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**Master's Thesis EU- MERCOSUR ASSOCIATION
AGREEMENT: A two-decade negotiation process**

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LIST OF ABBREVIATIONS

AA	Association Agreement
ACP	African, Caribbean and Pacific
ACTA	Anti- Counterfeiting Trade Agreement
BAC	Bolivian Accession Protocol
CAP	Common Agricultural Policy
CJEU	Court of Justice of the European Union
CMC	Common Market Council
CMG	Common Market Group
DG TRADE	Directorate General for Trade of the European Commission
ECSC	European Coal and Steel Community
EEAS	European External Action Service
EEC	European Economic Community
EP	European Parliament
ESAF	Economic and Social Advisory Forum
EU	European Union (By extension, it will be applied as well to the European Community pre-1993)
Euratom	European Atomic Energy Community
EU15	European Union Member States before the expansion on 1 May 2004 (Belgium, Denmark, Germany, Greece, Spain, France, Ireland, Italy, Luxemburg, Netherlands, Austria, Portugal, Finland, Sweden, Great Britain, and Northern Ireland)
FAO	Food and Agriculture Organization of the United Nations

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FTA	Free Trade Agreement
G20	Group of Twenty
GDP	Gross Domestic Product
IARC	Impact Assessment Research Centre
ICA	Interinstitutional Cooperation Agreement
IDB	Inter-American Development Bank
IDPM	Institute for Development Policy and Management
IFCA	Interregional Framework Cooperation Agreement
IR	International Relations
LAC	Latin American and the Caribbean
LI	Liberal Intergovernmentalism
LSE	London School of Economics and Political Science
MAS	Mercosur Administrative Secretariat
MEP	Member of the European Parliament
MERCOSUR	Southern Common Market or Common Market of the South (Spanish: Mercado Común del Sur)
MERCOSUL	Southern Common Market or Common Market of the South (Portuguese)
MP	Member of Parliament
MEP	Member of the European Parliament
MTC	Mercosur Trade Commission
NGO	Non-governmental Organization
OECD	Organisation for Economic Cooperation and Development
Parlasur	Mercosur Parliament

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PCA	Partnership and Cooperation Agreement
POP	Protocol of Ouro Preto
SIA	Sustainability Impact Assessment
TA	Treaty of Asunción
TSD	Trade and Sustainable Development
Trade SIA	Trade Sustainability Impact Assessment
TFEU	Treaty of Functioning of the European Union
TEU	Treaty of the European Union
UK	United Kingdom of Great Britain and Northern Ireland
USA	United States of America
WTO	World Trade Organization

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ABSTRACT

The European Union (EU) and Mercosur have been negotiating an Association Agreement (AA) for a two-decade period. With the accession of the Iberian countries to the EU, given the historical and cultural ties these two countries have with Latin America, a new line of interest and possible relation has been constructed for the EU. With the creation of Mercosur, in virtue of the Treaty of Asunción (TA), the EU amplified the focus for commercial and cooperation relation from bilateral to regional.

In 2000, the negotiations for an ambitious AA have commenced. The agreement is integrated by two pillars, trade and a non-trade. The latter refers to the political dialogue and cooperation part. Both organizations have concluded and effectively implemented commercial agreements with other countries and regions, but the scope of the AA is much higher, making the negotiation process extensively complex. Additionally, there are several issues of diverse nature to consider, such as: the institutional structure of the blocs, the EU's supranational character and the delegation of competences from the Member States, the asymmetries between the two blocs, state actors and the domestic level (meaning, the governments and the political parties at power), non-state actors (specially interest groups, civil society, dominant domestic producers and agricultural lobbies). Furthermore, the international political context outside the two blocs can also be influential, as it has been the financial crisis and the COVID-19 pandemic, to name a few.

The negotiation process was long-lasting, and it had a significant breakthrough on the 28th of June 2019, when it was celebrated with great political hype the end of the negotiations: the trade part was conducted, not concluded. Approximately a year later, on the 18th of June 2020, the political pillar and cooperation part was concluded. With these two references, we consider terminated the negotiation process. However, the AA is not concluded, is not ratified: as-of-today, it is undergoing the legal scrubbing process, namely the legal, technical and linguistic standards, pending ratification.

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ABSTRACT

The aim of this present Thesis is to analyse the factors that made so difficult the negotiation process, slowing down the pace, to the extent of stagnating the process. I consider these factors to be of mainly economic nature, therefore I will test the hypothesis of the conflicting economic interests.

Key Words

European Union; Mercosur; Association Agreement; Free Trade Agreement; Commercial Agreements; Trade Part; International Trade; Political Dialogue and Cooperation Part; Negotiations; Trade Negotiations; Liberal Intergovernmentalism.

CHAPTER 1. INTRODUCTION

1.1. Global Actors and Association Agreement

Before entering into the description of the Association Agreement (AA), I consider it relevant to introduce the negotiating parties. The European Union (EU) and Mercosur are global actors in the form of international organizations, and not sovereign states. Furthermore, we have to admit the fact that the EU does not fit perfectly into what is traditionally understood as an International Organization since it is a *sui generis* organization and there is nothing comparable to the present-day. All of this attain to have a significant relevance in terms of institutional framework, distribution of competences with the Member States, and ratification process of an agreement such as the Association Agreement.

European Union

In a strict sense, the reference to the "*European Union*" is mentioned under this terminology in various legal bodies, such as: the Tindemans Report (1975), the Solemn Declaration on European Union (1983), the Single European Act (1986) (Nogueras & Martín, 2016, p. 45), although the most relevant recognition comes with the Maastricht Treaty on the 7th of February 1992 (Chalmers, Davies, & Monti, 2019, p. 25). *Id est*, this treaty is formally called the "*Treaty of the EU*" (TEU), and entered into force on the 1st of November 1993 (Ibid., 2019, p. 25).

Through this Treaty, the Member States of the three European Communities, the European Economic Community (EEC), The European Coal and Steel Community (ECSC) and the European Atomic Energy Community (Euratom), constituted among themselves what we at this time understand as the European Union, according to art. 1 TUE (Nogueras & Martín, 2019, p. 45; Consolidated Version of the Treaty of the European Union, 2012, Official Journal of the European Union C 326/13; TUE, 2012). The Member

States commenced the EU on the legal and economic foundations of the existing European Communities (Nogueras & Martín, 2016, pp. 45, 46).

The EU did not start *ex novo* in 1992: in re it proceeds the European Communities, it is "*the heir*" of the European Communities. The international personality of the EU succeeds that of the European Communities (Nogueras & Martín, 2016, pp. 46- 49).¹

The Iberian countries Spain and Portugal, which "*(...) emerged from dictatorships and isolationism in the mid-1970s*" have had a more problematic accession process (Chalmers, Davies, & Monti, 2019, p. 18). Portugal applied for accession to the EU in March 1977, and Spain in July of the same year. Negotiations for the two countries began in 1978, culminating with the Treaty of Accession dated the 12 of June 1985, and the final accession of both Spain and Portugal to the EU on the 1st of January 1986 (Nogueras & Martín, 2016, p. 36). It was mostly the accession of Spain (Directorate-General for Communication, European Commission, 2022a), and to a lesser extent the accession of Portugal (Directorate-General for Communication, European Commission, 2022b), that brought a line of Hispanic and Latin American influence to the EU and its policies. Overall, Spain and Portugal are former colonial powers in Latin America. With their accession to the EU, the Latin American continent becomes a region with more relevance not only with respect to trade and economy, which was already stated, but also culturally and historically (LSE, SIA in support of Association Agreement negotiations between the European Union and Mercosur, 2018, p. 12). The first manifestation of this relationship occurs at the moment of the signing of the Treaty of Accession of both countries to the EU, in 1985 (a few months before Spain and Portugal officially accede to the EU, as mentioned before, on 1 January 1986). The same day that the Treaty of Accession for Spain

¹ By way of clarification, throughout this thesis I will refer solely to the European Union, regardless of whether it is pre- or post-Maastricht Treaty.

and Portugal is signed, the EU finalizes the "*Joint Declaration of Intent on the Development and Intensification of Relations with the Countries of Latin America*", publicly expressing its interest and motivation as regards economic aid and social development in Latin America (Arana, *The EU's Policy Towards Mercosur: Responsive not Strategic*, 2017, p. 88).

The accession of the Iberian countries in the EU had great relevance in the strengthening of EU-Latin America relations, in a first phase, and posterior with Mercosur. It is a mainly historical-cultural basis, given the recognized links that Spain and Portugal maintain with their former colonies in Latin America (Ibid., 2017, p. 2). The ties between Mercosur and the Iberian Countries are still present today, under different manifestation. For example, there are citizens of Mercosur with a clear European heritage, family links, including an EU passport, given their double nationality (Guinea & Sharma, 2021, p. 3). Outside the Spanish and Portuguese perspectives, there were other migration flow between Europe and the Mercosur countries, due to persecutions and war. It was the case for Germans, Italians, and Polish mostly. There are in millions of Argentinians with Italian ancestry, and estimations of 3 million Brazilians that speak German and another 3 million Brazilians with a claimed Polish heritage (Ibid., 2021, p. 16).

Complementary regarding the Iberian countries, there is also the linguistic base, of important manifestations such as the contact and the drafting of documents within the framework of the EU. Specifically, before 1986 the EU documents in relation to Latin America were not written in Spanish and Portuguese, since at that time they were not official languages of the EU, a dynamic that changed with the accession of the Iberian countries to the Union (Arana, *The EU's Policy Towards Mercosur: Responsive not Strategic*, 2017, p. 73).

Regarding the accession of Spain and Portugal and its impact on EU-Latin America relations, there were several declarations, of which I consider relevant to mention the

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following two, given their degree of illustration. First, Claude Cheysson, the Commissioner responsible for Mediterranean Policy and North-South relations, of the Delors Commission, recognized that the accessions of Spain and Portugal as Member States would increase and intensify relations between the EU and Latin America (Cembrero, 1987). Second, it has been admitted that the influence of Spain was greater than that of Portugal, as far as the aforementioned is concerned. Therefore, this idea is accentuated in the statement by the Chancellor of West Germany, Helmut Kohl, the day before Spain's accession to the EU, stating that Spain would be "(...) *an intermediary of exceptional category between Europe and Latin America*" (El País, 1985). Additionally, Spain and Portugal can be more than a merely intermediary between the two regions, they have significant advantages to bring to their European organization, such as "(...) *trade routes, lower transaction costs due to common languages and more compatible demand structure.*" (European Parliament, 2021b, p. 19)

Furthermore, it can be affirmed that the Spanish and Portuguese Presidencies, Commissioners, Members of the European Parliament (MEPs) were the ones that provided momentum to the negotiations timeline the agreement, to a great extent Spanish, to a less extent Portuguese (Arana, Explaining the Renew Push for an European Union Association Agreement with Mercosur, 2014, pp. 142, 143).

As a setting, the EU is an organization of a peculiar nature: it encompasses both cooperation and integration. Regarding the first category, the functions designated to the EU exceed qualitatively and quantitatively the set of general attributions designated to the classic international organizations under the qualification of cooperation organizations. Regarding the latter category, there is a transfer of competences, the UE feeds on the powers of the Member States (Nogueras & Martín, 2016, pp. 538, 539). By any means, the EU must adjust to its legal status as an international organization, despite

its marked and undeniable singularity (Ibid., 2016, p. 540). Lastly, with the complex nature of the EU, there is no doubt about its recognized and accepted international legal capacity, the organization is assuredly a global actor.

With regard to the international legal subjectivity of the EU, art. 47 of the TUE affirms the legal personality of the organization, in very simple terms *“The Union shall have legal personality.”* (TUE, 2012). As an international organization, the EU have the benefit of a derived legal personality, since it is subject to the will of its Member States, and limited in scope and content. As an international organization with legal personality, the articles 3.2 and 216 of the TFEU regulates the conclusion of international agreements with third states or international organizations (TFUE, 2012). International agreements are a fundamental instrument for the exercise of the EU's competences, in the field of external relations (Nogueras & Martín, 2016, p. 561).

All this materializes in the celebration and conclusion of international agreements, as the foundation of the conventional activity of the EU, especially in the areas of external action: Common Commercial Policy and Development Cooperation (Ibid., 2016, p. 561).

In the present-day, the EU is an international organization with a European scope, integrated of 27 Member States² (Europeo, Tomo I, 2018a). These Member States possess *“(...) decision-making power and political legitimacy.”* (Moravcsik & Schimmelfennig, Liberal Intergovernmentalism, 2019, p. 65). With the recognition of international legal personality and the attribution of external competences to the EU, it was endorsed the establishment of a broad and complex set of foreign relations. Furthermore, as an economic actor, the EU of 27 Member States has acquired a relevant weight in relation to

² With the accession of Croatia, in 2013, there were 28 Member States in the EU. Subsequently, with the Brexit phenomena it was reduced to 27 Member States, once again

its trading partners, and the latter can benefit from this expansion of the single market, which will allow them to invest or export to more markets and countries.

Mercosur

In 1991, Argentina, Brazil, Paraguay and Uruguay set themselves the goal of organizing a common market of the Southern Cone, denominated Southern Common Market or Common Market of the South³ (Mercosur, in Spanish; Mercosul in Portuguese) (Mercosur, 2022b; Europeo, Tomo III, 2018b, p. 413). By common market we understand “(...) *the free supply of services and unrestricted movement of goods, workers and capital.*” (Mukhametdinov, 2019, p. 28). For Mercosur, quoting verbatim, is “(...) *a common space that generates business and investment opportunities through the competitive integration of national economies into the international market.*” (Mercosur, 2022b).

Extended, Mercosur is a process of regional integration and regional trade agreement between the four founding members already mentioned, founded the 26th of March 1991 by the Treaty of Asunción (TA) (Mercosur, 2022b; Mercosur, 2022c). This treaty constitutes the creation of Mercosur, and the Protocol of Ouro Preto (POP) is the institutional base of the organization (Macedo, 2018, p. 742). With the latter, dated the 17th of December 1994, Mercosur acquires the status of an international organization with legal personality in accordance with the International Law, which at the internal institutional level is exercised by the Common Market Council (CMC) (Mercosur, 2015, p. 7).

Furthermore, the common market dimension, Mercosur is “*A union of countries working as one to secure the well-being of their people.*” (Mercosur, 2022a). Mercosur is an

³ In short: Mercosur

intergovernmental integration process under the form of an International Organization, lacking supra-nationality (Macedo, 2018, p. 742), “(...) where each State Party has one vote, and decisions must be made by consensus and with the presence of all States Parties” (Mercosur, 2015, p. 12).

Bolivia and Venezuela demand special reference with respect to the Mercosur membership. Venezuela is the first Latin American state to adhere to the founding treaty of Asunción, in 2006, and more recently Bolivia, in 2015 (Ibid., 2015, p. 8). The current status of the two towards a Mercosur accession will be detailed below. However, there is a certain parallelism between the dynamics of the enlargements and the Brexit phenomena in the framework of the EU, and the status of Bolivia and Venezuela in the framework of Mercosur.

The Plurinational State of Bolivia. On the 1st of December 2012, Bolivia signed the Protocol of Accession to Mercosur, the protocol is pending ratification by the Parliaments of the Mercosur countries (Ibid., 2015, p. 8). “*The Plurinational State of Bolivia is in the process of accession*”, therefore pending membership to today (Mercosur, 2022c). While the Bolivian Accession Protocol is in the process of being incorporated by the congresses of the four founding states, Bolivia acquires a certain recognition within the organization. Therefore, Bolivia, as an adherent state, only has granted the right to speak (entitled to speak and for active participation, without the right to vote) in the meetings of forums and decision-making bodies of Mercosur (Mercosur, 2015, p. 8; 14; Mercosur, 2022e).

The Bolivarian Republic of Venezuela. In 2006, amid the halt in negotiations between Mercosur and the EU, Venezuela signed a membership accession, but it was not ratified by half of the states of the Mercosur bloc: in this case, Brazil and Paraguay (Boyer & Schuschny, 2010, p. 9). Succeeding, in 2013, Venezuela officially joined the Mercosur bloc under the condition of State Party (Mercosur, 2015, p. 8). The membership was active

shortly, since Venezuela got suspended from Mercosur and was exempt from “(...) *all the rights and obligations inherent to its status as a Mercosur State Party*” for these purposes from the 1st of April 2017, under the official cause of “(...) *the breakdown and disruption of the democratic order*” (Macedo, 2018, p. 742; Mercosur, 2022c; Mercosur, 2022d).⁴

Mercosur as an international organization has Argentina, Brazil, Paraguay and Uruguay as the founding States and signatories of the TA, and an additional status of Associated State. The Associated States sign Free Trade Agreements (FTAs), and are authorized to participate in the meetings of Mercosur bodies that deal with issues relevant to both parties (Mercosur, 2015, p. 9). As of today, the Associated States are the following: Chile, Colombia, Ecuador, Peru, Guyana and Suriname (Mercosur, 2022c).

In the documentation and literature of the EU, “*the field of external relations*” is cited (Europeo, Tomo I, 2018a; Nogueras & Martín, 2016), and the part corresponding to Mercosur has been denominated “*extra-regional relations*” (Mercosur, 2015, p. 30), it is a different conceptualization for the same notion. Mercosur, as an international organization with legal personality recognized in the POP, can conclude international agreements, which will be subsequently passed to the national parliaments, to be ratified (Ibid., 2015, p. 30). This is a fundamental difference, which separates Parlasur from the EP⁵. With the TA, through the Decision of the CMC Number 32/00, the commitment of the States Parties to Mercosur was created, to jointly negotiate agreements of a commercial nature with third countries or regions (Ibid., 2015, p. 30). Within this framework, Mercosur is currently still under negotiations the AA agreement with the EU.

⁴ By way of clarification and with respect to the present Thesis, Bolivia and Venezuela do not count as Mercosur States.

⁵ This difference will be dealt with in the [Section “Institutional Framework and Obstacles”](#)

Association Agreement

Within the framework of the conventional activity in the field of external relations, the EU has as main categories of international agreements the following: on the one hand, the agreements concluded by the EU and the mixed agreements, and on the other hand, the commercial agreements and those of association. The agreements that stand out and are relevant for the present study are the ones originally foreseen in the Treaties, the commercial and the association agreements (Nogueras & Martín, 2016, pp. 563, 564). In addition, I will also make a reference to what comes to be a third category of international agreements, cooperation agreements (EU Monitor, 2022a).

Trade agreements (also denominated commercial agreements) are regulated in art. 207 TFEU (TFUE, 2012), within the framework of the Common Commercial Policy (CCP). More specifically, arts. 206 and 207 TFEU regulate the Common Commercial Policy, which is an exclusive competence in virtue of the art. 3.1.e) TFUE (Ibid., 2012). In the case of the ongoing negotiations between the EU- Mercosur, the FTA is part of the AA, as will be explained subsequently (Arana, *The EU's Policy Towards Mercosur: Responsive not Strategic*, 2017, p. 61).

Before entering the study of the association agreements, it is worth mentioning the cooperation agreements as an intermediate figure between trade and association agreements. These agreements are also found under the terminology "*Partnership and cooperation agreement*" (PCA) (EU Monitor, 2022a). In the wide margin between commercial agreements and association agreements, in practice the general category of "*cooperation agreements*" has been established. The latter surpass commercial agreements in content and objectives, but do not have the superior scope of the association agreements. Under the general qualification of "*cooperation agreements*" the following

areas can be included: commercial, commercial and economic, financial, technical, developmental, among other (Nogueras & Martín, 2016, pp. 566, 567).

The association is a model of EU relations with third states, regions and international organisations, aimed to fostering closer relations between the parties, which encompasses a wide scope. (Nogueras & Martín, 2016, p. 550; EU Monitor, 2022b). From a normative perspective, association agreements are regulated in art. 217 TFEU: *“The Union may conclude with one or more third countries or international organisations agreements establishing an association involving reciprocal rights and obligations, common action and special procedure.”* (TFEU, 2012). This is a special cooperation mechanism, which encompasses a large part of the EU's conventional activity with third countries and international organisations, apart from the accession agreements (which due to their individual characteristics are of another category) (Europeo, Tomo III, 2018b).

Descriptively, there is no definition of association agreements in the normative precept. Accordingly, the Court of Justice of the EU (CJEU) has pronounced, defining them as agreements that are *“(...) creating special, privileged links with a non-member country which must, at least to a certain extent, take part in the Community system.”* (Judgement 12/86 Demirel v Stadt Schwäbisch Gmünd, 2022).

Association agreements establish a special and privileged cooperation modality, as cited by the CJEU, and given its duration, degree of institutionalization, content and objectives, the relationships created through this agreement surpass, from a qualitative point of view, the relationships created through another type of agreement (Nogueras & Martín, 2016, p. 565). Furthermore, association agreements *“(...) have a different, if not higher, level of political meaning from agreements which are designed to facilitate interregional cooperation.”* (Arana, The EU's Policy Towards Mercosur: Responsive not Strategic, 2017, p. 61).

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The different forms of cooperation that the association agreement entails, from what is foreseen in practice, can be grouped into the following four modalities (Nogueras & Martín, 2016, p. 566).

First, association agreements concluded with states that may become members, *“prospecting members of the EU”* (EU Monitor, 2022b) (as was the case with Greece in 1961). Second, agreements concluded with developing countries that kept in the past historical, political and economic links with a current Member State of the EU (Nogueras & Martín, 2016, p. 566). By way of clarification, although it may seem that Mercosur would enter this framework of *“history matters”* with respect to the Iberian countries Spain and Portugal, active Member States of the EU, this modality does not occur: this second category, the conclusion of association agreements with developing countries, in practice occurred with the Yaoundé, Lomé and Cotonou Conventions with the African, Caribbean and Pacific regions (European Parliament, 2022a). Third, agreements concluded with the countries on the southern shore of the Mediterranean, except Syria and Libya (Nogueras & Martín, 2016, p. 566). Lastly, fourth, association agreements enforced to establish preferential relations with countries and regions (Arana, *The EU's Policy Towards Mercosur: Responsive not Strategic*, 2017, p. 61), as is the case with Latin America. It is worth mentioning on one hand, the agreements already concluded with Chile (2002), with Central America (2007), and on the other the ambitious association agreement with Mercosur, still open-ended (Nogueras & Martín, 2016, p. 566). Therefore, the AA to be concluded between the EU and Mercosur is an agreement that implements a specific cooperation framework (Ibid., 2016, p. 566).

Institutional Framework and Obstacles

The AA between the EU and Mercosur blocs is classified as a "*new regionalism*" agreement. The author Jean Grugel⁶ stated 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.*", and by doing that, the EU is "*(...) attempting to establish new and deeper regional relationships (...).*" (Grugel cited/ quoted in Arana, *The EU's Policy Towards Mercosur: Responsive not Strategic*, 2017, pp. 21- 25).

However, given the institutional structure of both EU and Mercosur as complex International Organizations, there are marked differences pronounced at the institutional level. Notwithstanding, there is a significant difference regarding the actual life (id est, duration) of the organizations: the EU counts with more than half a century, and Mercosur with about 21 years, which naturally will impact the institutional structure as well. The European organization counts with an additional supranational institutions and delegation of competences, and this is clearly one of the main differences between the blocs (Alberola, Buisán, & Fernández de Lis, 2002, pp. 31- 33). Altogether, the different treatment in the institutional frameworks and celebration of international agreements, a series of obstacles are being developed, as will be described next off.

If we retrace to the year 2000, in order to start the negotiation process and the celebration of the association agreement, the EU needed "*a negotiation mandate*". The Commission has by virtue of art. 218 TFEU (TFEU, 2012) the function of negotiating international agreements, prior negotiating mandate given by the Council. The negotiating mandate was brought from the Council of 15 Member States (Leahy, 2015, p. 18), and it is relevant

⁶ Jean Grugel is Professor of Development Politics, University of York, and Director of the Interdisciplinary Global Development Centre.

for the negotiation process to consider the enlargements of the EU, since it changed its dynamics from 15 Member States (the aforementioned EU15) to 27 currently (Europeo, Tomo I, 2018a). The original negotiating mandate of the Council, directed towards the Commission, already came with certain reservations, especially on the subject of agriculture, during the first stage of the negotiations, before the stalemate in 2004 (Arana, *Explaining the Renew Push for an European Union Association Agreement with Mercosur*, 2014, p. 148).

Even so, we must mention the different treatment of the pillars: trade and non-trade, meaning political part and cooperation. Hence, the AA with Mercosur has a mixed nature, there are competences transferred to the EU and competences that remain below the threshold of the Member States (Caetano, 2022, p. 13). The trade part is a delegated competence, in virtue of the art. 3 TFEU, allowing the EU to conclude international agreements, including trade agreements (Ibid., 2022, p. 13; TFEU, 2012). In non-trade related matters, the competences of the EU, in principle, exceed its exclusive competences (Diz, 2022, p. 18).

If we assume that the negotiations are concluded for a determined agreement, at the time of ratification, the EU must have the unanimous support of the Council. When it comes to trade agreements, apart from the Council, the European Parliament (EP) also comes into play. With the Lisbon Treaty, the PE is endowed with increased powers, and could potentially collapse an agreement already negotiated (Leahy, 2015, p. 18). These increased powers of the EP by virtue of the Lisbon Treaty were not framed merely in the theoretical sphere, since it was the MEPs that voted to reject the Anti- Counterfeiting Trade Agreement (ACTA), collapsing the agreement in 2012 (European Parliament, 2022b). Therefore, in the current regulatory framework of the EU, the agreement will have to be

ratified by the parliaments of its 27 Member States, in addition to the Council and the EP (Sanahuja & Rodríguez, 2019, p. 22).

Given the provisions, the EU faces more obstacles given that it has many veto players (Leahy, 2015, p. 18).

On the other side of the organizational scale, Mercosur does not have as many veto players as the EU. According to the art.1 of the POP, the institutional structure of Mercosur is formed by the following bodies: the Common Market Council (CMC), the Common Market Group (CMG), the Mercosur Trade Commission (MTC), the Parlasur, the Economic and Social Advisory Forum (ESAF) and the Mercosur Administrative Secretariat (MAS) (Macedo, 2018, pp. 742, 743). By way of clarification, Mercosur is an intergovernmental organization, in its institutional structure decisions are adopted at the intergovernmental level by consensus, since its four States Parties have not ceded sovereignty, nor have they formed supranational bodies (European Parliament, 2019b, p. 16).

Mercosur has its own parliamentary dimension since 2005, namely Parlasur (the Parliament of Mercosur) (European Parliament, 2019a, p. 2). This institution is not a Parliament with supranational powers, equivalent to the EP for the EU. Whether Parlasur is expected or envisioned to be a supranational institution is debatable, but up-to-the-date objectively speaking it is not (Macedo, 2018, p. 743). Parlasur is “(...) *a unicameral body and of citizen representation that incorporates the parliamentary perspective into the process of integration*” (Mercosur, 2015, p. 14; Mercosur, 2022e). From another perspective, the quantitative difference regarding the States Parties of Mercosur and their representations in Parlasur is noticeable. With the creation of Parlasur in 2005, its initial composition was a constant number: 18 Parliamentarians per State Party. The dynamic changes in 2009, according to demographic criteria, therefore Parlasur ends up having the following

composition: Argentina 43 MPs, Brazil 75 MPs, Paraguay and Uruguay, 18 MPs each (Mercosur, 2022e). With a less dynamic composition and with fewer objectively notable enlargements than the EU, Mercosur has been dragging the pending status of Bolivia, in the following terms. With the Bolivian Accession Protocol (BAP) pending since 2015, it is pre-established that in the event that Bolivia gains full adherence to Mercosur, it will count with 18 MPs in Parlasur, likewise Paraguay and Uruguay (Ibid., 2022e).

There is an equal lack of transfer of powers between the four States Parties and Parlasur, as it is with the other decision-making bodies: the CMC, CMG and MTC. In a simplified way, the CMG is the executive body that supports the resolutions of the CMC, and the body in charge of negotiations between Mercosur and third parties, in which the MTC provides guidance and dictates directives in these areas (Mercosur, 2015, pp. 10, 11). To the present-day, there is no transfer of powers or competence from the States Parties to the mentioned bodies, since they are intergovernmental and not supranational (Diz, 2022, p. 3). In the Mercosur framework, there is a lack of supranational institutional structure (Ibid., 2022, p. 8), marking a fundamental difference with the EU. The EU has a series of competences delegated from the Member States, which can reach the dimension of exclusive and exclusive powers of the organization, including “(...) *customs union; (...) common commercial policy.*” (TFEU, 2012, art.3). On account of the main topic of the present Thesis, the EU has competences in economic matters, and can negotiate provisions regarding the establishment of common markets with third countries or regions (Diz, 2022, p. 8), as it has been materialized in the process with Mercosur.

As far as the AA is concerned, the unanimous consent of the Mercosur members is needed to conclude said agreement (Leahy, 2015, p. 18), so the veto is in the hands of the four states, Argentina, Brazil, Paraguay and Uruguay, specifically of the parliaments of the four (Sanahuja & Rodríguez, 2019, p. 22).

Trade Part of the Association Agreement

The trade part of the AA corresponds, from a European institutional perspective to the Commission, “It has been commissioned by the European Commission, which negotiates trade agreements on behalf of EU countries” (Boyer & Schuschny, 2010, p. 17). Since in the Mercosur there are no supranational institutions, the competence comes down to the State Parties of the bloc. These named parties are the ones in charge of publishing the summary of the negotiations, and of the subsequent legal review process (Malamud, 2022, p. Abstract). This part of the AA was completed on the 28th of June 2019 and published the 1st of July of the same year.

Political Pillar and Cooperation Part of the Association Agreement

This political and cooperation part of the AA include topics of a different nature, from standard cooperation such as agriculture and fisheries, customs, competition, energy, to advanced cooperation in areas such as: intellectual property, investment, science and technology, telecommunications (Inter-American Development Bank, 2006, p. 15; IARC & IDPM, 2008, p. 9). Furthermore, regarding this part of the AA, at the EU level we change from the Commission to the European External Action Service (EEAS). Thus, it is the EEAS and the representatives of Mercosur the competent actors for the political part of the AA, completed on the 18th of June 2020, and as of today not published.

1.2. Research Question

*Why is it so difficult to conclude the Association Agreement
between the European Union and Mercosur?*

Why did the agreement take so long, and it is not ratified and entered into force to date?

Which factors made so difficult the conclusion of the Association Agreement until today?

The two-decade negotiation process had both opportunity windows opened and stagnation periods, and it was constantly influenced by interferences and obstacles of different nature, such as: economic interests, political issues, the international context.

1.3. Delimitations

After the introductory section with the mention main actors and framework, alongside the Research Question to be answered in the Analysis section, I consider essential the current Delimitations section, in order to highlight what it is not within the scope of the Thesis.

It is relevant to mention in advance that this Thesis will not illustrate the full scope of the negotiations for an AA between the EU and Mercosur. It would not be constructive to address all areas⁷ and sectors^{8 9} within the negotiations, trade and non-trade pillars, since they are the most varied and extensive, each one with its respective characteristics. However, the analysis is structured on the relevant factors that should provide answering the Research Question, within the economic and trade-related, broken down from both organizations.

⁷ Areas: agriculture, competition, customs and trade facilitation, dialogues, dispute settlement, intellectual property including geographical indications (rules of origin), public procurement, sanitary and phytosanitary measures, small and medium-sized enterprises, services and establishment, state-owned enterprises, subsidies, sustainable development, trade in goods and services, transparency (European Commission, 2019a).

⁸ Sectors in goods: agri-food products, cars, electrical equipment, machinery, mechanical appliances, optical instruments, organic chemicals, pharmaceutical products, plastic and rubber, pulp of wood, transport equipment (vehicles and aircraft), textiles, and clothing (European Commission, 2022b; European Parliament, 2019c).

⁹ Sectors in services and establishment: business services, financial services, intellectual property, telecommunications, transport, travel, postal and courier services, manufacturing (European Commission, 2022b; European Parliament, 2019c).

The present Thesis is not a Global Economics study. Also, this study will not analyse advanced aspects and issues such as: trade creation and deviation effects; sensitive products; welfare effects and the estimation of the changes in the welfare levels and improvements in welfare (Boyer & Schuschny, 2010, pp. 49, 50); the inter and intra-regional trade changes (Ibid., 2010, p. 25), the business environment and the ease-of-doing-business indicators (European Parliament, 2019c).

Expected scenarios, impacts and future predictions: In view of the provisions of the previous section, I will not forward in the description or analysis of possible predictions, such as: *“full liberalization scenario”* or *“scenario excluding sensitive products”* (Boyer & Schuschny, 2010, p. 25). Furthermore, given the Southern Cone presence from the Mercosur bloc, I consider relevant to mention that *“Predicting the future is always risky, more so for Latin America. The continent has repeatedly been described as on the verge of miraculous development, only to disappoint the optimists.”* (Skidmore & Smith, 1989, p. 372).

Brexit: In view of the present Thesis, 27 State Members compose the EU. With the accession of Croatia, there were 28 Member States, and with the Brexit phenomena it was reduced to 27 countries, once more. In view of the AA between the two blocs, the UK was mostly relevant for the service sector (European Parliament, 2021b, pp. 58- 60), but it will not be allocated as a part of this paper’s Analysis.

Other interested actors towards Mercosur: The EU counterbalancing the USA and China and the out-in-the-open trade- war between the mentioned two countries. Since there are several predictions placing China as the world’s largest economy by 2030 (European Parliament, 2020, p. 104), the USA and China they have a declared commercial and technological war between themselves (Sanahuja & Rodríguez, 2019, p. 16), and are potential threats to the position that the EU could hold in the Mercosur region, in areas

such as imports and exports, investments in industrial sectors, primarily (Sanahuja & Rodríguez, 2019, pp. 11, 12).

COVID-19 pandemic: The corona virus triggered a series of consequences of the most diverse nature worldwide. It should be noted, with respect to these delimitations, the socio- economic effects: primarily in terms of trade regarding the stoppage of import/export, or rather its limitation, the sanitary crises, the issue of the distribution of vaccines, etc. The EU is committed to recover the trade impact after the COVID-19 pandemic, to bring them to normal trade levels (trade flow), to keep the supply chain functional and to further strengthening and reinforcing international trade (European Parliament, 2020, p. 38). Other significant factor to mention, considering the non-inclusion in the analysis of this Thesis, is the agenda and distribution of COVID-19 aid from the EU towards other regions, namely Latin America and the Caribbean (European Union External Action, 2021), detailed in a short-term and long-term plan, currently confirmed until 2027 (European Union External Action, 2022). Latin America was one of the world's most affected regions by the corona virus, with over 27 million people affected, which can translate to approximately 20% of the total cases worldwide (European Parliament, 2021a, p. 1). It could be interpreted as another manifestation of the EU support towards its partners in the Southern Cone.

Russia's invasion of Ukraine: confirmed this past 24th of February, may have an impact on the EU- Mercosur relations, given that it has impacts the whole world mainly at an invasion- dispute level, but also at the level of commercial contracts, gas supply contracts, lastly reaching diplomatic levels (Caetano, 2022, p. 30). For the purposes of this Thesis, Russia and Ukraine are briefly mentioned along with the USA and China as other actors in the overview of EU- Mercosur relations.

CHAPTER 2. METHODS AND METHODOLOGY

The present Chapter is designed to present the primary methodological considerations. First, the objective of the thesis must be specified. Second, the research design will be presented. Third, I will clarify the selection of theory to apply throughout the thesis, with the aim of addressing the research question. Fourth and last, a mention will be made regarding the choice of data.

2.1. Thesis Objective

The negotiation process was long-lasting, over the course of two decades with windows of opportunity opened and stagnation periods, and encompassed issues of different frameworks. The aim of the Thesis is to illustrate and analyse the factors and obstacles that have slowed down, and even stagnated at times the negotiation process. In order for reach this analysis framework, the conflicting economic interests between the blocs are put into perspective, and their impact on the delay and stagnation of the negotiations.

The main two actors of this Thesis are the EU and Mercosur, the two blocs under the timeline of their AA negotiations. Furthermore, within the framework of both blocs, I am going to break down both state and non-state actors, in terms of their relevance in the negotiation process, with a special reference to interest groups¹⁰. With this research I focus on illustrating how the EU- Mercosur relations have developed and evolved with the years, closing the distance between the two regions with political, economic and diplomatic relations¹¹.

Therefore, from the perspective of the theory of Liberal Intergovernmentalism, and with the selection of the corresponding data, with the present Thesis I expect to analyse the

¹⁰ By virtue of the selection of theory, which will be described in [Section 2.2. "Selection of Applied Theory"](#)

¹¹ There are other actors with interest in the Mercosur region or with this dual bloc relation, such as China and the USA, but are not within the scope of the research.

hypothesis of the conflicting economic interests, from a multifaceted perspective, with respect to the factors that hindered the agreement between the EU and Mercosur during this almost two decades.

2.2. Selection of Applied Theory

The thesis is based on the International Relations (IR) theory of liberal intergovernmentalism (LI). This theory is a well-developed theory that can provide an overview of the interaction between the two blocs during their AA negotiation, with a special emphasis on the economic issues (Mukhametdinov, 2019, p. 11).

Namely, the analytical framework of LI is selected in order to identify and explain the factors that led to the delays and even stagnation during the negotiation process for an AA between the EU and Mercosur, specifically in the economic pillar. The topic of the AA between the two blocs is complex and extensive, and I consider relevant to mention that the main perspective of the analysis, in accord with the theory of LI is the economic perspective and the respective interests that each bloc holds in this matter. Naturally, there are additional aspects to consider and put into perspective, such as the following: historical- cultural, geostrategic, institutional and political, when relevant.

In conclusion, the aforementioned theory of LI I consider to be adequate in order to illustrate the scope of the long-lasting negotiations, the economic relations between the organizations, therefore presenting a complete overview of the two political blocs within their interaction for an AA, in response to the presented Research Question.

2.3. Research Design

For the present Thesis, the selected research design is represented by mixed methods, of both qualitative and quantitative data, based on an understanding of the Research

Question and subsequent analysis. The scope of the mixed methods research design is, on one hand, to give a more extensive understanding and explanation to the topic, meaning the AA between the EU and Mercosur, and the two-decade prolonged negotiation process. On the other hand, the quantitative data should enhance the qualitative research with validity and reliability attributes.

The mixed methods research relies on desk research, specifically on academic literature based on both European and Latin American authors¹², with particular emphasis on original documents derived from the negotiations alongside a legislative review from the institutional framework of the organizations, illustrated with statements and declarations when relevant, and lastly complemented by specific studies and reports, regarding the quantitative data.

2.4. Choice of Data

The Thesis is a theoretical mixed methods research, based on empirical data and official sources from both international organizations.

In order to carry out this Thesis, secondary sources were used: official documents and publications from the EU and Mercosur (directly taken from their official websites), joint documentation from before and after the negotiation for the AA (specifically the Interregional Framework Cooperation Agreement, dated 1995, and the Agreement in Principle for the Trade Part, dated 2019), in addition to academic literature, articles in academic journals and books, and lastly specific studies and reports.

At first instance, the Thesis has an introductory historical timeline from the early 1986, the year of accession of the Iberian countries Spain and Portugal to the EU, year that has

¹² As detailed in the [Section "Choice of Data"](#)

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marked a before and after in the relations between the EU and Latin America in general, and with Mercosur in particular, from the creation of this latter. It was with this accession, that the EU Member States started to focus beyond merely bilateral relation, expanding these to the regional level, therefore the signed and concluded IFCA and the current AA, negotiated but not ratified. At second instance, there is a primary negotiation timeline, that dates from the year 2000 until 2019 and 2020. However, there is a timeline objective to try to bring the academic research to the most recent, therefore there are sources reaching the up-to-date 2022¹³.

From the qualitative perspective, most of the data originates in academic literature, articles from academic journals and books. From the quantitative perspective, primarily the numerical part of the data is presented in the form of statistics on economic and trade data, retracted from the EU, Mercosur, The World Bank, the Organisation for Economic Cooperation and Development (OECD) and Food and Agriculture Organization of the United Nations (FAO).

Additionally, in regard to the quantitative data I must mention the Sustainability Impact Assessment Report (SIA report in short), commissioned by the European Commission via the University of Manchester and London School of Economics and Political Science (LSE) Consulting. The first two SIA Report were the ones elaborated by the University of Manchester, in 2007 and 2008, during a period of stagnation of the negotiations. The more recent two SIA Reports elaborated by the LSE. Quoting verbatim the Commission, the LSE is “(...) *an independent consultancy company.*” (European Commission, European Commission Services' Position on the SIA in Support of Negotiations for the Trade Part of the EU- Mercosur AA, 2021). These reports are from 2018 and 2020. However, given

¹³ The most recent academic sources from 2022 are the following: Caetano, 2022; Diz, 2022; Malamud, 2022; Murawski, et al., 2022.

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the announcement of the end of the negotiations, dated on the 28th of June 2019, and the fact that the second SIA was not published by that date, this could be considered proof of the independence, meaning that the SIA Report “(...) *no way guided the negotiation and the decision-making processes.*” (Ghiotto & Echaide, 2020, p. 9).

Table 1: Key words used in the data selection

For qualitative	EU- Mercosur, Association Agreement, Trade Agreement, Trade Part, Political Dialogue, Political Pillar, and Cooperation Part.
For quantitative	economic factor, GDP, trade, import and export, territory, surface area, population.

Source: Own creation

More specifically, the main data and sources that will be used alongside this Thesis analysis, identifying and explaining the long-lasting negotiations, and the factors that led to the delays and stagnation periods, are the followings:

1. Academic literature, Journal articles and books written by both European¹⁴ and Latin American authors^{15 16}
2. Legislative review from the institutional framework of the organizations

¹⁴ European authors and scholars: Andy Klom (Ireland/ The Netherland), Andrés Malamud (Portugal), Arantza Gómez Arana (UK), Detlef Nolte (Germany), Ekaterina Krivonos (Italy), José Antonio Sanahuja (Spain), Klaudija Cremers (France), Pablo Gómez Leahy (Belgium), Tancredè Voituriez (France), Yann Laurans (France).

¹⁵ Latin American authors and scholars: Andrés Ricardo Schuschny (Chile), Clarissa Correa Neto Ribeiro (Brazil), Gerardo Caetano (Uruguay), Iván Boyer (Chile), Jamile Mata Diz (Brazil), Javier Echaide (Argentina), Jorge Damián Rodríguez (Uruguay), Julieta Zelicovich (Argentina), Luciana Ghiotto (Argentina), María Victoria Álvarez (Argentina), Paulo Emílio Vauthier Borges de Macedo (Brazil).

¹⁶ Authors and scholars from other regions: Antoni Estevadeordal (USA), Robert Devlin (USA).

3. Joint Official Documents of the Blocs: Formal documentation derived within the EU- Mercosur relation¹⁷ and from the negotiations¹⁸
4. Press and Information Office: official statements and declaration from press releases and public announcements, including Commissioners, Presidents, etc.
5. Quantitative statistics retrieved from IDB, FAO, OECD, Statista and the World Bank.
6. Complementary to the quantitative data, specific studies and reports, including expert sources and external consultants: the SIA Reports by IARC and IDPM (2007 and 2008), the SIA Reports by the LSE (2018 and 2020), with the subsequent Position Paper on the SIA by the European Commission (2020).

In conclusion, I consider adequate giving the research design, choice of data and theoretical framework, that the Research Question will be properly answered in the Analysis Chapter.

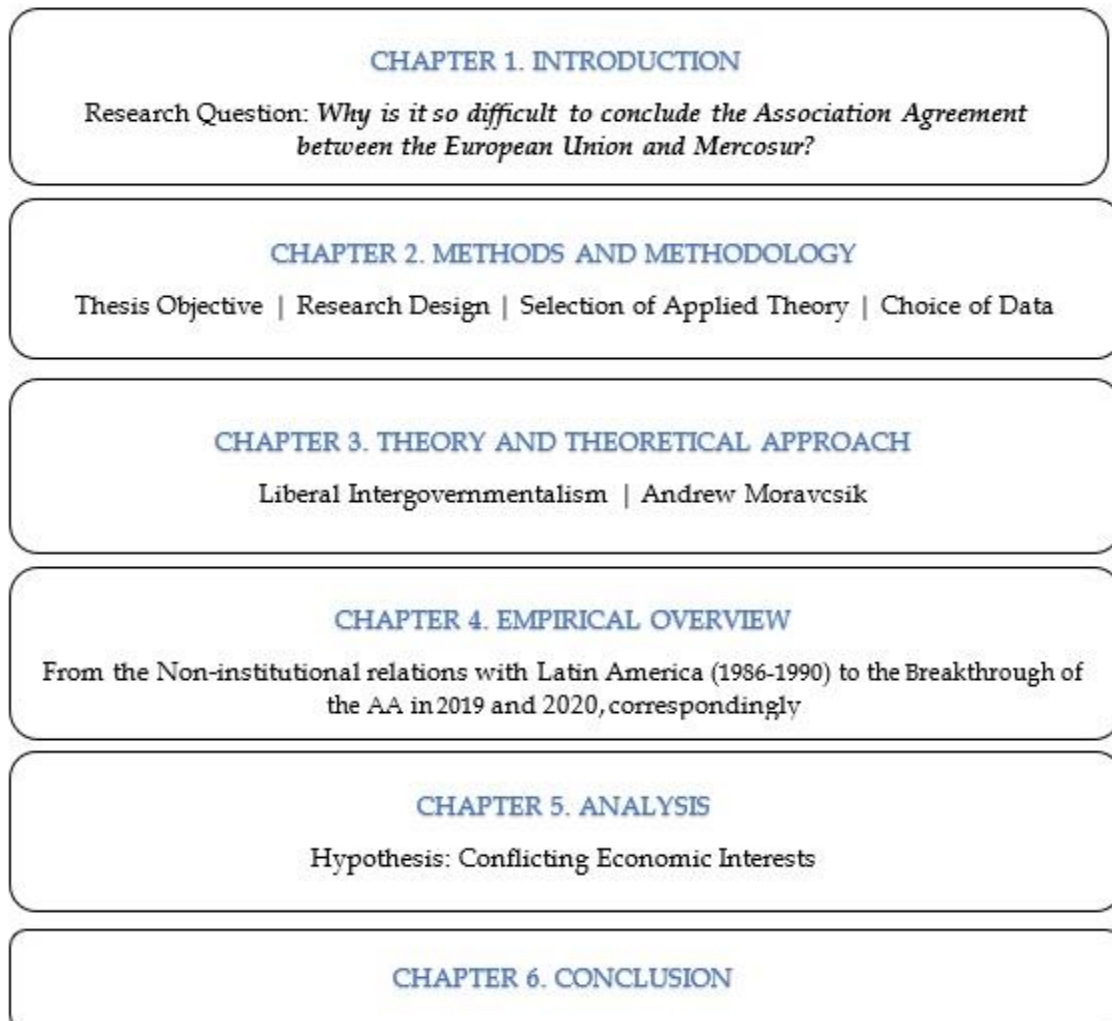
2.5. Thesis Structure Overview

¹⁷ Interregional Framework Cooperation Agreement (1995)

¹⁸ The new EU- Mercosur Trade Agreement: The Agreement in principle (2019), Trade Part of the EU- Mercosur Association Agreement (2019)

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Figure 1: Thesis Structure Overview



Source: Own creation

CHAPTER 3. THEORY AND THEORETICAL APPROACH

3.1. EU, Mercosur and the Theoretical Framework

As far as this Thesis is concerned, there are two main actors: the EU and Mercosur, with a focus on the development of their AA. Given the framework between the two blocs, I am going to break down both state and non-state actors, in terms of their relevance in the negotiation process, with a special reference to interest groups.

With a long-lasting negotiation process over the course of two-decades, for an AA, and with the complexities and singularities that the EU and Mercosur blocs presents as international organizations, there is no shortage in the academic literature when it comes to this phenomenon (Diez & Wiener, 2018, p. 5). It is relevant to mention that there is also some asymmetry regarding the academic research since the EU has been endowed with more focus and research than Mercosur. In that sense, the words of the author Andrew Moravcsik¹⁹ are very illustrative, stating that the EU is a “(...) *sole major success*” (Moravcsik, 1998, p. 15).

Therefore, the International Relations (IR) theory of liberal intergovernmentalism (LI) is the selected theoretical approach to illustrate the factors and characteristics that led to the long-lasting negotiation for an AA between the EU and Mercosur, and the difficulties concluding the AA.

¹⁹ Andrew Moravcsik is Professor of Politics and International Affairs and Director of the European Union Program at Princeton University (Princeton University’s Woodrow Wilson School of Public and International Affairs).

Table 2: Brief Understanding of the Theoretical Approach

Selected IR Theory	Liberal Intergovernmentalism
Key Elements	State preferences Interstate bargaining
Assumptions	State-actor cantered Rationality
Principal Concepts	Economic Interests Trade matters Size and asymmetry
Level	From national (domestic) to the international sphere

Source: Own creation

3.2. Liberal Intergovernmentalism

Liberal Intergovernmentalism (LI) was created as a revision of the traditional intergovernmentalism of the mid 1960's with references such as Stanley Hoffmann²⁰ (Kleine & Pollsck, 2018, p. 3), the latter which was an alternative theory to neofunctionalism (Moravcsik & Schimmelfennig, Liberal Intergovernmentalism, 2019, p. 64). LI originates the previous approach of intergovernmental institutionalism, redefining the interstate bargaining and incorporating the national preference formation, the latter which belongs to the liberal theories approach (Moravcsik, Preferences and Power in the European Community: a Liberal Intergovernmentalism Approach, 1993, pp. 480- 482).

²⁰ Stanley Hoffmann was a Professor Emeritus in IR, American Foreign Policy and French and European Politics at Harvard, for 58 years. In connection to the present Section, I consider relevant to mention that he was Andrew Moravcsik's mentor.

Explicitly, LI integrates in a single theoretical approach two types of IR theories, id est: a liberal theory together with an Intergovernmentalist theory (Ibid., 1993, p. 482).

Basic Assumptions of Liberal Intergovernmentalism

The theory of LI is built on the following two basic assumptions regarding the international political sphere.

One: state actor centred, “(...) states are the critical actors in a context of international anarchy.” (Moravcsik & Schimmelfennig, Liberal Intergovernmentalism, 2019, p. 65).

Second: rationality assumption, “(...) states are purposive and at least boundedly rational.” (Moravcsik & Schimmelfennig, Liberal Intergovernmentalism, 2019, p. 65).

Id est, the conjunction of the assumptions results in state actor-centred rationality, namely the rational state behaviour.

Concerning the first assumption, “(...) states seek to achieve goals primarily through intergovernmental negotiation and bargaining, rather than by a centralized authority making and enforcing political decisions.” (Moravcsik & Schimmelfennig, Liberal Intergovernmentalism, 2019, p. 65). Namely, it is a state-centric theory, given that states are the major actors. Furthermore, states are unitary actors. Correspondingly, the state is represented as unitary, meaning that “(...) varied views about state interests internally and varied actors that represent the state externally aggregate to relatively coherent preference functions and strategic calculations.” (Ibid., 2019, p. 65).

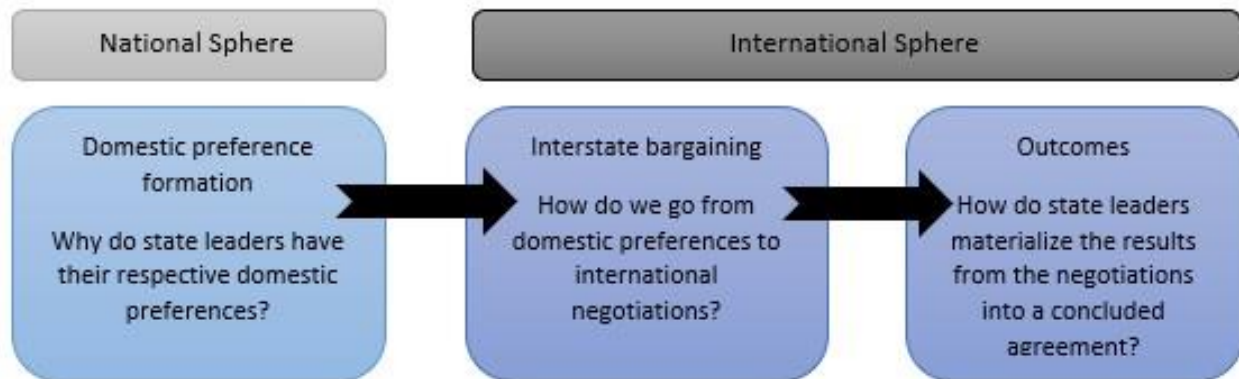
Concerning the second assumption, we revolve around rationalism. With rationalism as agency assumption, “(...) actors calculate the utility of alternative courses of action and choose the one that satisfies (or maximizes) their utility under the circumstances.” (Ibid., 2019, p. 65). Correspondingly, this rational framework assumes “(...) that the primary political instrument by which individuals and groups in civil society seek to influence international negotiations is the nation-state, which acts externally as a unitary and rational actor on behalf of

its constituents." (Moravcsik, *The Choice of Europe. Social Purpose and State Power from Messina to Masstricht*, 1998, p. 22).

Three Stage Framework: Domestic Preference Formation, Interstate Bargain and International Supply of Outcomes

Beforehand, according to the aforementioned LI assumptions, we have the state-as-actor, critical actor in the international political sphere, boundedly rational. Furthermore, the theory of LI gives an illustrative three stage framework, that goes from the domestic politics to the international stage. These stages are the following: one, domestic preference formation; two, interstate bargaining; and three, international supply of outcomes.

Figure 2: Three Stage Framework in Liberal Intergovernmentalism



Source: Own creation

One. Domestic Preference Formation

How are state preferences formed? How do we go from domestic politics to domestically articulated interests and preferences? For this incipient stage, we originate in the domestic politics plane, with the national Governments: they define a series of interests and preferences (Moravcsik, *Preferences and Power in the European Community: a Liberal Intergovernmentalism Approach*, 1993, p. 481).

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This first stage is a manifestation of the Liberal Theories: a liberal theory of national preference formation (Moravcsik, *Preferences and Power in the European Community: a Liberal Intergovernmentalism Approach*, 1993, p. 480; Moravcsik & Schimmelfennig, *Liberal Intergovernmentalism*, 2019, pp. 66, 67).

State-as-actors define their national preferences and interests, which are neither fixed nor uniform (Moravcsik, *The Choice of Europe. Social Purpose and State Power from Messina to Masstricht*, 1998, pp. 20, 21), “(...) *neither invariant nor unimportant.*” (Moravcsik, *Preferences and Power in the European Community: a Liberal Intergovernmentalism Approach*, 1993, p. 481) given that they are the result of the articulated pressure that interest groups exercise on national governments. The latter can change preferences over time and according to the agenda setting.

What shapes the state’s national preferences, economic or geopolitical interests? Moravcsik distinguished between an economic and a geopolitical explanation as concerns the domestic preference formation. The separating line between the two explanations rest in the following: the main bargaining demands are economic in nature, whilst the concessions to be made in the negotiation process are geopolitical (Moravcsik, *The Choice of Europe. Social Purpose and State Power from Messina to Masstricht*, 1998, p. 28).

Two. Intestate Bargaining

In this stage, once the states have defined their preferences and interests, they then begin to bargain, via the interstate negotiations (Moravcsik, *Preferences and Power in the European Community: a Liberal Intergovernmentalism Approach*, 1993, p. 481). It is in the negotiation process that national governments have “(...) *little flexibility*” (Ibid., 1993, p. 487) when it comes to, for example, compromising and making concessions, proposing

alternatives, adapting to the adjustments, finding and “(...) *settling on the lowest common denominator.*” (Ibid., 1993, p. 487).

The national governments that are in the negotiation process at the interstate level can be influenced by other non-state actors²¹. However, the end scope of these negotiations is the pursuit of the domestic preferences already stated.

This second stage is an Intergovernmentalist approach of interstate negotiation (Moravcsik, *Preferences and Power in the European Community: a Liberal Intergovernmentalism Approach*, 1993, p. 480; Moravcsik & Schimmelfennig, *Liberal Intergovernmentalism*, 2019, pp. 67, 68).

The negotiation process represented via this second stage is assumed to be “(...) *non-coercive, information-rich, deliberative and institutionalized.*” (Moravcsik, *Preferences and Power in the European Community: a Liberal Intergovernmentalism Approach*, 1993, p. 499). Otherwise stated, intergovernmental conferences are non-coercive and informational settings, and the negotiations can be reduced to distributional questions and deliberation, contrary to hard bargaining (Kleine & Pollsck, 2018, pp. 6, 7; Moravcsik, *Preferences and Power in the European Community: a Liberal Intergovernmentalism Approach*, 1993, p. 499). However, the relation between deliberation and the rationality assumption can be nonconflicting, “(...) *observations of deliberation are not incompatible with a rationalist and, thus, liberal Intergovernmentalist perspective on interstate negotiations.*” (Kleine & Pollsck, 2018, p. 7).

²¹ To be described in detail in the following [Section “Non- State Actors and the Three Stage Framework: Interest Groups”](#)

Three. International Supply of Outcomes

Lastly, the states create institutions and endorse them with competences, in order to fulfil the outcomes (Moravcsik & Schimmelfennig, Liberal Intergovernmentalism, 2019, pp. 69, 70). The results in this current stage can be either bargaining outcomes, or institutional choices and changes (Wallace, Caporaso, Schampf, & Moravcsik, 1999, p. 172).

Given the scope of the present Thesis, this stage goes in parallel with the delegation of competences within the EU. Namely, the Member States of the EU delegate authority in the form of competences to the supranational organization, in order to commit and secure their common agreement.

Non- State Actors and the Three Stage Framework: Interest Groups

In the previous Section we have started with the state as the major actor and the process from the formation of the domestic preferences to the interstate bargaining and its outcomes, in the form of international agreements and deals. We can however take one step previous to that starting point, and consider what it is that originates the state's interests and preferences in the first place: the societal pressure on national governments.

The international political system is shaped by state and non-state actors. By the latter it should be understood "*(...) any entity that is not actually a state.*", "*(...) any actor on the international stage other than a sovereign state.*" (Clapham, 2009, p. 1). For instance, in a broad sense, we have the followings as non-state actors: agricultural lobbies, business representatives, civil society, corporations, consumer bodies, dominant domestic producers, environmental organizations, farming organizations interest groups, NGOs, regional organizations, religion or faith-belief groups, social movements, trade union organizations, up to the extent of including armed groups and terrorists (Clapham, 2009; Cremers, Laurans, & Voituriez, 2021, p. 5; European Commission, 2022b; Mukhametdinov, 2019, p. 12).

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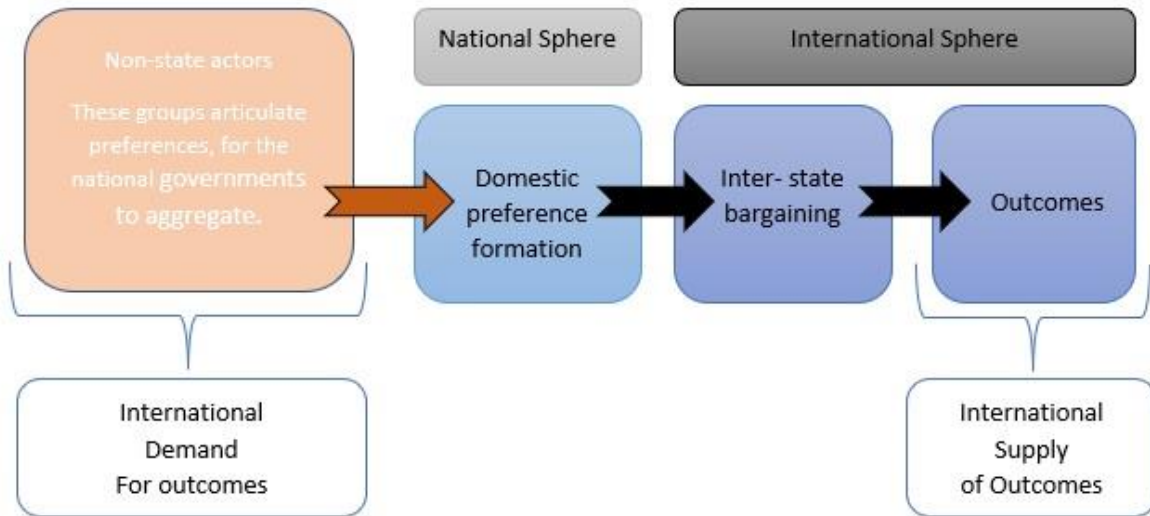
CHAPTER 3. THEORY AND THEORETICAL APPROACH

In order to reduce the non-state actor mentions given the relevant to the scope of the present Thesis, I consider relevant the following non-state actors: regional organizations, civil society, social movements and interest groups, the last of which deserves a special focus, given the framework of the negotiation for the AA between the blocs.

The last one of the three stage framework was the international supply of outcomes, which is the end response to this incipient stage, also denominated international demand for outcomes. Otherwise stated, “(...) *governments participating in international negotiations are both empowered and constrained by important societal groups, which calculate their interests in terms of the expected gains and losses from specific policies.*” (Moravcsik, *Preferences and Power in the European Community: a Liberal Intergovernmentalism Approach*, 1993, p. 487). The interest groups nurse the political system by formulating preferences for the national governments to aggregate, and “(...) *exercise pressure on national Governments.*” (Mukhametdinov, 2019, p. 12). With the Moravcsik’s economic explanation into perspective, interest group are key influencers in the domestic preference formation stage (Moravcsik, *The Choice of Europe. Social Purpose and State Power from Messina to Masstricht*, 1998, p. 28).

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Figure 3: Three Stage Framework in Liberal Intergovernmentalism,
 with the inclusion of Non-State Actors



Source: Own creation

An international negotiation with a magnitude as the one for the AA between the EU and Mercosur possesses, there are several non-state actors to consider. In an illustrative way, national governments can pursue international agendas in matter of agriculture and trade, for example, in order to comply to interest groups and dominant domestic producers, or in Moravcsik's terms, "(...) *cohesive groups of producers*" (Moravcsik, *Preferences and Power in the European Community: a Liberal Intergovernmentalism Approach*, 1993, p. 487). The international agreements must reflect and ensure the demands of the interest groups, else coordination is required. Moravcsik has identified that within the EU since 1993, specifically in the agricultural sphere, stating that the organization's "(...) *bargaining positions are dictated by pressures from interest groups.*" (Ibid., 1993, p. 487).

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There are numerous interest groups, dominant domestic producers and lobbying groups that demand their own differentiated preferences to be aggregated by the national governments. Therefore, there are plural interests and preferences in competition for the state's attentiveness, multiple interest groups can pressure the governments, but clearly not all demands will conclude by influencing them (Kleine & Pollsck, 2018, p. 3).

The most influential interest groups, the "*Powerful groups define state interest in economic matters, which is further pursued by the governments.*" (Mukhametdinov, 2019, p. 88). Furthermore, following this line of argument, States can express their view by accepting or not the pressure and preference exercised by the interest groups (Ibid., 2019, p. 12).

CHAPTER 4. EMPIRICAL OVERVIEW

The present Chapter is historical in nature, describing the rationale for the EU- Mercosur relations, during the negotiation process for the Association Agreement.

4.1 Negotiations Timeline

The AA between the EU and Mercosur, broken down into the trade part, and the political dialogue and cooperation part, is considered to be the most negotiated agreement in history, with a two-decade period of negotiations²².

Before entering the specific mentions regarding the extensive negotiation process, I consider it relevant to mention the history of relations between the EU and Mercosur. Indicatively, I am referring to non-institutional relations and official relations before 2000.

EU- Latin America: Non-institutionalized relations (1986- 1990)

Until 1986, there were practically no formal relations between the EU and the Member States of what we now call Mercosur. With the accession of the Iberian countries Spain and Portugal to the EU in 1986, the way was paved for new policies towards Latin America. It is peculiar to affirm the significant influence of the Iberian Countries in strengthening the EU-Mercosur relations, since it is based on the special links upheld by Spain and Portugal with their former colonies in Latin America (Arana, *The EU's Policy Towards Mercosur: Responsive not Strategic*, 2017, p. 2). Additionally, it should be mentioned that prior to 1986 the EU documents in relation to Latin America were not written in Spanish and Portuguese, since they were not official languages of the EU, a dynamic that changed with the accession of the Iberian countries (Ibid., 2017, p. 73).

²² Academic literature is extensive on the topic of the AA between the EU and Mercosur, during all stages of the negotiations. By way of clarification, I must mention that in this Thesis I am not going to focus only on the recent events (meaning June 2019 and forward) therefore I will present and analyze factors and events relevant during the negotiations, from their beginning to the most up-to-date 2022.

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Overall, this will entail a series of consequences for what in 1991 came to be called Mercosur (Ibid., 2017, p. 72).

EU- Mercosur: Official relations (1991- 1998)

With the official creation of Mercosur as a political bloc and international organization in 1991, the EU was ad hoc involved and interested in the integration of South Latin America. The first contact between the blocs was on the 29th of April 1991, only one month after the TA, in virtue of which Mercosur was created (European Commission, 1994a). In particular, it was a visit between the Foreign Ministers of the State Parties of Mercosur, Guido di Tella (Argentina), José Francisco Rezek (Brazil), Alexis Frutos (Paraguay) and Hector Gros (Uruguay) and Commissioners Jacques Delors, Abel Matutes and Ray MacSharry in Brussels (Arana, *The EU's Policy Towards Mercosur: Responsive not Strategic*, 2017, p. 126).

In 1992, on the 2nd of May, Portugal held the presidency of the EU. That same year the first informal meeting between the EU and Mercosur was held, and by coincidence it was in Guimarães, in Portugal (Arana, *The EU's Policy Towards Mercosur: Responsive not Strategic*, 2017, p. 126; European Commission, 1994a). The Foreign Ministers of the EU Member States led by the Spanish Commissioner responsible within Mediterranean Policy and Relation with Latin America, Abel Matutes, met with those of the Mercosur State Parties, and on the table was the possible celebration of a cooperation agreement. It remained in the hands of the Commission to draft a document detailing the different ways of improving relations with the Southern Cone bloc (Arana, *The EU's Policy Towards Mercosur: Responsive not Strategic*, 2017, p. 126).

Accelerated, and considering the mutual interest of the parties, the Interinstitutional Cooperation Agreement (ICA) is signed the same month, on the 29th (European

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Commission, 1994a). Expressively, with this first agreement, manifestations of the influence of the Iberian countries are shown: Portugal and its presidency of the EU in 1992, setting an informal meeting in Portugal, and the coordination of the Spanish Commissioner Abel Matutes. Thus, there were key elements played by Spain and Portugal within the EU framework in relation to Mercosur, in this current period of official relations 1991-1998.

The first agreements celebrated between the two blocs were:

1. 1992 Interinstitutional Cooperation Agreement (ICA) 29 May 1992, Madrid
2. 1995 Europe- Mercosur Interregional Framework for Cooperation Agreement (IFCA) 15 December 1995, Madrid

The first agreement, the ICA was signed between the European Commission and the Mercosur Council, with the main objective of “ (...) *promoting the transfer of European know-how on the subject of integration.*” (European Commission, 1994a). Under that scope, the cooperation was directed towards exchange of information, institutional support, staff training and technical assistance (European Commission, 1994a).

It is relevant to specify that the Interregional Framework Cooperation Agreement (IFCA) is celebrated shortly after the POP, dated the 17th of December 1994, a treaty by virtue of which Mercosur acquires international legal personality (Sanahuja & Rodríguez, 2019, p. 8).

The current EU- Mercosur trade relations are based on the IFCA, signed on the 15th of December 1995, and came into effect in the 1st of July 1999. In the preamble of the IFCA, after the introduction of the blocs, the agreement continues with the declaration of considerations and affirmations, beginning with the following statement, reflecting the link between the two regions: “*CONSIDERING the deep historical, cultural, political and*

economic links which unite them, and taking inspiration from the values shared by their peoples.” (EuropeanCommission, Interregional Framework Cooperation Agreement between the European Community and the Southern Common Market - Joint Declaration on political dialogue, 1996).

There is a Spanish factor with this agreement: the IFCA was signed in Madrid, while Spain help the EU Presidency (Arana, *The EU's Policy Towards Mercosur: Responsive not Strategic*, 2017, p. 168). Furthermore, it was the Spanish Commissioner Manuel Marin, the predecessor of Abel Matutes responsible of the sub-committee’s approval of this second agreement (Ibid., 2017, p. 168).

Overall, the IFCA has three main pillars: trade and economic matters, a reinforced process of cooperation, and institutional framework and political dialogue (Boyer & Schuschny, 2010, p. 15; EuropeanCommission, 1996; Malamud, 2022, p. 6).

In retrospect, it is relevant to mention that the EU has three bilateral framework cooperation agreements on trade-related matters with three Mercosur countries. These are the agreements already concluded with Argentina, Paraguay, and Uruguay (as shown in Table 3); all this while still negotiating one with Brazil. However, the EU is trying to expand beyond these bilateral relations to the regional level and the Mercosur bloc as an entity is a clear example of this.

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Table 3: Bilateral Agreements

Argentina	Paraguay	Uruguay
<p>The bilateral relation between the EU and Argentina are governed by the “<i>Framework Trade and Economic Cooperation Agreement</i>”.</p> <p>Entered into force in 1990.</p>	<p>The bilateral relations between the EU and Paraguay are governed by the “<i>Framework Cooperation Agreement</i>”.</p> <p>Signed in 1992.</p>	<p>The bilateral relations between the EU and Uruguay are governed by the “<i>Framework Cooperation Agreement</i>”.</p> <p>Concluded also in 1992.</p>

Source: Own creation

The IFCA served as the “*foundation for a more comprehensive agreement*” (A. Hardacre quoted in Leahy, 2015, p. 9; Boyer & Schuschny, 2010, p. 15), it paved the way for the actual AA (Devlin, Estevadeordal, & Krivonos, 2003, p. 27). Particularly, it was recognized as such by the Commission, stating that “(...)the scope of the current arrangement is too limited as it covers only administrative cooperation. It could not in any case provide an adequate framework for the development of cooperation in other fields (...)” (European Commission, 1994b).

EU- Mercosur Association Agreement: First Round of Negotiations (2000- 2004)

On the 17th of September 1999, the Council granted the negotiating mandate for an interregional association agreement with Mercosur, mandate directed to the European Commission (European Commission , 1999; European Parliament, 2019a, p. 7). In November, the first contact between the Commission and Mercosur was established, regarding the structure, methodology and calendar of the negotiations (Klom, 2000, p. 9; 11).

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However, there is no complete unanimity in the literature regarding the start of AA negotiations between the EU and Mercosur bloc. There are authors and sources that date back to the year 1999 (Arana, Explaining the Renew Push for an European Union Association Agreement with Mercosur, 2014, p. 146; Devlin, Estevadeordal, & Krivonos, 2003, p. 27; Diz, 2022, p. 4; LSE, SIA in support of Association Agreement negotiations between the European Union and Mercosur, 2018; Sanahuja & Rodríguez, 2019, pp. 4- 6), while others a year later, in 2000 (Boyer & Schuschny, 2010, p. 15; Caetano, 2022, p. 11; Ghiotto & Echaide, 2020, p. 10; European Parliament, 2019a, p. 7; Leahy, 2015, p. 9). Since it is a symbolic difference, I am going follow what is publicly stated by official sources of both the EU and Mercosur, therefore I will consider that the negotiations began in 2000 (European Commission, 2019c; EuropeanCommission, European Commission Services' Position on the SIA in Support of Negotiations for the Trade Part of the EU- Mercosur AA, 2021; European Parliament, 2022d; Mercosur , 2019).

This first negotiations took place in Buenos Aires, the 6th and 7th of April 2000. The main focus at the time in order to start paving the AA were the following aspects: “(...) *general principles, political dialogue, cooperation and trade matters*” (Klom, 2000, p. 11). Later that year, from the 13th to the 16th of June, in Brussels, the trade pillar started to develop, based on the following concepts: definition of the specific objectives for the areas of negotiation, exchange of information and identification of the non-tariff barriers (Ibid., 2000, pp. 11, 12).

EU- Mercosur Association Agreement: Suspension of the AA negotiations (2004- 2009)

The year 2004 was a key year for the EU, since it is going through a process of enlargement (a historic expansion of ten new member states) but not a constructive year for the EU-Mercosur bloc. In this year was not only about having lost momentum, and stagnation itself of the negotiation process. Therefore, 2004 marked the first attempt to reach an

association agreement between the two blocs, an attempt that ended in failure in the month of October (Arana, 2014, pp. 136, 137; Diz, 2022, p. 5).

Very concisely, on May 1, 2004, the European Union opens its doors to ten new member states from Central and Eastern Europe (Arana, *The EU's Policy Towards Mercosur: Responsive not Strategic*, 2017, p. 51), going from the EU15²³ to 25 member states. It was the largest and most remarkable enlargement up to date (Ibid., 2017, p. 51). The new Member States are Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia. Some of these new Member States have not as developed economies along the lines of the EU15, and several of the recent ten are strong on their agricultural industries, such as Poland. So that in 2004, agriculture was an issue blocking the AA negotiations (Arana, 2014, pp. 136, 137; Diz, 2022, p. 5). Continuing with the topic of enlargements, during the stagnation in negotiations between 2004 and 2009, we have to mention one last augmentation. This is the accession of Romania and Bulgaria in 2007, thus reaching the EU to a total of 27 Member States (European Parliament, 2022c).

During the period 2004- 2009 in terms of the relations between the EU and Mercosur, with respect to the AA, the only configuration that took place were meetings at the political level (at ministerial level, specifically) and technical contacts, to reaffirm the continued interest of the two blocs and to discuss modalities to reengage the process (Diz, 2022, p. 5). Although there are authors such as José Antonio Sanahuja Perales²⁴ and Jorge Damián

²³ The concept EU15 refers to the fifteen countries of the European Union before the expansion on 1 May 2004, these countries are Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, and the United Kingdom.

²⁴ José Antonio Sanahuja Perales is a Professor of International Relations at the Faculty of Sociology and Political Science, Complutense University

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Rodríguez²⁵, who do not attach great importance to that minimal contact, and who characterize the period until 2009 as one “*of mutual disinterest*” (Sanahuja & Rodríguez, 2019, p. 10).

EU- Mercosur Association Agreement: Second Round of Negotiations (2010- 2019/ 2020)

In May 2010, the EU and Mercosur re-launched negotiations as a second attempt to reach an AA, during the Summit in Madrid (Arana, 2014, pp. 136, 137, 180; Leahy, 2015, p. 9). To this day, the AA is still not concluded and ratified. One facilitator factor of the reopening of the negotiations was the Spanish Presidency of the EU and the country’s emphasis to further discussions for an AA between the blocs (Arana, *The EU's Policy Towards Mercosur: Responsive not Strategic*, 2017, p. 179; Cremers, Laurans, & Voituriez, 2021, pp. 12, 13).

In the 2010 new political context, there were new challenges and pressing issues, such as the following: the impact of the financial crisis in 2008, and the enlargements within the EU.

The aftermath of the economic crisis of 2008. The negotiations had been frozen in 2004, before the economic crisis, and this new global economic framework in 2010 led to a decrease in terms of international goods, a decline in trade and investment, which would further away the search for new markets (Arana, *Explaining the Renew Push for an European Union Association Agreement with Mercosur*, 2014, p. 156; Ghiotto & Echaide, 2020, p. 8). Furthermore, 2008 and immediately after had the world economic panoramic into a recession (Diz, 2022, p. 5).

²⁵ Jorge Damián Rodríguez is a Professor (Assistant) at the International Studies Programme, Republic of Uruguay University (Universidad de la República de Uruguay)

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The after-effects of the enlargements from 2004 and 2007 within the EU. As described in the previous section, during the stagnation of the negotiations from 2004 until 2009, the EU has experienced a very dynamic two enlargements, which ended with a result of 27 Member States (Arana, *The EU's Policy Towards Mercosur: Responsive not Strategic*, 2017, p. 51; European Parliament, 2022c; Sanahuja & Rodríguez, 2019, p. 12). Therefore, the EU had 15 Member States in the first phase of the negotiations (2000- 2004), and heads the second phase of the negotiations with a total of 27 Member States. The problem is generated by the disagreement expressed by some Member States, after the announcement by the Commission of the reopening of the negotiations, in May 2004. At first sight, seven²⁶ Member States showed their complete disagreement the 4th of May, when the reopening was announced. Days later, on the 17th of May, there was an increased dislike in the second round of negotiations with a total of fourteen²⁷ discontented States (Arana, *The EU's Policy Towards Mercosur: Responsive not Strategic*, 2017, p. 185).

The instability within Mercosur. In 2012, the organization suspended Paraguay, due to a political crisis when its President Fernando Lugo was removed from the office. Within Mercosur, Paraguay's suspension was seen as an opportunity to include Venezuela, a country of questionable political character under President Hugo Chavez. Paraguay had always blocked the inclusion initiatives of Venezuela at all times, but the States Parties of Mercosur admitted Venezuela in 2013. This ended up having a twist, given by the reincorporation of Paraguay into Mercosur (with some influence from the EU), and the

²⁶ Austria, Finland, France, Greece, Hungary, Ireland, and Poland

²⁷ Austria, Belgium, Cyprus, France, Greece, Hungary, Ireland, Italy, Lithuania, Luxembourg, Poland, Romania, Slovenia, and Slovakia

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suspension of Venezuela in 2017, due to a lack of democratic character under the Maduro government (Ibid., 2017, pp. 189- 191).

The year 2016, year embarked on the second round of negotiations, on an international political level was a genuine varied year: the election of Donald Trump as President of the United States, the UK- EU Membership Referendum that led to the Brexit phenomenon, the rise of far-right parties (Sanahuja & Rodríguez, 2019, pp. 15, 16) with figures such as Marine Le Pen in France, Viktor Orbán in Hungary, among others (Directorate-General for Internal Policies, European Parliament, 2022; Maza, 2016). Will there be any questioning or impact regarding the current negotiations for an AA between the EU- Mercosur?

With a long and enduring negotiation process that began in 2000, the EU- Mercosur relations are experiencing not only an unlocking of the negotiations (Ghiotto & Echaide, 2020, p. 12), but an actual acceleration of the negotiation process from the year 2016 (Sanahuja & Rodríguez, 2019, pp. 14, 15). It seems that as of this year the negotiation process accelerates exponentially, and as proof of this we have the exchange of offers of mutual access to the markets, carried out in May 2016, which illustratively is the first one since the interruption of the negotiations, back in 2004 (Ghiotto & Echaide, 2020, p. 12; LSE, 2018, p. 11). With the same impetus and pace, 28 negotiating rounds are held, alongside other technical meetings at regular intervals (European Commission, European Commission Services' Position on the SIA in Support of Negotiations for the Trade Part of the EU- Mercosur AA, 2021, p. 2; Sanahuja & Rodríguez, 2019, pp. 14, 15), thus it is a very productive period in terms of the negotiations.

Within the EU, the Jean-Claude Juncker Commission, by 2017, 2018 had a specific “*trade for all*” strategy. The international sphere, and subsequently the trading world, were tackled by different challenges. During that period characterized by changes, the EU was

trying to implement an agenda, in order to consolidate a more “*resilient financial sector*” (Alberola, Buisán, & Fernández de Lis, 2002, p. 35) and to strengthen its trade, described in the following four objectives. First, it was meant to accelerate the negotiation process by concluding trade agreement. Second, the negotiated agreement had to be ratified, therefore the entering into force effectively and effective implementation was crucial. The third objective was meant for already operative agreements, addressing unfair trade customs and procedures. Lastly, the fourth objective is a general one, regardless of the timeline of the trade agreements, namely the promotion of sustainability in trade (European Parliament, 2018a, p. 1; European Parliament, 2018b, p. 2).

With this new higher pace, December 2017 was proposed as the deadline for this new “*window of opportunity*” (Sanahuja & Rodríguez, 2019, p. 14) in order to conclude the AA (LSE, SIA in support of Association Agreement negotiations between the European Union and Mercosur, 2018, p. 11), but it was not possible, the agri-food sector continues to be “(...) *the main stumbling block*” (European Parliament, 2018a). The date indicated was not arbitrary, it was the celebration of the World Trade Organization (WTO) Summit in December 2017, in Buenos Aires, therefore the relevant symbolism (Sanahuja & Rodríguez, 2019, p. 14). Given the impossibility to reach an agreement in December 2017, Argentina strategically starts by moving pieces: the President Mauricio Macri, in January 2018, has an official visit in France, with Emmanuel Macron. The scope of this visit was to compromise on the differences, mainly on agriculture, and to set a new deadline, by December 2018 this time. The second December deadline was symbolic as well, it was the Group of Twenty (G20) Summit in Buenos Aires (Sanahuja & Rodríguez, 2019, p. 14). The G20 setting in Buenos Aires was not only a diplomatic occasion for Macri and Argentina, but it was also for the entire Mercosur bloc, it was the first time that a G20 summit was being hold in a South American country (European Parliament, 2018b, p. 1). Moreover, it was the ten-year anniversary of the G20. (European Parliament, 2018b, pp. 1, 2).

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However, said deadline was not necessary, since from the French side the refusal to advance in the negotiations was underlined, if "(...) *the red lines*" (Sanahuja & Rodríguez, 2019, p. 14) are continued to being crossed.

However, in June 2018, at a meeting in Montevideo (Uruguay), the EU and Mercosur reached an agreement on one of the pillars, but not the trade one as one could imagine given the framework "*trade for all*" from the European Commission. Namely, it was the political dialogue and cooperation part. Consequently, the pillar of trade remained open, led once again by the denial of France and Ireland, in terms of agrarian issues. The Member States are beginning to take a stand, on one hand, the two already mentioned; on another hand, Germany is pushing towards a more positive outcome, demanding to Brussels the improvement of the terms withing the framework of the automotive industry and other industrial goods (Sanahuja & Rodríguez, 2019, p. 14).

4.2. The Breakthrough of the Association Agreement (2019, 2020)

Trade Part of the EU- Mercosur AA

Conducted on the 28th of June 2019 (Published in Brussels, 1st of July 2019) ^{28 29}

In June 2019, the EU and Mercosur reached a political agreement for the ambitious AA, but only for one of the two integral parts of the AA, specifically for the "*balanced and comprehensive trade agreement*." (European Commission, 2019c). Illustratively, there is a parallelism between the selection of words of the Commission on the Trade Part and that of the EEAS, specifically the High Representative, Josep Borrell, on the entirety of the AA, stating that "(...) *an ambitious and balanced Association Agreement has been achieved that will*

²⁸ European Commission, 2019a

²⁹ The ratification process is pending.

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strengthen relations between the EU and Mercosur." (European Union External Action, 2020b).

All things considered, the 28th of June 2019 marked the end of the almost two-decades longstanding negotiations on the trade pillar, resulting in *"The Agreement in Principle"* (European Commission, 2019d; European Commission, 2019b; European Union External Action, 2020a). This particular document will serve as the basis for a trade agreement between the two blocs (Malamud, 2022, p. Abstract), while creating *"(...) significant opportunities for sustainable growth on both sides"* (European Commission, 2019c). So, there is an extension of the scope of trade, including to *"Promote joint values such as sustainable development, by strengthening worker's rights, fight climate change, increase environmental protection, encourage companies to act responsibly, and uphold high food safety standards."* (European Commission, 2022c; Cremers, Laurans, & Voituriez, 2021, p. 7).

Free Trade Agreements (FTAs) are essential international agreements, with a double function: they boost the economic growth, and reduce trade barriers that can obstruct the goods and services flow (European Parliament, 2020, p. 38).

The trade part of the AA between the EU and Mercosur blocs was presented by the Juncker Commission, before the conclusion of its mandate (Cremers, Laurans, & Voituriez, 2021, p. 5). The President of the European Commission in 2019, Jean-Claude Juncker, declared on June 28 the following: *"Through this trade pact, Mercosur countries have decided to open up their markets to the EU. (...) This makes it the largest trade agreement the EU has ever concluded."* (European Commission, 2019c). From the press releases of that day in Brussels, I consider it relevant to also point out that of the Commissioner for Trade, since it is the already firm pillar of the AA. The Trade Commissioner Cecilia Malmström stated that *"Today's agreement brings Europe and South America closer together in a spirit of*

cooperation and openness.” by creating “a market of 780 million people” and adding “four more countries to our impressive roster of trade allies.” (Ibid., 2019c).

In conclusion, in 2019 the negotiations were concluded for the trade part of the AA, but the ratification is pending (for the agreement to enter into force), which can be just as complicated and difficult as the negotiations.

Having presented the positive highlights of the announcement of the end of the negotiations, at the trade level, it is worth describing the matter from a broader perspective. It should be mentioned, from an objective perspective, that the accomplishment of the end of the negotiations does not mean that the AA enters in force, since it is still pending ratification by the parties, and this can be as difficult of a process and the negotiation process itself³⁰.

First and foremost, although it seems like the end of a process phase, no agreement has been ratified. In other words, it marked the conclusion of the negotiation process, not the signing of the AA (Ghiotto & Echaide, 2020, pp. 6, 7). From an objective perspective, it can be stated that the commercial part of the AA has been negotiated and agreed upon, but not concluded, it has not been ratified by the Mercosur Party States or by the EU and its corresponding Member States. It seems that the document that was presented at the political level as the final result is merely a work still pending, after twenty years of negotiations (Sanahuja & Rodríguez, 2019, p. 3). To prove what has been said, we have the official versions published by the Commission on the AA and on the trade part of the AA.

³⁰ By way of clarification, the EU- Mercosur FTA (meaning the Trade Part of the AA) is merely an “*Agreement in Principle*” as cited in the official document published by the European Commission (European Commission, 2019a), is a document pending legal review and translations. It is not an effective document; it is not an agreement into force.

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With regard to the AA as a whole, we follow what is agreed in the document "*New EU-Mercosur trade agreement. The agreement in principle*" published a few days after the news of the end of the negotiations on June 28. The relevant was arranged as follows "*The agreement in principle is subject to the final transcription into the texts and the respective market access offers. This is not a legal text.*" (European Commission, 2019a). Remarkably it does not seem final or concluded, after long negotiations and a celebrated political disclosure.

With regard to the trade part of the agreement, the Commission published "*Trade Part of the EU- Mercosur Association Agreement. Without Prejudice*", together with "*The Agreement in Principle*". What is essential is the mention of "*information purposes only*" since the texts may be altered during the legal review process (European Commission, 2019b). The will of the blocs is reaffirmed, and by both the organizations being willing to end the negotiations is mentioned since the texts are "*(...) the final outcome of the agreement between the EU and Mercosur.*" (Ibid., 2019b).

After twenty years of negotiations, the trade part of the AA which was celebrated with great inquiry, is not yet a final and enforceable document, it is merely a text heading for the process of legal review (including technical and linguistic) and subsequent ratification in order to be concluded (Diz, 2022, p. 3; 6). Subsequently, that leaves the non-trade related part much more pending: meaning the political pillar and cooperation part of the AA. Returning the trade part, until today, the document has not undergone any changes, of any nature: legal, technical or linguistic, it is the same document that was presented on June 28 and was published on July 1, 2019 (Ibid., 2022, p. 7).

Political Dialogue and Cooperation Part of the EU- Mercosur AA

Conducted on the 18th of June 2020 (Not published, not of public knowledge)^{31 32}

On the aftermath of the end of the negotiations and the agreement celebrated on the political sphere the 28th of June 2019 and the one from the 18th of June 2020, the agreement in question is not merely a Trade Agreement or an FTA, but an AA, including the present political and cooperation section.

As of June 2020, the end of the negotiations for the AA between the EU and Mercosur is officially marked, in terms of the EEAS "*The negotiations, which started in 2000, have therefore now effectively come to a close.*" (European Union External Action, 2020a).

Regarding the political dialogue and cooperation part of the AA, there is a wide area of mutual interest between the blocs, of which it is relevant to mention the following: climate change, cybercrime, digital economy, digital capabilities and technological transfer, global economic governance, human rights protection, migration, sustainability and sustainable development, and others (European Union External Action, 2020a; European Union External Action, 2020b).

³¹ European Union External Action, 2020a

³² The ratification process is pending.

CHAPTER 5. ANALYSIS

As mentioned in Chapter 2³³, the aim of the present research is to investigate the factors and obstacles that prolonged the negotiations for the AA between the EU and Mercosur until June 2019, therefore considering the negotiation process phenomena over an approximately two-decade period. The negotiation process was a multi-causal process, and the current analysis will be based primarily on the economic factors. Namely, the conflicting economic interests between the two blocs, originated by both state and non-state actors.

Why is it so difficult to conclude the Association Agreement between the European Union and Mercosur?

Why did the agreement take so long, and it is not ratified and entered into force to date?

Which factors made so difficult the conclusion of the Association Agreement until today?

What are the main factors that led the European Union and Mercosur to almost negotiate an Association Agreement, continually for a two-decade period?

In short, it is about highlighting the factors on which the hypothesis is cemented, by demonstrating the importance of the conflicting economic interests, "(...) *their relative power.*", as suggested by Andrew Moravcsik in his work "*The Choice for Europe. Social Purpose and State Power from Messina to Maastricht*" (Moravcsik, 1998, pp. 11, 12).

5.1. Testing Hypothesis. Conflicting Economic Interests

Conditionally or futuristically speaking, if or when concluded and into force, the AA between the EU and Mercosur will stand for the creation of the largest trade zone in the world. Currently, in view of "*The Agreement in Principle*"³⁴, Mercosur will remove tariffs

³³ Chapter 2. Section 2.1. "*Thesis Objective*"

³⁴ In virtue of "*The Agreement in Principle*", by full liberalization it should be understood the removal of tariffs.

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on 91% of the imports from the EU, and the EU will liberalize 95% of goods imported from Mercosur (European Commission, 2019a, p. 2). Given the asymmetries between the blocs, the EU counts with a period of 10 years for said goal, while Mercosur has up for 15 years (Ibid., 2019a, p. 2).

What Mercosur represents for the EU

Mercosur is the most developed region of South America, a region that in turn was highly invested by the EU (Ghiotto & Echaide, 2020, p. 6). The latter organization is the largest foreign investor within the Mercosur region (European Commission, 2022b). On the global scale, Mercosur represents the fifth largest economy outside the EU (Ibid., 2022b). Additionally, in terms of GDP, Mercosur had a last registered annual GDP of approximately 2.2 billion US dollars, in 2021 (Royal Institute Elcano, 2021; The World Bank, 2022b). Moreover, in terms of world rankings, this is the classification: Brazil as 12, Argentina as 26, Uruguay as 85 and lastly Paraguay as 95 (The World Bank, 2022b).

Furthermore, Mercosur is the principal trade bloc in the Latin American continent (Basnet & Pradhan, 2017, p. 3; IARC, 2007, pp. 25, 26). For the EU, Mercosur was in 2021 the partner number eleven in terms of trade of goods (European Commission, 2022a) and number ten in overall EU exports of goods and services (Guinea & Sharma, 2021, p. 4). For illustrative purposes, in 2022 there are more than 60.000 EU companies exporting to Mercosur, and over 855.000 jobs in terms of EU export to Brazil alone (European Commission, 2022b).

Asymmetries within the Mercosur bloc

Mercosur, with its four State Parties, have significant asymmetries in terms of size and population, and subsequent weight on trade. The AA agreement framework was between equally legitimate states and recipients of rights, but indicators as size,

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population, GDP can mark determined differences. For example, there are the pairs Argentina- Brazil, Paraguay- Uruguay, all four have a voice and vote in the proceeding for the AA, but from the EU there might be a differentiated favourable treatment towards the first pair. When it comes down to numbers, in 2021 trade between the EU and Brazil is 70% of the total trade with Mercosur, Argentina 20% and the smaller states of Paraguay and Uruguay, together a total of 10% (European Parliament, 2021b, p. 19).

What the EU represents for Mercosur

Given the uniqueness of the EU as a complex international organization, it is a remarkable advantage to trade this partner, since it is the largest single market, globally, with one single border and one single trade policy (European Parliament, 2018a, p. 1). Given the fact that the EU “(...) *has developed an institutional framework much stronger than any other free trade area in the world*” (Alberola, Buisán, & Fernández de Lis, 2002, p. 31) and that trade is an exclusive EU competence, the EU’s voice is the one of all 27 Member States.

The EU is more than a strategic trading partner for the Southern Cone organization (IARC, 2007, p. 26), “(...) *is Mercosur’s number one trade and investment partner.*” (European Commission, 2022a). In 2022, the EU is Mercosur’s largest trade and investment partner, with emphasis on the conjunction. If we subtract the investment, in 2022 the EU is Mercosur’s second largest trade partner, after China (European Commission, 2022a; Timini & Viani, p. 3). However, in 2021 the EU was Mercosur’s largest trading partner, position that did not uphold to-the-date (European Parliament, 2021b, p. 12).

The two blocs altogether

If the agreement is concluded, it would establish the largest free trade area in the world in respect of the population covered (Boyer & Schuschny, 2010, p. 14; European

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Parliament, 2019a, p. 8; European Parliament, 2019b, p. 19), and the first large-scale Trade Agreement for Mercosur (European Parliament, 2021b, p. 12).

The EU and Mercosur gather together a total population of 780 million people (European Commission, 2019c; European Parliament, 2022d), 800 million according to some more optimistic Mercosur sources (Mercosur, 2019). The expansion of the EU towards Mercosur, and its presence in terms of trade and investment in the Southern Cone region would grant access to exponential population and potential. Mercosur alone with its four State Parties counts with a population of 270,5 million people, meaning a region with over 270 million consumers, which represents circa 60% of the population of the EU (according to Figure 4).

Table 4: European Union and Mercosur. Overview in 2021³⁵

Country	Population (million)	Surface Area (sq. kms)	GDP (current US\$)
Argentina	45.808.747	2.780.400	491.492.700,6
Brazil	213.993.441	8.515.770	1.608.981.220,8
Paraguay	7.219.641	406.752	38.986.810,9
Uruguay	3.485.152	176.220	59.319.547,6
Mercosur	270.506.981	11.879.142	2.198.780.179,9
European Union	446.946.712	4.254.245,5	17.088.620.7
The EU and Mercosur blocs	717.453.693	16.133.387,5	2.215.868.80006

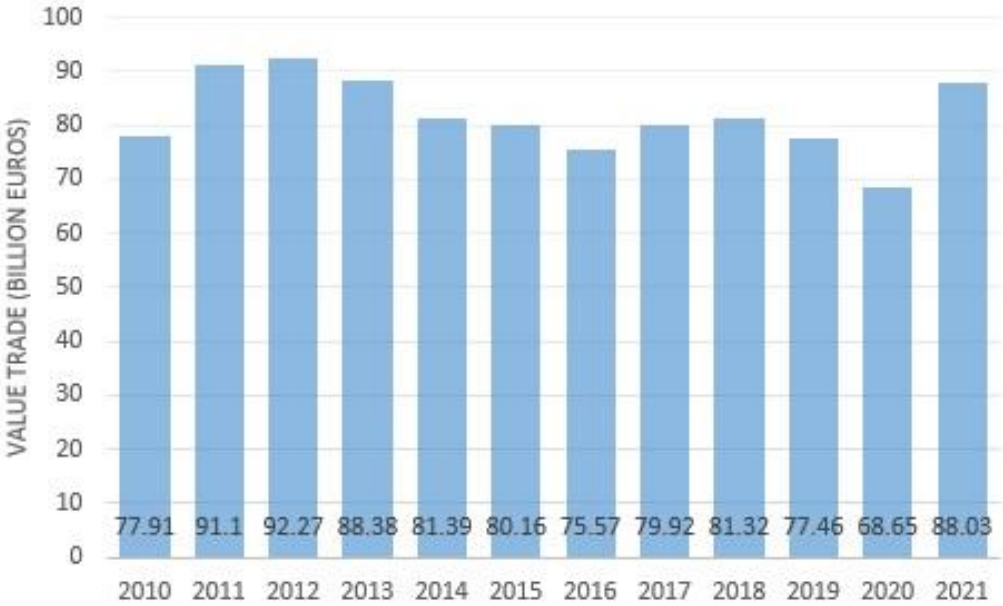
Source: Own creation with data retrieved from The World Bank, 2022a

³⁵ By way of clarification, the data taken from The World Bank is corresponding for the year 2021 in terms of Population and GDP. For a causal reason, the surface area data was available for the year 2020, as the latest reference.

EU companies are leading investors in Mercosur, and the tendency building up to 2022 is that companies from the Southern Cone bloc “(...) are increasingly investing in the EU.” (European Commission, 2022b).

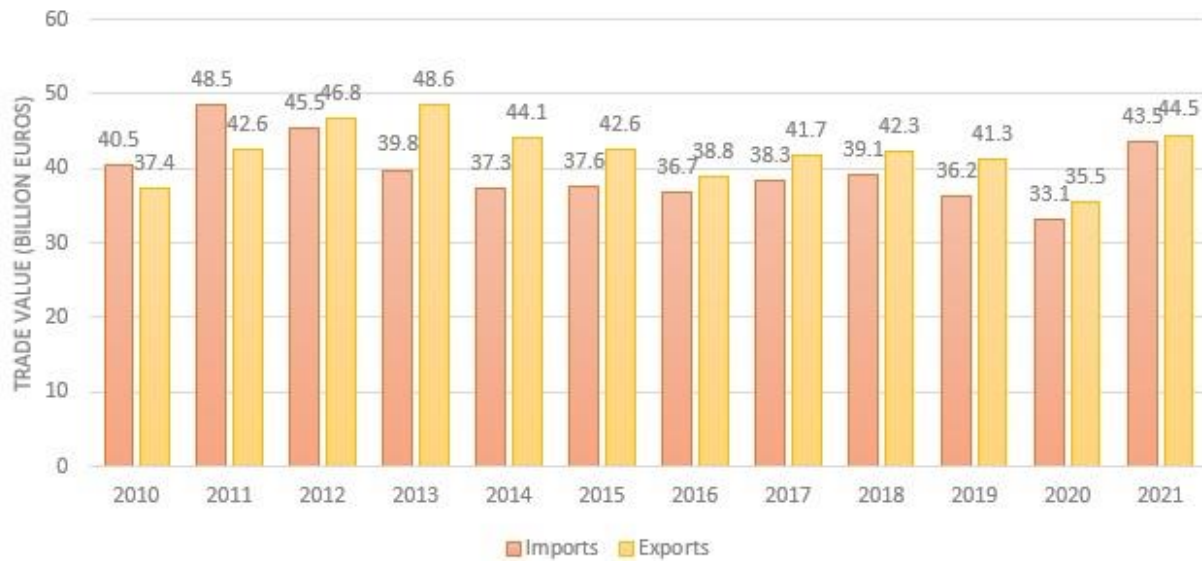
Furthering, I would like to start with the total value of the trade between the two blocs, in order to have an initial general understanding.

Figure 4: Total Value of trade between the EU and Mercosur



Source: Own creation with data retrieved from Statista

Figure 5: Imports and Exports from the EU to Mercosur



Source: Own creation with data retrieved from Statista

5.2. Liberal Intergovernmentalist Approach

During the negotiations for the AA between the EU and Mercosur, there were a series of non-actors that had risen their voices regarding different nature inconsistencies.

In view of Moravcsik's, previous to the stage of domestic preference formation, with states as central actors, in the international demand for outcomes, there is non-state participation³⁶. There are several denominations for these non-state actors³⁷, and be that

³⁶ As described in Chapter 3. Section 3.2. Liberal Intergovernmentalism "Non-state actors and the Three Stage Framework"

³⁷ Such as: agricultural lobbies, business representatives, civil society, corporations, consumer bodies, dominant domestic producers, environmental organizations, farming organizations interest groups, NGOs, regional organizations, religion or faith-belief groups, social movements, trade union organizations (Clapham, 2009; Cremers, Laurans, & Voiturez, 2021, p. 5; European Commission, 2022b; Mukhametdinov, 2019, p. 12)

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as it may, in view of this Thesis and in accordance with the LI theory, I will adhere to Moravcsik's general nomenclature, namely "*interest groups*" (Moravcsik, *Preferences and Power in the European Community: A Liberal Intergovernmentalism Approach*, 1993, p. 487).

At the EU's sphere, Klaudija Cremers³⁸ et al. identified two interest groups to traditionally bloc trade agreements: "*(...) farmers exposed to agricultural imports, and the political representatives who support them, as well as anti-globalization, or anti-growth*" groups. There are merely mentions of different interest groups openly and constantly opposing to trade agreements, it does not mean that both groups carry the same weight or influence (Cremers, Laurans, & Voituriez, 2021, p. 6). Furthermore, the second group, originating as a faith-belief group is by the general rule absent from academic references within the EU- Mercosur AA framework, and only mentioned in Klaudija Cremers et al. The agricultural interest group, on the other hand, are a recurring interest group pressuring the national governments. In addition to that, it was in the early 1993 when Moravcsik has identified that within the EU different interest groups are pressuring national governments, with the agricultural sphere as a significant remark (Moravcsik, *Preferences and Power in the European Community: A Liberal Intergovernmentalism Approach*, 1993, p. 487).

The agricultural interest groups (also denominated agricultural lobbying) are strong groups with influence and power sufficient enough to block the large part of FTAs. When international agreements such as the AA, involve agricultural aspects, the European farmers, leading by France, Ireland and Belgium "*(...) fear unfair competition.*" (Royal Institute Elcano, 2021). Better said, these mentioned actors consider that the agreement

³⁸ Klaudija Cremers is a Research Fellow at Institute for Sustainable Development and International Relations

will increase the exports in agricultural goods from Mercosur, made under lower food-safety and other concerns standards³⁹, in clear disadvantage the European farmers who must obey the strict European normative, therefore outspokenly manifesting said opposition (Royal Institute Elcano, 2021). Lastly, given this setup, the agri-economical interest groups have had the resources and influence needed to slow the negotiation process, and at the moment the overall ratification (Cremers, Laurans, & Voituriez, 2021, p. 6).

The agricultural sector, overall, remained during the negotiation period and until today, “(...) *the biggest bone of contention, with some EU Member States repeatedly drawing attention to their defensive interests in agriculture.*” (European Parliament, 2019a, p. 8).

Criticism on Andrew Moravcsik’s Liberal Intergovernmentalism

Moravcsik and Neofunctionalism

James Caporaso stated that Moravcsik with his understanding of LI, debilitated the theory of Neofunctionalism. Neofunctionalism aims to study slow changes “(...) *in domestic and transnational society resulting from trade, capital flows, movements of workers, capitalists, and tourists, cross-border activities of professional organizations, and so on.*” (Wallace, Caporaso, Schampf, & Moravcsik, 1999, p. 162) and do not reach further into the analysis of intense international bargaining, which would enter the scope of LI. However, as it was extensively described in Chapter 4, the negotiation for the AA was a long-lasting process, but not a slow pace, it was an intense and dynamic international bargain, with opportunity windows and loss of momentum. Furthermore, even during the stagnation of the negotiations, the parties still had contact, minimum but still present, within the frame of the AA; and the EU entrusted two SIA reports to the University of

³⁹ Concerns regarding the low level of strictness, which should comply to the European standards, affects the following matters: environmental impacts, food-safety, labour and animal-welfare.

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Manchester, proof of the EU's impetus and constancy in the conclusion of this agreement. Lastly, the AA is not reduced only to trade and capital flow, the scope of this agreement is greater, due to its political dialogue and cooperation pillar.

Moravcsik and the economic perspective

Is Moravcsik's theory one-sided, too narrow into the economic perspective? Have the economic concerns moulded the interstate negotiations?

Before entering into this criticism issue, I would like to begin by contouring the economic perspectives and the EU and Mercosur blocs with the following statement: *"Both Mercosur and the EU appear to be concerned predominantly with economic matters, and their most prominent and powerful institutions operate in the economic sphere."* (Mukhametdinov, 2019, p. 111).

Economic interests concerning the AA may not be as outspoken or as equally distributed among the EU Member States and Mercosur's State Parties. However, I would have to consider that national agendas and preferences in this matter are contoured, since we have a two-decade negotiant process. There are states that have clearly stated their opinions and disagreement, at different times during the timeline, from both blocs, such as France, Ireland, the Netherland from the European side, and Argentina and Brazil from the Southern Cone side. Nonetheless, that does not mean that there are the only states with interest in the current AA. Another factor to consider is that states with a clear interest in a certain common policy, such is agriculture in the scope of this paper, will contribute greater in that pillar.

In line with the theory of LI, the preferences of the state parties to the AA towards concluding the agreement can recurrently correspond with their own economic sectors and industries present in the countries.

In conclusion, EU's Member States and Mercosur's State Parties have shown, at least at some given time during the long-lasting negotiation process, to have economic interests regarding the AA, suitably to their respective domestic economies.

5.3. The Agricultural Sector and its Impact of the Negotiations

Before entering into the analysis of the first sector, the agriculture, I consider it relevant the current Section on food-safety standards.

Upholding the EU's rigorous food-safety standards

In quantitative terms, between 20,5% and 35,7% of the population from Mercosur are moderately or severely food insecure, while the EU's average stands at 6,2%. It has to be admitted that by 2020, there are no parameters for Paraguay, making it impossible to conclude with an average for all four Mercosur countries. However, the average for Argentina, Brazil and Uruguay stands at 26,46%, an exponentially higher number than the European 6,2% (European Parliament, 2021b, p. 85).

With several trade agreements, the European civil society has shown concerns that trade agreement might lower regulatory standards, such as food-safety standards. So was the case with Mercosur as well. With the long negotiated and to-the-date not concluded AA between the EU and Mercosur, there were several non-state actors concerned about the food production process and strict standards, a common framework for the EU State Members, but what about the Mercosur countries?

In response to these concerns, the EU has openly stated that “(...) *no trade agreement will lead to lower levels of consumer, environmental or social and labour protection than offered in the EU today, or compromise on fundamental right.*” (European Parliament, 2018a). Additionally, the European Commission has published trade negotiation proposals and rounds

reports, under the principle of transparency, and raised the issue on sanctions in case of standards breach and the possibility of “(...) *introducing a sanctions-based enforcement mechanism.*” (European Parliament, 2018a, p. 2).

More specifically to the scope of the present Thesis, the European Commission has addressed the issue with mentions in several documents, and has written a specific document on the matter, in June 2019 “*EU- Mercosur Trade Agreement: Respecting Europe’s Food Safety Standards*” (European Commission, 2019f). In this document, there are three level of commitment from the EU regarding its rigorous food-safety regulations. One: the golden rule here is the following: all products arriving to the EU regions must obey the EU’s rigorous food-safety regulations. Therefore, nothing changes with Mercosur, the AA framework does not change nothing in regard to the food-safety issue, there are no bargain made in this regard or lowering the strict European standards (European Commission, 2019e, p. 3; European Commission, 2019f, p. 1). Two: no change for EU stringent food safety rules, the AA agreement cannot affect the current EU legislation on food safety, animal and plants health standards, the normative in this matter is non-negotiable. Three: the precautionary principle⁴⁰, meaning that the EU has the competence to regulate in this matter, according to the public interest, the EU is the instance that can decide on this matter for all products that reach the European markets, domestic or importer the treatment is the same (European Commission, 2019f, p. 1).

Agricultural Sector

The EU and Mercosur have different treatments in the agricultural policy. The EU has developed the Common Agricultural Policy (CAP), Mercosur on the other hand, has no

⁴⁰ A manifestation of the precautionary principle is the “*carne fraca*”, the beef scandal with Brazil (See [Section Beef](#))

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common agricultural policy, at the organizational level. Thus, the focus on the agricultural policy falls on the four State Parties (European Parliament, 2021b, p. 23).

As mentioned in the section "*EU-Mercosur AA: Suspension of the negotiations (2004-2009)*", there was a complete stagnation in the negotiations, the AA between the EU and Mercosur was no longer of interest. There was, however, only a minimal contact between the two blocs. It has been pinpointed that trade was the recurrent issue that led to this stagnation. In order to be more specific, in May 2004 "(...) *the offers on the table were insufficiently ambitious, especially in agricultural and service sectors.*" (IARC & IDPM, 2008, pp. 9, 10).

Furthermore, it seems that the main issue was on agriculture once more, given that there has "(...) *been a mismatch of the level of ambition for the liberalisation of trade in agriculture.*" (European Parliament, 2019a, p. 7).

Beef⁴¹

In view of the AA, the most exposed EU Member States towards competition from the Mercosur bloc are the countries with the highest weight on the agricultural sector, with the beef production as one of the most conflicting products. European farmers have openly complained about the trade of cheap in price and low in food-safety standards of beef from mainly Argentina and Brazil into the EU markets. Thus, this will damage their own profits (Council on Foreign Relations, 2021). Given the very strict controls and procedures imposed by the EU in the agricultural and food sectors, and the lack of Mercosur having the same strictness ends up by putting the Southern Cone bloc in a clear advantage position. Thus, France's claims are illustrative, giving that there are

⁴¹ Beef is understood as both fresh beef and frozen beef.

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asymmetries and the agricultural sector, in this sense, presents several issues, with beef as one of main ones (BancoEspaña, 2019, p. 3).

The Mercosur bloc has a significant relevance regarding the beef production worldwide, with Argentina and Brazil as one of the largest beef exporters in the world. Illustratively, Brazil is occupying first place, and Argentina fifth place⁴² (Hovmand, Hvidt Thelle, & Rytter Sunesen, 2021, pp. 49, 50). On behalf on the EU, the largest beef exporters globally are Germany, France and Belgium, occupying positions number 12, 14 and 17 (Ibid., 2021, pp. 49, 50).

On the other end of the balance, the EU “(...) *devotes enormous resources to cattle farming: over 60% of its agricultural land, almost 20% of the EU budget to subsidize producers.*” (Garcia, 2021). If the AA is ratified, these cattle farmers have the most to lose, and approximately “(...) *1% of the EU population derives their livelihoods from cattle farming.*” (Ibid., 2021). Since they cannot compete with Mercosur’s producers, due to their low standards on food-safety regulation and the tariff protection, as stated in the Agreement in Principle, they organize in influential interest groups (agricultural lobbies and European domestic producers), and oppose outspokenly the agreement.

Between the two blocs there was, back in 2017, the incident (or scandal) of “*carne fraca*” (European Commission, 2019f), “*the fresh-looking*” beef from Brazil. The core of what originated the situation was corruption and the bribing of Food Safety Inspectors, that changes the qualification of rotten beef to “*fresh-looking*” beef, causing an unavoidable food risk for the consumers (European Parliament, 2021b, p. 42). As a result, the European Commission’s controls on 6,766 containers reported to have found Salmonella in the poultry meat and poultry meat preparation imported from Brazil (Food Safety Net ,

⁴² Reported in 2018.

2020). In response to that case, the EU has endorsed a series of restrictions on all meat imports from Brazil, in virtue of the precautionary principle (European Commission, 2019f). Shortly after carne fraca and subsequent reaction of the EU, two Brazilian companies, BRF S.A. and SHB Comércio e Indústria de Alimentos S.A., had taken the issue to the EUCJ in 2018. The outcome for the Brazilian companies was the defeat in trial: the additional EU restrictions on all meat from Brazil is still standing, and the two companies have to pay the costs for the Commission's interim proceedings (Food Safety Net, 2020).

Poultry⁴³

To the present day, the demand for poultry is increasing, consequently due to consumer preferences, specifically the tendency of reducing or replacing the consumption of red meat (European Parliament, 2021b, pp. 28, 29; OECD- FAO, 2021, p. 17; 35). Poultry is perceived by consumers as a healthier option than red meat and pig meat (European Commission, 2020, p. Highlights). Another cause of the overall increase demand for poultry, across high, middle and low-income countries, is its affordability in comparison to other meat types (OECD- FAO, 2021, p. 35). Furthermore, the exponential increase in demand for this meat type, the *“EU poultry production is expected to be the only meat category to grow between 2020 and 2030.”* (European Commission, 2020, p. 39).

As stated in the previous Section, both in beef and poultry imports from Brazil to the EU there were found traces of Salmonella. The main issue has fallen on beef meat, in 2017. Be that as it may, poultry imports from Brazil had been affected by quick responses in virtue of the precautionary principle as well. In 2018, *“For poultry the EU de-listed 20 Brazilian processing plants due to salmonella (...)”* (European Parliament, 2021b, p. 42), on the base

⁴³ Poultry is understood as both boneless poultry meat (including preparations) and bone-in poultry meat.

that the companies in question provided the adequate evidence of compliance according to the strict EU regulations on food-safety.

Beef and Poultry Altogether

In virtue of “*The Agreement in Principle*”, it is stated that the EU will import from Mercosur 99.000 beef tonnes and 180.000 poultry tonnes. As stated in the document, both beef and poultry products are subjected to a partial liberalisation, as detailed in Table 5. At an EU level, there are raised concerns regarding the impact of the quotas on these meat products (LSE, SIA in support of Association Agreement negotiations between the European Union and Mercosur, 2020, p. 327).

Table 5: Beef and Poultry within the Framework of "The Agreement in Principle"

Product	Imports from Mercosur (in tonnes)	Expected Imports from Mercosur (in tonnes) and the correspondent percentage duty	
Beef	200.000	99.000	7.5%
Poultry	400.000	180.000	0%

Source: Own creation with data retrieved from European Commission, 2019a and 2019g

In 2019, the EU has imported 200.000 tonnes of beef meat, both fresh and frozen cuts, from Mercosur. Before the 2019 agreement⁴⁴, these imports were subject to 40 up to 45% duty. However, quoting verbatim the new percentage has been lowered to “(...) *an in-quota of 7.5%*” (European Commission, 2019a) for the first 99.000 tones out of the total 200.000 (European Commission, 2019g, p. 3).

⁴⁴ Namely, “*The Agreement in Principle*”

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In 2019, the EU has imported a total of 800.000 tons of poultry, out of which 400.000 came from Mercosur, accentuating the importance of the Southern Cone's bloc. According to the 2019 agreement, the EU will import 180.000 poultry tons from Mercosur, both bone-in and boneless, completely duty-free (European Commission, 2019g, p. 3).

The issue arises the moment these stipulations are detrimental to European's domestic production. Namely, the Dutch beef cattle and veal calf sectors (Murawski, Geurts, Deters, Middledorp, & Tjalling, 2022). The finding from a Study by Wageningen University & Research have concluded that given the provisions of the Agreement in Principle, *"(...) there will be negative consequences for the beef cattle and veal industry."* (Wageningen University & Research, 2021) in the Netherlands. Overall, the country is estimated to experience economic growth, but this will implicate *"(...) disadvantages for the beef sector."*, with an average loss in this sector of 800 euros per company (Wageningen University & Research, 2021).

Overall, given the stipulations from the Agreement in Principle and its impacts on the Dutch beef sector, in the Netherlands interest groups are well organized and outspoken into opposing to the AA between the EU and Mercosur. These groups are the following: the Agractie Netherlands, the Association for Biological-Dynamic Agriculture (Biological-Dynamic Vereniging), the Dutch Arable Farming Union, the Dutch Dairymen Board, the Dutch Dairy Farmers Union, the Netherlands Agricultural Coalition for Just Trade and lastly, the Platform ABC: Earth Farmer Consumer (Murawski, Geurts, Deters, Middledorp, & Tjalling, 2022, p. 16).

Furthermore, Wageningen University & Research Study stressed the fact that in the past, Brazil was not at EU's food-safety standards, both in the beef and poultry sectors

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(Wageningen University & Research, 2021)⁴⁵. These issues have been handled by the Commission, leading to the extent of imposing sanctions and bans on Brazilian meat producers. In the same argumentative line, The EP has had the support of the Commission, stating that it has been shown overtime the “(...) *failure of Brazilian beef to meet EU producer and consumer standards of food-safety, animal identification and traceability, animal health and disease control.*” (European Parliament, 2019a, p. 6).

Is this coherent with the European agricultural lobby, when they are claiming that the Mercosur producers have lower production costs, meaning in economic terms, and regards standards such as land, environment, and labour? The short answer: objectively it seems so. Now the question is if both the Commission and the EP have claimed that there are inconsistencies regarding food-safety, that there were several precedents with beef and poultry meat, imported from Argentina and Brazil, with salmonella, why is the EU not strictly and directly imposing their rigorous food-safety regulation on the Mercosur bloc? According to the golden rule, all products arriving to the EU regions, to the EU markets must obey the EU's rigorous food-safety regulations (European Commission, 2019e, p. 3; European Commission, 2019f, p. 1). How is then the EP “(...) *regretted the slow pace of negotiations, deplored the protectionist measures on trade and investment taken by some Mercosur countries.*” (European Parliament, 2019a, p. 6). Indeed, the AA is a more comprehensive agreement, a mutually beneficial agreement, but are we from the EU side lowering our standards down, or looking the other way just to import cheap(er) beef and poultry meat?

⁴⁵ Issue already discussed in the “[Upholding the EU's rigorous food-safety standards](#)” Section

Adjacent Aspects and Concepts

Complementary to the agricultural issues and economic interest, there are also social and environmental factors that have influences the negotiation process. However, the main factors from the hypothesis, the conflicting economic interests, are present during the entire negotiation process, while the social and especially environmental factors are of more recent concerns.

Social factors include the following aspects and concerns: inequality, indigenous people and communities, Human Rights, labour characteristics (employment, decent work, rights at work, social protection, wages inequality, working conditions), poverty, and much more (LSE, SIA in support of Association Agreement negotiations between the European Union and Mercosur, 2020).

Environmental factors include the following aspects and concerns: the deforestation of the Amazon, climate change, environmental regulations and policies, greenhouse gas emissions, land use, pollution, the protection of biodiversity and ecosystems, waste production, water resources, and much more (Ibid., 2020). The social and environmental factors are in direct relation with the agriculture sector, and the latter has been influential enough to debilitate the negotiation, in several occasion, as mentioned along the analysis.

CHAPTER 6. CONCLUSION

The negotiations for the AA between the EU and Mercosur represented a long-lasting process, over the course of two decades with windows of opportunity opened and stagnation periods, and encompassed issues of different frameworks. The scope of this Thesis was to identify the factors and obstacles that have slowed down, and even stagnated at times the negotiation process. Furthermore, from a methodological perspective, a hypothesis was meant to be tested: namely, the conflicting economic interests. Was it the economic interest that prolonged the negotiation for two-decades? Was it the economic interest alone, or were these aspects in relation to aspects of another nature, such as social or environmental?

In additional terms, in order for reach this analysis framework, the conflicting economic interests between the blocs are put into perspective, and their impact on the delay and stagnation of the negotiations.

A series of conclusions and remarks can be drawn from this present Thesis and the research analysis.

With this research, I have tested the hypothesis of the conflicting economic interests between the EU and Mercosur bloc, during their negotiation period for the AA, by applying the theory of LI. The theory selection was based on the expectation to illustrate the factors that led to the delay of the negotiations for a two-decade period, factors that are economic in essence, in addition to the influence and impact of interest groups, specifically in the agricultural sphere.

The theoretical approach of LI with Andrew Moravcsik's understanding has adapted adequately to the case of the framework of the AA between the EU and Mercosur. The theory of LI has proven to have the explanatory power to fit the scope and context of this Thesis, and have verified that the main factors that obstructed the negotiations were

primarily economic in nature. The economic and trade related matters are directly applicable to the negotiation process and the ongoing AA, therefore Moravcsik's understanding is relevant in the context of this Thesis.

I consider the theoretical approach to have fulfilled its scope, by giving the adequate framework in order to test the hypothesis. I have illustrated that the economic interests, based on trade and the agricultural sector, were the main obstacles and raised concerns during the negotiation process. Furthermore, it can be stated that these aspects were present all the way during the negotiations, that they were constant forceful factors.

However, I have come upon other aspects such as the social and environmental pillar, to have a voice within these negotiations. Objectively speaking, the presence of these latter ones is not as durable or as constant as the agricultural and trade issue were, but in recent years they have gotten the attention of the academic literature. So is the case, that the independent studies entrusted by the European Commission to the LSE, namely the SIA reports, are analysing in good depth all three aspects: economic, social and environmental. This being said, although the hypothesis has been tested productively in the framework of the theory of LI under Andrew Moravcsik's understanding, it could have been complemented with the theory of Social Constructivism and environmental theory, in order to provide a complete and comprehensive overview of the controversial factors for the AA between the EU and Mercosur. One more time, the hypothesis has been tested under the economical perspective, it was the trade and agricultural issues that explicitly have been slowing down and blocking the negotiations, the inclusion of the social and environmental aspect could have improved the scope of the Thesis.

Considering all the above, the present Thesis has demonstrated the main factors that obstructed the negotiation for the AA for a two-decade period, to be economic related, and the hypothesis has been tested during the long-lasting negotiations.

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