



EU AGRICULTURE AND MERCOSUR: WHAT IS THE STATE OF PLAY?

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SPECIAL REPORT

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The entry into force of the Mercosur deal – set to forge a trade area between the EU27 and Mercosur countries, Argentina, Brazil, Paraguay and Uruguay – remains a controversial topic amongst agrifood stakeholders.

The deal was struck in 2019, after almost 20 years of negotiations. It establishes the largest free trade zone the EU has ever created, covering a market of 780 million people and liberalising most agricultural exchanges.

Despite the lengthy negotiations, the deal is far from being done. Its ratification is coming under fire, especially regarding Brazil's environmental policy, which is being called into question by some member states.

Although it offers some market opportunities for EU farmers and companies, many European producers fear the agreement will afford better market access for agricultural giants, such as those in Brazil and Argentina.

In this Special Report, EURACTIV's partner EFE Agro takes a look at the current state of play of the EU agricultural sector and the Mercosur deal.



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Member state criticism, COVID crisis delay ratification of EU-Mercosur deal

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By Mercedes Salas | EFEAgro



France, the Netherlands and Austria have already announced that they will not ratify the deal if Brazil does not improve its environmental actions. Some NGOs have also complained about the lack of measures to protect Amazon rainforest. EPA-EFE/CLEMENS BILAN

The challenging procedure of ratifying the EU-Mercosur deal is being held up due to a combination of the COVID-19 health crisis and considerable criticism from member states. [EURACTIV's partner Efeagro takes a look at the current state of play.](#)

The entry into force of the deal – set to forge a trade area between EU27 and Mercosur countries, Argentina, Brazil, Paraguay and Uruguay – will be complex.

The procedure for the deal's ratification is coming under fire, with some even challenging the content of the trade agreement. In particular, Brazil's environmental policy is being called into question by some member states.

The EU-Mercosur deal was struck in 2019, after almost 20 years of negotiations. It establishes the largest free trade zone the EU has ever created, covering a market of 780 million people and liberalising most agricultural exchanges.

Although it gives some market opportunities for EU farmers and companies, many European producers fear the agreement will afford better market access for big agricultural giants like Brazil and Argentina.

CRITICISM AND EU CALENDAR

The European Commission is now translating the agreement into all official EU languages and is expected to forward it to the Council in the

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coming months.

After Council approval, the deal will head to the European Parliament and, given the recent discussions about the deal, MEPs and EU governments may even move to strike the deal down.

In October, the European Parliament warned that it will not ratify the agreement as it stands, because of Brazilian President Jair Bolsonaro's environmental policy.

France, the Netherlands and Austria have already announced that they will not ratify the deal if Brazil does not improve its environmental actions. Many NGOs have also raised concerns about the lack of measures to protect the Amazon rainforest.

Spanish farmers and cooperatives organisations demand guarantees for "reciprocity" and a level playing field between the EU and Mercosur.

A FREE TRADE ZONE

However, in terms of trade advantages, the agreement is an attractive one.

The deal will remove tariffs for 99% of EU agricultural trade, open markets for 88% of EU agricultural goods and eliminate customs duties on 91% of EU global exports.

"Dialogue, women's and youth inclusion or environmental aspects are social and political sides that can boost sustainable development in the region," Inter-American Institute for Cooperation on Agriculture sources told Efeagro, highlighting

"the support and the strengthening of EU-Mercosur relations, beyond the economic aspects."

Customs duties rebates will apply to Mercosur countries for fruits and vegetables, while duties on soya products will be removed entirely.

For sensitive agricultural products such as beef, rice, poultry and sugar, the agreement includes safeguard clauses, including phytosanitary and veterinary measures.

The agreement will also protect about 350 of the EU's geographical indications (GIs) on the Mercosur market.

For Spanish and EU agri-food companies, the agreement means custom duties rebates will be applied to wine, spirits, soft drinks, chocolate, dairy products, some fruits and vegetables, as well as olive oil.

While many farmer organisations in Mercosur states have welcomed the agreement, organisations representing farmers in Europe have been very critical of the deal.

For instance, Spanish and EU farmers are worried about an increase in beef and orange juice imports from the Mercosur bloc.

MERCOSUR: A SURPLUS IN AGRI-FOOD TRADE

Spain has an agri-food trade deficit with Mercosur of €2.8 billion, according to Spain's agriculture, fisheries and food ministry.

In 2019, the EU had a global trade

surplus with Mercosur of €5.131 billion, according to the European Commission's figures. However, the EU recorded a trade deficit of €13.859 billion for its trade of agri-food products.

Mercosur agreement seduces Spain's industry, disturbs farmers

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By Juan Javier Ríos and Oscar Tomasi | EFEAgro



"We have always opposed" the agreement because it does not bring "almost any advantage" to the Spanish and the European agricultural sector, said José Luis Miguel, the technical director of agricultural organisation COAG. EPA-EFE/LUIS FORRA

The EU-Mercosur deal has raised mixed feelings in Spain. While the food industry highlights the new opportunities for the sector, farmers remain unconvinced. [EURACTIV's partner Efeagro reports.](#)

Several sources from industry, cooperatives and agricultural organisations, contacted by Efeagro, agree on the EU-Mercosur agreement's uncertain future, raising doubts about whether it will even be adopted.

"For us, as manufacturers, Mercosur represents a great market. There is a very clear appetite for

European packaged products, and more specifically for those coming from Spain," Josep Puxeu, the representative of the Spanish food industry association (FIAB) in the European Economic and Social Committee (EESC), told Efeagro.

Puxeu acknowledged that there are "sensitive" food products for Spain within the framework of this agreement, such as beef or concentrated juices. However, according to him, the key in such cases is "to look for elements of reciprocity and a transitional nature".

"We need the deal not only for cultural and language issues but also because there are not so many open markets. It is one of the few areas in the world where we can continue to carry this kind of agreement out," he added.

HEADING INCREASING RELUCTANCE AND 'INSTITUTIONAL NAVEL-GAZING'

Puxeu also urged the EU to "stop institutional navel-gazing" and "take advantage of the only options that are left in the field of world trade",

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alluding to the consensus in the Asia-Pacific region.

“The EU-Mercosur deal is the only one we have our sights on. It was on track but now there are very reluctant countries, including Austria and the Netherlands, as well as social and environmental problems.”

“Nevertheless, it cannot prevent us from moving forward. The cost of the agreement is being calculated, but nobody calculates how much it would be if it is not signed,” he warned.

Spain’s agri-food cooperatives have become increasingly sceptical about the deal’s benefits for the primary sector.

A NEGATIVE IMPACT ON ‘CERTAIN’ FOODSTUFFS

According to the director of Technical Services and EU-International Relations of Agri-food Cooperatives, Gabriel Trenzado, the deal “may have a negative impact on certain products”.

They have already analysed how Spanish food that is likely to benefit the most from trade, such as olive oil and table olives, could have “much longer” periods before being phased into the agreement, compared to other products from Mercosur countries that “would be practically tariff-free since the beginning.”

Trenzado also advocates reciprocity: “We would like imported food to follow the same production model that exists in the EU because, otherwise, they would enjoy a greater competitive advantage,” he said.

He points to the “lack of

transparency” in the negotiation process, because “details such as phasing in periods, liberalisations or requirements for sustainability are unknown”.

Spanish beef, rice and orange juice will be the most affected products once the agreement becomes effective, he added.

INTERESTS OUTSIDE THE AGRICULTURAL SECTOR

The director of International Relations of farmers association Asaja, Ignacio López, believes that interests for Spain and the EU outside the agricultural sector are “very strong.”

For this reason, he assumes that the agri-food sector’s position towards Mercosur countries is “more defensive than offensive”, even if Spain “would not be the most affected country.”

He warned that some governments are “reluctant” to pen down their final signatures as it is “not very clear what will finally happen with the agreement,” he added.

The farmer’s association director recognises that rural areas are afraid of becoming a “bargaining chip”, while other EU sectors can profit from the deal.

Rural areas are asking for the same standards to be applied to foods coming from that part of the world, noting that they are “in favour” of free trade but in a “well regulated, organised and reciprocal” manner to guarantee a real competition.

López also pointed out that beef,

citrus and juices will be the most affected products, although he sees some market possibilities for quality products such as the ones with protected designation of origin.

FOR SOME, THE AGREEMENT BRINGS ‘ALMOST NO ADVANTAGE’

“We have always opposed” the agreement because it does not bring “almost any advantage” to the Spanish and the European agricultural sector, said José Luis Miguel, the technical director of agricultural organisation COAG.

It is necessary to “consider” that Mercosur states are “among the world’s major producers that operate under standards that have nothing to do with the EU,” he added.

According to Miguel, this makes competition “very unfair”.

He, therefore, hopes the deal will not be ratified, despite it being a possibility since “there is increasing reluctance from different countries and parties.”

The technical director also calls “some rationality” so the EU “does not open its doors” to food products that “put the internal market in danger”, noting that many “have already been imported” from Mercosur states, such as “soy or cereals.”

According to Miguel, greater attention needs to be paid to Argentina and Brazil, since they have made the Mercosur one of the “biggest grain baskets in the world.”

Europe 'cannot afford' to bow out of Mercosur agreement, says academic

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By Belén Delgado | EFEAgro



Mercosur is a way for the EU to strengthen its ties in a region where Washington maintains a strong influence and China "is getting a large share of the cake," the academic said. [SHUTTERSTOCK]

The crisis of multilateralism, driven by the competition between the US and China, and a lukewarm push from the current leaders of the EU and Mercosur, explains why the agreement between these two blocks is such a challenge, analysts say. [EURACTIV's partner Efeagro reports.](#)

The EU and Mercosur (Argentina, Brazil, Paraguay and Uruguay) closed a deal in 2019 after twenty years of negotiations, but it has yet to be ratified.

France, the Netherlands and

Austria, who have been vocal in their criticism of Brazilian environmental policy, have threatened to reject it.

The international context does nothing to ease the tensions as it is a "bad time for free trade," expert Anna Ayuso, from the Barcelona Center for International Affairs (CIDOB), told Efeagro.

The multilateral system represented by the World Trade Organisation has been strongly questioned by the presidency of Donald Trump, amid protectionist

trends in the US and worldwide that the coronavirus crisis may further encourage.

PROTECTIONIST POSITIONS

Ayuso believes that the EU has shown "a type of protectionism that relies on environmental protection," especially regarding the Brazilian Amazon.

The EU-Mercosur deal, she argues, already reflects the commitment to comply with the Paris Agreement

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on climate change and, as environmentalists demand, it could include an annex establishing mechanisms for monitoring.

She said Latin America is keeping that window of opportunity open and Europe “cannot afford” to back down.

It is not only an issue of the image or defence of multilateralism but also a way for the EU to strengthen its ties in a region where Washington maintains a strong influence and China “is getting a large share of the cake.”

COMMERCIAL COMPETITION

If the EU “withdraws” from Mercosur, China stands to gain in power, and this will also benefit other Asia-Pacific competitors such as India or Indonesia, according to Roberto Tornabell, the emeritus professor of economics and finance at the Esade business school.

“Globally, only Latin America remains as a major agricultural supplier,” Tornabell underlined.

He believes that, under the reluctance of countries like France, there lies a desire to protect their farmers from agricultural imports. As such, he proposes to provide a compensation scheme to those who are affected.

The professor defends the latest trade agreements between the EU and countries such as Japan or Canada, in contrast to the tensions caused by the tariffs Washington has imposed on European products as a result of the Boeing-Airbus dispute and the tough Brexit negotiations.

PARTNERS WEAKNESS

The EU has been weakened because of the undermining of the multilateral system, but also due to its own internal fractures and a tenuous relationship with the US, according to Ignacio Bartesaghi, dean at the Faculty of Business Sciences of the Catholic University of Uruguay.

As he points out, the agreement between the EU and the Mercosur was driven by the “geopolitical interests” of both sides, although it is now suffering from a lack of leadership.

If former presidents Mauricio Macri (Argentina) and Michel Temer (Brazil) pushed the negotiations in order to create new markets after the previous economic crisis, their successors, Alberto Fernández and Jair Bolsonaro, have not seen it the same way.

Argentina, with serious economic problems, has chosen to tighten its links with China in recent years and Brazil has just signed new trade facilitation agreements with the US, while it continues to allocate a third of its exports to the Chinese market.

Bartesaghi also lamented a lack of European leadership, saying that German Chancellor Angela Merkel is currently “on the way out” and French President Emmanuel Macron is under “internal pressure.”

LONG TERM VISION

Beyond economic issues or standards, the agreement is – in his opinion – “a geopolitical bet to obtain a great differential with respect to the US and China” in a context of strong competition.

Bartesaghi clarified that “the world has changed three times in twenty years and the possible benefits of the deal in the past have nothing to do with the impacts nowadays.”

According to the analyst, its entry into force would mean a leap in cooperation and would generate good practices and improve the image of the Mercosur by associating it with Europe. It would also give the EU an instrument to enhance investments and policies in the medium and long term, he added.

The University of Buenos Aires researcher Damián Paikin stressed that, for the Mercosur, the agreement is “an opportunity to relocate itself on the Atlantic axis,” after years of growing Chinese influence in the region.

The coronavirus pandemic, he explained, has caused a sharp drop in interregional trade and an even bigger dependence on China, a country that has recovered and continues to import Argentine and Brazilian soybeans.

“Global change seems to be quite clear: either an agreement is reached between the powers of the EU and the US, allowing other actors to participate, or other alternatives will be developed like the model China proposes,” Paikin said.

EU-Mercosur, an agreement with different agricultural standards

By Angélica Quintana | EFEAgro



There is “an imbalance in the agricultural chapter of the agreement,” said Copa-Cogeca’s director of basis products, trade issues and technology, Daniel Azevedo. The problem is that “the technical negotiations that are underway, do not have the political mandate to change the agreed text”, such as the “sustainability provisions or tariff quotas,” for example. EPA-EFE/JOEDSON ALVES

The difference in production standards has been one of many causes for disagreement during the negotiations of the EU-Mercosur agreement. [EURACTIV’s partner Efeagro reports.](#)

Food safety, phytosanitary products, quality seals, animal welfare and sustainable trade with the adequate environmental standards have been the focus of discussions and may even delay its implementation.

On 28 June 2019 – the day the political agreement’s trade chapter was signed – the then European Commissioner for Agriculture Phil Hogan said the EU had to make

“significant concessions to ensure a balanced, comprehensive and ambitious result”.

However, Europe’s producers had criticised the treaty even before that date.

There is “an imbalance in the agricultural chapter of the agreement,” said EU farmers association COPA-COGECA’s director of basis products, trade issues and technology, Daniel Azevedo.

The problem is that “the technical negotiations that are underway, do not have the political mandate to change the agreed text”, such as the

“sustainability provisions or tariff quotas,” for example.

“The difference between production standards widens the gap between EU and Mercosur farmers, and creates unfair competition”, said Azevedo, noting that “safeguard measures are insufficient to prevent disrupting the market or climate change.”

According to COPA-COGECA, poultry, honey, rice from all EU countries would be the most impacted by the agreement. More specifically, Irish and French beef, as well as French, German, Dutch, Belgian and Polish sugar, and Mediterranean citrus

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– especially from Spain – would also be heavily affected.

PHYTOSANITARY MEASURES

According to the deal, a subcommittee will meet at least once a year and, if necessary, in extraordinary session at the request of one of the parties to discuss problems that may arise from the application of phytosanitary measures (SPS), which are “non-negotiable”.

Each party will also make its list of pests, regulated products and phytosanitary import requirements available.

Although the general director of the Business Association for the Protection of Plants (Aepla), Carlos Palomar, applauded the establishment of “strict rules”, he told Efeagro that “there is great concern about the possible entry of new pests into the EU from third countries”, which could “require strict border controls”.

“The difference in pest and disease control tools between the two areas” is also worrying, he added, as it “may lead to trade barriers if the levels of traces of phytosanitary products, known as import tolerances, are not negotiated”.

For instance, Valencian farmers’ associations have already asked Brussels to carry out a phytosanitary audit of the entire Argentine citrus sector, after a growing number of lemons infested with pests were intercepted at European ports.

Spanish producers also point out that Mercosur citrus growers currently use plant medicines that

may contain active substances prohibited for European production, without these being an obstacle for their entry on the EU market.

ANIMAL WELFARE AND THE ENVIRONMENT

The EU’s animal welfare standards are also stricter than those applicable in Mercosur states.

Although the deal “will promote the EU’s global animal welfare agenda” and “the standards of the World Organisation for Animal Health (OIE)”, the national manager of the Spanish Association of Beef Producers (Asoprovac), Matilde Moro, told Efeagro that while the EU has developed animal welfare legislation including on “accommodation and handling, during transportation and slaughtering,” Brazil, for instance, although a great beneficiary of the beef agreement, “has not adopted legislation on these fundamental points”.

For instance, the recommended – not mandatory – recommended space for the transportation of animals in Brazil is between 5 and 15% lower than the one required in the EU, she added. According to Brazil’s regulations, unloading animals during long trips is not required, and transporters are unaware that regulations on the movement of livestock even exist.

Animal welfare associations like the Spanish ANDA have warned that the proposed agreement “does not guarantee that imports follow the same requirements in terms of animal welfare that are applicable to European production”.

“It would discourage European farmers from continuing on the

path taken towards respect for the environment and animal welfare,” the organisation added.

Besides, between 18 and 22% of Brazil’s annual exports of soybeans and beef to the EU is related to illegal logging, according to a July report published by the journal Science.

GEOGRAPHICAL INDICATIONS AND QUALITY SEALS

The EU-Mercosur deal will protect 355 names of food products, wines and spirits that have European quality seals like Jabugo or Queso Manchego.

The agreement also forbids expressions such as “gender”, “type”, “style”, “imitation” claims and images that suggest a false geographical origin.

The agreement “will positively influence” the development of the sector. There is ‘a solid legislative basis to elucidate possible conflicts’,” according to Spain’s association of geographical seals Origen España.

The association hopes the agreement will be strengthened over time with the recognition of all protected designations of origin (PDO) and protected geographical indications (PGI) registered in the EU, according to sources consulted by Efeagro.

They also expect them to harden “punitive elements in cases of infringement” and “the willingness of the signatories to apply agreements, regardless of the strength of the offenders.”

EU-Mercosur agreement could cause international trade uncertainty

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By EFEAGRO



Were the EU to withdraw from the agreement with the Mercosur states, experts consider China to be one of the beneficiary countries in the global trade scenario. EPA/BALLESTEROS

The EU's trend of negotiating preferential or free trade agreements with different regions and countries of the world has experienced successes and failures. [EURACTIV's partner Efeagro reports.](#)

While the EU has sometimes succeeded in the race for international trade, like in the case of the EU-Canada free trade agreement (CETA), it has also failed – notably when it came to negotiating the Transatlantic Trade and Investment Partnership (TTIP) with the US, which died a slow death

following the election of President Donald Trump.

Now, besides the future of EU-UK trade relations after Brexit, progress on free trade is hoped for with Mercosur countries.

The EU-Mercosur deal was always expected to be complex, with a path full of obstacles. Not only is the agreement's content being questioned, but the environmental policy of Brazilian President Jair Bolsonaro has also become a problem.

However, were the EU to withdraw from the agreement with the Mercosur states, experts believe China would benefit.

Considering these elements, the European Commission keeps taking steps with the aim of making the agreement a reality, at the earliest, by the end of 2021.

KEY FIGURES

The agreement – a document of

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more than 7,000 pages – is based on two decades of negotiations. The agreement would form the largest free-trade zone ever created by the EU, involving 780 million people.

It would liberalise 99% of EU agricultural trade, while the Mercosur countries would open their market to 88% of EU agricultural goods and 91% of total exports.

The EU posted a surplus in global trade with the Mercosur of €5.341 billion in 2019.

For the agricultural sector, however, the agreement benefits the Mercosur states, as the EU recorded a trade deficit of €13.9 billion in 2019 for its trade of agri-food products.

DELICATE ISSUES

The agricultural associations of the Mercosur states – who are to benefit from reduced tariffs on fruit and vegetable shipments and no taxes on soy products – welcome the agreement.

However, although the EU sees the deal as an opportunity to highlight the quality of European products and protect 350 European designations of origins, representatives of European agriculture, who are worried about their beef, poultry, rice and sugar, remain critical.

European farmers are calling for reciprocity in the trade of foodstuffs, particularly given the difference in animal and plant production standards.

The agreement dedicates an entire chapter to sanitary and phytosanitary

measures. For example, each block of countries will make available to the other a list of pests, regulated products and phytosanitary import requirements.

The Spanish Business Association for the Protection of Plants (Aepla) applauds the establishment of strict standards but admits there is “great concern about the possible entry of new pests in the EU.”

With regard to animal welfare and the environment, the deal expects to adhere to the European agenda and to the standards of the World Organisation for Animal Health (OIE).

However, although the EU has many laws to regulate such matters, countries like Brazil – a major beef producer – have not developed basic standards in this regard, according to the Spanish Association of Beef Producers (Asoprovac).

AND WHAT ABOUT SPAIN?

Spain has a trade deficit of around €2.8 billion, according to the country’s ministry of agriculture, fisheries and food.

For the Spanish agri-food sector, the agreement offers advantages and tariff reductions in sectors such as wine, spirits and soft drinks, chocolate, dairy products, some fruits and vegetables, and olive oil.

Some Spanish producer associations, like agri-food cooperatives Asaja and COAG, are suspicious of the deal and demand reciprocity to ensure food imports –

particularly of beef and orange juice – follow the same production model as the one in the EU.

Yet, the Spanish food industry acknowledges that the Mercosur represents a large market with a clear demand for European packaged products.



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