

# Sitting, waiting, wishing: Why the EU-Mercosur agreement remains on hold

*The EU and the Mercosur trade bloc announced a free trade agreement in 2019, however the deal has yet to be ratified. **Frederik Stender** writes that with Russia's invasion of Ukraine bringing the EU's geostrategic partnerships back into focus, there is movement towards reviving the Mercosur agreement. Yet key obstacles remain, and it is unlikely there will be any breakthrough in the near future.*

The EU has never been in any hurry to conclude a trade agreement with the Mercosur countries, consisting of Argentina, Brazil, Paraguay and Uruguay. It was not until June 2019 that the two sides reached political agreement on the trade section of a larger EU-Mercosur association agreement, after a record-breaking 20 years of negotiations. But the real deadlock only came after the deal was done.

France and Germany, in particular, [have blocked the ratification since 2020](#), thus meeting the demands of environmental NGOs and agricultural lobbies. The agreement has been criticised for overlooking poor environmental standards and non-observance of protection for indigenous peoples in Brazil, but it has also attracted the suspicion of European agricultural associations. Concerned about losing Brazil as a strategic partner in the long term, and motivated by [warnings from Spain](#) about the EU's decreasing influence in Latin America, EU officials are now planning to land the agreement in a second attempt.

## Competition from China

The plans to review the EU-Mercosur agreement, however, are both ambitious and much delayed as China is already seizing the opportunity left open by the stalled ratification process. In July this year, China and Uruguay announced concrete negotiations for a full [bilateral trade agreement](#). Uruguay in particular could benefit from this unequal partnership.

So far, trade between the two countries has been relatively complementary, but Uruguay is also increasingly focusing on renewable energy. Wind and solar technology and rare

earths from China are thus more than welcome. In addition, unlike the EU, China already has trade agreements in force with both Australia and New Zealand, two major competitors for Uruguay's agricultural exports to China.

At the recent Mercosur summit, Argentina, Brazil and Paraguay opposed Uruguay's overtures toward China, seeing them as contrary to Mercosur's statutes. Uruguay, on the other hand, is likely to resent the lack of progress over the EU-Mercosur agreement, in part due to Brazil's role in the deadlock. The regional predominance of Brazilian goods is also an issue for the three other Mercosur states.

The latter is likely to change, at least partially, with a China-Uruguay trade agreement, and this could eventually lure Brazil into a larger China-Mercosur trade deal. China would then not only secure another important supplier of agricultural goods in Latin America and open up a huge new market for itself but would also gain an advantage over the EU in geopolitical terms.

### **Making the case for the EU**

From Brazil's perspective, China is no less attractive a partner than the EU. While Brazil fears Chinese superiority in the area of industrial goods, which is also a concern in relation to the EU-Mercosur agreement, a huge future market beckons, especially with regard to biofuels – an area in which the EU is still not in complete agreement.

Meanwhile, the EU is relying on proven patterns. Only recently have initial talks been held behind closed doors with a view to reviving the EU-Mercosur agreement. The intention is not to completely reopen the treaty – a strategy the EU has also followed with Canada in the CETA deal – but instead to add provisions on compliance with its sustainability chapters. Also, the EU [ties the entry into force](#) of the agreement to the outcome of the Brazilian election, the second round of which is due to be held on 30 October.

Yet, even if political change is in the air in Brazil, this does not guarantee support for the EU-Mercosur agreement on the other side of the Atlantic. Brazilian exporters in particular have long suspected hidden protectionism will be incorporated into the EU's sustainability chapters. And the problem is not only that the EU still has to ratify the agreement but that it will have to win approval in the parliaments of the Mercosur countries as well.

A change of political colour in Brazil will hardly make things easier. Indeed, the EU's proposal to quickly add to the agreement is at odds with [recent statements](#) by Luiz Inácio Lula da Silva, the frontrunner in Brazil's election, who has said the deal should be renegotiated to better protect Brazilian industry.

If China merely agreed on a shallow free trade agreement with Uruguay, and possibly later with Mercosur as a whole, it would leave open the possibility for formal external trade agreements between Mercosur and other partners like the EU without internal consent. However, China could attempt to prevent these external relations indirectly by letting its market power speak. China has certainly proven its ability in the past to win Latin America over to its point of view. Thanks to Covid-19 vaccine deliveries and Latin America's involvement in China's 'new Silk Road' initiative, ties are already close in many cases.

It would be naïve for the EU to believe that the Mercosur countries are sitting still and waiting for some gesture of goodwill from Brussels on the EU-Mercosur agreement. China has put out feelers in the region and is not likely to let go anytime soon. The prospect of accessing a vast new market without having to comply with the EU's requirements already makes China an attractive alternative and the EU will have to work hard to make its case.

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*Note: This article gives the views of the author, not the position of EUROPP – European Politics and Policy or the London School of Economics. Featured image credit: [European Council](#)*

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