

Brazil: The Thorny Courtship Between Mercosur and EU

Contributed by Alexandre Rocha
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Mercosur, the Common Market of the South - a customs union between Brazil, Argentina, Uruguay, and Paraguay - is working with two scenarios for the meeting of the bloc's chancellors with the European commissioner for Trade, Pascal Lamy, on Wednesday, October 20, in Lisbon.

The meeting is an attempt to smooth out the rough edges in the negotiations for a free trade agreement with the European union.

This information was disclosed Friday, October 15, by the director of the international negotiations department at the Itamaraty, the Brazilian Foreign Office, Régis Arslanian, during a luncheon offered by the Association of Brazilian Companies for Market Integration (Adebim).

In the first scenario, which is closer to an ideal situation, the Europeans would accept to revise their last offer, sent on the 29th of September and considered to be "unacceptable" by the South American bloc, and efforts would be made to conclude negotiations until the 31st of October.

This is the original stipulated deadline, which is when Lamy will leave the office, opening the position for EU's new negotiator, Paul Mandelson. The EU proposal came in response to an amplified offer made by the Mercosur on the 24th of September.

In the European offer, exports from the Mercosur to Europe in the agriculture and cattle sectors would undergo a quota system which would be increased in a period of 10 years, and would be managed by the Europeans.

The offered quotas were considered insufficient, since they are smaller than the volume currently negotiated, and the two other conditions were considered unacceptable.

"An agreement is not feasible in these basis," said Arslanian. "The main objective of the meeting on Wednesday is to check the possibility of the EU making us a feasible offer for negotiation until the 31st of October.

"There is a lot to be done, but there already is a framework of negotiations, and we know their limits, and they know ours," he added.

The diplomat said the Mercosur might make new concessions, in case the EU agrees to review their offer. However, he did not want to give details of which segments would suffer these concessions.

He only said that there is still some space for advances in the services and products sectors.

"If there is, on behalf of the European part, a feasible offer, the Mercosur will do their best to conclude negotiations before the 31st of October," declared Arslanian.

The Mercosur, and in particular Brazil, which currently presides the bloc, consider it is no longer possible to make concessions in the area of government purchases and geographical denominations.

Other than that, Arslanian added that in the last offer, the Mercosur increased from 87.5% to 90.06% the coverage, within the deal, of the products imported from the EU by the bloc.

He admitted, however, that the last South American proposal had "some retrogressions" in sectors such as the automotive, milk, barley and paper.

New Negotiations

Despite the efforts, including that of the Portuguese government which invited the parties for the meeting on Wednesday, the conclusion of the agreement before the 31st is considered improbable.

"I think it is rash to state that negotiations will be concluded until the 31st. In order to achieve that, there must be political will, and political will from the European Union at this moment is too much to ask for," stated the president of Adebim, Michel Alaby, who is also secretary general at the Arab Brazilian Chamber of Commerce (CCAB). CCAB president, Paulo Sérgio Atallah, was also at the luncheon.

In this case, the Mercosur is working with a second possibility: to negotiate with the new commissioner, Mandelson, who will take charge on November 1st.

The diplomats in the South American bloc, however, discard any possibilities of interrupting the process.

"It must not be thought that if we don't conclude the negotiations before the 31st of October they will terminate or be suspended. That is not our perception, and I believe it is also not theirs (Europeans)," said Arslanian.

He said that at the Mercosur ministerial meeting, which took place last Saturday in the city of Rio de Janeiro, the bloc's interest in the deal with the EU was repeated.

What is not yet known, in case of the second scenario, if the negotiations will be made following what has already been discussed, or if there will be new requirements.

Arslanian revealed, nevertheless, that Mandelson has recently been in touch with the Brazilian chancellor, Celso Amorim, and manifested his will to carry on with the negotiations.

"Sometimes it is better to wait two, three or even six months to do a good deal, than to have to pay for a bad deal for the rest of your life," concluded Arslanian.

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