Date: 15 October 2019  
Time: 14h – 16h  
Location: Charlemagne Building, 170 Rue de la Loi, Brussels  

The Commission (COM) opened the meeting by introducing the panellists and thanking civil society representatives for participating and stressing the importance of discussing trade negotiations with civil society. COM stressed that the purpose of the meeting was to discuss the SIA Draft Interim Report rather than the Agreement in the abstract, which has been discussed on other occasions.

The Head of the DG Trade Latin America Unit followed with an update on the EU-Mercosur trade negotiations, noting that a political agreement was reached at the end of June 2019. While the Agreement in Principle and majority of the text was published at that time, market access schedules are still yet to be published. LSE Consulting delivered a power point presentation on the report’s findings.

Discussion / Questions / Responses

Eurogroup for Animals - thanked LSE Consulting for the various interactions they have had at the various roundtable focus groups and stakeholder consultation events. They commented that they appreciate the animal welfare heading in the agricultural analysis section, specifically when discussing beef. However, they underlined that it is too short as there are several findings in the interim report that could have included analysis on animal welfare. For instance, the estimated predictions of increased beef outputs in Mercosur could have an impact on animal welfare, but this is not mentioned in the report. The report also mentions that the density of animals could increase, and productivity in the dairy sector could also have an impact. It would be important for animal welfare to assess how these effects take place. Eurogroup for Animals (EGA) likewise noted that the report estimates emission increases to be negligible, but this is not enough. Trade agreements should help contribute to climate change mitigation. Finally, the last point made, was that EGA was surprised that there was no mention of antimicrobial resistance in the report as studies have recently pointed to a big surge especially in developing countries such as Brazil and Uruguay.

COPA COGECJA – had five main points in response to the draft interim report. First, they asked whether the report’s analysis takes into account the agreed market access between the two parties. The group questioned the relevance of the hypothesis of full liberalisation for sectors such as dairy in the ambitious scenario, given that dairy is subject to TRQ treatment under the Agreement. It was suggested that the report should note that while the dairy sector will benefit substantially in the EU, access will not compensate the beef sector. Second, the group also questioned how climate commitments are calculated for 2025 and 2030 in Brazil as the Paris Agreement is not meant to start until 2021 or 2022. If Brazil does not respect the agreement, how will this be translated into the trade agreement? Third, they questioned why wage impacts were not presented specifically for agriculture. Fourthly, COPA COGECJA underlined the importance of recognizing two specific sources of beef, including dairy and specialised productions of meat as well as distinguishing between normal cuts, special cuts, and the rest of the carcass. The representative asked whether it would be possible to make an analysis specifically on this as it would provide a more complete picture of the effect on
the EU market. Finally, the group noted that as Brazil is already an exporter of sugar, reducing tariffs will have a huge impact on the market price. It would be interesting to see additional costs of production for EU farmers to comply with standards.

COMITE EUROPEEN des FABRICANTS de SUCRE (CEFS) – asked how the analysis was conducted for the impact on the EU sugar market and if the consequence of the past reforms, notably the abolition of quotas, have been taken into account – and if so, how? CEFS considers that the report underestimates the impacts on the agricultural, environmental, and social standards.

LSE Consulting – clarified that as the Terms of Reference (TOR) require labour and environmental issues to be cross-cutting, the team does not generally highlight or separate animal welfare as opposed to social or environmental issues. However, animal welfare is discussed in the section on beef and this will be expanded upon in the final report. As regards GHG, LSE Consulting will be developing this part of the analysis further in the next version when investigating the linkage between MEA compliance and sectoral effects. The team noted that the conversation on which institutional mechanisms work and which don’t will be of importance, but it is likewise important to keep in mind themes that are realistically related to trade, and recognize when some are beyond trade issues as there are limits and opportunities to trade mechanisms.

In response to COPA COGECA, LSE Consulting clarified that the team must stand behind their methodological approach at this point, as it has been a long and complex process to model the included sectors across four partner countries and the EU. LSE Consulting noted we must be careful to not transform this SIA into the different type of model and IA that the commission conducts internally for an agreement that has already been negotiated. Now, this does not mean there should not be a link, but rather remarks comparing the modelled scenarios and actual agreement results should be taken into account as part of the stakeholder consultation instead of re-designing the model. Finally, LSE Consulting noted that while modelling costs for EU farmers to comply with EU standards is relevant, it is not the purpose or focus of the SIA.

Finally, in response to EU sugar manufacturers, LSE Consulting noted that the team systematically tries to look at cross-cutting issues for environmental and labour standards.

Deutscher Industrie- und Handelskammertag e.V. – noted their support for the focus on SMEs and improvements in the Rules of Origin chapter. The representative noted that in the German economy, the trade landscape has darkened as companies are faced with more trade barriers. However, numerous German companies are considering a move back from China to Germany to make use of this agreement with Mercosur.

EU Sugar Refineries Association (ESRA) – noted that imports of sugar would create some activity in employment and refineries. The group questioned whether the effects of sugar imports on employment were considered when modelling the EU’s output in the sugar sector.

European Economic and Social Committee (EESC) – questioned why the report does not consider different scenarios regarding labour provisions instead of assuming the existing approach on enforcement. The representative noted that indicators focus on wages, but not on working conditions. It was suggested that the report needs to be broader with a more comprehensive judgement about such situations. Additionally, the representative questioned why the report only makes reference to business and financial services as there is a big impact on maritime services as an effect on market access. It was asked whether this could be integrated into the next report.
European Economic and Social Committee (EESC) – the EESC representative for farmers argued that the report underestimates the impacts of beef imports into the EU. It was suggested that the populations who will suffer most from the impacts should be identified as they will most likely include environmentally friendly pasture farmers in the extremities of the EU. Farmers will be less competitive if the cost of complying with EU regulations are underestimated, which could result in massive land abandonment and undermining biodiversity. Finally, it was noted that most South American countries have very weak compliance mechanisms for animal identification and AMR.

LSE Consulting – considering a range of scenarios for TSD enforcement is not envisaged. With regard to the EESC’s comment on considering working conditions, LSE Consulting clarified that the team does tackle this by taking the ILO Conventions on freedom of association; child labour; and forced labour into consideration. LSE Consulting noted the requests to disaggregate beef cuts. In regards to the methodology of services section, LSE Consulting clarified that sector selection had been done before the Agreement in Principle at the start of the project as it is one of the crucial parts in defining the scope of an SIA.

Association Nationale Interprofessionnelle du Bétail et des Viandes (Interbev) – also noted the need to reflect the segmentation of the beef market. The group questioned how the assumptions in the current version of the report were made.

Greenpeace – highlighted that other trade agreements might also have an impact on the agricultural sector. Thus, the group questioned whether this SIA was only looking narrowly at Mercosur or if it includes the trade agreement with New Zealand for example. On beef and consumer impacts, Greenpeace pointed out that the report does not discuss consumer protection. It was underlined that many scandals have taken place with beef and poultry in Brazil, where at times exports have been halted in response. As such, Greenpeace suggested it would be important for the report to mention consumer protection specifically in light of the SPS chapter not including the precautionary principle. Greenpeace then directed itself towards the Commission to ask about the market schedule on biodiesel.

COPA COGECA – requested some clarity on the impact on SMEs in the agricultural sector

LSE Consulting – responded to the comment on the methodology for the beef sector analysis by echoing its stance that as the team is constrained by the TOR, the report cannot re-design its modelling, but the team will ensure to include it as feedback and part of the qualitative discussion. As regards the agreements that were factored into the modelling analysis, they only include agreements that are concluded, not negotiations that are still ongoing. With regard to consumer protection the team will bring this to the attention of the expert on the agricultural analysis. Finally, in response to SMEs in the agricultural sector, the team recognized that the report does frame the impact on SMEs with a focus on those in the manufacturing sector so it is another methodological point the team will consider.

DG Trade, COM – clarified that DG Trade is conducting legal revisions at the moment. Once this has been done, the text will be translated and proposed to the Council and Parliament for consideration. This will be ready in the second half of next year. Regarding details of the outcome of the negotiation, this meeting focussed on the SIA was not the right forum for those issues.

Humane Society International – highlighted that everyone is making static assumptions when it comes to things like the beef market. However, recognizing that society is having to reduce the consumption of meat in response to climate change...
mitigation, the Humane Society questioned how such societal transformations could be incorporated into the scenario projections.

Eurogroup for Animals – questioned whether the final report would reflect figures from the final agreement instead of the assumed scenarios.

Conservation International – questioned how the interim report support the negotiations and what the purpose of the final report’s recommendations would be. The group likewise requested clarity on employment effects.

LSE Consulting – responded that the analytical model does not consider societal transformations such as possible impacts on meat consumption for sustainability purposes. It is important to recognize effects that are due to trade and those that are not. In response to the question on the purpose of policy recommendations, LSE Consulting views these as opportunities to combine stakeholder feedback with the resulting analysis to formulate evidence-based recommendations to contribute to ongoing debates about trade policy. Regarding employment, LSE Consulting responded that the team considers the sectoral level results more informative and thus work at the sectoral level rather than with an aggregate. The models tend to show, especially for the EU, positive impacts, albeit marginal.

COM, DG Trade – clarified that through the SIA and the workshops and dialogues it enables on both sides of the Atlantic, the Commission receives input from civil society throughout the negotiation. The SIA is thus important as a participatory process rather than just a finished product. The economic modelling exercise will not be revisited for the purposes of this report, but the conservative scenario is fairly close to the negotiated outcome for most sectors.

European Economic and Social Committee – requested LSE Consulting to please explain why consumer price in the EU will increase. Additionally, the representative questioned whether there was any analysis done on public administration effects – particularly public procurement.

LSE Consulting – responded that the team will discuss integrating public procurement into the analysis as a cross-sector component rather than as a sectoral issue and noted the question on consumer prices.