

Haute École  
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BRUSSELS MANAGEMENT SCHOOL

Enseignement supérieur de type long de niveau universitaire

## Bridging the gap between Protectionism and Globalisation

### Case study: The EU-Mercosur Agreement

Mémoire présenté par : **Camila Daniela VÁSQUEZ RODRÍGUEZ**

Pour l'obtention du diplôme de **Master en sciences commerciales**

Année académique 2022-2023

Promoteur : **Nathalie VAN DROOGENBROECK**

Boulevard Brand Whitlock 2 – 1150 Bruxelles



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*“Those that fail to learn from history are doomed to repeat it.”*

- Winston Churchill

« Je soussigné, VÁSQUEZ Camila, Master SciCom FR année terminale 2022-2023, déclare par la présente que le Mémoire ci-joint est exempt de tout plagiat et respecte en tous points le règlement des études en matière d'emprunts, de citations et d'exploitation de sources diverses signé lors de mon inscription à l'ICHEC, ainsi que les instructions et consignes concernant le référencement dans le texte respectant la norme APA, la bibliographie respectant la norme APA, etc. mises à ma disposition sur Moodle.

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# Introduction

To explore the motives for studying the EU-Mercosur trade deal, identify its potential benefits and drawbacks, and outline the research objectives, hypotheses, and data collection methods used in this thesis.

Imagine a market with an astonishing 780 million consumers (European Commission, 2023). It was the charming promise that convinced Mercosur and the European Union (EU) to launch trade agreement negotiations (European Commission, 2019). Indeed, the prospect of such a sizable market was appealing, nevertheless, the transaction was anything but simple.

An envisioned trade pact between the European Union and the Mercosur trade bloc in South America (involving Argentina, Brazil, Paraguay, and Uruguay) was denominated as the “EU-Mercosur Trade Agreement” or “EU-Mercosur Trade Deal.” This agreement was willing to establish a partnership between the two regions, raising economic growth and investment while easing the movement of people, products, and services (Guinea and Sharma, 2021).

However, the EU-Mercosur deal has never been able to take effect, mostly caused by resistance from the opposition who were worried about the deal’s social and environmental effects. They specifically stated worries about the potential for increased deforestation in the Amazon rainforest (Welle, 2020), a crucial region for international efforts to combat climate change, as well as the effects of increased exports from Mercosur countries on EU farmers (Phelan, 2019; Franceinfo, 2019; Euronews, 2019).

Several EU members opposed the pact, conflicted about lax environmental and labour standards (Euractiv, 2021; France 24, 2020) for instance, concerns about the human rights situation in various Mercosur nations, particularly regarding the treatment of Indigenous peoples and the political situation in Venezuela, were voiced by some EU member states (BBC News, 2016).

The EU-Mercosur deal encountered technical and legal hurdles as well as political and environmental issues, such as challenges in settling disagreements between the two areas on matters like tariffs and market access (Franceinfo, 2019).

As of 2023, there are still discussions over this deal even though the EU-Mercosur reached a political agreement after more than two decades of negotiations (Euronews, 2019; Euractiv, 2023).

This deal EU-Mercosur highlights the challenges of implementing international trade agreements in a globalised and interconnected world where a range of political, environmental, and economic factors may be at play (Investopedia, 2022).

Therefore, what if we brought the advocates and detractors together? Would they be able to reach an understanding, or would their differences only deepen? To provide light on how these political actions may affect all of us, this thesis analyses both sides in a neutral approach.

## *Motivations*

I cannot help but notice the escalating costs of common things when I scan the supermarket aisles. This has inspired me to think about inflation and the possible benefits of bringing in a new market competitor to balance out pricing. As a consumer, I need to understand that my decisions could have unexpected effects on the environment and our well-being.

Cultural background also plays a role in shaping opinions; my Latin American roots have taught me the importance of assisting farmers and promoting the economy, while my years spent living in Europe have convinced me of the importance of charging fair prices and ensuring that workers receive enough wages.

As a result, I am faced with a fundamental decision: should I favour protectionism to promote environmental sustainability, over economic growth through globalisation by supporting the EU-Mercosur agreement or not?

We may all have diverse opinions on this topic, but I hope this research will guide us to contemplate both stances and make a more well-informed choice.

## *Problem statement*

Brazil's Amazon has lost about a fifth of its forest cover in the last 50 years, or 300,000 square miles (Roy, 2023). In addition to being essential for survival since it provides access to food, water, wood, and medicines (WWF, 2016), this area also contributes significantly to regulating the planet's temperature. The Amazon rainforest is crucial in the global carbon and water cycles, storing around 76 billion tons of carbon (WWF, 2016) and releasing an estimated 20 billion tons of water into the atmosphere daily (Amazon Aid, 2020).

According to the report "EU-Mercosur: A Nightmare for Nature" by Greenpeace European Unit (2023), the EU-Mercosur agreement is intended to promote trade in agricultural products, which directly threatens the objectives of the European Green Deal. By accelerating deforestation and land grabs, this deal could have disastrous environmental effects and undo the progress made in nature protection. In addition, the rising need to meet the increasing number of clients puts workers and their labour rights in jeopardy.

Despite these worries about its effects on the environment and work rights, the EU-Mercosur deal offers exceptional advantages by lowering export restrictions and streamlining customs procedures, the agreement may support economic growth in the Mercosur region. This may be crucial for nations that are experiencing high inflation and unstable economies. In fact, according to the London School of Economics and Political Science, the deal may result in a situation where both regions benefit, with the EU's GDP growing by 10.9 billion euros and Mercosur's GDP growing by 7.4 billion euros (Fleischwirtschaft.com, 2021). This might result in increased equality and higher earnings for workers on both continents.

Furthermore, the EU-Mercosur trade deal could lessen the growing economic hegemony of China, which has forced Europe to look for new international alliances and diversify trade contacts to lessen its reliance on one nation and increase economic resilience. Europe must seek

closer commercial relationships with established and new countries while reevaluating its relationship with China. At the same time, it must strike a balance between its geostrategic and geoeconomic priorities and the interests of its 27 member states (Malhotra, 2022).

Considering these opposing viewpoints, this deal faces a divided position that delays its final decision, how could these ideas be balanced? Can this issue have a neutral analysis?

### Research gap

A wide range of materials, including scholarly studies, blogs, newspaper stories, webinars, and debates, were reviewed when researching the EU-Mercosur deal. The tendency of authors to have a positive (Borrell, 2022) or negative (Bouissou, 2020) perspective on the agreement was an understandable pattern in the data that was gathered; the authors appeared to hold firm opinions on the matter, with limited attention given to impartial analysis. For instance, Friends of the Earth Europe (2023) drew attention to the lack of openness and democratic discourse, which emphasizes the significance of keeping a neutral posture. To provide a thorough analysis of the agreement and equip readers to make well-informed decisions, it is essential to acknowledge and evaluate the reasons made by both parties.

### *Purpose and Research Question*

By comparing the conflicting viewpoints of the EU-Mercosur trade deal's proponents and critics, this thesis seeks to examine the pact thoroughly and objectively. On the one hand, supporters of the agreement contend that it would result in improved trade, investment opportunities, and economic growth for both areas (Fleischwirtschaft.com, 2021; Céu, 2021; Caas, 2020). Environmental organisations, however, are against the accord (GreensEFA, 2021; Treat, 2020; Martin, 2020), prioritising the protection of local communities and the environment (Kehoe et al., 2020). These viewpoints emphasise the conflict between economic development and environmental preservation and stress the significance of considering how trade agreements will affect the economy and environment eventually.

To accomplish this goal, the study will take a qualitative approach and use different frameworks that allow for the consideration of both viewpoints to potentially obtain a neutral conclusion. This research gathered information by investigating and analysing documents, events, and group interviews. Giving the discussion background and context. To determine the primary arguments and views of each side, relevant literature, publications, academic articles, policy papers, and official documents relating to the EU-Mercosur trade deal, were examined.

In the end, this thesis aims to raise awareness and comprehension of the intricate trade and environmental difficulties that the EU and Mercosur are currently experiencing. This master's thesis seeks to encourage critical thinking and meditation on the potential effects and outcomes of the agreement by critically evaluating both points of view and offering readers a thorough assessment of the problem.

Following the gathering of data, the research findings were compiled to provide an answer to the following question:

## **In what ways can the contradictory priorities of the supporters and opponents of the EU-Mercosur trade deal be reconciled to achieve a mutually beneficial outcome?**

### Specific objectives

As this agreement covers a wide range of issues including political, environmental, and social injustices, as well as agricultural (Copa Cogeca, 2021) and social rights, this study must employ a concentrated method that focuses on a certain set of objectives, narrowing the field of investigation. This thesis examines the current trajectory of protectionism within the context of globalisation and emphasises the need for a successful trade deal initially, subsequently prompting the adverse effects that this entails, having an analysis of both standpoints on a neutral balance.

Specific goals have been established to clearly describe the purpose of this research and outline the desired outcomes. These objectives, based on the primary question, ensured that this analysis remains focused, and that progress can be followed. These objectives are addressed throughout this work.

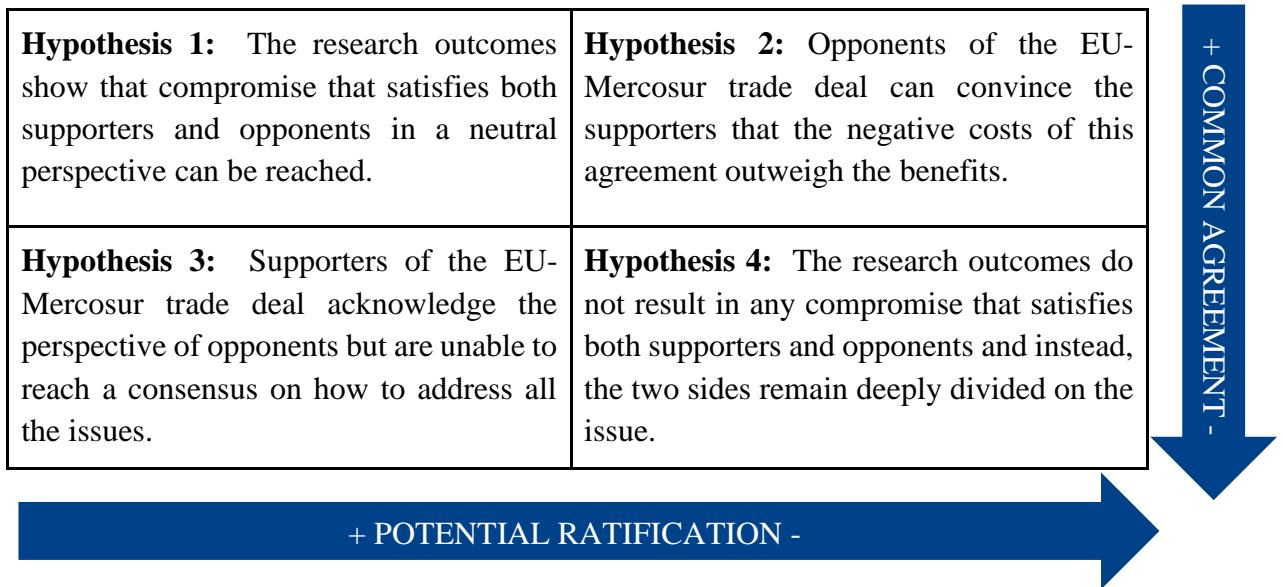
1. To investigate the historic and contemporary impact of trade agreements, focusing on the EU-Mercosur case and the interplay of protectionism and globalisation within this agreement.
2. To examine the opinions of opponents and supporters of the EU-Mercosur case and highlight reconciling arguments that could bridge the gap between their positions.
3. To analyse the outcomes of the research and derive a resolution for the hypothesis under investigation.
4. To address the main question through critical analysis, while also identifying the limitations of the study and potential areas for further research.

### Hypothesis

Balancing the arguments of supporters and opponents of the EU-Mercosur trade deal could be complicated due to the intense and polarised objectives of each one. Advocates of the deal are likely to assert that it will boost trade and economic growth (Pledge Times, 2022), benefit consumers by lowering costs (Rees, 2021), and foster closer political ties between the EU and Mercosur nations (Borrell, 2022), while detractors are likely to argue that the agreement will increase competition and result in job losses (Martin, 2020), harm the environment (GreensEFA, 2021), and affect small-scale farmers and indigenous populations in Mercosur countries (Kehoe et al., 2020), but also on the European side, farmers could perceive unfair competition if this deal is approved because Latin American cultivation laws may be less rigid (Franceinfo, 2019).

To simplify the understanding of the results that are found, the researcher built a visual stand with the multiple outcomes that can be obtained, from Hypothesis 1, which allows for a common agreement with the highest potential ratification remaining under a peaceful discussion to the Hypothesis 4, which does not permit the discussion to reach any common ground and the ratification seems the more at risk since both parties are deeply divided in their opinions.

Table 1. Hypothesis presentation



Source 1. Created by the author in a deductive approach.

## Methodology

Aside from the already available sources of information, such as newspapers, official websites, and published materials that provided a basic understanding of the issues and solutions surrounding major trade deals, the researcher participated in various debates, webinars, and events as an observation tool to deepen their knowledge and compare it to the opinions of experts and the results of existing agreements such as the following:

1. The European Liberal Forum hosted an online seminar titled "EU-MERCOSUR: Where is the EU/Mercosur FTA Going and Why Does It Matter" in December 2022. Several perspectives on the significance of the EU-Mercosur agreement were expressed, with an overall positive outlook on its outcomes.
2. Around the same time, Aja Barber, author of "Consumer: The Need for Collective Change" participated in a discussion on topics related to the thesis, such as environmental damage caused by excessive consumerism. This opportunity allowed the researcher to examine the problem of over-consumption from an ecological standpoint.
3. The Canadian Embassy marked the fifth anniversary of the Comprehensive Economic and Trade Agreement (CETA) between Canada and the EU in March 2023. Numerous international trade experts attended the event, including the President of the Canada-EU Trade and Investment Association, the CEO of Optel Group, and the Minister of Small Business, Export Promotion, and International Trade, among others. The researcher served as an observer to better understand how this CETA entered provisionally and the factors that contributed to its success, using it as a model for the EU-Mercosur deal.
4. Finally, the Transatlantic Trade and Innovation Conference was held in Brussels in April 2023. The conference addressed a variety of issues, including intellectual property and

current tensions in the US-EU relationship, giving the researcher valuable insights into international concerns and factors to consider when negotiating trade agreements.

For this thesis, it was considered that concerns over the apparent lack of openness and democratic discourse surrounding the EU-Mercosur deal were voiced by civil society (Friends of the Earth Europe, 2023). As a result, the researcher found it appropriate to discuss with experts who have similar levels of education, work in fields related to international trade, and are related to this discussion, to address the divergent perspectives between them.

It should be noted, however, that in 2015, a summit in Montevideo was held at which officials from Mercosur governments and social organisations gathered to critically assess the participation of popular movements in the regional bloc over the previous decade (AGENCIA EFE, 2015). This event sparked a significant debate at the time. Also in March 2023, the Agricultural Coalition for Fair Trade debated the negative consequences of signing the agreement and its implications for farmers (Tweede Kamer, 2023). Both these discussions favoured a negative view of the deal. As a result, the author recognized the need to provide a discussion for a balanced opportunity that includes both positive and negative viewpoints.

Therefore, after doing document research and participating in events related to this topic to comprehend its significance and history, the researcher organized two group interviews; allowing supporters and opponents to express their views in an equally neutral setting, face-to-face, which helped to determine whether this type of activity could aid to bridge the gap and reconcile their differences. This approach not only allows readers to analyse both perspectives but also brings the opportunity to open the discussion for further developments regarding this theme.

## *Research design*

To build this research, an ICHEC multidisciplinary seminar was reviewed, as well as the writings of Paillé and Mucchielli (2016), Thiétart (2014) and Van Campenhoudt et al. (2017). Based on these sources, it was concluded that numerous steps would be required to complete the analysis.

The initial step was to set a question to begin with, which after step two; sifting through the available information and deepening the understanding of the major problems at the heart of the debate, was re-organized and re-formulated.

Following that, the chosen question led to the comprehension of the problem behind this deal. Afterwards, the analysis model was considered, including empirical observations obtained through attendance at debates and events that provided valuable information, as well as conducting collective interviews, each involving one pro-agreement and one anti-agreement, allowing a debate to highlight the pros and cons of the theme at the same time.

To arrange the findings, all collected data were divided into categories, between the positive and the negative, which was then examined to prove a hypothesis and develop conclusions.

## Data collection

It is critical to grasp the relevance of the questions to this study to obtain honest responses from the direct and indirect participants. Such interrogations are arranged to steer the information, beginning with crucial questions, and progressing to the main aim in a natural and logical flow.

The researcher must avoid presenting essential questions before first setting the context with more broad inquiries. Later in the conversation, the issue can be narrowed to focus on the resolution of the main objective. The funnel analogy is helpful in visually organizing the questions, bringing the discussion from wide to narrow and from general to specific (Paillé and Mucchielli, 2016; Thiétart, 2014; Van Campenhoudt et al, 2017).

Open-ended questions, such as the ones used during the interviews, allowed respondents to choose the direction of their response as no answer is indicated, and no response style is advised. People are encouraged to respond based on their unique circumstances (Paillé and Mucchielli, 2016; Thiétart, 2014; Van Campenhoudt et al, 2017).

To organize the flow of data in the collective interviews, the researcher devised questions that were answered by representatives of the pro-agreement and anti-agreement, beginning with an introduction to the topic and getting participants to consider their relationship to it.

1. **Introductory questions:** Give the moderator clues about the participant's views.
2. **Transition questions:** Move the conversation to the matters that drive the study, serving as logical links between the introduction and the key questions.
3. **Key questions:** Require the greatest attention, these questions can take longer time to be answered as it would allow participants to get more in-depth.

4. **Ending questions:** Bring closure to the discussion, reflecting on previous comments and critical to the analysis. Here, three types are valuable: all things, summary, or final question.

### Data analysis

Because qualitative research generates substantial amounts of data that can be overwhelming and take hours to transcribe in full, it is extremely helpful to the researcher to manage the data and get rid of extra or irrelevant material to travel safely through the complicated paths of information.

Although the major source of data analysis is the recorded spoken language generated from the interview, setting up and collecting the nonverbal communication conveyed by group members can provide a vital dimension to the data building and analysis. The recording could be on audio or VHS (Paillé and Mucchielli, 2016; Thiétart, 2014; Van Campenhoudt et al, 2017).

It is key to note that the analysis is not linear, and that one component of the process overlaps another, involving interconnected stages

1. **Familiarization:** Listening to tapes, reading transcripts multiple times, reading observational notes, and entering recorded material.
2. **Identifying a thematic framework:** Making notes in the margins of the text in the form of brief sentences, descriptive comments, and questions about the analysis.
3. **Indexing:** Highlighting and sorting quotes, comparing within and across cases.
4. **Charting:** Taking quotes from their original context and rearranging them under newly created ones to organize and decrease data, such as pasting related quotes together.
5. **Mapping and interpretation:** Analyse the relationships between the data as a framework for coding data: words, context, internal consistency, frequency and extensiveness of remarks, specificity, and intensity.

## Part A. Context

To investigate the historic and contemporary impact of trade agreements, focusing on the EU-Mercosur case and the interplay of protectionism and globalisation within this agreement.

### Chapter 1: What is a trade agreement and why is it important?

A trade agreement is a bilateral or multilateral contractual deal. For most countries, it is regulated by certain restrictions such as tariffs and prohibitions, that can be created under economic and non-economic reasons, such as the protection of small businesses or the preservation of local culture (Britannica, 2023).

Trade agreements allow for the reduction or elimination of these barriers to increase trade. The barriers refer to the obstacles that enterprises may face when trying to join a new market. These obstacles can take the form of technological challenges, governmental regulations, patent limits, initial capital outlays, or necessary educational and licensing requirements (Loo, 2019).

If those obstacles are removed, trade in products and services across borders can occur with little to no government involvement. A formal mutual agreement or just the lack of trade restrictions are both acceptable ways to achieve trade policies. Despite having some influence over imports and exports, governments with trade agreements may also implement protectionist measures. For instance, a country may permit free trade with restrictions on items that do not satisfy its standards or shield its domestic sectors from foreign competition (Investopedia, 2023).

Beyond just dropping or eliminating tariffs, trade agreements also address non-tariff barriers that could obstruct the movement of goods and services, encourage investment, and strengthen laws controlling intellectual property, e-commerce, and public procurement (Australian Department of Foreign Affairs and Trade, 2021).

The main goal of trade agreements is to benefit the signatory nations by promoting economic growth, removing tariff barriers, enlarging markets, and avoiding protectionism, which can in the short-term result in higher prices, a smaller selection of products, high import tariffs, and protection for domestic businesses (Recio, 2022). Yet, in "Chapter 3: Debate between Protectionism and Globalisation," we shall go into greater detail on the concept of protectionism.

One of the major negatives of trade agreements is their influence on national industry sectors, in addition to unemployment, environmental repercussions, and decreased tax revenue brought on by the removal or reduction of tariffs (Recio, 2022).

#### *Macroeconomic Overview of Trade Agreements*

As countries have seen limited progress in the multilateral trade agenda in recent decades, there has been an increase in regional and bilateral trade as an alternative to developing economic integration. For example, the number of PTAs (preferential trade agreements) more than quintupled between 1990 and 2015, according to the World Trade Organization (WTO). These agreements have good economic consequences, although some industries and segments may suffer as a result (Cal et al., 2019).

How therefore can we ensure that everyone has the same opportunities and shares in the benefits of trade? Although it is theoretically possible to create a compensation plan where winners split trade profits with losers, such plans don't always materialize, as "both sides of the ledger would be taken into consideration during a legitimate negotiation process" and commerce agreement papers frequently refer to economic and social objectives outside of commerce. However, at their core, these are commercial agreements. These discussions do not concern public health, regulatory innovation, industrialization and structural change in emerging countries, or the protection of labour standards in established economies (Rodrik, 2018; Pavcnik, 2017).

Taking these new aspects into account compels economists to reconsider their default attitudes regarding trade agreements and the politics that underpin them. Economists' misperception of free trade with trade agreements is founded in an implicit political economy approach that sees import-competing interests as the most powerful and dominating architect of trade policy. According to this viewpoint, the major antagonist of the narrative is protectionism. When trade agreements are effectively approved, they serve to counteract their influence and get us closer to a welfare optimum by eliminating the protectionism - or damaging rules (Rodrik, 2018).

Protectionist measures may have unanticipated consequences and worsen international relations. Since World War II, the number of multilateral trade agreements has skyrocketed as a method of avoiding that and maximizing the benefits of dealing with favourable partners. Modern, internationally interconnected trade institutions have benefited from the growth of organizations like the WTO, which has helped prevent national trade disputes from escalating into global trade wars (McCord, 2021).

Free trade is the optimum policy for an economy, according to fundamental trade theory, if compensatory measures are put in place and unfavourable interactions with market failures are managed with complementing policies. The only qualification is that a large economy could be able to use an "optimal tariff" to control trade conditions to the cost of its trading partners. The latter explanation justifies nations' participation in trade agreements, preventing trade protectionism that is harmful to both parties (Rodrik, 2018).

According to this viewpoint, import protectionists almost always pose the greatest danger to prudent trade policy, and trade agreements largely counteract their effect. But as trade agreements have developed and expanded beyond import tariffs and quotas to regulatory rules and harmonization - intellectual property, health and safety rules, labour standards, investment measures, investor-state dispute settlement procedures, and others - it has become more and more difficult for them to fit into accepted economic theory (Rodrik, 2018).

Additionally, to analyse which impact trade agreements have, it must be considered that many types of deals exist and each result in different outcomes, from preferential trade agreements to monetary unions, the advantages and disadvantages depend on the pacts made bilaterally or multilaterally, as well the concepts of Trade Creation and Trade Diversion are presented for consideration of effects that trade agreements can engender.

## Global Trade Dictionary: PTAs, FTAs, and Other Agreements

- **PTA:** A preferential trade agreement is the simplest way to achieve economic integration because tariffs are reduced rather than eliminated for pact members; however, this is not permitted for WTO countries because they are required to grant the most favoured nation status (MFN) to all WTO members; discrimination or preferential treatment for some countries is not permitted (Cal et al., 2019).
- **FTA:** A free trade agreement is when a group of countries agrees to eliminate tariffs among themselves, but this process takes time and does not occur immediately after signature, for example, the North American free-trade agreement (NAFTA) between the United States, Mexico, and Canada; when fully implemented the tariff on automobile imports will be zero, but they are still able to set a different tariff to countries outside of NAFTA. Due to the numerous external tariffs, FTAs often include extensive "rules of origin." These laws are intended to prevent items from being imported into the FTA member country with the lowest tariff and then transhipped to a higher tariff country. As a result, in an FTA, each member can negotiate tariffs with nations outside the agreement unilaterally, each member will have distinct tariff arrangements with outside countries, and the free movement of products is only permitted between member countries (Cal et al., 2019).
- **Customs Union:** When a collection of nations decides to abolish tariffs among themselves and establish a single external tariff on imports from the rest of the world, they form a customs union; the EU is an example of such a structure. A customs union eliminates the issue of defining complex rules of origin, but it presents the issue of policy coordination as it requires all member nations to agree on tariff rates across a wide range of import industries (Cal et al., 2019).
- **Common Market:** Foster's unrestricted commerce in products and services, establishes uniform external tariffs among members, and allows for free capital and labour migration across borders. The Treaty of Rome created the EU as a common market in 1957, but it took a long time for the transition to take effect. EU nationals now have a single passport, may work in any EU member country, and can invest freely within the union (Cal et al., 2019).
- **Economic Union:** Created to retain free trade in products and services, establish uniform external tariffs among members, permit free capital and labour mobility, and delegate some fiscal spending obligations to a supranational body. The Common Agriculture Policy (CAP) of the EU is an example of budgetary cooperation typical of an economic union (Cal et al., 2019).
- **Monetary Union:** The establishment of a single currency by a group of countries. This includes establishing a central monetary authority to make monetary policies for the entire organisation. The Maastricht Treaty established a single European currency (the Euro) in 1999. The best example of an economic and monetary union is the United States. Each state in the United States has its government that sets rules and laws for its citizens. However, each state gives the federal government some authority over foreign policy, agricultural policy, welfare policy, and monetary policy. Goods, services, labour,

and capital may all flow freely and without restrictions among US states, and the government creates a unified external trade policy (Cal et al., 2019).

### Dynamics of Trade Creation vs. Trade Diversion

Trade agreements between countries are made to simplify the exchange of goods and services, increasing the rate of trade involving the member of such deal, however, this may occur at the expense of countries that are not directly connected, since these non-participant countries may become less competitive because of paying higher tariffs than the countries that are part of the deal, and overall, this affects the economy's efficiency (Monash University, 2021).

Results in the economy depend on the trade environment and the relevance of the partners in the deal, as well as the size of the barriers imposed to non-members of the agreement, to analyse the effect it has on external trading partners and the industries affected directly or indirectly. Finally, the calculation to see if a trade creates or diverts is the net balance of the diversion and creation (Monash University, 2021).

According to the OECD (1995), trade diversion is less evident than expected, for example, the Australia-New Zealand Agreement decreased trade barriers after signing the deal, which was expected to result in trade diversion, but both countries individually also reduced trade barriers to non-members of this deal, therefore the risk of trade diversion did not occur, because the offer of goods and services of other partners were balanced with the goods and services obtained after this deal, favouring the global economy and the stability of competitiveness in the market.

Furthermore, there is no evidence that regional liberalisation is at the expense of multilateral liberalisation, for instance, the US-Canada FTA, NAFTA, and the European Community were consolidated while the Uruguay Round negotiation was in process, resulting in no negative effects from hosting bilateral negotiations to the global economy (Monash University, 2021).

### Advantages and disadvantages of trade deals

Trade agreements allow members of such deals to gain access to other markets and depending on the impact of the arrangement made through the negotiations, this may result in optimal outcomes in the long term. According to the analysis of Monash University (2021), trade deals secure rules to obtain advantages that could not be possible otherwise.

Nevertheless, the economic advantages are only conferred when the participant countries are significant trading partners. Thus, for businesses, the creation of a trade agreement implies adapting to new rules that may complicate the international trading system, as is the case for the NAFTA deal with over one thousand pages that comprise more than twenty committees and working groups (Monash University, 2021).

By this means, the advantages and disadvantages of trade agreements can influence jobs, business progress and living standards, here is a list of some of the pros recognized by Amadeo (2022):

- According to the 2003 assessment of the U.S. International Trade Commission, NAFTA may **boost** annual U.S. **economic growth** by 0.1% to 0.5%.
- In the absence of trade agreements, nations usually protected their industries and businesses. When this protection is removed, they are motivated to start competing with real global rivals, increasing the innovation potential.
- Foreign investment is aided by trade agreements, investors will be drawn to the country. This provides **funds for the expansion** of local industry and the growth of domestic firms.
- Numerous governments support regional businesses. These monies can be used more **effectively** if the trade agreement eliminates subsidies.
- International businesses are more equipped than domestic ones to create local resources. Particularly in the industrial, oil drilling, and mining industries (Amadeo, 2022). Global businesses have access to these commercial prospects thanks to trade agreements. When international corporations **collaborate** with regional businesses to build resources, they **educate** them on best practices. This makes these innovative techniques available to nearby businesses.
- Local businesses can benefit from global partners' access to cutting-edge **technology**. Job prospects can expand in tandem with local economies. Local personnel receive employment training from multinational corporations.

Correspondingly to the balance aimed through this thesis, cons also take part in the analysis done by Amadeo (2022):

- As tariff reductions on imports allow firms to expand into new markets, there can be an increase in **job outsourcing**. Without tariffs, imports from low-cost-of-living countries are less expensive. It makes it more difficult for American businesses in such locations to compete, and as a result, they may reduce their workforce. For example, several US manufacturing businesses lay off workers because of NAFTA (Amadeo, 2022), and one of the most severe allegations levied against NAFTA is that it moved jobs to Mexico.
- Jobs may be as well outsourced by multinational corporations to developing markets with **inadequate labour laws**. Women and children are thus frequently forced to work in poor circumstances at factories.
- Innovative methods, concepts, and patents are frequently not legally protected in undeveloped nations. Although they have laws, they often don't enforce them strictly. As a result, **ideas** developed by businesses are often **stolen**. Then they must compete with less expensive domestic imitations.
- A large portion of employment in the traditional economies of many emerging nations comes from agriculture since the family farms are unable to compete with multinational agribusinesses entering the market from the signature of trade agreements. They are thus obliged to search for employment in the city after losing their farms. This makes **unemployment, crime, and poverty** worse.
- Less developed nations may **struggle** to replace lost revenue from import duties and taxes.

- Environmental regulations are frequently lacking in emerging market nations. Natural resources including minerals, lumber, and other **resources are depleted** because of international trade, thus **indigenous communities** can be endangered as their resources may get contaminated causing these people to suffer from sickness and death.

The author emphasizes that the purpose of trade agreements is to resist trade protectionism, which has its drawbacks such as elevated tariffs and only temporary help for local businesses, to solve these disadvantages and balance them with the benefits. Therefore, rather than using protectionism, constraints could be included in trade agreements to counteract the negative effects (Amadeo, 2022).

### *Current European Union Trade Agreements*

Table 2 shows a recompilation of current EU's (a total of 27 countries) 42 bilateral and multilateral agreements, including many partner nations totalling 78, as of March 2023. Meaning that 40% of the world's nations maintain diplomatic and trade ties with the EU (*78 partner countries / 195 recognized countries around the world*)  $x 100\% = 40\%$ ).

*Table 2. EU Agreements in place*

Albania, Bosnia, And Herzegovina, Montenegro, North Macedonia, Serbia (Western Balkans)	“Stabilisation and Association Agreement” In force since 2009
Algeria	“Association Agreement” In force since 2005
Andorra	“Customs union” In force since 1991
Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, Jamaica, St Kitts and Nevis, St Lucia, St Vincent and the Grenadines, Suriname, Trinidad, and Tobago (CARIFORUM)	“Economic Partnership Agreement” Provisionally applied since 2008. Haiti also signed the agreement in December 2009 but is not applying it yet pending its ratification by its parliament.
Armenia	“Comprehensive and Enhanced Partnership Agreement” Provisionally applies since June 2018
Azerbaijan	“Partnership and Cooperation Agreement” In force since 1999, negotiations on modernisation began in 2017, on hold since 2019
Botswana, Eswatini, Lesotho, Mozambique, Namibia (SADC)	“Economic Partnership Agreement” Provisionally applied since 2016
Cameroon, Central African Republic, Chad, Congo, Equatorial Guinea, Gabon, Republic Democratic of Congo, São Tomé & Príncipe (Central Africa)	“Interim Economic Partnership Agreement” Provisionally applied since 2014

Canada	“Comprehensive Economic and Trade Agreement (CETA)” Provisionally applied since 2017
Chile	“Association Agreement and Additional Protocol” In force since 2003, negotiations on modernisation began in 2017, on hold since 2019
Colombia (with Ecuador and Peru)	“Trade Agreement” Provisionally applied since 2013
Comoros, Madagascar, Mauritius, Seychelles, Zimbabwe (ESA)	“Interim Economic Partnership Agreement” Provisionally applied since 2019, negotiations on modernisation began in 2019
Costa Rica, El Salvador, Guatemala Honduras (Central America)	“Association Agreement with a strong trade component” Provisionally applied since 2013
Côte D'ivoire, Ghana (West Africa)	Steppingstone, “Economic Partnership Agreement” Provisionally applied since 2016
Egypt	“Association Agreement” In force since 2004
Faroe Islands	“Agreement” In force since 1997
Fiji, Papua New Guinea, Samoa, Solomon Islands (Pacific)	“Interim Partnership Agreement” Provisionally applied since 2014
Georgia	“Association Agreement” In force since 2016
Iceland	“Economic Area Agreement” In force since 1994
Israel	“Association Agreement” In force since 2000
Iraq	“Partnership and Cooperation Agreement” Provisionally applied since 2012
Japan	“Global agreement” In force since 2019
Jordan	“Association Agreement” In force since 2002
Kazakhstan	“Enhanced Partnership and Cooperation Agreement” Provisionally applied since 2016
Kosovo	“Stabilisation and Association Agreement” In force since 2016
Lebanon	“Association Agreement” In force since 2006
Liechtenstein	“Economic Area Agreement”, In force since 1995
Mexico	“Global Agreement” In force since 2000, negotiations on modernisation began in 2016, ‘Agreement in principle’ on the trade pact reached in 2018
Moldova	“Association Agreement” In force since 2016

Morocco (EUMFTA)	“Association Agreement” In force since 2000, negotiations on modernisation began in 2013, on hold since 2014
Norway	“Economic Area Agreement” In force since 1994
Palestinian Authority	“Interim Association Agreement” In force since 1997
San Marino	“Customs union” In force since 1991
Singapore	“Free Trade Agreement” In force since 2019
South Africa	“Economic Partnership Agreement” Provisionally applied since 2016
South Korea	“Free Trade Agreement” In force since 2015
Switzerland	“Agreement” In force since 1973
Tunisia	Association Agreement In force since 1998, negotiations on modernisation began in 2015, on hold since 2019
Turkey	“Customs union” In force since 1995
Ukraine	Deep and Comprehensive Free Trade Agreement “Association Agreement” Provisionally applied since 2016
United Kingdom	“Trade and Cooperation Agreement” In force since 2021
Vietnam	“Free Trade Agreement” In force since 2020

*Source 2. Data from “Negotiations and agreements” European Commission 2023. Created by the author.*

### The most notorious positive outcomes of these agreements

EUMFTA is an example of how trade agreements may support economic growth and development; for example, Moroccan businesses now have easier access to the EU market, which has increased exports and foreign investment. Government incentives such as free zones, industrial parks, and tax breaks have aided growth as well. This partnership boosted the automotive and aerospace industries, consequently thousands of new employments in these sectors have been generated, helping the Moroccan economy as well as the Moroccan people (Dadush and Berahab, 2020).

The EU-Mexican FTA was signed in 2000, and it granted Mexico duty-free access to the European market for 82% of its exports, with the remaining 18% liberalized by 2003. Similarly, 60% of EU exports to Mexico had duty-free access, with the other 40% subject to a maximum tariff of 5%, which was to be reduced by 2007. Since the implementation of the EU-Mexico FTA, Mexican imports from the EU have increased by 32%, while imports from the rest of the world have increased by only 8%. The same can be said for the EU: although imports from the

rest of the world increased by 15%, imports from Mexico increased by 41% (Slotmaekers and Vinhas De Souza, 2004).

Between 2004 and 2016, Egypt-EU trade more than doubled, from €11.4 billion in 2004 to €27.3 billion in 2016, accounting for 31.3% of Egypt's total trade value in 2016 (Helmy, Aboushady, and Zaki, 2018). In that way, the 2004 signature of the association agreement among both blocs cleared the path for increasing commerce by reducing trade obstacles and creating a framework for collaboration between the two areas.

These examples show how trade agreements may help economic growth and development by encouraging trade and investment, generating jobs, and extending market access for member nations. These encouraging results make a compelling case for further international trade agreements to be signed, particularly by nations wishing to integrate into globalisation and boost economic progress.

### The most notorious negative outcomes of these agreements

The decline in ESA (Eastern and Southern Africa) and SADC (Southern African Development Community) manufactured goods exports to the EU (Stender et al., 2020) can be viewed as a negative outcome for the EU, as it suggests that this agreement may have resulted in trade diversion, which can harm the competitiveness of certain industries. Trade diversion occurs when preferential trade agreements redirect trade flows from more efficient non-member nations to less efficient member countries, potentially resulting in limited access to competitive products (Britannica, 2023). It may also influence the EU's ability to implement its foreign policy objectives of fostering economic growth in these countries by creating new markets for their products, resulting in a loss of potential trade benefits and increased prices for EU consumers and producers.

The CARIFORUM-EU Economic Partnership Agreement (EPA) is unique in its attempt to include culture in a trade agreement, but challenges include institutional and capacity constraints, as well as failing links between implementing agencies, creative industry organisations, and individual artists. There are further disadvantages, as the Protocol on Cultural Cooperation (PCC) does not anticipate any explicit financial commitment from the EU or its Member States to execute it. The capacity of CARIFORUM States to execute the EPA is still limited by the level of financial support granted under the European Development Fund (EDF) Caribbean Regional Indicative Program (CRIP) from 2008 to 2020, as well as EU policy on development aid differentiation (Burri and Nurse, 2019), potentially leading to missed opportunities for growth and development as well as the perpetuation of economic inequality and disparities in the region.

According to Berahab and Dadush (2020), the EUMFTA, along with multilateral trade liberalisation, has brought significant benefits to Morocco - increased exports, increased FDI, lower prices, and policy discipline - but these benefits have not yet translated into the expected sustained growth acceleration. Morocco's macroeconomic vulnerabilities remain, and observers are correct to be concerned about Morocco's capacity to sustain its worldwide current account deficit. They are also understandably worried about Morocco's high unemployment

and underemployment, which disproportionately affects young people and is exacerbated by the country's trade imbalance, which may indicate that the benefits of FTAs are not distributed evenly and may be concentrated in specific sectors or regions.

The negative outcomes highlighted in these examples demonstrate that trade agreements can lead to trade diversion, perpetuate economic inequalities, and limit the effectiveness of development policies. This enables a persuasive case against signing further international trades, particularly for states seeking to protect their nation, people, and economy by raising external market barriers.

### *Current Mercosur Trade Agreements*

Table 3 shows the 12 bilateral and multilateral agreements that Mercosur (a total of 4 countries), has implemented as of March 2023. These agreements include a wide range of 16 partner nations. According to this data, about 8.2% of the world's nations have diplomatic and trade ties with the South American bloc (*16 partner countries / 195 recognized countries around the world = 8.2%*).

*Table 3. Mercosur Agreements in place*

Bolivia	“Free Trade Agreement” In force since 1997
Chile	“Economic Complementation Agreement” In force since 1996
Colombia	“Economic Complementation Agreement AAP.CE N° 72” Signed 2017
Cuba	“Partial Scope Agreement of Economic Complementation” In force since 2007
Ecuador	“Free Trade Agreement” In force since 2005
Egypt	“Free Trade Agreement” In force since 2017
India	“Preferential Trade Agreement” In force since 2009
Israel	“Free Trade Agreement” Signed in 2007
Mexico	“Economic Complementation Agreement No. 54” In force since 2006
Peru	“Free Trade Agreement ACE No 58” Signed 2005
Morocco	“Free Trade Agreement” In force since 2010
Botswana, Eswatini, Lesotho, Namibia, and South Africa. (SACU)	“Free Trade Agreement” In force since 2016

*Source 3. Data from “Trade Policy Developments” Foreign Trade Information System, 2017. Created by the author.*

### The most notorious positive outcomes of these agreements

According to the theory of comparative advantage, countries benefit from specialising in the production of goods and services with lower opportunity costs and trading them with other

countries for goods and services that they cannot produce efficiently (Corporate Finance Institute, 2019). Some examples of beneficial outcomes are presented below to illustrate that theory:

Commerce has nearly quadrupled because of the ECA between Mexico and the Mercosur members. Products from this industry accounted for 40% of trade between Mexico and these countries in 2010, with Mexican exports totalling about \$3 billion (Mexican Ministry of Economy, 2015). In this scenario, the rise in trade may be attributed to the removal of trade obstacles and the availability of a larger market for Mexican products. By removing tariffs and other barriers, Mexican products became more competitive in Mercosur countries, increasing demand and, as a result, Mexican exports. Furthermore, increased trade generated positive spill over effects, such as increased investment flows and technological transfers, which aided economic growth and development.

The Israel-Mercosur discussions began in 2005, and the deal was concluded two years later, on December 18, 2007, marking the South American bloc's first agreement with a country outside of the continent. This FTA became effective for both Uruguay and Israel on December 23, 2009. Brazil approved the project on March 15, 2010, while Paraguay approved it on March 24, 2010. According to the World Trade Organization, the Pacific Alliance nations sent over 444,000 million dollars in exports to Israel, which is 60% more than what this country exchanged with Mercosur (Centre for International Studies Gilberto Bosques, 2017). This example demonstrates how Israel and Mercosur countries selected industries and goods in which they had a comparative advantage and decided to increase trade in such sectors and items. Since the signing of this FTA, Pacific Alliance countries have been able to export items in high demand in Israel, such as chemicals, machinery, and textiles, while importing items that they needed but could not produce economically, such as high-tech products.

In conclusion, the good outcomes of these examples are compatible with the idea of comparative advantage and show the advantages of liberalizing trade and expanding economic integration between nations. However, it is important to note that international trade agreements are not a simple solution and must be carefully designed and implemented to ensure that benefits are distributed equitably, and costs are kept to a minimum.

### The most notorious negative outcomes of these agreements

Trade agreements have been proven to harm some businesses and consumers. For example, the Mercosur-Peru Economic Complementation Agreement (ECA) boosted rice prices for end consumers while lowering importation costs for producers. This shows how trade agreements may favour producers over consumers and aggravate inequality; before this ECA, profit margins averaged 18.67% in 2003, 2004, and 2005. Even though import taxes were decreased from 12% to 0% following the signing of the ECA, the price of rice surged, boosting profits by an average of 22.83%, meaning that end consumers had to pay more for this item even when traders had lower importation expenses after this agreement (Linares and Palma, 2010).

Furthermore, the SACU agreement resulted in lower agricultural prices, which benefited consumers but harmed producers, particularly commercial farmers. This suggests that trade

agreements may result in winners and losers in particular areas rather than encouraging general economic growth and development. The small export gains of the agreement come from the establishment of new businesses rather than trade diversion, according to SACU. Prices for all agricultural products have also plummeted, which is excellent for consumers but bad for farmers. In conclusion, the agreement harms South Africa's commercial farmers while benefiting small-scale and emerging farmers, depending on whether they produce excess or deficit food (Sandrey, Hans Grinsted Jensen, and Vink, 2011).

These examples of poor consequences for nations who signed trade agreements demonstrate that protectionism could be a preferable path as tariffs and other obstacles to imports can safeguard domestic industry while also stabilizing consumer prices. This strategy would emphasise internal industries and workers' interests while lowering the dangers of trade diversion (Britannica, 2023) and sustaining economic inequities. Furthermore, protectionism can encourage domestic production, job creation, and innovation, resulting in long-term economic growth and development.

### *EU-Mercosur Agreements in Comparison*

*Table 4. EU and Mercosur Trade agreement comparison in percentage*

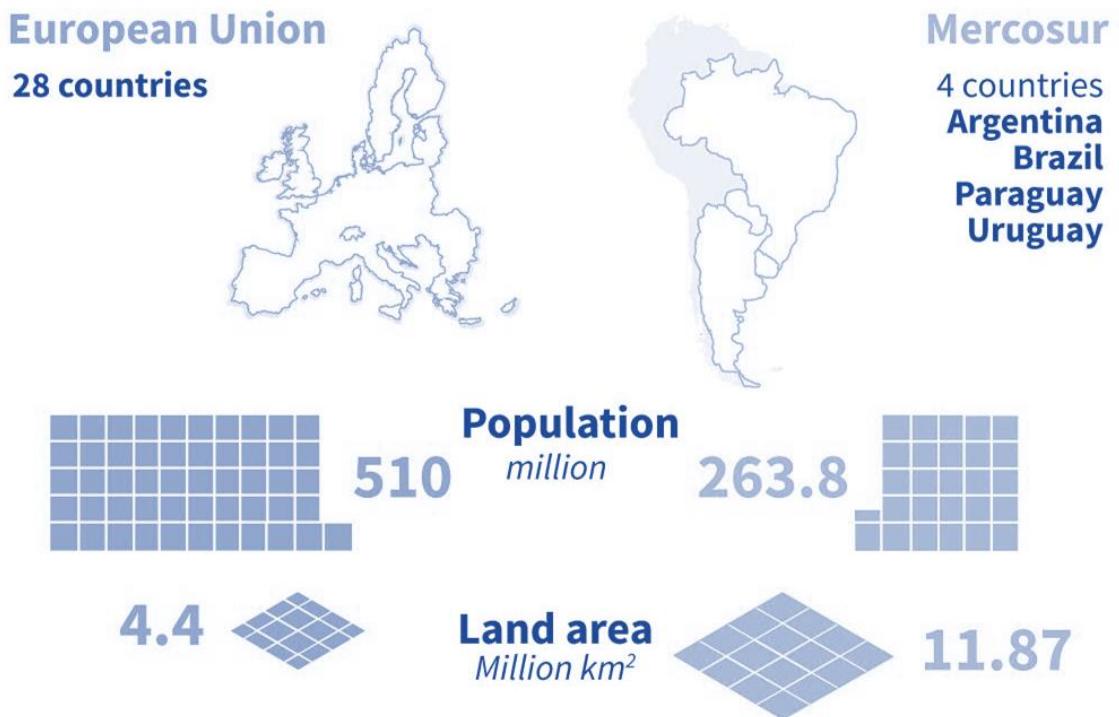
EU	Mercosur
Number of agreements: 42	Number of agreements: 12
Number of partner countries: 78	Number of partner countries: 16
Percentage of partner countries for the EU: (42 EU's agreements in place / 78 EU's partner countries) x 100% = 54%	Percentage of partner countries for Mercosur: (12 Mercosur's agreements in place / 16 Mercosur's partner countries) x 100% = 75%

*Source 4. Deductive comparison of data from Table 2 and Table 3. Created by the author.*

These estimates reveal that, while having fewer agreements and member nations overall, see Figure 1 for comparison, Mercosur exhibits a higher ratio of partner countries (75%) compared to the EU (54%). The number of agreements and partner countries by itself, however, might not give a complete picture of the commercial connections between the two blocs because the quality, scope, and scale of these agreements may vary.

Also, as indicated in Figure 2, the EU is the world's second-largest economy and the world's largest trade union, owing to the EU's enormous Gross Domestic Product (GDP), which reached €14.5 trillion in 2021 (European Union, 2022). According to World Bank data, Mercosur had a combined GDP of \$1.9 trillion (Council of Foreign Relations, 2021), which is approximately €1.7 trillion in 2020, making Mercosur one of the world's leading economic blocs and the fifth largest economy (ICRP, 2020; Mercosur, 2022).

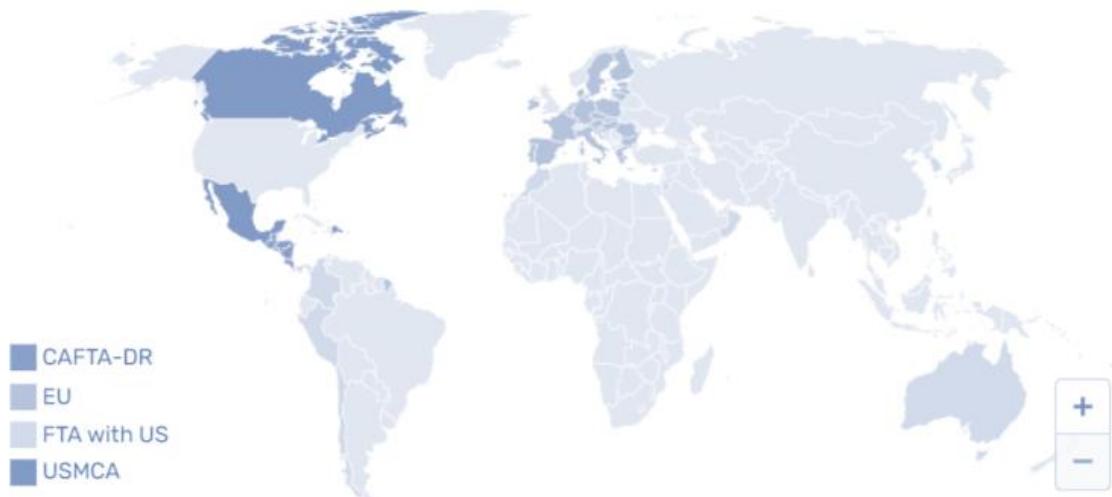
Figure 1. EU-Mercosur key figures



Source 5. World Bank, IMF, AFP, EdnHub, 2019

Figure 2. Largest Agreements in the World

Countries are grouped by agreement: the European Union (EU), the North American Free Trade Agreement (NAFTA), the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR), and countries with a standalone Free Trade Agreement (FTA) with the US. Hover over each country for specific breakdowns.



Source 6. US Census Bureau (Amadeo, 2021)

## **Chapter 2: The unfulfilled promise of an agreement between Mercosur and the EU**

### *The history behind*

The leaders of Mercosur reached a political agreement with the European Union in 2019 for an ambitious, balanced, and comprehensive trade agreement, but to achieve this, 20 years of negotiations between the bi-regional leaders had to occur (European Commission, 2018).

In that year, deforestation caused the Amazon Forest to catch fire, and French farmers protested the signing of this international trade agreement because, while it would benefit both regions economically, it would also limit their ability to compete and meet the standards necessary to thrive in a globalised society (Purdue News Service, 2019; Franceinfo, 2019; Into Europe, 2021).

Nowadays its ratification may be condemned by protectionism and trade wars (Financial Pipeline, 2018; Investopedia, 2022; Corporate Finance Institute, 2019).

### European Union

As a continuation of the first world war and because German dictator Adolf Hitler was eager to conquer Polish territory, Germany invaded Poland in September 1939, starting what is now known as World War II. Simultaneously Poland had agreed on military support from France and Britain in the case this attack occurred (Britannica, 2022).

Poland and its allies, including France, Great Britain, the United States, the Soviet Union, and China, fought out against the Axis powers, Germany, Italy, and Japan, for six years (History Channel, 2009).

World War II concluded with Germany's surrender in the winter of 1945, however, it had already changed Europe and allowed for peace to reign on the continent for the years that followed (Holocaust Encyclopaedia, 2022; European Union, 2019).

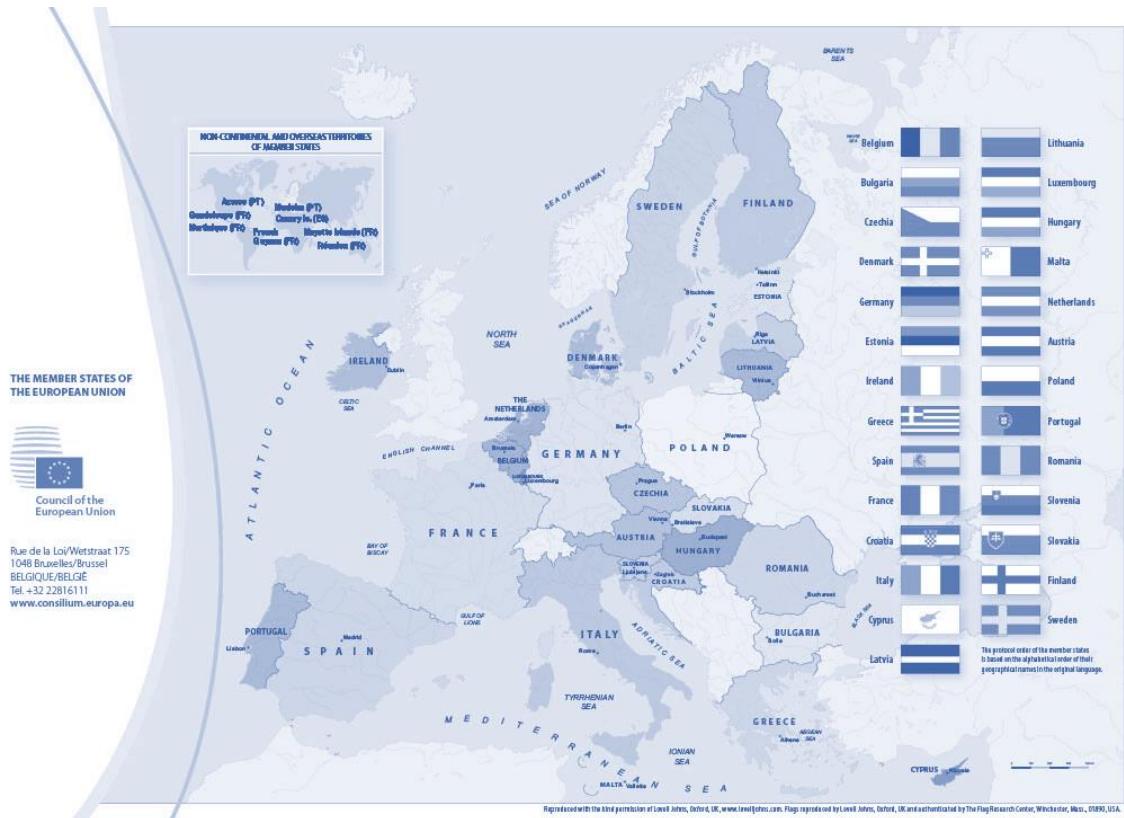
By 1951, the founding members of the European Community were Belgium, France, Germany (West), Italy, Luxembourg, and the Netherlands. As a result, the European Atomic Energy Community (EAEC), European Economic Community (EEC), and European Coal and Steel Community (ECSC) were established in the years that followed. These three were merged into the European Communities in 1967. The European Union, commonly known as the EU, was established in the 1990s because of these and not being united to them, to ensure economic integration and peace on the continent; but, in the end, the European Communities moved into the EU (Corporate Finance Institute, 2020).

As observed, the continent started to sign treaties and get international cooperation through the creation of institutions that ensured integration and strength to the regions after the social, economic, and political negative effects the war left for the countries, while working together

to achieve peace and prevent the previous mistakes that led to disagreements in the past (Britannica, 2022).

By the end of 2022, there were 27 nations in the EU, including those in the following map: Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, and Sweden (European Union, 2016). Please note the UK withdrew from the EU at the end of January 2020 (Europa.eu, 2020).

Figure 3. European Union map



Source 7. Special Travel International, 2014

It is also considered important to understand that the EU does not necessarily correspond with Europe's territory, as previously mentioned this union has signed different treaties that have created exceptions for some countries that are in the European area (EdnHub, 2019).

For instance, three configurations make up part of the goals of creating this country amalgamation, such as economic integration through tools such as the same money used in different areas of the continent, which is denominated "Eurozone" and combines the countries that have completely included the euro as the official currency in the nation, constituting a monetary union through a central bank system, nevertheless by 2022, not all countries that belong in the EU participate in the Eurozone since it is an option to join the EU while

maintaining another currency that gives financial independence from the ECB: European Central Bank (Investopedia, 2022).

As well, another configuration that is derived from the creation of the EU is the Schengen area which constitutes the geographical conditions of most countries in this area to ensure the goal of free movement for its citizens. The Schengen members include many regions currently belonging to the EU, but also non-EU states such as Iceland, Norway, Switzerland, and Liechtenstein through mutual agreements. This area was created to abolish internal borders in the continent for up to 90 days (Migration and Home Affairs, 2021).

The Single Market, which enables the four free movements of goods, services, capital, and citizens within the internal market, is regarded as one of the most successful agreements established by the European Union (Internal Market, Industry, Entrepreneurship, and SMEs, 2015). The primary objective of the Single Market is to enhance the global economy's stability and strengthen it through the unconstrained exchange of goods, services, capital, and people (European Union, 2022). The Single Market has a considerable economy with 500 million EU citizens and 24 million companies participating. Remarkably, the scope of the Single Market is not limited to the EU's exact territory. Instead, all EU member countries and Norway, Iceland, and Liechtenstein are involved, while Switzerland has a separate agreement with the EU Single Market (Bbc.co.uk, 2019).

Figure 4. European Union organisation chart [simplified]

### The European Union in all its configurations

**The single market, 28 countries**  
Free circulation of people, goods, services and capital. Iceland, Norway and Liechtenstein follow most of the rules



**The Schengen area, 26 countries**  
No interior border controls  
Some EU members do not belong, while some non-EU countries do



**The Eurozone, 19 countries**  
EU member states that share a single currency



Source 8. EdnHub, 2019

The EU operates through a system of institutions and bodies that work together to make and enforce rules and regulations on a wide range of issues, including trade, environmental protection, and human rights (European Union, 2013).

The main institutions of the EU are the European Parliament, the European Council, the Council of the European Union, the European Commission, and the European Court of Justice (Britannica, 2022). These institutions work together to develop and implement common policies in areas such as trade, agriculture, justice, and home affairs (European Commission, 2021).

In addition to its core institutions, the EU also has several agencies and bodies that carry out specific tasks, such as the European Medicines Agency, the European Environment Agency, and the European Space Agency (Britannica, 2022).

These configurations work together to ensure that the EU operates effectively and efficiently (European Union, 2016), and to promote cooperation and integration among its member states. Through its policies and actions, the EU aims to promote peace, stability, and prosperity (European Union, 2019) in Europe and beyond, and to work toward a more sustainable, inclusive, and equitable future (European Union, 2019) for all Europeans.

The EU has been expanded (Europa.eu, 2022) over the years through the accession of new member states and continues to play a key role in shaping the future of Europe and the wider world.

### Mercosur

Mercosur, which stands for "Mercado Común del Sur" in Spanish or "Southern Common Market" in English, was established in 1991 by the Treaty of Asunción and symbolizes the free trade zones in Latin America between its creators: Argentina, Brazil, Paraguay, and Uruguay (Mercosur, 2018).

It is important to differentiate the state parties who created the agreement and the associated states: Bolivia, Chile, Colombia, Ecuador, Guyana, Peru, and Surinam (Mercosur, 2018); these associates can participate in meetings that deal with trade agreement issues or could as well be countries that enter into agreements with MERCOSUR under the article 25 of the 1980 Treaty of Montevideo (Oas.org, 2022).

In the case of Venezuela, which joined in 2012, the Mercosur leaders suspended the country through the protocol of Ushuaia (Mercosur, 2022) since it "had not adopted all the membership rules as promised" and the concern for the country's development was increasing due to food shortages, looting, and human right abuses caused after Nicolás Maduro entered the position of president (BBC News, 2016), Figure 5 provides a visual representation of previous explanations from all countries involved in Mercosur in the correct geographical position.

The presidents and foreign relations ministers of these four countries were present to sign the official document that expressed the goals of this coalition, which included market expansion opportunities for participants beyond what national borders covered, but also profiting from available resources while preserving the environment and promoting scientific and technological development to modernize the economies.

Figure 5. Mercosur map



Source 9. Braga, 2018

From the beginning, the goal of Mercosur was to reach trade integration between Latin America, but in the past 20 years, the development of international partnerships has increased and therefore, reached the point of negotiating deals with Europe; with the agreement EU-Mercosur, which would be its largest international agreement until now (European Commission, 2019).

According to CEPAL, the territory of Mercosur is 14,869,775 km<sup>2</sup>; it is one of the world's largest biodiversity reserves, with a population of more than 295,007,000 inhabitants and according to the World Economic Outlook Database, it represents the fifth largest economy in the world (Mercosur, 2018).

The official website guides countries willing to join this alliance as they claim to be “open to adhesion of other states” if they are members of ALADI: Latin American Integration

Association (ALADI, 2022) and if they follow the adhesion process declared in the internal normative (Mercosur, 2022).

The normative also indicates the permanent organisms that constitute the agreement, which will be mentioned during the analysis of the decisions for the EU-Mercosur agreement, which are listed here (Seminario de Comercio Exterior, 2020):

- FOCEM stands for the structural convergence fund and is made up of annual contributions from each of the member countries.
- IPPDH to be exact the institute of public policies in human rights.
- ISM is the social institution for minors.
- PARLASUR which is the parliament of Mercosur.
- SM is the secretariat for minors.
- TPR for the permanent court of review.
- UPS specifically the social participation support unit.

Since describing the legal structure of Mercosur, it is relevant to understand the organisation chart, at least in a simplified format to introduce the concept of Mercosur in 2023.

According to the protocol of Ouro Preto, which was an additional protocol added to the treaty of Asuncion, the institutional framework of Mercosur would include the CMC (Common Market Council), GMC (Common Market Group), CCM (Mercosur Trade Commission), CPC (Joint Parliamentary Commission), FCES (Social Economic Advisory Forum), and SAM (Administrative Secretary of Mercosur). However, only the CMC, GMC, and CCM are decision-making (Dutra, 2015).

- **CMC:** Mercosur's highest body that is responsible for the **political** areas of leadership to ensure compliance with the established objectives through the integration process. Its presidency would function through power rotation between the state parties in alphabetical order every six months, currently putting Argentina in the position of power. Therefore, at least every semester it must reunite with the participation of the Presidents from the state parties (Mercosur, 2022).
- **GMC:** Responsible for **executive** areas of Mercosur constituted mostly of ministers of foreign affairs or economy and the central banks. Of its functions and attributions is to propose draft decisions to the CMC, setting work programs that ensure progress toward the establishment of the common market (Mercosur, 2022)
- **CCM:** The body in charge of assisting the GMC and responsible for the common **commercial** policy instruments agreed upon by the state parties to coordinate the development of the customs union intra-Mercosur and third parties (Mercosur, 2022).

Figure 6. Mercosur organisation chart 2022 [simplified]



Source 10. Mercosur, 2022

Despite its potential for economic growth and integration, Mercosur has faced issues (Council on Foreign Relations, 2021) that have impeded its progress. Some of the significant issues are:

- **Trade disputes:** Tariffs, trade restrictions, and intellectual property rights have been the subject of trade disputes among Mercosur nations as well as with other nations. The expansion of commerce and investment within the bloc has been impeded by these disagreements.
- **Protectionism:** Countries in Mercosur have been charged with being protectionists for allegedly enacting policies that restrict trade and outside investment. This has made it more difficult for Mercosur to join the world economy.
- **Political tensions:** The cooperation and integration within the Mercosur bloc have occasionally been hampered by political disputes among the member nations. For instance, trade and economic policy disputes have arisen between Argentina and Brazil, while political differences with other Mercosur members led to Paraguay's suspension from the organisation in 2012.
- **Lack of progress in negotiations:** Mercosur has been engaged in negotiations with the EU for a trade agreement for over 20 years, but there has been limited progress in reaching a final agreement.
- **Economic disparities:** The economic disparities between the countries within Mercosur have been a hindrance to the integration and growth of the bloc. For example, Brazil is much larger and more economically developed than the other member countries, making it difficult for them to compete.

Despite these challenges, Mercosur continues to work toward further integration and growth (Mercosur, 2022) and is an important player in the South American and global economies.

## *The agreement*

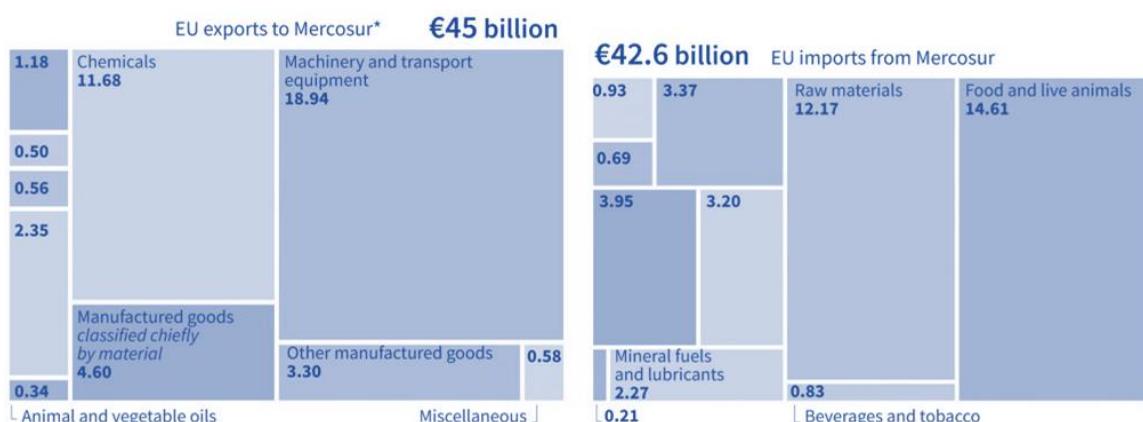
20 years before the signature of the EU-Mercosur agreement, negotiations opened among the two regions with intensified efforts to sign the pact because of the EU's deteriorated international relations with the United States of America during Donald Trump's presidential period, which at the time, defied the growing global trend of protectionism (Euronews, 2019).

The idea to create a trade agreement between the two parties originally surfaced in the 1990s (2019). The main goals of this proposal were to reduce the burden of high tariffs, promote trade and investment, and strengthen economic integration between the two areas (Into Europe, 2021). The apparel and automobile industries, two significant South American industry sectors that are essential to the accord, continue to have exceptionally high tariffs. The standard tariff rate in these industries is 35%. In addition, the pharmaceutical industry is subject to a 14% high customs duty. Additionally, customs tariffs remain high in the agricultural sector for a variety of goods, including alcohol at 35%, dairy at 28%, chocolate at 20%, and wine at 20%. (EdnHub, 2019).

According to the Foreign Trade Information System (2013), the EU-Mercosur agreement negotiations began in 2000 but were characterized by slow progress due to differences in approaches and priorities. These negotiations encountered several challenges (Euronews, 2019), such as disagreements over tariffs and market access for goods and services, intellectual property rights, as well as environmental (Brunsden and Khan, 2019), and labour standards (Treat, 2020).

The trade deal between the EU and Mercosur involves the opening of the EU market to beef, ethanol, sugar, and poultry exports from the South American nations (Phelan, 2019). These sectors are significant to Mercosur, as demonstrated in Figure 7, but they are also sensitive to European producers who have opposed the deal strongly (Brunsden and Khan, 2019). To safeguard its market, the EU is implementing quotas (Phelan, 2019), whereby politically sensitive imports will not be subjected to taxes upon arrival in Europe up to a certain threshold, beyond which customs duties will again be imposed (EdnHub, 2019).

*Figure 7. EU-Mercosur goods trade 2018*



*Source 11. Eurostat, rounded Figures for 2018, EdnHub, 2019*

This accord, like similar trade agreements agreed by the EU recently, includes a chapter on sustainable development. According to the Commission, "forest protection, wildlife commerce, and respect for workers' rights" are among the topics discussed in this section. Despite the absence of legal force, several non-governmental organisations (NGOs) have raised concern over them (GreensEFA, 2021), particularly bearing in mind Brazil's "ecological catastrophe" following the election of far-right President Jair Bolsonaro in 2019 (EdnHub, 2019).

Activists claimed that President Bolsonaro's policies support farming, a sizable portion of Brazil's economy, while concurrently causing the Amazonian Forest to be destroyed (Rocha, Reverdosa, and Pedroso, 2022; Muniz, 2022; Moens and Mathiesen 2002)

The EU and Mercosur persevered in their efforts to negotiate a deal despite these obstacles for many years (European Commission, 2019). The major components of the agreement, which was to be signed in 2019, were the subject of a political agreement between the EU and Mercosur that was announced in 2016 (Foreign Trade Information System, 2013). Nevertheless, the specifics of the trade deal still needed to be discussed and agreed upon.

### 1999: First Framework

The launch of negotiations on 28 June 1999 signalled the beginning of formal talks toward an agreement between the two areas. (European Commission, 2018)

The EU and Mercosur took a crucial step toward deeper economic connections after the signing of the Madrid Protocol, which paved the way for a protracted and difficult negotiating process to achieve an arrangement for a future political agreement in 2019. According to the Foreign Trade Information System (2013), the Madrid Protocol created a framework for negotiations that included the topics the trade agreement would cover, including trade in commodities and services, intellectual property rights, and environmental and labour norms.

The Madrid Protocol remains an important moment in the history of EU-Mercosur relations as it shows the necessity to construct strategic planning (European Commission, 2021) to ensure agreement between international partners.

### What happened from 1999 to 2019?

In the early 2000s, the negotiations stalled for several years but were revived in 2010 (Foreign Trade Information System, 2013) as part of the EU's wider trade policy agenda. When the EU and Mercosur each made new promises to lower tariffs in 2016, the extended discussions received fresh impetus. Over the next several years, the two sides made considerable progress in the negotiations (European Commission, 2019).

The deal was hailed as a significant victory since it would establish one of the world's largest trade blocs, with a market of 780 million customers and a combined GDP of more than \$20 trillion (European Commission, 2021). The deal was also perceived as fostering stronger political and economic links between the EU and Mercosur, as well as advancing environmental protection and sustainable development (European Union. Eurostat, 2021).

However, the agreement faced significant opposition from environmental groups, some EU member states, and other stakeholders, who argued that it did not adequately address environmental concerns (GreensEFA, 2021), particularly regarding deforestation in the Mercosur countries.

The EU and Mercosur declared in June 2019 (Foreign Trade Information System, 2013) that they had reached a final deal on the EU-Mercosur agreement, which would create one of the world's largest trade regions. Before the agreement may go into effect, the EU member states and the Mercosur nations must sign it and then, ratify it (Caas, 2020).

The proposed EU-Mercosur agreement is seen as a significant step toward further economic integration between the two regions and is expected to increase trade and investment flows, create jobs, and promote economic growth (Guinea and Sharma, 2021)

### 2019: Political Agreement

The European Union and Mercosur secured a political agreement on a comprehensive, ambitious, and balanced trade deal on June 28, 2019 (European Commission, 2023), which marked a significant milestone in the relationship between the European Union and the Southern Common Market as it represented a firm commitment toward increased economic cooperation and integration between the two regions. However, it remains subject to signature by each member state of the European Union, followed by ratification (Cañas, 2020).

Many political figures provided their opinions on the agreement at the signature, through a news release issued by the European Commission (2019). For instance, Jean-Claude Juncker, president of the European Commission from 2014 to 2019, stated that "the deal constituted a historical moment and wonderful news for firms, workers, and the economies on both sides of the Atlantic, with estimated savings of over €4 billion in duties every year". The largest trade pact the EU has ever concluded, he continued, was defined by this. The agreement "would enable European companies to save over €4 billion in duties at the border, which is four times as much as the pact with Japan," according to Cecilia Malmström, trade commissioner. Assuring the opposition that "the deal will only authorize carefully managed quotas for agricultural products from Mercosur, to minimize the risk of flooding the EU market and endangering the livelihood of EU farmers," Commissioner for Agriculture and Rural Development Phil Hogan.

The signing of the contract was focused on two main aspects. First, the agreement would support the exports of EU goods that have previously been subject to high and occasionally prohibitive tariffs, such as automobiles (35%) and parts (14–18%), machinery (14–20%), chemicals (up to 18%), pharmaceuticals (up to 14%), clothing and footwear (35%), and knitted fabrics (26%). Second, the EU's agri-food industry would gain from the removal of high tariffs on exports of items like wine (27%), spirits (20-35%), soft drinks (20-35%), and chocolates and confectionary (20%). Also, the accord would grant duty-free access to EU dairy products, particularly cheese, which presently carries a 28% tax, subject to limits (European Commission, 2019).

The agreed-upon wording of the agreement was then supposed to go through a legal review to produce the final form of the Association Agreement and its trade-related provisions. The Association Agreement would subsequently be presented to the EU Member States and the European Parliament for ratification after being translated into all official EU languages. Yet, various objections were raised upon modification by EU member states, as shown in Table 5.

### European Union

The concerned nations took diverse positions and took different activities in the run-up to the 2019 EU-Mercosur deal that were in line with their individual economic, social, and political interests. While some EU members expressed support for the agreement and its potential economic benefits, others voiced resistance. The nations that have made official remarks are listed below.

*Table 5. European countries involved in the agreement, notorious opinions before 2020*

Austria	Austria has rejected the EU-Mercosur deal due to concerns about deforestation and fires in the Amazon rainforest. The Austrian government stated that the trade deal would not be ratified unless Brazil takes action to protect the rainforest and reduce the use of pesticides (Oltermann, 2019).
Belgium	Belgian officials have highlighted worries about the potentially harmful impact of the increased imports of South American cattle on its domestic beef industry, as well as the risk of deforestation in the Amazon rainforest. To guarantee that environmental and social norms are respected, the Belgian government has urged for the inclusion of sustainable development requirements in the agreement. The European Commission has also been encouraged by the Belgian government to make sure that the deal does not compromise European food safety standards and that geographical indications (GI) for agricultural products are protected. The impact of the agreement on Belgium's agricultural industry and environment, as well as the need to maintain sustainable development and adherence to European food safety and GI standards, are the principal areas of concern for Belgium (Conchir, 2019).
France	France has expressed concerns about the potential impact of the EU-Mercosur agreement on its agricultural sector, as increased imports from Mercosur countries could threaten French farmers' livelihoods (Franceinfo, 2019). Additionally, French officials and environmental groups have raised concerns about deforestation in the Amazon rainforest and the potential impact of increased beef exports on greenhouse gas emissions. There are also concerns about food safety and the protection of geographical indications for French products. France has also called for stronger commitments to protect labour rights, ensure workers in MERCOSUR countries are not exploited, and uphold EU standards for consumer protection and animal welfare (Staff, 2019).

Germany	In 2019, Germany expressed support for the EU-Mercosur agreement citing economic opportunities. However, Germany's Environment Minister Svenja Schulze later expressed concerns about the agreement's impact on the environment, particularly in the Amazon rainforest, and called for binding commitments from Mercosur countries to protect the rainforest and uphold environmental standards. Other German officials have raised concerns about the agreement's potential impact on social standards and workers' rights. (Euractiv, 2017; Welle, 2020).
Ireland	The Irish agricultural sector is crucial to the country's economy, and the increase in imports from MERCOSUR countries could pose a threat to Irish farmers' livelihoods. The Irish government is also worried about deforestation in the Amazon rainforest and the potential greenhouse gas emissions due to increased beef exports. There are also concerns about food safety and animal welfare standards, as well as social and labour impacts. Irish officials have called for stronger commitments to uphold EU standards for consumer protection, animal welfare, and labour rights within the agreement (ICOS, 2019).
Luxembourg	The Luxembourgish government believes that deforestation, which has intensified since Bolsonaro became the president of Brazil (Rocha, Reverdosa, and Pedroso, 2022), is a direct cause of the forest fires in the region. As a result, Luxembourg will not agree to the signing of the trade agreement unless Brazil starts respecting the commitments it made under the Paris Agreement -further explanation in the section "2022: non-ratification" of this thesis- and in negotiations with the EU. Jean Asselborn, Luxembourg's Minister of Foreign Affairs, also assures that Luxembourg will closely monitor all issues related to agricultural concessions to ensure that all products imported into the EU comply with European standards (Parachini, 2019).
The Netherlands	The Dutch trade minister, Sigrid Kaag, has defended the EU-Mercosur deal, stating that it will support Europe's push for sustainable growth, despite criticism from farming and environmental groups. She argued that the agreement offers an opportunity for Europe to export its high social and environmental standards to South American economies. The Netherlands has been a strong advocate for free trade within the EU, but Ms Kaag acknowledged the challenges involved in trade deals, especially amid public concerns about EU negotiations with the US and Canada (Brunsden and Khan, 2019).
Portugal	The relationship between Brazil and Portugal is important, with bilateral trade reaching US\$1.6 billion in 2015 and almost 600 Portuguese companies or companies with Portuguese capital operating in Brazil. During the 12th Brazil-Portugal Summit in November 2016, the leaders of both countries expressed their commitment to promoting the ongoing negotiations for an Association Agreement between MERCOSUR and the EU (Mazzella, 2016).

Spain	Spain's trade with Latin America represents 4.5%, twice the EU average and Spain is the second largest service provider to the Latin American bloc among European countries. Spain could take advantage of the agreement for commercial and service provision opportunities, as well as participation in public procurement (Banco de España, 2023).
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*Source 12. Recompilation of data from various sources. Created by the author.*

### Mercosur

Most Mercosur's members have supported the agreement and the potential advantages it may have for their economies. Concerns have been voiced regarding the effects on regional businesses, such as agriculture, as well as the necessity of promoting social and labour rights and protecting the environment, particularly from the Brazilian government.

*Table 6. Latin American countries involved in the agreement, notorious opinions before 2020*

Argentina	President of Argentina from 2015 to 2019; Mauricio Macri highlights the benefits of the agreement, which opens a market of 500 million people for Argentina and praises the teamwork and good relationships that made the deal possible. Macri notes that the EU representatives showed understanding and flexibility toward Argentina's unique situation, having only recently opened their economy after years of isolation (Presidencia de Argentina, 2019).
Brazil	The agreement between Mercosur and the EU has been delayed due to increased deforestation in the Amazon resulting from Bolsonaro's policies (Rocha, Reverdosa and Pedroso, 2022), which has led to European countries blocking the agreement. Bolsonaro's government has expressed a willingness to move forward without France's support and has blamed France for the delay. (Muniz, 2022; European Council for an Energy-Efficient Economy, 2022).
Paraguay	Paraguay's President Mario Abdo Benítez recognized the Paraguayan negotiators for their work on the agreement between Mercosur and the EU. The agreement offers a great opportunity for Paraguay and its government, with key concessions in agriculture and the opening of 95% of the tariff universe. The agreement also includes special treatment for Paraguay, which will benefit small local producers (Ministerio de Relaciones Exteriores de Paraguay, 2019).
Uruguay	Tabaré Vázquez, president of Uruguay from 2015 to 2020 emphasised the benefits of the agreement for the Mercosur bloc, which includes Uruguay, Argentina, Brazil, Paraguay, and Venezuela (currently suspended). He also noted that the agreement reflects a commitment to multilateralism and free trade in the face of rising protectionism around the world (Uruguay Presidencia, 2019).

*Source 13. Recompilation of data from various sources. Created by the author.*

## Main outcomes

There have been a variety of reactions to the EU-Mercosur deal. While most European nations have voiced their opposition to ratifying the existing agreement because of probable negative effects on the environment and labour market, others have not agreed. Except for Brazil's accelerated deforestation (Rocha, Reverdosa, and Pedroso, 2022), which has increased European environmental concerns (Aarup, 2023).

### 2022: Not the ratification year

Talks for an agreement between Mercosur and the EU started in 1999 but were put on hold in 2004 because of issues with agricultural products, subsidies, tariffs, and other matters. After resuming in 2010, talks continued intermittently until 2016, when they were reopened with the EU to reach a deal by the end of 2018.

The EU and Mercosur declared a principal agreement in June 2019 after multiple talks, but the possibility of ratification was delayed due to opposition from the public and worries over the accord's effects on the environment. Many EU industry associations and the agricultural organisations of the Mercosur nations have praised it, but it has also drawn a lot of criticism. Civil society groups have expressed their strong opposition to this agreement, arguing that it would foster large-scale deforestation and an expansion of agricultural land in the Mercosur countries, which would be incompatible with the climate change goals under the Paris Agreement and would also have serious implications for Indigenous people (European Parliament, 2019).

**What is the Paris Agreement?** The goal of this worldwide climate change agreement is to keep global temperature increases below 2°C and work toward keeping them at 1.5°C. To do this, governments submit nationally determined contributions (NDCs), also known as national climate action plans, on a five-year cycle (United Nations, 2020).

The European Union's Ambassador to Argentina has said that if the trade agreement between the EU and Mercosur is to be revived, it must be done now due to the ongoing war between Ukraine and Russia and global agri-food price hikes (MercoPress, 2022).

**What is happening between Ukraine and Russia?** When Russia annexed Crimea from Ukraine in 2014, the struggle between Russia and Ukraine began. In 2022, Russian tanks invaded Ukraine from the north, east, and south, sparking a conflict. Russia's aim to defend ethnic Russians, prevent Ukraine from joining NATO, and maintain it within its sphere of influence, led to the war which has resulted in the deaths of thousands of civilians and soldiers on both sides (FP Explainers, 2023).

Certain EU member states' parliaments have rejected ratifying the treaty due to Brazilian President Jair Bolsonaro's lack of commitment to conserving the Amazon rainforest (Spring 2022; Rocha, Reverdosa, and Pedroso, 2022). Nonetheless, relations with Latin America and the Caribbean are returning to the EU agenda in 2023, partially because of the impact of Russia's actions against Ukraine, with leaders in both areas pushing for better and tighter

connections to prevent the EU from losing influence (Messad, 2023). From the perspective of Mercosur, the Argentine government testifies that there is "no hurry to speed up the agreement" considering the current global crisis and that other priorities such as inflation reduction and income recovery are more important to address, whereas Brazil's Economy Minister believes that the conflict in Ukraine and current geopolitics may hasten the EU-Mercosur deal (MercoPress, 2023).

### European Union

*Table 7. European countries involved in the agreement, notorious opinions after 2020*

Austria	Austria has vetoed the EU-Mercosur deal, arguing that the agreement goes against the bloc's climate commitments. In a statement, Austria's chancellor Sebastian Kurz said that "The EU-Mercosur agreement in its current form is unacceptable to us because it does not sufficiently protect the rainforest and standards for animal protection". He also stated that the deal was "incompatible" with the EU's Green Deal, which aims to make the bloc climate-neutral by 2050. The Austrian government's decision effectively blocks the deal, as all EU member states must agree to its ratification (Euractiv, 2021).
Belgium	The Wallonian government has said that it will not approve the deal in its current form and has called for stronger safeguards to protect the environment and human rights. Wallonia's opposition is significant because it could prevent Belgium from signing the agreement (France 24, 2020).
France	The French Minister of Agriculture and Food, Julien Denormandie, has declared that France is still waiting for progress on climate concerns before contemplating ratifying the EU-Mercosur pact. Denormandie stated that France is sceptical that the accord would provide adequate climatic and environmental safeguards. He also stressed the significance of the EU's Green Deal in establishing environmental criteria for international trade deals and expressed confidence that the EU will find a consensus on the subject (Trompiz and Sybille, 2023).
Germany	German Economy Minister Peter Altmaier believes that ratifying the EU-Mercosur deal is still possible, despite concerns over deforestation in Brazil. Altmaier urged EU partners to stay united and find sustainable solutions without reopening the text of the agreement. German Chancellor Olaf Scholz and Argentine President Alberto Fernández also emphasised the potential benefits of the agreement and the importance of multilateralism (Euractiv, 2020; La Prensa Latina, 2023). While holding the Presidency of the Council of the EU in 2020, Germany prioritized the conclusion of the EU-Mercosur agreement, but its stance changed in the summer of 2020 due to concerns

	expressed by other European countries over deforestation in the Amazon (IDDRI, 2020).
Ireland	The Irish Minister for Sport and Physical Education, Thomas Byrne, has warned that the EU-Mercosur agreement is unlikely to be ratified under Portugal's EU presidency. Byrne raised worries about the trade agreement's influence on climate change and deforestation in the Amazon region, as well as how Indigenous tribes are treated. He also emphasised the importance of higher sustainability requirements and environmental safeguards in the accord (Rodrigues, 2021).
Luxembourg	The Luxembourg Ministry of Foreign Affairs is calling for additional commitments from Mercosur countries on climate change and deforestation (Arellano, 2020). Climate Alliance Luxembourg and several municipalities are urging the government to veto the agreement, citing environmental concerns. The European Ombudsman has criticized the EU Commission for concluding negotiations without the availability of a Sustainability Impact Assessment (Climate Alliance, 2022).
The Netherlands	In 2021, the Dutch government expressed a willingness to negotiate on the agreement, provided that certain conditions were met, such as improvements in sustainability and compliance with the Paris climate agreement. The Dutch Minister for Foreign Trade and Development Cooperation also stated that the Netherlands would not ratify the agreement unless these conditions were met (Egmontinstitute.be, 2021).
Portugal	Portugal's Secretary of State for Internationalization, Eurico Brilhante Dias, has emphasised the importance of the EU-Mercosur agreement, not only in terms of trade but also at a geopolitical and geostrategic level (Céu, 2021).
Spain	Spanish MEP (Member of the European Parliament) Inma Rodríguez-Piñero has called for the swift ratification of the EU-Mercosur deal to defend common interests and multilateral trade, arguing that not signing it would damage the EU's credibility and influence. Paolo Garzotti from the EU Commission also stressed the deal's importance for the green transition and reducing the EU's dependence on China. However, French MEPs are concerned about the environmental impact of intensified trade, particularly regarding deforestation in the Amazon rainforest. The future Spanish Presidency of the EU in the second half of 2023 has prioritized the signing and conclusion of the EU-Mercosur Agreement and the EU-CELAC summit (LaMoncloa.gob, 2022).

*Source 14. Recompilation of data from various sources. Created by the author.*

## Mercosur

*Table 8. Latin American countries involved in the agreement, notorious opinions after 2020*

Argentina	Argentina's president since 2019, Alberto Fernández, used the Mercosur summit in Montevideo to criticize the EU over the delayed trade deal between the two regions. Fernández accused the EU of imposing environmental demands to protect its agricultural sectors from South American exports, rather than to help protect the Amazon (Rivas Molina, 2022).
Brazil	Newly elected Brazilian President Lula has promised to improve the deal by including provisions that support Brazil's industrial sector. Lula has also called for investments in technology and innovation to boost the country's economy (Muniz, 2022). Lula has promised to reach an agreement within six months after the start of his government in January 2023 and has been campaigning on strengthening the Brazilian industry (Struna and Messad, 2022).
Paraguay	Spanish Prime Minister Pedro Sánchez and Paraguayan President Abdo Benitez discussed the Mercosur-EU treaty project during Benitez's official visit to Madrid. Both leaders emphasised the importance of strengthening economic and commercial ties between the two countries (Euronews, 2022).
Uruguay	The President of Uruguay elected in 2020, Luis Lacalle Pou, has commented on recent statements made by former Brazilian President Lula Da Silva, who suggested that the agreement between Mercosur and the EU should be reviewed and renegotiated. In response, Lacalle Pou stated that revisiting the agreement would be "a brake" and that his task as President is to open the country to the world and move forward rather than "undo, slow down, and reverse" as proposed by the Brazilian candidate (bilaterals.org, 2023).

*Source 15. Recompilation of data from various sources. Created by the author.*

## Main changes

Recent developments in Brazil's political climate influence the EU's relations with that nation (European Council for an Energy-Efficient Economy, 2022).

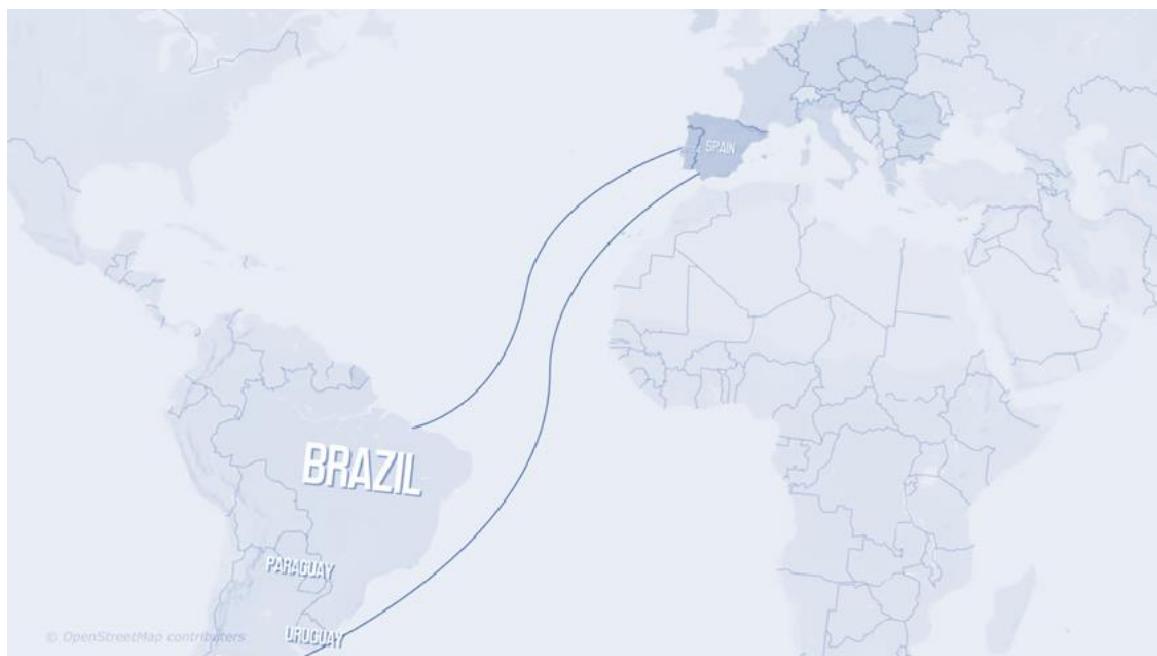
Jair Bolsonaro's right-wing government left Brazil isolated in international politics, and after the 2019 signing of the EU-Mercosur pact, the pact became complicated due to environmental concerns about the protection of the Amazon, as Bolsonaro had controversial views on climate change, in contrast to Lula da Silva, new Brazilian president since 2023, who "desires" to participate in debates and resume the strategic bond going a step forward in the right direction (Blanco and Crespo, 2023).

Furthermore, global situations have influenced major areas that are directly related to the EU-Mercosur agreement; despite facing competition from other global powers like the United States and China, Latin America's reserves of raw materials and potential for green hydrogen production present significant economic benefits to the EU (Nolte, 2023), consequently, the EU seeks to renew ties with Brazil on issues such as climate change, deforestation, and trade (Moens and Mathiesen, 2022).

To move the discussions forward, the EU needs to find a balance between assuring Europeans that their concerns would be taken care of and avoiding accusations of unfair protectionism. The agreement could serve as a template for future EU trade agreements, which could frustrate and mislead non-EU countries (IDDRI, 2020).

The upcoming Spanish Presidency, which seeks to strengthen ties between the EU and Latin America and will host an EU-CELAC summit, may have an impact on the future of the deal. Spain's ability to underline the significance of its links with South America will determine how the summit turns out (Moya and Soto, 2022).

*Figure 8. Spain and Portugal as a gate*



*Source 16. (Into Europe, 2021)*

### *No ratification yet, seen as a failure?*

The EU-Mercosur deal has not escaped controversy especially because of the changes it would bring to agriculture and manufacturing (Martín, 2014).

For the EU companies, cutting tariffs if there is a ratification of the trade would mean that automotive, chemical, and pharmaceutical industries would eliminate high customs duties (European Commission, 2019), facilitating the task of searching for new markets and

simplifying the expansion, while Mercosur has increased levels of protectionism (Financial Pipeline, 2018) to prevent difficult competition because of a lack of production on this area.

On the other hand, agriculture areas are a great opportunity for MERCOSUR markets against the EU (Pena, Gayá, and Svarzman, 2022), mostly due to the difference in climates the two regions have, meaning that the protection of this part would affect the EU more with its agricultural policies, which protects Europe's food security but has elevated costs (OECD Food and Agriculture Organization of the United Nations, 2013).

To summarise, South American farmers would benefit from the deal (Pena, Gayá, and Svarzman, 2022), in contrast, European farmers would face powerful competition (Euronews, 2021) and South American manufacturers would face additional competition from established European firms with higher capacities of production and better levels of quality.

As a result, the debate surrounding the transaction stems in part from the necessity for both nations' protectionism (Financial Pipeline, 2018) in specific sectors to be effective, as well as the need for possibilities for innovation to drive competition while also facing judgments for allegedly violating the European Green Deal by signing the EU-Mercosur pact (Eurostat, 2021).

**What is the European Green Deal?** The EU adopted a set of plans to cut greenhouse gas (GHG) emissions by 55% by 2030 to address the issues that climate change poses for society. As a result, new regulations are in place for all economic actors to enhance the welfare and health of current residents as well as future generations (European Commission, 2021). This deal represents a shift in EU policy and necessitates substantial investment and member-state cooperation. The Green Deal aims to meet the urgent need to protect the environment and lessen the effects of climate change while simultaneously generating new growth possibilities and employment (Belardo and World Economic Forum, 2021).

Some of the main concerns include.

1. **Lack of environmental protections:** Critics argue that the agreement does not include sufficient provisions to ensure that the Mercosur countries (Argentina, Brazil, Paraguay, and Uruguay) respect environmental and labour standards, which could lead to an increase in deforestation and other environmentally harmful activities (Council on Foreign Relations, 2020).
2. **Increased beef imports:** The agreement would increase imports of beef from Mercosur countries, which are known for their large-scale deforestation and land use practices that contribute to climate change (Phelan, 2019).
3. **Weak enforcement mechanisms:** The agreement lacks strong enforcement mechanisms to ensure that the Mercosur countries comply with the environmental and labour standards included in the agreement (Kehoe et al., 2020).

The EU-Mercosur deal has been a controversial subject, with environmental groups and some EU member states calling for the agreement to be revised to better align with the European Green Deal (USDA Foreign Agricultural Service, 2021).

The Amazon fires and the EU-Mercosur talks took place concurrently in 2019 (Oltermann, 2019), when Mercosur farmers were alleged to have used dangerous pesticides, hormones, and genetically modified seeds to meet rising demand (Treat, 2020), and escalated deforestation in the Amazon Forest, which could have meant less support for this trade agreement, nonetheless the agreement did reach a political agreement (Bothends.org, 2022; Euractiv, 2023), which sparked a debate about protectionist regulations (Contractor, 2017) to prevent national economies from falling short of satisfying larger markets or from benefiting from globalisation and balancing market prices by introducing new competitors (Potrafke, Ruthardt, and Wüthrich, 2020).

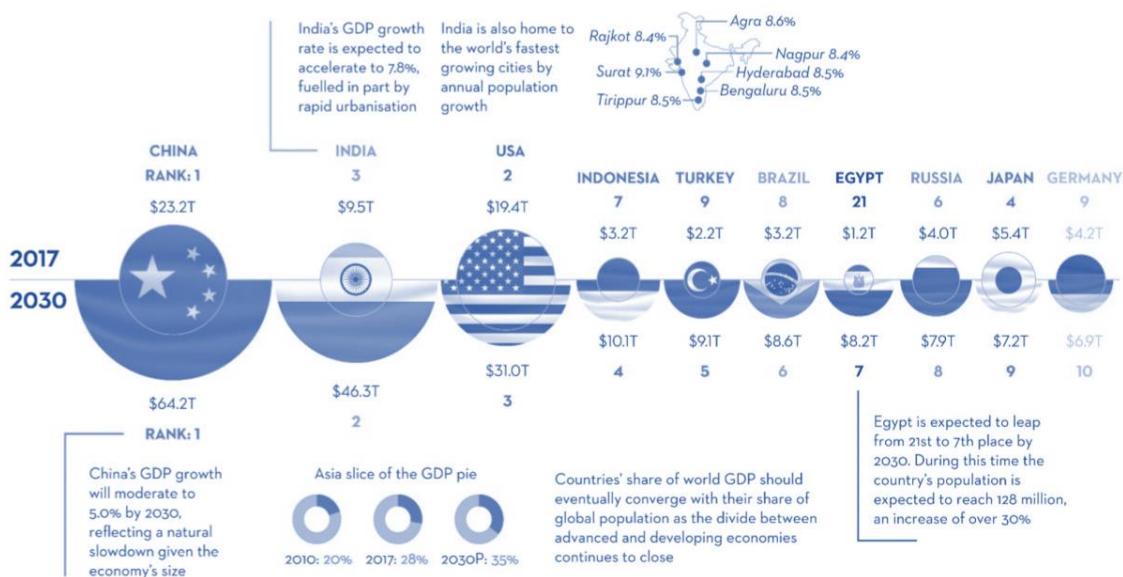
The background and ramifications of Protectionism and Globalisation will be covered in more detail in the following chapter.

## Chapter 3: Debate between Protectionism and Globalisation

Globalisation started with the Silk Road, a trading route that crossed Eurasia and brought expensive products from China to Rome. It flourished under the protection of two powerful empires, Rome, and China, and was only interrupted by enemy blockades on the local level (Vanham and World Economic Forum, 2019).

Considering the opening of international markets and the liberalisation of trade, investment, and migration regulations, the term "globalisation" is used to describe the growing interdependence and integration of the world's economies. It involves the integration of production and consumption beyond national boundaries as well as the unrestricted movement of people, goods, and services across borders, in significant emerging markets like China and India, the global economy has experienced significant liberalisation and growth over the past 30 years, with the quick growth of international trade and a decline in poverty levels (Enderwick, 2011). By 2030, their GDPs will accelerate and become the first and second largest economies, as seen in Figure 9, and this idea is supported by the principle of comparative advantage (Investopedia, 2022).

Figure 9. China and India as major emerging economies



Source 17. Visual capitalism based on IMF (2017 data), standard chartered (2030 projections), Oxford Economics, Brookings

While globalisation is widely recognized for raising economic growth rates and engaging a much larger number of nations in international business activity, it has also faced criticism from its detractors (Potrafke, Ruthardt and Wüthrich, 2020).

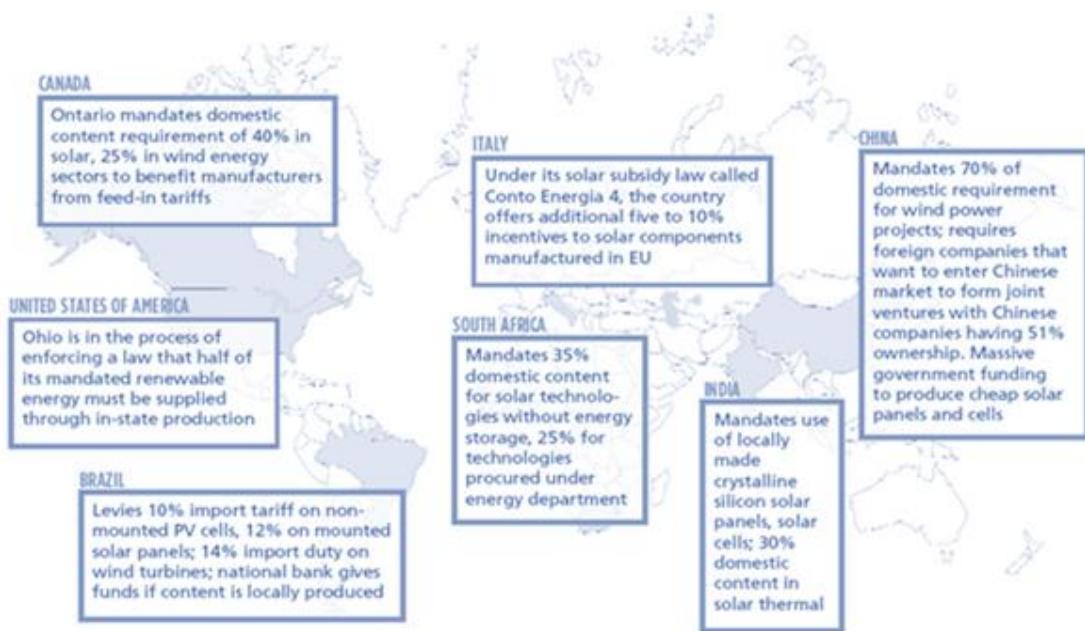
Between 1990 and 2007, globalisation accelerated quickly, with integration, interconnectedness, and dependency becoming more pervasive in the world economy. However, the 2008 monetary crisis exposed the drawbacks of over-globalisation, leading experts to advocate for more national sovereignty and a less globalised economy in impacted nations. During this monetary crisis, it became clear that the "globalised free market economy," which was praised, had

drawbacks, including increased income disparity, unfair competition, and job losses, particularly in developing nations (Vanham and World Economic Forum, 2019).

Many people now dispute the benefits of unlimited free trade; some experts even contend that modest economic protectionism may be advantageous eventually due to the negative effects of free trade. Such actions could contribute to improved economic stability and prevent the rise of international tensions by defending the free flow of capital and goods (Mariotti, 2023).

For instance, nationalistic political figures that advocate the "our country first" approach and show scepticism or animosity against multilateral organisations and international trade have evolved in several parts of the world. These leaders place a strong emphasis on ethnic or group affiliation, hostility toward immigration, and assertiveness, occasionally aggressiveness. Even though global trade has increased more quickly than the global GDP, trade protectionism is still practised in response to pressure from specific industries and political constituencies (Contractor, 2017). Figure 10 provides some examples of protectionist laws to demonstrate the effects of such campaigns:

*Figure 10. Protectionist strategies around the world*



*Source 18. (Ias Score, 2022)*

Also, due to economic disparity, social unrest, and massive immigration, people all over the world, but especially in the West, are rejecting globalisation. Immigration restrictions, trade conflicts, and protectionism are now increasingly prevalent. World trade has stagnated, and "globalism" as a political philosophy is losing ground. The US is giving up its position as the champion of international commerce. During a speech at Davos in 2017, Chinese President Xi Jinping called for more inclusive globalisation and asked countries to join China's "Belt and Road" project for global commerce (Vanham and World Economic Forum, 2019).

Instead of using globalisation to strengthen national economies, this shift in perspective sees it as a platform where nation-states struggle to impose their hegemony. Instead of emphasizing development, national security is prioritized to reduce competition by restricting and controlling commercial activity (Mariotti, 2023).

This information must be connected to the EU-Mercosur deal because protectionism has evolved into a strategy for defending regional economies (Contractor, 2017) and small businesses that are unable to compete in more competitive markets (Emerald Insight, 2013), which are made available by globalisation (Potrafke, Ruthardt, and Wüthrich, 2020). The agreement's opponents worry that European farmers will not be able to compete with their South American counterparts (Copa Cogeca, 2021). South American farmers enjoy lower production costs because of the various national laws governing pesticides and other factors that directly affect the prices of manufacturing; as a result, they could be shielded from foreign competitors by their national entry barriers, which also creates a complex competitive environment.

Supporters of the agreement, on the other hand, recognize the value of sharing goods and services between regions to strengthen the comparative advantage hypothesis. This would aid markets that lack specific items by using the advantages of globalisation (Investopedia, 2023).

The reasons made show that agriculture has a substantial impact on both viewpoints of supporters and detractors of this trade agreement (Fleischwirtschaft.com, 2021). However, several outside variables also play a role in this issue, such as the legal restrictions brought on by differences in manufacturing prices between the EU and Mercosur due to national environmental conservation legislation that is comparably stricter in Europe. Considering globalisation and protectionism, we will now look at perspectives on agriculture, law, and the environment.

### *Discovering Externalities: Legal, Agricultural, and Environmental Mishaps*

#### Agricultural terms: Are farmers protected?

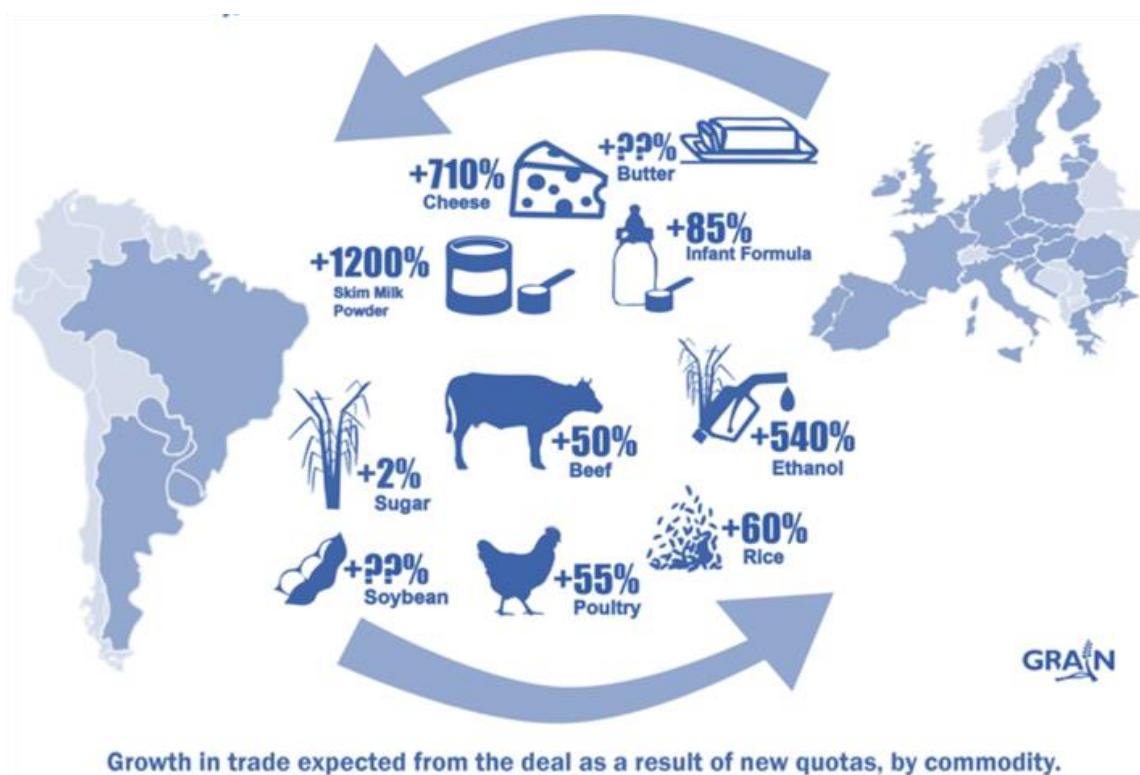
The EU farmer's organisation Copa-Cogeca have opposed the EU-Mercosur deal (Michalopoulos, 2019), arguing that it is unfair to European farmers and consumers since it benefits other industries more—such as the automotive industry, which struggles with the balance of the accord. Copa Cogeca (2021) identifies three primary arguments in favour of this opposition:

1. Currently, the EU imports 262.700 tons of "high-value cuts" of beef from Mercosur, and approval of the deal would enable 99.000 tons of meat at a lower tax, or 1.2% of total EU beef production. However, the "high-value cuts" represent most of the European farmers' revenue - because it costs more, giving more money - and the agreement would increase competition on those beef cuts and give third-world countries bargaining power because their prices will be lower than European farmers'

as “they do not have the same strict production regulations” (EU-Mercosur trade agreement: Agri factsheet, 2019).

2. The cumulative effects on sensitive sectors created by previous EU trade agreements, according to Copa Cogeca, will have complex effects. For instance, the EU currently imports about 800.000 tons of poultry annually from around the world, but trade between the EU and Mercosur would allow 180.000 tons of duty-free poultry, where the EU has no control over the quality standards.
3. The agreement will strengthen a policy based on two sets of norms, affecting output and prices. This program is in response to Mercosur’s devastation of the Amazon Forest (Purdue News Service, 2019), which disadvantages European farmers owing to unfair competition and uneven laws.

Figure 11 EU-Mercosur Agricultural Impact



Growth in trade expected from the deal as a result of new quotas, by commodity.

Source 19. Grain.org, 2019

### Legal terms: Is this trade deal clear and well-written?

Dr Rhea Tamara Hoffmann and Prof. Dr Markus Krajewski (2021) created the "Legal opinion and proposals about a possible improvement or renegotiation of the draft EU-Mercosur trade deal". They gave the clauses about labour regulations, environmental preservation, and human rights a lot of thought. Article 2, Paragraph 3, for instance, forbids reducing standards to give investors regulatory benefits at the price of labour rules or environmental protection. The clause aims to safeguard current environmental, labour, or human rights standards and to stop nations from lowering them to attract investment.

According to the ILO Declaration (2008) on Social Justice for a Fair Globalisation, instead of calling them "environment and labour laws," the term refers to them as "laws aimed at defending the environment, labour, and human rights" to recognize that other laws may include provisions for environmental or labour protection. The obligation of the treaty parties to respect human rights as stated in Articles 11 and 11a is another significant subject, as it requires the parties to uphold adherence to the nine key human rights treaties and to fulfil all duties arising from ratified human rights treaties in their domestic laws and customs.

Technical specifics are provided in Articles 12–15, according to the authors, concerns over a potential "race to the bottom" in regulatory standards as nations compete for foreign investment led to the inclusion of the "not reducing standards" clause. In this context, there is growing fear that such competition could lead some nations to compromise their standards for the environment, human rights, and labour (Hoffmann and Krajewski, 2021).

Prof. Dr. Markus Krajewski and Dr. Rhea Tamara Hoffmann (2021) advocated for modifications to the text and renegotiations were recommended to create a better Trade and Sustainable Development Chapter with enforceable commitments. The writers highlighted how crucial it is to make sure that laws, policies, and practices adhere to international agreements on the environment and human rights. They recommended adopting consequences for non-compliance while also highlighting the significance of efficient dispute resolution procedures.

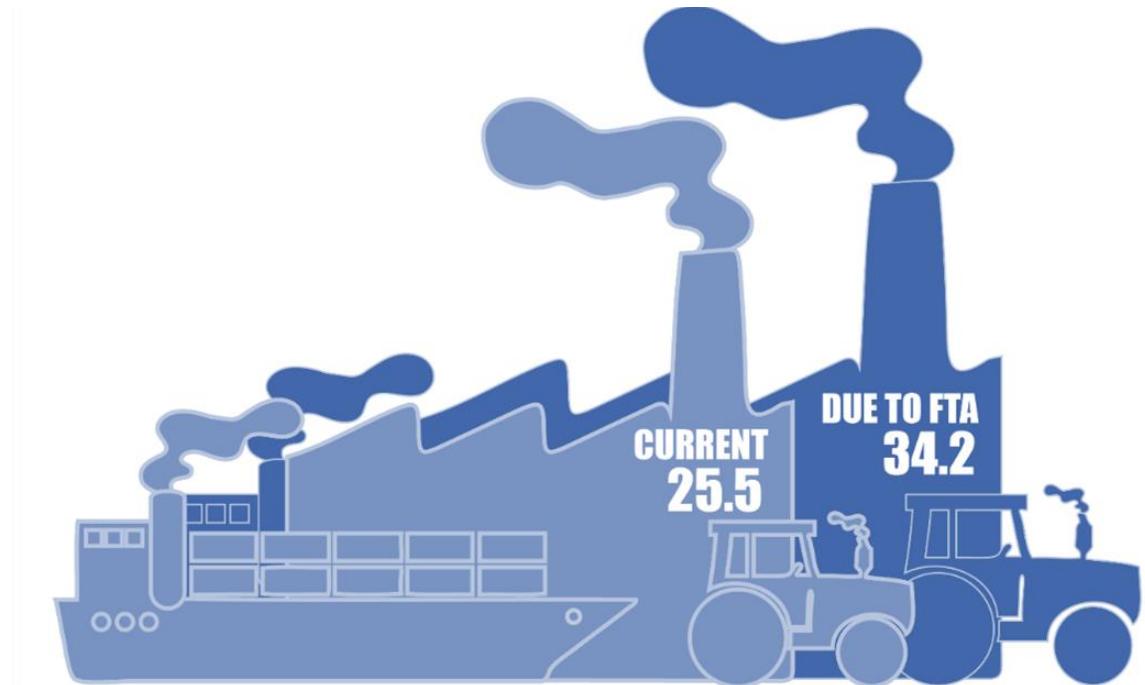
### Environmental terms: How could this trade deal affect the planet?

Another externality of international trade is its impact on the environment. Trade deals can lead to increased exports, imports, and economic activity, which in turn can lead to increased pollution and resource depletion. According to GreensEFA (2021), the EU-Mercosur trade deal violates the "European-social, environmental, and human rights norms," and they protested in front of the European Parliament in February 2021, claiming that this agreement is seen as a catalyst for deforestation in the Amazon area, hastening climate change, and increasing the export of live animals and animal products that do not meet animal welfare standards.

**What are the animal welfare standards?** The organization was created to support the Regional Animal Welfare Strategy for Southeast Asia by increasing stakeholder knowledge of OIE standards for farming practices in China and using subject matter experts to provide training for key personnel involved in these practices (Animal Welfare Standards, 2021)

The accord has long been a focus of civil society, notably environmental advocacy groups. It is possible to develop trade deals that promote social justice and address the climate and biodiversity crises, according to Matteo De Vos, campaign manager at Greenpeace. The current accord, he continued, is out-of-date and at odds with the European Green Deal agenda (L'Echo, 2020).

Figure 12. Climate footprint of EU-Mercosur trade deal (Scenario)



Source 20. *Grain.org*, 2019

FEPS President Maria Joo Rodrigues, together with over 50 scientists and politicians from Brazil and Portugal, signed a manifesto pushing the EU-Mercosur agreement to prioritize climate change problems. The manifesto supports Lula's environmental measures, viewing them as an opportunity to develop an effective international solution to environmental challenges (Foundation for European Progressive Studies, 2023). Lula, for instance, has nominated Amazon activist Marina Silva as environment minister, and Brussels now has its own rules to prohibit imports that contribute to deforestation. Even EU climate chief Frans Timmermans is pushing for a quick conclusion of the deal, stating that if the two sides can agree on ending deforestation, the agreement should be finalized by July 2023.

### *Discovering Externalities: Current Economic Landscape*

#### Ukraine-Russia conflict

Even if this topic was briefly highlighted in Chapter 2, we will go deeper into it to assure readers hold and understand its implications for future EU-Mercosur trade deal choices.

A conflict broke out in 2022 as Russian tanks launched attacks on Ukraine from the north, east, and south. The conflict was sparked by Russia's desire to defend ethnic Russians, keep Ukraine out of NATO, and keep it inside its sphere of influence. Resulting in thousands of civilians and military personnel on both sides dying in the conflict (FP Explainers, 2023).

Russian President Putin frequently utilized energy as a pressure point to frighten Europe in advance of what was anticipated to be a challenging winter with probable energy shortages (Vlachou, 2023). Following the suspension of gas exports to many EU member states by Russia,

the EU made the hasty decision to take immediate action to ensure supply in all nations (Europa.eu, 2023).

This invasion demonstrated that Moscow was no longer a dependable partner and supplier, which led Europe to look for alternative energy sources, Latin American and EU leaders have recently advocated for deeper and stronger relations between respective areas, with negotiations set to take up under Spain's EU Council presidency in the second half of 2023 (Messad, 2023).

"Now is the right time for the ratification of the agreement between Mercosur and the European Union," Sánchez Rico said at a conference organized by the Universidad de Belgrano's Centre for International Studies in Buenos Aires. "Given the geopolitical context and the impact of the war in Ukraine on energy and food supply chains." According to Brazil's Minister of the Economy, Paulo Guedes, "the trade agreement between the European Union and Mercosur will be reached in two and a half years because the current geopolitical situation and the war in Ukraine will accelerate this process." (MercoPress, 2022).

EU sought to speed up attempts to negotiate trade deals with other nations while the EU was adapting to the Ukraine crisis and other issues [first six months after the Russian invasion], according to EU trade commissioner Valdis Dombrovskis. He said that China's "ambiguous positioning" on Russia's invasion of Ukraine was another issue, rather than the conflict in Ukraine, as the main cause of the EU's increased emphasis on trade agreements (Blenkinsop, 2022).

The daily "Politico" quoted Dombrovskis as saying, "We agreed to work very hard." Continuing, he said that the summit between the EU and Latin America in July 2023 would be a "very good opportunity to either finalize or make very good progress on this [agreement]." (Aarup, 2023).

### Covid-19 Pandemic

The arduous process of ratifying the EU-Mercosur deal was postponed because due to a mixture of resistance from member states and the Covid-19 health crisis. For instance, the worldwide epidemic that "paused the world" appeared after the 2019 signing, which affected the agreement's operations. The European Commission was translating the accord into each of the EU's official languages to deliver it to the Council in the first few months of 2020. As a result, the potential for a ratification process was delayed (Salas, 2020).

Covid-19 has had a global impact on businesses and people's lives. This implies that governments must prepare for economic development to compensate for the harm done, and international commerce is without a doubt one of the measures that may help in this process. In this situation, it is appropriate to explore if the EU-Mercosur trade agreement may provide some relief and opportunity (Ecipe, 2021).

BusinessEurope, the Confederation of Portuguese Business (CIP), and the Brazilian National Confederation of Industry (CNI) held a virtual discussion in 2020 with the support of the Portuguese Presidency of the Council of the European Union to highlight the importance of the EU-Mercosur agreement for advancing sustainable development goals in the two regions and

globally, to create more opportunities for economic growth considering the Covid-19 crisis (BusinessEurope, 2020).

The Covid-19 outbreak, as well as Russia's invasion of Ukraine, raised public awareness of the importance of diversifying sources to offset supply-chain disruptions and geopolitical threats, thus the geopolitics of an EU-Latin American alliance is now more favourable than they have been in years (Aarup, 2023), even Udi Dadush, author of the analysis "The EU-Mercosur trade agreement: prospects and risks", mentioned that "One of the effects of the Ukraine war and the pandemic has been to make everyone much more sensitive to the security of supply lines and the availability of materials of all kinds," (Marques, 2023).

### Global Trade under the Shadow of China

China's development has been a key underlying trend in all facets of the EU-Mercosur economic partnership. Since 2015, China has surpassed the EU to become Mercosur's top trading partner. For instance, in recent years, the proportion of Chinese value-added in Mercosur exports has more than tripled. Therefore, even as the EU and Mercosur's relationship develops and their bonds strengthen, the EU is constantly in competition with China over Mercosur (Guinea & Sharma, 2021).

In comparison to the growth rates of both regions' commerce with the rest of the world (8.2% for Mercosur and 3.6% for the EU), trade between the EU and Mercosur increased by just 3% annually on average from 2000 to 2020. Their diminishing relevance to one another has worsened since China's economic growth (Guinea & Sharma, 2021).

Even though the EU is Mercosur's second-largest trading partner after China and the EU and Mercosur countries' commodity trade had recovered quickly from the Covid-19 pandemic by 2021, Mercosur only makes up 2.0% of all EU trade (Europa.eu, 2022).

Lula da Silva, president of Brazil since 2023, wants to talk about the specifics of a trade pact with Beijing considering the country's improving relations with China. As a result, the EU "must strengthen talks" with Mercosur and "aim to enhance natural resource imports", both of which are crucial for the so-called green industrial revolution and areas where China holds a dominating position (Marques, 2023).

The economic integration of Mercosur and China will advance in the future because of the reciprocal benefits of this interaction. Up until now, the EU has benefited from the strong non-economic and cultural ties that strengthen their mutually beneficial economic ties with Mercosur, but the reality of business, economic prospects, and politics is always changing, and it cannot be supported merely by previous connections (Guinea & Sharma, 2021).

## Part B. Development

To examine the opinions of opponents and supporters of the EU-Mercosur case and highlight reconciling arguments that could bridge the gap between their positions.

### Chapter 4: The roles in the agreement

#### *Opponent's arguments*

##### 1. “EU-Mercosur trade deal by the Agricultural Coalition for Fair Trade”

Roundtable discussion (Platform Aarde Boer Consument, 2023)

According to Guus Geurts, the spokesperson on behalf of the Agricultural Coalition for Fair Trade, the EU-Mercosur treaty exposes European arable and livestock farmers to unfair competition by allowing products produced under (much) lower environmental, labour, food safety, and animal welfare standards to be imported. This is because, despite much rhetoric about stricter sustainability chapters, no requirements in the areas of the environment, animal welfare, and working conditions may still be set for imported products under the WTO and this treaty. Animal welfare standards in Mercosur are either non-existent or significantly lower than in the EU, and there is no conclusive and verifiable Identification and Registration System.

Many pesticides banned in the EU are used in the cultivation of soy, wheat, sugar cane, apples, and pears in Latin America. This treaty allows for the export of even more banned pesticides to Mercosur. Pesticide residues continue to enter the European food chain. Extra soy, meat, and sugar production for the EU will be accompanied by environmental destruction and violations of small farmers' and Indigenous peoples' land rights in Mercosur countries. These exports also contribute to climate change by destroying nature and transporting products that the EU has a sufficient supply of (meat) or can produce alternatives such as protein and oil crops.

The European farmers' organisation Copa-Cogeca (of which LTO Nederland is a member) and the European and Dutch (Nepluvi) poultry sector, in addition to the farmers' organisations affiliated with our coalition, strongly oppose this treaty. Farmers' organisations from across Europe have issued a joint statement opposing the treaty. Their demand: a new beginning for trade policy based on fair prices and the protection of human rights and the environment. A no vote on this treaty provides an excellent opportunity for both this much-needed trade and agricultural policy reform and an effective Agricultural Agreement.

From this discussion, it was concluded that agriculture and food should remain outside of such trade agreements, which are based on current WTO rules. Separate agreements can then be made for agricultural product trade, in which requirements for the production method of imported products can be set, and European and Dutch farmers can be protected from unfair competition.

2. “Poison & Hormone Meat?! No to the EU-Mercosur Pact!” A petition with more than 37,000 signatures (Greenpeace, 2023)

In 2023, Ellen M made the petition through the Greenpeace website to oppose the EU-Mercosur trade deal openly inviting Austrian opposers to sign online: “Let’s remind the government that the majority of the Austrian population rejects the EU-Mercosur pact: Please sign the petition against EU-Mercosur!”

The major arguments to create this petition surrounds agricultural concerns, through the shared information it was explained that toxic pesticides on mangoes and melons, cheap meat from abysmal production in our supermarkets, become a ruthless price war for our farmers if the EU-Mercosur trade agreement is approved.

South American agriculture will be given greater access to the European market in exchange for European companies selling more cars and toxic pesticides in South America. However, far too many South American forests, including the Amazon and the Gran Chaco, are already being destroyed, and entire areas are being sprayed with toxic pesticides. The EU-Mercosur agreement would exacerbate these issues.

It was reminded that Austria already opposed the EU-Mercosur agreement in 2019 and temporarily blocked it. However, the EU Commission and countries such as Sweden and Spain want to overturn the veto through a nefarious procedural manoeuvre: they want to split the EU-Mercosur Pact in such a way that the Austrian no can be avoided. In Austria, the Chamber of Commerce and the Federation of Industrialists see an opportunity to profit and are once again campaigning for the poisoned and hormone-laced meat pact.

Finally, it was exposed that the EU Commission wants to push the trade agreement through this year (2023), no matter what. According to them, it is not about people’s interests; it is about corporations. As a result, the Austrian government must continue to vehemently oppose the EU-Mercosur Pact at the EU level.

3. “Time to rethink – Stop the EU-Mercosur agreement” Movement signed by 265 civil society and social organisations from the EU and Mercosur (Martin, 2020)

According to this movement, the EU-Mercosur trade deal represents an exacerbation of environmental destruction and the climate crisis by expanding car exports and feed monocultures and grazing land. The meat and soy industries are still driving deforestation in the Amazon rainforest, which is critical for global climate stabilization and biological diversity.

They assure “these practices will be rewarded under the agreement.” According to the Brazilian Climate Observatory, “Thus, environmental safeguards within the agreement, which were already insufficient even before Covid-19, have now rendered the document obsolete.” According to a recent report prepared for the EU Parliament on the Amazon, the “current forest fire and deforestation regime in Amazonia endangers the world’s richest biodiversity.”

Nevertheless, under this movement, human rights have a key role to discuss since this agreement “would support the increase in human rights violations with impunity, including physical violence and the expulsion of small farmers and Indigenous people from their lands.” Many Indigenous leaders and environmental activists have been killed in the Mercosur region, including five in Brazil between November 2019 and April 2020. Human rights violations against minorities and opposition members, as well as restrictions on workers’ rights, are the norm under Brazilian President Jair Bolsonaro. The EU is rewarding human rights violations and contradicting its democratic values by concluding a trade agreement with governments that promote policies of conflict and plunder. This agreement’s increased market access is also likely to provide additional incentives for such abuses.

As also remarked by them; this agreement stands for an export-oriented agricultural policy that harms agricultural producer prices, on which farmers in Mercosur and the EU rely. It will endanger animals and harm local food production. Farming in the EU is more expensive due to higher animal welfare and sanitary standards in comparison to Mercosur countries. Rather than strengthening Mercosur rules, this agreement will reward greater access to cheap meat exports to European markets, causing agricultural producer prices on both sides of the Atlantic to fall.

Rising meat exports, increased soy and sugar cane cultivation for livestock feed exported to the EU, and agrofuels are accelerating environmental destruction, resulting in more genetic engineering, massive antibiotic and pesticide use, and soil and water pollution.

From this perspective, it is concluded that the Mercosur agreement is a step backwards. According to this movement, trade policy should support localized and shorter value chains that are less susceptible to disruption, as well as governments’ increased ability to create resilient and decentralized food and health systems with greater capacity to produce medicines and medical equipment at the regional level.

The EU’s trade policy objectives must be shifted toward multilateral trade rules that support and are subservient to ecological, social, human rights, and development policies that keep us within planetary boundaries and promote peace. Instead, this agreement will exacerbate trade imbalances between the blocs, increase unemployment, devastate the environment, and jeopardise the health of people on both sides of the Atlantic.

### *Supporter’s arguments*

1. “EU and Mercosur Relationship and the Association agreement” debate (ECIPE, 2022)

Elitsa Garnizova, director of the trade policy hub at the London School of Economics and Political Science, Vanika Sharma, a researcher on international trade at ECIPE and master’s graduate in International Economic Policy, and Maria Latorre, an expert in international trade at the European Commission and research scholar at Harvard Kennedy School and Real Colegio Complutense de Madrid, provided pertinent insights from various points of view.

The primary industries covered by this agreement, according to Latorre (2022), vary depending on the size of the countries participating. Previous EU-Mercosur studies on the benefits of such

agreements showed that Paraguay and Uruguay would benefit the most because they are smaller nations in comparison to Brazil and Argentina. Recognizing that one of the opposition's primary arguments against these transactions is that they entail services, which are difficult to define and are growing faster than the Mercosur agriculture sector.

"Mercosur is growing its expenditures in commercial software and information technology... It should be agriculture, but we do not have that data," she said. In other words, the opposition primarily fears the physical exchange of agricultural goods and its environmental consequences; instead, experts predict that many exchanges will be between services rather than goods; however, tracking the development of such exchanges is more difficult because they are not tangible.

Sharma (2022) confirms that agriculture is assumed to be the foundation of the relationship between the two regions, but more sophisticated products, particularly services, are now being exchanged, which are much larger than the export of sugar, soja, and beef in 2019.

China was mentioned as a potential threat to the future of the EU-Mercosur agreement in the research paper done at ECIPE: "In trade, it takes two to tango", and since 2015, China rather than the EU has reason to become Mercosur's main trading partner" (Guinea and Sharma, 2021).

China's rise has been evident since 2015 when it became Mercosur's main trading partner and surpassed the EU, as was expected given the enormous economic power of the Chinese market. China, for example, is a major importer of Mercosur raw materials and agricultural products. Nonetheless, the EU continues to be a major market for Mercosur's more sophisticated products.

Therefore, is there a gap between the individual perception of the EU-Mercosur relationship among stakeholders and the data? Garnizova (2022) claims that the most recent structural changes occurring in the Mercosur region are regardless of the treaty but remain relevant to the EU.

The business communities agree that over the long term, this association will have positive effects and benefit both sides, but the individual perception asks for more results in the short term for technical assistance and support for adjustments to facilitate the transition into the agreement, which is like the issue any other agreement has faced, in terms of SMEs protection or geographical indications.

According to Latorre (2022), the trade opportunities for EU exports and imports are related to the current state of the economy, with rising prices in food, energy, and fertilizers, indicating a need for diversification to avoid dependency on other markets, or even to push growth upwards in the face of global pandemics and inflation outcomes.

Some of the agreement's regulations may be seen as protectionist or beneficial by Mercosur, but they must converge to international trade standards proposed by the United Nations, which simplifies globalisation to a base that all countries can understand.

Adding to the discussion, the potential trait measures of the EU-Mercosur agreement exposed by Garnizova (2022) include implementation and enforcement to monitor the correct development of the commitments acquired by both sides, specifically to protect the indigenous

rights on the Mercosur territory after the agricultural expansion and increased investment that the agreement requires, and to evaluate the accompanying measures for the environmental impact of the agreement, as, the Paris agreement did for Europe, which would positively incentivize the Mercosur countries toward the commitment to the environmental protection, but it requires financial and technical support.

Concluding that this agreement would strengthen the global value chain since it provides important tools to resolve common problems for both regions and through mutual regulations, it could give the maximum benefits and ensure strategic allies.

## 2. “Why Europe and Latin America need each other” opinion article by Josep Borrell

According to Borrell (2022), if the EU is to be acknowledged as a global player, internal unity must be enhanced, and the strategic compass must be re-calibrated, making greater use of political and economic capabilities and spotting not only hazards but also possibilities.

“We will need to improve political discourse at the highest levels to achieve the essential qualitative leap. To be credible, we must also complete the modernization of existing association agreements with Mexico and Chile, sign the negotiated post-Cotonou agreement with the African, Caribbean, and Pacific community, ratify the agreement with Central American countries, and finalize the EU-Mercosur agreement”, he states.

While some may object, citing the existence of competing interests, there are “compelling reasons to finalize this agreement.”

According to him, the EU-Mercosur pact is much more than a commercial arrangement. It is a fundamentally political tool that, by increasing discussion and collaboration, would solidify a strategic alliance between two areas that, in terms of interests and values, are among the most closely linked in the world, having a similar vision of the sort of society we desire.

Furthermore, we intend to strengthen our strategic autonomy and economic resilience on both sides of the Atlantic by reducing excessive reliance. However, autonomy does not imply isolation. Rather, it entails diversifying value chains, which necessitates collaboration with dependable economic and political partners.

Overall, the EU-Mercosur agreement is its ability to advance climate action and environmental protection. Indeed, the political agreement reached by the EU and Mercosur in 2019 was one of the first of its kind to include a reference to the Paris climate agreement. However, there are concerns in Europe about the extent of this commitment, particularly considering the recent acceleration of deforestation in the Amazon.

Some Europeans believe that autonomous EU legislation is the only credible way forward. But we cannot isolate ourselves while also changing the world. More international dialogue and cooperation, aimed at clarifying shared commitments and building more sustainable value chains, must accompany our regulatory framework.

Finally, the EU-Mercosur agreement is a beginning, not an end. It marks the beginning of a shared path and establishes the institutional framework required to facilitate cooperation in a wide range of mutually beneficial areas, from human rights protection and sustainable development to digital economy regulation and the fight against organized crime.

This agreement will strengthen relations not only between governments and institutions, but also between legislators, civil society, entrepreneurs, students, universities, scientists, and creators.

### 3. “Mercosur Trade Agreement - Will 2023 be the year it is finally ratified?” Virtual Conference (Euractiv, 2023)

The head of the unit Latin American DG Trade in the European Commission, Paolo Garzotti, assures this partnership is a mutually beneficial agreement economically and geopolitically, as the investment is facilitated between the blocs, making it four times larger than the agreement with Japan and Canada, see Figure 13 for references. In today's circumstances, partnerships are relevant and this one allows countries to work together to implement technologies toward green transition.

Figure 13. Comparison of recent trade agreements



Source 21. Erste Asset Management, European Commission

Also, Inma Rodriguez (2023), a member of the INTA Committee says the global crisis shows the necessity for the political and economic alliance to defend global values, therefore to sign would be a clear message to credibility and the influence of the EU in global markets, as well because of the “Latin American privileged production of food that is lacking in the EU due to the war in Ukraine”.

From this conference, it is deducted that experts expect the ratification to occur quickly since these matters appear urgent to their eyes, as quoted by Garzotti, the president of Italy explained this year “is a unique window of opportunity” to construct the customs union as an integration project.

It will still take some time for this trade deal to be ratified because, according to Gustavo Muller (2023), a senior researcher at the Leuven Centre for Global Governance Studies, issues related to climate change are showing declining trends that make it difficult to predict whether the signing would be possible in 2023.

Nevertheless, this trade deal is crucial for demonstrating the relevance of the EU in South America and the value of trade in opening the market between industries and fostering a sustainable union.

During this conference, the role of Lula was remarked, becoming the new president of Brazil, and changing some of the national policies which will influence the decisions from the EU to ratify or not, mostly because he slowed the process of negotiation between Brazil and China for a trade agreement, as according to Muller it would “break up the bloc”.

The business perspective was represented at this conference by Bertram Kawlath (2023), Vice President of VDMA, who analysed how difficult it is for small and medium companies to export or import, and how the EU-Mercosur agreement could help as a tool to work together and become stronger by strengthening the ties of supply chains, from investment to reliability.

In conclusion, this panel affirms that the EU would lose relevance if "they are not fast" to compete with the other agreements planned to come into force, thus the absence of an agreement between the two blocs would mean “allowing” China to enter the global market accompanied by their trade agreements, which would still have an impact on the Amazon Rainforest.

## Chapter 5: Bridging the Gap Between Supporters and Opponents

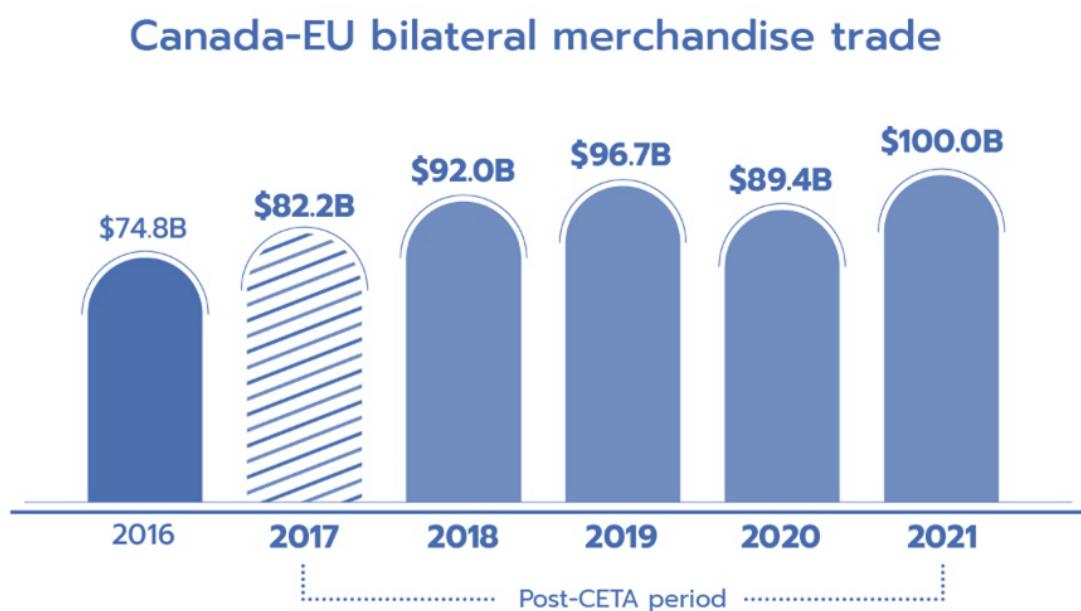
### *Reconciling Arguments*

#### The example of the Canada-EU Agreement

The following remarks are based on the debate conducted at the Canadian Embassy in Brussels during the CETA (Comprehensive Economic and Trade Agreement) 5th Anniversary: Canada-Europe Economic Chamber. The researcher's participation in this event provided an opportunity to gain a deeper understanding of the positive effects that were sustained by the panel of experts, which included notable figures such as Reuben East (Counsellor for Canada's mission to the EU), Mary Ng (Minister of SME promotion and international trade) Ailish Campbell (Canada's Ambassador to the EU), Sam Ayoub (President of the Canada-EU Economic Chamber), Mark Camilleri (President of the Canada-EU Trade Association), among others.

By analysing the parallels between the EU-Mercosur negotiations and the insights gained from the event, it is possible to identify similar themes and techniques that may guide future trade discussions between Mercosur and the EU, as well as its supporters and detractors to analyse the data, potentially resulting in mutually beneficial outcomes for both sides. Overall, the event was a reliable source of information for the researcher seeking a more nuanced view of the difficulties and potential solutions surrounding Mercosur-EU relations. Experts praised the Canada-European Union CETA as a critical agreement in promoting international cooperation, which displayed favourable economic benefits for both sections of the accord despite the 2020 decrease explained by COVID-19, evident in Figure 14.

Figure 14. Canada's Merchandise Trade Performance with the EU after the Entry into Force of CETA



Source 22. (Global Affairs Canada, 2022)

For this agreement there were also concerns before the signature; Friends of the Earth Europe, European Public Services Union, and the European Anti-Poverty Network, for example, issued several press releases in 2010, 2012, 2014, and 2016, among others, expressing worry about the agreement's impact on workers, low-income households, social rights, and the environment (EPSU, 2016), these experts expressed fears about the regulations between the two markets, and in some cases, opposition from individual countries such as France due to agricultural factors (Robert, 2019), similar the situation for the EU-Mercosur agreement, where France also has a strong opposition (Staff, 2019; Franceinfo, 2019).

In response to these worries, Canada Global Affairs (2023) published a report on the cooperation committee on the condition of the EU-Canada partnership from 2020 to 2022, where economic and sustainable development was first addressed. For instance, the February 2022 meeting of the Trade and Sustainable Development Committee and the fourth annual CETA Civil Society Forum offered the opportunity to discuss trade and collaboration in environmental and climate policy advancements.

Additionally, in March 2022, technical discussions between the EU and Canada were undertaken about the implementation of carbon pricing systems and carbon border adjustment mechanisms to prevent carbon leakage in a WTO-compliant manner. To enhance clean technology trade, investment, and collaboration under CETA, a joint EU-Canada business-to-business event on the potential under CETA was organized in March 2021. This was followed by the Canada-EU CETA Cleantech Summit in September 2022 (Global Affairs Canada, 2023).

This report also included a segment on employment, social affairs, and decent work that described the third annual meeting of the EU-Canada Dialogue on Employment, Social Affairs, and Decent Work that was held in Brussels in February 2020. The changing workplace and inclusive growth were the two main topics. The implementation of the 2030 Agenda for Sustainable Development, gender equality, and data, analysis, and impact evaluation were also three intersecting issues that were covered in several sessions (Global Affairs Canada, 2023).

This is an example of the post-discussion that can and must occur after a trade agreement for the EU-Mercosur agreement. For the EU-Canada CETA, there have been meetings, reports, and discussions after its provisional implementation, stating the need for adaptation as well as the apparent consideration of the objections raised by them, to address them and show action toward a mutually beneficial outcome, giving clear statements about the actions taken and proving them.

Edouard Bourcieu, Chief Economist at DG TRADE, and Dr Marie-France Paquet, Chief Economist at Global Affairs Canada explained why CETA includes some of the strongest commitments ever included in an EU trade agreement, including on labour rights, environmental protection, and sustainable development, in September 2022 as the CETA incorporates EU and Canadian promises to follow international labour standards, environmental protection, and climate action and these responsibilities are legally obligatory (Bourcieu & Paquet, 2022).

Despite previously stated concerns, the experts at the debate conducted at the Canadian Embassy in Brussels emphasised the importance of international cooperation, particularly

considering recent events such as the Ukraine-Russia conflict. This conflict has demonstrated the importance of relying on other countries for assistance and trust, not for dependency but for engagement. Overdependence on a single market can jeopardise strategic planning, and signing multiple deals allows countries to "count with many friends." (Kerneis et al., 2023).

The pandemic has revealed increasing polarisation and tension surrounding trade deals in general, according to Camiller (2023), president of the EU-Canada Trade and investment association. Nevertheless, he continues, trade deals assist countries in resolving international issues through cooperation by allowing for faster reactions through shared knowledge.

Furthermore, the pandemic has highlighted the importance of international cooperation in resolving global issues, and trade deals provide a critical framework for such cooperation. Trade deal benefits, such as increased economic exchange and faster response times, are critical for countries to collaborate effectively.

One of the most critical issues to consider when developing international agreements is their role in addressing climate change. The conference emphasised that union trades allow countries to collaborate toward a common goal.

Climate change is a global issue that must be addressed globally, and increased exports can harm the environment. Countries can, however, invest in technological development to help solve this problem while also addressing food scarcity through international cooperation.

It is also critical to prevent countries such as China from capturing the entire market, which can be accomplished by "cooperating in teams". Regulations were contentious at the time of the agreement, increasing civil fear.

However, for the EU-Canada CETA, a forum between regulatory co-operators was established to allow discussion and exchange of ideas on consumer product services, demonstrating the importance of communication not only for this specific CETA but for all ongoing and future agreements such as the EU-Mercosur trade deal.

Overall, the comparison of the Canada-EU CETA and the EU-Mercosur trade deal reveals that both faced opposition based on fear.

However, they also provide solutions to global issues, such as climate change, which could be addressed through international cooperation. Communication and the exchange of ideas are critical for the development of successful agreements that benefit all parties involved. As the world faces new challenges, international agreements that promote cooperation and progress must be pursued.

As green technologies and digital trade develop, there will be more opportunities for international cooperation. The invitation is to invest in emerging technologies to find mutually beneficial solutions. The goal is not to pick winners or losers but to identify challenges and ensure that beneficial outcomes are produced. However, it is critical to advocate for civil rights and business interests in these agreements. People must have access to this advocacy to do so.

Cooperation is a tool for doing things together on a common approach, and information must be a tool that everyone has access to understand what happens when an international agreement is signed.

People must be aware of the benefits of such agreements rather than focusing solely on the drawbacks. Access to information is especially critical for civil society organisations, which can provide valuable input into negotiations.

Furthermore, international treaties must advocate for civil rights as well as commercial interests. As Michael Harvey, VP of Policy & International at the Canadian Chamber of Commerce, pointed out, advocating for these interests is critical, but access to advocacy is also critical. Access to justice and redress must be guaranteed, and all parties should have access to dispute resolution mechanisms.

The growing green technology industry and digital trade present an excellent opportunity for international cooperation as these industries can work together to find mutual solutions to global issues like climate change and economic development. However, the benefits of these industries should be shared equally, and international agreements must reflect this.

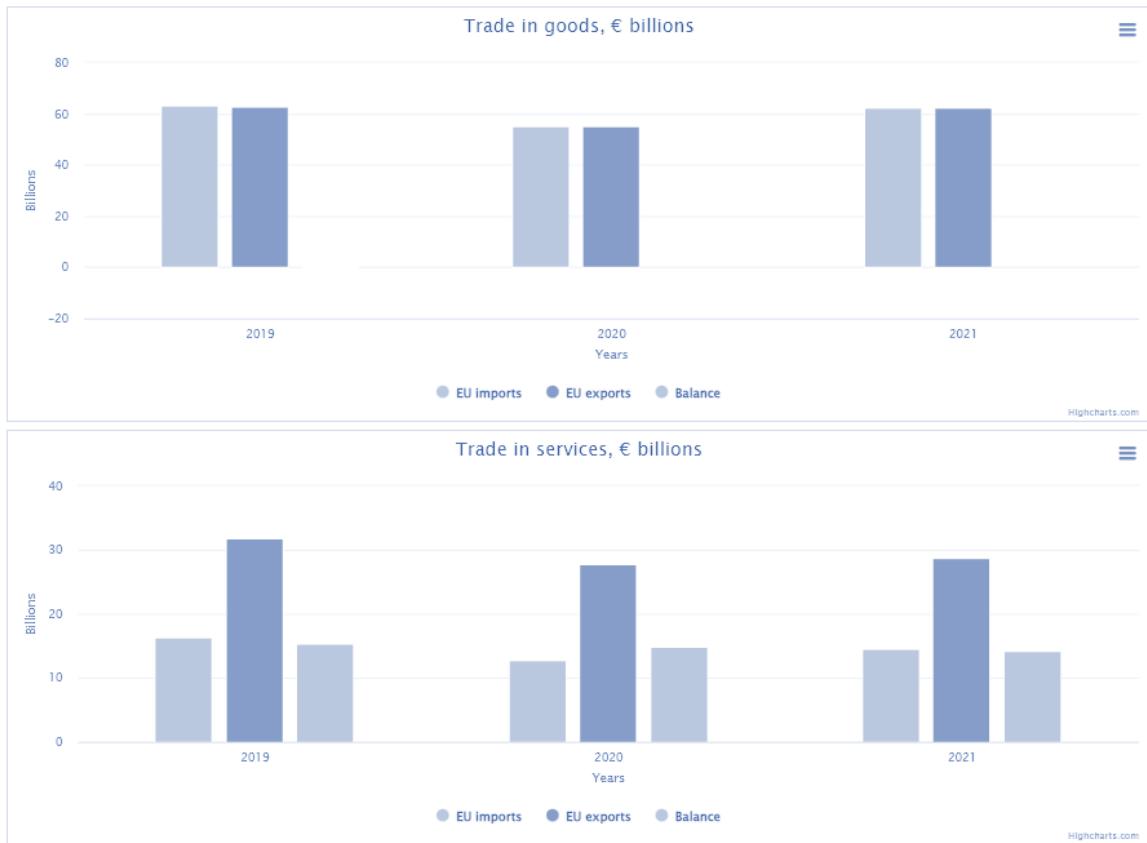
### The example of the Japan-EU Agreement

The EU and Japan concluded their largest-ever agreement between the two sides on July 6, 2017, following four years of discussions. The agreement, which entered into force on February 1, 2019, was negotiated on the key parameters of a comprehensive FTA. The breakthrough occurred at a time when public opposition to EU bilateral trade agreements was at an all-time high and it looked like multilateral trade negotiations were belated in a pothole (Felbermayr et al., 2018; Frenkel and Walter, 2017).

Japan is the EU's second-largest commercial partner in Asia after China. The seventh-largest trading partner for goods coming into and going out of the EU is Japan. Together, the EU and Japan account for around one-fourth of the world's GDP (European Commission, 2023).

In general, the EU and Japan trade more products than services, see Figure 15 for data (European Commission, 2023), which puts into doubt the claim made by the expert in international trade at the European Commission and supporter of the EU-Mercosur trade deal, Latorre (2022), that the EU-Mercosur "*will trade more services than goods*" if the outcomes of this agreement are compared.

Figure 15. Goods and Services Trade Japan-EU

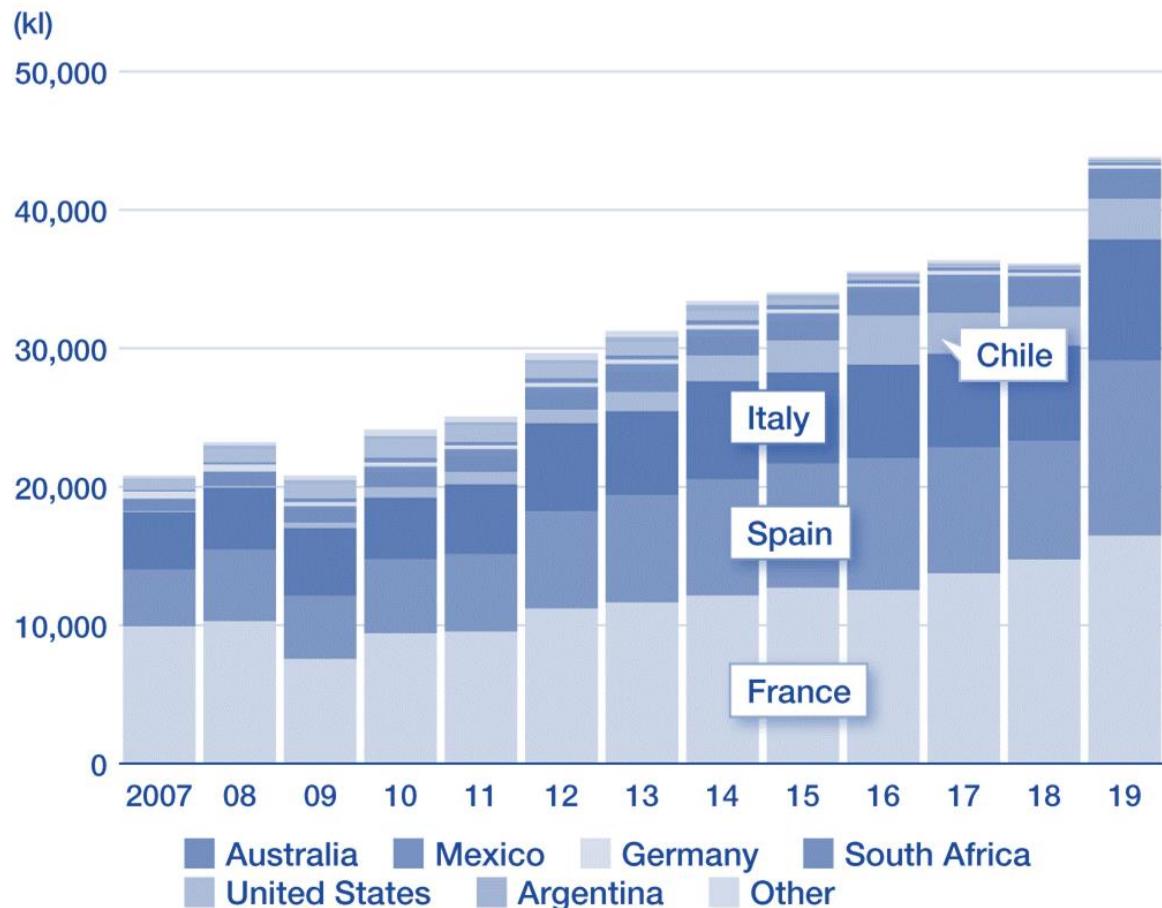


Source 23. (European Commission, 2023)

Total EU-Japan trade in services accounts for approximately 35% of total EU-Japan trade in goods. At the same time, EU services exports to Japan account for almost half of all EU exports to the country. Due to the characteristics of Japanese society and the Japanese economy, doing business or investing in Japan can be difficult for European enterprises (European Commission, 2023).

Trade has increased after the EPA went into effect in 2019 (for example, Sparkling Wine), see Figure 16 for reference. To discuss this EPA, there have been four joint committee meetings, co-chaired by Mr Hayashi, the Japanese minister of foreign affairs, and Mr Dombrovskis, the Executive Vice President of the European Commission, in April 2019, February 2021, March 2022, and April 2023 (Ministry of Foreign Affairs of Japan, 2023).

Figure 16. Quantity of Sparkling Wine Imports to Japan



Source 24. Data from the Customs and Tariff Bureau, Ministry of Finance. Created by Nippon.com

For protection in Japan and the EU, 28 new names were added as Geographical Indications in 2022. Additionally, talks to include clauses on the free flow of data into the EPA have begun (Ministry of Foreign Affairs of Japan, 2023), demonstrating for EU-Mercosur that discussion of changes is likely to occur if ratified and crucial to maintaining successful outcomes and positive relations.

In the EU-Japan EPA, industrial products such as leather and footwear have a maximum current customs duty of 30%, and those customs duties will be eliminated in 11 or 16 years, supporting the argument made by Bermúdez (2023), a supporter of the EU-Mercosur trade deal and international trade specialist, during the researcher's interview where she claimed that in international agreements, *"Tariffs are not reduced by the time the agreement is ratified, usually, there is a schedule [...] it's not an immediate effect that's going to destroy the whole domestic industries"*

### Balanced Approach Between Protectionism and Globalisation

Any realistic economic forecast achieved through protectionism is outweighed by the benefits of international trade. Both have advantages and disadvantages, but there is little doubt that globalisation has had the largest influence on technological innovation in the globe. Without

global trade, we would not be able to make the necessary development to secure our species' existence (McDonald, 2017).

Yes, protectionism provides temporary employment benefits to domestic workers. Tariffs, quotas, or subsidy protection allows domestic enterprises to hire locals, but a business in a protectionist state will be unable to expand. Thus, trade protectionism damages the sector eventually. Companies in the sector do not need to innovate if there is no competition. The quality of the home product will eventually deteriorate. It will be of inferior quality and more costly than the products of overseas competitors, which poses a dilemma (McDonald, 2017).

This dilemma necessitates the development and balance of openness and the need for state support and protection of the domestic market, with the willingness of traditional budget-organizing industries to compete and the formation of a national reform policy aimed at encouraging domestic producers to work in an open economy. With these adaptable tools, protectionism becomes a strategy for minimizing the asymmetrical distribution of advantages from globalization and a response to global imbalance (Panchenko and Reznikova, 2017).

Whether developed or developing countries, both can employ protectionist policies with some success; nevertheless, without engaging in global commerce to build on their comparative advantage in the global market, their capacity for growth is severely constrained (McDonald, 2017).

### *Mutual Benefits*

For far too long, Europe has taken Mercosur trade for granted, and political leaders have spent far too little time and effort to foster it. The EU-Mercosur Association Agreement, although not yet ratified, has the potential to reverse decades of neglect (Guinea and Sharma, 2021). It addresses a wide range of issues, including excessive tariffs and a lack of regulatory harmonisation in critical industries like the automotive industry.

The economic relationship between the EU and Mercosur has the potential to grow significantly stronger if trade and investment laws are improved (Guinea and Sharma, 2021).

Before ratification, the debate over the agreement continues, and the purpose of this policy brief is to inform that debate with facts and numbers and to root it in the present reality of the EU-Mercosur relationship.

EU member nations have created economic relations and complementarities with Mercosur countries, and these ties span all areas that promote technological advancement and economic modernisation. Mercosur enterprises specialising in engineering, finance, and information technology have established factories and offices in the EU; Brazil, for example, is a member of the EU SFIC group, bilateral cooperation that prioritises biotechnology, agribusiness, mechanical engineering, and green technologies, among other things, as well as joint labs such as the Fraunhofer Society, which works in food projects through bioresources and system engineering in El Salvador (EU delegation to Brazil, 2020; European Commission, 2020). Some of the EU's largest corporations in the chemical, telecommunications, automotive, industrial, and financial sectors are also leaders in Mercosur (Guinea and Sharma, 2021).

According to Statista, as illustrated in Figure 17, the EU's foreign trade balance was in deficit in 2008, amounting to no less than 16.8 billion dollars, a pattern that persisted until 2011. However, since 2012, when trade volume peaked at 113,500 million dollars, the trade balance has shifted in favour of the Europeans, with a surplus of more than 9,000 million dollars already recorded in 2013 (Pasquali, 2019).

In contrast, between 2014 and 2017, the trade balance was levelling, with equal export and import levels. In 2018, the EU exported 50.8 billion dollars to Mercosur countries while importing 48.1 billion from them (Pasquali, 2019).

Figure 17. How much is trade between the EU and Mercosur? Value of foreign trade of the European Union with Mercosur (in billions of dollars)



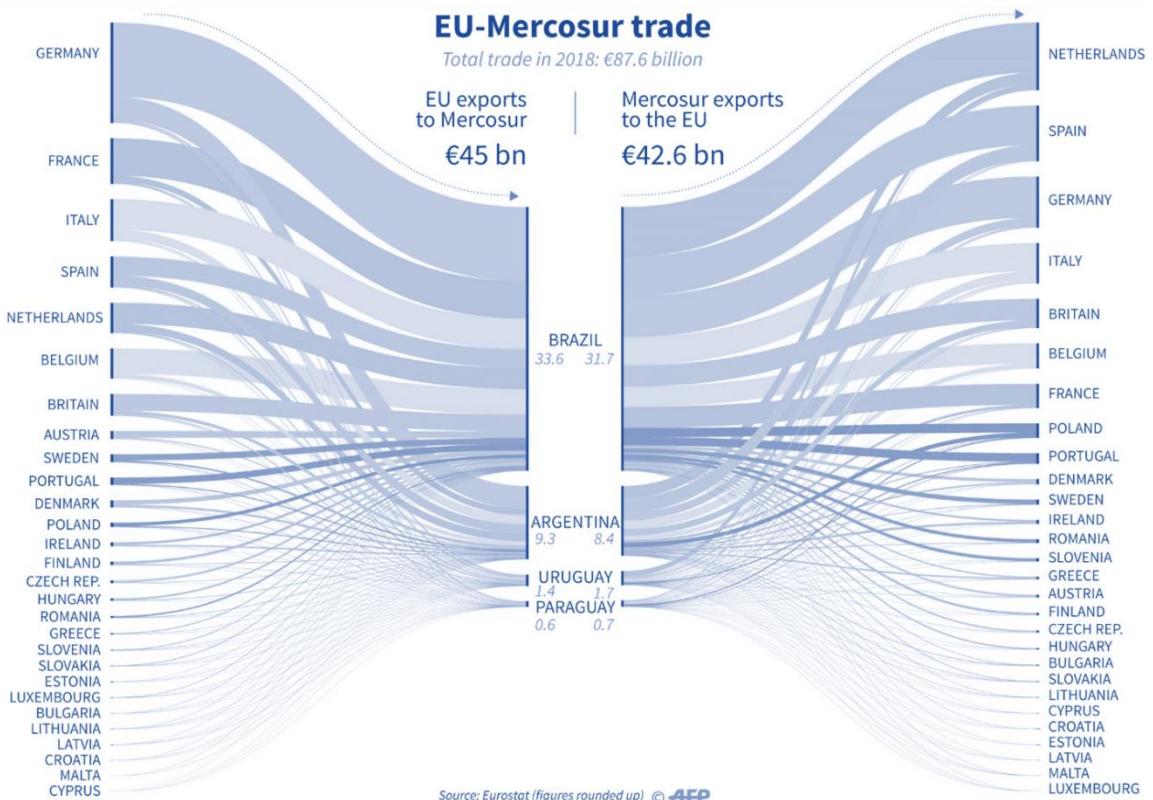
Source 25. Eurostat via European Commission carried out by Statista.

(Figures translated to US currency when one euro equals \$1.1286. Before the withdrawal of the United Kingdom, the 28 EU member countries and the four Mercosur members were included.

Furthermore, the links between the EU and Mercosur go beyond trade and investment; many Mercosur members hold EU passports, and many more are of European descent. The two regions have comparable cultures, and their legal systems and institutions are fashioned from the same cloth.

These non-economic links frequently play a modest but crucial role in fostering stronger economic ties. Family ties, shared languages, and similar institutions reduce bilateral trading costs, which is especially important for the more than 30,000 European Businesses exporting to Mercosur, as noticed in Figure 18, only in the year 2018 more than €80 billion exports took place between both blocs with a similar level of investment from the two (European Commission, 2018).

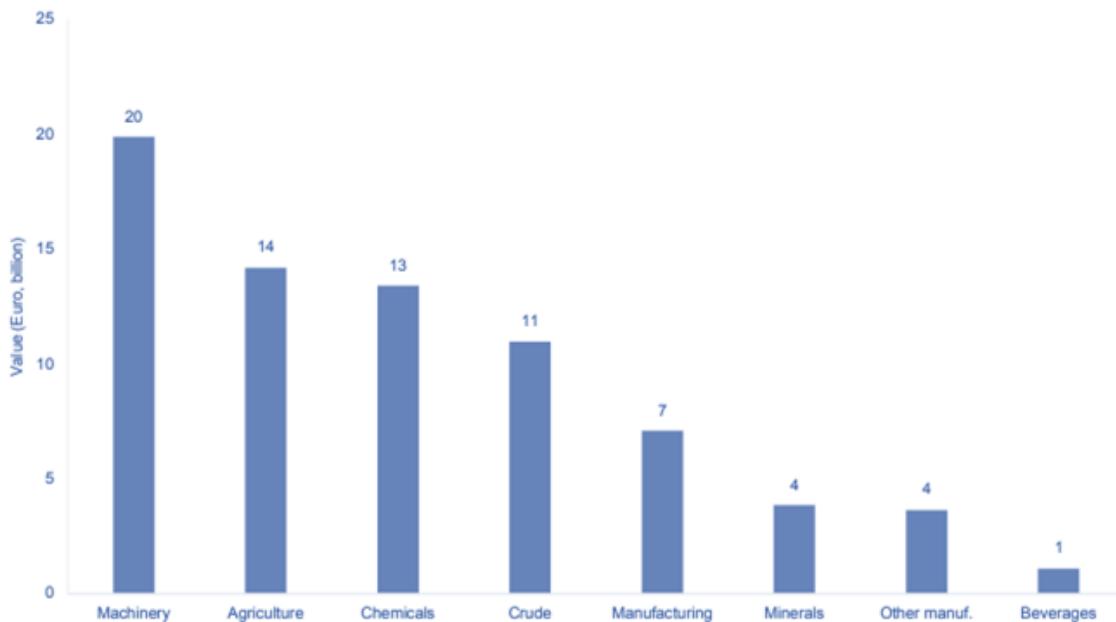
Figure 18. Trade between EU and Mercosur in 2018



Source 26. Eurostat, AFP

In 2019, the EU sold goods and services worth €62 billion to Mercosur members. Mercosur, for its part, sold goods and services to the EU for €47 billion. Because of this bilateral commerce, Mercosur became the tenth most significant destination for EU exports, while the EU became the second most important market for Mercosur exports; the chart below shows exports broken down by the economic sector. The overall number of commodities traded between the two regions was €77 billion, with the EU exporting 53% and Mercosur exporting 47%. Machinery (25%), agriculture (18%), chemicals (17%), and crude materials (14%), dominate trade between the EU and Mercosur (Eurostat, 2022).

Figure 19. EU-Mercosur exports by economic sector (2019, billion euros)



Source 27. Eurostat, calculated by Guinea and Sharma

The EU and Mercosur countries have always had strong ties, ranging from commerce and investment to a common history and culture. These ties have evolved, becoming more intricate and sophisticated. For example, one of the fundamental elements that differentiate the EU-Mercosur relationship in the twenty-first century is that trade and investment in industrial goods and services are much larger and more important than in agriculture. Another area that is frequently misinterpreted is which member countries are thought to dominate EU-Mercosur commerce. Instead of being limited to traditional partners like Spain and Portugal, the data demonstrates that all EU nations participate in EU-Mercosur trade and investment flows, for instance, Germany, France, Italy, and Spain topped EU exports to Mercosur, accounting for 63% of overall EU exports to Mercosur. Other nations that export considerable sums to Mercosur include the Netherlands, Belgium, Sweden, Ireland, and Austria, while Denmark, Portugal, and Greece are big exporters to Mercosur on a per capita basis (Eurostat, 2022).

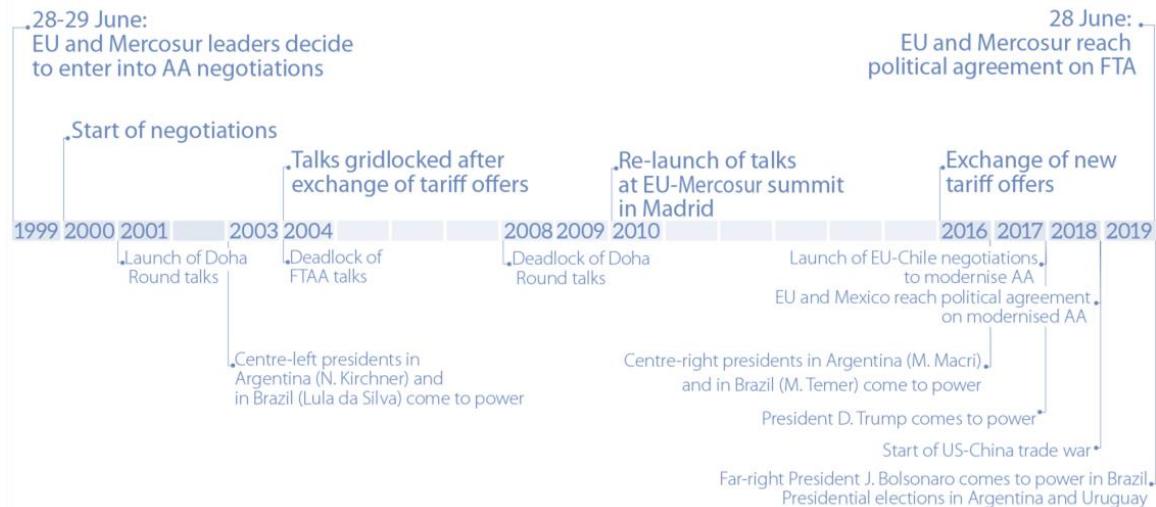
Therefore, this agreement allows the two blocs to forge fresh and stronger relationships based not only on economics but also on a shared history, similar institutions, and a continuous exchange of people, knowledge, and ideas, which can be understood as mutually beneficial.

#### *The Q&A guide on the topic: Resumed literature review*

- **The EU–Mercosur FTA debate has already reached 14 years of no progress at all (see Figure 20 for reference), and more than 16 if we include the preparatory years when much effort was spent. How can this pursuit still be credible?** From the article “In Search of a Feasible EU-Mercosul Free Trade Agreement”
  - The emphasis should be on industrial and business applications that will generate connections and more business, as well as bring plants, laboratories, and SMEs closer together on both sides. This approach would result in something concrete,

independent of the crises on both sides of the Atlantic, to be presented to decision-makers and the business community, the ultimate engines of trade negotiations. If and only if this traditional FTA is signed, this author believes credibility will be restored to pursue more ambitious agreements (Flores, 2013).

Figure 20. EU-Mercosur, 20 years of negotiations



Source 28. EPRS, (Grieger, 2019)

- **What is the consistency between Mercosur and EU Common Internal Policies?** From the research article “Negotiating Market Access between the European Union and Mercosur: Issues and Prospects.”

- The agreement’s market access provisions must be consistent with EU internal policies as well as the ongoing implementation of MERCOSUR’s common policies. On the EU side, these constraints will primarily concern agriculture, fisheries, competition, state aid, and so on: the EU’s Common Agricultural Policy is by far the most sensitive issue in trade negotiations. With high domestic prices, unequal distribution of EU funds, WTO commitments to liberalise, and built-in reciprocity of bilateral and regional trade concessions, the EU is on a steady path toward comprehensive agricultural reforms. While the need for reform is obvious, the pace and scope of liberalisation remain contentious among member countries (Estevadeordal and Krivonos, 2000).

- **What is the vulnerability of Mercosur imports in the context of the EU-Mercosur trade deal and which industrial products in Mercosur are most sensitive to EU competition?** From the article “EU-Mercosur trade deal: an evaluation of the vulnerability of Mercosur imports”

- The vulnerability of Mercosur imports in the context of the EU-Mercosur free trade agreement is primarily based on manufactured goods, whereas the vulnerability of the EU is centred on agricultural and food products or natural resource-intensive sectors. Mercosur’s most sensitive industrial products to European competition are machinery and electrical equipment, chemicals, base

metals and articles, plastics and rubber, textiles, and transportation equipment (Castilho, 2023).

- **Would complementary reforms follow the EU-Mercosur ratification?** From the research paper: “The European Union-Mercosur Free Trade Agreement: Prospects and Risks”
  - Major reforms in the EU and Mercosur will be required to reap the full benefits of the EU-Mercosur agreement. Mercosur’s agricultural producers, who are among the most competitive in the world, and EU farmers, who are among the most cosseted, will make uneasy bedfellows in a free-trade zone. Gradual reductions in support through the EU’s agricultural protection regime will be required to ensure that EU farmers, who have demonstrated remarkable adaptability and run a trade surplus thanks to subsidies, continue to adapt. EU farmers must continue to diversify into higher-value-added products and capitalise on their comparative advantage in specialities, or they will be forced out of the sector (Baltensperger and U. Dadush, 2019).
- **What lessons can other FTAs learn from the failed negotiations between the EU-Mercosur for a free trade agreement?** From the research note “THE EU AND ASEAN: Learning from the Failed EU-Mercosur FTA Negotiations”
  - First, there is a disconnect between the EU’s rhetoric and the reality of the negotiations. Second, there is a significant disparity between the potential negative consequences of an FTA and the benefits promised to Mercosur by the EU. Third, Other FTAs should also set a time limit to negotiations and consider the differences in the level of development (Robles, 2008).

## Part C. Findings and results

To analyse the outcomes of the research and derive a resolution for the hypothesis under investigation.

### General Analysis

Signing trade deals is necessary for the EU to maintain its global influence and regulations (European Parliament, 2019), which in the past has obligated their trading partners to match their strict regulatory requirements (International trade administration, 2021), but as globalisation drives the necessity to open the market and increase the amount of offer, the struggle to push Latin America into these has become more difficult, as the EU also needs them to secure international trade (Europa.eu, 2023).

This discussion is relevant to take place in 2023 because major political changes are about to occur, with Argentina on the Mercosur side holding presidential elections at the end of this year and the EU Parliamentary elections next year, which could change perspectives on the agreement as new participants enter the debate (Aarup, 2023).

Jordi Cañas, MEP and President of the European Parliament's Delegation for Relations with Mercosur, has widely stated that now is the "window of opportunity that has opened," and as the new Brazilian president enters the discussion and relations between the two areas improve, ratification may have more options to finally occur (Moreno, Caas, and Warborn, 2023).

Still, it has previously been stated that externalities have influenced the decisions surrounding this debate, ranging from global pandemics that exacerbate the lack of primary sources and heighten the need for cooperation to the current war between Ukraine and Russia, demonstrating the need to diversify European energy sources away from Russia, as well as mitigate global risks in geopolitics and supply-chain disruption (Vlachou, 2023).

However, climate change may disrupt the pattern of this decision as one of the strongest arguments of the opposition, for example, Brussels has created its own rules to ban imports that contribute to deforestation, which was previously explained because the Amazon would be part of this trade deal under the geographical position (FEPS, 2023).

Furthermore, it has been noted that France plays a significant role when it comes to discussing international agreements, not only with Mercosur but also with Canada's CETA; however, with President Emmanuel Macron's re-election, it appears that the "loud voice against the agreement may be quieting down" (Vaudano, 2019). Nonetheless, while Macron may be perceived as an easier ally to persuade to ratify, some French politicians appear to disagree, such as Olivier Becht, who stated that Brazil's change of president does not demonstrate a genuine commitment to reducing Amazon deforestation (Vie-publique.fr, 2023).

In July 2023, Spain will take over the helm in Brussels, and we have previously understood that for Spain, this trade deal is beneficial due to cultural similarities and being the closest country, along with Portugal, to connect Europe and Latin America, which could mean for Spain to be the gate door in this trade, plus Spain has always been leading the call for an EU-Mercosur

agreement, and a Spanish diplomat said: "This year holds favourable circumstances" (HortiDaily.com, 2023).

Yet, as Anna Cavazzini remarked, politicians look to be hurried into the EU-Mercosur deal, as sustainability and forest safeguards have not yet been explored further, which may not be sufficient for the environmentalist camp (Cavazzini, 2019). With these hurried decisions, the sanctions recommended for inclusion in the green chapter are not yet ready to be implemented, which may irritate activists and the public (Aarup, 2023).

Likewise, Mercosur countries such as Argentina have protectionist laws that favour indigenous business over establishing a mutually beneficial accord (Presidencia de Argentina, 2019).

We must also consider that even if there is a good amount of positive perspectives from politicians, it is not the first time this happens, for example, Cecilia Malmström, MEP, claimed this agreement would be reached under a balanced mutually beneficial outcome and "anticipated" its conclusion during the world trade organisation by the end of 2017, as she expressed there was a strong commitment from both sides, even if there was still much work to be done as the protectionism concerned the decision-makers (MercoPress, 2017). Figure 21 shows 2017's signature campaign.

Figure 21. EU-Mercosur FTA, why now?



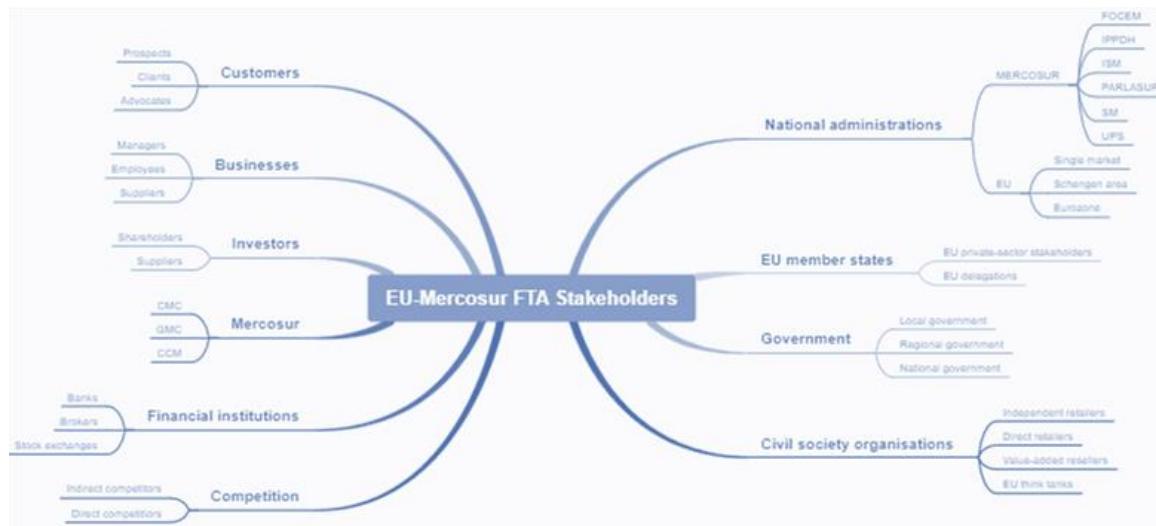
Source 29. (EOS Intelligence, 2017)

Finally, the EU-Mercosur agreement has been a source of contention for some years, with both proponents and detractors weighing in on the possible benefits and drawbacks of ratification. While external causes such as pandemics, geopolitical tensions, and supply-chain disruptions may have swayed the discussion in favour of cooperation, climate change, and environmental concerns have emerged as major impediments. Furthermore, environmentalists and the public have criticized Mercosur countries' protectionist laws, as well as the lack of progress in establishing sustainability and forest safeguards.

## *Stakeholder mapping*

This research has recognized the vast network of stakeholders involved in this trade deal under consideration; see Figure 22 for details. This revelation emphasizes the necessity of discussion and debate, as this agreement might have a significant impact on people's daily lives.

*Figure 22. Stakeholder map EU-Mercosur*



*Source 30. Created by the author in a deductive approach*

Environmental and human rights organisations are concerned that this trade deal will accelerate agricultural land expansion through large-scale deforestation, contradicting countries' climate change pledges and jeopardizing Indigenous peoples' rights. Such concerns have gained traction and attention due to media coverage of large-scale rainforest devastation in the Brazilian Amazon.

Mercosur agricultural associations have expressed worry about the breadth of the precautionary principle, while the wine sector is concerned about an 'asymmetric' pact. The Mercosur trade union group CCSGS is opposed to this trade deal due to its lack of transparency. Copa-Cogeca, the European farmers' association, has expressed concern about the implementation of the EU's pre-listing and regionalization concepts in Mercosur countries, citing a lack of cattle traceability and the use of illegal in the EU hormones, growth promoters, and pesticides (Grieger, 2019).

The sustainability impact assessment is a critical instrument for ensuring that the Commission's policy decisions are founded on scientific data and that the resulting trade agreements respect both human rights and high economic, social, and environmental standards. This is intended to be a critical tool of EU trade policy, guaranteeing transparency and adequate participation of all stakeholders in discussions (Van Den Berghe, 2021).

While stakeholders with defensive interests in EU agricultural sub-sectors (beef, ethanol, sugar, and poultry) have been vocal in their opposition, referring to the agreement as a 'car for cows' deal, representatives of several EU agricultural sub-sectors, such as wine and dairy associations, have been vocal in their support. The European Automobile Manufacturers' Association, the

European Association of Automotive Suppliers, and the European Confederation of the Footwear Industry, as well as BusinessEurope, have all welcomed this trade deal (Grieger, 2019).

## SWOT

Figure 23. Strengths, Weaknesses, Opportunities, and Threats EU-Mercosur Agreement



Source 31. Created by the author in a deductive approach.

Keeping the scope of balance and neutrality between supporters and opponents, protectionism and globalisation, and pros and cons in mind, the researcher determined that it was critical to SWOT analyse the disadvantages and benefits of this agreement, as discussed in this thesis.

It has been stated that this agreement does indeed open a new market (Kerneis et al., 2023; Financial Pipeline, 2018), which increases competition for the sake of innovation (Muniz, 2022; McDonald, 2017) and market stabilization (Mariotti, 2023; European Union, 2022), potentially benefiting the creation of trade and investment (Euractiv, 2023; Guinea and Sharma, 2021) from new players, and for both regions, economic ties support better political cooperation (Céu, 2021; Borrell 2022), for the exchange of knowledge, which could help to combat negative effects of this trade deal, for example, if Latin American and European scientists join forces, the development could join forces for better and faster results (EU delegation to Brazil, 2020).

Furthermore, it would serve as a model in the international landscape for future market cooperation to facilitate consumer access to more products. In terms of the environment, there is also the possibility of stakeholders participating in the discussion as the open forum from the

Canada-EU agreement (P. Kerneis et al, 2023) to produce changes or ameliorations as seen in the Japan-EU agreement (Ministry of Foreign Affairs of Japan, 2023), standardizing laws for both regions and finally, improving the situation for labour standards and social rights, primarily in developing countries from Mercosur (Cavazzini, 2019; Mast et al., 2022).

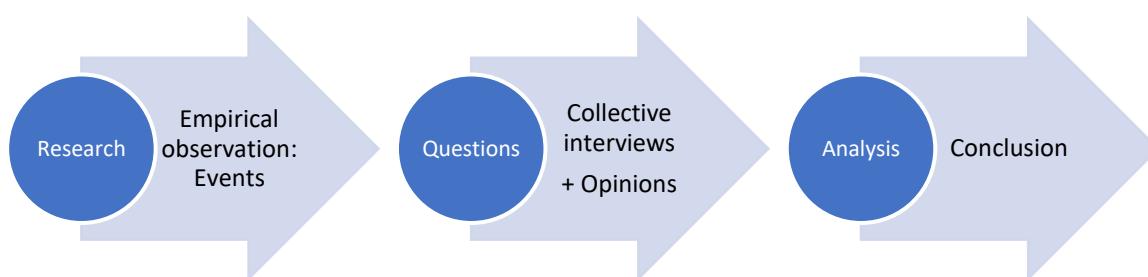
Nonetheless, if this deal is signed and ratified, the opposition will see it as a step backwards in terms of protecting the planet from further deforestation and biodiversity loss (Bouissou, 2020), particularly in the Amazon Forest (Welle, 2020; Aarup, 2023). Furthermore, as discussed in the section "Discovering Externalities: Legal, Agricultural, and Environmental Mishaps," many changes must be made to the text for it to be clear, to ensure proper development of the agreement, and to provide tools for fair competition (Hoffmann & Krajewski, 2021), particularly for small farmers who fear increased competition and possibly job losses (Franceinfo, 2019).

Likewise, the risk of trade diversion exists if regulatory conditions do not prevent it (Learn Economics, 2021), thereby harming the industries behind this pact (USDA, 2021), which may face increased costs because of the adjustments it brings (Staff, 2019). Finally, this trade deal poses a risk to existing inequalities (Berahab and Dadush, 2020), if laws leave workers and businesses vulnerable when competing against major corporations (Baltensperger & U. Dadush, 2019).

### *Presenting the Results*

To develop this study, steps were taken to understand multiple points of view and externalities involved, Figure 24 is a visual guide to the process followed. The first step was to do the corresponding research of data already available, which was further complemented by the participation in events that allowed to obtain data surrounding this debate but also, other considerations to be used when analysing it. With these in mind, questions to find a balance to this discussion were developed and addressed by experts in trade agreements and international relations, afterwards, the analysis of the information permitted to answer the main question proposed at the beginning of this research and the conclusion summarized the information of this thesis.

*Figure 24. Methodology visual guide*



*Source 32. Created by the author from a deductive approach.*

- **Research**

Many documents, articles and official websites were reviewed from September 2022 to May 2023, to understand the situation influencing the increase of the debate about potential developments towards the EU-Mercosur deal in 2023.

Particularly, the revision of previous works on this topic allowed the researcher to see what questions have already been answered, as abridged in Chapter 5: “The Q&A guide on the topic: Resumed literature review.”

- **Empirical observations from events**

This data was gathered from December 1<sup>st</sup>, 2022 to April 26<sup>th</sup>, 2023 through diverse categories of events that required previous registration. The first event was held online and was directly related to the EU-Mercosur deal, showing the perspective of experts on this matter, with a positive discussion surrounding it. This event was hosted by **Martin E. Piñeiro**, Argentine Council for Foreign Relations (CARI) Southern Producers Group (GPS) and Dr **Arantza Gomez Arana**, Senior Lecturer in International Relations at Northumbria University, Elected committee member UACES and a co-convenor of the BISA European Security Working Group.

In the search for balance, the researcher participated in a conference in Brussels with the author of the book “Consumed: The Need for collective change”. Even if this is not related directly to the topic, it allowed the examination of negative results of over-consumption to comprehend the ecological aspects that were given in this event. The participants were **Aja Barber**, Intersectional Sustainability Activist, Writer & Consultant and as a moderator, **Aya Noël**, fashion journalist.

Afterwards, the Embassy of Canada in Brussels held a conference for the CETA Canada-EU, which was used as an example of results, permitting to observe the conversation between experts from businesses or government sectors in this agreement, analysing similarities and differences between this trade deal and the EU-Mercosur pact. In this event the participants included moderators, speakers, and organizers: **Reuben East**, Counsellor (Trade) Canada’s Mission to the European Union, H.E. Dr. **Ailish Campbell**, Canada’s Ambassador to the European Union, **Sam Ayoub**, President of the Canada-Europe Economic Chamber, **Matthias Jørgensen**, Head of Unit for USA and Canada at DG Trade, European Commission, **Mark Camilleri**, President of the Canada EU Trade and Investment Association, **Jean Charest**, former Premier of Québec & Partner at McCarthy Tétrault LLP, **Laura Jones**, Executive Vice-President, Canadian Federation of Independent Businesses, **Pascal Kerneis**, Managing Director, European Services Forum, **Eleonora Catella**, Deputy Director, International Relations, BusinessEurope, **Michael Harvey**, VP Policy & International, Canadian Chamber of Commerce, **Melina Howard**, Business Developer Director, Fidefield – Luxembourg, **Shannon Blanchard**, Director Supply Chain Innovation, Port of Saint-John, **Louis Roy**, CEO, Optel Group, **Vincent Lhoest**, International Nuclear Business Development & Sales Manager, Tractebel, **Rosie Birchard**, Brussels Correspondent, Deutsche Welle and **Karen Kennedy** Head of Trade, Canada’s Mission to the European Union.

To finalize, on the day of the world intellectual property 2023, a conference was held in Brussels to talk about transatlantic trade and innovation, observations of this event increased the relevance of protecting intellectual data when trading, for the analysis of the results. This event was hosted by **Pieter Cleppe** - Editor in Chief, Brussels Report, **Ivan Stefanec MEP** - EPP Slovakia, **Margarita de la Pisa Carrión MEP** - ECR Spain, **Simona Popa** - Chair, Intellectual Property Committee, AMCHAM EU, **Claudia Martinez Felix** - Deputy Head of Unit Intangible Economy, DG GROW, European Commission, **Lorenzo Montanari**, Editor of the International Property Rights Index, **Robert Tyler** - New Direction, **Miriam Lexmann MEP** - EPP Slovakia, **Michiel Hoogeveen**, ECR Netherlands, **Philip Thompson** - Tholos Foundation, and **Matthias Jorgensen** - Head of Unit, USA & Canada, DG TRADE, European Commission. Table 9 recompiles the main outcomes, observations, and learnings from each of these events.

*Table 9. Results of empirical observation in events*

EU-Mercosur and examples	Externalities to consider
<p><b>Webinar:</b> “EU-MERCOSUR: Where is the EU/Mercosur FTA going?”</p> <ul style="list-style-type: none"> <li>• Agricultural issues that have blocked the agreement could be evolving and might get resolved.</li> <li>• Unlike Mercosur countries, the EU’s agricultural producers have more subsidies which could decrease the fear of competition.</li> <li>• Deforestation is the real and objective problem of this debate.</li> <li>• Current Ukraine war provides a strong economic incentive for the integration and cooperation of European firms in Mercosur food systems.</li> <li>• As the European Parliament has elections in 2024, the agreement could again fail under these political changes.</li> <li>• 2023 Opens the possibility to talk about ratification as Spain enters the EU presidency.</li> <li>• Latin America has good agriculture but there is space for technological developments that can be provided by the EU.</li> </ul>	<p><b>Conference:</b> “Consumed: The need for collective change”</p> <ul style="list-style-type: none"> <li>• Consumerism makes part of society, but the shift occurs when people decide to look further.</li> <li>• To consume more sustainably, the key is not necessarily to have more money, but to be more conscious.</li> <li>• Films, series, and books can influence the decisions of society, for example in the search for approval.</li> </ul> <p><b>Relation to EU-Mercosur talk:</b> Understanding the analysis done by an ecologist, comprehend the impact that over-consumption has done to take decisions of international expansion or sign trade deals to satisfy more demand, including the environmental negative after-effects of these agreements when more offer is given to a consumer society.</p>
<p><b>Conference:</b> “CETA 5th Anniversary: A platform for partnership”</p>	<p><b>Conference:</b> Transatlantic Trade and Innovation – World intellectual property</p>

<ul style="list-style-type: none"> <li>• The current landscape, from Covid-19 to the Ukraine war, shows the need for collaboration: “Good moment to have friends” – Campbell, 2023.</li> <li>• To safeguard and expand the economy, interdependence is essential.</li> <li>• Canada-EU partnership is easier as both participants in this agreement are first-world countries.</li> <li>• Nations should look forward to cooperating as a team.</li> <li>• Against climate issues, union trades can help to find a solution.</li> </ul>	<ul style="list-style-type: none"> <li>• A competitive market is the greatest method to achieve innovation, but it may be regarded as a weapon for unfair competitive advantage.</li> <li>• “For the EU the idea is to avoid being dependent on China [...] Ratifying the Mercosur agreement is part of the plan of free trade for the EU despite the problems, but right now the situation is complicated, globalization creates wealth, but it does not necessarily distribute it equally”. – Jorgensen, 2023.</li> </ul>
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*Source 33. Created by the author from empirical observations.*

- **Collective Interviews**

This data was gathered from April 24<sup>th</sup>, 2023 to May 4<sup>th</sup>, 2023. To see if the balance could be reached, two groups, each consisting of two participants - one supporting the EU-Mercosur agreement and the other opposing it, were invited to discuss under a collective interview, promoting the interaction between these contradictory priorities and identifying if they could be reconciled to achieve a mutually beneficial outcome, which could help the researcher determine if an answer to this study could be obtained from this activity.

In these groups, the participants were: **Carolina Bermúdez**, an international trade specialist, with a master's degree in international business law, **Sylvain Godoc**, a European and international relations expert with a master's degree in international cooperation, development and social economics, **Sonia Chabane**, policy studies research assistant, with a master's degree in international relations and law, and **Carlos Jalil**, EU trade policy analyst with a master's degree in international and European Union Law.

Each of these participants had a strong stance on the agreement, which was identified either because some of these people have created podcasts about international trade, articles about international trade, the current trade war, and/or have actively engaged and participated in ecological protests to demonstrate the negative effects of international trade on the environment.

With these different perspectives, the discussion could be intense, indeed, cultural backgrounds may affect their positions as well since these participants come from different parts of the world including Brazil, Spain, and France (North and South). Furthermore, they all have at least one master's degree, to ensure the level of education is similar, and they all have expertise in international topics either from the academic or the professional side. Table 10 shows some of the discussed arguments, arrows show who answered first and who answered after, since the last response considers the previous one.

Table 10. Results of collective interviews

Interview #1		Interview #2	
Pro-agreement	Anti-agreement	Pro-agreement	Anti-agreement
<p><i>“There is a need for collaboration to undercover mutual solutions and with careful negotiation to balance the interests, which is what they are trying, but it is a hard process and it’s normal it has taken so long”</i> </p>	<p><i>“Mercosur has four completely different countries, in sum to the European Union, which is comprised by another 27 different countries, so you need to balance those 31 different interests in one agreement, it will take a long time”</i> </p>	<p><i>“Here there are different interests, of course, concerns are valid, and it requires careful consideration from both ideas, together with robust regulations to mitigate those negative impacts”</i> </p>	<p><i>“Balance is difficult because one will defend industry mostly in this war context [...] but the other view shows the environment consequences brought by this increase in commerce”</i> </p>
<p><i>“Protectionism serves as a tool to control market entry and the FTAs will continue to be significant, for example, the 2023 European agenda is promoting the signature of many agreements”</i> </p>	<p><i>“There was once a wave of FTAs, but because of externalities, protectionism is now more prevalent”</i> </p>	<p><i>“There are a lot of voices that would need to agree, but to adopt open communication with all parts involved allows everyone to listen and accommodate and that can bridge the gap”</i> </p>	<p><i>“Talking about consensus in the Mercosur agreement is challenging, I’m not discouraging your pursuit [to the researcher], but it is difficult”</i> </p>
<p><i>“The market will not be in immediate chaos, you have what we call a “schedule of the tariffs” as they are not reduced by the time the agreement is ratified, they have a schedule of even years, also Europe has subsidies to protect small farmers.”</i> </p>	<p><i>“Accessing those subsidies is not easy, the government does not simply give them to everyone, so it doesn’t ensure protection to farmers in Mercosur agreement”</i> </p>	<p><i>“Circumstances evolve, even for the Mercosur agreement we know that development has to come, if this agreement is ratified, it will not just end there, many more talks and negotiations come after a signature”</i> </p>	<p><i>“Since the start of the negotiations of this agreement many years have passed and laws have changed, the agreement has to develop in those aspects”</i> </p>
<p><i>“Latin America has a good environment, nature, lots of natural resources, and there are very good laws that protect them, the point is that they are not put in practice as they should”</i> </p>	<p><i>“Resources get affected by this agreement as Mercosur farmers will increase production, and the problem is that laws won’t prevent that.”</i> </p>	<p><i>“About solutions to the concerns raised, if participants collaborated to raise concerns collectively, in group sessions, they could be recognized and accepted”</i> </p>	<p><i>“Each area should bring attention to each issue, for example focusing on articles about environment mainly... when there’s a focus, more can be said and done”</i> </p>

<p><b>Conclusion Interview #1:</b> Since many countries would be part of this agreement, searching for common ground and balance between opposition and supporters requires time and cooperation, while there exist some measures to prevent the market to get instability from increased competition, these may not be sufficient. Legal aspects, internal and external, can influence the effects of the EU-Mercosur agreement as well.</p> <p>This group had various points of agreement, in the negative and the positive statements, showing how communication is important to understand the opposing viewpoint.</p>	<p><b>Conclusion Interview #2:</b> To unveil common ground between opposition and supporters needs careful consideration, strong regulatory statements and open communication could help, also time plays an important role since many years have passed by and the agreement must adapt to new laws, perspectives, and challenges. Both group and individual sessions are relevant to raise awareness of the concerns and the benefits of this deal.</p> <p>This group had fewer points of agreement than the first one, but it was noted that stakeholders are important to this talk.</p>
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*Source 34. Created by the author in a deductive approach, from the results gathered.*

Even while not all ideas could be agreed upon, most of the debate had a neutral tone in the first interview, however, the second interview's results were less neutral since there were fewer shared opinions between the participants.

However, an unexpected conclusion came from both groups: a common opinion on the necessity of public access to knowledge, allowing for a thorough grasp of the subject's advantages and downsides. Furthermore, participants stressed the scarcity of accessible information and voiced worries about the potential lack of transparency in some elements of the negotiation towards the public.

Prompted by these observations, the researcher aimed to know if some of the public perceives that increasing communication with transparency and inclusion in the debate, may bring different ideas together and allow for common ground, therefore, the following question was given to a group of participants: Can the EU-Mercosur negotiation bring together advocates and critics to find common ground if it was more transparent and inclusive?

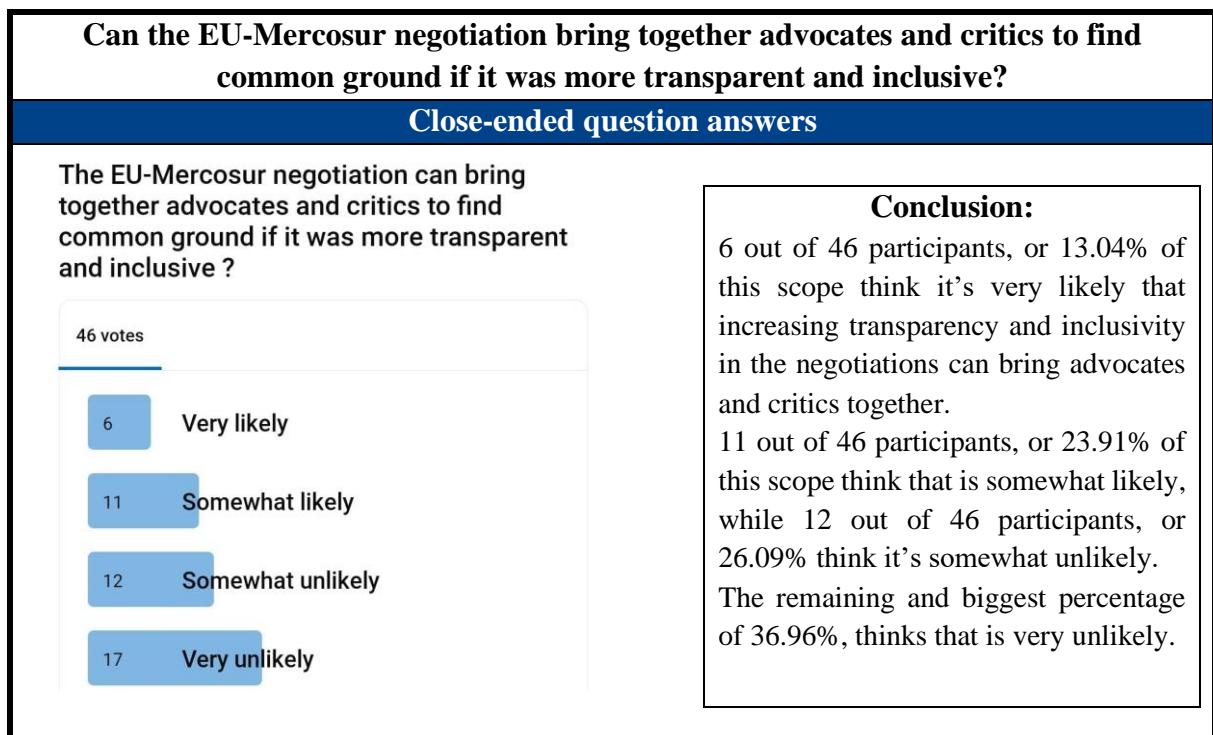
- **Opinions**

This data was gathered from May 4<sup>th</sup>, 2022 to May 7<sup>th</sup>, 2023 with the aim of seeing if the solution to reconciling the contradictory priorities and obtaining a mutually beneficial outcome would be to increase the transparency of the communications, allowing the public to be more informed about the discussions and included in the debate.

Please note that no personal data was collected from this part of the study to allow all types of respondents to interact. Therefore, this is NOT a scope to show what the public believes about the agreement and does not represent any specific ideology, group, or society. This analysis is only shown to explain why this solution is not considered by the researcher.

Table 11 displays the results of 46 voters who chose from a spectrum of very likely to very unlikely pre-constructed replies. The opinions of others did not impact these votes since the respondents cannot see the prior replies unless they provide one first.

*Table 11. Results of opinion*



*Source 35. Created by the author from the results gathered.*

As a result, even if part of the conversation from both group interviews emphasized the limited involvement of some stakeholders in the debate owing to a lack of openness and inclusion, this research cannot establish that claim, and the 46 voters do not agree with that statement either.

Furthermore, this research was conducted by an outside party that obtained public information from official sources and assisted to open events requiring just prior registration. As a result, claiming that the material is inaccessible to the public would have rendered this research unfeasible. Consequently, the researcher will disregard that argument in the resolution of the hypothesis.

### *The resolution of the hypothesis*

To discover which hypothesis was proved, the researcher considered the ideas of opponents and supporters, found through the participation in events with diverse ideas and statements, and through the group interviews that acted as small debates between the opposing viewpoints.

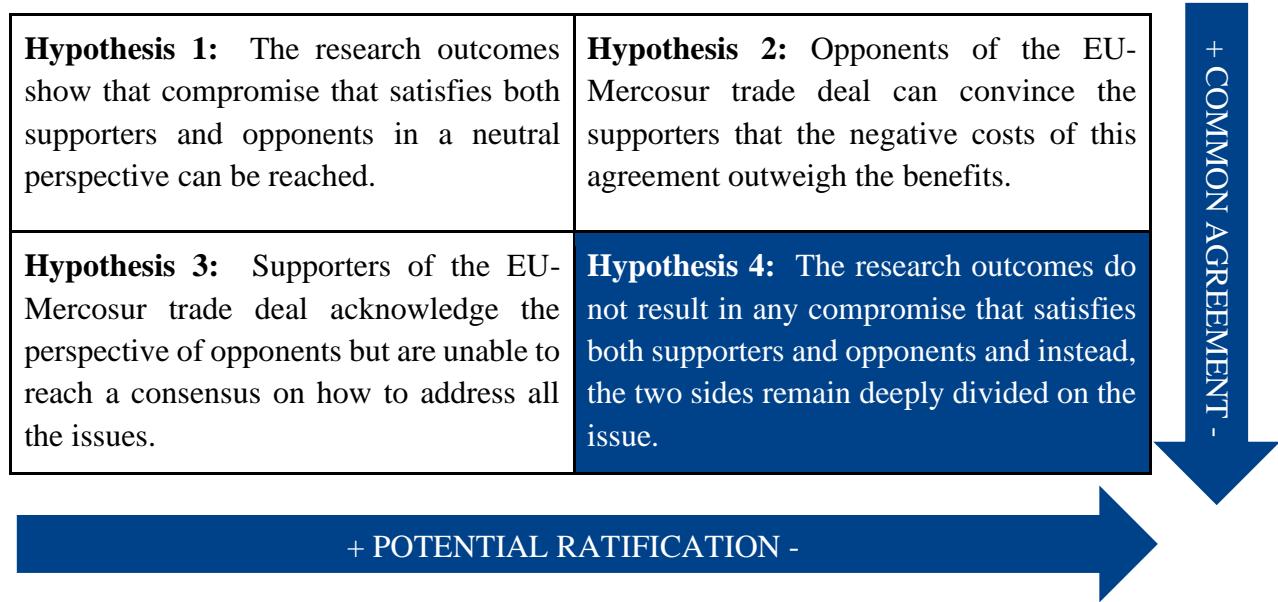
Hypothesis 1 was the utopic solution where the compromise from both perspectives is visible and shows that it can be found through communication, for example by allowing opposing arguments to encounter, but the group interviews showed that the ideas are still divided between some of the experts, therefore this hypothesis is not proven.

Hypothesis 2 considered that opponents could have strong arguments, which could show to the supporters that this agreement is inviable, nevertheless, supporters continue to have strong arguments as well, as noticed in the group interviews, these ideas do not change with the rise of concerns done by the opposition.

Hypothesis 3 does the opposite of Hypothesis 2, as supporters would be able to show the benefits of the EU-Mercosur agreement are more relevant than the concerns and weaknesses of this deal, but neither did this happen in the group interviews as none of the participants changed their point of view towards this matter.

Finally, hypothesis 4 states that after doing this research and presenting both viewpoints together, none of the parts could find common ground, indeed, the two sides are still deeply divided and talking about the balance between opposition and support may still be premature. Therefore, this is proven.

*Table 12. Hypothesis resolved*



*Source 36. Created by the author in a deductive approach.*

For the researcher, this was interesting as the first event focused on the EU-Mercosur showed good points to support this agreement, noting that collaboration is important in international talks, but for the contradictory priorities that surround this deal, these points are not enough to talk about a signature or even more, ratification. Indeed, many countries must agree under multiple terms, and society has more access to information than before, which could increase the number of perspectives and unbalance the number of people on one side and the other.

The researcher benefited from the non-anonymity permit granted by the participants in the group interviews with international trade specialists to delve into each one's perspectives and to grasp the personal motives of each one to have a geo-political viewpoint on this topic.

This was done with the "Psychologically Motivated Model of Opinion Change" developed by Duggins (2017) as it helps to better understand the psychological responses from both

perspectives. It is noted that the formation of opinions is influenced by a variety of neurological, psychological, and social processes, as well as political polarisation, cultural globalisation, and other important social phenomena.

In terms of the research, it is not relevant to know which specific description belongs to each specific participant, so it will not be explained which person does which activity, especially since most of this information is given outside of the debate as personal statements, but it is important to consider for the analysis that: Because these individuals have comparable fields of expertise but differing viewpoints on the discussion, the varied perspectives shown under this scope are heavily impacted by reasons other than professional and academic decisions. Some individuals are from small towns, while others are from larger cities, which might lead to a distinct view on internationalization, for example, if one of the participants lives in a region that has fewer imports and more consumption of local production, it is possible that this person will not agree with the introduction of more products to the market as they would favour national goods and services.

Furthermore, one of the group interview participants was from outside Europe; their educational background may differ as the academic process, as well as cultural and social phenomena, may differ, resulting in a different perspective on the implementation and effects of globalisation, which may differ in Europe.

Similarly, some of the group interview participants were involved in environmental issues, from protesting to actively promoting certain movements; their social process differed from the other participants, as did their perspectives.

# Conclusion

To address the main question through critical analysis, while also identifying the limitations of the study and potential areas for further research.

## *Critical analysis and resolution to the question*

Imagine a market with an astonishing 780 million consumers. Indeed, the prospect of such a sizable market is appealing, but the transaction is anything but simple. Certainly, the first sentence that began this thesis will undoubtedly also end it.

In this thesis, the proposal for the EU-Mercosur agreement was examined to see how appealing this offer was and what were the complications behind it, it was found that opinions vary largely, and multiple arguments have been raised by the opposition to make certain changes to the proposed agreement, particularly when it comes to the environment as even Harvard has stated that the world is approaching climate and ecological tipping points, and that explains why agendas have been adapting to address this climate crisis, particularly in the EU, as they are actively implementing objectives that have been gaining more and more attention through the years.

Thereby, adaptation to these changing situations is notable and that would imply for the EU-Mercosur Agreement that adjustments could be opportune.

The goal of this research was to find and encourage a balanced approach to the EU-Mercosur discussion, with the hope of uncovering an explanation that would foster equilibrium, such as increasing transparency in the communications, which could increase the participation of all stakeholders, thereby potentiating participation on the dialogue.

To accomplish this, Part A investigated the context to gain a historical and contemporary overview of trade agreements, and Part B examined the development through the roles in this agreement: opponents and supporters arguments, with some reconciling statements that could bridge the gap between these contradictory priorities. Part C concludes with an analysis of all that recompiled material in conjunction with the study done in this paper to determine which hypothesis might be confirmed.

Certainly, this research's outcomes do not result in any compromise that satisfies both supporters and opponents and instead, the two sides remain deeply divided on the issue. The investigation into the current scenario has shown a harsh truth that addresses the main question of this thesis:

## **In what ways can the contradictory priorities of the supporters and opponents of the EU-Mercosur trade deal be reconciled to achieve a mutually beneficial outcome?**

The existing circumstances defy the possibility of achieving a mutually beneficial outcome within the confines of the status quo. Talking about reconciliation between these contradictory priorities, requires the EU-Mercosur agreement to evolve, but this is discovered as both

perspectives are analysed and considered through this research, thus considering vetoing some opinions, would neither simplify nor solve the matter; rather, it is important to understand why these concerns are raised, since various arguments have been shown through this research.

It is important to acknowledge and embrace the understanding of trade agreements as they have effects on the market, the businesses that belong to it and the products we can obtain as consumers, which have consequences on all types of stakeholders, and as the size of this trade agreement is bigger than others analysed in this thesis, an equal outcome is harder to reach.

The evidence gathered throughout this research journey has highlighted the need for adaptation, indeed this trade started more than 20 years ago, and as everything is constantly changing, this deal needs to follow that pattern, especially considering the current imbalance between the opinions of supporters and opponents.

Addressing the fear raised by the supporters about the upcoming changes that could slow down the process of signature, the upcoming presidential elections in Argentina and the EU Parliamentary elections could bring new perspectives and actors into the discussion, which can help to discover solutions and collaboration, therefore rushing the signature by 2023 may still be lacking perspective towards the reasonable concerns raised by the opposition.

Finally, regardless of the obtained results, the goal of this thesis is not to force any perspective on this matter. While it is true that the current economic landscape demonstrates the need for international collaboration, as well as that the planet is in danger due to environmental issues, having both perspectives in these types of debates adds more notions to the discussion, opens the door to the consideration of many scenarios and helps us to understand the arguments of both viewpoints to develop awareness and comprehension with a critical perspective.

### *Limitations*

This is a university thesis created by a single researcher; as a result, the amount of information gathered from subject-matter specialists was constrained, which will undoubtedly affect how broadly these conclusions may be applied. Perhaps larger scopes might have fuller talks and lead to changes in viewpoints or balance in the statements.

These findings might not be relevant to other facets of the same issue because this thesis does not centre on a segment of the public opinion, therefore the judgements may vary.

Some of the data related to this trade agreement was occasionally limited and did not have a neutral tone, which may have impacted the validity of these results.

Although it was intended for this thesis to take a neutral stance, as noted in the research gap the bias of as a single researcher may limit the accuracy of the results, and thus the biases of the participants in this study may limit its generalisability. My ability to undertake some types of study or employ certain techniques may have been constrained by ethical issues or regulations.

### *Future research*

One of the critical considerations that come following a resolution is if the proposed agreement has long-term advantages or worsens the situation. In the future, a longitudinal study can be done to examine the agreement's impacts on each area and provide information on how the persons involved have been influenced.

In future research, this trade agreement could be compared to others with comparable qualities. This study can shed light on the EU-Mercosur trade deal's success in meeting its objectives and identifying areas for improvement.

Case studies on the many businesses and sectors that this trade will influence could also be done. This analysis could provide detailed insights into the potential implications of the agreement and identify areas where mitigation actions could be implemented to mitigate undesirable outcomes.

A public opinion survey might be conducted in the future to determine how various groups see the EU-Mercosur trade deal, which has created a lot of public debate. Also, with demographic information, psychological research could be done and that might lead to finding patterns of ideas from previous knowledge or experience of the participants.

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## List of abbreviations

<b>FTA</b>	Free trade agreement
<b>MERCOSUR</b>	Mercado Común del sur (Southern common market)
<b>EU</b>	European Union
<b>NGO's</b>	Non-governmental organisation
<b>EEC</b>	European Economic Community
<b>EAEC</b>	European Atomic Energy Community
<b>ECB</b>	European Central Bank
<b>GDP</b>	Gross domestic product
<b>ALADI</b>	Asociación latinoamericana de Integración (Latin American Integration Association)
<b>FOCEM</b>	Fondo para la Convergencia Estructural de Mercosur (Mercosur Structural Convergence Fund)
<b>IPPDH</b>	Instituto de Políticas Pùblicas en Derechos Humanos del Mercosur (Institute of Public Policies in Human Rights of Mercosur)
<b>ISM</b>	Instituto Social del Mercosur (Mercosur Social Institute)
<b>PARLASUR</b>	Parlamento del Mercosur (Mercosur Parliament)
<b>SM</b>	Secretaría del Mercosur (Mercosur Secretariat)
<b>TPR</b>	Tribunal Permanente de Revisión (Permanent Court of Review)
<b>UPS</b>	Unidad de apoyo a la participación social (Social participation support unit)
<b>CMC</b>	Consejo del Mercado Común (Common Market Council)
<b>GMC</b>	Grupo del Mercado Común (Common Market Group)
<b>CCM</b>	Comisión del Comercio del Mercosur (Mercosur Trade Commission)
<b>ECIPE</b>	European Centre for International Political Economy
<b>SME</b>	Small and medium-sized enterprises
<b>MEP</b>	Member of the European Parliament
<b>EUMFTA</b>	EU-Mexico free trade agreement
<b>ESA</b>	Eastern and Southern Africa
<b>SADC</b>	Southern African Development Community
<b>CARIFORUM</b>	The Caribbean Forum
<b>SACU</b>	Southern African Customs Union
<b>NDCs</b>	Nationally determined contributions
<b>WTO</b>	World Trade Organisation
<b>CELAC</b>	Community of Latin American and Caribbean States
<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>CEPA</b>	Centre for European Policy Analysis
<b>EPA</b>	Economic Partnership Agreements
<b>PCC</b>	Protocol on Cultural Cooperation

## Glossary

<b>Ratification</b>	The act or process of ratifying something (such as a treaty or amendment): formal confirmation or sanction (Merriam-webster.com, 2022)
<b>Protectionism</b>	Government policies that restrict international trade to help domestic industries. Protectionist policies are usually implemented to improve economic activity within a domestic economy but can also be implemented for safety or quality concerns. (Investopedia, 2022)
<b>Globalisation</b>	Increasing connectedness and interdependence of world cultures and economies. (Nationalgeographic.org, 2022)
<b>Internationalisation</b>	The process of designing products to meet the needs of users in many countries or designing them so they can be easily modified, to achieve this goal. (Investopedia, 2022)
<b>Trade Wars</b>	Countries impose trade protectionist policies against one another in the form of trade barriers, such as tariffs, import quotas, domestic subsidies, currency devaluation, and embargos. (Corporate Finance Institute, 2019)
<b>Livelihoods</b>	The way you earn the money you need to pay for food, a place to live, clothing, etc. (Cambridge Dictionary, 2022).
<b>Economic Agents</b>	Individuals or organisations that impact the economy. "Economic agents are consumers, producers, and/or influencers of capital markets and the economy at large" (Roles, 2022).
<b>Climate Change</b>	Long-term shifts in temperatures and weather patterns. These shifts may be natural, such as through variations in the solar cycle (United Nations, 2020).
<b>Deforestation</b>	Purposeful clearing of forested land, forests have been razed to make space for agriculture and animal grazing and to obtain wood for fuel, manufacturing, and construction (Nationalgeographic.org, 2022).
<b>Pesticides</b>	Chemical substances used to kill harmful insects, small animals, wild plants, and other unwanted organisms (Cambridge Dictionary, 2022).
<b>Regulations</b>	Rule or order issued by an executive authority or regulatory agency of a government and having the force of law (Merriam-webster.com, 2022).
<b>Quotas</b>	A quota is a trade restriction imposed by the government that limits the number or monetary value of goods that a country can import or export during a specific time. Quotas are used in international trade to help regulate the volume of trade between countries (Investopedia, 2023).