European Commission

CIVIL SOCIETY DIALOGUE

MEETING ON THE EU-MERCOSUR TRADE AGREEMENT

Date: 15 July 2019
Time: 16:00-18:00
Location: Charlemagne Building, Room Alcide de Gasperi, Rue de la Loi 170, Brussels

Lead speaker

Ms Sandra Gallina, EU Chief Negotiator, Deputy Director-General in DG Trade

Opening

The Commission (S. Gallina) presented the contents of thepolitical conclusion of the negotiations of the trade part of the Association Agreement between the EU and Mercosur countries (Argentina, Brazil, Paraguay and Uruguay)reached on 28 June 2019. She described the agreement as strategic, balanced and as a major achievement referring to the size of the markets, the economic gains, the new important opportunities in both industrial and agricultural sectors and the geopolitical significance in times of protectionism and global trade tensions. She went on to present the different parts of the agreement highlighting in particular the importance of trade and sustainable development (TSD) and sanitary and phytosanitary standards (SPS).

Discussion Highlights / Questions and Replies

Representatives of the Civil Society organisations in the ensuing discussion raised different questions and comments. **ORGALIME – Europe's Technology Industries** congratulated the Commission, welcomed the elimination or reduction of tariffs for their sector and asked about next steps. **CAOBISCO - Chocolate, biscuits & confectionery of Europe** also welcomed the agreement that will provide their industry with new opportunities as they need access to sugar imports, even though they would have wished for a more ambitious outcome. They expressed concern about the rules of origin that currently act as a barrier. **The Irish Farmers' Association** (IFA) expressed serious concerns because the agreement comes as the same time as Brexit and European demographics do not allow for increased beef consumption. The Commission should not only to look at the specific sustainability impact assessment for Mercosur, but also at the economic impact and cumulative impact of FTAs. IFA further expressed concerns about deforestation and the Paris Agreement

The Commission (S. Gallina) acknowledged that Brexit is adding an element of uncertainty and pointed out that the beef sector already faces a lot of other challenges. She stressed that beef, poultry and sugar are not equally sensitive and that the agreement provides a very good result with balanced outcomes within the same areas, for example agriculture as whole. She underlined that there is need to put the beef quota in context – there are only limited quantities, in carcass weight equivalent, with segmentation and there will be a phase-in period consisting of six stages. On machinery, she added that we achieved 10 years linear liberalisation with good rules of origin for most products.

Copa Cogeca (European farmers) considered that the agreement was not balanced and it will increase the gap between standards on both sides. In their view, poultry, beef, rice, sugar and ethanol sectors pay an important price and the 27 EU Member States will have to share the burden. They further drew attention to the fact that while the beef quota only represents around 1% of the market, one needs to take into account that Mercosur will export in the high-value cuts segment. They also requested a cumulative impact of FTAs is needed and enquired about safeguards and ratification process. The **German Chambers of Commerce** welcomed this big important agreement and were looking forward to its implementation. **Eurogroup for Animals** expressed satisfaction on farm practices but was disappointed in terms of regulatory alignment, because in terms of imports animal welfare rules are only imposed on slaughters. They enquired about the animal welfare conditionality for eggs and egg products.

The Commission (S. Gallina) explained that concerning animal welfare there is already a tangible result and that there are possibilities under the agreement for future cooperation and dialogues. She underlined that the Commission wanted to keep quantities low for the sensitive products and take duly into account the EU's defensive agricultural interests. She acknowledged the problematic situation in the beef sector (owing to many reasons), but underlined that the quantities given are limited, there is a tariff of 7.5% and the impact of Brexit had already been taken into account. There is no widening of any possible regulatory gap, in fact rather the contrary as Mercosur countries have an interest in selling quality meat and keeping the prices up.

The Confederation of German Textile and Fashion Industry strongly supported the agreement, underlined that the Commission has tackled the very high tariffs in their sector and advocated for swift ratification. **The European Economic and Social Committee** (EESC) thanked for the meeting and publication of the texts. It welcomed the fact that the TSD chapter was given prominence and asked whether civil society will be able to be involved in the monitoring of the whole agreement and how can commitments be enforced. They also enquired about commitments on international maritime transport as these were not in the text, but in the schedules. **The European Association of Sugar Manufacturers** criticized the agreement for including the highest concession on sugar in any FTA arguing that there is enough sugar available. The concession on ethanol also had an impact. They asked about specific safeguards for sensitive products such as theirs.

The Commission (S. Gallina) welcomed the interest of the EESC and stated that there was need for having a vibrant civil society on both sides. She confirmed that civil society can be active and make its voice heard on the whole agreement. The TSD chapter includes all the necessary elements such as the Paris Agreement or the ILO Conventions. All aspects on international maritime transport commitments are in the schedules, as this was the best way to achieve a meaningful result, rather than insisting on a text. As regards sugar, the concession is sustainable for the EU – it only applies to raw sugar for refining (no white sugar, no specialty sugars), there is no new bilateral quota, but a reduction of duties in a part of an existing WTO quota. Moreover, there is a social element as the WTO quota in Brazil can only be used by certain poor regions. The same applies for the ethanol quota that is segmented and where the sensitive part keeps a reduced duty. Safeguards apply to TRQs.

Humane Society International welcomed the agreement and that it covered more than slaughter, and on-farm welfare and transport as well. They enquired how future cooperation on animal welfare is going to look like. They expressed some disappointment with the language of the TSD chapter that they considered could have been clearer on issues such a biodiversity or IUU fishing. They nevertheless acknowledged that it can open possibilities for cooperation. **The Irish Cattle and Sheep Farmer Association** expressed concerns with regard to Brexit, pressure on beef market in the EU and commitments on climate change. They wondered what can be done if Brazil does not live up to its commitments, whether there are possibilities to revise our commitments on quotas when standards are not respected and if there is any limitation to maximizing the beef quota with steak cuts. They asked whether biofuels from Mercosur will count for biofuel targets under the Renewable Energy Directive (RED II).

The Commission (S. Gallina) replied that with regard to RED II it depends on certification schemes. She explained that the beef quota has no sub-segments except fresh and frozen meat. This already influences which type of meat can be exported as frozen meat does not compete with EU high-value cuts. Moreover, the quota is divided between the four Mercosur countries. On SPS, she explained the three stages, which now have clear procedures and deadlines – before the exports are allowed (not all states in Brazil, not all farms are authorized to export), during (monitoring, and checks with a possibility of delisting) and after the establishment is removed from the ones allowed to export (difficult to be listed again). The TSD chapter has the strongest language possible with an appropriate dispute settlement mechanism that can be used in case of breaches. In the Paris Agreement Brazil committed to fight illegal deforestation and to re-forest 12 million hectares and this commitment is firmed up by inclusion of the Paris Agreement in the TSD chapter. On animal welfare, there is need for more cooperation and for a coherence exercise for the bilateral fora and mechanisms.

The European Manufactured Vehicles Association (ACEA) welcomed and strongly supported the agreement (also conveyed the support of CLEPA), which addresses tariff peaks of 35% and recognition of equivalency of international standards. They see big potential growth for their industry and support a swift ratification. On the cumulative effect of FTAs, they remarked that some FTAs such as with Japan or Korea were not so advantageous for them. **The European Furniture Industries Confederation** asked if their sector has been included in the agreement. **The Austrian Chamber for Workers and Employees** in agriculture echoed Copa and Cogeca's statements and wondered about the impact assessment. **The Association of Poultry Processors and Poultry Trade in the EU countries** (AVEC) expressed disappointment because of the size of the quota granted to Mercosur and wondered if the Commission will compensate their sector. They requested EU/non-EU labelling on all poultry meat so that consumers can choose and asked for reinforced controls at borders.

The Commission (S. Gallina) agreed with ACEA that different sectors need to look for wins and losses across the FTAs. On furniture, she replied that the agreement covers over 90% of EU exports, focusing on lines with most trade. The agricultural part of the agreement is balanced as sensitive products are covered by TRQs and EU interests (e.g. malt, wine, spirits, fresh fruits, chocolates, olive oil, other processed agricultural products), will be liberalised. There are only a couple of TRQs on dairy and garlic, which will allow the EU to export more. The Sustainability Impact Assessment is ongoing and the interim report should be available after the summer. On poultry, she underlined that it is a much bigger market than beef with very high and stable growth and that lower SPS or consumer protection standards will not be accepted under any circumstance. Furthermore, the quota has a segmentation of 50/50 boneless/bone-in. Controls at borders are extremely important and they are the competence of Member States.

Business Europe praised the Commission for the agreement and asked whether the technical work is still ongoing and what the next steps are. **The European Footwear Industry** asked whether the 15 years tariff elimination schedule applied to all or only leather footwear. **The European Sugar Refining Association** thanked the Commission and pointed out that good balance was achieved between beet and cane refiners. They commented that they considered that there had in fact been no new market access, as the WTO CXL quota already gave access to Brazil. They stressed the need for a 0% duty TRQ. **The Association of European Chambers of Commerce and Industry** congratulated the Commission for achieving a balanced agreement and looked forward to its implementation. They highlighted in particular the importance of the SME chapter and underlined the need to establish the right mechanism for SME Coordinators. They further enquired about rules of origin statement (referring to what they saw as an unfortunate experience with the EU-Japan FTA), regulatory practices and government procurement access to the sub-federal level.

In reply, **the Commission** (S. Gallina) explained that lessons were drawn from past experience and the agreement does not replicate origin criteria of the EU-Japan FTA. On SMEs, she confirmed that there would be an SME Coordinator by country. The negotiations have been closed and legal scrubbing with take several months. Not all shoes will be liberalised, but only leather shoes. On sugar, the EU gave a balanced concession and safeguard applies to all products under the TRQs.

The European Chemical Industry Council strongly welcomed the tariff liberalisation, rules of origin as well as the 450.000 t TRQ for ethanol for industrial uses which will help develop EU bio-based chemistry. They asked how the TRQ would be administered, as the companies need predictability. **Spirits Europe** congratulated the Commission for the agreement and for the transparency and open communication about it. The agreement is a very good result on both GIs and full reduction of high tariffs on wines and spirits. It is unprecedented in particular for spirits, which they understood will be liberalised in only 4 years. They underlined that opening of new markets is particularly welcome at a time of protectionism and trade turmoil. **The European Association of Fruit and Vegetable Processing Industries** congratulated the Commission and thanked for the liberalisation of canned peaches where they enquired about the length of staging. They further asked about final EU offer on preserved mushrooms and jams and fruit spreads.

The Commission (S. Gallina) confirmed that all spirits will be liberalised in 4 years and canned peaches in 10 years. The EU will liberalise preserved mushrooms in 7 years and jams 10 years; it was not possible to exclude these products from our offer.