

EU-Mercosur Partnership Agreement: Trade pillar

OVERVIEW

On 6 December 2024, the European Union (EU) and the four founding members of Mercosur – Argentina, Brazil, Paraguay and Uruguay – reached a political agreement on a free trade agreement that would form part of a wider Partnership Agreement including political dialogue and cooperation. The 2024 text of the trade pillar seeks to adjust an earlier political agreement of 28 June 2019 to EU demands for Mercosur to make stronger sustainability commitments, notably in respect to the Paris Agreement, and to Mercosur demands for the EU to grant greater policy space for Mercosur's industrial development.

Against the background of growing geo-economic uncertainty and geopolitical tension, the agreement would be a strong signal in favour of multilateralism and against power politics in trade. It would create a strategic alliance between like-minded partners for building sustainable and resilient supply chains, including for the green and digital transitions. It could also allow the EU to regain some economic ground lost to China in the past decade.

However, the trade pillar faces strong headwinds, notably for its potential environmental, climate change and food safety impacts. While the agreement enjoys the support of EU industry associations and sub-sectors of EU agriculture with offensive interests, EU farmers' associations with defensive interests have criticised it as an unfair 'cars for cows' deal. After the legal review and translation of the agreement, the Commission will submit to the Council proposals for Council decisions to sign and conclude the whole Agreement, revealing its ratification modalities.



Trade pillar of the Partnership Agreement between the European Union and its Member States, of the one part, and Mercosur, of the other part

Committee responsible: International Trade (INTA)
Rapporteur: Gabriel Mato (EPP Group, Spain)

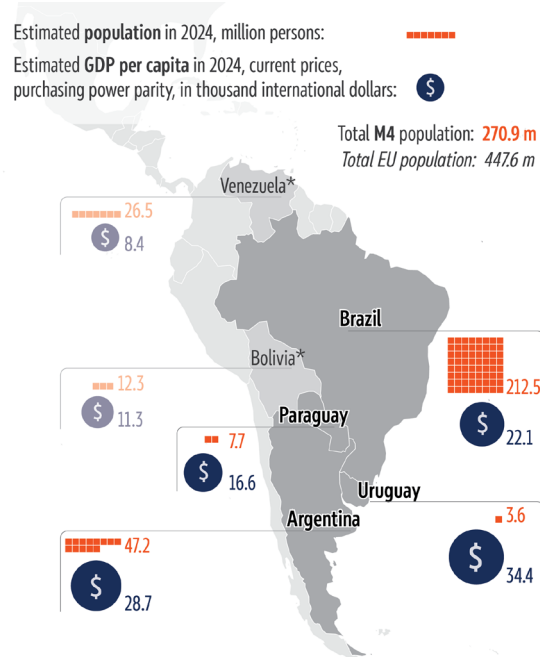


Introduction

Currently, relations between the EU and the four founding members of (the 'Southern Common Market') [Mercosur](#) – Argentina, Brazil, Paraguay and Uruguay – are governed by [bilateral framework trade and cooperation agreements](#) dating back to the 1990s, as well as by the 1995 [Interregional Framework Cooperation Agreement](#) which entered into force in 1999. The latter covers **political dialogue, trade and economic cooperation** and was [conceived](#) as a stepping-stone to a bi-regional association agreement liberalising trade between the two blocs in an ambitious and balanced way.

In the 1990s, the economic and geostrategic relevance of such a three-pronged association agreement was to a large degree perceived in competition with the United States (US), which at the time intended to create a [free trade zone](#) spanning the whole American continent (FTAA). Today, Mercosur, **Latin America's largest trading bloc** with a combined GDP of US\$2.6 trillion in 2022 ([World Bank](#)) and an estimated population of over 270 million in 2024 (see Figure 1) is not merely a gap in the EU's network of free trade agreements (FTA) with Latin America. It is also an essential element in the EU's pursuit of **strategic autonomy** when it comes to navigating growing geopolitical conflicts and geo-economic uncertainties by creating a strategic alliance with like-minded partners based on deep historic, cultural, economic and political ties to boost joint multilateral and bilateral objectives, including creating **sustainable supply chains**.

Figure 1 – Key Mercosur-4 data



Note: *Suspended since 2017, Venezuela is a Mercosur member since 2012. Bolivia acceded to the bloc in 2024.

Data source: [IMF](#).

Box 1 – Mercosur

Mercosur was founded in 1991 to promote regional economic and political integration by drawing inspiration from the integration model of the then European Economic Community; [not copying](#) its supranational elements but rather retaining full intergovernmentalism. Since 2005, it has a parliamentary dimension in the shape of [Parlasur](#). The four Mercosur countries have sought to create a customs union with a common external tariff and ultimately a common market. The integration project has also included a strong political commitment to the promotion of democracy and human rights and a regional cohesion dimension. However, over time Mercosur has experienced setbacks due to economic crises, intra-bloc trade disputes, and political changes, which have weakened the initially strong integration dynamics. Exceptions from the common external tariff have been widely used to shield national industries from external competition and the car and sugar industries have not been integrated. Despite efforts at policy coordination, many national rules in policy areas such as government procurement and trade in services have not been aligned.

For EU-Mercosur trade relations this means that there is huge potential for trade gains by eliminating not only high tariffs on both sides but also non-tariff barriers to trade.

The **political agreement on the EU-Mercosur Partnership Agreement of 6 December 2024** was reached more than 25 years after the parties agreed to launch negotiations for an association agreement on 28 June 1999. It would be a major achievement for the long-standing EU [policy](#) of

seeking to enter into ambitious bi-regional agreements with Latin American regional organisations like Mercosur to foster economic integration between the two trading blocs. For Mercosur, the FTA provides an opportunity to [revitalise](#) its internal convergence, to integrate its economies into global value chains and join the EU in supporting a rules-based multilateral trading system in times of rising economic nationalism and power-driven unilateralism. The agreement would mean the **first opening up of the Mercosur market to a major trade partner**, as the bloc has only concluded FTAs with smaller economies such as Singapore. It could also facilitate the conclusion of other [pending](#) FTAs talks. It could enhance Mercosur countries' strategic autonomy, as their ties with [China](#) have become increasingly [asymmetric](#).

The controversy about the **trade pillar's** potential impact on the [environment](#), [climate change](#), the rights of [indigenous people](#), and EU [food safety](#), may have lost some of its heat since Brazil's current President Lula da Silva secured a third presidential term in 2022. He gained a sound track record of limiting Amazon deforestation during his first and second presidential terms, Brazil will host the 2025 COP30 in the Amazon and it is now [pushing](#) for [animal traceability](#), which has been a major [issue](#).¹

However, it is uncertain whether his [promises](#) will be kept. An [unprecedented level](#) of Amazon forest fires, also affecting Bolivia and Peru, in 2024 were driven by deforestation and climate change. There is also uncertainty as to whether the 2024 EU-Mercosur compromise text truly addresses the remaining concerns of EU stakeholders expressed among other things during violent [farmers' protests](#) in recent years. Therefore, the trade pillar continues to pose significant challenges for ratification.

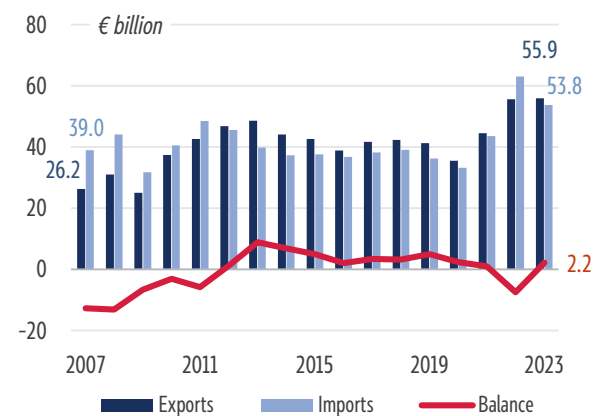
Existing situation

Bi-regional trade in goods and services and investment positions

According to Eurostat data, **total EU-Mercosur trade in goods amounted to €109 billion in 2023** (Figure 2).² EU exports to Mercosur at €55.9 billion were slightly higher than EU imports from Mercosur at €53.8 billion, with the EU running a trade surplus of over €2 billion.

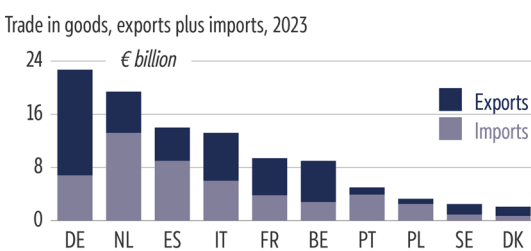
As for the geographical breakdown, Brazil accounted for an overwhelming 78.1% share in the EU's total trade with Mercosur, Argentina for 17.5%, Paraguay for 1.1%, and Uruguay for 3.3%. On the EU side, cultural and historic ties have

Figure 2 – EU-Mercosur-4 trade in goods



Data source: [Eurostat Comext](#).

Figure 3 – Mercosur-4's top EU partners



Data source: [Eurostat Comext](#).

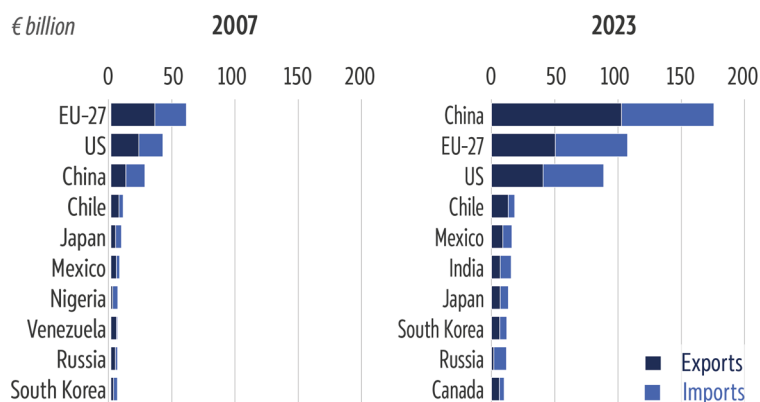
traditionally driven EU Member States' ties with the bloc. There is a huge difference in economic engagement with Mercosur between EU Member States, which has hardly changed over time (Figures 3 and 7).

The rise in total EU-Mercosur trade in goods from €65.2 billion in 2007 to €109 billion in 2023 may appear impressive, but is underwhelming if compared to China's fast-paced economic inroads

into Mercosur (Figure 4). The EU lost its [position](#) as Mercosur's first trading partner to China in 2017. In 2023, China accounted for [26.7 %](#) of the bloc's external trade, up from 24.1 % in 2018, ahead of the

EU with 16.9 % (down from 20.1 % in 2018) and the US with 13.9 % (down from 14.4 % in 2018).

Figure 4 – Mercosur-4's main partners for trade in goods



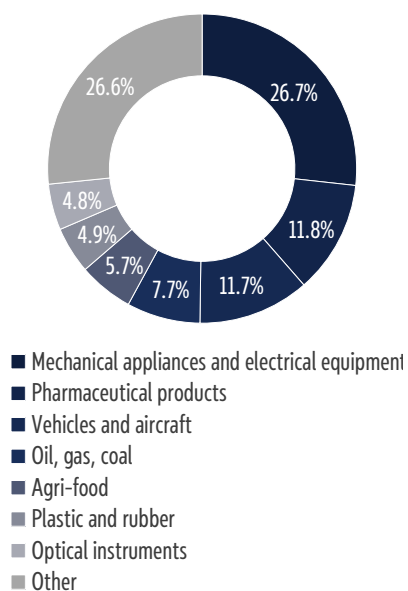
Data source: [IMF](#).

Whereas in the 1990s, the EU's strategy for Latin America was also aimed at counterbalancing the US, **China** has emerged as a major [competitor](#), including in machinery and transport equipment. In 2020, machinery and transport equipment, other manufactured goods and chemicals accounted for respectively [55 %](#), 24 % and 18 % of Chinese exports to Mercosur.

Latin America has become an important export market for China. According to [data](#) from the Economic Commission for Latin America and the Caribbean (ECLAC), in the first half of 2024 China increased its exports to Latin America and the Caribbean (9.4 %). China exports innovative technologies to Mercosur, [including](#) artificial intelligence, biopharma, biotechnology, green energy technologies such as batteries and [electric vehicles](#), and medical equipment.

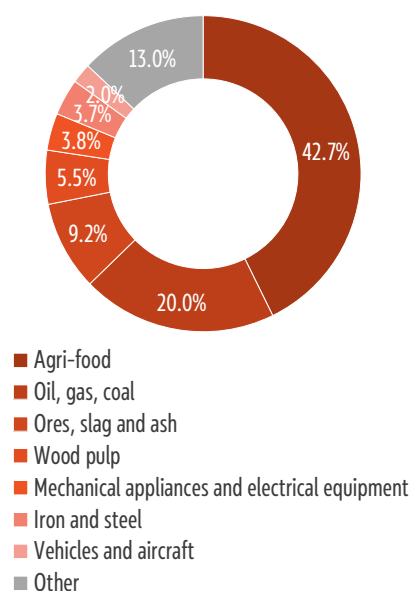
Since Mercosur is a large **exporter of commodities**, the [Mercosur-4's](#) biggest exports to the EU in 2023 were largely **unprocessed agricultural products**, which are key inputs for EU processed goods. Their share of total exports stood at 42.7 %, among which were oilseeds and protein crops (43 %), coffee, tea, cacao and spices (15 %), fruit and nuts (8 %), with beef and veal accounting for a comparatively smaller share (6 %).³ **Raw materials** represented another

Figure 5 – Main EU export products in 2023



Data source: [Eurostat Comext](#).

Figure 6 – Main EU import products in 2023



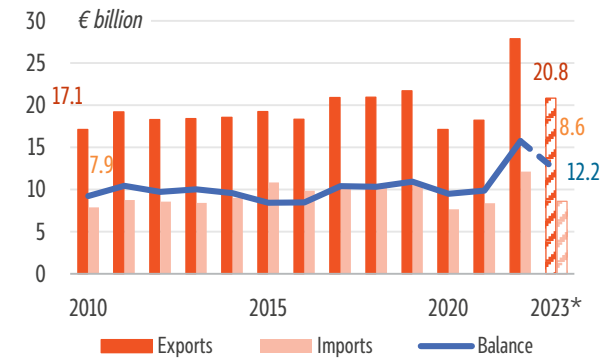
Data source: [Eurostat Comext](#).

important part, while industrial products accounted for a minor share. **EU exports to Mercosur** consisted of machinery (26.7 %), pharmaceutical products (11.8 %), and vehicles and aircraft (11.7 %). EU exports to Mercosur were predominantly made up of manufactured goods, with mechanical appliances and electrical equipment (26.7 %), pharmaceuticals (11.8 %) and vehicles and aircraft

(11.7 %) accounting for roughly half of the export value. The EU mainly exports processed agricultural products, which represented only 5.7 % of the export value in 2023. These products included olives and olive oil (15 %), beer, cider and other beverages (10 %) and different kind of food preparations – accounting jointly for 23 %.

According to Eurostat data, EU service exports to Brazil in 2023 amounted to €20.8 billion, while EU service imports from Brazil totalled €8.6 billion, with data for the other countries still missing. Figure 7 shows that EU-Mercosur **trade in services** witnessed fewer fluctuations prior to 2020 than afterwards. Various business services, transport, telecommunications and travel taken together [accounted](#) for the lion's share both of EU exports to Mercosur and imports from it. Owing to the current level of restrictions in Mercosur, as measured by the World Bank's [service trade restrictiveness index](#), telecommunication, financial and insurance services had a much lower share and offer a huge untapped potential. Figure 8

Figure 7 – EU-Mercosur-4 trade in services

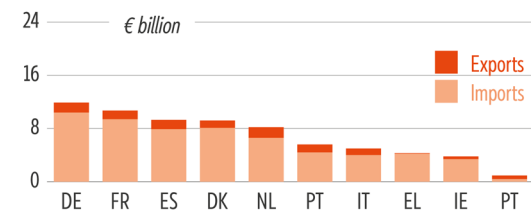


Note: 2023 value covers Brazil, no data available for Argentina, Paraguay and Uruguay.

Data source: [Eurostat bop_its6_det](#).

Figure 8 – Mercosur-4's top EU partners

Trade in services, exports plus imports, 2022



Data source: [Eurostat bop_its6_det](#).

stock have remained positive. In recent years, EU FDI in Brazil [largely](#) targeted the manufacturing and renewable energy sectors.

The EU's trade in services with Mercosur and the EU's FDI stocks in Mercosur have reached higher levels than in the relationship between China and Mercosur, which suggests a different nature of interdependence underpins their economic ties.

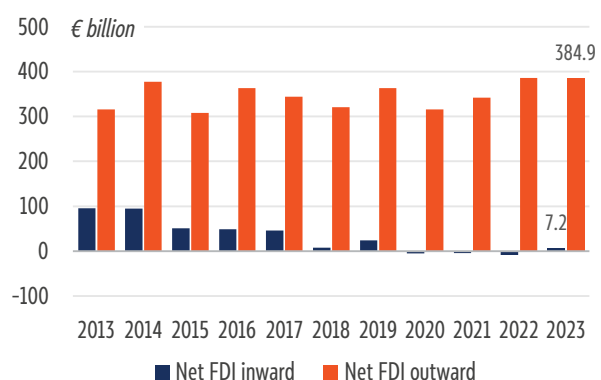
Comparative elements

Compared to the new trade pillars of the [EU-Chile Advanced Framework Agreement](#) and of the modernised [EU-Mexico Global Agreement](#), negotiations on which the European Commission [announced](#) had concluded on 17 January 2025, the **EU-**

shows the difference in EU Member States' participation in trade in services with Mercosur is even more pronounced than in trade in goods (Figure 3).

During the last decade, the **EU's foreign direct investment (FDI) stocks in Mercosur** have grown from more than €300 billion in 2013 to €384 billion in 2023. By contrast, Mercosur-4 FDI stocks in the EU shrunk from €100 billion in 2013 to €7.2 billion in 2023. In recent years, Brazil's FDI stock in the EU has become negative (divestment), while Argentina and Uruguay's FDI

Figure 9 – EU-Mercosur-4 FDI stocks



Data source: [Eurostat bop_fdi6_pos](#).

Mercosur trade pillar has a narrower scope than the other trade pillars, because the ([leaked](#)) Council negotiating guidelines date back to 1999. While the European Commission has broadly interpreted these guidelines, the Council never updated them in line with the increased EU competence for FDI under the Lisbon Treaty, as [interpreted](#) by the Court of Justice of the EU in its 2017 [Opinion 2/17](#). Unlike the EU-Chile and EU-Mexico trade pillars, the EU-Mercosur trade pillar has **no chapter on investment** including investment protection provisions and a related dispute settlement mechanism, but covers some market access provisions in the [services and establishment chapter](#).

EU negotiation objectives

The EU's main negotiation objectives have been to promote bi-regional and intra-regional integration, gradually liberalise market access for goods, including for sensitive agricultural goods, and services, and benefit from a **first mover position in Mercosur**, eliminating or reducing non-tariff [barriers](#) and opening up Mercosur's public procurement markets. The EU's [offensive interests](#) are to ensure a high level of intellectual property rights (IPR) protection and Mercosur acceptance of state-of-the-art sanitary and phytosanitary (SPS) measures. The EU also seeks to foster sustainable development, the effective implementation of labour rights and environmental standards and climate change goals, and to shape global trade rules in line with shared values of democracy, human rights and the rule of law. Against the backdrop of a return to power politics in trade, unilateralism and protectionism, the EU has sought to send a powerful signal to the world that both parties support the rules-based multilateral trading system and to reinforce strategic cooperation, including on global governance in international fora. Securing **supply chain resilience and access to critical raw materials** for the green and digital transitions in cooperation with reliable, like-minded partners have become recent additions to these objectives, as economic security is [linked](#) to trade.

Mercosur position

Mercosur's [offensive interests](#) are to **increase export opportunities to the EU market** by removing or significantly lowering EU import tariffs and adding new or expanding current tariff rate quotas (TRQs) for agricultural products in which it has a strong comparative advantage. The latter include beef, poultry, ethanol, rice and orange juice. Mercosur's **defensive interests** are to negotiate **long phase-in periods for tariff cuts for EU industrial goods** such as cars and car parts and to gradually increase the exposure of its highly protected industries to EU competition. An agreement with the EU has also been [seen](#) as strategic to revitalising Mercosur's internal convergence and to foster its integration in global value chains through ambitious preferential trade deals, including with [other](#) advanced economies. Since 2023, Brazil has sought to tackle the impact of the EU's deforestation regulation on Mercosur's future trade with the EU and more generally to obtain more policy space for its industrial development.

Parliament's position

In its 2006 [resolution](#) on economic and trade relations with Mercosur, Parliament acknowledged the conclusion of an association agreement was a **priority strategic objective** for EU external relations, as it would establish the **world's largest interregional FTA**. Notwithstanding, in its 2011 [resolution](#) on EU agriculture and international trade, Parliament stressed the **competitive advantage of farm businesses in Mercosur** countries over their EU counterparts due to 'much lower production costs, including land, labour and other capital costs', and 'that Mercosur producers do not have to meet the same standards as EU producers, with regard to the environment, animal welfare, food safety and phytosanitary measures'. It raised concerns over the 'failure of Brazilian beef to meet EU producer and consumer standards on food safety, animal identification and traceability, animal health and

disease controls'. It also called on the Commission to carry out an impact assessment on the consequences of such an agreement for the agricultural sector.

In its 2013 [resolution](#) on trade negotiations between the EU and Mercosur, Parliament regretted the slow pace of negotiations. Parliament deplored the protectionist measures on trade and investment taken by some Mercosur countries and reiterated its call for the inclusion in the agreement of respect for democratic principles, fundamental and human rights and the rule of law, as well as environmental and social standards. In its 2017 [resolution](#) on EU political relations with Latin America, Parliament considered it crucial 'to speed up EU-Mercosur negotiations in order to get a comprehensive, balanced and mutually beneficial association agreement ... so as to make it possible to complete the network of agreements in force between the EU and Latin America'. In its [resolution](#) of 7 October 2020 on the implementation of the common commercial policy – annual report 2018, Parliament emphasised that 'the EU-Mercosur agreement cannot be ratified as it stands'. In its [resolution](#) of 16 February 2023 on an EU strategy to boost industrial competitiveness, trade and quality jobs, it stressed that an EU strategy to boost industrial competitiveness, trade and quality jobs 'also includes ratifying the outstanding bilateral agreement with Mercosur, provided that pre-ratification commitments on climate change, deforestation and other concerns are satisfactory'.

Advisory Committees

In its [opinion](#) of 23 May 2018 entitled 'Towards a Mercosur Association Agreement', the European Economic and Social Committee (EESC) [called](#) upon the negotiating parties 'to consider the high political and economic cost of not reaching an agreement or an agreement that is not well-balanced for both parties'. The EESC insisted that the agreement 'should have a fully comprehensive social, labour and environmental dimension'. It stressed that this 'dimension should ensure that economic relations are in line with the social and environmental objectives and the ILO conventions which govern sustainable development.' It called for a civil society Joint Monitoring Committee (JMC) to be created, made up of the EESC and Mercosur's Economic and Social Consultative Forum ([FCES](#)), which would have an advisory status and a voice on all areas covered by the agreement.

Preparation of the agreement

The European Commission and Mercosur [signed](#) a first interregional cooperation agreement in 1992. In 1994, the EU adopted a two-phased strategy [seeking](#) to enter into an interregional framework cooperation agreement with Mercosur as a first step to lay the foundations for the conclusion of a broader interregional association agreement. These strategic moves could have preserved the EU's foothold in Mercosur, if the negotiations of the [FTAA](#), which began in 1994, had been successful by 2005. In 1995, an [Interregional Framework Cooperation Agreement](#) was [concluded](#) which entered into force in 1999. In 1998, the Commission [adopted](#) recommendations for the Council to authorise it to negotiate an interregional deal.

Negotiation process and outcome

On 17 September 1999, the Council [adopted](#) negotiating [directives](#) for the European Commission for the conclusion of an interregional association agreement between the EU and Mercosur. The association agreement was [intended](#) to be based on respect for democratic principles and fundamental human rights and to consist of three pillars: a partnership in political and security matters, economic and institutional cooperation and the gradual creation of a free trade area for goods and services taking account of the sensitive nature of some products. The directives also sought to open the parties' public procurement markets, liberalise the movement of capital and payments and adopt disciplines in areas such as competition and intellectual property rights. Formal negotiations began in April 2000 against a backdrop of high EU expectations for an agreement on new multilateral rules in the World Trade Organization [Doha Round](#) negotiations which would have

impacted on EU–Mercosur talks. However, the main reason for the suspension of EU–Mercosur talks in 2004 was a [mismatch](#) of the level of ambition for the liberalisation of trade in agriculture.

In 2010, after a long hiatus, talks re-launched with a significantly enlarged EU, against the backdrop of a stalled [Doha Round](#) and gridlocked FTAA talks. Negotiations came to a standstill again in 2012, when Paraguay was suspended from Mercosur, Venezuela joined the bloc and centre-left governments in Argentina and Brazil pursued other priorities under a south-south cooperation agenda supported by the huge gains from the commodities boom cycle. The shift to centre-right pro-business governments in Argentina in 2015 and in Brazil in 2016 opened new prospects for the deadlocked talks. After a 2016 exchange of new market access offers, talks gained traction, with the EU implementing the value-based trade agenda of its 2015 [Trade for All](#) trade strategy. Agriculture remained the biggest bone of contention, with some EU Member States [insisting](#) on their [interests](#) in agriculture.

By late 2018, [little progress](#) had been achieved with regard to major EU offensive interests: market access for cars and car parts, dairy products, maritime services, and protection of GIs. However, serious challenges to the multilateral trading system: rising unilateralism and protectionism under the US Administration's [pursuit](#) of its 'America First' strategy; the uncertainties of the US–China trade war's impact on global trade; the approaching United Kingdom departure from the EU; as well as 2019 election dynamics in the EU and in Mercosur countries; opened a window of opportunity, which the parties seized to strike a political agreement on 28 June 2019. In response to former Brazilian President Jair Bolsonaro's economic development policies for the Amazon and disregard for climate change, several EU Member States, NGOs and agricultural associations representing defensive interests voiced strong opposition against the FTA, triggering another stalemate, preventing progress to signature and ratification.

Changes in the international environment since 2019, in Mercosur's leadership and shifts in EU trade policy, with economic security and the EU's international competitiveness emerging as key issues, [created](#) new momentum. Negotiations were relaunched in March 2023 with a ([leaked](#)) EU proposal on a draft Joint Instrument aimed at enhancing Mercosur's sustainability commitments, including as regards the Paris Agreement on Climate Change. However, the EU interest met with Brazil's interest in integrating greater policy space for its industrial development in the 2019 political agreement and in tackling the impact of the EU deforestation regulation on the 2019 EU trade concessions to Mercosur. The second political agreement of 6 December 2024 is the result of a delicate rebalancing of EU and Mercosur interests. The impact of Russia's war of aggression against Ukraine on the EU's energy security and international competitiveness, increasingly difficult trade relations with China and uncertainties about the future of transatlantic economic and security cooperation under a second Trump administration have made the deal a priority of the new, pragmatic EU [foreign](#)

Box 2 - EU impact assessments

In 2007, the Commission [published](#) studies on agriculture, automobile and forest sectors, adding a sustainability impact assessment (SIA) of the agreement's potential economic, social and environmental implications in 2009. The latter did not take account of the latest trade flows and changes in Mercosur countries' GSP status and did not provide a human rights analysis. In 2010, the Commission issued a position paper on the SIA report. In 2016, the Commission issued a [study](#) on the cumulative effect of a set of FTAs on the EU agricultural sector. Updated versions (2021 and 2024) are available for different sets of FTAs. The studies provide a more comprehensive picture of both the prospects and vulnerabilities of different agricultural subsectors than the individual SIAs.

In 2020, after the 2019 political agreement, a new 2020 SIA report based on pre-Brexit data was [published](#) to replace the outdated 2009 SIA, as well as a Commission [position paper](#). NGOs [submitted](#) a complaint to the European Ombudsman regarding the SIA's late publication and use of outdated trade and environmental data, prompting the publication of [critical](#), more up-to-date studies, often with a focus on [environmental issues](#).

[economic policy](#). If ratified, the FTA would allow EU firms to make four times greater savings ([€4 billion](#)) owing to tariff cuts than under the FTA with Japan, creating a market that accounts for nearly 25 % of the world's GDP.

The changes the agreement would bring

Trade in goods: Mercosur would remove import duties on [91 %](#) of imports from the EU over a period of up to 10 years for most products. A longer phase-in period would apply to sensitive items.

Industrial exports: Tariff cuts would be particularly beneficial for EU exports such as cars (current tariff: 35 %), car parts (14–18 %), machinery (14–20 %), chemicals (up to 18 %), clothing (up to 35 %), pharmaceuticals (up to 14 %), leather shoes and textiles (up to 35 %). Mercosur would fully liberalise imports of passenger cars with combustion engines from the EU over 15 years in a non-linear manner. For a seven-year grace period a transitional quota of 50 000 units would be opened that would have an in-quota rate of half the most favoured nation (MFN) duty (35 %). Duties would be phased out more quickly afterwards. For electric vehicles, the revised transition period would be [18 years](#), but tariffs would be reduced to 25 % immediately. However, [car safeguards](#) could be triggered more flexibly (e.g. by providing evidence of 'injury' instead of 'serious injury') and maintained for one year longer. Tariff lines on car parts would be liberalised, mostly within 10 years. For EU machinery, 93 % of EU exports would be fully liberalised, mostly within 10 years.

Agricultural exports: High import duties would be eliminated gradually for EU exports of food and beverages. Examples include wines (current tariff: 27 %), whiskey and other spirits: (20–35 %) chocolate (20 %), canned peaches (55 %) and soft drinks (20–35 %). For some EU dairy [products](#), zero-duty quotas would be opened over 10 equal annual phases: for cheese (28 %) 30 000 tonnes, for milk powder (28 %) 10 000 tonnes and for infant formula (18 %) 5 000 tonnes. At the current [low levels](#) of EU exports of cheese ([13 530 tonnes](#) in 2023) and milk powder ([1 817 tonnes](#) in 2023) to Mercosur, even the comparatively small quotas would open new export opportunities.

The EU would progressively remove import duties on 92 % of imports from Mercosur over a period of up to 10 years. Most sensitive agricultural goods would be partially liberalised through TRQs.

Market access for Mercosur agri-food exports considered sensitive in the EU

Beef: Mercosur would be [allowed](#) to export 99 000 tonnes of beef to the EU (divided between 55 % of 'fresh' and 45 % 'frozen' beef), with a 7.5 % duty, to be phased-in in six equal stages, while the current 40–45 % out-of-quota tariff would remain unchanged. This is the biggest beef TRQ granted in any EU FTA so far. The beef TRQ for Mercosur-4, (a [56% share](#) of EU beef imports in 2023), would nonetheless represent only 1.6 % of total EU beef consumption and would seem to be largely offset by the total EU beef exports of [1.05 million tonnes](#) (2023). Although the new import quota would add to imports from Mercosur ([85 215 tonnes](#) of fresh and 56 258 tonnes of frozen beef in 2023), researchers estimate that additional trade would be limited to [53 000 tonnes](#) owing to reductions in in-quota tariffs of the various existing and restructured [beef quotas](#).

Pork: Mercosur would benefit from a quota of 25 000 tonnes with an in-quota duty of €83 per tonne to be phased in in six equal annual stages. The 2024 political agreement added a quota of 1 500 tonnes for Paraguay, which takes its land-locked developing country status into account. To put these quotas into context, the EU exported [4.18 million tonnes](#) of pigmeat in 2023.

Poultry: The FTA would grant Mercosur a duty-free import quota of 180 000 tonnes to be phased-in over five years. To put the quota into perspective, the volume at stake represents 1.4 % of current EU consumption and is largely compensated by EU global poultry exports that amounted to [1.85 million tonnes](#) in 2023.

Sugar: Brazil would benefit from changes to the tariff quota used so far under the EU's WTO schedule. A quantity of 180 000 tonnes of sugar for refining would be allowed into the EU duty-free under this existing quota, rather than under the in-quota duty of €98 per tonne. Only Paraguay would be granted a new duty-free quota of 10 000 tonnes. The sugar volume subject to the FTA would correspond to 1.2 % of the EU's sugar consumption. In the 2023/2024 season, EU total sugar exports reached [1.62 million tonnes](#).

Ethanol: Mercosur countries would be granted two different TRQs of a total of 650 000 tonnes of ethanol to be phased-in over five years. The first quota is a duty-free quota of 450 000 tonnes of ethanol for chemical industry use, including the bioplastics and biochemical industries. The second quota of 200 000 tonnes of ethanol is for all other uses, such as for the fuel segment of the market, with a two-thirds cut in the current in-quota tariff rate.

Honey: The FTA would open a quota of 45 000 tonnes, which would be imported duty-free after a gradual duty reduction over a five-year period. In 2023, EU global honey imports were [359.3 million tonnes](#).

Rice: Mercosur countries would be allocated a duty-free import quota of 60 000 tonnes for rice, which would be reached after a gradual tariff reduction over five years. Total EU imports of rice from Mercosur in the 2023/2024 season stood at 211.203 tonnes, while EU imports of rice from the world were [1.93 million](#) tonnes.

Source: European Commission, [1 July 2019](#), update [December 2024](#), DG AGRI Dashboards, January 2025.

Bilateral safeguards: The trade pillar contains a horizontal [bilateral safeguard mechanism](#), which can therefore also be applied to agricultural goods. The mechanism enables the parties to impose [temporary measures](#) if an 'unexpected and significant increase in imports, which causes, or threatens to cause, serious injury to their domestic industry'. In a meeting with Parliament's Committee on International Trade on 16 January 2025, Commissioner Šefčovič [stressed](#) that a [financial reserve](#) of at least €1 billion would be set up for EU farmers as part of a contingency plan.

Non-violation complaint mechanism: To address Mercosur's concerns that EU autonomous trade measures could undermine the market opening commitments Mercosur already obtained from the EU, for the first time in an EU FTA a non-violation complaint mechanism was included in the [dispute settlement chapter](#). Under this mechanism, a party may claim that a measure adopted by the other party in the future (as per the European Commission's understanding), while not violating the FTA's provisions, nonetheless nullifies or substantially impairs its benefits under the FTA by breaching the party's legitimate expectations at the FTA's signature. While the EU mechanism is modelled on the respective WTO [concept](#), it is more narrowly defined to prevent abuse. Even if a panel confirms the

claim, it may not lead to the measure's withdrawal or amendment, but rather to a limited adjustment that can take the form of compensation. The mechanism does not hamper the EU's right to regulate.

Review clause: A review of the trade pillar would take place [three years](#) after its entry into force.

Export duties on raw materials: Unlike the FTAs with [Chile](#) and [Mexico](#), this FTA lacks a dedicated chapter on raw materials. As set out in two [annexes](#) on export duties, the FTA would nonetheless reduce or eliminate export taxes for all raw materials from Argentina, Paraguay and Uruguay, while it would eliminate them for some raw materials (e.g. titanium) from Brazil and allow Brazil policy space to impose export duties. The EU would benefit from a reduction in the applied duty of no less than [50 %](#) and the preferential export duty would not exceed 25 %. The FTA would also [prohibit](#) import and export price [requirements](#) and the creation of new [import and export monopolies](#).

Geographical indications (GI): The FTA would protect some 350 GIs from imitation in Mercosur countries, i.e. high-quality EU regional wines, spirits, beers and food products, such as Tiroler Bergkäse (Austria), Jambon de Bayonne (France), Prosciutto di Parma (Italy), and Queso Manchego (Spain). This is the largest number of EU GIs ever covered by an FTA. The EU would protect some 220 GIs from Mercosur countries in the EU, including Argentinian wines such as Mendoza.

Government procurement: The FTA [provides](#) for the reciprocal opening of public procurement markets at federal level. In exchange for granting [Brazil](#) policy space, e.g. for its Unified Health System (SUS) and food and nutritional security and school feeding programmes supporting family farmers or family farming cooperatives, the EU secured additional access to the sub-federal level.

Small and medium-sized enterprises (SMEs): The SME chapter [provides](#) for the position of an SME coordinator. In addition, both sides would set up an online platform providing easy access to information on import requirements and preferential trading arrangements benefiting SMEs.

Sanitary and phytosanitary measures (SPS): The SPS chapter [contains](#) provisions to ensure food safety, animal and plant health, including a procedure for the recognition of pest and disease-free zones or compartments which allows for safe trade from these zones and the implementation of the 'regionalisation principle'. It spells out, among other things: i) a procedure for the approval (or disapproval) of establishments in the exporting country for the import of animal products ('pre-listing'), lists of approved non-EU country [establishments](#) to be made public and the verification of the official control system of the exporting country by the importing country; ii) SPS import checks in the EU and the notifications resulting from cases of non-compliance;⁴ and iii) future-oriented steps to simplify import and approval procedures, including efforts to harmonise import requirements, certificates and import checks on the Mercosur side. It also provides for steps to establish a procedure for the recognition of equivalence regarding specific SPS measures. As for animal welfare, biotechnology, food safety and the fight against antimicrobial resistance (AMR), bilateral and international cooperation is envisaged in the framework of dialogues. As usual for EU FTAs, the [precautionary principle](#) ('that enables decision-makers to adopt precautionary measures when scientific evidence about an environmental or human health hazard is uncertain and the stakes are high') is included in the TSD chapter, which is not subject to the FTA-wide state-to-state dispute settlement mechanism, rather than in the SPS chapter.

Trade and sustainable development (TSD): The [TSD chapter](#) on the parties' climate change, multilateral labour standards and environmental agreement commitments, has a chapter-specific dispute resolution mechanism devoid of trade sanctions. However, as in the EU's FTAs with the United Kingdom and New Zealand, the Paris Agreement would be deemed an '[essential element](#)', allowing the parties to suspend trade concessions in the event of non-compliance. For the first time in an EU FTA, a new [annex](#) to the TSD chapter states that each party 'shall implement measures ... to prevent further deforestation and enhance efforts to stabilise or increase forest cover from 2030'. It does not set the more ambitious interim target envisaged in the EU 2023 [draft joint instrument](#) and there is no reference to applying sanctions in the event of non-compliance. The EU's cooperative

approach is indeed set out in the annex and in a [cooperation protocol](#) stating the EU's support for Mercosur in building sustainable supply chains with financial resources, capacity building and technical assistance. Moreover, the annex contains innovative ideas for future cooperation, e.g. on 'providing increased market access opportunities for products obtained sustainably ... from smallholders, cooperatives, indigenous peoples and local communities ...'. [Commentators](#) on the [annex](#) argue the two [parties](#) may have [conflicting](#) interpretations as to whether the EU deforestation regulation could be subject to the new non-violation complaint mechanism.

Stakeholder views⁵

Over the years, **environmental and human rights groups** have [voiced](#) concerns, arguing that the FTA would accelerate the expansion of agricultural land through large-scale deforestation, which would be at odds with the parties' climate change commitments and jeopardise the rights of [indigenous people](#). **Agricultural associations** in Mercosur are [worried](#) about the [scope](#) of the precautionary principle, and the wine industry is [concerned](#) about an 'asymmetric' deal. Several European agro-industry groups have [voiced](#) strong concerns about Mercosur's use of hormones, growth promoters and pesticides prohibited in the EU. The European Trade Union Confederation (ETUC) and the Coordinator of Trade Unions of the Southern Cone (CCSCS) reiterated their [rejection](#) of the deal 'as it stands' today, given among other things 'the continued opacity in recent rounds of negotiations, as well as the absence of mechanisms to preserve workers' rights, their jobs, productive diversification and sustainable development'. While EU agricultural sub-sectors ([beef](#), [ethanol](#), [sugar](#), and [poultry](#)) with defensive interests have been outspoken in their opposition, representatives of EU agricultural sub-sectors with offensive interests, such as [wine](#) and [dairy](#) associations, are strong advocates of the deal. Several EU industries, e.g. the [European Automobile Manufacturers' Association](#), the [European Association of Automotive Suppliers](#), the [European Confederation of the Footwear Industry](#), and [BusinessEurope](#), have welcomed the FTA.

Signature and ratification process

After its legal review and translation into all official EU languages the Commission will submit to the Council proposals for Council decisions to sign and conclude the EU-Mercosur Partnership Agreement, revealing the [modalities](#) under which the agreement will be presented to the European Parliament for ratification.⁶

EUROPEAN PARLIAMENT SUPPORTING ANALYSIS

Grieger, G., [Ratification scenarios for the EU Mercosur agreement](#), December 2024.

Grieger, G., [EU trade with Latin America and the Caribbean: Overview and figures](#), July 2023.

Grieger, G., [Amazon deforestation and the EU-Mercosur deal](#), July 2023.

Mácsai, G., [Mercosur: Economic indicators and trade with EU](#), December 2022.

OTHER SOURCES

Ambec, St., et al., [Dispositions et effets potentiels de la partie commerciale de l'Accord d'Association entre l'Union européenne et le Mercosur en matière de développement durable](#), 2020.

[Cumulative economic impact of future trade agreements on EU agriculture](#), Joint Research Centre, European Commission, 2016, updated [2021](#) and [2024](#).

Da Silva Paiva Ribeiro, F.J., et al., [Avaliação dos impactos do acordo de livre comércio Mercosul-União Europeia](#), Instituto de Pesquisa Econômica Aplicada, December 2023.

Júnior, G., and Ribeiro de Menezes, J., [Efeitos econômicos de um acordo preferencial de comércio entre Mercosul e União Europeia para o agronegócio brasileiro](#), 2023.

Krpata, M., Gerards Iglesias, S., et al., [Entre 'autonomie stratégique' et 'changement d'époque'](#). L'importance économique et stratégique des relations commerciales entre l'UE et le Mercosur, Institut français des relations internationales (Ifri)/Institut der deutschen Wirtschaft Köln [[DE version](#)], 2024.

[Sustainability Impact Assessment](#) in support of association agreement negotiations between the EU and Mercosur, [executive summary](#), LSE Consulting, 2021; European Commission [position paper](#), 2021.

Timini, J., and Viani, F., [A highway across the Atlantic? Trade and welfare effects of the EU-Mercosur agreement](#), Banco de España, 2020.

ENDNOTES

- ¹ [Argentina's](#) mandatory [traceability scheme](#) will gradually enter into force from March 2025. Uruguay has a [traceability system](#) for all its livestock since 2006. Paraguay will [implement](#) an animal identification system in 2025, the creation of which was [supported](#) by the EU's AL-Invest Verde programme and Global Gateway.
- ² Data used for the graphs was retrieved in December 2024 and DG AGRI data was last consulted in January 2025.
- ³ For the bilateral agrifood trade between the EU and individual Mercosur-4 countries please see the separate factsheets: ([Argentina](#)), ([Brazil](#)), ([Paraguay](#)), ([Uruguay](#)), which are updated annually in March/April.
- ⁴ The 2019 European Court of Auditors report [Chemical hazards in our food. EU food safety policy protects us but faces challenges](#) states: 'We found that the [EU food law] model **is** soundly based, ... [h]owever, we also found that it is currently overstretched, as the Commission and Member States do not have the capacity to implement it fully.' See also paragraphs 67 and 68 for more related details on (potential) European Commission actions.
- ⁵ This section aims to provide a flavour of the debate and is not intended to give an exhaustive account of all different views on the agreement. Additional information can be found in related publications listed under 'European Parliament supporting analysis' and 'other sources'.
- ⁶ For more recent information, see the respective entry in the [EPRS legislative train schedule](#), updated every month.

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