
JOINT BUSINESS STATEMENT

EU-MERCOSUR
ASSOCIATION
AGREEMENT

2021

We, the coalition of European business associations representing different European sectors call for the swift ratification of the EU-Mercosur association agreement. With the political agreement reached already 2 years ago (June 2019), now is the time to move forward and unlock the manifold mutual benefits that this agreement will deliver.

The EU-Mercosur agreement:

- is the **largest and most ambitious trade agreement ever negotiated** by both sides, provides regulatory certainty for both trade in goods and services, and establishes better trade links between countries of respectively 440 and 260 million citizens. The agreement will unlock growth and help both regions to recover from the current economic and public health crisis, invest in the green transition and diversify global supply chains and our core market base.
- **includes the most advanced sustainable development provisions that will foster partnership, help mitigate climate change and bind both sides to effectively implement the Paris Agreement.** Unilateral legislative initiatives at EU level, such as upcoming initiative on deforestation and the review of existing rules on timber trade and fight against illegal logging will enhance this cooperation and effectively ensure that exports to the EU will not contribute to deforestation or soil degradation.
- includes **enforceable commitments on workers' rights and environmental protection** through a dedicated dispute settlement mechanism that includes an active role for civil society organisations and calls on the expertise of international bodies, whose reports and recommendations must be made public. In case of non-respect of any of these provisions an automatic mechanism will trigger formal government consultations.

Failure to ratify the agreement would leave the EU and Mercosur with fewer instruments to build mutual trust and cooperate to face the biggest challenge of our time. Moreover, non-ratification will lead to Mercosur countries continuing to trade, or even expanding their trade, with other trading partners that have substantially lower environmental and labour standards.

The EU-Mercosur association agreement is very important for both the EU and Mercosur: in 2019, EU-27 exports in goods to Mercosur accounted for €41.2 billion¹, whereas export in services reached €21.1 billion in 2019². EU27 headquartered firms invested €114 billion in Mercosur markets since 2010, creating 290,000 jobs in Brazil, Argentina, Uruguay and Paraguay³.

1. Eurostat

2. Eurostat

3. FDI Markets, investments by EU27 headquartered businesses into Argentina, Brazil, Paraguay and Uruguay from 2010 to April 2021.

On the other hand, in 2019, Mercosur countries exported to the EU €35.9⁴ billion in goods and €10.8⁵ billion in services. Mercosur headquartered firms invested €1.7 billion in the EU27, creating more than 7,000 jobs across the continent since 2010⁶.

The agreement is expected to grow imports from Mercosur by 10.6% and exports to Mercosur by 52.0%, creating jobs and allowing a better flow of goods and services⁷. The challenge of mitigating climate change while maintaining prosperity, is too big to let tariffs limit the affordability of the most sustainable and innovative goods and services. The agreement will not only improve trade in goods and services, but also protect IPRs - including GIs, increase regulatory transparency and alignments, as well as cooperation on standards, including those for future technologies that will be critical to realise a sustainable economy.

Based on assessments by the EU Commission and the London School of Economics, we estimate that the EU-Mercosur Agreement could create up to 390,000 jobs in the EU, resulting from an increase of exports to Mercosur⁸. Moreover, the reduction of tariffs on EU exports to Mercosur will be making EU companies more competitive by saving €4 billion worth of duties per year and the progressive elimination of export restrictions and import duties will allow EU operators to source competitively essential raw materials⁹. This is particularly important since many EU sectors and businesses face current high tariffs of up to 35% while exporting to Mercosur.

Furthermore, transparency will allow civil society groups to build up evidence-based pressure on the side not respecting their commitments, further helping to ensure that sustainable development provisions are respected.

The growth in trade resulting from the agreement will support the ongoing transformation towards a sustainable economy in Mercosur countries. Hydroelectricity and renewable energy represent significant majority shares of the energy mix in Brazil, Paraguay and Uruguay and already a quarter of the energy mix in Argentina. Brazil furthermore committed itself to reforesting 12 million hectares by 2030, ending illegal logging, compensating any legal logging, and strengthening the forest code as co-signatory of the Bonn challenge¹⁰. Almost 60% of the territory of Brazil¹¹ is covered by forest compared to 40% in the EU, highlighting the magnitude of the challenge to protect forests¹². Brazil is therefore a partner to cooperate with in the long run, not a country to isolate.

4. Eurostat

5. Eurostat

6. FDI Markets, investments from businesses headquartered in Brazil, Argentina, Paraguay or Uruguay into the EU27 from 2010 to April 2021.

7. Sustainability Impact Assessment, London School of Economics, March 2021

8. Sustainability Impact Assessment, London School of Economics, March 2021 and Chief Economist Note, European Commission, November 2018 72.7% growth of exports in goods would result in up to 30 billion extra in exports, with an estimated 13,000 jobs linked to every billion in export.

9. EU and Mercosur press release, European Commission, June 2019

10. <https://www.bonnchallenge.org/>

11. The World Bank, data as of 2018

12. Sustainability Impact Assessment, London School of Economics, March 2021

The EU-Mercosur Association Agreement provides a unique opportunity to contribute to the economic recovery of the EU by creating a clear legal framework for new market opportunities for goods and services, creating jobs and fostering investments. The agreement would provide an avenue for cooperation between two significant global markets to realise a sustainable economy. Walking away from this agreement will limit our ability to cooperate effectively to solve the big global challenge of our time.

We thank you in advance for giving due consideration to our call and remain at your disposal for any further information and to build on an effective implementation of the full agreement.

SIGNATORIES





For more information, please contact
the secretariat of one of the Associations.

