

The Andersons Centre – Latest News Update

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Mercosur Talks Restart

The EU is to restart free-trade talks with the Mercosur grouping; if these are successful there could be big impacts on some EU commodity markets – especially meat.

Mercosur (from *Mercado Común del Sur* in Spanish – or ‘Southern Common Market’) comprises four South American countries – Brazil, Argentina, Uruguay and Paraguay. Other South American states are associate members and Venezuela is negotiating to become the fifth full member. The agricultural industry within this trade block is obviously both large and competitive.

Free-trade talks between the EU and Mecosur began back in 1999, but have been on hold since October 2004 as the two sides failed to bridge their differences. With the Doha WTO Round seemingly going nowhere fast, attention has turned back to these types of ‘bilateral’ agreements as a way of increasing trade and boosting economic recovery.

In fact it was the Trade Directorate within the Commission that has initiated the process. It believes that gains from the industrial and services sectors more than outweigh potential losses in agriculture. Needless to say, the Farm Commission Dacian Ciolos has registered his opposition, along with Farm Ministers from 14 EU Member States. Internal EU Commission analysis, reported in Agra-Facts, puts the potential reduction in turnover for EU farming from an agreement at anywhere from €3bn to €13.5bn per year – depending on the precise terms.

The sectors likely to be hardest hit are beef, poultry and pigmeat. But dairy could also be affected. The French Farm Minister has stated that an eventual deal could see beef imports rise by 70%, and poultry by 25%.

Before anyone gets too depressed it should be pointed out this is only the restarting of talks. Last time around these took 5 years and still failed to achieve an agreement. Even if a draft agreement is reached it has to be ratified by EU Trade Ministers, and also, crucially, the European Parliament (following the Lisbon Treaty). Thus there are quite a few hurdles to jump before any agreement starts to have an effect.

For further information on agricultural world trade issues, please contact us

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