



Council of the
European Union

Brussels, 15 March 2023
(OR. en)

7465/23

AGRI 137
AGRIORG 25
POLCOM 47

NOTE

From: General Secretariat of the Council
To: Council

Subject: Negotiation of the EU-Mercosur Association Agreement and agricultural implications
- Information from the Austrian delegation

Delegations will find in the Annex a note from the Austrian delegation on the above-mentioned subject, to be dealt with under "Any other business" at the Council (Agriculture and Fisheries) on 20 March 2023.

Negotiation of the EU-Mercosur Association Agreement and agricultural implications**Note from the Austrian delegation**

1. After 20 years of negotiations with the Mercosur member countries an “agreement in principle” was reached in June 2019. In 1999, framework conditions as well as expectations and requirements on an EU negotiating mandate were different. Several free trade agreements that cater to more “modern” claims have been negotiated and concluded (such as CETA or the one with Japan) or are close to entering into force (such as with New Zealand and Australia). These agreements contain a comprehensive sustainable development (TSD) chapter and a sustainable food system chapter (SFS).
2. The European agricultural market is currently facing several challenges including the long-term effects of the global COVID-19 pandemic, input cost inflation and market volatility as well as the geopolitical challenges caused by the Russian aggression against Ukraine. In addition, EU trade agreements in recent years have led to a significant opening of EU agricultural markets with negative cumulative effects on the EU agricultural sector's competitiveness. The EU has recently underlined the significance of an open strategic autonomy, since the impact of the crises reinforces the great importance of European food production, food security and food sovereignty. Unbalanced trade agreements might lead to unpredictable and severe negative impacts on the European agricultural production by creating an unbalanced level playing field.
3. The EU and its Member States have been continuously increasing the climate, environmental, animal welfare and social standards for agricultural production and continued to intensify these efforts with the EU Green Deal agenda. The Mercosur trade agreement, however, lacks the necessary focus on sustainable agricultural aspects. The European Commission has also recognised the shortcomings of the “agreement in principle” and intends to address these in a “joint interpretative instrument”, to ensure high sustainable climate standards and compliance with the Paris Climate Agreement. Member States have only recently been informed about its possible content.

4. It is important that the far-reaching decision on the conclusion of the Association Agreement is broadly based. In addition to the decision in the Council and the European Parliament, ratification by the parliaments in the Member States is also necessary.
5. Sustainable European agricultural practices and the importance of maintaining high agricultural production standards should be considered adequately in all trade agreements in order to guarantee a fair level playing field and to promote the high European standards globally. However, in the Mercosur trade agreement compliance with the higher EU agricultural production standards as well as emerging consumer concerns with Mercosur imports have not been adequately reflected, given that:
 - Controls of food safety, veterinary and animal welfare standards are not as frequent in the Mercosur countries as in the EU;
 - Neither the traceability and residue control nor the animal identification rules hold up to EU standards;
 - There are considerably fewer environmental and climate protection requirements in agricultural production.
6. Furthermore, a significant negative impact on the competitiveness of the EU's agricultural markets is most likely to emerge, as EU producers will experience a substantial loss of market share, leading to high pressure on EU producer prices and the ability of European farms to compete. Production costs (especially of sugar, poultry and beef) are much lower in the Mercosur countries than in the EU - according to experts around 50%.
7. An EU-wide traceable, consistent and transparent origin labelling of food is essential for a sustainable agriculture within the EU and towards third countries. As part of the EU's Farm-to-Fork Strategy the European Commission has announced a legislative proposal for a mandatory origin labelling of food, originally scheduled for the 4th quarter of 2022, which has not been presented up until now. Through a modern labelling instrument, consumers would be empowered to not only identify the origin of imported products, but to also take informed and fact-based decisions. Ultimately, certain European agricultural sectors are threatened to be pushed out of the market or of production due to the rising imports aggravated by lacking adequate origin labelling.

8. Moreover, the European Commission has not provided sufficient answers with regard to import controls, financial aid to competition and safeguard measures ("bilateral safeguard clause") for EU agriculture – in particular against the background of an expected substantial rise in imports and the possible distortions of competition in sensitive agricultural sectors:
- A detailed work programme by the European Commission regarding Mercosur import controls (SPS standards like food safety and residue control) and audits of Mercosur export companies (veterinary and animal welfare standards, traceability) has not been presented.
 - The EU-Mercosur agricultural aid package of € 1 billion, announced by the European Commission in 2019 (post conclusion of the negotiations), in the event of market disturbances has not been budgeted for. Moreover, a detailed budget allocation key including payment criteria and eligible sectors has not been specified.
 - In the area of safeguard measures ("bilateral safeguard clause") for the agricultural market, there is no detailed market observation of import volumes and import prices (no web accessible "Mercosur market observatory"), no definition of triggering levels and no planned measures (e.g. reintroduction of tariffs or suspension of tariff rate quotas).
9. Based on a formal decision by the Austrian Parliament, Austria reiterates the legally binding parliamentary reservation on the Mercosur Agreement.
10. Austria urges the European Commission to refocus on a strong European agricultural production, a functional internal market and food security, especially in times of continuous and ongoing crises. Austria reiterates that the reciprocity principle in trade deals to ensure imports into the EU are produced under the same conditions as the Union's own products is a key priority to ensure fair competition. Austria stresses in this regard the importance of the implementation of the French proposal on "mirror clauses" ensuring the compatibility with EU production standards.
11. The EU is an export-oriented economy and should be committed to the conclusion of fair and balanced bilateral EU trade agreements. However, major concerns in the agricultural sector remain and have not yet been adequately addressed.

12. In addition to an in-depth dialogue between the European Commission, Member States and agricultural stakeholders, the European Commission is urged to provide further details on the following concerns related to the Mercosur Agreement:

- Regarding the "joint instrument", the concerns of the EU's agricultural sector as pointed out in para 4 and 7 have not been taken adequately into consideration;
- The timely presentation of a legislative proposal on the extension of mandatory origin labelling of agricultural products and mandatory labelling of processed foods containing milk, meat, or eggs;
- The provision of an in-depth analysis for increased agricultural import monitoring and controls, future Mercosur agricultural export potentials, financial support for maintaining competitiveness (agricultural aid package of € 1 billion) and safeguard measures (bilateral safeguard clause) in the agricultural sector;
- A comprehensive update of the impact assessment of the cumulative effects of FTAs, including an assessment of sectoral impacts at EU member state level;
- A strong commitment to ensure competitiveness of the EU agricultural sector when assessing new legislative proposals and initiatives to comply with the EU Green Deal Agenda, such as the legislative framework for sustainable food systems.
