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Implications of the EU-Mercosur Association Agreement for Austria - A Preliminary Assessment

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This study presents quantitative and qualitative assessments of potential consequences of the trade agreement between the EU and Mercosur countries. It is embedded in a wider Association Agreement and was made public in summer 2019. The focus is on Austria. One objective of the agreement is to liberalise trade and to improve conditions for making investments in order to create jobs and value added and to give consumers in both regions better access to a wide range of products and services. A gravity model analysis shows that average income gains per person are remarkably similar in both regions. However, the economies in Mercosur countries will benefit more than EU Member States economies in relative terms. A second objective of the agreement is to meet targets that go beyond immediate economic benefits, such as to further sustainable development, to prevent environmental deterioration, to avoid social frictions and to smooth adaptation processes. A qualitative comparison shows the advancements compared to other trade agreements and the limitations of trade agreements to address social and environmental concerns. An in depth-appraisal of the provisions for agriculture shows potential benefits and costs for consumers and farmers in both regions.

Keywords: trade liberalisation, EU, MERCOSUR, gravity model, environment, agriculture

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Abstract

The topic of this report is the effort of EU and Mercosur countries (Argentina, Brazil, Paraguay, Uruguay) to improve trade relations and to use the momentum of induced economic growth to achieve goals of common interest that go beyond improving the flow of goods. It explores the state of knowledge, with a focus on agricultural and environmental topics, presents quantitative assessments and identifies issues which need further inquiry. The findings are intended to support facts-oriented discussions about Mercosur.

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Table of Contents

List of Tables	II
List of Figures	III
Executive Summary	V
1. Introduction and scope of the study	1
2. State of the EU-Mercosur economic relationship	3
2.1 <i>Trade ties still bearing great potential</i>	4
2.2 <i>Trade barriers along the way</i>	12
2.3 <i>Austria's inward investment stock from Mercosur exceeds its outward stock</i>	15
3. Ex-ante evaluation of economic effects of the EU-Mercosur agreement	19
3.1 <i>Literature review</i>	19
3.2 <i>Data and estimation methodology</i>	20
3.3 <i>Counterfactual model</i>	20
4. Elements of the economic discussion on EU-Mercosur trade improvement arrangements	28
4.1 <i>A comparison of the anticipated EU-Mercosur treaty with the treaty between Mexico and the EU from the year 2000</i>	28
4.2 <i>An assessment of the provisions in the treaty regarding environmental and social standards and its enforceability</i>	32
4.3 <i>A qualitative assessment of trade-related environmental topics</i>	39
5. Agricultural trade and agricultural topics in the Association Agreement	42
5.1 <i>Trade of agricultural products between Mercosur countries and Austria</i>	42
5.2 <i>An assessment of the provisions on agriculture</i>	43
5.3 <i>A preliminary assessment regarding the agreements on agriculture</i>	49
6. Conclusions and policy recommendations	51
References	53
Appendix	56

List of Tables

Table 1: The economic size of EU-Mercosur from a global perspective	4
Table 2: Austrian goods trade with Mercosur economies in 2018.....	6
Table 3: Austrian trade in services with Mercosur economies in 2018	10
Table 4: Announced tariff removals.....	14
Table 5: The FTA protects 11 Austrian geographical indications.....	15
Table 6: Gravity estimation results	21
Table 7: Counterfactual analysis	24
Table 8: Interaction effects with EU agreement upgrades for Chile and Mexico	27
Table 9: Greenhouse gas emissions in the Mercosur countries	37
Table 10: Greenhouse gas emissions per Capita in the European Union	38
Table 11: Domestic production and consumption of agricultural commodities in the EU with projections to 2030 and the volume of commodities with reduced tariffs.....	46
Table 12: Economic indicators	56
Table 13: Agricultural indicators	57
Table 14: Food trade indicators.....	58
Table 15: Austrian Agri-food trade by Combined Nomenclature (CN, Code 01-24).....	59
Table 16: Total foreign trade	60
Table 17: Definition of Agri-food trade by Combined Nomenclature (CN)	61
Table 18: Definition of Agri-food trade by Standard International Trade Classification (SITC) ..	62
Table 19: Detailed Austrian Agri-food trade with Argentina	65
Table 20: Detailed Austrian Agri-food trade with Brazil	66
Table 21: Detailed Austrian Agri-food trade with Paraguay.....	67
Table 22: Detailed Austrian Agri-food trade with Uruguay	68
Table 23: Detailed Austrian Agri-food trade with Venezuela	69
Table 24: Robustness check, Interaction effects with EU agreement upgrades for Chile and Mexico.....	70

List of Figures

Figure 1: Austrian and EU-27 trade in goods with Mercosur, 1996-2018	5
Figure 2: EU-27 trade in goods with Mercosur economies in 2018	6
Figure 3: Austrian trade in goods structure in 2018	7
Figure 4: Austrian and EU-27 trade in services with Mercosur, 2012-2018.....	8
Figure 5: EU-27 trade in services with Mercosur economies in 2018.....	8
Figure 6: Austrian trade in services structure in 2018	11
Figure 7: Tariff barriers, 2008 and 2018	13
Figure 8: EU-27 FDI stocks in 2017	16
Figure 9: Austria's FDI stocks in the Americas in 2018.....	17
Figure 10: Evolution of Austria's investment links with Brazil and Argentina over time	18
Figure 11: Austrian Agri-food trade with Mercosur countries including Venezuela	42
Figure 12: Austrian Agri-food trade by Combined Nomenclature (CN, Code 01-24) with Mercosur countries.....	62
Figure 13: Share of agricultural and food trade in total foreign trade	63
Figure 14: Austrian Agri-food trade by Combined Nomenclature (CN, Code 01-24).....	63
Figure 15: Austrian total foreign trade	64

Executive Summary

This study is among the first qualitative and quantitative assessments of potential consequences of the trade agreement – embedded in a wider Association Agreement – between the EU and Mercosur countries, as made public in summer 2019. The focus is on Austria. One objective of the agreement is to liberalise trade and to improve conditions for making investments in order to create jobs and value added and to give consumers in both regions better access to a wide range of products and services. A second objective of the agreement is to meet targets that go beyond immediate economic benefits, such as to further sustainable development, to prevent environmental deterioration, to avoid social frictions and to smooth adaptation processes.

The first section of the study provides a detailed description of the evolution of trade and investment ties between Mercosur and the EU, and with Austria more specifically. Starting in the early 2000s, EU-Mercosur trade flows have gained momentum. In 2018, EU-27 trade in goods amounted to EUR 42.3 billion in exports and EUR 39.1 billion in imports, accounting for 2% of total extra-EU-27 trade. Three quarters of trade in goods with Mercosur is taking place with Brazil. For Austria, Mercosur was the source of 1.4% (EUR 641 million) of its extra-EU-27 imports and the target region for 2.2% (EUR 998 million) of its extra-EU-27 exports. Exports to Argentina and Brazil exceeded imports by more than 70%. However, a trade deficit was recorded for Uruguay, from which Austria mainly sourced wood products.

In 2018, EU-27 services exports to Mercosur (EUR 21.2 billion) were more than twice as high as respective imports (EUR 10.2 billion). Roughly 70% of EU-27 trade in services with Mercosur took place with Brazil. There are only three services sectors that currently really matter for EU-Mercosur trade: transport, travel and so-called other business services, including professional, consulting, technical or trade-related services.

Lacking access to Mercosur's services and public procurement markets is an important barrier to trade that is tackled with the agreement. The protection of intellectual property rights and geographical indications (GIs) as well as the agreement on international standards are important policy areas for the EU. The reduction of tariffs on agricultural products and the moderate expansion of tariff rate quotas are of greater economic significance for Mercosur.

The subsequent quantitative assessment in chapter 3 shows that benefits are not equally distributed among trade partners and sectors. The average income gains per person are remarkably similar in both regions, the economies in Mercosur countries will benefit relatively more than EU Member States economies. In absolute terms, the EU-27 would gain more from the Association Agreement than the Mercosur countries. In the EU, the industrial and service sectors are expected to experience the largest gains. Long transition periods in the trade of agricultural products are one concession for the uneven distribution of benefits between regions and sectors. Further modifications of the agreement and targeted accompanying measures in the EU in order to ease the adaptation in agriculture should be justified on grounds of benefits and costs.

The topics of the fourth and fifth chapters of this study concern the environment and agriculture. These issues are dealt with in a qualitative manner, but detailed statistics complement the assessments. A comparison of the free trade agreement between Mexico and the EU – established two decades ago – with the text on the EU-Mercosur agreement shows that the more recent deal is truly comprehensive. It has many elements that were not on the agenda of trade deals at the turn of the century. The precautionary principle, efforts to make sustainable development happen, and a leading role in combating climate change are top priorities in the EU and are therefore core elements of recent Association Agreements.

Regarding agricultural commodities, most of the quantitative restrictions will remain in place. Production effects are likely to be small and therefore land use and/or intensity-related effects will be small as well. More intensive production in one region may be offset by less intensity in the other region. Trade induced transport is likely to bring about more emissions, studies suggest. In order to address transport-related emissions, it is necessary to tighten regulation in this sector and to internalise environmental costs in the prices of fuels. To tackle environmental problems in international environmental treaties is the first-best option. However, most international environmental agreements lack effective commitments on enforcement. Therefore, the second-best option to integrate the precautionary principle and human rights and provisions for sustainable development – including environmental provisions – into a trade agreement seems to be a future-oriented alternative.

Agriculture is a topic of major concern in the treaty. Some agricultural commodities produced in Mercosur countries are very competitive (not only in terms of price competitiveness but also in terms of excellent quality). Better access to markets in the EU for beef, pork meat, poultry meat, honey and ethanol are expected to have impacts on producers in the EU. Safeguard measures and accompanying measures are put in place in order to avoid disruptions. It is still uncertain, which producers will be the most exposed ones. Therefore, many farmers and representatives of downstream industries are very sceptical, even if their business actually will not be concerned.

Compared to the currently known version of the agreement, there seems to be scope for additional amendments to meet justified concerns that are covered in this report. Among them are several options to improve the effective implementation of free trade agreements so that more firms from the EU can benefit from better market access and public procurement contracts. Market based instruments such as private and publicly backed labels are a valid option to use trade as a tool to promote more environmentally and socially friendly production.

1. Introduction and scope of the study

The topic of this report is the effort of the EU and Mercosur countries (Argentina, Brazil, Paraguay, Uruguay)¹ to improve trade relations and to use the momentum of induced economic growth to achieve goals of common interest that go beyond improving the flow of goods.

The aim of the report is to support decision making in Austria. In order to achieve this, the report aims to explore the state of knowledge and to identify topics which need further inquiry. This will support facts-oriented discussions about issues related to free trade deals. Such an endeavour is regarded to be necessary because many aspects are discussed in a controversial manner. The ways to accomplish this are to

- a) concisely collect the available evidence on the situation and potential impacts,
- b) provide quantitative findings that are specific to Austria and
- c) explore those aspects that are not yet well understood or for which further research is necessary.

The context of the research topic is the conclusion of negotiations between the EU and the Mercosur that took almost 20 years. After Brazil's current president Bolsonaro took office in 2019, the previously faltering negotiations had gained momentum and the outgoing EU Commission President Juncker (2019) greeted the agreement as an important sign of international cooperation in times of geopolitical tension and trade conflicts.

The agreement will cover a large emerging market. The Mercosur economies currently account for three percent of world GDP and population. Even before the agreement was reached, the EU has been the largest trading partner and foreign investor in Mercosur countries. For the EU, this agreement serves geopolitical interests at a time when long established global balances of power are changing. The EU strives to deepen its sphere of influence by enhancing cooperation with third countries. Comprehensive trade agreements that promote a rules-based system are the EU's preferred instruments. The EU not only advocates but also implements rule-based procedures with high standards regarding human rights, workers' rights, and environmental quality. By offering improved market access and better conditions for investments the EU facilitates a deepening of economic relations and strengthens established cultural ties.

Despite the important objectives for the Union as a whole and the anticipated benefits for companies and millions of consumers in both regions, some decision makers are reluctant to appreciate the opportunities such a deal may make possible. The reason is that such an agreement is not a win-win situation for each single sector or every citizen.

¹ The membership of Venezuela has been suspended since December 2016.

One concern is that some sectors are likely to benefit whereas others may be net-losers. Specifically, the Ministers of Agriculture of the EU Member States have expressed their criticism of the agreement unless it provides sufficient security for sensitive agricultural goods such as sugar, poultry and beef.

Other concerns are related to the environment and that the anticipated benefits are not high enough to justify unintended detrimental outcomes or trade-induced deteriorations. More than 340 civil society organisations called on the European institutions not to conclude an agreement because of these and human rights concerns.²

Such concerns have gained considerable momentum in the public debate about the EU-Mercosur Association Agreement. One outcome is that in the Austrian parliament, the Standing Sub-Committee on European Union Affairs decided that the 'responsible members of the Federal Government are called upon to take all measures at European level to prevent the Mercosur Agreement from being concluded' on 18 September 2019.³

The Association Agreement could only enter into force once it is available as a complete text and has gone through the ratification process. As it is a so-called 'mixed agreement', the EU Parliament and the parliaments of the EU Member States must give their approval.⁴ Due to the complex and time-consuming procedures of decision making, a conclusion is likely to be feasible by the end of 2020 at the earliest.

The aim of this study is to collect robust scientific evidence on topics related to the agreement. It will not deal at length with issues where there is no controversy and where an agreement is almost without dispute such as the anticipated benefits for the trade in industrial products and advantages for investors. In the qualitative part the study puts a focus on the areas of agriculture, environmental goods and the potential effects of the agreement on environmental quality and greenhouse gas emissions. The quantitative part focuses on the expected change of key economic variables such as trade volumes, employment and gross domestic product.

² The Open Letter, published on 17 June 2019, is available at: <http://s2bnetwork.org/wp-content/uploads/2019/06/Joint-letter-Brazil-EU-Mercosur.pdf> (retrieved on 20 December 2019).

³ Online available at https://www.parlament.gv.at/PAKT/VHG/XXVI/SEU/SEU_00002/imfname_767020.pdf (retrieved on 20 December 2019).

⁴ Provisional application may apply for the incorporated trade agreement, which is an exclusive EU competence, while the application of provisions for political dialogue and cooperation is dependent on the ratification by Member States (EP, 2016).

2. State of the EU-Mercosur economic relationship

There are different layers of arrangements that govern the economic relations between the European Union and the Southern Common Market (Mercosur; Mercado Común del Sur in Spanish or Mercado Comum do Sul in Portuguese), which was established between Argentina, Brazil, Paraguay and Uruguay in 1991.⁵ Mercosur is not directly comparable to the common market of the European Union, as its common external tariff (CET) does not apply to all industries⁶ and national rules on government procurement and services have not been aligned.

The multilateral rules of the World Trade Organization (WTO) form the basic foundation for EU-Mercosur economic ties. Brazil joined the General Agreement on Tariffs and Trade (GATT) in 1948, Uruguay in 1953, Argentina in 1967 and Paraguay finally in 1994. All four have been founding members of the WTO in 1995. In addition, the EU established bilateral framework agreements⁷ with Mercosur members, aiming at trade and economic cooperation, while granting most-favoured-nation (MFN) treatment. Yet, preferential market access has been unilaterally granted by the EU to Mercosur economies within its Generalised Scheme of Preferences (GSP), as long as they were classified as lower-middle income countries by the World Bank.⁸

By the year 1999, an inter-regional Framework Cooperation Agreement was put on top. Closer economic links were aimed at preparing 'subsequent gradual and reciprocal liberalisation of trade'.⁹ The main policy areas included market access and trade liberalisation compatible with WTO rules, the identification of sensitive and priority products, and exchanges of information on services. With respect to non-tariff barriers, the parties agreed to cooperate in the field of quality and conformity recognition policies for manufactured and agricultural goods.

Negotiations of a free trade agreement (FTA) with concrete steps towards trade liberalisation as part of a broader Association Agreement have started in 2000. After a relaunch of negotiations in mid-2016, trade talks gained speed. A political agreement, which was aimed for by end-2017, was finally reached on 28 June 2019. The texts of the agreement are published online¹⁰, but are still subject to legal revision before being translated into all EU official languages, and presented to the Council and the European Parliament for consent.

⁵ Venezuela joined in 2012, but was suspended again in 2016.

⁶ Exceptions include, for example, the car or sugar industries.

⁷ Argentina: Council Decision 90/530/EEC of 8 October 1990; Brazil: 95/445/EC of 30 October 1995; Paraguay: 92/509/EEC of 19 October 1992 and Uruguay: 92/205/EEC of 16 March 1992. See EUR-Lex: Bilateral framework agreements for cooperation with the Mercosur countries: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=LEGISSUM:r14014>

⁸ Paraguay was the last Mercosur economy to benefit from these unilateral preferences until the end of 2018.

⁹ EUR-Lex: Interregional Framework Cooperation Agreement between the European Community and Mercosur: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=LEGISSUM:r14013>

¹⁰ EC 2019c (12 July 2019), 'EU-Mercosur trade agreement: The Agreement in Principle and its texts', <https://trade.ec.europa.eu/doclib/press/index.cfm?id=2048> Tariff schedules Appendix 1 of the agreement is, however, not yet publicly accessible.

The Mercosur economies stretch over an area of 12.8 million square kilometres. The EU-27 – i.e. without the United Kingdom, which officially left the EU on 31 January 2020 – fit into this territory almost three times. However, as of 2018, the population size of the EU-27 was roughly 70% larger and its gross domestic product (GDP) was more than six times bigger. Nonetheless, it is a market, with a population of more than 260 million people and hence a significant number of potential consumers.

Large differences are also observable for trade and transport figures (not excluding intra-EU trade). In what follows, trade and investment patterns will be presented in greater detail for the EU in general and Austria more specifically.

Table 1: The economic size of EU-Mercosur from a global perspective

Economies	Land area, 1,000 km ²	Population, million	GDP, USD billion	Trade, USD billion	Container port traffic ¹⁾	Air transport ²⁾
EU-27 ³⁾	3,997	447	15,913	14,991	105,635	5,010
Argentina	2,737	44	520	160	1,801	162
Brazil	8,358	209	1,869	543	10,312	833
Paraguay	397	7	40	29	0	4
Uruguay	175	3	60	24	798	n.a.
Mercosur	11,667	264	2,489	755	12,911	999
Share (%) of world total	9%	3%	3%	2%	2%	3%
EU-Mercosur	15,664	711	18,401	15,746	118,546	6,008
Share (%) of world total	12%	9%	21%	32%	15%	16%

Notes: n.a. missing data. – ¹⁾ Container port traffic in 20-foot equivalent units (TEU). – ²⁾ Air transport as registered carrier departures worldwide. – ³⁾ EU-27 excludes the United Kingdom. Data source: World Development Indicators [Update 20 December 2019].

2.1 Trade ties still bearing great potential

Trade is at the core of the new EU-Mercosur Association Agreement. In 2018, EU-27 trade in goods amounted to EUR 42.3 billion in exports and EUR 39.1 billion in imports. For trade in services, EUR 21.2 billion in exports and EUR 10.2 billion in imports were recorded. Mercosur is a large and growing but simultaneously still highly protected market.

Throughout the following subsections on the development of the trade relationship between Austria or the EU with Mercosur, we draw comparisons with economies with which the EU is engaged in trade negotiations:

- The EU and **Mexico** started in 2016 to negotiate an upgrade of the trade agreement dating back to the year 2000 to a modern Association Agreement. An agreement in principle was reached in April 2018.
- Negotiations between the EU and **Chile** on an upgrade of the trade agreement established in 2003 have been ongoing since 2017.
- In mid-2018 the EU started negotiations with **Australia and New Zealand**.

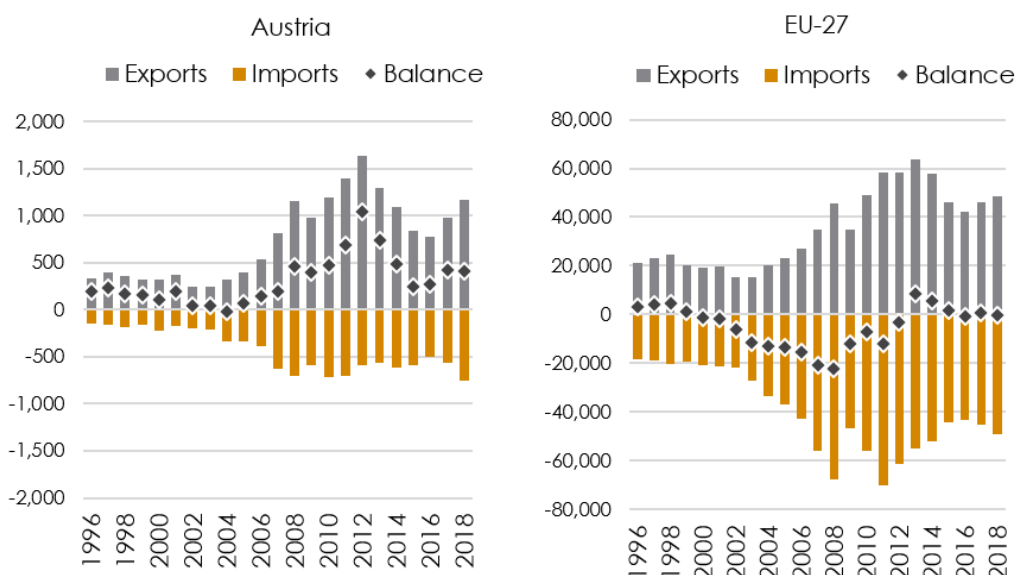
All four economies are part of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which is an FTA of eleven economies in the Asia-Pacific region that entered into force in December 2018 among the first six countries that ratified it.

Each of these economies and Mercosur are characterised by strong primary commodity sectors. The share of primary products in total EU imports from these countries was as high as 65% for Australia, 73% for New Zealand, 74% for Mercosur and 83% for Chile. Only for Mexico this share was relatively low at 23%. In contrast, the share of manufactured goods in EU exports to these economies accounted for more than 80% in 2019.

Trade in goods evolving dynamically since the early 2000s

Trade relations between Mercosur and Austria as well as between Mercosur and the EU appeared rather stable at a low level during the 1990s but started to evolve in the early 2000s. Except for the year 2004, Austria recorded a positive trade balance with the region since 1996. The EU-27 experienced a growing trade deficit between 2000 and 2008, which has levelled off during the last years to almost balanced trade (Figure 1).

Figure 1: Austrian and EU-27 trade in goods with Mercosur, 1996-2018
USD million



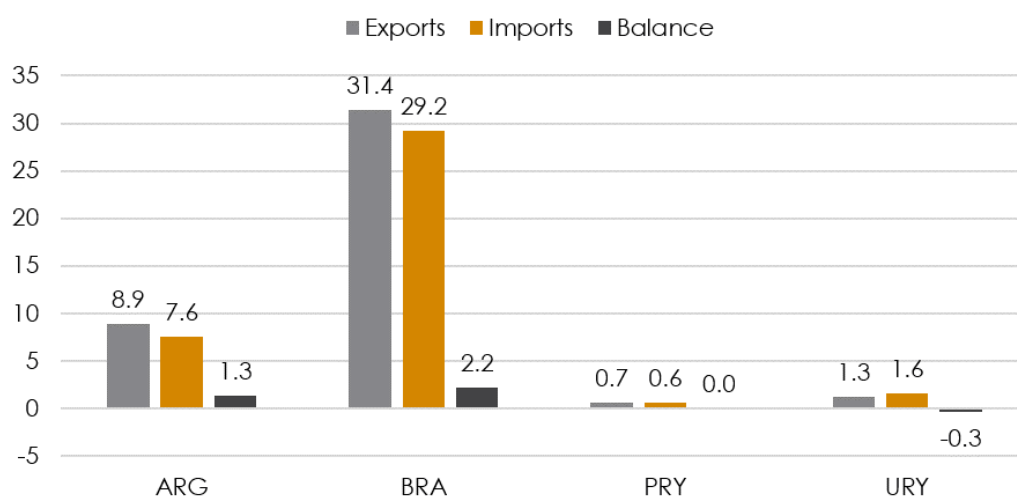
Data source: UN Comtrade. HS 1996 Classification.

About 95% of the EU's exports to Mercosur are industrial products, such as machinery and appliances (29%), products of the chemical or allied industries (24%) or transport equipment (13%). On the other hand, agricultural goods represent more than 40% of its imports from the region, including foodstuffs, beverages and tobacco (21%) and vegetable products (16%). In addition, mineral products (17%) as well as wood and paper products (8%) play a role on the import side.

Three quarters of the trade in goods with Mercosur is taking place with Brazil (Figure 2). The EU is the second biggest trading partner of Brazil, while Brazil is the twelfth largest trading partner of the EU with a share of 1.7% of total EU trade (rank 11 for imports and rank 16 for exports).

For Austria, Mercosur was the source of 1.4% (EUR 641 million) of its extra-EU-27 imports and the target region for 2.2% (EUR 998 million) of its extra-EU-27 exports (Table 2). Its cumulated export market share (i.e. Austria's share in total exports to Mercosur) in 2018 was 0.44%. Exports to Argentina and Brazil exceeded imports by more than 70%. However, a trade deficit was recorded for Uruguay, from which Austria mainly sourced wood products.

Figure 2: EU-27 trade in goods with Mercosur economies in 2018
EUR billion



Data source: Eurostat, Extra-EU trade by partner [ext_lt_maineu; last update: 14/02/2020].

Table 2: Austrian goods trade with Mercosur economies in 2018

	Imports, EUR million	Share in AUT imports, in %	Exports, EUR million	Share in AUT exports, in %	AUT export market share
ARG	78.55	0.17	133.63	0.30	0.27
BRA	454.04	0.99	832.59	1.84	0.54
PRY	4.92	0.01	14.57	0.03	0.16
URY	103.98	0.23	17.57	0.04	0.15
Mercosur	641.49	1.40	998.36	2.21	0.44
<i>For comparison:</i>					
CHL	167.70	0.37	199.22	0.44	0.33
MEX	379.64	0.83	1,270.15	2.81	0.36
AUS	126.72	0.28	1,181.27	2.61	0.67
NZL	54.48	0.12	153.66	0.34	0.46

Data source: FIW, WDS, based on Statistic Austria. Note: Shares in % of extra-EU-27 trade flows.

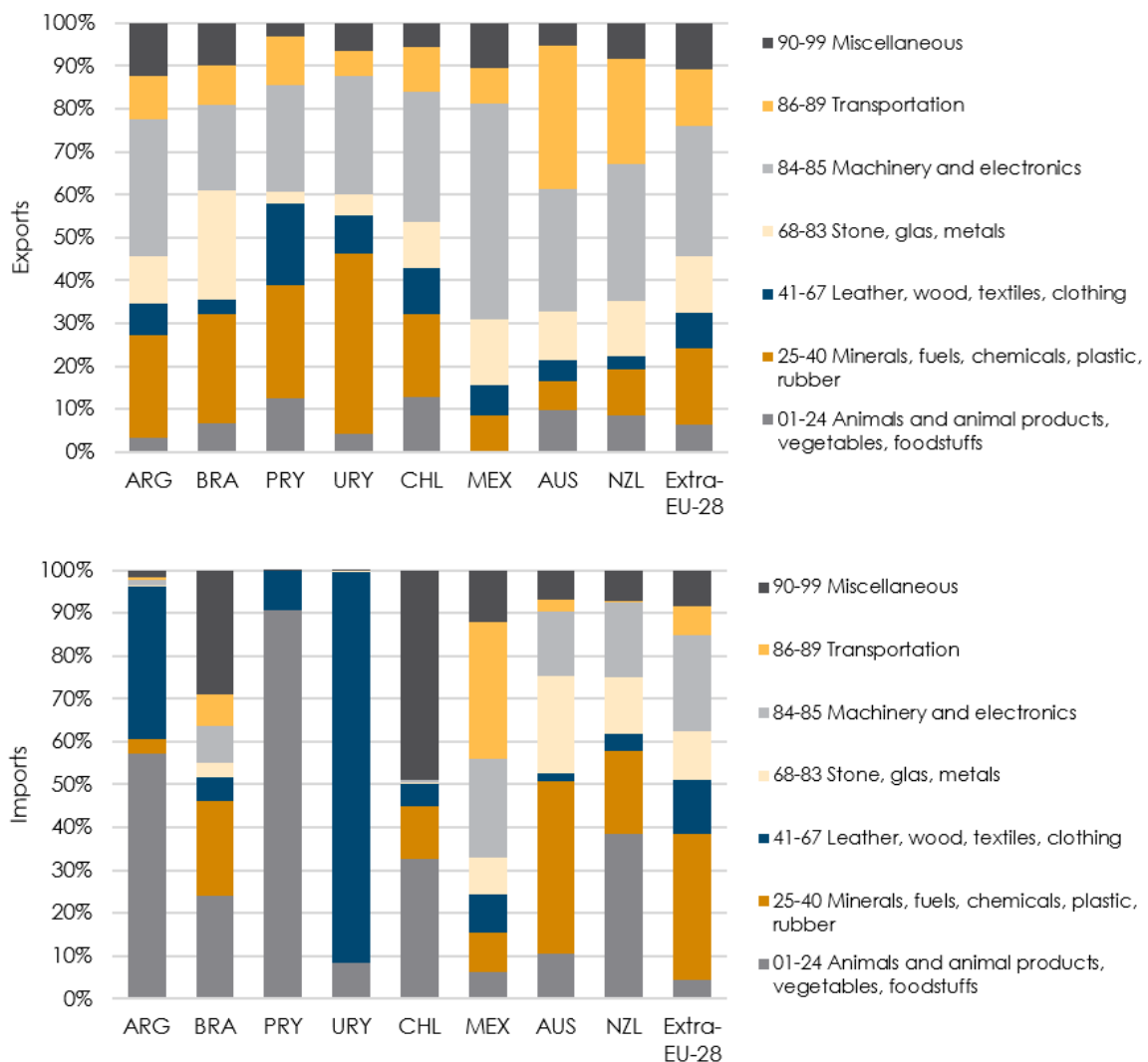
The product composition for Austrian exports is rather similar across countries and comparable to overall extra-EU exports or exports to Chile (Figure 3: Austrian trade in goods structure in 2018 Shares in %, upper panel). Three product groups each represent more than 20% of total exports to Mercosur: machinery and electronics (22%), chemicals (22%) and metals (21%), covering 51% of exports to Paraguay and up to 70% of exports to Uruguay.

The picture on the import side is much more diverse (Figure 3: Austrian trade in goods structure in 2018

Shares in %, lower panel). Austrian imports from Argentina, Paraguay and Uruguay are almost exclusively agricultural products as well as hides, skins and leather for Argentina and wood and paper products from Uruguay. It is of concern that 29% of imports from Brazil are reported in the category 'miscellaneous'. This share is bigger than the share for minerals (19%), foodstuffs (12%), vegetables (8%) or woods products (only 4%), which are of particular relevance in public debates.

Figure 3: Austrian trade in goods structure in 2018

Shares in %



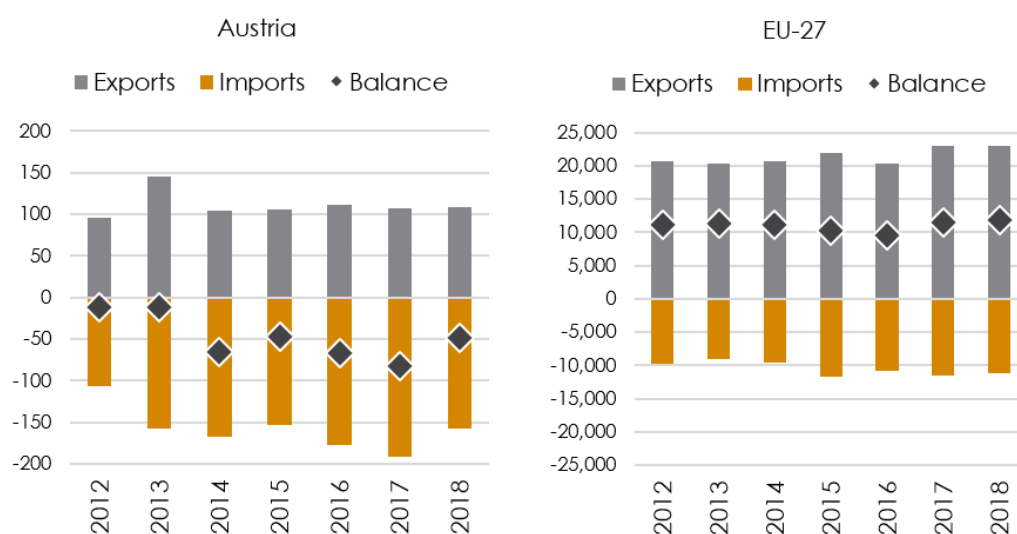
Data source: UN Comtrade. HS 1996 Classification.

Trade in services concentrated in travel, transport and other business services sectors

While Austria shows a positive trade balance in the trade of goods, it exhibits a deficit in trade in services. The opposite is true for the EU-27 aggregate: While the EU only recently experienced an almost balanced trade in goods after years of increasing trade deficits, it shows a relatively constant trade surplus in the services sector.

Figure 4: Austrian and EU-27 trade in services with Mercosur, 2012-2018

EUR million



Note: Time series starts in 2012 for Austria and 2010 for the EU. Data source: Eurostat, International trade in services (BPM6). [bop_its6_det; last update: 31 January 2020].

Figure 5: EU-27 trade in services with Mercosur economies in 2018

EUR billion



Data source: Eurostat, International trade in services (BPM6) [bop_its6_det; last update: 31.01.2020].

In 2018, EU-27 services exports to Mercosur (EUR 21.2 billion) were more than twice as high as respective imports (EUR 10.2 billion). Roughly 70% of EU-27 trade in services with Mercosur took place with Brazil, another 24% with Argentina. Trade with Uruguay accounted for 5% and another 1% was attributable to Paraguay (Figure 5). There are only three services sectors that really matter for EU-Mercosur trade (which are the same for all four Mercosur economies): (1) In 2018, services in the transport sector accounted for 30% of EU-27 services exports to Mercosur, 23% of imports and 37% of the positive trade balance. (2) The travel sector added another 22% of EU-27 services exports as well as 19% of imports and 26% of the trade balance. (3) Finally, other business services represented 20% of EU-27 services exports, 40% of imports and still contributed 2% to the positive balance.

The value of Austrian goods imports from Mercosur in 2018 was four times larger than the value of services imports. Goods exports were even ten times larger than services exports. Mercosur's share in total extra-EU-27 services imports of Austria (1.43%) was almost equal to goods imports (1.40%), but smaller on the export side with 0.74% (compared to 2.21% for goods exports). The services trade balance was negative for every Mercosur member and totalled EUR 48 million. By contrast, Austrian services trade balances with Chile or Mexico were positive (Table 3). The difference arises primarily from the sector of so-called 'other business services', for which Austria had a positive balance for all economies listed in Table 3, except for Argentina (EUR –7 million) and Brazil (EUR –14 million).

Considering total extra-EU trade in services, this sector contributes 28% (or EUR 1.0 billion) to the overall positive services trade balance (EUR +3.7 billion) of Austria, being the second largest services export sector after travel and the second largest services import sector after transport. It contains three sub-categories: research and development, professional and management consulting services and technical, trade-related services.¹¹

¹¹ These comprise architectural and engineering services, waste treatment, agricultural and mining services, leasing, or distribution services related to water, steam or gas. See Eurostat: https://ec.europa.eu/eurostat/statistics-explained/index.php/EU_international_trade_in_other_business_services#Technical.2C_trade-related_and_other_business_services

Table 3: Austrian trade in services with Mercosur economies in 2018

	Imports, EUR million	Share in AUT imports, in %	Exports, EUR million	Share in AUT exports, in %	Trade balance
ARG	28	0.25	19	0.13	–9
BRA	116	1.06	84	0.57	–32
PRY	2	0.02	2	0.01	0
URY	11	0.10	4	0.03	–7
Mercosur	157	1.43	109	0.74	–48
<i>For comparison:</i>					
CHL	23	0.21	28	0.19	5
MEX	69	0.63	123	0.83	54
AUS	135	1.23	165	1.12	30
NZL	41	0.37	40	0.27	–1

Note: Shares in % of extra-EU-27 trade flows. Data source: Eurostat, International trade in services (BPM6) [bop_its6_det; last update: 31 January 2020].

The composition of Austrian services exports to Argentina and Brazil is more similar to Australia than Chile, Mexico or extra-EU exports in general, where services for the manufacturing, information and communication technology (ICT), transport and other business services sectors are more important (Figure 6: Austrian trade in services structure in 2018

Shares in %, upper panel).

Travel services (EUR 45 million), other business services (EUR 25 million) and transport services (EUR 12 million) constituted 75% of Austrian services exports to Mercosur in 2018. Regarding imports, these three sectors represented even 92% of total services imports from Mercosur, though in a different order, led by the transport sector (EUR 61 million), followed by other business services (EUR 46 million) and travel services (EUR 38 million).

Overall, the biggest contributor to Austria's negative services trade balance with Mercosur is the transport sector (EUR –49 million), while the biggest surplus was recorded for financial services (EUR +10 million).

Figure 6: Austrian trade in services structure in 2018
Shares in %



Notes: Other services summarises seven sectors, including services for the construction, financial, government or insurance sectors, as well as non-allocated services. No breakdown available for Paraguay. Data source: Eurostat, International trade in services (BPM6) [bop_its6_det; last update: 31 January 2020].

Looking at the development of services trade relations with Chile could be indicative for trade opportunities evolving from the Mercosur agreement. The ex-post study conducted by ITAQA Sarl (2012) for the European Commission shows that starting from a small services trade deficit for the EU in 2001, trade flows surged in both directions after the implementation of the EU-Chile FTA, yet, with an increasing trade surplus for the EU up until the global economic and financial crisis in 2008/2009. Increases for other major trading partners, such as the US, were far less pronounced. While trade in travel services with Chile tended to be roughly balanced over time, EU transportation services exports outpaced respective imports, being attributable to increases in goods trade (and to a lesser extent to provisions on transport services within the FTA). Bilateral commitments were most relevant for other services and resulted in a strong increase in trade (and particularly exports) of business services. Therein, 'other business services' accounted for

more than half of the total, with professional and technical services increasingly gaining importance.

If the impact of the Mercosur agreement followed a similar pattern, this would suggest good news for Austrian services industries: Together with travel services, 'other business services' and the transport sector form the three major Austrian services industries (both in terms of exports and imports), which currently are also the main contributors to its trade deficit with Mercosur. Improved market access for goods, services and investments can be expected to boost business services trade. Assuming balanced trade with Mercosur in 'other business services' would cut Austria's overall services trade deficit with Mercosur by half. However, the increasing negative trade balance of Austria with Mercosur in the transport sector (particularly with Brazil) might well be lowered, yet, is very unlikely to be offset. (It continues to be negative, though at a lower level, for Chile.)

2.2 Trade barriers along the way

The market of Mercosur is still relatively closed. The Association Agreement tackles many hurdles for EU-Mercosur economic ties, ranging from reciprocal access to public procurement markets, over opening of services markets and tariff reductions to the protection of geographic indications.

Market opening for government procurement

So far, the EU did not enjoy access to Mercosur government procurement markets and had only limited access to services markets. The agreement targets specific services sectors, including postal and courier services, telecommunications and financial services. Furthermore, Mercosur is not part of the plurilateral Government Procurement Agreement (GPA)¹², such that the public procurement market is not accessible for EU companies on equal terms. The FTA envisages reciprocal access to the public tendering process and to make the process more transparent.

According to the Association Agreement an online platform designed for the needs of small and medium-sized enterprises (SMEs) will provide information on import requirements, market access and trade preferences.

There is still room for significant tariff reductions

Looking at most favoured nation (MFN) tariffs that apply to all WTO members, maximum duties on non-agricultural products for the EU are as high as 26% and for Mercosur members at 35%. Except for Paraguay, recorded maximum MFN duties for agricultural products were higher than for non-agricultural goods.

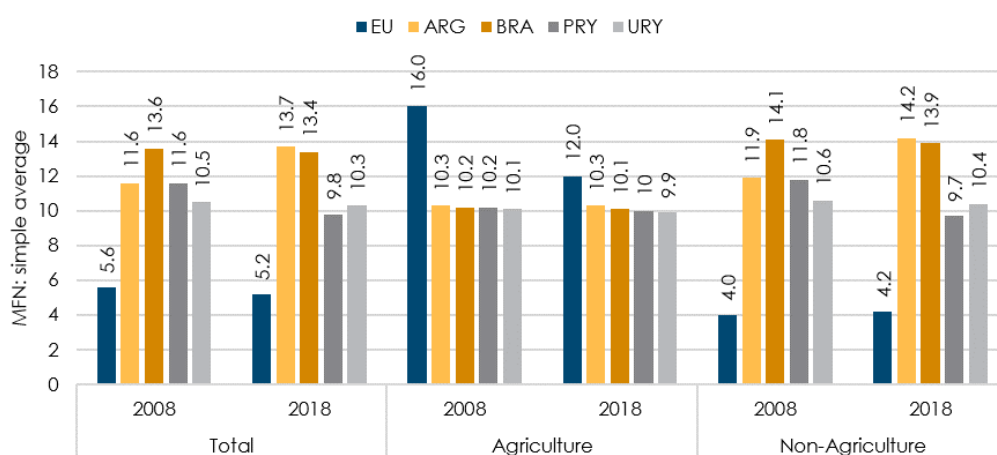
¹² Currently, 48 WTO members are parties of the GPA. See WTO: https://www.wto.org/english/tratop_e/gproc_e/gp_gpa_e.htm

The share of agricultural products, for which zero MFN duties apply exceeds 7% for all Mercosur economies and 31% for the EU. For non-agricultural products, the share of duty-free product lines ranges from 4.7% for Brazil to 15.8% for Uruguay and stands at 27.5% for the EU.

Simple average duties across agricultural products show relatively similar levels across Mercosur and the EU, ranging between 9.9% and 10.3% within Mercosur to 12.0% for the EU. Greater differences occur for non-agricultural products, where the average duty imposed by the EU is 4.2%, contrasted with 9.7%-14.2% for Mercosur (Figure 7).

The tariff schedule (Appendix 1 of the FTA) is not yet publicly available. However, the European Commission announced that duties on 91% of goods that the EU exports to and on 92% of goods that it imports from Mercosur will be eliminated over time. Out of the products exemplarily listed in Table 4, Austria will be affected through exports to Mercosur of e.g. soft drinks (worth EUR 47 million in 2018), or chocolate (EUR 2 million) in the food sector, as well as pharmaceuticals (EUR 164 million), cars and car parts (EUR 38 million), electrical transformers (EUR 38 million) or aircraft parts (EUR 29 million) with respect to industrial goods.

Figure 7: Tariff barriers, 2008 and 2018



Notes: Simple average MFN ad valorem duty rates or ad valorem equivalents of non-ad valorem duty rates. Data source: WTO [extracted 6 February 2020].

Table 4: Announced tariff removals

Food & Agriculture	taxed up to	Non-agriculture	taxed up to
Wine	27%	Cars	35%
Chocolate	20%	Car parts	18%
Whiskey and other spirits	35%	Machinery	20%
Biscuits	18%	Chemicals	18%
Canned peaches	55%	Clothing	35%
Soft drinks	35%	Pharmaceuticals	14%

Source: EC (European Commission), 2019e, Key elements of the EU-Mercosur trade agreement.

Non-tariff barriers are tackled in multiple ways in the Association Agreement

While duties are predominantly applied to imports, taxes can also apply to exports. Mercosur's export duties on hides and skins used by the EU leather industry, or on soybean used as livestock feed will be reduced or eliminated and price requirements on imports and exports will be prohibited. However, non-tariff barriers can take other forms than duties.¹³ In particular, clear and transparent audit rules, and the application of the same requirements across all EU Member States should result in significant time and cost savings.

By the end of 2018, the Market Access Database of the EU collected 425 active trade and investment barriers in 59 countries, featuring all four Mercosur economies. For Brazil, 18 barriers were recorded (compared to 21 the year before (EC, 2018)), out of which 15 were classified as behind the border measures (EC, 2019f). These are not traditional border measures (such as tariffs or quantitative restrictions) and concern e.g. services, investments, public procurement or intellectual property rights. The report of the European Commission in 2018 highlighted the positive trend with respect to disputes solved.

Across all trading partners of the EU, a total of 45 barriers in 13 sectors could be resolved, with trade flows in the order of EUR 8.2 billion being affected by these resolutions. Thereof, almost 13% (i.e. roughly EUR 1 billion) concerned Brazil. For example, in the agriculture and fisheries sector, a new legislation eases market access by reducing the backlog of audits for already exporting EU Member States. For wines and spirits, the Brazilian Agency for Sanitary Control (ANVISA) exempted spirit drinks distilled from cereals from a new allergenic labelling regulation. For machinery, market access was improved by the decision that machines in accordance with the safety standard ISO13849 for machinery control systems should not be considered as non-compliant with the Brazilian safety standard for employment.¹⁴

Currently, the Market Access Database contains six measures for Argentina, 19 measures for Brazil, four for Paraguay and six for Uruguay.¹⁵ For every Mercosur economy there is at least one concern listed with respect to the lack or insufficient enforcement of intellectual property rights

¹³ UNCTAD classifies 16 types of non-tariff measures; 15 concern imports, including sanitary and phytosanitary measures, technical barriers to trade, antidumping, safeguard clauses, price controls etc. (UNCTAD, 2019).

¹⁴ As set out by the Brazilian Norma Regulamentadore no. 12.

¹⁵ Mid-February 2020: <https://madb.europa.eu/madb/>

(IPR). The FTA devotes a separate chapter on IPR issues. Closely linked to IPR is the protection of geographical indications. In the Association Agreement Mercosur will agree to protect 357 European geographical indications; thereof, eleven are from Austria (Table 5). GIs of other EU Member States include for example Prosciutto di Parma, Champagne, Port wine, or Irish whiskey; likewise, the EU protects the name of the Brazilian spirit Cachaça, or Mendoza wine from Argentina.

Table 5: The FTA protects 11 Austrian geographical indications

Product	Geographical indication
Cheese	Tiroler Almkäse/Alpkäse, Tiroler Bergkäse, Tiroler Graukäse, Vorarlberger Alpkäse, Vorarlberger Bergkäse
Spirits and liqueurs	Inländerrum, Jägertee/Jagertee/Jagatee, Korn/Kornbrand
Meat	Tiroler Speck
Vegetable oil	Steirisches Kürbiskernöl
Horseradish	Steirischer Kren

Source: EC (European Commission), 2019d, Annex II.

Some non-tariff measures support stepwise trade liberalisation

So-called tariff rate quotas (TRQ) allow the EU and Mercosur to implement zero tariffs for specified products up to a pre-determined volume, called "quota". Examples include cheese, milk powder or infant formula, where annual trade volumes in tonnes were negotiated for which duty-free import apply. For each additional tonne, tariffs continue to apply.

Safeguard clauses constitute another type of non-tariff measure. These can be temporarily applied, if the EU experiences an import surge in agricultural products, threatening the domestic agricultural sector. In addition, for the first time, a financial support package was agreed upon in the context of a trade agreement, which should assist farmers in the event of significant market disturbances with up to EUR 1 billion.¹⁶

2.3 Austria's inward investment stock from Mercosur exceeds its outward stock

The EU-Mercosur agreement does not directly cover investments¹⁷, apart from a chapter on current payments and capital movements, allowing the free movement of capital related to direct investments. Yet, it is expected that improved market access and the removal of trade barriers will boost investments. Both sides agreed not to lower labour or environmental standards to encourage foreign direct investment (FDI).

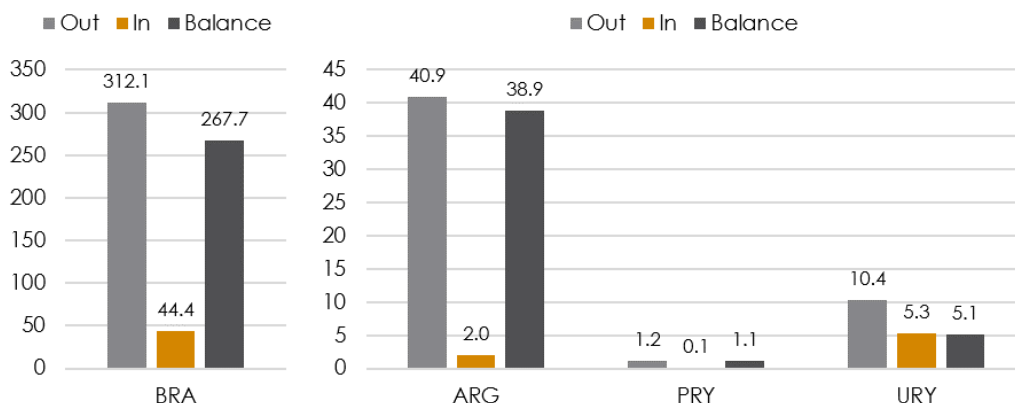
For the year 2017, outward FDI stocks of the EU-27 in the Mercosur economies summed up to EUR 364.5 billion, representing 2.4% of total outward stocks. Inward FDI stocks amounted to EUR 51.7 billion, or 0.4% of the total inward stocks. Thus, outward direct investment stocks

¹⁶ See e.g. the factsheet on agriculture: https://trade.ec.europa.eu/doclib/docs/2019/june/tradoc_157955.pdf

¹⁷ Such as e.g. Chapter 8 of the Comprehensive Economic and Trade Agreement (CETA) with Canada that removes barriers to investment and sets up an Investment Court System.

exceeded inward stocks by EUR 312.8 billion. 86% of EU-27 outward in and inward FDI stocks from Mercosur concern Brazil (Figure 8).

Figure 8: EU-27 FDI stocks in 2017
EUR billion

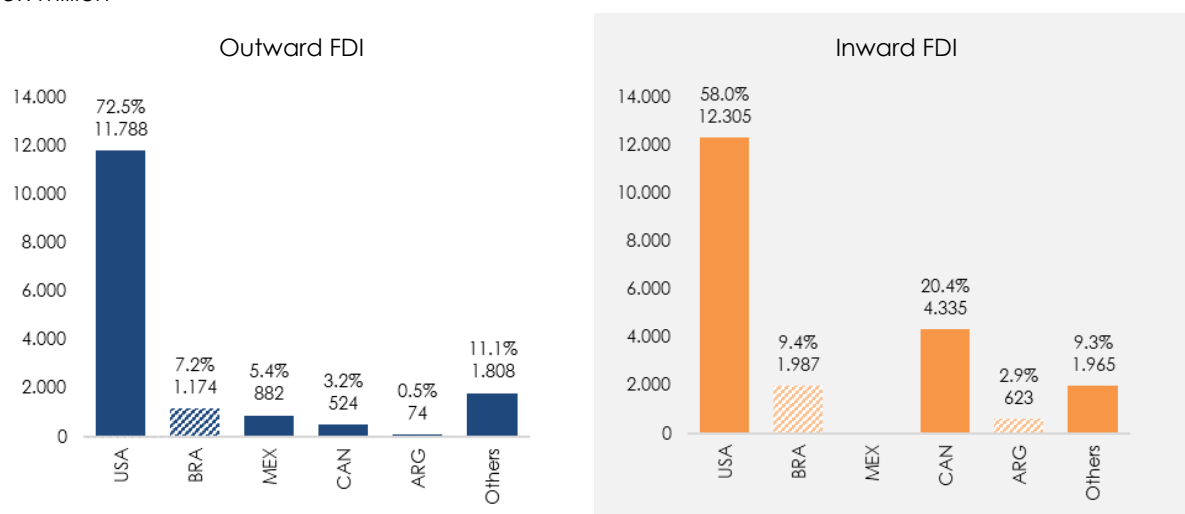


Data source: Eurostat, EU direct investment positions, flows and income, breakdown by partner countries (BPM6) [bop_fdi6_geo, last update: 17/06/2019].

While Austrian total worldwide outward positions (EUR 203 billion) exceeded inward positions (EUR 176 billion) by more than EUR 26 billion, another pattern prevails for American economies. Canada, particularly, stands out, with Canadian investment stocks in Austria (EUR 4.3 billion) being eight times as large as the Austrian investment stock in Canada (EUR 524 million). Inward investment stocks from Mercosur in Austria are also markedly higher than Austrian stocks in the Mercosur economies. Austrian outward investment stocks in Brazil amounted to EUR 1.2 billion, compared to Argentina with EUR 74 million. Inward direct investment stocks showed a market value of EUR 1.9 billion for Brazil, and EUR 623 million for Argentina (Figure 9: Austria's FDI stocks in the Americas in 2018

EUR million). There is no data on investments in and from Paraguay and Uruguay.

Figure 9: Austria's FDI stocks in the Americas in 2018
EUR million

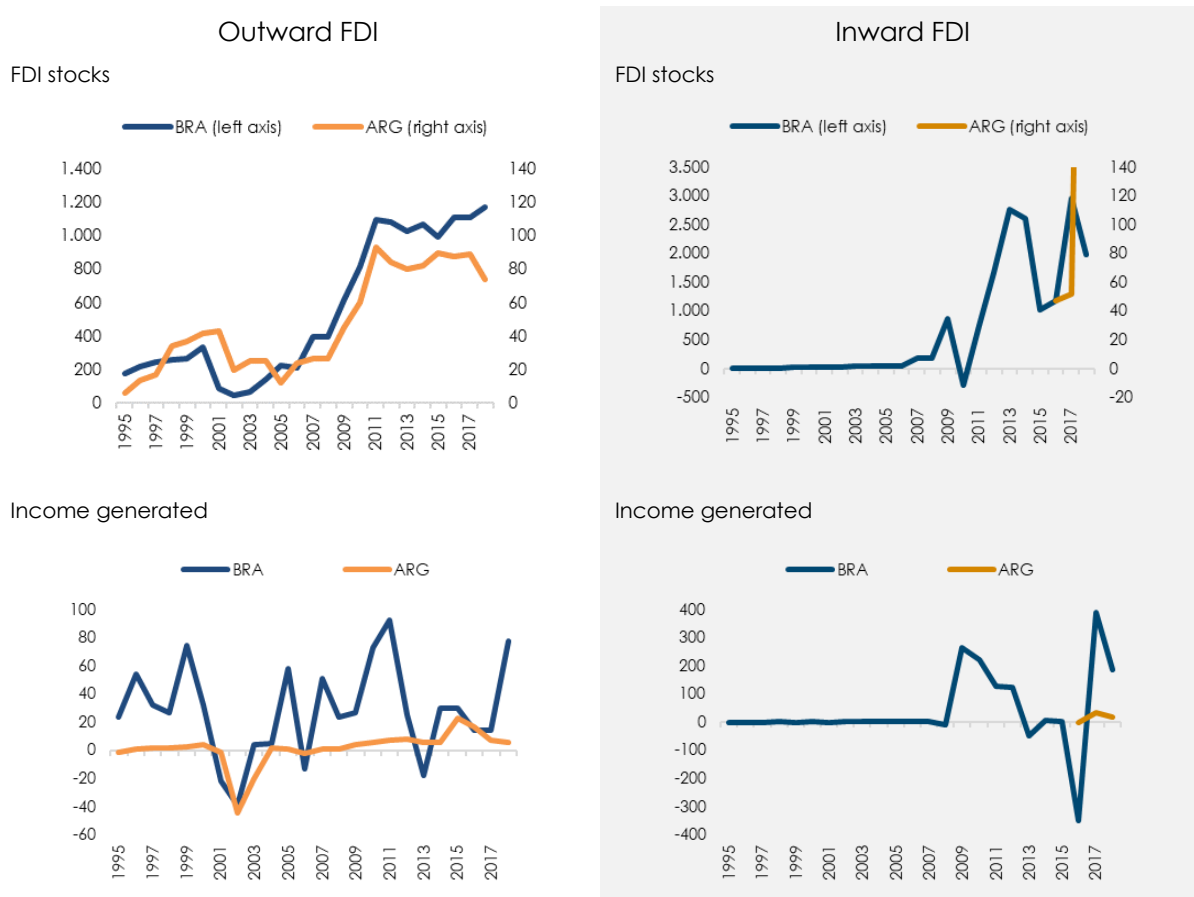


Notes: Sorted by outward FDI. Inward FDI by country of the headquarters of the ultimate beneficial owner, which may differ from the residency of the immediate owner. Data source: OeNB. Revised data for 2018. No information for Paraguay and Uruguay available.

Austria's direct investment stocks in Brazil and Argentina, as well as associated incomes paid by resident FDI enterprises to their foreign owners¹⁸ decreased the most during the South American economic crisis culminating in 2002. Stocks strongly increased thereafter until 2011. The dynamic was comparable for Brazil and Argentina, yet, at a different scale. From 2011 onwards, the investment stock has appeared rather stagnant. During the last year, stocks in Brazil have picked up again, while they decreased in Argentina. Incomes generated by FDI in Mercosur fluctuated over time, but was positive, apart from three exceptions, most notably during the aforementioned crisis. Inward investments originating from Brazil soared after the onset of the global financial and economic crisis 2008/09. Incomes generated by Brazil's FDI in Austria slumped in 2016 (EUR -350 million), followed by a sharp increase the next year (EUR 392 million). Respective data for Argentina is only available from 2016 onwards.

¹⁸ Income of investors covers dividends (distributed profits), reinvested earnings and interest received (or paid) from intra-group financing.

Figure 10: Evolution of Austria's investment links with Brazil and Argentina over time



Notes: Inward FDI by country of the headquarters of the ultimate beneficial owner, which may differ from the residency of the immediate owner. Income paid by resident direct investment enterprises to their foreign owners. Data source: OeNB. Final data up to 2016, revised data for 2017 and 2018. No information for Paraguay and Uruguay available.

3. Ex-ante evaluation of economic effects of the EU-Mercosur agreement

3.1 Literature review

In 2009, the University of Manchester presented the trade sustainability impact assessment of the EU-Mercosur Association Agreement. Considering lower import prices and efficiency gains on the one hand and a loss of tariff revenues on the other hand. The authors found a static welfare gain of around USD 4 billion (or 0.1% of GDP) for the EU-25 and positive economic effects for each Mercosur economy, amounting to USD 9 billion for the Mercosur region (or 0.5% of GDP for Argentina, 1.5% for Brazil, 2.1% for Uruguay and 10% for the smallest Mercosur economy Paraguay).¹⁹ Estimated economic effects did not account for any environmental impacts, which were evaluated separately. While they were considered as not significant for the EU, the main issues identified for Mercosur included on the downside an adverse impact on biodiversity as well as the risk of increased water pollution, and on the positive side improved environmental services.

In 2011, a study by Burrell et al. published by the Joint Research Centre of the European Commission considered various scenarios, making assumptions on tariff cuts, tariff rate quotas for the agricultural sector, and the success of multilateral negotiations. Making use of another computable general equilibrium (CGE) model²⁰, eliminating import tariffs on 100% of industrial goods imported by the EU and 86% in the case of Mercosur, and abolishing or extending current tariff rate quotas, results suggest positive GDP effects of 0.02% for the EU-15 and for the EU-12 and 0.12% for Mercosur.

Similarly, a study by the LSE (London School of Economics) consulting (2020) used a CGE model to evaluate the potential effects of the treaty in a 'conservative' and an 'ambitious' scenario, which differ in the extent of the reduction of non-tariff barriers they assume.²¹ For the conservative scenario, the authors find GDP increases of 0.1% for the EU-28, compared to 0.2% for Brazil, 0.5% for Argentina, 0.2% for Uruguay and only 0.1% for Paraguay. Not surprisingly, GDP effects are stronger in the ambitious scenario: They calculate 0.1% for the EU-28, 0.3% for Brazil, 0.7% for Argentina, 0.4% for Uruguay and 0.1% for Paraguay.

All studies have in common that they find the manufacturing industries to be the main beneficiaries of the agreement within the EU, while the agricultural sector would be the driver of welfare gains for Mercosur, potentially at the cost of reduced output in the EU. In line with these findings, Grieger (2019) argued that industries with high export ambitions, such as the car and car parts industry, are very supportive of the agreement, while the agricultural sector opposes the agreement for fear of income loss. There are, however, sub-sectors in the

¹⁹ Based on the Global Trade Analysis Project (GTAP) dataset, version 6.2.

²⁰ GLOBE model, calibrated with data from the GTAP dataset, version 7.1.

²¹ The conservative scenario assumes that the impact of non-tariff barriers is reduced by 5%, while the ambitious scenario assumes 10%.

agricultural business (such as wine and dairy associations) which are supporters of the deal because they see a potential for their products in the markets of the Mercosur countries.

3.2 Data and estimation methodology

For our counterfactual calculations, we use the following data sources.

- Bilateral goods trade flows data are drawn from the UN Comtrade database.²² As the availability of service trade data is still scarce, we only use goods trade in this empirical application.
- Gross production is taken from UNdata.²³ It is needed to calculate intra-national trade flows, defined as gross production minus total exports of a country.
- Tariff data is collected from the World Integrated Trade Solution (WITS) database provided by the World Bank.²⁴ For each country-pair and year, we calculate an arithmetic mean tariff rate over all products.
- Information on trade agreements and their depth is taken from the Design of Trade Agreements (DESTA) database constructed by Dür et al. (2014), which was updated in spring 2019.²⁵ Using this data, we derive the centrality position of a country within the global network of free trade agreements.²⁶

We combine these data sources into a panel data set. It covers the years 1995 to 2017 and contains almost 200 exporting and importing countries. Regressions are carried out according to the best practices summarised in Yotov et al. (2016). The counterfactual model estimations are following the methodology of Anderson et al. (2015), which allows us to compute full equilibrium effects implied by the EU-Mercosur agreement.

3.3 Counterfactual model

We make use of a Structural Gravity model to estimate the ex-ante economic effects of the EU-Mercosur trade agreement (as part of a wider Association Agreement) on trade flows, economic growth and employment. The Gravity equation we apply takes the following form:

$$y_{ijt} = \beta_1 \tau_{ijt} + \beta_2 FTA_{ijt}^E + \beta_3 FTA_{ijt}^D + \beta_4 (FTA_{ijt}^E \cdot C_{it}) + \beta_5 (FTA_{ijt}^E \cdot C_{jt}) + \beta_6 \chi_{it} + \beta_7 \phi_{jt} + \beta_8 \pi_{ij}$$

y_{ijt} corresponds to gross bilateral goods imports of importer j from exporter i at time t . τ_{ijt} represents bilateral applied tariffs. FTA_{ijt}^E is a dummy variable equal to one, if a free trade agreement exists between country pairs. FTA_{ijt}^D is an index variable ranging from 0 to 7, retrieved from the Design of Trade Agreements Database (DESTA). A higher score indicates a

²² See <https://comtrade.un.org/> We use reported import flows as these are considered to be more reliable than reported exports flows.

²³ See <http://data.un.org/DataMartInfo.aspx>

²⁴ See <https://wits.worldbank.org/>

²⁵ See <https://www.designoftradeagreements.org/>

²⁶ For detailed explanations of how these centralities are calculated and how they can be interpreted, we refer to the forthcoming report by Grübler and Reiter (2020).

deeper agreement, tackling more trade-related issues than tariff cuts.²⁷ In order to account for network effects arising from the establishment of new trade agreements, we interact the FTA dummy variable with a measure of degree centrality.²⁸ In network theory, this is the simplest and oldest indicator for measuring a node's (in our case country's) position in a network. In its easiest form it counts the number of FTA connections a country has in place at a certain point in time. In our case, we put a weight on the agreement corresponding to the DESTA depth index. The centrality position of a country is the sum of trading partners with which agreements are in force, weighted by the depth of the agreements. In order to properly account for multilateral resistance terms, we follow Yotov et al. (2016) and make use of fixed effects on various dimensions: exporter-time χ_{it} , importer-time ϕ_{jt} and bilateral pair fixed effects π_{ij} .

Table 6: Gravity estimation results

Dependent variable: gross imports	(1)	(2)	(3)
Tariffs	-0.05 (0.00)***	-0.05 (0.00)***	-0.04 (0.00)***
FTA dummy (existence)	0.22 (0.03)***	0.29 (0.05)***	0.59 (0.06)***
FTA index (depth)		-0.01 (0.01)	-0.07 (0.01)***
FTA dummy x Exporter centrality			0.13 (0.01)***
FTA dummy x Importer centrality			0.05 (0.01)***
Deviance	247.79	247.75	241.79
McFadden's Pseudo R ²	0.99	0.99	0.99
Num. obs.	281,763	281,763	281,763
Num. groups: Exporter-Time-FE	2,722	2,722	2,722
Num. groups: Importer-Time-FE	2,609	2,609	2,609
Num. groups: Bilateral FE	18,244	18,244	18,244

*** Significantly different from zero at the 0.1% level, ** at the 1% level, * at the 5% level. Robust standard errors in parenthesis.

Notes: Estimation over countries for which data on intra-national flows are available.

Results are presented in Table 6.²⁹ The specification of column (1) includes tariffs and the FTA dummy. We see the expected signs for both variables, i.e. a negative effect of tariffs and a positive effect of free trade agreements on trade flows. The coefficient for the depth of an FTA, included in column (2), is negative but not significantly different from zero.

Finally, in specification (3), we additionally include the centrality of the exporter and importer, both suggesting a positive and significant effect on bilateral trade flows.

²⁷ The seven dimensions covered by Dür et al. (2014) in the additive DESTA index refer to tariff cuts, standards, investments, services trade, procurement, competition and intellectual property rights.

²⁸ We cannot include the centrality measure on its own, as it is a country-year-specific variable and would be absorbed by the exporter-time and importer-time fixed effects. We can interpret the interaction of the FTA dummy with the centrality variable as the additional indirect effects that arise for the exporting or importing country through greater institutional connectedness when it signs a new trade treaty.

²⁹ As the Gravity model is a generalised linear model that includes a large number of fixed effects, we report the pseudo R² as recommended by McFadden (1973).

The coefficient for the depth of an FTA is negative, but much smaller than the effect associated with the existence of an FTA. The sign of the coefficient for the depth of an FTA may have different causes that can only be sorted out on a country-by-country basis. The most important reason is that our data sample starts at the beginning of the FTA 'boom' phase in the mid-1990s. Greater economic effects can be expected from the first-time implementation of FTAs (even when only of depth 1), compared to modernisations of FTAs that deepen existing trade links. Comprehensive and deep trade agreements are a relatively new phenomenon (in the case of the EU starting with the EU-South Korea agreement in 2011). Dür et al. (2014) argue that deeper agreements yield greater trade effects in the medium-run. As such, our panel cannot fully capture trade effects of modern and recent trade agreements.³⁰

The coefficients of the interaction of FTA dummy and exporter and importer centrality are both significant and positive as expected. They show that trade effects may be different for exporters and importers and depend on the position of a country in the free trade network.

Based on our regression results presented in column (3) of Table 6, we perform counterfactual exercises and evaluate, how much higher or lower (in %) output, exports, employment and GDP would be, if an FTA between the EU and Mercosur economies already existed. To do so, we set the FTA dummy variable between EU Member States and Mercosur economies equal to one and set the depth of the agreement equal to 5. The texts of the agreement do not cover substantial provisions on investments and are vague on issues of competition, so a depth of 5 (out of 7) seems reasonable to assume. Furthermore, we reduce all tariffs between the two regions to zero.³¹ Centrality measures have been re-computed to reflect this counterfactual state.

Results presented in Table 7 have to be interpreted as one-time effects to materialise over the duration of the implementation period and should not be confused with annual growth differentials. They show a marked difference between EU Member States and Mercosur countries.

The increase in exports ranges from 1.4% (Ireland) to 4.1% (Spain) for the EU, with Austria being ranked 15th among the EU-27 with an estimated export increase of 2.2%. By contrast, the Mercosur countries can expect total exports to grow by 25-40%. The large difference in the expected relative increases of trade flows can be explained by (a) the difference of the respective market sizes (the GDP of the EU-27 is six times bigger than the GDP of Mercosur, thus there is a higher potential for exports for the Mercosur countries) and (b) a difference in the economies' centralities: The FTA increases centralities of the Mercosur countries more than those of the EU states.

³⁰ Some dimensions of free trade agreements (e.g. intellectual property rights, standards, public procurement) that increase the depth of agreements may not necessarily lead to increased trade in the short-run. In addition, some components in trade agreements aim at liberalising trade, but may prove ineffective if they are not enforceable (Kohl et al., 2016).

³¹ As we use the average tariff over all tariff lines and up to 98% of all tariffs would be abolished, we assume that the counterfactual average tariff is zero (or very close to zero).

The stronger increase in trade flows also causes the stronger increase in real GDP in the Mercosur countries. We find a similar difference in magnitudes for the impact on real GDP, ranging from 0.03% (Greece) to 0.16% (Belgium). With an expected increase of real GDP by 0.08%, Austria ranks 12th among the EU-27. For Mercosur countries we calculate a positive impact on real GDP between 0.33% (for Brazil) and 0.52% (for Uruguay).

In this scenario, exports and imports of the Mercosur countries increase, while production for the domestic market decreases slightly. Thus, in total, gross output falls slightly (see column 1). Domestic production decreases due to a substitution towards imports. This substitution also decreases the factory-gate prices in those countries, resulting in a real GDP increase. For the EU countries, prices and production for domestic use are almost constant, only imports and exports increase. This overall rise in gross output is what increases real GDP in the EU countries. It ranges from 0.17% for Cyprus to 0.51% for Italy. Austrian output is expected to increase by 0.46%.

In absolute terms, the EU-27 countries would gain more from the Association Agreement than the Mercosur countries: EUR 12.2 billion for EU-27 versus EUR 7.2 billion for Mercosur. In per capita values, the effects are remarkably similar: both regions would gain approximately EUR 27.2 per person from the trade agreement³². Employment changes are positive in all countries (except Argentina) but are hardly economically significant.

The lower part of Table 7 presents results for other Latin American economies for comparison: Mexico (MEX) in North America as well as Chile (CHL), Bolivia (BOL), Colombia (COL), Ecuador (ECU) and Peru (PER) in South America. Mexico would experience small declines in all four economic indicators in this scenario, resulting from a trade diversion effect: due to the new EU-Mercosur agreement, imports from these economies are becoming cheaper such that some firms decide to import from the Mercosur market instead. All South American economies show a positive effect on exports and GDP growth, however, throughout negative effects on output and employment.

³² The GDP and population numbers are based on table 1 from above. We used the annual average USD to EUR exchange rate of 2018 to convert the values to EUR.

Table 7: Counterfactual analysis

Changes in %

EU	Output	Exports	Employment	Real GDP
AUT	0.456	2.210	0.006	0.080
BEL	0.345	2.152	0.008	0.157
BGR	0.327	2.275	0.004	0.084
CYP	0.174	2.013	0.003	0.060
CZE	0.438	1.739	0.004	0.085
DEU	0.445	2.610	0.006	0.093
DNK	0.382	2.445	0.004	0.071
EST	0.400	1.895	0.000	0.087
GRC	0.215	2.655	0.002	0.030
ESP	0.396	4.115	0.005	0.081
FIN	0.458	2.677	0.004	0.079
FRA	0.397	2.838	0.005	0.061
HRV	0.316	3.216	0.003	0.068
HUN	0.447	1.607	0.003	0.109
IRL	0.323	1.441	0.005	0.076
ITA	0.506	2.718	0.007	0.083
LTU	0.336	1.789	0.000	0.063
LUX	0.359	1.965	0.003	0.050
LVA	0.470	2.352	0.000	0.076
MLT	0.333	1.865	0.002	0.072
NLD	0.302	2.532	0.010	0.146
POL	0.366	2.177	0.002	0.058
PRT	0.315	3.874	0.006	0.105
ROU	0.348	2.306	0.003	0.061
SWE	0.478	2.491	0.005	0.078
SVN	0.379	1.925	0.007	0.115
SVK	0.435	1.627	0.003	0.079
GBR	0.268	2.695	0.003	0.042

Mercosur	Output	Exports	Employment	Real GDP
ARG	-2.245	34.278	-0.001	0.354
BRA	-2.066	39.979	0.000	0.327
PRY	-1.879	25.691	0.005	0.473
URY	-1.555	30.633	0.024	0.515

Comparison	Output	Exports	Employment	Real GDP
MEX	-0.001	-0.005	-0.002	-0.002
CHL	-0.383	1.480	-0.004	0.034
BOL	-1.096	0.148	-0.012	0.020
COL	-0.126	0.564	-0.003	0.006
ECU	-0.157	0.729	-0.003	0.014
PER	-0.227	1.195	-0.004	0.016

Notes: Based on estimation results column (3) of Table 6, including intra-national flows.

In additional counterfactual scenarios we take a closer look at Mexico and Chile – two big markets in Latin America with which the EU is negotiating FTAs: As outlined in the previous chapter, trade relations with Mexico are based on a trade agreement dating back to the year 2000. In the DESTA database, this agreement is assigned the value 3 out of 7. As the European Commission noted, the agreement ‘did not contain many of the provisions on trade in goods that have since become standard in trade agreements. It also did not cover a number of product categories, especially farming products and fisheries.’³³ Since 2016, negotiations have been ongoing for an upgrade to a modern Association Agreement. The parties achieved an agreement in principle in April 2018. 98% of all goods will be traded duty-free from the day the agreement becomes effective; after a transition period a share of 99% of all products will face zero tariffs.

The Association Agreement between the EU and Chile, existing since 2003, comprises already a much more comprehensive FTA than the one with Mexico. It entered into the DESTA database with a value of 6 out of 7. However, both parties have been aiming at modernising the agreement with the EU since 2017.

These economies might be of particular significance in the near future, given that they form the Comprehensive and Progressive Transpacific Partnership (CPTPP) with another nine economies, which started to apply by December 2018. This country group includes Canada, Japan and Singapore (which whom the EU has just concluded or started to apply deep trade agreements³⁴) and six other economies, including Australia and New Zealand, with whom EU negotiations started in June 2018.

Using the regression results presented in Table 6, we aim at shedding light on how GDP effects would differ, if Mercosur entered into force **and** the trade ties with Chile and Mexico were modernised to agreements with a maximum depth of 7.³⁵ Table 8 summarises expected effects on real GDP resulting from four counterfactual scenarios: The first column shows results based on the assumption that an FTA with Mercosur economies is established (with an agreement depth 5) without any changes in tariffs. The second column contains the results for real GDP changes as presented in column 5 of Table 7, i.e. assuming that all tariffs are set to zero. Columns 3 and 4 additionally consider changes in the agreements with Chile and Mexico, i.e., we show the real GDP effects when the Mercosur agreement is in force and the agreements with Chile and Mexico are renegotiated to be deep agreements.

The results presented in Table 8 suggest that tariffs still play a role – tariff cuts particularly boost real GDP of Mercosur economies. Austria's gains from trade are estimated at 0.06% of GDP for an EU-Mercosur agreement without explicitly accounting for tariffs, and rise to 0.08% when tariff

³³ European Commission: Key features of the EU-Mexico trade agreement [21 April 2018], <https://trade.ec.europa.eu/doclib/press/index.cfm?id=1831>

³⁴ The Comprehensive Economic and Trade Agreement (CETA) with Canada has been provisionally applied since September 2017, the Economic Partnership Agreement with Japan entered into force in February 2019, the trade agreement with Singapore entered into force on 21 November 2019.

³⁵ Since both countries already have trade relations with the EU and are seeking to modernise these agreements, we find it reasonable to assume that these new agreements will achieve the maximal depth.

cuts are considered. The picture is similar when we consider the scenario where an EU-Mercosur agreement is established and existing agreements with Chile and Mexico are upgraded. In this case, the trade effect for Austria amounts to 0.067% of GDP without tariff concessions (slightly higher than in the first scenario without Chile and Mexico) and rises to 0.088% when tariffs are eliminated. However, effects of tariff cuts for Mexico and Chile are much more modest. Furthermore, Mexico appears to gain more from the modernisation of its trade agreement with the EU than Chile. This is due to the bigger changes in the depth of the agreement and the centrality position of the country. For EU economies, the expected GDP effect of an agreement upgrade for Chile and Mexico on top of the Mercosur agreement appears beneficial.³⁶

As a robustness check, we used the specification of column (2) instead of column (3) in Table 6 as the basis of our counterfactual exercise, i.e., we test whether our results hold if we exclude the interaction between degree centrality and the FTA dummy. Even though the estimated effects change in levels (increases in exports and GDP are 30% to 50% lower than in our baseline specification) the pattern stays very much the same: The relative changes of exports and GDP for the Mercosur countries are expected to be considerably higher than the increases for the EU Member States.³⁷

Due to limitations regarding intra-national trade data, it is not possible to calculate counterfactual scenarios on a sectoral level. However, referring to the different development levels of the participating countries (EU comprising highly industrialised economies, while Mercosur economies are in the process of industrialisation), the comparative advantage lies in different sectors. At least in the short run, the EU will profit from increased exports of machinery and electronics, while exports of agricultural and textile products are expected to increase from Mercosur economies, in line with the current trade structure shown in the descriptive overview.³⁸

In the medium to long run, it will heavily depend on the national industrial policies of the Mercosur countries if they are able to build up processing industries which make use of the rich resource base in their countries. This would allow them to generate more value added domestically and would also affect the sectoral distribution of their exports to the EU.

³⁶ There are two exceptions: Results for Malta, for which trade flows are generally low, suggest that it would be better off with a Mercosur agreement without further trade integration with Chile and Mexico. Real GDP effects estimated for Spain are slightly lower when agreement upgrades with Chile and Mexico are considered, however, only in a scenario without tariff cuts.

³⁷ Table 24 in the appendix shows the full results for this robustness check.

³⁸ See also the discussion on safeguard measures agreed upon for the agricultural sector in section 5.2.

Table 8: Interaction effects with EU agreement upgrades for Chile and Mexico

Change of real GDP in %

EU Tariffs	Mercosur		Mercosur, Chile & Mexico	
	No change (1)	Set to zero (2)	No change (3)	Set to zero (4)
AUT	0.061	0.080	0.067	0.088
BEL	0.119	0.157	0.130	0.172
BGR	0.065	0.084	0.072	0.094
CYP	0.048	0.060	0.055	0.067
CZE	0.071	0.085	0.080	0.096
DEU	0.062	0.093	0.063	0.098
DNK	0.052	0.071	0.057	0.077
EST	0.071	0.087	0.078	0.096
GRC	0.023	0.030	0.025	0.033
ESP	0.051	0.081	0.048	0.083
FIN	0.054	0.079	0.056	0.084
FRA	0.042	0.061	0.044	0.066
HRV	0.050	0.068	0.056	0.075
HUN	0.092	0.109	0.102	0.122
IRL	0.057	0.076	0.059	0.082
ITA	0.055	0.083	0.057	0.089
LTU	0.057	0.063	0.067	0.073
LUX	0.043	0.050	0.049	0.058
LVA	0.059	0.076	0.068	0.085
MLT	0.059	0.072	0.053	0.070
NLD	0.102	0.146	0.107	0.156
POL	0.045	0.058	0.050	0.064
PRT	0.070	0.105	0.074	0.111
ROU	0.048	0.061	0.054	0.068
SWE	0.055	0.078	0.059	0.084
SVN	0.094	0.115	0.107	0.129
SVK	0.068	0.079	0.079	0.091
GBR	0.029	0.042	0.031	0.045

Mercosur Tariffs	Mercosur		Mercosur, Chile & Mexico	
	No change	Set to zero	No change	Set to zero
ARG	0.208	0.354	0.211	0.357
BRA	0.176	0.327	0.178	0.329
PRY	0.352	0.473	0.356	0.477
URY	0.335	0.515	0.339	0.519

Comparison Tariffs	Mercosur		Mercosur, Chile & Mexico	
	No change	Set to zero	No change	Set to zero
MEX	0.000	-0.002	0.100	0.130
CHL	0.027	0.034	0.027	0.064

Notes: Based on estimation results column (3) of Table 6, including intra-national flows.

4. Elements of the economic discussion on EU-Mercosur trade improvement arrangements

4.1 A comparison of the anticipated EU-Mercosur treaty with the treaty between Mexico and the EU from the year 2000

Each free trade agreement is specific and special. Very recent agreements such as those with Canada (Comprehensive Economic and Trade Agreement, CETA) and the anticipated one with Mercosur countries have many characteristics that were not covered in agreements that have been established previously. Recent agreements are called 'comprehensive'. This implies that such an agreement covers trade in goods, trade in services, investment, intellectual property rights, government procurement, competition, trade and sustainable development, legal and horizontal issues including dispute settlement.

The following comparison shows what elements make the difference between a *comprehensive agreement* (EU-Mercosur) as compared to a non-comprehensive one (e.g. Mexico's current agreement in force with the EU) in terms of sustainable development and environmental issues. As an example to compare with EU-Mercosur, the treaty with Mexico was chosen. It was signed on 8 December 1997 under the designation 'Agreement of Economic Partnership, Political Coordination and Cooperation between the United Mexican States and the European Community and its members'.³⁹ On 1 October 2000 the agreement came into force and tariffs applying to a large quantity of importing goods were eliminated or reduced.⁴⁰ In the meantime, Mexico and the EU have reached an 'agreement in principle' on the main trade parts of a new EU-Mexico Association Agreement that will resemble the CETA and Mercosur agreement in many aspects.⁴¹

The following overview presents the relevant elements of the treaty between the EU and Mexico and the EU-Mercosur treaty in comparison. It shows that many of the widely discussed concerns are explicitly addressed in the deal with Mercosur. In addition, an ex-post evaluation of the EU-Mexico agreement was published recently (Ecorys, 2017) allowing to draw lessons on issues directly related to trade and beyond that also with respect to environmental and sustainability aspects (see later sections of this report). The main difference is that many aspects that are covered in great detail in the EU-Mercosur Association Agreement in explicit chapters (e.g. sustainable development, right to regulate, labour standards, sanitary and phytosanitary measures, bilateral dialogue) are not even covered in the treaty between Mexico and the EU or barely mentioned in some articles (investment promotion, sustainable forest and aquaculture management).

³⁹ https://eeas.europa.eu/sites/eeas/files/28.10.2000_mexico.pdf (accessed 20 February 2020).

⁴⁰ <https://www.consilium.europa.eu/en/documents-publications/treaties-agreements/agreement/?id=1997129> (accessed 20 February 2020).

⁴¹ <https://ec.europa.eu/trade/policy/in-focus/eu-mexico-trade-agreement/> (accessed 20 February 2020).

Overview: A comparison of elements of the free trade agreements of the EU with Mexico (in force since 2000) and the association agreement with Mercosur (not yet in force)

Non-Trade-Concern	EU-Mercosur		EU-Mexico	
	Treatment	Content	Inclusion	Comment
public procurement	Yes, Chapter Government procurement	Art 6, each party shall accord immediately and unconditionally to suppliers of the signatory countries treatment no less favourable than the treatment accorded to its own goods, services and suppliers	Statement of <i>intent</i>	Art. 10, Joint Council shall decide on the appropriate arrangements and timetable.
trade in services	Chapter Trade in Services and Establishment	Each Party shall accord to enterprises, investors, services and services suppliers of the other Party, treatment no less favourable than that provided for under the terms, limitations and conditions agreed and specified in the specific commitments contained in Annex [...] (Lists of Commitments)	Statement of <i>intent</i> for specific sectors/activities	Art 16 (Financial services); Art 20 'the information society' (i.e. telecommunications and information technologies and the refining of new services in advanced communication, services and information technology facilities)
investment facilitation	Yes, Chapter current payments and capital movements; And chapter trade in services and establishment	Free movement of capital relating to direct investments Art 3 Market Access: With respect to market access through establishment, through the cross-border supply of services, through consumption abroad, and through entry and temporary presence of natural persons as provided in Section 2, each Party shall accord to enterprises, investors, services and services suppliers of the other Party, treatment no less favourable than that provided for under the terms, limitations and conditions agreed and specified in the specific commitments contained in Annex [...] (Lists of Commitments).	Statement of <i>intent</i>	Art. 15 (Investment promotion): The Parties shall help to create an attractive and stable environment for reciprocal investment.

Overview – continued I

Non-Trade-Concern	EU-Mercosur		EU-Mexico	
	Treatment	Content	Inclusion	Comment
Precautionary principle	Art. 10/2 Chapter Trade and Sustainable Development	In cases when scientific evidence or information is insufficient or inconclusive and there is a risk of serious environmental degradation or to occupational health and safety in its territory, a Party may adopt measures based on the precautionary principle. Such measures shall be based upon available pertinent information and subject to periodic review. The Party adopting the measure shall seek to obtain new or additional scientific information necessary for a more conclusive assessment and shall review the measure as appropriate.	No	
Sustainable development	Dedicated chapter	Chapter Trade and Sustainable Development	Yes	Cooperation on the environment and natural resources, Art. 34
Commitment to international agreements	Yes	Agenda 21, Rio Declaration on Environment and Development of 1992, the Johannesburg Declaration on Sustainable Development and the Johannesburg Plan of Implementation on Sustainable Development of 2002, the Ministerial Declaration of the United Nations Economic and Social Council on 'generating full and productive employment and decent work for all', Declaration on Social Justice for a Fair Globalisation of 2008 of the International Labour Organisation (ILO), Outcome Document of the UN Conference on Sustainable Development 'The Future We Want'; 'Transforming our World: the 2030 Agenda for Sustainable Development	Preliminary remark	Respect for democratic principles and human rights

Overview – continued II

Non-Trade-Concern	EU-Mercosur		EU-Mexico	
	Treatment	Content	Inclusion	Comment
Three dimensions of development: economic, social and environmental	Yes	The Parties recognise that the economic, social and environmental dimensions are interdependent and mutually reinforcing dimensions of sustainable development and reaffirm their commitment to promoting the development of international trade in such a way as to contribute to the objective of sustainable development, for the welfare of present and future generations.	Partly	Conservation of the environment and ecosystems [...] is taken into account.
Joint promotion of sustainable development	Yes	Art 1.4 Chapter Trade and Sust. Development	Partial (social issues and poverty)	Art 34.1 (Memorandum of Understanding), and Art 36
Right to regulate	Yes	Art. 2 Chapter Trade and Sust. Development	Not mentioned	
Transparent regulations	Yes	Art.3 Chapter Trade and Sust. Development	Restricted	Limited to competition policy
Multilateral Labour Standards and Agreements	Yes	Art.4 Chapter Trade and Sust. Development	Not mentioned	
Multilateral climate change agreements	Yes	Art.5 Chapter Trade and Sust. Development	Preliminary remark	Agenda 21 and 1992 Rio Declaration mentioned in preface
Climate Change	Yes	Art.6 Chapter Trade and Sust. Development	Not mentioned	
Biodiversity	Yes	Art.7 Chapter Trade and Sust. Development	Not mentioned	
Sustainable forest management	Yes	Art.8 Chapter Trade and Sust. Development	Yes	Art. 21
Sustainable fisheries and aquaculture	Yes	Art.9 Chapter Trade and Sust. Development	Yes	Art. 21
Exchange of research results and empirical data	Yes	Art.10 Chapter Trade and Sust. Development	Declaration of respect	Art. 20
Responsible Management of Supply Chains	Yes	Art.11 Chapter Trade and Sust. Development	Not mentioned	

Overview – continued III

Non-Trade-Concern	EU-Mercosur		EU-Mexico	
	Treatment	Content	Inclusion	Comment
Sanitary and phytosanitary measures	Yes	Dedicated chapter	Not mentioned	
Arbitration proceedings	Yes	Dedicated chapter	Yes	
Public negotiations in arbitration proceedings	Yes	Dedicated chapter	No	
Rules for bilateral safeguard tariffs	Yes	Dedicated chapter	No	
Bilateral dialogue	Yes	1. Animal welfare matters. 2. Issues related to the application of agricultural biotechnology. 3. Combating antimicrobial resistance (AMR). 4. Scientific matters related to food safety, animal and plant health.	No	

4.2 An assessment of the provisions in the treaty regarding environmental and social standards and its enforceability

The context of the assessment in this report goes beyond trade-related environmental and agricultural issues. People concerned about the rights of workers and labour standards and the rights of indigenous people are among those who are sceptical about the trade agreement between Mercosur countries and the EU. In this section an effort is made to identify provisions in the agreement that address these concerns and to identify possible routes and options to deal with them.

Among the most widely cited contributions to the discussion about the EU-Mercosur Association Agreement from the civil society is an open letter that was published in Science Magazine in April 2019. More than 600 scientists declared (Kehoe et al., 2019):

The EU was founded on the principles of respecting human rights and human dignity. Today, it has the opportunity to be a global leader in supporting these principles and a habitable climate by making sustainability the cornerstone of its trade negotiations with Brazil.

The signatories of this open letter urged the EU to make trade negotiations with Brazil conditional on respecting the rights of indigenous people, improve traceability of commodities associated with deforestation and indigenous rights conflict and to define strict social and environmental criteria for traded commodities based on the consent of indigenous people and local communities.

While social and environmental aspects are routinely taken into consideration in modern free trade agreements, addressing the rights of indigenous people is specific to only few of them.

Any consumer can exert his or her purchasing power and the choice not to buy specific products. Consumer preferences in market economies may therefore effectively speed up economic changes towards higher social and environmental standards. However, it is obvious that making the right choices is only possible if the information to decide according to one's preferences is available and if viable alternatives are on the market. In order to overcome the information asymmetry that prevents consumers to make better choices with respect to social and environmental goods, governments may introduce regulations such as in organic farming. In market-oriented economies, the information about attributes of products is conveyed in various ways. The most important one is the declaration of origin that must be attached to many products. Information about the production standards is conveyed via certificates. Government backed certificates are very frequent in food products (e.g. organic food), timber and wood products (FSC or PEFC). Private certificates and labels are frequently used for textiles and other consumer goods. Since the establishment of the UN Sustainability Goals in 2015 more and more enterprises have endorsed the objectives of 2030 Agenda for Sustainable Development and started or speeded up enterprise specific audits to make products more sustainable.

Government backed labels have the advantage that the enforcement of criteria is more credible, therefore many people trust them more than private ones. Private labels (such as Fair-Trade labels) have the advantage that they are more frequent because they can be established more easily and adapted to changing demands more swiftly and some of them are very specific (e.g. by combining various dimensions from workers' rights, gender aspects and environmental standards). Producers of consumer goods who are interested in serving people who prefer very high standards are therefore establishing standards that go beyond government backed ones.

An important feature of private and public certificates is that they are built on consensus between the relevant parties. In the case of private certificates, private parties make contracts that can be enforced by courts or courts of arbitration. In the case of public certificates, the parties are governments or government agencies that agree on the conditions and on a dispute settlement procedure. The more binding such procedures are, the more trust can be put into a certificate. To establish certificates that differentiate sustainable products from others is an important means to promote environmentally friendly production processes.

A general rule of dealing with areas of conflicting social and environmental interests between states is to establish instruments (among them declarations, treaties, dispute settlement agreements) based on international law. The first and most relevant forum to resolve any infringements regarding non-trade-related concerns is therefore the relevant forum where parties have signed the agreements of interest. With respect to the issues raised in the open letter cited in the introduction to this section, there are already international agreements and forums in place. Relevant are – among many others – the following:

- The UN has been pursuing agreement on a declaration on the rights of indigenous peoples since 1985. Main elements of the declaration are self-determination, right to free, prior and informed consent, right to compensation for the loss of property, right to retain indigenous cultures, and the right to communications, among others (UN, 2020; an assessment is given by Mathias, 2018). The declaration is a non-legally binding resolution passed by the United Nations in 2007. It was adopted by the General Assembly with 143 votes in favour, eleven abstentions and four votes against (the United States, New Zealand, Canada and Australia). Among the UN Member States that voted in favour are Austria, Argentina, Brazil, Paraguay, and Uruguay).
- The forum regarding the rights of workers is the UN (facilitated by the ILO, the International Labour Organisation, a specialised agency). Austria, like all other EU Member States, and the Mercosur countries are members of the ILO.
- The forum addressing the emission of greenhouse gases (GHG) is also the UN (the Paris Treaty, that obtained enough parties to enter into effect in November 2016). The Paris accord was signed by the EU and all Member States and all Mercosur countries.⁴²
- On 3 December 2015 more than 190 countries adopted the Cancun Declaration. It is named after the Mexican city where the 13th meeting of the Convention on Biological Diversity (CBD) is being held. The Declaration represents an unprecedented recognition from the international community that biodiversity protection must involve different governmental and economic sectors and not just environment ministries. In addition to this declaration, Brazil made commitments to ensure that 100% of threatened species will be under conservation tools by 2020, and 10% of them shall have their conservation status improved by the same date.⁴³
- With respect to natural forests, the New York Declaration on Forests is a voluntary and non-legally binding political declaration which grew out of dialogue among governments, companies and civil society, spurred by the United Nations Secretary-General's Climate Summit held in New York in 2014. The signatories share the common vision of 'slowing, halting, and reversing global forest loss while simultaneously enhancing food security for all'. It was signed by 38 national governments (Austria, Argentina, Brazil, Paraguay and Uruguay not among them) and 19 subnational governments (among them three states of Brazil).

This overview shows that the UN is an important forum for governments to address concerns of global common interest. It also illustrates that UN declarations are not signed by all governments of interest. Once the texts of the declarations are scrutinised it becomes obvious that the instruments to enforce the objectives are not well established in many cases. There is significant evidence that regardless of treaties and declarations, countries are often not achieving the environmental objectives they set themselves.⁴⁴ The lack of enforceability may

⁴² see status of signatories: https://treaties.un.org/pages/ViewDetails.aspx?src=TREATY&mtdsg_no=XXVII-7-d&chapter=27&clang=en#EndDec (accessed 20 February 2020).

⁴³ <https://www.un.org/sustainabledevelopment/blog/2016/12/cancun-declaration/> (accessed 20 February 2020).

⁴⁴ Examples are the EU regarding the greenhouse gas emission target for 2020 (EEA, 2019); in the case of Brazil it is the deforestation (Schulte et al., 2019).

be a reason that progress made in achieving environmental or societal goals is not guaranteed by defining objectives and making declarations on trying to reach them. The experience shows that institutions like the EU can enforce environmental legislation but that international agreements can be violated more or less without consequences – the WTO rules are an example (Chowdhry and Felbermayr, 2020).

Important environmental treaties have dispute settlement procedures. Well known are the provisions of the Paris Climate Agreement. The provisions formulated in the EU-Mercosur Association Agreement resemble them. But it has to be acknowledged that the Paris agreement does not provide any sanctions (Wissenschaftlicher Dienst, 2018). A trade agreement cannot be a better tool to implement environmental commitments than an enforceable environmental treaty. However, the fact that environmental concerns are an explicit element of free trade treaties gives an additional leverage to environmental commitments.

One should also be aware of the fact that 'Europe continues to consume more resources and contribute more to environmental degradation than other world regions' (EEA, 2019, p.10). It is therefore in the furthest interest of Mercosur countries that the EU makes strong commitments to its sustainable use of resources and that the EU eventually achieves its own environmental objectives.

In this context, the most important question is whether the current version of the EU-Mercosur Association Agreement is consistent with the minimum levels as defined in UN treaties/declarations or whether it is going beyond.

The trade pillar of the EU-Mercosur Association Agreement contains a chapter on Trade and Sustainable Development. According to its text, the parties

'... recognise that the economic, social and environmental dimensions are interdependent and mutually reinforcing dimensions of sustainable development and reaffirm their commitment to promoting the development of international trade in such a way as to contribute to the objective of sustainable development, for the welfare of present and future generations' (Article 1, 3).

Each party recognises the right of each party to determine its sustainable development policies and priorities, to establish the levels of domestic environmental and labour protection (Article 2,1). The parties affirm their:

- commitment to multilateral labour standards and agreements (Article 4), environmental agreements (Article 5),
- will to cooperate on trade-related climate change issues (Article 6),
- respect of conventions on biodiversity (Article 7),
- interest in sustainable management of forests (Article 8), fisheries and aquaculture (Article 9)

- In Article 10 paragraph 2, parties agree that *'in cases [...] there is a risk of serious environmental degradation or to occupational health and safety in its territory, a Party may adopt measures based on the precautionary principle'* and this party will provide scientific evidence justifying the introduction of measures.
- According to Article 11 parties shall – among others – promote the voluntary uptake of companies of corporate social responsibility or responsible business practices and provide a supportive policy framework.
- Articles 12 and 13 elaborate in more detail how existing international agreements and provisions on trade and investment-related initiatives favouring sustainable development will be used to work together to achieve the objectives of this chapter.

This short summary shows that EU and Mercosur countries reaffirm their commitments already made in other contexts (mainly UN treaties). New elements that go beyond what has been established so far, are:

1. the Sub-Committee on Trade and Sustainable Development (TSD Sub-Committee);
2. Contact Points within its administration to facilitate communication and coordination (Article 14);
3. the establishment of 'Dialogs'.

The functions of the TSD Sub-Committee are monitoring, consultation, setting up an expert panel (that interprets the provisions of this chapter), and making recommendations to the Trade Committee. Reports of meetings shall be published. Dispute resolution is set up in Article 15. Another point that goes beyond UN-treaties is the establishment of "Dialogs" on animal welfare matters, issues related to the application of agricultural biotechnology, combating antimicrobial resistance and food safety (see Chapter Dialogs).

Referring to the open letter cited at the beginning of this section, the review of the current version of the EU-Mercosur Association Agreement explicitly points out the need to respect the rights of indigenous people (Article 8, paragraph 2) and to reduce or halt deforestation (Article 13, lit. n and o). The parties therefore acknowledged these widely discussed concerns and made provisions to integrate them in the agreement.

A first assessment of the EU-Mercosur Association Agreement was published a decade ago by the University of Manchester (2009). The most recent study which presents quantitative results on the EU-Mercosur Association Agreement is the "Final Interim Report" of the Sustainability Impact Assessment from February 2020 (LSE Consulting, 2020). The assessments made there are obtained by analysing scenarios (not the expected changes as defined in the agreement). The results give a range of plausible outcomes.

An important environmental variable of interest is the change in greenhouse gas (GHG) emissions. The results of the LSE study are not very conclusive. The reason is that an expansion in production in one region (e.g. more beef production in Mercosur countries) is likely offset by a reduction elsewhere so that the net-effect may cancel out because the total quota volume

remains unchanged. Another aspect is that production systems are heterogeneous even within a single region. What type of production will prevail once the agreement is put into force is not yet known.

Cattle are a major source of greenhouse gases. Any production stimulus is therefore countervailing efforts to reduce emissions. But neither for the EU nor for Mercosur countries the quantities of beef (0.09 million tonnes) and other livestock products that are going to be liberalised are very high. They are certainly high for small countries like Austria or Ireland but not for the EU as a whole (7.32 million tonnes beef production) or for Mercosur (13.47 million tonnes beef production).

Any changes in GHG emissions due to more liberal trade need to be put into the context of the state of affairs. Table 9 Table 9: Greenhouse gas emissions in the Mercosur countries and Table 10 give an overview of GHG emissions in Mercosur countries and in the EU-28. The comparison shows that the emissions per capita in the EU have been considerably higher than in Mercosur countries.

Table 9: Greenhouse gas emissions in the Mercosur countries

	1990	1995	2000	2005	2010	2015
GHG total emissions	Metric tonnes of carbon dioxide equivalent (MTCO ₂ equivalent)					
Mercosur	1217.8	1300.5	1311.4	1568.5	1699.7	1704.4
Argentina	312.6	305.3	312.8	349.1	362.7	379.7
Brazil	805.8	902.2	927.8	1141.4	1252.4	1235.3
Paraguay	62.2	52.6	30.2	33.9	37.6	41
Uruguay	37.2	40.4	40.6	44.1	47	48.4
Population	Million					
Mercosur	189.4	205.3	221	235.1	247.6	259.4
Argentina	32.7	35	37.1	39.1	41.2	43.4
Brazil	149.4	162.3	175.3	186.9	196.8	206
Paraguay	4.2	4.8	5.3	5.8	6.2	6.6
Uruguay	3.1	3.2	3.3	3.3	3.4	3.4
GHG/Capita	Tonnes/capita					
Mercosur	6.4	6.3	5.9	6.7	6.9	6.6
Argentina	9.6	8.7	8.4	8.9	8.8	8.7
Brazil	5.4	5.6	5.3	6.1	6.4	6.0
Paraguay	14.8	11.0	5.7	5.8	6.1	6.2
Uruguay	12.0	12.6	12.3	13.4	13.8	14.0

Source: IEA.

Table 10: Greenhouse gas emissions per Capita in the European Union

	1990	1995	2000	2005	2010	2015	2016	2017
	Tonnes/Capita							
EU-28 (2013-2020)	11.9	11.0	10.6	10.6	9.5	8.5	8.4	8.5
Belgium	14.7	15.3	14.6	13.9	12.3	10.4	10.2	10.1
Bulgaria	11.6	8.9	7.3	8.3	8.2	8.6	8.3	8.6
Czechia	19.0	15.2	14.5	14.5	13.4	12.1	12.3	12.2
Denmark	13.5	14.8	13.1	12.1	11.3	8.5	8.7	8.3
Germany	20.0	13.8	12.7	12.0	11.5	11.2	11.1	11.0
Estonia	25.7	14.0	12.4	14.1	15.9	13.8	14.9	15.9
Ireland	15.8	16.4	18.1	16.9	13.4	12.7	13.0	12.7
Greece	10.2	10.4	11.7	12.4	10.7	8.8	8.5	8.9
Spain	7.4	8.3	9.6	10.2	7.7	7.3	7.0	7.3
France	9.3	9.2	9.1	8.8	7.9	6.9	6.9	7.0
Croatia	6.7	4.9	5.7	7.0	6.5	5.7	5.8	6.0
Italy	9.1	9.4	9.7	10.0	8.5	7.1	7.1	7.1
Cyprus	9.9	11.0	12.1	12.7	11.5	9.8	10.3	10.5
Latvia	9.8	5.2	4.4	5.1	5.8	5.7	5.7	5.8
Lithuania	13.1	6.1	5.6	6.8	6.6	6.9	7.0	7.2
Luxembourg	33.6	24.9	22.3	28.2	24.3	18.3	17.4	17.3
Hungary	9.0	7.3	7.2	7.5	6.5	6.2	6.2	6.5
Malta	6.0	7.1	7.1	7.2	7.0	5.0	4.2	4.7
Netherlands	14.8	15.0	13.8	13.1	12.9	11.6	11.5	11.3
Austria	10.3	10.0	10.0	11.3	10.1	9.2	9.1	9.4
Poland	12.5	11.5	10.3	10.6	10.8	10.3	10.5	10.9
Portugal	5.9	6.9	8.0	8.2	6.5	6.5	6.4	6.8
Romania	10.7	8.2	6.4	7.1	6.1	5.9	5.8	5.8
Slovenia	9.3	9.4	9.6	10.3	9.6	8.2	8.6	8.4
Slovakia	13.9	9.9	9.1	9.5	8.6	7.7	7.8	8.0
Finland	14.3	14.1	13.6	13.3	14.1	10.1	10.6	10.1
Sweden	8.4	8.3	7.7	7.4	6.9	5.5	5.4	5.3
United Kingdom	13.9	12.9	12.1	11.5	9.8	7.8	7.4	7.1

Source: Eurostat, Greenhouse gas emissions by source sector (source: EEA) [env_air_gge], Data extracted on 25 February 2020.

The Final Interim Report of the Sustainability Impact Assessment on the EU-Mercosur Association Agreement from February 2020 (LSE Consulting, 2020) covers many environmental dimensions (GHG, land use, fertilizer use), but not all. According to the interim results, the Association Agreement is expected to increase emissions in the long run in Europe by 0.03% and to a larger extent in Brazil and Argentina. In Uruguay and Paraguay emissions are expected to decrease (see Table 25, LSE Consulting, 2020).

The effects on biodiversity are not quantified in the respective study. The lack of covering biodiversity was one of the major concerns of the consultation process that was part of the sustainability impact assessment. The final report on the Sustainability Impact Assessment will cover those aspects that have not been elaborated in the interim report. It will further decompose the impact on CO₂ emissions into technique, structural and scale effects.

4.3 A qualitative assessment of trade-related environmental topics

As a matter of fact, there are considerable environmental, social and human rights issues that are – rightly – discussed in the context of the EU-Mercosur Association Agreement. However, one should keep in mind, that this agreement does not yet apply. Therefore, the problems that have become more widely known and discussed during the last year are not due to the EU-Mercosur Association Agreement but attributable to the currently existing regulations of international trade and environmental governance. In the case of Brazil, it seems that the previous ambitious plans to curb greenhouse gas emission (as outlined by Gebera and Thuault, 2013) have not the same priority under the current government.

The raised awareness is a necessary first step to address those problems. Forums where they are discussed (the TSD Sub-Committee that will be established), and ways to gather more evidence and build capacities to identify mitigation strategies (the consultation processes) are important elements that clearly go beyond the currently established ones. Most importantly, the provisions of Article 18 allow modifications of the Chapter on Trade and Sustainable Development and thus open the door to set more ambitious targets in the future.

Compared to the current situation without a *TSD Sub-Committee*, without a *panel of experts* and without a *consultation process*, the EU-Mercosur Association Agreement will certainly be a major improvement in the ways how trade between the EU and Mercosur countries will be governed.

The consequences of EU-Mercosur Association Agreement cannot be foreseen right now. However, it is possible to learn from observations made in other contexts. Trade-related effects on environmental outcomes have several causes and implications. It is therefore necessary to disentangle the effects:

1. In many cases, trade induces lower prices for internationally traded products in one country. Production becomes less intensive (less fertilizer, less chemical inputs, less marginal land) because input intensive production becomes less competitive. Trade induces a more efficient use of resources – balanced over the two regions – and thus brings about less environmental stress. Revell, Saunders and Saunders (2014) find in their analysis beneficial environmental effects of an EU-Mercosur trade agreement. However, in such a situation, intensity may increase in one country. It is therefore necessary to be aware of trade-related shifts in production and to tighten national regulations if environmental harm occurs due to an expansion of output. Trade is a means to reduce impacts on the environment but not necessarily in each of the regions that liberalise trade.
2. Free trade agreements – if they are successful – bring about more trade in goods. The goods need to be transported from one place to the other. This implies transport related emissions and may eventually lead to more GHG emissions than in a situation without a free trade agreement (see Mexico – EU; Ecorys, 2017 and LSE Consulting, 2020). However, the true problem is not the *trade* agreement, it is the emission of the *transport* sector. In order to restrict emissions from transport, the first best way to do it, is to tighten standards and to price fossil fuels adequately so that external costs of transport are internalised. Eventually this will

either reduce the volume of traded goods or induce innovations for new transport technologies, or both. According to EAA (2019) transport – not trade – remains one of the biggest challenges ahead to decarbonising the economy. Increasing trends in international shipping, aviation and domestic transport are offsetting reductions of greenhouse gases in all other sectors (Table 7.2. EEA, 2019).

3. Products that are sold on the EU market must meet standards set by the EU. Consequently, exporters to the EU need to adapt production standards to meet the EU requirements. An instructive example is honey exported from Mexico to the EU. Honey with trace substances of genetically modified organisms⁴⁵ authorised for human consumption must be labelled as genetically modified (GM). This is a deliberate impediment to trade because most consumers prefer GM free honey. Mexican honey producers therefore have expressed great concern with their government's approval of genetically modified soybeans for commercial production (USDA, 2012). Because of the big size of the EU market, trade partners of the EU therefore have to make decisions about the following trade-off: If production standards do not meet EU criteria the benefit of market access may not materialise. The higher the monetary benefit of market access to the EU is, the closer the production standards will come to those in the EU. This is among the reasons why countries like Serbia and North Macedonia have banned GM crops. Better access to EU markets may induce more countries to adapt their standards and practices to those prevailing in the EU.
4. Mexico and the EU are currently negotiating about a comprehensive trade agreement and many elements resemble those of CETA or the EU-Mercosur Association Agreement. In the treaty of 2000 many elements that are now negotiated were listed in vague terms "as intent" at that time. The follow up agreement is covering more aspects and is more specific and binding in many aspects. When relations are improving both parties have an interest to deepen them in order to reach objectives both parties want to achieve jointly. If the relations between Mercosur countries and the EU improve in similar ways, the chances are high that future agreements will have more ambitious goals and stronger commitments.

The EU has increased transparency and engaged stakeholders in negotiations of international trade agreements. This approach reduces the scope for capture by special interests, and hence distortions. The EU is cooperating with competition and regulatory authorities in other jurisdictions to align anti-competitive financial stability and tax policies internationally and strives to become a leader in strengthening global governance in climate and financial stability. For Mercosur, it is its first deal with a high income partner and also its first deep trade agreement, which further strengthens its commitment to a global trade agenda (Gonzalez, 2019).

In a recent book by Bradford (2020) concluded that by promulgating regulations that shape the international business environment, elevating standards worldwide and leading to a notable Europeanisation of many important aspects of global commerce, the EU has managed to shape many policies. Among them are environmental protection, antitrust, consumer health and safety regulations. Consequently, for those who prefer EU standards on

⁴⁵ The threshold is 0.9 per cent GM pollen.

environmental protection, consumer health and safety to those in other countries, more free trade agreements of the EU with other regions should be a welcome development.

The largest players in international trade are currently pursuing different approaches to foreign trade. In the US, a move away from the contractual agreements in multilateral treaties has been observed for some time now with discretionary measures at the expense of trading partners in Europe and South America. The US is clearly violating WTO rules and leaves many questions unanswered that concern the future of trade relations (Chowdhry and Felbermayr, 2020). The EU is pursuing a different strategy. Just as the organisation within the Union is based on rules and agreements concluded by partners on an equal footing, trade relations are negotiated with partners to strengthen common interests. The respective partner defines the extent to which individual areas are to be liberalised or where protection is to be maintained. Compared to the current US approach to international trade matters, the EU's course has another important advantage besides predictability: it seems very realistic that by concluding an association agreement it will be possible to make it more likely to achieve objectives that are not primarily trade-related, but that facilitate better environmental and social outcomes.

5. Agricultural trade and agricultural topics in the Association Agreement

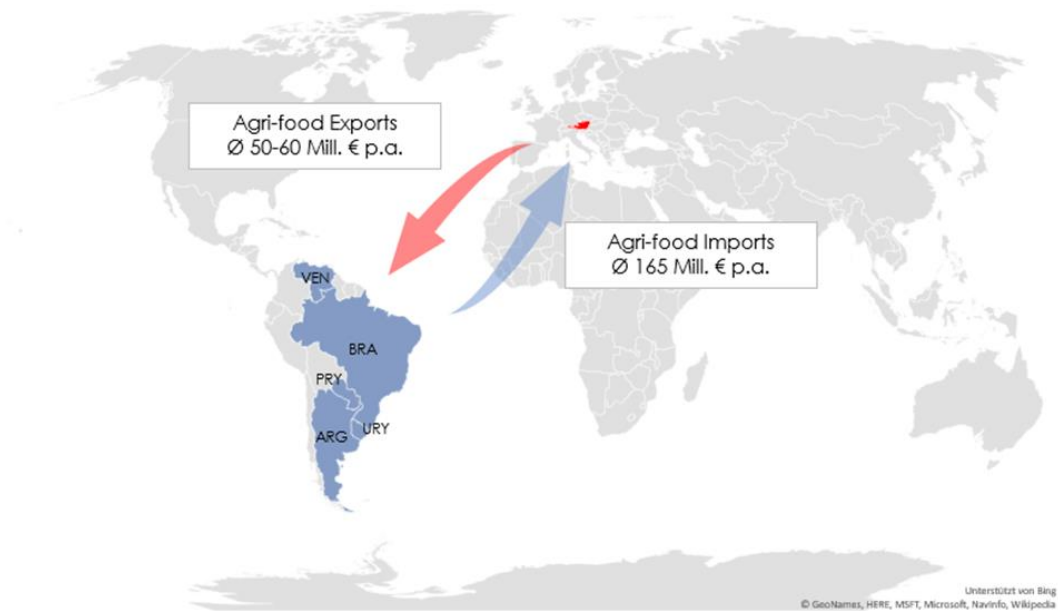
5.1 Trade of agricultural products between Mercosur countries and Austria

Detailed information on trade in agricultural products and food between Austria and Mercosur is provided in the appendix.

The aggregates show that the volume of direct agricultural trade between Mercosur and Austria is very small (see Figure 11). One reason is that many EU imports (fruit concentrates, soy meal) are exported to EU members along the coasts of the Atlantic Ocean, processed there and distributed to landlocked countries like Austria. The overview shows that Mercosur countries in most years exported more to Austria than Austria to Mercosur. This is no surprise because Austria is a net importer of agricultural products and food. A look at recent balances shows that the surplus of imports from Mercosur countries has diminished during the last years. Austria has been increasing its exports.

The detailed breakdown of past trade flows for product categories shows that Austria imports mainly processed fruit, coffee, fresh fruit and beef. Direct competition focuses mainly on the beef market, while most of the other relevant products are not produced in Austria right now. Austria's exports to Mercosur countries are concentrated in just one category: beverages, spirits and vinegar. Imports from Mercosur in this category are very small. An important aspect is that the exports from Austria in this category have grown very strongly over the last few years. Trade volumes of other product groups did not change very much.

Figure 11: Austrian Agri-food trade with Mercosur countries including Venezuela



Source: WDS WIFO-Data System.

5.2 An assessment of the provisions on agriculture

Introduction

In the context of agriculture and trade many different aspects are related to agricultural commodities:

- tariffs and tariff rate quota and other quantitative restrictions are important aspects of trade liberalisation because lowering tariffs or offering larger quota facilitates a better flow of goods;
- better market access is a precondition for another issue, the quality of products and the compliance with standards: only products that meet defined criteria are allowed to be imported (due to sanitary and phytosanitary standards);
- for certain products passing these two requirements is not sufficient, because the way goods are produced may also be important (e.g. the production of beef without the use of growth hormones or certified organic products).

EU food safety, animal and plants health standards are *not* part of the agreement on agricultural products because they have not been negotiated. Thus, all imported agri-food products need to comply with the EU's food safety standards. Hormone beef or non-authorized products of genetically modified organism (GMO) cannot enter the EU market. Because domestically produced goods need to comply to the same standards, there is no discrimination.

The EU-Mercosur Association Agreement also includes the *precautionary principle* (see Art. 10/2 Chapter Trade and Sustainable Development). This gives the right to adopt or maintain precautionary measures to protect human, animal and plant health, even in cases where the relevant scientific evidence is insufficient (an example are potential health risks for consumers from hormone residues in meat from hormone treated bulls). Current WTO rules are not always compatible the EU precautionary principle. This has led to tensions between the EU and some trade partners (e.g. the EU-US hormone-free beef dispute⁴⁶). The integration of the precautionary principle into the EU-Mercosur Association Agreement is therefore a strong improvement compared to the current situation from the perspective of the EU.

Tariff reduction and agreements on quota

The remainder of this section deals with better market access of EU products and products from Mercosur countries. The most important changes regarding duties and quantitative restrictions are summarised in Box 1 (verbatim EC, 2019a):

⁴⁶ https://ec.europa.eu/commission/presscorner/detail/en/IP_19_5010 (accessed 3 August 2019).

Box 1: Market access for agricultural goods

Duties will be gradually eliminated on 93% of tariff lines concerning EU agri-food exports. These lines correspond to 95% of the export value of EU agricultural products. The EU will liberalise 82% of agricultural imports, with the remaining imports subject to partial liberalisation commitments including tariff rate quotas for more sensitive products with a very small number of products excluded altogether:

- Beef: 99,000 tonnes carcass weight equivalent (CWE), subdivided into 55% fresh and 45% frozen with an in-quota rate of 7.5% and elimination of at entry into force of the in-quota rate in the Mercosur-specific WTO "Hilton" quotas.⁴⁷ The volume will be phased in in six equal annual stages.
- Poultry: 180,000 tonnes CWE duty-free, subdivided into 50% bone-in and 50% boneless. The volume will be phased in in six equal annual stages.
- Pigmeat: 25,000 tonnes with an in-quota duty of EUR 83 per tonne. The volume will be phased in in six equal annual stages.
- Sugar: elimination at entry into force of the in-quota rate on 180,000 tonnes of the Brazil-specific WTO quota for sugar for refining. No additional volume other than a new quota of 10,000 tonnes duty-free at entry into force for Paraguay. Specialty sugars are excluded.
- Ethanol: 450,000 tonnes of ethanol for chemical uses, duty-free. 200,000 tonnes of ethanol for all uses (including fuel), with an in-quota rate 1/3 of MFN duty. The volume will be phased in in six equal annual stages.⁴⁸
- Rice: 60,000 tonnes duty-free. The volume will be phased in in six equal annual stages.
- Honey: 45,000 tonnes duty-free. The volume will be phased in in six equal annual stages.
- Sweetcorn: 1,000 tonnes duty-free at entry into force.

Reciprocal tariff rate quotas will be opened by both sides phased in over 10 years. The in-quota duty will be reduced from the base rate to zero in ten equal annual cuts starting at entry into force.:

- Cheese: 30,000 tonnes duty-free.
- Milk powders: 10,000 tonnes duty-free.
- Infant formula: 5 000 tonnes duty-free.

A series of other key products of EU export interest will be liberalised by Mercosur: wine (with a minimum price on sparkling wine during the first 12 years and reciprocal exclusion of wine in bulk), spirits, olive oil, fresh fruit (apples, pears, nectarines, plums and kiwis at entry into force), canned peaches, canned tomatoes, malt, frozen potatoes, pigmeat, chocolates, biscuits, and soft drinks.

The context of these market access provisions is the following (see in more detail EC, 2019c):

- Currently, the EU imports around 200,000 tonnes of beef cuts every year from Mercosur countries although it is charging a 40%-45% duty, depending on whether the meat is fresh or frozen. According to the agreement, the EU will allow 99,000 tonnes of beef to enter its market with a 7.5% duty. Market access will therefore be easier but only for beef within the

⁴⁷ The current tariff rate of the "Hilton-Beef" (with a volume of 47,000 t) is 7%.

⁴⁸ 1 t bioethanol = 0,64 oil equivalent; 650 000 t ethanol = 416 000 t oil equivalent.

limited quantity that is applying today (adjusted for quantities following the withdrawal of the United Kingdom from the Union). Current duty rates will apply to imports beyond the quota. Relative to the consumption in the EU, the preferential volume of imports is equivalent to 1.2% (see Table 11).

- In the poultry market, the EU is a net exporter. At present, it imports around 400,000 tonnes from Mercosur. Under the agreement the EU will allow a quota of 180,000 tonnes to be imported duty-free. This volume amounts corresponds to 1.2% of current consumption. It is less than the average year-to-year increase in consumption.
- The volume of 25,000 tonnes of pigmeat (with an in-quota duty of EUR 83 per tonne) are equivalent to 0.12% of current EU consumption.
- With the agreement, 180,000 tonnes of sugar for refining will be allowed to be shipped into the EU duty-free. The volume must be under this existing quota. No new sugar quota will be given to Brazil. A new duty-free quota of 10,000 tonnes was agreed only for Paraguay. Specialty sugars are excluded from the agreement. The preferential volume of imports is equivalent to approximately 1% of consumption (see Table 11).
- In the ethanol market, a further quota of 200,000 tonnes (with an in-quota rate of 1/3 of the current duty of up to EUR 19 per hectolitre) will be opened. A duty-free quota will be opened for 450,000 tonnes. The total of both quotas is equivalent to 416,000 tonnes oil equivalent which is approximately 12% of current EU ethanol production. It is argued (EC, 2019c) that the chemical industry in the EU needs this quantity in order to supply enough bio-based chemicals that compete with fossil ones.
- The agreement will open a quota for honey of 45,000 tonnes, to be imported duty-free after a gradual duty reduction over a 5-year period. This quota is expected to include the current imports. Currently the EU imports approximately 45% of the consumption volume.
- Mercosur countries produce indica rice which does not compete with the EU production of mainly japonica rice. The volume of the rice quota in the agreement will be 60,000 tonnes, duty-free, with a gradual tariff reduction over 5 years. The new quota is expected to include the current imports.
- The volumes listed above need to be interpreted in the context of the apportionment of tariff rate quotas included in the WTO schedule of the Union following the withdrawal of the United Kingdom from the Union (Council of the European Union, 2019).⁴⁹
- The tariff reductions of volumes listed above are put into the context of production and consumption in the EU in Table 11.

Almost a decade ago, in 2011 a scenario analysis was published that quantified potential effects based on negotiation positions from 2004 and 2006 (Burrell, et al., 2011). According to the results of that analysis, as far as agriculture was concerned, there were significant losses to EU producers and gains to Mercosur producers. Furthermore, the results showed that the gains in the EU manufacturing sector would outweigh the losses to the EU agri-food sector, leading

⁴⁹ Interinstitutional File: 2018/0158(COD); online available at: <https://data.consilium.europa.eu/doc/document/ST-5166-2019-INIT/en/pdf> (accessed 20 February 2020).

to an overall increase in GDP. A more recent study by Revell, Saunders and Saunders (2014) evaluates the same scenarios with a different model and corroborates the findings of Burrell et al. (2011) in general terms. The analysis of Burrell et al. (2011) is known to many people and several aspects of the ongoing discussion about the effects of Mercosur are related to its results. It is important to consider that the potential market access scenarios defined in 2004 and 2006 are not resembling the agreement made in 2019. The EU is not ready to liberalise agricultural markets to such an extent as thought possible by the authors of the studies made in 2011 and 2014.

To the best of our knowledge, the consequences of the EU-Mercosur Association Agreement have not yet been evaluated with agricultural sector models. It is therefore premature to make statements about the likely consequences on EU market prices and farm incomes. What can be done, is to set the quantities listed in box 1 in relation to the current market situation. Such a comparison with the current level of production and the likely future development is presented in Table 11. It summarises production and consumption in the EU as recently published by the EC (E2019g). In its annual market outlook, the EC gives an overview of the market situation and the likely development in the decade to come. In most cases, the volumes defined in the Mercosur Agreement are equivalent to 1.2% of the market or a fraction of it. Only in the case of ethanol, the quantities correspond to more than 10% of the current EU production volume. Table 11

Table 11: Domestic production and consumption of agricultural commodities in the EU with projections to 2030 and the volume of commodities with reduced tariffs

commodity	variable	unit	2019	2025	2030	Mercosur agreement volume ¹⁾	EU
Rice	production	1,000 t	1,765	1,791	1,801	60	
	consumption	1,000 t	2,767	2,790	2,813		
Ethanol	production	1,000 t oil eq	3,521	3,620	3,622	288 + 128	
	consumption	1,000 t oil eq	3,722	3,829	3,734		
Sugar	production	1,000 t	17,499	18,359	18,527	180 + 10	
	consumption	1,000 t	18,567	17,895	17,578		
Cheese	Production	1,000 t	10,779	11,182	11,549		30
	consumption	1,000 t	9,991	10,218	10,416		
Milk powder	production	1,000 t	2,271	2,430	2,572		10 +5
	consumption	1,000 t	1,266	1,314	1,364		
Beef and veal	net production	1,000 t	7,967	7,585	7,321	99	
	consumption	1,000 t	7,998	7,613	7,373		
Pigmeat	net production	1,000 t	24,189	24,393	23,355	25	
	consumption	1,000 t	20,990	20,343	19,949		
Poultry meat	net production	1,000 t	15,628	16,170	16,430	180	
	consumption	1,000 t	14,813	15,412	15,596		
Wine	vinified prod.	Million hl	156	158	155		
	consumption	Million hl	150	148	144		

Source: EC, 2019g. Note: ETOH thousand-ton oil equivalent, t = tonnes hl = hectolitres. – ¹⁾ the volumes separated by the '+' sign refer to quantities of different types (see Box 1 and supplementary notes for further details).

Market access in the trade pillar of the EU-Mercosur agreement is not a one-way route. Many agri-food products from the EU face high tariffs that make market access very hard or even

impossible right now. When EU agri-food products are imported by Mercosur countries, the following tariffs apply: 10% for olive oil, 14% for malt, 27% for wine, 55% for canned peaches, 20%-30% for spirits, and 20% for chocolates. These tariffs will be eliminated. For quotas of 30,000 tonnes of cheese, and 10,000 tonnes of milk powder the current import tariff of 28% will be set to zero. Another tariff-free quota for 5,000 tonnes of Infant formula milk will be opened.

Intellectual property rights and geographical indications

In many regions of the EU, high-quality regional food is produced. In the EU, such products are protected under the 'Geographical Indications' (GI) system. The label guarantees consumers that such produce is genuinely made in the specific region of origin using traditional know-how and techniques. Geographical indications are an important instrument of the Common Agricultural Policy (CAP). Backed by regulations, GIs are a way for producers of a certain region to differentiate their products from close substitutes. The GI system provides EU producers with a premium price for their product and allows them to strengthen their position in the market. Consumers can be certain that "Tiroler Speck" is produced in Tirol, and does not only look like Tiroler Speck. Box 2 contains a summary of the agreements on GI (verbatim EC, 2019a).

Box 2: Geographical Indications

In line with other FTAs, the ambitious outcome on geographical indications (GIs) will significantly improve the situation in Mercosur for EU producers of distinctive food and drink GI products.

355 EU GI names of food, wine and spirit products will be protected in Mercosur at a level comparable to that of the EU. This means that the use of a GI term for non-genuine GI products will be prohibited and expressions such as 'kind', 'type', 'style', 'imitation' or the like will not be allowed. Furthermore, the agreement grants protection from misleading use of symbols, flags or images suggesting a "false" geographical origin. In addition, GI protection has been strengthened by the possibility to uphold GI rights via administrative enforcement, including measures by customs officials at the border, on top of judicial action. On its side, the EU will protect 220 GIs from Mercosur.

The bulk of EU GIs will enjoy the highest level of protection upon entry into force. In some cases, transitional periods have been granted to local producers to cease the use of the name within an agreed number of years, while prior trademarks will coexist with protected GIs. There is a very limited number of exceptions, under the so-called grandfathering principle, which were granted to pre-identified producers that had already been selling products with these names on the market concerned for a certain number of years. Such companies are allowed to continue using the name subject to labelling requirements. This solution protects the market position of EU producers by clearly distinguishing such products from the genuine EU GI products.

An overview of GI products from Austria that are listed in the Mercosur agreement is provided in Table 5. Based on the principle of 'open lists', the agreement will allow for new GI names, from both the EU and Mercosur, to be added to the lists after entry into force. This is the largest deal ever made on geographical indications within a trade agreement.

Safeguard clause and Sub-Committee on agriculture

With a view on potential market disruptions, safeguard provisions are an element of the Mercosur agreement. In Section 2, Art. 2 of the chapter on bilateral safeguard measures, the conditions for imposing them are defined as follows:

Parties may, in exceptional circumstances, apply bilateral safeguard measures under the conditions established in this Section, if after the entry into force of this Agreement, imports of a product under preferential terms have increased in such quantities, absolute or relative to domestic production or consumption of the importing Party or Signatory Party(ies), and under such conditions as to cause or threaten to cause serious injury to the domestic industry of the importing Party or Signatory Party(ies).

The articles that follow this statement define the duration and form of such measures, the conditions for transparency and investigation, provisional safeguards, public notice, notifications and consultations.

The fact that the deal also includes a safeguard clause is a concession to agricultural producers in some EU Member States. In the case of Ireland, 90% of beef production are exported. Given the uncertainty about future trade relations with the UK, its most important trade partner, the concerns of Irish beef producers are easy to understand. Even small quantitative disruptions of trade (like the Russian stop of EU agricultural imports in 2014) may have a huge impact on prices in markets with a low price elasticity of demand. If the EU agri-industry is seriously affected by increased imports, safeguard measures will be implemented.

The Sub-Committee on Agriculture shall report to the [Trade] Committee. Among others, the Sub-Committee will:

- monitor and promote cooperation on the implementation and administration of the section [on agriculture], in order to facilitate the trade in agricultural goods between the Parties;
- provide a forum for the Parties to discuss developments of domestic agricultural programs and trade in agricultural goods between the Parties;
- address barriers, including those of non-tariff nature, in trade in agricultural goods between the Parties;
- evaluate the impact of this Agreement on the agricultural sector of each Party, as well as the operation of the instruments of this Agreement, and recommend any appropriate action to the [Trade] Committee;

Such a Sub-Committee is important because it is a forum for information exchange. It improves transparency and builds trust. It may contribute to arrangements that make dispute settlements unnecessary. In some cases, lack of information or incomplete information trigger an escalation of measures that could be prevented by having a forum to discuss issues at an early stage.

Accompanying measures

According to the fact sheet on the Association Agreement from June 2019,

"the Commission also stands ready to assist farmers to make any necessary adjustments, with a financial support package of up to EUR 1 billion in the event of market disturbance. This will reinforce the support available to farmers through the Common Agricultural Policy and will provide an important safety net for farmers [...]" (EC, 2019d).

This source of finance will be introduced in the new multi-annual financial framework (MFF). A similar instrument was available during the previous MFF period (2014-2020), but was not used because it would have reduced the envelope for agricultural payments. Whether this instrument will be available and at what terms will be decided in the currently ongoing negotiations about the MFF. Earmarking such an amount for trade-related market distortions is certainly a meaningful way to reduce the opposition of farmers against the EU-Mercosur Association Agreement.

Maintenance of CAP measures

The EU maintains the right to support agriculture for reasons of public interest (excluding export subsidies). Subsidies for the maintenance of environmentally friendly agricultural production and compliance with production standards that go beyond legal requirements are important elements of the CAP. Sector-specific subsidies such as those for fruits and wine make the European fruit producers and the wine industry very competitive and, combined with the reduction of tariffs, could be detrimental to producers in Mercosur countries. But the EU-Mercosur Association Agreement will not overrule or impose restrictions on the objectives and instruments of the CAP.

5.3 A preliminary assessment regarding the agreements on agriculture

Resistance by farmer representatives is not only motivated by the relatively small concessions the EU is willing to make in liberalising trade in agricultural products. By linking to one of the world's most competitive agricultural producers in terms of production costs⁵⁰, the EU opens a new chapter in its long efforts to reduce support for this sector. As happened in other deals (e.g. the FTA with Morocco) the agriculture chapter establishes a foundation on which liberalisation measures may be extended in the future, for example by increasing tariff rate quotas, opening new ones or reducing the in-quota tariffs (Baltensperger and Dadush, 2019).

The most recent study which presents quantitative results on the EU-Mercosur Association Agreement is the Final Interim Report from February 2020 (LSE Consulting, 2020). As the title says, it is an 'interim' report. The scenarios that are analysed with the help of a CGE model are a conservative and an ambitious scenario. The model is not specified to quantify the concrete

⁵⁰ see detailed reports on specific commodities in the "agri benchmark" network of Thünen Institute (<http://www.agribenchmark.org/home.html>; accessed 27 February 2020).

details of the agreement as listed above. The results therefore offer a range of plausible outcomes which need to be scrutinised. The study is nevertheless of high value because it describes in great detail the markets of interest and provides valuable context information.

Looking at the trade deal between EU and Mercosur only from the angle of agriculture will probably show a gloomy picture. However, with a view on the agri-business sector as a whole which includes the food-processing industry, the picture may change. The comparative advantage of Europe in agricultural trade is not in agricultural commodities but in food products that are of much higher value per tonne. Due to the high standards in food safety and the unsurpassed quality of products (be it wine, cheese, meat, ham, soft drinks) the EU has become the biggest exporter of agricultural goods and food products. Value added in Europe is achieved by using inputs that are sourced globally and processed to consumer products that earn premium prices all over the world.

Firms from the EU need to get informed and need to make use of specific instruments in order to benefit from lower trade restrictions:

- Potential exporters need to be aware of the export opportunities that will be possible, once the agreement has passed the political processes; the widespread public debate about the agreement is therefore an advantage because it is hard not to be informed about the deal.
- Impact studies and case study reports should be carried out either at the EU level or national or both levels and the results should be made widely accessible in roadshows and other communication channels.
- Permanent help desks, ideally organised as a one-stop-shop, should systematically collect all relevant information and organise workshops or other platforms for information exchange in order to point out the opportunities the agreement is offering.
- The European Commission could set up a tool that is similar to TED (tenders electronic daily) for procurement in countries which offer government contracts for EU firms.
- Because trade with Mercosur countries has a low volume right now, promotion by single firms or even countries is likely not effective, therefore a joint stand for EU companies under an EU pavilion should be organised for food promotion organisations.

A financial support package of up to EUR 1 billion is set aside as an ancillary measure for the agricultural sector. This amount has to be set in relation to the EU-27 annual gain of EUR 12 billion according to our estimates. In order to prevent that money of the support package is not used at all or spent in a wrong manner, it is necessary to define well in advance the conditions and criteria for its disbursement. They should be made public timely and focused on those groups of producers that are likely to be most affected.

In this context it would certainly be helpful if this support package was not financed from the agricultural budget but from other budget lines. Otherwise farmers might argue that in addition to the reduction of farm payments according to the MFF proposal, trade-related expenditures

would have to be financed additionally from money that should rather be spent to attain the objectives of the Common Agricultural Policy.

It is argued in this report that public or private labels are important elements of market-based ways to promote environmentally friendly products. However, to establish such labels requires knowledge and investments. Compared to EU firms, exporters from Mercosur countries are likely to lack such expertise and experience. A programme that resembles twinning training programmes for EU candidate countries could help to build the capacities in Mercosur countries.

6. Conclusions and policy recommendations

Mercosur is a sizable, emerging market, which is still relatively closed. Its current international trade and investment relations with the EU-27 are strongly dominated by Brazil. Our ex-ante econometric evaluation suggests that trading partners on both sides of the Atlantic can expect trade flows and real GDP to increase as a result of the trade agreement incorporated in the wider Association Agreement upon entry into force or earlier provisional application. Estimated gains from trade for the EU-27 and Mercosur are of similar magnitude in per capita terms; the relative changes in per cent are, however, found to be considerably larger for the Mercosur economies. This is partly due to the different market sizes (EU-27 accounting for 19% and Mercosur for 3% of world GDP, respectively). An increase in trade in goods is expected from tariff cuts and market access to public procurement markets. Safeguard measures should mitigate possible negative effects for some European agricultural subsectors from potentially sharply rising imports from Mercosur.

For Austria, better access to services markets in Mercosur and a general increase in services exports complementing increased trade in goods might prove particularly beneficial. If balanced trade in business services could be achieved, Austria's overall services trade deficit with Mercosur would be halved.

While the overall economic effect is expected to be positive, businesses are aware that not every sector is benefitting from trade deals. Potential negative effects and related policy tools need to be acknowledged and transparently discussed. In addition, concerns are raised that benefits would not trickle down to consumers and might materialise at the expense of eroding public goods, like the environment. The Special Eurobarometer (EC, 2019h) on EU trade policy published in November 2019 showed that many Europeans would agree that trade agreements strengthen the EU's position as an economic power in the world, but that almost as many believe that these trade deals primarily benefit businesses and to a lesser extent consumers and workers. Austria was the only country in the survey, where respondents most often agreed with the statement that trade agreements limit the ability of the national government to pass new laws to protect workers, the environment, health and education. Furthermore, the harmful environmental impact is the main reason stated by EU citizens who think that they do not benefit from international trade in Austria and six other EU Member States. Compared to a survey conducted in 2010, the share of respondents arguing that

environmental and health standards should be an EU trade policy priority has increased by twenty percentage points.

In light of the recent massive Amazon fires, a major policy objective should therefore be to guarantee enforceability of environmental provisions in trade agreements. So far, they do feature in Trade and Sustainability Chapters, which are exempted from the general dispute settlement chapter. As such, punitive economic measures are not applicable. The presentation of credible enforceability instruments would reduce the risk of deforestation aiming at fast agricultural expansion, increase trust of European consumers and substantially improve environmental sustainability. As enforceability is dependent on traceability, efforts should also be undertaken to improve the quality and transparency of data, e.g. with respect to international trade and investment.

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Appendix

Table 12: Economic indicators

	1990	1995	2000	2005	2010	2015	2018
GDP	USD billion in PPPs						
Austria	149.3	188.1	235.4	288.1	351.3	431.1	490.6
European Union	7,191.2	8,745.0	11,030.3	13,647.9	16,783.9	19,760.2	22,446.8
Argentina	240.7	356.1	439.4	541.3	755.6	886.4	917.1
Brazil	1,000.0	1,312.8	1,586.0	2,048.3	2,802.7	3,233.5	3,371.7
Uruguay	19.9	27.2	34.0	38.4	56.5	72.7	81.3
Paraguay	21.7	30.5	33.8	41.6	59.6	79.0	94.6
Venezuela	186.3	249.0	280.9	356.7	470.4	543.9	..
GDP per capita	USD in PPPs						
Austria	19,442.3	23,660.4	29,380.1	35,013.7	42,006.0	49,879.3	55,454.7
European Union	15,053.0	18,060.0	22,592.7	27,516.8	33,281.7	38,767.0	43,737.7
Argentina	7,380.1	10,225.1	11,916.6	13,916.5	18,524.9	20,551.8	20,610.6
Brazil	6,711.0	8,102.7	9,074.0	11,005.0	14,320.4	15,813.9	16,096.4
Paraguay	5,147.9	6,383.4	6,353.2	7,146.8	9,541.4	11,807.8	13,599.9
Uruguay	6,386.7	8,432.8	10,249.7	11,574.3	16,808.3	21,301.0	23,572.2
Venezuela	9,486.9	11,355.6	11,609.5	13,495.6	16,541.6	18,102.5	..
Population	Million						
Austria	7.7	7.9	8.0	8.2	8.4	8.6	8.8
European Union	477.7	484.2	488.2	496.0	504.3	509.7	513.2
Argentina	32.6	34.8	36.9	38.9	40.8	43.1	44.5
Brazil	149.0	162.0	174.8	186.1	195.7	204.5	209.5
Uruguay	3.1	3.2	3.3	3.3	3.4	3.4	3.4
Paraguay	4.2	4.8	5.3	5.8	6.2	6.7	7.0
Venezuela	19.6	21.9	24.2	26.4	28.4	30.1	28.9
Land Area	1,000 km ³						
Austria	82.6	82.6	82.6	82.6	82.6	82.5	82.5
European Union	4,209.5	4,209.7	4,241.8	4,240.0	4,241.0	4,238.3	4,238.7
Argentina	2,736.7	2,736.7	2,736.7	2,736.7	2,736.7	2,736.7	2,736.7
Brazil	8,358.1	8,358.1	8,358.1	8,358.1	8,358.1	8,358.1	8,358.1
Uruguay	175.0	175.0	175.0	175.0	175.0	175.0	175.0
Paraguay	397.3	397.3	397.3	397.3	397.3	397.3	397.3
Venezuela	882.1	882.1	882.1	882.1	882.1	882.1	882.1
Population Density	Inhabitants/km ²						
Austria	93.0	96.2	97.0	99.6	101.3	104.7	107.2
European Union	113.5	115.0	115.1	117.0	118.9	120.3	121.1
Argentina	11.9	12.7	13.5	14.2	14.9	15.8	16.3
Brazil	17.8	19.4	20.9	22.3	23.4	24.5	25.1
Uruguay	17.8	18.4	19.0	19.0	19.2	19.5	19.7
Paraguay	10.6	12.0	13.4	14.7	15.7	16.8	17.5
Venezuela	22.3	24.9	27.4	30.0	32.2	34.1	32.7

Source: World Bank, World Development Indicators (WDI) Database. Download Data 25 February 2020. Online available: <https://databank.worldbank.org/source/world-development-indicators>.

Table 13: Agricultural indicators

	1990	1995	2000	2005	2010	2015	2018
Agricultural land	1,000 ha						
Austria	3,024	2,981	2,940	2,857	2,779	2,718	..
European Union	211,489	202,328	199,827	192,675	187,363	182,443	..
Argentina	127,565	128,045	128,510	137,798	147,481	148,700	..
Brazil	241,608	258,472	261,406	272,433	273,463	284,083	..
Uruguay	14,917	14,938	14,958	14,832	14,433	14,450	..
Paraguay	17,159	16,458	20,325	19,940	21,230	21,885	..
Venezuela	21,860	21,620	21,635	21,595	21,600	21,600	..
Agricultural land	In % of land area						
Austria	36.6	36.1	35.6	34.6	33.7	32.9	..
European Union	50.2	48.1	47.1	45.4	44.2	43.0	..
Argentina	46.6	46.8	47.0	50.4	53.9	54.3	..
Brazil	28.9	30.9	31.3	32.6	32.7	34.0	..
Uruguay	85.2	85.4	85.5	84.7	82.5	82.6	..
Paraguay	43.2	41.4	51.2	50.2	53.4	55.1	..
Venezuela	24.8	24.5	24.5	24.5	24.5	24.5	..
Arable land	In % of agricultural land						
Austria	47.2	47.4	47.6	48.3	49.1	49.5	..
European Union	56.9	57.9	58.0	57.5	57.8	58.1	..
Argentina	20.8	21.2	21.5	23.9	25.8	26.4	..
Brazil	21.0	22.5	22.1	25.4	25.7	28.7	..
Uruguay	8.3	8.7	9.2	9.4	14.1	16.7	..
Paraguay	12.3	15.8	14.9	17.4	19.5	21.9	..
Venezuela	13.0	11.9	12.0	12.3	12.5	12.5	..
Agriculture in GDP	Agriculture, forestry, and fishing, value added in % of GDP						
Austria	3.1	2.2	1.6	1.3	1.3	1.1	1.1
European Union	..	2.7	2.1	1.6	1.5	1.5	1.5
Argentina	8.1	5.4	4.7	7.9	7.1	5.2	6.1
Brazil	6.9	5.0	4.8	4.7	4.1	4.3	4.4
Uruguay	9.2	8.6	6.0	8.7	7.2	6.1	5.6
Paraguay	18.6	18.4	12.9	12.7	13.0	9.5	10.4
Venezuela	5.2	5.0	3.9	3.7	5.4	5.0	..
Employment in agriculture	Agriculture, forestry, and fishing, in % of total employment (modelled ILO estimate)						
Austria	..	7.3	6.1	5.3	5.2	4.5	3.9
European Union	..	9.2	8.0	6.2	5.2	4.5	4.2
Argentina	..	0.6	0.7	1.3	1.3	0.3	0.1
Brazil	..	21.6	20.0	20.1	16.1	10.2	9.4
Uruguay	..	12.0	11.4	10.9	11.6	8.8	8.7
Paraguay	..	35.0	34.1	32.0	25.6	19.7	20.0
Venezuela	..	13.5	10.6	10.1	8.4	7.3	7.2

Source: World Bank, World Development Indicators (WDI) Database. Download Data 25 February 2020. Online available: <https://databank.worldbank.org/source/world-development-indicators>.

Table 14: Food trade indicators

	1990	1995	2000	2005	2010	2015	2018
Food imports							
			In % of merchandise imports				
Austria	5.2	5.7	5.4	6.1	7.3	8.0	7.5
European Union	10.3	10.7	7.6	7.9	8.8	10.0	9.2
Argentina	4.0	5.5	5.0	2.8	2.6	2.6	6.9
Brazil	9.4	10.7	6.6	4.4	4.6	5.2	5.6
Uruguay	6.9	10.4	11.5	8.1	9.5	12.8	14.6
Paraguay	8.0	18.5	16.7	8.7	7.5	8.7	8.5
Venezuela	11.2	14.3	11.7	9.9	15.5
Food exports							
			In % of merchandise exports				
Austria	3.3	3.8	4.8	6.2	6.9	7.4	7.5
European Union	10.4	10.3	7.6	7.7	8.8	9.8	9.3
Argentina	56.3	49.8	43.8	46.6	51.1	62.4	56.5
Brazil	27.7	28.7	23.4	25.8	30.4	37.6	34.1
Uruguay	39.5	44.3	46.7	55.2	61.9	61.5	59.8
Paraguay	52.4	43.9	25.6	39.9	59.5	62.5	62.6
Venezuela	1.9	2.8	1.5	0.5	0.2

Source: World Bank, World Development Indicators (WDI) Database. Download Data 25 February 2020. Online available: <https://databank.worldbank.org/source/world-development-indicators>.

Note: Food comprises the commodities in SITC sections 0 (food and live animals), 1 (beverages and tobacco), and 4 (animal and vegetable oils and fats) and SITC division 22 (oil seeds, oil nuts, and oil kernels).

Table 15: Austrian Agri-food trade by Combined Nomenclature (CN, Code 01-24)

	Total	EU-28	Mercosur plus Venezuela	Mercosur	Argentina	Brazil	Paraguay	Uruguay	Venezuela
Imports, EUR million									
2010	8,677.97	7,361.64	166.85	166.40	32.20	131.04	0.99	2.17	0.45
2011	9,650.78	8,127.90	173.64	173.51	37.28	132.32	1.40	2.51	0.13
2012	10,156.61	8,615.14	177.51	177.34	30.86	142.00	1.11	3.37	0.17
2013	10,470.33	8,816.47	173.91	173.70	36.85	131.79	1.58	3.47	0.21
2014	10,728.46	9,049.04	148.65	148.51	30.43	109.93	1.86	6.29	0.14
2015	11,121.11	9,200.18	165.51	165.28	37.95	118.34	3.28	5.72	0.22
2016	11,426.11	9,483.64	159.32	159.18	44.69	105.06	2.47	6.96	0.14
2017	11,968.27	10,030.68	164.75	164.45	48.57	103.68	4.25	7.95	0.29
2018	12,178.71	10,177.50	166.75	166.56	44.92	108.49	4.40	8.75	0.20
2019	.	.	148.30	147.60	41.50	94.20	3.50	8.40	0.70
Exports, EUR million									
2010	7,774.36	6,097.60	37.80	36.25	3.85	30.63	1.46	0.31	1.55
2011	8,760.44	6,748.78	66.37	64.89	4.51	58.03	2.12	0.23	1.47
2012	9,131.80	6,952.06	70.52	66.86	8.72	54.37	3.02	0.74	3.67
2013	9,515.04	7,288.47	55.15	51.62	7.75	39.04	4.31	0.51	3.53
2014	9,745.88	7,484.62	49.65	48.86	3.60	43.46	1.12	0.69	0.79
2015	10,060.62	7,689.89	38.59	38.08	3.05	32.59	1.99	0.46	0.51
2016	10,392.54	7,854.23	40.23	40.10	2.55	35.66	1.11	0.77	0.13
2017	11,120.75	8,357.86	50.49	50.26	4.00	43.76	1.69	0.81	0.23
2018	11,514.56	8,644.56	62.10	62.08	4.60	54.95	1.78	0.75	0.02
2019	.	.	81.98	81.83	4.63	74.30	1.90	1.00	0.15
Balance, EUR million									
2010	- 903.61	- 1,264.04	- 129.05	- 130.14	- 28.35	- 100.41	+ 0.47	- 1.85	+ 1.09
2011	- 890.35	- 1,379.12	- 107.27	- 108.62	- 32.76	- 74.29	+ 0.72	- 2.28	+ 1.35
2012	- 1,024.81	- 1,663.08	- 106.99	- 110.49	- 22.13	- 87.63	+ 1.91	- 2.63	+ 3.50
2013	- 955.28	- 1,528.00	- 118.76	- 122.08	- 29.10	- 92.75	+ 2.73	- 2.96	+ 3.32
2014	- 982.58	- 1,564.42	- 99.00	- 99.65	- 26.82	- 66.48	- 0.74	- 5.61	+ 0.65
2015	- 1,060.49	- 1,510.29	- 126.92	- 127.20	- 34.90	- 85.75	- 1.29	- 5.26	+ 0.29
2016	- 1,033.57	- 1,629.42	- 119.09	- 119.08	- 42.14	- 69.40	- 1.35	- 6.19	- 0.00
2017	- 847.53	- 1,672.82	- 114.25	- 114.19	- 44.56	- 59.92	- 2.56	- 7.14	- 0.07
2018	- 664.14	- 1,532.94	- 104.65	- 104.48	- 40.32	- 53.54	- 2.62	- 8.00	- 0.17
2019	.	.	- 66.32	- 65.77	- 36.87	- 19.90	- 1.60	- 7.40	- 0.55

Source: WDS WIFO – Data System. Note: Estimates for 2019, same rate of change for the year as 1-11/2019 vs. 1-11/2018.
 Note: Mercosur 4 includes Argentina, Brazil, Paraguay, Uruguay; Mercosur 5 includes Venezuela and Mercosur 4.

Table 16: Total foreign trade

	Total	EU-28	Mercosur plus Venezuela	Mercosur	Argentina	Brazil	Paraguay	Uruguay	Venezuela
Imports, EUR million									
2010	113,652.12	82,867.38	649.03	643.38	128.58	503.72	1.07	10.01	5.64
2011	131,007.55	94,181.74	779.23	763.21	146.26	597.49	1.52	17.94	16.02
2012	131,982.04	93,799.97	584.09	581.94	133.99	415.27	1.20	31.49	2.16
2013	130,706.68	93,170.11	501.17	500.45	112.08	355.32	1.71	31.33	0.72
2014	129,847.25	92,484.84	507.64	503.92	135.26	320.62	1.97	46.06	3.72
2015	133,529.30	94,026.68	596.09	595.45	154.12	350.04	3.43	87.87	0.63
2016	135,667.13	96,917.45	533.41	532.50	111.33	295.15	3.39	122.63	0.91
2017	147,542.23	104,547.54	581.42	579.64	111.26	349.27	5.08	114.03	1.78
2018	156,056.11	110,320.30	642.08	641.49	78.55	454.04	4.92	103.98	0.58
2019	.	.	554.10	553.10	79.00	393.70	4.60	75.80	1.00
Exports, EUR million									
2010	109,372.71	78,274.52	1,083.44	989.38	121.84	843.83	7.96	15.75	94.06
2011	121,773.60	85,968.98	1,180.80	1,118.67	126.34	967.84	9.34	15.15	62.13
2012	123,543.53	85,387.29	1,461.02	1,318.30	194.18	1,061.38	10.35	52.39	142.73
2013	125,811.59	86,739.67	1,110.85	1,024.07	126.28	854.08	24.22	19.50	86.78
2014	128,106.03	88,187.27	1,020.10	869.47	121.07	706.56	20.19	21.65	150.63
2015	131,538.38	90,833.07	927.11	788.52	119.09	636.90	9.73	22.80	138.59
2016	131,125.20	91,169.33	774.67	727.83	126.63	574.43	11.30	15.46	46.84
2017	141,939.70	99,068.93	919.96	908.99	147.98	726.36	12.19	22.46	10.97
2018	150,070.98	104,942.77	1,014.15	998.36	133.63	832.59	14.57	17.57	15.79
2019	.	.	930.60	922.70	141.30	747.20	13.90	20.30	7.90
Balance, EUR million									
2010	- 4,279.41	- 4,592.86	+ 434.42	+ 346.00	- 6.73	+ 340.11	+ 6.89	+ 5.73	+ 88.42
2011	- 9,233.95	- 8,212.76	+ 401.57	+ 355.45	- 19.93	+ 370.36	+ 7.82	- 2.79	+ 46.11
2012	- 8,438.51	- 8,412.68	+ 876.93	+ 736.36	+ 60.19	+ 646.11	+ 9.15	+ 20.90	+ 140.57
2013	- 4,895.09	- 6,430.45	+ 609.69	+ 523.63	+ 14.19	+ 498.76	+ 22.51	- 11.84	+ 86.06
2014	- 1,741.22	- 4,297.57	+ 512.46	+ 365.54	- 14.19	+ 385.93	+ 18.22	- 24.42	+ 146.91
2015	- 1,990.92	- 3,193.61	+ 331.02	+ 193.07	- 35.02	+ 286.86	+ 6.29	- 65.06	+ 137.96
2016	- 4,541.92	- 5,748.13	+ 241.25	+ 195.32	+ 15.31	+ 279.29	+ 7.91	- 107.17	+ 45.93
2017	- 5,602.53	- 5,478.61	+ 338.54	+ 329.35	+ 36.72	+ 377.09	+ 7.11	- 91.56	+ 9.18
2018	- 5,985.12	- 5,377.53	+ 372.07	+ 356.87	+ 55.08	+ 378.54	+ 9.65	- 86.40	+ 15.20
2019	.	.	+ 376.50	+ 369.60	+ 62.30	+ 353.50	+ 9.30	- 55.50	+ 6.90

Source: WDS WIFO – Data System. Note: Estimates for 2019, same rate of change for the year as 1-11/2019 vs. 1-11/2018.
Note: Mercosur 4 includes Argentina, Brazil, Paraguay, Uruguay; Mercosur 5 includes Venezuela and Mercosur 4.

Table 17: Definition of Agri-food trade by Combined Nomenclature (CN)

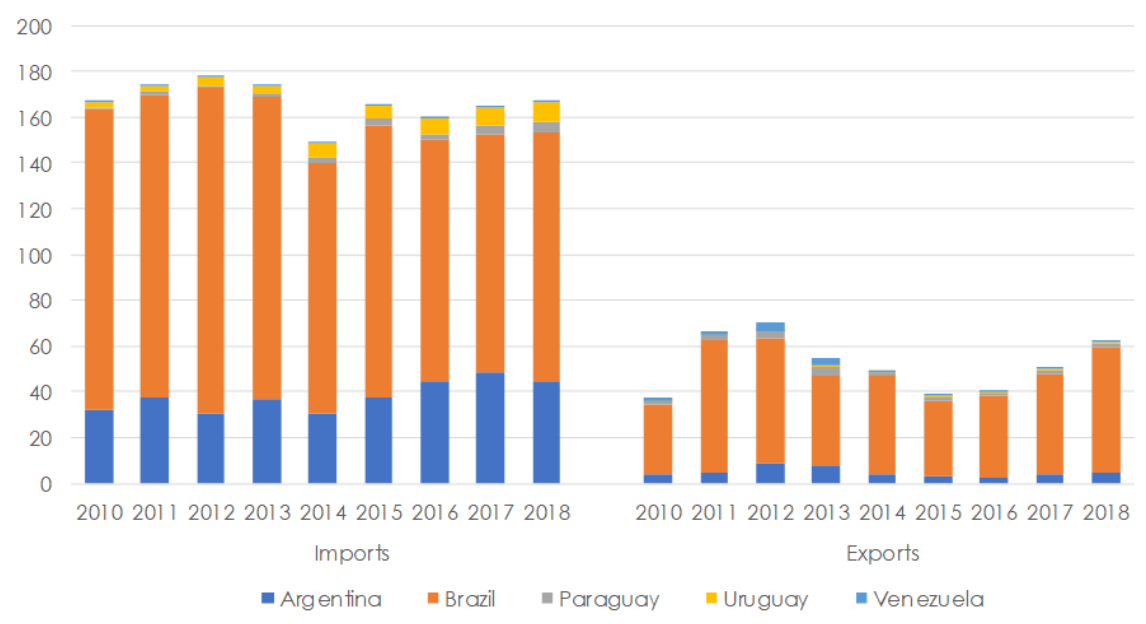
Code	Description
CN 01	01 - Live Animals
CN 02	02 - Meat and edible meat offal
CN 03	03 - Fish, crustaceans, molluscs
CN 04	04 - Dairy produce
CN 05	05 - Products of animal origin
CN 06	06 - Live trees and other plants
CN 07	07 - Edible vegetables, roots & tubers
CN 08	08 - Edible fruits & nuts
CN 09	09 - Coffee, tea, mate & spices
CN 10	10 - Cereals
CN 11	11 - Products of the milling industry
CN 12	12 - Oil seeds & oleaginous fruits
CN 13	13 - Lacs, gums, resins & other veg. saps
CN 14	14 - Vegetable products n.e.s.
CN 15	15 - Animal or vegetable fats & oils
CN 16	16 - Preparations of meat
CN 17	17 - Sugars & sugar confectionery
CN 18	18 - Cocoa & cocoa preparations
CN 19	19 - Preps. of cereals, flour, starch, etc.
CN 20	20 - Preps. of vegetables, fruits, nuts & plants
CN 21	21 - Miscellaneous edible preparations
CN 22	22 - Beverages, spirits & vinegar
CN 23	23 - Residues and waste from food industry
CN 24	24 - Tobacco & tobacco products
CN 0201	0201 Meat of bovine animals, fresh or chilled
CN 0202	0202 Meat of bovine animals, frozen

Table 18: Definition of Agri-food trade by Standard International Trade Classification (SITC)

Code	Description
SITC 00	00 - Live animals
SITC 01	01 - Meat and meat preparations
SITC 02	02 - Dairy products and birds' eggs
SITC 03	03 - Fish (not marine mammals), crustaceans, molluscs and aquatic invertebrates, and preparations thereof
SITC 04	04 - Cereals and cereal preparations
SITC 05	05 - Vegetables and fruit
SITC 06	06 - Sugars, sugar preparations and honey
SITC 07	07 - Coffee, tea, cocoa, spices, and manufactures thereof
SITC 08	08 - Feeding stuff for animals (not including unmilled cereals)
SITC 09	09 - Miscellaneous edible products and preparations
SITC 11	11 - Beverages
SITC 12	12 - Tobacco and tobacco manufactures
SITC 21	21 - Hides, skins and furskins, raw
SITC 22	22 - Oil-seeds and oleaginous fruits
SITC 29	29 - Crude animal and vegetable materials, n.e.s.
SITC 4	4 - Animal and vegetable oils, fats and waxes

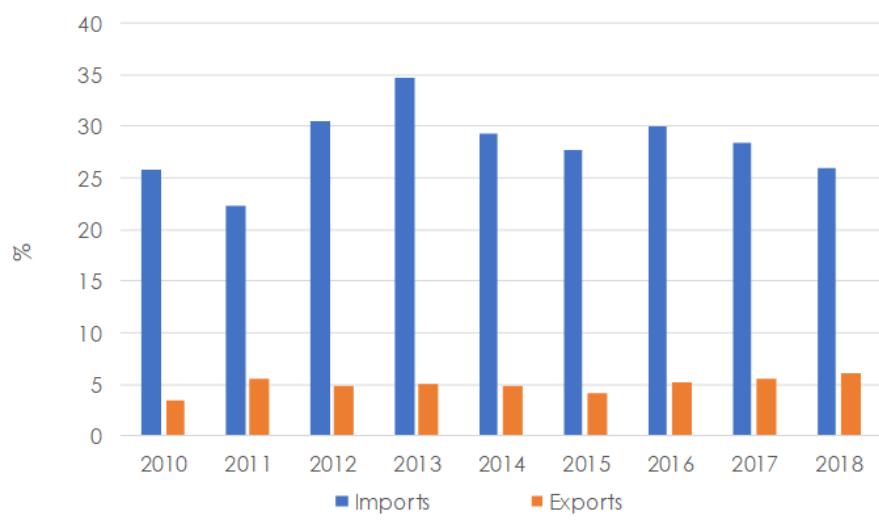
Figure 12: Austrian Agri-food trade by Combined Nomenclature (CN, Code 01-24) with Mercosur countries

EUR million



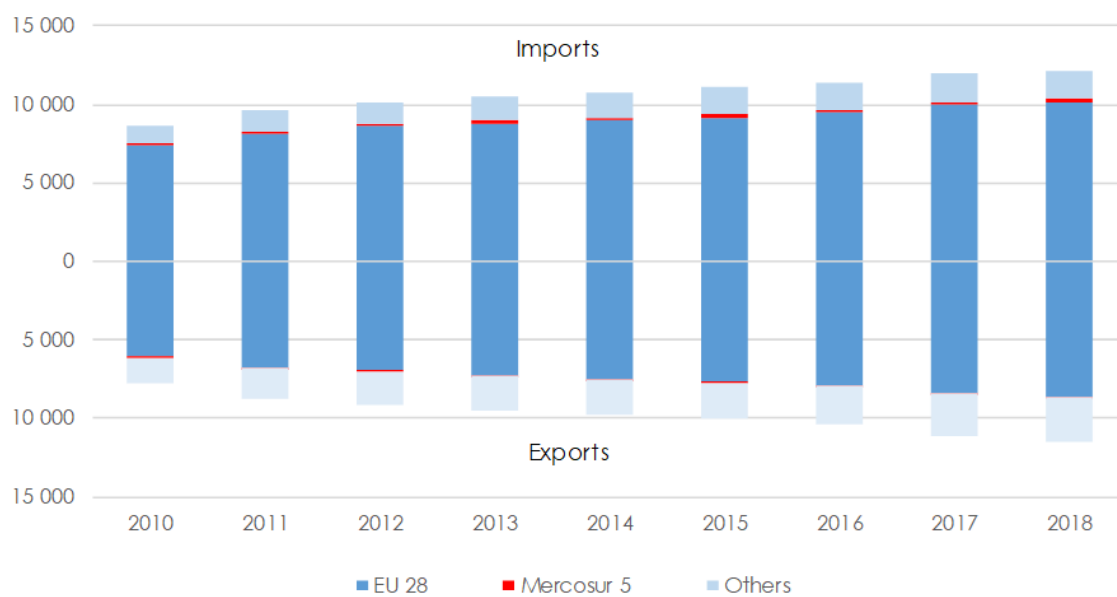
Source: WDS WIFO – Data System.

Figure 13: Share of agricultural and food trade in total foreign trade



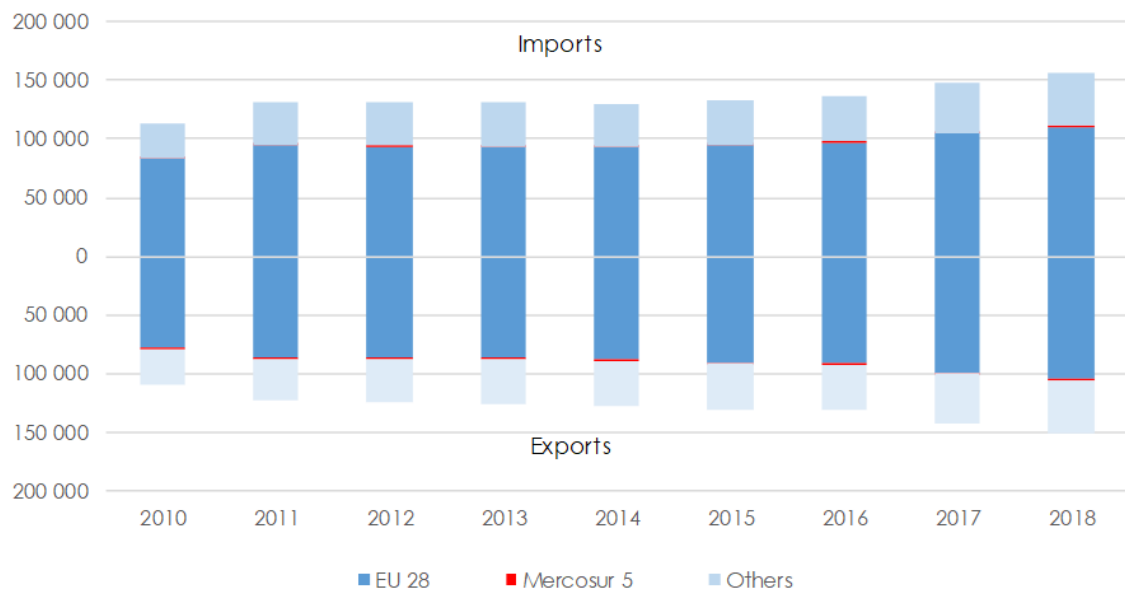
Source: WDS WIFO – Data System.

Figure 14: Austrian Agri-food trade by Combined Nomenclature (CN, Code 01-24)
EUR million



Source: WDS WIFO – Data System.

Figure 15: Austrian total foreign trade
EUR million



Source: WDS WIFO – Data System. Note: Mercosur 4 includes Argentina, Brazil, Paraguay, Uruguay; Mercosur 5 includes Venezuela and Mercosur 4.

Table 19: Detailed Austrian Agri-food trade with Argentina

	Austrian Imports from Argentina			Austrian Exports to Argentina			Balance		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
	EUR million								
CN 01	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
CN 02	15.824	17.128	19.410	0.000	0.000	0.000	- 15.82	- 17.13	- 19.41
CN 03	0.563	0.650	0.477	0.000	0.000	0.000	- 0.56	- 0.65	- 0.48
CN 04	1.568	2.725	1.968	0.000	0.000	0.000	- 1.57	- 2.72	- 1.97
CN 05	0.477	0.597	0.468	0.000	0.000	0.000	- 0.48	- 0.60	- 0.47
CN 06	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
CN 07	0.542	0.493	0.770	0.000	0.000	0.000	- 0.54	- 0.49	- 0.77
CN 08	6.632	7.374	8.434	0.000	0.000	0.000	- 6.63	- 7.37	- 8.43
CN 09	0.114	0.060	0.112	0.000	0.000	0.019	- 0.11	- 0.06	- 0.09
CN 10	0.059	0.028	0.017	0.000	0.000	0.000	- 0.06	- 0.03	- 0.02
CN 11	0.021	0.011	0.001	0.000	0.000	0.000	- 0.02	- 0.01	- 0.00
CN 12	2.186	2.288	0.906	0.000	0.000	0.000	- 2.19	- 2.29	- 0.91
CN 13	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
CN 14	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
CN 15	0.025	0.063	0.024	0.000	0.000	0.000	- 0.03	- 0.06	- 0.02
CN 16	0.049	0.159	0.144	0.000	0.000	0.000	- 0.05	- 0.16	- 0.14
CN 17	0.448	0.402	0.611	0.000	0.000	0.218	- 0.45	- 0.40	- 0.39
CN 18	0.000	0.001	0.002	0.557	0.318	0.316	+ 0.56	+ 0.32	+ 0.31
CN 19	0.003	0.010	0.007	0.000	0.001	0.000	- 0.00	- 0.01	- 0.01
CN 20	0.853	1.548	2.048	0.000	0.000	0.002	- 0.85	- 1.55	- 2.05
CN 21	0.116	0.143	0.187	0.000	0.000	0.004	- 0.12	- 0.14	- 0.18
CN 22	1.325	1.395	1.252	1.873	2.988	3.584	+ 0.55	+ 1.59	+ 2.33
CN 23	13.883	13.494	8.081	0.123	0.697	0.459	- 13.76	- 12.80	- 7.62
CN 24	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
Total Agri-food	44.689	48.569	44.919	2.552	4.004	4.603	- 42.14	- 44.56	- 40.32
CN 0201	15.474	16.730	18.663	0.000	0.000	0.000	- 15.47	- 16.73	- 18.66
CN 0202	0.178	0.310	0.582	0.000	0.000	0.000	- 0.18	- 0.31	- 0.58
SITC 00	0.012	0.000	0.000	0.000	0.000	0.000	- 0.01	+ 0.00	- 0.00
SITC 01	15.846	17.167	19.426	0.000	0.000	0.000	- 15.85	- 17.17	- 19.43
SITC 02	1.157	1.120	0.633	0.000	0.000	0.000	- 1.16	- 1.12	- 0.63
SITC 03	0.590	0.770	0.602	0.000	0.000	0.000	- 0.59	- 0.77	- 0.60
SITC 04	0.067	0.038	0.024	0.000	0.001	0.000	- 0.07	- 0.04	- 0.02
SITC 05	8.042	9.425	11.251	0.000	0.001	0.002	- 8.04	- 9.42	- 11.25
SITC 06	1.324	2.278	2.114	0.000	0.000	0.218	- 1.32	- 2.28	- 1.90
SITC 07	0.115	0.062	0.115	0.557	0.318	0.335	+ 0.44	+ 0.26	+ 0.22
SITC 08	13.883	13.494	8.081	0.123	0.697	0.459	- 13.76	- 12.80	- 7.62
SITC 09	0.116	0.143	0.190	0.000	0.000	0.004	- 0.12	- 0.14	- 0.19
SITC 11	1.325	1.395	1.252	1.873	2.988	3.584	+ 0.55	+ 1.59	+ 2.33
SITC 12	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
SITC 21	0.000	0.129	0.000	0.000	0.000	0.000	+ 0.00	- 0.13	+ 0.00
SITC 22	2.185	2.280	0.905	0.019	0.000	0.000	- 2.17	- 2.28	- 0.90
SITC 29	0.477	0.605	0.469	0.001	0.000	0.000	- 0.48	- 0.61	- 0.47
SITC 4	0.025	0.063	0.024	0.000	0.000	0.000	- 0.03	- 0.06	- 0.02
Total Agri-food	45.163	48.969	45.087	2.572	4.004	4.603	- 42.59	- 44.97	- 40.48
Total All products	111.329	111.259	78.555	126.634	147.977	133.633	+ 15.31	+ 36.72	+ 55.08

Table 20: Detailed Austrian Agri-food trade with Brazil

	Austrian Imports from Brazil			Austrian Exports to Brazil			Balance		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
	EUR million								
CN 01	0.007	0.000	0.000	0.000	0.005	0.000	- 0.01	+ 0.00	+ 0.00
CN 02	17.477	17.255	18.545	0.000	0.000	0.000	- 17.48	- 17.26	- 18.55
CN 03	0.008	0.024	0.033	0.000	0.000	0.000	- 0.01	- 0.02	- 0.03
CN 04	0.015	0.036	0.002	0.000	0.000	0.000	- 0.01	- 0.04	- 0.00
CN 05	0.833	1.199	1.257	0.000	0.001	0.000	- 0.83	- 1.20	- 1.26
CN 06	0.014	0.009	0.008	0.000	0.000	0.000	- 0.01	- 0.01	- 0.01
CN 07	0.136	0.093	0.128	0.009	0.013	0.009	- 0.13	- 0.08	- 0.12
CN 08	14.774	15.443	15.694	0.053	0.039	0.039	- 14.72	- 15.40	- 15.65
CN 09	23.845	19.692	18.445	0.272	0.219	0.169	- 23.57	- 19.47	- 18.28
CN 10	0.077	0.061	0.015	0.000	0.000	0.000	- 0.08	- 0.06	- 0.01
CN 11	0.028	0.030	0.026	0.918	0.001	0.001	+ 0.89	- 0.03	- 0.02
CN 12	0.080	0.530	0.288	0.014	0.004	0.015	- 0.07	- 0.53	- 0.27
CN 13	0.336	0.352	0.494	0.000	0.000	0.000	- 0.34	- 0.35	- 0.49
CN 14	0.000	0.000	0.001	0.000	0.000	0.000	- 0.00	- 0.00	- 0.00
CN 15	0.024	0.027	0.034	0.177	0.000	0.007	+ 0.15	- 0.03	- 0.03
CN 16	0.602	0.971	0.630	0.000	0.000	0.000	- 0.60	- 0.97	- 0.63
CN 17	1.949	2.536	2.736	0.207	0.059	1.083	- 1.74	- 2.48	- 1.65
CN 18	0.098	0.157	0.034	0.072	0.506	1.765	- 0.03	+ 0.35	+ 1.73
CN 19	0.011	0.000	0.000	0.010	0.287	0.173	- 0.00	+ 0.29	+ 0.17
CN 20	24.965	28.516	29.635	0.044	0.067	0.436	- 24.92	- 28.45	- 29.20
CN 21	4.166	1.467	1.893	0.131	1.027	0.798	- 4.03	- 0.44	- 1.09
CN 22	0.248	0.297	0.233	27.761	36.226	42.954	+ 27.51	+ 35.93	+ 42.72
CN 23	15.372	14.984	18.361	5.995	5.308	7.496	- 9.38	- 9.68	- 10.87
CN 24	0.000	0.000	0.000	0.000	0.000	0.000	- 0.00	- 0.00	- 0.00
Total Agri-food	105.064	103.680	108.491	35.665	43.759	54.948	- 69.40	- 59.92	- 53.54
CN 0201	8.546	8.036	8.337	0.000	0.000	0.000	- 8.55	- 8.04	- 8.34
CN 0202	3.465	3.440	3.222	0.000	0.000	0.000	- 3.46	- 3.44	- 3.22
SITC 00	0.007	0.006	0.000	0.000	0.005	0.001	- 0.01	- 0.00	+ 0.00
SITC 01	18.076	18.188	19.175	0.021	0.000	0.000	- 18.06	- 18.19	- 19.18
SITC 02	0.000	0.005	0.000	0.033	0.000	0.000	+ 0.03	- 0.00	- 0.00
SITC 03	0.011	0.062	0.033	0.000	0.000	0.000	- 0.01	- 0.06	- 0.03
SITC 04	0.087	0.061	0.015	0.010	0.287	0.173	- 0.08	+ 0.23	+ 0.16
SITC 05	39.929	44.105	45.471	0.107	0.119	0.485	- 39.82	- 43.99	- 44.99
SITC 06	1.964	2.548	2.738	0.209	0.059	1.083	- 1.76	- 2.49	- 1.66
SITC 07	24.485	20.584	18.868	0.344	0.724	1.934	- 24.14	- 19.86	- 16.93
SITC 08	15.373	14.984	18.361	5.995	5.308	7.496	- 9.38	- 9.68	- 10.87
SITC 09	3.624	0.751	1.503	0.132	1.027	0.798	- 3.49	+ 0.28	- 0.71
SITC 11	0.248	0.220	0.233	27.761	36.226	42.954	+ 27.51	+ 36.01	+ 42.72
SITC 12	0.000	0.000	0.000	0.000	0.000	0.000	- 0.00	- 0.00	+ 0.00
SITC 21	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
SITC 22	0.007	0.006	0.000	0.000	0.000	0.001	- 0.01	- 0.01	+ 0.00
SITC 29	1.229	2.057	2.047	0.014	0.004	0.037	- 1.22	- 2.05	- 2.01
SITC 4	0.024	0.027	0.033	0.177	0.000	0.007	+ 0.15	- 0.03	- 0.03
Total Agri-food	105.064	103.605	108.480	34.802	43.759	54.970	- 70.26	- 59.85	- 53.51
Total All products	295.148	349.274	454.043	574.434	726.363	832.586	+ 279.29	+ 377.09	+ 378.54

Table 21: Detailed Austrian Agri-food trade with Paraguay

	Austrian Imports from Paraguay			Austrian Exports to Paraguay			Balance		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
	EUR million								
CN 01	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
CN 02	0.146	0.181	0.243	0.000	0.000	0.000	- 0.15	- 0.18	- 0.24
CN 03	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
CN 04	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
CN 05	0.714	0.699	0.460	0.000	0.000	0.000	- 0.71	- 0.70	- 0.46
CN 06	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
CN 07	0.000	0.005	0.001	0.005	0.002	0.014	+ 0.00	- 0.00	+ 0.01
CN 08	0.031	0.040	0.048	0.000	0.000	0.000	- 0.03	- 0.04	- 0.05
CN 09	0.000	0.001	0.000	0.549	0.819	0.907	+ 0.55	+ 0.82	+ 0.91
CN 10	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
CN 11	0.002	0.002	0.000	0.000	0.000	0.000	- 0.00	- 0.00	- 0.00
CN 12	1.199	2.831	3.322	0.022	0.015	0.017	- 1.18	- 2.82	- 3.31
CN 13	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
CN 14	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
CN 15	0.000	0.000	0.000	0.000	0.000	0.000	- 0.00	- 0.00	- 0.00
CN 16	0.032	0.097	0.000	0.000	0.000	0.000	- 0.03	- 0.10	+ 0.00
CN 17	0.242	0.367	0.289	0.000	0.000	0.039	- 0.24	- 0.37	- 0.25
CN 18	0.003	0.007	0.007	0.056	0.054	0.036	+ 0.05	+ 0.05	+ 0.03
CN 19	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
CN 20	0.083	0.008	0.000	0.004	0.007	0.009	- 0.08	- 0.00	+ 0.01
CN 21	0.015	0.013	0.027	0.099	0.049	0.114	+ 0.08	+ 0.04	+ 0.09
CN 22	0.000	0.000	0.000	0.377	0.748	0.643	+ 0.38	+ 0.75	+ 0.64
CN 23	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
CN 24	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
Total Agri-food	2.467	4.253	4.397	1.112	1.694	1.780	- 1.35	- 2.56	- 2.62
CN 0201	0.140	0.152	0.243	0.000	0.000	0.000	- 0.14	- 0.15	- 0.24
CN 0202	0.006	0.029	0.000	0.000	0.000	0.000	- 0.01	- 0.03	+ 0.00
SITC 00	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
SITC 01	0.178	0.278	0.275	0.000	0.000	0.000	- 0.18	- 0.28	- 0.28
SITC 02	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
SITC 03	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
SITC 04	0.002	0.002	0.006	0.000	0.000	0.000	- 0.00	- 0.00	- 0.01
SITC 05	0.117	0.054	0.071	0.008	0.009	0.024	- 0.11	- 0.04	- 0.05
SITC 06	0.242	0.367	0.289	0.000	0.000	0.039	- 0.24	- 0.37	- 0.25
SITC 07	0.016	0.021	0.034	0.605	0.872	0.944	+ 0.59	+ 0.85	+ 0.91
SITC 08	0.000	0.000	0.000	0.000	0.006	0.045	+ 0.00	+ 0.01	+ 0.04
SITC 09	0.002	0.000	0.000	0.099	0.049	0.114	+ 0.10	+ 0.05	+ 0.11
SITC 11	0.000	0.000	0.000	0.377	0.748	0.643	+ 0.38	+ 0.75	+ 0.64
SITC 12	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	- 0.00	+ 0.00
SITC 21	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
SITC 22	0.931	2.187	3.146	0.011	0.000	0.000	- 0.92	- 2.19	- 3.15
SITC 29	0.981	1.343	0.636	0.015	0.015	0.017	- 0.97	- 1.33	- 0.62
SITC 4	0.000	0.000	0.000	0.000	0.000	0.000	- 0.00	- 0.00	- 0.00
Total Agri-food	2.469	4.254	4.456	1.115	1.699	1.824	- 1.35	- 2.55	- 2.63
Total All products	3.393	5.075	4.920	11.301	12.186	14.567	+ 7.91	+ 7.11	+ 9.65

Table 22: Detailed Austrian Agri-food trade with Uruguay

	Austrian Imports from Uruguay			Austrian Exports to Uruguay			Balance		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
	EUR million								
CN 01	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
CN 02	6.585	7.668	8.365	0.000	0.000	0.000	- 6.58	- 7.67	- 8.37
CN 03	0.000	0.000	0.003	0.000	0.000	0.000	- 0.00	- 0.00	- 0.00
CN 04	0.000	0.000	0.001	0.000	0.000	0.001	- 0.00	- 0.00	- 0.00
CN 05	0.083	0.109	0.027	0.000	0.000	0.000	- 0.08	- 0.11	- 0.03
CN 06	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
CN 07	0.000	0.002	0.001	0.000	0.000	0.000	+ 0.00	- 0.00	- 0.00
CN 08	0.148	0.035	0.283	0.000	0.000	0.000	- 0.15	- 0.03	- 0.28
CN 09	0.000	0.000	0.000	0.000	0.000	0.027	+ 0.00	+ 0.00	+ 0.03
CN 10	0.016	0.025	0.029	0.000	0.000	0.000	- 0.02	- 0.03	- 0.03
CN 11	0.000	0.000	0.000	0.000	0.000	0.000	- 0.00	- 0.00	- 0.00
CN 12	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
CN 13	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
CN 14	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
CN 15	0.002	0.019	0.019	0.000	0.000	0.000	- 0.00	- 0.02	- 0.02
CN 16	0.117	0.089	0.017	0.000	0.000	0.000	- 0.12	- 0.09	- 0.02
CN 17	0.000	0.000	0.000	0.000	0.000	0.003	+ 0.00	+ 0.00	+ 0.00
CN 18	0.000	0.000	0.000	0.141	0.076	0.116	+ 0.14	+ 0.08	+ 0.12
CN 19	0.000	0.000	0.000	0.036	0.018	0.019	+ 0.04	+ 0.02	+ 0.02
CN 20	0.005	0.000	0.000	0.031	0.020	0.019	+ 0.03	+ 0.02	+ 0.02
CN 21	0.000	0.000	0.000	0.000	0.000	0.023	+ 0.00	+ 0.00	+ 0.02
CN 22	0.000	0.001	0.006	0.485	0.625	0.521	+ 0.48	+ 0.62	+ 0.52
CN 23	0.007	0.000	0.000	0.076	0.069	0.021	+ 0.07	+ 0.07	+ 0.02
CN 24	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
Total Agri-food	6.963	7.950	8.749	0.770	0.808	0.749	- 6.19	- 7.14	- 8.00
CN 0201	5.537	6.172	6.743	0.000	0.000	0.000	- 5.54	- 6.17	- 6.74
CN 0202	1.004	1.472	1.597	0.000	0.000	0.000	- 1.00	- 1.47	- 1.60
SITC 00	0.000	0.043	0.000	0.000	0.000	0.000	+ 0.00	- 0.04	+ 0.00
SITC 01	6.702	7.757	8.382	0.000	0.000	0.000	- 6.70	- 7.76	- 8.38
SITC 02	0.000	0.000	0.001	0.000	0.000	0.000	+ 0.00	+ 0.00	- 0.00
SITC 03	0.000	0.000	0.003	0.000	0.000	0.000	- 0.00	- 0.00	- 0.00
SITC 04	0.016	0.026	0.029	0.036	0.018	0.019	+ 0.02	- 0.01	- 0.01
SITC 05	0.153	0.058	0.284	0.031	0.020	0.019	- 0.12	- 0.04	- 0.26
SITC 06	0.000	0.000	0.000	0.001	0.000	0.004	+ 0.00	- 0.00	+ 0.00
SITC 07	0.000	0.000	0.000	0.141	0.076	0.143	+ 0.14	+ 0.08	+ 0.14
SITC 08	0.007	0.000	0.000	0.076	0.069	0.021	+ 0.07	+ 0.07	+ 0.02
SITC 09	0.000	0.000	0.000	0.000	0.000	0.023	+ 0.00	- 0.00	+ 0.02
SITC 11	0.000	0.001	0.006	0.485	0.625	0.521	+ 0.48	+ 0.62	+ 0.52
SITC 12	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
SITC 21	0.001	0.000	0.000	0.000	0.000	0.000	- 0.00	- 0.00	+ 0.00
SITC 22	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
SITC 29	0.083	0.109	0.027	0.000	0.000	0.000	- 0.08	- 0.11	- 0.03
SITC 4	0.002	0.019	0.019	0.000	0.000	0.000	- 0.00	- 0.02	- 0.02
Total Agri-food	6.964	8.014	8.749	0.770	0.808	0.749	- 6.19	- 7.21	- 8.00
Total All products	122.631	114.028	103.975	15.457	22.463	17.573	- 107.17	- 91.56	- 86.40

Table 23: Detailed Austrian Agri-food trade with Venezuela

	Austrian Imports from Venezuela			Austrian Exports to Venezuela			Balance		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
	EUR million								
CN 01	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
CN 02	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
CN 03	0.000	0.000	0.002	0.000	0.000	0.000	+ 0.00	+ 0.00	- 0.00
CN 04	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
CN 05	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
CN 06	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
CN 07	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
CN 08	0.000	0.000	0.000	0.000	0.000	0.000	- 0.00	- 0.00	+ 0.00
CN 09	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
CN 10	0.022	0.009	0.004	0.000	0.000	0.000	- 0.02	- 0.01	- 0.00
CN 11	0.000	0.002	0.000	0.076	0.226	0.000	+ 0.08	+ 0.22	- 0.00
CN 12	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
CN 13	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
CN 14	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
CN 15	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
CN 16	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
CN 17	0.000	0.000	0.000	0.000	0.000	0.000	- 0.00	+ 0.00	+ 0.00
CN 18	0.000	0.000	0.000	0.000	0.000	0.000	- 0.00	- 0.00	- 0.00
CN 19	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
CN 20	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
CN 21	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
CN 22	0.113	0.282	0.189	0.055	0.000	0.022	- 0.06	- 0.28	- 0.17
CN 23	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
CN 24	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
Total Agri-food	0.135	0.293	0.195	0.130	0.226	0.022	- 0.00	- 0.07	- 0.17
CN 0201	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
CN 0202	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
SITC 00	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
SITC 01	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
SITC 02	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
SITC 03	0.000	0.000	0.002	0.000	0.000	0.000	+ 0.00	+ 0.00	- 0.00
SITC 04	0.022	0.011	0.005	0.000	0.000	0.000	- 0.02	- 0.01	- 0.00
SITC 05	0.002	0.000	0.000	0.000	0.000	0.000	- 0.00	- 0.00	+ 0.00
SITC 06	0.000	0.000	0.000	0.000	0.000	0.000	- 0.00	+ 0.00	+ 0.00
SITC 07	0.000	0.000	0.000	0.000	0.000	0.000	- 0.00	- 0.00	- 0.00
SITC 08	0.000	0.000	0.000	0.165	0.000	0.000	+ 0.16	+ 0.00	+ 0.00
SITC 09	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	- 0.00
SITC 11	0.113	0.282	0.189	0.055	0.000	0.022	- 0.06	- 0.28	- 0.17
SITC 12	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
SITC 21	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
SITC 22	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
SITC 29	0.000	0.000	0.002	0.000	0.000	0.000	+ 0.00	+ 0.00	- 0.00
SITC 4	0.000	0.000	0.000	0.000	0.000	0.000	+ 0.00	+ 0.00	+ 0.00
Total Agri-food	0.137	0.293	0.198	0.219	0.000	0.022	+ 0.08	- 0.29	- 0.18
Total All products	0.912	1.785	0.585	46.841	10.968	15.787	+ 45.93	+ 9.18	+ 15.20

Table 24: Robustness check, Interaction effects with EU agreement upgrades for Chile and Mexico

Change of real GDP in %

EU	Mercosur		Mercosur, Chile & Mexico	
	No change (1)	Set to zero (2)	No change (3)	Set to zero (4)
Tariffs				
AUT	0.006	0.024	0.005	0.026
BEL	0.014	0.050	0.012	0.054
BGR	0.008	0.026	0.007	0.028
CYP	0.006	0.017	0.006	0.017
CZE	0.004	0.018	0.003	0.020
DEU	0.011	0.040	0.009	0.045
DNK	0.007	0.025	0.006	0.026
EST	0.006	0.021	0.004	0.022
GRC	0.002	0.009	0.002	0.010
ESP	0.010	0.038	0.008	0.045
FIN	0.009	0.033	0.008	0.035
FRA	0.006	0.025	0.006	0.027
HRV	0.006	0.025	0.006	0.026
HUN	0.005	0.022	0.004	0.025
IRL	0.007	0.025	0.005	0.028
ITA	0.010	0.037	0.009	0.041
LTU	0.003	0.009	0.003	0.009
LUX	0.002	0.009	0.001	0.010
LVA	0.006	0.022	0.006	0.022
MLT	0.006	0.019	0.003	0.021
NLD	0.017	0.059	0.016	0.065
POL	0.005	0.017	0.004	0.018
PRT	0.013	0.046	0.012	0.048
ROU	0.005	0.018	0.005	0.019
SWE	0.007	0.029	0.007	0.032
SVN	0.009	0.029	0.008	0.030
SVK	0.003	0.013	0.002	0.015
GBR	0.004	0.016	0.004	0.018
Mercosur	Mercosur		Mercosur, Chile & Mexico	
Tariffs	No change (1)	Set to zero (2)	No change (3)	Set to zero (4)
ARG	0.053	0.186	0.054	0.186
BRA	0.054	0.190	0.054	0.189
PRY	0.080	0.194	0.080	0.194
URY	0.080	0.241	0.080	0.241
Comparison	Mercosur		Mercosur, Chile & Mexico	
Tariffs	No change (1)	Set to zero (2)	No change (3)	Set to zero (4)
MEX	0.000	-0.003	-0.012	0.033
CHL	0.000	0.004	-0.006	0.036

Notes: Based on estimation results column (2) of Table 6, including intra-national flows.