

MERCOSUR–EU STRATEGIC PARTNERSHIP AGREEMENT

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*The post-brexite agreement between the UK and the EU
reshapes the future of the bi-regional partnership*



INTRODUCTION

The post-brexite agreement between the United Kingdom and the European Union has provided a new landscape for the future of the bi-regional partnership; however, it does not change the size of the trade quotas assigned to Mercosur. It is important to remark that the agreement with the UK did not include the environmental requirements that some European authorities pretend to add to the UE-Mercosur partnership. Besides, the Argentine government has been trying to take advantage of the current situation in order to obtain greater support from the European Union in the Argentinian claim for the Malvinas Islands. Finally, it must be mentioned that trade unions from Mercosur and the EU have expressed their rejection to the agreement between the two blocs.

THE RATIFICATION PROCESS

In order to carry out the Mercosur-EU Agreement, a series of steps must first be followed. Since July 2019, Mercosur and the EU have focused on the legal scrubbing process, in order to unify the terminologies in the text and harmonize its content. Once this task is completed, the next step will be to translate the text into the different EU languages and, afterwards, both blocs will effectuate their own decision-making processes.

On the one hand, the European Commission will have to present the agreement to the European Council. The partnership between Mercosur and the EU consists of three pillars: political dialogue, cooperation and trade. If the European Commission puts to vote the entire agreement, shared competencies between the EU and the member countries will be involved; therefore, the approval of every state will be needed, existing the possibility of objecting by veto. Nevertheless, there is a feasibility of splitting the agreement; in this case, a qualified majority would be sufficient in order to approve the trade pillar (55% of the Member States, covering at least 65% of the EU's population), because that section includes issues in which the EU has exclusive competence.

If this stage is successful, the partnership will be signed and taken to the European Parliament, where a simple majority of votes will be required for its approval (the three pillars can be voted at the same time or separately). Afterwards, the process will continue in the national parliaments, although, the EU Council can decide to provisionally start applying matters that are under EU's authority.

Things are simpler on the other bloc. Once the European Union's Council gives his approval, the institution that will stamp the signature on the agreement on behalf of Mercosur is the *Consejo del Mercado Común* (CMC). Subsequently, the ratification of each national legislature will be sought. 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 accession of the remaining members.

THE IMPACT OF THE UK-EU AGREEMENT

The post-brexite agreement between the United Kingdom (UK) and the European Union (EU) was good news for the future of the bi-regional partnership. To begin with, it prevented European farmers from losing their preferential access to the UK market. Nevertheless, the Common Agricultural Policy (CAP) subsidies had been previously reduced by 10 percent because of the UK's exit. In addition, the agreement with the UK prevented a *hard brexite*, with just seven days in advance, which once again shows the EU's ability to reach consensuses before institutional deadlocks occur.



Boris Johnson, Prime Minister of the United Kingdom, together with Ursula von der Leyen, President of the European Commission (Olivier Hoslet/AFP/Getty Images).

Beyond these aspects, the UK-UE agreement does not affect the content of the partnership between Mercosur and the EU. Trade negotiations between the two blocs ended in July 2019, two years after the UK referendum, so the trade quotas assigned to Mercosur already contemplated the shrinking of the European market. In these circumstances, Mercosur could make use of its experience negotiating with the EU to reach a free trade agreement with the UK, since both economies complement each other. The difficulty of achieving that objective lies, to a certain extent, in Argentina's claims over the Malvinas, South Georgias and South Sandwich Islands and the surrounding maritime areas.

In fact, the Argentine government saw the materialization of Brexit and the need to sign an additional document between Mercosur and the EU as an opportunity to boost European support in the sovereignty dispute. Alberto Fernández's administration is optimistic in this regard, as the UK-EU agreement excluded most of the British-held overseas territories, including those historically claimed by Argentina. Ideally, the supplementary text that is being prepared would include, in addition to environmental issues, a call for the UK to comply with UN General Assembly resolution 2065 (XX), which urges both sides to negotiate in order to find a peaceful solution to the problem. Such a statement, issued by the EU as a whole, would increase the attractiveness of the bi-regional partnership for the Argentine government and, eventually, facilitate its ratification in the National Congress.

It should also be pointed out that the UK-EU agreement did not incorporate any of the alternatives that have been proposed to strengthen the environmental aspects of the partnership with Mercosur. Indeed, the two main commitments that the French government pretends to intensify (illegal deforestation and accession to the Paris Agreement) share the same dispute resolutions mechanism in both treaties: the parties involved should hold mutual consultations and, if there is no success, a panel of experts should give a recommendation. The only aspect that the UK-EU agreement adds is that if either part reduces its environmental standards in order to become more competitive, the affected party can request a temporary compensation or, alternatively, cease to fulfill an equivalent obligation. Even though the European Commission and the bloc's governments have already accepted the post-brexit agreement, it remains to be seen whether these environmental issues will cause any controversy in the European Parliament.



Puerto Argentino, Malvinas Islands.

Mercosur and EU trade unions reject the partnership

In November 2020, Mercosur and EU business organizations spoke in favour of the bi-regional partnership. On the other hand, in February 2021, labor unions from both blocs spoke out in the opposite direction. In particular, the *Coordinadora de Centrales Sindicales del Cono Sur* (CCSCS) and the European Trade Union Confederation (ETUC) criticised the absence of a Labour Forum, which would give trade unions a role in monitoring the compliance of labour standards. The CCSCS and ETUC also expressed their opposition about separating the trade pillar of the partnership from the rest, an option that is still being examined by the European Commission.

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