

EFFAT POSITION ON THE EU- MERCOSUR FREE TRADE AGREEMENT

Adopted at the EFFAT Executive Committee on 4 March 2020

KEY MESSAGE

- EFFAT believes that the overall result of the EU-Mercosur negotiations on a Free Trade Agreement would expose the EU agriculture and food sectors to unfair competition with potential negative consequences for workers on wages, working conditions and employment. Moreover, the current draft doesn't contribute to the improvement of labor rights and working conditions in Mercosur countries.
- EFFAT believes that Agreement, in its current draft, is not acceptable, economically, socially and environmentally for the EU agro-food sectors and the Mercosur countries.
- EFFAT cannot accept that the agri-food sector is treated by the European Union as a bargaining chip to promote the export of other goods without any consideration of the heavy economic, social and environmental impact that such decisions entail on the EU agro-food system.
- EFFAT regrets that while the EU commits to achieve ambitious environmental goals with the EU Green Deal and the Farm to Fork Strategy, the Mercosur agreement fails to include strong and binding safeguards that ensure that the environment is protected, and human and labour rights are respected.
- EFFAT calls for the EU Institutions and national Parliaments **to reject the ratification** of the EU-Mercosur Free Trade Agreement in its current draft.

Overview and state of affairs

The EU and Mercosur countries (Argentina, Brazil, Paraguay and Uruguay) reached an agreement in principle on a Free Trade Agreement (FTA) on 28 June 2019. The trade deal is part of a wider Association Agreement between the two blocs that includes political dialogue, cooperation and free trade. The agreement came after twenty years of negotiation. Talks began in 1999 but were suspended between 2004 and 2010.

At the moment (February 2020), both sides are engaged in the legal and technical revision of the agreement. Once finalised, the texts will need to undergo translation into all EU languages, before the European Commission can start the necessary internal procedures for to the transmission of the agreement to the Council and European Parliament for adoption.

The EU-Mercosur FTA is a "mixed agreement" including also matters that do not fall under the exclusive competence of the EU. That means that all EU Member States will have to ratify it. This will involve votes by national and regional parliaments. If one parliament with national competences (in Belgium there are 7 of these, for example) votes against it, then the whole agreement fails. After all EU Member States have ratified it, the EU can apply the agreement in full. In the meantime, the Commission can propose to the Council that the agreement applies provisionally – in full, or in part.

At the moment, both the Wallonian (Belgium) and Austrian Parliaments adopted motions to reject the current draft. The Austrian Parliament's European Union subcommittee has also already expressed a negative vote on it. These votes are currently not binding as the Agreement has not been officially presented yet by the Commission.

Why this agreement matters for the EFFAT sectors

The agreement aims at liberalising extensively trade in goods and will have an impact on different sectors of the economy including chemical, automotive and pharmaceutical.

For food and agricultural products the agreement will gradually eliminate tariffs barriers on several products such as beef, poultry, pig meat, sugar, ethanol, rice, honey, sweetcorn (please see details in Annex I). Reciprocal tariff-rate quotas will be opened by both sides phased in 10 years for cheese, milk powders, infant formula. A series of other key products of EU export interest will be liberalised by Mercosur: wine, spirits, olive oil, fresh fruit (apples, pears, nectarines, plums and kiwis at entry into force), canned peaches, canned tomatoes, malt, frozen potatoes, chocolates, biscuits, soft drinks.

As far as public procurement is concerned, the EU has offered Mercosur suppliers reciprocal access to the EU procurement market. This covers procurement by EU Institutions and by central governments contracting authorities in EU Member States.

EFFAT position on the current text of the Agreement

EFFAT believes that the overall result of the EU-Mercosur negotiations on a Free Trade Agreement is not acceptable, economically, socially and environmentally for the EU agro-food sector and the Mercosur countries. EFFAT urges the EU Institutions and national Parliaments to reject its ratification in its current draft.

Some of the reasons why the current draft should be rejected:

- The Mercosur region has already an outstanding position within EU market suppliers in many commodities such as oilseeds, beef, sheep, sugar and pig and poultry meat. The EU agricultural sector and food processing industry will be affected by the Mercosur agreement because of the further opening of the EU market for Mercosur agricultural imports of products including beef, poultry, wine, and sugar (see annex I for the complete list). This would expose the EU agriculture and food sectors to unfair competition with potential negative consequences for workers on wages, working conditions and employment. These sectors should have deserved specific attention during the negotiation.
- It will be difficult, if not impossible, to increase the export of EU products to Mercosur countries, due to the economic downturn in some of those countries. Experience shows that in the absence of strong consumer demand, trade is unlikely to act as an independent driver of growth.
- The current draft doesn't contribute to the improvement of labor rights and working conditions in Mercosur countries. Moreover, the agreement bears the risk to fragment the regional value chains in the Mercosur countries. For example, the export of dairy products in Argentina and Uruguay may break up the regional value chain (as most dairy produced in Argentina and Uruguay is normally exported to Brazil).
- The Trade and Sustainable Development (TSD) chapter of the Agreement includes positive environmental and social commitments including the respect for ILO Conventions. However, as for others FTA, the chapter is not legally binding. In this respect, EFFAT also expresses concern about Brazil's failure to ratify Convention 87 on Freedom of Association and Protection of the Right to organise.
- The Brazilian government has recently approved the use of 221 new pesticides that are currently illegal in Europe. Food products made with the use of pesticides and other substances that are banned by the European Union are likely to be found on the European market. This is an occupational health and safety problem for the involved workers in the Mercosur countries; it is also a threat to the environment and last but not least, it is dangerous for the health of consumers in Europe.
- Many drugs, such as hormones and growth promoters, which are illegal in the EU, are used in some Mercosur countries. Other drugs, including some antibiotics and insecticides, which are banned in the EU, are cleared for legal use in some Mercosur countries with poor controls.

- Only 350 protected products, including Protected Designation of Origin (PDO) and Protected Geographical Indication (PGI), are part of the agreement. That leaves outside of the scope of the agreement many other protected products.
- The chapter on Technical Barriers to Trade (TBT), only refers to WTO obligations and aims to facilitate trade by eliminating “*unnecessary barriers...omissis...leading to decreased adaptation costs*”. Such engagement may affect important health, environmental and consumer protection measures, such as certification and labelling schemes providing basic information on food, food additives, pesticides or genetically modified organisms (GMOs).
- The increase of Mercosur exports, particularly in the beef, soy and sugarcane sectors, raises the issue related to the capacity of the region to fulfil the increasing export quantity without impacting on forests, indigenous peoples’ rights, climate change, small-scale farmers and agricultural workers. EFFAT cannot accept that the tropical forests and biodiversity of South America are being destroyed by fire to make way for beef at bargain prices for Europe.
- EFFAT believes that the opening up of the public procurement sector will mainly determine a concentration of benefits for big companies. Beyond this concern, the chapter also does not provide any mention of preferential treatment for companies with high social and employment standards, thus making no effort to incentivise responsible corporate practice.

The sheer lack of social and environmental ambition in the Mercosur countries is worrisome **and in the current state of affairs, EFFAT calls for the agreement to be rejected.** EFFAT also calls for the EU **not to provisionally apply the Agreement** as long as it has not been ratified by the national and regional Parliaments of the EU Member States.

Conditions to be met to validate the agreement

The Agreement should be adopted and ratified by the EU Institutions and by Member States only if the following conditions are respected:

- Agriculture and food always need specific attention as the economic, social and environmental sustainability of these sectors is fragile and easily disrupted. This agreement constitutes relevant risks for the EU agro-food sectors, with potential negative consequences on employment and working conditions. **Unless substantial changes to protect the long-term sustainability of the sectors are introduced, EFFAT demands the exclusion of agro-food products from the scope of the agreement.**
- The condition to respect labour rights, which are human rights, should constitute an essential element of the agreement. Moreover, the ratification, implementation, and compliance with the eight ILO Fundamental Conventions should be a pre-condition for ratifying the Agreement. The TSD chapter should be binding and effective sanctions should be established in case of breaches.
- There should be an in-depth assessment of the environmental, social, employment and economic impacts of the proposed trade agreement, and the assessments made public and considered in-depth before proceeding with any validation.

EFFAT will continue to defend the principle that the relations between the European Union and Mercosur should promote an upward convergence of workers’ rights and environmental protection standards, with greater cohesion and social justice.

In EFFAT’s view, international trade is not an end in itself and should never lead to a global race to the bottom in terms of rights and working conditions through unfair competition. On the contrary, international trade agreements should be used as a tool to tackle inequalities and promote social progress, food safety and food sovereignty.

Annex I

Agro-Food products that will access the EU market

Duties will be gradually eliminated 93% of tariff lines concerning EU agri-food exports. These lines correspond to 95% of the export value of EU agricultural products. The EU will liberalise 82% of agricultural imports, with the remaining imports subject to partial liberalisation commitments including tariff-rate quotas for more sensitive products with a very small number of products excluded altogether:

Beef: 99 000 tonnes carcass weight equivalent (CWE), subdivided into 55% fresh and 45% frozen with an in-quota rate of 7.5% and elimination of at entry into force of the in-quota rate in the Mercosur-specific WTO "Hilton" quotas. The volume will be phased in in six equal annual stages.

Poultry: 180 000 tonnes CWE duty free, subdivided into 50% bone-in and 50% boneless. The volume will be phased in in six equal annual stages.

Pigmeat: 25 000 t with an in-quota duty of €83 per tonne. The volume will be phased in in six equal annual stages.

Sugar: elimination at entry into force of the in-quota rate on 180 000 tonnes of the Brazil-specific WTO quota for sugar for refining. No additional volume other than a new quota of 10 000 tonnes duty free at entry into force for Paraguay. Specialty sugars are excluded.

Ethanol: 450 000 tonnes of ethanol for chemical uses, duty-free. 200 000 t of ethanol for all uses (including fuel), with an in-quota rate 1/3 of MFN duty. The volume will be phased in in six equal annual stages.

Rice: 60 000 tonnes duty free. The volume will be phased in in six equal annual stages.

Honey: 45 000 tonnes duty free. The volume will be phased in in six equal annual stages.

Sweetcorn: 1 000 tonnes duty free at entry into force.

Reciprocal tariff-rate quotas will be opened by both sides phased in 10 years:

Cheese: 30 000 tonnes duty free. The volume will be phased in in ten equal annual stages. The in-quota duty will be reduced from the base rate to zero in ten equal annual cuts starting at entry into force.

Milk powders: 10 000 tonnes duty free. The volume will be phased in in ten equal annual stages. The in-quota duty will be reduced from the base rate to zero in ten equal annual cuts starting at entry into force.

Infant formula: 5 000 tonnes duty free. The volume will be is phased in in ten equal annual stages. The in-quota duty will be reduced from the base rate to zero in ten equal annual cuts starting at entry into force.

A series of other key products of EU export interest will be liberalised by Mercosur: wine (with a minimum price on sparkling wine the first 12 years and reciprocal exclusion of wine in bulk), spirits, olive oil, fresh fruit (apples, pears, nectarines, plums and kiwis at entry into force), canned peaches, canned tomatoes, malt, frozen potatoes, pigmeat, chocolates, biscuits, soft drinks.