



Confederação Nacional da Indústria

Mercosur-EU Association Agreement Negotiations

Note to the XVIII Meeting of the Bi-regional Negotiations Committee

The Brazilian National Confederation of Industry (CNI) reaffirms its support for the resumption of dialogue on the EU-Mercosur Association Agreement. In conducting this process, CNI highlights the importance of the bi-regional Negotiations Committee (BNC) to seek a balanced agreement that considers not only the opportunities that can be created with the reduction of bi-regional trade restrictions, but also ways of tackling the challenges of the integration process within the new international macroeconomic context, which was formed after the financial crisis.

Negotiations for the establishment of a free trade area between the two blocs are on the Brazilian trade policy agenda for a little over ten years. For many sectors of the Brazilian economy, an ambitious agreement could represent significant improvement in market access to the European Union.

However, the resumption of negotiations amid a deepening crisis of the Euro added to the expectations that the slowdown in European economies will endure for many years, raises concern in many sectors of the Brazilian industry. Also troubling is the goal announced by European authorities to conclude the agreement in a short period of time.

It is important that negotiations on a future free trade area between Mercosur and the EU consider this new global economic context to define the most appropriate level of ambition for the agreement under negotiation.

The political pressure to conclude negotiations within a short space of time could affect the expected economic result of the agreement: the bi-regional trade expansion and the deepening of economic relations between Mercosur and the EU.

Accordingly, BNC's negotiators can not fail to consider some conjunctural and fundamental issues that will have important influence on the effects of such an agreement on the growth of trade and competitiveness of industrial sectors in Mercosur, such as:

1. The trend of appreciation of the Brazilian currency and major depreciation of the euro, increasing the competitiveness of European exports to the Mercosur;
2. Divergent growth trends in these two markets showing unprecedented growth rates in Mercosur and sharp slowdown in economic activity in the EU; and
3. The differences in domestic support policies, which show the strong support of the European bloc to agricultural production.

The Brazilian industry reiterates its support for the establishment of a free trade area between Mercosur and the European Union. However, it considers that any significant trade liberalization agreement must take into account the challenges emerging from the new international economic environment that influences the level of ambition sought by the private sector.