

## POSITION PAPER

Brussels, 14 April 2020

# Orgalim Position Paper on the EU-Mercosur Free Trade Agreement

### EXECUTIVE SUMMARY

Orgalim welcomes the conclusion of the negotiations for an EU-Mercosur free trade agreement in June 2019<sup>1</sup>, as part of the Association Agreement. We call on the European Commission, the European Parliament, and the Council of the EU to take all necessary steps to ensure a swift entry into force of the EU-Mercosur free trade agreement.

### Background

In June 2019, after twenty years of negotiations, an in-principle agreement on trade between the EU and Mercosur (Argentina, Brazil, Uruguay and Paraguay) was reached<sup>2</sup>. The EU-Mercosur free trade agreement is important for our companies as the trade flows between the EU and Mercosur countries stand at €17 billion per year<sup>3</sup>.

There is global competition for market access to the Mercosur countries between European, Asian and American manufacturers. The EU-Mercosur free trade agreement (hereafter referred to as the FTA) is a positive development for the economies of both regions, especially in view of the increasing trade tensions on a global level. This FTA will allow Argentina and Brazil a stronger integration into international value chains. It should also increase market access for our companies, as this is currently limited following the exclusion of Brazil and Argentina from the EU's GSP scheme in 2015<sup>4</sup>. Finally, it will also address the high tariff barriers in Mercosur countries (the Mercosur tariff for our sectors averages 14%, with peak tariffs of up to 20%). Dismantling the current high tariff barriers will create new export opportunities for our companies.

**In this context, Orgalim would like to put forward the following recommendations:**

1. *The next steps for the EU-Mercosur trade agreement*

We call on the Commission to publish as soon as possible the market access offers and to take all necessary steps to enable the provisional and definitive entry into force of the trade agreement. We also

<sup>1</sup> [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_19\\_3396](https://ec.europa.eu/commission/presscorner/detail/en/IP_19_3396)

<sup>2</sup> <http://trade.ec.europa.eu/doclib/press/index.cfm?id=2048&title=EU-Mercosur-trade-agreement-The-Agreement-in-Principle-and-its-texts>

<sup>3</sup> Source: Eurostat International Trade Statistic (Data Set - 045409)

<sup>4</sup> [https://trade.ec.europa.eu/doclib/docs/2015/august/tradoc\\_153732.pdf](https://trade.ec.europa.eu/doclib/docs/2015/august/tradoc_153732.pdf)

*Orgalim represents Europe's technology industries: companies that innovate at the crossroads of digital and physical technology. Our industries develop and manufacture the products, systems and services that enable a prosperous and sustainable future. Ranging from large globally active corporations to regionally anchored small and medium-sized enterprises, the companies we represent directly employ 11 million people across Europe and generate an annual turnover of around €2,000 billion. Orgalim is registered under the European Union Transparency Register – ID number: 20210641335-88.*

call on the Parliament, the Council of the EU, and the EU Member States to support this balanced free trade agreement.

## 2. *Tariff barriers*

The common external tariff (TEC) of Mercosur has an average tariff of 14% for our products, with some peak tariffs reaching 20% and a few products benefitting from a lower tariff rate between 0% and 12%. These tariffs are extremely high, especially when compared on a global scale. For this reason, we ask for tariffs to be gradually dismantled on the basis of the FTA.

## 3. *Non-tariff barriers*

Orgalim supports the Chapter on technical barriers to trade<sup>5</sup>, in particular the reference to International Organisation for Standardisation (ISO), International Electrotechnical Commission (IEC), and International Telecommunication Union (ITU) standards.

Under the provisions on regulatory cooperation foreseen in the Chapter on technical barriers to trade of the FTA<sup>6</sup>, Orgalim would like to see technical barriers to trade, such as the Brazilian '*Norma Reguladora 12*<sup>7</sup>, overcome.

Clear and transparent test procedures for determining product conformity with locally applicable requirements are an essential success factor for our industries. Against this background, the mutual recognition of product conformity procedures foreseen in the Chapter on technical barriers to trade<sup>8</sup> is an important improvement.

## 4. *Public Procurement*

Orgalim supports the opening up of government procurement markets in Mercosur countries, both at federal and central level. Mercosur countries have also committed to work with their sub-central entities to enable European companies to tender for contracts on sub-central levels. We call for this process to be concluded as soon as possible.

## 5. *Trade and Sustainable Development*

Orgalim supports the trade and sustainable development Chapters of the agreement, including a commitment to effectively implement the Paris Climate Agreement<sup>9</sup>.

Orgalim and its members look forward to increasing the business opportunities between the EU and Mercosur countries, and to that end call on the Commission, the Parliament, and the Council of the EU to take all necessary steps to ensure a swift entry into force of the EU-Mercosur trade agreement.

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<sup>5</sup>See the Technical Barriers to Trade chapter of the EU-Mercosur agreement

[https://trade.ec.europa.eu/doclib/docs/2019/july/tradoc\\_158153.%20Technical%20Barriers%20to%20Trade.pdf](https://trade.ec.europa.eu/doclib/docs/2019/july/tradoc_158153.%20Technical%20Barriers%20to%20Trade.pdf)

<sup>6</sup> See article 10 of the Technical Barriers to Trade chapter of the EU-Mercosur agreement

<sup>7</sup> Available in English here: <http://www.braziliannr.com/brazilian-regulatory-standards/nr12-machinery-and-work-equipment-safety/>

<sup>8</sup> See Article 7 of the Technical Barriers to Trade chapter of the EU-Mercosur agreement

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<sup>9</sup> [https://trade.ec.europa.eu/doclib/docs/2019/june/tradoc\\_157957.pdf](https://trade.ec.europa.eu/doclib/docs/2019/june/tradoc_157957.pdf)