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Mercosur - what we know so far

The Mercosur negotiations have been ongoing in some shape or form for the last 20 years. On 28 June, in the margins of the G20 summit in Japan, the stars aligned and the EU and Mercosur announced a political agreement. This political declaration was hard fought for and was not well received by all, in particular the Member States involved in beef and ethanol production.

The text of the agreement is still to be published. Nonetheless, please find below a summary of the concessions which have been announced so far, as confirmed in this European Commission summary:

Tariff reduction down to zero over 9 years for the following:

30,000 tonnes of cheese (excluding fresh mozzarella)

10,000 tonnes of SMP

5,000 tonnes of infant formula

It should be noted that these are *reciprocal* TRQs, meaning that the EU will offer the same access to these goods coming in from Mercosur countries.

From the date of application of the trade part of the agreement, a tariff reduction of 30% will apply to butter. In addition, a tariff reduction of 50% will apply to yoghurt.

Dairy in Mercosur

For the purposes of analysing the benefits for the dairy trade, we should consider that both Argentina and Uruguay are net exporters of dairy and are active on the world market. Argentina and Uruguay export significant volumes of WMP in particular. Paraguay is a tiny market of 7 million and current EU exports to Paraguay are virtually non-existent. Brazil is therefore the focus in terms of gaining market access. Brazil presents a formidable opportunity for dairy exports, with a growing population of 210 million people. In 2018, Brazil imported just under 30,000 tonnes of cheese in total, so a 30,000 tonne quota for EU cheese can be considered as fairly generous. With respect to butter, Brazil imported approximately 5,000 tonnes of butter last year, so it will be interesting to see if the 30% tariff reduction on EU butter will have an impact in the future.

What is perhaps more relevant in terms of improving market access in Brazil is addressing non-tariff issues, with respect to plant registration, labelling etc. Despite a willingness over the years on both the EU and Brazilian side, it has been very difficult to find a solution to these longstanding challenges.

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Going forward

The deal will now need to be approved by the Council and the European Parliament (in that order), as well as by the national parliaments of the Mercosur partners.

It is not expected to be plain sailing in the Council - a number of Member States have already expressed severe reservations about the agreement (France, Ireland, Poland and Belgium). Therefore the risk of Member States voting the deal down cannot be ruled out. Concerns about beef market access and climate action are the issues that are likely to sink the ship, if that happens.

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