

**MERCOSUR  
EUROPEAN UNION  
BUSINESS FORUM**



**FORO EMPRESARIAL  
MERCOSUR  
UNIÓN EUROPEA**

**MEBF BUENOS AIRES DECLARATION  
Buenos Aires, November 6, 2006**

**1. Introduction**

The Mercosur / European Business Forum is a business-driven process, created in 1998 with a view to promoting economic and business relations between the two blocs. Since its first Conference, in Rio de Janeiro, on February 1999, the MEBF has been supporting the negotiation of a comprehensive and mutually beneficial free trade area between the EU and Mercosur.

During these years, MEBF has issued five Declarations offering detailed recommendations in all the relevant areas of the negotiating agenda. It is important to remark that business representatives from the two blocs have been able to overcome their divergences in many sensitive themes and to build joint recommendations in areas such as: tariff liberalization, non-tariff barriers, special and differential treatment, rules of origin, customs procedures, standards, technical regulations, sanitary and phytosanitary measures, trade remedies, investment agreements, government procurement, services liberalization and e-Commerce, among others.

These recommendations represent an enormous effort towards consensus building among businesspersons coming from different sectors and regions. All these recommendations remain valid, but many of them have not been incorporated into the ongoing negotiations.

Furthermore, in 2004 MEBF commissioned a numerical simulation study conducted by the "Chaire Mercosur" of the Institut d'Etudes Politiques de Paris (Sciences-Po) to assess the economic impact of the creation of a Free Trade Area between EU and Mercosur. One of the results has been the estimation of the cost of failure of these negotiations. Trade in goods alone, the cost of lost opportunities could be of US\$ 3.7 billion per year. Taking into account services and investment, the value of lost business would significantly increase up to more than US\$ 5 billion per year.

On November 6, 2006, the MEBF held its VI Plenary Conference. Business leaders from Mercosur and European Union met in Buenos Aires to assess the importance of a bi-regional agreement to foster competitiveness in both blocs, to evaluate the latest developments in the WTO negotiations and its impacts on the EU-Mercosur agenda and to encourage Negotiators to resume negotiations towards an ambitious Association Agreement between the EU and the Mercosur.

As a result of the Buenos Aires Conference, MEBF presents a new Declaration on the importance of concluding balanced agreements on both the bi-regional and the multilateral levels.

**2. The need to conclude the Doha Round**

In its previous declarations, MEBF has expressed its full support to the objectives of the Doha Round. MEBF believes that a strong, multilateral rules-based trading system and the advancement of multilateral trade liberalization are essential to promoting growth, opportunity and prosperity in every economy.

**The development of our countries is our end-goal.** Trade liberalization and economic integration are important instruments to foster economic growth. Regionalism/bilateralism can be useful means to foster trade and economic growth. But only a strengthened multilateral framework will ensure that bilateral and regional trade initiatives provide benefits to the entire global economy.

The impacts of the evolution of the Doha Round on the negotiations of the Interregional Association Agreement are evident. Many important obstacles for the bi-regional relations can be removed with a

balanced agreement at the multilateral level. Ideally, the EU/ Mercosur Trade Agreement should build upon WTO achievements.

Strengthening the multilateral trade system is an objective shared by both blocs. Moreover, the agenda of the Doha Round includes some themes that are essential for the success of bi-regional understandings. Business organizations from the European Union and Mercosur have been working cooperatively for a successful conclusion of the WTO Doha Round. Yet, given the lack of progress at the WTO so far on how to expand market access for agricultural and non-agricultural products and in the achievement of greater levels of services liberalization, we have grown increasingly concerned with the prospects of the DDA negotiations.

MEBF regrets the suspension of the talks in Geneva last July. If the negotiations are not resumed as soon as possible, this could lead to a failure of the Doha Round, which would undermine the promise of global economic growth and prevent WTO members from gaining the benefits that accrue from trade liberalization and a predictable regulatory framework for the provision of services.

The Doha Round is an opportunity that should not be missed. MEBF believes that significant progress in the next months towards a meaningful conclusion of the Round is crucial to strengthen the WTO's credibility as a leading force in the elimination of trade barriers and the promotion of trade and economic cooperation worldwide.

Mercosur and the European Union have been major players in the multilateral talks. MEBF urges Governments from both blocs to join efforts for the ultimate success of the DDA negotiations and for an ambitious outcome which could do much to enhance the multilateral trading system.

MEBF wants a strong multilateral trading system where agreements are fully respected and implemented. If recourse is made to dispute settlement, MEBF expects full compliance with panel recommendations so as to ensure the highest level possible of transparency and predictability not only for governments but also for consumers, producers and services suppliers.

### **3. The importance of a bi-regional trade agreement to the business climate and to competitiveness**

The last years have seen an impressive multiplication of bilateral and regional negotiations and agreements. Uncertainty relating to the perspectives of a successful multilateral round of trade negotiations has fostered such initiatives all around the world, especially in its most dynamic economic region - the Asia Pacific. Mercosur and the European Union are actively taking part to this trend, negotiating with emerging economies and developing countries in the Americas, Asia and Africa.

But the rush to bilateralism relies also on the widespread perception, among the business sector, that non-multilateral agreements give a unique contribution not only to trade and investment liberalization, but also to the setting of a business-friendly climate. Hence, for the business sector, bilateral agreements complement multilateral arrangements as they allow negotiators to go further and deeper in the removal of regulatory features that inhibit the fostering of economic relationships in partner countries.

The multilateral agenda is much narrower than the one provided by "new generation" bilateral free trade negotiations. This relates, in the first place, to the fact that such negotiations usually deal with issues that are not included in the DDA - investments and government procurement, among others. Furthermore, bilateral negotiations appear to be the best approach to the management of a host of issues that are particularly relevant to the business sector: domestic regulation applying to the provision of services, standards and technical regulations, customs procedures, e-commerce, movement of business persons, investment facilitation, etc.

In previous MEBF Declarations, detailed recommendations on the setting of a "business friendly" agenda - one that goes beyond the multilateral agenda with respect to rules and regulations affecting trade and investment - were issued. However, these documents have not sufficiently stressed the positive impacts that a bi-regional agreement between the EU and Mercosur could have on the competitiveness of the companies in both regions.

Nowadays it appears that the main benefits of a bi-regional agreement would arise not only from the so-called "static gains" of liberalization but also from the impacts of this agreement in helping the EU and Mercosur countries to overcome their handicaps when competing in international markets.

The EU is facing the challenges imposed by the Lisbon Strategy to foster competitiveness, and therefore, economic growth and employment. International trade aspects play a crucial role in this battle for productivity and competitiveness,<sup>1</sup> where the EU is currently lagging behind the US and Japan. This includes barrier-free access to third countries' markets as well as open import regimes that may reduce transaction costs (e.g. for raw materials, intermediary goods, parts and components and services) to the advantage of European producers and citizens.

Mercosur countries, on their side, face the challenge of an increased competitiveness gap especially with some ASEAN countries (on the verge of initiating negotiations for a free trade agreement with the EU), with India (also on a preliminary phase to initiate negotiations for a free trade agreement with the EU) and China, which poses the risk of losing ground in generating the right combination of factors such as productivity (skills / labour costs), economic social / political stability and predictability and adequate business environment – not to mention market dimension, indispensable to attract European Direct Investment.

This “competitiveness-enhancing” approach plays a pivotal role in helping to devise new paths to reach a bi-regional agreement between the EU and Mercosur. The experience accumulated during these negotiations sanctions the perception that a successful agreement will only emerge if a strategic view of the EU / Mercosur Partnership prevails over a short-sighted cost/benefit analysis, with a competitiveness-led approach that aims at developing our countries.

A dynamic long term view will allow for more flexibility in terms of offers concerning agriculture from the European side and in terms of services and public procurement from the Mercosur side.

EU and Mercosur companies feel frustrated with the outcome of the negotiations so far. Negotiators must deliver and live up to the expectations created in the business community vis-à-vis a Free Trade Area of 700 million consumers.

#### **4. The need to adopt new approaches towards a bi-regional agreement**

MEBF believes that it is important to adopt new approaches in order to overcome the impasses in the bi-regional talks. Both blocs should avoid insisting on strategies that have already led to impasses in the past.

There remains no doubt as to the benefits that a broad-reaching agreement will bring to the economies and societies of both blocs. MEBF recognizes that the core interests of Mercosur and the European Union in the agreement —being so important— create conflicts in the negotiating agenda. Overcoming these conflicts depends on each party being convinced that the potential gains are worth the concessions that both blocs will have to offer. The negotiating strategies adopted by both blocs during the last two years did not contribute to overcoming impasses and building solutions. It is necessary to maintain the overall assessment of the gains and sacrifices involved.

After the suspension of bi-regional talks in October, 2004, both blocs moved their focus to concluding the Doha Round. This continues to be the main goal for the business sector. Furthermore, a successful conclusion of the multilateral agreement at the WTO would provide a clear view of the remaining obstacles that should be removed for the enhancement of the EU and Mercosur economic integration. But, with the growing uncertainty about the future and the timing of the multilateral agreement, it is crucial to move on with the bi-regional negotiations.

Early this year EU and Mercosur negotiators exchanged non-papers, offering each bloc views on the elements for a possible agreement. Although MEBF recognizes that very impressive progress have been made in most of the main areas under negotiation, the elements listed in these papers show that many important issues remain on the table.

In agriculture, a crucial area of interest for the Mercosur entrepreneurs, tariff quota volumes, intra-quota tariffs, yearly increase of quotas, export ceilings, administration of quotas, exceptions for subsidized products, geographic indications and sanitary and phytosanitary measures are some of the pending issues.

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<sup>1</sup> European Commission issues paper on Trade and Competitiveness, September 2005



Behind some of these issues, lies the idea that the EU has a single pocket for offering market access for agricultural products.

In industrial goods, the scope for special and differential treatment, the coverage of the tariff liberalization, the elimination of export taxes, and the asymmetry in the phasing-out of the remaining tariffs are still on the table. The definition of the rules of origin and the use of drawback, or other special import systems in preferential trade are important issues for business transaction that need to be addressed.

In services, there are unmet demands from both blocs regarding legal predictability in many sectors and market access commitments in different modes of provisions for several sectors. There are also uncompleted talks in very important areas for economic integration such as investment and government procurement.

MEBF is aware that many of these are sensitive issues for one of the blocs. But the business communities in both sides are deeply convinced that Negotiators can find mutually beneficial solutions to overcome the impasses. MEBF emphasizes that in its previous declarations business representatives from both blocs were able to build consensus recommendations for many of the conflictive issues.

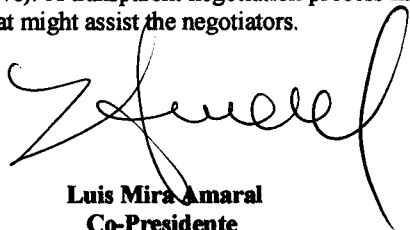
In this context, MEBF estimates that the conclusion of an ambitious association agreement is highly dependent on a preparatory process where the appropriate cooperation as regards compliance to technical and sanitary and phytosanitary standards should be emphasized in order to attend the needed structural adjustment and to assure the effective market access.

MEBF urges negotiators from both blocs to resume the trade talks with the aim at concluding an ambitious Interregional Agreement. This challenge would be facilitated by a successful conclusion of the Doha Round. But the uncertainty around the future of the multilateral talks should not result in the paralysis of the bi-regional understandings.

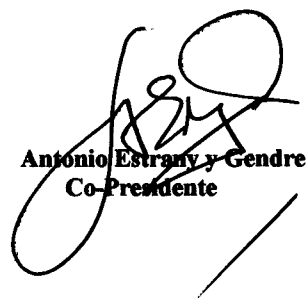
MEBF believes that reaching a successful agreement depends on the adoption of new negotiating approaches. The assessment of the cost-benefit ratio of an Interregional Agreement should take into due consideration the contributions it can bring to foster competitiveness in the two blocs.

MEBF calls on Mercosur member countries, EU member countries and the European Commission to do their utmost efforts to make substantial progress in the negotiations, overcoming some important and substantial issues that are hampering the process. MEBF believes that both sides should set a time frame for the conclusion of the negotiations, but this should not jeopardise the achievement of a comprehensive agreement.

Transparency must be a distinctive component of the negotiating process, assuring the participation of the MEBF. To this end MEBF recommends to both parties the establishment of a web page with specific and detailed information (obviously maintaining the needed confidentiality levels that any negotiation must have). A transparent negotiation process may ensure that inputs are received from non-traditional sources that might assist the negotiators.



**Luis Mira Amaral**  
Co-Presidente



**Antonio Estrany y Gendre**  
Co-Presidente

## ANNEX TO THE BUENOS AIRES DECLARATION

### **1. Recommendations on Market Access Negotiations**

Trade in goods between the EU and Mercosur has risen considerably in recent years, with the total value of trade flows between the two blocs rising from EUR 19.0 billion in 1990 to EUR 51,1 billion in 2005, an increase of almost 170% or an average annual growth of 7%. In particular, EU exports to the region quadrupled during the same period while imports from Mercosur rose by 123%.

The European Union has maintained its position as the top trading partner of the Mercosur both in terms of exports and imports followed by the US as the second most important trading partner. On the other hand, the Mercosur ranks 9<sup>th</sup> amongst the European trading partners.

Given those impressive figures, the completion of the Interregional Association Agreement between the EU and the Mercosur would additionally boost further trading activities through opening up markets and therefore benefit competitiveness and growth in both regions.

Barriers to mutual market access do in many ways impede the intensification of the biregional business relations. Therefore, MEBF expresses its strong and sustaining commitment to the negotiations of an Interregional Association Agreement and hopes for its termination in the near future.

The majority of the issues that remain under discussion within the market access negotiations were addressed by the MEBF recommendations issued in the Brasilia and especially the Madrid Conference. These recommendations remain valid. Nevertheless, the MEBF additionally identified and reframed the following recommendations in order to thrive competitiveness in the Mercosur as well as the European Union through better market access.

#### **1.1 Market Access Barriers**


In order to foster intra and extra region trade flows and provide predictability to companies, it is essential that tariff, non-tariff barriers, subsidies and other measures that distort to bilateral trade are eliminated. In addition the regulatory framework on both sides has to be stable, predictable, efficient and transparent. The aim of this framework should be to facilitate market access, promote the increase of trade flows in a sustainable way and foster an increasing flow of European direct investments in the Mercosur countries.

The Doha agenda recognised the importance of the provisions for special and differential treatment in the WTO Agreements and calls for a "revision in these provisions with a view to strengthening them and making them more precise, effective and operational". In order to reduce the gap in terms of economic development between EU and Mercosur member countries, MEBF recommends that the negotiations between the two blocs should provide mechanisms for special and differential treatment, including the possibility of asymmetrical trade liberalisation.

##### ***1.1.1 Tariff Issues***

With the aim of moving forward towards a successful agreement, MEBF strongly encourage the negotiators to present comprehensive offers approved by all EU and Mercosur member states.

MEBF considers a transition period of 10 years for the substantial part of the trade as appropriate. MEBF recommends that efforts should be made to rapidly liberalize, during the initial 5 years of the agreement, a list of products, which is yet to be defined. This list should be as wide as possible. In exceptional areas, however, longer periods for complete liberalization may be considered, taking into account the concept of asymmetrical reciprocity in the liberalisation schedules (periods and path), so as to account for the differences between the levels of development and production structures in the Mercosur countries vis-à-vis those of the EU.



MEBF considers that the entire tariff universe should be included in the negotiations. All types of tariffs (ad valorem, specific and compound tariffs) should be transformed into ad valorem tariffs and submitted to liberalisation programs. Tariff peaks should be eliminated in a rapid path in order to eliminate the distortions caused by the high degree of protection granted to the products subject to this kind of instrument.

#### **1.1.2 Non-tariff barriers and measures that distort trade**

MEBF considers of utmost importance that the EU and Mercosur strengthen efforts to remove non-tariff barriers that are limiting the development of bilateral trade between both regions and to avoid the creation of new obstacles.

In order to guarantee balanced conditions for competition in the biregional trade of agricultural products, the phasing out of tariffs should be preceded by the elimination of export subsidies and by the determination of disciplines in the fields of exports credits, food aid, domestic support measures and other measures that distort trade.

#### **Import Regimes, licenses, quotas and other**

The MEBF recommends to Mercosur and to the EU that (i) the granting of import licences becomes automatic and non-discretionary, (ii) the administrative requirements are drastically simplified, (iii) import licensing and customs procedures are harmonised as well as customs documentation, and (iv) the application of temporary import or export restrictions is avoided.

During the transition period, the EU should increase the current tariff quotas until its complete liberalization for the products that are subject to these quotas nowadays and should provide access to quotas for additional products that have their access to the EU markets hindered by tariffs and non-tariff barriers.

#### **Non-tariff import taxation**

The MEBF recommends to drastically simplify the structure of non-tariff import taxation and to reduce the rates. Improving transparency would greatly increase the trade flows between both areas. This will certainly benefit the final consumers through a reduction in prices of final and intermediate products. Customs valuation should be harmonized and carried out in accordance with WTO Agreements.

#### **Standards, technical regulation, conformity assessment and certification**

MEBF considers the full implementation of the prescriptions in the WTO Agreement on Technical Barriers to Trade with broadest usage of international standards (ISO, IEC, ITU) a significant contribution to furthering inter-regional and global trade.

MEBF encourages all parties concerned to work towards this goal. Being aware of the substantial barriers to trade which diverging standards, technical regulations and conformity assessment procedures constitute, MEBF has proposed a set of short, medium and long term measures in this field to facilitate business. These are stated in the MEBF "Buenos Aires Statement on Business Facilitation". MEBF strongly recommends their implementation. The BAFP of the European Commission was a first positive step into this direction.


#### **Sanitary and phytosanitary measures**

MEBF recommends the acceleration of the bilateral negotiations in course regarding mutual recognition agreements for sanitary and phytosanitary measures and that progress is made toward a biregional agreement in that matter.

MEBF suggests the establishment of the procedures in order to warrant that sanitary and phytosanitary measures applied are congruent with the principles and obligations defined in the WTO SPS Agreement. Co-operation between European and Mercosur specialists in the definition of sanitary and phytosanitary regulations should be fostered. This co-operation should be extended to the time scheduled for the adoption of the new regulations.

#### **1.2 Rules of origin**

MEBF recalls the crucial importance of rules of origin as a safeguard to industrial investment made by European/Mercosur companies. Negotiators of both sides should give sufficient attention to the negotiations of rules of origin, so as to avoid unbalanced solutions for the two partners.





### 1.3 Trade remedies

The antidumping instrument should not be used for protectionist purposes, but only to counteract unfair practices as established by the WTO. MEBF would welcome a more harmonised application of the trade defence mechanisms and recommends that the two blocs work together in this regard.

The Agreement should include specific safeguard clauses, taking into account WTO rules.

### 1.4 Mercosur integration

The progressive consolidation of Mercosur, especially the removal of internal barriers to trade, is very important to foster the trade flows between the EU and Mercosur. MEBF strongly recommends further progress in the integration of Mercosur as set out in the Treaty of Asunción.

## 2. Recommendations on Services and Investment Negotiations

Services already represent a dominant share of the economy of the EU and Mercosur. Last year the services sector represented 70% of GDP for the EU and accounted for 71% of all jobs. On the Mercosur side, in terms of GDP for its Member States, the services sector represented the equivalent of 57% for Brazil, 68% for Argentina, 51% for Paraguay and 66% for Uruguay. Likewise in 2004 the services sector employed 59% of the working force in Brazil, 78% in Argentina, 50% in Paraguay and 73% in Uruguay<sup>2</sup>. However trade in services in 2004 represented only 20% of global trade between the EU and Mercosur<sup>3</sup>.

As the world largest importer and exporter of services (amounting to 26% of total global services' transactions) and considering the crucial role of this sector in the competitiveness of its economy the EU has a clear interest in increasing its trade in services with Mercosur. Mercosur also has concrete export interests in EU markets, many of which can be addressed in the bi-regional negotiations. At the same time the value of services as an input into all products and a part of the economic infrastructure needed to improve export capabilities, together with its ability to attract foreign direct investment and generate jobs, also contribute to making it attractive for Mercosur to reach a broad agreement in this field with the EU.

The MEBF considers therefore worthwhile to insist on the steps that need to be taken to reap the full benefits of an open trade regime for services between the EU and Mercosur.

### 2.1 Services Liberalisation and Adequate Regulatory Framework

No substantial improvements in services trade between the EU and Mercosur can be expected without an effective level of services liberalisation based on a broad sectoral coverage and high quality offers between both blocs, including commitments in the four modes of supply. It is important to guarantee that services companies from the EU and Mercosur will have equal access opportunities to their respective markets under the general principle of non discrimination and that they will benefit from the regional dimension of those markets.


The EU and Mercosur negotiators should seek to ensure *inter alia* the inclusion of the following sectors:

- Maritime transport (a key sector to foster exports of goods)
- Air transport services
- Telecommunications
- Computer Related Services
- Express (courier) delivery services
- Distribution Services
- Energy Services
- Financial Services
- Insurance and re-insurance
- Professional Services
- Construction Services
- Tourism Services
- Environmental Services

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<sup>2</sup> ECLAC, Statistical Yearbook for Latin America and the Caribbean, 2004

<sup>3</sup> EUROSTAT (Comext Statistical Regime)



- Services related to Agriculture (veterinary services, management consulting services, services incidental to agriculture, hunting and forestry, services incidental to fishing etc)

The movement of people as defined by mode 4 of the GATS is crucial for the strengthening and deepening of trade in services between the two blocs. In addition to liberalisation *per se*, instruments such as mutual recognition agreements may do much to facilitate trade in a number of services sectors and should therefore be pursued.

Both the EU and Mercosur stand to benefit from the direct relation between liberalisation and international sourcing of services. This link would allow companies to obtain important cost savings and to improve the international competitiveness of the services sector, considering the trends towards delocalisation of more knowledge-intensive services activities such as those performed by IT engineers, researchers and analysts.

Services sector activities need an appropriate, proportionate and predictable regulatory framework to reach an optimum operational level. As the MEBF has endlessly stated, the EU-Mercosur Interregional Association Agreement can be an outstanding tool to foster the conditions for an adequate regulatory framework and create the necessary level of regulatory predictability required by services' providers.

The text of the agreement and the schedules of commitments may contain provisions to ensure certainty in the provision of services:

- Enhancing the importance of transparency and market access under non discriminatory conditions
- Limiting the eventual use of the economic needs test
- Limiting exceptions to the application of the provisions of the Agreement to those admitted under the GATS

Avoiding uncertainty and unpredictable changes in the legal and regulatory framework is crucial to increase government efficiency and reliability, strengthening the institutional framework needed for the viability of the investments and business plans of the service providers.

The MEBF believes of the utmost importance that basic principles of good quality regulation be observed by EU and Mercosur Governments also when exercising their legitimate right to regulate, for instance, the provision of public services. Mechanisms of regulatory cooperation with a view to sharing best practices between both blocs could be established in concepts such as better regulation which relies on the use of an impact assessment method.

## 2.2 Investment

EU foreign direct investment (FDI) outflows towards Mercosur increased considerably during the 1990s reaching the unprecedented point of EUR 28.6 billion in 1999. From 2000 onwards EU investments in that region started retrenching noticeably. However, the EU is still the main source of FDI for the Mercosur. The EU has thus replaced the USA as Mercosur's main foreign direct partner.<sup>4</sup>

Trade in services is directly linked to FDI. It is estimated that around 60% of worldwide FDI is made in the services sector. That is so because services activities often require a commercial presence in the markets where they are going to be performed, and they frequently imply joint ventures with local partners. These investments lead to job creation and technology transfer, with a direct impact on crucial pillars of competitiveness such as technological readiness, innovation and business sophistication.

The MEBF has previously expressed its support for the inclusion of a chapter on Investment within the Interregional Association Agreement between the EU and Mercosur in order to ensure the rights of foreign investors; national treatment for all investors and investments; non-discriminatory access to government funds, civilian research and development programs; free movement of capital for all transactions related to foreign investment; free movement and right of establishment for the management of foreign companies and non discrimination in the tax system. The MEBF favours the establishment of

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<sup>4</sup> EUROSTAT



cooperation mechanisms between both blocs in matters relating to FDI such as the activities of Foreign Promotion Investment Agencies.

In order to stimulate flows of FDI it is of the utmost importance that the EU and Mercosur ensure the necessary degree of stability to maintain the confidence of investors. Legal uncertainty generated by shifts in the "rules of the game" may have negative implications on investment and should be avoided. Considering the current impossibility of pursuing a framework to ensure the stability needed by FDI at the multilateral level, the MEBF would like to insist on the importance of including a specific set of provisions on this field in the EU and Mercosur Agreement:

- Funding from multilateral institutions (EIB and IADB), national governments and the private sector is needed in order to deploy the necessary projects for the interconnection of transport, energy and telecommunications infrastructures. The MEBF believes that Private Participation in Infrastructure (PPI) and Public Private Partnerships (PPP) may play a crucial role in promoting investment in the area of infrastructure.
- EU and Mercosur governments should recognise the importance of policies that stimulate investment in those areas with the highest impact on innovation, productivity growth and competitiveness, such as the biotechnology and the ICT sectors.
- The protection of intellectual property is also key to encourage investment in highly innovative areas, reinforcing the competitiveness of the EU and Mercosur. As stated by the MEBF back in 2002, full implementation of the provision of the TRIPS agreement is widely recognised as crucial by business communities of both blocs.

The Interregional Association Agreement opens a window of opportunity for the EU and Mercosur to set up the conditions to increase their respective exchanges of FDI, a crucial aspect in a global environment where they can not afford to keep losing ground against their direct competitors.

### **3. Priorities for the EU MERCOSUR Cooperation and Trade Facilitation Negotiations**

#### **Introduction**

With the ongoing reduction in customs duties in the scope of a free trade agreement, formalities at borders have a growing impact on the costs of trade and limit the ability of companies – especially small companies to develop internationally.

An even much higher impact have technical and sanitary and phytosanitary rules and should therefore be included in these negotiations; as a matter of fact it are affecting trade since quite a long time.

In addition, these procedures and rules can easily be misused to restrict imports for protectionist purposes.

Reducing administrative obstacles would stimulate trade flows and provide an engine for growth for all WTO members, industrialised countries and developing countries alike. At the same time, this would enable border administrations to redirect their activities towards dealing with new risks (IPR=Intellectual Property Rights, fraud, security, phytosanitary , etc.) in a proportionate and trade-friendly manner. Improved procedures and rules would also make customs and border services more efficient in raising revenues, reducing fraud and corruption and generally fulfilling their obligations. These procedures should be applied in the EU MERCOSUR relations but also in intra- MERCOSUR flows of products liberalized under the Agreement.

Security measures should not be the excuse to increase the cost of the border controls and IT solution must be implemented to privilege the risk analysis.

Train Mercosur producers/exporters on EU technical and sanitary and phytosanitary rules and certification procedures, and specially promote innovation on technology would constitute an important trade facilitation.

**A WTO Agreement on Trade Facilitation failed**

With the failure of the DDA round, it is essential to reintroduce this issue in the UE-MERCOSUR negotiation to better tackle these issues. We must establish core standards for the border trade administration. An agreement would create a high level playing field for companies by reducing the risk of unpredictable government intention. Only a binding EU- MERCOSUR Trade Facilitation commitment in the Bilateral Association Agreement would provide the needed reform and modernisation of the customs environment.

A Trade Facilitation Agreement should be a solution to encourage EU Mercosur members to move gradually towards the same higher standards in simpler, more efficient and less costly procedures.

To ensure that the SME can also reap the benefits of a Trade Facilitation Agreement, MEBF calls on the EU Commission to develop an effective aid programme centred on specific measures, supported by appropriate technical and financial assistance. This programme should be closely monitored to ensure that the beneficiaries and donors are receiving value for money and that these programmes lead to real improvements on the ground.

Finally, MBEF urges the EU and MERCOSUR countries look at trade facilitation in the broader context. Any Trade Facilitation Agreement should also take account of the need to ensure that security policies and measures are proportionate and are developed in a manner that contributes to trade facilitation rather than trade restriction.

### **Priority issues for EU MERCOSUR Trade Facilitation Agreement**

The MEBF business facilitation report issued in November 2001 was very rich in specifics measures but too complex for a bilateral negotiation.

In order to concentrate the efforts of the negotiators, we propose to identify the most relevant issues for the business facilitation perspective.

On the basis of these principles, MEBF urges EU MERCOSUR negotiators to give priority to the following issues in the trade facilitation negotiations.

#### **3.1 Minimisation and/or elimination of fees and charges**

MBEF supports minimising and/or eliminating border fees and charges when ever possible. The latter should be properly reviewed to ensure that they relate to the costs of services rendered rather than serving protectionist or revenue raising objectives. Fees and charges should therefore be:

- non discriminatory
- levied as fixed fees rather than applied on an *ad valorem* basis when ever possible
- publicly available on a website, with their proper justification

#### **3.2 Establishment of a single window**


EU and MERCOSUR countries should establish a single administrative window to allow traders to fulfil all import, export and transit regulatory documents and requirements in a single access point at one time. This single window should then coordinate the information to all the relevant agencies and authorities. In view of the proliferation of regulatory controls worldwide, rationalisation of procedural aspects of controls is essential to streamline trade flows.

The single window should bring:

- greater certainty to enterprises,
- enhanced efficiency,
- reduction of resources needed
- more cost-effective and efficient interaction between customs administrations and companies.

The objective should be to progressively, install an IT environment connecting all administrative agencies that companies have to deal with as importers/exporters (statistics, receita federale, AFIP secretariat of industry, home affairs, and port or airport authorities, etc.).

#### **3.3 Accelerated and simplified procedures for release and Customs clearance of goods**



MERCOSUR members should commit to introduce simplified customs release and clearance procedures. Members should publicly establish its own national release times, based on a common standards defined by EU and MERCOSUR countries based on WCO conventions Time Release Study, make those publicly known preferably on a website, and commit progressively to reduce them. The objective will be to expedite the release of goods avoiding unnecessary delays.

A pre-arrival clearance should facilitate traders to file their documentation prior to the arrival of the goods at the port of entry, allowing customs clearance in advance and release of the goods immediately after arrival. It should also lead to a better customs management and to saving storage fees. Pre-arrival clearance should be based on risk assessment.

EU Business supports the introduction of an authorized economic operator principle, insofar as this status genuinely results in reducing costs for business through facilitation and simplification. Authorization should enable major simplifications, fast track clearance procedures, economic regimes lower controls and reduced documentation. Authorized trader schemes should operate in a non discriminatory and transparent manner and should ensure that both big and small companies can benefit from them. A mutual recognition agreement shall permit to companies to have the benefit of this statute on the both side of the Atlantic

### **3.4 Further complementary projects regarding customs trade facilitation**

#### **3.4.1 Cooperation program of implementation of a single import/export electronic procedures and promotion of the standardization of them in Mercosur Customs**

Mebf *proposes to include* this issue in the *current* European Union cooperation program beyond Mercosur customs procedures, enlarging the activities involving the private sectors *who are* to be consulted about the implementation and the training in this issue.)

#### **3.4.2 Cooperation program to facilitate the migration of all customs systems to the web technology**

MEBF *proposes to include* this issue in the *current* European Union cooperation program beyond Mercosur customs procedures, enlarging the activities involving the private sectors to be consulted about the implementation and the training in this issue.

#### **3.4.3 Cooperation program to facilitate the use of the " Scoring System" (company customs certification)**

MEBF believes that to encourage the use of risk analysis systems as *trustworthiness* criteria, while respecting the confidentiality of information. The *purpose* would be to concentrate custom enforcement activities on high-risk goods and travelers while facilitating clearance and *streamlining* movements of low-risk goods. Very rapid risk analysis to focus custom enforcement activities on high-risk goods while facilitating clearance and movement of low-risk goods originating *from* both areas.

MEBF *proposes to include* this issue in the *current* European Union cooperation program beyond Mercosur customs procedures, *covering* the activities involving the private sectors to be consulted about the implementation and their capacity in this issue.

### **3.5 Cooperation measures in Standards, Technical Regulations and Conformity Assessment Procedures**

Being aware of the substantial barriers to trade which diverging standards, technical regulations and conformity assessment procedures constitute, MEBF has proposed a set of short, medium and long term measures in this field to facilitate business. These are stated in the MEBF "Buenos Aires Statement on Business Facilitation". From there MEBF identify selected programs to immediate implementation:

#### **3.5.1 Cooperation program to facilitate the "CE" mark process**



There are European rules concerning different family groups of products to which application of "CE" mark process is mandatory. It would be applied in accordance with different methods of conformity assessment as per single SDOC (provider conformity declaration) until more complex systems such as notified and accepted European authority assessment.

Many importers require the most complex system of certification, despite its minor risk products, in order to reduce legal responsibility for European importers. Besides there are mutual recognition agreements (MRA) in which case the "CE" mark process would not be a non tariff barrier.

MEBF proposal consists in a program – training and inspections with European experts - to facilitate the access of MERCOSUR exporters to a single "CE" mark process having MERCOSUR qualified laboratories and certifying entities recognized by European notified authority assessment.

### **3.5.2 Cooperation program to organize seminars of technical obstacles and "New approach"**

There are many international meetings about technical obstacles of commerce with low presence of public and private members from Mercosur. Related with the new approach to global view of European Commission and considering the aforementioned low assistance the reversion of this situation is important.

MEBF proposal is to organize a MERCOSUR seminar with following subjects:

- 1- Next Triennial Review of WTO TBT Agreement-
- 2- Modification of "New Approach" and "Global Approach" documents of European Commission.
- 3- Fundamentals issues and experiences in standards, technical regulations and conformity assessment procedures.

### **3.5.3 Cooperation program to organize seminars of sectorial agreements possibilities**

Despite of the global knowledges about European standards and technical regulations, it is necessary to improve those knowledges to identify sectors with commercial and investment links involving both regions.

**MEBF proposal of cooperation is:**

- To organize sectorial seminars in MERCOSUR countries with the participation of European experts and entrepreneurs.
- To publish papers about labelling practice.

In addition, MEBF proposes to organize an informative meeting about those forums as GHTF ( Global Harmonization Task Force ) or UN/ECE WP 29, with the participation of Mercosur members.

### **3.6 Cooperation on Sanitary and Phytosanitary Standards**

MEBF recommends the acceleration of the bilateral negotiations in course regarding mutual recognition agreements for sanitary and phytosanitary measures and that progress is made toward a biregional agreement in that matter.

MEBF suggests the establishment of the procedures in order to warrant that sanitary and phytosanitary measures applied are congruent with the principles and obligations defined in the WTO SPS Agreement. Co-operation between European and Mercosur specialists in the definition of sanitary and phytosanitary regulations should be fostered.

*MEBF proposes as a priority beef traceability information*

The EU has been demanding certain basic traceability information for its beef imports. Every and each Mercosur country has developed a traceability system of their own, with the main purpose of fulfilling European requirements. MEBF proposes interchange information in order to harmonize those requirements.

Then, there's a large and sensitive field to cooperate between both parties, including both public and private sectors, in order to regulatory bodies in Mercosur countries became able to reform and improve their beef traceability systems satisfying both European concerns and Mercosur domestic competitive worries.

### 3.7 Cooperation in Soft and IT Services

MEBF proposes to promote the cooperation in the areas of Software and IT services, through the execution of strategic collaborative agreements between both blocs, to improve competitiveness and ICT based business facilitation

IT Companies in both regions are fulfilling the basic requirements to integrate their value-chains taking advantage of the individual strengths, in order to jointly position as an attractive and competitive alternative for the development of Software and IT Services that will benefit business facilitation between both blocs.

It must be underlined that this may involve complementary cooperation in other areas, such as certifications, development of specific niches (e.g. Spanish/Portuguese languages), creation of technological parks (e.g. among public agencies, universities, Mercosur and European companies), Joint Ventures between companies on both continents and simplification of trading of intangible assets (such as SW and Services).

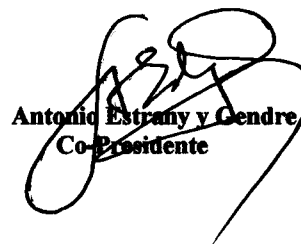
### Conclusion

MEBF concludes that Cooperation and Trade Facilitation is an effective method to achieve more and better relationship between to regions despites the success or the failure of the negotiations on Mercosur-European Union free trade agreement

MEBF believes that an ambitious Agreement on Trade Facilitation will contribute *meaningfully* to facilitate trade and investments for both MERCOSUR and EU and to reduce costs for importers and exporters especially SME's. Improving trade and investments would facilitate the negotiations between two regions.



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Co-Presidente



Antonio Estrany y Gendre  
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