



*European Economic and Social Committee*

**REX/503**  
**EU-Mercosur Association Agreement**

## **OPINION**

European Economic and Social Committee

**Towards an EU-Mercosur Association Agreement**  
(own-initiative opinion)

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## 1. Conclusions and recommendations

The EESC believes that concluding negotiations on a sound Association Agreement (AA) between Mercosur and the EU – which have already taken too long – would be highly beneficial for both parties. Firstly, the EU itself would gain significant benefits from signing the Association Treaty, particularly in the medium to long term, beginning with European access to a market of almost 300 million inhabitants. Moreover, Mercosur could diversify its economies and add value to its exports, as well as gaining access to a market of 500 million people. The AA reached should be primarily the result of a participatory and transparent dialogue.

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The current international scene, a loss of citizens' trust in globalisation as a benefit for all, increasing trade protectionism, with the adoption of new tariff-based barriers, and the preference for bilateral negotiations instead of multilateral negotiations should provide impetus to conclude an agreement that is sought by key players on the two continents. Brexit is a relevant issue and should be taken into account in the negotiations.

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The EESC welcomes the European Parliament's report on "A new framework for relations between the EU and Latin America", as well as a communication by the European External Action Service (EEAS) reviewing strategic relations with Latin America as part of its Global Strategy on Foreign Policy. These initiatives, which highlight the EU's strategic interest in Latin America and show that relations between the two regions should be based on more than trade, are taking place at the same time as other initiatives put forward by civil society<sup>1</sup>, academia and think-tanks<sup>2</sup>.

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The EESC believes that an agreement of this nature will only be possible if it is balanced, beneficial to both parties in the medium- and long-term and does not sacrifice any particular sector (such as farming or industry), region or country. Under no circumstances can the AA be based on a poor deal. Taking into account all aspects of cooperation and political dialogue (two of the three essential pillars of the AA), the EESC calls on the negotiating parties to show the utmost political will, which is essential to concluding the agreement and to make the greatest possible effort to overcome the differences currently affecting trade-related matters, by

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recognising the sensitive aspects in some sectors included in the negotiation and to this end using the recognition of disparities, monitoring of the points agreed, flanking and countervailing measures, the establishment of exceptions, development plans to support the worst affected sectors, the promotion of investments, innovation policies and countervailing, transitional and future-developments clauses. Furthermore, all EU policies should be included in the flanking measures, as well as in others.

For the EESC, the profound digital transformation taking place on both sides of the Atlantic could provide greater impetus to harness the potential of an AA signed between the EU and Mercosur. One of the sectors that could be positively affected is the global value chains between

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<sup>1</sup> Own-initiative opinion "The new context for EU-CELAC strategic relations and the role of civil society", [OJ C 434, 15.12.2017, p. 23](#).

<sup>2</sup> Report *Why does Latin America matter?* by the Elcano Royal Institute.

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EU and Mercosur, which are currently very weak, and could be strengthened. The AA would also be relevant to all matters relating to building infrastructure, particularly interconnections, the development of sustainable energy and most notably, the telecommunications sector, beginning with the launch of the 5G system in both the EU and Latin America.

The EESC calls upon the negotiating parties, and the EU in particular, to consider the high political and economic cost of not reaching an agreement or an agreement that is not well-balanced for both parties and the missed opportunity that this would represent. Clearly, it is not only the Mercosur countries that should be taken into account when calculating the cost of not reaching an agreement, the whole of Latin America and in particular the countries of the Pacific Alliance<sup>3</sup>, which have become a main focus for Europe's attention in the Latin American integration process, should also be included.

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The EESC is of the view that the AA should be ambitious and deal with all aspects of EU-Mercosur relations. The recent free trade agreements signed with Canada and Japan should be taken into consideration. In this regard, it is important to tackle the real barriers that companies face, by harmonising the rules and their impact on non-trade barriers.

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The AA should have a fully comprehensive social, labour and environmental dimension. This dimension should ensure that the economic relations are in line with the social and environmental objectives of the agreement, without undermining the rules and guarantees governing sustainable development<sup>4</sup>. The importance of food security should also be emphasised.

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The EESC believes that the Phytosanitary provisions (SPS) must be highlighted and protected in any association agreement in order to ensure the protection of consumers and producers in relation to fair trade.

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The EESC believes that the AA should be used as an active tool to promote social dialogue and compliance with fundamental ILO conventions, particularly those related to decent work and included in the ILO Declaration on Fundamental Principles and Rights at Work of 1998. In this regard, the EESC calls for an enhanced socio-occupational chapter to address problems in the world of work and to promote dialogue between employers and employees, which could provide a boost for greater social cohesion. This chapter should recognise the work-related documents already adopted by both parties, namely, the EU Charter of Fundamental Rights and the Mercosur Social and Labour Declaration. The AA will thus ensure that breaching principles and rights at work cannot be used as a legitimate comparative advantage either among the parties or in international trade. It should therefore include mechanisms to ensure compliance.

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The EESC calls for Mercosur's Economic and Social Consultation Forum (FCES) and the EESC itself – as the bodies representing civil society in the two regions – to be involved in the

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The Pacific Alliance is a regional integration initiative made up of four member states: Chile, Colombia, Mexico and Peru. A further two countries are candidates for membership: Costa Rica and Panama.

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As the EESC recommended in its opinion "Trade and Sustainable Development chapters in EU Trade Agreements", [OJ C 227, 28.6.2018, p. 27](#).

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negotiation process, in the impact assessments of the AA and in the proposals arising therefrom (the EESC considers it crucial to analyse in advance the impact of a potential AA and establish mechanisms for the a posteriori verification of compliance and the development of the issues agreed upon) and in drawing up a specific chapter in the agreement focusing on the social, labour and environmental dimension.

The Committee also calls for the creation of a civil society Joint Monitoring Committee (JMC) made up of the EESC and FCES. It shall:

- have advisory status;
  - a balanced membership that ensures equal representation of the three sectors represented at both institutions;
  - have a voice on all areas covered by the AA (including, therefore, its chapter on trade and sustainable development);
- 1.12
- have a recognised right to direct dialogue with other joint bodies of the AA recognised and
  - be consulted by these bodies and able to act on its own initiative, draw up its own rules of procedure and receive adequate funding from the respective political authorities in order to enable it to carry out its duties.

- The EESC considers it unnecessary and inefficient to include civil society representation twice – once in the general AA and again in the chapter on Trade and Sustainable Development. The Committee therefore considers the AA as a whole which applies to all countries of both parties. The EESC urges the negotiators to learn from the experience of other association agreements<sup>5</sup>, which have set up domestic advisory groups (DAGs) for each party without including any possibility for recognised dialogue under the agreements. The clear limitations of this model show that it makes no sense for each Mercosur country to have a DAG involving civil society indirectly in the AA. This is particularly true since both parties have independent, balanced, representative advisory bodies that are capable of exercising their mandate under the AA.
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## 2. Introduction

Mercosur has a surface area of 12 800 000 km<sup>2</sup>; a population of 293 million inhabitants and a population density of 22.9 inhabitants/km<sup>2</sup>. Mercosur is the sixth-largest economy in the world, with a GDP of some USD two billion. Moreover, it includes two full members of the G20: Argentina and Brazil. The Argentinian presidency of the G20 in 2018 is testimony to region's growing importance.

- 2.1
- After the signing of an Interregional Framework Agreement (IFA) in December 1995, the EU and Mercosur began to negotiate an AA. In view of the difficulties between the parties (controversy surrounding agricultural production models and their effect on the market, and the perception of protectionism in industry and the services sector in the EU and Mercosur), the negotiations were suspended in 2004, in particular due to the differing expectations held regarding the Doha Round. The decision to resume the negotiations was taken at the Latin America, Caribbean and EU summit in 2010. There were promising signs that the agreement

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<sup>5</sup> Central America, Ukraine, Georgia and Moldova.

would be finalised by the end of that year, but negotiations once again cooled off, on account of the underlying political bias that the Mercosur governments brought to regional integration and their relations with the EU. However, after a change in position by the Brazilian government, they were able to resume in 2013.

With the emergence of various threats to representative democracies and to the full application of freedoms on both sides of the Atlantic, the EESC stresses that the EU-Mercosur AA should strongly promote democratic values, principles and political frameworks nationally and internationally.

- 2.3 Given the shifting impact that negotiations between the United Kingdom and the EU could have on the AA, the EESC believes that these issues should be tackled pro-actively, taking into account the most likely future consequences <sup>6</sup>.

### 3. **The strategic components of the EU-Mercosur Association Agreement**

- 2.4 The signing of an AA with Mercosur should be considered as part of European external policy on Latin America, which is based on the special nature of the bi-regional relationship – a very different relationship than with any other region in the world. Although there are significant difficulties (fragmentation of the region), strengthening relations with Latin America would benefit the EU, just as strengthening relations with the EU would benefit Latin America.

- 3.1 Strong political will is needed in order to design and drive forward the AA, which, is not only a free trade agreement, but would above all be a comprehensive strategic agreement that would aim to bring long-term benefits for all the economic and social actors of both parties in terms of development, security, migration, and environmental challenges. Moreover, all existing mechanisms should be used to assess current disparities between the two regions, to reduce the negative effects of trade liberalisation on certain sectors, to close the current gaps in integration in Mercosur and to establish social participation and transparency as key principles in bi-regional relations.
- 3.2

- 3.3 The AA provides a great opportunity to progress towards overall strategic objectives of shared interest. It would provide a way of maintaining an international economic and political presence at a time when economics and politics are shifting from the Atlantic to the Pacific. Over and above agreements within the Latin America Integration Association (ALADI), Mercosur does not have free trade treaties (FTTs) with the USA, nor with the major powers in Asia. This sets it apart from the Pacific Alliance. Outside Latin America, Mercosur has various types of agreements with South Africa, India, Pakistan, Turkey and Morocco, as well as FTTs with Egypt, the Palestinian Authority and Israel. The EU has more than 50 trade agreements with different countries worldwide. In Latin America and the Caribbean, it has agreements with Mexico, Chile, Central America, Peru, Colombia, Ecuador and Cariforum. In short, an AA between the EU and Mercosur would create a bi-regional bloc with considerable clout on the new world stage.

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<sup>6</sup> Evaluation on the economic impact of Brexit on the EU27, P/A/IMCO/2016-13 March 2017, EP 595.374 EN

- 3.3.1 Protectionist tendencies, which have reached global levels, are having a major impact on the global economy. An AA between Mercosur and the EU could strengthen the Atlantic area and send out the message that there is an alternative approach to trade relations and or nations and regions to drive progress. This new generation of FTAs that factor in the concerns of people at risk of losing their jobs, income and security is the best response to growing protectionism and to the danger of a trade policy that leaves citizens vulnerable.
- 3.3.2 While Mercosur has not signed a treaty with China, its presence in the region has grown exponentially in recent years. Argentina and Brazil are key to China's arrival, as shown both in trade and by the increase in Foreign Direct Investment (FDI) and financial support for infrastructure development.
- 3.3.3 Mercosur could be a strategic partner to the EU in its aim of promoting a protected environment worldwide, beginning with the signing of the AA. The environment is now one of the issues of greatest concern to the Member States, the public at large and the multilateral system. The EU is at the forefront of green policies and technologies. Natural resources are one of Mercosur's main strengths, but this is one of the regions most threatened by climate change. In this regard, particular attention should be paid to reviewing and, in the medium term, eliminating intensive farming practices and unsustainable livestock production.
- 3.3.4 If this objective is to receive sufficient support, significant content would need to be included in the AA on "energy, the environment, climate change science and technology and innovation". These issues should be priorities in dealing with development cooperation.

It is also important to take into account the lessons learned from existing partnerships with other countries in the region. This will help to build a solid foundation and the right environment for both European and local investment to reach its full potential, in a sustainable manner, as a driver of wealth, welfare and employment.

#### 4. **Sensitive aspects of the negotiation**

- 3.4 Along with the benefits of the AA between the EU and Mercosur, there are clear difficulties in the negotiations, which can be summed up in five points: 1) the complexity of the negotiating agenda on the trade, industry and services content of the agreement; 2) the potential imbalances between both parties in the area of agriculture 3) the structural weaknesses affecting Mercosur's integration that limit free trade; 4) the social and environmental dimension of the AA; and 5) the uneven political will amongst the parties to reach an agreement and the willingness to discuss all possible uses of compensatory mechanisms, inside and outside of the agreement, in order to reach it. All of these points are examined in this document in a non-exhaustive manner and in accordance with the documentation available to date.
- 4.1
- 4.1.1 With regard to trade, after such prolonged negotiations, the difficulties have been identified. From Europe's point of view, they concern mainly the Mercosur agri-food sector. In particular, the EU fears negative effects on sugar, beef, chicken and pork, fruit and vegetables. There are also concerns over industrial protectionism (automobiles and chemical products such as

ethanol), together with some processed agricultural products (including wine); a risk of non-compliance with rules on the protection of designations of origin; a relatively low level of enforcement of food safety and environmental protection rules and a lack of transparency in public contracts.

- 4.1.2 Maintaining production standards achieved for the benefit of consumers and production is essential for the EU. Reciprocity should be key in dealing with aspects of food safety, environmental protection and animal welfare (including feeding systems). The use and respect for the rules on the use of plant and animal products should be outlined clearly in the AA. Moreover, effective and accountable verification systems should be introduced for production processes and, in the case of livestock products, for transport and slaughter in all trade between the parties. In this regard, the chapter covering respect for protected geographical indications is essential for protecting a common European heritage established over the years and to combat plagiarism and fraud.
- 4.1.3 Products that are subject to quotas, e.g. sugar, ethanol, and beef and veal, should be subject to a continuous and approved monitoring system, with a view to adopting compensatory measures in the event of major disruption and to avoid the abandonment of local production. With regard to fruit and vegetables, if protection for the import pricing mechanism is waived, an observatory to monitor the functioning of the market should be set up to safeguard the production interests of both parties. Working groups would then need to be set up to exchange forecasts and information on effects that distort the market.

From Mercosur's perspective, the emphasis is on agriculture. European concerns could be allayed if a level of compliance with the same standards could be achieved – environmental, food safety, animal welfare standards, etc. – in both European production and products imported from Mercosur. The AA should not increase food dependency in any part of the EU and should provide for the instruments required to prevent intensive and unsustainable agricultural models, while always taking consumers interests into account.

- 4.2 With regard to industrial products with less significant barriers, agreement seems to be more likely, as was the case with the EU's agreement with Korea on the automobile industry, for example. Finally, other issues – e.g. intellectual property – that are particularly sensitive for certain Mercosur countries such as Brazil, could include future-developments clauses or transitional clauses, on the basis of WTO rules. In this respect, the EESC believes that, among other initiatives, an industrial property programme could be drawn up, to promote technology transfer and to establish a viable system of patents between the EU and Mercosur, which could
- 4.3 be extended to the whole of Latin America.

Mercosur's structural weaknesses may pose a challenge for the AA. The most prominent of these include the limitations imposed by the lack of interconnection infrastructure and the low level of integration in regional value chains in an area three times greater than the EU. It also includes the low level of intra-regional trade and the predominance of extra-regional trade; an incomplete customs union, the lack of coordination between macroeconomic policies and the weakness of regional institutions. One example is the absence of a Mercosur supranational court

#### 4.4



of justice, which may impose binding sentences on governments, along with the ineffectiveness of the peaceful dispute settlement system.

- 4.4.1 Despite a new Mercosur Common Customs Code being adopted in 2010, it has not yet entered into force, which is why the Common External Tariff (CET) continues to apply. Mercosur is a free-trade area, rather than a customs union.

However, the EU should take a very positive view of the fact that the current negotiations are taking place with a Mercosur consisting of four countries (Argentina, Brazil, Paraguay and Uruguay). The potential expansion of the bloc, with new memberships pending, would make the terms of the agreement even more difficult.

- 4.5 The EESC supports the setting up of a multilateral court to settle investment disputes<sup>7</sup> and the Mercosur and associated countries joining this initiative, in order to ensure greater legal certainty both to Latin American and European investors. The Committee is also of the opinion that any future membership of the OECD should be subject to effective implementation and compliance with their agreements with the EU and creating a climate of legal certainty and full respect for the law in relation to all economic and social players on both sides of the Atlantic.

#### 4.6 **Potential and opportunities arising from the AA**

The AA that the EU and Mercosur are negotiating goes far beyond a free trade agreement. It contains two other components that make a difference: political dialogue and cooperation. In light of the threats against multilateralism, rising protectionism and looming trade wars, now is the right time for the EU to show its strategic commitment to Latin America in general and to Mercosur in particular and to make appropriate use of the existing opportunities.

- 5.1 Taking into account the territory, population and current trade of more than EUR 84 000 million per year, concluding the AA between the EU and Mercosur would strengthen the role of both blocs on the international stage and create a large economic integration area, bringing benefits for both parties and generating positive spillover effects, for the rest of Latin America as well. The AA with Mercosur must therefore be a win-win agreement for both parties.

- 5.2 The EU is the world's largest economy and Mercosur is the sixth largest. The Mercosur countries have started to diversify their economies and they have a strong agri-food sector, but also an expanding industrial base with considerable technology and energy-related resources. Economic diversification efforts, especially those aimed at bringing greater added value to Mercosur exports, are an excellent opportunity for European businesses, particularly in technology and services.

- 5.3 Between 2012 and 2016, only Paraguay maintained its growth rate of 8.4%, while Argentina (1.4%) and Uruguay (2.9%) slowed. Brazil recorded a contraction of -1.4%. However, the

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<sup>7</sup> REX/501, Multilateral investment Court (currently being drawn up).

recovery is already being felt in Argentina and Brazil and the medium-term forecasts are encouraging.

Legal certainty in the four Mercosur countries is an important factor to be taken into account, although it can and should be improved. Corruption has become a matter of increasing societal concern for both sides.

5.5 The qualitative and quantitative importance of the regional market varies considerably depending on the size of the Mercosur member countries. In relative terms, it appears that the smaller countries are more involved in trade with Europe. In 2015, Europe accounted for more than 40% of Paraguay's trade, around 30% of Uruguay's and almost a quarter of trade in Argentina. However, it accounted for less than 10 % of Brazil's. These figures are similar for both exports and imports.

5.6 FDI is one of the strengths of the EU's presence in Mercosur and European FDI outstrips EU FDI in China, India and Russia put together<sup>8</sup>. European trade with the Mercosur countries has great potential for growth, despite the increase in Chinese exports and imports. However, one factor to consider is the excessive dependence on Mercosur exports of raw materials to China.

5.7 The presence of European small and medium-sized enterprises (SMEs) has increased in recent years in the Mercosur countries and some Mercosur SMEs have begun to access the European market. The AA between the EU and Mercosur would be an excellent opportunity for European SMEs to increase their presence and activity in the region.

5.8.1 The EU essentially exports manufactured goods, equipment, transport equipment and chemical products and imports food and energy products. Concluding a balanced AA would offer enormous wealth creation potential, if businesses, workers and the whole of society were able to benefit from it, especially if it were able to: open up space for investment, particularly in new knowledge-intensive activities and high-quality jobs; encourage the formation of SMEs by creating jobs in networks and boost innovation and democratisation in new technologies, thus contributing to their widespread use – with particular reference to communication technologies (ICT). Both investment in technology and the increase in biregional trade could boost job creation, if the required conditions are created.

5.8.2 Secondly, a number of specific factors would not only open up opportunities for trade, but would also make a significant contribution to sustainable development, including: building inclusive and environmentally-friendly infrastructure that facilitates access to basic services as part of a new urban development framework and promotes territorial cohesion; investing in engineering and technology to mitigate climate change and using sustainable energy, by diversifying using non-conventional renewable energy sources and drawing on the experience of European businesses in this area in order to move towards a green economy.

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<sup>8</sup> EU FDI in Mercosur was EUR 447 700 million in 2016, which is more than EU FDI in Russia (EUR 162 000 million), China (EUR 177 700 million) and India (EUR 72 900 million) combined. Source: Eurostat.

5.8.3 Moreover, a good AA could benefit economic and social well-being in both regions, under the right circumstances, and this would certainly have an effect on job creation, e.g., via:

- new business opportunities for enterprises in non-traditional areas, such as new technologies, the green economy and social networks;
- the expansion of traditional markets in the telecommunications, automobile, pharmaceuticals, electricity and banking sectors;
- new markets being opened up for SMEs;
- the supply of natural resources and food, while also helping to maintain biodiversity and environmental sustainability;
- the promotion of a social, democratic and solidarity-based economy as a way to improve the socio-economic fabric and bring the shadow economy into the open.

An AA with Mercosur would enable the EU to strengthen its economic and geopolitical ties with a strategic partner. If finalised immediately, this bi-regional agreement would be the first major agreement signed by Mercosur, allowing the EU to move ahead of other international competitors such as the USA, China, India, Russia or South Korea. Moreover, the AA would bolster the Strategic Partnership with Brazil – which excludes trade –, a very important country in terms of international geopolitics. This AA would strengthen Europe's presence in Latin America, a region with significant energy, food and water reserves – three vital resources in the XXI century. The AA could help to strengthen economic and geopolitical ties between the Atlantic and the Pacific.

An AA with the EU would also be beneficial to Mercosur from a strategic point of view. Firstly, it would strengthen its regional position and facilitate existing efforts towards rapprochement with the Pacific Alliance. Secondly, Mercosur's international negotiating position would be improved and it could offset some of the disparities between the Mercosur countries (and Latin America in general) in their trade and financial relations with other international competitors. Mercosur would benefit from technological, scientific and educational transfer and it would gain an important partner in multilateral settings on issues that heavily affect it, such as climate change, sustainable development or the fight against global threats.

The EESC welcomes the political will of the parties in the area of cooperation and encourages the parties to make effective use of the existing financial instruments for the purposes of fleshing out this cooperation in the following areas:

- education, training and university exchanges: EU-Mercosur Erasmus;
- RDI collaboration between universities, public research centres and businesses; making technology transfers a priority;
- sustainable development and business projects and
- social cohesion: tackling poverty and inequality.

## 6. Civil society and the Association Agreement<sup>9</sup>

The EESC believes that the bi-regional content of the AA is a fundamental and distinctive element of these negotiations and provides a benchmark for political and economic relations in a world which is becoming increasingly globalised. The EESC is convinced of the value of dialogue with civil society in the EU's external policy counterparties and has been working with organisations from Mercosur for over 20 years, both on monitoring negotiations and on preserving an ongoing structured dialogue to facilitate mutual understanding and provide a critical but constructive contribution to relations between the two regions.

### 6.1

The EESC takes categorically positive overall view of relations between the EESC and Mercosur. These relations have a long history, based on deep historical, cultural and linguistic ties, and aim to deepen regional integration, to jointly manage common challenges arising from globalisation and to ensure that social cohesion and economic development remain inseparable. The civil societies on both sides have established a network of close relations, which have in turn contributed to greater coordination within each sector (employers, trade unions, third sector, etc.).

### 6.2

In recent years European negotiators have recognised this work through their general acceptance of the need to include arrangements for civil society participation in each agreement, thus incorporating it into the promotion of sustainable development<sup>10</sup>. The EESC welcomes this development, but regrets the limited role granted to civil society in existing agreements in force today. DAGs have been created for each party (and by each non-European signatory country, if the party is a region), but the agreements do not formally include the possibility for these DAGs to work together. Even more seriously, the establishment of the partner countries' DAGs depends exclusively on the willingness of their governments, which has led to an imbalance between sectors, a lack of representativeness, a lack of independence vis-à-vis their governments, a lack of interest, if open not rejection, from the governments who should establish them.

### 6.3

6.3.1 The EESC rejects the possibility of negotiations on the AA with Mercosur once again resulting in a system of participation based on the model of the DAGs.

The EESC notes, once more, that Mercosur, like the EU, has a participatory advisory civil society body: the Mercosur Economic and Social Consultation Forum (FCES). The FCES represents the employers, workers and other civil society organisations on an equal basis. Its members meet regularly and forward agreed positions to the political authorities in the region. By supporting the FCES since its creation, the EESC has aimed to highlight the importance of strengthening it, as an essential factor in the region's socio-economic integration.

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<sup>9</sup> See also the previous proposals by the EESC in its opinions [OJ C 347, 18.12.2010, p 48](#), [OJ C 248, 25.8.2011, p. 55](#) and [OJ C 434, 15.12.2017, p. 23](#), as well as the final declarations from the EU-CELAC organised civil society biennial meetings.

<sup>10</sup> Provisions of this type, taking more or less the same form, are already included in agreements with Central America, Colombia/Peru/Ecuador and Cariforum, Chile, and will be introduced in the revision of the agreement with Mexico.

6.5 The EESC re-affirms the importance of the principles of transparency and participation – both in the negotiations and in the implementation of the AA –, with the aim of inducing a virtuous cycle of trust in the institutions, of legitimisation and of civil society taking ownership of negotiations which affect them directly. The Committee therefore regrets the lack of transparency in these negotiations, which have not followed the good example previously established by negotiations for an FTT with the USA. It calls for civil society from all parties involved in the negotiations, particularly those linked to Mercosur, to be given systematic, meaningful and relevant information.

6.6 In accordance with the joint positions of the EESC and the FCES — and pre-agreements reached during the negotiations prior to 2004 and subsequently agreed upon, which stipulated that both institutions would receive a joint mandate under the AA — we call for the establishment of a civil society Joint Monitoring Committee (JMC) under the AA. This JMC must:

- have an equal number of EESC and FCES members;
- represent the three sectors (employers, labour and other organisations) in a balanced manner;
- have mandatory consultative functions covering all thematic areas of the AA, including the trade chapter and sustainable development monitoring;
- receive timely and up-to-date information on the impact of the AA;
- be able to hold discussions with the other joint bodies of the AA (Association Council, Association Committee, joint parliamentary body, Trade and Sustainable Development Board);
- receive consultations from those bodies, but also act on its own initiative;
- draw up its own rules of procedure and
- receive adequate funding from the respective political authorities in order to enable it to carry out its duties<sup>11</sup>.

6.7 A JMC with these features would make it easier to resolve disputes arising after the AA has been signed and potential blockages. In particular, and following the approach of existing bodies in similar agreements, the JMC should monitor the impact that the AA has in terms of improving human rights and labour, social and environmental rights (by checking that the cases of social or environmental dumping to gain market advantage, for example), as well as the parties' strict compliance with international conventions or agreements they have entered into <sup>12</sup>. By their very nature, the civil society organisations that would make up the JMC are the most suitable to ensure that the AA is beneficial for all parties, and to mediate or facilitate communication with the affected sectors. To this end, the JMC must be able to forward the information it has on individual cases, as well as its recommendations, to the joint bodies of the AA, with the aim of receiving a response.

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<sup>11</sup> In this regard, see the joint communication from the FCES and the EESC to the EU- Mercosur negotiations on 23 February, issued during the round of negotiations held in Asunción (Paraguay).

<sup>12</sup> This includes the SDGs and the 2030 Agenda, the Paris Agreement on Climate Change, the ILO fundamental conventions, relevant human rights declarations and international conventions on preserving biodiversity, etc.

The EESC considers it necessary to include a social dimension in the AA, which extends beyond trade and has increasing social cohesion as its overarching objective. In particular, this should cover the agreement's impact on employment, the protection of the interests of local populations and the most disadvantaged groups, the promotion of and respect for human rights, environmental protection, the rights of immigrants and of workers in general, consumer protection and promotion of the social economy. In this regard, it should include the parties' commitment to implementing the International Labour Organisation core conventions, so that

6.8 violating the core principles and rights at work cannot be invoked or used as a comparative advantage in international trade. Similarly, the inclusion of a socio-occupational chapter to deal with problems in the world of work and promote dialogue between employers and workers could be a useful tool that will enable the agreement to generate high-quality jobs, improve the social conditions of workers and make a significant contribution to a more even distribution of wealth.

Brussels, 23 May 2018

Luca JAHIER

The president of the European Economic and Social Committee

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