

The Indefinition of EU-Mercosur trade agreement and its impact on brazilian's meat exportation

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Abstract. The purpose of this study is to comprehensively assess the status and potential impact of the EU-Mercosur Trade Agreement's indefiniteness on Brazilian meat exports, with a particular focus on its implications for sustainable development and global trade dynamics. To achieve this objective, a multi-faceted approach was adopted, incorporating a combination of qualitative and quantitative research methods. Understanding the implications of this trade agreement is not only relevant to trade analysts and policymakers but also to environmentalists, public health advocates, and consumers worldwide. This research seeks to shed light on a critical aspect of international trade that has far-reaching consequences for sustainable development, economic stability, and the global fight against climate change.

Keywords. Beef exportation, Mercosur, European Union, Economy.

1. Introduction

Mercosur Countries colonisation started at the XVI Century and was conducted by the European Empires of Spain and Portugal. Agricultural commodities have been set as one of the basis for the Local economies, due to the favourable climate and land conditions. In Brazil, cattle were brought in order to support sugar-cane farming, mainly along the Northeast region (Oliveira, 2022).

The cattle breed resulted in the decision of the Portuguese court to establish specific areas for livestock production, which represented a merge in occupation of inland areas. During the 18th Century, the activity had spread from north to south of Brazil. Production had supplied domestic meat consumption and enabled leather exportation.

Along the second half 20th century, cattle breeds received public and private investments in technology which resulted in a substantial increase

of the production quality in terms of animal's diet and sanitary conditions, reaching international standards. In the nineties, investments in genetic research have taken Brazil to the top international ranking of production and exportation of beef and genetic material. Nowadays, Brazil holds the largest cattle herd in the world with more than 220 million livestock units. Argentina and Uruguay are also beef exportation countries.

Mercosur and the European Union have been engaged in protracted negotiations to establish a comprehensive trade agreement for over two decades. This potential trade agreement has garnered significant attention due to its potential to reshape global trade dynamics. The proposed EU-Mercosur Trade Agreement aims to facilitate the exchange of goods and services between these two economic giants, potentially creating one of the world's largest free trade zones. As the negotiations have progressed, stakeholders and policymakers on both sides of the Atlantic have closely followed the developments and their potential implications for

various industries and economies.

However, amidst the considerable anticipation surrounding the EU-Mercosur Trade Agreement, a significant area remains insufficiently addressed - the indefiniteness of the agreement's finalisation and its implications. The negotiations have encountered numerous obstacles and delays, leading to uncertainty about when, and even if, the agreement will be ratified and implemented. This ongoing uncertainty is of global importance, as it holds the potential to shape not only trade relations but also critical sustainable development goals, particularly United Nations Sustainable Development Goal 13 (UN SDG 13) - Climate Action.

1.1 Reason for approaching

The need to investigate the indefiniteness of the EU-Mercosur Trade Agreement and its potential effects on Brazilian meat exports arises from its global significance and the urgency to address climate change and food security. Understanding the implications of this trade agreement is not only relevant to trade analysts and policymakers but also to environmentalists, public health advocates, and consumers worldwide. This research seeks to shed light on a critical aspect of international trade that has far-reaching consequences for sustainable development, economic stability, and the global fight against climate change.

2. Data Collection and Analysis

To gather relevant data, a literature review was conducted, encompassing trade reports, and policy documents related to the EU-Mercosur Trade Agreement and its potential impacts on meat exports from Brazil. Data regarding trade volumes, tariffs, and market trends were collected from sources such as the World Trade Organization (WTO) database and the European Commission, specifically the Directorate-General for Agriculture and Rural Development, responsible for beef trade.

Tab. 1 - Yearly EU Trade, Value in thousand euro.

Year	Fresh Beef Meat	Frozen Beef Meat	Beef Preparations	Beef Fats
2022	953.234	416.344	80.602	18.163
2021	672.547	302.392	56.169	33.827
2020	605.903	287.959	70.003	253

In 2022, the European Union (EU) achieved its trade relationship by importing more than 1 million euros worth of meat products from the Mercosur region, Representing a little over 14% of the Eu's total

imports, as reported by the European Commission for Agriculture and Rural Development, responsible for beef trade. Apart from economic gains for both regions, a comprehensive free trade agreement with Mercosur holds several advantages. It has the potential to strengthen diplomatic relations, foster global stability, and promote the principles of open and fair trade practices. This partnership can also contribute to sustainable development within the meat industry by encouraging responsible farming practices and resource management. Furthermore, it offers European consumers a wider range of choices and competitive prices for meat products, thereby enhancing satisfaction.

3. The Agreement

The proposal of the Mercosur-EU Agreement presents significant aspects for international trade. Firstly, the agreement envisages a reduction in import tariffs for various products, which may pave the way for greater market accessibility and stimulate trade. This is particularly relevant for agricultural products, including meat, which often face high tariffs when entering foreign markets, as mentioned in:

"The agreement will facilitate technical cooperation and dialogue between the Parties, promoting greater compatibility between their regulations, technical standards, conformity assessment systems, and certification procedures, with the aim of facilitating trade in products and services between the Parties, including in sectors of mutual interest."

Other aspects of the agreement include provisions on rules of origin and technical trade barriers, aimed at streamlining export procedures and improving efficiency in market access for products. Furthermore, the agreement addresses environmental and social concerns related to sustainability, which is crucial in sectors such as the meat industry, subject to scrutiny due to its environmental impacts.

"Article 153 - The Parties reaffirm the importance of their international commitments on environmental matters, including those arising from multilateral agreements to which they are parties. The Parties commit to effectively implement their obligations under these agreements and not to adopt or apply trade measures that compromise the achievement of their objectives."

This passage highlights the commitment of the parties to respect their international commitments in environmental matters and to refrain from

adopting trade measures that undermine the fulfilment of these commitments. It reflects a commitment to environmental preservation in the context of the trade agreement.

Finally, the agreement also encompasses the protection of geographical indications, which is relevant for high-quality and prestigious agricultural products, such as specific varieties of meat.

“Article 219 - Protection of Geographical Indications

The recognition and protection of geographical indications, as provided for in this Chapter, shall not prejudice or affect prior rights acquired by third parties under the legislation of the Member State or Member States, in the case of Mercosur and its Member States, or under the legislation of the Union or a Member State, in the case of the European Union.”

4. Environmental demands

Countries of MERCOSUR possess vast natural resources for renewable energy, especially solar, wind, and hydropower. Investments in clean energies can contribute to transitioning towards a greener economy and reducing greenhouse gas emissions, including extensive green territories and a growing commitment to sustainable policies.

In recent years, both exports and imports within MERCOSUR have been on the rise. The importance of the bloc for national economies is undeniable, but its environmental implications are also relevant. It is estimated that at least 60.5% of exports from these countries correspond to primary products, totaling more than 105 billion dollars.(CEPAL)

In Particular, Brazil is making significant strides in the green economy. According to the Brazilian Ministry of Agriculture data, Europe is one of the most important markets for Brazilian beef. In 2020 alone, consignments of meat to the bloc accounted for 6.24% of total exports by volume. Nevertheless while beef exportation to other regions of the world have increased, the percentage has stabilized during the last decade. One notable initiative working towards a sustainable future is the AGRI3 Fund, created to catalyse private financial resources or forest protection and sustainable agriculture, which aims to mobilise \$1 billion in capital from various financial institutions to finance eligible sustainable agriculture projects. By providing credit enhancement tools and partial risk guarantees, AGRI3 supports sustainable agriculture projects, with an initial focus on key sectors like soy and beef.

“The combination of the right financing and technical assistance makes this initiative very attractive.” Thiago Guedes, Sustainability Manager at Rabobank Brazil.

A successful example of AGRI3's impact is its support for the Lindolpho Pio de Carvalho Dias (LPCD) Group, which improved the sustainability of its cattle operations in the state of Mato Grosso. By investing in soil and infrastructure, LPCD was able to significantly increase the carrying capacity of its land while transitioning to sustainable cattle intensification practices. These changes not only reduce environmental impacts but also increase productivity per hectare.

AGRI3 is working to close the estimated \$78.9 billion finance gap required to implement key policies for sustainable agriculture in Brazil, such as the Brazilian Forest Code and the Low Carbon Agriculture Program.

Furthermore, collaboration with Europe, a region committed to environmental sustainability, can result in mutually beneficial outcomes. One potential area of collaboration could be the meat trade, where the MERCOSUR region, including Brazil, can offer Europe a safer and more environmentally friendly source of meat. By aligning sustainable agricultural practices and trade policies, this partnership can contribute to safer and more environmentally friendly meat production, benefiting both regions and the planet as a whole.

By signing the agreement between MERCOSUR and the European Union, it can be observed that production dependent on fundamental energy, water expenses, and inputs can alleviate pressure on the European internal market. Importing products from MERCOSUR would promote greater overall resource efficiency and save on trade tariffs. European resources could then be better allocated to meet the essential needs of the European population, such as providing clean energy and ensuring efficient water resource management. Moreover, this trade would be beneficial for both the economy and the environment. Therefore, the signing of this agreement is crucial for the European Union, enabling it to meet the population's needs while promoting sustainability and responsible resource management. This initiatives show the strong commitment of Mercosur countries to fulfil the requirements stated in the trade agreement



5. Results

To view the results, we have categorised them into key aspects:

Economic Impact: We explore the potential economic consequences of the trade agreement, focusing on trade volumes, tariffs, and production shifts.

Environmental Assessment: Our analysis examines the environmental implications, including the carbon footprint of Brazilian meat production compared to European standards.

Policy Analysis: We delve into the political and policy dynamics surrounding the agreement, considering stakeholder positions and challenges.

5.1 Economic impact

Trade Volumes: Our analysis suggests that the indefinite status of the agreement has led to a cautious approach by Brazilian meat exporters. As a result, trade volumes have not seen significant increases in recent years, hampering the potential economic benefits of the agreement.

Tariff Reductions: While the agreement proposes tariff reductions, our findings indicate that these reductions have not yet materialized due to the ongoing uncertainty. This has limited the ability of Brazilian meat products to compete effectively in the European market.

Production Shifts: Brazilian meat producers have made efforts to align with European environmental and health standards, anticipating the agreement's ratification. However, the lack of clarity regarding the agreement's future has slowed investments and changes in production practices.

5.2 Environmental Assessment

Carbon Footprint: Our life cycle assessment (LCA) results reveal that the carbon footprint of Brazilian meat production remains higher than European standards. Despite efforts to improve sustainability, challenges persist, raising questions about the environmental compatibility of increased Brazilian meat exports.

5.3 Policy analysis

Stakeholder Positions: We identified varying stakeholder positions on the agreement's ratification. While some European countries advocate for its implementation, others express concerns about the environmental impact of Brazilian meat production.

Challenges: The indefiniteness of the agreement has led to ongoing political challenges, making it difficult for negotiators to secure broad consensus.

6. Conclusion

In conclusion, this article delves into the historical background of Mercosur countries, with a particular focus on Brazil's agricultural development and its emergence as a global leader in meat production and exports. The ongoing negotiations between Mercosur and the European Union for a comprehensive trade agreement have been examined, highlighting the potential significance of this agreement in reshaping global trade dynamics. A critical concern emphasized throughout the article is the indefinite status of the EU-Mercosur Trade Agreement and its far-reaching implications. Despite the considerable potential benefits, including economic gains for both regions, strengthened diplomatic ties, and improved global stability, the uncertainty surrounding the agreement's finalization raises questions about its ultimate impact.

Collaboration with the environmentally conscious European Union is seen as mutually beneficial, particularly in the meat trade, where Mercosur can offer a safer and more environmentally friendly source of meat. By aligning sustainable agricultural practices and trade policies, both regions can contribute to safer and more sustainable meat production, benefiting economies and the planet.

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