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# Beyond Trade: Why the EU–Mercosur Agreement Is Vital for Europe

The partnership agreement between the European Union and four Mercosur countries has been one of the most debated policy initiatives of recent months. Much of the public discourse has reduced it to a simplistic “cows for cars” narrative, focusing narrowly on its potential consequences for European farmers. However, this partnership goes far beyond trade. It has the potential to secure supply chains, contribute to climate action and strengthen the European Union’s relationship with one of its key partners in Latin America. This article argues that the EU–Mercosur Agreement is not only a trade deal but, above all, a strategic instrument for economic resilience, geopolitical diversification and the green transition.

After more than 20 years of negotiations, the European Union and the Mercosur bloc (consisting of Argentina, Brazil, Paraguay and Uruguay) reached a historic agreement that was provisionally applied on 1 May 2026, creating the largest free trade zone in the world. This was made possible by the successful ratification process in the Mercosur countries, which took place at an unprecedented pace, and following a decision by the Council of the European Union that allowed the EU to provisionally apply the trade component of the deal. The agreement has therefore brought together around 720 million consumers, opening new opportunities by ensuring preferential access to our respective markets.

This partnership is often discussed through the lens of market access, but it is also embedded in a broader context of global governance. As the international system shifts from multilateral cooperation towards a more unilateral approach, the European Union remains committed to a structured international trading system and to leading reforms that respond to today’s geopolitical realities. The EU’s approach is guided by the concept of Open Strategic Autonomy, which combines support for the green and digital transformation with a fair and sustainable trade strategy.

The agreement is extremely topical, as the effectiveness and legitimacy of the rules-based international order

have come under increasing strain. The norms that have traditionally governed international economic relations are gradually weakening, alongside growing challenges among key partners. The shift in the global dynamics cannot be ignored, and the European Union must adapt to it.

In such an environment, the European Union cannot rely solely on its existing partnerships. It must also deepen ties with other reliable actors to diversify supply chains, reduce excessive dependencies and strengthen its economic resilience. The EU–Mercosur Agreement is significant not only for the economic gains it may generate, but above all for its strategic implications: it reinforces Europe’s position in the world, supports the competitiveness of the EU economy and helps secure a stronger foothold in the Mercosur market.

## A tool for competitiveness

When building relationships on the international stage, it is important to ensure that the European Union collaborate with like-minded partners. The EU and Mercosur countries share similar values and objectives in key areas such as human rights, democratic values, trade and investment, environmental protection and sustainable development, making this partnership a natural step forward for both sides. In the current context, there is a clear demand for rules-based trade that supports growth and development while also integrating environmental and sustainability objectives.

Bolstering the EU’s competitiveness is at the heart of the current European Commission agenda. In this context, the EU–Mercosur Agreement represents one of the most significant trade initiatives in recent years, alongside agreements such as the Modernised Global Agreement with Mexico and recently concluded negotiations with Australia and In-

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dia. Together, these efforts showcase the EU's commitment to strengthening partnerships and shaping an open rules-based trading environment. Such a network of ambitious agreements creates a safe environment with ever-growing potential for European businesses and consumers.

### Access to new markets

The EU–Mercosur Agreement builds on an already significant economic relationship. In 2024, EU exports to Mercosur reached €53.3 billion, demonstrating the depth of existing trade ties even prior to the agreement's implementation.

The projected economic benefits of this agreement are substantial; EU exports to Mercosur are expected to grow by nearly 40%, and it is estimated that the elimination of Mercosur's high tariffs on key European export goods will result in savings of more than €4 billion annually. Moreover, simplified customs procedures will further facilitate trade and reduce administrative burdens for exporters.

The agreement's broader economic benefits become more apparent when looking at specific member states, with Germany providing a particularly illustrative case. As reported by the German Chamber of Commerce and Industry (DIHK, 2025a), obstacles to German exports have risen dramatically in the last years, increasing from 50% in 2020 to almost 70% in 2026. Such barriers have inevitably negatively affected German companies' international business, with the most prominent obstacles being higher tariffs, followed by local certification requirements and stricter safety standards (DIHK, 2025b). Total trade between Germany and the four Mercosur countries is currently worth €28 billion (including data from trade in goods in 2024 and in services in 2023). Under the agreement, tariffs on products from many of the most important sectors for German exports – optical, medical-surgical, measuring and photographic instruments; iron, steel and metal products; chemicals and pharmaceuticals – have been reduced to 0%. Tariffs on transport equipment, machinery and electrical equipment are also being phased out for most of these products.

Beyond these gains for major industrial exporters such as Germany, the agreement is expected to facilitate trade across a broader range of sectors, including agri-food and industrial goods. For example, Romania stands to benefit from the elimination of tariffs on textile fabric, previously set at 35%. Commitments in the services sector, notably telecommunications and transport, are also key to create new production chains between the two regions. While the automotive, machinery and pharmaceutical industries are likely to benefit most immediately, agricultural exports are also projected to increase significantly. Exports of vegetable oils, for example, could rise by as much as 20%, while

dairy exports could grow by 102%, contributing to an overall increase of almost 50% in agricultural exports by 2040.

In addition, the agreement will open public procurement markets in the Mercosur countries to European companies. This means that EU firms can bid for public contracts on equal terms with Mercosur companies.

It should also be emphasised that the agreement strongly supports small and medium-sized enterprises (SMEs). According to a European Commission (2025) Eurobarometer survey, some of the main challenges to SMEs' cross-border expansion are difficulties in understanding different business environments, including language-related barriers (33%), and limited access to information on relevant rules and requirements (30%). In this respect, the agreement directly addresses these obstacles by requiring both parties to maintain publicly accessible websites with the relevant information and, where possible, to make that information available in English. EU portals such as Access2Market and Single-Entry Point already help companies navigate through various aspects of the agreement.

### Protecting consumers

One of the most prominent concerns raised in the public debate relates to food safety standards. Critics imply that the EU's standards would be lowered, allowing unrestricted access to the European market for Mercosur products.

This is an entirely undue concern, not supported by facts nor by the text of the agreement. The EU's rigorous food safety regulations remain in place and products entering the EU market must comply with the EU's strict food safety standards. This applies to both domestically produced and imported products alike, without exceptions.

One of the most important elements enshrined in the agreement is the reaffirmation of the "precautionary principle", which allows both parties to take measures to protect human, animal and plant health, even when scientific information is still inconclusive.

Where products do not comply with the applicable sanitary and phytosanitary standards, the European Union may refuse them access to the EU market. Such compliance is assessed both on the basis of the regulatory framework governing production methods, including rules on the use of antibiotics and hormones, and through border inspections, monitoring and regular audits. As an example, the EU has decided to suspend imports of animal-related products from Brazil as of 3 September 2026 until Brazil complies with the EU regulations on anti-mi-

crobiotics (Euractiv, 2026). The agreement also has an important regulatory and economic dimension through the protection of geographical indications (GIs). By securing recognition for 344 European GIs, it protects producers against imitation and unfair competition in the Mercosur markets. This is especially relevant for locally produced items for which competitiveness depends on quality and reputation, not scale of production. For instance, many beers and wines originating in the EU will benefit from the protection in the Mercosur countries.

### A contribution to economic security

A key dimension of the agreement that tends to be overlooked is its contribution to supply chain security and strategic autonomy. Mercosur countries are major producers of several raw materials listed under the European Critical Raw Materials Act.

As a prime example, both Brazil and Argentina are home to vast reserves of critical minerals, key for the EU's defence and green transition. Argentina is a major player in this field as it is part of the global lithium triangle, a key asset since lithium is indispensable for battery production and the creation of energy storage systems. Similarly, niobium is used in the defence and space sectors, and its largest reserves are located in Brazil.

Strengthening ties with these countries therefore implies more secure access to resources that are vital for long-term industrial resilience and for advancing Europe's climate and security objectives.

Improved access to critical raw materials is not only in the EU's interest, but it can also support Mercosur's industrial development. Lower EU tariffs on products made from critical raw materials create incentives for Mercosur countries to expand local value-added production. At the same time, the agreement can help attract EU investments into domestic processing industries, strengthening industrial capacity in the region.

### Sustainable trade and investment

Sustainability remains a central aspect of the agreement, in particular raising concerns related to deforestation. There is no doubt that deforestation is a serious challenge in the Amazon region. Partially driven by fires, cattle ranching and illegal logging, it poses a significant threat to the environment.

For these reasons, the EU–Mercosur Agreement aims to curb illegal deforestation by supporting market access for products that are not linked to deforested land as well as by ensuring the parties commit to refraining from increased

deforestation as of 2030. Moreover, the EU deforestation regulation will prohibit trade of some goods (e.g. beef, wood, palm oil, coffee) sourced in areas deforested as of 2021.

Both the European Union and Mercosur have reaffirmed their commitment to implementing the Paris Agreement, incorporating binding obligations into the partnership. Furthermore, the text includes a mechanism that allows for the suspension of the agreement, should one of the parties withdraw from the Paris Agreement or implement its commitments in bad faith. This is essential to ensuring the engagement of both parties.

Naturally, it does not mean that the agreement is without risks or adjustment costs. Concerns about sensitive agricultural sectors, particularly beef, remain politically and economically significant. For this reason, the success of the agreement will depend on its implementation and monitoring.

### Conclusion

The agreement between the European Union and Mercosur should be perceived as a strategic tool for both the European market and Mercosur economies. At its core, it represents a strong commitment to sustainable, structured and predictable trade that creates opportunities for all parties involved.

In a global environment where fragmentation is becoming more pronounced and the rules that have governed international trade for decades are proving insufficient, the European Union's approach seeks to restore stability and reinforce confidence in reliable partnerships. The European Union does not have to choose between protecting its agricultural sector and preserving the internal market, especially as the agreement contains safeguards for both. The real challenge relates to whether the European Union can remain globally competitive while strengthening its economic resilience, and diversify its network of strategic partners while upholding high environmental, social and food safety standards. That is the conundrum the EU–Mercosur Agreement tries to solve in one neat package.

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