

EU-Mercosur trade agreement: A long night's journey into day?

January 15, 2025, 9:00 AM to 10:00 AM EST

This is an unedited AI-generated transcript that may contain errors. Please confirm quotes in the corresponding event recording. If you find substantive errors, please contact meetings@piie.com.

[00:00:41.29] - Cecilia Malmström

Good morning, good afternoon, good evening. Welcome to this episode of Trade Winds, the first episode of this year. Happy New Year to all of you. My name is Cecilia Malmström. I am a non-resident senior fellow at the Peterson Institute for International Economics in Washington. Today we are going to discuss something positive, I hope, a new trade agreement between the European Union and the 4 countries of Mercosur: Argentina, Brazil, Paraguay, and Uruguay. This is an agreement that has actually been in the making for almost 25 years, of course not without breaks. It was relaunched in 2016. I had at that time the honor of being the Trade Commissioner, so we negotiated it. And it was difficult, but there was a momentum from all sides. And after a couple of years and long discussions and negotiations, we actually arrived at the conclusion in June 2019. That deal was then greeted by leaders from all countries, including Monsieur Macron, Mrs. Merkel, President Bolsonaro, President Macri, who were all in a G20 meeting. But as time came closer to ratification and people started to look at it, there were concerns. There were concerns over the deforestation policies of President Jair Bolsonaro in the Amazonas in Brazil.

[00:02:04.25]

Some European farmers were worried as well, and there were concerns about some parts of EU politics in Mercosur. Nevertheless, the discussion continued. There were some changes and constant talks during the years. President Lula was reelected in Brazil and he changed the policies towards Amazonas, which was important. And then finally, at the Mercosur Summit in Montevideo, just before Christmas in December, when European Union President— European Commission President Ursula von der Leyen was in Montevideo, the deal was concluded again. And this time, hopefully, it's for good. It still has to be approved by the European Parliament and a majority of the EU member states, and of course by the parliaments of the 4 Mercosur countries. So are we finally there now or will it be blocked again? And what is actually in this deal? To discuss this, I have 2 great guests who will help us understand what has happened

and what will happen. We have Mrs. Tatiana Lacerda Praceres, who is Secretary of Foreign Trade in Brazil. Very welcome to you.

[00:03:14.27]

Thank you.

[00:03:16.00]

And we have Rupert Schlegelmilch, who is former EU trade negotiator at the European Commission and now a visiting professor at Collège d'Europe. and also chair of the OECD Investment Committee. And you have been following Mercosur for a long time as well. So welcome to both of you. So in December, what changed the needle of this, Tatiana? Why could there suddenly be a breakthrough?

[00:03:41.18] - Tatiana Lacerda Prazeres

Well, good morning. Good afternoon. Pleasure to be with you, Cecilia, Rupert, and all who are following us. What made it possible? What has changed that made this agreement possible in December last year? I think to begin with, I would mention a new, different international context in comparison to what we had in 2019. So since 2019, we had the pandemic, which of course left its mark in terms of economic policy. We have the intensification of geopolitical tensions. I think that increases the value of this agreement. And we also had the worsening of the climate crisis. All that made international context more favorable, I would say, to this agreement. So challenging times in internationally speaking, but also creates— that increases the value— that increased the value of the opportunity that we had in front of us. And I think we managed to seize it. I think we also had, Cecilia, a willingness on the 2 sides to engage on issues of interest to the other side. So of course, Rupert will speak for the EU, but it's clear that the EU had interest in climate change and environmental issues, etc. And Mercosur was interested in proposing adjustments to the 2019 prepackage to make it more in tune with our development needs.

[00:05:04.08]

So there were different types of concerns on the 2 sides, and there was a real willingness, openness to discuss these issues so as to make the agreement acceptable to both the EU and Mercosur. And I think we managed to get a balanced agreement, a win-win agreement to the 2 sides, and a more modern one, right? I think the new agreement takes into account the new role of the state in the economy, which is something that Mercosur countries had clearly in mind when re-engaging in this 2023-2024 period. And that is, of course, in line with the international

context that I just referred to. Of course, sustainable development makes this agreement more modern, more in line, in tune with the needs of today's world. This agreement also encompasses provisions related to transparency, inclusiveness, et cetera, which also made it more— created a more favorable environment for it to be agreed. And then of course it has provisions related to policy space for development, which is something very dear to Mercosur. So overall, I think the international conditions favored this moment and the negotiation. negotiators, the two sides managed to seize this opportunity and we locked in a deal that in our view is a win-win agreement and one that deserves to be implemented.

[00:06:41.26] - Cecilia Malmström

Thank you very much. We'll go more into detail later. But Rupert, from the European side, how was that momentum created? Do you agree with Tatjana?

[00:06:52.01] - Rupert Schlegelmilch

Thank you, Cecilia, and thank you to you, Tatjana, being here and for Peterson for hosting us here. Yes, I think by and large, I think Tatjana has mentioned the elements which made it possible. Obviously, we have a slightly different take from the European context, but starting— I mean, there were changes in the international setting, there were changes in the Mercosur countries, and there were changes in the EU. which all came together in one way or the other. And I couldn't agree more that maybe the top line is that the international context with a lot of uncertainty where you're going to actually trade the next couple of decades makes an agreement which is based on rules much more, I think, important. And this is one of the qualities I think that both in the Mercosur countries and the EU we value very high. We would like to have a rules-based trading system be it in the WTO where you know all the problems which exist, but also in our bilateral relations. And this is why the value starts by saying we have a partnership which is built on clear, well-defined, balanced also rules which allow our companies to have a predictable environment to grow, because this is the ultimate objective of these agreements.

[00:08:08.08]

And of course, the fact that we now have a new American an American president again who is actually not providing predictability and that we have growing tensions with our other big trading partner in the East makes it, I think, much more conducive to say, well, let's then get closer to the ones that work on the same values and the same basis of rules that we have. But that's not everything in the bilateral context. I think there were a number of developments, and first and foremost, I'll be very honest, the change of government in Brazil. There was very little appetite in the EU to be seen on the photo with the president of the time of Brazil to sign up to this. The

new government, or the coming back of Lula, President Lula, obviously changed that, including on the ground where the numbers are much better when it comes to the deforestation rate. And we recognize, and I will come to that later, how difficult it actually is to have a top-down change of policy in a huge and vast country. But we saw a clear willingness, which was not there before, to address the issues, which also then translated into some of the elements that we're going to discuss, like the Paris Agreement being acceptable as an essential element.

[00:09:25.11]

We also saw a change of government in Argentina, which also helped in a way because the The Fernández government, in our view, was not very clear on the final countdown, and they pulled the plug at the very last minute 15 months ago. So we saw a government that at least tried very much to put this on the agenda and then do it. That, I think, helped as well. And in the EU, I think it's also clear that we had a much higher value for some of the sustainability commitments that we negotiated because of the climate, because of COVID COVID also helped us to understand some of the needs that the Mercosur countries put forward strongly, which is more policy space on issues like health. And we had also elements which I think were helpful, and that is the overall economic situation in the EU. Makes it imperative that we do what we can to find markets which are open, predictable, because it's obvious that we're not so sure, as I said in the beginning, whether we will be able to export as much or trade as much with some of the other partners. So trade had a bad name for a while, but I think for now, with the agreements that we've done recently, Chile, for example, New Zealand, and now a very high standard on sustainable development also in this agreement, I think the logic for an open economy like Europe became much stronger again, and people have embraced this.

[00:11:05.09]

You can exemplify this on some of the skeptics who were finally in favor of the deal, like the Green Party in countries like Germany, which, just to give you an example. So all of these things came together in order to allow us Plus, maybe the last point that Tatjana mentioned, plus a clear willingness to understand the needs of our partners on both sides. I think that was also key to the— and when we negotiated this, I think we were very conscious on what the other side needed. Thanks.

[00:11:35.00] - Cecilia Malmström

Thank you. This is not only a trade agreement, it's part of a bigger association agreement which actually spells out possibilities for even increased cooperation in things like research, migration, science, and what have you, security, etc. And of course, Europe and the Mercosur countries

are friends and partners since many, many hundreds of years. But the trade agreement is part of the association agreement, and if ratified, it will create a market of 750 million people. So that is, that is really big. What would be the biggest advantages of this trade agreement if we start to look at it from the European side, Rupert?

[00:12:19.20] - Rupert Schlegelmilch

Well, yeah, I think we have a very clear idea of what this agreement— why this is good for us. And this is not just saving in tariffs. I think we usually start by saying, look, the tariffs in a traditionally closed market like Mercosur are important. Cars, 35%, machinery around 20%, and so on. That is true, but in a way, that's certainly not the whole story. What we think will really help us is to have the full, if you will, the full package of trade facilitation, investment facilitation, less red tape. Some of the countries are famous for their red tape, not only in the EU but also in the Mercosur side. No more licenses to import and export, things like that. Customs procedure which will be easier and an incentive to do cross-border intra-firm trade. Many of the trade, half of the trade or even more of this world is between, with inside firms, components go across the Atlantic. And all of that is facilitated by the regulatory provisions on technical barriers to trade and so on. So I think what we will see is an integration agreement, if you wish, of some sorts, not just a tariff reduction or trade barriers reduction agreement, and including on services where we have quite strong also services economies in the Mercosur countries.

[00:13:42.04]

Few people know that, but there is a quickly growing services sector there as well that we can tap into. So all of these things together make the value of this agreement from an economic point of view. Of course, tariffs are important, but the rest of the package, if I would like to— if I can say that— is important. And then last but not least, we also have the environmental and labor, the sustainability elements. Which for us are nowadays key to do a trade agreement with any of our partners. We need a firm commitment to ensure that the increase in trade is accompanied by an increase in social and labor standards, environmental standards, so we have a level playing field around the globe. So if you look at these extra 15 pages that we negotiated on sustainable development, you find many ideas there, innovative ideas as well, to be sustainable in the trade that we are doing. And this, I think, is the other big element that I would like to highlight, which is a win for us and I think a win for the globe and a win for the Mercosur countries as well.

[00:14:49.15] - Cecilia Malmström

And from your point of view, Tatiana, what's the biggest advantages for Brazil and for the Mercosur countries?

[00:14:57.12] - Tatiana Lacerda Prazeres

Yeah, so of course we're promoting trade, but not only that, it has to do with fostering economic cooperation, investments, technological partnerships, services flows, so on and so forth. Access to new technologies, to more competitive inputs. This is something important for the competitiveness of production in Brazil. Access to new markets, of course. The agreement helps us to increase the share of our exports covered by preferential conditions. And as we all know, Mercosur, the network of agreements is not significant or very significant. With this agreement with the EU, we'll basically double the exports of Brazil that are covered by preferential conditions. This is really important for us. It also helps us diversify our trading partners, which we value, and it helps us strengthen Mercosur as a platform for the countries to better integrate into the global economy. Even if you look only at the economic aspect of the agreement, the agreement is more than that, it's been said. It has a lot of value to us. We're very pleased with what's been discussed. And to echo what Rupert said, sustainable development is also a win for us. And Rupert mentioned the changing government in Brazil, and I should say we are pleased to recommit to Paris to make sure that Paris is an essential element to the agreement.

[00:16:26.19]

We believe this is a guarantee for everyone. It raises, it increases the cost for countries, you know, having ideas about, you know, withdrawing from the Paris Agreement. So I'm happy happy to say that this administration was very willing to discuss these issues, of course, in a balanced manner, etc. But the final outcome, which has these components that Rupert mentioned, is something that we also see as a win for Mercosur, for the EU, and for the globe.

[00:16:59.19] - Cecilia Malmström

Those 15 pages that were added to the original agreement, they are, as you both highlighted, very much centered around sustainability, around the greening of the economy and the green transition, but also more concretely on forestation and on sustainable management of forests. This is something that has been discussed in the EU lately very much with the Deforestation Directive, and of course in Brazil with Amazonas, who are the lungs of the world in a way, also very much discussed and politically controversial with the different administration? What, how is it actually dealt with? Can you go into more detail and explain for people who are not forest experts? Who wants to start, Robert?

[00:17:52.11] - Rupert Schlegelmilch

Well, we would— maybe I should start because we put this on the table and we found also, I think, an openness on the Mercosur side to talk about this. In the original agreement, we had some commitments on illegal logging but nothing on deforestation. And maybe I should start by saying that there is no international agreement, binding international legal agreement on stopping deforestation. We have declarations in COPs, in Parties of the Conference of the UNFCCC, etc., in the SDGs. But when it really comes to hard law and to treaty language, I think we are innovating here. And this is why the commitment to stop deforestation by 2030. to make— to take all the necessary measures, to take the measures needed, I think is a new element which I think we certainly value very high in the EU. And I think it will help us not only to give some confidence that our autonomous tools— you mentioned the regulation on deforestation, which causes quite some concerns in some countries—

[00:18:57.21] - Cecilia Malmström

Mm-hmm.

[00:18:58.18] - Rupert Schlegelmilch

are not the only tools that we are using. Actually, we prefer a cooperative approach. in order to help countries, including in the association agreement where a lot of cooperation will also take place on these issues, because forest management, surveillance data, and so on, all of this is very complicated. And the point is that rather than only trying to keep our markets deforestation-free, we also need to cooperate and help to implement the commitments that we know that the Brazilian government and the Mercosur governments want as well. The present governments are clearly in favor of doing this for their own good reasons, not because Europe wants it, because climate change and the effects are felt everywhere. Look at the situation of drought in some of the Latin American countries in the last years. So, we have a commitment. We will follow it up also in the cooperation, and we will also review after a while how all of this went. together with the mix of other policies that I mentioned, our autonomous regulation, I think we're in a much better place to work together to stop the deforestation from continuing.

[00:20:12.24] - Cecilia Malmström

There's also a fund related to this, I believe. There's an allocation of almost €2 billion to help the Mercosur countries for the transition and adaptation to this policy. Is that included in the agreement or is that part of the association agreement?

[00:20:30.23] - Rupert Schlegelmilch

I'm not sure whether I should answer that. Yes, we made a commitment from the EU alone to make this money available. It will be set out in one of the legal documents. It will be on the declaration, I think, because we cannot legally bind our budget for the next couple of years. But there is also the basis for that in the text, that we will make the money available without the number in the agreement itself.

[00:20:54.19] - Cecilia Malmström

And Tatiana, from your point of view, I know that the protection of Amazonas is very important to the current president and the government, and it's of course of concern for many countries of the world. How do you interpret those additional 15 pages that are much more than 15 pages? It's a whole new framework of cooperation.

[00:21:12.29] - Tatiana Lacerda Prazeres

Sure. Now, thanks. Just to begin, the changes vis-à-vis the 2019 prepackaged are not limited to this 15-page document, right? Though this is a very important piece of the new outcome, right? The final outcome. Let me say that, of course, we are very committed to fighting deforestation, and the numbers show that. So our most recent data indicate that we have the largest reduction in deforestation in the Amazon region in the last 15 years, a 30% reduction rate. We're proud to recommit to Paris, as I've said. We were among the first to present our new NDC in Baku last year, and we'll be hosting COP30 this year. So, um, again, as I said, uh, the, the outcome, the annex to the Trade and Sustainable Development chapter, is a win for us as well. Um, but of course, uh, for us, sustainable development is not only about forests. It's really important, and this we managed really to, to reflect in the final, um, uh, document that we negotiated. So sustainable development has 3 pillars. We, we always— and Rupert's probably tired of that because we've been I've been insisting on that all the time. It has a social dimension, the environmental dimension, the economic dimension.

[00:22:30.27]

And within the environmental dimension, of course, we have other issues, not only forests. For example, energy is something that is really important for us. Mercosur countries have a pretty good record in terms of energy mix. And again, we need to look at the whole picture of biodiversity, so on and so forth. So we believe that we have a balanced outcome in terms of sustainable development, one that we again were happy to commit to. And I think, as we mentioned in the first question, that was a very important reason why this agreement was possible. Now, Cecilia, I think for everyone who cares about sustainable development, we are

better off with this agreement than without it. Because if this agreement is not ratified, if it doesn't see the light of the day, all this effort embodied in this 15-page document will never be enforceable. So I think this is something that, you know, those who are reflecting on the outcome should consider.

[00:23:33.20] - Cecilia Malmström

Well said. And there is also something called a rebalancing mechanism in there if there were to be disagreement or different interpretations. Is that correct? Is that only regarding this chapter or is it overall in the agreement?

[00:23:55.24] - Tatiana Lacerda Prazeres

Maybe I go first here. So the idea here with this rebalancing mechanism, which is a new feature of the agreement, so one of the things that were not part of the TSD Annex, so not an addition to the Trade and Sustainable Development chapter, that new addition basically creates a mechanism for for the 2 sides to ensure that there is— that the balance that's been agreed today is preserved over time. We know that, you know, the 2 sides, Congresses, parliaments, etc., may of course have the room to enact new policies, new legislation, etc., that may ultimately affect the balance of the concessions that have been established today or December 6th. The idea is that we have a mechanism to address those concerns And ultimately, and ideally, by creating more trade, you're able to reestablish, reset a balance of the concessions so as to preserve the agreement that— or the spirit of the agreement that has been announced recently. So the idea is basically, let's say, an insurance policy in case something happens. You have a platform to resort to. where you can discuss with your counterpart, but ultimately have a decision that will decide whether there has been a nullification or impairment of concessions that have been agreed in the context of this agreement.

[00:25:26.09]

And the rebalance would ideally, as I said, occur via more trade, not less trade.

[00:25:34.17] - Rupert Schlegelmilch

Okay.

[00:25:34.28] - Cecilia Malmström

Do you want to add anything?

[00:25:36.02] - Rupert Schlegelmilch

Yeah, I think it's important because There has been quite some questions also in our context in the EU. This is actually something which in the WTO goes by the name of notification and impairment claim, which has always been there. Basically, the idea that when you go into an international treaty, like at the time the GATT or later the WTO, not everything that changes the context or could change the context is necessarily a violation of the agreement. Because, you know, you have a right to regulate, certain things are possible, you have national security measures and so on. So, that idea we have brought into our bilateral agreement as well in order to reassure ourselves that we will maintain what is the overall balance of commitments. I think that is important. It is nothing really new. The name is somewhat changed now, but I think— It's important for us to also set out that this is one of the principles of trade law, which has always been there, which we have now also made sure that the volatility of politics that you mentioned, that we know is happening now even more than in the past, has a place to go if in case it really affects our agreement.

[00:26:51.12] - Cecilia Malmström

Yeah, as you mentioned, it's not new as a concept, but it's quite innovative to put it in a free trade agreement like this and to be so explicit about it. When we talk about the overall agreement, there was a question from one in the audience asking if there are any provisions on gender and on Indigenous rights. Tatiana?

[00:27:11.28] - Tatiana Lacerda Prazeres

Yes, yes. So thanks for the question. I should have mentioned that. So in the context of sustainable development, as I said, you know, 3 dimensions, we added a section on women in trade. We have decent work, which is something that Rupert mentioned, is also important for us. So this is new features of the Trade in Sustainable Development development annex, right?

[00:27:38.01] - Cecilia Malmström

And Indigenous people, anything specific on that?

[00:27:49.03] - Rupert Schlegelmilch

Well, we have put a few markers there, in particular when it comes to helping communities which live in, let's say, ecologically sensitive places, which is basically in the Amazon. We didn't call it that directly. In order to make sure that the livelihoods are possible, we have now agreed a list that we will make a list of products which would actually see the light of day within a year

after the conclusion of the agreement to do an extra effort to allow these products to have some kind of special better treatment, be it technical assistance, be it through tariff reductions. I think that is an important point of innovation. which will help the Indigenous communities in the agreement's context.

[00:28:35.25] - Cecilia Malmström

Absolutely. And also a question coming up because we talk about it. You said, Tatiana, that we are better off with this agreement than not because it is enforceable. So the chapter on sustainable development is enforceable, right?

[00:28:52.14] - Tatiana Lacerda Prazeres

Yes, it's legally binding. It has its own dispute settlement features, but it's legally binding. It's part of the whole package. Absolutely.

[00:29:03.08] - Cecilia Malmström

Yeah, just confirming because there was a question from the audience. If we talk a little bit more about the sort of traditional things that are in the trade agreement on tariffs and trade facilitation, market access and non-tariff barriers and so on, what would you say would be the big advantages from a European perspective, Rupert?

[00:29:24.07] - Rupert Schlegelmilch

Well, yes, again, on the more traditional side, I think there are a few a few things which are really important for us. The one, number one, is the whole question, of course, of tariffs, because tariffs are quite substantive. Then I already mentioned some of the regulatory facilitation issues on licensing, technical barriers. There is an important part on sanitary and phytosanitary measures where we have rules which go beyond the WTO. This is in particular things which have not been agreed there, which are on regionalization if there is an outbreak of a disease, facilitating the kind of exchange of data. All of that is part of the sanitary and phytosanitary picture. And given that agricultural trade is an important part of the agreement, this is also, I think, very relevant for the exporting countries which are exporting agricultural products to the EU. So this is— it might be more or less standard in most of our FTAs, but it's really a WTO+ element that we have, that we have built in here. And then the other thing which I really want to highlight is that all of the things we're doing here, especially in services as well, it will help the flow of investments.

[00:30:35.18]

The services part 3 is covered, the, the investment in services. The services aspect, which is very often forgotten, is the future of our economies. And having there a stable and binding agreement, I think, also is really, really important. important. We then have other elements of some better rules on intellectual property and things like that. We have access to government procurement, which is a novum, which we never had in this part of the world.

[00:31:02.09] - Cecilia Malmström

Yeah.

[00:31:02.26] - Rupert Schlegelmilch

You know that Brazil started but then halted the access to the government procurement agreement, and that includes coverage at the sub-federal level where the federal states are an important part of the picture. They spend a lot of money in Brazil as well. So, that is more within the classical realm. I would also like to mention the procurement part because that is something which I don't think Mercosur has committed elsewhere so far. And since we are quite strong in some of the sectors concerned, I would also like to highlight that point.

[00:31:37.02] - Cecilia Malmström

But is there anything on electronic services, on digital trade?

[00:31:43.02] - Rupert Schlegelmilch

We don't have a digital trade chapter like we now— we have separate agreements now with some FTA partners.

[00:31:48.28] - Cecilia Malmström

Singapore and Japan.

[00:31:50.24] - Rupert Schlegelmilch

No, we didn't. That was another innovation which we haven't yet. That's maybe for the first review.

[00:31:56.19] - Cecilia Malmström

It could come at a later stage. Yes, Tatiana, from Brazil and Mercosur point of view, what are the biggest sort of economic advantages that you would like to highlight for your citizens and consumers?

[00:32:08.20] - Tatiana Lacerda Prazeres

Yeah. So as we said, this agreement goes beyond, you know, the elimination of tariffs. And by the way, tariffs will be eliminated for more than 90% of the tariff lines on the 2 sides. Of course, different schedules for dismantling those tariffs. But, you know, we believe trade generates growth opportunities, etc. And therefore, this is something that we're very keen to see happening in practice. Opportunities for companies, you know, not only exporting to the EU, as I said, but also having access to technology that will help productivity in Brazil, that will help us export, including to other markets. This is something that our studies show, right? Our agreement with the EU will help us become more competitive to export to other countries as well. But as Rupert said, the EU is a very important investor in the country, in Brazil, in the region as a whole, and in Mercosur as a whole. So we want to see more investments happening, more services flows happening. There are many opportunities associated with a deeper integration which is what we're proposing here. We're going beyond trade. I wanted also, Cecilia, to highlight, we talked about Trade in Sustainable Development Annex, which, as I said, part of the package, but also we also introduced some changes, as I said, in the pre-agreement, the one that was announced in 2019, and that has to do with some Brazil/Mercosur concerns with policy space.

[00:33:38.14]

place, I know, in light of the global context where industrial policy is back in town, etc. So in government procurement, as Rupert said, we made some adjustments, and adjustments that are in line with the government of Brazil's vision that government procurement is an important tool for industrial development. So technology innovation, family farmers, SMEs, right? The health sector, which is something that we're very much aware of its importance. Special conditions for the automotive sector, which is something important for Brazil. We also discussed flexibility for public policies on critical minerals. I think there we have a win for the both— for the two sides. But this is something that we wanted to highlight in this, that we asked to discuss in this new phase of the negotiations. And then, as you said, the cooperation package to support implementation. We want this agreement to change reality on the ground, and we are happy that we'll be able to cooperate with the EU so as this agreement really is translated into real opportunities for the 2 sides. So I think these are issues that I wanted to highlight in our— in the agreement.

[00:35:04.25] - Cecilia Malmström

And with all these advantages and good things, the ratification process should go very smoothly, right? What I mean, we know that there are some concerns. There's a debate in Europe, in France and other countries. There are concerns among farmers in general. There has been quite a lot of manifestations and specifically on Mercosur. How do you see the— I know that you are a negotiator and a diplomat, Rupert, but how do you see the process moving forward? First, what's the formal procedures and what can we expect if you were to guess?

[00:35:40.29] - Rupert Schlegelmilch

Yeah, well, Cecilia, well, that's the million-dollar question. But let me first, maybe also because I looked at the chat in the meantime, answer one of these more granular questions. There was— there is a chapter on e-commerce in this agreement as well. It's not that there's nothing on digital. We have this classical e-commerce chapter which talks about electronic signatures and no customs duties on electronic commerce and so on. But it's not as sophisticated as the latest emanation of digital agreements, which I think, as I said, is something that we didn't have time and didn't want to—

[00:36:12.09] - Cecilia Malmström

It will come later.

[00:36:13.15] - Rupert Schlegelmilch

We didn't really want to reopen this, but it's not—

[00:36:15.18] - Cecilia Malmström

It will come at a later stage, yes.

[00:36:17.07] - Rupert Schlegelmilch

It's not completely silent on these things. And I also want to second what Tatjana said on some of these issues, which also came up as part of the changing picture, which is the industrial policy. Discussions around the world and some of the changes in the agreement, which I think correspond to, if I can call it that, an understanding of the needs of our partners. So I think we were able to accommodate some of these requests, and I wouldn't qualify them as walking backwards, but at least just changing the perspective in order to allow both sides to implement the kind of policies they see emerging around them, which they also would like to embrace. Now, on the last question, which is the big question of the ratification process, I will be

very— there's not much to say from me on what happens in our constituencies, in the member states and the Parliament. That's for the Parliament and the member states to discuss.

[00:37:18.04] - Cecilia Malmström

Of course, yes.

[00:37:19.20] - Rupert Schlegelmilch

Clearly, we have an interest to do this quickly, I think it is a priority project. This is such a big agreement. You mentioned it in the beginning, Cecilia, it's the biggest trade agreement that we have ever done, a couple of times bigger than Japan or Canada, the kind of bigger agreements we have, Korea. But of course, you know that the steps in the EU, nothing is easy in the EU, everything is complicated. So you have to get the text translated in all the languages. And then I think there is a process where the legal jurists, linguist jurists, also look at the various language versions to be sure that all language versions can be authentic, which is no mean thing given the fact that, you know, the Lithuanian version has to be as trusted as the English one, to give you an example. And that will take a couple of months, and we never exactly know how long this takes, But it will take, it will take a few months. I think the average is anything between 6 and 9 months, but we'll have to see how quickly we can get this machine rolling.

[00:38:28.06] - Cecilia Malmström

But the formality is that it has to be voted in the Council with member states, but a majority, a qualified majority is sufficient, and it also has to be confirmed in the European Parliament. That's correct.

[00:38:41.13] - Rupert Schlegelmilch

Well, even that I would not prejudge what in the end the Commission decides how to present it for ratification.

[00:38:47.02] - Cecilia Malmström

Okay.

[00:38:47.16] - Rupert Schlegelmilch

Yeah, because this is a sensitive issue, as you know. So let's leave it at that. We will take the necessary decision how to present it, in which form, when the time comes.

[00:38:57.01] - Cecilia Malmström

Of course, that's for the political leaders to decide. And Tatiana, in Mercosur, it will have to be ratified by parliaments? Do you foresee difficulties or delays? The translation, of course, I mean Spanish and Portuguese, and the legal scrubbing is something that you do jointly, of course, and exchange. What else is planned for this?

[00:39:28.02] - Tatiana Lacerda Prazeres

It's pretty straightforward, Cecilia, as you suggested. So we're finishing together the legal scrubbing, then we'll have the translations to our languages here in Mercosur, and then in Brazil it goes to Congress. Of course, we take Congress very seriously. We're starting to engage in conversations to explain, to present, et cetera, et cetera. But we're quite confident that the agreement has support in the Brazilian society. The private sector has been voicing its interest in a speedy ratification of the agreement. We're happy with the review clauses, Roberta, that we have negotiated that also make reference to the fact that They will listen to civil society, NGOs, labor unions, social movements, et cetera, et cetera. So that helps, of course, to make this agreement more inclusive and therefore to get the support that we need for the ratification. But overall, the process is the one that you described. We're starting to engage with Congress so as to present the benefits of the agreement. But the outcome has been very well received in Brazil, and we work towards ratification when the time comes.

[00:40:41.03] - Cecilia Malmström

And the procedures are similar in Argentina, Paraguay, and Uruguay, I suppose?

[00:40:45.28] - Tatiana Lacerda Prazeres

That's correct. That's correct.

[00:40:48.24] - Cecilia Malmström

You mentioned, if we talk bigger picture a little bit, because you both started off with saying that the world has changed quite a lot since last time, and definitely so much since when it started 25 years ago. And today we are facing a world of protectionism and nationalism. there's a threat of tariffs, there are risks of trade wars, etc. How much did this play into it as well? I mean, you mentioned it in the beginning, but of course, when we negotiated the last time, there was a feeling also at that time that with the threats towards trade in general, that those countries who feel that trade is basically a good thing, and then you can discuss the details, that there was a need to sort of stick together and to show the rest of the world and each other that this is

actually something we feel is good. And today, big trade agreements like this one, they're not done anymore. And this is going to be one of the biggest trade agreements in the world once it's ratified. How much do you think that plays in? Because other countries and actors outside Europe and Mercosur will of course watch this very closely.

[00:42:03.02]

Is this something that is part of the debate in your respective countries?

[00:42:09.08] - Rupert Schlegelmilch

Well, maybe let me start with the EU. I think I tried to sort of skirt it in the opening text. I do think you say big trade agreements are not done anymore. Well, I beg to differ. I hope that we can do this. And this is actually the most important part in the ratification debate, is to bring out the facts, what this agreement does and what it doesn't do. The fact that especially for Europe, Europe, the openness and the market access and the predictability of a continent which produces a lot more than it consumes is important. And I think we can change that debate by also talking in particular to our concerned societies, parts of society. We know that our farmers are under pressure from many sides, regulatory burdens. We have a new vision for agriculture coming up to address The war in Ukraine, which has obviously made Europe the first outlet for many of these products that Ukraine used to ship elsewhere. All of these things come together, but the point is that we have to bring across the message that this agreement will not add to these worries. It will actually help because we also— agriculture, in agriculture, we export a lot and we have a lot of markets to gain.

[00:43:23.22]

We are actually the biggest exporter of processed agriculture agricultural products. This kind of discussion, I think, now takes place in a different context of a recession, of the other uncertainties that you mentioned, of certainly growing tensions also with the Eastern, the Far East, China. So, I do think it is part of the discussion, and that will, I hope, will help to convince some of the skeptics in Europe.

[00:43:53.23] - Cecilia Malmström

Do you want to add anything, Tatiana, to this?

[00:43:57.27] - Tatiana Lacerda Prazeres

No, just to say that we have here in front of us one of the largest free trade agreements in the world. It sends a powerful message in these turbulent times that, you know, blocs, countries can come together, countries that share values, that share the importance of democracy, of human rights, rights, sustainability, and promote economic cooperation between them. So I think it is really relevant to highlight the importance of— the strategic importance of this agreement in such times and here in the region. But of course, speaking for Brazil, I think we're very keen to see that agreement translated into reality.

[00:44:45.27] - Cecilia Malmström

Yes, and it will of course send powerful signal to the world as well if managed to stick together. And there are lots of questions coming in in the chat, so thank you to all of you who are sending them in. Some of them we have addressed before. One is concerning a sort of information campaign that you cannot really answer, but I know from the past that the Commission will of course from its side try to produce statistics and facts and maybe stories of people might be affected. And then it will be very much up to the political leaders in different countries when needed to explain and to engage with citizens and their respective parliaments and so on to promote it and to get it ratified. Information campaigns as such is not what the Commission is planning as far as I remember. Correct, Robert?

[00:45:44.27] - Rupert Schlegelmilch

No, but we— I don't— we— I don't think we campaign, but I do think that we will try to put the facts out there.

[00:45:52.04] - Cecilia Malmström

Produce facts.

[00:45:52.18] - Rupert Schlegelmilch

We will just make the information available on what is in the agreement. We will do an economic analysis, as we have done a sustainability impact analysis before, to also show evidence-based— in an evidence-based way the effects of the agreement. I think that's what bureaucracies like the Commission should actually do. And then in the end, it's a political decision by our constituencies. We provide the facts for that.

[00:46:20.01] - Cecilia Malmström

There is a question, Tatiana, to you on China and Brazil's economic ties with China. I don't know if you're positioned to answer this. Mr. Jacob Weissman asks, given Brazil's strong economic ties with China and its membership in BRICS, how does the Secretary view the potential impact of US tariff under Trump administration? That's a very political question. I'm not sure I can answer that. Are there strategies in place to mitigate market disruptions that could arise from increased pressure on China's export and its potential ripple effects on Brazil and other Mercosur countries? I mean, China is, of course, a very important trading partner for Brazil and for Latin America as a whole. I don't know if you have anything to say about the relationship relations with China and this, bearing in mind that you're not a politician?

[00:47:11.21] - Tatiana Lacerda Prazeres

No, I can comment on that. It's just that we need to wait for the new US administration to start and see what type of policies they will implement. So we are working with different scenarios here. The US and Brazil have very strong economic relations and we have good business between the 2 countries that benefited the 2 sides. But again, we need to wait. There's nothing, I mean, other than speculating. I cannot, you know, add much here. So I better just stay there.

[00:47:48.17] - Cecilia Malmström

I think we'll see very soon. The president of the United States will be installed on Monday, and then we'll see what happens. There's also questions regarding the agriculture issue, which is of course very sensitive in Belgium, yes, and Brussels and many other countries. Maybe this is for you, Rupert. There are concerns, there are criticisms I've read in Europe, says the person who puts the question, Miguel Medina, that Latin American agro-industry will be able to export to Europe food that has been grown or produced under standards that are not legal in the EU. Is this correct? This This is a good opportunity for you to dismantle some fake news.

[00:48:40.07] - Rupert Schlegelmilch

Well, I think it's clear, and this is sometimes indeed not always presented correctly, whatever comes into the EU has to comply with EU standards. This is, the product has to be safe, it has to be sanitary-wise, but also from an environmental point of view, etc. Agricultural products have to comply. So if we have a hormones ban, there can be no hormones hormones. And if we have a zero policy on residual pesticides and so on, then these pesticides— that also applies to imports. So it's clear that whatever enters our market has the same safety and health standards than what comes in, than what we produce here. Otherwise, it wouldn't make any sense. It would protect our constituencies. There is some debate going on, on another aspect of this debate, which is the question of the way things are produced. Animal welfare standards is a

good example because, you know, the cow which— or the beef which arrives, you can't really see the product, the way it's been produced. And here we have a growing number of rules which apply. For example, on animal welfare, the transport rules, the slaughtering rules, and things like this need to be respected as well.

[00:49:57.26]

This is not across the board because some of the instances, some of the, the rules obviously are what is what these countries need. We wouldn't want to be told how to actually produce ourselves in Europe in order to export when it comes to some of these production methods, intensive farming and so on. But of course there is a growing discussion on how much we can actually extend some of these rules if they're based on major global concerns or moral concerns when it comes to animal welfare. This is part of the discussion, but the products which come here are certainly always safe and comply fully with EU rules.

[00:50:37.22] - Cecilia Malmström

There are certainly a lot of misconceptions and misunderstandings in the debate around trade and on this as well, and I think it's natural. I mean, everybody eats, so everybody's concerned about food and so on. So thank you for clarifying this. I was listening to a podcast with the new trade commissioner, Amaro Seftovic, and he talked a little bit about Mercosur agreement and the advantages. And he also said that the fears in Europe that the markets would be flooded by Brazilian beef are very exaggerated. We are actually talking about, I think he mentioned one hamburger per year and person, the corresponding. Is that correct?

[00:51:22.09] - Rupert Schlegelmilch

Well, maybe I should answer the question if Tatjana allows me.

[00:51:25.11] - Cecilia Malmström

Yeah.

[00:51:26.10] - Rupert Schlegelmilch

No, I think we're— this question has always been at the core of the concerns of our farmers. Indeed, if we talk about 99,000 tonnes of beef, we have a very small part of the market that is concerned, 1.5% maximum. We consume between 6 and 7 million tonnes every year, so 100,000 is not exactly a lot. Um, but of course, let's be also honest, some of that is high quality where a lot more money is made than with some other parts. And this is why it's important to

also say that the 99,000 tons are not all high-quality prime. Uh, half of it is frozen, a bit, a bit less than half of it is frozen, which is usually not the highest quality. So even that fear, I think, is, is not, not necessarily believe substantiated. I think what this discussion shows more than anything else is the overall pressure also on the beef sector, which hasn't been doing very well the last couple of years. I think we recognize that for many reasons, but it's not the reason that, you know, this 1.5% more market will be opened up. And the less than 5% that we open up completely with all our free trade agreements agreements will be disturbing the market massively.

[00:52:43.28]

I hasten to add that we also have an insurance promise here. If against all our predictions something does happen, there is an insurance policy and a political commitment to compensate our farmers in such an event.

[00:52:56.29] - Cecilia Malmström

Thank you very much for this. Do you want to add anything on this, Tatiana?

[00:53:01.11] - Tatiana Lacerda Prazeres

No, no, just to say that I appreciate you, Rupert, putting things into context. I know Sometimes some claims are exaggerated. And, you know, when we talk about 99,000 tonnes, it's like really not that we'll be able to disrupt the market in a bigger way. We need to see the whole picture. We understand the sensitivities from all sides. We have ours as well. I haven't mentioned we're talking about, of course, concerns in the EU. We have ours. But we are confident of the overall benefits of the agreement. We need to work with those who are concerned, for example, that produce, small farmers in Brazil, milk, cheese, etc. We have our concerns as well, and we'll deal with them the best way we can.

[00:53:48.17] - Rupert Schlegelmilch

Yeah, and just to confirm, Cecília, your question, a hamburger is 200 grams per person in the EU per year. That's a medium-sized hamburger, it's not a Big Mac, I think.

[00:54:02.07] - Cecilia Malmström

So, but the comparison was correct.

[00:54:05.20] - Rupert Schlegelmilch

Yeah.

[00:54:07.12] - Cecilia Malmström

Tatiana, there's a question on the Mercosur-EFTA agreement that is also under negotiation right now. And Maria Donner asks if the changes in the EU and Mercosur agreement will reflect the negotiations on this. Are you involved in those as well?

[00:54:29.04] - Tatiana Lacerda Prazeres

Yes, yes. No, thank you. So I said that Mercosur has a limited network of agreements. agreements. We're starting to change that. 2023, we concluded a free trade agreement with Singapore. That was the first free trade agreement of Mercosur in more than 10 years. And now we concluded the Singaporean—the agreement with Singapore was actually signed. So now we concluded the agreement with European Union, and the EFTA negotiations have always followed closely the negotiations with the EU. So now we have a new momentum for the EFTA negotiations. We've been holding negotiating discussions, etc., rounds. But now, of course, there's new momentum, and I'm sure that what we agreed with the EU will inspire our discussions in the context of our EFTA negotiations. Not to say that it is easy. We have some issues there as well to address. But I think, Cecilia, we're now better placed to conclude the negotiations following these 2 recent ones that I've just referred to. And there are others in the pipeline as well, including including with the United Arab Emirates.

[00:55:39.17] - Cecilia Malmström

Thank you. Maybe to clarify for those of you who are not Europeans, that EFTA is Norway, Liechtenstein, Iceland, and Switzerland. Switzerland, yes, of course, Switzerland. So those who are not members of the European Union. We are almost at the hour, but maybe 2 quick questions. You both referred to investments, but there is no no provisions on dispute settlement, ISDS, in the agreement, correct? Just to confirm that.

[00:56:13.02] - Tatiana Lacerda Prazeres

That's correct.

[00:56:13.17] - Cecilia Malmström

To the person who asked. And then maybe this will have to be the last question, if you feel you can answer this, Rupert. How compatible are the commitments of this agreement with the notion

of strategic autonomy? That seems to be the key component of EU's economic strategy? Roberto Buzas asks that.

[00:56:34.04]

That's a bigger question, of course, but maybe you can give it a short answer.

[00:56:37.05] - Rupert Schlegelmilch

But I think it's not so difficult to answer because strategic autonomy does not mean doing everything yourself. It means having a good diversified base of the things that you don't have yourself. And this is why this agreement will actually help us to be more autonomous strategically because we will hopefully reduce our dependency on some markets. Some of the critical minerals, for example, which we now are 90 or 80% dependent on one particular economy, are also found in the Mercosur countries, and we have some hope to actually increase our supply from that part of the world. Strategic autonomy means also that you have diversified stable markets, not closing down for open and open. So, I do think that by having a better network and a diversified network of stable relationships, we also increase our strategic autonomy, which again doesn't mean that we do everything ourselves, but that we have a base for diversifying in order to resist shocks and to be resilient. That's what strategic— and by the way, we talk about open strategic autonomy in our lingo. The word open is very important.

[00:57:50.29]

important. Some people think it's a closed concept, but it's not.

[00:57:55.22] - Cecilia Malmström

Indeed, very, very importantly open. I think we are approaching the hour. This has been a very nice, interesting, and informative discussion about something very big that hopefully will see its conclusion. We don't know exactly when, but shortly, and it will send a positive signal to not only the EU countries and the Mercosur countries, but I also think to the rest of the world that friends are able to negotiate and to agree and come to a very progressive and modern trade agreement to the benefit of its people. So thank you very much, Rupert Schlegelmilch from the European Commission, even if you have formally left that now, and Tatjana Prazeres, who from Brazil, the Secretary of Foreign Trade. And thank you to all of you who have been listening. Have a very nice evening or afternoon.

[00:58:55.14] - Rupert Schlegelmilch

Thank you for having us.

[00:58:58.13] - Tatiana Lacerda Prazeres

Thank you.