

MERCOSUR–EU STRATEGIC PARTNERSHIP AGREEMENT

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Expectations fall regarding the signing of the agreement during this year, and France toughens its opposition to it.



INTRODUCTION

The president of Uruguay, Luis Lacalle Pou, and the German Chancellor, Angela Merkel, had a conversation to clear up the doubts that had arisen during August. Unfortunately, it was concluded that the signing of the agreement is not likely to happen before 2021. Furthermore, the French government has increased its opposition after a committee of experts that examined the sustainability impact of the partnership, handed in a report full of criticism. In order to provide a key to unlock the current situation, it is being analysed the convenience of encouraging additional agreements that would strengthen the environmental commitments.

RATIFICATION PROCESS

In order to implement the Mercosur-European Agreement, a series of steps must first be developed. Since July 2019 both blocks are focus in the legal scrubbing process, in order to unify the use of terminology in the text and harmonize its content. That task is practically finished and the translations into the different languages of the UE will soon begin. Afterwards, both blocks will enter 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.

THE TALK BETWEEN LACALLE POU AND MERKEL

In order to provide more clarity in the forthcoming times, the President of Uruguay Luis Lacalle Pou and the German Chancellor Angela Merkel (both in charge of the pro tempore presidency of their regional blocs) held a phone call after which President Lacalle Pou posted the following message: *“The agreement is advancing but not as fast as it was expected. There are environmental and procedural issues (in addition to the pandemic) that still need to be handled. We agreed to keep on monitoring with our teams and to evaluate the results”*.



The Foreign Affairs Minister of Uruguay, Francisco Bustillo, stressed that Chancellor Merkel had manifested her unconditional support to the agreement. However, he also confirmed that it is not likely that the partnership will be signed during the remaining months of 2020. Regarding the environmental issues, Bustillo expressed that it was a concern shared by all the actors involved in the Agreement. Moreover, he claimed that the concerns are not only related to the situation in the Amazonia. On the other hand, he stressed that the “procedural issue” is something to be solved inside the EU *“regarding the convenience of going one way or another”*. On this regard, Bustillo was probably referring to the way in which the agreement will be submitted to the European Council, meaning if it would be presented as a Mixed Partnership Agreement or if it going to be split into parts to simplify the process. Moreover it is still not clear if the agreement with Mercosur will be translated before or after the one signed with Mexico, since the EU lacks the resources to undertake both tasks at the same time.

Some days after his virtual meeting with Merkel, President Lacalle Pou held a conversation with the Chinese leader Xi Jinping. According to Bustillo, the call went good news because it happened just when the signature of the agreement with the EU was becoming less probable to occur during 2020. In fact, he expressed that *“If I were European, I would hurry to sign the agreement quickly in order to deep the relationship with Mercosur and Uruguay before China does it”*. By doing so, Minister Bustillo remarked the greatest motivations of the EU to approve the partnership: avoid losing its presence in the region at the expense of China.

FRANCE INCREASES ITS OPPOSITION

In his speech during the 75th Session at the United Nations General Assembly, President Jair Bolsonaro reaffirmed his commitment to finalize the approval process of the agreements with the EU and EFTA (European Free Trade Association, whose members are Iceland, Liechtenstein, Norway and Switzerland). Nevertheless, he stated that Brazil is a victim of a disinformation campaign about what is going on in Amazonia, just because of being the greatest food producer country in the world. In addition to that, he emphasized that Brazil has the best environmental legislation on the planet and enforces a zero tolerance policy towards environmental crimes. In any case, Bolsonaro also declared that *“both treaties contain important provisions that reinforce our commitment to environmental protection”*.



The French government does not share that point of view. Amid the massive forest fires occurred in Brazil during 2019, Macron’s administration established a committee of experts (whose leader was Stefan Ambec, an environmental economist and the Director of both the Institut National de la Recherche Agronomique and the TSE Energy and Climate Center) to verify the sustainability impact of the partnership. The final results, which were published just a few weeks ago, did nothing more than boost the French opposition.



First of all, the committee highlighted that the agreement does not count with the appropriate measures in order to ensure the fulfilment of the climate commitments. Furthermore, the committee says that the same happens when it comes to health issues, animal welfare, biotechnology and microbial resistance, thus jeopardizing the parity of production standards. Besides that, the committee estimated an annual deforestation rate increase of 5% in order to expand the grazing surface needed to satisfy the growing European beef demand, a fact that would alter the net balance between economic profits and environmental costs. Even though some improvements are recognized in aspects such as the European geographical indications, there is still some criticism regarding the lack of clarity in order to properly implement the safeguard clauses. To sum up, the committee states that *“the agreement represents a spoiled opportunity for the EU to use its negotiation strength so as to obtain solid guarantees in which the environmental, sanitary and social expectations of its citizens are satisfied”*.

Consequently, the office of Prime Minister Jean Castex issued a document indicating that *“Now it is our turn to develop the appropriate responses to the environmental issues, especially deforestation, in first place with our European partners and the European Commission, and later with the Mercosur countries”*. Indeed, the French government wants to focus on three topics: 1. The partnership by no ways should mean an increase in the deforestation “imported” by the EU; 2. The Mercosur countries ought to fully respect the Paris Agreement; 3. The agricultural commodities imported from Mercosur must fully comply with the European health and environmental standards (including making them traceable). Finally, the document states that, before considering any restart of the process towards the implementation of the partnership, the French government will work together with the other members of the EU in an attempt to develop specific proposals.

During the first days of September, the German Minister of Economy, Peter Altmaier, expressed in the Bundestag that the federal government has no intentions to renegotiate the agreement. Certainly, that would be the most difficult way to unblock the situation. Instead, the convenience of promoting additional agreements that would complement the current environmental commitments is being studied. Nonetheless, this would probably allow Mercosur to ask for new concessions in exchange.



Author: Thilo Schmuellen (Reuters)

Many of the European environmental concerns are considered by Mercosur as an excuse to protect their farmers. However, the latest elections held in North Rhine-Westphalia show that part of the European public opinion, mainly in urban areas, is profoundly moved by ecological concerns. In fact, as it happened a few months ago in France, the Greens grew more than any other party in the most populous state of Germany. They obtained the 19% of the votes, which means an improvement of 7.3% since the elections of 2014.

Even though the election was won by Angela Merkel’s Christian Democrat Union of Germany (CDU) with the 36% the votes, it is worth to highlight the great performance achieved by the candidates supported by both the CDU and the Greens, such as Uwe Schneidewind in Wuppertal. Therefore, the idea of a coalition government between both parties is taking shape in face of next year’s general elections

Another fact that must be taken in mind is that Chancellor Merkel raised her doubts about the agreement after she met Greta Thunberg. Her doubts are not influenced by the European farmers but maybe they are by the position of the environmental activists. Which shows the influence that has acquired that sector.

New Trade Commissioner

Vladis Dombrovskis was selected by the President of the European Commission, Ursula Von Der Leyen, as the candidate for the office of EU Trade Commissioner. Nevertheless, he had already been temporary in charge of the trade portfolio when Phil Hogan resigned last August. By the way, both Dombrovskis and Hogan are members of the European People's Party (EPP). Von der Leyen proposed that Mairead McGuinness should be designated in Dombrovskis' former position (he was Commissioner for Financial services, Financial Stability and Capital Markets Union).

McGuinness is the actual Vice President of the European Parliament and also a member of the EPP. Both appointments must be approved by the MEPs and the European Council.

Dombrovskis was born in Latvia where he served as Prime Minister from 2009 to 2014. Regarding the agreement with Mercosur, he shares a similar point of view with Angela Merkel. Dombrovskis said in an interview that the concerns expressed by the members of the EU needed an answer. Nevertheless, he also stated that *"the agreement with Mercosur restores Brazil's obligations to the Paris Agreement. And presents a platform to demand the fulfilment of other commitments, such as illegal deforestation. However, we should ensure that all parts in the agreement accomplish their commitments"*.



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