



# Will the UK & Mercosur Sign a Trade Deal?

*A post-Brexit deal would see food, technology and investment flowing in both directions, writes Norberto Pontiroli, member of GPS, a Mercosur-based food security think tank...*

**M**ercosur is the world’s largest net exporter of food, while the UK is one of the greatest net food importers. At present trade levels are low but the potential for a deal between these two complementary sets of economies is massive.

The UK is not a significant market for Mercosur’s exports, accounting for just under 1% of its total external sales. However, for processed food and agri food products, which hereafter will be referred to simply as food, it reaches almost 3%. In 2019, around three quarters of the UK’s food imports came from the EU, with France, the Netherlands, Ireland and Germany the main suppliers. No Mercosur countries are among the main agro-industrial partners of the UK, with the two major economies of the bloc, Argentina and Brazil, ranking 12th and 15th respectively.

It’s striking that total annual UK food imports are worth almost exactly the same as total Mercosur food exports – both are around \$41.5billion. Of course, Mercosur won’t be able to win 100% of the market but early analysis suggests that Mercosur’s wine, beef and poultry producers stand the most to gain from a deal. To a lesser extent onion, garlic and leek; sugar cane derivatives; fruit and vegetable preparations, and fish, would also benefit from a reduction of tariffs.

Food consumption is a socially sensitive issue and it won’t be easy to persuade the British population to begin importing different products from the other side of the Atlantic Basin. It also remains to be seen if the UK will be able to conclude a deal with Mercosur. Yet given that “Brexit” represents a turning point for British foreign trade, the UK will need to build associations and show results for its separation from the EU.



**Mercosur’s wine, beef and poultry producers stand the most to gain from a deal**

### Political environment

Sadly, trade deals aren’t solely signed on the basis of economic rationale – politics plays its part too – and there are three key challenges to a Mercosur-UK deal.

First there is the Malvinas [Falklands] issue. The peaceful resolution of the sovereignty dispute between Argentina and the UK needs time, creativity and political will. There were a series



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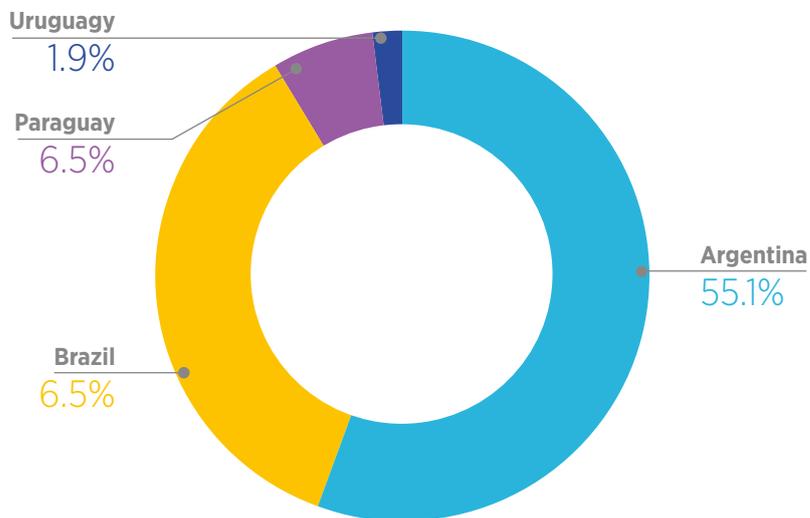
*Norberto Pontiroli is a member of GPS (Group of Producing Countries from the Southern Cone) Argentina and coordinator of the Mercosur-UK working group. He is also co-founder and secretary of Argentina Global Foundation and an expert on foreign affairs and international trade.*

of positive political signals during Mauricio Macri’s administration. Yet the mood changed with the arrival of President Alberto Fernández to power in December 2019, with a number of players whose pushing stronger claims to the UK and in a more aggressive tone. Those voices will have to be managed to ensure productive trade talks.

Second, the current intra-Mercosur situation is problematic. As a negotiating unit, the bloc is going through a difficult time and suffers from the poor state of the bilateral Argentine-Brazilian relationship, which is indispensable to align Mercosur objectives. This is particularly important in 2021, since both countries are holding the pro tempore presidency of the first and second semester, respectively.

And third, there is the scope and prospect of the “Global Britain” vision. At present there seems to be a considerable overload of London’s capacity for foreign economic negotiations following its separation from the European Union last December. This contrasts with Mercosur’s progress with the EU, where a provisional agreement is undergoing the final legal scrubbing process. That said, a deal between Mercosur and Europe could well provide the UK with extra motivation to seal its own deal with South America’s Atlantic nations to ensure that it is not seen as missing

## Which Mercosur country exports the most to the UK?



Source: Prepared by GPS based on Trademap (ITC) data.

out because of Brexit.

### Windows of opportunity

Even though Mercosur is not an explicit priority in Global Britain’s strategy, it can still be an attractive option for the UK. The bloc allows the UK to expand and diversify sources of commodities, food and agro-technology, while gaining access to a market with significant purchasing power. A deal would also highlight the UK’s role as a world player.

Indeed, Mercosur’s progress with the EU could help, acting as the template for any deal with the UK. From that starting point both sides could look to negotiate with a Mercosur-EU “plus” mindset. They could deliver an original, innovative agreement under a foreseeable long-term negotiating agenda, but with more flexibility than carried out with Brussels. In theory it should be less onerous for Mercosur to make a tailor-made deal with the UK than the EU. Because

it is just dealing with one state, not 27, there are fewer potential objections and trade sensibilities, while the UK’s economy is more complementary with Mercosur.

The UK is an attractive market for processed, high-quality foods and associated technologies. But it’s also an economy where 75% of GDP comes from services and finance. That means the UK can play a role in exporting capital and technology to finance growth in Mercosur. Yes, it’s true that the recent past between Argentina and the UK is unfortunate. Yet, if you go further back Britain played a key role in the golden age of many of these economies. Until the First World War the UK was the leading investor, ploughing capital into the meat and leather industry, extensive crops and the lumber sector, to the development of railroads, services and shipping companies, among others. Maybe the ‘better angels’ of our shared past can provide a way forward to the future, and inspire the well-needed pragmatic approach towards a Mercosur-UK agreement.



Will the 1982 war scupper the UK-Mercosur Deal