

The EU and the Mercosur Deal: Lessons for Brexit

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These days, it is difficult to open a newspaper without being hit by more dramatic news about the British car industry. Honda has [announced](#) the closure of its Swindon plant. Nissan will [no longer](#) produce the X trail in Sunderland. Ford has [decided](#) to close the Bridgend factory. BMW [warns](#) that, in the case of a no-deal Brexit, it may no longer make the Mini at its plant near Oxford. In the first half of 2019, investment in the car sector [fell](#) by more than 70%.

In the middle of all that comes news of a deal which the European Union has just concluded with Mercosur, the South American trade bloc. Cars are made in continental Europe, too, but in Mercosur states, trade in these goods has hit a snag: the tariffs on cars in these countries stand at an eye-watering 35%. Under the new agreement, these tariffs will be [removed](#). The advantages are obvious, and they do not just apply to the folks in the boardroom: even now, more than 800,000 jobs in the EU are linked to exports with Mercosur countries, and Mercosur companies employ more than 60,000 people in the EU. These are exciting days for the EU – and the decision of a country with a significant car industry to leave the trading bloc at this very moment is, shall we say, a bold one.

But there are other reasons why the Mercosur deal offers interesting insights for Brexit Britain.

The organisation itself is a fascinating creature. Mercosur – the ‘Mercado Común del Sur’ or Common Market of the South – has only four members, but they include big economies: Brazil and Argentina are part of it, as are Paraguay and Uruguay. Bolivia intends to join, six other States are associate members. When it was founded in 1991, it took as its model the European Community. Eurosceptic politicians might find it interesting to learn that none of the founding States were worried about submitting to a new form of [slavery](#) – quite the contrary. Héctor Gros Espiell, then Foreign Minister of Uruguay, stated that Mercosur implied ‘a kind of second independence’ for his State.



Wikimedia: [Defensoriadelinmigrante](#)

And this has nothing to do with Mercosur perhaps having ‘better control’ over its borders (the battle cry of the Leave camp in the Brexit referendum). Like the EU, Mercosur has established freedom of movement (although the details differ: under the [Mercosur Residence Agreement](#), Mercosur citizens have a right to temporary residence in other member States for two years, but this can then be transformed into permanent residence). In fact, an increasing number of countries realise that freedom of movement often makes economic sense. In the UK itself, the Foreign Affairs committee [called](#) on the government to make it easier for Indian nationals to come to Britain, in order to facilitate a trade deal with India.

The new EU-South American market that is to be born, is impressive. Mercosur is the fifth largest economy outside the EU; its population stands at over 260 million people. Altogether, the deal will cover more than 700 million people – creating one of the largest markets in the world. The elimination of tariffs concerns not only cars: tariffs will be [reduced](#) on 92% of Mercosur’s exports and on 91% of those by EU companies. Both sides have high expectations: the South American countries are [hoping](#) to sell beef and other farm products. The EU is looking forward to savings on pharmaceutical products (which currently have tariffs of up to 14%), car parts (14 – 18%) and textiles (up to 35%).

The deal, it is true, does not come without criticism. Environmental organisations in particular are uneasy: an increase in beef exports can lead to more agricultural activity and wider destruction of the

Amazon [rainforest](#). These are legitimate concerns, and they must not be taken lightly. On the other hand, the agreement commits both the EU and Mercosur to the implementation of the Paris Agreement on Climate Change and to tackling deforestation. One thing at least is clear: we do not live in a world in which environmental concerns can be handled by one State alone, in which climate change can be prevented by unilateral efforts. If two major trading blocs agree on common values in that regard, they can make an effective contribution to the benefit of the whole of mankind.

Trade deals had been a crucial feature of the Brexit debate even before the 2016 referendum took place. That is not surprising: the Cameron government noted that 44% of British exports went to the EU, with EU trade agreements covering a further 12%. If deals under negotiation are included, that figure increases to 82% of total exports. And that assessment is three years old. Since then, things have developed with astonishing speed. CETA, the EU-Canadian trade agreement, [entered](#) provisionally into force in 2017; In 2018, the EU commission [presented](#) its trade agreement with Vietnam, and in February 2019, the Economic Partnership Agreement between the EU and Japan [entered](#) into force.

And these treaties matter to the UK: analysis by the Financial Times (in 2017) [found](#) that there were more than 750 EU treaties which had relevance to Britain and which, after Brexit, would be ‘lost’ – 295 of which were trade agreements.

Still – some take a decidedly relaxed view of the whole matter. When Liam Fox was Trade Minister, he was the picture of optimism: rolling over EU free trade agreements after Brexit, was, according to him, [no problem](#), and Brexit offered an opportunity to [‘reinvigorate our Commonwealth partnerships’](#). As a matter of fact, however, with less than three months to go until the envisaged Brexit date, only 12 ‘continuity deals’ have been [agreed](#).

Here, too, the Mercosur deal offers lessons: it took the EU a staggering 20 years to conclude the deal, and it still needs to be ratified to enter into force. CETA took a long time too – negotiations officially started in 2009.

There are reasons for that. Companies are not the only ones who insist on having their concerns reflected: trade unions want to be heard, as do environmental organisations, and animal rights groups. Then there is the tricky question of dispute settlement: who has the final say if disagreements about the treaty arise? And who has the right to start legal action? And there is the curse of changing governments: the one with which you started your negotiations, may be all in favour of a trade deal. But as time goes on, it may be replaced by protectionists who are afraid of consequences for their own industries.

Most of all, however, there are often red lines on both sides. They exist for good reasons. For the EU, for instance, an important aspect in the Mercosur deal was that its own food safety rules would not change and that imported food would have to comply with EU standards. Both parties aim to increase animal welfare standards; both parties agree to support the existing rights of workers.

Red lines can be stumbling blocks, abandoning them can be an overwhelming temptation. For a post Brexit government, keen on making progress, it must be more than a little seductive to tweak those cumbersome standards – a little change here, an innocent amendment there, to please the bigger players in the field. It would certainly smooth negotiations and speed up the process.

Yet in the brave new Britain that might stand at the end of that journey – a country in which US private healthcare companies have enhanced [access](#) to the NHS, in which workers' rights have been [scuttled](#), and in which [chlorinated chicken](#) graces the dinner table, it will be entirely legitimate to ask whether the Britain of old – before Brexit, and under the protection of European standards – had not been the better alternative.