

# MERCOSUR-EU STRATEGIC PARTNERSHIP AGREEMENT

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## The European Commission replies to the impact assessment of the Agreement - A resolution against the partnership is rejected in Flanders



### **INTRODUCTION**

The European Commission gives its views on the sustainability impact assessment of the UE-Mercosur agreement that was published by the London School of Economics (LSE). Likewise, the Flemish Parliament votes no to a resolution against the bi-regional partnership, although the political opposition to the agreement has been growing in this Belgian region. Finally, the recent meetings held by the Euro-Latin American Parliamentary Assembly provide a new insight into the current negotiations between Mercosur and the EU for an additional document on environmental issues.

## 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 EU FINALISES ITS IMPACT ASSESSMENT OF THE AGREEMENT WITH MERCOSUR

It is established that any potential trade agreement of the European Union (EU) must be accompanied by an evaluation of its possible sustainability impacts. This process consists in a report made by an independent entity, which is later replied by the European Commission. As for the partnership with Mercosur, the study was conducted by the London School of Economics (LSE) and its publication dates back to December 2020, whereas the European Commission's response was made public on 24 March.

As a direct consequence of the bi-regional agreement, the LSE report forecasts an increase of between €10 billion and €15 billion in the EU's GDP by 2032, while Mercosur's GDP will have expanded between €7 billion and €11 billion in the same period. The growth of both blocs would be driven by higher exports and investments, together with a boost in consumption thanks to lower-priced imported products.

This study began in 2017 and its preliminary results were taken into account during the negotiation process. Therefore, many of its final recommendations have already been incorporated into the agreement. In this sense, the European Commission states that the asymmetries between the blocs were alleviated by means of tariffs that are progressively reduced in favour of Mercosur, quantitative restrictions on the entry of certain agricultural products into the European market (rice, beef, poultry, pork, sugar, ethanol, honey and corn/sorghum) and the safeguard principle (which provides the power to temporarily suspend imports of a good whose increase has caused or threatens to cause a serious damage to the domestic industry).



LSE's campus in London, United Kingdom.

In regard to the environmental concerns, which has been jeopardising the approval of the partnership, the European Commission highlights something that was pointed out by the LSE: from 2004 to 2012, Brazil increased its beef production at the same time that accomplished a reduction in deforestation, so both scenarios are not incompatible. To this end, the European Commission considers that the agreement offers additional guarantees and incentives for Mercosur countries to comply with their international climate commitments. However, it is recognised that a new initiative could be agreed with Mercosur to strengthen the commitments included in the Trade and Sustainable Development chapter, which is in line with the current negotiations towards a complementary document.

In any case, the European Commission concludes that “The findings of the SIA confirm that the agreement will have a positive impact on the economies the EU and also on the Mercosur countries, raising wages and contributing to a reduction in inequalities. However, the significance of this agreement goes beyond merely trade and economic considerations, as it will consolidate a very important partnership between the two blocs based on common values.”



European Commission's headquarters in Brussels, Belgium.

Just one week before the European Commission finalised this process, the European Ombudsman Emily O'Reilly shared the results of its inquiry into whether the Commission should have abstained from concluding the EU-Mercosur trade negotiations until the sustainable impact assessments were completed. Although the European Commission had argued that the methodological nature of the impact assessments had made impossible to match the pace of the negotiation process, the European Ombudsman categorized what happened as a case of "maladministration". However, no recommendations were issued, even though it stressed the convenience of ensuring that impact assessments are finalized before the end of negotiations.

## FLANDERS PARLIAMENT REJECTS A RESOLUTION AGAINST THE AGREEMENT

In order to approve the agreement with Mercosur in the European Council, the Belgian federal government needs the consent of the three regions that formed Belgium: Brussels-Capital, Flanders and Wallonia. As a matter of fact, in February 2020 the Walloon Parliament unanimously opposed the bi-regional partnership, which was tantamount to when in 2016 it almost blocked a similar agreement with Canada (CETA), until it lifted its veto at the last minute. Unlike Wallonia, on 21st April 2021 the Flemish Parliament rejected a resolution proposed by Vooruit (social democrats) which called for the disapproval of the Mercosur-EU agreement in the current circumstances. The results were 49 votes in favour of the resolution and 64 against it.



The three Belgian regions: Flanders, Brussels-Capital and Wallonia.



The contrast between Wallonia (located in the south and predominantly French-speaking) and Flanders (located in the north and whose official language is Dutch) could be attributed to the fact that the latter accounts for almost 70 per cent of Belgian international trade. Nevertheless, the outcome of the recent vote does not reflect the political reality in Flanders, since the Neo-Flemish Alliance (N-VA) is the only party that refrains from criticising the Mercosur-EU agreement as it stands now, although it welcomes the signing of additional protocols. In fact, the rejection of Vooruit's proposal is explained by the commitment to vote together by the ruling coalition, which also comprises the Christian Democratic and Flemish (CD&V) and the Open Flemish Liberals and Democrats (Open Vld).

Nonetheless, a week after the vote, Flanders' Minister-President and N-VA member, Jan Jambon, avoided sharing what the regional government's final position on the bi-regional partnership will be. In response to a parliamentary question from the opposition, Jambon stated that "as always when it comes to future trade and investment treaties, the Flemish government will only have to make a final decision when the [European] Commission initiates the signature procedure on the EU side".

## A new insight regarding the future additional environmental document

The meetings promoted in May by the Euro-Latin American Parliamentary Assembly were an opportunity to contemplate the possible pillars of the complementary document on environmental issues. In this regard, Rupert Schlegelmilch, Director for the Americas, Agriculture and Food Safety at the European Commission's Directorate-General for Trade, validated three issues that had been raised by Mercosur: the new provisions must be reciprocal, they must not alter the balance achieved in the negotiations, and they must be implemented in parallel to the signing of the agreement.

However, tensions remain over the legal status and possible content of this complementary text. In this vein, Argentina's ambassador to the EU, Pablo Grinspun, made it clear that "Mercosur's willingness to dialogue and work in order to finalise the agreement does not imply a carte blanche". Moreover, the Argentine diplomat accused the agricultural protectionist lobby of using legitimate environmental concerns to their advantage.



Flemish Parliament, Belgium.

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