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## EU-25

### Trade Policy Monitoring

## EU-Mercosur Bilateral Trade Negotiations – Update 2004

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**Report Highlights:**

The EU and Mercosur's negotiators have exchanged improved offers for a bilateral trade agreement. The EU offer includes granting trade access to 1 MMT of ethanol and 100,000 MT of beef, though there are conditions attached. Details of the Mercosur offer have not been published, but off the record Commission officials have said that it doesn't go far enough.

EU Commissioners for trade and agriculture, Lamy and Fischler respectively will meet their Mercosur counterparts in Mexico during the last week of May, while the next round of technical negotiations are scheduled for mid-June.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Brussels USEU [BE2]  
[E3]

EU and Mercosur negotiators have exchanged offers in their ongoing negotiations for a bilateral trade liberalization agreement. (The Mercosur countries are Argentina, Brazil, Paraguay and Uruguay).

With both Agriculture Commissioner Fischler and Trade Commissioner Lamy at the EU-Latin America Summit in Guadalajara, Mexico during the last week of June, it is expected that they will meet their Mercosur counterparts to try and create some political impetus to the negotiations. The next round of technical level negotiations is slated for early June in Argentina. A nominal date in October has been set to wrap up the entire package.

The EU's offer to Mercosur is divided into an immediate or 'Mercosur' share with a later share, which will depend on the outcome of the WTO Doha negotiations. The European Commission has described this as the "single pocket" approach, meaning that any additional concessions made in one of the agreements (EU-Mercosur or WTO Doha) will reduce the available volumes for preferential access in the second set of negotiations.

The EU's offer to Mercosur was discussed at both Monday 24 May Agriculture Committee between Fischler and EU Member State Agriculture Ministers, as well as the 133 Trade Committee of the Council on Friday 21 May. Several Member States criticized both the inclusion of bioethanol in the EU's offer as well as Mercosur for failing sufficiently to take EU concerns over Geographical Indicators.

#### **EU Offer to Mercosur:**

##### **Annex One – Full liberalization within ten years**

Includes durum wheat, high quality wheat, flour, barley, wheat gluten, malt, eggs, pig fat, some wines.

##### **Annex Two – 50% reduction in import tariffs over ten years**

Includes olive oil, starch, sugar cane molasses, tobacco, preserved fruits, some fruit juices, broken rice.

##### **Annex Three – Sensitive Products**

MT	Mercosur	WTO
Bio-ethanol	500,000	500,000
Corn	400,000	300,000
Low quality wheat	100,000	100,000
Rice	20,000	20,000
Cheese	10,000	10,000
Butter	2,000	2,000
Milk and cream powders	6,500	6,500
High quality beef	50,000	50,000
Poultry products	37,500	37,500
Pigmeat products	6,000	5,000
Garlic	5,000	5,000

The sensitive products are expected to have TRQs with tariffs reductions phased in to the equivalent of "50% of the lowest of the bound in-quota duty rates for the existing WTO bound tariff quotas for the relevant product". For products with no bound TRQ, arrangements will be negotiated later, as with the administrative organization of the TRQs.

Mercosur offer to the EU

Very little detail of the Mercosur offer to the EU has been released in Brussels, with the Commission reported to be still studying the details. However, off the record, Commission officials have indicated that it doesn't go far enough.

In Monday's Agriculture Council, Fischler described the Mercosur offer as "a good basis for negotiation", expressing a generally positive tone. Fischler did though express disappointment at the Mercosur offer for wines and spirits, processed food and Geographical Indicators. (Wines and spirits are expected to be tackled in a separate bilateral agreement that would also provide for some protection of the EU's geographical indicators in Mercosur).

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