



The EU-Mercosur Agreement

Sara Nesler, Mag. iur. (I), LL.M., Hanover

February 2026

The EU-Mercosur Agreement marks a decisive step in the European Union's external trade policy. After more than twenty-five years of negotiations, the European Union and the Mercosur founding members (Argentina, Brazil, Paraguay and Uruguay) agreed on a comprehensive Association Agreement that includes a far-reaching trade and investment pillar. The formal signature of the agreement in December 2025 moved the project from prolonged negotiation into the phase of institutional approval and ratification.

The agreement creates one of the largest interregional trade agreements worldwide, encompassing approximately 750 million people. It integrates two regions whose combined gross domestic product exceeds USD 22 trillion. The economic rationale is clear: the Mercosur states are competitive exporters of agricultural goods and raw materials, while the EU supplies industrial products, machinery, chemicals, pharmaceuticals and services.

The agreement must also be understood in a broader geopolitical context. At a time when unilateral trade measures and protectionist tendencies are increasing globally, the EU and Mercosur present the agreement as a reaffirmation of multilateralism and rules-based trade. For European medium-sized enterprises, the agreement promises improved market access, enhanced legal certainty and a more predictable

regulatory environment in a region that combines economic dynamism with regulatory complexity.

Advantages

Tariff liberalisation and cost reduction

At the core of the agreement lies an ambitious tariff dismantling schedule. The parties will eliminate tariffs on approximately 91 percent of traded goods (tariff lines) on the EU side and around 91 percent on the Mercosur side over transitional periods. Mercosur currently applies comparatively high external tariffs, particularly in industrial sectors. Import duties reach up to 35 percent for cars, 14 to 18 percent for car parts, 14 to 20 percent for machinery and up to 18 percent for chemicals.

For European exporters, the gradual elimination of these tariffs translates into substantial savings. The European Commission estimates annual savings of approximately EUR 4 billion for EU exporters. According to Commission modelling, exports to Mercosur could increase by up to 39 percent, with projected positive employment effects in key sectors such as automotive manufacturing, mechanical engineering and pharmaceuticals.



Germany, with its strong industrial base, is expected to benefit in particular from improved access for vehicles, machinery, chemicals and medical products. For medium-sized suppliers integrated into European value chains, the agreement opens additional export channels and strengthens cross-continental production networks.

Access to public procurement and services markets

The agreement goes beyond tariff reductions. It improves access to public procurement markets and services sectors in Mercosur countries. Infrastructure projects, energy systems, telecommunications and logistics services offer opportunities for European companies with technical expertise.

In services, the agreement addresses financial services, telecommunications and postal and logistics markets. Enhanced transparency and market access commitments reduce regulatory uncertainty and facilitate long-term investment planning.

Protection of geographical indications

Around 350 European geographical indications will receive protection in the Mercosur market. This protection strengthens the position of European food and beverage producers and safeguards established brands against imitation. For many medium-sized producers of regional specialty products, this element has direct commercial relevance.

Legal certainty and strategic diversification

The agreement introduces clearer, rules-based trade disciplines. The EU is already the second-largest trading partner of Mercosur after China, accounting for approximately 17 percent of its trade volume. Bilateral trade in goods exceeded EUR 110 billion in recent years.

For European companies, the agreement enhances legal certainty in markets that have traditionally been characterised by administrative complexity and regulatory fragmentation. In addition, it supports strategic

diversification of export destinations and supply chains. In a fragmented global trade environment, diversification itself becomes a structural advantage.

Sustainability and environmental commitments

The agreement includes a chapter on trade and sustainable development. The parties reaffirm commitments to international labour standards and to the Paris Climate Agreement. A supplementary declaration adopted in late 2024 strengthens references to forest protection and climate policy. The EU also envisages financial support, including a fund, reportedly in the range of approximately EUR 1.8 billion, to assist sustainability projects in Mercosur.

These commitments respond to political concerns within the EU and aim to align trade liberalisation with environmental and climate objectives.

What was not included in the agreement

No full liberalisation of sensitive agricultural sectors

Sensitive agricultural products such as beef, poultry, sugar and ethanol remain subject to tariff-rate quotas and transitional arrangements. For example, beef imports into the EU are capped at 99,000 tonnes annually, corresponding to approximately 1.2 percent of EU consumption. These quantitative limitations reflect political compromise and aim to mitigate disruption for European farmers.

No comprehensive investment court system

The agreement does not establish a permanent Investment Court System comparable to the model introduced in recent EU agreements such as CETA. Instead, investment protection provisions are either more limited in scope or structured in a more traditional manner. In particular, the Agreement does not create a fully institutionalised, standing adjudicatory body with appellate review. This reflects the political sensitivity of investor–state dispute settlement within the EU and among certain Member States.



As a result, investment protection does not reach the same level of judicial institutionalisation as in some other modern EU trade agreements.

For businesses, this means that while the agreement improves market access and legal predictability in trade matters, it does not introduce a new, comprehensive supranational court system for investor protection. The legal framework for investment disputes therefore remains shaped by existing international mechanisms and national legal systems.

Limited harmonisation of regulatory frameworks

The agreement does not impose automatic regulatory alignment between the EU and Mercosur. European standards on food safety, consumer protection and product compliance continue to apply to imports. Exporters must therefore comply with dual regulatory systems. Full harmonisation was neither legally nor politically feasible.

Discussions about the agreement

Environmental and climate debate

Environmental organisations and several Member States have criticised the agreement for potentially contributing to deforestation in the Amazon region. Critics argue that expanded agricultural exports could increase pressure on land use. Supporters emphasise that the agreement incorporates references to the Paris Agreement and international labour standards and that cooperation mechanisms are designed to address environmental concerns.

The debate illustrates the structural tension between trade liberalisation and sustainability objectives. The effectiveness of environmental commitments will depend on implementation and enforcement.

Concerns of European farmers

Agricultural sectors in several Member States expressed reservations about increased competition. In response, the agreement contains bilateral safeguard clauses allowing the Commission to restrict imports of

sensitive products if they increase beyond specified thresholds.

Geopolitical considerations

Proponents present the agreement as a strategic response to rising protectionism and unilateral trade policies. By strengthening economic ties with Latin America, the EU reinforces a rules-based international order and reduces dependency on individual major trading partners.

Next procedural steps

The EU–Mercosur Trade and Investment Agreement has been signed in December 2025. However, it has not yet entered into force. Following signature, the procedure under Article 218 TFEU continues. The European Parliament must give its consent before the Council can adopt the decision on conclusion. Only after conclusion at EU level and, where required, ratification by the Member States, can the agreement enter into force.

A central legal issue concerns its classification. If the trade pillar falls entirely within the Union’s exclusive competence under the Common Commercial Policy, the agreement may be concluded as an EU-only agreement. If it contains elements falling within shared competences, for example in the field of investment protection or broader political cooperation, it qualifies as a mixed agreement. In that case, ratification by all Member States in accordance with their constitutional requirements is necessary.

The European Parliament has requested an Opinion of the Court of Justice under Article 218(11) TFEU on the agreement’s compatibility with the EU Treaties. The Court’s Opinion is binding and may affect the timing of conclusion and entry into force.

Outlook

The EU–Mercosur agreement combines substantial economic opportunity with political and legal complexity. It opens access to a market of approximately 750 million consumers and removes tariffs on the vast



majority of traded goods. For export-oriented European medium-sized enterprises, particularly in industrial and technology sectors, the agreement offers concrete advantages: tariff savings, improved access to procurement markets, protection of geographical indications and enhanced legal certainty.

At the same time, the agreement reflects political compromise. It does not eliminate all regulatory divergences. It contains safeguard clauses for sensitive agricultural sectors. Certain areas, such as investment protection and regulatory data protection, remain only partially addressed.

From a legal perspective, the agreement strengthens the rules-based trade architecture between two complementary regions. It reaffirms commitment to multilateral cooperation in a fragmented global environment. For European businesses, the strategic value lies not only in immediate tariff reductions but in long-term diversification, resilience and structured partnership.

Medium-sized companies should assess sector-specific tariff schedules, procurement opportunities and compliance requirements at an early stage. Strategic preparation will allow them to position themselves effectively once the agreement completes ratification and enters into force.

+++

The Alliuris Group

The Alliuris Group consists of 20 law firms and 400 business lawyers within Europe, Asia and America.

<i>Contact</i>	Ulrich Herfurth Alliuris Communication
<i>Web</i>	www.alliuris.law
<i>Mail</i>	info@alliuris.org
<i>Fon</i>	+49-511-307 56-20
<i>Fax</i>	+49-511-307 56-21

IMPRINT

EDITORS: ALLIURIS A.S.B.L. ALLIANCE OF INTERNATIONAL BUSINESS LAWYERS | BRUSSELS

MANAGEMENT: Luisenstr. 5, D-30159 Hannover
Fon +49-511-307 56-20, Fax +49-511-307 56-21

BRUSSELS · PARIS · LONDON · AMERSFOORT · UTRECHT · KNOCKE · LUXEMBURG · LYON · MADRID · BARCELONA · LISBON · MILAN · COPENHAGEN · HANOVER · ZUG · VIENNA · SALZBURG · MOSCOW · MINSK · SOFIA · ATHENS · ISTANBUL · BEIJING · SHANGHAI · GUANGZHOU · NEW DELHI · MUMBAI · NEW YORK · MEXICO CITY · SAO PAULO · RIO DE JANEIRO · BRASILIA · BUENOS AIRES · LIMA

EDITORIAL DEPARTMENT

Ulrich Herfurth, Rechtsanwalt

All information is correct to the best of our knowledge; liability is limited to intent or gross negligence. Reproduction, even in excerpts, requires the permission of the editors.
