

# The EU–Mercosur Agreement

Fresh Momentum for European–Latin American Relations

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## In a Nutshell

The EU–Mercosur Agreement marks an important step towards deepening relations between Europe and Latin America and sends a political signal in favour of free trade as well as multilateral cooperation.

By gradually eliminating around 90 per cent of mutual tariffs, the agreement strengthens bilateral trade and improves market opportunities for European companies in particular.

Safeguard clauses and accompanying measures seek to limit negative effects on the European agricultural sector and to ensure fair competition.

The agreement contributes to the diversification of supply chains and reduces the EU's dependence on individual third countries, especially China and the United States.

Beyond trade, the agreement promotes closer cooperation on global challenges such as climate protection, sustainability, democratic governance, and the strengthening of the rules-based international order.

Overall, the agreement opens new economic, development-policy, and geopolitical opportunities for both regions.



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The trade component of the agreement between the European Union and the South American economic bloc and customs union Mercado Común del Sur (Mercosur)<sup>1</sup> – which was under negotiation for a quarter of a century – is being provisionally applied as of 1 May 2026. The EU officially transmitted the necessary instrument to the Mercosur states after they had swiftly completed their national ratification procedures in March. EU Trade Commissioner Maroš Šefčovič stressed that this was “an important step in demonstrating our credibility as a major trading partner”.<sup>2</sup>

Earlier, the vote in the European Parliament in January had sparked a political debate over the so-called firewall against the AfD. In the vote, the Greens and the Left Party joined forces with far-right AfD members in supporting a legal review of the agreement by the European Court of Justice, thereby significantly delaying its entry into force. This prompted accusations that the firewall had been weakened and also triggered internal controversy within the Greens.<sup>3</sup>

### The rocky road to agreement

The vote in the European Parliament was preceded by what was a historic moment for European-Latin American relations: After around 26 years of negotiations, the agreement between the South American economic bloc and the European Union was signed at the Mercosur summit in Asunción, Paraguay, on 17 January 2026 in the presence of European Commission President Ursula von der Leyen. This marked the decisive milestone on the path towards a comprehensive agreement between the European Union and the Mercosur founding states of Argentina, Brazil, Paraguay, and Uruguay. A brief look back at the process – which lasted decades – not only illustrates the complexity of such a far-reaching

agreement – with its continual advances and setbacks – but also shows how closely these dynamics are linked to the prevailing geopolitical climate of the time.

Bilateral trade agreements with the Mercosur states have existed since the 1990s. At the EU summit in Madrid in 1995, the parties signed the Interregional Framework Cooperation Agreement between the European Community and Mercosur, which entered into force in 1999. Its aim was to promote trade and economic relations as well as political dialogue. After years of negotiations, the European Union and Mercosur concluded a free trade agreement in June 2019 that formed part of a broader association agreement. It was the most extensive trade agreement the EU had ever concluded. Beyond trade, the agreement seeks to deepen political dialogue and improve cooperation in areas such as migration, the digital economy, corporate and social responsibility, environmental protection, maritime policy, and the fight against terrorism, money laundering, and cybercrime. However, the signing failed in 2019 due to additional EU demands relating to climate and environmental policy. One reason for this was the massive increase in deforestation in the Amazon region under the government of Brazilian President Jair Bolsonaro. This in turn prompted fresh demands on the part of the Mercosur states. It has since been possible to negotiate an additional protocol addressing protection against deforestation and the rights of Indigenous populations, thereby paving the way for the political breakthrough at the Mercosur summit in Montevideo with the signing of the strategic association agreement between the EU and Mercosur on 6 December 2024.

In September 2025, the European Commission initiated the pending ratification process with

the Mercosur bloc and submitted two parallel but legally distinct instruments to the European Parliament and the member states. Ratification of the full agreement requires a qualified majority in the Council (15 of 27 states, representing at least 65 per cent of the EU population) as well as the approval of the European Parliament. After approval by both institutions, the agreement must also be ratified by the national parliaments of the EU and by the Mercosur member states. To accelerate this process, the European Commission adopted a splitting strategy: The agreement was divided into a trade component and a political component: the Partnership Agreement (EMPA) and the Interim Trade Agreement (iTA). As the EU has exclusive competence for the common commercial policy, the trade agreement can be adopted in advance by the EU institutions without requiring ratification by the national parliaments of the EU member states. Once the full agreement has been ratified by the national parliaments and enters into force, the iTA will be repealed and replaced by the EMPA.

The next important step came at the beginning of 2026, when a qualified majority of member states supported the Mercosur Agreement in the Council of the EU. France, Poland, Austria, Hungary, and Ireland voted against it, while Belgium abstained. Italy voted in favour, having previously also expressed concerns about possible negative consequences for its own agricultural sector.<sup>4</sup> This cleared the way for Commission President Ursula von der Leyen and European Council President António Costa to travel to Paraguay in mid-January for the signing ceremony.

However, it was just a few days after the signing that the above-mentioned setback occurred: By a narrow margin, the European Parliament decided to refer the agreement to the Court of Justice of the European Union for review. A total of 334 MEPs voted in favour of a review, and 324 voted against it, while eleven abstained.<sup>5</sup> Critics particularly objected to the splitting of the agreement, arguing that it circumvented national parliaments.

In February, the European Parliament voted by a large majority in favour of additional protection

and safeguard clauses for European agriculture in order to prevent damage to the EU agricultural sector resulting from trade liberalisation.<sup>6</sup> In the meantime, the four Mercosur countries completed ratification in their national parliaments within a matter of weeks, thereby placing the EU under pressure to provisionally apply the trade agreement. Political support for this approach came from German Chancellor Friedrich Merz, among others.<sup>7</sup> There are still hurdles to be overcome, however: As noted above, only the trade component of the agreement has entered into force provisionally. What is more, full implementation of the entire partnership agreement will depend on ratification by the national parliaments of the EU member states.

## Opening up new markets could offset potential business losses resulting from US tariffs.

### What opportunities does the agreement offer?

With the trade agreement's entry into force, the European Union and the four Mercosur states of Argentina, Brazil, Uruguay, and Paraguay are creating one of the world's largest economic areas. The participating states represent more than 700 million consumers, generate around 20 per cent of global economic output, and account for 31 per cent of worldwide goods exports. With a combined population of around 270 million people, the Mercosur countries alone constitute the world's sixth-largest economy. In terms of trade in goods, the EU is Mercosur's second-most important trading partner, after China and ahead of the United States. Almost 17 per cent of Mercosur's total trade in 2024 was with the EU. By the same token, the Mercosur region ranks tenth among the EU's most important trading partners in goods trade. In the same year, EU trade with Mercosur amounted to more than 111 billion euros (55.2 billion euros in exports and 56 billion euros in imports). More than 80 per cent of these trade flows were accounted for by trade between the EU and Brazil.<sup>8</sup>





Effective protest: Farmers gathered with their tractors outside the European Parliament in Strasbourg to protest against the EU-Mercosur free trade agreement. France voted against signing the agreement in the EU Council on 9 January 2026. Photo: © Panama Pictures, Imago.

The most immediately visible benefit of the agreement lies in its tariff reductions. Once the agreement enters into force, the two economic blocs will gradually eliminate more than 90 per cent of mutual tariffs (91 per cent of export tariffs to the Mercosur states and 92 per cent of import tariffs into the EU). Long transition periods nevertheless apply to sensitive industrial sectors, with full tariff liberalisation in the automotive sector planned over a period of 15 years, for example. This will give domestic markets time to adjust and will create planning certainty. According to estimates, European companies could save up to 4 billion euros annually in tariffs as a result of the agreement. Thus far, the Mercosur countries have imposed high tariffs, including up to 35 per

cent on cars, up to 20 per cent on machinery, and 20 per cent on chocolate. As a result, European products and services on the large Mercosur market will become significantly more competitive, as will goods from the Mercosur states within the EU. Supporters in the EU – including Germany and Spain – argue that opening up new markets could offset potential business losses resulting from US tariffs. Experts view mechanical engineering, the automotive industry, green energy, and chemicals in particular as major beneficiaries of the agreement. Germany’s SME sector will also benefit considerably: More than 70 per cent of the approximately 12,500 German companies that export to the Mercosur countries are small and medium-sized enterprises.<sup>9</sup>

In addition to tariffs, non-tariff trade barriers such as duplicate product certification requirements are also to be reduced, and protected geographical indications are likewise to be recognised – including Bavarian beer and Swabian *Spätzle*. In addition, European providers in the field of public procurement will gain significantly improved access to markets, just as companies from the Mercosur states will do in the EU. This will secure European access to important raw materials from South America while also enabling supply chains to be diversified in order to reduce dependence on China. At the same time, the EU will be able to exert influence in order to ensure higher standards in areas such as sustainability and employment. For the Mercosur countries, meanwhile, the agreement will provide easier access to urgently needed investment, including in infrastructure.

### **Criticism: European agricultural interests and environmental standards**

Opponents of the agreement within the EU – above all, France – fear that imports of inexpensive food products such as beef, poultry, and sugar will rise sharply, thereby placing European agriculture under considerable competitive pressure. For this reason, the EU has introduced comprehensive bilateral safeguard clauses for agricultural products. These make it possible to suspend imports of sensitive products and to tighten controls, particularly with regard to pesticide residues; in addition, there will also be a crisis fund, accelerated support payments, and lower import tariffs on fertilisers. Protective measures of this kind have existed for years, but the aim of the new framework is to create a faster, clearer, and more predictable system. One key feature is an automatic trigger threshold that obliges the Commission to act as soon as there is suspicion of serious harm. In addition, a system of continuous and structured monitoring will be introduced, with the Commission having to report every six months on the quantities and prices of sensitive agricultural products.<sup>10</sup> Comprehensive measures to protect European agriculture have thus been introduced, though these have in part been

criticised by the Mercosur countries as an unfair adjustment after the fact.

## **In South America, European environmental arguments are frequently perceived as a form of protectionism.**

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Public debate often overlooks the fact that Asia is likely to remain the principal export market for agricultural products from Mercosur and that a “flood of beef” into Europe is therefore unlikely. To support this argument, the Mercosur states point out that the additional beef import quota of 99,000 tonnes set out in the trade agreement amounts to only around 200 grams per EU citizen per year.

Environmental and human rights organisations in particular criticise the lack of environmental protection standards, the clearing of rainforest for pastureland, and possible consequences for Indigenous communities; however, these arguments often overlook realities on the ground. If the EU is not available to the Mercosur states as a trading partner, this is unlikely to halt deforestation activities; rather, these states would primarily export their agricultural products to China. In addition, the fact that many unused areas exist in the South American countries that could be used productively for agriculture without requiring further deforestation is often overlooked. For this reason, European environmental arguments are frequently perceived as patronising in South America and as a form of EU protectionism concealed behind a “green agenda”.

### **A driver for a new orientation in development cooperation?**

The European Union maintains a long-standing strategic partnership with Latin America and the Caribbean based on shared values. After Europe and North America, Latin America is regarded as one of the world’s most democratic regions. The two sides view themselves as key partners

in strengthening a rules-based international order. There are also close trade and investment ties between them as well as a shared objective of promoting sustainable growth and economic resilience based on the 2030 Agenda. Within the framework of the Global Gateway investment strategy, the two sides are additionally committed to a fair, green, and digital transformation.<sup>11</sup>

Europe and Latin America are closely linked culturally, as well. In many countries in the region – especially Argentina and Brazil – millions of people have European roots, which forms the basis for deep social and cultural ties. Regular summits between the EU and the states of Latin America and the Caribbean (CELAC)<sup>12</sup> have taken place since 1999, with EU-CELAC summits alternating between venues in Latin America and Brussels since 2013. At the fourth EU-CELAC summit in November 2025 in Santa Marta, Colombia, German Foreign Minister Johann Wadepuhl emphasised Germany’s strong interest in deeper economic cooperation as well as in strengthening and expanding trade partnerships. Even though economic development in some countries has stagnated in recent years, Latin America continues to be regarded as a growth region with considerable potential. The European Union has concluded a number of trade agreements with countries in the region, including bilateral agreements with Chile and Mexico.

### **The economic structures of Mercosur and the EU complement each other.**

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After the United States and China, the EU is Latin America’s third-largest trading partner, with trade volume approaching 370 billion dollars and continuing to rise. With investments totalling 741 billion euros, the EU is also the largest foreign investor in Latin America and the Caribbean.<sup>13</sup> The EU-Mercosur trade agreement highlights the extent to which the economic structures of Mercosur and the EU complement each other.

European companies primarily export machinery, automobiles, and chemical products, while the Mercosur states can supply Europe with raw materials essential for the energy transition, such as copper, lithium, and rare earths. For the Mercosur countries, Europe is viewed less as a market for agricultural products and more as a partner for investment, modernisation, and increasing the productivity of their economies. Since Mercosur is one of the most protectionist markets in the world, there has thus far often been a lack of innovation pressure that more intense foreign competition could generate. Therefore, the states in the region are hoping for an increase in European direct investment, be it through equity stakes, acquisitions, joint ventures, or the establishment of local operations. Economic engagement on the part of European companies in the region is generally regarded as long-term, innovation- and growth-oriented, and sustainable.

Similar priorities emerge for the two largest Mercosur economies: Brazil and Argentina. The focus in Brazil is on the anticipated economic stimulus for national development. President Luiz Inácio Lula da Silva has explicitly stressed that the agreement must not cement his country’s role as merely a raw materials exporter: Instead, it is to strengthen the international competitiveness of Brazilian industry and to facilitate exports of industrial goods to the EU. The modern agricultural sector also expects benefits through new market access and diversification away from dependence on China and the United States. Brazil additionally hopes that European requirements for imported products will positively impact working conditions, environmental standards, and anti-corruption efforts, for example, through certification processes.

The Argentine government likewise expects positive economic effects. It views the agreement as an opportunity to expand or simplify access to the EU market and to diversify the country’s export basket more broadly. Alongside growth in agro-industrial products, Argentina is hoping for momentum in industrial exports – such as petrochemical raw materials – as well as for new impetus in the energy and mining sectors. The

government also expects positive effects in the area of foreign direct investment in strategic sectors of the economy, especially given that the EU is already the country's largest foreign investor. The services sector could additionally benefit, as could an adaptable and innovative start-up scene in fintech, agtech, e-commerce, and software development.

The geopolitical significance of the agreement is particularly evident in the case of Bolivia, which became a full Mercosur member in 2024: It is currently in a transitional phase for implementing Mercosur law and is not covered by the EU-Mercosur Agreement. Nevertheless, the new government under President Rodrigo Paz travelled to Paraguay for the signing ceremony in January in order to signal its future orientation towards Europe and its openness to Western partners after two decades of close relations with China, Russia, and Iran. Bolivia is particularly interested in deeper cooperation with the EU

both in terms of development policy through EU programmes and in terms of economics due to the urgently needed investment required to stabilise its crisis-ridden economy.

These examples illustrate that the agreement between the EU and the Mercosur states is more than merely an economic one; rather, it opens up new prospects for stronger development cooperation, thereby reconnecting with the original guiding principle of development cooperation: namely to promote the economic development of democratic partner countries.

### Geopolitical imperative

Alongside the economic benefits already outlined, the Mercosur Agreement sends out an important signal in support of multilateral trade agreements, free trade, and international cooperation among partners that share common values – and this at a time when protectionism is once



Coveted partners: The EU, China, and the US are increasingly competing for political and economic influence, as well as strategic interests, within Mercosur and Latin America. Pictured are heads of state and government at a meeting during the MERCOSUR and Associated States Summit in Buenos Aires in mid-2025.

Photo: © Zuma Press, Imago.

again gaining ground worldwide. In so doing, the agreement counters the aggressive tariff policy pursued by US President Donald Trump. Not least, the Trump administration's trade policy towards Europe likely helped secure the qualified majority required for the agreement within the European Council. Europe and the Mercosur states are sending out a clear political message: At a time of global instability, two regions are joining forces and deliberately opting for cooperation rather than confrontation. They are demonstrating that free trade and shared values are more effective pathways to prosperity and stability than are isolation and protectionist measures.

Beyond this, the Mercosur Agreement strengthens the EU's strategic sovereignty, promotes the formation of new alliances, and reduces dependencies on other major powers – fully in line with the de-risking strategy formulated by Commission President Ursula von der Leyen in order to strengthen European resilience. Russia's war of aggression against Ukraine has further sharpened awareness that the EU must broaden both its sources of key raw materials and energy as well as its export markets.

## Argentina and Uruguay have joined China's Belt and Road Initiative.

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At the same time, China's economic influence in Latin America continues to grow. Chinese engagement is particularly pronounced in South America, while the United States continues to dominate in Central America and the Caribbean. The EU lost its position as Mercosur's most important trading partner to China as early as in 2017. Within the space of two decades, China became the leading trading partner for countries including Brazil, Chile, and Peru as well as – since last year – Argentina, thereby overtaking Brazil as Argentina's principal trading partner. In other countries, such as Mexico and Colombia, China is now the second-most important trading partner, after the United States.

Many Latin American countries have also joined China's Belt and Road Initiative (BRI), including the Mercosur states of Argentina and Uruguay, whereas Brazil and Paraguay are not participating. This can be explained by the traditionally pragmatic foreign policy approach adopted by many Latin American states – particularly Brazil – that maintain close relations with a range of global actors. The most populous and geographically largest country in Latin America, Brazil, is a member of the BRICS+ grouping, for example, but not part of the Chinese BRI. Nevertheless, following the G20 summit in Rio de Janeiro in November 2024, President Luiz Inácio Lula da Silva and President Xi Jinping signed a total of 37 new bilateral agreements aimed at deepening economic cooperation.

During the election campaign, Argentine President Javier Milei stressed that he did not wish to cooperate with “communists”; nevertheless, immediately after taking office, his government acknowledged the need for close economic relations with China and opened the market to Chinese imports and investment in the strategically important lithium mining sector.

Uruguay has also deepened its cooperation with China in recent years through numerous bilateral agreements, and negotiations on a comprehensive free trade agreement are currently underway. Mercosur member Paraguay is the exception: It is the only South American country that maintains diplomatic relations with Taiwan, and as a result of this foreign policy positioning, it has only very limited economic ties with China.

However, the issue here is not only China: Indeed, under Donald Trump, the United States is also increasingly emerging as a geopolitical competitor to Europe. Considerable irritation arose within the EU following the announcement – shortly after the conclusion of the EU–Mercosur Agreement – of a bilateral trade and investment agreement between the United States and Argentina that establishes different standards in several areas – including protected geographical indications – from those agreed on with the Europeans. In addition, the United States has

secured privileged access to critical minerals and rare earths in Argentina – an area in which the EU had hoped to gain substantial economic advantages.<sup>14</sup>

Furthermore, the new US National Security Strategy of November 2025 underlines Washington’s strategic ambition to invest more heavily in Latin American economies, which it regards as part of the Western Hemisphere and therefore as being within its own sphere of influence. The document explicitly states that every conceivable effort should be made to displace foreign companies that build infrastructure in the region<sup>15</sup> – including European companies that operate in key markets. The United States is increasingly aligning all its development cooperation with the promotion of its own economic interests.

### **Consequences and a look ahead**

For all the political debate surrounding the benefits and potential disadvantages of (free) trade agreements, one point must be clear from a European perspective: If the EU fails to conclude such agreements, partner countries will turn to other actors instead.<sup>16</sup> For Europe, access to both major export markets and strategically important raw materials is at stake. In order to counter resistance within the EU, the negative connotations that are often associated with trade agreements should be met with a positive narrative that clearly communicates not only the benefits for companies, but also the tangible positive effects for citizens. Alongside tariff reductions, greater emphasis should therefore additionally be placed on other beneficial elements of the agreement, such as strengthening the competitiveness of the EU services sector. Overall, it is important to remember that the EU’s efforts are aimed not at “laissez-faire free trade”, but rather at a rules-based trade pact that emerged through a lengthy and detailed negotiation process that had taken account of a wide range of interests and that will ultimately contribute to greater prosperity on both sides.

One item that is frequently overlooked in the debate is that the Mercosur states are democratic

systems shaped by Western traditions and should actually be regarded as Europe’s natural partners for this reason. This relationship is reciprocal: Indeed, political decision-makers in Latin America regularly emphasise that Europe is their preferred partner. Nevertheless, the EU remains underrepresented in the region. The lengthy negotiations and repeated additional demands made by the EU have also weakened Europe’s standing in Latin America. As a result, important opportunities to strengthen alliances with democracies in an increasingly unstable geopolitical environment have been missed.

Europe must therefore not only declare its interest in deeper cooperation with Latin America, but also give concrete substance to that commitment. A key instrument for achieving this is the EU–Mercosur Agreement. Its ratification should now be concluded swiftly and as a priority so that at least the trade component can definitely enter into force and begin to deliver its economic impact.

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*– translated from German –*

- 1 The founding members of Mercosur in 1991 were Argentina, Brazil, Paraguay, and Uruguay. Bolivia became a full member in July 2024, although the agreement does not apply there. Venezuela's membership has been suspended since 2016. See also: Mercosur 2026: ¿Qué es el MERCOSUR?, in: <https://ogy.de/cc0y> [9 Apr 2026].
- 2 Europäische Kommission 2026: EU-Mercosur-Abkommen: vorläufige Anwendung ab 1. Mai 2026, 23 Mar 2026, in: <https://ogy.de/dq95> [9 Apr 2026].
- 3 Fleischmann, Laura 2026: Brandmauer bei Mercosur? Grüne und Linke stimmen mit AfD, Euronews, 21 Jan 2026, in: <https://ogy.de/7b8q> [9 Apr 2026].
- 4 Wax, Eddy / Sanchez Manzanaro, Sofia 2026: EU-Länder billigen Mercosur-Handelsabkommen gegen den Willen Frankreichs, Euractiv, 9 Jan 2026, in: <https://ogy.de/tl2d> [9 Apr 2026].
- 5 Europäisches Parlament 2026: EU-Mercosur Abkommen: EuGH soll Vereinbarkeit mit EU-Verträgen prüfen, 21 Jan 2026, in: <https://ogy.de/dpjr> [9 Apr 2026].
- 6 Europäisches Parlament 2026: Mercosur: Parlament billigt Schutzklauseln zugunsten der EU-Landwirtschaft, 10 Feb 2026, in: <https://ogy.de/jn86> [9 Apr 2026].
- 7 Tagesspiegel 2026: EU-Parlament will Prüfung durch den EuGH, 21 Jan 2026, in: <https://ogy.de/bf4u> [9 Apr 2026].
- 8 European Council: EU-Mercosur trade: facts and figures, in: <https://ogy.de/6ul2> [9 Apr 2026].
- 9 IHK Pfalz: EU-Mercosur-Freihandelsabkommen, in: <https://ogy.de/hwbn> [9 Apr 2026].
- 10 European Council 2026: EU-Mercosur: Council greenlights safeguards for agricultural products, 5 Mar 2026, in: <https://ogy.de/j98m> [9 Apr 2026].
- 11 Europäische Kommission 2023: Neue Agenda für die Beziehungen der EU zur Region Lateinamerika/Karibik, 7 Jun 2023, in: <https://ogy.de/wk0w> [9 Apr 2026].
- 12 All 33 countries of Latin America and the Caribbean are members of the Comunidad de Estados Latinoamericanos y Caribeños (CELAC), founded in 2011.
- 13 European External Action Service 2024: EU LAC trade: A dense network of agreements and growing exchanges, 19 Sep 2024, in: <https://ogy.de/ss0e> [9 Apr 2026].
- 14 Brühwiler, Tjerk 2026: Argentinien zwischen den USA und China, Frankfurter Allgemeine Zeitung, 23 Feb 2026, in: <https://ogy.de/htn8> [9 Apr 2026].
- 15 The White House 2025: National Security Strategy of the United States of America, Nov 2025, in: <https://ogy.de/ap0j> [9 Apr 2026].
- 16 Käufer, Tobias 2026: EU vs. China vs. USA – Der neue Wettstreit um die Vorherrschaft in Lateinamerika, Welt, 19 Feb 2026, in: <https://ogy.de/44bx> [9 Apr 2026].