

This section provides a description of how the LSE Consulting team reaches the specific objectives of the SIA; an overview of analytical methods to address the tasks, outlined above and structuring the work. We provide a preliminary review of the potential economic, human rights, social and environmental effects of the trade-related parts of the anticipated association agreement (AA) between the EU and Mercosur. Our analysis also covers relevant third countries, in particular LDCs, as well as Turkey which is linked to the EU by a customs union agreement. Each of the sections on social, environmental, and human rights analysis outlines the methodology and tools used, while below we expand on our approach to the economic analysis.

The economic analysis needs to consider the structure of the economies of the partners involved. Moreover, it needs to reflect the nature of the type of agreement and the elements that it will include. The quantitative modelling can completely assess shallow integration elements (tariff reduction) as well as some of the deep integration elements (reduction on quantifiable NTBs). However, it cannot assess all deep integration elements such as regulatory convergence, competition and investment policy, government procurement, etc. However, even when different elements may be considered, it is necessary to identify different methods for each type of analysis. In this regard, we use a combination of tools: Computable General Equilibrium analysis, comparison of methods for the quantification of non-tariff barriers and descriptive statistics.

2.1 CGE Modelling

CGE analysis allows us to assess the economy-wide effects in the EU, Mercosur and other relevant partners (e.g. LDCs) of the tariff reductions and some deep integration elements. For example, it is possible to assess the effect of some trade costs reductions associated with any trade facilitation provision included in the agreement and/or harmonization of standards. In addition, the CGE enables us to view - although with limitations - the effects of the agreement on services. However, services will be dealt more properly through descriptive statistical analysis.

Regardless of the nature of the simulation, CGE helps to assess the FTA’s effect on domestic economies. In addition to trade effects, CGE allows us to quantify the effect on production, consumption, consumer prices, and income. Moreover, some general assessment of the welfare effects can be assessed as well. However, as in all CGE models, the analysis is limited in terms of product or sector coverage. Given the diversified trade and production structures in both the EU and Mercosur, this may be not satisfactory for the trade analysis. At the same time, the results from the CGE analysis will feed into the social, environmental, human rights, and sectoral analysis, as well as cross-cutting issues (LDCs, SMEs and consumers).

2.1.1 CGE Baseline development

Box 1 and Box 2 show the sectoral and regional aggregations we employ in this model, starting from the 57 sectors and 140 regions in GTAP 9 Data Base.
### Box 1: Sectors to be included

<table>
<thead>
<tr>
<th>Sector number</th>
<th>Sector name</th>
<th>Notes (GTAP sectors)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cereals</td>
<td>2, 3</td>
</tr>
<tr>
<td>2</td>
<td>Rice</td>
<td>1, 23</td>
</tr>
<tr>
<td>3</td>
<td>Vegetables, fruits, nuts</td>
<td>4</td>
</tr>
<tr>
<td>4</td>
<td>Oil seeds, vegetable oils &amp; fats</td>
<td>5, 21</td>
</tr>
<tr>
<td>5</td>
<td>Sugar</td>
<td>6, 24</td>
</tr>
<tr>
<td>6</td>
<td>Plant &amp; animal fibres and other crops</td>
<td>7, 8, 12, 14</td>
</tr>
<tr>
<td>7</td>
<td>Bovine and other ruminant meats</td>
<td>9, 19</td>
</tr>
<tr>
<td>8</td>
<td>Other meats (poultry, pig)</td>
<td>20</td>
</tr>
<tr>
<td>9</td>
<td>Other animal products</td>
<td>10</td>
</tr>
<tr>
<td>10</td>
<td>Beverages and tobacco</td>
<td>26</td>
</tr>
<tr>
<td>11</td>
<td>Dairy products</td>
<td>11, 22</td>
</tr>
<tr>
<td>12</td>
<td>Wood and paper products</td>
<td>13, 30, 31</td>
</tr>
<tr>
<td>13</td>
<td>Coal</td>
<td>15</td>
</tr>
<tr>
<td>14</td>
<td>Oil</td>
<td>16</td>
</tr>
<tr>
<td>15</td>
<td>Gas</td>
<td>17, 44</td>
</tr>
<tr>
<td>16</td>
<td>Minerals</td>
<td>18</td>
</tr>
<tr>
<td>17</td>
<td>Other food products</td>
<td>25</td>
</tr>
<tr>
<td>18</td>
<td>Textile, apparel, leather</td>
<td>27, 28, 29</td>
</tr>
<tr>
<td>19</td>
<td>Chemicals, rubber, plastic</td>
<td>33</td>
</tr>
<tr>
<td>20</td>
<td>Petroleum, coal products</td>
<td>32</td>
</tr>
<tr>
<td>21</td>
<td>Metal products</td>
<td>35, 36, 37</td>
</tr>
<tr>
<td>22</td>
<td>Non-metallic minerals</td>
<td>34</td>
</tr>
<tr>
<td>23</td>
<td>Motor vehicles &amp; transport equipment</td>
<td>38, 39</td>
</tr>
<tr>
<td>24</td>
<td>Machinery</td>
<td>41</td>
</tr>
<tr>
<td>25</td>
<td>Electronic equipment and other manufacture</td>
<td>40, 42</td>
</tr>
<tr>
<td>26</td>
<td>Electricity</td>
<td>43</td>
</tr>
<tr>
<td>27</td>
<td>Utility (construction, water)</td>
<td>46, 45</td>
</tr>
<tr>
<td>28</td>
<td>Transport</td>
<td>48, 49, 50</td>
</tr>
<tr>
<td>29</td>
<td>Communication and business service</td>
<td>51, 54,</td>
</tr>
<tr>
<td>30</td>
<td>Financial service and insurance</td>
<td>52, 53</td>
</tr>
<tr>
<td>31</td>
<td>Recreational and other services</td>
<td>55, 56, 57, 47</td>
</tr>
</tbody>
</table>
Box 2: Regions

<table>
<thead>
<tr>
<th>Region</th>
<th>Observations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 EU28</td>
<td></td>
</tr>
<tr>
<td>2 Turkey</td>
<td></td>
</tr>
<tr>
<td>3 Brazil</td>
<td></td>
</tr>
<tr>
<td>4 Argentina</td>
<td></td>
</tr>
<tr>
<td>5 Uruguay</td>
<td></td>
</tr>
<tr>
<td>6 Paraguay</td>
<td></td>
</tr>
<tr>
<td>7 Mexico</td>
<td></td>
</tr>
<tr>
<td>8 Central America</td>
<td></td>
</tr>
<tr>
<td>9 Andean</td>
<td>Colombia, Peru, Ecuador</td>
</tr>
<tr>
<td>10 Latin America</td>
<td>Except for countries mentioned elsewhere</td>
</tr>
<tr>
<td>11 USA</td>
<td></td>
</tr>
<tr>
<td>12 Other high income countries</td>
<td>Canada, Japan, Korea, Australia, New Zealand, EFTA</td>
</tr>
<tr>
<td>13 LDCs</td>
<td></td>
</tr>
<tr>
<td>14 China (and Hong Kong)</td>
<td></td>
</tr>
<tr>
<td>15 Other developing countries</td>
<td></td>
</tr>
<tr>
<td>16 Rest of the World (RoW)</td>
<td></td>
</tr>
</tbody>
</table>

The baseline scenario constitutes the situation without an agreement and provides a counterfactual scenario to evaluate the effects of the agreement. The baseline outlines the main policies (economic, social and environmental) expected in both the EU and Mercosur until the year 2032 without the implementation of the EU-Mercosur FTA. With respect to the main policy elements of the baseline scenario, it is difficult to determine whether many of the initiatives currently discussed will be implemented or not. Thus the baseline includes all agreements concluded by the EU and Mercosur at the time of the inception of this project (September 2017).

The baseline considers FTAs that are currently in force and those for which negotiations are finalised for the EU and Mercosur respectively. The GTAP model already includes FTAs up to 2011. Therefore only the FTAs not included in the GTAP model need to be added separately. We exclude agreements with countries whose share in EU overall trade or Mercosur overall trade is below 1% (except for those with Latin American countries) or which cannot for technical reasons be included in the agreed regional aggregation. These criteria result in the following list of agreements to be added:

For Mercosur:

- No FTAs concluded in the relevant period and therefore we do not make any changes herein.

For the EU:

- Several agreements have been in force since the recent past. FTA with Canada (CETA), Singapore, Korea, SADC EPA, West Africa EPA, Central America, Colombia, Peru, and Ecuador, which have already been dealt with by other SIAs and studies.
The GTAP Data Base is based on 2011 data and therefore omits many recent policy developments. To avoid shortcomings arising from such omissions, we make the following broad changes to the data set:

- corrections on tariffs for sugar and beef, according to DG Trade estimation are incorporated;
- export subsidies from EU are removed, since they are wrongly included in GTAP 9 Data Base.

We employ a macroeconomic baseline comprising GDP, unskilled labour, skilled labour and population developed and employed by the modelling team at DG Trade of the EU. We make further adjustments within the baseline, for the following:

- introduction of FTAs signed by EU after 2011 and already in force;
- taking into account the NAMA custom Union with Turkey;
- Russian import ban and consequences.

We employ the dynamic version of the GTAP Model, which is known as GDyn Model. In this model, there are some occasional behavioural issues: for example, China and Brazil, among other countries, may display strange behaviour in certain sectors, particularly in agriculture and livestock sectors. We make necessary adjustments to account for these issues.

2.2 Policy Scenario

We employ specific assumptions in terms of tariff reductions and non-tariff barrier reductions in the policy scenario.

Full liberalisation for all industrial goods sectors on the EU side is assumed for both conservative and ambitious scenario. For Mercosur, we assume full liberalisation of 90% of industrial goods in the conservative scenario, 100% in the ambitious scenario. As regards agricultural goods, for the EU, partial tariff cuts will apply for rice, sugar, ruminant meat, other meat in both scenarios and for cereals and dairy in the conservative scenario. In the remaining cases, 100% tariff cuts would apply. For Mercosur, full liberalisation for 80% of tariff lines takes place under the conservative scenario and 100% under an ambitious scenario.

The scenarios also take into account trade cost reductions to non-tariff barriers to goods and services trade. For NTBs, we use the variable 'ams' in GTAP Data Base, which captures import-augmented technological change. The base NTBs for non-agricultural goods is based on existing estimates by the World Bank. The NTB values available are at HS6 level. The following will be assumed:

- EU: No NTB reduction assumed at this stage;
- Mercosur:
  - Conservative: 5% of impact of non-agricultural NTBs eliminated;
  - Ambitious scenario: 10% of impact of non-agricultural NTBs eliminated.
This study does not model NTB cuts in agriculture. The reason is that given the lack of robust AVE estimates on agricultural trade to and from the EU, the available AVE estimates greatly exacerbate the perceived NTBs imposed within the EU in relation to the agricultural sector and would result in strongly (and artificially) negative results. Instead, we are carrying out a qualitative analysis of agricultural NTBs in the SIA.

Table 1: NTB cuts in EU and MERCOSUR

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Conservative EU</th>
<th>Conservative Mercosur</th>
<th>Ambitious EU</th>
<th>Ambitious Mercosur</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Non-agriculture</td>
<td>0%</td>
<td>5%</td>
<td>0%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Regarding services, the starting point for our approach is the observation that FTA negotiations usually lead to binding of the existing level of liberalisation in services trade (for the cases where this level is higher than the GATS commitments) as opposed to achieving new market access. However, the insurance policy effect of binding current levels of liberalisation has in itself a positive effect on services trade. The methodology applied for this and other IA simulations aims to translate this insurance effect into a liberalisation parameter for CGE modelling. The proposed 3% AVE cut to be used in the modelling for trade in services is an assumption introduced in an earlier study by Decreux and Fontagné (2011).”

Overall trade effects

The agreement is expected to affect trade within the EU and Mercosur and with third partners. This could lead to situations where current efficient suppliers may be displaced as a result of the agreement (trade diversion), due to differentials in tariffs and non-tariff measures.

In addition to evaluate the changes in trade between the EU and Mercosur (including each member states), we use the CGE models described above to analyse how the FTA will affect the trade with third countries and overall welfare. We give special attention to how the trade from LDCs will be affected.

Moreover, we will evaluate whether the agreement creates or diverts trade away from efficient suppliers. This can be calculated by assessing the comparative advantage (i.e. calculating the Revealed Comparative Advantage indicator) on the exports from Mercosur and the EU.

The FTA is expected to have effects beyond those directly related to trade (described above). The FTA will have an immediate fiscal effect associated with the loss of tariff revenue from the bilateral trade between the partners. However, it could be offset by increases in revenue from other sources (i.e. VAT). We use CGE to assess the associated effects. The model allows us to assume “tax replacement scenarios”. Moreover, the results are qualified by considering tax and tariff exceptions that may apply. For example, as Paraguay is a GSP+ beneficiary, the effect on tariff collection in the EU is smaller than from the rest of the Members.
In addition, the agreement is expected to generate effects on prices. Depending on whether trade creation dominates or not, the change in tariffs may be translated into the domestic prices. This can be assessed first, by looking into comparative advantage indicators and second, it can be quantified using the CGE analysis. Therefore, it will be possible to assess how domestic prices in each of the countries involved will be affected. In this aspect, the closure chose for the CGE model will be extremely important.

We analyse production, consumption and investment behaviour using the results of the CGE model. However, the results are qualified to assess the likelihood of those results.

2.3 Quantification of Non-tariff Barriers

Non-Tariff Barriers (NTBs) include all measures that restrict trade, other than tariff-based measures. Most of the NTBs are not defined quantitatively, and hence modelling policy scenarios is challenging on two counts; firstly, data on NTBs are difficult to construct, since it is difficult to understand the quantitative extent of restrictions on trade by NTBs in comparison to tariffs. Secondly, it is difficult to model their reduction or removal, even after somehow estimating the data. In the literature review below, we briefly discuss two strands of literature focusing on both these aspects.

**Literature review**

The standard practice in terms of estimating NTBs is to employ gravity models and to attribute the residual of effects of all variables on bilateral trade to the tariff equivalents of NTBs. Kee, Nicita and Olarreaga (2009) provide a widely used gravity model implementation for estimating NTBs' Ad Valorem Equivalents of tariffs (AVEs). These authors employ 2001-03 bilateral trade data at the HS6 level and regress it against several variables including tariff, GDP, population, core NTBs and agricultural domestic support data. They derive the AVEs by multiplying their own fresh import demand elasticity estimates with the coefficient on core NTBs. The estimates from this paper have been used in several other prominent studies such as the one on TPP by Petri and Plummer (2016).5 Hummels and Schaur (2013) estimate the time-related costs of trade by pursuing such a detailed gravity model, along with variables that capture time taken for transportation of exports from one country to another.6

In terms of modelling, there are several possible approaches; first, Francois et al (2010) and several other prominent studies employ an import-augmenting technological change variable to absorb the shock of NTB reduction. The reason why such a variable is required is that tariffs have revenue implications, which is usually not the case with NTBs. Some of the more recent studies such as Petri and Plummer (2016) also attempt to identify the source and destination of rents associated with NTBs, to capture the partial revenue implication of a cut in NTBs. A second broad approach is to come up with tailored regressions focusing on specific types of NTBs; Boza and Fernandez (2016) and Narayanan and Pandey (2017) show such examples in the context of SPS measures. A third method involves direct modelling within the CGE model (e.g. Narayanan et al 2016) that treats generic standards such as labour and environmental standards as resulting in increase in labour and capital costs, respectively, for example.

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2.4 Qualitative Analysis

Some of the dimensions of the analysis are hard to quantify and require other methodologies. Moreover, even when it may be possible to assess their impact through quantitative methods, it is necessary to qualify the results in order to assess their likelihood. For example, data from CGE models may not reflect very recent policy or economic developments. We carry out qualitative analysis using the following resources:

**Literature review and case studies**

Each of the components of the analysis (i.e. trade, economic, environmental, and social and human rights) includes a literature review. This review explores the ex-ante and ex-post analysis of similar trade agreements as case studies. This includes the negotiating countries and/or countries that present similar or relevant features. Each of the components below provides a description of the specific qualitative tools to be used in the analysis. A preliminary literature review is provided where we include peer reviewed academic publications and recent and relevant academic working papers which provide the basis for our analysis.

**Consultation with experts**

We exploit the networks of contacts of the researchers and the institutions involved, particularly those located in Mercosur, to undertake interviews about specific issues that may be hard to quantify or that may require qualification. For example, countries may present non-reported restrictions to trade that need to be identified and be described by the local experts. In particular, the experts are useful in addressing the following issues:

- Non-tariff barriers such as non-automatic licenses, SPS measures, and technical barriers to trade.
- Barriers to services provision. For example, market reservation and restricted modes of provision.
- Restrictions on the provision of services under mode 3 (commercial presences) and other restrictions on foreign direct investments.
- Regulations on intellectual property rights such as patent protection and about the enforcement of these rights.
- Geographic indications and origin denominations that may introduce limitations in the expansion or contraction of specific products

We also use expert input to evaluate some potential non-quantifying aspects that can substantially affect the results of the agreement. In particular, we evaluate:

- The operation of the Mercosur customs union. Although applying a common external tariff, Mercosur is not yet a fully operational customs union. Members have the capacity of changing unilaterally tariffs. Moreover, there are sectors where the FTA component (i.e. trade within Mercosur) is not liberalised.
• The existing Common Automobile Policy in the Mercosur and its reform. This may have important implications for how the FTA with the EU may affect the automobile sector.

• The non-automatic licenses regime in Argentina. Although this regime has been simplified, several products are affected by this measure.

2.5 Proposals for policy recommendations and accompanying measures

In the final phase of the study, we will propose policy recommendations, or flanking measures, to promote sustainability and to prevent or try to mitigate negative impacts of the potential agreement and the generated trade opening. The recommendations will be derived from the analyses of the different economic, social, environmental, sectoral elements of the SIA and also draw on relevant recommendations put forward by stakeholders during the consultations, which will be summarised in further reports.

Suitable and practical policy recommendations will be prepared jointly by the team, so that they cut across the different analyses and take all aspects into consideration. We will also consider experts’ comments and the feasibility of their suggestions.

2.6 Cross-Cutting Issues

The identified impact for the following key issues will be summarised in specific sub-sections:

2.6.1 Least Developed Countries (LDC)

None of the Mercosur members are LDCs. However, the diversified trade existing between the EU and Mercosur suggests the possibility that some LDCs, currently receiving preferences under the Everything But Arms (EBA) initiative may be affected. In particular, the increased market access that the Mercosur countries will receive as a result of the FTA may reduce the value of the preferences received. For example, Brazil is a major exporter of tropical products such as sugar, bananas, cocoa and coffee and many LDCs export these products as well to the EU. The potential effect is not limited to agricultural products as Mercosur is also a producer of manufactured goods, some of them already being exported by the LDCs or that could be used by these countries to transform their economies.

Our assessment of the impact examines the degree of similarity of exports to the EU between each Mercosur member and each LDC. This can be performed by the calculation of the Finger-Kreinin index at much disaggregated levels (i.e. Common Nomenclature at 8 digits or Harmonised System at 6 digits). This will indicate the potential negative effect for LDCs, also compared against the existing EU MFN tariffs in order to assess more properly the magnitude of the impact.

In addition, as both partners will get increased access to each other’s markets, there will be more opportunities for LDCs through their current integration into value chains. We perform this analysis by looking into the results of CGE models that can assess the effects on LDCs of the agreement between both partners.
2.6.2 Small and Medium Enterprises (SMEs)

SMEs are major employers in both partners. Even in sectors such as car manufacturing, both the EU and Mercosur are populated by many SMEs as the main manufactures. Moreover, given the integration of the sector into value chains, they export as well. On the other hand, although Mercosur agricultural production and exports tend to be dominated by large farms, there are a large number of small and medium farmers that may be affected by the agreement. The presence of SMEs on the EU side is even more substantial. Some of them are important exporters that face serious barriers to export to Mercosur given their high tariffs and non-tariff barriers (NTBs). In addition, small farmers are important to the EU agricultural sector.

The data present some challenges. Surveys of firms and farms are, in the case of Mercosur, not easily available and present issues with their consistency among members. However, there is important information about the number of firms by sector, size and country that can be used in the analysis. For example, from the results of the CGE it is possible to identify sectors where trade and production will expand or contract, and assess whether those sectors are characterised by a large number of SMEs. If more detailed information about trade flows of SMEs to the participant countries is found, this number is refined to obtain a more precise number of potential firms or farms affected.

The impact on SMEs is also assessed through the development of a questionnaire, specifically targeted to SMEs, further to the example set by SME Tests developed in the context of the TTIP and other ongoing negotiations.\footnote{EC (2015). Small and Medium Sized Enterprises and the Transatlantic Trade and Investment Partnership. Available at: http://trade.ec.europa.eu/doclib/docs/2015/april/tradoc_153348.pdf.}

2.6.3 Consumer Impacts

The EU-Mercosur FTA is expected to have important effects on consumers in terms of price, quality and quantity. The removal of barriers to trade reduces the price of imported goods, especially when tariffs are high. It also increases prices of exported goods in the short run as domestic supply is used to supply the expanded opportunities in the destination market. This can be particularly problematic in the case of Mercosur countries as they export products that tend to represent a large share of the household consumption basket. The reduction of tariffs in the EU, in virtue of the size of the EU market, may generate in the short run an increase in exports at the expense of the domestic supply, rising consumer prices in Mercosur. In products such as beef, the reduction of tariffs in the EU may lead to a short term reduction in supply associated with the livestock cycle (to increase beef production, heifers are retained to increase the stock of animals, what reduces in the short run the supply of beef).

At the same time, the EU-Mercosur FTA could increase the availability and variety of goods in both partners. In addition of the increase in the existing imports there may be additional products imported that increase the supply of varieties in both partners. Overall, this maximizes the utility that consumers derive from the consumption of goods in virtue of the love for variety that consumers present.

In addition, consumers derive utility based on the quality of the products. This includes direct elements such as the safety as well as indirect elements such as the ethical considerations in production including animal welfare or the labour conditions in the production. Products that address
these issues, present among European consumers and increasingly in Mercosur’s, are considered as higher quality and of higher value. Moreover, geographic indicators and denominations of origin define particular characteristics to the product.

The quantitative elements (price, quantity) can be assessed using consumer welfare analysis.

In addition, other non-measurable effects can be assessed by looking into concepts such as consumer detriment and the analysis of the consumer conditions. In the first case, the effect of an agreement can be assessed by looking at the loss of consumer welfare generated by the market and regulatory failure or trade barriers. Their removal will indicate the benefit for the consumer.

The European Consumer Agenda suggests a sequence of questions to answer with respect to consumer effects. Although inspired by an analysis of the EU Single Market, the framework can be adapted to accommodate the EU-Mercosur Agreement. For example, although cross-border trade is limited (e.g. France and Brazil share a land border), there are possibilities of business-to-consumer transactions between Mercosur and EU’s firms and citizens that need to be evaluated. Other questions such as the effects on prices, quantity, availability as well as the safety of consumer products and services can be considered using this framework.

Additional input to the cross-cutting consumer analysis is provided through the stakeholder consultation process. We structure the assessment on consumers based on the set of test questions, which feature in the Better Regulation Guidelines and Toolbox.

2.6.4 Impact on EU outermost regions

It is important that Mercosur SIA assesses the possible impact of this agreement on the economies of the EU’s outermost regions. This would entail a qualitative approach, setting out the structure of production and assessing this in view of the overall impact on certain products (notably sugar chain & fruits). The team will engage in consultations with representatives from EU outermost regions, to assess the possible impact of the agreement on the regions. The team will further elaborate on the analysis in the interim report.
3. Economic Analysis

3.1 Draft Literature Review

DG Trade published possibly the first study on the EU-Mercosur FTA in 2007, particularly focusing on trade and sustainability aspects. The EC-commissioned study employed the CGE model named Copenhagen Economic and Trade Model (CETM), which is quite similar in structure to the GTAP Model (Hertel, 1997); the study employs GTAP 6 Data Base (Dimaranan, 2006), with a base year of 2001.

JRC published a reference report in 2011 on the impact assessment of EU-Mercosur agreement (Burrell et al 2011). This report is based on a CGE Model named GLOBE and an agricultural Partial Equilibrium (PE) model named CAPRI. The GLOBE Model is quite similar to the GDyn Model except a few differences. First, GLOBE does not capture investment dynamics and adaptive expectations as GDyn does. Second, GLOBE does not have the Constant Difference Elasticity (CDE) demand function that exists in GDyn, but does have a Linear Expenditure System (LES) instead for this purpose. Third, compared to GDyn data and model, GLOBE has an additional feature: explicit treatment of government transfers to households (McDonald and Theirfielder, 2010). The CAPRI model, on the other hand, has a great deal of information on disaggregated agricultural sectors in granular regions in the EU based on Nomenclature of Territorial Units for Statistics Level 2 (NUTS2), while keeping other sectors comprising the rest of the economy as exogenous. While this report shows several sectoral details in terms of results, a broad finding is that the EU offer is most beneficial for both regions, while Mercosur request can add marginally to the gains. Due to greater imports arising from trade cost reduction, agricultural sectors in EU may lose because imports may substitute domestic production. Nevertheless, broadly all economies gain – EU at 0.02% and MERCOSUR as a block at 0.12-0.16%. This study employs GTAP 7 Data Base (Narayanan and Walmsley, 2008), with a base year of 2007, going forward to project until 2020.

The second phase of the Trade Sustainability Impact Assessment (SIA) on EU-Mercosur FTA commissioned by the European Commission (2010) has similar results to those of the 2007 study.

In the only major policy report published outside the EU on this topic, Estrades (2012) examines the impact of EU-Mercosur FTA on Uruguay, in terms of poverty, trade and economic growth. This study shows that poverty headcount, poverty gap and inequality as measured by Gini Coefficient fall, because of increased economic opportunities created for the poor, due to trade cost reduction. This study employs the MIRAGE model, which is detailed in terms of developmental aspects like inequality and poverty.

There have been a handful of academic studies that focus on specific provisions in EU-Mercosur FTA. For example, Ramos et al (2010) focus on Tariff Rate Quotas (TRQs) in the context of EU beef

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imports from these countries. Given the complexity in tariff structure in the EU, effects of tariff liberalisation on trade, prices and macro variables depend on which instrument is being shocked and to what extent. There have also been other studies focusing on EU’s other free trade agreements in several regions in the world. For example François et al (2010) focus on trade liberalisation in bananas as well as other sectors between the EU and Andean Pact countries; SIA by ECORYS (2009) between EU and central Asian parts of the body is another example in this context.

Our GDyn model implementation for this study is unique in several ways. First, this is the only study to employ a full-fledged recursive dynamic CGE model for analysing the impact of this particular agreement. Second, this is the first time effect on inequality is being inferred from a GDyn-based model for the EU-Mercosur agreement; third, all other studies reviewed herein employing data from older years like 2001 and 2004, while we employ the latest available 2011 dataset and further augment it to update the policy-related data (tariffs and NTBs, mainly) to the latest available year - 2015.

### 3.2 Descriptive statistics

**General description of EU and Mercosur economies**

In this sub-section we examine trends in a selection of general economic and social development indicators for the EU and the individual Mercosur countries. This provides an initial base from which to understand the relative positions and social and economic development priorities and needs of the Mercosur countries and their counterparts in the EU. For the sake of simplicity, we treat the EU as a single entity and disaggregate Mercosur into separate countries (Argentina, Brazil, Paraguay and Uruguay).

**Population**

The combined population of the four Mercosur countries, at a little under 261.7 million people, is marginally more than half the size of the overall population of the 28 EU member states (more than 510.2 million people). Among the Mercosur countries, Brazil boasts the largest population by a considerable margin, with more than 207.6 million people representing an enormous domestic market, followed by Argentina (more than 43.8 million), Paraguay (approximately 6.7 million) and Uruguay (around 3.4 million).

**Growth in GDP per capita**

Comparisons of GDP per capita across countries provide insight into the productivity of a country’s workforce and (indirectly) measure living standards. GDP per capita levels in the EU – at an average of €28,987 across the EU28 countries in 2016 – are generally considerably higher than in any of the Mercosur countries. Among the Mercosur member states, Uruguay boasts the highest GDP per capita.


12 These population figures are based on Eurostat population data for the EU28 countries and the World Bank’s World Development Indicators (WDI) data for the Mercosur member states.
capita (€13,763 in 2016, which is less than half the EU average), followed by Argentina (€11,256), Brazil (€7,821) and Paraguay (€3,689).\textsuperscript{13}

Figure 1 compares annual percentage growth in GDP per capita in Argentina, Brazil, Paraguay and Uruguay against the average for the EU28 countries. Growth rates in GDP per capita in the Mercosur countries have generally increased since the early 2000s, albeit with considerable variation across years, and mostly exceeded the equivalent average growth in per capita GDP across the EU member states. Moreover, growth in GDP per capita has slowed overall within the EU since 2000. This points to some convergence between the Mercosur countries and the EU although, as indicated above, per capita GDP levels are still considerably higher on average in the EU.

The rate of growth in GDP per capita was generally highest in Argentina and Uruguay in the first decade of the new millennium but, more recently, Paraguay registered notably strong growth in 2010 and 2013. Each of the Mercosur countries, together with the EU bloc, saw growth rates in GDP per capita plummet as the effects of the global economic crisis took hold in 2008 and 2009; but there was a general recovery in these growth rates in the period that followed.

\textbf{Figure 1: Annual percentage growth in GDP per capita in Mercosur countries and the EU, 2000-2016}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure1.png}
\caption{Annual percentage growth in GDP per capita in Mercosur countries and the EU, 2000-2016.}
\end{figure}

Sources: Eurostat database (for EU28), WDI (for Mercosur countries). Notes: The EU28 growth rate represents the percentage change in chain linked GDP (at market prices) volumes over the previous period. Mercosur data are annual percentage growth rates of GDP per capita based on constant local currency.

\textbf{Employment distribution across sectors}

Figure 2 compares the distribution of total employment across the broad agriculture, industry and services sectors in three Mercosur countries (Argentina, Brazil and Uruguay) and the EU28 in 2000, 2005 and 2014. Data for Paraguay is only available for 2014. These data provide a basic indication

\textsuperscript{13} The GDP per capita figures are obtained from the World Bank’s WDI database in current US dollars. These figures are converted by the authors to euro equivalents using an average annual exchange rate of $1 to €0.904179 obtained from www.ofx.com. The original GDP per capita figures in US dollars are: EU28 ($32,059), Uruguay ($15,221), Argentina ($12,449), Brazil ($8,650) and Paraguay ($4,080).
of the extent to which the Mercosur countries remain reliant on agriculture or have diversified by shifting labour into potentially higher productivity activities in the industry and services sectors.

The agriculture sector is a notably more important source of employment in Paraguay and Brazil compared to the other Mercosur countries and the EU28. In 2014, agriculture accounted for 18.9% and 14.6% of total employment in Paraguay and Brazil, respectively. Although agriculture’s share in employment in Brazil was down significantly from 20.5% in 2005, it was still markedly higher than the equivalent shares of agriculture in total employment in Argentina (2%), Uruguay (9.2%) and the EU average (4.7%) in 2014. As in the case of Brazil, the share of agriculture in total employment declined (on average) across the EU between 2000 and 2014; but the opposite occurred in Argentina and Uruguay, where the shares employed in agriculture increased by 1.3 and 5.2 percentage points, respectively.

The services sector is the dominant employer within the EU and across all of the Mercosur countries. Even so, while the share of services in total employment increased within the EU and Brazil between 2000 and 2014, the equivalent shares actually declined in Argentina and Uruguay over the same period. In 2014, services accounted for 72.8% of total employment in Argentina (down from 76.2% in 2000), compared to 69.8% in Uruguay (down from 71.3% in 2000 and 73.5% in 2005), 63.1% in Brazil (up from 59.1% in 2000) and 70.6% (on average) in the EU (up from 62.5% in 2000 and 70.6% in 2014). In 2014, services accounted for 58.2% of total employment in Paraguay.

Industry is an increasingly important employer in Argentina and Brazil, accounting for 24.6% and 22.3% of total employment respectively in 2014. Although the share of industry in total employment in Uruguay declined between 2000 and 2014, with labour shifting into the agriculture sector, it still accounted for more than one-fifth (21%) of total employment in 2014. Similarly, 22.8% of total employment in Paraguay was engaged in the industry sector in that year. By comparison, the share of industry in employment within the EU declined steadily between 2000 and 2014 as labour moved into services sectors, but at 24.1% in 2014 remained higher than the equivalent shares in both Brazil, Paraguay and Uruguay.

Figure 2: Distribution of employment across broad sectors in Mercosur countries and the EU, 2000-2014
Sources: WDI. ILOSTAT (for 2014 Brazil data).\textsuperscript{14} Note: Data for Paraguay is not available for 2000 and 2005.

Unemployment

Figure 3 outlines annual unemployment rates (measured as a percentage of the total labour force) in each of the Mercosur countries and (the average) across the EU member states over the period from 2005 to 2016. Unemployment rates have declined since 2005 in Argentina, Paraguay and Uruguay, but increased marginally in Brazil. On average, the unemployment rate in the EU was marginally lower in 2016 compared to 2005, although the EU-wide unemployment rate did increase steadily between 2008 and 2013 (with especially significant increases in unemployment from 2010 to 2013).

Currently, Brazil has the highest unemployment rate among the four Mercosur countries (at 11.5% of the total labour force), followed by Uruguay (8.8%), Argentina (6.6%) and Paraguay (5.4%). Unemployment rates are higher in Brazil and Uruguay compared to the EU-wide average (8.6% in 2016), but the equivalent rates in Argentina and Paraguay are lower.

Figure 3: Unemployment rates in Mercosur countries and the EU28, 2005-2016

Sources: Eurostat database (for EU28), WDI (for Mercosur countries). Note: WDI data are modelled ILO estimates (these are selected over national estimates due to better data availability).

Real wages

Comparable data on real wages across the Mercosur countries and the EU member states is limited. Nevertheless, it is possible to compare International Labour Organization (ILO) data on annual growth in employees’ mean real monthly earnings (see Figure 4) although no data is reported for Argentina. Overall, there has been significantly greater fluctuation in annual growth in real monthly earnings of employees in the Mercosur countries compared to the average across the EU since 2000. That said, real monthly earnings did generally grow positively after 2004 in most of the Mercosur countries. Annual growth in real monthly earnings over the whole 2000-2015 period was

\textsuperscript{14} ILOSTAT data for Brazil is used for 2014 because the WDI data for that year appears to contain an error: the combined shares of the agriculture, industry and services sectors account for more than 100 percent of total employment.
highest, on average, in Uruguay followed by Brazil. When calculated over the whole period, average growth in real monthly earnings was higher in the EU28 countries compared to each of the Mercosur states.

**Figure 4: Annual growth in real monthly earnings of employees in Brazil, Paraguay, Uruguay and the EU, 2000-2015**

Source: ILOSTAT database. Note: EU28 data are author’s calculations using the average of the annual growth in mean real monthly earnings across all EU28 countries for which data are available for a particular year. Data are missing for the following EU countries and years: 2000 (Estonia, Greece, Ireland and Slovakia), 2001-2003 (Ireland), 2006 (United Kingdom), 2007 (Hungary), 2009 (The Netherlands), 2010 (Cyprus), 2011 (Czech Republic) and 2015 (Austria, Belgium, Cyprus, Luxembourg, Portugal and Romania). There is also no data for Argentina.

**Government debt**

Figure 5 compares the relative size of general government debt in each of the Mercosur countries and (the average) across the EU28. When measured as a percentage of GDP, general government debt has declined in three of the four Mercosur countries (Argentina, Paraguay and Uruguay) since 2005, with especially large declines in Uruguay (by 23 percentage points) and Argentina (15.6 percentage points). The opposite occurred in Brazil, where the general government debt-to-GDP ratio expanded by nearly 10 percentage points over this period. As of 2016, general government debt relative to GDP was highest in Brazil (78.3% of GDP), followed by Uruguay (60.9%), Argentina (51.3%) and Paraguay (24.7%). In all four cases, these ratios are lower than the EU28 average, where the general government debt-to-GDP ratio increased from 61.5% in 2005 to 83.5% in 2016.
Trade in goods

This subsection and the next present an overview of the current trade patterns between the EU and the Mercosur countries. We start with goods trade and then move on to trade in services.

Figure 6 shows the evolution of EU goods exports and imports to and from Mercosur since 2004. As of 2016, EU exports to Mercosur stood at €41.6 billion and imports at €40.3 billion. While this represents a doubling of exports and an almost 50% increase in imports since 2004, trade with Mercosur has been declining since 2013 (2011 for imports).
Figure 6: EU goods exports and imports to/from Mercosur

Notes: Figure shows EU exports and imports to/from Mercosur (in € millions, current prices). Source: COMEXT.

To put these numbers into context, Figure 7 and Figure 8 express them as shares of total EU exports and imports over the same time period. For comparison, we also show the shares of Mexico, South Africa and India, markets that are of similar importance to the EU or are broadly similar in terms of size and development stage to the Mercosur countries. As seen, Mercosur is of similar importance to the EU as India, accounting for around 2.5% of total extra-EU28 imports and exports.
Figure 7: EU goods exports to selected countries (% of total extra-EU28 exports)

Notes: Figure shows EU exports to Mercosur, Mexico, South Africa and India (% of total extra-EU28 exports). Source: COMEXT.

Figure 8: EU goods imports from selected countries (% of total extra-EU28 imports)

Notes: Figure shows EU imports from Mercosur, Mexico, South Africa and India (% of total extra-EU28 imports). Source: COMEXT.
Figure 9 and Figure 10 show that, by contrast, the EU is a much more important trading partner for Mercosur, accounting for 20% of Mercosur exports and 24% of imports. While these shares have been declining slightly since 2004, especially for exports, the EU remains Mercosur’s most important trading partner, followed by China and the US. Noteworthy is also the steady increase in the importance of China in Mercosur trade. In 2016, China accounted for 19.3% of Mercosur exports, up from only 7.7% in 2004. Likewise, imports from China as a percentage of total extra-Mercosur imports have increased from 8.3% to 21.7% over the same period. On current trends and in the absence of any important trade policy changes, it thus seems likely that China will replace the EU as Mercosur’s most important trading partner within the next years.

**Figure 9: Mercosur exports to selected markets (% of total extra-Mercosur exports)**

![Mercosur exports to selected markets](image)

*Notes: Figure shows Mercosur goods exports to the EU, China and the USA (% of total extra-Mercosur exports). Source: UN Comtrade.*
Figure 10: Mercosur imports from selected markets (% of total extra-Mercosur imports)

Notes: Figure shows Mercosur goods imports from the EU, China and the USA (% of total extra-Mercosur imports). Source: UN Comtrade.

Table 2, Table 3, and Table 4 provide more details about the composition of EU goods trade with Mercosur. Table 2 starts with a global view, listing the shares of broad commodity groups in total EU exports to and imports from Mercosur. As expected, there are some substantial differences across exports and imports. Imports of food, live animals and raw materials (SITC section codes 0 and 2) account for fully 70% of EU imports from Mercosur, whereas manufactured products (SITC section codes 5-8) account for only 25%. For EU exports, the pattern is reversed, with manufacturing making up over 90%.
Table 2: EU-Mercosur trade by broad product groups

<table>
<thead>
<tr>
<th>SITC Section Code</th>
<th>Section Name</th>
<th>Share Exports</th>
<th>Share Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>Food and Live Animals</td>
<td>2.3%</td>
<td>40.3%</td>
</tr>
<tr>
<td>1</td>
<td>Beverages and Tobacco</td>
<td>0.9%</td>
<td>2.2%</td>
</tr>
<tr>
<td>2</td>
<td>Crude Materials, Inedible, Except Fuels</td>
<td>0.9%</td>
<td>29.7%</td>
</tr>
<tr>
<td>3</td>
<td>Mineral fuels, lubricants and related materials</td>
<td>3.6%</td>
<td>2.8%</td>
</tr>
<tr>
<td>4</td>
<td>Animal and vegetable oils, fats and waxes</td>
<td>0.5%</td>
<td>0.6%</td>
</tr>
<tr>
<td>5</td>
<td>Chemicals and related products</td>
<td>32.6%</td>
<td>5.3%</td>
</tr>
<tr>
<td>6</td>
<td>Manufactured goods classified chiefly by material</td>
<td>9.4%</td>
<td>9.2%</td>
</tr>
<tr>
<td>7</td>
<td>Machinery and transport equipment</td>
<td>43.1%</td>
<td>8.3%</td>
</tr>
<tr>
<td>8</td>
<td>Miscellaneous manufactured articles</td>
<td>6.5%</td>
<td>1.6%</td>
</tr>
</tbody>
</table>

Notes: Table shows the share of broad product groups in total EU exports to Mercosur, and EU imports from Mercosur, respectively. Products are classified according to SITC Revision 4. Source: Comext.

Table 3 and Table 4 look in more detail at the top 20 exported and imported products at the 6-digit level of the Harmonised System (HS). For each product, we also report the revealed comparative advantage of the exporter (EU or Mercosur) as well as the average MFN tariff faced in the respective export market. In line with the more aggregate trade patterns from Table 2, manufactured products account for the vast majority of the top exports from the EU, and the top 20 imported products consist almost exclusively of agricultural products and raw materials. In addition, Mercosur exports to the EU are highly concentrated, with the top 20 HS 6-digit products accounting for fully 64% of total bilateral exports. (The corresponding figure for EU exports is only 27%). These trade patterns are in line with the revealed comparative advantage of the EU and Mercosur – 80% of the top 20 exports show an EU RCA larger than unity, and all of the top 20 imports have a Mercosur RCA>1.

We also note that substantial tariff barriers remain for many of the top products in both markets. Around 80% of the top EU exports still face positive tariffs, with peaks of over 20%. Positive tariff barriers are less frequent for the top Mercosur exports but the remaining tariff peaks are very high (over 50% ad-valorem equivalents for meat, for example). For comparison, Table 5 presents descriptive statistics for ad-valorem tariffs on all HS 6-digit codes (around 5,200 products). EU average tariffs are only around a third of those of Mercosur and the median tariff is around half as high. However, EU tariffs show greater dispersion and a substantially higher maximum.

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15 We compute average MFN tariffs by first converting specific tariffs into ad-valorem equivalents and then by taking simple averages across ad-valorem tariffs for the tariff lines underlying each HS 6-digit product.
16 Note that there are still a number of remaining products where the Mercosur external tariff does not apply and member states set their own tariffs. According to the UNCTAD Trains data underlying our analysis, this is the case for around 4% of the underlying tariff lines. Exceptions are most common for vehicles, toys, articles of cork, dairy products, beverages, and sugar and sugar confectionary, where only between 55-80% of tariff lines show identical ad-valorem tariffs.
Table 3: Top 20 products exported from the EU to Mercosur (2014-2016)

<table>
<thead>
<tr>
<th>HS Code</th>
<th>HS Name</th>
<th>Export Share</th>
<th>RCA EU</th>
<th>Avg. MFN Tariff Mercosur (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>300490</td>
<td>Medicaments</td>
<td>3.8%</td>
<td>2.1</td>
<td>10.5</td>
</tr>
<tr>
<td>880240</td>
<td>Aeroplanes</td>
<td>3.6%</td>
<td>2.7</td>
<td>0.0</td>
</tr>
<tr>
<td>870899</td>
<td>Parts and accessories for motor vehicles (n.e.s.)</td>
<td>1.9%</td>
<td>1.4</td>
<td>8.7</td>
</tr>
<tr>
<td>300210</td>
<td>Antisera and immunological products</td>
<td>1.7%</td>
<td>1.7</td>
<td>2.7</td>
</tr>
<tr>
<td>870323</td>
<td>Motor cars and vehicles (cylinder capacity 1,500 to 3,000)</td>
<td>1.5%</td>
<td>1.3</td>
<td>23.3</td>
</tr>
<tr>
<td>890590</td>
<td>Light vessels, fire floats, floating cranes and other vessels</td>
<td>1.4%</td>
<td>0.2</td>
<td>7.0</td>
</tr>
<tr>
<td>271019</td>
<td>Medium oils and preparations</td>
<td>1.4%</td>
<td>0.9</td>
<td>1.2</td>
</tr>
<tr>
<td>271012</td>
<td>Light oils and preparation</td>
<td>1.4%</td>
<td>0.8</td>
<td>0.0</td>
</tr>
<tr>
<td>870829</td>
<td>Parts and accessories of bodies for motor vehicles</td>
<td>1.3%</td>
<td>1.5</td>
<td>10.9</td>
</tr>
<tr>
<td>380892</td>
<td>Fungicides</td>
<td>1.3%</td>
<td>2.0</td>
<td>12.0</td>
</tr>
<tr>
<td>880330</td>
<td>Part of aeroplanes or helicopters</td>
<td>1.2%</td>
<td>1.7</td>
<td>0.0</td>
</tr>
<tr>
<td>300220</td>
<td>Vaccines for human medicine</td>
<td>1.2%</td>
<td>2.7</td>
<td>2.1</td>
</tr>
<tr>
<td>271111</td>
<td>Natural gas, liquefied</td>
<td>0.9%</td>
<td>0.1</td>
<td>0.0</td>
</tr>
<tr>
<td>870840</td>
<td>Gearboxes and parts thereof for motor vehicles</td>
<td>0.8%</td>
<td>1.3</td>
<td>9.9</td>
</tr>
<tr>
<td>840999</td>
<td>Parts for use with internal combustion engine</td>
<td>0.8%</td>
<td>1.8</td>
<td>10.4</td>
</tr>
<tr>
<td>847989</td>
<td>Machines and mechanical appliances (n.e.s.)</td>
<td>0.8%</td>
<td>1.3</td>
<td>7.8</td>
</tr>
<tr>
<td>330300</td>
<td>Perfumes and toilet waters</td>
<td>0.7%</td>
<td>2.1</td>
<td>14.5</td>
</tr>
<tr>
<td>848180</td>
<td>Appliances for pipes, boiler shells, tanks, vats or the like</td>
<td>0.6%</td>
<td>1.4</td>
<td>12.4</td>
</tr>
<tr>
<td>380891</td>
<td>Insecticides</td>
<td>0.6%</td>
<td>1.2</td>
<td>12.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>26.9%</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: Table shows the 20 HS 6-digit products with the highest share in EU exports to Mercosur. RCA denotes revealed comparative advantage of the EU and ‘Avg. MFN Tariff Mercosur’ is the average Mercosur MFN import tariff, calculated as the simple average ad-valorem equivalent of the tariff lines underlying each 6-digit code. Sources: COMEXT, UN Comtrade, UNCTAD Trains.
### Table 4: Top 20 products imported by the EU from Mercosur (2014-2016)

<table>
<thead>
<tr>
<th>HS Code</th>
<th>HS Name</th>
<th>Import Share</th>
<th>RCA Mercosur</th>
<th>Avg. EU MFN Tariff (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>230400</td>
<td>Oilcake &amp; residues, resulting from extraction of soya-bean oil</td>
<td>15.5%</td>
<td>39.3</td>
<td>0.0</td>
</tr>
<tr>
<td>120190</td>
<td>Soya beans</td>
<td>7.0%</td>
<td>31.8</td>
<td>0.0</td>
</tr>
<tr>
<td>470329</td>
<td>Chemical wood pulp, soda or sulphate</td>
<td>5.8%</td>
<td>26.4</td>
<td>0.0</td>
</tr>
<tr>
<td>260111</td>
<td>Non-agglomerated iron ores and concentrates</td>
<td>5.8%</td>
<td>12.5</td>
<td>0.0</td>
</tr>
<tr>
<td>090111</td>
<td>Coffee (excluding roasted and decaffeinated)</td>
<td>5.7%</td>
<td>19.3</td>
<td>0.0</td>
</tr>
<tr>
<td>260300</td>
<td>Copper ores and concentrates</td>
<td>3.7%</td>
<td>3.4</td>
<td>0.0</td>
</tr>
<tr>
<td>270900</td>
<td>Petroleum oils and oils obtained from bituminous minerals</td>
<td>2.4%</td>
<td>1.3</td>
<td>0.0</td>
</tr>
<tr>
<td>260112</td>
<td>Agglomerated iron ores and concentrates</td>
<td>2.4%</td>
<td>16.2</td>
<td>0.0</td>
</tr>
<tr>
<td>200919</td>
<td>Orange juice</td>
<td>2.1%</td>
<td>22.6</td>
<td>38.6</td>
</tr>
<tr>
<td>020130</td>
<td>Fresh chilled bovine meat, boneless</td>
<td>2.0%</td>
<td>9.2</td>
<td>62.2</td>
</tr>
<tr>
<td>710813</td>
<td>Gold, in semi-manufactured forms</td>
<td>1.8%</td>
<td>1.7</td>
<td>0.0</td>
</tr>
<tr>
<td>880240</td>
<td>Aeroplanes</td>
<td>1.8%</td>
<td>2.0</td>
<td>1.4</td>
</tr>
<tr>
<td>240120</td>
<td>Tobacco</td>
<td>1.5%</td>
<td>16.9</td>
<td>7.4</td>
</tr>
<tr>
<td>030617</td>
<td>Frozen shrimps and prawns</td>
<td>1.1%</td>
<td>3.8</td>
<td>13.8</td>
</tr>
<tr>
<td>120242</td>
<td>Groundnuts, shelled</td>
<td>1.0%</td>
<td>11.7</td>
<td>0.0</td>
</tr>
<tr>
<td>021099</td>
<td>Meat and edible offal</td>
<td>1.0%</td>
<td>24.9</td>
<td>62.5</td>
</tr>
<tr>
<td>200912</td>
<td>Orange juice , brix value &lt;=20 at 20 degrees centigrade</td>
<td>0.9%</td>
<td>13.4</td>
<td>12.2</td>
</tr>
<tr>
<td>840999</td>
<td>Parts for use with internal combustion engine</td>
<td>0.9%</td>
<td>1.9</td>
<td>2.7</td>
</tr>
<tr>
<td>720293</td>
<td>Ferro-niobium</td>
<td>0.9%</td>
<td>43.4</td>
<td>0.0</td>
</tr>
<tr>
<td>020230</td>
<td>Frozen, boneless meat of bovine animals</td>
<td>0.8%</td>
<td>18.1</td>
<td>78.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>64.1%</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes: Table shows the 20 HS 6-digit products with the highest share in EU imports from Mercosur. RCA denotes revealed comparative advantage of Mercosur and ‘Avg. MFN EU Tariff’ is the average EU MFN import tariff, calculated as the simple average ad-valorem equivalent of the tariff lines underlying each 6-digit code. Sources: COMEXT, UN Comtrade, UNCTAD Trains.

### Table 5: Ad-valorem import tariffs, EU and Mercosur

<table>
<thead>
<tr>
<th>Statistic</th>
<th>Tariff Mercosur</th>
<th>Tariff EU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Median</td>
<td>10.4</td>
<td>3.7</td>
</tr>
<tr>
<td>Mean</td>
<td>11.9</td>
<td>5.7</td>
</tr>
<tr>
<td>Maximum</td>
<td>32.5</td>
<td>242.5</td>
</tr>
<tr>
<td>Standard deviation</td>
<td>7.0</td>
<td>9.9</td>
</tr>
<tr>
<td>Share of tariffs at 0%</td>
<td>2.9%</td>
<td>24.8%</td>
</tr>
<tr>
<td>Share of tariffs above 0% but below 5%</td>
<td>14.9%</td>
<td>35.8%</td>
</tr>
</tbody>
</table>
Share of tariffs above 5% but below 10% 32.0% 25.3%
Share of tariffs above 10% but below 15% 17.6% 8.6%
Share of tariffs above 15% 32.5% 5.5%

Notes: Table shows descriptive statistics of ad-valorem tariff at the HS 6-digit level, calculated as the simple average ad-valorem equivalent of the tariff lines underlying each 6-digit code. Source: UNCTAD Trains.

We also present information on the EU’s and Mercosur’s top products currently not traded bilaterally, together with the associated tariff levels. This provides an approximate idea of potential gains from trade liberalisation in terms of newly traded products. Among the products currently not exported from the EU to Mercosur, Table 6 shows the twenty HS codes which account for the largest share of overall EU exports. A majority of these products are actually items in which the EU has a revealed comparative advantage (RCA > 1) although overall export shares are relatively low in comparison with the items from Table 3. Similarly, in Table 7, we start with all products currently not imported by the EU from Mercosur, and list the twenty products among that set with the highest overall EU imports. Thus, while these are products which the EU currently imports, Mercosur does not have a comparative advantage in all but one (electrical energy) and import shares are either low, or the product in question is not easy to trade given the geographical distance between the two trading blocs (e.g. natural gas in gaseous state).

Table 6: Top 20 EU products not exported to Mercosur (2014-2016)

<table>
<thead>
<tr>
<th>HS Code</th>
<th>HS Name</th>
<th>Export Share</th>
<th>RCA EU</th>
<th>Avg. MFN Tariff Mercosur (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>890110</td>
<td>Cruise ships, excursion boats and similar vessels</td>
<td>0.17%</td>
<td>2.6</td>
<td>7.0</td>
</tr>
<tr>
<td>271600</td>
<td>Electrical energy</td>
<td>0.14%</td>
<td>1.8</td>
<td>0.0</td>
</tr>
<tr>
<td>430110</td>
<td>Raw furskins of mink</td>
<td>0.08%</td>
<td>1.7</td>
<td>10.0</td>
</tr>
<tr>
<td>880260</td>
<td>Spacecraft, incl. satellites, and suborbital and spacecraft launch vehicles</td>
<td>0.04%</td>
<td>1.3</td>
<td>0.0</td>
</tr>
<tr>
<td>010229</td>
<td>Live cattle (excl. pure-bred for breeding)</td>
<td>0.03%</td>
<td>1.4</td>
<td>2.0</td>
</tr>
<tr>
<td>150710</td>
<td>Crude soya-bean oil, whether or not degummed</td>
<td>0.03%</td>
<td>0.4</td>
<td>10.0</td>
</tr>
<tr>
<td>262099</td>
<td>Slag, ash and residues, containing metals or metal compounds</td>
<td>0.02%</td>
<td>1.2</td>
<td>3.0</td>
</tr>
<tr>
<td>410150</td>
<td>Whole raw hides and skins of bovine</td>
<td>0.02%</td>
<td>1.3</td>
<td>2.0</td>
</tr>
<tr>
<td>010221</td>
<td>Pure-bred cattle for breeding</td>
<td>0.02%</td>
<td>1.9</td>
<td>0.0</td>
</tr>
<tr>
<td>271121</td>
<td>Natural gas in gaseous state</td>
<td>0.02%</td>
<td>0.8</td>
<td>0.0</td>
</tr>
<tr>
<td>530121</td>
<td>Flax, broken or scotched</td>
<td>0.01%</td>
<td>3.1</td>
<td>6.0</td>
</tr>
<tr>
<td>010410</td>
<td>Live sheep</td>
<td>0.01%</td>
<td>1.6</td>
<td>0.8</td>
</tr>
<tr>
<td>890610</td>
<td>Warships of all kinds</td>
<td>0.01%</td>
<td>0.8</td>
<td>7.5</td>
</tr>
<tr>
<td>430160</td>
<td>Raw furskins of fox, with or without heads, tails or paws</td>
<td>0.01%</td>
<td>2.7</td>
<td>10.0</td>
</tr>
<tr>
<td>271311</td>
<td>Petroleum coke, non-calcined</td>
<td>0.01%</td>
<td>0.5</td>
<td>0.0</td>
</tr>
<tr>
<td>260700</td>
<td>Lead ores and concentrates</td>
<td>0.01%</td>
<td>0.4</td>
<td>4.0</td>
</tr>
<tr>
<td>871000</td>
<td>Tanks and other armoured fighting vehicles, motorised</td>
<td>0.01%</td>
<td>0.3</td>
<td>0.0</td>
</tr>
<tr>
<td>030343</td>
<td>Frozen skipjack or stripe-bellied bonito</td>
<td>0.01%</td>
<td>0.6</td>
<td>10.0</td>
</tr>
<tr>
<td>030289</td>
<td>Fresh or chilled fish, n.e.s.</td>
<td>0.01%</td>
<td>1.2</td>
<td>10.0</td>
</tr>
<tr>
<td>440392</td>
<td>Beech &quot;fagus spp.&quot; in the rough</td>
<td>0.01%</td>
<td>3.0</td>
<td>2.0</td>
</tr>
</tbody>
</table>

Notes: Table shows the 20 HS 6-digit products with the highest share in EU exports that were NOT exported to Mercosur between 2014 and 2016. RCA denotes revealed comparative advantage of the EU and ‘Avg. MFN Tariff Mercosur’ is the average Mercosur MFN import tariff, calculated as the simple average ad-valorem equivalent of the tariff lines underlying each 6-digit code. Sources: COMEXT, UN Comtrade, UNCTAD Trains.
Table 7: Top 20 EU imports not imported from Mercosur (2014-2016)

<table>
<thead>
<tr>
<th>HS Code</th>
<th>HS Name</th>
<th>Import Share</th>
<th>RCA Mercosur</th>
<th>Avg. EU MFN Tariff (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>271121</td>
<td>Natural gas in gaseous state</td>
<td>1.64%</td>
<td>0.02</td>
<td>0.0</td>
</tr>
<tr>
<td>030214</td>
<td>Fresh or chilled Atlantic salmon</td>
<td>0.22%</td>
<td>0.00</td>
<td>2.0</td>
</tr>
<tr>
<td>890120</td>
<td>Tankers</td>
<td>0.16%</td>
<td>0.06</td>
<td>0.9</td>
</tr>
<tr>
<td>270119</td>
<td>Coal, whether or not pulverised, non-agglomerated</td>
<td>0.15%</td>
<td>0.00</td>
<td>0.0</td>
</tr>
<tr>
<td>271600</td>
<td>Electrical energy</td>
<td>0.12%</td>
<td>4.67</td>
<td>0.0</td>
</tr>
<tr>
<td>281410</td>
<td>Anhydrous ammonia</td>
<td>0.05%</td>
<td>0.33</td>
<td>5.5</td>
</tr>
<tr>
<td>880212</td>
<td>Helicopters of an unladen weight &gt; 2.000 kg</td>
<td>0.05%</td>
<td>0.25</td>
<td>1.4</td>
</tr>
<tr>
<td>890110</td>
<td>Cruise ships, excursion boats and similar vessels</td>
<td>0.03%</td>
<td>0.03</td>
<td>0.9</td>
</tr>
<tr>
<td>291532</td>
<td>Vinyl acetate</td>
<td>0.03%</td>
<td>0.00</td>
<td>5.5</td>
</tr>
<tr>
<td>310530</td>
<td>Diammonium hydrogenorthophosphate</td>
<td>0.03%</td>
<td>0.00</td>
<td>6.5</td>
</tr>
<tr>
<td>860310</td>
<td>Self-propelled railway or tramway coaches, vans and trucks</td>
<td>0.03%</td>
<td>0.78</td>
<td>1.7</td>
</tr>
<tr>
<td>070200</td>
<td>Tomatoes, fresh or chilled</td>
<td>0.03%</td>
<td>0.02</td>
<td>24.5</td>
</tr>
<tr>
<td>440320</td>
<td>Coniferous wood in the rough</td>
<td>0.03%</td>
<td>0.06</td>
<td>0.0</td>
</tr>
<tr>
<td>840130</td>
<td>Fuel elements 'cartridges', non-irradiated</td>
<td>0.03%</td>
<td>0.00</td>
<td>3.7</td>
</tr>
<tr>
<td>291736</td>
<td>Terephthalic acid and its salts</td>
<td>0.03%</td>
<td>0.05</td>
<td>6.5</td>
</tr>
<tr>
<td>270111</td>
<td>Anthracite, whether or not pulverised, non-agglomerated</td>
<td>0.02%</td>
<td>0.01</td>
<td>0.0</td>
</tr>
<tr>
<td>271311</td>
<td>Petroleum coke, non-calcinched</td>
<td>0.02%</td>
<td>0.70</td>
<td>0.0</td>
</tr>
<tr>
<td>030441</td>
<td>Fresh or chilled fillets of pacific salmon</td>
<td>0.02%</td>
<td>0.04</td>
<td>2.0</td>
</tr>
<tr>
<td>940530</td>
<td>Electric lighting sets of a kind used for christmas trees</td>
<td>0.02%</td>
<td>0.00</td>
<td>3.7</td>
</tr>
<tr>
<td>230660</td>
<td>Oilcake and other solid residues resulting from the extraction of palm nuts or kernels</td>
<td>0.02%</td>
<td>0.00</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Notes: Table shows the 20 HS 6-digit products with the highest share in EU imports that were NOT imported from Mercosur between 2014 and 2016. RCA denotes revealed comparative advantage of Mercosur and ‘Avg. EU MFN Tariff’ is the average EU MFN import tariff, calculated as the simple average ad-valorem equivalent of the tariff lines underlying each 6-digit code. Sources: COMEXT, UN Comtrade, UNCTAD Trains.

Finally, we also provide some preliminary information on the likely trade reorientation effects of an EU-Mercosur trade agreement affecting least developed countries (LDCs). Figure 11 computes Finger-Kreinin (FK) indices for the period 2004 to 2016 to show the trade overlap between Mercosur and LDC exports to the EU. The FK indices are computed as follows:

\[ FK_t = 100 \times \sum_k \min(s_{kt,LDC}, s_{kt,Mercosur}) \]

Where \( s \) denotes the share of product \( k \) in the total exports of LDC and Mercosur countries to the EU in year \( t \), respectively. We use the HS 6-digit level for these computations. If the export structures of the two country groups are completely dissimilar at this level, the FK index takes a value of zero; if they are identical, it takes a value of 100. As Figure 11 shows, the FK index is relatively stable over our sample period, with values between 10 and 16. The analysis suggests

\[ ^{17} \text{LDCs are defined according to the World Bank income classification and include: Afghanistan, Angola, Bangladesh, Bhutan, Solomon Islands, Myanmar, Burundi, Cambodia, Central African Republic, Chad, Comoros, Dem. Rep. of Congo, Benin, Equatorial Guinea, Ethiopia, Eritrea, Djibouti, The Gambia, Kiribati, Guinea, Haiti, Lao PDR, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mozambique, Nepal, Vanuatu, Niger, Guinea-Bissau, East Timor, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Somalia, Sudan, Togo, Tuvalu, Uganda, Tanzania, Burkina Faso, Samoa, Yemen, and Zambia.} \]
some potential preference erosion effects on LDCs. Whilst on average, the degree of similarity is around 14, for some LDCs it could be substantially higher. This suggests that the preference erosion effect could be potentially high for those countries that export to the EU products that are heavily exported by Mercosur.

Figure 11: Finger-Kreinin Index for LDC and Mercosur Exports to the EU (2004-2016)

Notes: Figure shows the Finger-Kreinin index of export similarity between LDCs and Mercosur for exports to the EU. Source: UN Comtrade.

**Trade in services**

We now turn to a description of trade in services between the EU and Mercosur. Figure 12 shows the evolution of exports and imports over the period from 2004 to 2015, the last year for which data are currently available. Both EU services exports and imports to and from Mercosur have seen a much stronger increase than trade in goods and currently stand at €21.5 billion (EU exports) and €11.7 billion (EU imports). Note that, in contrast to goods trade, the EU thus runs a substantial trade surplus in trade in services with Mercosur.
Figure 12: EU service exports and imports to/from Mercosur

Notes: Figure shows EU service exports and imports to/from Mercosur (in € millions, current prices). Source: Eurostat.

Figure 16, Figure 17, and Figure 15 again put these aggregate numbers into context by expressing them as shares of overall EU and Mercosur exports and imports. Figure 13 shows that EU service exports to Mercosur accounted for approximately 2.5% of overall extra-EU28 service exports, a share that is similar to goods trade. Interestingly, Mercosur is substantially more important as an export destination than the comparison countries (India, Mexico and South Africa). The picture is slightly different on the import side (Figure 14), where Mercosur is a less important source, accounting for 1.7% of EU imports, compared to 2% for India. Figure 9 shows that, similar to goods trade, the EU is a much more important trading partner for Mercosur than vice-versa. In 2015, it accounted for 25.3% of Mercosur service exports and 24.6% of service imports.18

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18 The Mercosur countries currently do not report a geographical breakdown of the trade in services component of their balances of payments. Thus, it is not possible to provide a comparison of the relative importance of different markets such as the US and China. The EU’s share was calculated by combining total Mercosur exports and imports of services (from the UN Service Trade Database) with exports and imports to/from Mercosur as reported by Eurostat.
Figure 13: EU service exports to selected countries

Notes: Figure shows EU service exports to Mercosur, Mexico, South Africa and India (% of total extra-EU28 exports). Source: Eurostat.
Figure 14: EU service imports from selected countries

Notes: Figure shows EU service imports from Mercosur, Mexico, South Africa and India (% of total extra-EU28 imports). Source: Eurostat.
Figure 15: Importance of the EU as trading partner for Mercosur (services)

Notes: Figure shows Mercosur service exports and imports to/from the EU (% of total Mercosur exports and imports). Sources: UN Service Trade Database and Eurostat.

Table 8 and Table 9 provide a breakdown of EU-Mercosur service exports and imports by service type. For comparison, we also show the importance of individual service types for EU services exports and imports in general. As seen, transport and other business services account for a quarter of EU service exports to Mercosur each, followed by travel at 20%. We note that these shares for transport and travel are substantially higher than for overall EU exports. On the import side, other business services account for 37% of EU imports from Mercosur, followed by transport (25%) and travel (21%).

Information on barriers to service trade is still scarce, especially for non-OECD countries. In Table 10, we present information on such barriers for selected service types from the World Bank’s Service Trade Restrictiveness Index (STRI). This is the only source currently available which also covers the Mercosur countries, albeit only for a subset of the service types shown in Table 8 and Table 9.\(^{19}\) The STRI measures barriers in services trade on a scale from 0 to 100, with 0 corresponding to no barriers and 100 to a sector which is completely closed to foreign trade.

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\(^{19}\) The World Bank’s STRI also contains information on the average barriers imposed by twenty EU countries on non-EU service providers (entry “EU-20” in Table 9). The STRI also provides a breakdown by GATS mode although it does not cover Mode 2.
As Table 10 shows, providers of business services (here: accounting, auditing and legal services) face on average the highest restrictions in both the EU20\(^{20}\) and the Mercosur countries, although there is some variation. For example, Uruguay and Paraguay are relatively open compared to Argentina, Brazil or the EU20. EU20 restrictions on transport services (an average of air, ship, road and rail) are also relatively high, whereas Mercosur providers of telecommunications, financial or insurance services face few barriers. Argentina has a similar barrier profile to the EU20 but there are substantial differences with the remaining Mercosur countries which tend to be more protectionist in financial and insurance services as well as (for Uruguay and Paraguay) telecommunication services.

Table 8: Composition of EU exports to Mercosur by service type

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Share in EU28 Exports to Mercosur</th>
<th>Share in EU28 Exports to Extra-EU28 destinations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport</td>
<td>24.5%</td>
<td>18.3%</td>
</tr>
<tr>
<td>Other business services</td>
<td>24.0%</td>
<td>26.8%</td>
</tr>
<tr>
<td>Travel</td>
<td>20.2%</td>
<td>14.0%</td>
</tr>
<tr>
<td>Telecommunications, computer, and information services</td>
<td>12.1%</td>
<td>12.4%</td>
</tr>
<tr>
<td>Charges for the use of intellectual property n.i.e.</td>
<td>7.3%</td>
<td>6.5%</td>
</tr>
<tr>
<td>Financial services</td>
<td>3.5%</td>
<td>10.5%</td>
</tr>
<tr>
<td>Insurance and pension services</td>
<td>1.6%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Maintenance and repair services n.i.e.</td>
<td>1.6%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Construction</td>
<td>1.6%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Manufacturing services on physical inputs owned by others</td>
<td>1.0%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Personal, cultural, and recreational services</td>
<td>1.0%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Government goods and services n.i.e.</td>
<td>0.8%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Services not allocated</td>
<td>0.7%</td>
<td>0.1%</td>
</tr>
</tbody>
</table>

Notes: Table shows shares of different service types in EU exports to Mercosur and to all extra-EU28 destinations, respectively. Source: Eurostat.

Table 9: Composition of EU imports from Mercosur by service type

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Share in EU28 Imports from Mercosur</th>
<th>Share in EU28 Imports from Extra-EU28 destinations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other business services</td>
<td>36.9%</td>
<td>28.9%</td>
</tr>
<tr>
<td>Transport</td>
<td>24.6%</td>
<td>20.0%</td>
</tr>
<tr>
<td>Travel</td>
<td>21.0%</td>
<td>15.7%</td>
</tr>
<tr>
<td>Telecommunications, computer, and information services</td>
<td>5.9%</td>
<td>8.9%</td>
</tr>
<tr>
<td>Financial services</td>
<td>2.9%</td>
<td>6.4%</td>
</tr>
<tr>
<td>Insurance and pension services</td>
<td>2.0%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Charges for the use of intellectual property n.i.e.</td>
<td>1.5%</td>
<td>11.6%</td>
</tr>
<tr>
<td>Maintenance and repair services n.i.e.</td>
<td>1.5%</td>
<td>1.4%</td>
</tr>
</tbody>
</table>

\(^{20}\) EU20 is comprised of: Austria, Belgium, Bulgaria, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Lithuania, Italy, Netherlands, Poland, Portugal, Romania, Spain, Sweden, United Kingdom
Government goods and services n.i.e. & 1.1% & 1.0% \\
Construction & 1.0% & 0.9% \\
Manufacturing services on physical inputs owned by others & 0.8% & 1.3% \\
Personal, cultural, and recreational services & 0.7% & 1.8% \\
Services not allocated & 0.0% & 0.0% \\

Notes: Table shows shares of different service types in EU imports from Mercosur and from all extra-EU28 destinations, respectively. Source: Eurostat.

<table>
<thead>
<tr>
<th>Country/Mode</th>
<th>Other business services</th>
<th>Transport</th>
<th>Telecommunications, computer, and information services</th>
<th>Financial services</th>
<th>Insurance and pension services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall - EU20</td>
<td>54</td>
<td>37</td>
<td>0</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Mode 1</td>
<td>42</td>
<td>13</td>
<td>N/A</td>
<td>25</td>
<td>50</td>
</tr>
<tr>
<td>Mode 3</td>
<td>50</td>
<td>46</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Mode 4</td>
<td>60</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Overall - Argentina</td>
<td>49</td>
<td>22</td>
<td>0</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>Mode 1</td>
<td>0</td>
<td>25</td>
<td>N/A</td>
<td>63</td>
<td>67</td>
</tr>
<tr>
<td>Mode 3</td>
<td>50</td>
<td>22</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Mode 4</td>
<td>60</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Overall - Brazil</td>
<td>58</td>
<td>10</td>
<td>0</td>
<td>46</td>
<td>20</td>
</tr>
<tr>
<td>Mode 1</td>
<td>100</td>
<td>25</td>
<td>N/A</td>
<td>25</td>
<td>67</td>
</tr>
<tr>
<td>Mode 3</td>
<td>50</td>
<td>13</td>
<td>0</td>
<td>50</td>
<td>8</td>
</tr>
<tr>
<td>Mode 4</td>
<td>50</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Overall - Uruguay</td>
<td>11</td>
<td>41</td>
<td>63</td>
<td>43</td>
<td>50</td>
</tr>
<tr>
<td>Mode 1</td>
<td>0</td>
<td>13</td>
<td>N/A</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>Mode 3</td>
<td>0</td>
<td>47</td>
<td>63</td>
<td>50</td>
<td>25</td>
</tr>
<tr>
<td>Mode 4</td>
<td>25</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Overall - Paraguay</td>
<td>25</td>
<td>5</td>
<td>38</td>
<td>21</td>
<td>23</td>
</tr>
<tr>
<td>Mode 1</td>
<td>100</td>
<td>25</td>
<td>N/A</td>
<td>0</td>
<td>67</td>
</tr>
<tr>
<td>Mode 3</td>
<td>5</td>
<td>0</td>
<td>38</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>Mode 4</td>
<td>25</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Notes: Table shows trade barriers to service trade as measured by the World Bank’s Service Trade Restrictiveness Index (0: no barriers, 100: sector closed to trade, N/A: no data available) Source: World Bank STRI.

**Trade in value added**

International production fragmentation and the organisation of value chains have become an increasingly dominant way to organise production in the last 20 years (Baldwin, 2011). This phenomenon involves the decomposition of the production process in tasks located outside the firm (outsourcing) and beyond borders (offshoring). Value chains have radically changed the way firms organise their production by aiming to increase scale of production in simple and unique tasks, thereby increasing firm productivity. In this way, the productivity of the chain, spanning in multiple firms and countries, is increased.
The organisation of production into value chains has important policy implications. Traditional trade policy protectionist measures, in addition to damaging consumer welfare, can be extremely detrimental to the formation and upgrading of value chains. Maintaining or increasing the protection of final products, for example, with the aim of generating domestic backward linkages, may damage domestic sectors that may provide intermediates use to produce the imported final product. Trade policy needs to be increasingly analysed within the value chain framework and with an understanding of the ramifications of policies along the value chain.

Maintaining or increasing protection, on the other hand, affects the integration and participation into value chains of domestic firms. As protection makes it harder for domestic firms to reach minimum efficient scales and productivity, firms struggle and are cut off from the regional or global value chains, unable to integrate forwards. This suggests that the backwards integration into global value chains constitutes a necessary condition for forward integration.

In addition, as production processes are growing increasingly service based, typical trade policy measures are becoming ineffective. Increasingly, much of the value of goods is explained by the services use directly or indirectly in production (servicification of manufactures). This suggest that any trade policy measure aimed to increase local content, for example, can affect an increasingly smaller share of the value of the product. In other cases, as products such as vehicles and machinery include more and more intangible components (e.g. software), tariffs, for example, may be affecting the services embedded in those products (mode 5).

Understanding the operation of value chains is becoming critical to assess the effects of trade policies, and trade agreements in particular. However, the complexity of the operation of value chains presents a real analytical challenge. Standard trade data fail to address the nature of value chains. On one side, it cannot easily distinguish those goods used in further production processes (i.e. intermediates) from those consumed by households (i.e. final demand). On the other side, standard trade data cannot capture the origin of the value embedded on value chains. Finally, standard trade data do not integrate services, missing the highlighted link between good production and services.

Fortunately, organisations have made attempts to improve the knowledge and understanding of the value chain process by providing data on trade in value added. The WIOD (World Input-Output Database) can be used to calculate trade in value added in developed and larger emerging economies. The Trade in Value Added (TiVA) database of the OECD provides value added flows in OECD member states and other countries.

This data, not available when the 2009 Mercosur SIA was completed, allows us to identify the main value added flows between the EU and Mercosur and between Mercosur countries. The analysis sheds additional light on the operation of value chains involving EU and Mercosur countries and assess the effect of the EU-Mercosur FTA in the operation of these value chains.

Given the quantity and complexity of the data required to produce trade in value added, only a few countries tend to be included in these databases. The EU, its member states, Argentina and Brazil are included in the OECD TiVA. However, Paraguay and Uruguay are not represented. Therefore, the analysis of trade in value added will be limited to the flows between the EU, Argentina and Brazil.

On the other hand, OECD has prioritised the inclusion of more countries and the development of new measures over the time updating of the database. Consequently, last year represented in TiVA
is 2011. Although WIOD presents more updated data, it does not cover Argentina and it requires the computation of matrix operations to calculate the trade in value added. Given these considerations, we base our analysis on OECD TiVA.

Nevertheless, it is expected that 2011 will provide an accurate representation of the current structure of trade in value added. The processes affecting international fragmentation tend to be slow, affecting trade and production structures gradually. However, the value chain expansion process has slowed down its pace in the last years. Consequently, it is expected that the representation for 2011 will not be substantially different from the current reality.

The first approach to trade in value added between Mercosur and the EU is presented in Table 11. In the left section (first four columns) the table presents the value added used by the EU to produce its exports. This represents a particular type of value chain activity, the Import to Export (I2E). The value of exports of the EU must be equal to the sum of the value added from all origins. The following columns indicate how much of the value of exports is generated with value added originated in the EU, Argentina and Brazil. Then, the table presents the share of the value added from the EU, Argentina and Brazil of the total value added in the EU exports. Consequently, in 2011, 85.39%, 0.06% and 0.30% of the EU exports were made with value added generated in the EU, Argentina and Brazil. Finally, the last two columns indicate the share of value added in the EU exports generated in Argentina and Brazil of the total foreign value added.

Over time, as a share, the EU has decreased the use of domestic value added in the production of exports and it has increased the value added used from both Argentina and Brazil. Together, in 2011, the two Mercosur countries accounted for 0.36% of the value added used by the EU to produce exports. However, when measured out of the foreign value added used, only Brazil has increased its share. This suggests that the EU backwards integration with Argentina is only increased by the general EU offshoring strategy. In the case of Brazil, there is an additional force that reallocate foreign value added sourced from other countries to Brazil.

Table 12 presents a similar analysis on the Argentina’s (top panel) and Brazil’s (bottom panel). Both, Argentina and Brazil observe a decrease in the use of domestic value added, although less pronounced in Brazil. In Argentina, both the EU and Brazil gained share in the total value added used to produce exports, but only Brazil has gained share out of the total foreign value added used. The share of the EU has fallen dramatically suggesting that Brazil has replaced EU value added in the Argentina’s backward linkages. This is coincidental with the production integration process within Mercosur.

In Brazil, the EU has managed to maintain its share of value added in the total value added used to produce exports, but it has reduced its share out of the foreign value added. As this last share has not gone up for Argentina, it suggests that Brazil has replaced the value added from the EU by other sources in the generation of its exports.

**Table 11: Origin of value added in EU exports**

<table>
<thead>
<tr>
<th>Time</th>
<th>US Dollars, Millions</th>
<th>Share as a total value added</th>
<th>Share a foreign value added</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>EU</td>
<td>Argentina</td>
</tr>
<tr>
<td>1995</td>
<td>924,789</td>
<td>854,944</td>
<td>313</td>
</tr>
</tbody>
</table>
As mentioned before, value chains and the international fragmentation of production generate the imports, usually considered as including primarily value added from the exporter, are increasingly integrated with value added from multiple countries, including the importer. Table 13 shows the origin of the value added of the EU imports from Argentina (top panel) and Brazil (bottom panel). EU imports from Argentina are decreasingly including Argentine value added and increasingly including foreign value added. For example, in 2011, 2.1% of the value added embedded in the EU imports from Argentina was generated in the EU. Similar shares can be seen in the imports from Brazil. Moreover, 2.7% of the value added embedded in the imports from Argentina originated in Brazil. This shows how both Mercosur countries can benefit from increasing exports into the EU, in addition of the traditional trade channel.

Table 13: Origin of value added in EU imports from Argentina and Brazil

<table>
<thead>
<tr>
<th>Time</th>
<th>US Dollar, Millions</th>
<th>Share of total value added</th>
<th>Share of foreign value added</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Argentina</td>
<td>Brazil</td>
</tr>
<tr>
<td>1995</td>
<td>4,556</td>
<td>4,325</td>
<td>35</td>
</tr>
<tr>
<td>1996</td>
<td>4,849</td>
<td>4,586</td>
<td>41</td>
</tr>
<tr>
<td>1997</td>
<td>4,216</td>
<td>3,954</td>
<td>39</td>
</tr>
<tr>
<td>2009</td>
<td>11,016</td>
<td>9,926</td>
<td>203</td>
</tr>
<tr>
<td>2010</td>
<td>11,195</td>
<td>10,015</td>
<td>272</td>
</tr>
<tr>
<td>2011</td>
<td>14,987</td>
<td>13,149</td>
<td>404</td>
</tr>
</tbody>
</table>
Table 14 shows the same analysis performed in the Argentina's and Brazilian imports from the EU. The share of both Argentinean and Brazilian value added in their imports from the EU is substantially lower than in the previous case, although it is increasing for both countries. This highlights how increasingly industries may be affected in Mercosur by maintaining high barriers to trade. Also, the share of EU value added in their imports from the EU is decreasing according to the discussion presented before.

Table 14: Origin of value added in Argentina and Brazil imports from the EU

<table>
<thead>
<tr>
<th>US Dollar, Millions</th>
<th>Share of value added (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>Argentina</td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>7,790</td>
</tr>
<tr>
<td>1996</td>
<td>9,375</td>
</tr>
<tr>
<td>1997</td>
<td>11,095</td>
</tr>
<tr>
<td>2009</td>
<td>8,807</td>
</tr>
<tr>
<td>2010</td>
<td>11,429</td>
</tr>
<tr>
<td>2011</td>
<td>14,758</td>
</tr>
<tr>
<td>Brazil</td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>19,529</td>
</tr>
<tr>
<td>1996</td>
<td>20,074</td>
</tr>
<tr>
<td>1997</td>
<td>22,234</td>
</tr>
<tr>
<td>2009</td>
<td>45,190</td>
</tr>
<tr>
<td>2010</td>
<td>55,028</td>
</tr>
<tr>
<td>2011</td>
<td>69,382</td>
</tr>
</tbody>
</table>

Source: Own elaboration based on OECD TiVA

The increase in the interconnectedness of the Argentina's and Brazil's economies on one side, and with the EU on the other, leads to assess which sectors in Argentina and Brazil are the providers of value added for the EU. Table 15 shows the sectoral origin of the value added generated in Argentina and Brazil in the EU exports. In general, the composition tends to be quite similar. Brazil shows a higher share of services (R&D and other business services dominating), whilst Argentina presents higher share in manufacturing (chemicals and chemical products dominating). The share generated in the primary sector is very similar in both countries, although in Brazil is Mining and quarrying the sector that dominates. In both cases, there is a diversified generation of value added used in the EU exports. Nevertheless, the EU manages to benefit from the provision of value added from sectors where its comparative advantages tend to be weaker.
Table 15: Sectoral origin of Argentina and Brazil value added in EU exports (2011)

<table>
<thead>
<tr>
<th>Sector</th>
<th>US Dollars, Millions</th>
<th>%</th>
<th>US Dollars, Millions</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td></td>
<td></td>
<td>Brazil</td>
<td></td>
</tr>
<tr>
<td>Agriculture, hunting, forestry and fishing</td>
<td>165.7</td>
<td>10.6</td>
<td>467.0</td>
<td>5.6</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>246.8</td>
<td>15.8</td>
<td>1,668.9</td>
<td>20.2</td>
</tr>
<tr>
<td>TOTAL PRIMARY SECTOR</td>
<td>412.4</td>
<td>26.4</td>
<td>2,135.9</td>
<td>25.8</td>
</tr>
<tr>
<td>Food products, beverages and tobacco</td>
<td>97.1</td>
<td>6.2</td>
<td>145.4</td>
<td>1.8</td>
</tr>
<tr>
<td>Textiles, textile products, leather and footwear</td>
<td>19.3</td>
<td>1.2</td>
<td>57.9</td>
<td>0.7</td>
</tr>
<tr>
<td>Wood and products of wood and cork</td>
<td>5.5</td>
<td>0.4</td>
<td>41.4</td>
<td>0.5</td>
</tr>
<tr>
<td>Pulp, paper, paper products, printing and publishing</td>
<td>16.9</td>
<td>1.1</td>
<td>231.0</td>
<td>2.8</td>
</tr>
<tr>
<td>Coke, refined petroleum products and nuclear fuel</td>
<td>14.8</td>
<td>1.0</td>
<td>56.3</td>
<td>0.7</td>
</tr>
<tr>
<td>Chemicals and chemical products</td>
<td>119.1</td>
<td>7.6</td>
<td>218.8</td>
<td>2.6</td>
</tr>
<tr>
<td>Rubber and plastics products</td>
<td>25.5</td>
<td>1.6</td>
<td>63.0</td>
<td>0.8</td>
</tr>
<tr>
<td>Other non-metallic mineral products</td>
<td>5.7</td>
<td>0.4</td>
<td>32.6</td>
<td>0.4</td>
</tr>
<tr>
<td>Basic metals</td>
<td>72.5</td>
<td>4.6</td>
<td>509.7</td>
<td>6.2</td>
</tr>
<tr>
<td>Fabricated metal products</td>
<td>21.4</td>
<td>1.4</td>
<td>106.7</td>
<td>1.3</td>
</tr>
<tr>
<td>Machinery and equipment, nec</td>
<td>9.9</td>
<td>0.6</td>
<td>126.3</td>
<td>1.5</td>
</tr>
<tr>
<td>Computer, Electronic and optical equipment</td>
<td>2.2</td>
<td>0.1</td>
<td>26.4</td>
<td>0.3</td>
</tr>
<tr>
<td>Electrical machinery and apparatus, nec</td>
<td>4.6</td>
<td>0.3</td>
<td>41.9</td>
<td>0.5</td>
</tr>
<tr>
<td>Motor vehicles, trailers and semi-trailers</td>
<td>30.2</td>
<td>1.9</td>
<td>43.2</td>
<td>0.5</td>
</tr>
<tr>
<td>Other transport equipment</td>
<td>1.2</td>
<td>0.1</td>
<td>51.9</td>
<td>0.6</td>
</tr>
<tr>
<td>Manufacturing nec; recycling</td>
<td>5.8</td>
<td>0.4</td>
<td>20.7</td>
<td>0.3</td>
</tr>
<tr>
<td>TOTAL MANUFACTURES</td>
<td>451.9</td>
<td>29.0</td>
<td>1,773.3</td>
<td>21.4</td>
</tr>
<tr>
<td>Electricity, gas and water supply</td>
<td>32.9</td>
<td>2.1</td>
<td>215.7</td>
<td>2.6</td>
</tr>
<tr>
<td>Construction</td>
<td>9.0</td>
<td>0.6</td>
<td>98.7</td>
<td>1.2</td>
</tr>
<tr>
<td>Wholesale and retail trade; repairs</td>
<td>262.6</td>
<td>16.8</td>
<td>1,172.3</td>
<td>14.2</td>
</tr>
<tr>
<td>Hotels and restaurants</td>
<td>6.9</td>
<td>0.4</td>
<td>17.7</td>
<td>0.2</td>
</tr>
<tr>
<td>Transport and storage</td>
<td>91.3</td>
<td>5.8</td>
<td>296.9</td>
<td>3.6</td>
</tr>
<tr>
<td>Post and telecommunications</td>
<td>23.0</td>
<td>1.5</td>
<td>192.1</td>
<td>2.3</td>
</tr>
<tr>
<td>Financial intermediation</td>
<td>22.6</td>
<td>1.4</td>
<td>334.2</td>
<td>4.0</td>
</tr>
<tr>
<td>Real estate activities</td>
<td>1.4</td>
<td>0.1</td>
<td>256.7</td>
<td>3.1</td>
</tr>
<tr>
<td>Renting of machinery and equipment</td>
<td>40.0</td>
<td>2.6</td>
<td>171.6</td>
<td>2.1</td>
</tr>
<tr>
<td>Computer and related activities</td>
<td>13.3</td>
<td>0.9</td>
<td>101.5</td>
<td>1.2</td>
</tr>
<tr>
<td>R&amp;D and other business activities</td>
<td>153.0</td>
<td>9.8</td>
<td>1,241.5</td>
<td>15.0</td>
</tr>
<tr>
<td>Public admin. and defence; compulsory social security</td>
<td>5.5</td>
<td>0.4</td>
<td>196.2</td>
<td>2.4</td>
</tr>
<tr>
<td>Education</td>
<td>0.6</td>
<td>0.0</td>
<td>44.7</td>
<td>0.5</td>
</tr>
<tr>
<td>Health and social work</td>
<td>3.8</td>
<td>0.2</td>
<td>0.7</td>
<td>0.0</td>
</tr>
<tr>
<td>Other community, social and personal services</td>
<td>30.6</td>
<td>2.0</td>
<td>27.3</td>
<td>0.3</td>
</tr>
<tr>
<td>Private households with employed persons</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>TOTAL SERVICES</td>
<td>654.6</td>
<td>41.9</td>
<td>4,053.3</td>
<td>49.0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,560.7</td>
<td></td>
<td>8,276.8</td>
<td></td>
</tr>
</tbody>
</table>

Source: Own elaboration based on OECD TiVA.
Table 16 Error! Not a valid bookmark self-reference. shows the sectoral distribution of the value added in the Argentina and Brazilian exports. We present in value and shares, the total value added and the value added generated in the EU. This helps to identify the differences in the sources of value added used in the production processes in Argentina and Brazil. Both countries use value added from the EU generated in the manufacturing and the services sectors. Chemicals and chemical products dominate the value added use in the manufacturing sector and R&D, business services, wholesale & retail and transport & storage tend to dominate in services. High value added used from machinery and the financial sector suggests that both countries tend to rely on the EU to provide value added from more complex and high-technical sectors. Any expansion of exports, to the EU or elsewhere in Argentina and Brazil, will also benefit these sectors.

Table 16: Sectoral origin of EU value added in Argentina and Brazil exports (2011)

| Sector                               | Argentina | | | Brazil | | | |
|--------------------------------------|-----------| | |        | | | |
|                                      | US Dollar, Million | % | US Dollar, Million | % |
| Total                                | 15,670 | 14 | 16.2 | 0.6 | 27,952 | 44 | 9.5 | 0.7 |
| Agriculture, hunting, forestry and fishing | 9,716 | 62 | 10.0 | 2.8 | 48,254 | 165 | 16.5 | 2.6 |
| TOTAL PRIMARY SECTOR                 | 25,385 | 76 | 26.2 | 3.5 | 76,206 | 210 | 26.0 | 3.3 |
| Food products, beverages and tobacco | 6,979 | 12 | 7.2 | 0.5 | 10,478 | 42 | 3.6 | 0.6 |
| Textiles, textile products, leather and footwear | 1,167 | 7 | 1.2 | 0.3 | 2,456 | 18 | 0.8 | 0.3 |
| Wood and products of wood and cork   | 440 | 9 | 0.5 | 0.4 | 1,254 | 16 | 0.4 | 0.2 |
| Pulp, paper, paper products, printing and publishing | 1,272 | 43 | 1.3 | 2.0 | 5,800 | 107 | 2.0 | 1.7 |
| Coke, refined petroleum products and nuclear fuel | 1,513 | 13 | 1.6 | 0.6 | 2,789 | 41 | 1.0 | 0.6 |
| Chemicals and chemical products      | 4,287 | 199 | 4.4 | 9.0 | 8,619 | 483 | 2.9 | 7.5 |
| Rubber and plastics products         | 1,564 | 59 | 1.6 | 2.7 | 3,029 | 123 | 1.0 | 1.9 |
| Other non-metallic mineral products  | 426 | 17 | 0.4 | 0.8 | 1,504 | 44 | 0.5 | 0.7 |
| Basic metals                         | 3,218 | 59 | 3.3 | 2.7 | 10,955 | 183 | 3.7 | 2.9 |
| Fabricated metal products            | 1,466 | 115 | 1.5 | 5.2 | 4,175 | 257 | 1.4 | 4.0 |
| Machinery and equipment, nec         | 1,074 | 98 | 1.1 | 4.5 | 6,187 | 438 | 2.1 | 6.8 |
| Computer, Electronic and optical equipment | 311 | 26 | 0.3 | 1.2 | 1,620 | 102 | 0.6 | 1.6 |
| Electrical machinery and apparatus, nec | 509 | 47 | 0.5 | 2.1 | 2,001 | 125 | 0.7 | 1.9 |
| Motor vehicles, trailers and semi-trailers | 2,540 | 70 | 2.6 | 3.2 | 3,041 | 75 | 1.0 | 1.2 |
The origin of the value added in the sectoral final demand, indicates how productive sectors combine domestic and foreign value added. Table 17 presents the origin of the value added embedded in the EU final demand (consumption, investment). The analysis highlights that the sectors that make particular intensive uses in value added originated in Argentina and Brazil. Almost 2% of the total value added and 10% of the foreign value added in the Food products, beverages and tobacco sectors is originated in Argentina and Brazil and the Agriculture, hunting, forestry and fishing showing high shares too.

This shows the complexity and the policy implications of the trade in value added. Both sectors, Agriculture and food production are normally considered weaker than its Argentinean and Brazilian equivalents. Both sectors are also perceived as being at risk in virtue of the competition from Mercosur. Nevertheless, both sectors make extensive use of value added generated in Argentina and Brazil to supply the EU markets, suggesting a complementary dimension in addition to the strictly competitive normally depicted. It suggests that these sectors and others in the EU may benefit from obtaining cheaper intermediates from Mercosur.
Table 17: Origin of VA of sectoral EU final demand (2011)

<table>
<thead>
<tr>
<th>Industry Description</th>
<th>US Dollar, Million</th>
<th>Share of total value added (%)</th>
<th>Share of foreign value added (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TOTAL</td>
<td>EU</td>
<td>ARG</td>
</tr>
<tr>
<td>Agriculture, hunting, forestry and fishing</td>
<td>247,953</td>
<td>201,632</td>
<td>833</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>28,962</td>
<td>11,139</td>
<td>65</td>
</tr>
<tr>
<td>TOTAL PRIMARY SECTOR</td>
<td>276,915</td>
<td>212,772</td>
<td>898</td>
</tr>
<tr>
<td>Food products, beverages and tobacco</td>
<td>801,038</td>
<td>651,289</td>
<td>5,113</td>
</tr>
<tr>
<td>Textiles, textile products, leather and footwear</td>
<td>248,461</td>
<td>140,532</td>
<td>483</td>
</tr>
<tr>
<td>Wood and products of wood and cork</td>
<td>30,422</td>
<td>25,771</td>
<td>24</td>
</tr>
<tr>
<td>Pulp, paper, paper products, printing and publishing</td>
<td>154,395</td>
<td>131,308</td>
<td>71</td>
</tr>
<tr>
<td>Coke, refined petroleum products and nuclear fuel</td>
<td>250,913</td>
<td>93,491</td>
<td>271</td>
</tr>
<tr>
<td>Chemicals and chemical products</td>
<td>278,609</td>
<td>190,890</td>
<td>617</td>
</tr>
<tr>
<td>Rubber and plastics products</td>
<td>56,540</td>
<td>44,667</td>
<td>84</td>
</tr>
<tr>
<td>Other non-metallic mineral products</td>
<td>34,801</td>
<td>27,921</td>
<td>17</td>
</tr>
<tr>
<td>Basic metals</td>
<td>20,513</td>
<td>13,592</td>
<td>25</td>
</tr>
<tr>
<td>Fabricated metal products</td>
<td>124,855</td>
<td>102,978</td>
<td>70</td>
</tr>
<tr>
<td>Machinery and equipment, nec</td>
<td>301,637</td>
<td>230,937</td>
<td>165</td>
</tr>
<tr>
<td>Computer, Electronic and optical equipment</td>
<td>208,949</td>
<td>119,710</td>
<td>93</td>
</tr>
<tr>
<td>Electrical machinery and apparatus, nec</td>
<td>123,581</td>
<td>92,374</td>
<td>74</td>
</tr>
</tbody>
</table>
Motor vehicles, trailers and semi-trailers & 456,674 & 359,340 & 588 & 2,175 & 78.69 & 0.13 & 0.48 & 0.60 & 2.23 \\
Other transport equipment & 109,444 & 64,574 & 64 & 826 & 59.00 & 0.06 & 0.75 & 0.14 & 1.84 \\
Manufacturing nec; recycling & 201,454 & 136,561 & 140 & 820 & 67.79 & 0.07 & 0.41 & 0.22 & 1.26 \\
**TOTAL MANUFACTURES** & **3,402,287** & **2,425,936** & **7,900** & **25,090** & **71.30** & **0.23** & **0.74** & **0.81** & **2.57** \\
Electricity, gas and water supply & 312,826 & 244,132 & 125 & 1,226 & 78.04 & 0.04 & 0.39 & 0.18 & 1.79 \\
Construction & 1,406,554 & 1,265,018 & 439 & 2,944 & 89.94 & 0.03 & 0.21 & 0.31 & 2.08 \\
Wholesale and retail trade; repairs & 1,425,255 & 1,226,840 & 1,319 & 4,226 & 86.08 & 0.09 & 0.30 & 0.66 & 2.13 \\
Hotels and restaurants & 698,232 & 620,572 & 1,053 & 2,347 & 88.88 & 0.15 & 0.34 & 0.18 & 1.79 \\
Transport and storage & 459,047 & 359,625 & 362 & 1,286 & 78.34 & 0.08 & 0.28 & 0.36 & 1.29 \\
Post and telecommunications & 224,529 & 201,452 & 51 & 334 & 89.72 & 0.02 & 0.15 & 0.22 & 1.45 \\
Financial intermediation & 468,008 & 436,639 & 55 & 405 & 93.30 & 0.01 & 0.09 & 0.17 & 1.29 \\
Real estate activities & 1,708,778 & 1,662,814 & 118 & 898 & 97.31 & 0.01 & 0.05 & 0.26 & 1.95 \\
Renting of machinery and equipment & 32,048 & 26,240 & 19 & 102 & 81.88 & 0.06 & 0.32 & 0.32 & 1.76 \\
Computer and related activities & 215,652 & 194,793 & 77 & 245 & 90.33 & 0.04 & 0.11 & 0.37 & 1.18 \\
R&D and other business activities & 341,359 & 313,921 & 107 & 807 & 91.96 & 0.03 & 0.24 & 0.39 & 2.94 \\
Public admin. and defence; compulsory social security & 1,402,601 & 1,330,671 & 231 & 1,522 & 94.87 & 0.02 & 0.11 & 0.32 & 2.12 \\
Education & 917,282 & 890,954 & 98 & 521 & 97.13 & 0.01 & 0.06 & 0.37 & 1.98 \\
Health and social work & 1,682,530 & 1,595,418 & 562 & 1,891 & 94.82 & 0.03 & 0.11 & 0.64 & 2.17 \\
Other community, social and personal services & 723,346 & 652,314 & 224 & 1,112 & 90.18 & 0.03 & 0.15 & 0.32 & 1.57 \\
Private households with employed persons & 66,493 & 66,493 & 0 & 0 & 100.00 & 0.00 & 0.00 & 0.00 & 0.00 \\
**TOTAL SERVICES** & **12,084,538** & **11,087,897** & **4,840** & **19,866** & **91.75** & **0.04** & **0.16** & **0.49** & **1.99** \\
**TOTAL** & **17,483,121** & **15,235,756** & **14,202** & **52,586** & **87.15** & **0.08** & **0.30** & **0.63** & **2.34**
Table 18 shows the intensity in the use of EU value added in Argentina and Brazil’s production processes in different sectors. Value added from the EU is heavily used in production processes in Argentina and Brazil, especially in the production of machinery and equipment and on the provision of many sectors. However, in the case of the Argentina production, value added from Brazil tends to be used more intensively in many sectors.

Motor vehicles, in virtue of the relevance for the countries involved and the importance of value chains are worth analysing. The EU is a substantial provider of value added in both the Argentine and Brazilian processes, where the sector is particularly well backwardly integrated. Moreover, as we have previously seen, Argentina and Brazil contribute to the provision of value added in this sector in the EU production. Any increase in trade in this sector is likely to bring an increase in the trade in value added. Consequently, an agreement that facilitates the integration of the automobile sector in Mercosur into the European value chains is likely to be mutually beneficial. Moreover, the interconnectedness of the production processes suggests that in the assessment of the impact of the agreement, not only the nominal trade effects needs to be assessed but also the effects into the value chain. This, however, requires a deeper analysis of the sectors and the value chains involved.
Table 18: Origin of VA in Argentina and Brazil sectoral final demand (2011)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Argentina</th>
<th>Brazil</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>As a share of total value added</td>
<td>As a share of foreign VA</td>
</tr>
<tr>
<td></td>
<td>DOM BRA EU BA EU</td>
<td></td>
</tr>
<tr>
<td>Agriculture, hunting, forestry and fishing</td>
<td>87.8 3.3 1.7 27.1 13.9</td>
<td></td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>75.4 6.5 1.5 26.4 6.2</td>
<td></td>
</tr>
<tr>
<td>TOTAL PRIMARY SECTOR</td>
<td>82.2 4.7 1.6 26.6 9.1</td>
<td></td>
</tr>
<tr>
<td>Food products, beverages and tobacco</td>
<td>86.7 2.8 2.2 21.1 16.8</td>
<td></td>
</tr>
<tr>
<td>Textiles, textile products, leather and footwear</td>
<td>77.8 4.6 2.8 20.7 12.7</td>
<td></td>
</tr>
<tr>
<td>Wood and products of wood and cork</td>
<td>86.4 2.5 3.7 18.6 27.2</td>
<td></td>
</tr>
<tr>
<td>Pulp, paper, paper products, printing and publishing</td>
<td>74.9 5.7 5.0 22.6 19.8</td>
<td></td>
</tr>
<tr>
<td>Coke, refined petroleum products and nuclear fuel</td>
<td>51.1 7.4 2.5 15.2 5.2</td>
<td></td>
</tr>
<tr>
<td>Chemicals and chemical products</td>
<td>59.0 7.1 8.3 17.3 20.4</td>
<td></td>
</tr>
<tr>
<td>Rubber and plastics products</td>
<td>64.4 8.1 7.2 22.7 20.3</td>
<td></td>
</tr>
<tr>
<td>Other non-metallic mineral products</td>
<td>77.7 4.8 4.5 21.4 20.0</td>
<td></td>
</tr>
<tr>
<td>Basic metals</td>
<td>68.9 10.2 4.5 32.8 14.3</td>
<td></td>
</tr>
<tr>
<td>Fabricated metal products</td>
<td>62.6 9.4 8.9 25.2 23.9</td>
<td></td>
</tr>
<tr>
<td>Machinery and equipment, n.e.c</td>
<td>42.0 14.1 14.9 24.3 25.6</td>
<td></td>
</tr>
<tr>
<td>Computer, Electronic and optical equipment</td>
<td>30.1 6.0 10.7 8.6 15.3</td>
<td></td>
</tr>
<tr>
<td>Electrical machinery and apparatus, n.e.c</td>
<td>50.7 11.3 13.4 22.8 27.3</td>
<td></td>
</tr>
<tr>
<td>Motor vehicles, trailers and semi-trailers</td>
<td>34.9 31.2 10.4 47.9 15.9</td>
<td></td>
</tr>
<tr>
<td>Other transport equipment</td>
<td>5.1 14.1 16.6 14.9 17.5</td>
<td></td>
</tr>
<tr>
<td>Manufacturing n.e.c; recycling</td>
<td>71.0 3.7 4.1 12.9 14.2</td>
<td></td>
</tr>
<tr>
<td>TOTAL MANUFACTURES</td>
<td>64.2 8.8 6.1 24.7 17.2</td>
<td></td>
</tr>
<tr>
<td>Electricity, gas and water supply</td>
<td>86.9 2.5 1.2 19.4 8.9</td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>85.6 3.3 2.8 23.2 19.4</td>
<td></td>
</tr>
<tr>
<td>Wholesale and retail trade; repairs</td>
<td>84.2 3.7 2.5 23.3 16.0</td>
<td></td>
</tr>
<tr>
<td>Hotels and restaurants</td>
<td>78.4 1.5 5.5 6.9 25.7</td>
<td></td>
</tr>
<tr>
<td>Service Activity</td>
<td>66.8</td>
<td>3.3</td>
</tr>
<tr>
<td>-----------------------------------------------------</td>
<td>------</td>
<td>-----</td>
</tr>
<tr>
<td>Transport and storage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post and telecommunications</td>
<td>85.7</td>
<td>1.9</td>
</tr>
<tr>
<td>Financial intermediation</td>
<td>85.0</td>
<td>1.1</td>
</tr>
<tr>
<td>Real estate activities</td>
<td>96.4</td>
<td>0.6</td>
</tr>
<tr>
<td>Renting of machinery and equipment</td>
<td>10.5</td>
<td>1.2</td>
</tr>
<tr>
<td>Computer and related activities</td>
<td>58.1</td>
<td>4.3</td>
</tr>
<tr>
<td>R&amp;D and other business activities</td>
<td>91.4</td>
<td>1.7</td>
</tr>
<tr>
<td>Public admin. and defence; compulsory social security</td>
<td>94.4</td>
<td>1.1</td>
</tr>
<tr>
<td>Education</td>
<td>97.9</td>
<td>0.3</td>
</tr>
<tr>
<td>Health and social work</td>
<td>94.4</td>
<td>1.0</td>
</tr>
<tr>
<td>Other community, social and personal services</td>
<td>89.3</td>
<td>1.3</td>
</tr>
<tr>
<td>Private households with employed persons</td>
<td>100.0</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL SERVICES</strong></td>
<td>89.3</td>
<td>1.5</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>81.7</td>
<td>3.9</td>
</tr>
</tbody>
</table>

Source: Own elaboration based on OECD TiVA.
Finally, Table 19 uses standard trade data, classified using the Broad Economic Categories (BEC) to identify the nature of the value chain activity in the EU-Mercosur trade. This also allows us to look into how Paraguay and Uruguay participate in this trade.

EU exports to the Mercosur countries are characterised by goods that participate into further production processes. However, in the case of Paraguay and Uruguay, consumer goods represent up to 30% of the EU exports. This may be explained by the more limited productive structures of these countries, generating less demand for EU products.

EU imports from Mercosur are mostly represented by Primary goods and intermediate goods. This reflects the nature of the forward linkages of the Mercosur countries in the EU production processes. However, the low share of capital and transport equipment in this trade suggests that Mercosur tends to participate providing less complex inputs in the EU production processes.

Table 19: Composition of EU-Mercosur trade by use of products (In percentages)

<table>
<thead>
<tr>
<th></th>
<th>Argentina</th>
<th>Brazil</th>
<th>Paraguay</th>
<th>Uruguay</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU Exports</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Goods</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer Goods (includes Food</td>
<td>32.6</td>
<td>30.3</td>
<td>27.3</td>
<td>37.5</td>
</tr>
<tr>
<td>and Beverages for household</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>consumption)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary Goods (includes primary</td>
<td>13.7</td>
<td>15.6</td>
<td>30.3</td>
<td>28.1</td>
</tr>
<tr>
<td>food and beverages for industry)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intermediate goods (includes</td>
<td>25.8</td>
<td>29.4</td>
<td>20.9</td>
<td>21.9</td>
</tr>
<tr>
<td>manufactured food and</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>beverages for industry)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fuels and lubricants</td>
<td>7.1</td>
<td>3.0</td>
<td>0.5</td>
<td>3.6</td>
</tr>
<tr>
<td>Transport Equipment</td>
<td>19.0</td>
<td>19.7</td>
<td>18.4</td>
<td>6.3</td>
</tr>
<tr>
<td>Not Allocated/Goods not</td>
<td>1.0</td>
<td>0.8</td>
<td>1.6</td>
<td>1.0</td>
</tr>
<tr>
<td>elsewhere specified</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total (In Euros, millions) 2014-16 average</td>
<td>8,495.2</td>
<td>33,612.4</td>
<td>590.4</td>
<td>1,680.5</td>
</tr>
<tr>
<td>EU Imports</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Goods</td>
<td>1.0</td>
<td>4.2</td>
<td>0.1</td>
<td>0.9</td>
</tr>
<tr>
<td>Consumer Goods (includes Food</td>
<td>24.5</td>
<td>15.7</td>
<td>3.1</td>
<td>28.3</td>
</tr>
<tr>
<td>and Beverages for household</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>consumption)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary Goods (includes primary</td>
<td>19.5</td>
<td>34.7</td>
<td>41.9</td>
<td>23.3</td>
</tr>
<tr>
<td>food and beverages for industry)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intermediate goods (includes</td>
<td>50.2</td>
<td>35.4</td>
<td>52.6</td>
<td>46.7</td>
</tr>
<tr>
<td>manufactured food and</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>beverages for industry)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fuels and lubricants</td>
<td>0.5</td>
<td>3.5</td>
<td>2.1</td>
<td>0.0</td>
</tr>
<tr>
<td>Transport Equipment</td>
<td>4.0</td>
<td>6.1</td>
<td>0.1</td>
<td>0.5</td>
</tr>
<tr>
<td>Not Allocated/Goods not</td>
<td>0.3</td>
<td>0.4</td>
<td>0.1</td>
<td>0.2</td>
</tr>
<tr>
<td>elsewhere specified</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total (In Euros, millions) 2014-16 average</td>
<td>7,982.6</td>
<td>30,170.6</td>
<td>1,079.5</td>
<td>1,526.2</td>
</tr>
</tbody>
</table>

Source: Own elaboration based on EU Comext.

Key messages

- The EU has reduced the integration of value added in the Argentina and Brazilian production processes. Argentina has substituted this value added by Brazilian. Brazil, on the other hand, is using value added sourced elsewhere.
• Trade between the EU and Mercosur presents increasing share of value added from the participating countries. 2% of the value added in the EU imports from Argentina and Brazil is generated in the EU.

• Argentina and Brazil tend to use value added generated in high tech and high value added services from the EU. The EU uses mostly value added from a wide range of sectors in Argentina and Brazil.

• The agriculture and food sector in the EU uses intensively value added from Argentina and Brazil, suggesting a complementary in additional to the competitive relationship. Facilitating the access to this value added is expected to improve the productivity of these sectors in the EU.

• In the automobile sector there is very active value chain integration between the Argentina, Brazil and the EU. The EU participates in these processes and an increase in the market access from Mercosur to the EU will benefit the EU value added generation.

Investment

Based on the historical and cultural links, the EU-Mercosur investment flows have been strong. In the 1990s, there was an investment boom from Europe to Mercosur motivated by the privatisation process in Argentina and Brazil. These generated important investments in transport (e.g. airlines), telecommunications, electricity and water provision. There was also investments in oil production, refinement and commercialisation of fuels (e.g. Repsol-YPF). Investments also expanded existing capacity in automobile production (where European firms dominate production) as well as new sectors (e.g. mobile telecommunications).

More recently, there have been some qualitative changes in the investment relationship. In the case of Brazil, the investment flows have kept strong, but they have been diversified into new sectors (e.g. mining). Moreover, Brazil has managed to become an investor in Europe (e.g. TAP), suggesting a partial reversion on the investment flows.

However, Argentina in particular adopted a more confrontational approach towards FDI by nationalising the flag carrier and an oil company both owned by Spanish investors. Moreover, the renegotiation of the many privatisations have generated demands for compensations in international tribunals such as the World Bank’s International Centre for Settlement of Investment Dispute.

Nevertheless, the more recent changes in Government in Mercosur have generated important policy innovations, including a more welcoming environment for FDI. This is particularly marked in the case of Argentina, which is seeking to attract FDI and for which the EU-Mercosur FTA constitutes a major yardstick to show internally and externally commitment and respect of rules.

All this suggests that the EU-Mercosur FTA is expected to constitute an important factor to boost investment between both regions. However, at this stage it is still difficult to assess the magnitude of this investment boost, and which sectors and countries are expected to benefit from it. Data on investment is scarce and this complicates the definition of a credible baseline to diagnose and project future investment.
Brazil accounted in 2015 for most of the investment received in Mercosur (Figure 13). Brazil is the 9th largest recipient of FDI and accounted for nearly 80% of the total FDI received by Mercosur. Nevertheless, motivated by the low commodity prices, weak economic activity and the political turmoil in the country associated with corruption cases in the last few years, investment has been falling by more than 10% annually since 2011. In addition, the large share is explained by poor performance from Argentina, which used to receive a substantial larger investment. Unfortunately, there is no data about the weight of the European FDI in these investment flows.

**Figure 16: Inward investment in Mercosur 1991-2016**

![Inward Investment in Mercosur 1991-2016](image)

*Source: Own elaboration based on UNCTAD.*

Table 20 presents the EU outward investment to Mercosur in 2015. Adjusting for exchange rate differences, it is possible to suggest that the EU represents almost 50% of FDI in Mercosur. Moreover, it indicates that considering the investments made outside the EU, Mercosur represented 6.6% of the total EU investments made; with Brazil accounting alone for 5.4% of the total extra-EU investments.

**Table 20: EU outward investment to Mercosur 2015**

<table>
<thead>
<tr>
<th>Country</th>
<th>Millions of Euros</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>5,005.9</td>
<td>0.9%</td>
</tr>
<tr>
<td>Brazil</td>
<td>28,937.0</td>
<td>5.4%</td>
</tr>
<tr>
<td>Paraguay</td>
<td>73.2</td>
<td>0.0%</td>
</tr>
<tr>
<td>Uruguay</td>
<td>1,365.6</td>
<td>0.3%</td>
</tr>
<tr>
<td><strong>Total Mercosur</strong></td>
<td><strong>35,381.7</strong></td>
<td><strong>6.6%</strong></td>
</tr>
<tr>
<td>Extra-EU28</td>
<td>537,162.2</td>
<td>100%</td>
</tr>
</tbody>
</table>
The figures suggest the importance of the EU FDI in Mercosur. This indicates the importance of Mercosur and the potential for expansion in the EU investment portfolio. However, these figures may be misleading if we do not consider investment within the broader picture, including regulatory aspects and other institutional dimensions. Moreover, an assessment of the constraints and barriers to invest will indicate the areas and countries where investment may growth stronger after the agreement.

Figure 17 presents the position in the Ease of Doing Business ranking of the four Mercosur countries. This ranking orders countries based on how the institutional and legal frameworks facilitate investment and business in general. It is an indicator that also assess how regulations are enforced, the degree of discretion in government decisions and other aspects affecting investment including the enforcement of contracts.

![Figure 17: Mercosur Ease of doing business ranking, 2015-2016](image)

However, this general description of how easy is to make businesses in the region hides a great sectoral variation. Table 21 presents an assessment of how burdensome in the FDO regulatory atmosphere in Argentina and Brazil. In terms of regulations, Argentina appears as a more FDI friendly country than Brazil. In Argentina, there are only significant regulations in Agriculture, surface transport and on media. In contrast, regulatory restrictiveness is higher in Brazil in every single sector.

### Table 21: FDI Regulatory Restrictiveness Index 2016

<table>
<thead>
<tr>
<th>Sector</th>
<th>Argentina</th>
<th>Brazil</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>0.038</td>
<td>0.188</td>
</tr>
<tr>
<td>Agriculture &amp; Forestry</td>
<td>0.075</td>
<td>0.225</td>
</tr>
<tr>
<td>Agriculture</td>
<td>0.075</td>
<td>0.225</td>
</tr>
</tbody>
</table>
As it was mentioned, the EU-Mercosur FTA may unlock investments but it cannot alone introduce the necessary domestic reforms to boost them. Albeit of the macroeconomic and political turmoil that these countries suffer frequently and that may constitute significant investment deterrence, from this analysis, it seems that Argentina may be the Mercosur country that may benefit substantially from...
newer investments because of the agreement. Not only it would present a less burdensome regulatory framework across its economy but also it would also start from extremely low values of FDI, based on the historical perspective. Investment in Brazil, on the other hand, are attracted by its larger economic size primarily and not from the facilitation to attract it. This suggests that, in order to result in a substantial increase in investment in Brazil, the agreement would need to be accompanied by significant reforms to de-regulate its economy and FDI in particular.

**Welfare implications**

At this stage, it is still premature to assess the welfare implications in Mercosur and the EU of the FTA, at least in what is related to the trade effects. First, because liberalisation schedules are still under negotiation and the effects depend on the specific products and the degree of tariff reduction. Second, from the methodological point of view, it is necessary to evaluate the results of the CGE analysis as it will provide a comprehensive picture of the effects in the economy.

Nevertheless, based on the data presented before, it is possible to identify certain areas where attention should be place in order to maximise the positive effects of the agreements in Mercosur and the EU. This can be performed by assessing the competitiveness of each partner in certain key products and assess the potential trade diversion and creation that the agreement may generate.

It is important to highlight that, in principle, the fact that Mercosur present such as high tariffs and that the EU still represents around 24% of the Mercosur imports (Figure 10) suggest that the FTA, in general, should be welfare enhancing for Mercosur. With average tariffs above 11% (Table 4) and with substantial tariff peaks, any generalised tariff reduction with a key import partner it is likely to be translated into trade creation and into a general welfare improvement for Mercosur. This is expected to benefit consumers as they will be able to access to less expensive products, increasing their consumer surplus. Producers in Mercosur, on the other hand, are expected to benefit too by accessing cheaper inputs to be used in their production process.

Effects in the EU are expected to be comparatively lower. On one side, average tariffs in the EU are lower than in Mercosur (Table 5). This means that, on average, a reduction in tariffs is expected to have smaller welfare effects. In addition, representing Mercosur just less than 3% of the EU imports (Figure 6), the gains are expected to be limited.

Nevertheless, in the case of Mercosur, there might be products where the EU is not an efficient supplier and, consequently, the reduction in tariffs is expected to divert trade away from current efficient suppliers. Whilst the agreement may be, in general, welfare enhancing, it is in the product detail when it is possible to find situations where consumers may be worse off. Table 2 presents the EU RCA and the Mercosur tariff applied in the top 20 products exported by the EU to Mercosur. The RCA can help to assess the competitiveness of the EU in supplying those products. Whenever the RCA is greater than one, there is an indication of competitiveness on the exporter side. In most of these products, that represent 27% of the exports to Mercosur, the EU presents a comparative advantage and consequently, for Mercosur, liberalising these products will be welfare enhancing. However, there are certain products where the EU may not present a comparative advantage and the tariff concession would lead to trade diversion. Nevertheless, with the exception of light vessels, these products show low tariff applied. Consequently, the trade diversion in these products is expected to be minimum. In light vessels, with a tariff of 7%, there is a chance that trade diversion may affect Mercosur consumers.
On the EU side, Table 3 presents the top 20 EU imports from Mercosur, the Mercosur RCA and the tariff applied by the EU. These products represent almost 65% of the EU imports from Mercosur, providing a very good coverage. In most of the cases, the current tariff is zero so no welfare effects are expected. In the rest of the cases, Mercosur shows a comparative advantage and the tariff applied by the EU is positive as well as very high. This suggest that any reduction of tariffs with Mercosur in these products will be welfare enhancing for the EU consumers. Given the magnitude of these tariffs, it is expected that the effects on these products are expected to be important. Nevertheless, in the general context, the effects are expected to limited in virtue of the more limited imports from Mercosur and the general lower tariffs.

Unfortunately, it is not possible to do this analysis using trade in services as the possibility of calculating RCA for services is more limited. Moreover, it results complicated to quantify the height of the trade barriers in services. Moreover, the welfare effects are expected to be affected by the mode of provision of the service. If most of the services are provided under mode 2, the effects are expected to be minimum. However, any liberalisation affecting the other modes may have substantial effects.

However, in virtue of the discussion above, it is clear that Brazilian consumers and firms are expected to benefit from any reduction or elimination of regulation and protection in the services sector. Moreover, given that the EU is an important supplier of services for Brazil, these effects may be sizable. In the case of Argentina, as we have seen, the services sector does not present important restrictions, indicating that the effects are expected to be smaller. Nevertheless, it is worth mentioning that the agreement with the EU is unlikely that will generate a modification of the domestic regulations affecting the services sector. At most, it will match the existing market access that other countries (e.g. rest of Mercosur members) has in the Brazilian services market.

In the case of the EU imports of services, the same applies than for goods. Being the share of services imports from Mercosur small, the welfare effects are expected to be substantially more limited. However, it is likely that the introduction of additional competition in the EU market in certain services will benefit EU consumers and increase their variety of suppliers.

To summarise, a first assessment indicates that the EU-Mercosur FTA, in general, may generate important welfare gains through trade creation for Mercosur. However, there are certain products where the EU may not be competitive and trade diversion may prevail in them. On the other hand, for the EU, the welfare effects of the agreement are expected to be globally modest. However, there are certain products where EU consumers will see a substantial improvement in their welfare as a result of the reduction of tariffs with an efficient supplier.
4. Social Analysis

Amidst renewed debates on the costs and benefits of globalization, the social impact of trade liberalisation has been a central concern for national governments and their constituencies. Our social analysis builds upon our team’s CGE and sectoral analysis as well as additional quantitative and qualitative tools to assess the potential effects of an EU-Mercosur trade agreement on employment and decent work. The analysis will assess the potential impacts on employment (including in the informal economy), decent work, working conditions, as well as distributional impacts (including poverty income inequalities). Furthermore, the interaction between the envisaged agreement and the effective implementation of the international Core Labour Standards (CLS) and fundamental Conventions of the International Labour Organisation (ILO), as well as the realisation of the other strategic objectives of the ILO Decent Work Agenda (job creation, social protection, and social dialogue) will be investigated. Other Conventions from the ILO and other UN bodies will be taken into consideration, where relevant. This SIA will also assess how the potential agreement could contribute to the uptake of internationally agreed principles and guidelines on corporate social responsibility (CSR)/ responsible business conduct (RBC).

EU trade policy has become one of the main pillars of the EU’s external action to promote sustainable development, decent work and core labour standards, whether at the unilateral, bilateral/regional or multilateral levels. At the unilateral (i.e. non-reciprocal) level, EU trade policy has designated the ratification and application of the ILO’s eight fundamental conventions on labour rights as a precondition for obtaining GSP+ status.21 Most recently, in its 2015 Trade for All Strategy, the EU reasserted its ambition to “promote an ambitious and innovative sustainable development chapter in all trade and investment agreements”, vowing to achieve “far-reaching commitments on all core labour rights” and to ensure “high levels of occupational health and safety and decent working conditions in accordance with the ILO Decent Work Agenda” (European Commission 2015b). Combining economic analysis and policy research, this section will assess the prospects of the EU-Mercosur trade agreement to fulfil these objectives.

4.1 Methodology

The quantitative analysis will draw on CGE modelling. The social analysis takes into account the recent work done by José M. Rueda-Cantuche and Nuno Sousa (2016), who by using the information contained in the latest release of the World Input-Output Database, have put forward a comprehensive set of indicators that shed light on effects of exporting to employment and income. This links to a growing research on the impact of non-discriminatory international trade liberalisation on unemployment, job rents and other aspects of the labour market, on which the team can build to analyse the effects of an EU-Mercosur trade agreement on employment, wages and household income, while taking into account its preferential nature. Additionally, combining data from the GTAP Data Base on wages and aggregate employment, we will measure the Gini Index for wage inequality between skilled and unskilled labour in both EU and Mercosur. We follow Deaton (1997) for the formula to measure the Gini index. Additionally, the scope and potential evolution of the informal

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sector will be examined with a combination of statistic tools from intergovernmental organizations (e.g. ILO Department of Statistics, World Bank Enterprise Surveys).

The qualitative analysis first relies on desk research, on expert sources, academic literature and specific studies not only on EU trade relations with the Mercosur region and individual Mercosur members, but also on the latter’s experience with other trade negotiations to the extent that they shed light on specific social effects of trade liberalisation. Second, to further appraise the potential effects of trade liberalisation on labour markets, this section will scrutinize each party’s compliance with core ILO conventions, relying mainly on the ILO NORMLEX database. Third, the team will conduct legal analysis of trade agreements (see below) to outline each party’s approach to the trade-labour linkage. Last, but not least, the social analysis will largely draw from the results of stakeholder consultation in Mercosur and EU countries, and more specifically on the insights from business associations, labour unions, NGOs and relevant experts from government and academia.

4.2 Baseline (preliminary screening of issues)

The baseline will first provide an overview of current socio-economic trends in both Mercosur and EU countries, with a specific focus on the following factors: current trends in employment and wages, poverty and income inequality (Gini index) as well as the scope of the informal sector and its direct and indirect connections with international trade. Our discussion of economic trends will be contextualized with policy analysis of recent labour market reforms in the Mercosur region (e.g. formalization policies in Uruguay, labour market reforms in Argentina, and most recently, in Brazil) as well as specific case studies on women, indigenous peoples and public health, which are further discussed in the human rights analysis.

In parallel with these economic and political trends in the region, the second focus of this section will be on Mercosur and EU countries’ adherence to and enforcement of international labour standards (with an emphasis on ILO Core Labour Standards) and the decent work agenda (including social protection, social dialogue and health and safety at work), along with each region’s overall approach to the trade-labour linkage.

The scope granted to labour provisions in EU RTAs has considerably expanded since the first generation of agreements, growing from a simple focus on migrant workers’ rights in the context of Euro-Mediterranean association agreements to the gradual development of a comprehensive framework aligned with ILO conventions, with broader and deeper content, governance and enforceability (ILO 2016 and European parliament 2016). The current framework draws upon the design of the EU-Korea free trade agreement, which includes a chapter on trade and sustainable development. Building upon labour provisions in previous RTAs (e.g. Central America, Colombia and Peru), the new approach has further raised the visibility of social and environmental issues in EU trade negotiations. This section will outline the core principles of the EU’s trade-labour model, as well as the institutional and policy tools used by Mercosur members to address employment and labour issues in trade negotiations.

In addition to government’s implementation of labour laws, this analysis will also assess the potential effects of an EU-Mercosur trade agreement on the promotion of Corporate Social Responsibility (CSR) and Responsible Business Conduct (RBC). Here, the focus will be on bilateral cooperation and the exchange of information and best practices leading to better implementation of internationally agreed guidelines (e.g. OECD Guidelines for Multinational Enterprises, UN Global
Compact and ILO Tripartite Declaration on Principles concerning Multinational Enterprises and Social Policy) as well as the development of private and public certification and labelling schemes as emphasized in the generation of EU trade agreements.

**Poverty and inequality in Mercosur**

The first decade of the twenty-first century was a period of significant economic development in Latin America, as witnessed by:

- A notable decline in both absolute and relative poverty;
- A steady reduction of income inequality, as illustrated by the unprecedented drop in the regional Gini coefficient falling from 0.57 to 0.52 between 2000 and 2012 (Alvaredo & Gasparini, 2015)
- Growing GDP per capita and an expanding middle-class that grew from 23% to 34% within a decade, overtaking for the first time, the number of people living in poverty (Vakis, Rigolini & Luchetti, 2016).

Overall, Mercosur countries largely benefitted from these trends, despite a recent slowdown. Figure 18 and Figure 19 show the notable decline in populations living under the poverty line, measured either at $1.90 or the $3.10 per day.

**Figure 18: Number of people living with less than $1.90 a day (millions, 2011 PPP)**

The decline of poverty in Mercosur and the concomitant expansion of the middle class are logically reflected in measures of inequality. With the exception of Paraguay, all Mercosur members experienced a remarkable decline in income inequality between 2004 and 2014.

However, these aggregate trends at the national level only provide a partial picture of poverty and inequality in Mercosur countries. First, the incidence of poverty dramatically differs within the regional bloc. At 9.7% (2014), Uruguay has the lowest poverty rate on the Latin American continent; whereas Paraguay’s poverty headcount ratio is more than twice as high with 22.6% (World Bank). Second, within each country, geographic disparities can be even more significant, with certain areas being completely excluded from economic growth. A recent study shows, for instance, that the rate of
chonic poverty, estimated at a 20% national average for Brazil can range from 5% in the Santa Catarina region to up to 40% in Ceará, a ratio close to the high poverty levels of Honduras (Alvaredo & Gasparini, 2015). Third, the depth and persistence of poverty differ between rural and urban areas, but also across countries. While urban areas may provide greater opportunities for social mobility than rural regions, they are also more likely to concentrate larger pockets of poverty. This means that the social analysis cannot be confined to aggregate indicators but must also seek to factor in geographic disparities, whether this pertains to poverty, unemployment or income inequality.

### 4.3 Analysis

#### Employment and income

Employment and income are key to assessing whether the agreement will reach the most vulnerable sectors of the respective societies. We use a CGE model to calculate changes in the level of employment by country and sector. By changing the way the labour market adjusts in the model, we can also assess whether wages will rise. This can be also assessed further by distinguishing between different types of employment (unskilled, skilled, urban, rural) and different types of households.

The previous dimensions can be analysed using primarily quantitative tools. However, there will be other elements where the qualitative approach may be more relevant. In particular, we will make use of consultations with specialists and stakeholders to assess the capacity of the relevant implementation authorities to apply the agreements. This will be particularly important to assess the capacity of the respective customs in Mercosur to apply the agreement with the EU and its related provisions (i.e. rules of origin). In particular, we will evaluate the experience of these administrations with similar agreements. This can be assessed also by looking into the dispute resolution mechanisms established in those agreements (such as the WTO) and assess their compliance. Moreover, in the case of the GSP, we will evaluate using consultations how the respective institutions have handled the certification and compliance with the rules of origin of the regime.

Mercosur is characterised by the presence of large poverty pockets and informal economic relationships. We propose to evaluate, through consultations and a literature review, how the agreement may affect the informal sectors in the respective economies. For example, reduced imports prices and greater market access may encourage the formalisation of certain transactions within the economies. We will assess this phenomenon by looking into previous relevant experiences.

Finally, we will assess the experiences that relevant agreements have had in reducing the levels of corruption and promoting good governance. In particular, we will assess whether any agreement negotiated by the EU with similar countries (i.e. South Africa) led to improvements in this area. This will be qualified by the consultation process and the review of existing literature.

Among other aspects, the CGE model results would provide insights on job creation and wage differentials across five labour categories and in different sectors; we shall develop a Gini Coefficient based on these results and analyse the change in inequality before and after the liberalisation.
EU, Mercosur and other countries including LDCs. We shall also analyse the impact on poverty in different countries. As previously mentioned, the analysis will also rely on desk research and numerous cited expert sources, academic literature, specific relevant studies on EU and Mercosur relations respectively, along with studies shedding light on Mercosur countries experience with other trade negotiations.

**International labour standards**

To further appraise the potential effects of trade liberalisation on labour markets, this section will analyse each party’s compliance with core ILO conventions, relying primarily on reports from the ILO and, where relevant, the UN UPR process. This section will briefly discuss the inclusion of provisions pertaining to labour standards in recent free trade agreements conducted by the European Union as well as Mercosur countries.

This assessment will feed into the analysis of employment and labour issues linked to the scenarios we derive through the CGE modelling. The team will study the likely/possible compliance with provisions in the prospective agreement having a major impact on the employment effects of the agreement, such as those dealing with non-tariff barriers. In the spirit of previous EU FTAs, this study will assess the impact of including a trade and sustainable development chapter and examine the different institutional mechanisms (governmental dialogue, civil society forum, technical cooperation with ILO etc.) designed to foster cooperation on labour standards. Policy recommendations will encourage the diffusion of best practices in workers’ rights enforcement, including as the case may be in third countries, so as to avoid a race to the bottom where international labour standard infringements may distort trade and investment conditions in the EU and Mercosur. Special attention will be devoted to trade adjustment programs and corrective measures in both Mercosur and the EU, with an emphasis on social protection, education and retraining programs, and when relevant, health policies. In addition to government action, our team will also examine market-based and non-profit approaches to sustainability issues, among which corporate social responsibility measures and non-profit initiatives.
5. Environmental Analysis

The environmental analysis will lay a focus on the following environmental topics: climate change (GHG emissions); air pollution; energy use; land use; resource use and efficiency; waste production; ecosystems and biodiversity; and trade in environmental goods and services. A parallel analysis will be conducted for all Mercosur countries, although some aspects will receive differential attention depending on their relevance for the country.

The analysis will build on both quantitative and qualitative elements. The topics of climate change (GHG emissions), energy use as well as resource use and efficiency will be analysed in greater depth in the quantitative analysis section, while the topics of sustainable trade will be studied mainly from a qualitative perspective.

5.1 Methodology

The quantitative analysis is based, in part, on the CGE modelling. Using the emission intensity factors in the GTAP database and model, we shall decompose the impact on CO2 emissions into the scale, structural, and technique effects. Since we employ the detailed GTAP-POWER dataset and model for this purpose, we can derive explanations for these results in terms of changes in several sectors including renewables and non-renewables.

In addition, we shall construct relevant statistics and gather complementary qualitative information from a variety of internationally recognized sources. Moreover, the analysis will incorporate the results of the stakeholder consultation (e.g. environmental interest groups) and the data obtained from this consultation will be an important source for the overall analysis in this section.

Structure of the analysis

The structure of the environmental analysis is divided into two parts:

- The description of a baseline: in a first step of the analysis, a baseline of the different areas of analysis with its different indicators will be provided.

- The analysis: in a second step, the quantitative analysis base on the CGE model and the construction of statistics from different sources will be presented. This quantitative analysis will be complemented, where relevant, with a supporting qualitative analysis and the results of the stakeholder consultation.

The following sections present the methodological elements that will be used for each of the steps of the overall environmental analysis.

5.2 Baseline (preliminary screening of issues)

The baseline will provide an outline of the current state of play of the different environmental topics mentioned above in the EU and Mercosur countries.

We will provide a description of current environmental regulations in both parties, as well as their obligations in relevant MEAs. A review of the existing regulations and agreements, and of the
relevant academic literature, will be the basis for this overview.

We will provide an overview of the state of environmental regulation in the EU and Mercosur countries using internationally comparable indices such as the Climate Laws, Institutions and Measures Index (provided by EBRD and not available for Paraguay) and the Climate Change Performance Index produced by Germanwatch and Climate Action Network Europe (only available for the EU, Brazil and Argentina).

We will benchmark the current overall environmental performance of Mercosur countries against the EU and other relevant countries using globally comparable indicators of environmental quality such as the Environmental performance index (developed by the University of Yale).

Concerning climate change, the current emission levels of CO2 and of the most important types of GHG will be outlined in all parties. The outline on energy, land and natural resources use will rely on the use of historical data from a variety of internationally recognized sources such as the OECD, Eurostat, the International Energy Agency (IEA), and the United Nations Environmental Program (UNEP).

We will also explore each party's current and expected capacity to develop green technology. Mercosur countries constitute a fertile territory to develop alternative energy technology given the region natural endowment and the proactive interventions of certain administrations in particular in Brazil and Uruguay. However, we will also consider how local content requirements for green technology currently can limit competition and raises costs in this sector. In the wind sector in Brazil, for example local content requirements exist in order to access subsidized from the Brazil’s National Development Bank. Local content requirements in the wind industry are also used in Argentina and Uruguay (Kuntze and Moerenhout, 2013)23.

5.3 Analysis

As a first part of the quantitative analysis, the impacts of the simulated scenarios on the most important types of GHG emissions in the EU and Mercosur countries will be analysed. The analysis will be based on the CGE modeling developed in Task 1.2. and will include the decomposition into scale, structural and technique (sector energy intensities, fuel mix and carbon factors effects). A Log Mean Divisia Index (LMDI) based on input-output tables will be used for separating these different effects. The analysis will exploit the richness of the GTAP-Power Data Base that is an electricity-detailed extension of the GTAP Data Base that provides a disaggregated view of the electricity sector. In particular it covers two activities: transmission and distribution, and the following sources of energy: nuclear, coal, gas, hydroelectric, wind, oil, solar, and other.

An analysis of the impact of the AA on energy, natural resource use, soil and water quality, waste production, and biodiversity will follow and will aim at identifying the environmental-sensitive sectors most affected by the AA as well as the potential risk factors i.e. environmental aspects that are currently under pressure, and discuss how increased trade can impact them. In particular, a preliminary investigation of the current environmental performance of Mercosur countries suggests a potential focus on biodiversity in Uruguay and Argentina, on fisheries in Argentina, on water

resources in Paraguay and on forestry in all four countries.

We will assess to what extent a potential expansion of the agricultural and animal sectors linked to trade liberalisation under the agreement could put pressure on land and water and have implications for land degradation, soil erosion and biodiversity, which is already a concern in all four Mercosur countries taking account of the threat that an increase in the use of fertilizers and pesticides could pose to land conservation and water quality.

We will also assess the scope for an increase in local air and water pollution linked to any possible expansion of mining and manufacturing as a result of the agreement. Mercosur countries have functioning environmental regulations and institutions that regulate and monitor pollution. Nevertheless, there are still gaps in terms of implementation and enforcement as discussed for Brazil in OECD (2015)\textsuperscript{24}.

An increase in manufacturing production is also likely to be accompanied by an increase in energy demand. In this respect, Mercosur countries score relatively well in terms of energy mix. Brazil, for example was the world’s 7th largest investor in renewable energy in 2014 (OECD, 2015)\textsuperscript{25} and obtains 77% of electricity production from renewable sources. Uruguay and Paraguay obtain more than 80% of their electricity from renewable sources. A relative worse performer is Argentina with a renewable share of around 28% (World Bank World Development Indicators), still above OECD average, 21% (OECD 2015)\textsuperscript{26}. Therefore, at this preliminary stage we do not envisage particular concerns in terms of increased energy demand in the majority of Mercosur countries.

\textsuperscript{25} Ditto.
\textsuperscript{26} Ditto.
6. Human Rights Analysis

Trade agreements can have positive and negative, prospective and actual, impacts on the enjoyment of human rights. These are increasingly discussed in the literature due to the inclusion of human rights provisions in FTAs, particularly those negotiated by the EU, the United States, and Canada.

Current trade relations between the EU and Mercosur are governed by an inter-regional Framework Cooperation Agreement established in 1999. While the agreement fosters closer relations in regards to trade, economic cooperation, integration, and their respective institutional frameworks, it has no mention of human rights provisions. However, bilateral agreements between the EU and Argentina as well as the EU and Uruguay both make mentions in regards to human rights. Article 1 of the Framework Trade and Economic Cooperation Agreement between Argentina and the EU as well as the Framework Cooperation Agreement between the EU and Uruguay entail human rights clauses.

Thus, we assess the track record of the EU, Argentina, Brazil, Paraguay, and Uruguay in respecting human rights’ commitments, but also in conducting Human Rights Impact Assessments. With regards to the former, this is important because much of the literature identifies that the inclusion of human rights’ clauses supports the recognition of human rights norms. In regards to HRIA’s, one of the goals of the stakeholder consultations, conducted by this impact assessment as well as others, is to improve the transparency of trade policy initiatives. As highlighted in the Guidelines and in the academic literature, consultations bolster the right to participate in the conduct of public affairs, a human right enshrined in the International Covenant on Civil and Political Rights.

The process of conducting HRIAs supports the right of citizens to take part in the conduct of public affairs, directly or through freely chosen representatives (ICCPR Art. 25(a)). This is further supported by ICCPR Art.19 (2): the right to seek, receive and impart information and ideas of all kinds. Inclusive participation is also highlighted by Former UN Special Rapporteur on the right to food De Schutter who states that the “human rights impact assessment should consider the views of the communities directly affected by the trade or investment agreement by ensuring participation in the conduct of the assessment. For this participation to be meaningful, those consulted should be provided with all the available information on the potential impacts, and the assessment should refer explicitly to their concerns and how these concerns could be addressed.”

Conducting HRIAs itself makes negotiation processes more participatory, inclusive, and transparent; and thereby, contributes both to the enjoyment of human rights by individuals and to the fulfilment of human rights obligations by governments. This study will thus include an assessment of whether the process conducted is itself participatory, inclusive, and transparent.

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30 A/HRC/19/59/Add.5 para. 45
This chapter will set the baseline with a description of the institutional and legislative human rights frameworks present in the EU and Mercosur as well as within each Mercosur partner country: Argentina, Brazil, Paraguay and Uruguay. Thereafter the current human rights realities in each Mercosur partner country will be outlined in order to identify risk areas. Finally, a summary of previous FTA impacts on human rights will be provided along with a discussion surrounding possible effects of the proposed EU-Mercosur AA trade measures on human rights.

6.1 Methodology

The inception report outlines the methodology for conducting the analysis of human rights impacts and follows the structure in which the team will present the results in the final report. The human rights analysis builds on the quantitative and qualitative analysis, conducted for the rest of the tasks in the study, and further qualitative analysis of the human rights impacts on the EU, and Mercosur partner countries. Since prior chapters of this study have already looked at the overall social and environmental impacts, this chapter will focus on other human rights impacts not already covered.

The study explores the impact of an EU-Mercosur AA on the parties’ obligations in ensuring that “the conclusion of any trade agreement does not impose obligations inconsistent with their pre-existing international treaty obligations, including those to respect, protect and fulfil human rights”.


The chapter is broken into three parts (Methodology, Baseline & Analysis) that include the following:

1. Methodology: The assessment is organized further to the European Commission’s Guidelines on conducting analysis of human rights impact in impact assessments for trade-related policy initiatives (“the Guidelines”), as well as the Better Regulation Guidelines and accompanying Toolbox;

2. Baseline: For the EU, Argentina, Brazil, Paraguay, and Uruguay respectively, we first provide a summary of the legislative and institutional framework regarding existing human rights’ commitments. The framework is then followed by concise literature review of current human rights records of each Mercosur partner country to establish a background and identify any country-specific issues for the analysis.

3. Analysis: Finally, a summary of previous studies on the impact of FTAs on human rights is provided along with a preliminary discussion of specific human rights and the impact of these in the EU, Argentina, Brazil, Paraguay, and Uruguay.

In order to assess the impact of a potential FTA on human rights, we will conduct an assessment according to the three-step process outlined in the Guidelines: a) screening, b) scoping, and c) detailed assessment, which we will conduct over the course of the implementation of the project.

As part of the screening process, we will identify the measures to be assessed with regard to possible human rights issues for the proposed FTA. Identifying potential measures will be structured as detailed in Table 22 in line with Question 4 of the Better Regulation Guidelines. We will look to create an overview by considering both angles starting with identifying trade measures with potential
impact, but also identifying crosscutting or general human rights issues that may cause concern or benefits for an FTA.

Table 22: Identification of Trade Measures for Possible Inclusion in the FTA

<table>
<thead>
<tr>
<th>Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Treatment; Market Access; Trade in Goods</td>
</tr>
<tr>
<td>Trade in Services</td>
</tr>
<tr>
<td>Establishment</td>
</tr>
<tr>
<td>Regulatory Cooperation</td>
</tr>
<tr>
<td>Transparency in Negotiations</td>
</tr>
<tr>
<td>Intellectual Property Rights</td>
</tr>
<tr>
<td>Sanitary &amp; Phytosanitary issues</td>
</tr>
</tbody>
</table>

Table 22 outlines the identified trade measures to be investigated in regards to their potential impacts on human rights. Thereafter, in line with the process outlined in the Guidelines, the analysis of potential impact on human rights provisions will build on the screening task that is undertaken at this inception phase, where a more in-depth scoping of potential impacts will follow in the interim phase as per Table 25. Finally, a detailed assessment of the trade measures and effects on human rights follow in the final phase.

Ultimately, we will conduct a detailed assessment of the data collected with the aim of establishing how specific rights might be affected, which groups may be affected (if any), and the impact on a potential FTA as a whole. We will examine both supply side (willingness of government to respect rights) and demand side (ability of public to demand rights) factors, and base this on existing relations.

Further to the existing Guidelines, the sources for this data include: EU's Partnership Frameworks with Mercosur partner countries,\(^\text{32}\) UN reports from Treaty-based or Charter-based procedures, including Universal Periodic Review submissions, and Reports from the Office of the Commissioner for Human Rights.\(^\text{33}\) The assessment also relies on international civil society reports, including by the International Trade Union Confederation (ITUC); the International Federation for Human Rights (FIDH), Human Rights Watch, Amnesty International, and local sources such as the Mercosur Institute for Human Rights Policies.

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6.2 Baseline

The baseline summary of existing human rights' commitments as well as the concise literature review of current human rights records will be given separately for the EU as well as each Mercosur partner country, Argentina, Brazil, Paraguay, and Uruguay.

6.2.1 The EU & Human Rights

Legal framework

The protection of human rights is instrumental to the European values of freedom, equality, human dignity and the rule of law. The framework guiding the treatment of human rights considerations in the European Union is enshrined in Art 21(1) of the Treaty on European Union (TEU) and Art 207(1) of the Treaty on the Functioning of the European Union. The commitment to strengthen human rights in the Union’s external activities is further integrated in the Charter of Fundamental Rights of the European Union, which, following the Lisbon Treaty, gives binding legal effect equal to that of the Treaties.

Human Rights Commitments

The EU’s Strategic Framework on Human Rights and Democracy further underlines that the European Union is ‘founded on a shared determination to promote peace and stability and to build a world founded on respect for human rights, democracy and the rule of law’. These principles are equally applicable to the internal and external policies of the European Union. Such commitment is extended to the international human rights normative framework, including core UN human rights conventions and other regional human rights conventions. In addition to being signatories to the International Bill of Human Rights, EU member states are state parties to eight of the nine core human rights conventions as recognized by the United Nations Office of the High Commissioner for Human Rights (UNOCHR). While EU member states are not party to the International Convention on the Protection of the Rights of All Migrant Workers and their Families (ICMW), they are indeed parties to the following eight core human rights conventions.

1. International Convention on the Elimination of all Forms of Racial Discrimination (ICERD)
2. International Covenant on Civil and Political Rights (ICCPR)
3. International Covenant on Economic, Social, and Cultural Rights
5. Convention Against Torture and Other Cruel, Inhuman, or Degrading Treatment or Punishment (CAT)
7. International Convention for the Protection of All Persons from Enforced Disappearance (ICPED)
8. Convention on the Rights of Persons with Disabilities (CRPD)

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35 International Convention on the Elimination of All Forms of Racial Discrimination (ICERD); International Covenant on Economic, Social, and Cultural Rights (ICESCR); International Covenant on Civil and Political Rights (ICCPR); Convention on the Elimination of All Forms of Discrimination against Women (CEDAW); Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (CAT); Convention on the Rights of the Child (CRC); International Convention on the Rights of Persons with Disabilities (ICRPD); and International Convention for the Protection of All Persons from Enforced Disappearance (ICPED).
6.2.2 Mercosur & Human Rights

Legal Framework

Until the mid-2000s, there was no legal framework explicitly guiding the treatment of human rights considerations in the Mercosur as there are in the Treaty of the European Union. Rather than an explicit agenda for human rights, Mercosur had only a few non-binding documents that referred to certain specific human rights, such as the Presidential Declaration on the Zone of Peace (1996) and the Socio-Laboral Declaration (1998). Since then, Mercosur has introduced binding and precise language including the Protocol of Human Rights (2005), and has established bodies to protect a broad range of human rights, such as the Mercosur Meeting of High-level Authorities on Human Rights (2004) and the Mercosur Human Rights Public Policy Institute (2009). These bodies have created programs and instruments for human rights promotion and to foster dialogue with civil society (Hoffmann A.R., 2015).

Mercosur’s institutional framework regarding human rights is rather extensive. While all eight of Mercosur’s main authoritative bodies touch on human rights indirectly,36 two work explicitly in the protection and promotion of human rights in Mercosur jurisdiction: the Consejo Mercado Común (CMC), and the Centro Mercosur de Promoción de Estado de Derechos (CMPED).37

The CMC oversees several commissions responsible for various human rights protections, including, but not limited to, the Reunion de Altas Autoridades de DDHH y Cancillerias del Mercosur y Estados Asociados (RAADH); Observatorio de la Democracia del Mercosur (ODM); Reunion de Ministras y Altas Autoridades de la Mujer (RMAAM); Reunion de Ministros y Altas Autoridades sobre los Derechos de los Afrodescendientes (RAFRO); and the Reunion de Autoridades sobre Pueblos Indigenas (RAPIM). Under the CMC, the RAADH, then oversees several human rights groups including, but not limited to, the Instituto de Politicas Publicas en Derechos Humanos (IPPDH), and the Grupo Trabajo Genero y Derechos Humanos de las Mujeres.38

In regards to the assessment of the demand side of human rights, IPPDH additionally employs the SISUR which is an interactive system of information about institutionalization of human rights in Mercosur and its partner countries. Whilst it continues to expand, the actual version includes 200 institutions and mechanisms dedicated to the promotion and protection of human rights in Argentina, Brazil, Paraguay, and Uruguay. SISUR contains information relative to the articulation between institutions, agenda themes, lines of action, social participation, normative benchmarks, and public politics. Following the Mercosur DDHH Agenda, constituted by the Work Subgroups, as well as the IPPDH, the prioritized human rights themes include: prevention of institutional violence and civil security; equality and anti-discrimination; memory; truth, justice and reparations; and institutional infrastructure in human rights.39 It is noteworthy that social rights are yet to be prioritized and are on the agenda for later stages.

36 SISUR, Mapa Institucional, accessible at: http://sisur.ippdh.mercosur.int/si/web/es/organigrama/completo#u=1
37 The Consejo de Mercado Comun (CMC); 2) Grupo de Mercado Comun (GMC); 3) Parlamento del Mercosur (PARLASUR); 4) Centro Mercosur de Promocion de Estado de Derecho (CMPED); 5) Foro Consultivo Economico-Social (FCES); 6) Secretaria del Mercosur (SM); 7) Comision de Comercio del Mercosur (CCM); and 8) Comision de Representantes Permanentes del Mercosur (CRPM)
38 SISUR, Mapa Institucional, accessible at: http://sisur.ippdh.mercosur.int/si/web/es/organigrama/completo#u=1
39 SISUR, Acerca de SISUR, accessible at: http://sisur.ippdh.mercosur.int/si/web/es/
Human Rights Commitments

Many of Mercosur partner countries’ human rights obligations are implied through common law and regional legislation, where the balance between human rights principles and other policies such as land rights are left to interpretation of federal legislators. In addition to being state parties to the International Bill of Human Rights, the four partner members of Mercosur are state parties to the following of the nine core human rights conventions (Table 23) as recognized by the United Nations Office of the High Commissioner for Human Rights (UNOHCHR):

Table 23: Status of Ratification

<table>
<thead>
<tr>
<th>Human Rights Instrument</th>
<th>Argentina</th>
<th>Brazil</th>
<th>Paraguay</th>
<th>Uruguay</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Covenant on Civil and Political Rights (ICCPR)</td>
<td>State Party</td>
<td>State Party</td>
<td>State Party</td>
<td>State Party</td>
</tr>
<tr>
<td>Convention Against Torture and Other Cruel, Inhuman, and Degrading Treatment or Punishment (CAT)</td>
<td>State Party</td>
<td>State Party</td>
<td>State Party</td>
<td>State Party</td>
</tr>
</tbody>
</table>

40 OHCHR, Ratification of 18 International Human Rights Treaties, accessible at: http://indicators.ohchr.org/
In addition, all four countries have likewise ratified five regional agreements put forth by various multilateral governance bodies:

1. Convención Americana Sobre Derechos Humanos
2. Convención Americana Sobre Derechos Humanos en Materia de Derechos Económicos, Sociales, y Culturales
3. Declaración Americana sobre los Derechos de los Pueblos Indígenas
4. Charter of the Organization of American States
5. The American Declaration of the Rights and Duties of Man

Finally, while Argentina, Uruguay, and Paraguay have fully ratified the Protocol de San Salvador, Brazil has signed with adhesion.

Federal Human Rights Commitments

All four countries are inherently bound to Mercosur human rights instruments including the Mandato del Institute de Politicas Publicas en Derechos Humanos del Mercosur (IPPDH), and the prioritized agenda of the Reunion de Altas Autoridades de Derechos Humanos y Cancillerias del Mercosur y Estados Asociados (RAADH). However, at the federal level, Mercosur partner countries have varying institutional frameworks regarding the protection of human rights and fundamental freedoms.

Argentina – Federal Commitments

Beyond the Human Rights Secretariat (SD), eight primary organs of public policy specifically address human rights issues, including but not limited to, the National Institute against Discrimination, Xenophobia, and Racism (INADI), the National Accessorate Commission for the Integration of Persons with Disabilities, and the National Secretariat of Childhood, Adolescence, and Family (SENAF). These organs are classified independently of the administrative rank and function as a result of the responsibility of the institutional definition of the state in its execution of public politics. The rest of the institutional human rights framework is attributed to the Human Rights Secretariat or spread over other internal organs under specific programs (13), specialized organs of control (9), commissions for the elaboration and procedures of norms (4), areas of assistance (9), and the town defence.

Brazil – Federal Commitments

Brazil has ratified most human rights instruments and integrated the principles into national legislation. Congress had passed Law No. 12.986, under which the Council for the Defence of Human Rights had become the National Human Rights Council, with a more participative structure, a clearer role for civil society and a stronger institutional mandate. However, the legislation did not

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41 SISUR, Acerca de SISUR, accessible at: http://sisur.ippdh.mercosur.int/si/web/es/
42 SISUR, Argentina, accessible at: <http://sisur.ippdh.mercosur.int/si/web/es/ficha/pais/2>
43 In addition to the Human Rights Secretariat, several other public bodies work directly with human rights policies, mostly concentrated in the Executive Branch. Secretariats with ministerial status are directly linked to the Presidency of the Republic, such as the Secretariat for Policies for the Promotion of Racial Equality (SEPPIR) and the Secretariat for Policy for Women (SPM). Within the Executive Branch, institutions that are part of the structure of other Ministries, such as the Amnesty Commission and the National Indian Foundation (FUNAI), are linked to the Ministry of Justice. There are also several legislative committees working on human rights issues in the National Congress, such as the Human Rights and Minorities Commission of the Chamber of Deputies and the Federal Senate Commission on Human Rights and Participatory Legislation. In the National Council of Justice, the Federal Public Prosecutor’s Office and the National Public Prosecutor’s...
ensure that the new Council was fully independent. The Special Rapporteur on Minority Issues recommended that Brazil ensure that the Council was compliant with the principles relating to the status of national institutions for the promotion and protection of human rights (the Paris Principles). In 2016, the Human Rights Secretariat lost its ministerial status and became a special secretariat within the entity called the Ministry of Justice and Civic Affairs. The same Special Rapporteur considered the disbanding of the Ministry of Women, Racial Equality, Youth and Human Rights a significant regression in the State’s commitment to protecting human rights.

The National Congress has yet to ratify the International Convention on the Protection of the Rights of All Migrant Workers and Their Families, the International Labour Organization (ILO) Domestic Workers Convention, 2011 (No. 189), the ILO Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87) and the ILO Workers with Family Responsibilities Convention, 1981 (No. 156). The Optional Protocols to the International Covenant on Economic, Social and Cultural Rights and to the Convention on the Rights of the Child on a communications procedure were also pending ratification.

Paraguay – Federal Commitments

Since the fall of the dictatorship in 1989 and the adoption of a new social pact with the National Constitution of 1992, the Paraguayan state has adopted a judicial benchmark, adjusting international standards in regards to human rights. Article 1 of the National Constitution of 1992 adopts a state founded by democracy and recognition of human dignity, establishing a direct relationship between democracy and human rights.

In response, it has created institutions and mechanisms to promote for its judicial obligations, as well as protect against systematic human rights violations such as poverty, violence, and cultural deprivation. Human rights provisions are found in the three branches of Paraguayan public policy as well as extrajudicial institutions such as the Public Ministry. 45 state organs are specialized in human rights, either addressing human rights thematic issues, or dedicated to the fair treatment of a vulnerable population. At the federal level, Paraguay is guided by its National Plan of Human Rights.

Uruguay – Federal Commitments

Uruguay’s state institutions are guided by thematic agendas corresponding to the four IDHPP priorities: prevention of violence; equality and non-discrimination; memory and justice; and institutional infrastructure. 25 organs, both institutional as well as mechanisms for articulation, work directly in the protection and promotion of human rights, mostly concentrated in the executive branch. Two of the 25 are identified as the primary organs responsible for the protection and promotion of human rights, the Secretariat of Human Rights, and the Secretariat of Human Rights for the Past. However, indirectly, the Ministry of Social Development likewise works towards the promotion of human rights through the protection of persons in vulnerable situations. Despite the fact that the Uruguayan Constitution does not explicitly concede constitutional hierarchy to international treaties,

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44 A/HRC/WG.6/27/BRA/3
45 A/HRC/WG.6/27/BRA/1
46 SISUR, Uruguay, accessible at: <http://sisur.ippdh.mercosur.int/si/web/es/ficha/pais/3>
there exists sufficient jurisprudence and uniformity in the criteria of Article 72 of the constitution in its statement that the enumeration of rights, responsibilities and guarantees made by the constitution does not exclude those made by others that are inherent of the human person.47

6.2.3 Third Party Free Trade Agreements


6.3 Analysis (Preliminary Screening)

While human rights issues vary throughout the 28 EU members and four Mercosur partner countries, certain human rights issues stand out across national boundaries. Drawing on existing evidence, 5 outlines possible effects of the identified trade measures on the various human rights obligations of the EU and Mercosur partner countries.

Table 24: Identification of Trade Measures for Possible Inclusion in the FTA

<table>
<thead>
<tr>
<th>Measure</th>
<th>Possible Effects</th>
<th>Sectoral Impacts affecting HRs</th>
<th>Implicated HR Instruments</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Treatment; Market Access; Trade in Goods</td>
<td>Increased Agricultural Exports from Mercosur</td>
<td>Increased Land Conflicts</td>
<td>ICERD</td>
</tr>
<tr>
<td></td>
<td>Increased Natural Resource Exports from Mercosur</td>
<td>Agro-Chemical Exposure</td>
<td>ICESCR</td>
</tr>
<tr>
<td></td>
<td>Increased Workforce</td>
<td>Inadequate work conditions</td>
<td>CRC</td>
</tr>
</tbody>
</table>

47 SISUR, Uruguay, accessible at: <http://sisur.ippdh.mercosur.int/si/web/es/ficha/pais/3>
Sustainability Impact Assessment in support of association agreement negotiations between the European Union and Mercosur

Final Inception Report

This results on a selection of human rights based on the screening of the literature, human rights commitments and actual records in the EU and Mercosur countries.

The final report will address the range of issues highlighted in the list of indicators and the potential impact of the FTAs on the EU and Mercosur partner countries under the two different scenarios:

- Rights of Indigenous Peoples
- Gender Discrimination
- Right to highest attainable standard of physical and mental health
- Right to an adequate standard of living

### 6.3.1 Rights of Indigenous People

Internationally, the rights of indigenous peoples are protected by the UN Declaration on the Rights of Indigenous Peoples, the International Labour Convention (ILO) on the Rights of Indigenous and Tribal Peoples in Independent Countries, No.169 and by the International Labour Convention (ILO) on the Rights of Indigenous, Tribal and Semi-Tribal Populations in Independent Countries, No. 107.

The EU is guided by both internal and external documents in protecting indigenous rights. Internal EU policy documents include The European Instrument for Democracy and Human Rights (EIDHR); The European Parliament: Indigenous Peoples, Extractive Industries and Human Rights, 2014; The

<table>
<thead>
<tr>
<th>Trade in Services</th>
<th>Increased Workforce</th>
<th>Informal</th>
<th>Increases in Gender Wage Gap</th>
<th>CEDAW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establishment</td>
<td>Increased Resource Extraction</td>
<td>Natural Extraction</td>
<td>Water Use Conflicts</td>
<td>ICESCR</td>
</tr>
<tr>
<td>Regulatory Cooperation</td>
<td>Decreases dumping</td>
<td>in toxic</td>
<td>Increases environmental protection</td>
<td>ICESCR CRC</td>
</tr>
<tr>
<td>Transparency Negotiations</td>
<td>in Inclusion of Sector Representatives</td>
<td>Private Sector Representatives</td>
<td>Exclusion vulnerable populations</td>
<td>ICCPR</td>
</tr>
</tbody>
</table>

| Decreases in Health Insurance Beneficiaries |
EU Strategic Framework and Action Plan for Human Rights and Democracy, 2012; The European Consensus on Development, 2005; and European Council conclusions from November 1998 and 2002. Additionally, the EU has two new programmes entitled “Global public goods and challenges” (GPGC) and “Support for civil society organizations and local authorities” prioritizing the fight against poverty and supporting inclusive growth. In both documents, the EU committed itself to maintain indigenous peoples a focus of attention recognizing their disadvantage in all societies.

At various times, industrial, extractive and agricultural activities have come into conflict with the rights of indigenous peoples living in the Amazon area and elsewhere in Mercosur countries. Problems faced by indigenous people involve rights to land, access to ancestral lands, access to traditional subsistence livelihoods and to water, and pollution resulting from economic activities. The study will assess any potential impact of the AA on these issues as well as on labour conditions and access to health and employment for indigenous peoples.

6.3.2 Right to the Enjoyment of the Highest Attainable Level of Physical and Mental Health

The right to the highest standard of physical and mental health is protected by ICESCR under Article 12. The right to health is also covered under Article 3 of the EU Charter of Fundamental Rights, which protects individual physical and mental integrity, as well as under Article 35 which safeguards the right to adequate access to health care.

In the study of the potential impact on health and health-related issues, we take into consideration the availability of previous methodologies and indicators. The UN Special Rapporteur on the Right to Health has developed a series of indicators on access to health. In addition, as previously noted, all Mercosur and EU Member States are parties to the International Covenant on Social, Economic and Cultural Rights (ICSECR) and the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) and thus have a duty to protect these rights.

According to the World Bank the majority of the Brazilian population resides in urban areas. However, rural communities face important disparities in achieving the right to the enjoyment of the highest attainable level of physical and mental health. While achieving the right to food has made considerable progress in Brazil, inequality in access to land is a growing concern (Hinojosa, 2009). The 2006 Agricultural Census, carried out by the Brazilian Institute of Geography and Statistics, reports a Gini coefficient for land distribution in Brazil of 0.872, demonstrating that there currently is a higher degree of inequality than there was in 1995–1996, when the last census was conducted.

50 OCHRH, ICESCR, (1996)
52 Rural Population (% of Total Population), Available at: https://data.worldbank.org/indicator/SP.RUR.TOTL.ZS?locations=BR
Following the results of the descriptive statistics of the EU and Mercosur trade (section 3.2), which demonstrate that food and live animals constitute 40% of EU imports from Mercosur, this study will assess potential health impacts from the possible increased use of agro-chemicals.

6.3.3 Right to an Adequate Standard of Living

Right to an adequate standard of living is guaranteed under Article 11 of the International Covenant on Economic, Social and Cultural Rights. The Committee on Economic, Social and Cultural Rights has issued several General Comments explaining the components of this right, which includes the right to adequate housing (General Comments 4 and 7), the right to food (General Comment 12), the right to water (General Comment 15) as well as the right to social security (General Comment 19). The General Comments elaborate on the criteria, which need to be taken into consideration for this right to be fulfilled. The right to an adequate standard of living is also enshrined in the EU Charter of Fundamental Rights under Article 34. An adequate standard of living has been taken to imply “living above the poverty line of the society concerned”.53

Based on the results of the economic analysis from the CGE and the analysis in the previous chapters, this study will look at the aggregate welfare effects, GDP, results on skilled and unskilled labour, and loss of tariff revenue to assess the implications for the above stated rights on the EU, Argentina, Brazil, Paraguay, and Uruguay.

Studies place a lot of emphasis on the impacts of FTAs on labour standards issues, with some suggesting that formalization of work environments through increased investment improves respect for labour standards (Hinojosa, 2009).

If trade liberalisation facilitates sector diversification, the literature would predict positive effects on living standards, due to new job opportunities, which facilitate the development of off-farm strategies. In the scenario where trade would facilitate agriculture intensification, job opportunities could arise, for instance, in new large plantations, or by incentivizing small producers to associate (Hinojosa, 2009). However, a report by the Special Rapporteur on the right to food acknowledges that certain groups could be more vulnerable than others to increases in exportation activities and different sectoral effects. Following the results of the descriptive statistics (section 3.2), which demonstrate that the services sector constitute roughly 60% of Mercosur employment, this study will assess potential impacts further to results from the sectoral analysis.

6.3.4 Gender Equality

Gender equality is protected by the CEDAW and the CERPD under various articles. By accepting the Conventions, States commit themselves to end discrimination against women by incorporating the principle of equality throughout their institutional, legislative, and normative frameworks.54

53 Icelandic Human Rights Centre. The Right to an Adequate Standard of Living. Available at: http://www.humanrights.is/en/human-rights-education-project/human-rights-concepts-ideas-and-fora/substantive-human-rights/the-right-to-an-adequate-standard-of-living. This has been defined by the World Bank as: “The expenditure necessary to buy a minimum standard of nutrition and other basic necessities and a further amount that varies from country to country, reflecting the cost of participating in the everyday life of society.” Ibid.
The majority of the literature suggests that women bear the burden of household adjustments as a consequence of trade liberalisation (Floro, 1995).

Table 25: Gender Vulnerabilities

<table>
<thead>
<tr>
<th>Influential Trade Measure</th>
<th>Category</th>
<th>Gender Vulnerabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Provisions</td>
<td>Land Ownership</td>
<td>Land ownership skewed towards men</td>
</tr>
<tr>
<td>Investment Provisions / Market access / Trade in Goods</td>
<td>Access to Financial Capital</td>
<td>Women have restricted access to land as collateral</td>
</tr>
<tr>
<td>Investment Provisions / Market access / Trade in Goods</td>
<td>Human Capital Time &amp; Effort Management</td>
<td>Women in rural areas devote unpaid labour time to water and firewood collection</td>
</tr>
<tr>
<td>Investment Provisions / Market access / Trade in Goods</td>
<td>Access to and Self-Sufficiency of Physical Capital</td>
<td>Lower access to external inputs</td>
</tr>
<tr>
<td>Access to Employment</td>
<td>Lower levels of school enrolment and literacy among women</td>
<td></td>
</tr>
<tr>
<td>Labour Income</td>
<td>Women commonly in piece-rate employment arrangements in sugar cane plantations</td>
<td></td>
</tr>
<tr>
<td>Working Conditions</td>
<td>Informal arrangements do not provide employment benefits</td>
<td></td>
</tr>
<tr>
<td>Food Security</td>
<td>Female headed households more vulnerable to food price increases</td>
<td></td>
</tr>
</tbody>
</table>

While, Darity (1995) demonstrates that increases in exports lead to reductions in women’s unpaid labour time, others argue that increase in women’s paid employment in the export sector is at the cost of women’s leisure time, more so than for men (Fontana and Wood, 2000). Erturk and Cagatay (1995) demonstrate that household labour intensity is inversely correlated with household income but feminisation of the labour force is positively correlated with GDP growth. In other words, the

http://oro.open.ac.uk/27480/1/sustainability-01-01120manuscript_PUBLISHED_ON_LINE_26NOV09_PDF.pdf
effects of trade liberalisation can simultaneously positively reduce female unpaid labour time while increasing GDP growth.

In regards to wages, the literature concludes that while there is certainly an effect on wages, it differs between developed and developing countries (Baldwin, 1995). Trade between developed and developing countries causes women in developing countries to gain and those in developed to lose in terms of relative wages (Baldwin, 1995). However, while certain literature finds that female wages rise with increased female intensive exports as a consequence of trade liberalisation, the model ignores institutional factors that exist in certain cultures with an originally high level of gender inequality that keep female wages low (Fontana and Wood, 2000). The chosen model of analysis as well as a developing country versus developed country context suggests whether the effects of trade liberalisation on female wages are predicted to be positive or negative. Thus, while Section 4 will draw on the results of the CGE model to assess employment fluctuations, this section will further the investigation to identify country and gender specific wage and employment gaps.

The literature argues that incentives to maintain female wages low throughout increases in exportation, can be attributed to the comparative advantages of export industries. Seguino (2000) demonstrates that wage inequality and GDP growth are positively correlated as low female wages represent an important comparative advantage for export industries that predominantly employ women. Through low female wages, a lower total wage bill then increases the profit rate (Seguino, 2000). Likewise, Braunstein and Seguino (2012) demonstrate that if women’s relative wages rise, output declines. While Joekes and Weston (1994) find that trade liberalisation increases female employment in export manufacturing as well as in the services sector in both developing and developed countries, Wood (1991) finds that increased trade has decreased manufacturing employment for male unskilled workers in developed countries.

However, decreases in unskilled male labour in developed countries has been argued to derive from its replacement with cheaper female labour in import substituting industries. Armah (1994) found that women are more often employed in trade sensitive service sectors than men. The sectoral analysis this study undertakes will thus assess any possible changes to the service sector as a consequence of the AA to gauge possible gender sensitive employment losses. In assessing impacts of a possible EU-Mercosur AA, it is noteworthy that labour market policies in the EU have helped to protect disadvantaged workers with greater results for men than for women (Staveren, 2003).

Directly related to the agricultural sector, but also to other Mercosur export sectors, temporary jobs, to which women have more access, usually include few—if any—social benefits. In Latin America, 54% of informal labour arrangements contract women. In other words, this female labour force does not receive benefits that formal employment provides, such as health insurance, possibly exposing them to vulnerabilities regarding financial and health shocks. Additionally, as noted above in regards to female unpaid labour on male-owned cash crop fields, the gender gap in earnings is particularly high in informal employment (Hinojosa, 2009). According to the International Trade Centre, trade policies must fully consider the economic implications of CEDAW as shifts in labour

arrangements could risk undermining several of its human rights commitments, including the right to economic equality under article 1, as well as the right to health and an adequate standard of living\textsuperscript{57}.

This study will thus build on results from the economic, social, and sectoral analyses to assess potential impacts of the AA on the gender income gap, access to financial capital and gender disparity in labour conditions.

7. Sectoral Analysis

Based on the overall analysis, we will carry out a detailed analysis on ten sectors that are selected based on several criteria such as their economic weight, the particularly significant expected economic, social human rights or environmental impact, concerns or opportunities raised by stakeholders etc. Each sector analysis will include an overview of the current state of industry, an identification of challenges and untapped future opportunities as well as analyse the likely impact of the anticipated association agreement.

7.1 General Approach

Regardless the total economic, social or environmental impact of the AA, there might be some sectors where either the impact may be in the opposite direction than the overall analysis or that the impact may be of particular strength. Moreover, in some sectors, the impact of the AA may only materialise if other conditions are met.

We propose to make a comprehensive assessment of the effects of the AA in the selected sectors. The assessment will be based in the following elements:

1. **Policy:** We will identify the main specific or vertical policies affecting the sectors. They will include tariff, tax, subsidies and other specific incentives. Moreover, we will assess other regulations (e.g. safety standards) that may affect their trade and restrictions or constraints on investments.

2. **Trade:** Based on the results obtained using the quantitative methods, we will present a detailed analysis of the likely effects of exports and imports on the sector. We will work at much disaggregated levels in order to characterise the impacts more precisely. This is key as the effects may differ substantially within products in a single sector. In addition, there are intra-industry trade between the EU and Mercosur in vehicles that needs to be characterised in more detail.

3. **Production and employment:** From the trade results, we will assess how production (and consumption) and employment may be affected by the AA in each of the sectors analysed. We will use FAO, OECD, UNIDO, ILO, EU and national sources to characterise the different sub-sectors and make an assessment of the likely effects of the agreement.

4. **Market configuration:** We will describe the main characteristics of the markets in the respective regions. This will include, based on the availability of data, a description of the number of economic actors, market shares, levels of concentration, etc. We will identify sectors with limited competition based on the operation of Government enterprises (i.e. air handling services) or through regulations (e.g. cabotage commercial services)

5. **Social, gender and environmental:** We will assess the importance of the sector in providing income to poor areas or sectors of the population. This will be performed by describing the number of workers in the sector and the average wage with respect to the rest of the economy. We will also consider whether the sector employs a large share of women. Moreover, we will assess the environmental record of the sector and whether the effects of the AA (through its...
effects on production) can impact the in any of the environmental outcomes. In particular, it needs to be considered the products where production techniques in the EU and Mercosur may bring environmental or health issues (e.g. genetically modified crops)

6. **Effects on LDCs:** The impact of the AA on LDCs will be assessed in each of the sectors analysed. This will be performed by looking into how much trade LDCs export to the EU or Mercosur and the potential displacement effect.

7. **Consumer impacts:** We will assess, based on the quantitative analysis, whether consumption will be affected in the selected sectors. This may be important in the case of some agricultural products that are also exported by the Mercosur countries, leading them to potential situations of food insecurity. The effects on domestic prices in both the EU and Mercosur will be assessed for the products described.

7.2 **Impacts on SMEs**

Whilst only a share of firms are engaged in trade, this share is characterised by the presence of SMEs. Moreover, the effects of the AA, although not exporting, can reach also these firms through the effects on inputs, increased competition and raising of standards. SMEs are generally more constrained to seize the opportunity that the AA may generate on one side and/or to protect from the negative effects that it may bring.

The approach to assess the impact on SMEs is based on the SME Test. This will be characterised by going through these steps:

1. **Consultation of SME stakeholders:** We will question stakeholders in roundtables to assess their perception about the effects of the AA on the SMEs of the selected sectors. This will be complemented by questionnaires circulated among business associations and SMEs representatives in the countries involved (EU and Mercosur).

2. **Identification of the affected SMEs:** This stage involves the characterisation of the SMEs in each of the sectors analysed. This includes the calculation of the number of employment in each of them, the number and weight of SMEs in the sector, forward and backward linkages with other sectors affected. In addition, we will assess whether SMEs, given their weight or number, of a particular country could be potentially affected. Moreover, we will distinguish between micro, small and medium firms.

3. **Measurement of the impact:** The impact will be assessed, based on the availability of data, on the different size of SMEs. This is because the effect may be heterogeneous within the group of SMEs. In addition, we will make a classification of the impact channels in order to facilitate the policy targeting. In this regard we will distinguish between offensive and defensive costs.

   - Offensive costs relate to the effects associated with the capacity of SMEs to seize the opportunities that the AA may generate. This may include the existence of high certification of rules of origin compliance, high compliance and certification of the partners’ standards, high trade costs (e.g. burdensome and costly customs procedures in the EU and Mercosur) and other costs that prevents SMEs from benefitting from the AA.
Defensive costs are associated to the effects on SMEs of the increased competition of that the AA may bring. They may include the need to re-adjust production to face the competition, costs associated to innovate-to-survive, etc.

Given the nature of this analysis and the lack of data, the analysis will tend to be based primarily on qualitative assessment. However, whenever data allow it, we will present quantitative assessment of the effects. We may also link our CGE analysis results with this part of the analysis by employing the shares of SMEs in each of the sectors and other aspects coming from our qualitative analysis. We also may consider splitting some of the GTAP sectors into SMEs and non-SMEs depending on the extent of information available/collected in this regard.

7.3 Preliminary sector selection (preliminary screening)

Although the selection of sectors will be after the inception phase of the project, we propose a set of criteria, which will guide us in choosing the sectors, as well as preliminary suggestions. Moreover, we provide a brief qualification for each of the sectors proposed.

**Criteria**

A first criterion is the expected trade/economic impact. This includes sectors where exports are expected to expand as well as those, which will faced increased foreign competition. Moreover, the possibility of increasing value chain activity between the EU and Mercosur needs to be considered as well. However, it is important to not limit the analysis to the current sectors traded between the EU and Mercosur. This entails looking into products with potential or being already exported to other third countries and for which there are is scope for growth. Other criterion should include the importance of the product for the countries involved. Ideally, the products should be of interest for the largest number of member states in both the EU and Mercosur. In addition, despite the sector may present little trade, it is important to consider any sector that employs a large number of people. Moreover, sectors with a large share of women workers should be further considered in line with the cross-cutting task to assess impact on women and vulnerable groups. Thus we select the sectors based on the combination of quantitative and qualitative evidence gathered in Tasks 1.2 and 1.3 respectively:

- economic, social and environmental variables indicating the general importance of each sector for the economies of the EU and the partner countries; importance of the sectors in bilateral trade between the EU and the partner countries; share of employment of women and vulnerable groups (also unskilled workers); see also indicators in Annex 1.
- most important NTBs in the sectors, based on existing studies;
- expert opinion;
- importance of the sectors, based on the negotiations’ history;
- input from the stakeholder consultations.
Selected Sectors for in-depth analysis

1. Car and car parts manufacturing
2. Machinery and electrical appliances
3. Textiles
4. Chemicals and particularly pharmaceuticals
5. Beef
6. Sugar / ethanol
7. Dairy
8. Beverages
9. Financial Services
10. Business and professional services
11. Engineering/ construction services

We face a technical challenge in terms of sectors selection. GTAP Data Base does not contain beverages and pharmaceuticals as separate sectors respectively. Beverages is a part of the GTAP sector named ‘Beverages and Tobacco Products’, while pharmaceuticals is part of a grand GTAP sector named ‘Chemicals, Rubber and Plastics’. We shall undertake significant data work required to split these sectors since these are crucial for our analysis.
8. Stakeholder Consultation

The debates surrounding TTIP negotiations and the ratification CETA have revealed that the conduct of EU external trade policy has come under increased public scrutiny. This has made the implementation of effective stakeholder consultation ever more crucial. Accordingly, The LSE-led team gives substantial importance to the stakeholder consultation process, which lies at the heart of the SIA. To prepare for the consultation, we will be guided by previous evaluations conducted for DG Trade and will highlight the nature of the consultation as a two-way process which is made up of multiple steps. Our consultation strategy covers the following:

- definition of clear objectives for stakeholder consultation;
- an outline of the proposed stakeholder consultation process;
- the research questions to be answered by the stakeholder consultation process;
- identification of the principal stakeholders or stakeholder groups, with an explanation of the nature and intensity of their interests; and strategy to reach out to vulnerable groups;
- elaboration of tailored consultation activities which will include a public online consultation as well as specific targeted stakeholder consultation.

The elements of the consultation plan are outlined below with details on how these tasks will be tailored to the needs of this project.

8.1 Objectives

The objectives of stakeholder consultation as defined by the EU Commission are three-fold: 1) engaging all interested parties; 2) contributing to the transparency of the SIA analysis; 3) helping to identify key issues in trade negotiations. Accordingly, LSE Consulting’s stakeholder consultation strategy has been tailored to be both process- and outcome-oriented so as to fulfil the EU’s objectives of inclusiveness, transparency and accountability.

This process will be carried out as widely as possible in EU and Mercosur countries in order to reach the highest participation rate and thus add a constructive and representative perspective as well as credibility and legitimacy to the AA negotiations. We will ensure that all stakeholder activities are consistent with the guiding principles and meet the high standards laid out by the Commission. A high degree of transparency, throughout a continuous, coherent and in-depth consultation process will give an opportunity to all stakeholders to participate and express themselves. The team is guided by a clear and effective consultation strategy that will be applied to all elements of the SIA. In addition to the minimum requirements set in the ToR, the team has added an additional workshop in Buenos Aires and is cooperating with a number of local stakeholders to improve the implementation of the SIA.

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The different channels of communication and activities aim at actively engaging a variety of relevant stakeholders and at providing them with a forum for interaction to relay their experience, priorities, concerns and other relevant information for the negotiations. The results of this consultation will allow us to ultimately identify key issues and priorities to feed into different parts of our reporting.

**Consultation implementation and closure**

The consultation process is an integrated and continuous process. We will ensure that the consultation process starts at the earliest stage of the project while remaining flexible and adaptable to the project’s needs.

Stakeholders will be informed with sufficient notice of the opening and closure of the consultation. At the end of the consultation, stakeholders will receive acknowledgement of their contribution. If stakeholders communicated via other means, this will also be acknowledged and, if possible, they will be encouraged to respond to the public consultation as well. A short summary report on the findings of the consultation will be published on the website 2 weeks after the closing deadline. An in-depth analysis of the effectiveness of the consultation process will be included in the SIA final report.

**8.2 Dedicated website and electronic communications**

The consultation is hosted on a dedicated website which will aim to raise awareness of the Commission’s AA with Mercosur countries. It provides concise and clear information and participatory access to the process for interested stakeholders. The aim is to reach various audiences including the general public, the media, policymakers, academics and businesses in order to create impact, interest and lasting practical effect from reports and studies.

The specific objectives of the website are as follows:

- Ensure dynamic and continuous interactions with civil society and all other relevant stakeholders;
- Informing the public on the EU-Mercosur AA and the nature and objectives of the SIA;
- Encouraging public participation in future events through a user-friendly registration platform;
- Disseminating results from stakeholder consultations through questionnaires and interviews;
- Providing a user-friendly list of links to other relevant web resources for policy makers and practitioners e.g. toolkits/guides, learning materials, searchable databases and other helpful links. Links will be checked on a monthly basis for accuracy.
- Tracking interest in EU-Mercosur negotiations through web analytics.

The target audience of the website are all stakeholders, including civil society representatives, businesses, national and regional civil servants, social partners including trade unions
representatives, and international organisations’ representatives on the ground. As part of this, the website has specific mechanisms designed to facilitate their interaction with the process. It also encourages backlinks from other websites through relevant content.

The operations of the website work in synergy with social media channels – particularly through a Facebook and Twitter accounts, since in some of the countries one or the other could be more effective. The latter will provide regular updates on consultation and events related to EU-Mercosur negotiations, inform the public about document releases and facilitate the online distribution of questionnaires (see below).

**Questionnaires**

Interactions with stakeholders will ideally take place through a short set of questions, which will structure their feedback. The questionnaires will be made available in the following languages: English, Spanish and Portuguese. Once the questionnaire is finalised, the team will provide a link to the evaluation to be placed on the Your Voice in Europe web portal. The consultation will be announced via the dedicated website, press and social media, and via the Commission’s means.

To ensure we have as many available channels as possible we will also create the following channels:

- an email address hosted by the LSE in cases where stakeholders would like to pass on thoughts and comments via email;
- a Twitter account which works with the existing social media networks of the LSE;
- a Facebook page.

Adapting to each region’s internet usage habits, we will rely broadly on social media to relay the consultations as these are particularly popular in Mercosur countries. More specifically, it is also intended to advertise for and share the consultations on Google+, Slideshare.net and on the social network Taringa!, which is particularly popular in Argentina.

**8.3 Online public consultation**

The team will run a 12-week online public consultation, aiming at:

1. Finding new ideas through engaging with key stakeholders in the EU and Mercosur.

2. Collecting factual information by helping to identify the groups and in particular vulnerable groups most likely to be impacted by the AA.

3. Validating previous findings by providing the opportunity for the input of national, regional, and local authorities, NGOs, individual citizens, academia, and business.

The online questionnaire will be piloted by the team with a select group of individuals to ensure the questionnaire is easily navigated and accessed. There will also be clear instructions for help, in case respondents need individualised support.
The team will draw on native speakers in order to translate any responses in languages other than Spanish, Portuguese and English. Additional resources, targeted to SMEs, consumers, as well as vulnerable groups will be developed as well.

The table in Annex 2 provides a preliminary list of national and regional administrations, social partners, including trade unions, civil society organisations, and international organisations, which will be regularly informed of the negotiations process. Organisations are drawn from previous consultations of the Commission with civil society, position papers on the EU-Mercosur AA, and a wide number of EU and international resources.

### 8.4 Roundtables, interviews, meetings and questionnaires

LSE Consulting will ensure that information and evidence is gathered from relevant stakeholders who are not targeted by the open online public consultation and/or the workshop. This will take the form of interviews and targeted questionnaires.

The team is planning to organise approximately five roundtables in Brussels and two main events in Latin America (Sao Paolo and Buenos Aires) to be organized in March 2018.

The five roundtables in Brussels will cover discussion both of sectoral and sustainability issues. Two members of the team will always attend the roundtables – the Team Leader and either Project Manager or one of the key experts. It is proposed that each roundtable will take the following format:

**Box 3: Preliminary agenda for stakeholder meetings in Brussels**

<table>
<thead>
<tr>
<th><strong>Stakeholder Roundtable on Potential Sectoral Impacts</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Agenda:</strong></td>
</tr>
<tr>
<td>1. Introduction by Team Leader or relevant expert (approx. 15min);</td>
</tr>
<tr>
<td>2. Discussion of topics guided by individual questions outlined below. At the outset, before the detailed questions are addressed, stakeholders will be invited to introduce themselves and summarize their main interests and perspectives (approx. 2hours);</td>
</tr>
<tr>
<td>3. Short summary and concluding remarks by LSE Consulting team (approx. 15min).</td>
</tr>
</tbody>
</table>

**Preliminary list of topics for discussions:**
- Impact on production in Europe;
- Supply chains impacts;
- Priority non-tariff measures (NTMs);
- Impact on social, human rights and environmental issues;
- Impact on SMEs.
In order to reduce travelling to Brussels, the team will organise interviews and face-to-face meetings around the dates of the roundtables. In terms of the interviews/discussions, they will differ across sectors, where in some cases group discussions can yield more interesting results than individual meetings. In the case of the agricultural sector, the team plans to have a group discussion/seminar with the representatives of the main rural/agricultural organisations in the region over the period when the workshop is organised and key members of the team are in Sao Paulo and Buenos Aires. These discussions can jointly cover our work on beef, dairy, etc. Interviewers will be instructed by the team to prepare high quality notes on the interviewees to ensure all team members have access to the discussion held. The team will also be able to conduct interviews in English, Spanish and Portuguese.

For the manufacturing sector, due to the differences in types of barriers and issues faced, we plan to have individual face-to-face meetings or smaller group discussions. For example, we plan to address auto supplies and car manufacturing through separate meetings specifically. Discussions on issues specific to SMEs will be addressed in all bilateral and group meetings. In the case of the auto supplies sector, firms tend to be SMEs. However, there are cross-cutting issues that may require specific engagement.

In line with the approach described in the introduction, the team will engage with all four members of Mercosur and organisations within those countries.

In addition to bilateral/group meetings, as described in the ToR, the team will also develop a series of online questionnaires. Through questionnaires, the team will be able to reach a larger target group of respondents during the stakeholder consultation. Different types of questionnaires are designed according to the sequence described earlier and stakeholders will be asked questions on issues and processes combining open and close (pre-coded) ended questions. All questionnaires will closely follow guidelines on similar evaluations produced by DG Trade. Depending on the stakeholders identified, the team will either gather data by phone or Skype interviews (face to face where possible), use other methods (email survey etc.) to target larger number of stakeholders, or combine both these methods. As with the public consultation, any survey or questionnaire will be piloted on a small scale to ensure the questions are clear. The survey questions will be made available in English, Spanish and Portuguese.

8.5 Civil Society Dialogue Meetings

The drafts of the inception, interim and final reports will be presented in meetings of DG Trade’s Civil Society Dialogue (CSD), in order to invite stakeholders to contribute during the implementation phase. The presentations will provide a comprehensive overview of all the progress made in the project to date, as well as allow the CSD to comment and address any concerns throughout the project.

Three presentations will be held for the CSD – one to prepare the submission of the inception report in Month 3, another previous to the submission of the interim report in Month 6 and the last one in Month 13 before the submission of the final report.
8.6 Workshop in the partner countries

As per the terms of reference, LSE will organise a full one-day work-shop in Sao Paulo. The content of the workshop will be designed in light of the progress of the EU-Mercosur negotiations, initial results from the existing Trade SIA, and submissions by stakeholders. The team will prepare documentation for the workshop and make it available to any participating stakeholders before the workshop, in order to facilitate informed discussions, while after the workshop all participant presentations will be made available. We will make provisions for the main working languages to be English, Spanish and Portuguese. The date will be set well in advance. We will collaborate with the Delegations of the European Union to Brazil. At the same time we have ensured a wide local network to ensure coordination and assist with logistical issues in-country, particularly with member of the team in São Paolo. We hope that our careful and structured plan, together with the advanced preparation of materials and content, will serve to prevent any implementation issues.

Further to the ToR, LSE Consulting will organise a one-day workshop of up to 50 participants, basis of calculation in the financial part of the submission, from all Mercosur countries in São Paulo, Brazil. During the same period, LSE Consulting also suggests to organise a roundtable in Buenos Aires, Argentina to complement the workshop and to provide access to stakeholders from other Mercosur countries. These events will gather the views of, and other information from, stakeholders (in particular businesses, national and regional administrations, social partners including trade unions, international organizations present on the ground, and civil society). They will aim at raising awareness about the AA and strengthening the consultation of local stakeholders. Local EU Delegations will be approached at an early stage to ensure their involvement and feedback in every stage of the workshop.

Workshop design and content

In terms of our initial planning, the team anticipates that due to the number of attendees, holding a single plenary throughout the day will not provide for in-depth discussion into key topics. We will discuss the option of a joint opening plenary with the EU Delegation with DG Trade and the EU Delegation, representatives from the Brazilian Government and the main Chambers of Commerce of participating countries. The day will continue with parallel events, where we will engage people to discuss sectoral specific and thematic issues. In particular, we plan three parallel sessions between plenary and lunch time (agriculture, manufacturing and services) and thematic issues in the afternoon.

Target groups and attendees

Target groups for the local workshop and roundtable will be selected from the stakeholder mapping done as part of the public consultation (see Annex 2). As space for the workshop will be limited, the team will set criteria to allow as many organizations as possible to attend and if possible livestream the event (e.g. only one representative per organisation, geographic scope, sector, interest etc.).

Team member attendance

The workshop in Sao Paolo will be attended by 4 team members – the Team Leader and Project Manager, and two members of the team focusing on the key negotiation issue. They will be in charge of running the event, collecting attendee data, and providing an overview of the discussion and
issues raised to the rest of the team. They will also be leading the debate in the parallel sessions and will promote discussions with key questions. Three people will travel from London to Sao Paolo, remain for two nights in Sao Paolo, and return, while the team leader will continue to Buenos Aires to conduct the roundtable and interviews with other stakeholders.

**Final activities**

We will ensure that the workshop as well as roundtables are publicised to relevant stakeholders on the dedicated website platform, social media, draft suitable press releases and liaise with local media in order to ensure the appropriate coverage of the event. After the workshop, we will publish a summary of the event, including a list of participating organisations and individuals, and the views expressed, and how these will be accounted for in the final report.

### 8.7 Risk mitigation for stakeholder consultation

The public consultation process may be subject to certain risks. However, the team will try to foresee many of these, and place preventative or mitigating actions in place in order to minimise the impact of these risks. In the table below, we outline some immediate risks and our mitigation strategies for the various components of the stakeholder consultation.

<table>
<thead>
<tr>
<th><strong>Table 26: Preliminary risk and mitigation strategy for stakeholder consultation</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-attendance by key stakeholders</strong></td>
</tr>
<tr>
<td><strong>Exclusion because of limited space</strong></td>
</tr>
<tr>
<td><strong>Target groups that run the risk of being excluded</strong></td>
</tr>
<tr>
<td><strong>Low response rates to survey</strong></td>
</tr>
</tbody>
</table>
The team will contact stakeholders for interviewees well in advance. Where stakeholders do not respond or prove unavailable the team will either identify another person within the organization, or identify an organization with a similar remit to obtain views on similar issues. As proposed above, group discussions will also be utilised.

8.8 Feedback mechanisms: from process to outcome

A common grievance among civil society participants in consultation pertains to “consultation fatigue,” the feeling that stakeholder consultation mechanisms might, in effect, have little tangible impact on decision-making. This issue is crucial to the accountability and legitimacy of trade negotiations. Building upon its previous experiences with DG Trade, LSE Consulting has designed a multi-pronged strategy to ensure that consultation is not a one-way discussion but a real dialogue whereby stakeholders’ questions, concerns or grievances are not ignored or left unanswered. This inclusive and accountable approach to consultation relies on:

- A clear and systematic presentation of the logic and modalities of stakeholder consultation in SIAs;
- The creation of a registry of interests, ideas and grievances with the names of stakeholders and the list of chapters/sections addressing their concerns;
- An integrated approach to the use of consultation results in the drafting of the SIA through close coordination with all experts by the team leader, project leader and consultation manager;
- Equal consideration to the integration of dissenting views within the SIA (especially in the social, environmental and human rights analyses) to reflect the plurality of trade policy stakeholders

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9. Timeline for finalising the work

9.1 Deliverables

The LSE-led team includes individuals with many years of experience in policy and academic research. Key members of the team are used to writing accessible, policy-related reports in English and Spanish to the highest level. Table 27 details the deliverables the team will submit over the duration of the project.

Table 27: Deliverables

<table>
<thead>
<tr>
<th>Deliverable</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interim Report</td>
<td>Within 4.5 months of the kick-off, an interim report, will be prepared that covers the work undertaken and preliminary findings relating to the stakeholder consultation, the specific analyses and the case studies to be conducted during the implementation phase. It will summarise the progress made, account for any difficulties encountered and outline the solutions chosen or proposed to overcome them.</td>
</tr>
<tr>
<td>Report on workshop in the partner country</td>
<td>After the workshop, the team will publish comprehensive summaries of the proceedings, list of attendees, and views expressed. The team will further follow-up on the comments and feedback gathered in the draft final report.</td>
</tr>
<tr>
<td>Draft Final Report and Final Report</td>
<td>The draft final report, due after 9.5 months, will present results from the stakeholder consultation, the overall and sectoral analyses, as well as details about the activities performed. Along with the main report, it will include a separate briefing document. It will be translated into French, Spanish, Portuguese and German. Key messages will be highlighted and, where relevant, summarised.</td>
</tr>
</tbody>
</table>
### 9.2 Timeline

The Gantt chart gives an overview of our proposed planning and lists key phases and milestones.

**Table 28: Gantt chart**

<table>
<thead>
<tr>
<th>R = Report submission</th>
<th>M = Meeting</th>
<th>Project Month</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interim phase</strong></td>
<td></td>
<td>1 2 3 4 5 6 7 8 9 10 11 12 13 14</td>
</tr>
<tr>
<td>Quantitative analysis results</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preliminary findings of sustainability issues (Task 1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preliminary findings of sectoral analysis (Task 2)</td>
<td></td>
<td></td>
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<tr>
<td>Stakeholder consultation plan (Task 3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Draft interim report (4.5 months)</td>
<td>R</td>
<td></td>
</tr>
<tr>
<td>Commission meeting</td>
<td></td>
<td>M</td>
</tr>
<tr>
<td>CSD meeting</td>
<td></td>
<td>M</td>
</tr>
<tr>
<td>Final interim report</td>
<td></td>
<td>R</td>
</tr>
<tr>
<td>Workshop and roundtables in partner countries (Task 3) (6.5 months)</td>
<td>W</td>
<td></td>
</tr>
<tr>
<td><strong>Final phase</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Workshop follow-up (Task 3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Suggestions and potential <em>ex post</em> analysis (Task 1 and 2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Details of communication activities (Task 3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stage</td>
<td>Date</td>
<td>R</td>
</tr>
<tr>
<td>------------------------------------------------------------</td>
<td>------------</td>
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</tr>
<tr>
<td>Policy recommendations and accompanying measures (Task 4)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Draft final report (9.5 months)</td>
<td></td>
<td>R</td>
</tr>
<tr>
<td>Review of draft final report by SG</td>
<td></td>
<td>M</td>
</tr>
<tr>
<td>Commission meeting</td>
<td></td>
<td>M</td>
</tr>
<tr>
<td>CSD meeting</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Final report</td>
<td></td>
<td>R</td>
</tr>
</tbody>
</table>
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SISUR, Uruguay, accessible at: http://sisur.ippdh.mercosur.int/si/web/es/ficha/pais/3


Annex 1. Preliminary Indicators and Data Sources

We will also make use of the extensive data sources available to our research team through the LSE.

**Table 29: Selected indicators**

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Themes</th>
<th>Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic</td>
<td>- Macro-economy</td>
<td>GDP, trade and investment flows, household income, consumption, terms of trade, sectoral output; employment, wages, real GDP growth per capita; consumer prices (rents, imports), product quality, consumer choice, consumer safety and protection issues</td>
</tr>
<tr>
<td></td>
<td>- Labour market</td>
<td>Employment, real wages, Public expenditure; healthcare cost as Share of GDP; Workforce participation rate; unemployment; Gini coefficient; wage gap (gender); Level of compliance with ILO conventions</td>
</tr>
<tr>
<td></td>
<td>- Functioning of markets for businesses</td>
<td></td>
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<td></td>
<td>- Implications for consumers</td>
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<td></td>
<td>- RoW</td>
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<td></td>
<td>- SMEs</td>
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<tr>
<td></td>
<td>- Decent work (full and productive employment, rights at work, social protection and social dialogue)</td>
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</tr>
<tr>
<td>Social</td>
<td>- Education</td>
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<tr>
<td></td>
<td>- Health/public health</td>
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<tr>
<td></td>
<td>- Equality (e.g. gender equality, discrimination, people with disabilities, consumer protection)</td>
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<td></td>
<td>- Security</td>
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<tr>
<td></td>
<td>- Population</td>
<td></td>
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<tr>
<td></td>
<td>- Air and climate</td>
<td>Energy intensity by sector; Resource use and efficiency; CO2 emissions; GHG emissions (CH4 and N2O);</td>
</tr>
<tr>
<td></td>
<td>- Land</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Water, oceans, seas and coast</td>
<td>Energy intensity by sector; Resource use and efficiency; level of deforestation waste intensity; Level of protection of threatened species, use of fertilizers and pesticides in agriculture; compliance with Multilateral Environmental Agreements</td>
</tr>
<tr>
<td></td>
<td>- Biodiversity</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Energy</td>
<td></td>
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<td>- Chemicals</td>
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<tr>
<td>Environment</td>
<td>- Adequate standard of living</td>
<td>Human rights compliance record; Stakeholder consultation processes in place; Inclusion of human rights’ clauses in trade agreements; Gender equality</td>
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<td>- Property</td>
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<td>- Fair trial</td>
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<td>- Indigenous peoples</td>
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<td>- Right to water</td>
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</tbody>
</table>
Aside from commonly consulted sources (UN COMTRADE, OECD, Eurostat, UK’s Office for National Statistics, European publications and UK Trade Info) the research will involve:

**Table 30: Primary and secondary data sources**

<table>
<thead>
<tr>
<th>Primary data</th>
<th>Secondary data</th>
</tr>
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<tbody>
<tr>
<td>Instituto Nacional de Estadística y Censos (Argentina)</td>
<td>Cahiers des Amériques latines</td>
</tr>
<tr>
<td>Instituto Brasileiro de Geografía e Estatística (Brazil)</td>
<td>Economics and politics</td>
</tr>
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<td>Dirección General de Estadística, Encuestas y Censos (Paraguay)</td>
<td>Enoikos</td>
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<tr>
<td>Instituto Nacional de Estadística (Uruguay)</td>
<td>European company and financial law review European competition journal</td>
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<tr>
<td>Global Trade Analysis Project (GTAP) 9 Data Base</td>
<td>European diversity and autonomy papers</td>
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<tr>
<td>Content of Deep Trade Agreements</td>
<td>European environmental law review</td>
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<tr>
<td>World Input-Output Database</td>
<td>European human rights reports</td>
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<tr>
<td>WTO-OECD TiVA Database (Trade in Value Added)</td>
<td>European integration online papers</td>
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<tr>
<td>Amadeus, European subset of Orbis (Source: Bureau Van Dijk)</td>
<td>European journal of international relations</td>
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<tr>
<td>The Economist Intelligence Unit's Country Profiles</td>
<td>European journal of political economy</td>
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<tr>
<td>EIU Country Data</td>
<td>European journal of political research</td>
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<tr>
<td>Eurostat New Cronos - ESDS International</td>
<td>European journal of political theory</td>
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<td>European political science</td>
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<td>European taxation</td>
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<td>European Union politics</td>
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<td><strong>European yearbook of minority issues</strong></td>
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<td>Índice General de Expectativas Económicas (IGEE)</td>
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<tr>
<td>Informe de Empleo y Desarrollo Social (IEDS)</td>
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<tr>
<td>International journal of political economy</td>
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<td>International journal of public administration</td>
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<td>International political science review</td>
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<td>Journal of development studies</td>
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<td>Journal of health politics, policy and law</td>
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<td>Journal of international development</td>
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<td>Journal of Latin American Studies</td>
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<td>Journal of political economy</td>
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<td>Journal of politics</td>
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<td>Latin American Economic Review</td>
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<td>Maastricht journal of European and comparative law</td>
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<td>Policy and politics</td>
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<td>Public policy and administration</td>
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<td>Regional science and urban economics</td>
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<td>Review of European Community &amp; international environmental law</td>
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<td>Revista Análisis</td>
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<td>Revista Brasileira de Economia</td>
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</tbody>
</table>
Annex 2. Preliminary list of stakeholders

Argentina

Amnistía Internacional Sección Argentina, Argentina
APDH - Asamblea Permanente por los Derechos Humanos, Argentina
Argentina Association of Chemical Engineers
Argentina Citrus Federation
Argentine Association of Engineering Consulting Firms (CADECI)
Argentine Association of Porcine Producers (AAPP)
Argentine Chamber of Certified Organic Producers
Argentine Chamber of Food and Organic Products Certification
Argentine Chamber of Poultry Producers (CEPA)
Argentine Chamber of Producers of Blueberries and other Berries (CAPAB)
Argentine Chemical Association (AQA)
Argentine Construction Association (CAC)
Argentine Industrial Union
Argentine Milling Industry Federation (FAIM)
Argentine Oil Industry Chamber (CIARA)
Argentine Sugar Center
Argentine Sunflower Association (ASAGIR)
Argentine Wheat Chain Association (ArgenTrigo)
Argentine Construction Chamber (Cámara Argentina de la Construcción)
Asociación de Fabricantes de Automotores (ADEFA), Argentina
Association of Wheat and Sorghum Producers (MAIZAR)
Cámara Argentina de Comercio y Servicios
Cámara Argentina de Especialidades Medicinales (CAEMe)
Chamber of Integrated Fruit Growers (CAFI), Argentina
CNCE, Comisión Nacional de Comercio Exterior, Argentina
Convocatoria para la Defensa Ambiental, Argentina
Coordinadora de campesinos, indígenas y trabajadores rurales (COCITRA), Argentina
Dairy Industry Center, Argentina
Food Product Industry Coordinator (COPAL), Argentina
Fundacion Hernandiana, Argentina
Fundacion para la Defensa del Ambiente (FUNAM), Argentina
General Confederation of Labour, Argentina
Institute for Argentine Beef Promotion (IPCVA), Argentina
Latin American Official Worker’s Confederation (CLATE), Argentina
Liga Argentina por los Derechos del Hombre, Argentina
Ministerio de Agroindustria, Argentina
Ministerio de Producción, Argentina
Ministerio de Transporte, Argentina
Ministry of Foreign Affairs and Worship, Argentina
Oils and Fats Argentine Association (ASAGA)
Permanent Assembly for Human Rights, Argentina
Secretaria de Comercio, Ministerio de Producción, Argentina
Sociedad Rural Argentina
Union Trabajadores de Carga y Descarga de la República Argentina (UTCyDRA)

Brazil
ABBA - Brazilian Association of Food and Beverage
ABCEM - Brazilian Steel Construction Association
Abipeças (The Brazilian Association of the Auto Parts Industry
ABIQ - Brazilian Cheese Association
ABIQUIM - Associação Brasileira da Indústria Química
ABLV - Brazilian UHT Association
Abong - Brazilian Association of Non-Governmental Organizations
Apex-Brasil Brussels-Europe (Brazilian Trade and Investment Promotion Agency)
Associação para Promoção Humana e Desenvolvimento Social
Brazilian Association of Animal Protein (ABPA)
Brazilian Automobile Vehicle Manufacturer Association ANFAVE
Brazilian Beef Exporters Association (ABIEC)
Brazilian Research-Based Pharmaceutical Manufacturers' Association (INTERFARMA)
Brazilian Trade and Investment Promotion Agency (APEX Brazil)
Brazilian Chamber of Construction Industry
Brazilian National Association of Cargo Transport and Logistics
Brazilian Regional Air Transport Association (ABETAR)
Brazilian Sugarcane Industry association
CCSCS - Coordinadora de Centrales Sindicales del Cono Sur
CENTRO SABIA - Centro de Desenvolvimento Agroecologico Sabiá, Brazil
Conservação Internacional Brazil
Family Welfare in Brazil Civil Society (BEMFAM)
Febrafarma, the Brazilian Pharmaceutical Industry Federation
Global Mangrove Database and Information System (GLOMIS), Brazil
Greenpeace Brasil
Group for Study and Defense of Ecosystems of the Lower and Middle Amazon Region (GEDEBAM), Brazil
Instituto Brasileiro de Analises Sociais e Economicas (IBASE), Brazil
Inter-American Commission of Women (CIM)
Intesa Sanpaolo
IRPAA - Instituto Regional da Pequena Agropecuária Apropriada (Regional Institute of Appropriate Small Farmers
Mapa de violencia
Ministry of Industry, Foreign Trade and Services, Brazil
Movimento dos Trabalhadores Rurais sem Terra (MST), Brazil
Movimiento de Mulheres Camponesas. Brazil
ProGenericos, the Brazilian Assn. of Generic Drugs Industry
Secretaria de Políticas para as Mulheres
Secretariat of Foreign Trade (SECEX), part of the Ministry of Development, Industry and Foreign Trade, Brazil
SINDIPEÇAS – Brazilian Association of Automotive Part manufacturers
TIJUPÁ - Associação Agroecológica Tijupá / Tijupá Agroecological Association

Paraguay
Asociación de Avicultores de Paraguay (Avipar)
Asociación de Bioquímicos del Paraguay (ABP)
Asociación de Ingenieros Agrónomos del Paraguay (AIAP)
Asociación de Profesionales de la Construcción, Paraguay
Asociación de Químicos Farmacéuticos del Paraguay (AQUIMFARP)
Asociación Paraguaya de Analistas Industriales y Químicos Analíticos (APANIQUA)
Asociación Paraguaya de Ingenieros Químicos (APIQ)
Asociación Paraguaya de Químicos Farmacéuticos
CADAM – Camara de Distribuidores de Automotores y Maquinarias, Paraguay
Cámara Paraguaya de Industrias Lácteas (CAPAINLAC)
Central Bank of Paraguay

Central Sindical de Trabajadores del Paraguay
Centro Paraguayo de Ingenieros (CPI)
Chamber of Commerce and Services (Cámara Nacional de Comercio y Servicios del Paraguay)
Comisión de Carne de la Asociación Rural del Paraguay
Customs Brokers Association (Centro de Despachantes de Aduana del Paraguay)

Customs Bureau, Paraguay
Dinatran (Dirección nacional de transporte), Paraguay
Export & Investment Promotion Bureau, Ministry of Industry and Commerce, Paraguay
Exporters Trade Association (CAPEX--Cámara Paraguaya de Exportadores)
Federación de Trabajadores del Transporte FETRAT, Paraguay

Global Infancia, Paraguay
Importers Trade Association (Centro de Importadores del Paraguay)

Industrialists Trade Association (Unión Industrial Paraguaya)
Intelectual Property Bureau (DPI), Ministry of Industry and Commerce, Paraguay
Local Business Federation (FEPRINCO--Federación de la Producción, la Industria y el Comercio), Paraguay

Ministry of Agriculture and Livestock, Paraguay
Ministry of Finance, Paraguay
Ministry of Industry and Commerce, Paraguay

Ministry of Public Works and Communications, Paraguay
Movimiento Campesino Paraguayo (MCP)
National Maquila Industry Bureau, Paraguay

Organizacion de Lucha por la Tierra
Paraguayan-American Chamber of Commerce, Asuncion and Ciudad del Este
Public Contracting Bureau, Paraguay

Sindicato Nacional de Obreros Metalúrgico y Afines. (SINOMA), Paraguay
Sustainability Impact Assessment in support of association agreement negotiations between the European Union and Mercosur
Final Inception Report

Consulting

Sindicato Nacional de Trabajadores de la Industria de la Construcción, Madera y Afines (SINTRAICMA), Paraguay
Sindicato Nacional de Trabajadores de la Industria Textil y Afines (SOIVA), Paraguay
Standards and Technology Institute, Paraguay
Technical Planning Bureau, Paraguay
Unión Nacional de Pescadores Comerciales y Afines (UNAPESCA), Paraguay

Uruguay
Academia Nacional de Economía, ACADECO, Uruguay
Agencia de Desarrollo Económico de Tarariras, ADET, Uruguay
Agriculture-Livestock Plan Institute, Uruguay
AIALU Asociación de Ingenieros Alimentarios del Uruguay
Amnistía Internacional Uruguay
ANMYPE - Asociación Nacional de Micro y Pequeñas Empresas, Uruguay
Asociación de Concesionarios de Marcas de Automotores (Association of Motor Vehicle Marketers) | ASCOMA, Uruguay
Asociación de Productores de Leche, Uruguay
Asociación de Química y Farmacia del Uruguay
Asociación del Comercio Automotor del Uruguay | ACAU
Asociación Empretec Uruguay (SMEs)
Asociación Nacional de Empresas de Transporte Carretero por Autobuses | ANETRA
Asociación Nacional de Organizaciones No Gubernamentales Orientadas al Desarrollo (ANONG), Uruguay
Asociación Uruguaya de Agencias de Viajes | AUDAVI
AUPCIN, La Asociación Uruguaya de Productores de Carne Intensiva Natural
Cámara de Comercio de Productos Agroquímicos del Uruguay | CAMAGRO
Cámara Empresarial de Maldonado, Uruguay
Cámara Uruguaya de Barracas de Cueros, Lanas y Afines
Chamber of Commerce and Exports of Agriproducts, Uruguay
Chamber of Industries of Uruguay
Confederación Empresarial del Uruguay | CEDU
La Asociación Uruguaya de Técnicos en Lechería
Ministry of Economy, Uruguay
Ministry of Foreign Relations, Uruguay
Ministry of Industry, Energy and Mining, Uruguay
Ministry of Livestock, Agriculture and Fisheries, Uruguay
Ministry of Transport and Public Works, Uruguay
National Administration of Fuels, Alcohol and Portland Cement (ANCAP), Uruguay
National Agriculture-Livestock Research Institute (INIA), Uruguay
National Chamber of Commerce and Services of Uruguay
National Meat Institute (INAC), Uruguay
National Milk Institute (INALE), Uruguay
National Wine Institute (INAVI), Uruguay
Observatorio de Políticas Públicas de Derechos Humanos, Uruguay
Private Construction Developers Association of Uruguay
Rural Association of Uruguay
Union of Exporters of Uruguay
Via Campesina
Vida Silvestre Uruguay

**Europe**

ACEA - European Automobile Manufacturers' Association
ACT Alliance Advocacy to the European Union
Active Pharmaceutical Ingredients Committee
AeroSpace and Defence Industries Association of Europe
AETMD - Association Européenne des transformateurs de maïs doux
Agriculture and Horticulture Development Board (AHDB)
Airports Council International Europe
Alstom Transport
Antwerp World Diamond Centre
Architects' Council of Europe (ACE)
Arianespace
Asociación Española de Mayoristas, Transformadores, Importadores y Exportadores de Productos de la Pesca y la Acuicultura
Associazione Italiana dei Trasformatori di semi dolci
Association de l'Agriculture, de l'Industrie et du Commerce de Volailles dans les Pays de l'Union Européenne asbl
Association de producteurs de cinéma et de télévision (EUROCINEMA)
Association Européenne Du Commerce De Fruits Et Légumes De L'UE - European Fruit and Vegetables Trade Association
Association nationale interprofessionnelle du bétail et des viandes (Interbev)
Association of European Airlines
Association of European Chambers of Commerce and Industry (EUROCHAMBRES)
Association of European Heating Industry
Association of European manufacturers of sporting ammunition
Association of Poultry Processors and Poultry Trade in the EU countries
Association of the British Pharmaceutical Industry (ABPI)
AstraZeneca
Audi
Austrian Federal Chamber of Labour (AK)
Austrian Federal Economic Chamber (WKO)
AVISA
AXA Life
BAE Systems
Barclays
BASF SE
BDI - Federal Association of German Industries
BDO
Beltrade
BNP Paribas Securities
BREIZ EUROPE
Cooperativas Agro-alimentarias de España
COPA-COGECA
Cosmetic, Toiletry & Perfumery Association (CTPA) (UK)
Cosmetics Europe - The Personal Care Association. Cosmetics Europe
Council of European Employers of the Metal, Engineering and Technology-Based Industries (CEEMET)
Credit Agricole Corporate & Investment Bank
DAF Trucks NV
Daimler AG
Danish Agriculture and Food Council
Danish Dairy Board Brussels s.a.
Danish Shipping
Dassault Aviation
Debailleul products sa
Deloitte Touche Tohmatsu
Dentsply IH
Department for Business, Innovation & Skills (UK)
Deutsche Bahn
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
Deutscher Industrie- und Handelskammertag e.V.
DIGITALEUROPE
Direct Selling Europe AISBL
Eastspring Investments
Ebay
Ecommerce Europe
EFFAT - the European Federation of Food, Agriculture and Tourism Trade Unions
Electrical and Electronic Portuguese Enterprises Association (ANIMEE)
Elekta
ELGC
EPURE - the European Renewable Ethanol Association
Ernst & Young
Estonian Employers’ Confederation (ETTK)
Estonian Investment Agency
ETUC - European Trade Union Confederation
EU Executive training programme, London
EURISY
EUROCHAMBERS
EuroCommerce
EURODOM
Eurogroup for Animals
Eurometal
Eurometaux
Euromilk
EuropaBio - European Association for Bioindustries
European Accounting Association
European Aeronautic Defence and Space Company N.V.
European Aerosol Association
European Aggregates Association
European Agricultural Machinery (CEMA)
European Aluminium Association
European Apparel and Textile Coniferation EURATEX
European Association for Bioindustries
European Association of Automotive Suppliers (CLEPA)
European Association of Chemical Distributors
European Association of Cooperative Banks (EACB)
European Association of Dairy Trade (Eucolait)
European Association of Fashion retailers
European Association of Internet Services Providers (ISPA)
European Association of Metals (Eurometaux)
European Association of Mining Industries
European Association of Mutual Guarantee Societies
European Association of Sugar Traders (ASSUC)
European Association of the Machine Tool Industries;
European Automobile Manufacturers’ Association
European Aviation Clusters Partnership
European Banking Federation (EBF)
European Biodiesel Board
European Bioplastics E.V.
European Branded Clothing Alliance
European Brands Association
European Broadcasting Union - Union Européenne de Radio-Télévision AISBL
European Broadcasting Union (EBU)
European Builders Confederation
European Business Aviation Association (EBAA)
European Business Services Round Table
European Cement Association (CEMBUREAU)
European Centre for International Political Economy
European Centre for International Political Economy
European Ceramic Industry Association (Cerame – Unie)
European Chemical Industry Council
European Chemical Industry Council (CEFIC)
European Cocoa Association
European Committee for Electrotechnical Standardization
European Committee of Domestic Equipment Manufacturers (CECED)
European Committee of Environmental Technology Suppliers Association
European Competitive Telecommunications Association
European Concrete Paving Association
European Confederation of Iron and Steel Industries
European Confederation of Junior Enterprises;
European Confederation of Medical Devices Associations (EUCOMED)
European Construction Industry Federation
European Consumer Organisation (BEUC)
European Coordination Committee of the Radiological, Electromedical and Healthcare IT Industry (COCIR)
European Coordination of Independent Producers (CEPI)
European Council for Automotive R&D (EUCAR)
European Council for Motor Trades and Repairs (CECRA)
European Crop Protection Association
European Cultural and Creative Industries Alliance (ECCIA)
European Dairy Association aisbl
European Diagnostic Manufacturers Association (EDMA)
European Disocyanate and Polyol Producers Association
European Disposables & Nonwovens Association (EDANA)
European DIY Retail Association
European Economic and Social Committee (EESC)
European Electronic Component Manufacturers Association
European Express Association
European Family Businesses;
European Federation for Construction Chemicals
European Federation for Cosmetic Ingredients
European Federation of Biotechnology Section of Applied Biocatalysis
European Federation of Cleaning Industries
European Federation of Engineering Consultancy Associations
European Federation of Foundation Contractors
European Federation of National Associations of Water and Waste Water Services
European Federation of Pharmaceutical Industries and Associations (EFPIA)
European Federation of Public Service Unions (EPSU)
European Federation of the Footwear industry
European Federation of woodworking industries
European Franchise Federation
European Furniture Industries Confederation
European Generic Medicines Association (EGA)
European Health Industry Business Communications Council (EHIBCC)
European Industrial Gases Association
European Industrial Minerals Association
European Man-made Fibres Association (CIRFS)
European Medical Device Technology (EMDT)
European Medical Technology Industry Associations (MedTech Europe)
European Newspaper Publishers' Association (ENPA)
European Organisation for Security
European Organisation of Tomato Industries (OEIT)
European Panel Federation
European Patent Office
European Petroleum Industry
European Photonics Industry Consortium (EPIC)
European Policy Centre
European Power Tool Association
European Producers Union of Renewable Ethanol
European Property Federation
European Public and Real Estate Association (EPRA)
European Regions Airline Association (ERA)
European Retail Round Table
European Road Safety Federation (ERF)
European Robotics Association (EUneled Robotics)
European Round Table of Industrialists
European Satellite Operator's Association
European Savings Banks Group (ESBG)
European Services Forum
European Services Strategy Unit
European Shippers' Council
European Small Business Alliance
European Strategic Partnerships Observatory
European Sugar Refineries Association
European Telecommunications Network Operators' Association (ETNO)
European Telecommunications Standards Institute (ETSI)
European Textile Collectivities Association
European Trade Union Committee for Education
European Travel Agents’ and Tour Operators’ Associations
European Travel Commission
European Tyre & Rubber Manufacturers’ Association (ETRMA)
European Union of Wholesale with Eggs, Egg Products, Poultry and Game
European Whey Products Association
Eurospace - Trade association of the European space industry
Family Business Network International
Fédération des Experts Comptables Européens (FEE)
Fédération Internationale de l'Automobile (FIA)
Fédération Internationale du Recyclage
Federation of European Rice Millers
Federation of the European Sporting Goods Industry
Female Europeans of Medium and Small Enterprises (FEM)
Ferring Pharmaceuticals
Fertilizers Europe
Finpro of Finland
FoodDrinkEurope
FoodServiceEurope
Ford of Europe
Foreign Economic Relations Board of Turkey (DEIK)
Foreign Trade Association
Foundation for International Development/Relief (FIDR)
Freshfel Europe - the forum for the European fresh fruits and vegetables chain
Friedrich-Ebert-Stiftung
Friends of Europe
Friends of the Earth Europe
FTI Consulting
Galderma
Gelatine Manufacturers of Europe (GME)
German Federation of Liberal Professions (BFB)
German Marshall Fund of the United States
German Trade Union Confederation (DGB)
Germany Trade & Invest
Glass Alliance Europe
GlaxoSmithKline
Global Business and Management Consulting
Global Environmental Forum
Global Industrial and Social Progress Research Institute (GISPRI)
Global Village
Green Earth Center
Grindex
Health Action International (Europe)
Health First Europe
Heineken Kirin
Humane Society International/Europe
IBM Europe
ICMP
IFPI Representing recording industry worldwide
IMA Europe - Industrial Minerals Association
Independent Retail Europe
Industrial Ethanol Association
ING Group/ING Mutual Funds Management
Insurance Europe
Insurers of Europe (CEA)
Intelligent Transport Systems - Europe (ERTICO)
International Association of Users of Artificial and Synthetic Filament Yarns and of Natural Silk
International Confederation of European Beet Growers
International Confederation of Inspection and Certification Organizations
International Federation of Reproduction Rights
International Land Coalition
International Society for Mangrove Ecosystem (ISME)
International Society of Transport Aircraft Trading
International Trade Union Confederation (ITUC)
International Trademark Association
Intuitive Surgical
Irish Farmers' Association
ISAGRO ITALIA SRL and Sumitomo Chemical Agro Europe S.A.S. 84. Alstom
Italian Trade Promotion Agency
Iveco S.p.A.
Janssen Pharmaceutical
Johnson & Johnson Family of Companies
JP Morgan Chase
Koepel van de Vlaamse Noord-Zuidbeweging - 11.11.11
KPMG
LEO Pharma
Lewiatan Business Angels (LBA)
Lighting Europe
LiMA: LIMA Corporate Orthopaedic
LVMH Cosmetics
Maa- ja metsätaloustuottajain Keskusliitto – Central Union of Agricultural Producers and Forest Owners
Manulife Life
Marubeni
Mazda Motor Corporation
Médecins Sans Frontières International
Medicines for Europe
Medis medical imaging systems
Merck Serono
Mercosur-EU Business Forum (MEBF)
MHD Moet Hennessy Diageo
Microsoft
Ministry of Economics of the Republic of Latvia in cooperation with the Ministry of Agriculture
Molnlycke Health Care
Mouvement des Entreprises de France (Medef)
Nanofutures
NanoMEGAS
NEC
Netherlands Council for Trade Promotion
Norwegian Seafood Export Council
Novartis Pharma
Novo Nordisk Pharma Ltd.
NTT
Opel Group
ORGALIME (European Engineering Industries Association)
Organisation pour un réseau international d’indications géographiques
Panasonic
Philip Morris International Inc.
Pictet Asset Management
Plastics Recyclers Europe
PricewaterhouseCoopers
Primary Food Processors
PROFEL - European Association of Fruit and Vegetable Processors
Prudential Plc.
Radiometer
Renault SA
Representing the European Petroleum Industry
Robeco Institutional Asset Management
Roche
Roche Diagnostics
Sanofi
SEB
Smith & Nephew Wound Management
SNCF
Société des auteurs et compositeurs dramatiques
Solton
Sony
spiritsEUROPE
Standard Chartered Bank
STARCH EUROPE
Swedish Enterprise
Swiss Re
Thales
The Confederation of National Associations of Tanners and Dressers of the European Community (COTANCE)
The European Rail Industry (UNIFE)
The European region of the International Co-operative Alliance;
The European Steel Association
The International Federation of Inspection Agencies
The Law Society of England and Wales
TheCityUK
ThomsonReuters
Trade Council of the Ministry of Foreign Affairs of Denmark
Trade Union Advisory Committee (of the OECD) (TUAC)
Trade Union Congress (of the UK) (TUC)
Transport and Environment (European Federation for Transport and Environment)
Turkish Confederation of Employer Associations (TISK)
Turkish Industry & Business Association (TÜSIAD)
UEAPME aisbl European Association of Craft, Small and Medium-Sized Enterprises
UK Trade and Investment (UKTI)
UNICE - Union des Confédérations de l'Industrie et des Employeurs d'Europe
UNIFE
Union Européenne du Commerce du Bétail et des Métiers de la Viande
Unite the Union
European Economic and Social Committee (EESC)
Vaisala
Verband der Chemischen Industrie e.V.
Verband Deutscher Maschinen- und Anlagenbau e.V.
VZBV: Federation of German Consumer Organisations - Verbraucherzentrale Bundesverband
Wirtschaftskammer Österreich
Wirtschaftskammer Österreich
World Spirits Alliance
Yanmar Italy S.p.A.
YKK ITALIA S.P.A.
Zentralverband Elektrotechnik- und Elektronikindustrie e.V.