

MERCOSUR–EU STRATEGIC PARTNERSHIP AGREEMENT

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Chancellor Merkel raises doubts over the agreement and Hogan resigns as Commissioner for Trade



INTRODUCTION

The latest statements made by German Chancellor Angela Merkel's spokesperson about the "significant doubts" over the EU-Mercosur free trade deal, due to the current situation in the Amazon rainforest, caused a great deal of uncertainty. At the same time, Brazil's Vice President, Hamilton Mourão, showed tough towards environmental criticism, although he recognised that an improvement related to how such issues are communicated must be done. Finally, Phil Hogan submitted his resignation as EU Trade Commissioner, which is not good news considering he was regarded as a suitable promoter of the bi-regional partnership.

RATIFICATION PROCESS

In order to implement the Mercosur-European Agreement, a series of steps must first be developed. Since July 2019 both blocs were focused on the legal scrubbing process, in order to unify the use of terminology in the text and harmonize its content. That task has already finished and translations into the different languages of the UE have begun. Afterwards, both blocs will enter into their own decision-making processes.

In the European Union, the Commission will have to rule on the agreement and present it to the Council. To this end, it has two options: if the Agreement is conceived as a Mixed Partnership Agreement, this means that goes beyond the exclusive commercial faculties of the European Union, the approval of all countries will be needed in the Council, opening the possibility to any member to exercise its right to veto. However, if it is considered just as a simply commercial agreement, a qualified majority will be sufficient for the approval (which at the present, does not seem difficult to obtain). A third option is to divide the agreement, ratifying the commercial area in a first instance, in order to sign the agreement with the Common Market Council at the end of the second semester of 2020.

No matter what decision is taken by the Commission, the process continues at the European Parliament, where a simple majority of the votes is required for the approval. What is relevant here is that if it is considered a Mixed Partnership Agreement, it will have to be ratified by all EU member states. In any case, the Council may establish that the Agreement must be applied provisionally, completely or in part, but circumscribed to issues in which the EU has exclusive competence for the sovereignty granted to it by the member states.

Things are simpler in the other block. Once obtained the approval of the Council of the European Union, the institution that will stamp the signature on the agreement on behalf of Mercosur, is the Common Market Council. Subsequently, the ratification of each national legislature will be sought. Therefore, when a Mercosur member ratifies the Agreement in its own Parliament or National Congress, it will enter into force bilaterally between such country and the European Union, without having to wait for the accessions of the remaining members.

MERKEL'S DOUBTS

On August 19th, Uruguay's President Luis Lacalle Pou, who also holds the pro-tempore presidency of Mercosur, attended the annual gathering of the Union of Exporters of Uruguay (UEU). During the event, in addition to calling for a process of openness within the regional bloc, as well as maintaining good relations with both China and the United States, the leader of the National Party referred to the agreement with the European Union (EU) with the following words: *"allow me to put a question mark, but not as something static or decisive, although it is something that requires to be answered. The reason is that all the actors involved, who have suffered from this pandemic, are having a vision that, from my point of view, is not completely clear. Therefore, openness is not only needed within Mercosur, but also with the EU. In this sense, I believe that Germany's pro-tempore presidency can help us to answer this great question mark, among other things to provide clarity in the forthcoming times"*.



Some days later, the news coming from Berlin generated more doubts. After Chancellor Angela Merkel met with environmental activists of the "Fridays For Future" movement, among whom was young Greta Thunberg, the spokesman for the German president, Stephan Seibert, said that even though the Federal Government backs the spirit and intentions of the bi-regional partnership, *"The chancellor's position is that... there are significant doubts as to whether the agreement can be implemented in its intended spirit, considering the current developments and the terrible loss of forests taking place there"*. Furthermore, Luisa Neubauer, one of the environmentalists who participated in the meeting, posted that *"Angela Merkel approved our criticism towards the agreement with Mercosur, and she does not intend to sign it"*. However, this was not confirmed by Seibert due to his refusal to comment on confidential talks.

This hesitation was not approved by the German Industry, which has a very positive view on the agreement. Consequently, the Association of German Chambers of Industry and Commerce (DIHK) issued a statement pointing out that through the partnership *"we would be able to achieve an effective instrument to work towards better social and environmental standards in Mercosur countries in the long term"*, moreover, *"it would provide the urgently needed boost to the economy during the current crisis"*. Indeed, Germany's industrial production is slowly recovering from its biggest drop of the last 30 years, while still suffering the protectionist measures arising around the world during the pandemic.

In addition to what Seibert said, Nikolai Fichtner, spokesperson for the Federal Ministry of the Environment (chaired by Social Democrat Svenja Schulze), stressed that the sustainability chapter of the bi-regional partnership was *"better than anything that has existed in previous agreements of a similar nature"*. Nevertheless, he emphasized that it is crucial that the goodwill of all parties be present, and he added *"we would like to have more certainty about that"*.



Sometimes trying to understand the will of the Brazilian government can be complex. Last month Vice-President Hamilton Mourão, head of the National Council for the Legal Amazon, was more open to environmental criticism, even recognising that *"denial leads nowhere"*. But during August his statements focused on highlighting existing misinformation and remarking that the criticism towards what is happening in the Amazonia is actually born out of European farmers economic concerns. In any case, Mourão said in an interview to EFE news agency that it depends on Brazil to communicate better, *"the environmental issue emerges as an escape valve, and it is up to us to make it clear that the Amazon environmental issue is not within our production"*, meaning the Amazon is not threatened by Brazil's agricultural production.



By now, the rest of the Mercosur members has not shown much willingness to influence on Brazil's environmental policy, probably because a move in that direction would certainly not be well received by the biggest country of the bloc. Additionally, the Argentine government seems totally disinterested in promoting the European ratification of the bi-regional partnership, limiting itself exclusively to follow the technical advances of the process. This leaves the two smaller Mercosur partners in a particular position: Paraguay, which has already done much during the first half of the year while holding the pro-tempore presidency, and Uruguay, whose government is committed to continue the task. In particular, it will be helpful if President Lacalle Pou makes an official visit to the EU during the coming months.

HOGAN IS FORCED TO RESIGN

If last month's events did not bring the best of omens about the future of the bi-regional agreement, the outlook worsened even more when, a few days ago, Phil Hogan was forced to step aside as the EU Trade Commissioner. After infringing a series of health restrictions in his native Ireland, followed by severe errors in handling that scandal, Hogan had no other choice but to present his resignation to the President of the European Commission, Ursula von der Leyen, who was opposed to project an image of impunity among the bloc's executive body.

Despite having been a rigorous negotiator as the Commissioner for Agriculture and Rural Development, Hogan played an important role in order to achieve the agreement with Mercosur. And, after that, when he became Commissioner for Trade, he proved himself to be a competent driving force for its ratification. Moreover, Hogan had the experience of having dealt, in 2016, with the Belgian region of Wallonia opposition to the free trade agreement with Canada. That situation seems to be mimicked when it comes to the possible partnership with the South American bloc, in which Hogan had already begun to act.

The European Commission consists of 27 commissioners, one from each member country. In view of the vacancy that has just arisen, the Irish government must present a candidate capable of passing through the filter of the Council and the European Parliament, but mostly able to convince Von der Leyen to retain the trade portfolio, and not to cause a rearrangement of responsibilities. As the Brexit negotiations enter their final phase, it is Ireland's particular interest to have an Irish in such Commission. Naturally, many options are being considered. Whoever be the person finally selected, he or she will inherit the trade policy review process started by Hogan under the label of "open strategic autonomy", something that, in the long term, can lead to some kind of protectionism, according to the wishes of France and the Netherlands.



As it was mentioned in previous editions of this *Fact Sheet*, Ireland has a moderate position towards the bi-regional partnership. Despite bearing a strong tradition as food producers and having The Greens among the members of the governing coalition, along with Fine Gael and Fianna Fáil. This is particularly evident in the current government programme that unites the three parties which, regarding the agreement with Mercosur, states that just economic impact and sustainability assessments will be carried out. One of the main reasons that explains such moderate position is that, while efforts to avoid losing share in the British market (which is the major destination of Irish food exports) are being held, it is not in their intention to engage in an anti-free trade behaviour with the South American bloc, since this could originate a contradiction with the open commercial relations with the United Kingdom that are being sought.



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