LLYC
IDEAS

JANUARY, 2026

Open trade vs. competitiveness:

STRATEGIC PERSPECTIVES ON THE
EU–MERCOSUR DEAL

Introduction

The European Union (EU) and Mercosur Association Agreement is one of the most important **bi-regional pacts in the current international system**, characterized by its economic significance and geopolitical influence. Encompassing a population of 780 million people and representing 25% of global GDP, the agreement's implications extend far beyond trade and economics, reaching into the political and social spheres.

The European Union (EU) is the world's largest trading bloc, accounting for approximately 15.8% of global trade in 2024. It features a single market and presents a unified voice in international trade negotiations, setting benchmarks in areas such as innovation, environmental regulation, and high-value-added trade. On the other hand, Mercosur, established in 1991, consists of Argentina, Brazil, Paraguay, and Uruguay as full members. This strategic bloc has a productive force rooted in competitive agribusiness, energy, mining, critical resources, and an industrial framework with significant potential for modernization. Bolivia is currently in the process of fully joining, while other South American countries hold Associate State status.

Today, the EU is already Mercosur's second-largest trading partner, with annual trade exceeding $110 billion. Furthermore, it accounts for 14% of the bloc's exports and 20% of its imports. The synergy between the two regions is clear: **the EU aims to strengthen and diversify its trade relationships, focusing on food security, strategic autonomy, essential minerals for the energy transition, and stability in supply chains. In contrast, Mercosur seeks to enhance its international integration by gaining access to capital goods, technology, and foreign direct investment.**

The signing of the Association Agreement marks a vital milestone in a negotiation that has unfolded over several decades. While there are lingering concerns about the ratification process by Member States, particularly due to pushback from countries like France and Poland, the implementation of the trade component via the "Interim Agreement" has the potential to foster stronger and more beneficial trade relations for both sides in the short to medium term. This development brings with it both challenges and significant opportunities for the private sector across the Atlantic.

Background

The strategic trade deal between the European Union and Mercosur began with the signing of the **Interregional Framework Cooperation Agreement** in 1995, aiming to establish a political, economic, and commercial association.

Formal negotiations for a Bi-regional Association Agreement began in 2000, based on three pillars: **political dialogue, cooperation, and an ambitious trade chapter**. However, the process entered a period of stagnation starting in 2004 due to fundamental differences regarding market access, specifically concerning agricultural products, a priority for Mercosur, and industrial goods and services, which were of greater interest to the EU.

After a six-year hiatus, **discussions resumed in 2010 with a strengthened agenda and increased momentum**, influenced by a global landscape that required new alliances and more diversified value chains. By 2016, significant progress was achieved in sensitive areas including services, investment, and sanitary and phytosanitary standards.

The announcement of a political agreement in June 2019 raised expectations for rapid ratification. **However, the EU conditioned the process on stricter environmental commitments**, while Mercosur requested adjustments to previously agreed-upon chapters, leading to a renewed cycle of technical negotiations.

In **December 2024, during the 65th Summit of Mercosur Heads of State and Associate States in Montevideo, Uruguay, the text of the Agreement between Mercosur and the European Union was finalized after 25 years of ongoing negotiations**. This significant step toward establishing a free trade area between the two regions has paved the way for the necessary legislative processes required for its ratification and eventual implementation.

About the Agreement

The EU–Mercosur Association Agreement is structured around **two complementary pillars**:

- **Political cooperation:** focused on sustainability, governance, and strengthening bi-regional relations.
- **Trade:** aimed at tariff liberalization, trade facilitation, and productive integration.

The Association Agreement aims to establish stable access rules and prevent any discriminatory or protectionist measures. Under this agreement, the EU will eliminate tariffs on 92% of its exports to Mercosur, while Mercosur will remove tariffs on 91% of its exports to the EU.

From a strategic perspective, the agreement offers benefits that go beyond traditional trade. Key highlights include:

- **Boosting economic growth and competitiveness** by facilitating market access, investment, and new international expansion opportunities in both regions.

- **Firm environmental commitments** with emphasis on preventing deforestation and transitioning toward sustainable production models.

- **Protection for sensitive EU sectors,** particularly the agrifood industry, with safeguard mechanisms to address potential market imbalances.

- **Reinforced sanitary and phytosanitary regulations,** ensuring that products entering the European market meet the highest global standards.

- **Diversification and resilience of supply chains** aimed at reducing geopolitical dependencies and strengthening economic security.

- **Phasing out of tariffs,** which currently represent significant barriers for both Mercosur and EU companies. It is estimated that European companies alone could save up to €4 billion annually in import duties.

- **Supporting strategic sectors** such as renewable energy, low-emission fuels, and high-tech manufacturing.
- **Explicit support for small and medium-sized enterprises (SMEs)** by cutting red tape, facilitating access to international trade, and providing business cooperation platforms.
- **Securing the supply of essential raw materials** for the energy transition and European industrial production.

The agreement seeks to **deepen the integration of Mercosur economies into global trade while reinforcing Europe's strategic autonomy**, consolidating a bond that combines open trade, sustainability, and development cooperation.

Current international landscape

EUROPEAN UNION

Positions regarding the Mercosur agreement within the European Union are marked by significant internal divisions. **Germany and Spain** are the main proponents of the treaty, advocating for its approval as a vital means to enhance transatlantic trade and bolster European competitiveness. Recently, the **German government** approved measures to support the signing of the agreement, emphasizing that the elimination of tariffs would especially benefit European exporters, including small and medium-sized enterprises (SMEs) and industries such as automotive and industrial goods. They also pointed out that this agreement would help create more resilient and diversified supply chains in a challenging global economic environment.

Spain has consistently advocated for finalizing the pact, highlighting that the agreement would create new commercial opportunities for key national industries, including automotive, agrifood, and renewable energy. It believes that strengthening economic ties with Latin America is crucial, especially in an era of growing global competition.

In contrast, **France** has consistently opposed the agreement, mainly due to heavy pressure from the national agricultural lobby. This group is concerned about the risk of increased competition from South American imports in sectors like livestock, dairy, and cereals. Recently, French agricultural stakeholders held massive protests to demand that President Emmanuel Macron block the treaty, claiming that there are insufficient protections for national production against tariff reductions.

Countries like Poland, Austria, Italy, and the Netherlands have voiced concerns about opening the European market to agrifood products from Mercosur. They are calling for a range of compensatory and safeguard measures to protect their own agricultural and livestock sectors from direct competition. Notably, Italy, which successfully pushed for a delay in the signing of the agreement last December, has asked for an increase of €45 billion in funding for the Common Agricultural Policy to help secure its backing for the deal's approval.

For these states, the objection goes beyond purely commercial factors: they demand stronger environmental safeguards in response to deforestation risks in South America, stricter sanitary standards, and independent, effective verification mechanisms to ensure compliance with climate- and sustainability-related commitments before allowing meaningful access to the European market.

This **internal division has created uncertainty about the future ratification of the association agreement. It emphasizes that, in addition to potential economic benefits, the deal's success will depend on the bloc's ability to balance its commercial interests with the environmental and social issues** important to its key members.

MERCOSUR

Mercosur was founded in 1991 with four members: **Argentina**, **Brazil**, **Paraguay**, and **Uruguay**. Over the years, the bloc has expanded, officially incorporating **Bolivia** as a full member in 2024. In addition to its full members, Mercosur includes several Associate States with varying levels of integration, such as Chile, Colombia, Ecuador, Guyana, Peru, and Suriname. Following the formal conclusion of technical negotiations for the treaty with the European Union, Mercosur has entered a phase focused on legal review, translation, and preparation for the final signing of the agreement.

In this context, the **member states have successfully rebuilt a common position after years of tension regarding the deal's level of ambition and European regulatory requirements**, particularly in environmental matters.

Brazil, as the bloc's current president *pro tempore*, maintains a clear international leadership role in driving the EU–Mercosur Agreement. Under Lula da Silva's leadership, the goal is to use the treaty to promote industrialization, facilitate the energy transition, and enhance integration into global value chains. Technical management is primarily handled by the **Ministry of Development, Industry, Trade, and Services**, led by **Geraldo Alckmin**, reflecting a pragmatic and results-oriented approach. However, this external leadership faces a complex internal reality: a fragmented Congress with key committees held by the opposition, no specialized institutional structure to coordinate the signing, and more moderate political priorities regarding the deal. Brazil is taking a careful approach to the situation. While recognizing the value of the opportunity, the country is not rushing. They are aware that ratification depends on the balance of internal politics.

In this context, the remaining Mercosur countries have shown renewed support for the progress of the pact. **Argentina**, which appeared less enthusiastic about signing the agreement during the first year of Javier Milei's presidency, is now clearly positioned in favor of its promulgation. While the libertarian government initially had disagreements regarding Mercosur's direction and strengthening, its role as president pro tempore during the first half of 2025 helped align positions and reinforce technical coordination with other member states. At this stage, Argentine foreign policy, which is built on greater economic openness and a more dynamic international integration, views the agreement as a strategic tool. Simultaneously, it promotes flexible trade policies within the bloc to allow for additional bilateral negotiations that complement the regional process.

Paraguay, under the leadership of President Santiago Peña, is a strong proponent of quickly finalizing the Mercosur–EU Agreement. Peña has highlighted that advancing this deal is not only a chance to bolster the agrifood sector, which is essential to Paraguay's export profile, but it also conveys a political message of cooperation in an increasingly polarized world. He has also stressed the critical need to avoid any further delays for the bloc.

In **Uruguay**, former President Luis Lacalle Pou consistently championed an agenda of economic liberalization and advocated for the Agreement as a cornerstone of Mercosur's necessary modernization, seeking more flexible regulatory frameworks to enable a more competitive international integration. The current Uruguayan President, Yamandú Orsi, despite stemming from a different political tradition, remains aligned in advancing the treaty with the European Union, viewing it as a strategic imperative to expand market access and bolster the region's footprint in global trade.

Consequently, and notwithstanding varying internal speeds, **the bloc is converging toward a shared strategic vision: the Agreement with the European Union represents a pivotal opportunity to catalyze trade, attract foreign direct investment, and reposition Mercosur within global value chains**. The unity consolidated at this stage reflects a collective recognition among member states that the opportunity cost of further delay significantly outweighs the remaining challenges in the negotiation process.

COMPARATIVE OVERVIEW

	MERCOSUR	EUROPEAN UNION
Key proponents		
COUNTRIES	Brazil (Lula administration), Uruguay, Paraguay, and Argentina (seeking market diversification).	Spain, Portugal, and Germany.
PRIORITY SECTORS	Agribusiness (beef, soy, sugar, ethanol), minerals (lithium, iron ore), and light industry.	Automotive, machinery, chemicals, pharmaceuticals, and high-value services.
STRATEGIC OBJECTIVES	Market access for primary and value-added commodities, attraction of foreign direct investment, diversification of trading partners, and the consolidation of the bloc's role within global value chains.	Market liberalization for industrial goods and high-value-added services, secure access to raw materials, and an enhanced geopolitical footprint across Latin America.

Key detractors

COUNTRIES	Specific productive regions in Argentina; industrial sectors in Brazil and Paraguay more reliant on tariff protection.	Austria, Ireland, Poland, Romania, Italy, and France (agricultural and environmental concerns).
PRIORITY SECTORS	Industries sensitive to competition, including the automotive and auto parts sectors, textiles, footwear, and metalworking.	Agricultural producers (beef, sugar, poultry, and cereals) and agrarian lobbies wary of Mercosur competition.
STRATEGIC OBJECTIVES	The risk of industrial job losses, intensified European competitive pressure, and the potential negative impact on manufacturing SMEs.	Climate-related concerns, the impact on European farmers' livelihoods, and the demand for strict environmental compliance mandates.

Key benefits

	Growth in agrifood exports, bolstered access to the European market, attraction of foreign direct investment (FDI) and technology transfer, and export diversification. For businesses, this entails the upgrading of production standards and the opportunity to integrate into European value chains.	Expansion of industrial exports (automotive, machinery, and chemicals), an increased footprint in services and technology sectors, and more competitive access to inputs and raw materials. For companies, this presents opportunities for investment in infrastructure, renewable energy, and digital services throughout the region.

Commercial implications

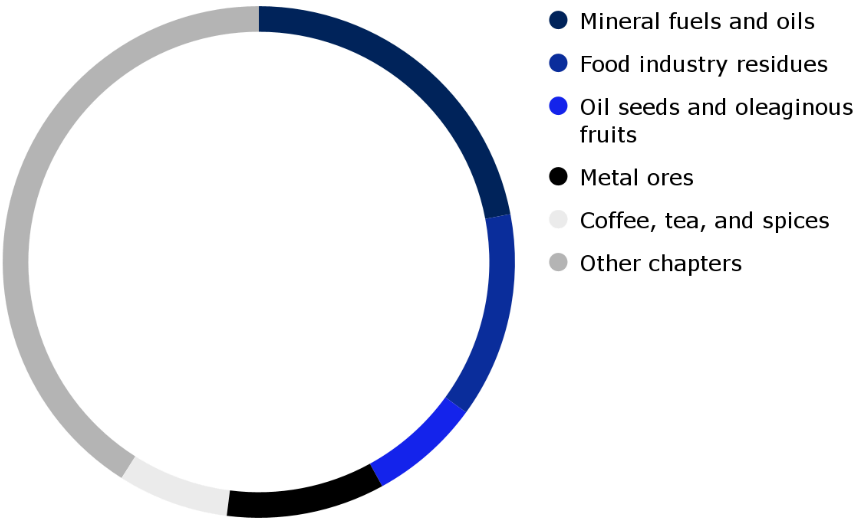
The agreement between Mercosur and the European Union is one of the most significant trade initiatives in the world today. It brings together a **population of around 780 million people and accounts for nearly 25% of global GDP**. This collaboration establishes a powerful economic bloc, recognized as **one of the leading integrated economies globally**, characterized by a large internal market, diverse production capabilities, and significant purchasing power.

Current bilateral exchange is already substantial, though structurally asymmetrical. **In 2024**, trade in goods between the two blocs reached **€111 billion, with EU exports to Mercosur totaling €55.2 billion and imports from Mercosur at €56 billion**. Mercosur's export basket to the EU remains heavily concentrated in **agricultural commodities (42.7%), minerals (30.5%), and pulp/paper (6.8%)**. Conversely, **EU exports to Mercosur are dominated by high-value-added sectors: machinery and equipment (28.1%), chemicals and pharmaceuticals (25%), and transport equipment (12.1%)**. Furthermore, **services trade exceeded €42 billion in 2023**, underscoring a relationship that extends well beyond traditional goods into the services and digital economies.

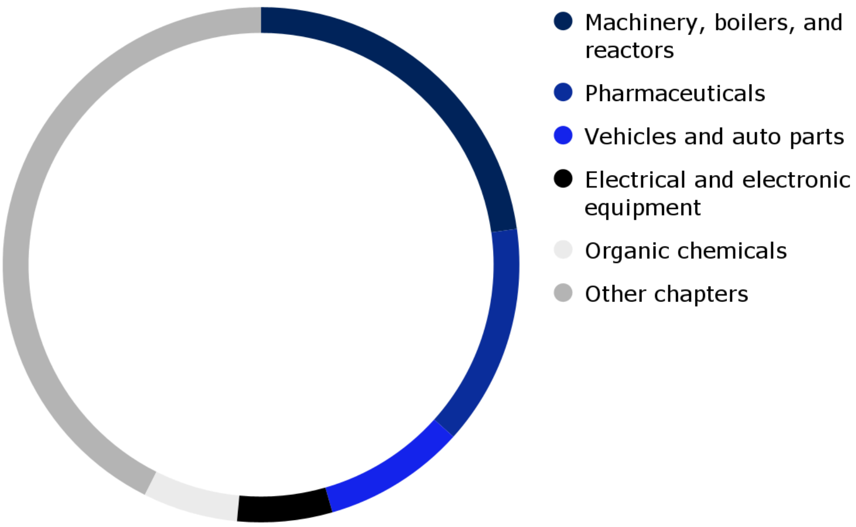
Mercosur		**European Union**
270,604,537	**Population**	448,000,000
Exports: 57.7 billion USD	**Trade**	Exports: 58.5 billion USD
Exports to the EU: Crude oil Soybeans and derivatives Coffee Copper ores Seeds Oilseeds	**Main products**	**Exports to Mercosur:** Pharmaceuticals Vehicles and auto parts Industrial machinery Light oils Turbo-jets Electrical machinery

Source: SECEM / Official data from Mercosur Member States (2025).

Mercosur Exports to the EU



EU Exports to Mercosur



EFFECTS ON TRADE, INVESTMENT, AND REGIONAL COMPETITIVENESS

1. Massive tariff liberalization

- The Agreement will eliminate or reduce more than 90% of bilateral tariffs, fundamentally transforming trade incentives between both regions.
- For Mercosur, given that agribusiness and commodities account for the bulk of its exports, this shift provides preferential access, lower entry costs, greater predictability, and strengthened competitiveness against third countries.
- For the EU: The deal guarantees stable access for exports in sectors where the bloc maintains consolidated comparative advantages, including manufacturing, machinery, technology, automobiles, pharmaceuticals, and services.

2. Direct Savings and Trade Expansion

- European companies are expected to benefit from over €4 billion in annual savings on customs duties, driven by the liberalization of 91% of EU products exported to Mercosur.
- Trade Projections: Impact assessments anticipate a 37% increase in bi-regional trade over the medium term under dynamic scenarios.
- Growth Estimates: Even under conservative projections, Mercosur's trade is estimated to grow by 14%.
- Macroeconomic Impact: Long-term projections suggest a GDP increase of 0.4% for Mercosur and 0.07% for the EU.
- Growth will not be linear, as specific sectors hold higher expansion potential. Regarding European products entering Mercosur, the primary winners are expected to be **auto parts**, **machinery**, **capital goods**, **chemicals**, and **pharmaceuticals**. The

European Commission has identified specific frictions and cost overheads in these sectors that the Agreement is designed to mitigate.

- From Mercosur's perspective, the most significant impact is in **agrifood** and its derivatives due to preferential access. Additionally, growth is anticipated in **supply chains related to natural resources and the energy transition**, particularly concerning minerals and industrial inputs. Europe is actively seeking diversification and security of supply in these areas.

3. Boosting Investment and Regulatory Stability

- The EU is already the preeminent external investor in the region, with an investment stock reaching €390 billion in 2023.
- The Agreement establishes clear protocols for intellectual property, government procurement, customs procedures, and investment disciplines, thereby mitigating regulatory risks and creating a more stable, predictable business environment.
- Comparative evidence suggests that European Foreign Direct Investment (FDI) flows could more than double following the treaty's entry into force.
- In certain member states, the stock of European investment is projected to grow by up to 177% within a decade of implementation.
- It is important to emphasize that the Agreement does not simply give Mercosur an unconditional advantage. Instead, it addresses a structural competitiveness gap that the bloc has had in comparison to other global regions that already have active treaties with the EU. This effectively repositions Mercosur as a competitive hub on a level playing field with other international markets.
- The future enforcement of the EU–Mercosur Agreement **will not include an investor-State arbitration mechanism, nor will it replace the existing bilateral investment treaties (BITs) between individual Mercosur countries and EU member states**. However, the Agreement does enhance the overall framework for the predictability and protection of European investments by establishing common standards for treatment, regulatory transparency, and institutional cooperation.

- For **Argentina**, where **bilateral investment treaties (BITs) with several EU member states are already in force**, the Agreement does not fundamentally alter the formal legal protection framework; however, it introduces a bi-regional political and economic anchor that reinforces the environmental stability necessary for long-term capital commitments. Conversely, the **impact on Brazil is more profound**. Historically, the absence of traditional BITs and international arbitration mechanisms has acted as a source of structural uncertainty for European investors, a gap that this Agreement effectively bridges by institutionalizing common protective standards.

- The Agreement incorporates **government procurement** regulations centered on **non-discrimination and transparency**. To scale the opportunity: in the EU, public procurement accounts for approximately **14% of GDP** (exceeding **€1.9 trillion** annually), with high concentration in energy, transport, IT, defense, and healthcare. On the Mercosur side, the appeal is amplified by the region's massive infrastructure agenda. The IDB estimates that closing infrastructure gaps by 2030 will require annual investments of **3.1% of regional GDP**, signaling a substantial market for high-value-added European services and expertise.

4. Enhanced Global Integration of Mercosur

- The bloc's exports to countries outside the region but under trade agreements are expected to increase from 14% to 31%. This marks a major step towards greater external participation and integration into global value chains.

The **commercial outlook** is very positive, marked by expanded market access and increased flows of goods, services, and capital. However, implementing the Agreement poses significant **structural challenges**. Tariff liberalization will **increase competitive pressure** on Mercosur's industries due to the influx of European products at lower prices. At the same time, South American companies must comply with **strict European standards for environmental protection, sanitation, and traceability**. This will require **additional investments and substantial adjustments in production** to meet these standards. Furthermore, the application of the Agreement will require navigating the regulatory complexity of the European Union's decision-making process, driven by the interaction between the Commission, the Parliament, and the Council. This is happening at a time when the EU is experiencing many regulatory changes focused on simplification and competitiveness. These new paradigms are prompting a revision of various legislative files under the "Green Deal" approved during the previous legislature (2019-2024).

Nevertheless, these transformations can also serve as **levers for modernization**. Reduced costs for imported inputs and the realization of economies of scale are expected to bolster local **productivity**. At the same time, the adoption of global best practices and advanced technologies driven by the need to comply with international standards will strengthen the region's **systemic competitiveness**. In the long term, the EU-Mercosur Agreement has the potential to **reconfigure the economic structure** of both regions, positioning Mercosur as a more integrated player in high-value-added global value chains. In summary, for companies interested in the Agreement, the landscape offers significant **trade and investment opportunities** within a clearer and more stable regulatory environment. However, capturing the full potential of this new commercial framework will require a proactive strategy focused on adaptation and innovation.

5. Potential Bottlenecks

Even with the Agreement in place, there will still be considerable challenges for business development:

- **Standards and compliance**: For Mercosur exporters to the EU, the primary bottleneck is aligning with European standards (SPS, traceability, and environmental requirements). In practice, the competitive advantage will be seized by firms with **robust compliance systems and high-fidelity data** from the point of origin.

- **Subnational regulatory and fiscal complexity**: Particularly in Brazil and Argentina, operations may remain constrained by **internal taxes, local technical regulations, logistics, customs**, and administrative lead times, regardless of tariff reductions.

- **Public procurement and public-private partnerships**: Market liberalization does not waive eligibility criteria, integrity standards, or local regulations; rather, it underscores the importance of **entry strategies**, local partnerships, contractual structuring, and risk management.

- **Macroeconomic volatility and exchange rate regimes**: Even with preferential access to the EU, **profitability and the repatriation of profits may be impacted**

by currency volatility, capital controls, transfer restrictions, exchange rate gaps, and inflation.

- Effective tariff preferences depend on **strict compliance with rules of origin, documentary traceability, and the ability to certify inputs and processes**. Companies with complex regional supply chains or extra-regional inputs may face limitations in harnessing the Agreement's full benefits.

- **Environmental and sustainability clauses:** Duties related to the environment, deforestation, labor rights, and due diligence **raise the bar for compliance**. **These require reporting and third-party oversight, potentially creating reputational and contractual risks**. For many firms, this translates into additional investment in systems, auditing, and corporate governance.

Approval and implementation process

EUROPEAN UNION

For the European Union, the Mercosur agreement is far more than a mere trade deal; it represents a commitment to forging a genuine partnership with the region. As such, it encompasses not only trade issues but also political and cooperation pillars. This broad scope requires the integration of exclusive EU competences, such as trade policy, alongside the individual competences of Member States, characterizing it as a 'mixed agreement.'

As a **mixed agreement**, the EU–Mercosur Agreement requires a two-tier approval process at both the European community level and the Member State level. The **trade component** of the agreement must be approved within the framework of the European Union through the procedure established in Article 218 of the Treaty on the Functioning of the EU, which mandates that the **Council adopt the decision to sign**, the **European Parliament grant its consent**, and subsequently, the **Council itself adopt the decision to conclude the agreement on behalf of the Union**. Advancing through this stage requires a **qualified majority within the Council**.

On the other hand, the **political pillar** of the agreement, which includes, among other elements, **the cooperation funds that the European Union will allocate to offset trade**

concessions, requires individual approval from each of the 27 Member States, in accordance with their respective internal constitutional procedures. In most cases, national parliaments and, in federal systems, regional chambers or subnational authorities need to intervene. Currently, France is withholding its approval, which limits progress at this stage. This situation makes it difficult to build the consensus required to complete the ratification process.

To accelerate the commercial benefits and circumvent delays inherent in the 27-member ratification process, the European Commission proposed that, alongside the EU-Mercosur Association Agreement, a separate **Interim Trade Agreement (iTA)** be signed. This interim mechanism requires only a qualified majority in the EU Council. It will take effect immediately upon approval by the European Parliament and ratification by Mercosur countries, enabling the commercial impact to materialize with less delay, potentially as early as 2026.

It is important to note that regarding exclusive EU competencies, such as trade, Council decisions are binding for all members, including those that dissent. This is rooted in the principle of **institutional loyalty** under Article 4(3) of the Treaty on European Union, which mandates that Member States implement common policies rather than obstruct them.

Consequently, **once the iTA is provisionally applied following approval by the European Parliament and ratification by Mercosur, it generates legal obligations across the entire EU**, including reduced tariffs, rules of origin, and trade facilitation. **No individual state can unilaterally decide to "opt out" of the agreement's implementation**, and violations could result in infringement proceedings before the Court of Justice of the EU.

MERCOSUR

Unlike the European Union, Mercosur lacks a **supranational institutional** framework with the authority to make international agreements on behalf of the entire bloc. In practice, **treaties are signed and ratified individually by each member state**, as has been the case with other trade agreements negotiated at the Mercosur level. Therefore, the instrument with the European Union will only become legally binding for Mercosur once all its members have completed their respective internal procedures, despite the formal signing at the Heads of State Summit on December 20.

Following the definitive signing, **each Mercosur state must undergo its own constitutional process to finalize the treaty**. This includes submitting the agreement to their respective legislative branches; securing parliamentary approval, which constitutes the most complex stage and is subject to delays; ratification by the Executive Branch; and the formal notification of compliance to the other member states and the European counterpart.

It is important to emphasize that, **until ratification is complete, the act of signing does not create substantive compliance obligations, but rather represents a commitment not to frustrate the object and purpose of the treaty**. During this stage, any member state may declare its intention not to be bound by the agreement, which would halt its internal process without incurring international liability.

The treaty can only take effect for Mercosur after it has been ratified by all member states and the final instrument of ratification has been deposited. Therefore, if any one of the countries rejects the treaty, it will prevent it from entering into force for the entire bloc.

Once signed and ratified by the four Mercosur member states and the European Union, the agreement will enter into full and simultaneous effect. This requirement for unanimity is rooted in Mercosur's nature as a customs union and the central role of the common external tariff, as established in Articles 1 and 2 of the Treaty of Asunción.

Nevertheless, **the future of the bi-regional agreement could unfold in two distinct scenarios**:

1. **Full and joint entry into force**: All member states conclude the signing and ratification process. The agreement enters into effect for all four countries simultaneously, preserving the bloc's institutional coherence and its function as a customs union.

2. **Incomplete ratification and differentiated bilateral validity:** One or more Mercosur states decide not to sign or ratify the agreement. While this scenario would block entry into force for the bloc as a whole, the possibility of applying the deal bilaterally between the EU and the states that do ratify it has been raised. This exceptional solution would have profound political and economic consequences, as it would undermine Mercosur's *raison d'être* as a customs union and could introduce commercial asymmetries within the bloc itself.

Closing considerations and questions

The EU–Mercosur agreement stands as a transformative milestone for both blocs, redefining their international roles and strengthening mutual ties, while cementing European strategic autonomy. However, this hard-won political breakthrough is only the first step; significant work remains to ensure successful ratification and overcome the obstacles to its effective application.

For companies, the agreement offers a **historic opportunity for preferential access to highly demanding, sophisticated, and diverse markets. However, it also demands a deep adaptation agenda: industrial competitiveness, sustainability, traceability, logistics, and certifications will be critical variables in this new commercial landscape**. On the political front, both the European Union and Mercosur must manage internal environmental or productive tensions that could influence the pace and scope of implementation.

To capitalize on these opportunities and mitigate risks, it will be essential for companies to strategically address the following challenges:

- **Monitoring the political and implementation environment.**
  Maintaining constant oversight of political and legislative dynamics in both the EU and Mercosur, as well as regulatory shifts. This includes understanding ratification timelines, the conditions imposed by each party, and possible fluctuations that could influence the agreement's entry into force.

- **Strategic impact and opportunity assessment.**
  Conducting a deep analysis of how the agreement will alter the competitive landscape. This involves identifying sectors and products with the highest growth potential, as well as pinpointing market niches and studying strategic alliances for expansion.

- **Regulatory and Operational Adaptation.**
  Ensuring full compliance with European regulations, both current and those expected in the coming years, particularly regarding environmental, sanitary, and phytosanitary standards, as well as traceability. This will require adjusting production processes, certifying products, and, in some cases, reconfiguring logistics and supply chains.

- **Investment analysis and sustainable business models.**
  Planning the necessary investments for technological adaptation and productive modernization. Furthermore, sustainability must be integrated as a core pillar of the business model, exploring green financing sources and responding to the growing demand for responsible products and processes.

- **Readapting the value proposition and building reputation.**
  It will be crucial to understand the cultural nuances and consumption habits of each market to adapt formats, presentations, and value propositions. Simultaneously, investing in the active construction of a solid reputation based on quality, sustainability, and compliance will be essential to drive demand and ensure a successful, lasting entry.

In this scenario, effective reputation management will be crucial. Ultimately, the success of the agreement will depend on the **ability of states, and particularly the private sector, to anticipate risks, expedite productive transformation, and secure the necessary financing to meet global standards**. In the end, the success of the agreement will not be defined solely in the parliaments that must approve it, but in the **strategic response of the economic stakeholders who must transform this trade opening into investment, innovation, and new development opportunities**.

The fundamental question remains: will both blocs be able to transform this initiative into a catalyst for openness, prosperity, sustainable competitiveness, and long-term cooperation? Or will it once again become entangled between internal resistance and an increasingly volatile global landscape? While the signing of the EU–Mercosur Agreement may mark the start of a new era, its ultimate success will depend on the long-term commitment of economic stakeholders on both sides of the Atlantic.

LLYC
IDEAS

Authors

Juan Ignacio Di Meglio
Senior Director of Corporate Affairs, LLYC Argentina

jdimeglio@llyc.global

Pablo Rupérez Pascualena
Director of European Affairs, LLYC

pablo.ruperez@llyc.global

Marcelo Chubaci
Associate Director of Public Affairs, LLYC Brazil

marcelo.chubaci@externos.llyc.global

Lucía Tombesi
Senior Consultant, Corporate Affairs, LLYC Argentina

lucia.tombesi@llyc.global