

THE MAIN IMPEDANCES FOR THE RATIFICATION OF THE TREATY BETWEEN MERCOSUR AND THE EUROPEAN UNION: THE TWO-LEVEL GAMES PERSPECTIVE

*OS PRINCIPAIS IMPEDIMENTOS PARA A RATIFICAÇÃO DO TRATADO
ENTRE O MERCOSUR E A UNIÃO EUROPEIA: A PERSPECTIVA DOS JOGOS
DE DOIS NÍVEIS*

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ENTRE EL MERCOSUR Y LA UNIÓN EUROPEA: LA PERSPECTIVA DE LOS
JUEGOS DE DOS NIVELES*

Rodolfo Vieira Nunes¹ 

Universidade Federal de Juiz de Fora, Brasil

Abstract: The new Regional Treaties, or inter-regionalism, are characterized as a grouping of aspects that range from geopolitical development, multilateral and regional dynamics, and the political-economic decisions of countries. This article evaluates the barriers to the Free Trade Agreement between Mercosur and the European Union (EU); as in 2019, the third negotiation phase was completed, but the ratification process still needs to be completed. In this discussion, we aim to understand, through a literature review and the application of two-level game theory, how Mercosur and the EU are positioned in the negotiations concerning the main obstacles to the bi-regional agreement. The analysis shows that the agricultural and industrial aspects have caused disputes regarding tariffs and export quotas for specific products since the beginning of the talks. However, more recently, the pressure for environmental issues such as sustainability and ecological control has entered as an element of negotiations and has made ratification difficult. Therefore, it corroborates that games at both levels effectively identify the influence of international and domestic levels on agreement discussions.

¹ Ph.D. in Business Management at Universidade de São Paulo. Adjunct Professor at Universidade Federal de Juiz de Fora, Brazil. Email: rodolfo.nunes@ufjf.br

Keywords: Interregional Agreement; Mercosur; European Union; Obstacles; Two-Level Games.

Resumo: Os novos Tratados Regionais, ou o inter-regionalismo, se caracterizam como um agrupamento de aspectos que vão desde o desenvolvimento geopolítico, às dinâmicas multilaterais e regionais, e às decisões político-econômica dos países. Este artigo avalia as barreiras do Tratado de Livre Comércio entre o Mercosul e a União Europeia (EU), à medida que em 2019 houve a finalização da terceira fase de negociação, porém o processo de ratificação não está concluído. Nesta discussão temos o objetivo de compreender, por meio de uma revisão de literatura e da aplicação da teoria dos jogos de dois níveis, como o Mercosul e a UE estão posicionados nas negociações em relação aos principais entraves do acordo birregional. A análise evidencia que os aspectos agrícola e industrial são os quesitos que desde o início das negociações causaram disputas em relação às tarifas e cotas de exportação para determinados produtos. Entretanto, mais recentemente, a pressão por questões ambientais como sustentabilidade e controle ambiental adentraram como elemento das negociações e acabaram dificultando a ratificação. Assim sendo, corrobora-se que os jogos de dois níveis são eficazes na identificação da influência que os níveis internacionais e domésticos possuem nas discussões de acordos.

Palavras-chave: Acordo Inter-regional; Mercosul; União Europeia; Entraves; Jogos de Dois Níveis.

Resumen: Los nuevos Tratados Regionales, o interregionalismo, se caracterizan por ser un conjunto de aspectos que van desde el desarrollo geopolítico, las dinámicas multilaterales y regionales, y las decisiones político-económicas de los países. Este artículo evalúa las barreras del Tratado de Libre Comercio entre el Mercosur y la Unión Europea (UE), ya que en 2019 se completó la tercera fase de negociación, pero aún no se completó la ratificación. En esta discusión pretendemos comprender, a través de una revisión de la literatura y la aplicación de la teoría de juegos de dos niveles, cómo se posicionan el Mercosur y la UE en las negociaciones en relación con los obstáculos al acuerdo birregional. El análisis muestra que los aspectos agrícola e industrial son los temas que, desde el inicio de las negociaciones, han provocado disputas en torno a aranceles y cuotas de exportación para ciertos productos, sin embargo, más recientemente la presión por temas ambientales como la sostenibilidad y el control ambiental han entrado como elemento de las negociaciones y terminaron dificultando la ratificación. Por lo tanto, corrobora que el juegos de niveles es efectivo para identificar la influencia que tienen los niveles internacional y doméstico en las discusiones de acuerdos.

Palabras clave: Acuerdo Interregional, Mercosur, Unión Europea, Obstáculos, Juegos de Dos Niveles.

1. Introduction

The contemporary network society reflects an increasingly globalized economic and social dynamic. The rapid exchange of information, capital, and cultural communication drives the growing need for agreements between countries to facilitate participation in negotiations of this new global economy (KEGEL; AMAL, 2013). Economic blocs emerged as a response to the demand for economic integration, especially in the face of the advance of globalization, to protect markets in common regions, aiming to avoid losses resulting from economic globalization in both internal and external markets (BAJO, 1999).

The capitalist system in the 1990s through the end of 2010 gradually migrated to a global sphere, expanding commercial relations between countries beyond borders and promoting more comprehensive negotiations that went beyond regional boundaries. This results in increased negotiations between economic blocs (DOCTOR, 2007). However, according to Sanahuja (2022), we are currently experiencing a period of deglobalization, characterized by the retraction of global production chains and the return of the productive economy to more regional and national contexts at the expense of globalization. Within this new context, international trade theories point to significant advantages related to trade openness, such as increased investment and improved resource allocation. Thus, association agreements, free trade agreements, and other bilateral or multilateral partnerships have intensified recently (LUCIANO, 2020).

In this context, it is argued that the closed integrationist vision of regional economic blocs is no longer justified, with a growing trend

towards bi-regional agreements being observed. In this sense, the Free Trade Agreement signed in 2019 between the European Union (EU) and Mercosur, pending ratification by the countries involved, expands the possibilities of international relations.

Mercosur and the European Union are two regional blocs with different levels of institutionalization and development. Their Member States range from the largest economies in the world to those with smaller relative economic weight. Despite divergent interests between countries, both blocs seek trade and cooperation agreements aiming for mutual gains (BALTENSPERGER; DADUSH, 2019). However, the main issue lies in finding a common denominator that allows all countries involved to obtain more benefits than losses. This assessment is not based exclusively on economic indicators.

In this scenario, the Two-Level Game Theory (PUTNAM, 1988) emerges as a valuable conceptual tool for understanding international negotiations and the tensions inherent in the interaction between national and global levels. Thus, when it comes to multilateral talks, cooperation between states, or bilateral meetings, government leaders are recognized as the principal negotiators, tasked with participating in international negotiations that ultimately require internal approval, that is, ratification (CONCEIÇÃO-HELDT; MELLO, 2017). This is because traditional state-centered theories are often not sophisticated enough to comprehensively analyze international agreements in which national and global aspects are intertwined.

The intricate nature of the international, regional, and domestic scenarios manifests itself in the complexity inherent in assessing the situation, especially considering the challenge posed by an agreement still awaiting ratified. In this context, discussions on specific topics, such as the environment and government procurement, add complexity to the

process. Although a conclusion has yet to be reached, it is feasible, based on ongoing negotiations over the years, to address some of the questions

Within this context, this article aims to understand why the Free Trade Agreement between Mercosur and the European Union remains pending conclusion. The central premise consists of analyzing the main topics discussed and the political and economic obstacles that have impacted the ratification of the Free Trade Agreement between Mercosur and the European Union. This analysis is based on the peculiarities of two-level games, aiming for a more in-depth understanding of the reasons that explain the prolonged delay in the ratification process and the finalization of this important agreement between economic blocs.

The study is justified by the final discussions regarding the agreement moving slowly and, at times, almost suspended between the blocs, reaching an impasse. Using the two-level game will allow for a more comprehensive and critical examination of each bloc's domestic issues and international aspects of mutual interest, starting from a European perspective on the interest in the Mercosur-EU trade agreement and a Latin American perspective on its priorities.

This article is structured into six sections, with the first containing this introduction. The second section provides an overview of interregionalism and regional blocs. The third part discusses trade relations between Mercosur and the European Union. In the fourth part, we base the theory on two-level games, which is the basis of the analysis we will make of the agreement between the regional blocs. In the fifth section, we present discussions about the bases that support the deal and the bottlenecks that cause delays in negotiations. Finally, the last section presents the final considerations arising from the study.

2. The new look of regionalism and regional integration agreements

Among the various types of interaction in the context of relations between countries, cooperation schemes between States deserve to be highlighted. Cooperation can be conceptualized as an arrangement of relationships that does not rely on coercive elements but is legitimized within the context of the consent of participating actors, aiming to achieve mutual benefits (KEGEL; AMAL, 2013).

The integration processes from the 1950s were initially configured as unique forms of cooperation between States. This integration effort stemmed from a series of primary negotiations, followed by other subsidiary negotiations aimed at achieving the agreed objectives, which may sometimes culminate in the establishment of supranational structures or sharing sovereignty (DOUGHERTY; PFALZGRAFF, 2003). In turn, regional integration can also be interpreted as a process of deepening interdependence between neighboring states as the interconnection of economies allows for the reduction of disparities and the sharing of economic and commercial benefits (NYE JR, 2009). From this perspective, the increasing complexity of interdependence is justified by the conviction that the cost/benefit ratio favors this particular form of transnational cooperation by incorporating political gains in addition to the benefits arising from economic integration.

These reflections on cooperation and interdependence between States gained new relevance in the 1990s. At that time, the global scenario was characterized by the consolidation of globalization, the deregulation of the international financial market, and the significant growth of global trade driven by commercial liberalization (KEGEL; AMAL, 2013).

Therefore, interregionalism, characterized as the institutional consolidation of relations between two regional blocs, emerged as a phenomenon in the international political economy in the 1990s and the

negotiations of the agreement between the EU and Mercosur (DOCTOR, 2007). States adopted the new regionalism as an outward-oriented and liberalizing response, seeking to face the challenges posed by globalization and growing interdependence in the world economy (DOCTOR, 2005). Within this outlined perspective, interregionalism emerges as just another layer in the growing and multifaceted system of global governance (HÄNGGI; ROLOFF; RÜLAND, 2006).

In this new stage of regionalism, as described by Baldwin and Low (2008), the influence of the Domino Theory is evident, in which regionalization is triggered by idiosyncratic effects that propagate, generating a domino effect. Thus, the growing proliferation of Regional Integration Agreements (RIAs) is linked to a combination of geopolitical developments, especially multilateral and regional dynamics, and individual political decisions by countries.

This new scenario of regionalism must be approached from a global perspective. Although intra-regional dynamics are crucial to understanding the phenomenon, they are increasingly linked to worldwide transformations (FAWCETT, 2008). This is justified by the fact that we verify some characteristics related to an international system previously dominated by rivalry between superpowers, a global economy in which State policies are increasingly influenced by economic globalization, and a world in which national and international borders are becoming increasingly diffuse.

We are witnessing a deepening integration in this new phase, in which agreements go beyond the simple trade liberalization of goods, also covering services and investments. This type of integration is characterized by the harmonization of regulatory policies - that is, the unification of internal legislation in several areas, such as finance, taxation, banking systems, intellectual property, labor and consumer legislation, environmental protection, and competition, among others - without which

the liberalization of trade between the parties to the agreement would be hampered (GAVIN; LANGENHOVE, 2003).

From this perspective, the new regionalism requires understanding a multidimensional and multilevel process that is not limited to or centered around States but also encompasses the actions of States, companies, groups, and social networks. Interregionalism should be perceived as occurring in various contexts, involving diverse actors, acting in both centralized and decentralized ways, and interconnecting material, ideological, and identity aspects (HURRELL, 2005).

An additional perspective presents a broad approach to interregionalism as a deepening political, economic, and social interaction between different international regions (HÄNGGI; ROLOFF; RÜLAND, 2006). This process is guided by state and non-state actors, in which external systemic pressures strengthen the internal dynamics of regionalism. On the other hand, Rüland (2002) adopts a more specific approach, defining interregionalism as a dialogue between diverse groups that maintain more or less regular meetings focused on exchanging information and cooperating in specific political domains, such as trade and investment, environment, and crime prevention.

A multicausal framework must be employed to examine the motivations of both parties involved in interregionalism. These factors include (i) the international context of the 1990s, (ii) the strategic power preferences of political actors, and (iii) the interests of economic actors and other social agents (DOCTOR, 2007). Indeed, due to the motivations presented, the distinction between economics and politics is becoming increasingly complex, characterizing this phase with a multidimensional approach hitherto unprecedented. In this context, the interconnection between politics, economics, and security issues is intensifying and is paramount for understanding and characterizing interregionalism.

According to Bajo (1999), there must be a consensus regarding studies in this area. The theorization of interregionalism is still in its infancy, and what little has been written about interregionalism and the relationship between regionalism and interregionalism tends to be descriptive rather than analytical or comparative. For Souza (2018), the diversity of regionalism theories is evidenced by the difficulty in establishing a consensus on defining and analyzing the new regionalism as a central concept. What was observed in common was a diffuse notion that a new phase had begun, along with an attempt to understand it. Although studies on interregionalism have not produced any new theories, Hänggi *et al.* (2006) point out that they helped to increase acceptance that international relations are not driven solely by power nor exclusively by cooperative motivations.

From a broader perspective, the resurgence of interest in RIAs based on interregionalism can be attributed to the need for countries to adjust to changes in the global economy amidst economic globalization. Furthermore, the increasingly widespread perception among countries that openness to trade and stimulation of foreign direct investment plays a crucial role in national development has contributed to the reorientation of recent regional initiatives (SAMPSON; WOOLCOCK, 2005).

Such interregional agreements are recognized as a new emerging manifestation of the interaction between globalization and regionalization, resulting in what is conceptualized as global regionalism (MATEO, 2006). This terminology describes the current tendency of regional integration processes to expand their geographic scope, reaching continental and even inter-regional or transoceanic dimensions. In this context, relations between the EU and Mercosur stand out, as formalized by signing the Inter-Regional Cooperation Framework Agreement, often cited as a pioneering milestone in inter-regionalism.

3. A brief history of commercial relations between Mercosur and the European Union

Formal interactions between the European Community (EC) and Latin American countries began with the establishment of the European Economic Community in 1958 institutions. At this time, EC member states recognized the opportunity to foster and strengthen commercial and economic relations with the countries of this region (PINTO, 2006). Throughout the 1970s, according to Saraiva (2004), interactions between the European Community and Latin America advanced modestly in the economic domain. During this period, European countries showed interest in expanding markets for their exports and investments and ensuring access to raw materials. On the other hand, Latin American countries began diversifying their external partners and sought to establish relationships that were different from those they maintained with the United States.

During the 1980s, while economic relations regressed, political relations advanced and assumed a more significant role. Although Latin America was considered by the European Community (EC) to be a region of secondary importance in its foreign policy, this did not imply a lack of interest in deepening relations. For Saraiva (2004), the most prominent political action for the region during this period was the inter-regional dialogue model, which played a crucial role; however, despite never being part of European diplomacy of North-South meetings without ever becoming a priority for the Union. Despite the mismatch between Latin American expectations and the results of these dialogues, they were fundamental for political integration between both regions.

Over the last few decades, the European Union and Mercosur have signed several agreements on different subjects (economic, financial, political, environmental, and social) that have become progressively more

ambitious over time and have been categorized as the first, second, and third agreements. The EU recognized the need to strengthen its ties with Latin America due to the emergence of a new situation in the Southern Cone and the deepening of neoliberal globalization led by the United States (PENNAFORTE; DA SILVA RIBEIRO; BONES, 2018).

Consequently, in 1995, the Cooperation Framework Agreement between the European Union and Mercosur was signed as a strategic response to the North American Free Trade Area of the Americas (FTAA) project in the South American region (ZELICOVICH, 2019). This agreement was built upon three fundamental pillars: a partnership on political and security issues, economic and institutional cooperation, and the gradual establishment of a free trade zone for goods and services (GÓMEZ-PLANA, 2021). The manifest intention of this agreement was to establish an inter-regional association connecting both regions, while its latent purpose was to achieve free trade (BULMER-THOMAS, 2000). However, the negotiations faced obstacles from the beginning due to the divergent interests and objectives between the parties involved and the overlap of each bloc's comparative advantages with the counterparties' sensitive sectors.

Negotiations between the EU and Mercosur were interrupted in December 2004 due to discrepancies regarding the levels of trade liberalization proposed by each entity. On the Mercosur side, there was a perception that the European community's proposal demanded extensive industrial liberalization while offering limited agricultural liberalization (SALGADO; BRESSAN, 2020). The proposal presented by the European Union was considerably below the expectations of the Mercosur countries, as it only offered preferential tariff quotas for the most sensitive products of the European Common Agricultural Policy (CAP), such as beef, sugar, and dairy products, products which have highly competitive markets in South American countries (SANAHUJA; RODRÍGUEZ, 2019). The EU considered

progress in trade liberalization in sectors such as textiles, footwear, and automobiles as insufficient.

The impasse at the multilateral level hampered the progress of negotiations on the agreement between Mercosur and the European Union while at the same time fostering incentives for the proliferation of bilateral agreements (MENEZES; PAIVA, 2019). Another challenge in the negotiation was the subprime crisis, which affected both developed and developing countries, especially by precipitating the end of the commodities boom. After the formal resumption of negotiations in 2010, rapprochement between the two blocs became a crucial strategy aimed at overcoming the crisis through the liberalization of new markets for their products (PENNAFORTE, RIBEIRO, BONES, 2018). This recovery gained momentum, especially after Mercosur presented a proposal for a comprehensive agreement. However, the agricultural issue remained the main obstacle, with little progress regarding the EU's primary interests. Furthermore, the public debt crisis in the Eurozone redirected Europe's focus to the bloc's internal issues, leading to the implementation of economic austerity measures across member countries (SALGADO; BRESSAN, 2020). Despite the divergences throughout the negotiation process and the significant challenges posed to the multilateral trading system by the increase in unilateralism and protectionism, the regional blocs sought a way to reach an agreement (GÓMEZ-PLANA, 2021).

In 2016, both blocs returned to the negotiating table for the third phase of negotiations. According to Zelicovich (2019), the resumption of negotiations should be interpreted as a response to changes in the international system resulting from the crisis of globalization and the global liberal order. Therefore, the Free Trade Agreement (FTA) between the two entities, although formalized in 2019, was conceived merely in abstract terms. The final wording still needs to be finalized and depends on ratification by the European Union and Mercosur member states. Once ratified, the trade agreement will be implemented progressively over fifteen

years, which makes its implementation almost imperceptible. However, it is essential to emphasize that the treaty has equally substantial relevance for both regional blocs and is a historic milestone in international relations (BALTENSPERGER; DADUSH, 2019; KAMATH, 2020).

For Mercosur, the agreement revitalizes the bloc's relevance in the international community, demonstrating its ability to promote and represent the countries of the Southern Cone. Furthermore, considering the crisis of South American regionalism and Mercosur, the agreement ensures continuity for the bloc, providing a renewal (SALGADO; BRESSAN, 2020). For the European Union, the bi-regional agreement represents an expression of interregionalism, a concept that has been one of the primary pillars of its foreign policy to outline the bloc's integration model (SANAHUJA; RODRÍGUEZ, 2019).

Both regional blocs exhibit structural discrepancies in economic and productive terms arising from their different positions in global value chains. This disparity in integration has evolved into a structural condition, reflecting divergent developments in long-term productive forces intertwined with international economic and power processes that transcend the merely commercial sphere (GHIOTTO, 2022).

The member states of the European Union, being more industrially advanced and exhibiting significant complementarities in their productive bases, contrast with the Common Market of the South, which specializes predominantly in the production of raw materials and shows more modest levels of intra-bloc trade (OLIVERA; VILLANI, 2017). Therefore, the countries belonging to Mercosur focus their specialization on the export of agricultural raw materials and products with lower added value. On the other hand, the EU focuses its exports predominantly on products with medium to high added value.

This shows that the trade dynamics between these two blocs were marked by asymmetric (VENTURA, 2003), which represents one of the key

challenges of the agreement. It is crucial to highlight that interregional negotiations were constantly overshadowed by internal issues and challenges in both regions, such as the eastward expansion of the European Union or the recurring economic and political crises in Mercosur (NOLTE; RIBEIRO NETO, 2021). However, the agreement between the European Union and Mercosur represents, above all, the reaffirmation of the importance of economic liberalization both at a regional and inter-regional level as a means of promoting global economic liberalization, even in a context marked by a rising wave of protectionism.

4. The relationship between two-level game theory and regional agreements

Investigating trade agreements requires a methodological review to understand new power dynamics and adopt more comprehensive analytical approaches capable of transcending conventional limitations. Given the scope and complexity of agreements of this magnitude, with multiple levels of analysis and different actors involved, a solitary analysis is often insufficient to fully elucidate the negotiations' complexity.

It is proposed that foreign policy is fundamentally shaped by a series of deliberate choices made by one or more agents, who act based on their interpretation of circumstances, and that such decisions result from internal processes within the State rather than being solely in response to foreign stimuli (SALOMÓN; PINHEIRO, 2013). This significant innovation aims to put greater emphasis on domestic elements in the formulation of the State's foreign policies and as a starting point for the emergence of new theories.

The theory of two-level games represents a significant departure from the rationalist mainstream approaches. It arises as an alternative within the field of Foreign Policy Analysis studies (whether for International

Relations or International Political Economy). First, because it emphasizes that the State is not the only dominant decision-making agent, a point that other theories have yet to address satisfactorily. More state-centric theories require a robust theoretical foundation to explain the complex interactions between domestic politics and international relations. They limited themselves to considering the various domestic influences on foreign policy or offered excessively generalized analyses of the relationship between national and global issues. Second, this approach recognizes that the anarchic structure of the system or power capabilities and other variables such as commercial, political, and social factors determine international cooperation.

One of the main challenges lies in the conception of the State as a unitary and always cohesive agent, even in the face of divergences between central decision-makers regarding national and international interests. In other words, the State is a simultaneous mediator, not because of its standardization in the topics discussed or because it is isolated from internal politics, but because it is directly subject to both (PUTNAM, 1988).

The structure of the two-level game is intentional. First, internal groups influence government structures to promote their interests. In contrast, government bodies aim to implement policy measures congruent with such interests to forge alliances with these groups. On the other hand, national government entities strive to satisfy internal demands while simultaneously seeking to mitigate adverse impacts resulting from international factors.

The theory analytically decomposes the negotiation process of foreign policy agreements into two distinct stages: i) bargaining between negotiators, culminating in a provisional agreement - Level I negotiation phase; ii) separate deliberations between domestic support groups regarding the acceptance or rejection of the agreement - Level II ratification phase. The dynamic between these two levels becomes evident

when a country that disregards internal pressures or prioritizes domestic politics over international issues fails to ratify or successfully negotiate treaties (BJOLA; MANOR, 2018).

Given this distinction between Level I and Level II, Putnam (1988) describes the win-set for a given Level II support base as the set of all possible Level I agreements that would be successful, that is, that they would obtain the necessary majority among supporters – when put to the vote. Thus, only agreements that fit within the win-set of each State will be ratified by their respective Level II, which has significant repercussions on the negotiating power of each negotiator and, therefore, exerts a considerable influence on the dynamic of the negotiations (VILLA; CORDEIRO, 2006). In other words, they are the arrangements or various agreements at the international level that would be supported at the domestic level, that is, any negotiation result on the global stage that would be ratified internally by the support base of a country. Ratifications may depend on formal voting requirements, such as legislative approval, or on more informal aspects, such as considerations of public opinion and approval ratings that political decision-makers consider (CONCEIÇÃO-HELDT; MELLO, 2017).

For Bjola and Manor (2018), a win-set is determined by three factors. The first concerns the size of this set, which depends on the distribution of power, preferences, and possible alliances between Level II participants. The second factor is associated with the nature of the ratification process; for example, in the EU, these processes are more complex, as treaties must be ratified by the European Parliament (EP) and national parliaments. Finally, the third factor concerns leaders' political strategies to garner support or form new alliances to change internal power dynamics.

In addition to these conditioning factors for win-sets, Putnam revisits Schelling's conjecture, which proposes that negotiator A, whose domestic scenario is heterogeneous or fragmented in terms of preferences, can

demonstrate to negotiator B how certain concessions would be unacceptable in their national context, thus limiting their room for maneuver and committing them to a limit beyond which negotiation would become unfeasible. This strategy allows the negotiator to improve his position during negotiations, taking advantage of the diversity of internal preferences (VILLA; CORDEIRO, 2006). In other words, Schelling's conjecture suggests that division at the domestic level is a crucial political resource in international negotiations.

5. The main barriers to the agreement between Mercosur and the European Union

The Free Trade Agreement (FTA) still adds value and attracts economic blocs, encouraging both parties involved to continue negotiations and support the agreement's implementation. The text of this treaty is remarkably comprehensive, subdivided into three distinct pillars: (i) commercial, (ii) economic cooperation, and (iii) political dialogue.

Once ratified, the FTA will benefit the parties involved economically. However, its relevance is not limited to this. Signatory countries will also benefit from the provisions contained in the political and, above all, trade pillars of the treaty. The agreement addresses several strategic areas, including debates on science, technology and innovation, infrastructure, education, consumer rights, energy, defense, cybersecurity, combating terrorism, corruption, and organized crime. Furthermore, issues related to sustainable development and the non-proliferation of nuclear weapons are also covered (SARAIVA; GAVIÃO, 2020).

It is imperative to provide a comprehensive synthesis of the treaty's fundamental aspects to solidify the foundation for subsequent analysis of barriers to ratification. It is crucial to emphasize the commercial pillar, as this is where the main obstacles arise in reaching a consensus between the

parties involved, a phenomenon justified by the breadth and complexity of the issues discussed.

In the commercial dimension, throughout the three phases of negotiations, it is observed that some crucial points are influenced by domestic groups (Level II); for Mercosur members, the transformation industries represent a sector of particular sensitivity and protection, as the adoption of an international strategy aimed at primarization has encountered resistance from segments that advocate a heterodox development model. By contrast, for the EU, the agricultural sector is traditionally subsidized, constitutes the most successful Community policy, and represents one of the most striking symbols of the European integration enterprise (ÁLVAREZ; ZELICOVICH, 2020).

Thus, in this new phase, Mercosur's agricultural sector emerges as one of the primary beneficiaries of the agreement. The European Union, the world's leading destination for agricultural imports, imported approximately USD 182 billion worth of agricultural products in 2018, with Brazil as its second-largest provider. Once the agreement is ratified, agricultural products of notable interest to Mercosur, such as coffee, tobacco, fruit, fish, and vegetable oils, will have their tariffs eliminated. Furthermore, other products, such as meat, sugar, ethanol, rice, corn, and honey, will gain greater access to the European market through quotas (MADURO, 2020).

The issue of import quotas concerns a quantitative restriction imposed on the circulation of certain goods. In short, once the stipulated limit of value or volume limit for a specific product has been reached, the country is no longer authorized to import it. Furthermore, import quotas are established in conjunction with differentiated tariffs, which implies that, within the limits of a predefined quantity, the product can be imported at a reduced or even zero tariff, configuring what is known as tariff reduction. However, once the import quota stipulated for the product is reached, the

tariff on imports increases significantly and is referred to as an extra-quota tariff (GHIOTTO, 2020). Furthermore, the agreement also provides hybrid tariff treatments for some consumer goods originating from Mercosur, such as orange juice and cachaça, depending on specific characteristics of each product, such as the volume of packaging or even the value of the good.

It is essential to highlight that, as part of the negotiations established between both economic blocs, aiming at obtaining European consent for more favorable conditions for Mercosur quotas, the South American countries found themselves compelled to grant similar conditions to European products destined for their markets (GÓMEZ-PLANA, 2021). From this perspective, products such as cheese, powdered milk, infant formula, wines, sparkling wine, garlic, chocolates, and cocoa derivatives were among the European-origin items included in the Mercosur liberalization proposal.

The FTA in question, however, is not limited to agribusiness issues alone. In industrial trade, the EU has committed to eliminating 100% of its tariffs within ten years of ratification, with around 80% of these tariffs being zeroed out when the treaty is implemented. Industrial products from Mercosur, including chemicals, machinery, medical equipment, automotive parts, textiles, and footwear, will benefit from this tariff reduction, with terms ranging from immediately after ratification to 10 years. At the same time, Mercosur will liberalize 91% of trade in terms of volume and tariff lines, with permission to use special customs regimes (FONSECA, 2020).

According to Kamath (2020), within the scope of industrial trade, the EU committed to eliminate 100% of its tariffs within a period of up to 10 years after ratification, with approximately 80% of these tariffs being eliminated when the agreement is implemented. Industrial products from Mercosur, such as chemicals, machinery, medical equipment, automotive parts, textiles, and footwear, will benefit from this tariff reduction process, with terms ranging from immediately after ratification to 10 years. At the

same time, Mercosur undertakes to liberalize 91% of trade in terms of volume and tariff lines, with permission granted for the use of special customs regimes.

In this context presented above, we return to the discussion of win-sets, as it is inferred that there was an overlap of the win-sets of both parties upon reaching a consensus. However, if Mercosur sought even more substantial tariff reductions more incisively, negotiations could be resumed, given the propensity of some European countries to protect their domestic agricultural markets. In short, if Mercosur expanded its win-sets to cover more advantageous tariff conditions, the European Union would undergo a contraction of its win-sets due to disagreement in its Level II, and the overlap of win-sets would no longer exist, making the agreement unfeasible.

5.1 Mercosur's Obstacles to Ratifying the Agreement

Before identifying the obstacles faced by Mercosur during the ratification process of the Free Trade Agreement with the European Union, it is essential to comprehensively outline the ratification mechanisms applicable to this treaty in the context of this economic bloc.

In the context of Mercosur, approval of the treaty requires the unanimous consent of all Member States. In this sense, the Mercosur ratification procedure is bifurcated into two distinct phases: (i) negotiation and approval by the bloc's decision-making bodies; (ii) the incorporation of approved norms into national legal frameworks through the procedures outlined by the legislation of each nation (SALGADO; BRESSAN, 2020). These stages of the Mercosur ratification process are equivalent to decision-making levels I and II of the two-level models. In other words,

Level I refers to the decision-making bodies of the economic bloc, while Level II (domestic) is made up of the legal systems of each member state.

The intrinsic intergovernmental nature of Mercosur emerges as an obstacle to obtaining ratification. In this context, decisions are not by a singular entity unrelated to the Member States but by the states themselves (ARAÚJO, 2018). Under this decision-making arrangement, treaty ratification is not a homogeneous procedure but rather a set of distinct internal processes, each subject to obstacles specific to the sovereignty of each participating nation.

We can deduce that specific structural issues within Mercosur emerge as obstacles to implementing the FTA with the European Union and to the overall functioning of the economic bloc itself. The Brasília-Buenos Aires Axis concept, representing central actors within the scope of Mercosur and in the sphere of South America, tends to overshadow other blocs that do not occupy such a prominent position in the economic and diplomatic arenas. This phenomenon denotes an apparent asymmetry of power within Mercosur, where the interests of the most influential nations often predominate, consequently restricting the ability of smaller nations to influence the bloc's decisions and strategic orientation (VENTURA, 2003; GHIOTTO, 2022).

Another solid obstacle to ratification is the political volatility inherent to the region. This instability manifests in several ways, including frequent changes of government, economic and social crises, and factors that have direct and substantial implications for the ability and effectiveness with which Mercosur countries conduct negotiations both among themselves and with their economic partners, which could lead to a review or even suspension of treaty negotiations. Furthermore, these events significantly impact the ability to implement trade agreements, as political instability can foster distrust regarding Mercosur countries' ability to honor the

treaty's terms, thus influencing the ratification and implementation process (SALGADO; BRESSAN, 2020).

In this aspect, ratification of the treaty demands that the agreements established align with the win-sets of both parties, which can be an arduous task, considering that internal political changes have the potential to modify these win-sets throughout the year. For example, the rise of governments with protectionist tendencies or substantial changes in domestic policies can narrow win-sets, increasing the complexity of the treaty ratification process.

5.2 The European Union's Obstacles to Ratifying the Agreement

Regarding liberalization and protectionism, one of the main challenges Mercosur faces in ratifying the FTA with the European Union lies in the technological disparity and the perceived threat Mercosur industries pose in relation to European products. According to Pennaforte, da Silva Ribeiro, and Bones (2018), a trade opening without carefully assessing its medium and long-term impacts could be counterproductive for Mercosur's economic development.

Although agribusiness is the primary stakeholder in opening the European consumer market, the agreement mustn't be restricted exclusively to this sector. According to Maduro (2020), trade liberalization with the EU could discourage domestic industrial production, especially considering that around 40% of industrial trade occurs within the Mercosur bloc. Within the scope of the FTA, we observe that the dynamics between liberalization and protectionism within the bloc are complex. The technological disparities between Mercosur and the EU, together with the concerns of Mercosur industries regarding competition from European

products, represent significant challenges to the ratification of the agreement.

In this context, it is crucial to discuss the obstacles faced by the European side in ratifying the Free Trade Agreement with Mercosur. One of these obstacles is the European Parliament (EP), one of the European Union's supranational institutions, which plays a central role in the treaty ratification process. The EP represents a significant barrier to the treaty's ratification process with Mercosur as the EU's decision-making and legislative process is directly linked to Parliament (FONSECA, 2020).

When considering party issues, the marked influence of internal political dynamics and particular national interests on the European Parliament becomes evident. In this context, it becomes evident that, given the plural character of the EP, composed of political parties from different Member States, the decisions and positions adopted by its members are often influenced by national concerns and priorities (SERVENT; COSTA, 2022).

The Free Trade Agreement between the EU and Mercosur presents an obstacle to ratification, as the EP uses its decision-making influence to demand adjustments and changes that reflect emerging concerns. Therefore, it is necessary to return to the second level of negotiation so that it can be rewritten according to what the EP will accept. This constitutes a movement to expand the European win-set, as it broadens the spectrum of options and conditions under which the European Parliament would be inclined to approve the treaty. However, such a measure could lead to prolonged negotiations and, in some instances, significant impasses in the ratification process, especially if the EP's interests and expectations must align with those of the Mercosur countries, culminating in a scenario of disagreement between the win-sets.

Policies related to climate and the environment are of crucial importance in the FTA negotiations. This issue emerges as a focal point for

those involved in the treaty's ratification, particularly within the context of the European bloc. The EU expresses legitimate concern about the environmental implications of the agreement, emphasizing the need to adhere strictly to high environmental standards and international treaties to address climate and environmental challenges (ABDENUR, 2019).

Europe's approach to environmental protection is broad and proactive. This approach is based on a series of laws and regulations considered among the most rigorous in the world, going beyond mere economic considerations (FONSECA, 2020). Europe's concern lies in the potential environmental impact resulting from the ratification of this treaty, as the growth in trade and demand could promote unsustainable agricultural practices, such as deforestation, to expand agriculture and livestock.

Baltensperger and Dadush (2019) argue that environmental policy has assumed an even more prominent role in the European Union's deliberations, especially with the implementation of the European Ecological Pact (EEP), which has consolidated itself as the central element of the European Union's economic growth strategy. This pact is based on key principles, such as precaution, prevention, and pollution mitigation at its source.

Given that the environmental issue has emerged as the primary concern of European civil society and non-governmental institutions, it exerts considerable political pressure on EU Member States (Level II) due to worries about the possibility of worsening environmental issues. The European Union faces a substantial challenge in the scope of the FTA with Mercosur concerning negotiations on ecological aspects (Level I), which still need to be concluded. In other words, the EU is faced with the difficult task of reconciling the need to import competitive agricultural products to meet the demands of its consumers with the responsibility to ensure that

such imports do not exacerbate environmental problems and do not harm European farmers.

In March 2023, an environmental organization revealed the European Union's proposal for a supplement to the FTA, which sparked intense debates and controversies among stakeholders. The Mercosur Member States vigorously opposed this initiative, raising considerable uncertainty regarding the potential ratification of the Free Trade Agreement.

As previously mentioned, the sudden release of the document, which holds significant political relevance, reveals the European Union's clear intention to establish more demanding and innovative environmental standards in the context of the imminent free trade agreement with Mercosur. Furthermore, the recent approval of legislation by the European Parliament aimed at combating deforestation stands out, and it could be invoked as a basis for imposing trade restrictions on Mercosur (TOSTES; ALBUQUERQUE, 2024).

If implemented, these potential new requirements could restrict the entry of products from Mercosur into the European market, thus significantly impacting the development of the FTA. This scenario is seen as a manifestation of trade protectionism on the part of the European Union and an attempt to avoid competition in agricultural products. From the European perspective, this stems from the international projection of several events that occurred within Mercosur's scope and the EP's stance, which uses its decision-making influence to demand adjustments and modifications that address emerging concerns.

In this scenario, both the popular strata and the political sectors of the EU member states (Level II) demonstrated marked dissatisfaction with the environmental events taking place in Mercosur. In this context, the side letter emerges as a mechanism to expand the win-set for the European Union, as, without it, several European governments could position themselves against the agreement in the same way as before the inclusion

of this additional letter. Consequently, the EP could veto the treaty, and once vetoed at Level I, the agreement text would be reevaluated at Level II. However, it is essential to point out that the side letter does not simply represent a strategy to expand the EU's advantages but rather an instrument aimed at undermining Mercosur's development and economic growth through the FTA. Due to dissatisfaction and non-acceptance on the part of Mercosur, there is, therefore, a movement contrary to the ideal, in which the sets of favorable possibilities are restricted, reducing the chances of success.

6. Final considerations

This article achieved its primary objective by elucidating and debating the main obstacles to the ratification of the Free Trade Agreement between Mercosur and the European Union. It adopts the two-level games theory as its analytical framework, demonstrating the theory's effectiveness in addressing unresolved issues.

The brief overview provided highlights that the deliberations extend beyond commercial concerns to encompass political, economic (particularly in the agricultural and industrial sectors), and environmental issues. These issues have gained greater relevance over the years within the scope of negotiations due to their impacts on society and strict European regulations.

The hypothesis is that the validation/acceptance of domestic groups is the determining factor in the cooperation process, taking precedence over considerations of relative gains. At least in the case of the negotiations between Mercosur and the EU, domestic factors (level II) still need to be fully addressed in the treaty's agricultural, industrial, and environmental discussions, highlighting some of the negotiators' concerns about the ratification by the blocs.

Consequently, the FTA represents a multifaceted challenge, requiring a delicate balance and an approach encompassing all these dimensions, aiming at effectively aligning the interests of both blocs. The agreement must be understood dynamically to foster a broad and continuous dialogue between regional blocs. In other words, a mechanism capable of incorporating both the potential benefits and challenges inherent to different sectors and countries is essential for discussing topics of common interest.

This reflects a common debate in negotiation processes for international agreements; the continuation of these negotiations is often linked to issues of a political nature related to the strengthening of strategic alliances, global prestige, or the maintenance of diplomatic commitments, even if the economic, social, or environmental justifications are not always solid or consensual. Therefore, the FTA negotiations reflect the intricate and interconnected dynamics of international politics, trade, the environment, and sustainable development.

In this context, the decision to continue negotiations can manifest commitment to broader political values or objectives, such as regional integration, international cooperation, or the search for geopolitical stability. On the other hand, technical or practical aspects, such as environmental impact, concrete commercial advantages, or direct social benefits, can be relegated to the background. It is essential to highlight that, regardless of the delays or complexities in the discussions surrounding the delicate topics previously mentioned, negotiations on the European Union-Mercosur Agreement should not, under any circumstances, be closed or abandoned as a strategy for exiting or as a way of pressuring either party. On the contrary, it is essential to strengthen and redirect the negotiations with more effective instruments, aiming to reach a consensus between the blocs.

Finally, in light of the various issues discussed in this article, the signing that took place in 2019 does not, in any way, represent the outcome of the FTA development process. On the contrary, the agreement remains subject to the possibility of not being ratified since the path to its ratification and effective implementation proves hugely complex. Thus, we see that the deal, whether ratified or not, constitutes a central element in the narrative of the inter-regional relationship and the international projection of the blocs. However, this outcome will be largely conditioned by the interaction of the different decision-making levels, as outlined by the theory adopted in this study.

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