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**NOTE**

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From:	General Secretariat of the Council
To:	Delegations
Subject:	Free Trade Agreement with Mercosur - Information from the French delegation

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Delegations will find in Annex a note from the French delegation on the above subject to be presented under "Any other business" at the Council ("Agriculture and Fisheries") on 9 October 2017.

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**Note concerning the negotiation of the Association Agreement between the European Union and Mercosur.**

**Supported by the delegations from Austria, France, Hungary, Ireland, Luxembourg, Poland, Romania, Slovenia, Slovakia,**

Since the last exchange of offers with Mercosur in May 2016, four negotiation rounds and intersessional meeting were held, the aim being to reach an agreement by the end of the year 2017. While preparing the offer to Mercosur in April 2016, Members States asked for an impact assessment of this negotiation as well as an analysis taking into account all the concessions already granted in ongoing negotiations.

Findings of the Commission's study on the cumulative economic impact of future trade agreements on EU agriculture published last November, made plain that these agreements create significant risks for EU agricultural sectors that will result in a deterioration of the EU's trade balance and lower market prices for already vulnerable products, especially beef, ethanol, sugar and poultry. 14 agricultural ministers therefore called on the 12<sup>th</sup> of June 2017 for a better coherence between EU external trade and internal agricultural policies, while defining their treatment in trade negotiations, as for example the level of tariff rate quotas the EU could offer.

An appropriate level of tariff rates and quotas should thus be defined by reference to a maximum level for each product and be allocated between the various ongoing negotiations ('single pocket'). This should help determine what volumes already vulnerable European agricultural sectors could cope with, taking into account the low capacity of absorption and the potentially very serious implications of Brexit for already delicate market balances.

Last June, the ministers also asked that negotiations with Mercosur further proceed only after an assessment by the Agricultural Council of the current and prospective balance between any proposed offers and commitments of the two parties. In response, the Presidency confirms the importance to discuss this trade subject in the Agricultural Council.

**As a consequence, and considering the especially significant consequences of this negotiation for the agricultural sector, Austria, France, Hungary, Ireland, Poland, Romania, Slovenia, Slovakia, request to discuss this matter during the Agricultural Council.**

**Also, Austria, France, Hungary, Ireland, Poland, Romania, Slovenia, Slovakia strongly believe that including quotas for most sensitive agricultural products (beef, ethanol, sugar, poultry, etc.) in the EU's offer now would be untimely, and that, before such an offer is made, two prerequisites must be met:**

- Elaborate a method to define a maximum level of concessions (volume, composition, tariff administration and staging), in cooperation with Member states. The purpose would be to take into account all concessions already granted and those considered in ongoing and future negotiations (Australia, New Zealand, Mexico), within the limit of a maximum envelope for each product. This method must in particular be grounded on the cumulative impact of quotas on sensitive sectors and take into account the absorption capacity of the European market as well as the potentially very serious implications of Brexit.**
- Include provisions in order to ensure a level-playing-field between partners: a finer segmentation of quotas within tariff lines, an efficient safeguard mechanisms, and non-tariff conditionalities (environmental standards, SPS and animal welfare). These tools could allow for the suspension of trade preferences.**
- Finally we also believe that the status quo of originating goods provided for the items in staging category "Excluded" in the EU's schedule should be preserved in the final agreement, particularly for sugar and sugar syrups.**