Explaining the Renewed Push for an European Union Association Agreement with Mercosur

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Abstract:

The first attempt to secure an association agreement between the European Union (EU) and the Mercosur ended unsuccessfully in October 2004. In 2010, the EU launched a second attempt to reach an association agreement with Mercosur. This second attempt to secure an association agreement presented new obstacles, including: first, the current economic crisis has resulted in countries where the agricultural sector is central to their national economies (e.g. Ireland and Greece) being less receptive to establishing trade agreements that would increase competition in the agricultural sector; second, the accession of ten new member state countries with their own agriculturally-based economies to the EU since 2004 has further increased reluctance to develop a trade agreement that would create further competition for EU members states in the agricultural sector; third, development of an association agreement has been jeopardised by diplomatic problems that have resulted from the restrictions Argentina has imposed on EU exports; and fourth, the construction of a region-to-region agreement has stalled due to the lack of progress made in terms of developing Mercosur into an integrated political-economic. Moreover, this paper argues that the process of negotiations to develop an association agreement can more accurately be explained as being the result of Spain and Portugal using momentum created by the Spanish presidency of the EU to pursue their own interests.

Key words: EU, Mercosur, Association Agreement, Europeanization, Spanish Presidency, Trade Negotiations
Introduction

The development of the European Union relations with Mercosur has traditionally included different areas such as trade, cooperation development and political dialogue under the Europe-Mercosur Inter-regional Framework Cooperation Agreement (EMIFCA) which was established in 1995. However, attempts to establish an inter-regional agreement have been hindered by the notoriously polemical nature of debates around agricultural issues both inside EU and between the member states of the Mercosur. As such, the fraught nature of these debates resulted in the failure to secure an association agreement in 2004. Six years later both the EU and the Mercosur sought to re-launch negotiations. However, the same problems persisted. In fact, it could be argued that given the importance of the agricultural sector to the new EU member states made these problems more acute.

In response to the limitations of the arguments, it will be suggested that a conceptual framework which considers the significance of the Europeanization of Spanish and Portuguese foreign policy, especially Spanish foreign policy, towards Mercosur provides a more satisfactory framework to explain attempts to secure an associational agreement between both regions. However, necessary as the political pressure created by the Europeanization of the Iberian countries foreign policy was, the discussion below will emphasize that such negotiations could not have taken place without the enormous interest shown and proactive attempts made by the Mercosur in developing relations with the EU.

Explanations for EMIFCA

The existing literature on EU-Mercosur relations tries to explain the first attempt to reach an association agreement. This section intends to show the weakness of these explanations, as
well as assessing whether these explanations can also be used to explain the second attempt to reach an region-to-region agreement.

Most of the work on EU-Mercosur unfortunately is descriptive (for example, see Sanahuja 2000a; 2003; Kinoshita 2001; Cienfuegos 2006). The way that the literature has developed in terms of analysing EU-Mercosur relations (i.e. by focusing on specific successful or unsuccessful key moments) fails to critically examine the lack of progress towards an association agreement. Another noticeable limitation in the existing academic work is use of a short-term temporal framework which places emphasis on studying EU-Mercosur relations around the time of the 2004 negotiations). More specifically, this results in a lack of long-term analysis and the failure to engage with discussions of those explanations which examine other periods of EU-Mercosur relations.

**Europeanization of Spanish and Portuguese foreign policy: necessary but not sufficient?**

Spanish presidencies, commissioners, MEPs and representatives in Coreper provided the ‘momentum’ necessary and channelled these demands during both the first and the second attempts to secure a regional agreement. This was part of a clear Spanish strategy to achieve the Europeanization of its foreign policy towards Mercosur. I argue that the attempt to Europeanize Spanish and to some extent Portuguese, foreign policy is important in terms of explaining both the first and second attempts to establish an association agreement. Second, key element in terms of explaining both the first and second attempts to reach a regional agreement is the crucial interest exhibited by Mercosur in negotiating a trade agreement with the EU.
Europeanization

According to Reuben Wong (2008, p. 326), there are three aspects of Europeanization, but only one focuses on ‘national projection’ which can be defined as the: ‘national foreign policy of a member state affects and contributes to the development of a common European [foreign policy]’ (‘Uploading’) (Wong 2008, p. 326). Wong also outlines the different indicators of this aspect within the national foreign policy: 1) ‘A State attempts to increase national influence in the world’; 2) ‘A State attempts to influence foreign policies of other member states’; 3) ‘A State uses the EU as a cover/umbrella’; and 4) ‘Externalization of national [foreign policy] positions onto the EU level’ (2008, p. 326).

The second and fourth indicators are of particular relevance to this paper. Spain and, to a lesser extent, Portugal tried to ‘upload’ their interest in Mercosur to the EU level. In addition to this, the country initiating the policy (i.e. Spain and Portugal) were able to influence other EU countries, especially those countries that had not yet formed a coherent or strong policy towards Mercosur. In general terms, and not just in relation to Mercosur, Dykmann suggests that ‘It is evident that the peninsular authorities and their representatives are very present in institutions concerned with European policy towards Latin America’ (2006, pp. 92-93).

During the first set of negotiations between 1999 and 2004, Spain tried to help with the negotiations in several different ways. Until 1992, Spanish interests were fundamentally represented by the Spanish Commissioner, Abel Matutes. The following year, Manuel Marin took over the role. Marin played an extensive role in helping to create the arrangements that would lead to launch of the negotiations of the agreement. On the 19th of October 1994, Marin presented the European Commission’s proposed ‘enhanced policy’ towards Mercosur (European Commission 1994a) to the media (19 October 1994, Commission Press Release).
In this policy, the Commission offered two potential scenarios for the run-up to 2000 (European Commission 1994a). Marin favoured the most ambition one for Mercosur which included a trade agreement. The Commission was already considering the presentation of draft negotiating directives to the Council of Ministers in early 1995 (European Commission 1994c) which was adopted by the General Affairs Council in June that year (European Commission 1995b). On the 15th of December 1995, the Interregional Framework Agreement between the European Community, the EU Member States and Mercosur and the member states of Mercosur was signed in Madrid. Aldecoa Luzarraga (1995) emphasises just how important it was that Spain held the Presidency of the EU in 1995, in terms of improving relations between the EU and Mercosur.

Once the agreement was signed, again the Spanish political apparatus tried a variety of different ways to launch the negotiations which finally took place in 1999. The pressure of going empty handed to the first Summit of the head of States of the EU and Latin America also put pressure on EU countries them. The lack of a negotiating mandate from the Council was stalled the beginning of the negotiations. Few hoped that these issues would be resolved by the start of a meeting which would take place just four days before the Rio Summit with the Heads of States of the EU and Latin America. An agreement was finally reached on the 21st of June 1999. During the Spanish presidency of 2002, the negotiations progressed as a result of the Spanish diplomatic team and a successful end was expected during the Portuguese presidency of 2004. Although at the last minute, Argentina decided not to accept the EU’s offer.

During the second round of negotiations, Spain again used their presidency of the European Union to try to create level of interests and political momentum required to establish a
regional agreement with Mercosur. The Iberian support for the re-launch of the EU-Mercosur negotiations has been seen on several occasions. A month before the Spanish presidency started, Spain and Portugal demonstrated their commitment to the negotiations in the presence of Mercosur countries (Agence Europe 5/12/2009 No. 10034). For example, in November of 2009, there was a meeting in Madrid where this issue was specifically discussed by Juan Pablo de Laiglesia, Secretary of state for Iberoamerica of the Spanish Government (El Pais 25/11/2009). In fact, it was planned to encourage the negotiations in the following Iberoamerica summit that would be held a month later (El Pais 25/11/2009).

The importance of the Spanish presidency in progressing the negotiations with Mercosur was even expressed by the Director of the European Commission in the Area of Latin America (El Pais 25/11/2009). An MEP eve claimed that: ‘if with the Spanish presidency there is not progress with Latin America, forget about it’ (Clarin 1/1/2010). The Sub-Secretariat of Economic Integration in Mercosur Eduardo Sigal also suggested that the Spanish presidency and the role of Spain is one of the key causes to improve the relations (Clarin 7/3/2010). Moreover, the Spanish Vice-President at that time went to Buenos Aires to discuss the issue with the president of Argentina and declared that: ‘This is a very important occasion, that it is not going to be repeated in a long time, Spain will preside the EU and Argentina, Mercosur, and we both can influence in the priorities and in the agendas of the organizations’ (El Pais 9/11/2010). In summary, because Spain knew that future presidents of the EU would ignore Latin America, Spain put forward the case for any negotiations and agreements talks between the EU and Latin America (Agence Europe 20/5/2010).

Spain also tried to initiate and to conclude negotiations with Mercosur during the six months that lasted the presidency. However, it was clear that many doubted the possibility of
achieving that result that soon. According to the Spanish Minister of Foreign Affairs, Moratinos: ‘We will continue the ambitious negotiations but will it be possible to conclude talks by May? It is difficult to say but we will do all we can to achieve this in Madrid’ (Agence Europe 05/02/2010).

**Obstacles And Support For Europeanization**

Agricultural issues within the EU created many obstacles during the first round of negotiations: ‘The majority of the ministers of industry, economic and foreign affairs from the EU member states appeared to support the negotiations with Mercosur. But the French, Irish and Dutch ministers of agriculture and fisheries, under pressure from their domestic lobbies, were opposed to this mandate’ (Santander 2005 taken from IRELA 1999).

During the second round of negotiations there was also support for, as well as obstacles to, the establishment of a regional agreement. According to the head of the WTO and former European Commissioner, Pascal Lamy, the EU agricultural sector will still be protected even with the concessions in the Doha Round and that it is actually the bilateral agreements with countries like Brazil what worries European farmers (Agence Europe 11/5/2011). Negotiations in the agricultural sector remained the biggest obstacle to reaching an association agreement the second time around. Although France made some complaints during the first round of negotiations, an increasing number of countries complained about the agreement during the second round of negotiations. When the last round of negotiations ended in 2004, the EU consisted of only 15 member states. By the time of the second round of negotiations, membership of the EU now stood at 27, with agricultural sector being pivotal to the national economies of most of the new members. In comparison to 2004, 2010 saw
countries such as Greece and Ireland facing more difficult economic circumstances. The intensity of complaints increased in weeks before the May Summit of the Head of states of the European Union and Latin America that was held in Madrid during the Spanish Presidency. The French Minister Burno Le Maire declared that the EU could not go ahead with the negotiations due to the negative influence that they would have on agricultural sectors in France and in the EU more generally (Clarin 6/5/2010; El Pais 7/5/2010). In fact, the main farmers trade unions in France (FNSA) asked Sarkozy to veto the negotiations altogether (El Pais 7/5/2010). One of the French Minister’s arguments for opposing the negotiations was the fact that the EU gave concessions that would benefit the agricultural sector in Brazil in July 2008 during the negotiations for the Doha Round (Clarin 6/5/2010). On the other side of the Atlantic, the Argentinean newspapers criticised that France received more than 20% of the aid given by the EU to the European’s agricultural sector, while Mercosur countries criticised this issue because limited the competitiveness of their products (Clarin 6/5/2010).

Initially, Austria, Finland, France, Greece, Hungary, Ireland and Poland expressed their dissatisfaction with the European Commission’s 4th of May announcement that they would be resuming negotiations (Agence Europe 15/5/2010). A few days later, twelve EU ministers for agriculture opposed the official re-launching of the negotiations on 17th of May during the Summit of Latin America and the EU (Agence Europe 18/5/2010). The twelve ministers again cited the concession given in the agricultural sector in July 2008, as well as contending that they would ‘pay twice’ the consequences of these concessions. Furthermore, this group of ministers also asked the European Commission to initiate a study into the effects of this agreement. Le Maire very clearly stated that ‘agriculture is not an exchange currency. We
will not go further on the negotiations with the WTO. Europe is not an outlet for agricultural products from South American countries’ (Agence Europe 16/09/2010).

Alongside other complaints, there was further dissatisfaction in relation to standards of Brazilian products. Furthermore, Irish MEP Marian Harkin, suggested that ‘the Russians and the Americans will not permit the importation of Brazilian beef and have good reasons for those decisions’. The EU has been far less demanding in regard to standards and traceability of food products. The answer from the European Trade Commissioner De Gucht to complains was clear: ‘The Commission does the negotiating, and it has to be respected. The French position is well-known—it’s the same as it always says’ (Agence Europe 18/09/2010).

A few months later, the Irish Farmers’ Association (IFA) accused De Gucht of applying double standards when dealing with EU agricultural products imported into the EU. De Gucht was also accused of not defending European interests (Agence Europe 23/02/2011). Alongside France, Ireland also rejected the negotiations with a similar level of intensity. However, Mercosur had a supporter of considerable political weight inside the European Union. The German Chancellor, Angela Merkel, supported the agreement and considered the agreement to be beneficial for the Europe as a whole (Clarin 18/10/2011).

The European Commission certainly supported the second round of negotiations. The EU decided to re-launch the negotiations in 2010. However, in the previous couple of years, neither the EU or the Mercosur showed any real intention of trying to develop an agreement until the Doha Round was completed (Agence Europe 20/05/2008). As the EU Minister of External Affairs pointed, the Doha Round was going nowhere at that point (El Pais 25/11/2009). Furthermore, the Director of the Area of Latin America for the European
Commission admitted that both regions needed new markets to help to improve the economic situation in response the global economic crisis (El Pais 25/11/2009).

During the negotiations, the EU accused Mercosur in general and Argentina in particular, of being guilty of hindering the progress towards an agreement. In fact, Commissioner De Gucht directly accused Argentina of causing problems due to their protectionists measures to the point where he threatened the Mercosur country with complaining before the WTO¹ (Clarin 15/4/2011). In response, Argentina accused De Gucht of trying to divide Mercosur countries (Clarin 15/04/2011). However, it seems that Paraguay and Brazil were giving a better image of their flexibility for the agreement compared to Argentina, although according to the latter, Brazil was just better at hiding its strategy (Clarin 5/5/2011). Other EU actors demonstrate support for the agreement. For example, Catherine Ashton, the EU High representative for Foreign Affairs, stated that ‘negotiations with Mercosur must be resumed’ (Agence Europe 22/4/2010).

Mercosur’s interest

During the second round of negotiations, Mercosur was in favour of it. Argentina and Brazil tried to ignore the problems with each other in order to secure an agreement (El Pais 18/5/2010). There are several reasons for this approach, Argentina would improve its image by reaching an international agreement with the EU, while also avoiding that Brazil would develop their own relationship with the EU independent of Mercosur (El Pais 18/5/2010). Uruguay, of course, had always supported the agreement (El Pais 18/5/2010). As a small

¹ The European Commissioner was making allusions to the barriers to European exporters to Argentina. This issue has been raised by several countries in the EU.
country, is in bigger needs to have better access to other markets including the European market.

In any case, Argentina has always been the Mercosur country with more reservations towards establishing an agreement with the EU (El Pais 18/4/2010). On this occasion, Argentina again created obstacles to securing an agreement. Argentina held the presidency of Mercosur at the same time that the presidency of the EU was held by Spain. However, this coincidence did not create the ideal political moment to reach an agreement because during this period Argentina was supposedly blocking imports\(^2\) from the EU. Countries affected by this issue such as Greece, complained directly at European level looking for support within the EU since it violated international norms of trade. As consequence, the EU asked Argentina to stop blocking the importation of EU goods (Clarín 28/6/2010). Greece also asked Argentina to explain their actions. However, Argentina declined to provide the requested explanation. Consequently, Greece threatened to block the negotiations with Mercosur (Clarín 28/6/2010). Argentina later offered different reasons to justify the occasional blockings, further claiming during a meeting of the WTO that the European accusation had political intentionality (Clarín 5/7/2010).

Brazil also tried to help with the negotiations. President Lula held a meeting in Brasilia with Barroso, the president of the European Commission, and Van Rompuy, the president of the European Council (El Pais 15/7/2010). Brazil had previously been in a similar position as the EU with Argentina in relation to their products being blocked in the Argentinean border. However, Lula was trying to establish the political conditions required to guarantee successful negotiations before leaving the Brazilian presidency (El Pais 15/7/2010). In fact,

\[^2\] It seems that Greek exports have been cancelled or suspended for a value of dollars 2,400 millions (Clarín 28/6/2010).
when discussing his role as president of Mercosur, Lula clearly stated that: ‘I have assumed the presidency of Mercosur and I have the task of trying to persuade the EU to sign an agreement’ (Agence Europe 17/7/2010). Moreover, Lula made allusions to the President of France’s view on the agreement: ‘As the comrade who has done most (…) is my great friend Nicholas Sarkozy, it will be my responsibility to try to convince [him] to win the hearts of the French to get this agreement before the end of my presidential term of office’ (Agence Europe 17/7/2010). However, further diplomatic work by the EU and Spain was required in order to get Argentina to tone down its discourse towards Europe. In a bid to improve EU-Argentinean relations, the president of Argentina held discussions with Barroso during the EU-Latin America Summit in 2008 before holding further discussions with the Spanish vice-president in Buenos Aires a year later (El Pais 18/4/2010).

Improving the image of Mercosur was another reason to improve relations between the EU and Argentina (El Pais 18/4/2010). The accusation of lack of progress in the integration project came from everywhere, including Latin America countries. At the end of 2010, Uruguay claimed this was the worst moment for the integration project, suggesting that Mercosur lacked political-economic coordination, while other regional projects such as UNASUR were growing in strength (El Pais 10/12/2010). Even Spanish politicians such as Solchaga, the former minister of finance, commented on the fragility of the Mercosur project (El Pais 15/7/2010). However, at this moment in time, the most worrying issue for Argentina was the fact that some sectors from Brazil wanted an agreement with the EU independent of Mercosur because they believed that Brazil could make further economic advancement without being politically bound to the Mercosur project (El Pais 17/7/2010). In fact, it seems Brazil has a very concrete idea of what they want according to Paul Rathbone and Joe Leahy from the Financial Times (11/8/2013): ‘Brazil’s rising prosperity has led it to consider pushing for its own trade deal with the EU, after years of struggling to reach one alongside its
neighbors’ (...) ‘Brazil plans to present a proposal later this month for a Mercosur-EU trade deal that would allow it to move ahead with its own agreement’ (Rathbone and Leahy 2013). Brazil seems to become more and more pragmatic when it comes to international trade agreements: “It’s good to get on with your neighbors, but the rest of the world is doing trade deals and Brazil risks getting left out,” said Arminio Fraga of Gavea Investments, a fund, and the former head of the Brazilian central bank’ (Rathbone and Leahy 2013).

**Conclusion**

This paper has covered the second round of negotiations aimed at creating an association agreement between the EU and Mercosur. Moreover, this paper has explained how the second round of negotiations included twelve new EU member states with strong agricultural economies and how this made the second round of negotiations more difficult. However, the fact that the Doha Round did not end successfully, these negotiations seem to have brought both sides closer to reaching an agreement. In addition to this, the discussion above has also highlighted the importance of Mercosur having to improve their reputation as a regional group after so many concerns had been raised in relation to their lack of integration. However, it has been argued that the interest shown by both Spain and Portugal, which was evidenced through the Spanish presidency and the efforts of Barroso, the president of the European Commission, was crucial in terms of re-launching the negotiations.

In comparison to the existing explanations considered above, I have also argued that the Europeanization of mainly Spanish and, to a lesser extent, Portuguese foreign policy towards Mercosur has more explanatory power. Necessary as this intense interest from the Iberian
countries was, it was not sufficient. The critical interest of Mercosur from the very beginning helped to both making the negotiations possible and in terms of ensuring that the negotiations moved forward. Previous explanations have ignored the importance of political ‘momentum’ in terms of the development of these negotiations, especially in relation to the influence exerted by Mercosur. Overall, at the time of the second round of negotiations the global economic climate and the trade difficulties between some EU countries and Argentina were obstacles to reaching an association agreement. However, two big regional groups did not launch a second round of negotiations if there was not a possibility that both regions could achieve a successful agreement similar to agreement that was reached between the EU and the Central American Common Market in 2010.

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