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**European Union-Mercosur Free Trade Agreement:  
Bolsonaro vs. The Brussels Effect**

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# **European Union-Mercosur Free Trade Agreement: Bolsonaro vs. The Brussels Effect**

Emily Espinosa\*

*“Make men work together, show them that beyond their differences and geographical boundaries there lies a common interest.”*

*-Jean Monnet*

## **Introduction<sup>1</sup>**

The European Union-Mercosur free trade agreement is an agreement between the European Union and the Latin American countries of Argentina, Brazil, Paraguay, and Uruguay. The trade deal aims to increase bilateral trade and investment, lowering tariff and non-tariff trade barriers through good regulatory practices. The agreement also pushes to promote sustainable development, by fighting climate change and increasing environmental protections. The European Union and Mercosur countries announced a trade agreement on June 28, 2019 at the 2019 G20 Osaka summit after twenty years of negotiations. If the agreement is ratified, it would be the largest trade deal ever struck for both the EU and Mercosur in terms of population. Negotiations on the agreement were concluded on June 18, 2020. However, President Jair Bolsonaro of Brazil has positioned himself against globalism, regionalism, and fighting climate change. During his presidency he has dismantled Brazil’s track record of protecting the environment, which in turn has delayed the long-awaited ratification of the EU-Mercosur agreement.

*Keywords: European Union, Mercosur, globalism, regionalism, climate change*

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<sup>1</sup> Appendix A offers Spanish Introduction

## **I. Background on EU-Mercosur Free Trade Agreement**

For decades, the European Commission has advocated for creating a deeper partnership between the European Union and Mercosur. The EU is Mercosur's biggest foreign investor and trading partner, which is why reaching a free trade agreement would be beneficial for both parties. In 2019, the EU's exports to Mercosur were €41 billion, while Mercosur's exports to the EU were €35.9 billion<sup>2</sup>. Talks on a free trade agreement between the two giant blocs began in 1999 but were halted until 2016 due to disagreements and having other priorities. In 2016 talks were renewed in an effort to combat protectionist policies that the world was experiencing.

Former European Commission President Jean-Claude Juncker advocated for a “rules-based trade” at a time when the United States was implementing protectionist policies and engaging in a currency and trade war with China and the EU<sup>3</sup>. On June 28, 2019 the EU and Mercosur finally reached a political agreement. The goal of the revamped EU-Mercosur trade deal would be to eliminate tariffs and create more stable rules for trade and investment, while promoting joint values such as sustainable development, by strengthening worker's rights, fighting climate change, increasing environmental protections, and upholding high food safety standards<sup>4</sup>.

## **II. Bolsonaro's Brazil and its effects on the EU-Mercosur Free Trade Agreement**

Jair Bolsonaro was elected the president of Brazil in 2018 as a member of the conservative Social Liberal Party. He has strongly supported national conservatism, protectionist policies, and has been a vocal opponent of combating climate change. During his presidency, Bolsonaro has continued to roll back on environmental regulations in Brazil, prompting the EU's criticism. On September 15, 2020, French Prime Minister Jean Castex expressed concerns over new reports of deforestation and confirmed France's opposition to the current version of the EU-Mercosur agreement<sup>5</sup>. Shortly after, on October 7, 2020, the European Parliament passed an amendment stating that the current version of the trade deal with Mercosur would not be ratified due to the lack of regulation in Brazil. The EU has stated that for negotiations to continue, the agreement must respect the targets of the Paris Agreement on fighting climate change, which Bolsonaro has undermined.

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<sup>2</sup> *European Commission Directorate-General for Trade. Mercosur - Trade - European Commission. 26 April. 2021* <https://ec.europa.eu/trade/policy/countries-and-regions/regions/mercosur/>.

<sup>3</sup> Euractiv. *Macron defends EU-Mercosur trade deal, as farmers protest. www.euractiv.com. 3 July. 2019* <https://www.euractiv.com/section/economy-jobs/news/macron-defends-eu-mercosur-trade-deal-as-farmers-protest/>.

<sup>4</sup> *EU-Mercosur Trade Agreement. 11 May. 2020, https://ec.europa.eu/trade/policy/in-focus/eu-mercosur-association-agreement/*.

<sup>5</sup> Reuters. *France Says New Report on Deforestation Confirms Its EU-Mercosur Trade Deal Concerns. 18 Sept. 2020, www.reuters.com/article/us-france-mercosur-idUSKBN2691UF*.

Bolsonaro has a history of ignoring the facts on global warming and has worked to embolden illegal ranchers and land speculators to haphazardly deforest land<sup>6</sup>. Additionally, he has sought to weaken the land rights of indigenous peoples by opening the area to commercial development. The EU has criticized Bolsonaro's actions as they have the potential of leading to an indigenous genocide. Bolsonaro continued to ignore these concerns and alleged that the EU had no governance over Brazil, stating that "the Amazon is ours"<sup>7</sup>. However, in August of 2020, there was a sudden change in Bolsonaro's policies, and he appeared to cave to international pressure. He announced that Brazil would ban forest fires for the four months of the dry season and that he would set up a military operation against deforestation<sup>8</sup>. This is a surprising new stance from the President who mocked the EU's pleas prior. Could this change reinforce the Brussels Effect?

### III. The Brussels Effect? Does it apply?

The Brussels Effect is a term coined by international trade law scholar and professor at Columbia University Anu Bradford. Bradford's book *The Brussels Effect* explains how the European Union's regulations set standards for the rest of the world to follow<sup>9</sup>. Her book gives examples of EU policies on food safety, GMOs, data privacy, and environmental protections that are implemented in other regions of the world. According to Bradford, if countries wish to deal with the EU and its member states, they must adopt the EU's rules and regulations.

Although the ratification of the EU-Mercosur agreement has been halted, Bolsonaro's new stance could be the first step for coming closer to an agreement and displaying the EU's environmental regulatory power through the Brussels Effect. There have been some positive environmental changes from Brazil in the last months of 2020. Brazil's Ministry of Defense stated on December 7, 2020 that deforestation in the Amazon had fallen by 45% in November from the same month last year, the third consecutive decline<sup>10</sup>. According to European Union Ambassador to Brazil Ignacio Ybañez, Brazil has made recent efforts at combating climate change such as creating the Amazon Council and establishing a way to trace wood illegally taken from the rainforest<sup>11</sup>. It seems that the EU's environmental regulatory power has pushed

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<sup>6</sup> Reuters. *Brazil's Bolsonaro Blames Indigenous People for Amazon Fires in U.N. Speech*. 23 Sept. 2020, [www.nbcnews.com/news/latino/brazil-s-bolsonaro-blames-indigenous-people-amazon-fires-u-n-n1240819](http://www.nbcnews.com/news/latino/brazil-s-bolsonaro-blames-indigenous-people-amazon-fires-u-n-n1240819).

<sup>7</sup> AP News. *Brazil President Rebuts European Criticism over Environment*. 4 July. 2019, [apnews.com/article/dda827e6161c4d0da6b2f93a031cb90c](http://apnews.com/article/dda827e6161c4d0da6b2f93a031cb90c).

<sup>8</sup> Londoño, Ernesto, and Leticia Casado. *Under Pressure, Brazil's Bolsonaro Forced to Fight Deforestation*. 1 Aug. 2020, [www.nytimes.com/2020/08/01/world/americas/Brazil-amazon-deforestation-bolsonaro.html](http://www.nytimes.com/2020/08/01/world/americas/Brazil-amazon-deforestation-bolsonaro.html).

<sup>9</sup> Bradford, Anu. *The Brussels Effect: How the European Union Rules the World*. Oxford University Press, 2020.

<sup>10</sup> Boadle, A. *Brazil pledge on Amazon needed to save EU-Mercosur trade deal -EU diplomat*. Reuters. 7 December. 2020, <https://www.reuters.com/article/eu-mercosur-brazil-idUSKBN28H1SP>.

<sup>11</sup> Boadle, A. *Brazil pledge on Amazon needed to save EU-Mercosur trade deal -EU diplomat*. Reuters. 7 December. 2020, <https://www.reuters.com/article/eu-mercosur-brazil-idUSKBN28H1SP>.

Brazil's government to take some action in combating deforestation, confirming the Brussels Effect.

#### **IV. Conclusion**

On December 14, 2020 at the EU27-LAC informal ministerial meeting in Berlin, representatives from the EU and the countries of Argentina, Brazil, Paraguay and Uruguay, discussed a way forward for the ratification of the EU-Mercosur Agreement<sup>12</sup>. They emphasized the importance of including the Paris Agreement's 2030 agenda in the agreement and the need to finalize an agreement that would benefit both parties. Bolsonaro's actions in the next year will determine the future of the agreement as the EU continues to examine deforestation reports and Brazil's policies. If Bolsonaro commits to his duty of protecting Brazil's portion of the Amazon, we may see the reinforcement of the Brussels Effect and the ratification of one of the most important free trade agreements of the decade sooner rather than later. Hopefully, it will not take another twenty years to realize this.

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<sup>12</sup> European Commission. *Press corner*. European Commission. 14. Dec 2020, [https://ec.europa.eu/commission/presscorner/detail/en/STATEMENT\\_20\\_2424](https://ec.europa.eu/commission/presscorner/detail/en/STATEMENT_20_2424).

## **Appendix A: Spanish Introduction**

El tratado de libre comercio Unión Europea-Mercosur es un acuerdo entre la Unión Europea y los países latinoamericanos de Argentina, Brasil, Paraguay y Uruguay. El objetivo del acuerdo es aumentar el comercio y la inversión bilaterales, reduciendo las barreras comerciales arancelarias y no arancelarias a través de buenas prácticas regulatorias. El acuerdo también impulsa la promoción del desarrollo sostenible, luchando contra el cambio climático y aumentando las protecciones ambientales. La Unión Europea y los países del Mercosur anunciaron un acuerdo el 28 de junio de 2019 en la cumbre del G20 de Osaka de 2019 después de veinte años de negociaciones. Si se ratifica el acuerdo, sería el tratado comercial más grande de la historia tanto para la UE como para el Mercosur en términos de población. Las negociaciones sobre el acuerdo concluyeron el 18 de junio de 2020. Sin embargo, el presidente Jair Bolsonaro de Brasil se ha posicionado contra el globalismo, el regionalismo y la lucha contra el cambio climático. Durante su presidencia ha desmantelado la trayectoria de Brasil en la protección del medio ambiente, lo que a su vez ha retrasado la tan esperada ratificación del acuerdo UE-Mercosur.

*Palabras clave: Unión Europea, Mercosur, globalismo, regionalism, cambio climatico*

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