The EU-Mercosur PTA (state of negotiations and issues)
Memoranda of understanding on Co-operation between the EU and the MERCOSUR (2001)
Paper presented at the 1st German ENARPRI Seminar, Braunschweig, March 15th 2004
The EU-MERCOSUR PTA (state of negotiations and issues)

Memoranda of Understanding on Co-operation between the EU and the MERCOSUR (2001)

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ENARPRI-Seminar, Braunschweig, 15th March 2004

Federal Agricultural Research Centre
Institute of Market Analysis and Agricultural Trade Policy (FAL-MA)
Overview

• Introduction
• Keydata
• Products under Discussion
• Preferences under Discussion
• Role of Trade
• Development of Trade
• Conflict of Interest
• Conclusion
Introduction EU-MERCOSUR

European Communities
MERCOSUR members - under negotiation
Structure of population, 2001

Agric. Areas (selected regions), 2001

Keydata

- 1991 EU-MERCOSUR Support Agreement
- 1995 Interregional Framework for Cooperation
- 1999 Negotiation directives for negotiations on gradual and reciprocal trade liberalization
- 2001 expected start for negotiations on customs duties and services
- since 2002 negotiations on trade
Focus of Discussion

- Industrial goods
- Agricultural goods
- Services
- Automotive sector
- Wines and spirits (Wine Agreement)
Preferences under Discussion

• Currently: GSP

• Preferential market access for industrial commodities

• Preferential market access for agricultural products

• Exceptions: sugar, certain beef products, pork, poultry
## Role of Trade

<table>
<thead>
<tr>
<th>MERCOSUR's Top Ten Export Products (2001)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(by % Share of MERCOSUR's Total Exports)</td>
<td></td>
</tr>
<tr>
<td>Vegetable oil residues</td>
<td>5.2</td>
</tr>
<tr>
<td>Soy beans, excl. Flour</td>
<td>4.9</td>
</tr>
<tr>
<td>Aircraft heavier than air</td>
<td>3.8</td>
</tr>
<tr>
<td>Pass motor vehicles exc buses</td>
<td>3.4</td>
</tr>
<tr>
<td>Iron ore, etc, excl. Pyrtes</td>
<td>3.3</td>
</tr>
<tr>
<td>Petroleum products</td>
<td>3.1</td>
</tr>
<tr>
<td>Crude petroleum</td>
<td>2.7</td>
</tr>
<tr>
<td>Footwear leather</td>
<td>1.6</td>
</tr>
<tr>
<td>Raw beet and cane sugar</td>
<td>1.6</td>
</tr>
<tr>
<td>Poultry fresh chld, frzn</td>
<td>1.6</td>
</tr>
<tr>
<td><strong>Average share of Top Ten</strong></td>
<td><strong>31.2</strong></td>
</tr>
</tbody>
</table>

Role of Trade

<table>
<thead>
<tr>
<th>Paraguay's Top Ten Export Products (2001)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(by % Share of Paraguay's Total Exports)</td>
<td></td>
</tr>
<tr>
<td>Soy beans, excl. Flour</td>
<td>36.0</td>
</tr>
<tr>
<td>Tobacco unmfd</td>
<td>8.6</td>
</tr>
<tr>
<td>Raw cotton, excl linters</td>
<td>8.4</td>
</tr>
<tr>
<td>Bovine meat fresh, frozen</td>
<td>7.7</td>
</tr>
<tr>
<td>Soya bean oil</td>
<td>3.4</td>
</tr>
<tr>
<td>Maize unmilled</td>
<td>4.2</td>
</tr>
<tr>
<td>Leather bovine nes, equine</td>
<td>3.4</td>
</tr>
<tr>
<td>Lumber planed etc noncon</td>
<td>3.4</td>
</tr>
<tr>
<td>Calf leather</td>
<td>2.0</td>
</tr>
<tr>
<td>Cigarettes</td>
<td>1.6</td>
</tr>
<tr>
<td><strong>Average share of Top Ten</strong></td>
<td><strong>79.6</strong></td>
</tr>
</tbody>
</table>

## Role of Trade

### Uruguay's Top Ten Export Products (2001)
(by % Share of Uruguay's Total Exports)

<table>
<thead>
<tr>
<th>Product</th>
<th>% Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leather bovine nes, equine</td>
<td>11.1</td>
</tr>
<tr>
<td>Bovine meat fresh, frozen</td>
<td>10.1</td>
</tr>
<tr>
<td>Wool tops</td>
<td>6.1</td>
</tr>
<tr>
<td>Rice glazed or polished</td>
<td>5.7</td>
</tr>
<tr>
<td>Fish fresh, chilled, frozen</td>
<td>3.7</td>
</tr>
<tr>
<td>Pass motor vehicles exc buses</td>
<td>3.3</td>
</tr>
<tr>
<td>Malt including flower</td>
<td>2.5</td>
</tr>
<tr>
<td>Rice in husk or husked</td>
<td>2.5</td>
</tr>
<tr>
<td>Milk and cream dry</td>
<td>2.4</td>
</tr>
<tr>
<td>Cheese and curd</td>
<td>2.3</td>
</tr>
</tbody>
</table>

**Average share of Top Ten** 49.7

*Source: Statistical Yearbook (United Nations, 2003)*
## Role of Trade

### Argentina's Top Ten Export Products (2001)
(by % Share of Argentina's Total Exports)

<table>
<thead>
<tr>
<th>Product</th>
<th>% Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vegetable oil residues</td>
<td>9.5</td>
</tr>
<tr>
<td>Crude petroleum</td>
<td>9.0</td>
</tr>
<tr>
<td>Petroleum products</td>
<td>5.2</td>
</tr>
<tr>
<td>Wheat etc unmilled</td>
<td>4.9</td>
</tr>
<tr>
<td>Soy beans, excl. Flour</td>
<td>4.7</td>
</tr>
<tr>
<td>Soy bean oil</td>
<td>4.0</td>
</tr>
<tr>
<td>Maize unmilled</td>
<td>3.7</td>
</tr>
<tr>
<td>Pass motor vehicles exc buses</td>
<td>3.6</td>
</tr>
<tr>
<td>Leather bovine nes, equine</td>
<td>2.9</td>
</tr>
<tr>
<td>Gas natural</td>
<td>2.3</td>
</tr>
</tbody>
</table>

**Average share of Top Ten** 49.8

*Source: Statistical Yearbook (United Nations, 2003)*
## Brazil's Top Ten Export Products (2001)
(by % Share of Brazil's Total Exports)

<table>
<thead>
<tr>
<th>Product</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aircraft heavier than air</td>
<td>5.2</td>
</tr>
<tr>
<td>Iron ore, etc, excl. Pyrites</td>
<td>4.9</td>
</tr>
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<td>Soy beans, excl. Flour</td>
<td>3.8</td>
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<td>Vegetable oil residues</td>
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<tr>
<td>Poultry fresh chld, frzn</td>
<td>1.6</td>
</tr>
<tr>
<td>Petroleum products</td>
<td>1.6</td>
</tr>
<tr>
<td>Oth telecomm equipment</td>
<td>1.6</td>
</tr>
</tbody>
</table>

**Average share of Top Ten** 34.3

*Source: Statistical Yearbook (United Nations, 2003)*
Relevance of Trade Flows

EU's - 15 share in the MERCOSUR trade (1996) (Exports)
- EU 31%
- Japan 6%
- Chile 5%
- US 20%
- Latin A. 14%
- Others 24%

EU's-15 share in the MERCOSUR trade (1996) (Imports)
- EU 33%
- Japan 5%
- Chile 2%
- US 29%
- Latin A. 8%
- Others 24%

Relevance of Trade Flows

MERCOSUR's share in EU - 15 trade (Exports)
- MERCOSUR 3%
- ACP 3%
- US 18%
- Medite. 9%
- Japan 6%
- Latin A. 5%
- ASEAN 6%
Others 33%

MERCOSUR's share in EU's - 15 trade (Imports)
- MERCOSUR 3%
- ACP 4%
- US 19%
- Medite. 7%
- Japan 10%
- Latin A. 5%
- ASEAN 6%
Others 33%
Role of Trade

48,9 Mio € Interregional Trade 2001

Source: FNP (2003); FAOStat (2003)
Role of Trade (industr. goods)

Interregional Trade 2001

9,3 Mio $

Source: FNP (2003); FAOStat (2003)
Role of Trade (agric. goods)

Interregional Trade 2001

14,1 Mio €

13,3

EU15

0,845

MERCOSUR

Source: FNP (2003); FAOStat (2003)
Role of Trade (Wheat)

Interregional Trade 2001

Role of Trade (soy)

Interregional Trade 2002

Source: FNP (2003); FAOStat (2003)
Role of Trade (soy meal)

Interregional Trade 2002

Source: FNP (2003); FAOStat (2003)
Role of Trade (Beef)

Interregional Trade 2002

Source: FNP (2003); FAOStat (2003)
Role of Trade (Pork)

Interregional Trade 2002

Source: Probst (2003); FAOStat (2003)
Development of Trade Flows

EU-15 Oilcake Imports from MERCOSUR

tons


ARG BRA PAR
Development of Trade Flows

EU-15 Beef Imports from MERCOSUR

tons


ARG  BRA  PAR  URU
Development of Trade Flows

EU-15 Pork Imports from MERCOSUR

in Thousands tons


ARG  BRA  URU
Development of Trade Flows

EU-15 Maize Imports from MERCOSUR and USA

Chart showing maize imports from Argentina (ARG), Brazil (BRA), MERCOSUR (MERC), and the USA.
Development of Trade Flows

EU-15 Orange Juice Imports from MERCOSUR and USA

tons


BRA MERC USA
Development of Trade Flows

EU-15 Wheat Imports from MERCOSUR and USA

in Thousand tons

ARG  BRA  PAR  URU  MERC  CHILE  USA
Conflict of Interest

EU - MERCOSUR

• EU pushes for trade liberalization in industrial goods
• MERCOSUR pushes for trade liberalization in agricultural goods

Intra MERCOSUR

• Argentina’s industrial sector is ‘re-developing’ - cheap supply is desired
• Argentina desires exclusive access to agricultural markets in MERCOSUR
• Brasil’s industrial sector shows strongly growing tendencies - protection is desired
• Brasil prefer cheap supply with agricultural products
Conclusion

- after 10 years the MERCOSUR countries could not harmonise and deepen their own integration scheme (‘macroeconomics’)
- democratic structures preserved
- big asymmetries inside and outside
- small global players doing regionalism
- forthcoming of the Doha-Round (WTO)
Danke für die Aufmerksamkeit