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The European Union and Mercosur

On June 10-11, 2015, the European Union (EU) hosted the second EU-Community of Latin American and Caribbean States (CELAC) Summit in Brussels. This summit, attended by the heads of state and foreign ministers of the 33 members of the CELAC, was the most recent example of the EU's long-term interest in, and maintenance of, its political and economic relations with the Latin America and Caribbean (LAC) region.

At the conclusion of the EU-CELAC summit on June 11, a European Union-Mercosur Ministerial meeting was also held in Brussels as part of a long-standing relationship between the EU and the nations of Mercosur. One of Latin America's largest regional integration projects, the bloc consists of Argentina, Brazil, Paraguay, Uruguay, and Venezuela. Bolivia's membership was approved in 2015 and is awaiting ratification by Brazil and Uruguay. Mercosur functions as a customs union and free-trade area. Although they do not have free trade in all areas among the member countries, they do have a common external tariff. The bloc has ambitions to become a common market along the lines of the European Union.

At the EU-CELAC summit, Brazil's president, Dilma Rousseff, stated that she hoped the EU-Mercosur negotiations that would lead to a new and formal relationship between the two blocs could be accelerated. The Ministerial focused on the importance of deepening and expanding the relationship between both blocs, and, to this end, the participants apparently had an open and frank exchange of views on the state of play of the negotiations for an ambitious, comprehensive, and balanced Association Agreement.

Background

The European Union's interest in developing closer relations with Mercosur formally began in 1995, when the EU and Mercosur signed an Interregional Cooperation Framework Agreement. The objective of the agreement was to strengthen existing relations between the parties through a regularized dialogue in order to achieve a more comprehensive political and economic association and to establish reciprocal liberalization of trade between the two regions. The Framework Agreement went into force in 1999. At the EU-Latin America Summit held in Rio de Janeiro in June 1999, the EU heads of state and government decided to launch negotiations on an Association Agreement with Mercosur. In September 1999, the EU Council adopted its negotiating directives, which allowed the Commission to start negotiations with Mercosur in April 2000. The negotiations opened and included three chapters: political dialogue, cooperation, and trade. The parties agreed that the target date for the conclusion of these negotiations was to be October 2004.

However, negotiations went slowly and were eventually suspended in 2004 over fundamental differences, particularly what the EU felt was an unacceptable degree of protectionism in the trade chapter championed by countries such as Argentina and Brazil.

EU-Mercosur Basic Facts

- * EU: 28 member states; Mercosur: 5 member states; 1 application pending.
- * EU Headquarters: **Brussels**; Mercosur Secretariat: **Montevideo**; both have a six-month rotating presidency.
- * Population: EU: 500 million; Mercosur: 295 million.
- * European Union GDP (2014): approx. €13.9 trillion (\$14.6t)
- * Mercosur countries GDP (2013); approx. \$3.5 trillion
- * EU is one of Mercosur's top trading partners, accounting for approximately 19.8% of Mercosur's total global trade.
- * Total trade (imports/exports) between EU and Mercosur: €104 billion (2013).
- * Trade in goods and services between EU and Mercosur: approximately €70 billion (2013).
- * EU is a leading foreign direct investor (FDI) in Mercosur, amounting to approximately €324 billion (2013).

Source: European Commission, Eurostat.

In the interim, the EU had already negotiated bilateral Framework Trade and Cooperation agreements with Argentina (1990), Brazil (1991), Paraguay (1992), and Uruguay (1992). The objective of such agreements is to strengthen existing relations between the parties and to prepare the conditions enabling the creation of an interregional association that will cover trade and economic matters, cooperation regarding integration, and other fields of mutual interest in order to bring about closer relations between the parties and their respective institutions.

In addition, all Mercosur countries, with the exception of Paraguay, no longer benefit from the EU's "Generalized Scheme of Preferences" (GSP), which allows developing country exporters to pay less or no duties on their exports to the EU. This gives countries vital access to EU markets and contributes to their economic growth.

Despite the lack of progress on the trade chapter, political relations continued. During the EU-Mercosur Summit of Lima in 2008, an agreement to expand relations to three new areas—science and technology, infrastructure, and renewable energy—was signed between the two blocs.

After a six-year suspension, negotiations on the Association Agreement were re-launched in May 2010 at the EU-LAC Summit of Madrid and are currently ongoing. The main objective is to negotiate a comprehensive agreement, including a trade agreement covering not only trade in industrial and agricultural goods but also services, improvement of rules on government procurement, intellectual property, customs and trade facilitation, and technical barriers to trade.

EU Association Agreements

Association Agreements (AA) are international agreements that the European Union negotiates with third countries or organizations with the aim of setting up an all-embracing framework to conduct bilateral political, economic, and trade relations. The EU typically concludes such agreements in exchange for commitments to political, economic, trade, or human rights reform in a country. In exchange, the country may be offered tariff-free access to some or all EU markets (industrial goods, agricultural products, etc.) and financial or technical assistance. More recently, the EU has offered free-trade agreements (FTAs) with their Association Agreements. EU FTAs are generally not as comprehensive as the FTAs the United States negotiates, and the tariff reductions are usually more limited. AAs differ in their exact content and finality depending on the partner country; nevertheless, they more often than not will provide for a privileged relationship between the European Union and its partner. AAs create bodies for the management of the cooperation and give those bodies the authority to make decisions that bind the contracting parties. AAs generally comprise four broad chapters: Common Foreign and Security Policy; Justice and Home Affairs; Free-Trade Areas; and a fourth chapter covering a range of issues including the environment, science, transportation, and education. A clause on the respect of human rights and democratic principles is generally included in any agreement. Association Agreements are subject to approval by the European Parliament and must be ratified by all 28 member states of the EU.

Parliamentary Dimension

The European Parliament, as part of its normal oversight responsibilities, maintains numerous delegations (41) to various non-EU countries and organizations, including the Delegation for Relations with Mercosur. The European Parliament's delegations maintain relations and exchange information with other parliaments. Through its delegations, the European Parliament helps to represent the European Union externally and to promote in third countries the values on which the European Union is

founded, namely the principles of liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law. The Mercosur delegation covers relations with the countries of Mercosur. Every year, the Members of the Delegation visit the region and receive visits from members of the national parliaments from the Mercosur countries and from the Mercosur Parliament (Parlasur). The current chairman of the delegation is Francisco Assis of Portugal.

Looking Ahead

After 15 years of on again-off again negotiations for an EU-Mercosur Agreement, it would appear that Mercosur is reaching a critical decision point regarding its future relationship with Europe. FTAs are already in place between the EU and the CARIFORUM group of 16 countries and between the EU and Central America. Ecuador, in 2014, signed a deal to adhere to the existing EU-Andean Association Agreement with Colombia and Peru. The EU also has FTAs in place with Chile and Mexico. Finally, the EU is negotiating a bilateral Political Dialogue and Cooperation Agreement with Cuba, due to conclude by the end of 2015. In addition, the imminent entry into force of an EU-Canada FTA and the ongoing investment and trade negotiations between the EU and the United States (under the proposed Transatlantic Trade and Investment Partnership, TTIP) will likely present problems for Argentina, Brazil, and Uruguay, which export mainly agricultural products to the EU. These countries will have more competition from Canada and the United States, two countries that are among the top agricultural exporters in the world and that compete directly with the members of Mercosur on products such as meat, grains, dairy, and wine.

The EU also sees an agreement with Mercosur as a means to boost its exports to the LAC region and to help reinvigorate Europe's economy. With a positive commercial balance of trade with Mercosur, it could be easier for the EU to reduce tariffs. The EU also desires to strengthen its political and economic influence in the region in order to balance U.S. FTAs with other Latin American countries. The EU would also like to conclude an Association Agreement with Mercosur as soon as possible as a means to compete with China's economic activities in Latin America. In order to do this, however, Mercosur, and in particular Argentina and Venezuela, will need to inject a new energy and a sense of urgency into the negotiating process.

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