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Update of a 2020 study

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This study was carried out by Wageningen Social & Economic Research and was commissioned by the Government of the Netherlands. Funding was provided by the Ministry of Foreign Affairs.

Wageningen Social & Economic Research
Wageningen, April 2025

REPORT
2025-020

Siemen van Berkum, David Cui, Zuzana Smeets Kristova and Jacob Jager, 2025. *Impacts of the EU-Mercosur trade agreement on the Dutch economy; Update of a 2020 study.* Wageningen, Wageningen Social & Economic Research, Report 2025-020. 56 pp.; 22 fig.; 14 tab.; 26 ref.

This study is an updated version of an earlier assessment of the economic effects of the EU-Mercosur trade 'agreement in principle' for the Netherlands. At the macroeconomic level, the potential gain in GDP is estimated at 0.02%, which amounts to 239 million euros, assuming full implementation of the agreement in 2040. At the sector level, the Dutch bilateral trade balance with Mercosur for agricultural products (except dairy) contracts, but substantial growth in the trade balance in the manufacturing and services sectors results in an overall positive net trade gain for the Netherlands. At the farm level, the estimated income effects are slightly negative for all farm types, except for the arable sector where the effect is negligible.

Key words: Trade, agrifood, Netherlands, EU, Mercosur, Brazil, Argentina, Uruguay, Paraguay

This report can be downloaded for free at https://doi.org/10.18174/685323 or at http://www.wur.eu/social-and-economic-research (under Wageningen Social & Economic Research publications).

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Wageningen Social & Economic Research Report 2025-020 | Project code 2282900014

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Preface

After twenty years of negotiations, the EU and Mercosur reached a negotiating agreement on the trade part of an EU-Mercosur agreement on 28 June 2019. The final texts have not yet been finalised, signed or ratified and have therefore not yet entered into force. On 6 December 2024, a political agreement between the EU and Mercosur governments on a partnership agreement was concluded, which includes a political, cooperation and trade part. This concludes the negotiations between the EU and Mercosur countries on an EU-Mercosur agreement. Decisions on this agreement are still pending on both sides.

Such a trade agreement is of great importance to the Dutch economy; after all, the Dutch economy is strongly internationally oriented and although the most important trading partners are other EU member states, trade relations with 'third countries' are of great importance to many economic sectors in the Netherlands.

In 2020, Wageningen Economic Research conducted a study into the economic effects of the trade agreement for the Netherlands. The House of Representatives indicated that it needed an update of that study and a motion was drawn up and adopted to that effect (Motion Kamminga cs, 31 January 2024). This report was drawn up in response to that motion.

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[1] As of 1 January 2025, Wageningen Economic Research & Wageningen Centre for Development Innovations merged into a new institute called Wageningen Social & Economic Research.

Executive Summary

Why an updated study?
This study is an updated analysis of the economic impact of the EU-Mercosur ‘agreement in principle’ on trade by Carrico et al. (2020). A parliamentary request by Kamminga c.s. (31 January 2024) asked the Dutch government to provide for an update of that study ‘prior to decision-making on the agreement’. Although the texts of the negotiators’ agreement on the trade part is unchanged, the economic and policy context in which the implementation of the agreement will take place has changed significantly in recent years.

In this context, four developments can be mentioned that are relevant for conducting an updated impact assessment of the EU-Mercosur trade agreement. First, global economic growth and international trade have slowed down in recent years as a result of the corona pandemic and the war in Ukraine. The economic growth prospects for the Netherlands are highly dependent on these international developments. Second, the consequences of climate change and shifts in consumer preferences are becoming more visible in the future projections of developments in EU agricultural markets. Climate change is expected to slow down the growth of agricultural productivity in the EU and shifts in consumption patterns – towards fewer animal products and more plant products – are expected to increasingly determine the demand of agricultural markets in the near future. Third, EU agricultural policy is expected to shift further towards supporting more sustainable production methods, which has led to downward revisions of the growth projections of agricultural production. And, fourth, the EU continues working on its trade agenda: EU trade agreements have also recently entered into force (with Singapore, Vietnam and New Zealand) and the EU is in the process of negotiating preferential trade agreements with, among others, Australia, Indonesia and India. These agreements can intensify bilateral trade with the aforementioned trading partners.

Caveat on comparability with 2020 study
The results of this study are not directly comparable with those of the 2020 study, for several reasons. Not only has the base year (from 2020 to 2025) and the time horizon changed (from 2035 to 2040), but several model improvements have been implemented as well. The latter refers to different commodity aggregations (i.e., more detailed commodities/sectors). Also, we applied a different version of the MAGNET model. For example, the way the impact of the expansion of bilateral tariff-rate quotas is calculated has been adjusted and other new modules have been added to the model. And, in addition, the external drivers (the above-mentioned economic growth, climate change, changing consumer preferences, international trade relations) used as inputs for the model projections have changed.

Current Dutch and EU trade with Mercosur is relatively modest
Trade data show that Dutch trade with Mercosur countries is relatively modest: 0.7% of total Dutch exports and 1.7% of total Dutch imports. The same holds for the EU with respectively 0.8% and 0.7%. Bilateral trade with Mercosur has a particular feature: EU26 and the Netherlands export mainly industrial goods to Mercosur, whereas imports are comprised nearly equally of agricultural and industrial products. The share of agricultural imports from Mercosur in total agricultral imports from countries outside the EU is significant for both the Netherlands (13.9%) and the EU26 (12%) in 2023, showing the importance of Mercosur as supplier of agricultural products (in particular soybeans, soybean oilcakes and meat) to the EU. Mercosur is a much less important supplier of industrial goods to the Netherlands and EU26 (respectively 1.8% and 1.1% of total imports). Data show that in 2023 Dutch exports to the four Mercosur countries accounted for almost 3.5% of all service exports to non-EU countries, making the region (in particular Brazil) a significant non-EU export market for services.

Changes in the trade regime due to the agreement: import tariff reduction and tariff-rate quota expansion
Dutch and other EU exporters currently face much higher tariffs to enter the Mercosur market, relative to Mercosur exporters entering the EU market. For example, the trade-weighted average of tariffs on Mercosur goods imported into the EU is 3%. However, the trade-weighted average of tariffs on EU goods into Mercosur

ranges from 7% (for Paraguay) to 14.4% (for Argentina). Given the differences in tariffs, Dutch and EU exporters should expect relatively larger gains from the tariff reduction agreements than Mercosur exporters.

The EU applies tariff rate quotas (TRQs) on (high-quality) beef, poultry, sugar, and garlic imports from Mercosur. Currently, TRQs for beef are granted to each of the Mercosur countries. TRQs on poultry and sugar are only applied to imports from Brazil and TRQs on garlic are only applied on imports from Argentina. Under the agreement Mercosur-wide TRQs are agreed for beef, poultry, pork, ethanol, rice, honey, sweetcorn, cheese, milk powders, and infant formula. Brazil receives a reduction on the in-quota tariff on part of the existing TRQ on sugar and Paraguay is granted a relatively small TRQ for sugar. New TRQs are also agreed for cheese, milk powder and baby milk powder and these are reciprocal TRQs. The tariff rate quotas granted to Mercosur countries under the agreement are often larger than the EU's current import levels from those countries and are expected to boost trade. Note that the implementation of the tariff rate quotas (reduction of in-quota import tariffs and expansion of volumes) will take place gradually, usually in six equal annual steps.

Beyond costs at the tariff-line, other important barriers to trade presently exist between the Netherlands (and the EU at large) and Mercosur, often arising from differences in non-tariff measures (NTMs). The EU Market Access Database (MADB) provides reports from European exporters who have been hampered on the Mercosur market by excessive lengthy procedurals for instance to carry out phytosanitary checks (pest risk analysis) or to approve an export permit. While provisions in the Agreement are intended to improve upon many of these trade barriers, the extent of such cases suggests that amelioration may be a timely and intensive process.

MAGNET as modelling tool to assess the economic effect of the trade agreement
To quantitatively assess the impact of the EU-Mercosur agreement on trade, the MAGNET model, a global economic model with international trade linkages, was used to get insight into the macroeconomic and sectoral level effects from a hypothetical full implementation of the agreement by 2040. From the changes in tariffs which are set at detailed product-level (at 8-digit tariff line), changes in composite tariffs and export taxes for aggregate commodities were computed. In addition, the new TRQs were implemented. Furthermore, a decrease in trade costs associated with the narrowing of differences in NTMs has been modelled.

The study simulates a situation where the EU-Mercosur agreement on trade is assumed to enter into force at the beginning of 2025, and is fully implemented after 15 years, meaning that all market access changes (tariffs and TRQs) are fully phased in in 2040. Therefore, in the model, we consider economic changes over the period between 2025 and 2040. In the underlying model assumptions we consider the latest global general economic projections and EU's most recently established trade agreements. With this set-up, two scenarios are calculated: the base scenario which is the 'business as usual' scenario and the policy scenario which is the EU-Mercosur agreement scenario. In the presentation of the effects of the estimated economic consequences of the agreement, we compare the outcomes for both scenarios in 2040, the end year of both future scenarios.

Results
Model results show very moderate estimated macroeconomic effects of the EU-Mercosur agreement for the Netherlands, with expected gains in GDP of 0.02%, amounting to 239 million euros in 2040. The Rest of the EU26 is estimated to gain 0.01% in GDP, or 2.6 billion euros. The relatively small percentage effects largely result from the economic composition in the Netherlands and EU, with the largest sectors in terms of output being services, accounting for more than two-thirds of total economic output in both. Therefore, the agriculture and industry sectors which are affected most from the price changes of liberalisation (through tariffs and TRQs) are in fact minority components of the Dutch and European economies.

Import barriers for agricultural products in the Netherlands are the highest compared to those for the industrial or service sectors. The agricultural sectors therefore face relatively higher levels of competition from increased imports from the Mercosur countries after liberalisation under the agreement. In particular, Dutch imports of (high quality) beef, poultry and animal feed, which face relatively high import protection (either by import tariffs, TRQs and/or NTMs) are expected to increase substantially in percentage terms (respectively 111%, 69%, and 113%, compared to the 2040 baseline level). In value terms, deviations from the 2040 baseline level are highest for beef (278 million euros) and poultry imports (137 million euros). On the export side, results show an increase of Dutch exports in a number of sectors, such as the dairy sector (257%, in value 33 million euros) and various manufacturing sectors, such as machinery and also business services, where the increase in exports is limited in percentage terms but significant in value terms (482 million euros and 811 million euro, respectively). These increases are largely the result of the relatively marked reductions in import tariffs imposed by the four Mercosur countries for these sectors on Dutch exports, in addition to the relatively large absolute amount of already existing Dutch exports in the machinery and business service sectors in its trade relations with Mercosur.

Overall, the net trade gains for the Netherlands are positive, as seen by the change in the sectoral trade balance for bilateral trade between the Netherlands and Mercosur in Figure ES.1. However, the Dutch bilateral trade balance for beef and poultry is deteriorating. However, the deterioration of the bilateral trade balance for agricultural products (with the exception of dairy products) is small compared to the more substantial growth of the bilateral trade surplus of the manufacturing and service sectors in the relationship with Mercosur, which means that the trade balance for all sectors together is positive.

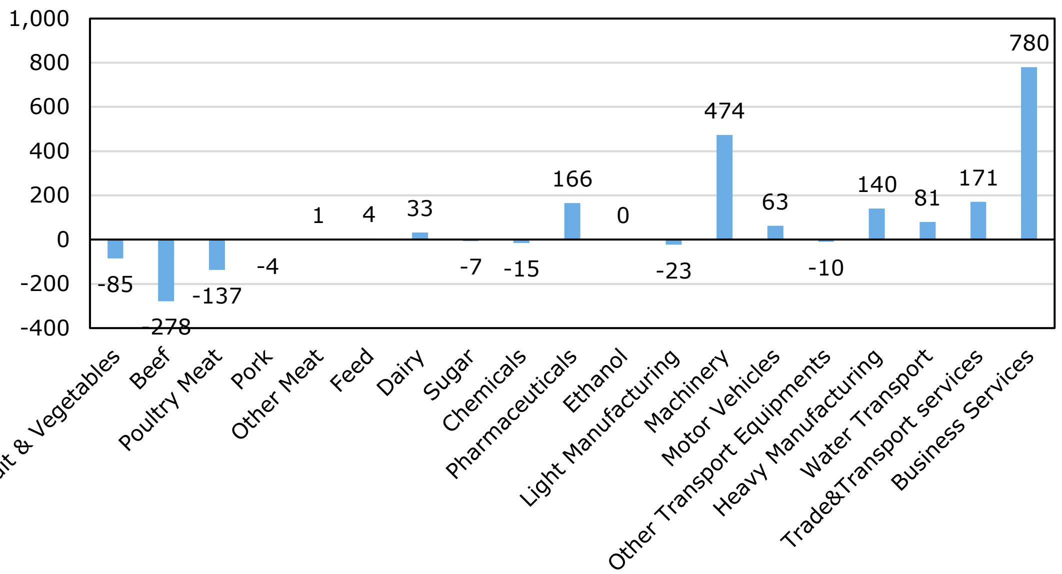

Figure ES.1 *Change in Dutch trade balance with four Mercosur countries (million euros)*

Changes in export and import then lead to changes in domestic production. In response to a increase in exports, domestic production tends to expand in order to meet the growing demand. On the other hand, an increase in import tends to lead to a contraction in domestic production. For example, Figure ES.2 shows that increased imports of beef and poultry from Mercosur countries ultimately lead to a lower production value in these sectors; for example, the production value of processed beef production is 15.6% or 458 million euros lower in 2040 compared to the baseline result in that year. The production value in the primary cattle sector also decreases (by 5%).

The lower production value in the processed beef sector is not only the result of changes in the bilateral trade relationship with Mercosur countries but is also caused by a decrease in Dutch beef exports to other markets; for example, the sales of Dutch beef on the internal EU market are decreasing as a result of the increased and competitive supply of beef from Mercosur in other EU Member States (although the imported beef from Mercosur is of a different, higher quality than the Dutch). Since the EU Member States are the most important trading partners of the Netherlands, this loss of competitiveness leads to a significant decrease in the production of processed beef. The production value of poultry meat and sugar is decreasing for the same reason. As an explanation for the changes in production as a result of the changes in trade conditions with Mercosur countries, these indirect effects (on imports from and exports to markets other than Mercosur countries) are therefore also important.[2]

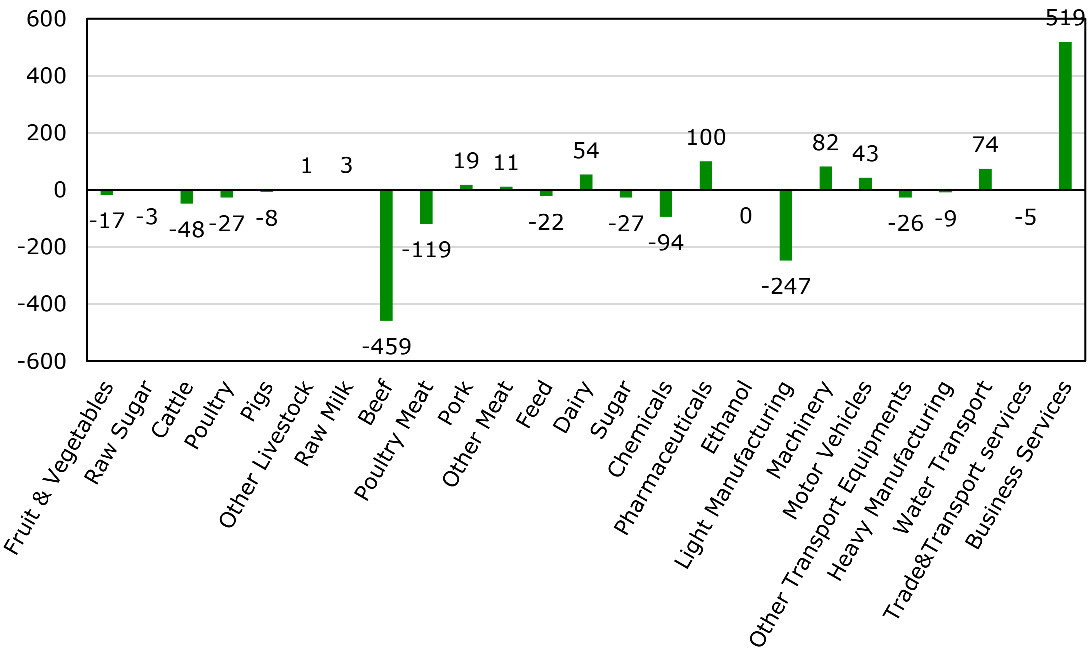

Figure ES.2 *Change in Dutch production (million euros) due to full implementation of the EU-Mercosur trade agreement*

Changes in sector income in the Dutch primary agriculture due to the trade agreement
Based on the estimated price changes at sector level for agricultural products resulting from the implementation of the Agreement, a farm-level model is used to estimate changes in income – assuming that farm income levels in 2040 in the baseline were the same as the average 2018-2023 levels. Farm level price changes due to the EU-Mercosur trade agreement are particularly low, except for beef cattle farms (-0.44%). Average income per farm declines most on veal fattening, laying hens and beef cattle farms (590, 530 and 420 euros, respectively), also because of higher prices for feed. Income effects on other farm types are smaller (see Table ES.1). The caveat to these farm-level outcomes is that any dynamic production responses to these price changes and structural changes to the sector over time have not been taken into account. Therefore, while changes in returns are included, adjustments in scale and other costs are not included in the farm level simulations.

[2] In calculating the effects of the Mercosur trade agreement, it is assumed that the importer passes on the full reduction of the import tariff agreed in the agreement to the final buyer of the traded product. The trade exposure of product categories follows from the (historical) data of the model and the changes in competitiveness are the outcome of the model simulation of the effects of the price changes due to tariff changes.

Table ES.1 *Income per farm (2040), income effects due to the agreement and share of income effect in average income per farm (average 2040), per farm type*

	Income per farm (1,000 euros)	Income effect (euros)	Share of income effect in average income 2018-2023 (%)
Arable farms	92	-20	0.0
Dairy farms	94	-330	-0.4
Pigs farms	137	-180	-0.1
Broiler farms	207	-240	-0.1
Laying hens farms	169	-530	-0.3
Veal calf farms	50	-590	-1.2
Beef cattle farms	-3	-420	-13.3
Other farms	191	-40	0.0

1 Introduction

1.1 Why an updated study?

On 28 June 2019, the EU and the four founding members of Mercosur – Argentina, Brazil, Paraguay and Uruguay[3] - reached an 'agreement in principle' on trade as part of a wider association agreement (AA). In 2020, following a parliamentary request by Voordewind et al., Wageningen Economic Research conducted a study into the economic effects of the European Commission's negotiated trade part of the EU-Mercosur AA. By early 2024, no final deal had been agreed, due to, among others, concerns about the environmental impact of the treaty and, in countries such as the Netherlands and France, concerns about the impact on the European agricultural sector. In a parliamentary motion dated 31 January 2024 (motion by Kamminga et al.; kst-36410-XVII-24 – see Appendix 1), the Dutch cabinet is requested to 'receive an update of the report from Wageningen Economic Research prior to decision-making on the EU-Mercosur agreement, and to specifically investigate what the effects will be on the Dutch agricultural sector if the Mercosur agreement is implemented'. This study has been conducted in response to the motion by Kamminga et al.

Although the texts of the negotiators' agreement on trade have not been changed[4], the general economic circumstances and future prospects for the Dutch agricultural sector did in recent years. The Covid pandemic in 2020 and the impact of the Russian invasion of Ukraine in 2022 have had a major impact on the general global economic situation (World Bank, 2024). These have had an impact on the European and Dutch economies; the latter being very sensitive to global cyclical developments due to its strong international orientation. In addition, in many countries – including the Netherlands and the rest of the EU – sentiment is turning against trade agreements: the benefits of an international world order built on liberal principles of freedom, openness and multilateralism are much less widely shared than in a previous decade (WRR, 2024; Bekkers et al., 2024). Specifically for the agricultural sector in the Netherlands, the current largely trade-oriented revenue model is under pressure due to the environmental and climate consequences associated with intensive production methods (e.g., Berkhout and Galema, 2022).

In this study we will not be able to include all these aspects. For example, we will not discuss the future prospects for Dutch agriculture in light of Dutch and EU policy aimed at reducing the impact of environmental and climate consequences of agricultural methods. However, we will take the four aspects listed below into account in our calculation of the EU-Mercosur trade agreement, as they impact the broader market perspective that may be influenced by this trade agreement.

1. The corona pandemic has caused a global economic downturn in 2020/2021. The economic recovery that started in 2022 and 2023 was delayed by the consequences of the Russian invasion of Ukraine. The short-term growth expectations (2024/2025) are modest, as economic growth in countries such as China, India and Russia is significantly lagging behind historical trends (IMF, 2024). The economic growth prospects for the Netherlands are highly dependent on developments in global trade, but global trade is expected to be less in the coming years due to slower economic growth elsewhere (DNB, 2024).

2. Climate change and changing consumer trends appear to increasingly affect the future prospects for European agricultural sectors. For example, climate change and its impact on natural resources, such as water and soil, are expected to slow down agricultural productivity growth in the EU over the next decade, and consumer trends are expected to lead to lower demand for meat (beef, pork) and sugar (EC, Agricultural Outlook, 2024).

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[3] Bolivia formally joined Mercosur in July 2024. The country now has four years to incorporate Mercosur regulations. Bolivia was not involved in negotiations on an agreement, but it could join a potential EU-Mercosur agreement in the future.

[4] On 6 December 2024, a political agreement was concluded between the EU and Mercosur, which also included some adjustments to the trade part of the agreement. However, the adjustments in the chapters that this research focuses on are very limited and have no consequences for the quantitative assessment of the effects of the trade agreement in this study.

3. The Common Agricultural Policy (CAP), under the influence of the Green Deal, is also putting more emphasis on environmentally friendly farming methods. This could lead to lower production levels in a number of sectors, with shifts from animal to plant production, with changes in consumer prices being cushioned by reduced losses/waste and increased imports (Guyomard et al., 2023).

4. In the area of the EU's international trade relations, there are also a few significant differences compared to the situation in 2020.[5] Since 31 January 2020, the United Kingdom (UK) is no longer a member of the EU. EU's trade relationship with the UK is framed in a trade agreement (Trade and Cooperation Agreement) with many zero tariffs on agricultural and other goods but with border controls. Moreover, EU's quantitative trade concessions, such as tariff rate quotas (TRQs)[6] offered to third countries in WTO schedules, have been split between the UK and the remaining EU27 since Brexit. Since 2020, the EU concluded new trade agreements with several third countries, such as with Vietnam (entered into force on 1 August 2020) and New Zealand (entered into force on 1 May 2024).

This changed context, in which decision-making on the EU-Mercosur trade agreement takes place, makes an updated study even more relevant. An important difference with the 2020 study is also that the estimation of the economic effects of the trade agreements is based on (more) recent reference years. This means that for the calculation of the effects of the trade agreement, different levels than those assumed in the 2020 study will apply to the economic indicators used to express the consequences of the agreement: gross national product (GNP), production, imports, exports, prices and the (farm level) income in various agricultural (sub)sectors.

1.2 Research questions and approach

This update of the Wageningen Economic Research 2020 study on the effects of the negotiators' agreement elaborates on the same research question as the 2020 study:
What are in the medium term the expected economic effects of the EU-Mercosur negotiators' agreement for the EU and the Dutch economy and its agricultural sector, in particular for the Dutch meat and dairy sector?

The main research question is elaborated in the following sub-questions, in which we start with the impacts on the broader economy and then focus on the impacts for the agricultural sector:
1. What is the expected effect of the agreement on the national income of the Netherlands? And what is the expected effect of the agreement on income in the three different sectors agriculture, industry, and services?
2. What are the expected effects of the EU-Mercosur agreement on EU's agricultural trade flows with Mercosur and what are the economic consequences for the (main) agricultural sectors (in terms of export and import, production, prices)?
3. What is the expected effect of the agreement on the trade flows from the Netherlands to the Mercosur countries and vice versa?
4. What is the expected effect on farm level income in the Dutch agricultural sub-sectors, in particular on the income of Dutch family businesses in the meat and dairy sectors?

The study is mainly of a quantitative nature, assuming a full implementation of the agreement in 2040 (taking into account a 15-year implementation period). The quantitative analysis of the macroeconomic and specific sub-sector effects for the EU and the Netherlands is based on MAGNET, an internationally scientifically supported model of the world economy. Scenario results are presented for the EU as a whole (i.e., not detailed at EU member state level) and for the Netherlands. Results for Dutch agriculture are translated into effects on family income through a farm-level analysis using the farm-level data on economic performances collected and processed in the Farm Accountancy Data Network of Wageningen Social & Economic Research. The quantitative analysis is supplemented with literature to explain the context of the trade agreement and important assumptions affecting the quantitative outcomes.

[5] See EU DG Trade website: https://policy.trade.ec.europa.eu/index_en
[6] A tariff-rate quota (TRQ) (also called a tariff quota) is a two-tiered tariff system that combines import quotas and tariffs/duties to regulate import products. TRQs permit a specified quantity of imported merchandise to be entered at a reduced rate of duty during the quota period. Once the tariff-rate quota limit is reached, goods may still be entered but at a higher rate of duty.

1.3 Structure of the report

The report is structured as follows. Chapter 2 describes Dutch current trade relations and conditions, and discusses the potential impacts of the negotiated expansion of TRQs and negotiated texts that refer to issues of non-tariff trade barriers, and reflects on recent studies that have looked into the impacts of an EU-Mercosur trade agreement on the EU. Chapter 3 presents the economic macro- and sector results of the trade agreement for the EU and the Netherlands, and Chapter 4 reports how price changes as a consequence of the trade agreement will translate into income effects for different farm types in the Netherlands. Main findings are summarised in Chapter 5.

1.4 Caveat

It is understandable that the results of this study on the consequences of the EU-Mercosur trade agreement are compared by readers with those of the study done in 2020. After all, the content of the trade agreement on which this study is based has not changed, that is, tariff reduction schedules and other market access measures such as TRQs have not changed since what was agreed upon and laid down in the '2019 agreement in principle' document. However, a direct comparison is difficult. This is because a different baseline (reference) scenario has been drawn up, with some other assumptions that play a role in the projection of the future (see Section 3.1) and also because the economic model has been adjusted on a few points. With regard to the latter: in the current version of the model, 155 product groups are distinguished compared to 115 product groups in the previous model used for the 2020 study. Examples of more disaggregated sectors in the current document are animal feed processing, ethanol, biofuels, and the biochemical and the manufacturing industry. The results of the calculation of the economic impacts due to the trade agreement in principle are given a different dynamic due to the greater granularity of the product groups – for example, there are more substitution and/or application possibilities of product flows – which also influences the results of the projection. In addition, we updated our TRQ modelling mechanism by relaxing the restriction on trade movements under the quotas. The model version used in the previous study restricts trade to not exceed the quota limits. Due to the reductions in the in-quota tariff rates and the expansion of the quota levels as agreed in the agreement, this restriction built into the model implies that the trade tends to stay on quota. In this study we remove this restriction allowing trade to exceed quotas but the over-quota trade will be subject to the higher tariff rates that also apply to imports from other countries. More details on the model assumptions used in this study are in Section 3.1.

A final note is that this report does not assess the potential future import of strategically interesting raw materials such as lithium. Both Argentina and Brazil have a series of rare earth metals that are important to the electronics and automotive industry, for example. Rare earth elements are a group of 17 specialty metals with a high supply risk and significant economic importance, used in various high-tech applications. The EU is a net-importer of these metals and keen to diversify the sourcing of these materials.[7]

[7] See https://ec.europa.eu/eurostat/statistics-explained/index.php?title=International_trade_in_critical_raw_materials for more trade details.

2 Current trade flows and conditions in trade: Netherlands and EU trade relations with Mercosur

2.1 Dutch trade relations with Mercosur countries

2.1.1 Importance of trade in goods and services with Mercosur

The Netherlands is a trading country, with international trade as an important source of income (CBS, 2023).[8] Its main markets are in the EU; 77% of export find its way to other EU countries (see Table 2.2 below). Regarding Dutch imports (including transit of imports from non-EU countries to other EU countries), almost 59% originate from non-EU countries; this is in contrast with the other EU-countries which import only 36% from non-EU countries. This shows the importance of the Netherlands as 'gateway' to the EU and also highlights thatfor the Dutch economy, access to imports from outside the EU is highly important.

Trade with Mercosur countries is relatively modest, as indicated by the shares of the Dutch bilateral trade with the four Latin American countries in total Dutch exports and imports in Table 2.2: 0.7% of total Dutch exports and 1.7% of total Dutch imports. In terms of trade with non-EU countries, trade relations with Mercosur are more significant but remain relatively small, accounting for 3.0% and 2.9%, respectively. The relative importance of trading with Mercosur is slightly greater for the Netherlands than for the other EU26 countries: the share of exports to Mercosur in EU26 total exports (to non-EU-countries) is only 2.1%, and EU26 imports from Mercosur account for 2.1% of its total imports (from non-EU countries).

Bilateral trade with Mercosur has a particular feature: EU26[9] and the Netherlands export mainly industrial goods to Mercosur (see Figure 2.2. for details), whereas imports are comprised nearly equally of agricultural and industrial products. The share of agricultural imports from Mercosur in total agricultral imports from countries outside the EU is significant for both the Netherland (13.9%) and the EU26 (12%) in 2023, showing the importance of Mercosur as supplier of agricultural products to the EU. Mercosur is a much less important supplier of industrial goods to the Netherlands and EU26 (1.8% and 1.1.%, respectively, of all imports from non-EU countries).

Table 2.1 *GDP, population and income per capita in Mercosur countries, the Netherlands and EU27*

	Argentina	Brazil	Paraguay	Uruguay	Netherlands	EU27
GDP	595	2,037	159	75	1,154	19,403
Population	45.7	212	6.9	3.4	18.2	449
GDP/capita	11,342	8,677	6,205	23,015	50,351	39,191

Source: Worldeconomics.com. All figures are 2024 estimates. GDP (Gross Domestic Production) in billion euros, population in millions, GDP/capita in euros. Exchange rate 1 dollar = 0.93 euros.

8 See https://longreads.cbs.nl/nederland-handelsland-2023/
9 EU26 are all EU member states except the Netherlands.

Table 2.2 *Total exports and imports of the Netherlands and EU26 and the share of bilateral trade in Agricultural and Industrial goods with Mercosur in Dutch and EU trade relations (billion euros, except where stated otherwise), 2023*

	Netherlands	**EU26 a)**
Total export to all countries (EU and non-EU)	865	5,821
Exports to non-EU	201	2,353
Exports to Mercosur	6.1	49
Share of Export to Mercosur in total export (%)	0.7	0.8
Share of Export to Mercosur in non-EU exports (%)	3.0	2.1
Exports of Agricultural products total	133	651
Exports of Industrial products total	734	5,154
Exports of Agricultural products to Mercosur	0.5	2.9
Exports of Agricultural products to non-EU countries	37.2	218
Exports of Industrial products to Mercosur	5.6	56
Exports of Industrial products to non-EU countries	224	2,078
Share of agricultural exports to Mercosur in total agricultural exports (%)	0.4	0.4
Share of industrial exports to Mercosur in total industrial exports (%)	0.8	1.1
Share of agricultural exports to Mercosur in non-EU agricultural exports (%)	1.3	1.4
Share of industrial exports to Mercosur in non-EU industrial exports (%)	2.5	2.2
Total import from all countries (EU and non-EU)	779	5,752
Imports from non-EU	458	2,061
Imports from Mercosur	13.1	40.5
Share of Import from Mercosur in total imports (%)	1.7	0.7
Share of Import from Mercosur in non-EU imports (%)	2.9	2.1
Imports of Agricultural products total	93	628
Imports of Industrial products total	686	5,124
Imports of Agricultural products from Mercosur	5.7	18.7
Imports of Agricultural products from non-EU countries	41.1	156
Imports of Industrial products from Mercosur	7.4	21.8
Imports of Industral products from non-EU countries	417.1	1,905
Share of agricultural imports from Mercosur in total agricultural imports (%)	6.1	3.0
Share of industrial imports from Mercosur in total industrial imports (%)	1.1	0.4
Share of agricultural imports from Mercosur in non-EU agricultural imports (%)	13.9	12.0
Share of industrial imports from Mercosur in non-EU industrial imports (%)	1.8	1.1

Note: agricultural products include HS01-24, 29, 40-45, and 50-52.
a) EU26 is EU27 excluding the Netherlands.
Source: Eurostat COMEXT.

The Netherlands is a service economy: the services sector in the Netherlands accounts for 80% of Gross national income and 81% of employment (CBS, 2024). Adjustments in trade terms can therefore have a potentially large impact on GDP. Exports of services (such as services in transportation, travel, finance and telecommunications) are an important source of income as well. Table 2.3 shows Dutch and EU data on trade in services and the importance of the Mercosur countries both as export market and import source of services. Data show that in 2023, Dutch exports to the four Mercosur countries accounted for almost 3.5% of all service exports to non-EU countries, making the region (in particular Brazil) a significant export market for services. Further details in the EU trade in services statistics show that transportation services (such as storage and services provided by forwarders and shippers), charges for the use of intellectual property rights (like patents and copyright), and technical, trade-related and other business services (among others waste treatment and depolution services) are the three main categories in Dutch service exports to Mercosur. At the same time, the latter category is by far the major category of services imported by the Netherlands from Mercosur countries (largely from Brazil; details are not presented in Table 2.3, see source of Table 2.3 for more).

Table 2.3 *Importance of bilateral trade in services with Mercosur in Dutch and EU trade relations (billion euros, except where stated otherwise), 2023*

	Netherlands	**EU27**
Total export of service	213	2,474
of which to EU	110	1,237
of which to non-EU countries	103	1,237
of which to Mercosur countries	4	25
Share of Export to M in non-EU exports (%)	3.5	2.0
Total imports of services	188	2,213
of which from EU	102	1,122
of which from non-EU	86	1,091
of which from Mercosur	1	11
Share of Import from M in non-EU imports (%)	1.1	1.0

Source: Eurostat International trade in services (since 2010) (BPM6), (online data code: bop_its6_det), https://doi.org/10.2908/BOP_ITS6_DET. Note 1:. Bilateral data from the Netherlands and the EU26 (EU27-NL) with Paraguay and Uruguay respectively are from 2022, as are those from Argentina with the EU; bilateral data from the Netherlands with Argentina and Brazil are from 2023. Totals from the Netherlands and the EU are also from 2023. Note 2: Dutch trade figures on services in CBS statistics differ from Eurostat due to differences in definitions.

2.1.2 Dutch bilateral trade relations: major products imported

Figure 2.1. below shows the main product categories imported from the four Mercosur countries. Mineral fuels (in particular petrol coke) is by far the most important import product in value terms. Main (five) agricultural product categories are Oilseeds, Residues from food industry (i.e., soybean oilcakes), Meat, Prepared vegetables & Fruits and Fruits. Oilseeds, in the form of soybeans come largely from Brazil. Imports of Residues and waste from the food industry are mainly oil-cakes, resulting from the extraction of the soybean oil and are mainly from Brazil and Argentina. Imports of this product category account for almost 70% of all Dutch imports of this product group from non-EU countries (see right axis of Figure 2.1). Imports of Prepared vegetables & fruits mainly consist of fruit and vegetables juices from Brazil. Regarding meat imports, this particularly concerns high-quality beef ('Hilton beef') from Argentina and Uruguay, as well as poultry from Brazil. Fruits are mainly citrus and melons, with most originating from Brazil.

Compared to imports in 2017-2019 (figures used in the 2020 study), Dutch import values of the five major agricultural product categories are quite similar to the average import values in the period 2019-2023 (deviance +/- 10%), except for oilseeds, for which import values increased by around 50% in the latter period. This is largely due to the sharp increase in soybean prices during the late 2020-2021 period, which kept international soybean prices significantly higher than the average of the last decade up to June/July 2024. In volume terms, Dutch soybean imports from Mercosur showed no significant variation over the period 2017-2023.

In the industrial product categories, most important import flows are in Mineral fuels, Pulp of wood, Ores, and Iron and steel. These categories concern mineral oils and raw materials for further processing in the steel and wood & paper processing industries. Imports of mineral oil are notably increased compared to five years ago. This is because the Netherlands (and the EU) have been importing more oil from Brazil since 2022 – as response to the import ban on crude oil from Russia, following the start of the Ukraine-Russia war – and because prices have risen sharply compared to a few years ago. A significant share of these imports appear to be in transit to Germany and other EU-countries.

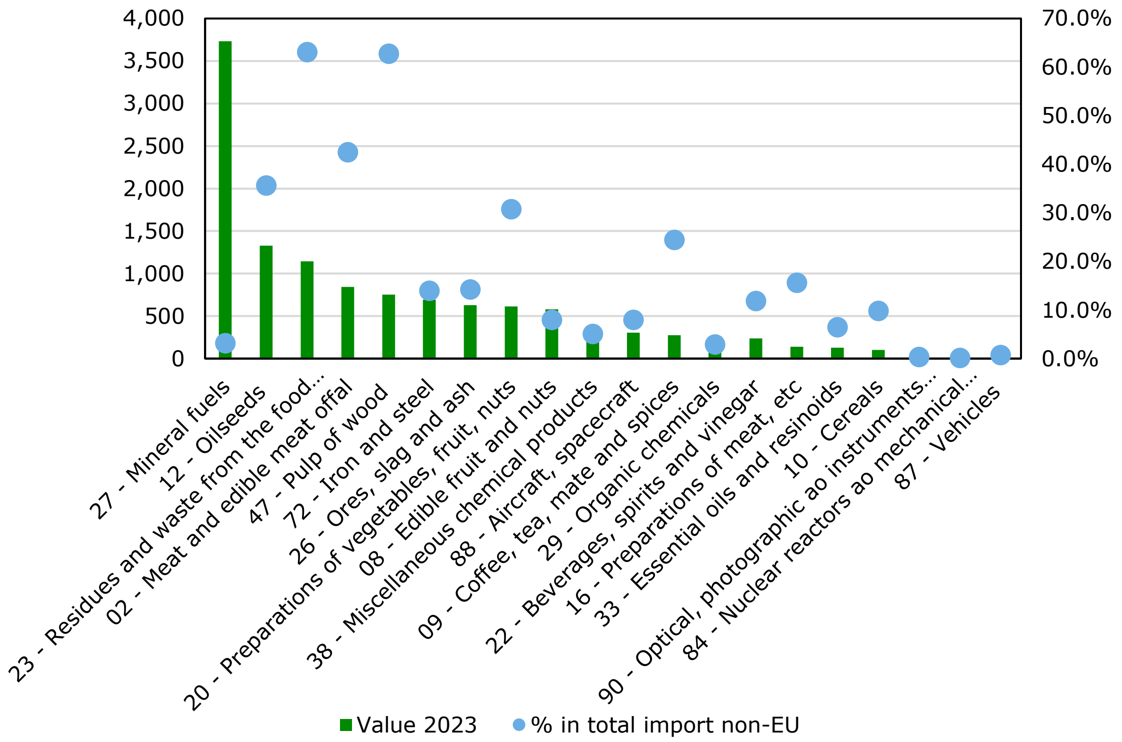

Figure 2.1 *Dutch imports from Mercosur countries (in million euros, left-hand axis; and as percentage of Dutch imports from non-EU countries, right-hand axis) data 2023) of 20 product categories with the highest import value*
Source: Eurostat COMEXT.

2.1.3 Re-exports of imports from Mercosur countries

As previously mentioned, due to its geographical location, its quality infrastructure, logistical service efficiency and processing capacity, the Netherlands is a major gate for non-EU countries' exports to other EU member states, especially to a ring of countries around the Netherlands (Germany, Belgium, France and the UK in particular). Consequently, part of the Dutch imports from Mercosur is transit and/or re-exported to EU26 markets.

An example is the operations of the soybean supply chain, in which crushers in the Netherlands import (3.9m tonnes) soybeans (of which 1.9m ton = 48% is from Brazil) and produce soymeal for the feed industry, whereas the Dutch feed industry also imports (2.1m tonnes) soybean meal directly from non-EU countries (90% comes from Brazil and Argentina). Dutch exports of soybeans account for 0.9m tonnes and 2.7m tonnes of soybean meal (almost exclusively to EU member states; this amount is excluding compound feed that consist of a mix of various ingredients, including soybean meal).[10]

These figures show the interconnection of import and export flows in a globally operating value chain, linking businesses and traders from different countries and connecting many different industrial sectors as well. For instance, soybean oil is another product produced by soybean crushing companies that is used in the food and in the chemical industry, among others. The complexity of the input- and output relationships between different industries makes it difficult to provide a complete and reliable insight into the extent exports consists of raw materials and/or intermediate goods previously imported. CBS data indicate that, in addition to soybeans and their products, imports of quality beef and orange juice from Mercosur countries are largely re-exported.[11]

[10] Data refer to average 2021-3 trade flows. Source: CBS.
[11] Data on re-exports of Dutch imports are on CBS Statline (https://opendata.cbs.nl/statline/) but only at a highly aggregated level. Data on country-specific imports (e.g., from Brazil) re-exported can only be viewed after a special request has been submitted to CBS.

2.1.4 Dutch exports to Mercosur countries

In this subsection we present Dutch exports to Mercosur of product categories with a value more than 30 million euros in 2023.

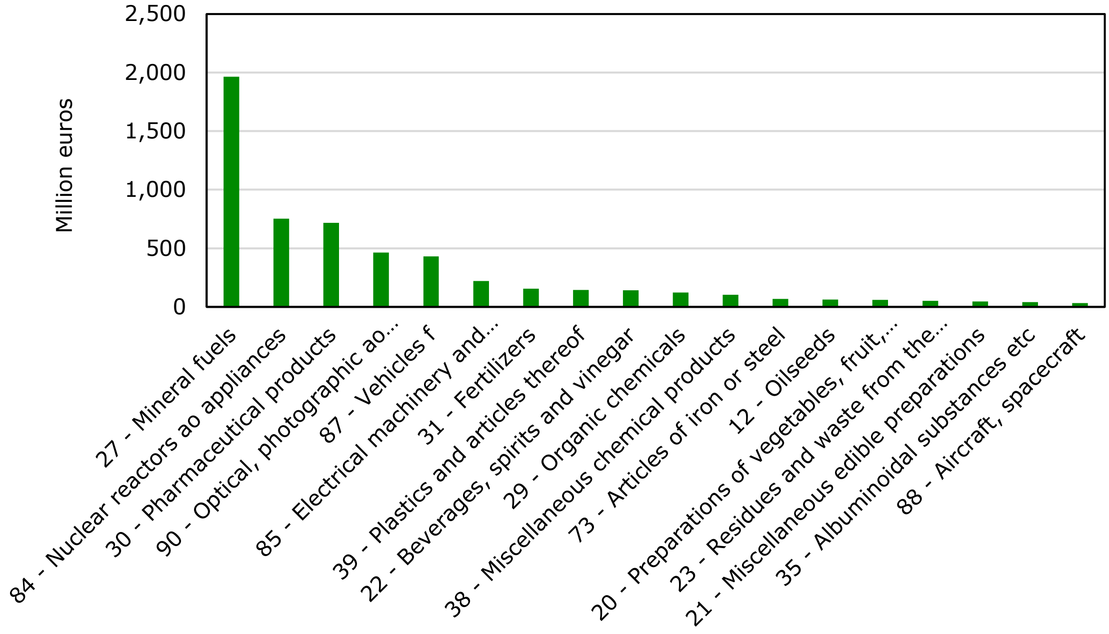

Figure 2.2 *Dutch exports to Mercosur countries (in million euros, 2023). Note: The figure shows products with an export value of more than 30 million euros*
Source: Eurostat COMEXT.

Major product categories are Mineral fuels (with major item 'Petroleum oils and oils obtained from bituminous minerals'), Nuclear reactors (parts of), boilers, machinery and mechanical appliances (consisting mainly of a wide variety of machinery) and Pharmaceutical products (medicaments), followed by Optical etc. instruments and apparatus (in particular, Instruments and appliances used in medical, surgical, dental or veterinary sciences) and Electrical machinery and equipment

Dutch exports of Agricultural and food products to Mercosur are modest, with major items being Beverages (beer), Vegetable seeds (part of GN-12), Preparations of vegetables (mainly potatoes in a frozen form), and animal feed (premixes; part of GN-23).

2.2 Current trade conditions in bilateral trade between the EU and Mercosur

2.2.1 Tariff structures

Table 2.4 provides an overview of the protection rates of each of the four Mercosur countries and the EU. The duties referred to in the column 'Total' are an average of all products covered under HS chapter 01-97. The chapters 01-24 relate to 'Agriculture'. The tariff profiles presented in the table refer to schedules for 2023 for both the simple and for the trade weighted average.[12]

[12] In the 2020 study, the WTO tariff schedules of 2018 were presented. The 2018 tariff levels were slightly higher than 2023 levels.

Table 2.4 *Applied MFN tariff profiles of Mercosur countries and the EU: simple (S) and trade weighted (TW) average of total import tariffs, agricultural import tariffs and import tariffs on non-agricultural products (in %) a), b), c)*

Country	Total		Agriculture		Non-agriculture	
	S	TW	S	TW	S	TW
Argentina	13.4	10.3	10.3	10.5	13.9	10.3
Brazil	11.2	6.7	8.1	8.0	11.7	6.7
Paraguay	8.6	5.9	9	11.2	8.6	5.5
Uruguay	10.1	8.5	10.0	12.2	10.1	7.9
EU	5.0	2.7	10.8	8.4	4.1	2.3

a) MFN = most-favoured nation. Under the World Trade Organisation (WTO) agreements, countries cannot discriminate between their trading partners. A MFN tariff is a generally applied tariff to imports according to WTO agreements. Exceptions are allowed, for instance when countries set up a free trade agreement (see www.wto.org); b) A 'simple average' of MFN duties is based on adding all tariffs for each lines with imports, and divide this number by the number of tariff lines, hence giving equal weight to every tariff line, no matter how much is traded under each tariff line. A 'trade-weighted' average tariff takes into account the value of import of each tariff line. A simple way of calculating the trade-weighted average tariff rate is to divide the total tariff revenue by the total value of imports; c) Examples of non-agriculture sectors are Minerals and Metals, Chemicals and Textiles.
Source: WTO ITC UNCTAD, World tariff Profiles 2024.

Figures in Table 2.4 show that:
- Overall, Mercosur countries have significant higher tariffs than the EU (calculated as 'simple' and 'trade weighted' average, see column 'Total');
- EU tariffs on agricultural products are relatively high in simple average terms (column S under 'Agriculture') whereas EU's trade-weighted average tariff is below those of the Mercosur countries, with the exception of Brazil. This is because almost 50% of EU's agricultural imports is duty-free imported and each of the Mercosur countries imports only a very small percentage of their agricultural imports duty-free;
- EU tariffs on industrial goods are far below those in each Mercosur country.

In addition to tariffs as a percentage of the import value, an import duty can also be applied in the form of an absolute amount in euros per kg or tonne (referred to as a specific tariff). The EU applies a specific tariff for many products, such as for meat (186 tariff lines out of the 248 are linked to a specific rate), dairy (161 tariff lines out of the 172 tariff lines) and many other products. Despite this, on average (that is, when tariffs and specific tariffs are taken together) EU's tariffs are lower than those of Mercosur countries, except for HS 11 (milling industry products), HS 16 (meat preparations) HS 19 (preparations of vegetables and fruits) and HS24 (tobacco) (WTO, 2023).

2.2.2 Import Tariff Rate Quotas

In addition to tariffs, the EU applies import quotas for a number of agricultural products as part of its trade regime. These quotas are set in the framework of the WTO and most of these tariff quotas are managed (by the Commission's DG responsible for Taxation and Customs Union) on a 'first-come-first served' basis. In addition to that, the EU has granted 'preferential tariff quotas' in the framework of several agreements the EU has concluded with third countries or territories. In its bilateral trade relations with Mercosur, the EU has granted the Latin American countries preferences, which means that a country is offered an import quota with reduced (or zero) import tariffs up to a maximum volume. These currently valid tariff rate quotas (TRQs) are summarised in Table 2.5. Please note that these are the current quota volumes and not the quotas as negotiated in the EU-Mercosur trade agreement in principle.

Table 2.5 *The currently (in 2022/2023) valid agricultural EU-import TRQs granted to Mercosur countries as part of existing GATT/WTO concessions*

Sector	Name of TRQ	CN codes	TRQ (tonne)	Import duty		Origin
				MFN rate	Preferential rate	
Beef	Buffalo high quality	0201 30 00 (20) + 0202 30 90 (65)	200	12.8% + 303.40 EUR/100 kg	20%	Argentina
	Beef high quality	0201 30 00 (10) + 0206 10 95 (10)	29,389	12.8% + 303.40 EUR/100 kg	20%	Argentina
	Beef high quality	0201 30 00 (10) + 0206 10 95 (10)	5,606	12.8% + 303.40 EUR/100 kg	20%	Uruguay
	Beef high quality	(ex) 0201 30 00 + (ex) 0202 30 90 + (ex) 0206 10 95 + (ex) 0206 29 91	8,951	12.8% + 303.40 EUR/100 kg	20%	Brazil
	Beef high quality	0201 30 00 (10) + 0202 30 90 (10)	1,000	12.8% + 303.40 EUR/100 kg	20%	Paraguay
	Beef - thin skirt	0206 29 91	700	12.8% + 304.10 EUR/100 kg	4%	Argentina
Poultry	Chicken boneless cuts (frozen)	0207 14 10 + 0207 14 50 + 0207 14 70	15,050	102.40 EUR/100 kg	0 EUR/tonne	Brazil
	Turkey cuts (frozen)	0207 27 10 + 0207 27 20 + 0207 27 80	4,420	85.10 EUR / 100 kg	0 EUR/tonne	Brazil
	Salted poultry	0210 99 39	124,497	1,024.00 EUR/ 1,000 kg	15.4%	Brazil
	Prepared chicken (cooked)	1602 32 19	37,453	2,765.00 EUR/ 1,000 kg	8%	Brazil
	Prepared chicken (uncooked)	1602 32 11	13,800		630 EUR/tonne	Brazil
	Prepared chicken	1602 32 30	59,343	2,765.00 EUR/ 1,000 kg	10.90%	Brazil
	Prepared chicken	1602 32 90	295	2,765.00 EUR/ 1,000 kg	10.90%	Brazil
	Prepared turkey	1602 31 11	91,767	1,024.00 EUR/ 1,000 kg	8.50%	Brazil
Sugar	Sugar CXL Brazil	1701 13 10 and 14 10	308,518 (till 2022/23; (363,635 from 2025/26)	33.90 EUR/100 kg std qual…	98 EUR/tonne	Brazil
	Sugar CXL Brazil	1701 13 10 and 14 10	5,963 (2023/24); 0 from 2024/25)	33.90 EUR/100 kg std qual	11 EUR/tonne	Brazil
Fruit & Vegetables	Garlic	0703 20 00	13,403	9.6% + 120.00 EUR/100 kg	9.60%	Argentina
	Garlic	0703 20 00	5,744	9.6% + 120.00 EUR/100 kg	9.60%	Argentina

Source: EC, 2019b for import duties; RVO, 2024 for currently (2023) valid (WTO) TRQs. Note that beef and poultry TRQs are expressed in weight of boneless meat in tonnes.

A numerical example for quality beef can be used to illustrate the value of the preferences granted by applying a tariff rate quota. Eurostat import data shows that the average EU import price of quality beef from Argentina in 2021-2023 was rounded to 10,300 euros/tonne. Under MFN (most favoured nation) tariffs, the import duties would have been 4,353 euros/tonne (12.8% of the import price/tonne + 3,034 euros/tonne), i.e., 42% of the import value. As part of the in-quota quantity, an import duty of 20% is charged, resulting in import duties of 2,062 euros/tonne. The preferential margin between MFN and in-quota tariff is then 2,291 euros/tonne.

Table 2.6 below shows the actual import volumes in 2021-2023 (last three columns) and compares those with the currently valid TRQs (in-quota quantity granted in 2022/23). Figures show that TRQs on (fresh, chilled, frozen) beef are fully utilised, indicating that trade in these types of meat is attractive even out-of-quota when the full (MFN) import duties have to be paid. The same holds for frozen boneless chicken cuts, while Brazil’s export volumes of salted poultry and prepared chicken (cooked) are very close to the TRQ open to the EU27 market under preferred rate. At the same time, figures indicate that trade in other types of prepared and conserved poultry meat and garlic TRQs does not exceed the preferential volumes granted. Apparently these products are not attractive to export to the EU if import tariffs fully apply. Trade data also show that Brazil's exports of sugar exceed its TRQ in recent years. However, EU import conditions are not the only factor affecting sugar imports from Brazil. Over the past, Brazil's sugar export to the EU shows quite some fluctuation, indicating that in addition to EU's import conditions, Brazil's own sugar and ethanol policy (and the actual harvest of sugar cane) determines the country's exportable surplus of sugar to the world market (USDA/ERS, 2023; OECD/FAO, 2024).

Table 2.6 *Import volumes of products subject to EU import TRQ regimes concluded with Mercosur countries*

Product	Product description	Mercosur exporting country	In-quota quantity granted in 2022/2023 (tonnes)	Actual volume imported by EU28 from Mercosur (in tonnes)		
				2021	2022	2023
Beef	Buffalo high quality		200	2,581	3,210	2,900
	Beef high quality	Argentina	29,389	37,636	44,907	45,594
		Uruguay	5,606	20,970	20,461	21,505
		Brazil	8,951	16,371	15,026	16,294
		Paraguay	1,000	1,404	1,871	1,822
Poultry	Chicken boneless cuts (frozen)	Brazil	15,050	34,819	52,000	50,192
	Turkey cuts (frozen)	Brazil	4,420	4,673	2,376	6,004
	Salted poultry	Brazil	124,497	107,200	128,526	116,197
	Prepared chicken (cooked)	Brazil	37,453	31,340	37,837	33,439
	Prepared chicken (uncooked)	Brazil	13,800	24	0	811
	Prepared chicken	Brazil	59,343	2,172	1,966	1,889
	Prepared chicken	Brazil	295	2	4	3
	Prepared turkey	Brazil	91,767	3,571	0	4,939
Sugar	Sugar CXL Brazil	Brazil	324,481	85,282	397,716	378,319
F&V	Garlic	Argentina	19,147	5,742	3,317	3,665

Source: see Table 2.5; Eurostat actual import volumes in 2021, 2022 and 2023. Beef and poultry TRQs and import volumes are in product weight.
Note: Import sugar from Brazil refers to CN 17011410/90 (raw sugar for refining/not for refining) and 1701 9910 (white sugar in dry state).

2.3 Expectations of possible impacts of changes in trade conditions due to the agreement in principle

The 'agreement in principle' includes reductions of import tariffs, expansion of preferential import quotas, and rules around standards and technical regulations that affect trade between the EU and Mercosur. In addition, the agreement also concerns compliance with rules for the recognition of intellectual property rights including geographical indications, on services, public procurement and competition. According to the Commission document that summarises the agreement in principle (EC, 2019),[13] Mercosur will fully liberalise 91% of its imports from the EU over a transition period of up to ten years for most products and up to 15 years for some of Mercosur's most sensitive products. The EU will liberalise 92% of its imports from Mercosur over the transition period of ten years (for more details, see Section 3.1 and the Annex - Tariff elimination schedule[14] that is part of the agreement in principle).

[13] EU-Mercosur: Text of the agreement (europa.eu). Next to tariff reductions, the document also presents the tariff-rate quotas negotiated.
[14] relations-negotiations-and-agreements - Library.

Regarding agricultural goods, 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. The following sub-section takes a closer look at the negotiated TRQs for agricultural products and contextualises them, allowing for preliminary assessment of possible impacts on the EU market.

2.3.1 Future TRQs

Table 2.7 below compares currently valid TRQs with the in-quota volumes referred to in the agreement in principle that are granted to Mercosur countries. Future TRQs are granted to Mercosur as a group – there will be no new individual country TRQs, except for sugar (for which a TRQ is allocated to Brazil only). In publicly available information, a detailed product description of the product to which the quota applies is not given; instead, broad product categories are defined. Further, the tariff elimination schedule for eggs in shell (in five equal annual stages) is conditional on complying with EU animal welfare regulations.[15] With these caveats in mind, the table shows that under the agreement:

- *For beef, the EU offers Mercosur an additional TRQ of 99 000 tonnes carcass weight equivalent (CWE; this is 75,154 tonnes in product weight), expanding the total TRQ quota level on beef up to 120,300 tonnes in product weight (158.534 ton CWE) (currently valid TRQs on beef – see Table 2.5 - plus the additionally granted TRQ).*
  Imports of (high quality) beef from Mercosur countries in recent years accounted for 80-90,000 tonnes (see Table 2.6), which is higher than the quota levels of the current WTO TRQs. This suggests that Mercosur countries are able to export quality beef beyond TRQ quota levels even though the amount beyond the quota level is charged with import tariffs. This leads to the expectation that the expanded TRQ will most likely lead to an increase in imports of more than 30-40,000 tonnes of beef (the difference between current imports and the new TRQ), given that Mercosur countries are able to offer quality beef at competitive prices and assumed there is demand for this type of beef in the EU. Of course, all imports from Mercosur are subject to compliance with EU food safety and SPS regulations. To put the expanded total TRQ on beef into context, it represents 2.4% of the overall EU consumption of 6.5m tonnes in 2021-2023 (EC, 2024 Agricultural Outlook 2023). Also note that current imports from Mercosur account for 1.8% of EU's current consumption of beef (see also Table 2.8).
- *For poultry, the agreement adds a TRQ of 180,000 tonnes CWE, which equals 153,000 tonnes in product weight. This brings the total TRQ for poultry to 499,625 tonnes (product weight) which is equal to 587,794 tonnes CWE.*
  Recent years have shown an import of 180,000 tonnes (product weight), which is a significant decline compared to ten years ago. This is due to lower demand in the EU for Brazilian meat following food safety concerns reported in 2018 (DG Sante, 2018; Foodnavigator 2018).16 Next, EU imports from Brazil have been replaced by poultry meat coming from Ukraine: that country is a strong competitor internationally and benefits from a preferential treatment as part of the EU-Ukraine FTA – so it remains to be seen whether Brazil can fully use the preferential TRQ granted. On an estimated annual EU consumption level of 12.1 million tonnes (average 2021-2023; EC, 2024 Agricultural Outlook 2023), imports from Brazil and/or other Mercosur countries at the level of newly granted TRQs would be 4.9%. EU consumption of poultry meat is expected to growth steadily up to 12.6m tonnes over the next decade (EC, 2024). Current poultry meat imports from Mercosur account for 2.1% of EU's current poultry meat consumption level (see also Table 2.8)
- *Pig meat is granted a TRQ of 25,000 tonnes (CWE with an in-quota duty of 83 euros per tonne. This is a newly granted preference to Mercosur suppliers.*
  Currently, there are practically no imports of pork meat by EU member states from Mercosur countries (see Table 2.8). EU imports of pork have to be free from ractopamine, an animal feed additive that is banned in the EU. Brazil claims to produce ractopamine-free pork and that little exports to the EU can be explained by the attractive markets Brazil finds outside the EU (oral information from Brazilian pork market expert). This leads to the expectation that exports of pork from Brazil to the EU are likely to remain very modest. At the same time, a lower per capita consumption of pigmeat in the EU is expected (EC, 2024).

[15] In the Annex – Tariff elimination schedule (see footnote 8) a reference is made to the requirement that Mercosur exports of eggs to the EU 'shall be accompanied by a certificate of compliance with Council Directive No. 1999/74/EC or any equivalent animal welfare official standards' (page 8).

[16] See for instance https://www.foodnavigator.com/Article/2018/04/23/EU-ban-on-Brazil-imports. The decrease of imports from Brazil in 2018 and 2019 was a result of the scandal 'weak flesh'. Brazilian poultry was Salmonella-infected and many EU countries suspended imports from Brazil.

- *Sugar imports are managed via a TRQ for refined sugar for Brazil (reducing the in-quota tariff rate for part of the current WTO TRQ) and (a relatively small, new quota for) Paraguay.*
  As regarding the TRQ for Brazil, the volume is not changed. Yet, the in-quota rate on 180 000 tonnes of the Brazil-specific WTO quota for sugar for refining (currently 98 euros per tonne) is eliminated. This is a relatively small tariff reduction for about half of the TRQ. Next, the new TRQ granted to Paraguay (10,000 tonnes) is also modest. Expected additional inflow of sugar from Mercosur is small and so will be the anticipated impacts on the EU sugar market, also because EU sugar consumption is expected to decline between now and 2035 because of consumers shifting to diets with a lower sugar intake. Currently, EU's domestic use of sugar is an estimated 16.5m tonnes (EC, 2024), implying that imports from Brazil represent 2.3% of the EU market (see Table 2.8).
- *Ethanol imports are regulated via two TRQs, one for the chemical sector (e.g., for production of bioplastics) and one for other users of ethanol, such as for road transport fuel (in blends with fossil fuel).*
  Demand for ethanol in the EU is expected to stabilise over the next years until 2028 before falling by 20% in 2035 due to the latest 'fit-for-55' legislation including the new edition of the Renewable Energy Directive (RED III) and the 2035 deadline to phase out sales of cars and vans with internal combustion engines (EC, 2024). The decrease in ethanol demand over time is expected to be supported by declining imports (EC, 2024).
- *New TRQs are granted, for rice, honey, sweetcorn, and dairy products.*
  Concerning the dairy quotas (on cheese, milk powder and infant formula), these are reciprocal, meaning that EU exporters to Mercosur have a similar in-quota amount granted duty free.[17] Current EU exports to Mercosur are below the in-quota amounts Mercosur grants to EU exporters, which is also due to strict labelling requirements and Brazil's export listing system that requires detailed inspections at the companies' premises (see also Van Berkum, 2015). If the qualification procedures for exports to Mercosur were to be relaxed, EU export of high value added products such as cheese and infant formula food to Mercosur would be attractive, although it will remain a small market in relation to total EU (and Dutch) exports to third countries.

Table 2.7 *Products subject to EU import TRQ regimes: currently concluded TRQs compared with future TRQs according to the EU-Mercosur trade agreement*

Product	Current WTO TRQ a)	TRQ at end of implementation period of the Agreement
Beef	45,146	Existing WTO TRQ of 45,146 tonnes at 20% import tariff (high quality 'Hilton' beef, fresh beef produced according to grass-fed (extensive production) will have its duty cut to 0% (elimination of at entry into force). An additional quota will be created with 75,154 tonnes of product weight (= 99,000 ton carcass weight equivalent) at 7.5%. In this contingent, a volume ratio holds: 55% fresh, 45% frozen.
Poultry	346,625	New additional TRQ of 153,000 tonnes (= 180,000 ton cwe) at 0%, of which 90,000 tonnes bone-in, the remaining boneless).
Pig meat		25,000 tonnes at 83 euros/tonne
Sugar	314,481	Of Brazil's existing WTO TRQ of sugar for refining 180,000 tonnes will have its duties cut to 0%, and a new quota of 10,000 tonnes duty-free will be created for sugar for refining for Paraguay
Ethanol		450,000 tonnes at 0%, ethanol for chemical uses
Ethanol		200,000 tonnes at 1/3 MFN rate, for all uses
Rice		60,000 tonnes at 0%
Honey		45,000 tonnes at 0%
Sweetcorn		1,000 tonnes at 0%
Cheese b)		30,000 tonnes at 0%
Milk powders b)		10,000 tonnes at 0%
Infant formula b)		5,000 tonnes at 0%

a) current TRQs specified in further product category details with in-quota conditions are explained in Table 2.5; b) Reciprocal tariff-rate quotas.
Source for future TRQs: EC, Agreement text summary July 2019. Annex – Tariff elimination schedule. relations-negotiations-and-agreements - Library

In Table 2.8, we summarise once again what the EU has offered as new preferential TRQ volumes of the three types of meats and sugar and how these compare to current imports of these products and to total EU

[17] The dairy TRQs are the only bilateral TRQs introduced by the Agreement.

imports, consumption and production. Note that the EU is a net-exporter of all three types of meat and a net-importer of sugar.

Table 2.8 *Future TRQs in perspective of current EU market balance: a summarising overview for meat and sugar*

	Mercosur future TRQ (in 2040), in tonnes (CWE)	**EU27 imports from Mercosur (average 2021-2023) in tonnes (CWE)**	**EU27 imports (average 2021-2023), in tonnes (CWE)**	**Share of future TRQ in current EU imports**	**EU27 consumption (average 2021-2023) in million tonnes (CWE)**	**Share of future TRQ in current EU consumption**	**EU27 production (average 2021-2023) in million tonnes (CWE)**
Beef meat	158,534	111,123	328,000	48%	6.5	2.4%	6.7
Poultry meat	587,794	243,846	800,000	73%	12.1	4.9%	13.3
Pig meat	25,000	0	105,000	24%	18.3	0.1%	22.2
Sugar	190,000	287,106	1,900,000	10%	16.6	1.1%	15.3

Source: Table 2.7 for Mercosur future TRQ; Table 2.6 for EU27 imports from Mercosur in 2023; EC (2023) for EU imports, consumption and production.

2.3.2 Non-tariff measures affecting EU-Mercosur bilateral trade

Non-tariff measures (NTMs) are policy measures, apart from tariffs or tariff rate quotas (TRQs), which can directly or indirectly have an economic impact on trade flows between countries. NTMs are so-called 'behind-the-border' regulations that affect trade and can have many different forms. Among these are the Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT) measures that respectively concern the application of food safety and animal and plant health regulations as well as the technical regulations, standards, testing, and certification procedures that are considered (by WTO agreement) to be created for legitimate purposes, such as consumer or environmental protection.[18] Although the WTO Agreements on SPS and TBT provide a general basis for a level playing field, the Agreements also give recognition to WTO members to protect legitimate interests according to own regulatory authority. Therefore, SPS and TBT measures of the EU and Mercosur countries are not (perfectly) aligned or harmonised, which in case of bilateral trade implies trade costs to comply with a trade partner's requirements. Countries can make agreements bilaterally on how differences in implementation and interpretation of SPS and TBT rules can be better coordinated.

The EU Market Access Database (MADB) reports on the SPS, TBT and other issues in bilateral trade with third countries that are unresolved and thus hamper trade from the EU perspective. The overall aim of the MADB is to bring more transparency in the trade issues facing EU exporters and to facilitate the efforts to resolve them. See https://trade.ec.europa.eu/access-to-markets/en/barriers for the most recent overview of the barriers to trade reported.

The MADB shows a variety of barriers to trade which EU exporters indicate that they face in trade with Mercosur, from the claim of insufficient protection of intellectual property rights (IPR), which includes geographical indications, to non-automatic import licensing with long approval procedures, differences in labelling, marking and packaging requirements of wines, and pre-establishment requirements for services (in particular for the engineering, telecom and insurance sectors). Regarding SPS measures, there is the complaint of EU exporters of plant and plant products that the Pest Risk Analysis (PRA) procedures necessary to enter the Brazilian market take a very long time. PRA is the main phytosanitary pre-requisite that the Brazilian Ministry of Agriculture implements to authorise imports of plants and their products into Brazil. PRAs have been subject to serious delays – 10 years in some cases. Speeding up such procedures is expected to enhance trade relations of EU horticultural sector (fruits and vegetables, and floriculture) with Brazil (Van Berkum, 2015). In addition, the backlog of evaluations of the inspection and certification systems of EU Member States by the Brazilian Ministry of Agriculture is considered a serious obstacle to exports of EU meat and dairy to that country. In trade with Argentina, the main bottlenecks reported are the lack of IPR

[18] See for the principles in WTO agreements: https://www.wto.org/english/tratop_e/sps_e/spsund_e.htm

protection and the non-automatic import licensing procedures that hold for a wide list of products (such as chemicals and machinery) and imply more administrative work and, hence, higher trade costs.

Previous consultations (in the context of the 2020 study) on trade barriers with representatives of Dutch companies in the Netherlands revealed that Mercosur is not considered an important sales market, citing distance and language barriers and limited cultural ties with the region. In the event that one wants to increase opportunities for Dutch companies on the Mercosur markets and increase trade flows, a trade agreement alone is not sufficient and must be supplemented with other trade promotion activities.

Dutch companies that have actually taken the decision to become active on the Mercosur markets in the past generally experience challenges with the legal and fiscal situation of the countries. The markets are described as 'quite complex', especially Brazil. Some entrepreneurs have also indicated that they have stopped exporting due to the lack of trade facilitation and high transaction costs. Small and medium-sized enterprises (SMEs) in particular seem to be discouraged by these issues. Some larger companies have circumvented trade restrictions by opening a production or service facility in Brazil instead of exporting from the Netherlands.

As the MADB indicates, customs procedures and standards are a major barrier to agricultural exports to the Mercosur markets. The EU-Mercosur trade agreement text includes provisions for a process to work towards common standards, yet the chapters on these matters do not refer to any compulsion which makes that the extent to which such an approach will lead to concrete and enforceable goals remains to be seen. Moreover, in general, it can be assumed that better alignment of Brazilian goods with EU standards will take considerable time, implying that perceived market opportunities will be exploited only slowly.

2.3.3 Expectations on how the Agreement may affect EU-Mercosur trade: literature review

Findings from recent studies (e.g., Hagemejer et al., 2021) quantifying the impact of the trade agreement between the EU and Mercosur largely confirm the expected macroeconomic effects of the trade agreement found in a study by the London School of Economics (LSE) commissioned by the European Commission in support of the association agreement negotiations between the EU and Mercosur (LSE, 2020). In general, the effects are at a low level as regards GDP, output and employment on both sides (yet in particular on the EU side) and in sectoral terms the trade agreement is expected to deepen the existing pattern of trade specialisation, i.e., in the EU expansion is expected in manufacturing sectors, such as chemicals, machinery and transport equipment, while in the Mercosur countries output expansion is expected in the agri-food sector. These expected changes are, in percentage terms, greater on the Mercosur side than they are on the EU side. These outcomes are also in line with the ones found in Wageningen's 2020 study.[19]

Various recent analyses of the possible consequences of the trade agreement raise concerns about impacts differences in production standards in both regions may have on bilateral trade, environment and biodiversity (see e.g., HBst, 2020; Trade Differently coalition, 2022; Institute d'Leverage, 2023; Gehring et al., 2024). They stress their expectations that lowering EU import tariffs will boost agricultural exports from Mercosur, most likely leading to more intensive agricultural production with increased use of pesticides and other inputs, or encouraging the use of growth promoters in livestock farming in these countries. The question is also raised whether the current traceability systems work accurately enough to provide sufficient insight into compliance with agreements on production standards, such as animal welfare regulations or workers' rights and regulations. Also, doubts are expressed about the effectiveness of the European safety control at its borders, both with regard to the definition of standards and also the frequency of checks on imported food, which could potentially lead to new sanitary scandals and seriously undermine the confidence of European consumers in food safety (Institute d'Leverage, 2023). Doubts about traceability systems and effective European food safety controls at the border are also highlighted by trade associations and other agricultural business organisations following the findings of EU's DG SANTE about the shortcomings on the Brazilian side (EC, 2024). But the very fact that DG SANTE signals these shortcomings and informs the Brazilian authorities

[19] Please note that when comparing the outcomes of model projections, the characteristics of the model used and the assumptions underlying the future projection must always be examined very carefully.

that measures must be taken to comply with the European standards or else imports from the country will be stopped, should be proof that the European food safety system at the border is functioning effectively.

The reports referred to in the previous paragraph highlight that the agreement is expected to lead to further intensification of mutual trade, and in particular to an expansion of the export of agricultural products such as soy and meat to the EU. This could lead to further deforestation and more intensive land use in the Mercosur countries, with negative effects on the environment (including higher CO_2 emissions) and biodiversity. In estimating the economic and spatial consequences of more commerce in agricultural products between the two trade partners Arima et al. (2021) shows that in a 'worst case' scenario – that is, with little environmental governance and multi-cropping land use strategies in Brazil – deforestation will increase in the Amazon area to accommodate the expansion of crops and pasture lands by approximately 170,000 hectares. Although the numbers seem small when compared to the 81m hectares already deforested in Brazil's Legal Amazonia, the study highlights that the growing demand for raw materials in the EU can be held responsible for further deforestation and biodiversity loss in the tropical countries from which the imports originate. A similar message is conveyed in reports by NGOs (e.g., Trade Differently coalition, 2022) or research initiated by political parties (e.g., Gehring et al., 2024). The references mentioned also propose alternative forms of partnership that the EU and Mercosur can enter into, which better balance trade and sustainability. The reason why the agreement has not found wide-spread support in all EU member states' parliaments is that many politicians find this balance is lacking.

Meanwhile, the European Commission has negotiated additional commitments to the agreement that seeks to make the agreement's sustainability section more concrete.[20] The booster for this on the EU side are its Grean Deal policies, in which the EU laid out the goals for building a climate-neutral economy and striving for ecological recovery. Much of the European Grean Deal policy targets are now embedded in European legislation. The deforestation law enacted in 2023 also plays a role here. The European Union Deforestation Regulation (EUDR) applies to imports of seven commodities (cattle, cocoa, coffee, palm-oil, rubber, soya and wood). These products are not authorised for import or sale into the EU unless they meet three criteria, including being deforestation-free. In the (re)negotiations, the EU wants to bring the trade agreement more in line with current European legislation that pays much more attention to combating climate change, biodiversity loss and other environmental damage. An important factor, of course, is also the attitude on the part of the partners in Mercosur. In particular, Brazilian President Lula (re-elected in 2022) seems keen to build safeguards for ecological aspects into his country's economic developments.[21] This also provides opportunities to bridge differences of opinion in the negotiations on adding sustainability requirements in the trade agreement.

[20] On 6 December 2024, the EU and Mercosur reached a political agreement on an enhanced EU-Mercosur Partnership Agreement (EU-Mercosur: Text of the agreement). Some trade-related parts of the EU-Mercosur Partnership Agreement include enhanced and additional elements resulting from negotiations between March 2023 and December 2024. In short, the additional texts are a further concretisation of commitments to stop deforestation and to make trade contribute to sustainable development. In the area of market access, tariff reduction schemes have been adjusted for the automotive sector (electric vehicles in particular) and Paraguay is granted the right to export to the EU a maximum of 1,500 tons of pork annually duty-free as of the date of entry into force of the agreement as part of the EU TRQ for pork (25,000 tons from year 5 of the implementation process). As this study was in its final phase on 1 December 2024 and because the political agreement on market access contains only a few tariff reduction agreements – namely the ones just mentioned – the newly negotiated texts are not included in this study.

[21] As an example of the efforts of government policies to combat deforestation, in October 2024 the Brazilian Institute for Space Research (INPE) presented figures indicating that deforestation in the Amazon region would be 30% lower in 2024 than in 2023 (see https://www.gov.br/secom/en/latest-news/2024/09/august-2024-amazon-deforestation-lowest-in-six-years).

3 Impacts of the trade agreement on the Dutch and Rest of EU economy

3.1 Description of the scenario assumptions, data used, tariff and NTM trade costs reductions applied

3.1.1 Model features of MAGNET

The impact of the Mercosur Agreement is quantified using the macroeconomic model MAGNET (Woltjer et al. 2014). The MAGNET model is a multi-regional, multi-sectoral, computable general equilibrium (CGE) model based on neo-classical microeconomic theory (Nowicki et al. 2009, Van Meijl et al. 2006, Woltjer et al. 2014). The core of the MAGNET database is the GTAP dataset (Aguiar et al. 2019). MAGNET assumes perfect competition meaning that producers are price takers. Further, producers are assumed to choose the cheapest combination of imperfectly substitutable labour, capital, land, natural resources and intermediates. The core of MAGNET is an input–output model, which links industries in value added chains from primary goods, over continuously higher stages of intermediate processing, to the final assembly of goods and services for consumption. In addition to manufacturing and services markets, MAGNET has further refined agriculture and food markets and assumes that products traded internationally are differentiated by country of origin (Armington 1969).

Crucial for this study is the modelling of production factor markets, including land and labour. MAGNET includes a land supply function (Van Meijl et al. 2006, Dixon et al. 2016) which specifies the relation between total agricultural land supply and the real land price given constraints related to biophysical availability (potential area of suitable land) and institutional factors (agricultural and urban policy, conservation of nature). In MAGNET, factor markets are divided (segmented) into agricultural and non-agricultural labour and capital. This reflects empirical evidence on imperfect mobility of labour (De Janvry et al., 1991), and is thus an improvement over other CGE models that assume perfect mobility.

MAGNET is a global model, capturing macroeconomic and sectoral effects, and, like all models, it is not possible to perfectly replicate the entire economy. Therefore certain caveats have to be made, such as the fact that commodities and sectors are aggregations. For example, the Pork and Other White Meat sector is an aggregate sector which captures rabbit meat and other meats in addition to pork meat. Further, as a global model, the database for the model relies on various sources of official statistics which may sometimes differ from micro-level sources due to varying factors such as confidentiality.

3.1.2 Important assumptions to construct a future baseline and a trade agreement scenario

For the purposes of this assessment, a hypothetical situation is simulated in which the Mercosur Agreement is assumed to have been ratified and implemented beginning in 2025. The Agreement would come to full implementation within 15 years, meaning that all market access changes (tariffs and TRQs) are fully phased in. Therefore, in the model, we consider economic changes over the period between 2025 and 2040.

MAGNET baseline projections are typically based on SSP2, a middle-of-the-road shared socio-economic pathway under which population developments and GDP trajectories are projected for countries around the world. These socio-economic projections are exogenous baseline inputs to the model. In this study, the SSP2 data have been updated using the European Commission’s AgLink baseline data to reflect major global events such as COVID-19 and the Russian invasion of Ukraine and the revised longer-term growth expectations for countries including the EU and Mercosur countries. Changes in these socio-economic inputs to the model are expected to have significant impacts on various indicators produced in the model’s baseline. For example, in the context of COVID-19, economic growth in most economies has been lower than previously projected, especially over the years immediately following the onset of the pandemic in 2020. The lower-than-expected economic growth has been reflected in the current MAGNET baseline, which was however not reflected in the previous EU-Mercosur study when the impacts of the global pandemic were yet to fully unfold and to be fully understood. The ongoing Russia-Ukraine war has caused devastating impacts to Ukraine's economy with growth in other related economies also being negatively affected. This occurrence has also been reflected in the revised growth projections in the current AgLINK baseline, used by the OECD /FAO in their 10-year ahead projections published in their annual Agricultural Outlook (OECD/FAO, 2024).

We further take into account the implementation of EU's most recently established trade agreements such as the EU-Japan Economic Partnership Agreement (2019), the EU-Ukraine Deep and Comprehensive Free Trade Area (2017), the EU-Canada Comprehensive and Economic Trade Agreement (CETA) (2017), and the FTAs with Singapore, Vietnam and New Zealand, with the caveat that some are not yet fully in force. More specifically: FTAs with Singapore (2019) and Vietnam (2020) have been concluded and entered into force; CETA is being applied provisionally and the FTA between EU-New Zealand has entered into force since 1 May 2024. Moreover, Brexit officially took place at the beginning of 2020. EU's trade relationship with the UK is now framed in a trade agreement (Trade and Cooperation Agreement) with many zero tariffs on agricultural and other goods but with border controls.

CAP subsidies are incorporated in the baseline and are modelled as production factor subsidies (subsidies on factor income), which roughly corresponds to the way how direct payments are allocated within the EU.[22] The budget for first pillar subsidies corresponds to OECD data in 2017 as they are reported in the GTAP database and the modulation is applied which reduces the amounts by 2% annually towards 2040. The baseline does not include environmental and climate change related policies such as the European Emissions Trading System (ETS) that requires European companies (in the sectors mentioned in the EU ETS Directive) to pay for GHG emissions, the Carbon Border Adjustment Mechanism (CBAM), and does not take into account environmental measures necessary to meet European nitrate and water quality policy objectives. Nonetheless, ETS and CBAM inclusion is relevant and we are currently working on a model version that incorporates this mechanism. At the moment of making this analysis, the ETS version was not yet available.

With this set-up, we run two scenarios: the base scenario, which is the 'business as usual' scenario and the policy scenario which is the Mercosur Agreement scenario. Comparing these two scenarios, we measure the estimated economic impact of the Mercosur Agreement between 2025 and 2040.

Table 3.1 *Summary of most important model assumptions underlying the scenarios*

Topics	Assumptions
Macro drivers	GDP and population growth follows OECD/FAO's Aglink projections[23]
Brexit drivers	Tariff rate reductions and NTMS trade cost assumptions in EU-UK trade relations as in previous Brexit studies (Wageningen Economic Research EP study and the Scottish Trade study)
Recent FTAs	CETA, EU-Japan, EU-Ukraine, FTAs with Singapore, New Zealand, Vietnam
CAP	CAP subsidies approximated by direct payments and distributed as factor income subsidies + future projections of the budget
CO_2 price	No ETS is applied in the baseline and trade scenario
Environmental policies	No (further) measures to comply with EU Nitrogen directive and/or EU Water Framework Directive

3.1.3 Translating the trade agreement into the model structure and parameters

To translate the agreement into the model, we rely on the Market Access schedule negotiated by the European Commission and Mercosur. This schedule has been published).[24] The schedule provides changes to trade protection measures in place at the 8-digit tariff line. At the 8-digit level, tariffs are unchanged,

[22] An extended CAP module which considers different components of CAP subsidies and also reflects EU member country plans is currently being updated and therefore has not been used in this study. Nevertheless, no major impacts on the results would be expected using this extended CAP module.

[23] Aglink projections refer to the EU agricultural outlook for major EU agricultural markets until 2035. It is based on a set of assumptions regarding macroeconomic conditions, the fixed agricultural and trade policy environment, and international market developments based on the latest OECD-FAO outlook. See here: Medium-term - European Commission

[24] Tariff elimination schedules are on EU-Mercosur: Text of the agreement (europa.eu)

decreased in portion, or totally eliminated. In other cases, TRQs are implemented or adjusted. Export tax measures for Mercosur are also provided at the 8-digit tariff line. We use trade value data to aggregate these measures to estimate import tariff and export tax effects at the aggregate sectoral level.

Text Box 1. Tariffs reductions and changes in other market access measures according to the Agreement in a nutshell

According to the Commission Agreement in Principle document that summarises the agreement (EC, 2019a), Mercosur will fully liberalise 91% of its imports from the EU over a transition period of up to 10 years for most products, and up to 15 years for some of Mercosur most sensitive products. The EU will liberalise 92% of its imports from Mercosur over a transition period of up to 10 years. In terms of tariff lines, Mercosur will fully liberalise 91% and the EU 95% of lines in their respective schedules.

Concerning market access for industrial goods, the EU will eliminate duties on all industrial goods over a transitional period of up to 10 years. Mercosur will fully remove duties in sectors such as cars, car parts, machinery, chemicals and pharma.

Mercosur will increase market access for EU agricultural goods by gradually eliminating duties on 93% of tariff lines of EU agri-food exports to the region. These lines correspond to 95% of the export value of EU agricultural products to Mercosur. 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 (see Section 2.2.3 above) with a very small number of products excluded altogether. Duties that Mercosur currently imposes on exports to the EU of products such as soybean products (feed for EU livestock) will be reduced or eliminated.

For topics such as rules of origin, customs and trade facilitation, SPS, Services and establishments (investments) and any more aspects of the agreement, the summary document highlights the main issues and refers to additional documents that can be consulted.

We account for TRQs within the model at the aggregate sectoral level, and therefore this is an approximation based on the TRQs specified at the underlying 8-digit tariff line. We incorporate (1) TRQs in existence in the base scenario (prior to Mercosur Agreement), (2) the introduction of new TRQs (as part of the Mercosur Agreement) which includes, (2a) changes to in-quota tariff rates (as part of the Mercosur Agreement), and (2b) changes to the total quota level (as part of the Mercosur Agreement). Details on these TRQs are presented in Table 2.4-2.6 in the previous chapter. In addition, we updated our quota modelling mechanism where the restriction on trade movements under quota is relaxed.[25]

Lastly, we consider non-tariff measures (NTMs) affecting goods and services trade entering the Mercosur market from the EU. In this, we follow the same argumentation and approach as applied in our 2020 study (see Appendix 2 in Carrico et al. 2020 for more background information). We consider levels of standards and international cooperation within the European Economic Area (EEA) to be largely harmonised, and therefore we take this as the base level of NTMs. We then consider how much reduction in trade costs Mercosur exporters would have to make per traded product to move closer to the EEA level of NTMs.

For NTMs affecting goods trade, we use trade cost estimates from the World Bank (Kee and Nicita 2017), and for NTMs affecting services trade, we use trade cost estimates for Mercosur from the World Bank (Jafari and Tarr 2015) and for EEA from the OECD (Benz and Jaax 2020). From the reduction in trade costs resulting from reduced trade barriers via changes to NTMs, we estimate efficiency gains in terms of price and quantity effects which we implement in MAGNET.

The basic assumption is that under the Agreement, trade barriers from NTMs in Mercosur are reduced, moving towards the EEA levels, but the levels of these trade barriers will not decline to EEA levels. Therefore, following Disdier et al. (2016), the assumption is that 10% of the NTM-associated trade costs are actionable, meaning that the current gap between the relative EEA NTM trade costs and Mercosur NTM trade costs would be reduced by 10%. For example, trade barriers (from NTMs) on imports of Fresh Fruits and Vegetables from the EU to Argentina would have to lower by 53% to reach the intra-EEA level of trade barriers (from NTMs)

[25] The MAGNET model used in the previous study restricts trade to not exceed quota. Due to the reductions in in-quota tariff rates and expansions of the quota levels, this restriction implies that the trade tends to stay on quota. In this exercise, we removed this restriction allowing trade to exceed quota but the over-quota trade will be subject to a higher tariff rate.

in the intra-EEA Fresh Fruits and Vegetables market. As we assume that Mercosur countries will make improvements to reduce the gap with intra-EEA levels of trade barriers (from NTMs) by 10%, then we consider that there would be a 5.3% reduction in trade barriers (from NTMs) on Fresh Fruits and Vegetables imported from EU into Argentina. This is considered to be equivalent to a 5.3% increase in import efficiency.

For the 10% actionability assumption, in addition to the literature, we found evidence from interviews with industry stakeholders as reported in Carrico et al. (2020). In majority, business representatives pointed to the long-term procedures for gaining access to the Mercosur markets. In particular, in case of agricultural and food products, there were large differences in food safety and quality requirements.

For goods trade, NTMs are country specific and bilateral so a reduction to trade barriers (from NTMs) on goods follows the example above of trade barriers on Fruits and Vegetables from EU to Argentina decreasing by 5.3%. However, for NTMs in services trade, when a country is assumed to reduce barriers, it is assumed to do so for all partners. Therefore, a liberalisation of the services market by each of Mercosur members will open up within Mercosur as well as to Europe and other trading partners.

Trade costs in bilateral EU-Mercosur relations will also decline because of import tariff cuts and export tax reductions. There are three types of tariffs/taxes involved in the Agreement:

1. the import tariffs levied by the Netherlands/Rest of the EU for goods and services imported from the four Mercosur countries
2. the import tariffs levied by the four Mercosur countries for goods and services imported from the Netherlands/Rest of the EU, and the
3. export taxes/subsidies levied by the four Mercosur countries for goods and services exporting to the Netherlands/Rest of the EU.

In Figures 3.1 and 3.2, we show to what extent trade costs can decrease when reducing import tariffs on both sides, i.e., the import tariffs levied by the Netherlands/Rest of the EU for goods and services imported from the four Mercosur countries, and the import tariffs levied by the four Mercosur countries for goods and services imported from the Netherlands/Rest of the EU (the export taxes/subsidies charged by Mercosur countries are too small to be visible so we exclude them from the figures). The figures show the aggregate reduction in trade costs by reducing import tariffs, where the tariff rate reductions in key commodity groups are calculated using the trade-weighted average.[26] For example, the reduction in dairy trade costs for Dutch businesses results from a 18% reduction of import tariffs levied by Mercosur while trade costs for dairy when imported from Mercosur into the Netherlands remain unchanged (Figure 3.1). By contrast, the decrease in dairy trade costs for dairy importing companies in the Rest of EU consists of a 13% reduction of import tariffs levied by the EU and a 17% reduction of import tariffs levied by Mercosur (for companies exporting from the EU26 to Mercosur) (Figure 3.2). The reason why Dutch dairy importing companies will not experience a decrease of trade costs, but dairy importing companies from other EU countries will, is that some products have high import tariffs at the detailed product level and are relevant for trade in other EU countries but not for Dutch traders. Because tariff lines differ at the detailed level and the composition of imports and exports differs per trading partner, agreements on import tariff reductions will have a different effect on the growth of exports and imports in the participating EU and Mercosur countries. Figures 3.1 and 3.2 provide insight

[26] To help better understand how trade-weighted tariff rates are derived, let's consider a simple example where a commodity group consists of two individual commodities (1 and 2). Suppose the import tariff rates for commodities 1 and 2 are respectively 10% and 20%, and importers in the Netherlands and the EU face the same tariff rates for the two commodities. Now suppose the Netherlands imports 1 million euros worth of commodity 1 and nothing for commodity 2, then the aggregate tariff rate for the commodity group faced by the Dutch importers would be equal to (1x10%+0*20%)/(1+0)=10%. Now suppose the EU imports 1 million euros worth of commodity 2 and nothing for commodity 1, then the aggregate tariff for the commodity group faced by the EU importers would be equal to (0x10%+1*20%)/(0+1)=20%. In this simple example, we can see that while the Dutch and EU importers face the same import tariff rates at the individual commodity level, the effective tariff rates at the aggregate level might be different in the two regions. Since the commodities presented in this study are GTAP-level or MAGNET-level aggregate commodities, the tariff rates associated with these commodities are thus aggregate tariff rates which could be different for the Netherlands and the EU even at the base year (2017). Based on this simple example, if we further assume that the trade agreement will eliminate all the existing tariffs in both regions – that is, both the Netherlands and the EU face the same 100% tariff reductions, the implied effective tariff reduction would be 10% for the Netherlands and 20% for the EU for the same (aggregate) commodity. Note that this trade-weighted tariff rates aggregation also applies to the commodities imported by Mercosur countries. This simple example helps explain why tariff rate reductions may differ in Figures 3.1 and 3.2, even for the same commodity group.

into the extent to which the export and import of each of these goods and groups of goods in the Netherlands/the rest of the EU can be influenced by the agreements on tariff reductions.

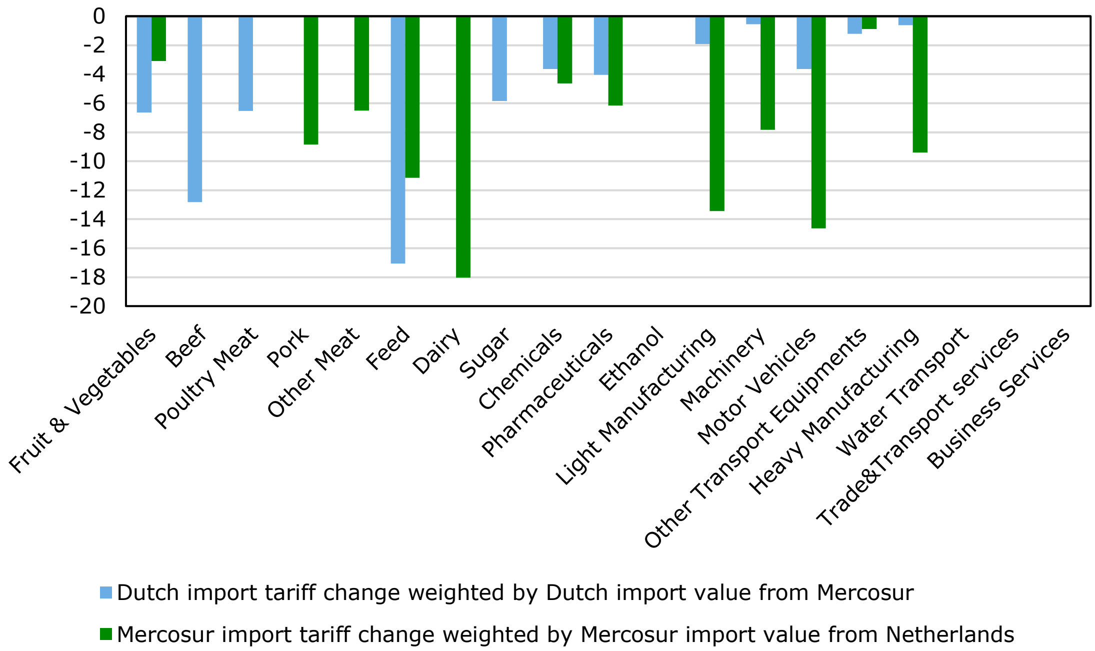

Figure 3.1 *Reduction in trade costs due to import tariff cuts faced by Dutch businesses (% of trade value)*

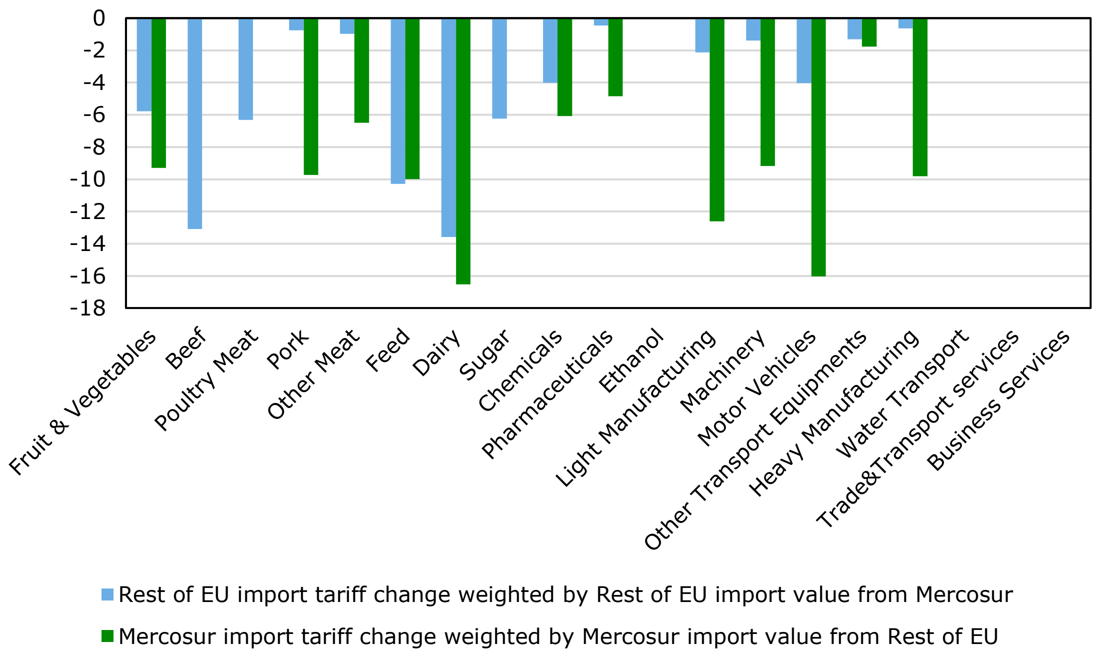

Figure 3.2 *Reduction in trade costs due to import tariff cuts faced by Rest of EU businesses (% of trade value)*

Figure 3.3 shows the aggregate import tariff reductions in all commodities, using the trade share in GDP as the aggregation weights. Important to note though is that when measuring the relevant trade costs faced by the Dutch and the Rest of the EU businesses, we compute the total costs associated with their respective trade with the four Mercosur countries as a whole, and likewise, we measure the trade costs faced by each Mercosur country using their respective trade with the whole EU. This way, we gain a better insight into how the economy in each agreement party may be affected overall by the reduction of trade costs and the relative macroeconomic impacts among these parties. Clearly, the figure indicates that Mercosur countries on average in percentage of GDP may benefit more from the Agreement than the EU due to the larger reductions in aggregate trade costs faced by Mercosur.

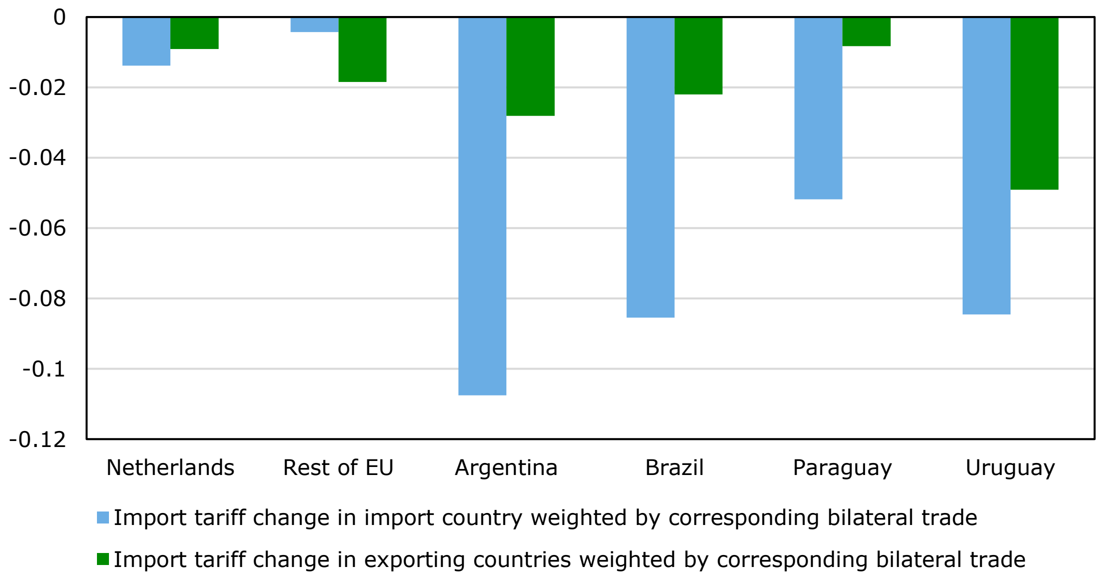

Figure 3.3 *Aggregated trade costs reduction due to import tariff cuts (% of GDP)*

To further clarify the figure, we explain the meaning of the bars in the figure, using Argentina as an example. The orange bar indicates the impact (in % GDP) of a decline in trade costs as a result of lower imports from the importing country. For Argentina, this refers to decreasing import tariffs levied by on its imported goods from the Rest of EU and the Netherlands. The yellow bar indicates the decline in Argentina's trade costs as a result of the decrease in import tariffs in the Netherlands and the Rest of the EU for their goods imported from Argentina. Hence, this yellow bar therefore indicates the decline in trade costs of Argentina being the exporter to the EU and the Netherlands. The difference in the length of the bars indicates that Argentina's GDP is more affected by tariff cuts by its trading partners (in this case the EU and the Netherlands) than by tariff cuts of its own imports (all as trade-weighted tariff cuts): thus GDP growth is driven primarily by export expansion and to a lesser extent by cheaper imports. This is also the case for the other Mercosur countries and for the Netherlands, but not for the rest of the EU.

We express the overall import tariff reductions faced by a country in terms of its GDP. The idea behind this perspective is that two countries may face the same (weighted average) percentage reduction in import tariffs, but if the two countries have different trade exposure (trade value as a share of GDP), the same percentage tariff reduction may still have very different impacts on their respective GDP. Expressing all the tariff reductions in terms of GDP thus leads to more intuitive connections between import tariff reductions and the potential impacts on GDP, and helps make the reductions across countries more comparable, especially when all these countries are presented in the same figure.

3.2 Impacts on Dutch and Rest of EU trade and production

In this section, we report the impacts of the EU-Mercosur agreement on Dutch and Rest of the EU trade and production. The figures shown in this section represent the deviations of the agreement scenario from the baseline in 2040 (i.e., NOT the growth rates relative to 2025 or another reference year). Results are reported in both percentage changes (%) and euro values (million euros), and where the euro value deviations are reported, we use real values based on the 2023 constant price which would make all the reported value changes consistent and thus more comparable.[27]

3.2.1 Impacts on Dutch trade and production

As a result of the EU-Mercosur trade agreement, Dutch export is expected increase substantially in percentage terms in a number of sectors with the highest increase expected to be seen in Dairy (257%, i.e., 32.7 million euros) and several manufacturing sectors, as shown in Figure 3.4. These effects largely result from the relatively marked reductions in the import tariffs applied to products in these sectors and imposed by the four Mercosur countries on Dutch export, as also reflected in Figure 3.1.

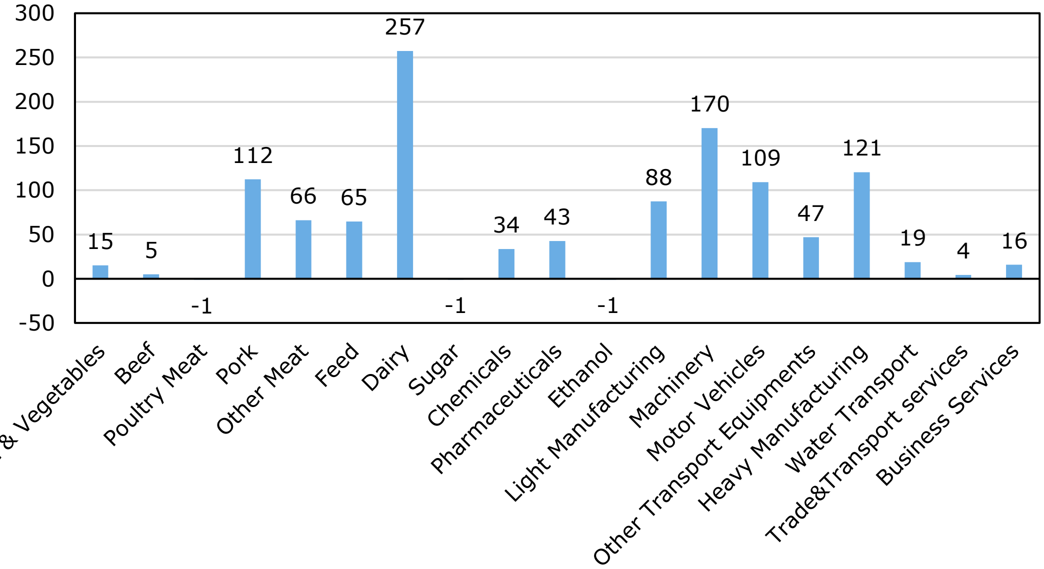

Figure 3.4 *Change in Dutch export to four Mercosur countries (%)*[28]

Despite a percentage increase in the export of some agricultural products, the export value of these agrifood products is not expected to reach a significantly higher level (the largest increase is seen in the export value for dairy products, with 33 million euros). In contrast, the export value of business services to Mercosur countries is expected to increase strongly (811 million euros), as is the export value of machinery (482 million euros); this increase also reflects the large absolute size of Dutch exports in these sectors to Mercosur in 2040.

[27] To derive this comparable constant price, we first reported the model results using the 2017 constant US $ price. We then converted the dollar-denominated price to Euro-denominated constant price using the 2017 average exchange rate collected from the OECD (https://www.oecd.org/en/data/indicators/exchange-rates.html?oecdcontrol-00b22b2429-var3=2017). After that, we converted the 2017 constant price to the 2023 constant price by applying an inflation adjustment, using the annual average inflation data (Harmonized Index for Consumer Prices) collected from EUROSTAT. (https://ec.europa.eu/eurostat/databrowser/bulk?lang=en&searchFilter=infla).

[28] The aggregated Trade and Business Services sectors presented in this study follow the GTAP data classifications, The aggregated Trade sector includes the following subsectors: Sales, maintenance, and repair of motor vehicles and motorcycles; Retail sale of automotive fuel; Wholesale trade and commission trade, except of motor vehicles and motorcycles; Non-specialised retail trade in stores; Retail sale of food, beverages and tobacco in specialised stores; Other retail trade of new goods in specialised stores; Retail sale of second-hand goods in stores; Retail trade not in stores; Repair of personal and household goods; Hotels and restaurants. The aggregated Business Services sector includes: Real estate activities; Renting of transport equipment; Renting of other machinery and equipment; Renting of personal and household goods n.e.c.; Computer and related activities; Research and development.

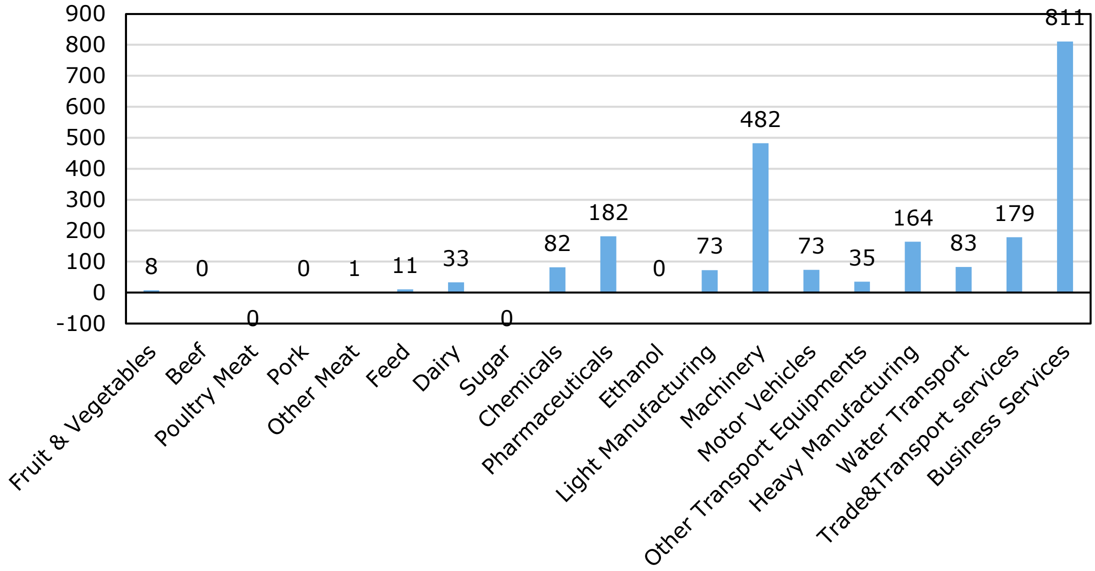

Figure 3.5 *Change in Dutch export to four Mercosur countries (million euros)*

Under the trade agreement, Dutch imports are expected to increase significantly, particularly imports of a number of agrifood products. In percentage terms, imports of animal feed and beef will increase the most, by 113% and 111% respectively, followed by poultry meat by almost 70% (Figure 3.6). This increase is mainly due to the fact that import tariffs for these products will be significantly reduced under the agreement and that quotas for beef, poultry meat and sugar will be increased (see section 2.3.1).

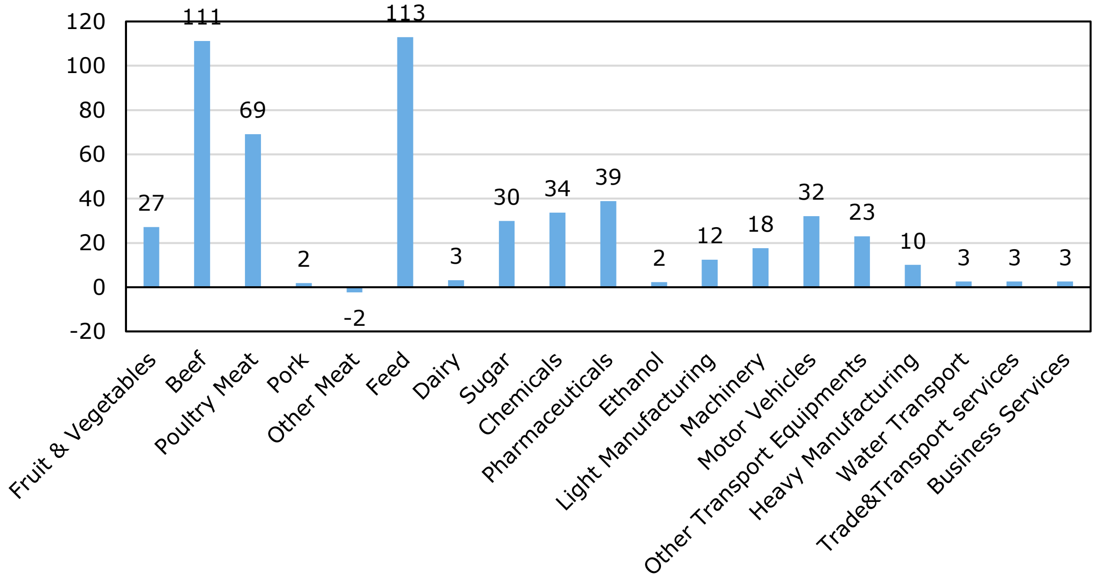

Figure 3.6 *Change in Dutch import from four Mercosur countries (%)*

As for the changes in value, as shown in Figure 3.7, the import of beef in particular will increase (by 278 million euros), followed by the import of poultry meat with an expected increase of 137 million euros. The import value of these meat categories is already considerable (see also Figure 2.1), so that a strong percentage increase will also be significant in absolute terms.

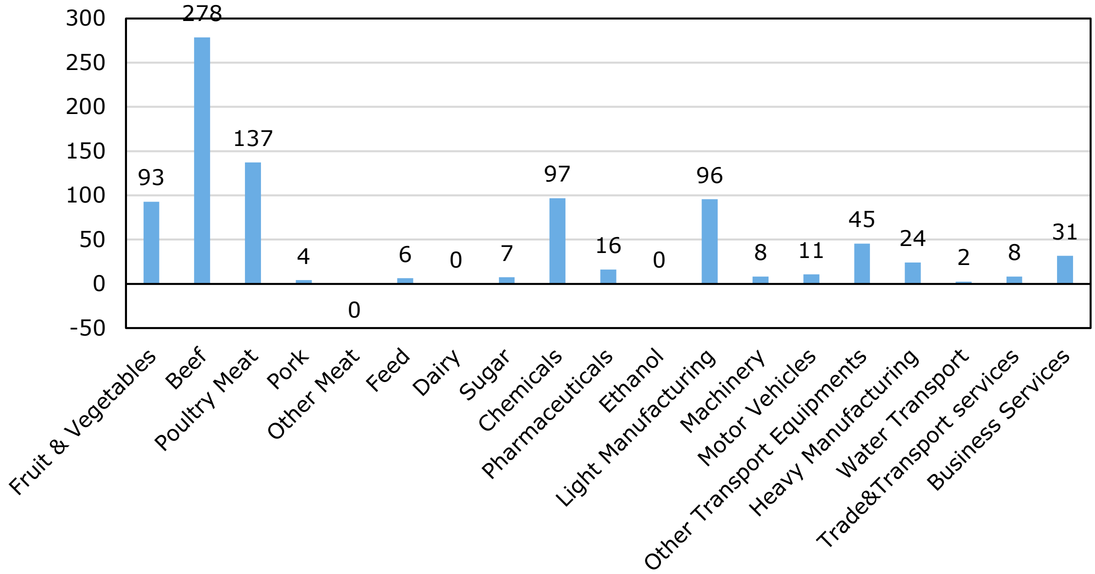

Figure 3.7 *Change in Dutch import from four Mercosur countries (million euros)*

The relative change between exports and imports immediately provides an indication of the consequences for the Dutch bilateral trade balance with Mercosur countries if the trade agreement were fully implemented. Figure 3.8 shows that the strong increase in agricultural imports, in particular the increase in beef and poultry imports, will lead to a deterioration of the bilateral trade balance for these products, with the trade balance for beef deteriorating the most (EUR 278 million). In contrast, the industrial and service sectors are expected to improve their trade balance, with business services expected to make the largest contribution (EUR 780 million), followed by machinery (EUR 474 million). The total bilateral trade balance is expected to improve by EUR 879 million (note: not all goods and service sectors are reported in Figure 3.8).

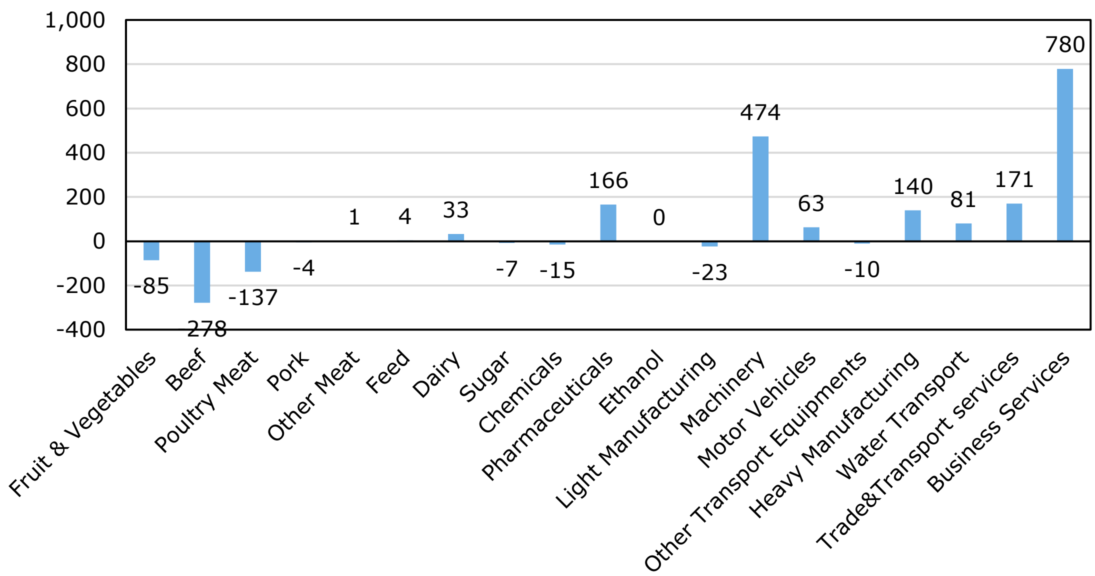

Figure 3.8 *Change in Dutch trade balance with four Mercosur countries (million euros)*

The relative change in export and import values also gives an indication of how domestic production may adjust as a result of this trade agreement. In response to a relative increase in exports, domestic production tends to increase to meet growing demand. On the other hand, a relative increase in imports tends to lead to a decrease in domestic production. This relative change in exports and imports is the driving force behind most changes in domestic production, as shown in Figure 3.9, where an increase in imports of beef and poultry meat not only worsens the Dutch trade balance for these products, but also causes a significant decrease in domestic production of these (processed) products. The sharp decrease in the production of processed beef (15.6% or 459 million euros) also leads to a lower production in the (primary) cattle sector (of 5%). The decline in the production value of processed beef is not only the result of changes in the bilateral trade relationship with Mercosur countries, but is also caused by a decline in Dutch exports of beef to other markets; for example, sales of Dutch beef in other EU Member States are declining as a result of the increased and competitive supply of beef from Mercosur in these markets, which are so important to the Netherlands. Note that Dutch beef largely comes from dairy cows and is of a different quality than 'Hilton beef' and other beef from Mercosur countries, which is generally of high quality. The production of poultry meat and sugar in the Netherlands is declining for the same reason.[29] In addition, although the changes in the bilateral trade balance seem to intuitively explain the production response in most sectors, the ultimate production effects of the trade agreement are the result of the interplay of three factors: the extent to which price effects resulting from tariff changes are passed on to the final consumer within the supply chain (so-called price transmission), the share of export or import value in domestic production value (so-called trade exposure) and shifts in the competitiveness of the Netherlands in markets other than the Mercosur countries (the so-called indirect effect of the trade agreement, which occurs for example in the European market, where the Dutch competitive position deteriorates because the supply from Mercosur becomes more attractive).[30] The result of the effects of these factors can even lead to a change in production that indicates a different direction than the change in the bilateral trade balance would suggest (see Figure 3.9 and Figure 3.15 for the other EU countries). For example, the production value of animal feed in the Netherlands will decrease slightly (-0.5%), while the bilateral trade balance with Mercosur has improved (although the change in value is small, namely 4 million euro).

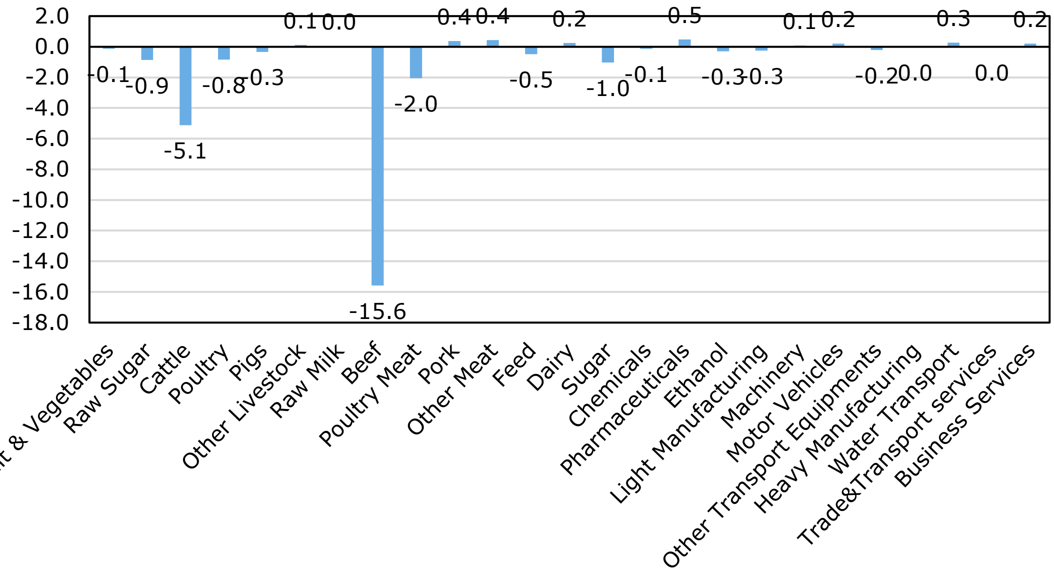

Figure 3.9 *Change in Dutch production due to full implementation of the EU-Mercosur trade agreement (%)*

Below the consequences of the trade agreement for production are expressed in values. The percentage changes as presented in Figure 3.9 also translate into a considerable amount for the beef processing sector. On the other hand, a relatively small percentage change in the production of Business services coincides with a higher production value of more than 500 million euros.

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[29] Note that both primary livestock farming and the related processed meat sectors are represented in MAGNET. The model has four primary livestock sectors (cattle, poultry, pigs, other livestock) and four related meat sectors (beef, poultry, pork, other meat). Since trade mainly concerns processed meat and not live animals, we only report the processed meat sectors for the trade figures (e.g. Figures 3.4-3.8). For production, we report the related livestock sectors, as an outcome of the supply chain effect modelled in MAGNET.

[30] In calculating the effects of the Mercosur trade agreement, it is assumed that the importer passes on the full reduction of the import tariff agreed in the agreement to the final buyer of the traded product. The trade exposure of product categories follows from the (historical) data of the model and the changes in competitiveness are the outcome of the model simulation of the effects of the price changes due to tariff changes.

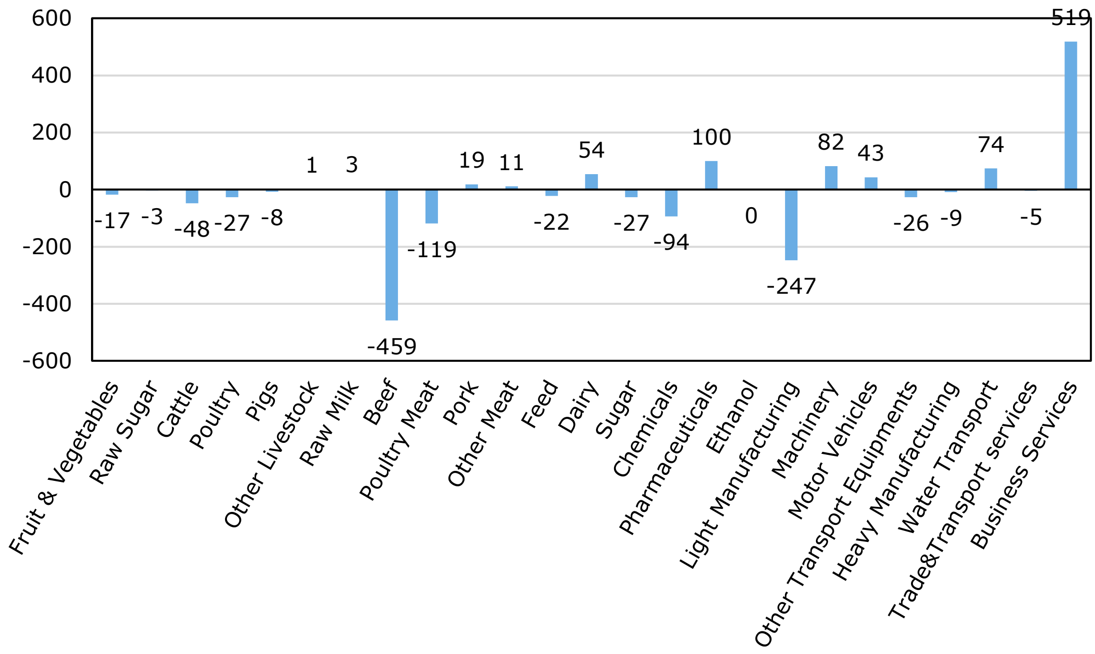

Figure 3.10 *Change in Dutch production (in euros)*

3.2.2 Impacts on trade and production in the Rest of the EU

As a result of the EU-Mercosur trade agreement, exports from the Rest of the EU will generally increase. A comparison of the effects on exports for the Rest of the EU (Figure 3.11) and for the Netherlands (Figure 3.4) shows that the percentage changes in export values in both regions show a similar pattern. For example, exports from both the Rest of the EU and the Netherlands will increase for a number of agricultural products, with the largest percentage increase for dairy products. The second largest percentage increase in exports from the Rest of the EU is, as for the Netherlands, expected for the machinery sector. That the pattern of export growth is the same for the Netherlands and the Rest of the EU is not surprising, since the trade agreement negotiated by the EU applies to all member states.

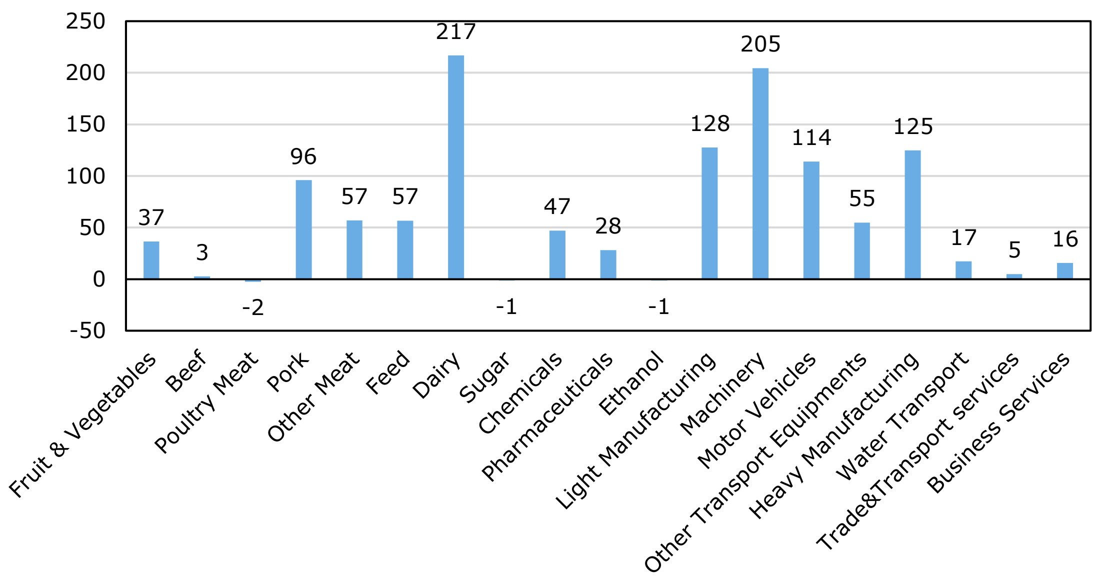

Figure 3.11 *Change in Rest of EU export to four Mercosur countries (%)*

In terms of changes in values, export expansion in Rest of the EU, like in the Netherlands, occurs mostly in manufacturing sectors instead of agri-food sectors, as shown in Figure 3.12. In Rest of the EU, Machinery enjoys the fastest export growth (23.2 billion euros), far exceeding its counterpart in the Netherlands, due largely to the sheer economic size in the Rest of the EU.

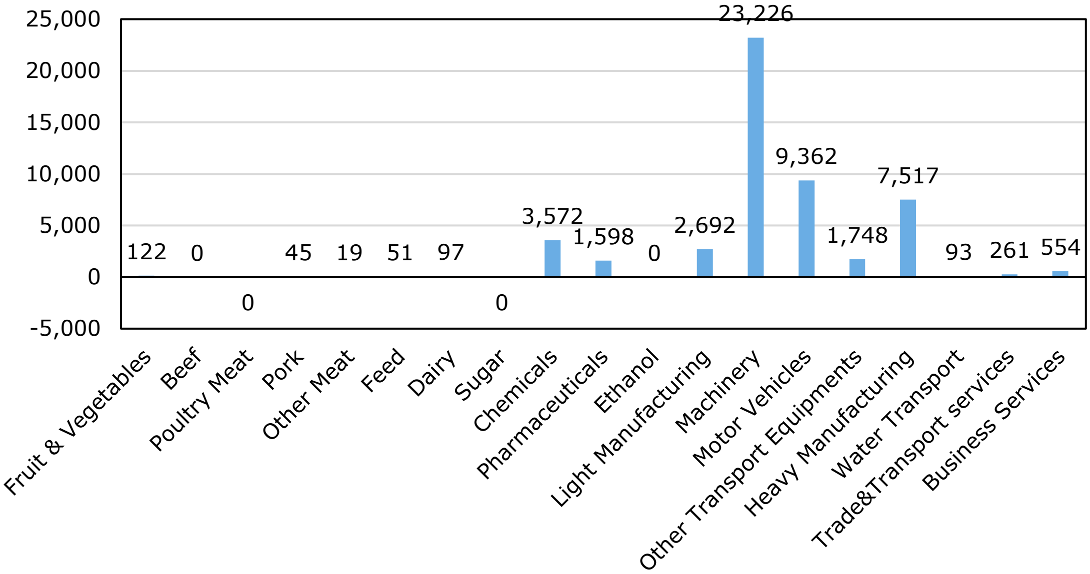

Figure 3.12 *Change in Rest of EU export to four Mercosur countries (million euros)*

Similar to the Netherlands, import in Rest of the EU will also increase under the agreement, mostly in agri-food products and manufactures with agri-food import rising relatively faster, as shown in Figure 3.13. Dairy import registers the fastest growth (275%), followed by quota products Beef and Poultry Meat. The imports expected to rise in Rest of the EU are slightly different from the Netherlands, reflecting the different competitiveness across sectors between the two regions.

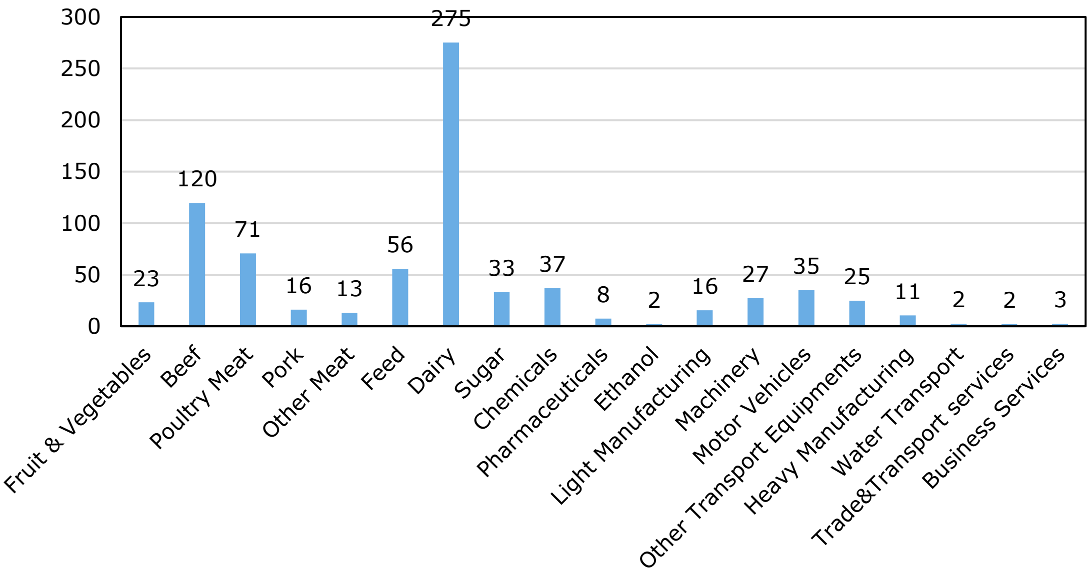

Figure 3.13 *Change in Rest of EU import from four Mercosur countries (%)*

Expressed in values, manufactures in Rest of the EU are expected to get solid import growth, especially products produced by Light Manufacturing (such as beverages, textiles, wood and paper products) with an expected increase of nearly 1.4 billion euros (Figure 3.14). This is followed by the quota agri-food product, Beef, of which imports are set to grow approximately by 1.3 billion euros. Although enjoying a fast increase in percentage changes, Dairy sector will not gain much in values indicating a small import amount at the pre-agreement stage.

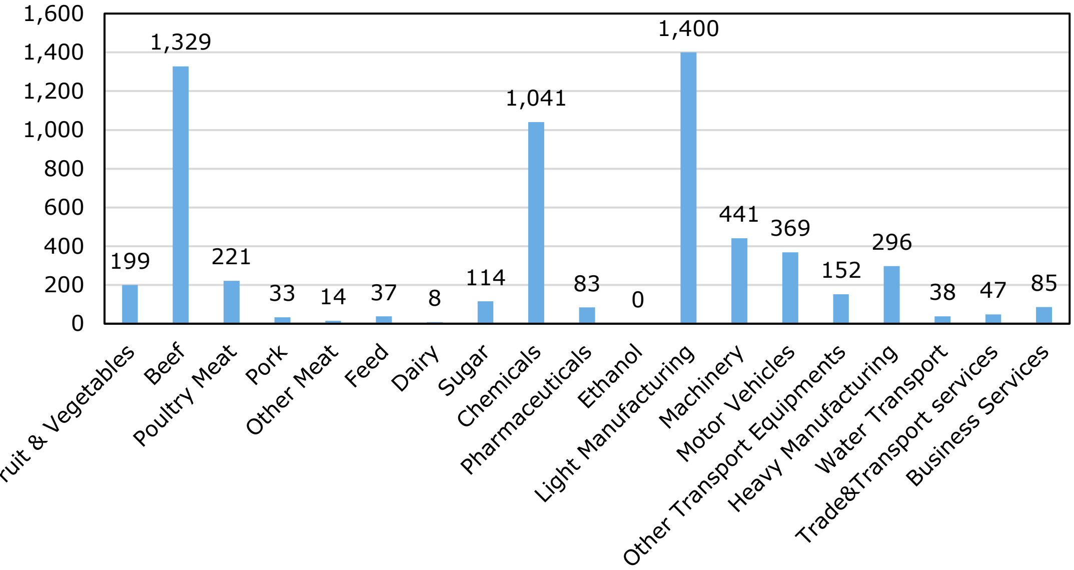

Figure 3.14 *Change in Rest of EU import from four Mercosur countries (million euros)*

Due to the increase in exports and imports of agri-food products, the net trade position for these products has hardly changed for the EU26; only beef and poultry meat see a modest deterioration in their trade balance (Figure 3.15). However, the manufacturing sectors show a completely different picture: the trade balance of the sectors distinguished in the figure will improve strongly, partly due to the growth in exports of computers, electronics and optical instruments (only belonging to the product category Machinery). The service sectors also show an improvement in their trade balance.

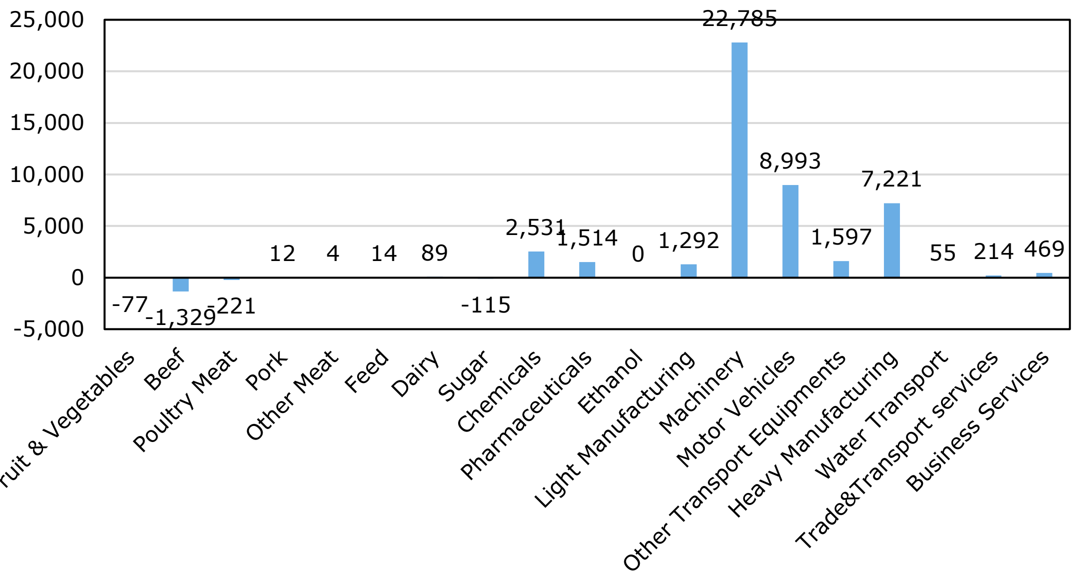

Figure 3.15 *Change in Rest of EU trade balance with four Mercosur countries (million euros)*

The landscape in the trade balance movements in Rest of the EU gives a good indication for the domestic production in the affected sectors (Figure 3.16). Apart from Beef and Cattle which would experience more pronounced declines, most other sectors are expected to decline modestly, with Machinery and Motor Vehicles expected to have a significant expansion in domestic production largely consistent with the change in trade positions in these sectors. Notably, the magnitude of the decline in beef production in the Rest of the EU (1.9%) is much smaller than that in the Netherlands (15.6%). This difference is caused mainly by the different trade exposures in beef in the two regions (in the EU, only about 5% of production is exported abroad, in the Netherlands it is more than 80%).

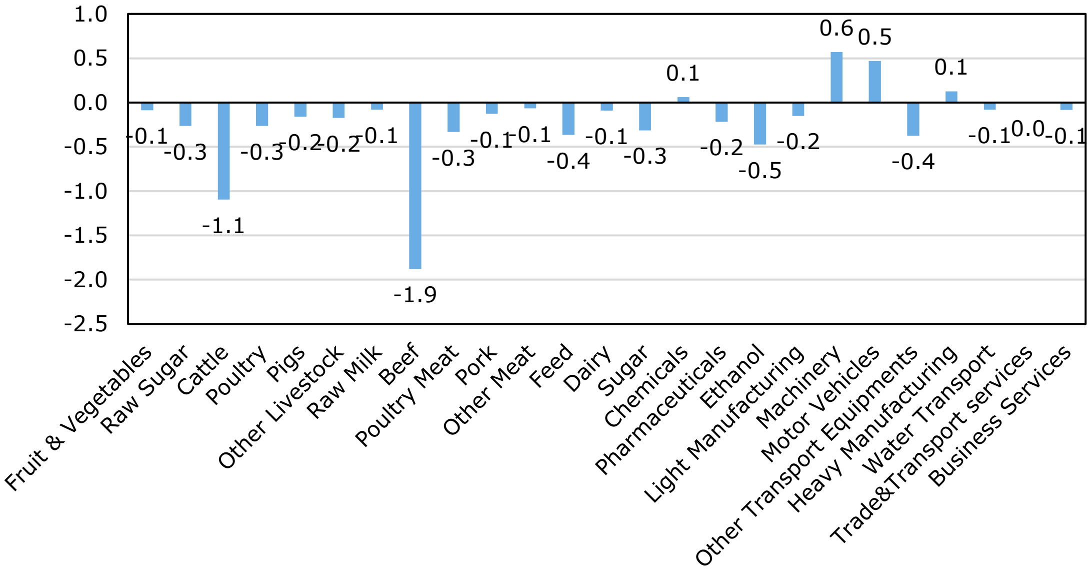

Figure 3.16 *Change in Rest of EU production (%)*

3.3 Macroeconomic impacts

The impacts of the trade agreement on export, import and domestic production in the EU and Mercosur countries are eventually reflected at the macroeconomic level, observable through the GDP growth indicator. Figure 3.17 shows that under the full implementation of the trade agreement, Mercosur countries would have a higher GDP growth rate than the EU economies, which is largely consistent with the scheduled trade cost reductions shown in Figure 3.3.

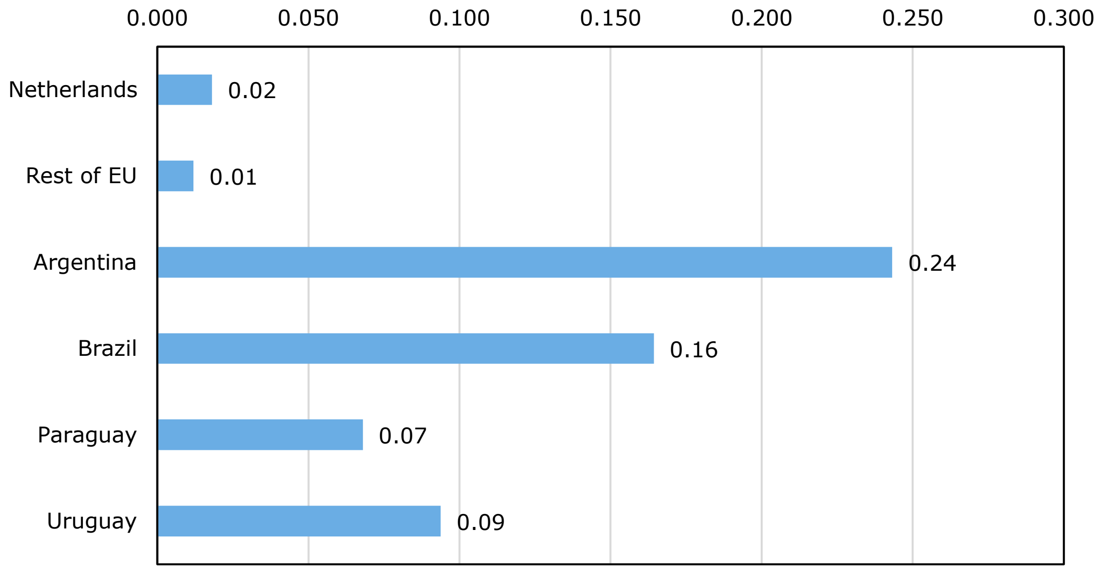

Figure 3.17 *Change in GDP (%)*

Dutch GDP is expected to have a modest gain in value (0.018% or 239m euros, see Figure 3.18). By contrast, Rest of the EU would gain more in GDP value (0.012% or 2588.4m euros) than the Netherlands and most of the Mercosur countries, given the relatively larger size of the EU economy. The largest economies in Mercosur, Brazil and Argentina, are expected experience considerable GDP growth (both in percentage change and in value), with Brazil benefiting the most. The smaller economies in Mercosur, Paraguay and Uruguay, would only see a small increase in GDP of €53.6m and €115.2m respectively.

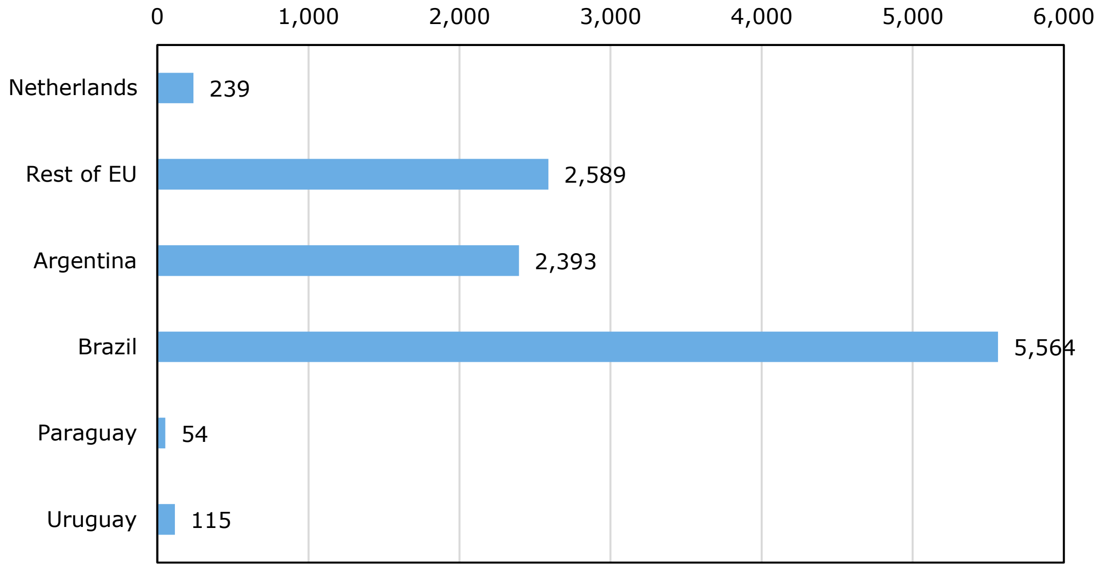

Figure 3.18 *Change in GDP (million euros)*

3.4 Conclusions from the model simulations

Based on our MAGNET analysis of the EU-Mercosur trade agreement scenario compared to the business-as-usual baseline for the projection period 2025-2040, the main conclusions from the projected impacts of the trade agreement are:[31]

Macroeconomic impacts are expected to be particularly small for both the Netherlands (+0.02%) and the Rest of the EU (+0.01%). These are slightly higher for the Mercosur countries. By contrast, enforcement of the trade agreement would see Argentina and Brazil showing the largest GDP growth, gaining an additional 0.24% and 0.17% GDP, respectively, and Paraguay and Uruguay adding 0.07% and 0.09% to their respective GDP in 2040 compared to the baseline level.

At the sectoral level though there are more pronounced effects, with several industrial and services sectors in the Netherlands and the Rest of the EU showing relatively strong export growth, such as Business and Trade services and Machinery and Heavy Manufacturing sectors.

In the agrifood sector, the effects will be greatest for beef and poultry, due mainly to the increased competition in import from Mercosur. As the production value in the Beef processing sector contracts so does the upstream livestock sector, Cattle. Production values in the Dutch and EU's poultry sector are also expected to decline as a result of the expanded import of poultry meat from Mercosur countries.

In terms of the impacts on Dutch bilateral trade balance with Mercosur, Beef is expected to experience the most decline in trade balance (278 million euros). By contrast, manufacturing and services sectors are expected to improve on their trade balances, with Business Services expected to gain the most (+780 million euros), followed by Machinery (474 million euros). The aggregate Dutch bilateral trade balance for all commodities and services is expected to increase by 879 million euros.

[31] When interpreting the scenario results of the implementation of the EU-Mercosur trade agreement, it is important to emphasise that these are deviations from the baseline scenario result in the year 2040; it is not about growth rates relative to 2025 or another reference year.

4 Income effects of the trade agreement on Dutch family farms

4.1 Introduction

Similar to the 2020 study, we continue detailing the income effects of the trade agreement on family farms.[32] In this chapter the results at sector level of the trade agreement scenario are used to estimate farm-level income effects for the main farm types included in the Farm Accountancy Data Network)[33] of Wageningen Social & Economic Research. In order to estimate the income effects, farm price and volume changes resulting from the implementation of the Mercosur trade agreement according to the MAGNET model simulation in the previous chapter are implemented within a farm-level model.[34]

As indicated earlier, the analysis results in first order effects only, and does not include impacts of possible changes in the behaviour of farmers (e.g., by changing their cultivation plan or increasing yields), nor changes in land or capital prices, or structural changes in the sector (that is, changes in size of operation, the number of farms, farm structures – i.e., what crops they produce and how much – and technologies used) over time. Moreover, we hold production volume constant; this makes it truly a 'price effects alone' impact assessment, without incorporating dynamic adjustments in farm production levels that normally would follow price changes. In this simplified approach, we do not simulate a farm level income in the baseline scenario for 2040 as this would require a number of important assumptions on the issues mentioned in the previous sentence, which is beyond the scope of this study. Alternatively, income effects due to the Mercosur agreement are related to the current income situation, showing the effects as if the Mercosur agreement is directly and fully implemented, or – to put it differently – as if farm income levels in 2040 in the baseline scenario (without a EU-Mercosur trade agreement) were the same as the average of 2018-2023 (our reference).

Farm level price changes due to the EU-Mercosur trade agreement are relatively small, ranging from +0.1 to -0.5% for all (13) primary products included in the MAGNET model simulation in Chapter 3, which subsequently lead to minor changes in primary production as well. The price changes of the product categories our analysis on income effects is focused on, are summarised in Table 4.1. Changes are highest for cattle farmers producing beef and/or veal (a combined category in the MAGNET model), whereas price changes in the other product categories are practically nil, given that expected imports from Mercosur of these products are negligible (see section 3.3 for the explanation).

Table 4.1 *Applied price change (%) per product category*

Product category	Price change estimation	Note
Sugar beet	-0.03	Reflects price changes for the whole the crop sector
Cattle livestock (beef & veal)	-0.44	Calf fattening for veal meat production is a separate sector in the Netherlands
Poultry livestock (poultry meat and eggs)	0.04	A similar price change is assumed for poultry meat and for poultry egg producing farms
Pork livestock	0.04	
Raw milk	-0.01	
Animal feed	0.08	In Dutch feed composition, oilseed cakes have a big share but there are also many other inputs including services, equipment and energy and whose price changes as a result of the trade agreement affect the production of animal feed

Source: MAGNET results.

32 Farms to which the price and volume effects relate are almost all family businesses except for a few mega companies. Only in greenhouse horticulture one finds (many) companies being a legal entity with employees.

33 The Farm Accountancy Data Network (FADN) is a stratified sample in which farms are recruited per size per farm class (strata). See for more information https://www.wur.nl/nl/Onderzoek-Resultaten/Wettelijke-Onderzoekstaken/Centrum-voor-Economische-Informatievoorziening-1/Land-en-tuinbouw.htm The Farm Accountancy Data Network from A to Z.

34 This is a calculation tool that is based on individual FADN farm-level data on prices and volumes. The tool can simulate the effect of changes in prices and volumes on revenues, costs and incomes, per farm and farm type.

An important note has to be made with regard to price effects simulated for the cattle livestock sector. Beef and veal are one aggregate sector in the MAGNET model, which leads to one estimated price effect for the two products which in reality are highly distinct meat types. For instance, white veal meat is a high quality (luxury) product that is sold at much higher prices than 'average' beef, whereas also rosé veal meat is relatively expensive compared to beef. The veal meat market differs strongly from the beef market in terms of market segment and export focus – Italy and France are major markets – where quality is the distinguishing factor more than price. Moreover, veal production is highly vertically integrated, which helps the sector to benefit from economies of scale and absorb price shocks (Bakker et al., 2012; Berkhout et al., 2019).[35] In addition, Mercosur countries do not export veal meat to the EU and are not expected to do so as a consequence of the trade agreement with the EU. Effects of the agreement on the veal market in the EU will therefore be indirect via impacts on the beef and other meat markets affecting demand for veal meat in the EU. Based on these factors, veal meat selling price levels are assumed not to be affected by the EU-Mercosur trade agreement.

4.2 Linking price changes[36] to farm types

The price effects link to meat (beef, veal, pigs and poultry), milk, sugar and animal feed. That is, the price effect of different types of meat on the turnover of beef, pork and poultry meat of each individual farm is applied as well as the price effect of milk, sugar and fodder on the turnover from milk and sugar beets and on costs of purchased fodder for the animal sector. These effects are translated into (specialised) so-called NSO farms types.[37] These types are arable farms, dairy farms, pig farms, broiler farms, laying hen farm, veal calf farms, and beef cattle farms (cattle kept for meat primarily, not for milk). In addition, a residual group is distinguished, that includes sheep, horses and goat farms, mixed farms (not captured in the other crop and animal farm types), and horticulture companies (greenhouse and open ground).

Table 4.2 provides an overview of the number of farms per farm type in the Netherlands. For each farm type, a normalised revenue is indicated, which indicates the size of an average company in 1,000 euros and represents a standardised output (SO) on an annual basis. This allows comparison of the economic performance of different farm types. In the table below, the term 'Income from farming per annual working unit (AWU) unpaid' is also used. This is the remuneration that the farmer and their households have received for the use of their labour and capital in the company. It also indicates the number of unpaid annual work units per farm type on an average farm. This is relatively high for dairy farming and laying hen farms, which indicates that compared to other farm types, more family members contribute to the operating result on these farms. A six-annual average is used as reference because incomes can fluctuate strongly from year to year. This flattens out major incidental differences between the farm types.

[35] About two-thirds of veal meat production is produced under contract, with farmers getting a fee for housing the animals, energy, manure disposal etc, whereas the integrator owns the calf and supplies the feed. Farmers fees remained rather stable over the years, while selling prices have fluctuated and EU subsidies declined, indicating that price changes of veal meat are mainly absorbed by the integrator's margin. Veal meat price developments not produced under contract are assumed to follow the price developments for meat produced under contract.

[36] In this and the next section, we use the term 'price effect' to indicate the changes in price and volume together as shown in Table 4.1. This total turnover change (price + volume effect) is important because the income is about price and volume.

[37] NSO = the Dutch variance of the European Standard Output typology. See Appendix 3 for a clarification of the farm types.

Table 4.2 *Income per annual working unit (AWU) unpaid, number of AWUs, Standard output (SO) and number of farms; averages of 2018-2023; for selected farm types*

	Number of farms	SO (x 1,000 euros)	Income from farming per AWU unpaid	Number of AWUs unpaid	Income per farm (x 1,000 euros)
Arable farms	7,650	247	83	1.1	92
Dairy farms	14,280	466	58	1.6	94
Pigs farms	1,800	1,067	115	1.2	137
Broiler farms	500	1,292	165	1.3	207
Laying hens farms	640	937	111	1.5	169
Veal calf farms	1,230	703	38	1.3	50
Beef cattle farms	3,590	80	-3	1.0	-3
Other farms	12,890	909	132	1.4	191
Total	42,580	577	85	1.4	118

Source: Farm Accountancy Data Network Wageningen Social & Economic Research. See Appendix 3 for an explanation of the terms business type, SO, income per annual working unit unpaid and annual working unit.

Table 4.2 shows that:
- the size in SO measured on land-based farms (arable farming, dairy cattle and beef cattle farms farms) is the smallest, with beef being the smallest by far.
- the income from farms varies considerably between the types: for example, the income on broiler farms is relatively high and that on dairy farms and veal calf farms is relatively low.
- the income in the group 'beef cattle farms' is even negative (-3,000 in 2018-2023; this was -13,000 in 2016-2018, the reference period used in the 2020 study). This group mainly consists of hobby farms with some meat and pasture livestock, such as originally dairy farms that have sold a large part of their farm (land and milking cows) and continue to hold cattle for slaughter on a small scale.

4.3 Effects of price and volume changes on farm incomes per farm type

Price changes that will result from the implementation of the EU-Mercosur trade agreement will lead to changes in revenues. For the animal sectors, changes in animal feed cost due to price changes in cereals and oilseeds (both are important feed ingredients) are also taken into account. The animal sectors face slightly more expensive animal feed (see also Table 4.1).

Table 4.3 summarises the consequences for incomes (changes in income, taking into account changing costs of animal feed while other costs remain unchanged). Table 4.3 summarises the income impacts (changes in income, taking into account changing feed costs while other costs remain the same). The table presents the income impacts per quintile, which means that the sector population (all farms) is divided into five equal groups and that they are classified according to the level of income impact: the 0-20% group are the 20% farms with the largest income impacts, and so on. The largest negative income impacts can be seen on veal calf farms, poultry egg farms and beef cattle farms. In absolute terms, the negative impacts are 590 euros for an average veal calf farm, 530 euros for an average poultry egg farm and 420 euros for an average beef cattle farm. Incomes on dairy farms also decrease by an average of 330 euros per farm and those of the other sectors slightly less (150-200 euros on average). The table also shows that the income effect for the companies in the first quintile is considerably higher than in the subsequent quintiles, indicating that the effects are rather skewed in each sector. This skewed distribution is related to the cost structure of the companies; in these calculations, the ratio between turnover and feed costs in particular determines the income effect of the trade scenario.

Table 4.3 *Income effects per farm type category, classified according to the level of income effect, euros average 2018-2023 a)*

	0-20%	20-40%	40-60%	60-80%	80-100%	Average
Arable farms	-40	-10	-10	0	0	-20
Dairy farms	-570	-290	-210	-150	-70	-330
Pigs farms	-470	-160	-90	-40	20	-180
Broiler farms	-580	-300	-200	-120	-40	-240
Laying hens farms	-1,070	-480	-290	-140	-10	-530
Veal calf farms	-2,370	-130	30	60	110	-590
Beef cattle farms	-560	-180	-110	-60	0	-420
Other farms	-200	-10	0	0	90	-40
Total	-420	-150	-130	-40	-20	-160

a) As indicated in Section 4.1, we assume that sector income levels in 2040 (end of implementation period of the EU-Mercosur trade agreement) are the same as the averages over the period 2018-2023.

Source: Farm Accountancy Data Network Wageningen Social & Economic Research

In summary, average income effects per farm in 2040 are most significant for veal calf, laying hens and beef cattle farms: at veal calf farms average incomes are 590 euro lower compared to their income levels in 2040 in the baseline scenario, for laying hens farms and cattle farms they are 530 euros and 420 euros less, respectively. Income effects on other farm types are smaller (see Table 4.4).

Table 4.4 *Income per farm (2040), income effects due to the EU-Mercosur trade agreement and Share of income effect in average Income per farm (average 2040), per farm type*

	Income per farm (1,000 euros)	Income effect (euros)	Share of income effect in Average Income 2018-2023 (%)
Arable farms	92	-20	0.0
Dairy farms	94	-330	-0.4
Pigs farms	137	-180	-0.1
Broiler farms	207	-240	-0.1
Laying hens farms	169	-530	-0.3
Veal calf farms	50	-590	-1.2
Beef cattle farms	-3	-420	-13.3
Other farms	191	-40	0.0

Note: farm incomes in 2040 are assumed to be equal to the average farm income over the years 2018-2023.

5 Main findings

Responding to the Kamminga et al. motion passed by the Dutch parliament on 31 January 2024, this study provides a quantitative analysis of the EU-Mercosur agreement in principle, which was signed on 28 June 2019. In the trade agreement, the EU and Mercosur agreed to liberalise tariffs by 91% and 95%, respectively, within 15 years; to implement new TRQs; and to facilitate market access through other provisions. While current Dutch trade relations with Mercosur are limited (exports to Mercosur are 3% of total EU-external exports), Dutch exporters are anticipate to gain in particular from the tariff liberalisation as all EU exporters face relatively higher tariffs to enter the Mercosur market. In addition, new Mercosur TRQs on cheese, milk powders, and infant formula implemented under the trade agreement have quota levels higher than current levels of trade and, as such, are anticipated to spur trade.

The MAGNET model was used to quantify the macroeconomic and sectoral level of the EU-Mercosur Trade agreement, under a hypothetical full implementation by 2040. Compared to the 2020 study underlying assumptions on GDP and population growth were aligned with most recent projections and EU's most recently established trade agreements were taken into account. Macro-level tariff and export tax changes were calculated from the Market Access schedule, new and updated TRQs were implemented, and NTMs were modelled using estimates from the World Bank and the OECD (in a similar approach as in the 2020 study). Macro-level price and volume changes from MAGNET were implemented in a farm level model to estimate impacts on income levels for a series of farm types.

At the macro level, expected effects of the EU-Mercosur trade agreement for both the Netherlands and the Rest of the EU27 are very small with the Netherlands gaining 0.02% in GDP and the Rest of the EU27 gaining 0.01% in GDP. These results are reflective of the economic composition in Europe with the largest sectors in terms of output being services, accounting for more than two-thirds of total economic output in Europe. The main price gains from the agreement are from tariff liberalisations and TRQs. However, the beneficiary sectors of this tariff-line liberalisation (agriculture and manufacturing) are the minority components of the total economic output of the Netherlands, and, changes in these sectors will only accrue proportionally to the economy-wide effects.

At the sectoral level, however, the effects are more varied, with gains and losses driven by relative sectoral trade exposure and trade costs in current bilateral trade relations with Mercosur. In the Netherlands, several manufacturing sectors and business services will be benefitting from increasing market access due to lower tariffs, expanding their exports (in absolute terms) to the Mercosur market significantly. The Dutch machinery and business service sector in particular will benefit from improved markets access to Mercosur countries, improving their bilateral trade balance significantly. Production increase is rather modest though in these sectors. In contrast, the Beef and poultry (processing) sector faces relatively high levels of import competition and production in these sectors contracts by 15.6% and 2%, respectively. Likewise, production in the Cattle sector contracts by 5.1%, following the Beef processing sector contraction. An important note is, that due to current differences in SPS standards in the EU and Mercosur, the increase in imports from Mercosur into Europe would be dependent upon compliance with EU legislation on food safety and SPS standards. Overall, while trade gains vary by sector, in net, the trade balance between the Netherlands and Mercosur grows positively from the trade agreement, indicating that overall export growth to Mercosur outpaces import growth from Mercosur.

Turning to the impacts of the trade agreement at farm-level, income effects are estimated to be less than 2040 baseline levels for specialised veal (calf) farms (-590 euros), layne hens farms (-530 euros) and beef cattle farms (-420 euros on average), Income effects for the other farm types are negative as well but smaller than the three farm types mentioned. For these outcomes, the caveat is that changes production volumes and in the structure of the sector over time have not been taken into account, so that changes in returns are included but not adjustments in scale and costs.

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Appendix 1 The Parliamentary motion by Kamminga and others

MOTIE VAN HET LID KAMMINGA C.S.
Voorgesteld 31 januari 2024

De Kamer,
gehoord de beraadslaging,

constaterende dat de Tweede Kamer meerdere malen haar zorgen heeft geuit over het EU-Mercosur-verdrag, onder meer om de bezorgdheid dat dit verdrag zou leiden tot een toename van oneerlijke concurrentie voor Europese boeren;

overwegende dat Nederlandse boeren er, zeker in deze tijden, op zouden moeten kunnen rekenen dat het kabinet hen beschermt tegen oneerlijke concurrentie van buitenaf;

verzoekt het kabinet voorafgaand aan besluitvorming over het EU-Mercosur-verdrag een update te ontvangen van het rapport van Wageningen Economic Research, en specifiek te onderzoeken wat de effecten zullen zijn op de Nederlandse landbouwsector als het Mercosurverdrag zal worden ingevoerd,

en gaat over tot de orde van de dag.

Kamminga
Van Campen
Boswijk
Vedder

Tweede Kamer, vergaderjaar 2023–2024, 36 410 XVII, nr. 24

Appendix 2 Executive Summary of the 2020 study (in Dutch)

Executive summary in Carrico, C., S. van Berkum, A. Tabeau, J. Jager, N. Plaisier, 2020. *Impacts of the EU-Mercosur trade agreement on the Dutch economy.* Wageningen, Wageningen Economic Research, Report 2020-065

Dit onderzoek is uitgevoerd naar aanleiding van de motie van Voordewind c.s., die is aangenomen door de Tweede Kamer op 4 juli 2019 en waarin de overheid werd gevraagd om een kwantitatieve analyse van de effecten van het EU-Mercosur-akkoord op de Nederlandse economie. Het onderzoek gaat in op de effecten van het akkoord op de Nederlandse handelsstromen, het nationale inkomen en productie voor de landbouw-, industriële en dienstensectoren. De analyse toont de gevolgen voor de volgende specifieke sectoren: pluimveevlees, zuivel, rundvlees, varkensvlees, diervoeder, suiker, ethanol, chemicaliën, geneesmiddelen, machines, en handels- en transportdienstverlening. De analyses op bedrijfsniveau worden uitgevoerd voor Nederlandse gezinsbedrijven in de vlees- en zuivelsectoren.

Na twintig jaar onderhandelen werd op 28 juni 2019 het EU-Mercosur-akkoord gesloten (hierna akkoord genoemd). De EU en Mercosur kwamen overeen om importtarieven van respectievelijk 95% en 91% van alle tarieflijnen te verminderen over een periode van 15 jaar vanaf het moment van ratificatie. Daarnaast worden nieuwe importtariefcontingenten (importvolumes die tegen een gereduceerd of nultarief worden geïmporteerd) geïmplementeerd, waarvan sommige voortborduren op bestaande contingenten. Er zijn verder bepalingen in het akkoord opgenomen om markttoegang te faciliteren, waaronder afspraken over (het naleven van) sanitaire en fytosanitaire normen en technische handelsbarrières. Het beginselakkoord (het openbare document van de Europese Commissie waarin het akkoord wordt beschreven, van 1 juli 2019) geeft aan dat het akkoord belangrijke nieuwe mogelijkheden biedt voor bedrijven om diensten en producten aan te bieden aan beide kanten van de Atlantische Oceaan, maar op het moment van schrijven van dit rapport ontbreekt het aan gedetailleerde afspraken om dat te kunnen bevestigen.

De huidige Nederlandse handelsrelaties met Mercosur zijn beperkt: de Nederlandse export naar Mercosur bedraagt slechts 2,3% van de totale export naar landen buiten de EU in 2018. Dit is vergelijkbaar met de EU als geheel, waarvan de export naar Mercosur maar 2,2% van de export naar niet-EU-landen bedraagt. Ook de import vanuit Mercosur is in verhouding laag, met 2,7% en 2,0% van de import uit niet-EU-landen voor respectievelijk Nederland en de EU.

Met de huidige tariefstructuur betalen Nederland en andere exporteurs in de EU veel hogere tarieven om tot de Mercosur-markt toe te treden dan dat Mercosur betaalt om tot de EU-markt toe te treden. De gemiddelde tarieven voor Mercosur-goederen die in de EU worden geïmporteerd zijn bijvoorbeeld maar 3%. Daarentegen liggen de gemiddelde tarieven voor EU-goederen die in Mercosur worden geïmporteerd tussen 7% (Paraguay) en 14,4% (Argentinië). Gegeven de verschillen in relatieve tarieven van exporteurs in Nederland, de EU en Mercosur kunnen exporteurs in Nederland en de EU dus relatief meer rendement verwachten door de nieuwe tariefliberalisering onder het akkoord.

De EU past tariefcontingenten toe op de invoer van rundvlees, pluimveevlees, suiker en knoflook uit Mercosur. Hoewel er momenteel verschillende tariefcontingenten van kracht zijn op rundvlees uit alle Mercosur-landen, gelden de contingenten voor de import van pluimveevlees en suiker alleen voor Brazilië en de contingenten op knoflook alleen voor import uit Argentinië. Onder het akkoord worden deze contingenten vervangen met nieuwe tariefcontingenten voor de hele Mercosur voor rundvlees, pluimveevlees, varkensvlees, ethanol, rijst, honing, maïs, kaas, melkpoeder en babymelkpoeder. Alleen voor Brazilië en Paraguay worden nieuwe contingenten op suiker geïntroduceerd. Mercosur introduceert tariefcontingenten op kaas, melkpoeder en babymelkpoeder uit de EU. De contingenten die onder het akkoord worden geïmplementeerd zijn vaak hoger dan de huidige hoeveelheden en daarom is de verwachting ook dat de handel toe zal nemen.

Naast importtarievenzijn er ook andere belangrijke handelsbelemmeringen tussen Nederland (en de EU) en Mercosur, die voortkomen uit niet-tarifaire maatregelen. In de EU-Databank Markttoegang (MADB) zijn een aantal problemen genoemd op het gebied van fytosanitaire normen en technische standaarden voor EU-exporteurs naar de Mercosur-markt, waaronder onvoldoende bescherming van intellectuele eigendomsrechten en geografische indicaties, en extreem lange procedures om bijvoorbeeld fytosanitaire controles (risicoanalyse op plantenziekten) uit te voeren of om exportvergunningen goed te keuren. Hoewel de afspraken in het akkoord bedoeld zijn ter verbetering van veel van deze problemen, doet het aantal problemen vermoeden dat het verbeteringsproces erg veel tijd en middelen zal kosten.
Om inzicht te krijgen in de verwachtingen rondom het akkoord zijn er gesprekken gevoerd met vertegenwoordigers van het Nederlandse bedrijfsleven in de landbouw-, industrie- en dienstensectoren. Zij gaven aan dat de handel op den duur naar verwachting zal toenemen door de verlaagde tarieven. Ook betwijfelen ze of het akkoord er voor zal zorgen dat de regelgeving omtrent fytosanitaire normen en technische standaarden beter op elkaar worden afgestemd en worden geïmplementeerd zodat de handel wordt aangemoedigd. De huidige openbaar beschikbare tekst van het akkoord beschrijft vooral het samenwerkingsproces om overeenkomstige standaarden te bereiken, maar niet welke doelen wanneer moeten worden behaald. Daarom is het volgens de geïnterviewden uit het bedrijfsleven erg onzeker of dit handelsakkoord de belemmeringen die voortkomen uit verschillen van huidige niet-tarifaire maatregelen zal verhelpen.

De effecten van het akkoord zijn kwantitatief doorgerekend met het MAGNET-model, een mondiaal economisch model met internationale handelsnetwerken. Dit model is gebruikt om inzicht te krijgen in de effecten op macro-economisch en sectorniveau vanuit een hypothetische volledige implementatie van het akkoord in 2035. Op basis van de tariefveranderingen op gedetailleerd productniveau (8-cijferige tarieflijnen) zijn veranderingen in samengestelde tarieven en exportheffingen voor geaggregeerde goederen bepaald. Verder zijn de nieuwe tariefcontingenten geïmplementeerd. Tenslotte zijn de aangedragen versoepelingen van handelsbarrières door niet-tarifaire maatregelen gemodelleerd met schattingen van handelskosten veroorzaakt door niet-tarifaire maatregelen voor goederen, gedaan door de Wereldbank, en voor diensten, gedaan door de Wereldbank en de OESO.

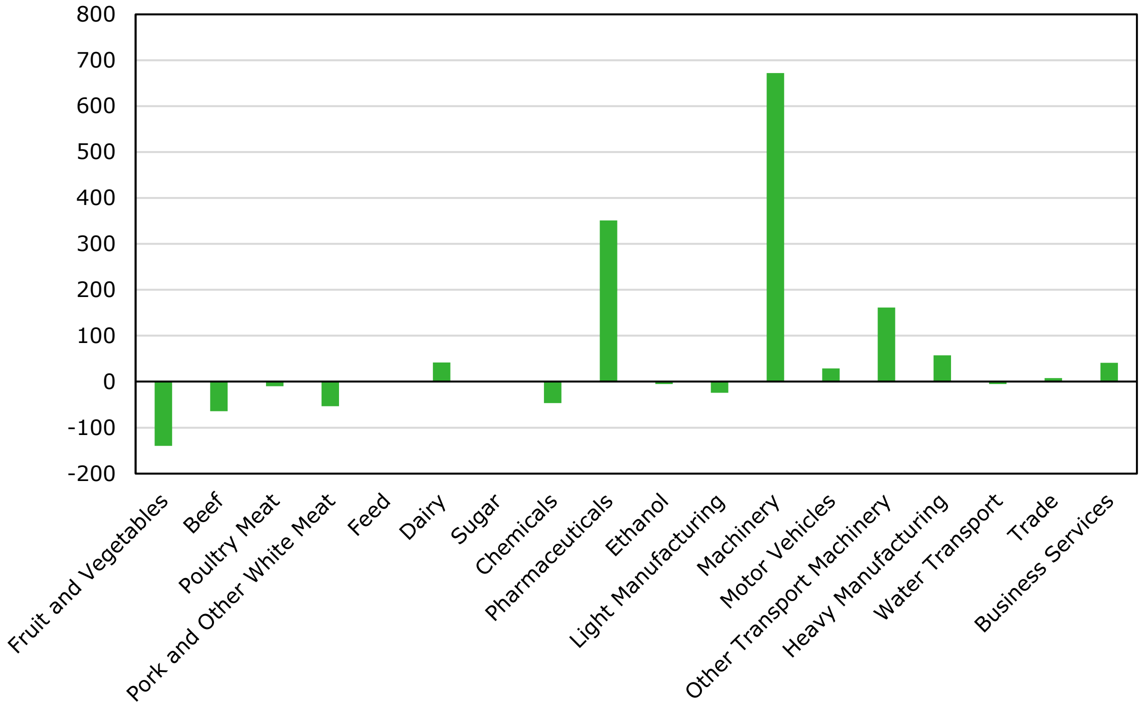
De modelresultaten tonen zeer bescheiden geschatte macro-economische effecten van het akkoord voor Nederland, met een verwachte bbp-stijging van 0,03% oftewel 287 miljoen euro in 2035, uitgaande van een volledig geïmplementeerd akkoord in dat jaar en in vergelijking met een basisscenario in 2035 zonder akkoord. Naar schatting stijgt het bbp van de rest van de EU-27 met 0,02% oftewel 2,9 miljard euro. Deze lage percentages komen vooral door de economische structuur van Nederland en de EU, waarbij diensten, met meer dan tweederde van de totale economisch output, de grootste sector is. Dat betekent dus dat de landbouw- en industriesectoren, die het meest beïnvloed worden door de liberalisering (via veranderingen in tarieven en tariefcontingenten) in het kader van het akkoord in feite kleine onderdelen van de Nederlandse en Europese economie zijn.

Op sectorniveau zijn er positieve en negatieve effecten voor de Nederlandse economie, grotendeels samenhangend met het relatieve belang van import, respectievelijk export als aandeel van de productie van de sectoren. In Nederland wordt de grootste productietoename verwacht voor de sectoren overige transportmiddelen (geen motorvoertuigen) (1,42%), geneesmiddelen (1,16%) en pluimveevlees (0,93%). De groei van de productie in de pluimveesector wordt veroorzaakt door indirecte effecten van het akkoord. De productie in de pluimveesector in de rest van de EU zal naar verwachting krimpen door de concurrentie uit Mercosur, maar er is genoeg toename van de vraag in de EU waardoor de concurrerende sector in Nederland meer kan afzetten in de rest van de EU-27. De groei van de sectoren voor overige transportmachines en geneesmiddelen wordt veroorzaakt door directe effecten van het akkoord. Deze sectoren exporteren relatief veel naar Mercosur en dus stimuleert de groeiende export productie-uitbreiding. Veranderingen in de (reële) loonsom (de arbeidscomponent van de toegevoegde waarde) in sectoren volgen op productie-effecten.

Importbelemmeringen voor landbouwproducten in Nederland zijn, in vergelijking met die voor de industriële of dienstensectoren, het grootst. Daarom zullen deze sectoren na implementatie van het akkoord relatief met meer concurrentie uit Mercosur te maken krijgen. Vooral de vleesveesector en de groente- en fruitsector zullen meer importeren, met een daling van de productie tot gevolg met respectievelijk 0,61% en 0,21%. De productie in de gehele rundveesector (melk en vlees) krimpt met 0,49%.

Voor de varkensvleessector worden weinig gevolgen verwacht. Er is weliswaar een (klein) tariefcontingent aan Mercosur toegekend, maar vanwege de huidige verschillen in veterinaire standaarden (bijv. EU-verbod op de diervoedertoevoeging ractopamine en dieridentificatie-eisen) wordt niet verwacht dat deze zal worden benut. Zo zal ook de verwachte stijging van de rundvleesimport uit Mercosur naar Europa afhangen van naleving van SPS-normen in overeenstemming met EU-regelgeving. Ook in de afgelopen jaren is de Braziliaanse export van pluimveevlees niet altijd in overeenstemming geweest met de EU-voedselveiligheidsstandaarden. Daarom is de verwachte toename van de export van pluimveevlees van Mercosur naar de EU erg afhankelijk van verdere investeringen in productiemethoden en voedselveiligheidsinspectiesystemen in Mercosur om te voldoen aan EU-regelgeving.

Over het algemeen zijn de netto resultaten voor Nederland positief, zoals te zien in de veranderingen voor de handelsbalans per sector voor bilaterale handel tussen Nederland en Mercosur in figuur ES.1. Uit de bilaterale handelsbalans van landbouwproducten blijkt dat voor deze producten (uitgezonderd zuivel) de import meer groeit dan de export. De netto afname is echter relatief klein in vergelijking met de substantiële groei van de handelsbalans in de industriële sectoren en dus is de totale groei van de handelsbalans voor alle sectoren positief.



Figuur ES.1 *Veranderingen in de handelsbalans in 2035 tussen Nederland en Mercosur onder het Mercosur-akkoord, miljoen €*

Op basis van de met het MAGNET-model verkregen prijs- en volumeveranderingen voor landbouwproducten zijn de inkomsteneffecten op bedrijfsniveau ingeschat. De gevolgen zijn positief voor varkensbedrijven (gemiddeld 2.100 euro per bedrijf) en pluimveebedrijven (gemiddeld 700 euro voor vleeskuikenbedrijven en 1.200 euro voor legkippenbedrijven. De inkomsteneffecten voor melkveebedrijven en akkerbouwbedrijven zijn nagenoeg nul. Pluimvee- en varkensbedrijven halen voordeel uit lagere diervoederprijzen. De inkomsteneffecten voor vleesvee- en vleeskalverenbedrijven zijn negatief. Het gemiddelde inkomsteneffect van 800 euro voor vleeskalverenbedrijven komt overeen met een afname van 2% ten opzichte van het gemiddelde inkomstenniveau in 2017-2019. Er zal vooral een negatief effect zijn op de inkomsten van de grotere bedrijven waar ook volwassen vleesrunderen worden gehouden. Voor vleesveebedrijven – een relatief kleinschalig bedrijfstype in Nederland met negatieve langetermijninkomsten – wordt het negatieve effect geschat op een afname van 700 euro van het gemiddelde inkomen per bedrijf, oftewel 5,4%. Als kanttekening bij deze uitkomsten op bedrijfsniveau moet worden genoemd dat er geen rekening is gehouden met structurele veranderingen in de sector in verloop van tijd. Daarom zijn veranderingen in opbrengsten wel meegenomen, maar veranderingen in de schaalgrootte en kosten (m.u.v. voerkosten die het directe gevolg zijn van het afsluiten van het akkoord) zijn niet meegenomen in de simulaties op bedrijfsniveau.

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REPORT 2025-020

The mission of Wageningen University & Research is “To explore the potential of nature to improve the quality of life”. Under the banner Wageningen University & Research, Wageningen University and the specialised research institutes of the Wageningen Research Foundation have joined forces in contributing to finding solutions to important questions in the domain of healthy food and living environment. With its roughly 30 branches, 7,700 employees (7,000 fte), 2,500 PhD and EngD candidates, 13,100 students and over 150,000 participants to WUR’s Life Long Learning, Wageningen University & Research is one of the leading organisations in its domain. The unique Wageningen approach lies in its integrated approach to issues and the collaboration between different disciplines.

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