



1 February 2011

EU-MERCOSUR FREE TRADE AGREEMENT EP MERCOSUR DELEGATION

ADDRESS BY ADRIAN VAN DEN HOVEN, DIRECTOR FOR INTERNATIONAL RELATIONS, BUSINESSEUROPE

Dear Members of Parliament
Dear Ladies and Gentleman

- Thank you for inviting me to speak at the EP Mercosur Delegation
- Welcome to the lead negotiators from the EU and the ambassador of the Mission of Paraguay to the EU. Paraguay is currently holding the MERCOSUR presidency.
- Welcome to The Brazilian National Confederation of Industry (CNI), thank them for the good cooperation and as a key business partner in the MERCOSUR countries.
- CNI and BUSINESSEUROPE have been working together closely for a number of years now and adopted a pragmatic and ambitious agenda, aimed at promoting trade and investment relations and cooperation.

DOHA Round VS. FTAs

- While BUSINESSEUROPE is first and foremost a supporter for a rapid conclusion of the DOHA Round Negotiations, we strongly support other FTA negotiations as well as specifically the EU-MERCOSUR FTA. In fact, closing the deal with South Korea has prompted a positive worldwide reaction.

THE CASE FOR THE EU-MERCOSUR FTA

- EU business welcomed wholeheartedly the restart of the EU-MERCOSUR FTA talks in 2010 and we hope for a speedy conclusion before 2012.
- This FTA is necessary to facilitate a strong growth in trade between a developed market of 500 million consumers and a quickly developing region of more than 200 million consumers.
- My colleague from Brazil will speak about the impact of **agricultural goods** and why we in Europe should not fear the FTA agreement. I might in turn say something about the trade in **manufactured goods** and console the MERCOSUR countries not to fear trade with us.



- EU goods exports to the Mercosur Region 2009: **€27.2 billion**
- EU goods imports from the Mercosur Region 2009: **€35.1 billion**

- A large percentage of this, around three quarters, of this trade in goods is with Brazil.

- The recession has reduced trade in goods by almost 20% between 2008-2009. Previously growth has averaged between 10-20% annually and it looks like the resumption of trade between EU-MERCOSUR has started off strongly throughout 2010.

- The best way to ensure a further growth in trade between these two regions is with an FTA agreement.
 - o An FTA will reduce uncertainty for companies and investors
 - o An FTA will ensure EU access to MERCOSUR markets that are currently facing real and future obstacles such as the BUY BRAZIL and the barriers put up in Argentina – BUSINESSEUROPE is worried about this. (e.g. proposals to raise industrial tariffs due to concerns over Chinese imports).

- **Why do we need this FTA?**
 - o It will create tens of thousands of jobs over the next few years in both regions
 - o It will create billions of EUROS in additional trade and investment
 - o It will stimulate much needed growth in EU countries, coming out of the recession and ensure fast growth in MERCOSUR countries
 - o It will create economic synergies
 - o It will buffer the cost of raw materials and ensure access of supply to Europe at the same time ensuring a reliable export market for MERCOSUR countries.

China's influence

- o The EU has actually been losing market share to China in Brazil in the last two years. China is rapidly consolidating its presence in Latin America, focusing specifically on raw materials. Additionally, Chinese artificially low currency is causing problems for MERCOSUR governments who see their currency rapidly appreciating – making it more difficult for them to export and causing them to take protectionist measures.
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- **What are the issues?**
 - o We would like to see a standstill during the negotiations for any new trade restrictive measures on both sides. This will boost business confidence in the process.
 - o We want to see full coverage for industrial goods. We understand that there will be some sensitivities but these can be addressed, where appropriate, by longer tariff elimination schedules.



- We expect specific chapters on non-tariff barriers to make sure that tariffs are not replaced by NTBs in the future.
- We want an agreement to phase out all export restrictions on raw materials as this undermines trade.
- We want comprehensive services market liberalization to foster competitiveness.
- We want to open procurement markets to foster cooperation in infrastructure projects.

- **Role of EP**

- Finally, I wish to thank again the Members of Parliament for taking a keen interest in trade negotiations. Ever since Lisbon the European Parliament has been a key player in international trade negotiations.
- I look forward to working with you in the future on these and other negotiations.

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