

Transcript JORDI CAÑAS

00:00- Intro: Informal chat with Jordi Cañas - The state of the negotiations of the EU-Mercosur Agreement

00:04 - Oscar: Hello, my name is Oscar Guinea and today I am going to talk to MEP Jordi Cañas. Jordi is a member of the International Committee in the European Parliament and he is also the main rapporteur of the report on the Association Agreement between the EU and Mercosur. And it is about this agreement, which has been negotiated but not ratified yet, that we are going to talk about today.

Welcome Jordi.

00:25 - Jordi: Thank you.

00:27 - O: The EU and Mercosur started negotiating a trade agreement more than twenty years ago. Negotiations were finalised in June 2019 at the G20 summit where the European Union and Mercosur announced their Association Agreement which includes commercial, but also political elements.

And here we are, September 2021, and the agreement has not yet been approved. Tell us what has happened, or what has not happened, between June 2019 and September 2021, for the agreement to remain unratified.

00:57 - J: First of all, just to put it in context, we must remember that the agreement has two parts: a commercial part, and a political and cooperation part. The commercial part was signed, I say signed because the agreement is signed, but not ratified. The commercial part was signed in July 2019 and the political and cooperation part was signed in July 2020. What has happened since then? Well, many things have happened. It happened that already since August 2019 in France, one of the signatory countries, that was present in the famous photo of Osaka with presidents of the countries of the European Union, and the members of Mercosur. However, due to the leadership role that President Macron wanted to have on the defense of the environment and compliance with the Paris agreements, in August, Macron himself said that France saw with difficulty the approval of the agreement due to the fires that were happening in the Amazon, and the attitude of Bolsonaro. However, the policy and cooperation part was signed in July 2020.

There has also been a change of Commissioner, let's remember that in October 2020, Mr. Dombrovskis, the current Commissioner for economy and trade, took over the portfolio, and already in his inauguration at his "hearing" before the parliament, he said that the agreement as it stood was not going to start the ratification process, but that additional commitments were required from Mercosur countries, especially on issues such as the environment, in order to start the ratification process. This was in October 2020, the German presidency was coming in the first semester of 2021, it was thought that there would be a boost from Germany, however, what could have been a boost and the beginning of the ratification process, was not carried out because Germany, a little before assuming the presidency, also said that those additional commitments were required before starting the ratification process. And this is the situation we are in, more than a year after the agreement as a whole was

finally signed with the political part, today we do not know the totality of the agreement, it has not been made available to the public, in theory it is under translation and under legal adjustment, we do not know when the ratification process will begin, and we do not know, rather we know, that negotiations have not begun to achieve the additional commitments with the Mercosur countries on environmental matters. Therefore, we have an agreement, which is the most important agreement signed by the European Union, and one of the most important in the world, now in a kind of induced coma or put in the freezer.

04:20 - O: Now let's move forward. We are in 2021 and this European legislature has 2 years left as the next European elections will be in 2024. In the meantime we have elections in France and elections in Brazil in 2022. Let's assume that it is difficult for an MEP to vote in favour of the EU-Mercosur agreement one year before the European elections. So when is the agreement going to be voted on?

04:52 - J: When will the ratification process be initiated? When we ask ourselves why the ratification process has not been initiated, we have to speak clearly, and basically say that what has determined it has been the French position, in this case due to internal politics, a situation of internal French politics in view of the possibility of the growth of the greens in France, and the more conservative position of the sectors linked to agriculture and livestock in France. We have presidential elections in France which will decide the future of the French presidency next year, and until the elections are over, the ratification process will not start. It is very complicated, given the very firm position of France, given the more lukewarm position of Germany, which has not been able to initiate the process, and the political context in which we are moving, for this ratification process to begin before the French elections. That is a clear milestone, the French elections; also how the German government will finally be, now that there have been elections in Germany and that the political balances or the political sign of the German presidency may change; and then the elections in Brazil. I believe that we will have a horizon in the middle of next year to have all this information, and from there, if some of the unknowns of the equation have been clarified: if Mr. Bolsonaro does not win the elections and Lula wins, if President Macron finally faces his second and last term, and if in Germany the resulting government is not against the beginning of ratification, then we could have a window of opportunity in the second half of 2022 that would allow us to start a ratification process, having negotiated in parallel the significant additional agreements required by the European Union and that in a few months we could start the ratification process. That would be a horizon, a possible window of opportunity, the second half of 2022. As you rightly said, it would be very difficult for the last six months of 2024, end of 2023, beginning of 2024, to start a ratification process in the middle of the European pre-campaign. Second semester of 22, first semester of 23, there we would have a window of opportunity of around one year that could coincide with the Spanish presidency and with some presidencies very close to the agreement, such as those of Sweden and the Czech Republic, which I believe could be important in order to set the stage for the beginning of the ratification process in the second semester of 22, first semester of 23.

08:02 - O: Okay, let's talk about France and Germany now. As you said, France does not seem to be willing to support the association agreement between the European Union and Mercosur. You have talked about some of the reasons why, I hope you could elaborate on that and at the same time talk about what can be done about it to bridge the French disagreement.

08:23 - J: I am going to give you my personal opinion, probably if you talk to other people they would give you other reasons. I think the motive is clearly a domestic political electoral motive. The agreement is very good for European industries as a whole, but also for French industries, when I say industries I mean the agri-food, automotive, chemical, dairy, textile industries, I mean that this agreement is a great trade agreement, and it is also a great political agreement, and it is a great agreement of environmental commitments, it is the first agreement that incorporates within its articles the fulfillment of the Paris agreements, the fulfillment of the deforestation commitments, that is to say, it is in the articles. The problem is that Mr. Macron has led a kind of green crusade linked to the fires in the Amazon, fires that have historically occurred in the Amazon area, although it is true that during the Bolsonaro presidency there has been a more lax attitude, a non-belligerent attitude against the fight against fires. In the end it has nothing to do with the agreement, the link between the agreement and deforestation is non-existent. I always give the same fact: most of the deforested areas in the Amazon, in a voluntary way have non-illicit uses, today without the agreement, Europe imports Brazilian soybeans with zero tariff, with or without the agreement, soybeans enter Europe with zero tariff. Many of these soybeans are probably grown in irregularly deforested areas, I have not seen anyone asking for a tariff on Brazilian soybeans. So, when some say that there will be a direct relationship between the signing of the agreement and the increase in deforestation, it is absurd because the products that are grown are basically soybeans or livestock, livestock has quotas with very small increases and soybeans already enter with zero tariffs. So it is the other way around, it is giving up an instrument that we would have in order to help, or even to force the Brazilian government, this or any other government, to comply with environmental objectives, and yet Mr. Macron has decided to link it to an agreement that has nothing to do with it, unfortunately, in this case, with the fight against deforestation. So it is a purely political strategy, first to assume a role as a champion of the green discourse or of compliance with the Paris agreement, which is very legitimate, to curb the growth of green parties in France, which is very legitimate, and for a strictly personal or party issue, which is also very legitimate. The problem with this is that something that is legitimate affects the European Union as a whole. A debate that in some way has been replicated in Germany, but now we have the elections that took place last weekend, and we are going to have a result. I remember a very strong letter from the German industry as a whole, from the German industry employers' association, telling Merkel that this agreement was extremely important for the future of German industry. So somehow we have to assume that this agreement has become the new CETA. There have been some political arguments that have been put at the center of the debate linking the agreement with deforestation, when the agreement has nothing to do with deforestation, however, the non-agreement will prevent us from having instruments to combat deforestation because there are some articles in the agreement that mutually oblige countries to comply with the Paris agreements. But it has a political reading that in some way, which as politicians we cannot ignore. What many of us wish is that once the French elections are over, the debate on the agreement can begin. The agreement will not be opened for negotiation. What is certain is that it would be convenient that those environmental commitments that both the Mercosur countries and the European Union have, we force those commitments to be fulfilled. But not only to the Mercosur countries but to all the countries, because this is an association agreement, and the partners are all obliged to comply with certain rules, or agreements, or commitments, we do not only have to oblige the Mercosur countries, the European Union has also made certain environmental commitments that it can also fail to comply with. Therefore, these additional commitments, which I believe

can improve the agreement, will have to wait until after the French elections so that they can surely be put on the table and a calm, positive debate can take place, which will serve to strengthen a great agreement for the European industry and a great agreement for the Mercosur countries as a whole.

13:44 - O: Okay, let's discuss the weaknesses of the agreement, first the chapter on sustainable trade where it deals with environmental protection, deforestation, climate change, workers' rights. Critics of the agreement say that the implementation of the articles cannot be verified. Basically they say that they are declarations of good intentions, but a dead letter in case of non-compliance. Is this true?

14:12 - J: Well, like so many international agreements. There are reasonable doubts, not only about this agreement, but about all the agreements, the European Union is a group of 27 countries, and there are some countries that do not comply with the agreements we have among us, and sometimes we lack the appropriate mechanisms to force them to do so. This is nothing new, that is to say, international agreements are moved by a common will to reach an agreement, an agreement is a commitment that binds us. If someone then violates it, it would surely be good to start to establish mechanisms of mutual obligation. But this is nothing new, but the question is, if we do not have an agreement, what instruments do we have? None, neither declarative nor of commitment. When a country, I mean a country, not a government, signs an agreement and commits itself, in principle we have to have confidence and credibility in it, you cannot have distrusting partners, partners are trusted. Brazil, Argentina, Paraguay and Uruguay are signatories of the Paris agreements. What are the coercive mechanisms towards the countries that have signed the Paris agreement? Does anybody know them? None, they are voluntary and they oblige us because we want them and because we trust that they are necessary. The agreements, this is an association agreement, this type of agreement, are a starting point of a process of consolidation of political relations between two different blocs. The association agreement generates follow-up and supervision mechanisms that need to be improved. Well, let us improve them, if I believe that we are all very concerned about the fulfillment of agreements, in general, of all kinds. And that we have to establish mechanisms for follow-up, control, supervision and sanction in the event of non-compliance. But I repeat that this agreement, the political part, was signed in July 2020, not 20 years ago. So, when the agreement is ratified, we will analyse where it is failing and we will establish the mechanisms. But of course, putting the bandage before the wound is an example of distrust. I repeat, in the face of debates where it is likely that there are countries of the European Union that do not comply with their environmental commitments, and that we Europeans are often giving lessons to other countries that emit less Co2 per capita than us, that have an energy pool, some of them 100% renewable, as in the case of Paraguay, and almost 90% in Brazil, that have larger forested areas than us, and that we deforest almost all of them. I believe that if we want to strengthen ties based on cooperation and collaboration, they must also be based on trust and mutual respect. And the association agreements are a starting point for relations that have to be consolidated, they are an instrument that we have, which obviously can be improved, but what we cannot say is that it is perfect because it does not have everything we want. Well, it has many things, some of them unprecedented in trade agreements, many of them avant-garde, it is the most modern and avant-garde trade agreement of all those signed, which has a deep respect and concern for the environment. China, none of its agreements has anything to do with this, the trade agreement in the Pacific has no

environmental clause, and it commits to compliance with the Paris agreements, it commits to the agreements on respect for biodiversity, it commits to the agreements against deforestation, and we must be confident that all the signatory countries will finally get down to work to fulfill their commitments, but we cannot be permanently distrustful. I believe that this is an excuse that they use, similar to those who did not want CETA at the time, did not want TTIP, the agreement with Vietnam, well, in general they are against trade agreements, which is very legitimate, but in this case they have simply taken advantage of the circumstances of the fires in the Amazon to question the agreement. However, they have never questioned the fires in Australia, the fires in the United States or the fires in Canada or the respect for human rights in China when establishing trade relations or agreeing on agreements such as the one signed in December last year with China for the investment agreement.

18:58 - O: Okay, if the agreement is so good, my question is why is the European Union renegotiating an environmental Annex with Mercosur? What problems did the agreement have? And what are the magical properties of this Annex to solve these problems?

19:12 - J: What I always say is that politicians should not create problems for the people, but solve them. In theory, we are paid to solve problems, not to create problems and then have to solve them. Well, I believe that this is a problem that some have created and that now we have to solve. When we say that this is an imperfect agreement, and that it has to be improved, what we cannot say a year later is "no, no, it is phenomenal". I repeat, what I do not understand is that when the political and cooperation part of this agreement was ratified, the Council gave its approval, so what I do not understand is why the political and cooperation part was ratified in July 2020 without demanding that the additional commitments requested three months later be incorporated in that part. I cannot give you an answer to a question that also amazes me, what happened three months ago, why when it was signed in July 2020, was the process of additional requests not initiated? The problem is that the Commission had a political problem with one of the most important members of the Council, which is France, and it did not have it all its own way, so instead of taking the lead and starting the ratification process, still waiting to work on it with France and then with other countries, they decided to freeze it, they decided to do the simplest thing. We went from the Commission of geopolitics to the Commission of 'better do nothing'. Well, you do nothing, you say that there are additional commitments, this is from October last year, to date, according to direct information, not a single document has been put on the table to the Mercosur countries, we are almost a year since the hearing of Mr. Dombrovskis. What are the additional commitments? We do not know, we know that there was a leak of an internal document of the French government where it was established which could be the guidelines or the points that could make up these additional commitments. But just as we still do not have the agreement signed in its entirety, we do not know, among other things because they probably do not exist, those additional commitments documents that should have been under negotiation for a few months now with a view to initiating the ratification process when the opportunity arises. I believe that we have to find a political solution to a problem that we politicians have created.

21:53 - O: We know France's position, we have talked in this interview quite a lot about France, but what is Germany's position? And what could be the position of the new German government?

22:04 - J: Look, I sometimes regret having to talk about basic things. Europe is an exporting continent, in other words, our prosperity is based on exports. Germany bases its prosperity on the fact that it is one of the largest exporters in the world. I was particularly surprised, but I understood it politically, when Merkel said that when she had met with Greta Thunberg and that she is also concerned about the environment, because we are all concerned about it. But the question is, are Germany and France really willing to give up being countries that have a privileged trade relationship with Mercosur, with a trade block as important as Mercosur, to be the first countries, together with the rest of the European Union, that can access with comparative advantages over other competitors, especially with China, to a country like Brazil, which is a mature market for our products, a market that is culturally close, in other words, are we really willing not to ratify this agreement? The question I often ask myself is: Has anyone done any calculations on what the non-agreement will cost? Has anyone calculated what it will cost if China reaches agreements with Uruguay or Brazil unilaterally? And if Chinese companies are the first to have access to their products with low tariffs, if Chinese companies can access the services markets with legal guarantees and with priority over European companies? Has anyone done the math on this? And has anyone explained this to the European workers? Has anyone explained to the European companies what it will mean if political decisions based on electoral interests camouflaged as environmental interests call into question a trade agreement that can be key to the economic recovery of the European industry, of European employment, and that can position us politically in an unbeatable way in a continent such as Latin America, with which Europe had been the maximum investor until a few years ago, as a result of the European inability to consolidate its relations, China has passed us? I believe that this is the debate. Are we aware that the paralysis of the Mercosur agreement is causing problems within Mercosur itself, and is causing European industry to lose a golden opportunity to access mature markets to be able to sell its goods and services and generate prosperity in Europe? I think it is also legitimate to ask that question, isn't it? Can Germany afford that? Well, if they apply the same problems to all countries, they are going to have serious difficulties for exports, because, of course, China? If we have to look at the ILO labor agreements, and the environmental commitments, and if signing trade agreements with China depends on that, then we have a problem. I sincerely believe that, I repeat, I am a politician and I understand politically the electoral cycles, the electoral needs, they are one more element of the game. But I also understand that we are facing a situation in which China, for example, is in negotiations with Uruguay, we know that it is in negotiations with Brazil, the United Kingdom is in negotiations with Brazil, with Uruguay. And if Europe is not able to close this agreement quickly, it will lose a very important opportunity, not only for the companies, but also for employment, for quality employment, exports in Europe are products with high added value, which have highly qualified workers behind them, and losing the opportunity to be the first to sign a trade agreement in such a protectionist block, such as the Mercosur block, is a golden opportunity, which someone may have to explain someday. Because there are some of us who are going to ask for an impact study to be carried out on what the non-agreement will mean, and let China become the preferential trade partner of a region which, due to historical, cultural, linguistic and economic ties, is so closely linked to Europe.

26:36 - O: Well, you have explained very well the difficulties in approving the agreement in Europe, and you have also touched on one of the hottest topics in Mercosur, which may not be given the importance it should in Europe, and that is Uruguay is studying the possibility of negotiating a bilateral trade agreement with China, you have also mentioned Brazil. Does it

make sense to continue worrying about the agreement between the EU and Mercosur, when Mercosur itself is faltering?

27:02 - J: Well, I think we have to take responsibility for the fact that Mercosur is faltering. When Europe decides to sign an association agreement with Mercosur, as with other countries, and not exclusively a trade agreement, it is because we want our relations to serve more than just to increase the exchange of goods and services, or to facilitate it, or to lower tariffs, but to consolidate processes, in the case of Mercosur, of institutionalisation, democratic processes, to generate shared prosperity, to create partners in multilateral matters, to link environmental, labor and labor regulations, and even sanitary regulations extending part of the European legislation to other parts of the world to provide it with greater value, well, and all this seems to be renounced by some. In other words, Mercosur's problem is that it has a very strong logic in its block-to-block negotiations, but internally it has difficulties, and precisely its customs union makes imports very expensive, and there are countries such as Uruguay that are beginning to see that this is not working. However, at the same time it was negotiating with EFTA, if it had started the ratification process, it would have signed with EFTA, with Canada, then surely Mercosur would make full sense, but we have little responsibility for this not being the case. We are allowing a bloc that should be linked commercially but also politically with Europe at a time when the world is being geopolitically reordered, that Europe renounces to a space of association and shared prosperity in Latin America, because Brazil is a titan in the region, well, I think it should make us reflect deeply. I repeat, the arguments for criticising the agreement are all legitimate, and we share the concerns. I believe that all of us who signed the agreement are concerned about the management of deforestation in the Amazon. But we know that the problems are much more complicated than what is sometimes said, there are socio-economic situations in areas with practically no state presence, that the problem of the Amazon is not only in Brazil, it happens in other countries, in Bolivia it is one of the most deforested areas, Ecuador, French Guiana, everything is not so simple. But we cannot link something that has the dimension that an agreement has to a problem that the agreement can contribute to try to improve. I feel a sense of deep sadness or uneasiness, not only because of trade issues, but also because Europe needs to open new markets, markets with which to establish security and certainty for its companies, we need trade agreements at a time when international trade relations are at risk. Europe needs these instruments to provide guarantees to its services. But also at the political level, and also at the level of shared problems, the environmental problem is a shared problem at the global level, so we have to have partners, we cannot slam the door in their faces, does anyone believe that by slamming the door in Brazil's face Europe is going to be able to help Brazil, this or any other government, to understand that its future is based on sustainable growth? In other words, do we really believe that we can continue to go around the world as judges demanding that others comply with what we often fail to comply with, and slamming the door in their faces? I sincerely believe that this is not the way, we all have concerns, but we must have instruments to be able to face the shared challenges in a shared, common way based on cooperation, commitment and loyal collaboration, and this is provided by political instruments, and this is a trade, political and cooperation association agreement. It can be improved? Of course, like everything in life, or is it that our own European Union cannot be improved? Of course, and what do we do? Systematic work, little by little. Well, the same thing, we have an instrument, let's perfect it, it sounds a bit out of tune, let's tune it, but let's not break it because then another one will come and take another instrument that will not

sound so nice. Because if China enters as a preferential partner in Brazil, well, of course, if someone believes that China has the slightest concern about deforestation in the Amazon as long as it gets cheap soybeans, or access to cheap raw materials, well, I sincerely believe that they do not understand anything. We have a general obligation and a duty.

32:38 - O: And with the answer to this last question we come to the end of our interview. Thank you very much, Jordi for your time and your answers.

32:47 - J: Thank you very much for the interview, thank you.

32:50 - O: From ECIPE we want to thank you and wish you good luck in your work in the European Parliament and especially as main rapporteur of the Association Agreement between the EU and Mercosur. Best regards.

33:00 - J: Best regards, and thank you very much.

33:03 - End: Find out more: Mercosur Project

<https://ecipe.org/eu-mercosur-project/>