



A Guide to the EU/Mercosur Trade Deal 2019

Benefits of the Mercosur trade deal for Irish Business

What is the Mercosur Trade Deal? The Mercosur trade deal is a political agreement for an ambitious, balanced and comprehensive trade agreement that was reached on June 28th 2019. The Mercosur trade agreement covers trade between the EU and Mercosur states, Argentina, Brazil, Paraguay, and Uruguay as part of a bi-regional Association Agreement.

- The EU is the first major partner to strike a trade pact with Mercosur
- Mercosur is a major investor in the EU, with stocks of €52 billion in 2017
- Mercosur is the world's fourth-largest trading bloc
- The four Mercosur members have a combined gross domestic product of over \$3 trillion and a population of 260 million.

The goals of the new EU-Mercosur trade deal are to firstly, remove the barriers to trade and help EU firms – especially smaller ones – to export more. Secondly, to strengthen worker's rights and ensure environmental protection, encourage companies to act responsibly, and uphold high food safety standards. Finally, to protect quality EU food and drink products labelled as Geographical Indications from imitations.

What's in it for business?

The agreement will open up new business opportunities in Mercosur for EU companies selling under government contracts, and to service suppliers in the information technology, telecommunications and transport sectors, among others.

The EU's trade agreement with Mercosur will:

- Remove trade barriers and make it easier for EU firms to sell goods and services to Mercosur and to invest.

- Help the EU and Mercosur shape global trade rules in line with the highest EU standards.
- Send a powerful signal to the world in favour of rules-based trade and that two of its biggest economic blocs reject protectionism.
- Further integrate value chains between our two regions, thereby helping industries on both sides stay competitive on the global market.
- Project our values via detailed obligations on trade and sustainable development, including climate change and labour.

Why is it good for Ireland?

1. Creating new opportunities for Irish farmers and agri-food producers



- The agreement will significantly reduce or simply scrap many of the existing high tariffs and restrictions, offering real gains to the Irish agri-food sector.
- Mercosur is a significant market for food products such as dairy and whiskey. Exporters of these mostly high-value added exports could benefit significantly from the removal of tariffs. Among the main products under this category which Ireland currently exports to Mercosur are **milk infant formula** €7m (2018) and **Irish whiskey** and **Irish cream** €5m (in 2018).
- Under the new agreement new market openings will be offered for dairy and notably cheese, skimmed milk powder and infant formula thus opening up potential for Irish exports.

2. Supporting Irish farmers in case of challenge



- The agreement provides for a limited amount of beef to be imported from the Mercosur countries at lower tariff rates: **up to 99,000 tonnes**, which is just over **1 per cent** of total EU beef consumption and half of currently existing imports from Mercosur. This quota will not fully apply until 2027. Moreover, the quota will be phased in gradually over six annual instalments.
- A support package of up to €1 billion to assist farmers, including Irish beef farmers, in the event of significant market disturbance will be created.
- The deal also includes a safeguard clause, which can be used if the EU agri-industry is, or is at threat of being, seriously affected by increased imports.
- The EU is a global standards setter and all beef and other food products imported into Ireland will have to comply fully with the EU's stringent food safety standards.

3. Protect distinctive Irish food and drink products



- Irish companies will benefit from the Mercosur trade agreement as it will provide a high level of protection for traditional EU food and drink products that hold a geographical indication (GI). This indication will show they have a specific geographical origin and possess qualities because of it.
- The Irish products that will be protected under the agreement include:
 - Irish Cream (Liqueur)
 - Irish Whiskey / Uisce Beatha Eireannach / Irish Whisky (Whisky / Whiskey)

4. Open up the Mercosur services market to Irish firms



- Ireland is the EU's fourth largest exporter of services to Mercosur of which business services are the bulk. Much services trade takes place on the basis of Irish companies established in Mercosur, or vice-versa.

5. Opening up public contracts in Mercosur to Irish firms



- This agreement will give Irish companies' access to Mercosur's large public procurement market.
- Irish companies will also have the opportunity to bid to supply goods, services and works for tenders issued by Governments in Mercosur countries.

6. Help Ireland's small businesses export more to Mercosur



- Small businesses in Ireland are very export oriented and makeup 79% of the total number of Irish exporting companies.
- Lower trade barriers, tariff elimination, simplified customs procedures and more compatible technical requirements will all make it easier and cheaper to export. This will allow smaller firms to:
 - compete more easily with large companies
 - participate more in supply chains and e-commerce.
- There are specific provisions that reinforce the agreement's benefits for small companies, such as simplifying procedures at Mercosur customs and improved access to information on public procurement tenders.

7. Environmental Protection



- A number of environment/climate commitments in the deal will ensure that the Mercosur countries fulfil their obligations under the Paris Climate Agreement.
- There is a dedicated sustainable development chapter which will cover issues such as sustainable management and conservation of forests, respect for labour rights and promotion of responsible business conduct.

Useful Information

<http://ec.europa.eu/trade/policy/countries-and-regions/regions/mercosur/>

http://trade.ec.europa.eu/doclib/docs/2019/june/tradoc_157953.pdf

http://trade.ec.europa.eu/doclib/docs/2019/july/tradoc_158075.pdf