

EU-MERCOSUR* TRADE AGREEMENT

TRADE AND SUSTAINABLE DEVELOPMENT



*Argentina, Brazil, Paraguay and Uruguay

The EU-Mercosur agreement is based on the premise that trade should not happen at the expense of the environment or labour conditions; on the contrary, it should promote sustainable development.

The agreement will include a dedicated chapter on trade and sustainable development. In it, the two sides agree to pursue their trade relationship in a way that **contributes to sustainable development** and builds on their multilateral **commitments in the fields of labour and environment**. In the agreement, **civil society** will play an important role in ensuring that these commitments are upheld.



Protecting the Environment

The agreement pays special attention to ensuring that trade in natural resources such as forestry products, fisheries and wildlife is based on **sustainable principles**. It aims to prevent trade in illegally obtained products and to promote trade in products that contribute to the **conservation of biodiversity**.

The EU **prohibits the sales of illegally harvested timber**. Importers have to take all the precautions (or exercise 'due diligence') to ensure that the timber they import, including from Mercosur, has not been obtained in any illegal way. In addition to these existing EU rules, the EU and Mercosur commit to **combat illegal logging** and to promote the sourcing of timber from sustainably managed forests.

The agreement will promote the **effective implementation of several multilateral environmental agreements** signed by the EU and Mercosur countries, such as the Paris Agreement, the CITES Convention on Wildlife Trade, which imposes a licensing system to authorise all import and export of species to which it applies.

HIGH SUSTAINABILITY STANDARDS & THE PRECAUTIONARY PRINCIPLE

The EU and Mercosur agree that they **will not lower labour or environmental standards** in order to promote trade and attract investment.

The '**precautionary principle**', ensures that the EU and the Mercosur countries can **continue to protect health and the environment even if this affects trade, including in situations where scientific information is not conclusive**.



Protecting the Climate

The EU and Mercosur commit to effectively implement the Paris Climate Agreement and agree to cooperate on the climate aspects of trade between the two sides. The **Paris Agreement** includes, for example:

- a pledge by Brazil to reduce by 2025 its net greenhouse gas emissions by 37% compared to 2005 levels
- action to stop illegal deforestation including in the Brazilian Amazon
- a pledge by the EU to reduce its domestic emissions by at least 40% by 2030

Trade in agricultural products: What environmental impact?

The possible environmental impact of trade in agricultural products such as beef and soya should be seen in context:

- Mercosur countries export already 200,000 tonnes of **beef** to the EU per year. The EU levies duties on these imports.
- Under the agreement, the EU will allow 99,000 tonnes of beef to enter the EU with a 7.5% duty.
- The agreed amounts will not lead to a significant increase in production on the Mercosur side. Brazil alone already produces 11 million tonnes of beef every year and the agreed quota will still be split among the four countries.
- As regards **soya**, the agreement will not change the tariffs in place on soya beans and meal (which are already at zero); the EU currently imports a big part of its soya from the United States.



Responsible Supply Chains

The EU and Mercosur commit to promote the voluntary uptake by companies of responsible business practices for both social and environmental aspects. They will also provide a supportive policy framework for the effective implementation of the international principles and guidelines in this area. The two sides will support the dissemination and use of relevant international instruments, such as the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, the UN Global Compact, the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.



Protection of Labour Rights

The agreement includes a commitment not to promote trade at the expense of social or labour rights. Both sides commit to respect International Labour Organization (ILO) rules on forced and child labour, non-discrimination at work, freedom of association and the right to collective bargaining. In addition, the two sides have made commitments on health and safety at work and labour inspection.

All Mercosur countries have legislation that provides for the protection of labour rights. Mercosur countries have ratified international labour standards, including all 8 fundamental ILO conventions (with the exception of one for Brazil, due to constitutional constraints).



Enforcement

The trade and sustainable development part of the agreement is subject to a specific dispute settlement procedure. If the EU or Mercosur considers that the other side is not playing by the rules, it can ask for formal government consultations. If the situation is not resolved, an independent panel of experts can be asked to examine the matter and draw up a report with recommendations. The report and recommendations must be made public, so that they can be followed up by stakeholders as well as by the relevant institutions on both sides.



Protecting Human Rights and Indigenous Communities

The Association Agreement will provide a solid framework to address human rights issues, including with regard to indigenous peoples.

The trade part of the agreement includes provisions promoting the role of indigenous communities in sustainable supply chains of forestry products and cooperation on social projects involving these communities.