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FOREIGN TRADE AND INTERNATIONAL RELATIONS: MERCOSUR, THE EUROPEAN UNION, AND THE VIABILITY OF THE FREE TRADE AGREEMENT

COMÉRCIO EXTERIOR E RELAÇÕES INTERNACIONAIS: MERCOSUL, UNIÃO EUROPEIA E A VIABILIDADE DO ACORDO DE LIVRE COMÉRCIO

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Abstract: The purpose of this article is to examine the relationship between Regional Integration Processes (RIP) and Foreign Trade (FT), with a particular emphasis on the function of the Southern Common Market (Mercosur) and the European Union (EU) in global trade relations. To accomplish this, the Mercosur and the EU engage in intra- and extra-bloc trade ties independently and cooperatively, facilitating the negotiation and conclusion of a free trade agreement between these regional blocs. Hence, the agreement's recent existence served as a catalyst for examining regional integration processes and their tight linkages in order to strengthen foreign trade relations. The article proposes to use a deductive approach to investigate IR and FT, focusing on Mercosur, the EU, and their free trade agreement. Additionally, quantitative and qualitative research methods were used, including literature evaluations and document analysis, and data from their integrations. The results indicate that the deal will benefit some sectors of the Mercosur economy, but would be detrimental to others.

Key-words: International Relations. Foreign Trade. MERCOSUR. European Union. Free Trade Agreement.

Resumo: Este artigo busca analisar a relação entre os Processos de Integração Regional (PIR) e o Comércio Exterior (COMEX), principalmente através da atuação do Mercado Comum do Sul (MERCOSUL) e da União Europeia (UE) nas relações comerciais ao redor do mundo. Para tanto, observa-se a ação do MERCOSUL e da UE nas relações comerciais intra e extrabloco, o que propicia a negociação e conclusão de um acordo de livre-comércio entre esses blocos regionais. Assim, a existência recente desse acordo foi uma das motivações para análise dos processos de integração regional e das suas interações mais próximas para a melhoria das relações de comércio exterior. Para isso, propõe a adoção do método de abordagem dedutivo para examinar as RI e COMEX, restringindo a reflexão para o MERCOSUL, a UE e seu acordo de livre-comércio. Utilizou-se também técnicas de pesquisa quanti e qualitativas, por meio de revisões literárias e análises documentais, e dados das integrações em estudo. Pelos resultados gerados, percebe-se que o acordo será benéfico para alguns setores das economias mercosulinas, mas também preocupante e ameaçador para outros.

Palavras-chaves: Relações Internacionais. Comércio Exterior. MERCOSUL. União Europeia. Acordo de livre-comércio.

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Introduction

The purpose of this article is to discuss the significance of Regional Integration Processes (RIPs) for international commerce, particularly the Mercosur, the European Union (EU), and their free trade agreement. Within the context of world trade and globalisation, these integration processes strengthen or even protect regional export and import activities, by increasing intra-bloc commerce or by shielding them from external competition.

The study of RIPs for foreign trade is relevant since it combines theoretical and practical contributions from both fields: International Relations (IR) and Foreign Trade (FT). Above all, this articles aims to include IR concepts, theories, and levels of analysis into the analysis of the study's objectives, namely Mercosur, the EU, and their free trade agreement. As a result, there is a gap in the literature about the relationship between these two fields of knowledge, with a primary emphasis on the theoretical side of IR and the technical side of FT, which will not be addressed in this article. As a result, the author strives to utilise the complimentary knowledge of the study fields to explain the subject at hand.

In this regard, the research question is the following: How do RIPs affect global trade relations? To address this inquiry, Mercosur and EU are described independently and in connection to the spread of Foreign Trade between them. This article contends that PIRs, as significant actors in IR and FT, play a direct role in the development of regional and global commercial relations, both singly and collaboratively with their commercial partners.

The deductive approach method is used to accomplish this, but the work also includes more general analyses of IR and FT to focus on the impact of Mercosur, the EU, and their agreement on the foreign commerce and procedures of integration. In terms of methodology, it employs historical, comparative, and case study approaches, with an emphasis on the history of the investigated regional integration processes, their comparison, and the case studies of Mercosur, the EU, and their free trade agreements.

The study uses quantitative and qualitative research methodologies. Quantitatively, data from the Mercosur and EU Foreign Trade statistics were analysed (Mercado Común del Sur, 2018), as well as the trade relationship between them (Mercado Común del Sur, 2019; Vieira, 2019a; Vieira 2019b; Brasil, 2019). Data prior to the agreement was used, mainly data from 2017 to 2019.

Through the qualitative method, the author used literature reviews and document analysis to examine the two fields of knowledge (IR and FT).

The article is divided into three topics, in addition to this introduction and conclusion. In the first section, it is intending to analyse International Relations, its concepts and theory to explain the international reality, more precisely with application to foreign trade and the performance of integration processes.

Hence, it approaches integration processes and their effects on international commerce from a theoretical perspective. Then, it describes Mercosur in depth and it investigates the European Union and other types of integration on the European continent. The third phase evaluates both Mercosur and the European Union's foreign trade data separately and in combination. This aims to bolster the examination of the existence of a free trade agreement between them in order to boost both export and import transactions. Finally, it incorporates data from Mercosur, the EU, and their commercial relations, and then incorporates data from the blocs' free trade agreement.

1. Principles of International Relations and Foreign Trade

International Relations (IR) is a subfield of social sciences that studies the complex relationships between states around the world, primarily via the examination of events and circumstances that affect multiple states. Morgenthau's classic book, first published in 1948, is subtitled "Politics between nations: the battle for war and peace" and contends that International Relations or International Politics is defined as the struggle for power and its application among nations.

IR is an interdisciplinary field of study that draws on concepts and methodologies from a variety of disciplines, including Political Science, History, Economics, Law, Anthropology, and Geography. In terms of commerce, Jakobsen (2008) and Poyer (2017) claim that trade has been the primary means of communication between states since Antiquity. Poyer (2017, p. 9) states that

> [c]ommodity trading is an ancient activity with its origins in the Phoenician civilisation around 2000 BC. The former merchants of trading companies only expanded the phenomenon of global trade by creating an enabling environment for the cooperative development of various countries, each according to its primary vocation (Author´s translation).

At the dawn of the modern era, a concept of international trade, known as mercantilism, was formed. It involved the selling of things to acquire precious metals reserves (Jakobsen, 2008). Between the end of the 18th century and the end of the Second World War, economic liberalism accepted the premise that international trade results primarily from existing differences between countries, which necessitated them seeking to supply internal deficiencies with products from other countries.

In other words, international trade begins with the existence of countries capable of producing a specific product in higher quantities and exporting it, while those unable to produce begin importing it. At the time, it was referred to as a commerce based on comparative advantages (Jakobsen, 2008; Poyer, 2017). Hence, Poyer (2017) demonstrates that a country's foreign trade is contained within its international trade.

It is critical to distinguish international trade from foreign trade in this context. The former is "the collection of activities involving the buying and selling of goods and services between nations, that is, where the seller and buyer are located in different countries", whilst the latter is "the collection of activities involving the buying and selling of goods and providing services between nations." (Poyer, 2017, p. 10).

The second is “a worldwide purchase and sale activity, such as one in which two or more economic actors with headquarters and/or residence in separate nations trade a commodity that will be transported internationally and the financial outcome of which will be transferred” (Poyer, 2017, p. 10).

Hence, Foreign Trade refers to the exchange of goods and services between economic agents governed by national legislation that can occur without governments intervening directly in commercial operations, instead serving as standard-setters and controllers of commercial operations conducted by companies from different countries. These are commercial operations carried out by businesses under the purview of Private International Law (Poyer, 2017, p. 10-11).

In addition, among the numerous worldwide issues that pervade studies of International Relations, international and foreign trade are key components of this field of study. International relations are a critical instrument for studying the characteristics of interactions amongst the most different international actors (Pecequilo, 2012), and this article will focus on highlighting which theory best explains the significance of international trade among international actors. This is the case with the subject of Foreign Trade and the actions of states, international organisations, regional integration processes, and businesses, as described in this article through an examination of the Mercosur-EU free trade deal.

According to Viotti and Kauppi (2012), theory is a simplified technique of developing and/or improving the intelligibility or understanding of the world or a part of it. In general, three theoretical traditions of international relations may be identified to provide an analytical lens through which to see the world reality: Liberalism, Realism, and Marxism (Jackobsen, 2008; Sarfatti, 2005). The significance of Liberalism, the concept of Complex Interdependence, and Neoliberalism in the study of International Trade, as well as Foreign Trade, are stressed in this research.

Liberal perspectives include liberal theory of international relations, neoliberalism, and complex interconnectedness. It is a pluralist perspective of the world's composition, as there are numerous international players outside States and their institutions, including non-governmental organisations, groups, and individuals (Viotti & Kauppi, 2012).

Liberals believe in a logical and moral order deriving from abstract universal principles, as espoused by a number of liberal intellectuals, including Hugo Grotius (1583-1645), John Locke (1632-1704), Adam Smith (1723-1790), Immanuel Kant (1724-1804), and Woodrow Wilson (1856-1924). Because of Lockean precepts, man's nature is deemed good, and the State of Nature is deemed non-conflicting; in other words, an environment conducive to coexistence between men - or, more precisely, between States in the international environment - is possible of legal and legislative order.

Neoliberalism is a systematic approach to international relations that reintroduces liberal concepts, saying that the international system contains a range of actors and other forms of power besides States, and that the international system is both anarchic and interdependent. Above all, the centrality of international institutions is emphasised in terms of ordering the world and so regulating and leveraging cooperation between States in the face of global interconnectedness, or even mutual reliance, formerly referred to as complex interdependence. This way, institutions mitigate the bad consequences of international anarchy (for example, cheating) and foster inter-state collaboration (Keohane, 1984; Nye Junior & Keohane, 1971; Jackson & Sorensen, 2007; Jackobsen, 2008).

International politics is defined in terms of norms and institutions that constrain players' international behaviour. Hence, what best exemplifies international society is trade, developed via economic and social interchange between States, rather than war or cross-border conflicts. There is acceptance of demands for coexistence and cooperation within an international society, which is composed of a collection of international actors who are connected through their ties, share common values and interests, and adhere to a set of shared laws and institutions (Bull, 2002).

For the purposes of this research, the liberal theory or paradigm best explains the centrality of international trade to the reality of economic interactions between the most diverse international actors, particularly by emphasising the critical role of international institutions and structuring the analysis of the co-operation agreement presented here.

2. Regional integration processes and international trade: The Mercosur and the European Union

The goal of this topic is to reflect on the critical role of Regional Integration Processes (PIR) in enhancing global trade ties. Specifically, it analyses the Southern Common Market (MERCOSUR) and the European Union (EU) separately. Above all, as a basis for dealing with them concurrently, as the two procedures just concluded a trade preference agreement in 2019.

At first, the integration processes and their effects on foreign trade are examined, particularly from a theoretical perspective. Then, it discusses MERCOSUR in length, detailing it, but also providing historical, analytical, and critical contexts. Finally, it analyses the European Union and other forms of integration on the European continent, placing a particular emphasis on the world's most successful integration, the EU, the former of which will also conclude an agreement with MERCOSUR.

Following World War II, the twentieth century witnessed an aggressive process of international institutionalisation. International institutions represented an attempt to manage a disorganised globe by transitioning from a pre-institutional to an institutionalised state of affairs (Kennedy, 1987). Accompanying the phenomenon that prompted the establishment of numerous international accords and organisations – whether universal or regional in scope – was the need to comprehend how these new arrangements formed and the ramifications they had for international and home politics.

Regional integration, according to Herz, Hoffmann and Tabak (2015, p. 168, author´s translation), is a "dynamic process of deepening and broadening the breadth and depth of relationships among actors, resulting in the emergence of new forms of political-institutional governance with a regional scope".

Best and Christiansen (2008) conceptualise formal regional integration as a process by which States move beyond reducing barriers to inter-country integration and establish a regional space as a framework for common rules. It is the establishment of a new level of governance above the States, but without the establishment of a new super-State.

The conventional literature on International Relations tends to split the spread of regional integration into two waves: the first is closed regionalism, which lasted from the post-1945 period until the early 1980s and was influenced by the USA and *Cepaline* philosophy. Its fundamental component was the pursuit of actor development through methods of regional collaboration. There are two types of organisations: microeconomic organisations that engage in formal economic integration and macro regional political organisations that are concerned with dispute resolution (Nye, 1971; Herz, Hoffmann & Tabak, 2015; Hurrell, 1995).

The second wave is open regionalism, which began in the late 1980s and was also dubbed "new regionalism" (Hurrell, 1995). It encompasses debates about regionalism between countries of the North and the South; differences in the level of institutionalisation of integration processes; the multidimensional nature of integration, with action taking place in areas other than economics; and the debate over regional versus global governance. Hence, the integration procedures were characterised by a central aim at serving as a mediator for multilateral liberalisation. Again, there is the US's hegemonic impact and its use of these mechanisms to advance hegemonic aims.

It is important to analyse the emergence of a third wave in Latin American countries that might be described as post-liberal regionalism. It began in the early 2000s as a result of changes in the international environment, most notably the formation of a vision of South-South regionalism, the fall of US hegemony, and the election of leftist governments in Latin America. As a result, new forms of regional integration are emerging, most notably those of a political nature and oriented on the interests of the countries of the South (Veiga & Rios, 2007).

It is feasible to extract specific analysis structures from the literature on integration processes that are widely used to classify this occurrence. Among the most significant is the classification devised by authors of International Economic Policy (IEP), who strive to distinguish the various levels of economic integration using a typology ranging from softer to denser integration. Typically, the sequence of these typologies incorporates the previous step's traits while adding a new component.

The simplest of them are the preference zones, which lessen but do not eliminate tariff barriers. Following this stage, free trade areas are formed, which erase these obstacles. The third phase establishes a customs union, which, in addition to abolishing duties, establishes a common external tariff (CET) for the bloc's members. The fourth would be a common market, which would involve factor liberalisation (capital, labour and services). Then, there would be economic unity, which would incorporate aspects of a single market with those of a monetary union.

Finally, economic integration would occur because of the unification of monetary, economic, and fiscal policy (Balassa, 1980). This article demonstrates the critical role of regional integration processes in enhancing foreign commerce both inside a region and between that region and the rest of the world.

2.1 Mercosur and the integration of South America

Economic blocs are groups of countries that have preferential economic relations with one another. Mercosur was formed by the Ata de Iguaçu, a treaty signed by Brazil and Argentina in November 1985 and presided over by José Sarney and Raúl Alfonsín. This effort sought to strengthen business ties through industry complementarity and technological cooperation (Herz, Hoffmann & Tabak, 2015).

The economic bloc, however, was not formed until March 1991, when Argentina, Brazil, Paraguay, and Uruguay signed the Treaty of Asunción in Asunción. Subsequently, significant meetings aimed at consolidating the bloc occurred, most notably in Uruguay and Brazil; at Ouro Preto (Brazil), a protocol dubbed the "Protocol of Ouro Preto" was signed in 1994. (Herz, Hoffmann & Tabak, 2015; Menezes & Penna Filho, 2006).

The establishment of this economic bloc would take place in phases, beginning with the establishment of a free trade zone, followed by the establishment of a customs union and, lastly, the establishment of a common market with broad integration.

Mercosur is a Customs Union in the sense that it is progressively implementing a zero-tariff regime on goods produced within the region and gradually implementing the TEC (Common External Tariff) (Herz, Hoffmann & Tabak, 2015; Menezes & Penna Filho, 2006). When the TEC is completely implemented, commodities imported from outside the area will face the same duty in Brazil, Argentina, Uruguay, and Paraguay.

In addition to what was established in the Customs Union, the common market does not include limits on production variables, including working capital. The bloc envisions a future without limits for the individual. According to Herz, Hoffmann and Tabak (2015, p. 139), the "single market" encourages "commercial policy harmonisation and free movement of people" in addition to the "common external tariff (author´s translation)".

The aims of this economic bloc are to expand domestic markets, to enable large-scale production with increased efficiency and competitiveness, to make better use of available resources, and, finally, to establish a regional presence in the international economy that is significant enough to alter South America's economic and political profile (Herz, Hoffmann & Tabak, 2015; Menezes; Penna Filho, 2006). It will function as follows: products originating in another member country will receive the same treatment as domestic products in terms of taxes and fees, as well as any other charge, but only if the commodity is considered to be manufactured within the bloc.

Any economic bloc takes time to create, as each country has unique economic, social, and cultural characteristics. The European Union, for example, was founded, in 1958, by the Treaty of Rome and did not begin using its shared currency, the euro, until 2002 (Herz, Hoffmann & Tabak, 2015; Menezes & Penna Filho, 2006). Mercosur designed a transition phase to implement the essential adjustments gradually.

Mercosur, on the other hand, is a crucial case to study because, according to the EPI typologies and the European comparative case, a substantial portion of the literature believes that there has been a crisis phase since 1999 (Mariano, 2015). This is owing to the agreement's official aims, which include the formation of a common market, which has not yet occurred. In other words, the bloc has far maintained a low level of institutionalisation, being primarily intergovernmental in nature and showing few evidence of the formation of supranational bodies.

At some time, even before to 1998, the interest of society and businesses in integration began to wane. Interests of public opinion and politicians were also waning. Additionally, the driving political drive, despite the acquired economic prosperity, lacked the vitality that an integrationist process requires (Vigevani et al., 2008). Regardless of territorial proximity, a portion of politics, society, and business continue to direct their focus toward industrialised countries, particularly the United States and Europe.

Indeed, Brazilian diplomacy contributed significantly to the integration model characterised by the bloc's minimal institutionalisation and essentially intergovernmental nature - without growing into supranational bodies. In Brazil, this position was shared, if passively, by the whole national government in various governments, both in their bureaucratic realms and with businesspersons, Congress, and state governors, among others. (Vigevani et al., 2008).

Mariano (2015) illustrates, through a systematic review of the literature on regional integration and Brazilian foreign policy, that the current Mercosur model is, in fact, attractive to the bloc's largest member. Because it achieves (mostly) two basic objectives of the state bureaucracy: autonomy and development. In other words, intergovernability seeks to satisfy the ideal of autonomy in Brazilian foreign policy, whereas development seeks to satisfy the principle of growth.

In short, the author advocates a primarily intergovernmental institutional framework as a major element. Brazil's aim would be to avoid the establishment of supranational arrangements and the evolution toward a customs union (Mariano, 2015). Brazil's foreign policy performance ends up dictating, to a considerable extent, the current model. Additionally, no considerable attempt is being made by domestic players to compel the integration process.

2.2 European Union and European Continental Integration

The European continent is widely regarded as the region of the world with the most effective process of regional integration, culminating in the creation of the supranational organisation, known as the European Union. The European Union is a vanguard organisation in international politics, because it represents the most sophisticated form of existing integration, even if it was not the first to arise.

Despite the European Union's success, it is vital to recognise the existence of alternative integration processes on the European continent, including the European Free Trade Association (EFTA) and the Commonwealth, commonly known as the Community of Nations. The importance of putting these other mechanisms into play is also evident in Mercosur's relationship with EFTA.

European Union, which currently consists of 28 member states, was founded in 1951 on the foundations of the European Coal and Steel Community (ECSC), the European Atomic Energy Community (Euratom), and the European Economic Community (EEC). The ECSC sought to minimise the possibility of armed conflict on the European continent by exercising supranational control over the production and sale of coal and steel, which are critical products for Germany and France, two countries that have a high likelihood of sparking conflict due to their historical rivalry.

By contrast, Euratom sought to specialise the European nuclear market. Finally, the EEC should establish goals for the establishment of a common market among member states in addition to strengthening economic cooperation began with the ECSC (Herz, Hoffmann & Tabak, 2015; Menezes & Penna Filho, 2006).

Integration progressed slowly during the 1960s and only accelerated with the officialisation of the Single European Act in 1986, which established integration targets for the completion of the single market by 1993, as well as institutional reforms, most notably European Political Cooperation. Integration began to have a greater impact on citizens as the common market developed. Above all, the Maastricht Treaty of 1992 defined a timeline and requirements for the adoption of a single currency, culminating in the establishment of the Eurozone in 1998, completing the integration process with the creation of the bloc's monetary union (Herz, Hoffmann & Tabak, 2015).

Herz, Hoffmann and Tabak (2015, p. 154) asserted that another significant factor influencing perceptions of European integration was the incorporation of the Schengen Agreement into the Treaty of Amsterdam in 1997, which had been in force since 1995 and was responsible for the elimination of border controls for the European Union's signatory countries. In other terms, it ensured free movement of persons within the European Union's common market.

The Treaty of Nice, signed in 2001, expanded the bloc's activities by including central and eastern Europe, prompting the EU to undergo a series of structural reforms. Additionally, the Laeken Declaration was annexed to the aforementioned treaty in order to analyse the common market's functioning in light of new circumstances brought about by globalisation and the reintroduction of old planned economies originating in the Soviet Union. A treaty, the well-known Treaty of Lisbon, was approved in 2007 and became effective in 2009. It established a constitution for the EU. This pact extended the European Union's single external tariff by including security and defence matters (Herz, Hoffmann & Tabak, 2015; Menezes & Penna Filho, 2006).

Without attempting to cover all facets of the European Union's growth, it can be seen that, beginning with these institutions, the EU was founded and evolved in such a way that it today recognises concerns that extend beyond establishing a successful regional integration process. The EU serves as a model regional integration system for other systems, the primary and pioneering one, involving expectations about the probable courses taken by Europe and other integration systems in light of the constantly shifting borders of integration.

In other words, it is undeniable that the European Union is the most successful regional integration process currently underway, even outside the European continent, because it has expanded beyond economic integration to include areas such as migration, monetary union, and the establishment of supranational institutions.

3. Mercosur and the European Union’s Importance for Foreign Trade: The Blocs and their Free Trade Agreement

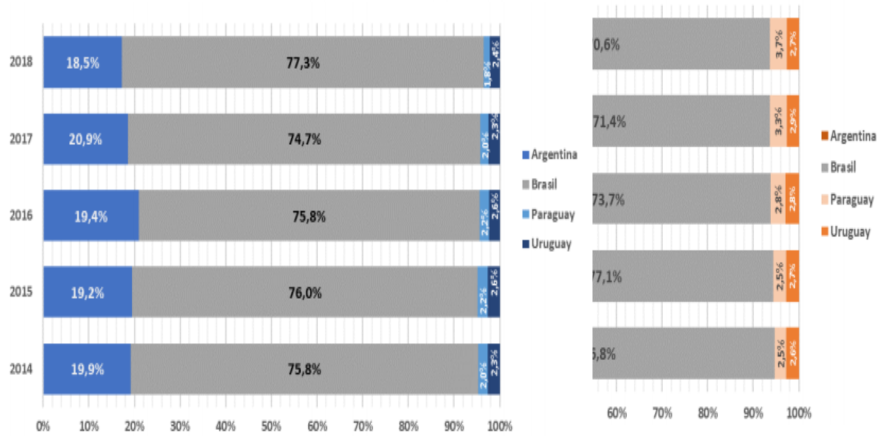
This section will analyse the foreign trade data of Mercosur and the European Union separately and in combination, to provide quantitative support for the analysis of the relative importance of each of these regional integration processes and the existence of a free trade agreement between them in terms of export and import transactions. It begins with data from Mercosur, then from the EU, and then incorporates data on the blocs' trade relations. Finally, the potential for a free trade agreement between the blocs is assessed.

3.1 Data on Mercosur and Foreign Trade

The 2018 Foreign Trade Technical Report of Mercosur offers data on exports and imports as part of the regional integration process. The MERCOSUR Foreign Trade Statistics System (*Sistema de Estadísticas de Comercio Exterior del MERCOSUR* – SECEM) provides the data.

Mercosur's commerce with the rest of the world totalled US$495,749 million in 2018, an increase of 10% over 2017. Exports account for 56% of the exchange, while imports account for 44%, both of which rose from the previous year. Hence, exports increased by 9% to US$ 276,341 million, while imports increased by 12% to US$ 219,408 million. The trade balance was positive for the time, totalling US$ 56,933 million, however it should be emphasised that Brazil was the sole country to have a positive balance (Mercado Común del Sur, 2018). The following chart (Graphic 1) details the exports to each country:

Graphic 1: MERCOSUR Exports and Imports



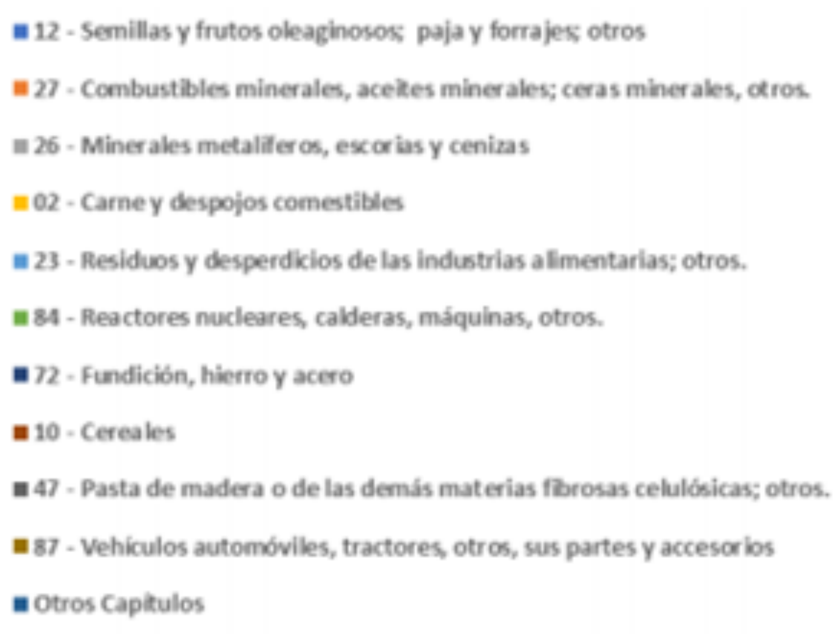
Source: Mercado Común del Sur (2018), p. 6-7.

Argentina represented 18.5% of the bloc's exports in 2018, Brazil 77.3%, Paraguay 1.8%, and Uruguay 2.4%, which is rather significant. Brazil's huge majority of exports and the primacy of that country's foreign trade (Mercado Común del Sur, 2018). On the other hand, import figures were relatively comparable, demonstrating once again the critical role of Brazil in the integration process. Argentina accounted for 23% of imports inside the bloc in 2018, Brazil accounted for 70.6%, Paraguay accounted for 3.7%, and Uruguay accounted for 2.7% (Mercado Común del Sur, 2018).

The Asian continent was the primary destination of MERCOSUR exports and imports, in 2018, accounting for 45% of exports and 41% of imports from the region. China, the United States, and the Netherlands are the primary export destinations, accounting for 25%, 13%, and 5% of total exports, respectively. It is worth noting that these three countries account for 42% of MERCOSUR exports. In terms of imports, China leads with 23%, the United States with 17%, and Germany with 7%, accounting for 47% of total imports during the integration process (Mercado Común del Sur, 2018).

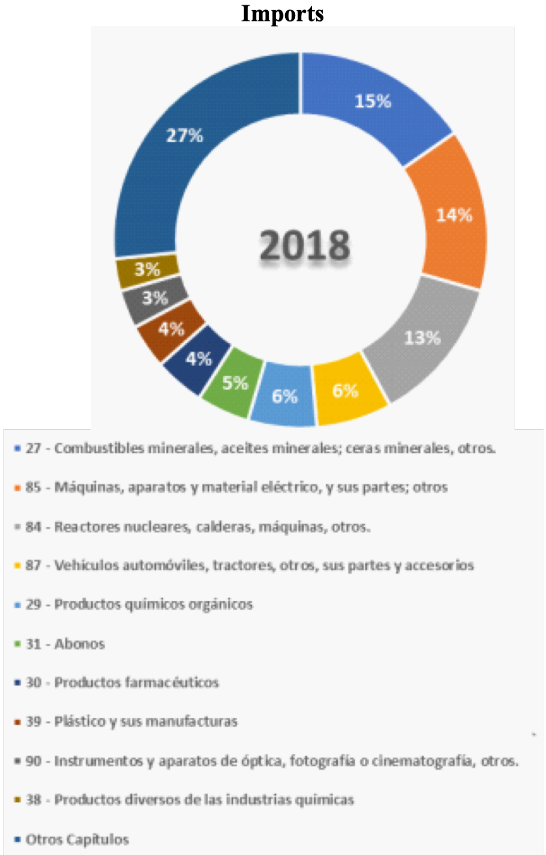
In terms of the most exported goods in 2018, oilseeds and fruits (13%), fuels and mineral oils (11%), and metallic ores (11%) were the most popular (8%). Fuels and mineral oils accounted for 15% of imports; machines, appliances, and electrical equipment accounted for 14%; and nuclear reactors, boilers, machines, devices, and mechanical devices accounted for 12%. These statistics are represented graphically (Graphic 2) below.

Graphic 2: MERCOSUR exports and imports by MERCOSUR Common Nomenclature chapter (NCM)



Exports

Imports



Source: Mercado Común del Sur (2018), p. 10-12.

Hence, above is an overview of Mercosur's Foreign Trade in 2018, emphasising several points, for example it shows that: 1) the importance of Brazil and Argentina for the bloc's exports and imports, primarily from Brazil; and 2) the majority of Foreign Trade is directed toward and originates in China and the United States, with the possibility of expansion to Europe.

3.2 Data on Foreign Trade in the EU

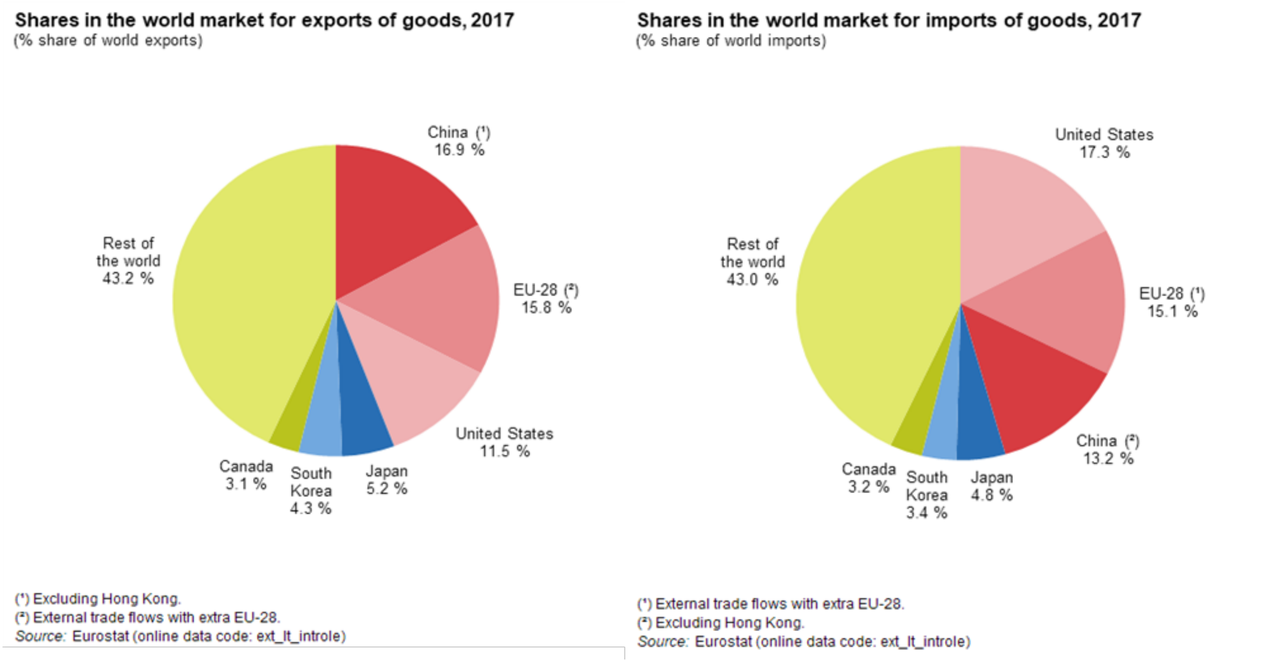
The European Union accounts for around 15% of international trade in products, when intra-EU trade, major trading partners, and most traded product groups are considered. It is worth noting that the value of goods trade is three times that of services trade (Eurostat, 2020).

The EU, China, and the United States are the three largest international actors in international commerce, as illustrated in the graph below (Graphic 3). With 2017 data, these three greatest exporters and importers showed fairly similar export and import figures, with EUR 3 738 billion in the EU-28 (excluding intra-EU trade), reflecting a value of 103 billion. EUR greater than China and EUR 239 billion greater than the United States.

Since 2004, when China overcame Japan, the EU-28, China, and the United States have been the three greatest global actors in international commerce (see Graphic 3). In 2017, total goods trade (exports and imports) between the EU-28, China, and the US was nearly comparable, totaling EUR 3 738 billion in the EU-28 (excluding intra-EU trade), EUR 103 billion more than in China and EUR 239 billion more than in the US. Brazil ranks twelfth in terms of intervention in international commerce of products in 2017, which is significant for the purposes of this work (Eurostat, 2020).

The expansion of Brazil's foreign trade with the EU from 2010 to 2017 is highlighted here, but there are also significant expansion prospects. Above all, there is a growth margin for both Brazilian and MERCOSUR exports and imports, which is notable because it is not included in Eurostat's graphics and demonstrates the bloc's lack of relevance, with a greater emphasis on the MERCOSUR integration process's lead country, Brazil. In terms of the EU's share of international trade (exports and imports), the bloc ranked second in terms of goods exports and imports in 2017.

Graphic 3: Market shares in the global merchandise export/import market, 2017 (percent of world exports)



Source: Eurostat (2020).

Additionally, EU merchandise exports account for approximately 15.8% of global total. They were surpassed in 2014, the first year since the European Union was formed, by exports from China (16.1% in 2014 and 16.9% in 2017), and the United States (11.5%). In terms of imports, the US had a 17.3% share of global imports, greater than the EU's 15.1% and China's 13.3% (Eurostat, 2020).

As with the prior subject on MERCOSUR, the author did not attempt to include data from all EU member states or to delve deeper into intra-bloc trade. Instead, the focus was on extra-bloc foreign trade data. Additionally, it is worth noting that the comparisons above compare data from a "European State" to data from other countries, such as the USA, China, and Brazil, without comparing data between blocks.

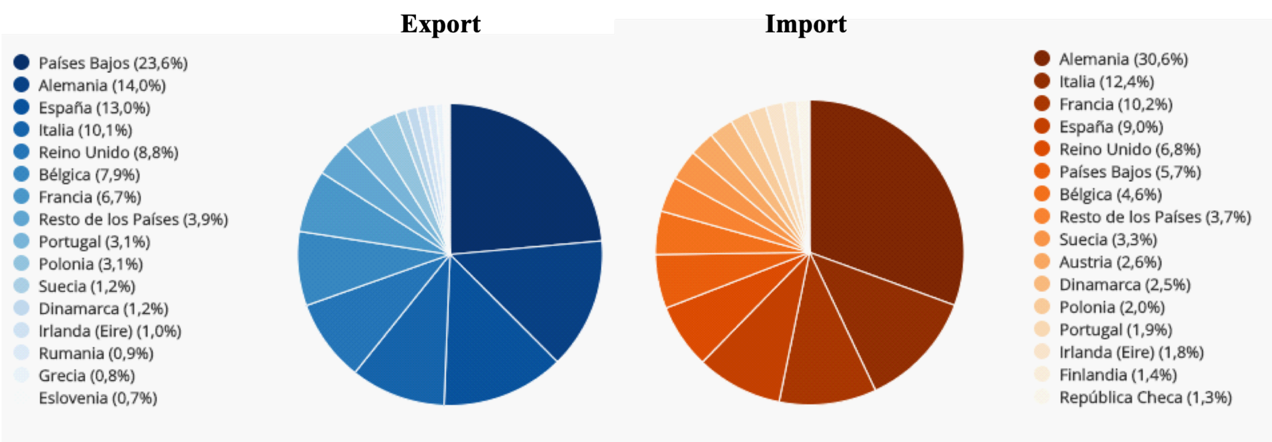
4. Import and export data between Mercosur and EU

According to data from the Mercosur Foreign Trade Statistics System (SECEM) (Mercado Común del Sur, 2019), between Mercosur and the EU, total exports in US dollars FOB (Free on board) are US$ 29,644.9 million, imports are US$ 29,448.3 million, and the trade balance is positive at US$ 196.6 million.

It is possible to deduce that there was a decline, from 2000 to 2001, with little oscillation, but no recovery to the previous higher levels. The 2008 global economic crisis and subsequent domestic Brazilian issues, such as the impeachment in 2015-2016, can explain much of this. Hence, there is room for growth and the possibility of an improvement in the MERCOSUR countries' trade balance.

Additionally, the EU is Mercosur's second largest commercial partner, while the South American organisation is the EU's eighth largest trading partner. Meanwhile, on one side, most Mercosur's exports to the EU are agricultural in nature, such as soy products and soy oil. On the other side, Mercosur imports a bigger quantity of petrochemicals and medications (Mercado Común del Sur, 2019). According to the SECEM statistics (Mercado Común del Sur, 2019), the following Graphic 4 was generated:

Graphic 4. Main export/import countries in 2019



Source: Mercado Común del Sur (2019).

The Netherlands, Germany, Spain, and Italy, among others, are critical markets for MERCOSUR exports, as are Germany, Italy, France, and Spain, among others, for the South American bloc's imports. In other words, inside the EU, there is the centrality of trade partners Germany, Italy, and Spain in terms of exports and imports.

The importance of the European Union for MERCOSUR is evident in this quantitative landscape, as are the numerous opportunities for boosting foreign trade between the blocs through the implementation of a free trade agreement. It is worth noting that, as with the other issues, this section requested broad data on the EU's connection with MERCOSUR, without delving into the specifics of each country's foreign trade with the blocs.

5. MERCOSUR-EU Free Trade Agreement

Mercosur and the European Union signed a free trade agreement in Brussels, Belgium, on June 28, 2019. The agreement's primary aim is to immediately or gradually reduce tariffs on foreign trade (export and import) between European and Mercosur countries, in some circumstances to zero (Vieira, 2019b; Brasil, 2019). Hence, the new tariff configuration will result in lower prices for agricultural and industrial items, consistent with the agreement's precepts.

It was negotiated during the last two decades and is defended by the parties as the world's largest free trade agreement (Vieira, 2019b), based on the following data. The EU's 27 member states and Mercosur's four members have a combined gross domestic product (GDP) of US$ 20 trillion, or almost 25% of the world economy. In 32 nations, the consumer market totals 780 million people.

Trade between the two blocs increased to US$ 105 billion in 2019 from US$ 90 billion in 2018. With US$433 billion in 2017, the EU is already the largest foreign investor in Mercosur. Brazilian companies sent about US$ 20 billion to the EU last year alone, while Europeans' GDP per capita exceeds US$ 24,000 (Vieira, 2019b).

According to data from Itamaraty, collected by Vieira (2019b), and the Executive Summary of the agreement (Brasil, 2019), Brazilian exports to the EU that are free of tariffs correspond to 24%, which will rise to 95% if the agreement effective. Above all, taking into account the partial release of tariffs, through quota criteria, entry prices and preference, this aforementioned number will be raised to 99% of exports to the EU with tax exemption.

Mercosur will release 91% of EU imports. Gradually, the EU will reduce tariffs on Mercosur products through tariff reduction baskets of 0, 4, 7 and 10 years, as well as cases of partial tariff reduction. Hence, around 92% of Mercosur imports from the EU will have tariffs eliminated in 10 years. However, Mercosur discounts for EU products are 0, 4, 8, 10 and 15 years, the latter being for the automotive sector. This represents 72% of the offer that will be free of tariffs in 10 years (Vieira, 2019b; Brasil, 2019), as well as evidences a certain protectionism of the given time for the Mercosur sectors to organise themselves in the face of opportunities or competitions of the signed agreement.

The potential for expansion of the two blocs' and their member countries' foreign trade is observed, mostly through the verification of previously detailed data on exports and imports between regional integration processes and the possibility for sensitive expansion. Despite some celebrations in the agriculture sector for the opening of European markets to Mercosur commodities in this area, the industrial sector is apprehensive about European industrial items competing in the market (Vieira, 2019a, b; Ramalhoso, 2019).

Copetti (2019) explores the impacts on the most diversified sectors through his analysis of interviews with some responsible for industry sectors in Rio Grande do Sul.

i) Furniture: this is a beneficial agreement, as tariffs on furniture currently range between 20% and 30% and may be reduced or eliminated entirely;

ii) Footwear: this is also a beneficial agreement, as Brazilian footwear exports currently face an average import tariff of 17%, which has been eliminated;

iii) Rice: despite a tiny tariff exemption quota of 60 thousand tonnes per year, the agreement is beneficial and may have an effect on the rice chain in the future. This sector anticipated a quota of approximately 400 thousand tonnes per year under the agreement.

iv) Milk: this sector remains anxious and sceptical about the agreement's impact, as the EU has a production that is more than four times that of Brazil, for example, and continues to provide substantial subsidies to European countries. In other words, the EU represents a significant risk to the sector. Even more so when you consider that the current EU dairy tariff imposes a 28% duty on imports to Brazil as a form of sector protection. However, there may be advantages to importing machinery for dairy product production;

v) Wine: This is a critically important sector, as about 90% of excellent wines drunk in Brazil, for example, are imported. When paired with slippery wines, they have the potential to have a detrimental effect on the Mercosur wine manufacturing chain.

vi) Meat: This is one of the primary sectors that is celebrating the deal, since it boosts poultry, pig, and processed egg exports.

Because of Copetti's (2019) forecast and with a specific focus on Brazil and the state of Rio Grande do Sul, it is possible to extend the analysis and visualise the influence in these sectors across Mercosur's countries and their respective sectors.

Final considerations

In this article, the author employed the idea that International Relations can contribute to the research of Foreign Trade, particularly in terms of the significance of regional integration processes in global trade relations. This prompted an examination of the MERCOSUR and the European Union's acts and interactions in order to determine the feasibility of establishing a free trade agreement between these two regional integration blocs.

The initial stage of the article's development demonstrated how some theoretical contributions of IR enabled the depiction of PIRs, transnational corporations, international organisations, and actors in foreign and international trade interactions. The level of interstate analysis was emphasised in conjunction with the role of integration processes in enhancing intra-bloc regional economic ties and their defence against extra-bloc contacts, particularly in the context of globalisation. As a result, its centrality to the FT and the IR was obvious.

Although less discussed within the IR literature and not covered by FT, it is critical to highlight domestic companies that begin to export or even internationalise (becoming multinational corporations, which are already well-known to non-state actors in IR) as significant actors in States', regions', and global commercial relations. As a result, it is configured at the IR's individual analysis level.

In terms of IR theory, the liberal IR paradigm's contributions, as embodied in liberal institutionalist, complex interdependence, and neoliberalism ideas, are self-evident. That is, by establishing the importance of international institutions as a means of mitigating the negative consequences (such as cheating and desertion) of international anarchy (the absence of sovereign power above States), the author could assess the vitality of regional international institutions, or even regional international organisations, such as Mercosur and the EU.

The aforementioned theory enabled the author to reflect on issues other than, or in addition to, international security, by bringing economic issues and the complex interdependence of nations into the discussion, thereby demonstrating the importance of cooperation and friendly interactions between peoples.

In short, IRs are produced through norms and institutions that constrain international actors' behaviour and also serve to typify commerce as the optimal configuration of international society, with economic and social interaction between the most diverse actors (particularly States), rather than war (as advocated by IR realists).

There are still persistent accusations about its low level of Mercosur institutionalisation and lack of integration, which appears to be motivated by a political desire to defend member states' autonomous politics. On the European continent, the regional integration process was thorough, serving as a model for the world's regions.

There is, however, a reflection of Brazil's distant relationship with Europe in its primary trading relations, which cannot be said in reverse, given Europe is the South American country's second largest market. Additionally, there is a failure to include Mercosur figures in their analyses of the major participants in international trade, indicating a certain lack of awareness of this South American bloc as an intervening party in global economic relations.

Despite some criticism of the political aspects of Mercosur's limited institutionalisation and the implications for economic integration progress, the analysis of the two processes examined and others brought to the European continent attempted to highlight economic aspects and their implications for business relations.

Trade data between Mercosur and the European Union demonstrated the region's importance to the former, but it is still far from being one of the EU's primary trading partners. Despite this, there is a distinct prospect of expanding bilateral relations through the development of a free trade agreement between the two blocs.

Even though it is a recent topic with scant conclusive information on the agreement, a more in-depth analysis of the agreement between Mercosur and the EU detailed the possibilities for expanding foreign trade to Mercosur countries, primarily Brazil. This opens up a variety of markets for the South American countries' products and services, just as the markets of these countries open up to the introduction of products and services from Europe.

That is the issue of whether or not certain sectors of South American economies are competitive with European production, with sectors sensitive to imported products and with relative concern, even if actions to reduce or eliminate import taxes may be gradual and protect certain sectors of economies. As an illustration, consider the automobile industry's worry and, in contrast, the agricultural sector's enthusiasm over the prospect of expanding exports to the European Union.

Hence, the panorama and research outlined above demonstrate the importance of regional integration processes for foreign trade, as well as the importance of utilising the conceptual and theoretical tools and levels of analysis associated with International Relations. The Mercosur and European integration blocs are critical for intra- and extra-bloc trade contacts, as well as for inter-organisational relations (Lacerda, 2017) through the establishment of a free trade agreement between them.

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