

EXPLAINING THE RENEWED PUSH FOR AN EUROPEAN UNION ASSOCIATION AGREEMENT WITH MERCOSUR*1

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SUMMARY: Introduction. 1. Review for explanations of the first set of negotiations. 2. Europeanization of Spanish and Portuguese foreign policy: necessary but not sufficient. 3. Mercosur's interest. 4. Conclusion.

RESUMEN:

El primer intento de lograr un acuerdo entre la Unión Europea y Mercosur acabó sin éxito en Octubre 2004. En 2010 la UE lo intentó otra vez. Sin embargo este segundo intento conllevaba problemas y retos nuevos, entre aquellos: la actual crisis global, el ingreso de diez nuevos Estados miembros, las restricciones que Argentina puso a las exportaciones de la UE, la falta de desarrollo del propio Mercosur en una area político y económicamente integrada. En este artículo se sostiene que el acuerdo de asociación puede más bien explicarse como resultado del particular interés que llevan España y Portugal, y el utilizo entre los demás instrumentos, del “momentum” creado por la presidencia Española de la UE.

*Recibido con fecha 02/10/2013; admitido con fecha 13/09/2014.

1There is an up coming book by the author currently being developed that will be published by Manchester University Press *The EU's Policy Towards Latin America: Responsive Not Strategic? An analysis of EU relations 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: the current economic crisis; the accession of ten new member state countries; the restrictions Argentina has imposed on EU exports; the lack of progress made in terms of developing Mercosur into an integrated political-economic. This paper argues that the association agreement can more accurately be explained as being the result of Spain and Portugal particular interest, and the use of among other actions the “momentum” created by the Spanish presidency of the EU.

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 the 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.

This paper critically examines some of the reasons given for the development of the first attempt to secure an inter-regional association agreement between two regions in the world, before the Central America signed an association agreement with the European Union

in 2010. The discussion below also identifies and explains gaps in previous attempts to explain the first set of negotiations between 1999 and 2004 and will also consider whether these arguments can also be used to explain the second attempt to negotiate an association agreement from 2009 to the present. In response to the limitations of these 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. The proactive role of Mercosur fits with the argument of JorgMonar² (1997) which identifies third parties as more interested in developing relations with the EU than the EU itself.

1. REVIEW OF EXPLANATIONS FOR THE FIRST SET OF NEGOTIATIONS.

The existing literature on EU-Mercosur relations tries to explain the first attempt to reach an association agreement. Most of the work on EU-Mercosur relations unfortunately is descriptive. 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. Two of the reasons given in the literature, “affinity”³ and “EU global aspirations”⁴ are too loose and superficial to discuss them in a journal article.

²Monar, J. (1997) “Political Dialogue with Third Countries and regional Political Groupings: The Fifteen as an Attractive Interlocutor” in *Foreign Policy of the European Union From EPC to CFSP and Beyond* (eds) Regelsberger, de Schoutheete, and Wessels London: Lynne Rienner.

³For example, see Aldecoa Luzarraga, F. (1995) “*El acuerdo entre la Union Europea y el Mercosur en el marco de la intensificación de relaciones entre Europa y America Latina*.” *Revista de Instituciones Europeas*, Vol. 22, N 3 pp761-792; Sanahuja, J. A. (2000a) “Trade, Politics, and Democratization: The 1997 Global Agreement between the European Union and Mexico.” *Journal of Interamerican Studies and World Affairs*, Vol. 42, No. 2,

The most common argument that can be found in the existing literature focuses on competition between the EU and the US to become Latin America's main trading partner. Here it is suggested that the EU has sought to counterbalance the power and strong levels of influence that the US exerts in the region⁵. This literature tends to focus on the first stage of the policy negotiations which took place from mid-1990's onwards. The influence of the US in the entire region has been important throughout the course of the twentieth century. So much so, that Latin America has been considered the US' 'backyard'. For normative and economic reasons, proponents of this argument suggest that, the EU was trying to achieve the same degree of influence in the region.

In relation to economic issues, this argument is said to be evidenced by the supposed *reaction* of the EU to the US-led Free Trade Area of Americas project. In an attempt to exert greater influence in the region, it is suggested that both the US and the EU would compete over Latin America through improving trade conditions with the region⁶. Holland⁷(2002) argues that trade is of potential benefit to European companies. However, this explanation fails to adequately explain both the first and second attempts to reach an association

Special Issue: The European Union and Latin America: Changing Relations; Freres, C. (2000) "The European Union as a Global "Civilian Power": Development Cooperation in EU-Latin American Relations" *Journal of Interamerican Studies and World Affairs*, Vol, 42, No. 2; Freres, C. & , Sanahuja J.A. (2005) "Final Report Study on Relations between the European Union and Latin America" *New strategies and Perspectives Instituto Complutense de Estudios Internacionales*: Madrid.

4Forexample, see LaporteGalli, D. (1996) "La Unión Europea y el Cono Sur emprenden la reconciliación" *FundacioCidob*; Galinsoga, J. (1995) "Balance del proceso de San Jose: logros y carencias". Ponencia presentada en el Seminario: Perspectivas del proceso de San Jose. San Jose de Costa Rica, 29, 30 y 31 de mayo de 1995. *Organizado por el Instituto de Relaciones Europeo-Latinoamericanas (IRELA)*, Madrid.; Smith, K. (2003) *European Foreign Policy in a Changing World*, Cambridge Polity Press; Freres 2000; Santander S. (2005) "The European Partnership with Mercosur: A Relationship Based on Strategic and Neo-Liberal Principles", *European Integration*, 27(3), pp. 285-306.

5Smith, H. (1999) "Actually existing foreign policy or not? The EU in Latin and Central America" in *Decision-making in the European Union* (eds.) Bomberg and Peterson, Palgrave MacMillan: London; Bulmer Thomas (2000) "The European Union and MERCOSUR: Prospects for the Free Trade Agreement and Implications for the United States", *Journal of Inter-American Studies and World Affairs* (Spring 2000) ; Crawley, A. (2000) "Towards a Biregional Agenda for the Twenty-first century", *Journal of Interamerican Studies and World Affairs* 42, no. 2 pp 9-34; Holland, M. (2002) *The European Union and the Third World*. Hampshire: Palgrave; Giordano, P. (2002) "The external dimension of the Mercosur: Prospects for North-South integration with the European Union", *Royal Institute for International Affairs Mercosur study groups* London May 23; Santander S. (2002) "EU-Mercosur Interregionalism: Facing Up to the South American Crisis and the Emerging Free Trade Area of the Americas", *European Foreign Affairs Review*, 7, pp. 491-505.

Santander 2005; Smith 2003:80; Torelli 2003.

6E.g. Sanahuja, J. A. (2000b) "Asimetrías económicas y concertación política en las relaciones Unión Europea-América Latina: un examen de los problemas comerciales" *Revista Electrónica de Estudios Internacionales*; Arenas 2002; Alecu de Flers, N. & Regelsberger, E. (2005) "The EU and inter-regional cooperation" in Hill C, Smith M (eds) *International relations and the European union*. OUP, Oxford, pp 317-342.

7 See Holland 2002

agreement. Each of these cases tends to emphasise the economic importance of relations with the EU, particularly the extent to which trade between both regions is *important for Latin America*. However, they fail to highlight the little importance of international trade *for the EU* in relative terms⁸. This is particularly important in terms of understanding the extent to which the EU has real economic interest in this region. In fact, the % of EU trade with Latin America is no more than 2% in relative terms (of all EU trade). This perspective is even more problematic when it comes to explaining the second attempt to secure an association agreement, primarily because the expansion of the EU to twenty-seven countries has increased internal trade, especially in the vitally important agricultural sector. Furthermore, there are two contradictory arguments in the existing literature. On the one hand, it is suggested that the FTA would *discourage* European Foreign Direct Investment (FDI)⁹, whilst, on the other hand, it is argued that the FTA would *encourage* European FDI¹⁰. Faust¹¹ concludes that “the empirical evidence demonstrates that there is no single variable with sufficient explanatory power to clarify the course of EU-Mercosur trade relation”. Finally, the US has had for over a century a strong hegemonic position in the American continent, with only new trends in economic and political relations between China and Latin America suggesting that only China has the potential to rival the US in terms of levels of foreign direct investment in Latin America.

The notion that there is also a growing political competitiveness between the EU and the US is advanced by Grugel¹², who argues that: “New regionalism thus offers the EU a chance of reaffirming its role as a global actor; in creating a relationship with Mercosur, the EU also remakes itself. In comparison to the US, Grugel also suggests that the EU has a very specific way of dealing with Mercosur which is more in line with the EU’s project on regional integration. A similar argument is put forward by Cienfuegos¹³ who argues that the

⁸Cienfuegos (2006:275) does mention the increase in % of imports from Mercosur in relative terms to the EU in the case of an agreement between the EU and Mercosur but it does not mention the actual volume of that level of trade. More importantly, it ignores the lack of importance of such a small %; between +0,023% and +0,027% of all the EU imports.

⁹Robles, A. C. (2008) “The EU and Asean: Learning from the failed EU-Mercosur FTA” *ASEAN Economic Bulletin Negotiations* Volume 25, Number 3.

¹⁰Cienfuegos, M. (2006) “La asociación estratégica entre la unión europea y el Mercosur, en la encrucijada” Noviembre Barcelona: *CIDOB*.

¹¹Faust 2004:20 “The European Union’s Trade Policy towards Mercosur” in Aggarwal, Vinod/Fogerty, Ed (eds.): *Between Regionalism and Globalism: Interregional Trade Strategies of the EU*, London, Palgrave Macmillan.

¹²Grugel, J. (2004:622). “New regionalism and Modes of Governance-Comparing US and the EU Strategies in Latin America” *European Journal of International Relations* 2004, Vol. 10 (4):603-626

¹³ See Cienfuegos (2006:81).

EU is “attempting to establish new and deeper regional relationships in order to cope with and mitigate the impact of US power”. This explanation fails to offer an in-depth analysis of how the EU would be capable of competing with the US in general terms and more importantly, in an area traditionally considered to be the US’s “backyard” during both attempts to create an association agreement. To say the least, it is an exaggeration to argue that the EU was both willing and capable of competing with the US over a region that has traditionally ignored. Over the years there have been plenty of complaints of actually the opposite: that the EU has shown a distinct lack of interest in the region. At the time of the first series of negotiations, the EU’s interest in Central and Eastern European countries dominated most aspects of EU foreign policy. During the second round of negotiations, the EU is more concerned with foreign policy towards the Middle East region, especially in relation to Iraq, Afghanistan, and the spring revolutions in the Arab world for obvious security reasons.

In contrast to the “counterbalancing”, it has also been suggested that the EU’s role as External Federator in Latin America and Mercosur in particular, explains the development of the EU’s policy agenda towards Latin America¹⁴. Andy Klom¹⁵ who was, at that time, Desk Officer for Mercosur at the External Relations Directorate-General of the European Commission in Brussels, confirms how important the EU model of integration was in terms of how Mercosur was constructed. However, much of this work is largely descriptive and fails to offer a satisfactory analysis of what the EU was actually trying to achieve by promoting regionalism (i.e. EU civilian power)¹⁶. In other words, Latin America may in fact choose to imitate the EU as a model of regional integration. However, this does not mean that it is the EU who is pushing Latin America/ Mercosur to follow the EU model.

14E.g. Hoste, A. (1999) “The new Latin American Policy of the EU” University of Bradford DSA *European development Policy Study Group Discussion Paper* No. 11, February; Sanchez Bajo, C. (1999) “The European Union and Mercosur: a case of inter-regionalism” *Third World Quarterly* Vol 20, No 5 pp 927-941; Klom, A. (2000) “Association negotiations between the Mercosur and the European Union: Rivalling Western Hemisphere integration or supporting Southern Cone integration?” Dollars, Democracy and Trade: External Influence on Economic Integration in the Americas Los Angeles, May 18 2000 *The Pacific Council on International Policy*, Los Angeles. See Kanner 2002; See Grugel 2004; Carranza, M.E. (2004) “Mercosur and the end game of the FTAA negotiations: challenges and prospects after the Argentine crisis”, *Third World Quarterly*, Vol. 25, No. 2, pp. 319–337; Botto, M. (2007) “The Role of Epistemic Communities in the makeability of MERCOSUR” *The makeability of regions GARNET 2007*.

15 See Klom.

16 See Hoste 1999 and Kanner 2002

This argument has a considerable amount of explanatory power for both attempts since it is clear that the EU promotes regionalism. The real issue is how far is the EU willing to go to promote regionalism. In this instance, it seems that when it comes to Mercosur, the EU clearly sent Mercosur a mixed message when they offered a political partnership to Brazil in 2008¹⁷. More specifically, the damaging effect of this partnership for Mercosur's internal relations, in particular the fraught relationship between the long-term rivals Argentina and Brazil, should not be underestimated. By offering a special channel of communication to the biggest country, not just in Mercosur, but in Latin America, enhanced Brazil's considerable power in its own region, as well as in the European Parliament, where there were disagreements about the suitability of this partnership¹⁸. In the second attempt to reach an association agreement, Brazil's importance in the world has only increased and the partnership with the EU is very much active. This questions any argument of the EU prioritizing regionalism over other interests. That is to say, the EU welcomes regionalism but it does not mean that it is the EU's *priority*.

2. EUROPEANIZATION OF SPANISH AND PORTUGUESE FOREIGN POLICY: NECESSARY BUT NOT SUFFICIENT.

Spanish presidencies, commissioners, MEPs and representatives in Coreper provided the necessary “momentum” 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 vital in terms of explaining both the first and second attempts to establish an association agreement.

Historical institutionalism and Europeanization

The concept of “history matters” is the starting point of historical institutional approaches emphasising the importance of the Europeanization of national foreign policies. In terms of historical institutional approaches, it is argued that a decision taken at a particular moment of history, by an institution, can be a factor that can determine the future of the protagonists of those events. In other words, in relation to the way that an institution has been

¹⁷Interview 1: Official from DG External Relations

¹⁸ Ibid.

created, initial decisions will affect the future. By transporting the idea that “History matters” into the framework of historical institutionalism, the concept is used to follow the idea that historical events can produce institutional change. In order to chart the evolution of certain events within institutions, this approach starts from an explanation of the historical event. Here it is argued that the historical event will create a path that will be followed and as a consequence this will create a dependency on the path because there is not a second “lane” to follow or plan “B”. Pierson¹⁹ explains that “path dependence refers to the causal relevance of preceding stages in a temporal sequence”. Pierson also draws upon Sewell’s²⁰ definition of path dependence which suggests that “(Path dependence means) that what happened at an earlier point in time will affect the possible outcomes of a sequence of events occurring at a later point in time”.

The link between historical institutionalism and the concept of Europeanization is based on the idea that Europeanization, broadly speaking, is related to the influence *of or influence in EU* institutions. As a consequence of this “influence” EU institutions up-load a national idea/policy and “institutionalize” the idea/policy to the point that it is taken up by other EU member states. Nevertheless, whether it is through a process of downloading or uploading, EU institutions provide the framework in which a policy is developed. In other words, EU institutions “matter” in terms of the way this policy is taken up or downloaded. EU institutions are also the independent variable during the development of a policy. More specifically, understanding the nature of EU institutions helps to explain why the policy is created and the way that it is either downloaded at the national level or uploaded at the EU level. And finally, EU institutions matter in terms of historical context, particularly the way that it takes a historical event to initiate a policy or a process of path dependency. However, the historical event does not need to be something unusual or totally unexpected but rather a critical juncture, where the success of a policy is determined by being in the right place at the right time. In other words, if the policy emerges at a different time and place; the nature of the policy will be quite different. Spain and Portugal joined the EU at the same time that Mercosur started to develop as a regional group could be the critical juncture. The power division among EU institutions influenced sharply the type of agreement and the limitations of it.

19 (2000:2) Pierson “Increasing Returns, Path Dependence, and the Study of Politics”, *The American Political Science Review* 94 (2) pp 251-267.

20 Sewell W.H. 1996:262-263 “Three Temporalities: Toward an Eventful Sociology”. In *The Historic Turn in the Human Sciences*, ed. Terrance J. McDonald. Ann Arbor: University of Michigan Press pp.245-80.

Europeanization is certainly not a new concept, it has been used in many studies. However, very few scholars have tried to provide an exact definition of Europeanization²¹. In the area of foreign policy, Wong²² argues that the notion of there being a Europeanization of foreign policy was initiated by Ben Tonra²³. Therefore, the definition of Europeanization will echo this definition used in the area of foreign policy. Tonra's²⁴ defines Europeanization: 'A transformation in the way in which national foreign policies are constructed, in the ways in which professional roles are defined and pursued and in the consequent internationalisation of norms and expectations arising from a complex system of collective European policy making.

A key question in the study of European foreign policy relates to the concept of "movement". The concept of Europeanization itself is about movement, particularly when speaking of "transformation". When examining the issue of "transformation", it is important to ask what is actually transforming. In other words, "what is changing and what are the mechanisms and direction of change (top-down from the EU to the member states, bottom-up, or socialization?)"²⁵. In relation to "what is changing", the discussion is about the changing of either procedures or the substance of the foreign policies of individual member states²⁶. In line with the discussion above, this relates to the idea of a member state trying to influence the EU foreign policy in a particular area and, as a result, the EU up-loading the policy.

According to Reuben Wong²⁷, 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')"²⁸. Wong²⁹ also outlines the different indicators of this aspect within the national foreign policy: 1) "A State attempts to increase national influence in the world";

21 Featherstone, K. & Radaelli, C. (2003) *The Politics of Europeanization* Oxford: Oxford University Press

22 Wong, R. (2008) "Foreign Policy" in Graziano, P. and P. Vink, M.P. (eds) *Europeanization New Research Agendas* Palgrave Macmillan New York.

23 Tonra, B. (2001), *The Europeanization of National Foreign Policy: Dutch, Danish and Irish Foreign Policy in the European Union*. Aldershot: Ashgate.

24 See Wong 2008: 323 quotes from Tonra 2000: 229.

25 See Wong 2008:323.

26 See Wong 2008.

27 See Wong 2008:326.

28 Ibid.

29 Ibid.

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” 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, Dykmann³⁰ suggests that “It is evident that the peninsular authorities and their representatives are very present in institutions concerned with European policy towards Latin America”.

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 Mercosur³¹ to the media. In this policy, the Commission offered two potential scenarios for the run-up to 2000³². Marin favoured the most ambitious 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 1995³³ which was adopted by the General Affairs Council in June that year³⁴. 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. AldecoaLuzarraga³⁵ 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.

³⁰Dykmann, K. 2006: 92-93 (2006) *The European Union Foreign Policy and the Southern Cone* VervuertVerlag Frankfurt am Main.

³¹European Commission (1994a) “Communication from the Commission to the Council and the European Parliament “The European Community and Mercosur-An enhanced policy” (COM (94) 428. European Commission External relations Directorate Latin America Regional Strategy Paper 2002-2006.

³² Ibid.

³³ European Commission (1994c) Mercosur Foreign Ministers visit commission *Press release* IP/94/1091. 24th November 1994.

³⁴European Commission (1994b) “Commission Press Release report on the implementation of macro-financial assistance to third countries” *Press release* IP/94/529. 14th June 1994.

³⁵See Aldecoa Luzarraga 1995.

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 stalled the beginning of the negotiations. The Summit in Cologne weeks before the summit in Latin America did resolve these issues and French President Jacques Chirac vetoed the German proposal of splitting the dates for starting the negotiations³⁶. 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. In the days leading up to the 21st of June, Spain tried to encourage France towards a possible agreement³⁷. The fact that France eventually accepted an offer that was worse than the one offered to them during the Cologne summit in Germany suggests that the pressure being exerted on France appears to have had an impact. In addition to the pressure being mounted by the European Commission and Spain, it also seems that the pressure exerted on French Embassies in Latin America also had some influence³⁸. 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. A month before the Spanish presidency started, Spain and Portugal demonstrated their commitment to the negotiations in the presence of Mercosur countries³⁹. 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 Government⁴⁰. In fact, it was planned to encourage the negotiations in the following Iberoamerica summit that would be held a month later⁴¹.

³⁶*El País* 6/6/1999 "Chirac dinamito la negociación con Mercosur en la cumbre de la UE".

³⁷*Agence Europe* 21/6/1999 "Franco-Spanish compromise allows negotiating brief with Mercosur and Chile to be brought out of deadlock".

³⁸*El País* 22/6/1999 "La Unión Europea vence la Resistencia francesa para abrir negociaciones con Mercosur en el 2001".

³⁹See *Agence Europe* 5/12/2009.

⁴⁰*El País* 25/11/2009 "España impulsa el pacto comercial de la UE con Mercosur".

⁴¹*Ibid.*

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 America⁴². An MEP even claimed that: “if with the Spanish presidency there is not progress with Latin America, forget about it”⁴³. 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 relations⁴⁴. 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”⁴⁵. 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 America⁴⁶. 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”⁴⁷.

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”⁴⁸. Moreover, the United Kingdom did not want to start negotiations until the end of the Doha Round in the WTO. Even within the Commission there was disagreement. The project was opposed by the Commissioner of Agriculture, Franz

⁴²Ibid.

⁴³See *Clarín* 1/1/2010.

⁴⁴*Clarín* 7/3/2010 “Es clave aprovechar la presidencia de España”.

⁴⁵*El País* 9/11/2010 “De la Vega intenta que Argentina tome impulso en Mercosur”.

⁴⁶Agence Europe 20/5/2010 “Summit sees readjustment of EU-Latin American relations” *Europe Daily Bulletins*.

⁴⁷Agence Europe 05/02/2010 “Moratinos says summit with Obama is not urgent –debate with MEPS” *Europe Daily Bulletins*.

⁴⁸ See Santander 2005 taken from IRELA 1999.

Fishler and his colleagues from France, Commissioners de Silguy and Cresson, and Flynn from Ireland⁴⁹.

At the same time there were other obstacles within the EU against developing an economic agreement. These obstacles were based on the Article 24 of the General Agreement on trade and tariffs (GATT)⁵⁰. But Manuel Marin argued that Article 24 of the GATT would allow “the progressive liberalization of all sectors establishing exceptions and transitory periods for the most sensitive products if it does not pass the 20% of the total [trade]. The other obstacle, is the norm of the WTO⁵¹ that expects the creation of the free trade area in 10 years maximum”⁵². Apparently Manuel Marin was able to convince them, since the negotiation mandate was eventually conceded. Marin argued that while the exchange of agricultural products was only 14% of the trade between both regions, Mercosur was an exporter of products such as cereals, meat and lacteous which are all super-sensitive products for the EU⁵³.

The negotiations mandate that the EU Council gave to the Commission were intentionally linked to the outcome of the WTO negotiations. Therefore, as explained by Kutas⁵⁴, until the end of the negotiations with the WTO, it would be impossible to know the real impact of the EU-Mercosur agreement in the agricultural sector. Therefore, this uncertainty became an obstacle to the establishment of a trade agreement between the EU and Mercosur. In fact, Argentina used this as an excuse not to sign in the last minute.

In relation to the interest groups, two groups were the most proactive - the business group and the agriculture group, being in favour and against the agreement respectively. The Mercosur European Union Business Forum (MEBF) was created in 1999 to provide an informal forum for business people to outline what they consider to be the key issues in the trade and industrial relationship between the two regions. This forum was also created to develop both a dialogue and policy recommendations with the public authorities in both

⁴⁹ See Santander 2005.

⁵⁰ See *El Pais* 6/4/1995.

⁵¹ There is an overlapping in the newspapers between the GATT and its substitute, the WTO.

⁵² See *El Pais* 6/4/1995.

⁵³ *El Pais* 16/12/ 1995 ”Marin prevé una zona de libre comercio entre la UE y Mercosur en el año 2005”.

⁵⁴ Kutas, G. (2006) “Still the Agricultural Knot”, in A. Valladão and P. Guerrieri (Eds), *EU Mercosur Relations and the WTO Doha Round: Common Sectorial Interests and Conflicts*, Chaire Mercosur de Sciences-Po, Paris.

regions in relation to improving market access, facilitating business relationships and encouraging investment⁵⁵.

The European farmers tried to protect their products by completely opposed the agreement. The Committee of European Agricultural Organization (COPA), the largest association of European farmers, complained and opposed the agreement from the very beginning. COPA stated that “we are in favour of more liberalized trade but under harmonized social and environmental conditions”⁵⁶. In opposing the agreement, COPA tried to put in place some obstacles to developing inter-regional trade by highlighting that EU regulation in relation to social and environmental issues did not exist in Mercosur countries. It could be argued that because agricultural issues were an important factor explaining why an association agreement was not reached during the first round of negotiations attempt is evidence of the level of power and influence exerted by these groups within the EU and, more specifically, how they were able to influence EU policy towards Mercosur.

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 farmers⁵⁷. 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. Moreover, 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 Bruno Le Maire declared that the EU could not go ahead

⁵⁵ European Commission Press Release 22/11/1999.

⁵⁶ Agence Europe 18/6/1996 “Agricultural organizations on both sides intend cooperating despite differences of approach on trade issues”. *EuropeDailyBulletins*

⁵⁷ See Agence Europe 11/5/2011.

with the negotiations due to the negative influence that they would have on agricultural sectors in France and in the EU more generally⁵⁸. In fact, the main farmers trade unions in France (FNSEA) asked Sarkozy to veto the negotiations altogether⁵⁹. 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 Round⁶⁰. 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 products⁶¹.

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 negotiations⁶². 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 EU⁶³. 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"⁶⁴.

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

⁵⁸Clarín 6/5/2010 "Francia se opone a las negociaciones entre el Mercosur y la UE"; *El País* 7/5/2010 "Francia se opone a desbloquear la negociación con Mercosur".

⁵⁹ See *El País* 7/5/2010.

⁶⁰ See *Clarín* 6/5/2010.

⁶¹ *Ibid.*

⁶² Agence Europe 15/5/2010 "Seven countries say resumption of Mercosur trade relations is "highly negative signal" for European agriculture" *Europe Daily Bulletins*.

⁶³ Agence Europe 18/5/2010 "Dozen ministers criticise resumption of trade talks with Mercosur" *Europe Daily Bulletins*.

⁶⁴ Agence Europe 16/09/2010 "Karel De Gucht Hoping for an agreement with Mercosur in 2011" *Europe Daily Bulletins*.

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”⁶⁵. A few months later, the Irish Farmers’ Association (IFA) accused De Gutch of applying double standards when dealing with EU agricultural products imported into the EU. De Gutch was also accused of not defending European interests⁶⁶. 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 whole⁶⁷.

The European Commission certainly supported the second round of negotiations. However, in the previous couple of years, neither the EU nor the Mercosur showed any real intention of trying to develop an agreement until the Doha Round was completed⁶⁸. As the EU Minister of External Affairs pointed, the Doha Round was going nowhere at that point⁶⁹. 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 crisis⁷⁰.

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 Gutch directly accused Argentina of causing problems due to their protectionists measures to the point where he threatened the Mercosur country with complaining before the WTO⁷¹. In response, Argentina accused De Gutch of trying to divide Mercosur countries⁷². 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 strategy⁷³. Other EU actors demonstrate support for the agreement. For example,

⁶⁵Agence Europe 18/09/2010 “De Gutch replies to Le Maire on Mercosur” *Europe Daily Bulletins*.

⁶⁶Agence Europe 23/02/2011 “Ireland, concerned for its agriculture, raises temperature” *Europe Daily Bulletins*.

⁶⁷*Clarín* 18/10/2011 “Merkel impulsara un tratado de libre comercio entre el Mercosur y la UE”.

⁶⁸Agence Europe 20/05/2008 “Lima Summit obtains mixed results” *Europe Daily Bulletins*.

⁶⁹ See El País 25/11/2009.

⁷⁰ Ibid.

⁷¹*Clarín* 15/4/2011 “La UE acusa Argentina de trabar el comercio”. 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.

⁷² Ibid.

⁷³*Clarín* 5/5/2011 “Otra incierta ronda con la UE por el comercio”.

Catherine Asthon, the EU High representative for Foreign Affairs, stated that “negotiations with Mercosur must be resumed”⁷⁴.

3. MERCOSUR’S INTEREST.

During the first round of negotiations, an important ministerial meeting with the Rio Group took place in Luxembourg on 26th and 27th of April 1991⁷⁵. This meeting brought the Mercosur countries to Europe. Two days later they visited the European Commission in Brussels, meeting President Delors, Vice-Presidents Bangeman, Padonlfi and Commissioner Matutes. This indicates Mercosur’s “willingness to develop relations with the Community in particular”⁷⁶. Under the framework of the annual Rio Group meetings with the EU, these meetings helped Mercosur to understand the EU position on many issues, while also helping to develop informal meetings in relation to Mercosur interests and projects. These meeting produced a desirable outcome in a short period of time. More specifically, during a subsequent EU-Rio Group ministerial meeting, the EU and Mercosur signed an administrative cooperation agreement. During the time between the 1992 agreement and the 1995 signature of EMIFCA, Mercosur used different forums such as the annual meetings with the Rio Group to ask for an upgrading of EU-Mercosur relations. Particularly this “pressures”/“demands” were put on the Spanish commissioner.

Mercosur visibly applied more pressure after the 1995 agreement in an effort to release the launching of the negotiations. In fact, in relation to French attitude towards the agreement at this stage, Jorio Dauster, a former Brazilian Ambassador to Brussels, critically argued that: ‘Its [French] attitude is surprising after all this diplomatic work (...) Globalization discourse is increasingly false and hypocritical. The rich countries are not globalizing because they are not opening their markets, especially agriculture’s market’.⁷⁷In

⁷⁴Agence Europe 22/4/2010 “Parliament backs conclusion of negotiations with Central America and resumption of discussions with Mercosur *Europe Daily Bulletins*.”

⁷⁵ EC-RIO GROUP RELATIONSEuropean Commission - MEMO/93/16 22/04/1993

⁷⁶Agence Europe23/4/1991 “EEC-Latin America: First Institutionalized ministerial meeting between the EEC and the Rio Group 26 and 27 April in Luxembourg) –how can concrete form be given to the relaunch of relations? –the EIB problem”. *Europe Daily Bulletins*

⁷⁷Agence Europe 10/6/1999 “Brazilian diplomat says Latin America should make no concessions if EU does not open up its agricultural market”. *EuropeDailyBulletins*

addition to the pressure being mounted by the European Commission and Spain, the pressure on the French Embassies in Latin America had some influence [on getting France to agree]⁷⁸. And it was signed a few days later⁷⁹.

During the second round of negotiations, Mercosur again was in favour of it. Argentina and Brazil tried to ignore the problems with each other in order to secure an agreement⁸⁰. 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 Mercosur⁸¹. Uruguay, of course, had always supported the agreement⁸². As a small 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 EU⁸³. 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 imports⁸⁴ 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 goods⁸⁵. Greece also asked Argentina to explain their actions. However, Argentina declined to provide the requested explanation. In the end the issues was taken to the WTO level⁸⁶. Consequently, Greece threatened to block the negotiations with Mercosur⁸⁷. Argentina later offered different reasons to justify the

⁷⁸See *El País* 22/6/1999.

⁷⁹1999/279/EC: Council Decision of 22 March 1999 concerning the conclusion, on behalf of the European Community, of the interregional framework cooperation agreement between the European Community and its Member States, of the one part, and the Southern Common Market and its Party States, of the other part

⁸⁰*El País* 18/5/2010 “La UE y Mercosur buscan cerrar un acuerdo de libre comercio este año”.

⁸¹Ibid

⁸²Ibid.

⁸³*El País* 18/4/2010 “UE-Mercosur, novios otra vez”.

⁸⁴ It seems that Greek exports have been cancelled or suspended for a value of dollars 2,400 millions (Clarín 28/6/2010).

⁸⁵Clarín 28/6/2010 “La UE exige a Argentina que “deje de bloquear” importaciones.

⁸⁶ Q&A: EU's challenge to Argentina's import restrictions at the WTO European Commission - MEMO/12/958 06/12/2012

⁸⁷Ibid.

occasional blockings, further claiming during a meeting of the WTO that the European accusation had political intentionality⁸⁸.

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 Rompouy, the president of the European Council⁸⁹. 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 presidency⁹⁰. In fact, 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”⁹¹. 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”⁹². 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 later⁹³. During that EU-LA Summit, meeting there was support to continue with EU-Mercosur negotiations whenever it was possible⁹⁴.

Improving the image of Mercosur was another reason to improve relations between the EU and Argentina⁹⁵. 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

⁸⁸Clarín 5/7/2010 “Argentina rechazo en la OMC las acusaciones europeas de proteccionismo”.

⁸⁹*El País* 15/7/2010 “Lula impulsa las negociaciones entre Mercosur y la UE”

⁹⁰ Ibid.

⁹¹Agence Europe 17/07/2010 “President Lula wants to conclude EU-Mercosur free trade agreement before leaving office in December” *Europe Daily Bulletins*.

⁹² Ibid.

⁹³ See *El País* 18/4/2010.

⁹⁴V LATIN AMERICA AND CARIBBEAN-EUROPEAN UNION SUMMIT Lima, May 16, 2008 LIMA DECLARATION “ADDRESSING OUR PEOPLES’ PRIORITIES TOGETHER”

⁹⁵ See *El País* 18/4/2010.

growing in strength⁹⁶ (El País 10/12/2010). Even Spanish politicians such as Solchaga, the former minister of finance, commented on the fragility of the Mercosur project⁹⁷. 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 project⁹⁸.

As stated earlier, Mercosur's clear support and proactive role in developing the association agreement fits within the broader literature on EU international agreements where third parties actually ask for upgrades and show how proactive as explained by Monar.

Current situation of the negotiations

So far, there has been nine negotiation rounds between the EU and Mercosur⁹⁹, but there is not much progress. In the words of Karel De Gucht, European Commissioner for Trade:

“For sure, we have done good work since we resumed the negotiations in 2010. However, so far, these negotiations have mainly focussed on the "normative" part of the agreement, that is to say the ground rules and principles that should provide the basis for commitments between both sides to open up their respective markets. These are very important issues, and we have achieved some valuable progress on several chapters, for instance on rules of origin and services investment. However, the negotiations have not yet gone into the heart of the matter, namely on the additional access that we have to give to each other's markets for industrial and agricultural products, services, investment and public procurement, through the reduction of tariffs or the dismantling of other barriers”¹⁰⁰.

There is a lack of progress in the Doha Round, therefore, bilateral agreements seem to be the future for the liberalization process, the increase of trade, and therefore the increase

⁹⁶El País 10/12/2010 Uruguay ve a Mercosur en su peor momento.

⁹⁷El País 15/7/2010 “Solchaga presenta a mercosur como un proyecto fracasado”

⁹⁸El País 17/7/2010 “Los socialdemócratas en Brasil apuestan por un tratado con la UE que no dependa de Mercosur”.

⁹⁹ The EU's bilateral trade and investment agreements – where are we? European Commission - MEMO/13/734 01/08/2013

¹⁰⁰Plenary speaking points: State of play of the EU's trade negotiations with Mercosur Plenary of the European Parliament/ Strasbourg 17 January 2013.

of growth . However, it is difficult to affirm at this point, when the agreement will be possible. The agreement will be possible once there is a real will on both sides, as the EU-CA agreement has demonstrated. It is clear that both sides would benefit from it. The EU in terms of investments on infrastructures in Latin America, and Mercosur on trading agricultural products with the EU.

4. CONCLUSION

This paper has critically reviewed the existing literature attempting to explain the first round of negotiations, while also discussing their limited ability in terms of explaining the negotiations.

Moreover, this paper has explained how the second round of negotiations includes 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, was crucial in terms of re-launching the negotiations.

In comparison to the existing explanations considered above, it has also been 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 large 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.

