



European Parliament

Bernd Lange - 16 January 2026

The EU-Mercosur Trade Agreement

Seizing opportunities while carefully examining the agreement

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This paper aims to give a balanced assessment of the EU-Mercosur trade agreement and addresses many of the advantages as well as concerns in the public debate.

1. The state of play

The EU-Mercosur agreement goes a long way back. After twenty years of negotiations, the EU and the Mercosur countries Argentina, Brazil, Paraguay, and Uruguay had reached an agreement on June 28, 2019, on a trade agreement and a political and cooperation agreement. However, in 2020, the European Parliament made it clear that the agreement could not be ratified in the form it had at the time. This was due to concerns about deforestation in the Amazon and Bolsonaro's general climate policy in Brazil. After President Lula took office, negotiations were resumed and a final agreement was reached in December 2024. On Friday 9 January 2026 the Council gave its green light to the trade agreement. The agreement itself will be signed in Paraguay on Saturday 17 January.

The final step is now for the European Parliament to decide on it. **The Parliament is the decisive body for the adoption or rejection of the agreement.** If the Parliament does not approve the agreement, the agreement is considered to be rejected. Until the vote, the text will be thoroughly reviewed by the European Parliament, first in the Trade Committee and later in plenary. **The final vote in the plenary could take place in the first half of 2026.**

2. The geopolitical role of the agreement: stability in turbulent times

The signing of the Mercosur agreement comes at a time when international trade is becoming increasingly protectionist, according to recent [data from](#) the World Trade Organization (WTO). The US administration has taken many illegal measures such as putting tariffs on EU goods and is now openly saying it wants to divide Europe. China has introduced export restrictions on critical minerals that we need for the green and digital transition. The rules-based system is being completely undermined. Such an inward-looking trade policy creates uncertainty and destabilises the global economy. The recent illegal actions of the US in Venezuela demonstrate that the law of the strongest does not only apply in the economic sphere. **Instead of the rule of law, we see the law of the strongest gaining ground. This is not the world that we like, but we have to find a way to deal with it.**

In this global context, the European economy needs stability and export markets. Strong and reliable partners around the world are essential for building a kind of **safety net of trading partners** and diversifying supply chains. By opening up their markets, the EU and Mercosur are sending an important signal in favour of open and fair trade. In addition, the Mercosur agreement would also stabilise close relations with these countries in geopolitical terms, especially since China already has a strong presence there.

In recent years, the EU has been very quickly losing ground to China in the Mercosur region. **While in 2000 EU exports accounted for almost 30% of Mercosur imports, China's share in Mercosur global imports is now 30% and the EU's is only 20%.** This negative trend would intensify in the absence of an agreement, leading China to be twice as big as the EU by 2040. It is noteworthy that this would be the first time Mercosur has signed an agreement with such an important economic player as the EU. It has no such agreement with either the US or China.

Giving the green light to the EU-Mercosur agreement shows that we can stand up for ourselves and that as EU we are able to conclude fair deals that benefit our people. To do otherwise would be geopolitically irresponsible and economical nonsense. Some other powers that like to portray us as irrelevant would then rub their hands with glee. The finish line for the EU-Mercosur agreement is now in sight and we should cross it.

3. Prospects for economic development on both sides

Capacity utilisation in European industry is not good, and the transition to a climate-neutral economy poses major challenges. Jobs can only be secured in a stable environment. **The agreement would open up considerable opportunities for the EU and especially for Germany, which is heavily dependent on exports for its economy.** The EU already exports goods worth €56 billion (in 2023) and services worth €28 billion (in 2022) to the region. More than 30 000 small EU companies export to Mercosur. And more than 600 000 jobs are supported by EU exports to Mercosur.

A [study](#) analysing the text of the 2019 Mercosur agreement shows that the agreement could lead to an **improvement in the EU's competitiveness.** More recent numbers show that once the agreement would be fully implemented (cumulative impact by 2040), the **overall economic impact on the EU reaches almost 80 billion Euro. The positive impact of the agreement with Mercosur on the EU's GDP would be twice as high as the negative impact of the recent US tariffs.** And many exports would compensate a large part of losses we have on the US market, for example for motor vehicles and parts, chemical products, machinery and equipment as well as iron and steel.

The agreement will also help to secure **access to critical raw materials** that are essential for the EU's ecological and digital transition. This will not only lead to cheaper imports into the EU, but also increase the resilience of our supply chains by diversifying resources. This will be particularly important for products such as aluminum, steel, photovoltaic equipment, and semiconductors.

European **consumers** would also feel the effects of the agreement, as tariffs on imports into the EU would be eliminated. This means that consumers will be able to choose from a wider range of products. Many of the effects of the agreement can also not be measured in quantitative terms, for example the better access of EU companies to procurement.

On the Mercosur side, calculations based on the 2019 text show that the **macroeconomic impact of the agreement will increase GDP by 0.3% to 0.5%.** The impact on welfare is similar. Consumers in Mercosur countries will benefit from the



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elimination of tariffs on European goods such as wine (currently 27%), chocolate (20%), and pastries, waffles, and cookies (18%).

A [survey](#) by the German Chamber of Industry and Commerce (DIHK) shows that one in five companies in Germany expects Central and South America to play an important role for them in the medium term, particularly as a sales market. The agreement creates important conditions for this by abolishing import duties on over 91 percent of EU goods exported to Mercosur. This will **enable European companies to save 4 billion euros in customs duties annually**. Also, because of the agreement EU companies will no longer be discriminated against in public procurement.

Germany will benefit in particular from tariff reductions on industrial products, including those from small and medium-sized enterprises. The current import duties on car imports and automotive parts, for example, which currently stand at 35 and 14-18 percent respectively, would be largely eliminated. This is of great importance for the **automotive industry in Germany**.

Another important German beneficiary is the **mechanical engineering sector**, which already exports €5.2 billion worth of goods to the region. The agreement would gradually eliminate the current 14-20 percent tariffs, which would also have a positive impact on the 1.2 million people employed in this sector. Chemicals and pharmaceuticals, which are exported from Germany at a value of €4.3 billion, will be subject to 14-18 percent tariffs immediately after the agreement comes into force. This sector employs 505,000 people, whose jobs could be secured by the additional export opportunities.

4. Agriculture and health standards

4.1 The EU agricultural sector as a whole will benefit from the agreement

In [2024](#) the European Union had an **export surplus of almost €64 billion in agricultural products**. Exports to countries with trade agreements have grown in particular. In 2023, the EU exported €3.2 billion worth of agricultural and food products to Mercosur. This means that it already has a share of between 11 and 15 percent of the food sector in these countries. The agreement contains substantial opportunities to expand this further. Currently some of the Mercosur tariffs on agricultural products, food and beverages are very high: wine: 27%, sparkling wines: 20-35%, chocolate: 20% and soft drinks: 20-35%.

The agreement also protects **344 European designations of origin**, which is the most comprehensive list ever included in an EU agreement. For Germany these include Holsteiner Katenschinken, Bremer Bier, and Nürnberger Lebkuchen. Similar products can no longer be produced under these names in Mercosur countries, which protects their authenticity and allows them to set their own prices.

Many European farmers' associations have spoken out vehemently against the Mercosur agreement. However, it is important to have a fact-based discussion. A [study](#) shows that, as with many other EU trade agreements, the EU-Mercosur agreement is also expected to lead to an increase in EU agricultural and food exports. The dairy sector for example welcomes the agreement. **Even if the overall impact on the EU's agricultural and food**

sector would be positive, this does not mean that some specific sectors could not be exposed to increased competition. For example, the agreement could lead to an increase in beef and poultry imports. This could lead to a decrease of market price for some products and could also impact producers. However, the EU always provides for measures to protect such sensitive agricultural sectors. The European market for products such as beef and poultry, sugar, and ethanol will not be fully opened up. The agreement does not provide for duty-free access for beef from Mercosur.

It will allow 99,000 tons of **beef** from Mercosur to be imported into the EU market at a tariff rate of 7.5 percent. The total volume corresponds to 1.6 percent of total European beef production and is less than half of current imports from Mercosur, which stand at 196,000 tons (2023). As far as poultry is concerned, the EU will allow duty-free imports of a quota of 180,000 tons of poultry, with this quantity being phased in over a period of five years. In addition, the EU is providing €1 billion to compensate farmers in the event of permanent damage to the agricultural sector.

As an aside, I believe that the real problem for European farmers is that only a fraction of the profits generated by processed products reach the primary producers in the value chain. In this respect, we need to take another close look at the value chain in the agricultural sector as soon as possible and redesign it. However, this is an internal EU matter and must be considered separately from the Mercosur agreement.

4.2 Additional safety net for European farmers for unlikely disturbances

All sensitive agricultural products (like beef, poultry, rice, honey, eggs, garlic, ethanol, and sugar) have already been negotiated very carefully in the framework of the trade agreement, meaning that for all of these sensitive products a Tariff Rate Quota (TRQ) has been agreed. While these TRQs should shield EU producers already from harm, **additional European legislation will protect our farmers in the unlikely case that the risk of harm materialises nevertheless.** This European legislation (safeguards) will allow the temporary withdrawal of tariff preferences (for example, re-application of 'normal' duties so not the ones negotiated in the trade agreement) if increased imports cause, or threaten to cause, serious injury to Union producers. Because of the pressure from the European Parliament, the safeguards will be even stronger than initially proposed by the Commission. In short, we have done our utmost for our producers. They can rest assured that any potential disruption to our market will be detected in good time and dealt with.

Recent history also shows that very often, third countries are not even able to fully use the quota that are negotiated in a trade agreement. While a lot of fears about Canadian beef existed, practice has shown that Canada only used 3% of its beef & veal TRQ in 2021-2023.

4.3 European health and food safety requirements are abided by

It is also important to note that the agreement does not affect **European health standards and food safety requirements.** They apply without exception to all products offered on the European market. This is ensured by controls and approval procedures in the Mercosur countries and verified by random checks in the EU. The EU also reserves



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the right to set maximum limits for residues of pesticides, veterinary drugs, or contaminants.

The Commission also explained that everything that needs to be certified in the EU, also needs to be certified in Mercosur countries. At one point for example, an audit showed that the EU could not fully rely on the use of estradiol in female animals. They did not find this substance in female animals, but the system used was not fully reliable. As a consequence, the meat of these female animals coming to Europe, was suspended. Important to note is also that only a number of checked slaughterhouses are cleared to export to the EU. In this context, one can even question whether Brazil for example will be able to fill the tariff rate quota that has been agreed.

In December 2025 the Commission also [announced](#) a **reinforcement of controls** on food, animal and plant products entering the EU to make sure that EU consumers continue to benefit from the highest possible standards.

Given all of this, also the **worry of some that the EU will no longer apply the precautionary principle, seems unfounded.**

5. Strong focus on sustainability

As is customary in recent EU trade agreements, a **chapter on trade and sustainable development** (Trade and Sustainable Development Chapter or TSD) has been included in the agreement. While the original 2019 agreement already contained such a chapter, both sides have since agreed on an annex to it that has the same legal status as the chapter itself. The aim of this annex is to address the concerns raised by the European Parliament since 2019. This chapter thus goes beyond the EU agreement with Chile or the agreement with Canada and addresses the criticism of many non-governmental organizations that environmental protection measures are not sufficiently taken into account in the agreement.

The most significant point in this regard is that the **Paris Climate Agreement has been enshrined as a so-called “essential element clause.”** This means that the Mercosur agreement can be (partially) suspended if one of the parties withdraws from the climate protection agreement or undermines it from within. This outcome is essentially comparable to the agreements between the EU and New Zealand or the United Kingdom and would make the EU-Mercosur agreement only the third agreement to include such a clause. The EU and Mercosur have also agreed to take measures to prevent further deforestation and to step up efforts to stabilize or increase forest cover from 2030 onwards.

Both parties also agreed to draw up a list of products from Mercosur countries that contribute to the conservation, restoration, sustainable use, and management of **forests and endangered ecosystems**. These products should be given preferential or additional market access over time. Both regions will also cooperate in implementing multilateral commitments on climate and biodiversity.

With regard to workers' rights, **both sides commit to respecting the fundamental conventions of the International Labor Organization (ILO)**. At the same time, the agreement does not go as far as the agreement between the EU and New Zealand with

regard to the ILO conventions: The chapter provides that if the EU or Mercosur believes that the other side is not complying with the rules, it can request formal government consultations. As a second option, an independent panel of experts can be commissioned to investigate the matter and prepare a report with recommendations. However, sanctions as a last resort are not provided for in the event of violations of the ILO conventions. The Mercosur side had made it unmistakably clear that sanctions were a no-go for them.

On the other hand, a valuable innovation is that the agreement emphasizes the importance of an inclusive trade policy that contributes to promoting the **economic empowerment of women**. The agreement also creates a framework for both sides to address human rights issues, including the rights of **indigenous peoples**.

Apart from the commitments in the trade agreement, since 2019 the EU has also developed **unilateral instruments** to make its trade more sustainable, such as the prohibition of forced labor, the CO₂ border adjustment mechanism, and the deforestation regulation. With regard to the latter, the agreement allows more leeway to also work with information provided by the Mercosur authorities. However, a more in-depth analysis of the latter provision is still pending.

As is customary in EU trade agreements, the EU and Mercosur will each appoint an internal advisory body (**domestic advisory group or DAG**) to monitor the implementation of the agreement, which will consist of independent civil society organizations, including non-governmental organizations, business and employer associations, and trade unions.

The Commission also ensured us in many meetings that the Mercosur countries will not get an exception from the deforestation regulation.

6. A nuanced picture of the rebalancing mechanism

Another argument of opponents of the EU-Mercosur agreement concerns the so-called rebalancing mechanism. Under this mechanism, one of the partners (including the EU) could complain that a measure that the complainant could not reasonably anticipate when the trade agreement was closed, leads to a nullification or substantial impairment of the benefits of the agreement. This means that if for example the EU would take measures that would severely limit the preferential access of Mercosur countries to the EU market and these measures were not foreseen at the time of the signature, the Mercosur countries can file a complaint.

Yet, the maximum impact that this mechanism could in theory have is that it could partially end preferential tariffs on certain products, meaning that there would be a return to the higher tariffs from before the agreement for certain products.

Important to note is that this only applies to measures that could not be foreseen at the time of the signature. Yet, many Green Deal measures were already announced a long time ago and many specific pieces of legislation like the deforestation regulation or the carbon border adjustment mechanism, are already known. So complaints about these pieces of legislation are expected not to be admissible. This fact, compared with the minimum impact the rebalancing mechanism could have, leads us to conclude that **it is very unlikely that this mechanism would limit the EU's autonomy to legislate**. It seems

unimaginable that a return to normal tariffs for certain goods would hinder the EU from making legislation, for example on the environment.

At the same time, it is not excluded that should the EU expand the scope of deforestation regulation, that the mechanism would allow remedies. But this is very difficult to assess at this point in time. At the same time, the complainant party would also have to prove that such measures impact them more than it impacts the EU.

7. Democratic procedures are respected

7.1 The splitting of the agreement is not undemocratic

One concern of opponents is that it would in their view be undemocratic not to have the green light for the trade agreement by all Member States Parliaments. Yet, the Singapore ruling by the European Court of Justice makes it very clear which competences are EU competences and which are not. **The trade agreement only contains EU exclusive competences, hence the European Parliament is responsible for the approval of the agreement.**

7.2 No provisional application planned in near future

A more recent worry is that about provisional application. **For now there is no reason to think that the Commission will provisionally apply the trade agreement in the coming months.**

The confusion about the provisional application stems from a very technical discussion in the Council. The reason why the Commission included something about the provisional application in the draft Council decisions is because the EU wants to be able to provisionally apply the trade agreement in case some of the Mercosur countries are slow in their ratification process. In case Brazil for example would be ready long before Uruguay, the EU could decide to have it applied with Brazil already. At the same time, the Council taking the decision to provisionally apply it with the Mercosur countries also could mean in theory that the Commission would apply it before EP's consent. Yet, this seems very unlikely.

There are three main reasons why it is extremely unlikely that the Commission will propose provisional application in the coming months (on the condition that the EP proceeds with its consent procedure). **First, there is no need to do so.** We can only provisionally apply it once other Mercosur countries are ready and it seems that the biggest countries like Brazil and Argentina will require quite some time to complete their internal procedures. **Second, the Commission realises very well that a provisional application before the EP consent would create an institutional problem and will only increase the resistance of some MEPs against the agreement.** Third, provisional application of an important trade agreement without EP backing has not happened in recent times and is **thus not the normal procedure.** The recently renegotiated Framework Agreement between the European Parliament and the European Commission also clearly spells out that this should not happen.