

A Half-Open Window: Opportunities and Obstacles to the Signature and Ratification of the European Union-MERCOSUR Agreement

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***Abstract:** The European Union-MERCOSUR Agreement is the largest free trade agreement ever negotiated by the EU in trade output and in its geographical scale. The Agreement's negotiations and, particularly, its signature and ratification process by the EU have been disrupted and complicated by several political and economic developments in South America and Europe during the 2010s. Since 2022, there has been a renewed push by the European Commission to conclude the Agreement, which has been met by cautious optimism by the member states of both blocs, particularly regarding agricultural and environmental policy. The present paper analyses the political and economic causes for the delays and controversies since 2010 and assess the prospects of concluding the Agreement as of 2023, with special attention to the more sceptical EU member states.*

***Keywords:** European Union, MERCOSUR Agreement, opportunities, scepticism.*

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Introduction

The President of the European Commission, Ursula von der Leyen, mentioned a new ‘window of opportunity’ regarding the European Union (EU)-MERCOSUR deal,¹ during her speech at the December 2022 plenary session of the European Parliament. Her remarks were a nod to the recent developments in the South American bloc, particularly in Brazil, where presidential elections—held two months earlier—resulted in the victory of former President Luiz Inácio Lula da Silva against then-incumbent Jair Bolsonaro. During Bolsonaro’s four-year term, there have been frequent conflicts between Brazilian and European authorities on issues such as environmental protection, particularly regarding the Amazon rainforest. Bolsonaro’s rhetoric has also led to diplomatic disagreements with certain European leaders, such as French President Emmanuel Macron and German Chancellors Angela Merkel and Olaf Scholz.

Similar conflicts were motivated both by ideological divergences, as was the case with Scholz’s Germany and other European governments led by centre-left parties and coalitions, and by Bolsonaro’s harsh reactions against the criticism addressed at his administration. Arguments were often not limited to Bolsonaro himself, with key ministers, including his long-time Minister for the Environment, taking part in heated discussions with their European equivalents. After the change of government in Brazil, Lula’s pledges to reform the country’s climate and environmental policies, and the consistent commitment demonstrated by other MERCOSUR members towards the EU deal have been greeted with optimism in Brussels. In a few months, the EU-MERCOSUR trade deal received a new, renovated impetus. A new timetable was agreed upon, with both parties committing to closing negotiations by July 2023. The ‘window of opportunity’, which the EU kept shut throughout the latter half of the 2010s, seemed to finally be opening up.

In some national capitals of the EU, however, such optimism was nowhere to be seen, and reactions to von der Leyen’s words could be described as *lukewarm* at best. In reality, while the political scenario in South America is more favourable to the advancement of a deal now than it was at any point in the 2010s, significant technical and political obstacles remain on both sides of the Atlantic in terms of the conclusion of the EU-MERCOSUR deal. Nevertheless, there is a strong interest expressed by both blocs to find mutually acceptable

¹ Ursula von der Leyen, *Speech at the European Parliament Plenary on the conclusions of the European Council meeting of 15 December 2022* (speech, Brussels, 15 December 2022), https://ec.europa.eu/commission/presscorner/detail/en/speech_23_255, accessed on 8 June 2023.

solutions to the several contentious points in the text that was agreed to, in principle, in 2019 and initiate signature and ratification procedures. Failure to do so would, not only harm the EU's political and economic influence in the region, but also jeopardise one of the bloc's most important foreign policy instruments, namely, the "[externalisation of] its market-related policies and regulations", as well as the strengthening of its political leverage, through the possibility of accessing the single market.²

However, Brazil was not the only source of tension with the EU during the negotiations of the Agreement. Throughout the 2010s, the political situation in most MERCOSUR member states led to conflict with their European counterparts, for political, economic and environmental reasons. Despite these tensions, the text Agreement was approved in principle in 2019. At that time, however, both parties stopped short of initiating the signature and ratification procedures. Resistance has emerged from the European side, particularly from some member states, leading to a political deadlock that is only now approaching a foreseeable breaking point.

The present paper aims to analyse the political factors in Europe and South America that led to the protraction of negotiations throughout the 2010s, as well as to assess the present state of negotiations and possibilities for the conclusion thereof on both sides of the Atlantic. Thus, it will be divided into three sections. Firstly, the political context in MERCOSUR from the early 2010s up to May 2023 will be outlined, focusing on the events that influenced the negotiations. This part will be followed by a presentation of the European political context as of May 2023, particularly in those member states that are more likely to oppose and/or resist the signing and ratification of the Agreement. Finally, a number of recommendations will be made to the Romanian policy makers regarding the Agreement.

² Chad Damro, *Market Power Europe* (paper presented at the EUSA Biennial Conference, Boston, 3-5 March 2011), <https://eustudies.org/assets/files/papers/EUSA-11%20Damro%20MPE%20Paper-Submitted.pdf>, accessed on 8 June 2023.

The 2010s in South America: Hope and Crisis

Ms. von der Leyen's comment on a 'window of opportunity' being opened in 2022 can be best understood through an analysis of the significant political developments in South America that took place in the 2010s - and, particularly, during the latter half of that decade. Short-term political turbulence in Paraguay and mid-term political and economic instability in Brazil and Argentina have been the most important factors behind the delays and conflicts that have characterised the negotiations during the last decade. In the present section, such phenomena will be analysed, along with the political context in Uruguay, the reasons for the suspension of Venezuela's accession and its impacts on the Agreement with the EU.

Compared to other MERCOSUR members, **Uruguay has enjoyed a rather stable decade, with smooth transitions of power and little to no political disturbances**, either internally or between Montevideo and its neighbours. The country was ruled by the left-wing *Frente Amplio* Party for most of the decade, firstly by José Mujica, between 2010 and 2015, and then by Tabaré Vázquez until 2020.³ In 2020, after 15 years of *Frente Amplio* government, Luis Lacalle Pou, of the centre-right National Party was elected President, marking the first time a member of the Party had won the Presidency since 1995. The transition of power was smooth and, while several policy changes were observed, especially in the domestic sphere and in relations with the United States, the country's foreign policy towards the EU has remained unchanged. Furthermore, during both the *Frente Amplio* and Lacalle Pou administrations, there was no official objection to the Agreement, and no significant concerns were raised by the EU regarding government or private sector practices in Uruguay.

In Paraguay, two very distinct eras can be defined in the 2010s, with the watershed moment between one and the other being the impeachment of President Fernando Lugo and the ensuing political crisis. Throughout the 20th and 21st centuries, Paraguay can be characterised as a dominant-party state, having been governed by the right-wing *Colorado* Party for most of that period. The *Colorados* are associated with Paraguayan conservatism and the *status quo*, while the main opposition is represented by the centrist Liberal Radical Authentic Party and, since the early 21st century, the left-wing, socialist-leaning *Frente Guasú* (APC).⁴ In 2008, the APC, in a coalition with the Liberals, won the Presidential elections for the first time in its history, ending a sixty-year period of consecutive *Colorado* rule. Its

³ Tabaré Vázquez served as President under the same party, between 2005 and 2010.

⁴ Known before 2010 as the Patriotic Alliance for Change (APC - *Alianza Patriótica para el Cambio*).

Presidential candidate, Fernando Lugo, a former Catholic bishop turned-politician, ran a campaign based on ideas of social and economic justice, including land redistribution. Lugo's proposals and longstanding reputation as a 'bishop of the poor' enhanced his appeal across a broad electorate of mostly economically disenfranchised Paraguayans.⁵

Lugo's four-year Presidency was a turbulent period, marked by conflicts with the legislative and political spheres and social crises. After a deadly outbreak of violence between pro-land reform protests and the police, the Paraguayan Senate voted to impeach Lugo and install then-Vice-President Federico Franco as President. Lugo's impeachment was denounced as a 'parliamentary coup' by most South American governments, including those of MERCOSUR, and Paraguay was suspended from the bloc until a new, directly-elected President was elected. The crisis in Paraguay had a negative impact on negotiations with the EU, which disagreed with the 'parliamentary coup' interpretation, and thus refused to continue talks for as long as Paraguay was suspended. The 2013 elections marked the end of the Lugo era and a return to *Colorado* rule. This happened firstly under President Horacio Cartes, and then under incumbent Mario Abdo Benítez. Paraguay's return to MERCOSUR contributed to the resumption of negotiations. General elections held in April 2023 ended with victory for *Colorado* candidate Santiago Peña and a greater Parliamentary majority for the Party, despite a strong challenge mounted by longtime opposition leader Efraín Alegre. Peña, an economist supported by former President Horacio Cartes, is a staunch supporter of the EU-MERCOSUR Agreement. As such, no disruptions are expected from Paraguay in the coming years, short of another political crisis.

Lastly, **it is important to briefly analyse the question of Venezuela and its suspension from MERCOSUR.** As early as 2016, the decision by the bloc's other members to suspend Venezuela, taken on the grounds of gross human rights violations committed by President Nicolás Maduro's authoritarian government, represented a positive step towards the conclusion of a deal. It would be unrealistic to expect that the Agreement would have been signed, and much less ratified, by either the EU or the member states if Caracas were still a full member of MERCOSUR. Even if the European Commission somehow managed to close a deal, resistance from several national capitals would be certain and uncompromising. As of 2023, it is highly unlikely that the EU would contemplate a deal with the Maduro regime, not

⁵ La Voz de Galicia, 'Obispo de los pobres y candidato a la presidencia de Paraguay' [Bishop of the poor and candidate for the presidency of Paraguay], *La Voz de Galicia*, 17 December 2008, https://www.lavozdeg Galicia.es/noticia/lugo/lugo/2008/02/17/obispo-pobres-candidato-presidencia-paraguay/0003_6575011.htm, accessed on 8 June 2023.

least because it only recognised its legitimacy once the opposition-led Guaidó interim government was dissolved.

Throughout the latter half of the 2010s, Brazil was mostly identified as the MERCOSUR's *enfant terrible*. The bloc's largest economy had started the decade with record-level growth, against the backdrop of the 2008 crisis, which Brazil appeared to have weathered better than most of the developed world. The positive economic environment and then-President Lula's high approval rates contributed to the election in 2010, to the Presidency, of Dilma Rousseff, his former Chief of Staff. Rousseff's first term was mostly characterised by continuity with Lula's foreign policy, including that of strong advocacy for multilateralism and support for negotiations with the EU. While certain divergences remained, mostly on account of ideological affinities between Rousseff and other South American leaders, relations between both parties were cordial enough to allow for the advancement of negotiations, except during the period in which Paraguay was suspended.

Rousseff's second term, on the other hand, was much more chaotic, coinciding with the intensification of a series of political and economic crises that would last until the end of the decade. A number of (mostly political) domestic and (mostly economic) international factors culminated in the worst economic crisis to hit the country since the 1990s. The most important factor was Operation *Lava Jato*⁶, a wide-ranging anti-corruption operation focused primarily on money laundering, embezzlement, cronyism and bribery involving state-owned oil giant Petrobras. Most of those implicated were either members of Lula's and Rousseff's Workers' Party (PT), allied parties, or those to whom the federal government had awarded multimillion-dollar contracts via tenders throughout the 2000s and 2010s. Despite broad public support in its early years, the operation taskforce, and especially lead judge Sergio Moro, were accused by the PT and other left-leaning political and media organisations of anti-left and anti-government bias. Worsening international economic conditions for Brazilian exports, domestic pressure from a hostile Congress, and record-high levels of rejection and mistrust due to Operation *Lava Jato*, quickly eroded Rousseff's capacity to govern. In 2016, after months of anti-government protests, successive Parliamentary defeats, and a consolidation of anti-PT sentiment among politicians and society at-large, Congress voted to impeach Rousseff.⁷

Rousseff's Vice-President, Michel Temer, a centre-right liberal, assumed the Presidency, forming a new coalition with erstwhile opposition forces and isolating the left in

⁶ Sometimes referred to in English as 'Operation Car Wash', a literal translation of its name.

⁷ Rousseff was the second Brazilian President to be impeached since the end of military rule in 1985.

Congress. The impeachment proceedings were denounced by the PT as a “coup d’état”, and pro-Rousseff protests took place across Brazil immediately afterwards. Unlike the case in Paraguay, however, Brazil was not subjected to any sanctions or repressive measures from MERCOSUR, as Rousseff’s impeachment was widely considered to have followed the Constitutionally-mandated procedures. Despite sharing Rousseff’s low approval rates, Temer’s government enjoyed a large majority in Parliament and was able to pass several economic reforms during his two-and-a-half-year term. His government favoured more conservative and cautious approaches on most dossiers, including foreign policy. Negotiations with MERCOSUR member states advanced at a somewhat faster pace than in previous years, thanks to favourable circumstances in other MERCOSUR countries, which were now mostly under right-leaning governments.

Jair Bolsonaro’s election in 2018 was the outcome of the political polarisation of the 2010s, combined with fatigue after 14 years of PT government and a fragile economic situation. Bolsonaro ran on a broadly right-wing platform with populist undertones, mixing aspects of economic liberalism, social conservatism, and a form of Brazilian nationalism that echoes post-2010s European *souverainisme*. The latter position often put Brazil in conflict with the EU and other international organisations, accused by Bolsonaro of trying to interfere in what he described as strictly internal affairs. The most notable conflicts took place over environmental policy, which was much weaker than that of any previous government since the 1990s. The impacts of this laxer policy in the Amazon rainforest and on the environment in general was the main impediment for the advancement of negotiations with the EU. Despite attempts to mitigate the situation, relations between Brazil, the EU and some of its member states remained strained throughout Bolsonaro’s administration. As such, Lula’s return to the Presidency and his overtures towards the EU – as well as those of the EU leaders towards him – are being regarded by Brussels as one of the components of its new “window of opportunity”.

Unlike Brazil, **Argentina started the 2010s in an unfavourable economic situation, which intensified as the decade approached its end.** The reasons behind such a crisis are complex and can be traced as far back as the 1980s and 1990s. The 2001 crisis and civil unrest led to the rise of *Kirchnerismo*, a left-wing version of Peronism that strongly resembles other South American leftist movements in the 2000s, as the dominant political ideology of the decade. The movement takes its name from the surnames of its two main leaders, Néstor Kirchner, who served as President between 2003 and 2007, and Cristina Fernández de Kirchner, who governed between 2007 and 2015. In foreign policy, *Kirchnerismo* mixes left-wing *souverainisme*, support for regional integration, a moderate degree of anti-Americanism,

and support for other left-leaning governments in Latin America. It is progressive on social matters and supports economic interventionism. The Kirchners were strong advocates for MERCOSUR, seeking to establish Argentina as one of its leaders. Néstor Kirchner was supportive of the MERCOSUR agreement negotiations from its inception, seeing it as a powerful alternative to the country's trade relations with the US. Despite the Kirchners' rhetorical overtures, however, relations between the EU and Argentina were often tense during the 2000s, due to the protectionist policies implemented by Buenos Aires.

Cristina Kirchner was succeeded in the Presidency by Mauricio Macri, a liberal businessman-turned-politician heading a coalition of centrist and centre-right opposition parties. Macri's government adopted a more trade-friendly approach to international relations, and was thus more open to compromises on areas considered by *Kirchneristas* as red lines. The *agreement-in-principle*, signed by Macri in 2019, was accused by the opposition at the time of being harmful to the local industry and to the Argentine economy as a whole. Ultimately, the underperforming economy and rising inflation took their toll on Macri. In 2019 he was defeated by Kirchnerista candidate Alberto Fernández, who has demonstrated cautious scepticism towards the deal due to Argentina's fragile economic situation while stopping short of opposing it. During Bolsonaro's Presidency, Argentina, often depicted in a negative spotlight in the 2000s due to trade disputes, was mostly overshadowed by its Northern neighbour's conflicts with the EU. Nevertheless, the Argentine President was often critical of the EU's demands, accusing it of using environmental concerns to justify economic protectionism.⁸

Argentina will hold general elections in October 2023. Current polls point to yet another Presidential dispute between a Kirchnerista and a liberal in the second round. Libertarian candidate Javier Milei, until recently consistently polling in third place, has been steadily rising in opinion polls, boosted by the strong anti-establishment feeling among the Argentine electorate. A second round between him and either a *Kirchnerista* or a liberal candidate is no longer unthinkable, but a Milei victory remains far-fetched. Three-digit inflation rates, combined with the failure of Fernández to properly manage the economy and record low approval ratings make an opposition triumph likely. While the candidates for either side have not yet been decided, most polls in the second round place the two-leading centre-right candidates, Buenos Aires Mayor Horacio Rodríguez Larreta and former Minister Patricia

⁸ Federico Rivas Molina, 'Alberto Fernández, sobre la demora en el acuerdo UE-Mercosur: "Pidamos a Europa que nos deje de mentir"' [Alberto Fernández on the delay in the EU-Mercosur agreement: "Let's ask Europe to stop lying to us"], *El País*, 6 December 2022, <https://elpais.com/argentina/2022-12-06/alberto-fernandez-sobre-la-demora-en-el-acuerdo-ue-mercosur-pidamos-a-europa-que-nos-deje-de-mentir.html>, accessed 8 June 2023.

Bullrich, ahead of all *Kirchnerista* and/or Peronist candidates. Neither candidate is likely to derail or significantly delay negotiations. However, a liberal President would likely be more open to ulterior compromises with resistant EU member states than a Kirchnerista one.

The European Holdouts: Resistance through Scepticism

As seen in the previous section, the political situation in the MERCOSUR in 2023 indeed represents a ‘window of opportunity’ for closing negotiations and proceeding to the signature of the Agreement. Not only are all governments strongly in favour thereof, they also enjoy more positive relations with the EU than many of their predecessors. The main obstacle to the Agreement remains the resistance of certain EU member states. The environmental concerns are the ones raised most often particularly regarding agricultural practices in MERCOSUR and the failure by the South American governments to combat illegal logging and properly protect the local environment and biodiversity – chief among which is the Amazon rainforest. The environmental argument has mobilised European activists, green politicians, and some governments either in opposition to the Agreement or in favour of more stringent rules and ‘mirror clauses’ by MERCOSUR member states.

Environmental protection, while an important component of the resistance to the approval of the Agreement, is far from being the only reason for it – and, in some cases, not even the main one. Many member states have been reluctant to greenlight it on account of justified economic concerns, particularly regarding the competitiveness of their products *vis-à-vis* MERCOSUR imports. Many such concerns come from the agricultural sector, which sees the prospect of competition with MERCOSUR’s intensive farming model and laxer standards as an existential threat. The Agreement’s standards would not only be harmful to the environment but also to the European consumers since imported products would not be subjected to the same degree of scrutiny as those produced in the EU. Furthermore, important questions regarding intellectual property remain, notably MERCOSUR’s resistance to the adoption of regulations that would guarantee the respect for PDO (Protected designation of origin), PGI (Protected geographical indication) and CDO (Controlled designation of origin) products and denominations to the same extent as in Europe, despite promises by the bloc to gradually change its approach.⁹

⁹ Angelica Quintana, ‘EU-Mercosur, an agreement with different agricultural standards’, *Euractiv*, 30 November 2020, <https://www.euractiv.com/section/agriculture-food/news/eu-mercosur-an-agreement-with-different-agricultural-standards/>, accessed on 8 June 2023.

These concerns are aggravated by political calculations in certain member states. **In Austria, the ruling Austrian People's Party (ÖVP) is historically associated with countryside voters** and enjoys significant backing from farmers' organisations, from which much of its regional and national leadership derives. Those same farmers' organisations, such as the powerful *Österreichischer Bauernbund*, have been at the forefront of resistance to the Agreement in the country, leading 'anti-MERCOSUR [Agreement]' campaigns aimed at both the government and civil society. The ÖVP's coalition partner, the Green Party, was also sceptical of the Agreement due to environmental concerns. For any ÖVP government, losing support from the *Bauernbund* would be an outcome to be avoided at all costs.¹⁰ A break between the ÖVP leadership and the *Bauernbund*'s could lead to a strong decline in electoral support, internal turmoil and, possibly, a no-confidence vote against the Party's leader - presently Prime Minister Karl Nehammer - initiated by regional leaders close to the farmers' association.

While the *Bauernbund* is not the only farmers' association in Austria, it is by far the largest and most influential, due to its strong connections inside the ÖVP.¹¹ Its Social Democratic or Nationalist counterparts would not have the same bargaining power towards their 'affiliated parties', respectively, the Social Democrats (SPÖ) and the Freedom Party of Austria (FPÖ). As such, it is unlikely that an ÖVP-led government such as Nehammer's would greenlight the Agreement, except under significant pressure from the EU. Such an outcome would be much more likely under a SPÖ-led government, since the FPÖ's proposals on trade-related matters tend to favour protectionism. Furthermore, concerns regarding different sanitary and product quality standards remain, which could be exploited by any parties, whether in government or opposition. Both parties, however, would have more room for manoeuvre regarding the EU-MERCOSUR Agreement than the ÖVP.

The French position is less conditioned by party-political calculations and more by political-economic ones. Farmers are not a particularly strong component of President Macron's voter base, much less of his liberal, urban-oriented *Renaissance* party.¹² Macron has repeatedly defended the Agreement against attacks from lobbies and agricultural organisations, vowing to protect the sector and take its concerns into consideration. Nevertheless, the French

¹⁰ Gerald John, 'Die große Macht hinter dem kleinen Bauernstand' [The great power behind the small peasantry], *Der Standard*, 18 May 2022, <https://www.derstandard.at/story/2000135800433/die-grosse-macht-hinter-dem-kleinen-bauernstand>, accessed on 8 June 2023.

¹¹ Jan Erk, 'Austria: a federation without federalism', *Publius*, <https://link.gale.com/apps/doc/A125069703/AONE?u=anon~5d10f106&sid=googleScholar&xid=7df11704>, accessed on 8 June 2023.

¹² Formerly known as *En Marche* and *La République En Marche*.

government has demonstrated considerable scepticism regarding the MERCOSUR agreement on other fronts. Strong concerns remain about the capacity and willingness of MERCOSUR member states to adhere to environmental regulations equivalent to those followed by EU countries. Environmental policy was at the heart of several controversies between Macron and Bolsonaro during his Presidency, which negatively impacted the Agreement's prospects. While Lula's election helped improve Franco-Brazilian relations, the French position against ratification has so far remained unchanged, despite guarantees by Brazil and other MERCOSUR Member States of their efforts to attain such equivalence.¹³

Economic issues, while emphasised much less frequently, also play an important role in France's ambiguous position towards the deal. Agriculture represents both an important economic sector and an important voting bloc in France. Farmers' organisations have capitalised on fears regarding product quality, market and job loss, and the dissolution of French agriculture in a sea of imported products. The latter argument transcends economic considerations and touches upon the role of the countryside and rural life as cornerstones of French traditional culture and national identity. Parliamentary and extra-Parliamentary left- and right-wing opposition groups have therefore mostly opposed the deal, each choosing to focus on a specific aspect thereof, in accordance with their electorate's main concerns. Meanwhile, pro-business and entrepreneurial organisations have campaigned in favour of the deal. As such, Macron's approach, favouring the deal *per se*, but not yet committing to ratifying it, seeks to strike a balance between different policy interests in the European arena and different interest groups within France. As pressure mounts from Brussels and from business-friendly organisations at home, such a position is likely to become more untenable. It is highly unlikely that Macron, due to his political positions and electoral base, would resist ratification in the long term. Nevertheless, France is likely to push for further concessions by the MERCOSUR side on environmental milestones, as well as more specific fiscal and non-fiscal protective measures to French and European agricultural products.

In addition to France and Austria, resistance to the MERCOSUR deal has also been observed in other EU member states, often with similar arguments. Environmental concerns regarding the deal led to tensions in Germany's three-party coalition, despite Scholz's strong support for the Agreement, which was confirmed during his visit to Brazil and Argentina. In other member states, such as Ireland, support for the Agreement was expressed

¹³ Paul Messad, 'Macron chiede reciprocità per l'accordo UE-Mercosur' [Macron calls for reciprocity regarding the EU-Mercosur agreement], *Euractiv*, 27 Feb 2023, <https://euractiv.it/section/capitali/news/macron-chiede-reciprocita-per-laccordo-ue-mercosur/>, accessed on 8 June 2023.

in conditional terms, with support for the general idea and a willingness to ratify it in the future, but strong reservations regarding environmental and trade-related concerns. Such a position, while delaying a swift ratification, leaves open the possibility of a compromise in case of fulfilment of certain conditions by MERCOSUR. Lastly, the case of Belgium, where any free trade agreement must be approved by the six subnational parliaments in addition to the Federal one, leaves room for instability and potential delays in both the signing and ratification procedures. The case of the EU-Canada Trade Agreement (CETA), whose signature was withheld by the Walloon Parliament due to the concerns of its left-leaning majority, can be interpreted as a likely precedent for future disputes over the EU-MERCOSUR Agreement.

The Romanian position, particularly during the country's EU Council Presidency, starkly contrasted with that of the more FTA-sceptic member states, notwithstanding the strong role agriculture plays in the country's economy and social structure. Before the beginning of the Presidency, the conclusion of trade agreements and the advancement of a pro-market position to strengthen the EU's global standing was outlined. Notably, during the Romanian presidency, two important agreements were signed between the EU and Vietnam: A Free Trade Agreement and an Investment Protection Agreement. These agreements marked a high point for Romanian diplomacy both at the European level and bilaterally, as the country was perceived as being both a capable negotiator and a strong voice for free trade. Likewise, a few months after the end of the Romanian Presidency, the EU-Singapore Free Trade Agreement came into effect. However, in the case of the EU-MERCOSUR Agreement, it remains to be seen how such a pro-free trade position, which is likely to bring long-term positive diplomatic outcomes to Bucharest, can be conciliated with internal concerns from the agricultural sector and the rural population. In the following section, this argument will be developed, and a number of recommendations to the Romanian government on the EU-MERCOSUR dossier will be made.

Conclusion and Recommendations

For the first time in a decade, the EU-MERCOSUR Free Trade Agreement seems likely to be signed, and both sides have set a realistic timetable for doing so. The signing and ratification process by the member states will be considerably more difficult than that of other Free Trade Agreements (FTAs) such as CETA due to the economic dimension of the EU-MERCOSUR deal and the environmental, political, and economic concerns that have

overshadowed it over the last decade. Disruptions on both sides of the Atlantic can still be expected in the more contentious dossiers, and the ratification process is likely to be an uphill battle for Brussels and for the pro-Agreement governments. Nevertheless, once the final text of the Agreement is agreed upon by both parties, it is unlikely to be rejected outright by the EU. Doing so, the Union would greatly harm its international prestige and bargaining power, and might cause permanent damage to its reputation as a “Market Power”, something that neither Austria nor France, presently under resolutely pro-European governments, would contemplate. As such, the most likely short-term outcome is increased pressure for environmental measures and additional safeguards for European agriculture and other sectors to which the Agreement would potentially be the most harmful.

Romania has thus far demonstrated support for the Agreement, while raising certain concerns that find echoes across the Union. **It would be in the interest of Bucharest to take a favourable position to the Agreement, in line with the majority of the EU member states.** The Agreement is mutually beneficial for the two blocs, as well as an important instrument of the EU in its foreign policy. A perceived inability of the EU to conclude larger trade agreements would greatly reduce the bloc’s bargaining power and influence *vis-à-vis* third countries. The CETA signature process, which was nearly derailed by the Walloon Parliament, demonstrated the importance of a strong agency and a broad coalition in defence of free trade agreements whose potential benefits for the EU outweigh the potential harm. However, it would be a sensible position to take into account the environmental and agricultural problems raised by Austria and France, as similar concerns are likely to be expressed by local environmental and farmers’ organisations. Romania remains a predominantly rural country, with recent data from the European Commission indicating that over 50% of its population lives in predominantly rural regions.¹⁴ Agriculture thus remains an important economic sector, accounting for 3.8% of the country’s GDP and over 21% of total employment.¹⁵ As such, any potential severe disturbances in the sector are likely to cause significant mobilisation among agricultural organisations and farmers’ movements.

As a leading agricultural power within the EU, whose position has so far been much more favourable than that of France and Austria, Romania would be in a good

¹⁴ European Commission, *Statistical Factsheet: Romania*, (Brussels: European Commission, 2021), 3, https://agriculture.ec.europa.eu/system/files/2021-12/agri-statistical-factsheet-ro_en_0.pdf, accessed on 8 June 2023.

¹⁵ International Labour Organisation, “Employment in Agriculture (% of total employment) (modelled ILO estimate) - Romania”, *World Bank Open Data*, January 2021, <https://data.worldbank.org/indicator/SL.AGR.EMPL.ZS?locations=RO>, accessed on 8 June 2023.

position to work towards a compromise between the holdout countries, the Commission and MERCOSUR. Likewise, it could opt to pivot towards a fully pro-Agreement position, positioning itself as both a strongly agricultural and pro-free market member state, presenting the two positions not as opposite but as complementary. The latter position, while easier to display at the European level, could lead to tensions with farmers' organisations at home and increase pressure on the government to harden its position. As such, the best possible approach by the Romanian government to the matter would be one of cautious support - reinforcing its position in favour of the Agreement and not blocking ratification or threatening to do so, but pushing for further, more concise market protection guarantees for European farmers and Romanian agriculture. Failure to ratify the Agreement would jeopardise the EU's international standing. In a dossier of such importance, pragmatism, moderation, and preservation of national and European interests is the most efficient way forward.

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