

Mariana Fleischhauer Corrêa da Costa and Pietro Regazzoni

EU–Mercosur Trade Agreement: From Negotiations to Application

The EU–Mercosur Trade Agreement entered provisional application in 2026, creating one of the world's largest free trade areas. This article examines its economic rationale, market access provisions and geopolitical significance. It argues that shifting global trade dynamics, including China's growing presence in Latin America, renewed US protectionism and concerns about supply chain resilience, were central to the agreement's conclusion. The article also analyses the legal and political challenges surrounding provisional application and ratification within the European Union. Despite ongoing uncertainties, the agreement is already reshaping economic relations between Europe and South America and reflects the EU's increasing use of trade policy as an instrument of economic security and strategic autonomy.

After more than 25 years of negotiations, the EU–Mercosur trade agreement is no longer a prospect, but a signed accord that has been provisionally applied since 1 May 2026. This process began in 1999 as a negotiation mandate between the European Union and the Mercosur bloc, comprising Argentina, Brazil, Paraguay and Uruguay. As of early 2026, the trade agreement has become the legal framework for what will be the world's largest free trade area, covering more than 700 million people and around 30% of global GDP.

Yet the agreement has arrived under conditions few anticipated. Its final political impetus did not come from the resolution of longstanding disputes over agricultural competition or deforestation. Instead, it came from a fundamental shift in the global trade environment. Donald Trump's return to the White House, followed by higher US tariffs on European goods, gave both sides a strong incentive to close ranks. These developments prompted

a recalibration of the EU's strategic calculus, reflected in Commission President von der Leyen's public framing of the agreement as a response to shifting geopolitical realities (European Commission, 2026). For the EU, the agreement is now less about South American beef and more about supply chain resilience, strategic autonomy and market diversification. In this era, the transatlantic relationship can no longer be taken for granted. For Mercosur, the deal provides guaranteed preferential access to a European market of 450 million consumers. This comes at a time when dependence on Chinese commodity demand is becoming more fragile.

This article examines the economic rationale and market access provisions of the agreement; the agricultural, environmental and regulatory concerns it has generated; the geopolitical context that made its conclusion urgent; the institutional steps from the December 2024 political agreement to provisional application; and the contested legal and political landscape surrounding its path to full ratification.

Economic rationale and market access

With the agreement now entering provisional application, its economic rationale becomes more concrete and operational. The deal envisions the gradual elimination of tariffs on 91% of Mercosur's exports to the EU and 92% of EU exports to Mercosur, across all sectors, including agriculture, industrial goods, services, investment and government procurement (European Commission, 2024a, 2024b). The European Commission projects that EU exports to Mercosur will increase by 39% (€48.7 billion), with the largest gains in motor vehicles, machinery, equipment

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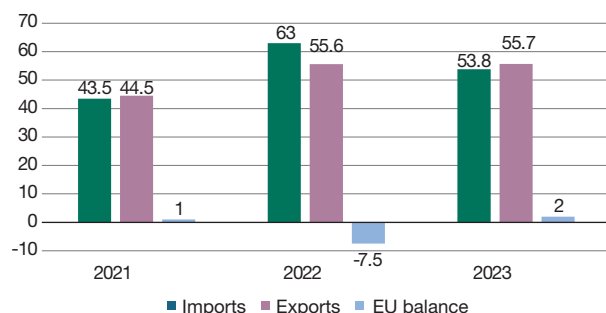
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Mariana Fleischhauer Corrêa da Costa, FGV Europe, Brussels, Belgium.

Pietro Regazzoni, Fondazione Giacomo Brodolini, Rome, Italy.

Figure 1
Goods trade flows from the EU to Mercosur

in billion euros



Source: Eurostat.

and chemicals. Mercosur exports to the EU are expected to increase by 16.9% (€8.9 billion), with agri-food products, such as beef, poultry, soy, sugar and ethanol, accounting for the most significant gains (European Commission, 2024c).

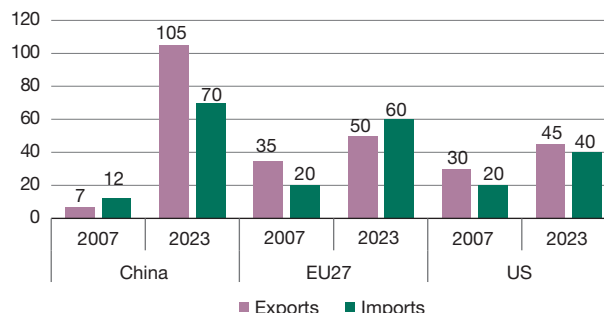
The structure of trade between the two blocs reflects a clear pattern of complementarity. The EU brings advanced industrial goods, pharmaceuticals, premium agri-food products and services with established global brand recognition. Mercosur, by contrast, offers an abundance of natural resources, agricultural scale and a sizable, relatively young consumer market. Brazil alone is the world's largest exporter of coffee, beef and soybeans, commodities for which reduced EU tariffs represent a direct competitive gain. In return, EU exporters of automobiles, wine, cheese and machinery gain access to markets currently protected by tariffs as high as 35% in the automotive sector. For the automotive sector specifically, Mercosur has secured graduated transition periods: 18 years for electrified vehicles, 25 years for hydrogen-powered vehicles with a six-year grace period, and 30 years for vehicles using technologies not yet commercially available. These timelines reflect the scale of industrial adjustment required and the political weight of the automotive sector in both regions (Grieger & Macsai, 2025).

Government procurement represents a genuinely new frontier, enabling EU firms to participate in public tenders in Mercosur countries for the first time. Alongside this, the liberalisation of services, particularly in digital, financial and logistics sectors, combined with stronger investment protection rules, completes a package that extends well beyond tariff reduction.

These dynamics are already visible in recent trade flows. As shown in Figure 1, EU exports to Mercosur between

Figure 2
Mercosur's main trade partners in goods

in billion euros



Source: Direction of Trade Statistics, IMF.

2021 and 2023 highlight both the scale and sectoral composition of trade, providing a baseline against which the effects of the agreement can be assessed.

As the agreement begins to take effect, these trends are expected to accelerate, particularly in high-value manufacturing and services, thereby reinforcing the first-mover advantages of European firms in a region with relatively limited existing trade agreements.

The geopolitical imperative

The speed with which the EU–Mercosur agreement progressed from a political agreement in December 2024 to provisional application in early 2026 cannot be explained solely by trade economics. Three converging pressures made delay increasingly untenable, transforming a long-stalled negotiation into an urgent strategic priority.

The first is China. Trade between Beijing and Latin America surged from roughly US \$14.6 billion in 2001 to over US \$315 billion by 2020, making China the region's largest trading partner (Wintgens, 2022). But the headline figures understate the depth of the relationship: Chinese state investment has extended into ports, energy infrastructure, telecommunications and lithium processing across the region, creating structural dependencies that take years to build and are difficult to unwind. EU–Mercosur trade grew substantially over the same period, from €65.2 billion in 2007 to €109 billion in 2023 (European Commission, 2024c). As Figure 2 shows, the EU remained one of Mercosur's principal trading partners, although China's trade presence expanded much more rapidly. Every year of European delay ceded ground that will not easily be recovered.

The second pressure came from Washington. The return of Donald Trump and the imposition of sweeping tariffs

on European goods reframed what had previously been a domestically sensitive, endlessly deferred negotiation. Trade agreements that had remained in political limbo, including those with Chile, Mexico and India, and most notably Mercosur, were suddenly repositioned as instruments of strategic autonomy. The Mercosur agreement, which had struggled for two decades to withstand French agricultural opposition, acquired renewed urgency once transatlantic reliability could no longer be assured.

The third signal was more immediate. On 6 February 2026, just weeks after the EU–Mercosur signing ceremony, President Javier Milei concluded a bilateral trade and investment agreement with the United States (U.S. Embassy in Argentina, 2026). The speed of that deal illustrated how quickly the landscape is shifting and how easily a collective framework like Mercosur can be bypassed if individual members find more attractive bilateral alternatives. For Brussels, it was a concrete reminder of what delays cost. Taken together, these pressures explain why the EU has accelerated agreements with Chile, Mexico, India and others. They also show why the EU–Mercosur deal is now explicitly linked to economic security priorities such as the Critical Raw Materials Act. Mercosur holds some of the world's largest reserves of lithium, niobium and copper, all crucial to the EU's industrial future. This agreement is as much about securing supply chains as it is about opening markets for European goods.

That strategic logic also explains the apparent paradox of an agreement that is simultaneously contested and already operational. The European Parliament's January 2026 referral to the Court of Justice has suspended the full ratification procedure, but it does not affect the provisional application of the trade pillar, which entered into force following Council approval (Council of the European Union, 2026a). Trade flows are adjusting, businesses are responding, and economic integration has quietly begun, creating a growing constituency with an interest in the deal's survival, regardless of how the legal challenge ultimately resolves.

The formal signing ceremony took place on 17 January 2026 at the Central Bank of Paraguay, attended by European Council President António Costa, Commission President Ursula von der Leyen and the heads of government of all four Mercosur founding members.

A contested start

The Council's approval of both instruments on 9 January 2026, by a qualified majority of 21 to 5, cleared the way for the temporary implementation of the Interim Trade Agreement. Austria, France, Hungary, Ireland and Poland

voted against; Belgium abstained (Council of the European Union, 2026a). Yet within days, the European Parliament moved in the opposite direction, voting to refer the agreement to the Court of Justice of the European Union (CJEU). The two institutions had, in effect, reached contradictory conclusions about the same deal in the same month.

The referral did not halt ongoing implementation. Interim application rests on Council approval alone, and trade flows had begun to adjust accordingly (White & Case LLP, 2026). But the Court's involvement cast a shadow over the agreement's longer-term legal standing and reopened fundamental questions about EU competence, the role of national parliaments in mixed agreements, and the limits of the dual-track architecture the Commission had deliberately constructed to avoid the need for unanimous member state ratification (Kaspiarovich, 2025).

The European Parliament's CJEU referral

On 21 January 2026, four days after the signing ceremony, the Parliament voted, by a narrow margin of 334 to 324, with 11 abstentions, to request an advisory opinion from the Court of Justice under Article 218(11) TFEU (European Parliament, 2026). Three concerns were placed before the Court.

The first was structural: whether splitting the partnership into two legally distinct instruments was consistent with EU competence rules and the Council's original 1999 negotiating mandate, and whether it effectively circumvented the legitimate role of national parliaments in ratifying the full package. The second issue concerned the rebalancing clause and its compatibility with EU regulatory sovereignty and Treaty obligations, given that it allows Mercosur countries to seek compensation where future EU measures in environmental, health or climate areas substantially impair expected trade benefits. The third was a broader challenge to the legal basis for both instruments and the procedures through which they were adopted (Real Instituto Elcano, 2026).

The CJEU typically takes 18 to 24 months to deliver such opinions, effectively freezing the Parliament's formal consent procedure in the interim. The Commission and key member states, led by Germany and Spain, were sharply critical. Chancellor Friedrich Merz called the referral "regrettable", arguing that it "misjudges the geopolitical situation" (Merz, 2026). The practical consequence, however, is limited for now: the referral suspends the Parliament's role in the full conclusion of the agreement but does not touch the provisional application of the trade pillar, which is already underway.

Mercosur ratifications and provisional application

On the Mercosur side, events moved with unusual speed. Argentina ratified the Interim Trade Agreement (iTA) on 26 February 2026, its Senate approving the text by 69 votes to three following endorsement by the Chamber of Deputies. Uruguay ratified the following day, 27 February, the same day Commission President von der Leyen confirmed that the EU would proceed with temporary implementation (MercoPress, 2026a). Brazil's Senate ratified unanimously on 4 March, completing the process in the bloc's largest economy within days of its lower house having already cleared the text (MercoPress, 2026b).

Provisional application between the EU and each ratifying partner will likely begin on the first day of the second month following mutual notification of completed procedures. This points to May 2026 as the likely start date for Argentina and Uruguay, with Brazil following on its own notification timeline (The Rio Times, 2026). From that date, tariff reductions, market access improvements, investment facilitation provisions and government procurement rules begin to take effect, delivering tangible commercial benefits well ahead of the agreement's full legal conclusion.

France's response to this announcement was sharply hostile, with the government describing it as a "bad surprise" and renewing calls for the deal to be blocked or renegotiated. Across France, Poland and Belgium, farming groups returned tractors to city streets in protest, citing concerns over pesticide standards, food safety equivalence and price competition from South American agriculture. The scenes were a reminder that domestic political opposition has not dissipated. It has simply been outpaced, for now, by the legal and institutional machinery driving the agreement forward.

What comes next: A two-track path

The agreement now operates on two distinct legal tracks with very different timelines and uncertainties.

The iTA, the commercial pillar, is subject to an EU-only ratification process: a qualified majority in the Council (already secured) and consent from the European Parliament (European Commission, 2025). The Parliament's consent procedure is currently suspended pending the CJEU opinion. Once the Court delivers its opinion, expected within 18 to 24 months, the Parliament will need to vote on whether to grant consent. If the opinion is favourable, or if the Court identifies issues that are addressed through legal clarification, the Parliament is expected to vote in favour, given that most of the member states

backed the agreement in the Council. If the CJEU identifies fundamental incompatibilities, modifications to the iTA or supplementary legal instruments may be required before consent can be granted. Either way, provisional application of the iTA can continue throughout this process, meaning the commercial benefits of the agreement are already flowing and are increasingly difficult to reverse (White & Case LLP, 2026).

The EU–Mercosur Partnership Agreement (EMPA), the comprehensive partnership agreement covering political dialogue, cooperation, and the full trade pillar, follows a different and longer path. It must be ratified by all 27 EU member states according to their respective constitutional procedures, in addition to the EU-level consent process. The CETA experience is instructive: the EU–Canada agreement was signed in 2016 and remains only temporarily applied in its trade provisions to this day, as several member states have not yet completed national ratification (Grieger & Macsai, 2025). The EMPA may follow a similarly protracted timeline. Once the EMPA fully enters into force, it will repeal and replace the iTA.

The most likely near-term scenario is a deal that functions commercially through provisional application of the iTA for several years, while the broader EMPA undergoes a slow ratification process across EU member states and the CJEU delivers its legal opinion on the iTA's compatibility with EU treaties.

Conclusion

The EU–Mercosur agreement marks a genuine turning point, not only in the relationship between the two blocs, but also in the EU's ability to function as a strategic trade power under pressure. After 25 years of intermittent negotiations, the agreement has been signed and ratified by all Mercosur members. In the EU, however, it remains unratified, subject to legal review, and is moving towards interim application amid ongoing political opposition in several member states.

From an economic perspective, the rationale is compelling. The complementarity between European industrial and agri-food exports and South American commodities and raw materials is clear. The anticipated gains are significant, and the advantage of early entry into a largely underdeveloped market has become even more valuable as global supply chains continue to fragment. Key concerns, such as agricultural competition, deforestation and regulatory divergence, have been addressed in a substantive manner through tariff rate quotas, binding trade provisions, sustainable development commitments, dispute settlement mechanisms and a dedicated agricul-

tural safeguard regulation (Mendez-Parra et al., 2020; European Commission, 2024a).

What has shifted most significantly is the geopolitical environment. An agreement that once appeared stalled by domestic political constraints is now advancing amid a broader restructuring of the global order, where China's economic presence in South America continues to expand (Wintgens, 2022), where US tariff policies have challenged assumptions about the reliability of transatlantic trade and where Argentina's swift bilateral agreement with Washington (U.S. Embassy in Argentina, 2026) highlights how quickly the strategic balance within Mercosur can evolve.

The institutional process ahead remains intricate. A European Court of Justice opinion, consent from the European Parliament and the eventual full ratification of the EMPA by all 27 member states are still required. Nevertheless, the trajectory is clear. The EU–Mercosur agreement has moved beyond the realm of negotiation or potential, and it is already reshaping trade relations between Europe and South America, while signalling to the international community that the European Union is capable of decisive action when the stakes demand it.

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