INTERNATIONAL TRADE / WTO

CLIENT ALERT

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MERCOSUR AND EUROPEAN UNION REACH FREE TRADE AGREEMENT AFTER 20 YEARS OF NEGOTIATIONS

In a historical moment, MERCOSUR and the European Union (EU) completed, this Friday, June 28, 2019, in Brussels, the negotiations of the free trade agreement (FTA) between the two regions, negotiated for nearly two decades. The negotiations began in 2000, and, since then, faced different stages. In 2016, the talks were resumed and intensified through negotiation rounds and regular meetings.

According to the Brazilian Ministry of Foreign Affairs and Ministry of Agriculture, Livestock and Supply, the FTA encompasses tariffs, services, government procurement, trade facilitation, technical barriers, sanitary and phytosanitary measures and intellectual property.

In addition to the expedition of import and export processes and reduction of trade costs, the agreement guarantees the progressive elimination of tariffs (in a period of 15 years) for several products traded between the two blocs. This applies to agricultural goods, such as orange juice, fruits, coffee, meat, sugar and ethanol, which are very relevant to Brazil.

MERCOSUR and the EU represent, together, about 25% of the world's gross domestic product and a market of 780 million people, representing one of the largest free trade areas in the world. Likewise, this is the largest and most complex agreement ever negotiated by MERCOSUR. The EU is MERCOSUR's second main commercial partner and the first in terms of investment, while MERCOSUR is the eighth main trade partner outside the EU, representing a bilateral trade in 2018 of more than USD 90 billion.

In a press release published by the European Commission, the agreement was identified as the main FTA that the European Union has ever concluded. According to a study made by the Commission, the FTA will generate savings to companies of four billion euros in tariffs, mainly in the industrial and agricultural sector, facilitating exports of products, which, according to the Commission, have been facing tariffs that are too high, and some which are even prohibitive. This applies to automotive goods (35%), auto parts (14-18%), chocolates (20%), wines (27%), among others.

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COORDINATION
AnaCaetano

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According to estimates made by the Brazilian Ministry of Economy, the FTA will represent earnings of 87,5 billion dollars in Brazil's GDP, over 15 years of tariff reduction. Until 2035, investments are also expected to increase in 113 billion dollars and the Brazilian exports to the EU in 100 billion dollars.

The official text of the FTA is not yet available.

We remain at your disposal should have any questions or need any further information.

Ana Caetano
ana.caetano@veirano.com.br

Marina Martes
marina.martes@veirano.com.br