**ESF views on EU-MERCOSUR**

**INTA Monitoring Group on MERCOSUR - 18 March 2025**

1. **Presentation of ESF & reminder of many ESF position papers and joint business coalitions letters in support of EU-Mercosur FTA**
2. **Importance of EU trade in services in the Mercosur region**

EU exports of services in the four Mercosur Countries in 2023: €29.2 Bio.

EU Imports of services in the four Mercosur Countries in 2023: €13.4 Bio

EU Trade in services surplus: €15 Bio

34.3% of total of EU trade to Mercosur (Goods and services) are services

Mercosur is the 7th EU Trading Partner for trade in services.

EU Trade with Mercosur is not only about agriculture, but has an important component of services.

Main services exports sectors by the EU to Mercosur:

* Transport services = €6.8 Bio (32.6% of total services)
* Other Business Services (professional services, management consulting services, research & development services, etc.) = 18.7%
* Travel & Tourism services = 17.8%
* Charges for the use of Intellectual property rights = 12%
* ICT (Information, Computer services & Telecom services)= 9%

EU is a major investor in Mercosur (€380 Bio in 2023), of which an average of +70% are invested by services sectors, including financial activities.

1. **Services and Investment Chapter in EU-Mercosur FTA**

The Chapter is welcomed by ESF. It includes all the various sections that are include by the EU in all its FTA (Market access – services sectors require to remove equity caps and support full ownership) & MFN provisions; Cross-border trade in services – beyond maritime transport, the mode 1 knows a high rate of growth in digital trade -; Temporary Mobility of professionals – important for services companies that want to move senior managers and reduce residency requirements - ; Regulatory framework (transparency, domestic regulation) and the sector specific sub-sections (postal and express services; Telecom services; Financial services; e-commerce).

We would have preferred to have a more modern, state of the art Digital Trade Chapter like the ones in EU-UK TCA, or EU-NZ FTA, or the more recent Digital Trade Agreements with Japan, Singapore and Korea last week. But we understand that it was negotiated a long time ago and the negotiators in 2019 did not want to reopen the talks. We welcome the fact that the E-Commerce Chapter does include the moratorium on customs duties on electronic transmissions. And the fact that the agreement does include a three-year review to negotiate later on updated rules for cross border data flows, protection of code source and data protection and data privacy provisions.

1. **Many other chapters of the agreement are important for the services sector**

The Chapter and schedule of commitments on **Public Procurement** in the EU-Mercosur FTA is very important for the services sector. In addition of the “services” components of the agreement, the provisions and commitments in “works” (i.e. public infrastructures like roads, bridges, rail, public hospitals and universities, etc.) are all linked to construction services and related services like architecture services, engineering services, urban planning services, etc.” So one can consider that 2/3 of all the provisions on government procurement are related to the services sector.

The Chapters on Competition, on subsidies, on State Owned Enterprises (SOEs), on IPR protection and on Capital movement are all very important for the services sector.

Finally, the Trade and Sustainable Development chapter of the Agreement is also welcomed by the services industries. Our companies are moving abroad with their culture and values, as well as with their know-how. The development of EU environmental services and energy & energy saving services into the Mercosur region will contribute to fighting climate change and improve sustainability.

1. **General support by ESF for the ratification of the EU-Mercosur FTA**
* ESF supports the deal. It is urgent that, in the current geopolitical turmoil, the EU reaffirms that it is in favour of the rule of law. An FTA is first and foremost a tool to legally bind the parties.
* The EU needs to diversify if supply chain and Mercosur is a perfect opportunity to do so with partners that largely share the same values as the EU.
* The agreement could have been better in the market access for the EU services sectors, but ESF supports the deal because experience shows that when trade in goods increases, trade in services also automatically increases.
* In the detail, Argentina and Uruguay have excellent schedule of commitments with open market to most services sectors (except maybe for the sector of insurance and re-insurance in Argentina).
* In Paraguay, the commitments are of rather middle quality, but the market is really small.
* In Brazil, many barriers for EU service providers remain, but EU companies have managed over the years to adapt and continue to invest massively in Brazil.
* Examples of difficulties:
	+ - Residency requirements for professional services
		- Lack of commitments for cross-border trade services (Mode 1) in computer related services
		- Complex commitments in telecom services, no Reference Paper on Basic telecom
		- Complex commitments in financial services,
		- Limited commitments in maritime transport.
* The fact that the openness of a service sector is not fully bound under the FTA does not mean that the market is closed, and the huge investment by EU services sectors in the Mercosur shows that European companies trust the market environment, even if the agreement does not provide investment protection to investors.

**Conclusion**

* **ESF strongly support the ratification and the entry into force of the EU-Mercosur FTA**.
* EU-Mercosur is not only about agriculture, and even in that domain the EU will be a strong beneficiary (incl. through services around agriculture).
* A third of the EU exports to Mercosur is services trade and two-thirds of EU Outward FDI going to Mercosur come from the services sectors. **The trade in services dimension of the agreement must be taken into account by the European Parliament**.
* ESF urges the European Parliament to allow the splitting of the Association agreement and gives its consent to ensure that the FTA can enter into force as soon as possible.

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