



MEBF LUXEMBOURG DECLARATION

Luxembourg, 31 January 2005

1. Introduction

After the IV Annual Conference of the Mercosur European Business Forum (MEBF), which took place in Brasilia, business leaders from both Regions have met in Luxembourg on January 31, 2005 to encourage Negotiators to conclude a comprehensive and mutually beneficial Association Agreement between the EU and the Mercosur as soon as possible. Senior political leaders and top Government officials from the EU and the Mercosur countries and the European Commission have joined the MEBF Plenary Session.

Discussions centred around the need to pursue negotiations between both blocks to reach a comprehensive free trade area, covering trade in Goods & Services, Investments and Government Procurement.

The business community of both Regions regrets that negotiations have not yet reached a successful conclusion. However, the MEBF is confident that Negotiators will put together their best efforts to re-launch the negotiations and give priority to the conclusion an ambitious Agreement.

2. MEBF main objectives for the Association Agreement

Since its creation in 1999, the MEBF has supported the negotiation of a wide reaching trade agreement between both blocks covering Goods & Services, Investments and Government Procurement. MEBF has provided many suggestions and recommendations to Negotiators with the view to speed up and conclude these negotiations.

The business community of both Regions has issued already four Declarations after each Plenary Session: Rio de Janeiro, Mainz, Madrid and Brasilia. Now, in Luxembourg, business leaders from the Mercosur and the EU Member States want to renew their support to this process.

The MEBF believes that the bilateral Association Agreement should:

- Facilitate full market access to the universe of goods from both regions.
- Create the necessary conditions to the increase of the trade flows of agricultural and industrial goods.
- Avoid the creation of new obstacles to trade.
- Liberalise trade in services.
- Provide a stable, predictable and business friendly regulatory environment for foreign investment.
- Increase cooperation in the setting of standards and in certification, sanitary and phytosanitary rules, as well as customs procedures.
- Protect intellectual property rights and foster the technology transfer between companies of the two blocks, in accordance with the TRIPs agreement (Trade Related Assets of Intellectual Property Rights).
- Enhance investment in infrastructure and promote the participation of private companies in its building and operation.
- Support cooperation among SMEs of both Regions.
- Facilitate the free movement of key personnel linked to FDI.
- Increase access to Government Procurement.
- Support the development of an information society in which electronic commerce will play a crucial role.

The MEBF has also issued (Buenos Aires, 2000) an ambitious set of proposals to facilitate business between companies of both blocks. These proposals were welcomed by Negotiators of both Regions. However, its implementation up to now has been slow. The MEBF encourages both Regions to build on the “Business Facilitation Action Plan” and to renew efforts to put it in place.

The progressive consolidation of Mercosur, specially the accomplishment of a customs union, would foster intra and extra regional trade and investment flows, reduce barriers for companies from both blocks and make Mercosur more attractive for Foreign Direct Investment.

Negotiations of the Doha Round are back on track. MEBF fully supports the WTO process of improving the rules-based multilateral trade system and the objectives of the Doha Round. Progress in the multilateral arena will facilitate the bi-regional negotiations. However, progress in the bi-regional negotiations should not be made in any case dependant of the evolution of the negotiations in the multilateral context.

3. The need to face controversial issues and to conclude a mutually beneficial Agreement

MEBF is aware of the sensitivity of many controversial issues: market access for agricultural goods, scope and pace of the dismantling of tariff protection including aspects like special & differential treatment, reciprocity, infant industry provisions as well as questions regarding non-tariff issues like rules of origin, drawback or safeguards. Also, important aspects in areas such as sectoral commitments in services and access to Government procurement are still pending.

The business community in both Regions is also deeply convinced that the positive medium and long-term effects of a comprehensive free trade Agreement will by far exceed any short-term costs on each side. Therefore, MEBF urges Governments to courageously seek solutions to these challenges,

in order to pave the way for realizing the welfare gains that a free trade area will offer to both sides.

MEBF has commissioned some studies to assess the economic impact of the creation of a Free Trade Area between the EU and the Mercosur. One of the results has been the estimation of the cost of failure of these negotiations. Trade in goods alone, the cost of lost opportunities could be of US\$ 3.7 billion per year. Taking into account services and investments, the value of lost business would significantly increase, up to more than US\$ 5 billion per year.

The MEBF believes that, in the context of the EU Lisbon Process aimed at enhancing the competitiveness of the European Union in an increasingly globalized market, the strengthening of Trade & Investment with emerging economies plays a fundamental role. A Mercosur-EU Agreement would not only reflect the importance of current trade flows, but also ensure that both Regions can better undertake the challenges posed by fast developing economies. This Agreement would help EU and Mercosur companies, as well as consumers, to get better access to competitive products and inputs for their industry.

The European Union is a natural market for Mercosur agricultural products. Reaching an agreement would help Mercosur economic and social development. There is an urgent need for Mercosur agribusiness products to gain long term unrestricted stable access to large markets such as the EU. The bilateral Trade Agreement will be essential to fulfil this need.

Throughout the negotiation process for the Interregional Association Agreement between the EU and Mercosur, the MEBF has constantly sent a message on the key importance of the services sector and the foreign investment for the economies of both blocks. Avoiding uncertainty and unpredictable changes in legislation is crucial for the viability of the investments and business plans of the service providers. This point should be kept in mind both by the EU and the Mercosur Administrations, as a key feature in services negotiations. Reaching an Agreement will result in a win-win situation, since it will provide regulatory predictability for the foreign investment and the provision of services.

A new European Commission has taken office at the end of year 2004. The trade policy agenda has already been outlined. The MEBF would like to see the “Mercosur-EU Association Agreement” among the top priorities of the new Commission. MEBF urges the European Council to reiterate that the signing of an Association Agreement between both blocks is a trade priority for the business.

4. Conclusions

MEBF hopes the way ahead will not be long. The political chapter has already been concluded and the one about cooperation, which can help to anticipate the benefits of the future free trade area, is well advanced. Significant progress has been made in non-agricultural market access. However, political will is needed to overcome particular obstacles, so that a balanced Agreement will be achieved. It is important that Negotiators from both blocks avoid insisting on strategies that have already led to an impasse in the past.

We hope that an Association Agreement covering all Goods, Services, Investments and Government Procurement, with real economic benefits and social benefits for both Regions, can be signed during 2005.

MEBF urges both sides to build on the achievements obtained so far overcoming protectionist views. In order to reach a mutually beneficial Agreement, the business community is ready to continue providing inputs to Negotiators. Nevertheless, MEBF is convinced that to achieve a balanced Agreement there must be true political will to seek ways to overcome differences in economic and social structures, to be translated into real actions to put the process of integration to work.