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EU-Mercosur: the Bolsonaro factor

If Bolsonaro withdraws from the Paris Agreement, the European Parliament should reject free trade with Mercosur

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If globalisation is to work for everyone, we need a fair trade policy, one that includes global compliance with environmental and social standards. The European Parliament is the democratic beating heart of European trade policy, and it must continue to play that role as the EU endeavours to fend off US president Donald Trump's protectionism by striking far-reaching trade deals. This is particularly evident in the agreement being negotiated between the EU and Mercosur, the South American regional integration association.

The negotiations between the EU and the founding members of Mercosur – Brazil, Argentina, Uruguay and Paraguay – are something of a never-ending story. The two regional blocs first agreed to negotiate an extremely ambitious association agreement more than 20 years ago. Its three pillars were to be political dialogue, economic cooperation and trade. Given the strong economic and cultural ties between the two continents, the dominant view was that this agreement would not only provide the EU and the Mercosur countries with considerable economic benefits, it could also strengthen geopolitical relations between the EU and the continent of South America.

It was clear from the outset, however, that the negotiations would encounter massive obstacles. Mercosur was founded as a customs union as early as 1991, but the process of economic integration is still incomplete and riddled with flaws. As a result, even now the member states find it difficult to negotiate as one bloc. On top of that, domestic problems within the bloc have done little to promote a sense of unity. Paraguay was suspended from Mercosur between 2012 and 2014, while Venezuela joined in 2012 only to leave again just four years later.

Biggest deal ever

Mercosur's political problems and lack of unity have not been the main obstacle in negotiations with the EU, however. Many observers argue that the inclusion of an ambitious chapter on agriculture has been a persistent problem for the EU. The Mercosur countries are major exporters of agricultural products, including beef, poultry, sugar, rice and orange juice – commodities that are vitally important for European farmers. Nevertheless, at the end of last year, the European Commission raised hopes that the negotiations might soon be concluded. The agreement would be the biggest the EU has ever signed, with the total abolished tariffs four times greater than in the agreement recently reached with Japan.

But all this has been eclipsed by what may prove to be a decisive factor: the election of Jair Bolsonaro as president of Brazil. Bolsonaro was and is, in a number of ways, a controversial figure for European leaders. He was elected on a populist platform, underpinned by extreme right-wing values, which split the country. He has declared that Brazil could withdraw from the Paris Agreement on climate change – though we still have to see if and when that will happen. And on taking office, he proposed merging the environment ministry with the ministry of agriculture.

If the Bolsonaro government continues its efforts to favour Brazil's agricultural sector at the expense of the environment, the European Parliament will have every reason to reject an agreement with Mercosur.

The aim of this proposed merger was to boost the agricultural sector's influence over environmental decision-making; while domestic pressure quashed the merger, he has nonetheless shifted important areas of ministerial responsibility from environment to agriculture. This includes the exploitation of Brazil's forests and water reserves. The concern is that the agricultural lobby will muscle in and accelerate clearance of the rainforest.

This contrasts strongly with the recent evolution of European trade policy. The EU's trade agreements have become increasingly broad-based, especially on trade and sustainable development, with the watchword being 'values-driven trade policy'. This encompasses respect for human rights, as well as boosting workers' rights and implementing international agreements on environmental protection. Accordingly, recent agreements with Canada and Japan include ambitious provisions on compliance with international labour standards and environmental

agreements, with the Paris Agreement at its centre.

Democratic conscience

The European Parliament was one of the driving forces behind the paradigm shift in EU trade policy. It is the 'democratic conscience' of this common European policy area, and as such it plays a key role in monitoring compliance with European values. And because the Parliament has the power to reject any trade agreement at the end of the ratification process, both the Commission and third countries are well advised to accommodate its requirements and expectations.

The Parliament has taken a clear stand in one area in particular. Its July 2018 report on EU climate diplomacy makes clear that the conclusion of trade agreements with third countries is conditional on the implementation of the Paris Agreement. It is therefore clear that the European Parliament is not going to sign off on any agreement that does not contain ambitious provisions on fighting climate change. And quite rightly so, because to do otherwise would undermine the EU's leadership role in combating climate change and demolish a cornerstone of its values-based trade policy.

The dissension that has now opened up in the Mercosur negotiations will be difficult to resolve. If the Bolsonaro government decides to withdraw from the Paris Climate Agreement, the European Parliament will have every reason to reject an agreement with Mercosur.



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