

Economic uncertainties and external relations. The Southern Common Market Agreement (MERCOSUR) in perspective.

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Final Paper

Title: The linkage between perception of economic growth and consumerism in the XXI century and the sustainability development policies in the EU-MERCOSUR Trade Agreement.

Economics is a social science concerned with the production, distribution, and consumption of goods and services. One of the many aims of this field of study is to analyze how the actors of the economic playground make their decisions, how they allocate their resources, to satisfy their needs and what are the most efficient ways of organizing the socio-economic environment of a particular society. To achieve these goals economists had to develop various tools and instruments to measure particular indicators of their theories. These instruments are essential, because economics is a *a posteriori* science, it is an obvious statement that without sufficient information about a social phenomenon it is hard or even impossible to make correct reasonings. Through these instruments one can measure an economic phenomenon, then try to state a more efficient policy for the future. Economists in fact measure the past by collecting the relevant information by the most sufficient tools, then they are formulating the policies, which should be the most efficient ways to achieve a particular goal acclaimed by the society. This goal is intuitively obvious for everyone and it's called *economic growth*.

The concept of economic growth in simple terms is an increase in the production of goods and services over a specific period. It is an inflation-adjusted market value of the goods and services produced by an economy. It is something that objectively every particular society tries to achieve. The goal is stated clearly and understandable by everyone - by measuring the past we construct policies to achieve better future. The idea of economic growth had huge impact in the history. Adam Smith in *Wealth of Nations* (1776) stated that growth is a function of capital, labor, land and technology and land being passive element is least important. Later, in *Principles of Political Economy and Taxation* (1817) David Ricardo analyzed the laws determining the distribution of everything that could be produced by the "three classes of the community", he concluded that profits vary inversely with wages, which rise or fall in line with the cost of necessities. They are considered as the representatives of classical growth theory in economics. After that came the Solow-Swan model of economic growth that became the main model used in growth economics in the 1950s.¹ This model assumes that there are diminishing returns to capital and labor. Capital accumulates through investment, but its level or stock continually decreases due to depreciation. Due to the diminishing returns to capital, with increases in capital/worker and absent technological progress, economic output/worker eventually reaches a point where capital per worker and economic output/worker remain constant because annual investment in capital equals annual depreciation. This model puts more attention on the impact of the technological progress if productivity increases through technological progress, then output/worker increases even when the economy is in the steady state. If productivity increases at a constant rate, output/worker also increases at a related steady-state rate. As a consequence, growth in the model can occur either by increasing the share of GDP invested or through technological progress. Still there had been many factors unperceived that were of huge importance – mostly the concept of human

¹ Solow, Robert M. (1956). "A Contribution to the Theory of Economic Growth". *Quarterly Journal of Economics*. 70 (1): 65–94.

capital and technological innovation had to be revised. This happened through the endogenous growth theory in the 1980s., Robert Lucas and Paul Romer achieved a mathematical explanation of technological advancement.² The human capital gained more focused by the observation that skills and knowledge make workers more productive and it has an increasing rate of return. Therefore, education and innovation have to be perceived as major factors that can influence economic growth. Recently, in some extent also by bigger impact of globalization and inequality challenges, the growth theory was revised. The unified growth theory developed by Oded Galor and his co-authors address the inability of endogenous growth theory to explain key empirical regularities in the growth processes of individual economies and the world economy as a whole.³ The theory suggests that during most of human existence, technological progress was offset by population growth, and living standards were near subsistence across time and space. Furthermore, Galor assumed that variations in biogeographical characteristics, as well as cultural and institutional characteristics, have generated a differential pace of transition from stagnation to growth across countries and consequently divergence in their income per capita over the past two centuries.⁴

It is needless to emphasize the idea of economic growth in other dimensions such as politics, economic populism played a main role in many revolutions and government turnovers. To be efficient, it has to have an impact on mass of people, this is why it is formulated as a macroeconomic populism, which can be defined as an approach to economics that emphasizes growth and income distribution and deemphasized the risks of inflation and deficit finance, external constraints and the reaction of economic agents to aggressive non-market policies.⁵ The misperception of the economic mechanisms of reality by people formulating populist policies in this sphere is one of the examples of huge costs that can be done through misleading in perception of growth (combined with adequate redistribution policy).

The idea of growth in the macroeconomic level emphasized by certain populists are easy to understand, the causation is obvious because if there will be economic growth and proper redistribution policy, then there will be growth in the economic situation of particular individuals. Moreover, on the microeconomic level it is easier to think about the idea of growth by most of members of a society. Intuitively everyone knows what it means to have more resources, which were accumulated mostly in narrow group of a society. More you have, more you can, so more resources you are in possession of means that you can satisfy more easily your needs. Still, as always, the trickiness is hidden in the details.

In the first part of the paper, my goal is to show the relationship between the perception of the idea of growth and the outcomes that a particular perception causes. The main thesis I will try to justify is that perception of growth has impact on the growth itself in a counterproductive way. Furthermore, the impact of the perception of growth caused that we were unaware of hidden costs of economic growth, because the tools and instruments by which we were measuring the growth was in fact a misperception of the reality, which combined with consumerism in the XXI century caused an unprecedented environmental challenge for the future. In my opinion the perception of growth has many dimensions, it occurs on many levels and has influence in many areas in every particular society. Moreover, I will show how correct adjustment of the instruments is occurring in the science. What data is raising awareness of the public, what are the justifications of contemporary environmental

² Lucas, R. E. (1988). "On the Mechanics of Economic Development". *Journal of Monetary Economics*. 22 (1): 3–42.

³ Galor, Oded (2011). *Unified Growth Theory*. Princeton: Princeton University Press.

⁴ Galor O., 2005, "From Stagnation to Growth: Unified Growth Theory". *Handbook of Economic Growth*, Elsevier.

⁵ Rudiger Dornbush, Sebastian Edwards (1989). *Macroeconomic Populism in Latin America. NBER Working Paper Series*.

campaigns, why are sustainability development policies are implemented, for what reason new economic theories are developed – for example the postgrowth theory of economy.

In the second part of the paper I will show the international dimension of previously described challenges by focusing on international cooperation between EU and MERCOSUR in perspective of the Trade Agreement.

The first attempts of measurement of the economic state of a particular society happened in XVII century, when William Petty tried to estimate the military capabilities of Great Britain by summarizing the national incomes and assets. In the XVIII century the founder of contemporary chemistry Antoine Lavoisier as first applied statistics method to determine the gross national product of France in 1784.⁶ The attempts to estimate were repeated all the time due to the needs of national governments in Europe, which needed estimation of income from taxes to plan the future expenditures of government. The idea of Gross National Product was born in 1934 by Simon Kuznets in a report to the Congress of United States. His idea was to capture all economic production in a particular time period by individuals, companies and the government in a single measure, which should rise in good times and fall in bad. This way of evaluation of economic growth was easily applicable in other fields of study and it gave an easily understandable instrument in politics and policy making for the future. After the II World War the International Bank for Reconstruction and Development (IBRD) and the International Monetary Fund applied the Gross National Product instrument to measure the economic growth of countries of concern. In the XXI century the quantities, changes, growth and other factors of the economics situation of the countries in the world are analyzed and compared by this method. Furthermore, the World Bank – a financial institution created after the Conference in Bretton Woods in 1944 – is publishing yearly reports about the dynamics of GDP and determining the changes in the level of poverty in particular countries.

What is worth noting that even Simon Kuznets paid attention to the fact, that human mind has a tendency for simplifying complicated situations, when the criteria's of measurement are not easily accessible. The idea of GDP as a measurement instrument of economic growth had been criticized in many ways since then. There is an perceptual misleading, when we perceive the following situation as an improvement, when there is an additional amount of goods in an economic of a particular country, but the translation of goods from one consumer to another do not count into that. In other words, the value of Gross Domestic Product does not change when we redistribute the resources. For example, when a poorer group of society lose assets for a gain in a wealthier group of society, nor when the goods are accumulated in narrow group of people. Therefore, the problem is that the GDP do not measure the distribution of wealth among a society. Furthermore, the GDP do not take into account the external costs of production, which is the main point in the contemporary debate in sustainability development, which can be understood as a development that meets the needs of the present without compromising the ability of future generations to meet their own needs. When we observe a leakage of toxic substances to sea, we will observe an increase in GDP because its value will increase by the economic inputs that are taken to remove the leakage, insurance payments and salaries of those who are playing a role in such situations – lawyers, engineers or public relation agencies. The GDP does not take into account when a forest is growing, but it takes to account when there is a deforestation and the wood is sold, when its processed and further sold as a table in the kitchen. In capitalism the gain is measured in categories of cash flow, meanwhile it does not take into account many qualities of reality and well-being of the economic actors. The perception of a particular economy is distorted. For example, the GDP does not take into account agricultural production for personal use or a spouse work at home, because it is outside of the market sphere. The goods which are not exchanged in the market are not measured, even if they consist of real value.

⁶ Arthur Donovan (1993). *Antoine Lavoisier: Science, Administration, and Revolution*. 207 (Blackwell Science Biographies), Cambridge.

By perceptualizing the economy in GDP economists, politician and other actors of the public are making policy statements for the future. By measuring the past, we try to construct the better future, but the outcomes of it can be the opposite than those which were planned. But to fully understand the power of bad perceptualizing in a macroeconomic level it is also important to look at it in a microeconomic level, which in fact strengthen the hidden costs mostly for the environment. When we are making consumer decision, we are considering a purchase of a product or service by measuring it in a particular currency. If we have enough money to buy, we have the feeling of freedom in the way how we utilize the amount which we are going to spend. There is no inquire in that, the problem lies in the fact, that when there is no responsibility behind the purchasing power in a global scale, then many problems can occur that is devastating in costs. The products or services we purchase many times does not reflect the real costs of producing a particular product or service. This is understandable to an extent, because there are many factors involved, there are raw materials that are needed to create a product, people who will process it, marketers who will sell it, logistical solution to deliver it and so on. However, problems are occurring when on a massive scale consumers acquire goods that absolutely do not reflect the real external costs of production. One of the aspect of this problem is artificially created needs in the consumers. There are many sectors of the consumer market, where due to marketing campaign a particular need for a product is created by the public relation agencies. It can be a bottled water – many people think in Poland that tap water is unhealthy. For sure it can be in some circumstances, but the reality is that in the most households in Poland the tap water does not have negative outcomes for health because of the strict European Union Law in this area. However, when you buy 50 or 100 bottles of water for your household for a month, then you have 50 or 100 bottles of plastic that needs to be utilized. It is just an example, which can be applied to many aspects of the consumerism style of living, but the main idea is that lack of responsibility in acquiring goods empowered by the misleading perception of the economy on a global scale can be dramatic in outcomes. The problem of ocean pollution is caused in some sense by this. A new study examined global plastics emissions from the world's rivers into the ocean. The research estimated 1.15-2.24 million tons of plastic enters the ocean per year.⁷ Where do the plastic come from? Plastics in the ocean, a significant part of marine litter, come from several different sources. According to some studies, most comes from poorly-managed solid waste on land.⁸ The misleading perception of economic growth and contemporary consumerism is leading, in some sense, to the environmental catastrophe that can occur in the future.

The production, utilization and recycling is connected with enormous costs of natural resources, furthermore it generates waste and emissions. For example, in production of a t-shirt one key ingredient that doesn't show up on your shirt's label is water. Amazingly, it can take 2,700 liters⁹ to produce the cotton needed to make a single t-shirt, which is enough water for one person to drink for 900 days. It takes 3,781 liters of water to make a pair of jeans, from the production of the cotton to the delivery of the final product to the store. That equates to the emission of around 33,4 kilograms of carbon equivalent.¹⁰ The fashion industry itself is responsible for 10% of annual global carbon emissions, more than all international flights and maritime shipping combined.¹¹ Meanwhile most of the consumers use little over half of their clothes., still there are more and more cloth waste dropped by trucks in landfills and incinerators. Just now we are using natural resources at a higher rate, than they can naturally reproduce, and we are producing more waste, than the nature can absorb – we have crossed the line of ecological exceedance.

⁷ Lebreton, L. C. M. et al. River plastic emissions to the world's oceans. *Nat. Commun.* 8, 15611 doi: 10.1038/ncomms15611 (2017).

⁸ Jambeck, J. R., et al. "Plastic Waste Inputs from Land into the Ocean." *Science*, vol. 347, no. 6223, Dec. 2015, pp. 768–771., doi:10.1126/science.1260352, <http://science.sciencemag.org/content/347/6223/768>.

⁹ <https://www.worldwildlife.org/stories/the-impact-of-a-cotton-t-shirt>

¹⁰ <https://www.worldbank.org/en/news/feature/2019/09/23/costo-moda-medio-ambiente>

¹¹ <https://www.worldbank.org/en/news/feature/2019/09/23/costo-moda-medio-ambiente>

Further continuity of economic growth in current shape is a threat to the ecosystem and survival of the species on Earth. An IPCC special report on the impacts of global warming of 1.5 °C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty.¹² For now even a 0.5°C raise in the temperature can cause serious consequences to the life on earth, plausible scenarios include deadly to agriculture and people heats, significant decrease in food production, serious water shortages in some regions on earth, loss of corals reefs, ice melting in the arctic, progressive sweeping of species, migration on massive scale of people, global sea level rise, massive flood in the lands inhabited by millions of people. The global warming is mostly a consequence of burning of fossil fuels and deforestation. The second one causes that the planet loses its capacity to accumulation of carbon dioxide and other greenhouse gases in the atmosphere. Some of the plausible scenarios are occurring currently, which is raises the question how to face one of the hardest challenges of humankind and other species on planet earth.

The world of science is formulating arguments that we can shape our economies to fit the limits imposed by the nature. The pressure on economic growth have to be limited, the goals need to be changed and the measurement tools has to be adjusted. It is stated currently that economic growth is possible as a stationary state without the increase in production and consumption. The usage of fixed quantity of available resources such as water, coal, gases can lead to social prosperity with dematerialization. That means we can sustain prosperity without using more resources that would contribute to the current crisis. Our needs have to conform to the new reality.

This transition to a new economy is called post-growth economy, which can be defined as a set of beliefs, which states that society and its well-being is functioning better without continuing economic growth. The new categories of well-being of a society are referring to sustainability development of humanity.

Among the precursors of post-growth conception in economy mention should be made to Nicholas Georgescu-Roegen (1906-1994), who as a first connected natural sciences with economy. He argued that a constant increase in economy is impossible, because it is in contradiction with the laws of nature. By relying on evolutionary biology and thermodynamics he stated that production has to be viewed as an extension of biological evolution, which means that it has to obey the laws of thermodynamics. In this perspective the economic growth speeds up the entropy, which causes that at some point it works as a basic limitation of production. The idea of post-growth economy gained recognition in the beginning of XXI century. Advocates of this idea convince that a new socio-economic model has to be implemented worldwide, in which the economic growth in current sense won't be the main goal of societies. and in which reduction of consumption will lead to increase in the quality of life and overall well-being. This perspective had been introduced by Professor Tim Jackson in Sustainable Development Commission¹³ report titled "Prosperity without growth? The transition to a sustainable economy" in March 2009.¹⁴

The paradigm that has been used so far in the history of economic thought has to be changed. The perception of the societies both on macro- and micro- level has to be changed by raising awareness of the current challenges that we are facing and that the situation is worsening year by year. There are many international structures that are trying to accomplish the current goals both on national and international level. The United Nations Sustainability Commission are making report and guidelines for

¹² <https://www.ipcc.ch/sr15/>

¹³ Sustainable Development Commission is a non-governmental public institution working with the British government. <http://www.sd-commission.org.uk>.

¹⁴ http://www.sd-commission.org.uk/data/files/publications/prosperity_without_growth_report.pdf.

the future challenges and possibilities. The European Union Commission in December of 2019 published the final communication guideline for the European Green Deal, which goal is to make the European Union economy sustainable.¹⁵ In the first chapter of the communication from the Commission states that the European Green Deal resets the Commission's commitment to tackling climate and environmental-related challenges that is the generation's defining task. Furthermore, it is stated *that the atmosphere is warming and the climate is changing with each passing year. One million of the eight million species on the planet are at risk of being lost. Forests and oceans are being polluted and destroyed.* The aim of the European Green Deal is to protect, conserve and enhance the European Union's natural capital and protect the health and well-being of citizens from environmental-related risks and impacts. The ideas behind those statements are in some sense the emanation of the new perspective on economy, a post-growth economy in which the well-being of a society, in particular the people living in European Union are not connected with continuing economic growth in the traditional sense, but with the protection of the European Union its collective ability to transform its economy and society to put in on a more sustainable path. The Commission is aware that delivering additional reductions in emissions is a challenge and that it will require massive public investment and increased efforts to direct private capital towards climate and environmental action, while avoiding lock-in into unsustainable practices.

By now the international cooperation's in some of the sustainability development strengthens, which requires an approval. Unfortunately, in some countries in the world the implementation of sustainability developments policies is facing challenges due to huge potential to lose political endorsement, which is connected with the interests of particular businesses and workers, which are already losing interests and or jobs due to the international pressure on the new policies. Hopefully there are many regions, who are not just aware of the challenges of the future but also taking steps for implementation of the policies. Further international cooperation is inevitable to successful transition of the world economy.

The world trade is shaping in to next episode of its history, this is phenomenon are now occurring with more or less intensity, but the process has started and the objectives are clear. The implementation of the sustainability objectives has many dimensions and new tools had been constructed to fulfill the new challenges. One of them is the Sustainability Impact Assessment, which is a DG trade-specific tool for supporting major trade negotiations in the European Union. The SIAs provide the Commission with an in-depth analysis of the potential economic, social, human rights, and environmental impacts of ongoing trade negotiations. The SIAs has several purposes, including feed of information into the steering of the negotiations, assessing the changes that are likely to be caused by a trade agreement, helping to identify possible trade-offs or ensuring that the related policy choices are optimized. This tool is contributing to a sound, evidence-based and transparent trade negotiations.

In 1999, Mercosur and the European Union began negotiating an Association Agreement including a part on political dialogue and cooperation and a part on trade and trade-related matters. In 2015 for Mercosur, the EU represented nearly 17% of its exports and 19% of its imports.¹⁶ On the other hand, Mercosur received 2.6% of EU exports and generated 2.7% of the imports. There are significant tariffs peaks in both ways, there are tariff barriers and numerous high non-tariff barriers, which are called (NBTs), which affecting trade.¹⁷ The negotiations process was suspended in 2004 with negotiations rounds resuming between 2010 and 2012. The whole process was launched again with the exchange of offers of May 2016, the first since 2004, followed by six further negotiations rounds. In December 2017, the two sides exchanged revised market assess offers.

¹⁵ <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1588580774040&uri=CELEX:52019DC0640>

¹⁶ UN Comtrade database.

¹⁷ Sustainability Impact Assessment in Support of the Association Agreement Negotiations between the European Union and Mercosur, 13. LSE, Draft Interim Report, 03.10.2019.

The EU-Mercosur Trade Agreement to be completed requires reaching agreements on the full range of inquiries, including an optimized balance between offensive and defensive market access interest on both sides. For the European Union the trade agreement is an opportunity to secure and increase trade and investment with a region with important cultural and economic links. For Mercosur, an agreement with the EU will help to address the relative loss of market access that Mercosur faces as well as the chronic trade diversion, affecting productivity, competitiveness and poverty in Mercosur countries due to intra-Mercosur protection (Chang and Winters, 1999; Bohara et al, 2004).¹⁸

Concerning the European Green Deal and the objectives of the sustainability development policies it is important to make an adequate and holistic environmental analysis to be able to make an optimized trade agreement between the Mercosur and European Union. In the Sustainability Impact Assessment report provided by the LSE in October 2019 we can find a thorough environmental analysis, which focuses on climate change (Greenhouse Gas emissions), air pollution, energy use, land use, forestry, fisheries, waste production, ecosystems and biodiversity; and trade in environmental goods and services. The topics of climate changes (GHG emissions) energy use as well as resource use and efficiency are analyzed with more attention from a quantitative perspective, which is worth approval.

As a general summary the researchers conducted that „*the baseline analysis reveals that environmental policies in Mercosur countries are less stringent than in the European Union, yet they are well in line with other countries of similar incomes levels*“.¹⁹ Regarding the pollution it is stated that Mercosur countries show lower levels of pollutants than the European Union and countries of similar income levels. Furthermore, the energy mix is cleaner because of bigger reliance on renewables, with an exception of Argentina. Deforestation remains a concern in Mercosur countries, with the exception of Uruguay, however the overall situation in this aspect has improved during the last decade.

I have analyzed the European Union perspective on the trade-environmental policies before, now I would like to move to the Mercosur's approach to the trade-environment, which has changed rapidly since its creation. The preamble of the 1991 Treaty of Asuncion stated that Mercosur members seek the achievement of a common market, “believing that this objective must be achieved by making optimum use of available resources, preserving the environment”.²⁰ The Treaty did not mention particularly the environmental challenges, because in 1991 it was not much of a concern, the world was changing rapidly, the fall of communism happened just two years before in Europe, the events began in Poland in 1989²¹ and continued in Hungary. The Berlin Wall fell on November 9, 1989, the futurologists predicted the “end of history”, because of the end of the ideological warfare.

The Canela Declaration of 1992 gave birth to the Reunion Especializada en Medio Ambiente (REMA), which was a working group in charge of analyzing environmental policies in Mercosur members, before it was replaced with Working Sub-Group #6 (WSG6) on the environment in 1995. The most important event was the signature of the Mercosur Framework Agreement on the Environment in 2001, which reasserted all Mercosur members' commitment to environmental protection and fostered cooperation to improve the enforcement of environmental laws at both national and international levels.

¹⁸ Ibidem, 14.

¹⁹ Ibidem, 66.

²⁰ Treaty Establishing a Common Market between the Argentine Republic, the Federal Republic of Brazil, the Republic of Paraguay and the Eastern Republic of Uruguay, Preamble: http://www.sice.oas.org/trade/mrcsr/TreatyAsun_e.asp#Preamble

²¹ Antohi, Sorin; Tismăneanu, Vladimir (January 2000). "Independence Reborn and the Demons of the Velvet Revolution". Between Past and Future: The Revolutions of 1989 and Their Aftermath. Central European University Press. p. 85.

The objective of sustainability development is concerning the whole globe, this is why its inherently transitional or global and this is the reason why its requires international cooperation. Trade agreements worldwide can be a significant and effective tool to contribute to the environmental objectives of sustainability development. The EU-Mercosur agreement is based on the premise that trade should not happen at the expense of the environment or labor conditions; on the contrary, it should promote sustainable development. The EU and Mercosur agreed that they will not lower labor or environmental standards in order to promote trade and attract investment. This precautionary principle ensure that the EU and the Mercosur countries can continue to together continue to protect health and the environment even if this affects trade.²² The agreement pays special attention to ensuing that trade in natural resources such as forestry products, fisheries and wildlife is based on sustainable principles – the objective is to contribute to the conservation of biodiversity. Approval has to be made to the provision that EU and Mercosur commit to combat illegal logging and to promote the sourcing of timber from sustainably managed forests. Furthermore, the agreement promotes the effective implementation of several multilateral environmental agreements signed by the EU and Mercosur countries, such as the Paris Agreement, the CITES Convention on Wildlife Trade, which imposes a licensing system to authorize all import and export of species to which it applies. Also, the EU and Mercosur commit to promote the voluntary uptake by companies of responsible business practices for both social and environmental aspects. Most importantly it can't happen without adequate policies, this is why both sides are agreeing to provide a support police framework for the effective implementation of the international principles and guidelines in this area.

Summarizing the paper, the global economy and its paradigm of economic growth has been the main paradigm of the political, economic, social policies. The idea lying behind these statements is intuitively close to everyone who tries to think about the socio-economic objectives that should line in every policy – it is to make a better future for the society. However, the idea implemented in a political environment and measured by wrong instrument led to a situation in which we are heading in the opposite way. The perception of the economy measured by GDP and other similar tools, which was a point of reference for the societies was misleading. The effect was quite the opposite, because we could not understand the ecological and environmental debt we were making for the future generations and the other species inhabiting the world. The idea of social well-being with can be achieved in other ways within the limits of the environmental boundaries. To achieve this, we have to reassess the socio-economic framework and policies, which are currently happening with a constant support for those who will lose on this transition. Those interests have to be affirmed, because otherwise the political outcomes can lead to opposite. The perception of economy both on macro and microlevel has to be adjusted. The consumerism on global scale lead to massive ocean and air pollution and the ecological exceedance became a fact. The international cooperation in this area requires significant and intensive attention, supported by adequate public relations campaigns. The trade agreements has be adjusted and the future agreements have to refer to these challenges. The EU-Mercosur free trade agreement in this context is a positive instance and example how sustainability instruments in the form of sustainability impact assements can be made to adequately address the objectives of environmental policies. The trade agreement provisions made by the EU and Mercosur is a perfect example how those policies should be formulated with concern both on the environment and the labour, with a precautionary principle that even if those policies will affect trade, the continues protection of health and environment should be the higher value.

²² EU-MERCOSUR Trade Agreement, Trade and Sustainable Development. https://trade.ec.europa.eu/doclib/docs/2019/june/tradoc_157957.pdf