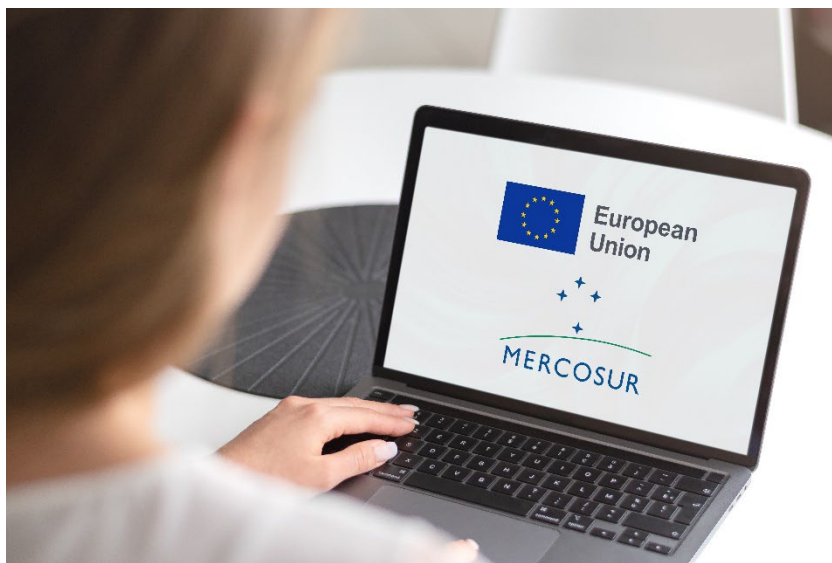


STUDY

Requested by the INTA committee



An update on the economic, sustainability and regulatory effects of the trade part of the EU-Mercosur Partnership Agreement



Authors:

Jan HAGEMEJER, Peter-Tobias STOLL, Bettina RUDLOFF
and Kristina MENSAH

European Parliament coordinator:

External Policies Analysis and Support Unit



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STUDY

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ABSTRACT

This report assesses the economic, sustainability and regulatory effects of the trade part of the EU–Mercosur Partnership Agreement (EUMETA), with a focus on developments between the 2019 and 2024 revisions of the agreement. In our assessment, the macroeconomic effects of the agreement remain positive albeit moderate, with most of the gains concentrated in the EU industry.

Developments since the 2019 and 2024 iterations of the EUMETA have significantly reduced sustainability-related risks. On the EU side, a suite of unilateral measures reinforces deforestation-free product standards, thereby mitigating potential climate effects, and bolsters labour rights across international value chains, independently of any trade agreement. Meanwhile, CO₂ emissions in Mercosur countries have fallen and deforestation rates have declined. Against the backdrop of escalating global trade tensions, the economic and political benefits of EUMETA appear to outweigh the remaining risks. These risks are being managed both through safeguards built into EUMETA and through an array of other instruments beyond the agreement (agricultural support fund and unilateral sustainability measures).

AUTHORS

Jan Hagemeyer, President, CASE Center for Social and Economic Research (CASE), Poland, Associate Professor, University of Warsaw, Poland

Peter-Tobias Stoll, Chair for Public and International Law, and Director for Institute for International Law and European Law, Department for International Economic and Environmental Law, University of Göttingen, Germany

Bettina Rudloff, Senior Associate, German Institute for International and Security Affairs (SWP), Germany

Kristina Mensah, Research Associate, University of Hohenheim, Germany

RESEARCH ASSISTANTS

Hanna Hümmelgen, Graduate Student at Freie Universität Berlin/ Intern at German Institute for International and Security Affairs (SWP), Germany, Germany

Pascal Dinda, Research Assistant, University of Innsbruck, Austria

PROJECT COORDINATORS

Andreas Maurer, University of Innsbruck, Austria

Thomas Walli, University of Innsbruck, Austria

This paper was requested by the European Parliament's Committee on International Trade (INTA).

The content of this document is the sole responsibility of the authors, and any opinions expressed herein do not necessarily represent the official position of the European Parliament.

CONTACTS IN THE EUROPEAN PARLIAMENT

Coordination: Rasma KASKINA, External Policies Analysis and Support Unit

Editorial assistant: Balázs REISS

To give feedback or obtain copies, please write to exas@europarl.europa.eu.

VERSION

English-language manuscript completed in June 2025.

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This paper will be published on the European Parliament's online database, '[Think Tank](#)'.

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List of abbreviations

CBAM	Carbon Border Adjustment Mechanism
CGE	Computable general equilibrium
CN8	Combined Nomenclature 8-digit
EU	European Union
EUCSDDD	EU Corporate Sustainability Due Diligence Directive
EUDR	EU Regulation on Deforestation-free products
EUMETA	EU-Mercosur Trade Agreement
GDP	Gross domestic product
GIs	Geographical Indications
GTAP	Global Trade Analysis Project
HDI	Human Development Index
NDCs	Nationally determined contributions
PPI	Producer Price Index
RCA	Revealed Comparative Advantage
SDG	Sustainable Development Goal
SDSN	Sustainable Development Solutions Network
SIA	Sustainability Impact Assessment
TRQ	Tariff rate quota
TSD	Trade and sustainable development
UN	United Nations
WTO	World Trade Organization

Executive summary

The EU-Mercosur Trade Agreement 2024 is expected to achieve moderate economic gains for both parties. For the EU, EUMETA is predicted to increase GDP by 0.1% and welfare equivalently, supported by a rise in trade flows. Mercosur countries are projected to see relatively larger economic benefits, with a 0.3% increase in GDP. The asymmetry primarily stems from differing levels of exposure to bilateral trade between the two groups of partners. In the EU, key sectors such as machinery, transport equipment, and chemicals are expected to benefit from expanded export opportunities resulting from the reduction of tariffs and non-tariff barriers. On the Mercosur side, the main beneficial effects are expected to be seen in the agri-food trade.

Key changes in the trade chapters agreed on in 2024 include sectoral adjustments to tariff schedules. The revised vehicle tariff elimination schedules introduce more extended liberalisation periods for electric and hydrogen-fuelled vehicles, with immediate tariff reductions offering an advantage to EU exports relative to competitors. A specific annex for bilateral vehicle safeguards adds flexibility, allowing action based on 'material injury' rather than the stricter 'serious injury' threshold. This accommodates the concerns of domestic industries amid trade liberalisation.

The agricultural sector remains a key area of both opportunity and concern under EUMETA 2024. EUMETA maintains robust protective mechanisms for sensitive products, such as beef, pork, and soy, with provisions like tariff rate quotas (TRQs) that limit imports at reduced tariffs to safeguard EU farmers. For example, the TRQ for beef imports caps volumes at 99 000 tonnes annually at a reduced tariff of 7.5%, ensuring that market disruption remains minimal. Production losses in the EU beef sector are estimated to be less than 1%, highlighting the effectiveness of these safeguards. Additionally, EUMETA's sustainability provisions and complementary measures, such as the European Union Deforestation Regulation (EUDR), address ecological risks, ensuring that increased agricultural trade does not exacerbate deforestation. Together with a proposed EUR1 000 million (EUR1 billion) agricultural adjustment fund, these protections form a 'triple safety net' designed to balance liberalisation with the preservation of EU agricultural competitiveness and ecological sustainability.

Environmental impacts (climate change, deforestation), social impacts (labour and human rights), and economic impacts can vary, mainly depending on trade and sectoral effects. Brazil remains the largest emitter of CO₂ in Mercosur, followed by Argentina, with Uruguay and Paraguay making only marginal contributions. Overall emissions have been relatively stable, with Brazil achieving a modest reduction in recent years. Regarding deforestation, EUMETA 2024 will assist Mercosur countries in complying with the EU's unilateral measures in this area, particularly the EUDR. Mercosur countries are relevant suppliers to the EU for many of the products covered by the EUDR. This new approach is expected to significantly reduce deforestation; however, it should be closely monitored, as the evaluation of the EUDR's effectiveness reveals an ambiguous pattern. Social disparities, as reflected in the United Nations Human Development Index (HDI) scores, where Argentina and Uruguay rank high and Brazil and Paraguay lag behind, point to differing capacities to implement labour and human rights commitments.

Establishing direct causal links between EUMETA 2024 and long-term sustainability outcomes will require in-depth, longitudinal analysis, underscoring the importance of ongoing, collaborative monitoring. Together with the EU Corporate Sustainability Due Diligence Directive (EUCSDDD), the Carbon Border Adjustment Mechanism (CBAM) and the EUDR, EUMETA 2024 fits into an integrated policy package to address sustainability risks within and beyond the trade framework.

In the context of escalating global trade tensions, the economic and political benefits of EUMETA 2024 outweigh the potential risks, as the built-in safeguards and complementary EU policies work together to promote sustainable development. It is important to note that trade tensions may ultimately also pose a risk to deforestation, not caused by EUMETA but by trade diversion initiated by the shift of US soy production, e.g., to Brazilian production to meet demand from China. In this respect, a bilateral framework such as EUMETA can provide a cooperative framework to support not only trade but also sustainability.

1 Introduction

On 6 December 2024, the European Union and Mercosur reached a political agreement on the EU-Mercosur Partnership Agreement (EUMETA 2024), whose trade-related components were subsequently made public by the European Commission. This agreement is the result of intense negotiations undertaken by the parties to develop further and improve an earlier political agreement reached in June 2019. The earlier political agreement and its potential effects have been subject to intense research and discussion. Inter alia, a study commissioned by the European Parliament has shed light on the 'trade aspects of the EU-Mercosur Association Agreement' (Hagemeyer et al, 2021). The recent changes to the agreement's text alone warrant a fresh look. However, a new assessment is even more necessary given shifts in the economic, social, regulatory and political context. This not only applies to the political situation within the Mercosur countries and in the EU, but also to the geopolitical situation. It is also true for the many changes and developments in view of the economic situation of the parties and their trade relations as well as in view of the social situation in the countries at hand. Furthermore, the regulatory environment has undergone significant changes, particularly with the adoption of several unilateral instruments by the EU, which aim to promote sustainability in international trade. These include CBAM, EUDR, and the EUCSDDD.

In this study, the likely effects of EUMETA 2024 will be seen from the perspective of today's economic, environmental, social, regulatory and political situation. In doing so, a set of different methods is employed according to the respective issues and questions at hand. Based on the findings of the various chapters, some general conclusions and policy recommendations are drawn. The study and its views of the potential effects are complemented by 'A comprehensive analysis of the updated trade part of the EU-Mercosur Partnership Agreement', where the diverse text elements of the current political agreements are analysed with regard to the earlier 2019 version, which is published separately¹.

2 Economic effects

2.1 Trade in goods

2.1.1 Trade developments and bilateral importance

Merchandise trade between the EU and the Mercosur group has grown substantially in nominal terms since 2020, when it reached a historical minimum at EUR 38.8 billion in exports and EUR 36.7 billion in imports. In 2024, exports totalled EUR 55.2 billion and imports reached EUR 56.0 billion, representing a 55.5 % and 56.0 % increase, respectively, since 2020. However, this significant increase occurred mainly during the rebound from the COVID-19 pandemic in 2021 and 2022, after which both imports and exports stalled and even decreased, in particular in the latter case (see Figure 1).

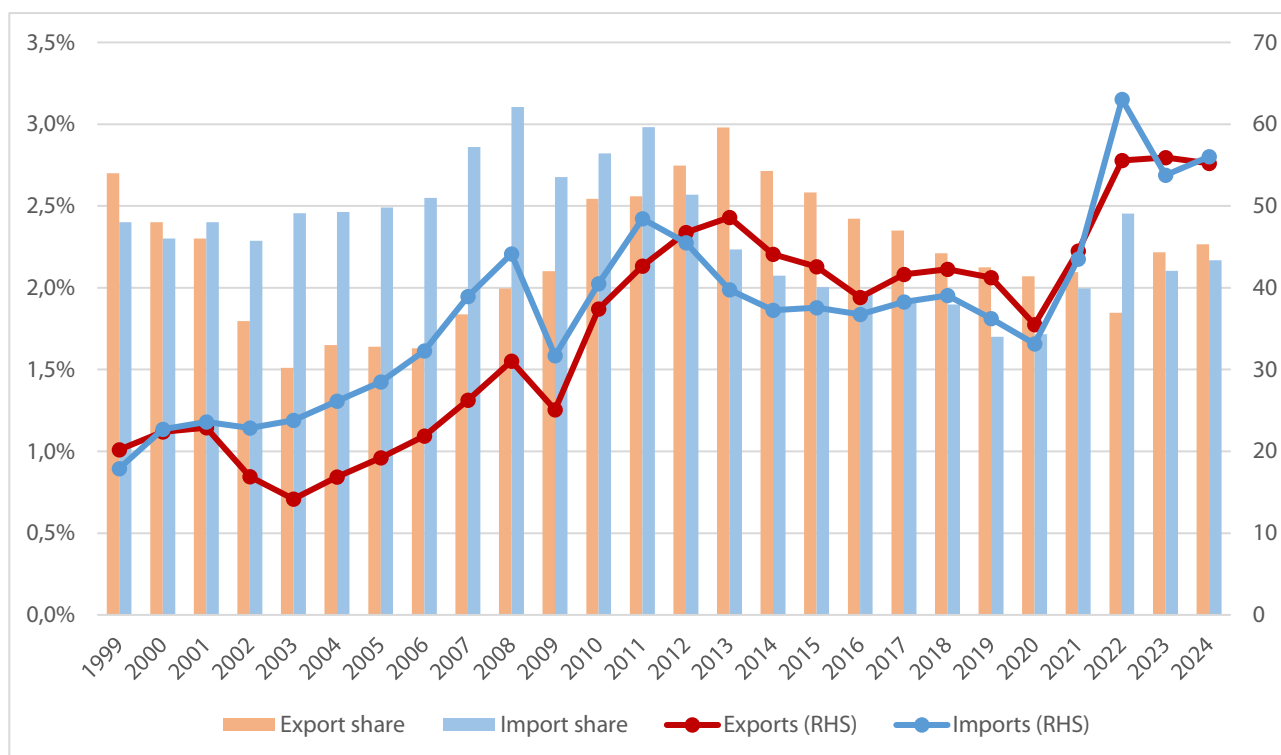
¹ [https://www.europarl.europa.eu/RegData/etudes/STUD/2025/754477/EXPO_STU\(2025\)754477_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2025/754477/EXPO_STU(2025)754477_EN.pdf)

Over a longer timeframe, EU exports to Mercosur have grown little during the last ten years, nominally speaking. For example, relative to the previous peak of exports in 2013, they only grew by 13.6 %, which, taking into account the change in the price level over the same period, means that the volume of EU exports to Mercosur is likely to have been falling since 2013.

In 2024, the share of exports to Mercosur accounted for 2.3 % of total EU exports, reflecting an increase of 0.2 percentage points (pp.) since 2020, which corresponds to a slight growth in importance. However, it is only 0.1 pp. higher than in 2019 and considerably lower than in 2013 to 2014. Therefore, the importance of Mercosur as an export destination for the EU has remained stable with no visible growth tendencies.

On the import side, growth tendencies have shown slightly stronger momentum. In 2024, imports from Mercosur accounted for 2.2 % of the EU’s total imports, marking an increase of 0.5 percentage points compared to both 2019 and 2022, which indicates a more pronounced relative growth than on the export side. Additionally, while the EU recorded a surplus in trade with Mercosur during most of the 2010s, it registered a small deficit of approximately EUR 0.8 billion in 2024.

Figure 1. EU-Mercosur trade (EUR billion) and share of Mercosur in total EU exports and imports



Source: Eurostat COMEXT, the shares correspond to the extra-EU trade only.

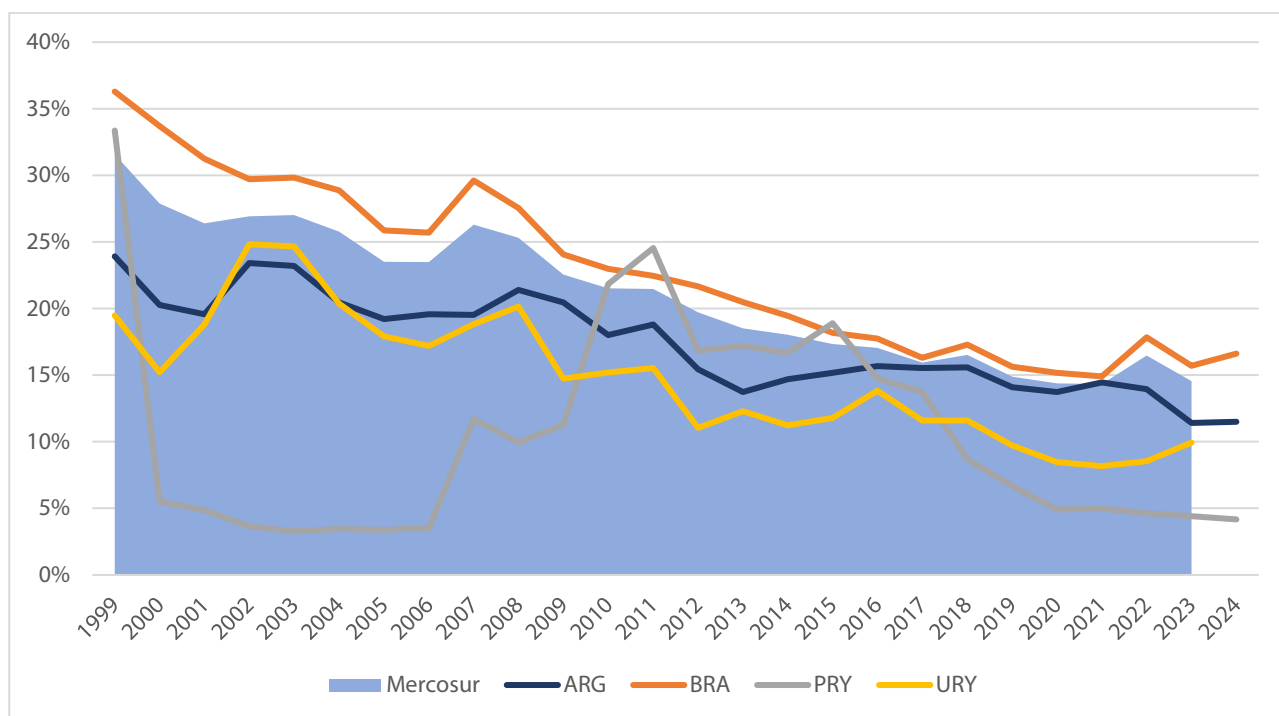
Overall, the modest significance of Mercosur in extra-EU trade contrasts with the substantial share of exports to the EU in Mercosur’s overall trade. The EU is a crucial destination for Mercosur’s products. In 2023, the EU accounted for 14.5 % of Mercosur’s total exports. Of the four members, Brazil’s share was the highest at 16.6 %, followed by Argentina (11.5%), Uruguay (10.0 %) and Paraguay (4.1%). However, the observed shares have been declining for an extended period (Figure 2), roughly stabilising at the levels seen in 2019–2020. Since then, the trade involvement of

the Mercosur countries with the EU appears to be diverging, with Brazil’s and Uruguay’s exports to the EU gaining importance while those of Argentina and Paraguay are decreasing.

Concerning the significance of Mercosur imports from the EU, the historical data reveals a somewhat different picture. Firstly, imports from the EU represent a greater share of Mercosur’s total imports, accounting for 20.4 % in 2023 (Figure 3). In 2024, Brazil’s imports from the EU constituted 21.0 %, followed by Argentina at 17.2 %, Uruguay at 15.0 % (2023), and Paraguay at 7.7 %. Compared to 2020, these shares have declined by approximately 1 pp. in each case.

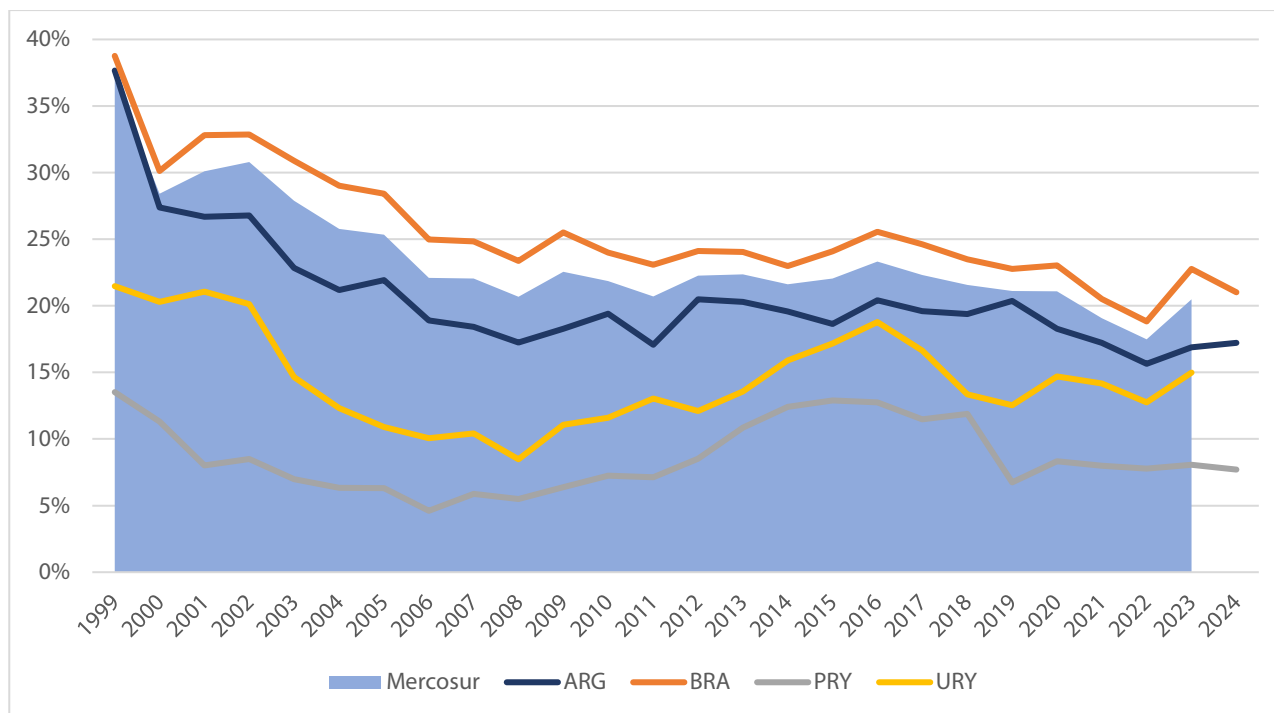
While the overall significance of the EU as an import source has also diminished in recent years compared to what it was a decade ago, the trend does not appear to be as pronounced as it is in the case of Mercosur’s exports to the EU. Over the last 25 years, the EU has lost more than half of its stature as Mercosur’s export destination, whereas its role as a source of imports has decreased by approximately one third. In both instances, the changes in the period from 2019 to 2024 are not substantial.

Figure 2. Share of Mercosur’s exports to the EU in its total exports



Source: UN Comtrade, the shares correspond to total Mercosur and Mercosur members trade, data for Uruguay unavailable for 2024.

Figure 3. Share of Mercosur’s imports from the EU in its total imports



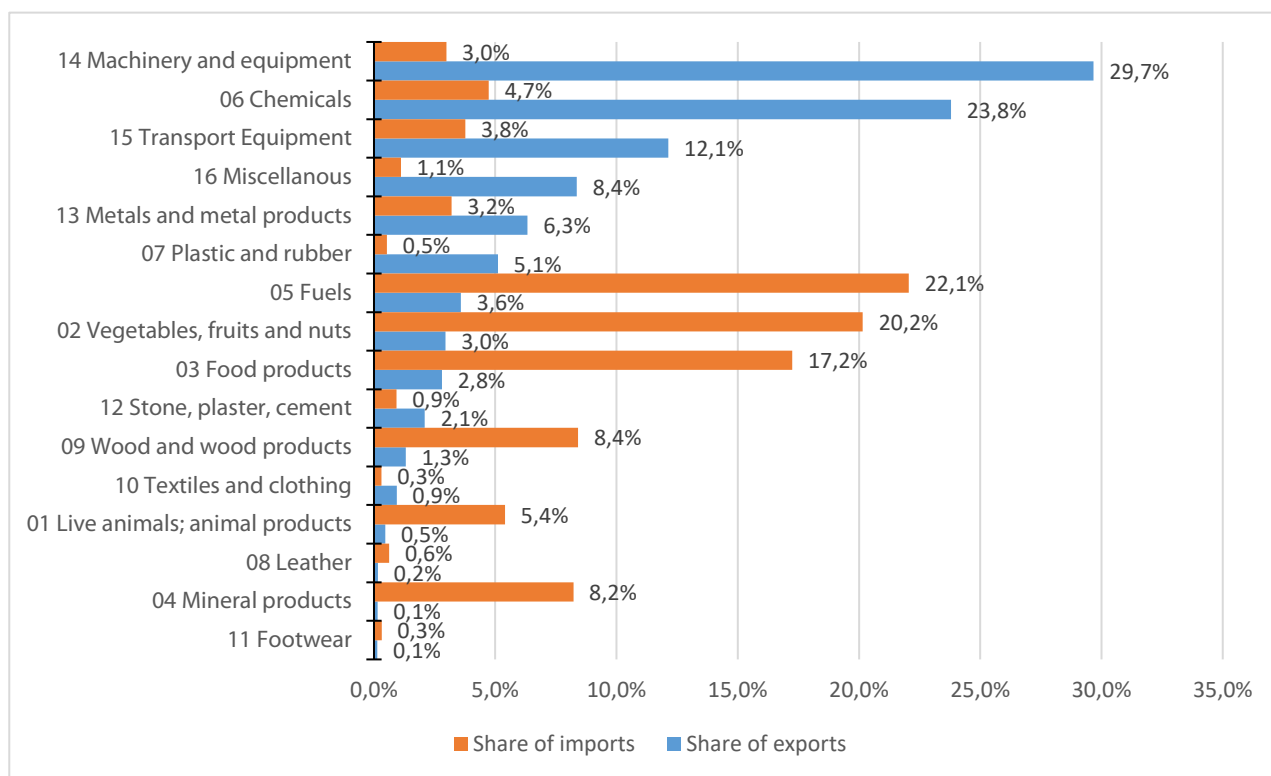
Source: UN Comtrade, the shares correspond to total Mercosur and Mercosur members trade, data for Uruguay unavailable for 2024.

2.1.2 Product structure of trade and comparative advantages

Regarding the product structure of EU-Mercosur trade, there have not been any significant changes compared to the data from 2019 analysed in the 2021 study. The three main export categories of the EU (in decreasing order) continue to be machinery and equipment, chemicals, and transport equipment. In these categories, the share of machinery and equipment has increased slightly, whereas the shares of the other two top categories have declined. There have not been any notable changes in the importance of the other categories; the order of importance of different products remains roughly the same, with the exception of a rise in the significance of vegetables, fruits, and nuts relative to other sectors. EU exports continue to concentrate on the top three components, which together account for 65.6 % of the total.

When comparing the export structure to the import structure, one can observe a pattern that aligns with the neoclassical view of international trade based on comparative advantages; namely, there is a low degree of overlap between exports and imports, which is unlike, for example, intra-EU trade (see, e.g., Ito & Okubo, 2012). The top three categories (which collectively account for 59.4 % of imports in 2024) include fuels, vegetables, fruits and nuts, as well as food products. Therefore, Mercosur is, on the one hand, primarily an exporter of goods closely related to its national resources, including agricultural and food products, as well as minerals and fuels. On the other hand, the EU primarily focuses on exporting industrial products.

Figure 4. Product structure of EU exports and imports to/from Mercosur in 2024



Source: Eurostat COMEXT.

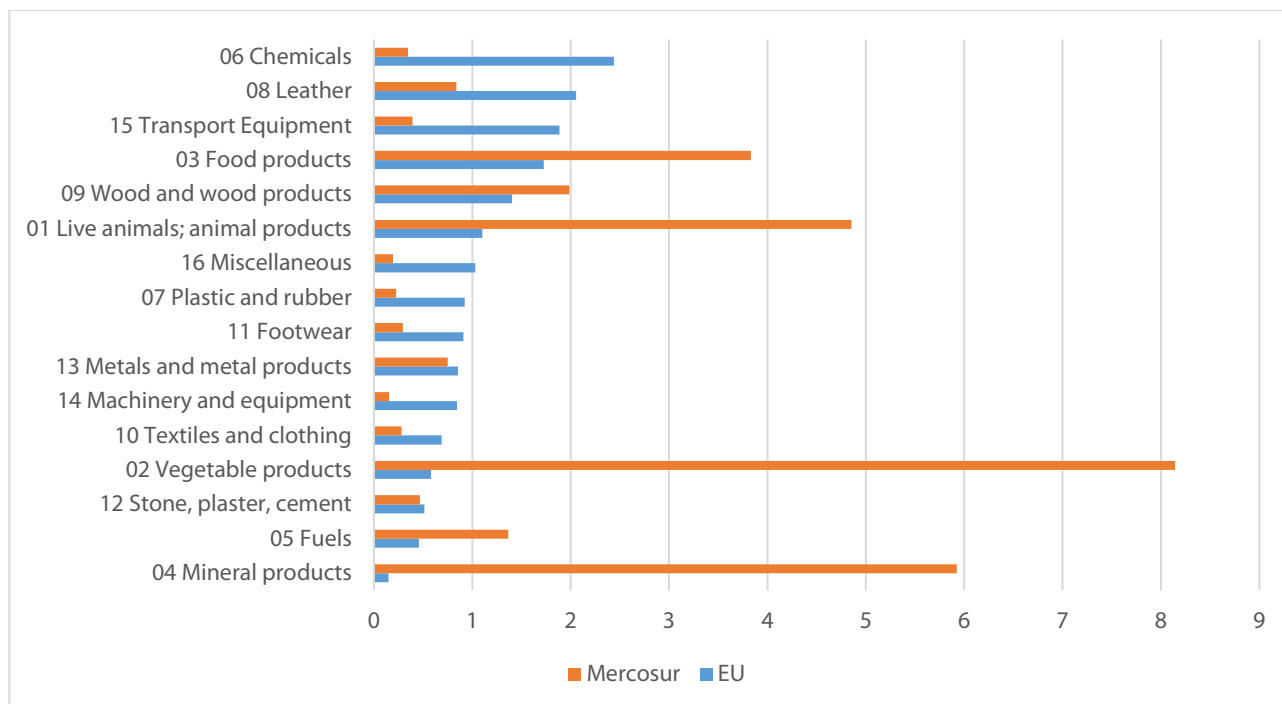
The trade pattern above only partially aligns with the revealed comparative advantages (RCA) of the EU and Mercosur in global markets (shown in Figure 5)². For example, transport equipment and chemicals exhibit high comparative advantages in EU exports. They also rank among the top three groups mentioned earlier. However, the leading product is machinery and equipment, and the EU holds a comparative advantage in the world market for this specific group of products taken as an aggregate³. Furthermore, although Mercosur lacks a comparative advantage in leather, the significance of EU imports of leather from Mercosur surpasses that of EU exports.

There are three groups of products in which both the EU and Mercosur have comparative advantages. These include food products, wood, and live animals and animal products. While both parties are particularly significant exporters of agri-food products, the large difference in the size of the RCA indicators illustrates the degree of concentration of Mercosur's exports in these three categories. These sectors are also where bilateral competition will be the strongest, which is further reflected in the overall limited degree of liberalisation anticipated in EUMETA.

² RCA compares the share of a given products in a country's exports to a world share of the same product in world's exports (excluding the given country). When RCA is above one it indicates presence of comparative advantage, if it is below one, a lack of comparative advantage (see also Hagemeyer et al., 2021)

³ Of course, while the aggregate does not show an RCA, it may be the case that more narrowly defined products within that aggregate can show a comparative advantage in the EU.

Figure 5. Revealed comparative advantages, 2023

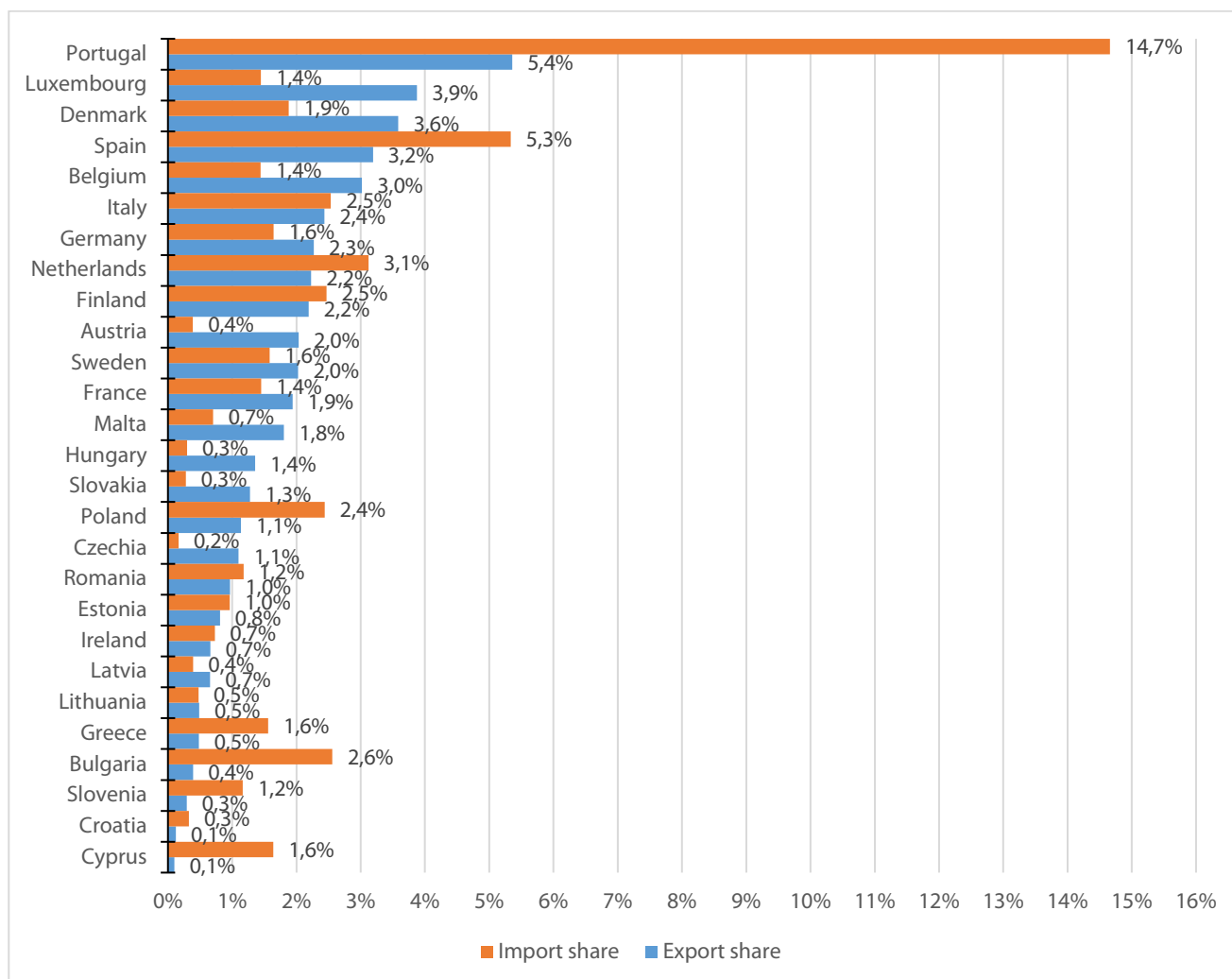


Source: Own figure based on UN Comtrade, $RCA < 1$ – no comparative advantage, $RCA > 1$, comparative advantage in extra-EU, extra-Mercosur market, respectively.

2.1.3 Member states trade in goods and trade complementarity

EU member states differ in their involvement in trade with Mercosur members. Spain and Portugal are among the top four exporters and are the top two importers. In the case of these countries, the standard determinants of trade offered by economic theory are certainly in play, i.e., common language, common colonial past, social networks built by migrants (Gould, 1994; Head & Ries, 1998; Peri & Requena Silvente 2009; Rauch & Trindade, 2002) which translate into similar consumer preferences and facilitation of establishing trade connections, as well as distance (Yotov et al., 2016). Other countries with an overall high share of extra-EU exports to Mercosur include mostly countries that are pre-2004 members of the EU (EU-14), except for Ireland. Moreover, Figure 6 shows that the shares in extra-EU exports tend to be considerably higher in the EU-14 than in the member states that joined the EU from 2004. For example, Poland's share of exports to the EU was approximately 74 %, while the Czech Republic's was 79.3 %, and in Germany, it was 54.4 % in 2024. Therefore, the impact of EUMETA is likely to be greater in the EU-14 than in the rest of the EU.

Figure 6. EU MS shares of exports and imports to/from Mercosur in total imports and exports, 2024



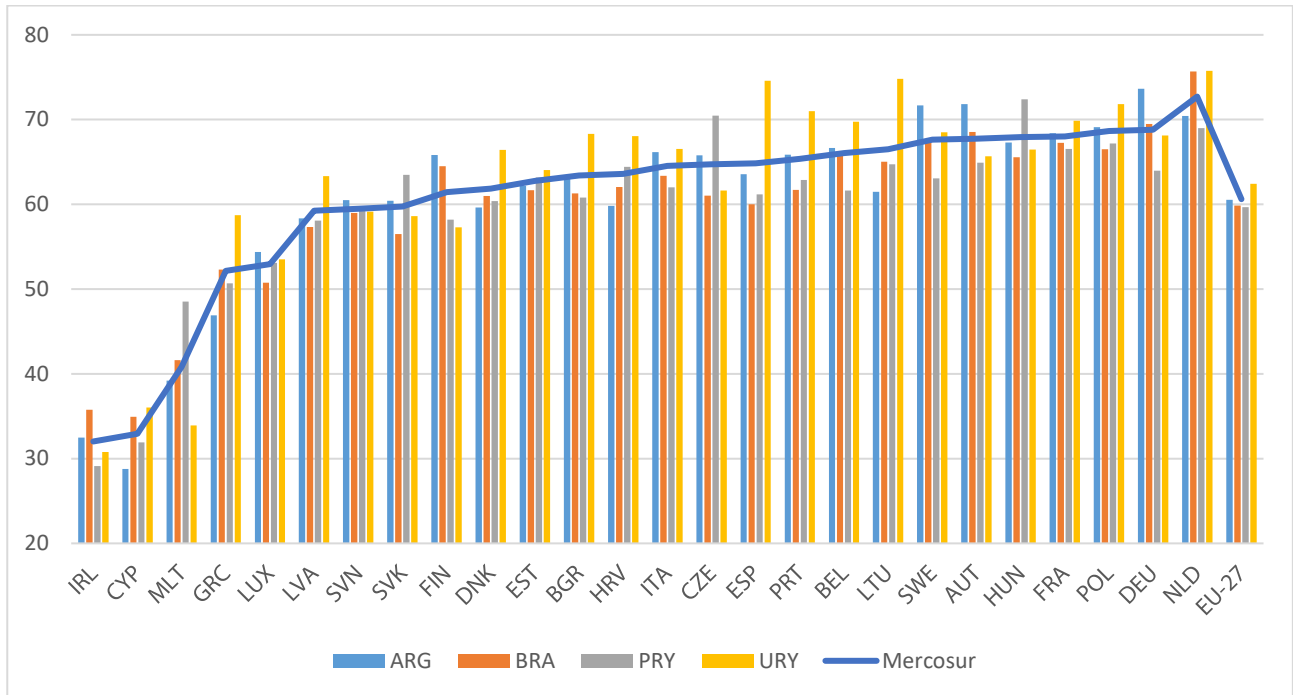
Source: UN COMTRADE, shares in extra-EU imports

In order to analyse the trade expansion potential, we perform a trade complementarity analysis (see UNCTAD & WTO, 2012). This is achieved through an analysis of the total exports of each EU Member State, at a detailed product level (Harmonised System 6-digit, encompassing over 5,000 products), compared to the structure of imports from Mercosur. The indicator displays the coverage of the overlap between the two structures – 100 % means identical, while 0 % means no overlap. If the percentage of overlapping trade is high, then a trade agreement presents more potential for trade expansion than otherwise. The analysis covers overall exports and imports, not bilateral imports. For example, a product may be exported from an EU member state and imported into a Mercosur country, but there may not be a bilateral link between the two countries, indicating unexploited trade potential.

The results of the analysis of EU exports (Figure 7) indicate a high average degree of overlap within the EU, reaching 60 % in 2023. However, differences exist among EU members: Ireland, Cyprus, Malta, and Greece exhibit a low degree of overlap. The countries with the highest trade compatibility with Mercosur are the Netherlands, Germany, Poland, France, and Hungary. Nevertheless, the differences between countries are not particularly substantial, suggesting significant unexplored trade potential, especially for the member states that joined the EU in 2004,

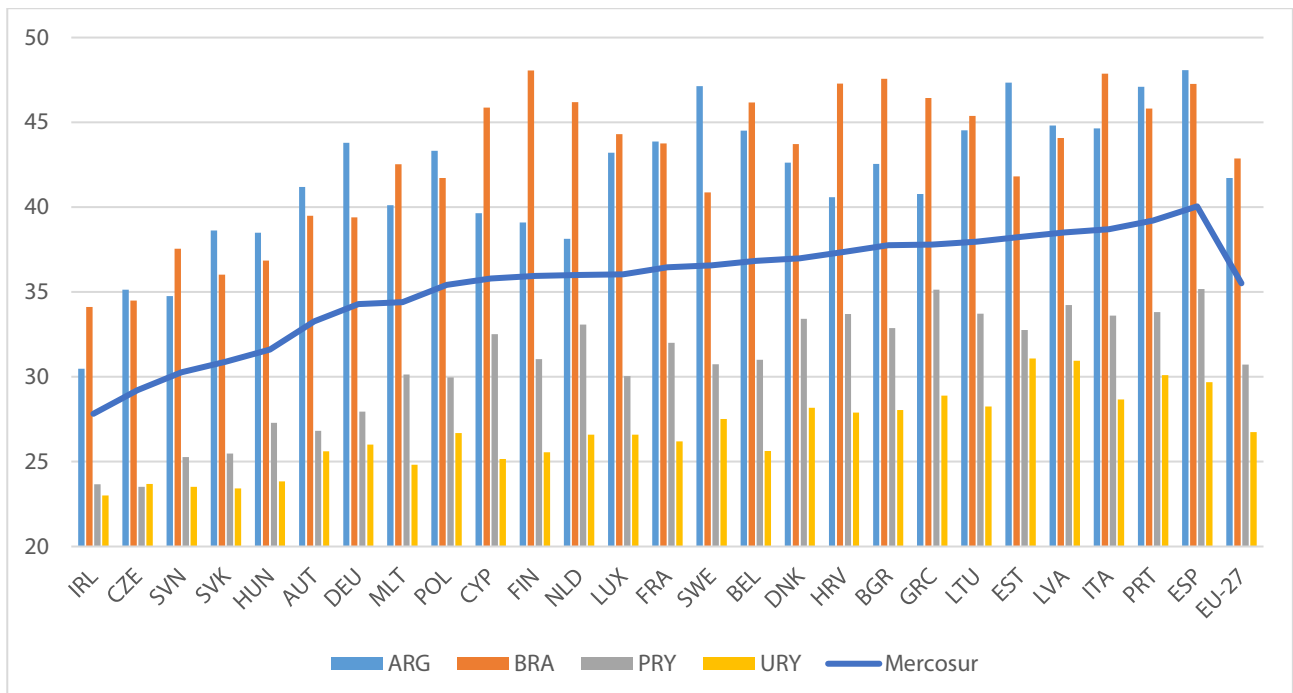
particularly those from Central and Eastern Europe. Their export structure is highly compatible with Mercosur imports, while trade shares remain low. This analysis is also crucial, as such unexplored potential is unlikely to be revealed by the macroeconomic modelling results presented further in this study.

Figure 7. Trade complementarity indicators, EU exports coverage of Mercosur imports, 2023



Source: World Bank

Figure 8. Trade complementarity indicators, Mercosur exports coverage of EU imports, 2023



Source: World Bank

A similar analysis of the compatibility of Mercosur exports with EU imports (Figure 8) leads to slightly different conclusions. First of all, the Mercosur countries are significantly diversified in their trade compatibility with EU imports, with Argentina and Brazil demonstrating a higher degree of compatibility than Paraguay and Uruguay. Moreover, the overall level of indicators is considerably lower than that found for EU member states. This largely arises from the specialisation of Mercosur exports in a few product categories, as indicated in the previous analysis. While the EU member states can benefit from diversified exports to Mercosur, Mercosur countries do not have the same opportunity in their exports to the EU.

2.2 Macroeconomic effects

2.2.1 Simulation assumptions

In this study, we update the macroeconomic simulations conducted for the 2021 study. We utilise the Global Trade Analysis Project (GTAP) model, which is a widely used computable general equilibrium (CGE) model designed to analyse international trade policies and their economic impacts. Developed by the Center for Global Trade Analysis at Purdue University, the GTAP model incorporates detailed data on global trade, production, and consumption across multiple regions and sectors. It enables researchers and policymakers to simulate the effects of trade agreements, tariffs, and other policy changes on economies. We employ the accompanying GTAP 11c database for the simulations.

We perform so-called comparative statics, i.e. compare the model solution before applying the liberalisation scenario with the model solution after the liberalisation scenario is imposed. We assume that factors of production (labour and capital) can move freely across sectors (except land, which is fixed in its agricultural use), and that the long-run capital stock can adjust depending on the degree of economic activity, as outlined in Francois & McDonald (2000). Therefore, the results presented should be interpreted as the long-term effects of the agreement once all changes to trade policy are implemented and their effects materialise.

In our simulation, we model tariff removal on both sides, incorporating the schedules of EUMETA 2024. Table 1 provides a detailed overview of the effective tariff structures in the trade relationship between the EU and Mercosur, highlighting notable differences in tariff levels and sectoral characteristics.

On average, the EU applies a lower level of tariff protection on imports from Mercosur compared to the tariffs Mercosur imposes on EU exports. For instance, the EU's simple average tariff rate on Mercosur imports remains modest, whereas Mercosur's tariffs on EU exports are significantly higher, often exceeding 13 %. Furthermore, the share of duty-free lines in EU imports (e.g., over 70 % in certain sectors such as fuels and mineral products) is much greater than in Mercosur's (often below 10 %, with some industries being nearly duty-free).

Sectorally, the EU tariffs are particularly pronounced on agricultural products and food items, with a simple average rate of 11.5 % for food products; however, these remain broadly lower than Mercosur's rates on similar imports from the EU. For example, Mercosur imposes steep duties of 16.2 % on food products and up to 24.9 % on textiles and clothing, which are critical for EU exports.

Additionally, Mercosur maintains high tariff peaks, particularly in manufacturing sectors such as machinery and transport equipment, where EU exporters encounter duties exceeding 10 %. In contrast, EU tariffs in these areas are relatively low, averaging under 5 %, which represents a potential opportunity for EU exporters to expand into Mercosur markets if tariff reductions were enacted.

While the EU's tariffs on Mercosur imports show notable differences between agricultural and industrial goods, Mercosur maintains consistently higher levels of protection across sectors, particularly targeting key EU export categories. This asymmetry highlights the potential for negotiated tariff reductions to balance trade dynamics and promote deeper economic integration. Our simulation results also reflect this asymmetry.

Table 2 illustrates the planned EU tariff liberalisation under EUMETA, showcasing a phased approach to reducing tariffs across various product groups. The schedule highlights differing degrees of tariff removal, delay, or partial adjustment depending on the sensitivity of the product.

For live animals and animal products, a substantial portion of imports (69.6 %) falls under TRQs, while 9.5 % will see immediate complete tariff removal. Regarding 8-digit Combined Nomenclature (CN8) product lines, 52 % benefit from complete tariff removal, and 23.2 % are subject to TRQs.

Table 1. Effectively applied bilateral tariffs, 2023

Effectively applied EU tariffs on Mercosur exports								
Product	Simple average	Weighted average	St. dev.	Min. rate	Max. rate	Domestic peaks (% of lines)	International peaks (% of lines)	Duty free lines (%)
Live animals; animal products	6.5	7.7	5.9	0	23	12 %	4 %	12 %
Vegetable products	4.7	1.1	5.0	0	20.8	4 %	2 %	23 %
Food products	11.5	3.6	10.3	0	74.9	23 %	21 %	13 %
Mineral products	0.1	0.0	0.4	0	1.7	0 %	0 %	87 %
Fuels	0.4	0.0	0.9	0	3	0 %	0 %	70 %
Chemicals	3.7	3.9	2.8	0	12.8	0 %	0 %	33 %
Plastic and rubber	5.0	4.6	2.6	0	6.5	0 %	0 %	18 %
Leather	3.5	3.9	2.9	0	9.7	0 %	0 %	25 %
Wood and wood products	1.0	0.5	2.4	0	10	0 %	0 %	72 %
Textiles and clothing	9.1	3.2	3.2	0	12	0 %	0 %	2 %
Footwear	7.9	10.1	4.9	0	17	20 %	20 %	1 %
Stone, plaster, cement	3.4	0.7	3.5	0	12	0 %	0 %	23 %
Metals and metal products	2.4	1.0	2.3	0	10	0 %	0 %	40 %
Machinery and equipment	1.8	2.2	2.0	0	14	0 %	0 %	32 %
Transport Equipment	4.8	4.1	4.0	0	22	4 %	3 %	7 %
Miscellaneous	1.8	0.8	1.8	0	10.5	0 %	0 %	43 %
Effectively applied Mercosur tariffs on EU exports								
Product Name	Simple average	Weighted average	St. dev.	Min. rate	Max. rate	Domestic peaks (% of lines)	International peaks (% of lines)	Duty free lines (%)
Live animals; animal products	10.1	7.6	7.4	0	28	4 %	24 %	15 %
Vegetable products	8.7	10.0	5.2	0	35	1 %	2 %	14 %
Food products	16.2	17.0	5.1	0	35	1 %	60 %	1 %
Mineral products	3.8	3.8	0.9	0	6	0 %	0 %	2 %
Fuels	1.2	0.1	1.7	0	4	0 %	0 %	73 %
Chemicals	8.3	6.8	5.7	0	35	0 %	2 %	5 %
Plastic and rubber	13.1	11.4	6.5	0	35	0 %	38 %	5 %
Leather	20.0	22.0	6.2	2	35	7 %	80 %	0 %
Wood and wood products	11.6	11.0	5.5	0	35	0 %	32 %	9 %
Textiles and clothing	24.9	22.0	8.6	0	35	25 %	93 %	1 %

Footwear	24.4	31.6	7.0	0	35	23 %	98 %	1 %
Stone, plaster, cement	11.9	8.0	5.0	0	35	0 %	16 %	2 %
Metals and metal products	14.2	13.1	4.9	0	35	0 %	47 %	2 %
Machinery and equipment	10.5	11.3	7.5	0	35	0 %	28 %	26 %
Transport Equipment	13.5	15.9	8.1	0	35	3 %	46 %	15 %
Miscellaneous	13.2	11.4	8.5	0	35	2 %	45 %	23 %

Source: UNCTAD TRAINS database

In agriculture-related categories, vegetable products display one of the highest shares of complete tariff removal (86.9 % of imports), though 55.3 % of CN8 products are subject to delayed liberalisation. Similarly, food products undergo substantial liberalisation, with 69.3 % of imports eligible for full tariff removal and only 2.7 % under TRQs. However, 67.6 % of food product lines experience delayed tariff elimination.

For manufacturing and industrial sectors, liberalisation is more pronounced. Categories like mineral products and fuels enjoy near-complete tariff removal (100 % and 99.5 % of imports, respectively). Industrial goods such as machinery and equipment and metals also have high shares of full tariff removal (81.9 % and 88.9 % of imports, respectively). Conversely, in more sensitive sectors, such as transport equipment and footwear, delayed liberalisation dominates, with 88.2 % and 60.8 % of imports respectively experiencing phased tariff reductions.

Overall, the total trade liberalisation shows that 79.9 % of EU imports are subject to immediate complete tariff removal, while a smaller share (14 %) faces delays, and a modest proportion (5.1 %) falls under TRQs. The share of excluded products remains minimal at 0.6 %. This tiered approach reflects the EU's intent to balance liberalisation with the protection of its sensitive sectors.

Table 2. EU tariff liberalisation

EU imports Product group	Percentage of imports					Percentage of CN8 products				
	Full tariff removal	Delayed removal	Partial removal	TRQ	Excluded	Full tariff removal	Delayed removal	Partial removal	TRQ	Excluded
Live animals; animal products	9.5 %	20.6 %	0.0 %	69.6 %	0.3 %	52.0 %	13.2 %	1.8 %	23.2 %	9.7 %
Vegetable products	86.9 %	6.4 %	1.2 %	5.5 %	0.0 %	36.5 %	55.3 %	2.1 %	5.7 %	0.4 %
Food products	69.3 %	24.6 %	0.1 %	2.7 %	3.3 %	23.2 %	67.6 %	1.2 %	6.4 %	1.6 %
Mineral products	100.0 %	0.0 %	0.0 %	0.0 %	0.0 %	97.5 %	2.5 %	0.0 %	0.0 %	0.0 %
Fuels	99.5 %	0.5 %	0.0 %	0.0 %	0.0 %	86.7 %	13.3 %	0.0 %	0.0 %	0.0 %
Chemicals	41.2 %	58.6 %	0.0 %	0.1 %	0.0 %	33.7 %	65.1 %	0.1 %	1.1 %	0.0 %
Plastic and rubber	22.4 %	77.6 %	0.0 %	0.0 %	0.0 %	37.5 %	62.5 %	0.0 %	0.0 %	0.0 %
Leather	97.1 %	2.9 %	0.0 %	0.0 %	0.0 %	74.6 %	25.4 %	0.0 %	0.0 %	0.0 %
Wood and wood products	94.0 %	6.0 %	0.0 %	0.0 %	0.0 %	84.3 %	15.7 %	0.0 %	0.0 %	0.0 %
Textiles and clothing	72.4 %	27.6 %	0.0 %	0.0 %	0.0 %	6.0 %	94.0 %	0.0 %	0.0 %	0.0 %
Footwear	39.2 %	60.8 %	0.0 %	0.0 %	0.0 %	29.2 %	70.8 %	0.0 %	0.0 %	0.0 %
Stone, plaster, cement	94.7 %	5.3 %	0.0 %	0.0 %	0.0 %	67.0 %	33.0 %	0.0 %	0.0 %	0.0 %
Metals and metal products	88.9 %	11.1 %	0.0 %	0.0 %	0.0 %	80.7 %	19.3 %	0.0 %	0.0 %	0.0 %
Machinery and equipment	81.9 %	18.1 %	0.0 %	0.0 %	0.0 %	95.0 %	5.0 %	0.0 %	0.0 %	0.0 %
Transport Equipment	11.8 %	88.2 %	0.0 %	0.0 %	0.0 %	51.9 %	48.1 %	0.0 %	0.0 %	0.0 %
Miscellaneous	99.6 %	0.4 %	0.0 %	0.0 %	0.0 %	88.6 %	11.4 %	0.0 %	0.0 %	0.0 %
Total trade	79.9 %	14.1 %	0.3 %	5.1 %	0.6 %	54.3 %	40.7 %	0.4 %	3.4 %	1.1 %

Source: Eurostat Data, EUMETA 2024

Table 3. Mercosur tariff liberalisation

Mercosur imports Product group	Percentage of imports					Percentage of NCM products				
	Full tariff removal	Delayed removal	Partial removal	TRQ	Excluded	Full tariff removal	Delayed removal	Partial removal	TRQ	Excluded
Live animals; animal products	36.8 %	46.2 %	1.8 %	10.2 %	5.1 %	26.4 %	65.7 %	0.4 %	3.3 %	4.2 %
Vegetable products	32.9 %	61.5 %	0.0 %	0.1 %	5.5 %	44.6 %	52.2 %	0.0 %	0.2 %	3.0 %
Food products	2.0 %	83.3 %	0.0 %	8.4 %	6.3 %	18.5 %	66.1 %	0.0 %	4.0 %	11.4 %
Mineral products	0.4 %	99.6 %	0.0 %	0.0 %	0.0 %	4.4 %	95.6 %	0.0 %	0.0 %	0.0 %
Fuels	97.2 %	0.5 %	0.0 %	0.0 %	2.3 %	91.3 %	7.2 %	0.0 %	0.0 %	1.4 %
Chemicals	5.2 %	88.4 %	0.0 %	0.0 %	6.5 %	3.7 %	93.1 %	0.0 %	0.0 %	3.1 %
Plastic and rubber	0.6 %	56.3 %	0.0 %	0.0 %	43.1 %	1.2 %	83.3 %	0.0 %	0.0 %	15.5 %
Leather	0.0 %	9.1 %	0.0 %	0.0 %	90.9 %	0.0 %	36.3 %	0.0 %	0.0 %	63.7 %
Wood and wood products	9.6 %	77.6 %	0.0 %	0.0 %	12.8 %	2.8 %	59.3 %	0.0 %	0.0 %	37.9 %
Textiles and clothing	14.4 %	85.6 %	0.0 %	0.0 %	0.0 %	6.5 %	93.5 %	0.0 %	0.0 %	0.0 %
Footwear	0.0 %	71.8 %	0.0 %	0.0 %	28.2 %	1.4 %	32.9 %	0.0 %	0.0 %	65.7 %
Stone, plaster, cement	0.0 %	89.9 %	0.0 %	0.0 %	10.1 %	2.9 %	69.6 %	0.0 %	0.0 %	27.5 %
Metals and metal products	1.0 %	92.2 %	0.0 %	0.0 %	6.7 %	1.6 %	91.1 %	0.0 %	0.0 %	7.3 %
Machinery and equipment	14.1 %	79.1 %	0.0 %	0.0 %	6.8 %	15.9 %	78.4 %	0.0 %	0.0 %	5.7 %
Transport Equipment	9.7 %	87.1 %	0.0 %	0.0 %	3.2 %	14.9 %	65.1 %	0.0 %	0.0 %	20.0 %
Miscellaneous	16.0 %	71.8 %	0.0 %	0.0 %	12.2 %	13.8 %	63.9 %	0.0 %	0.0 %	22.3 %
Total trade	14.8 %	76.3 %	0.0 %	0.3 %	8.7 %	10.7 %	80.0 %	0.0 %	0.3 %	8.9 %

Source: Mercosur statistics, EUMETA 2024

Since our simulations encompass the entire scope and time horizon of liberalisation in sectors where immediate or delayed liberalisation applies, we remove all tariffs. In other sectors, we apply partial tariff removal, including the sectors where TRQs are present.

In addition to the removal of tariffs, we also transpose the EUMETA 2024 annexes on export duties and remove them accordingly in Argentina and Uruguay, where they apply. The policy scope for Brazil to apply potential export duties on raw materials partially covers the materials defined by the EU as highly relevant for the Green Deal and economically in general. (see the study "A comprehensive analysis of the updated trade part of the EU-Mercosur Partnership Agreement"). So far, Brazil has rarely applied this measure and never to minerals (WTO, 2022). Additionally, as the EU will benefit from preferential export tax rates if Brazil decides to impose them in the future, potential damages are limited.

We also impose lower non-tariff barriers (NTBs) on goods and services on the model. Here we follow LSE (2020) and introduce a reduction of tariff equivalents of NTBs based on an updated version of estimates of the initial levels of trade barriers for goods and services, adapted from Kee et al. (2009).

2.2.2 Macroeconomic and sectoral results

The macroeconomic outcomes of the computable general equilibrium simulation of EUMETA reveal moderate changes in key economic variables across the regions involved (Table 4). These results offer insight into the potential long-term economic implications of the agreement, particularly in terms of GDP, welfare, trade flows, wages, and returns to capital.

The economic impacts for the EU-27 are modest but positive. The simulation predicts a 0.1 % increase in GDP and welfare⁴, alongside marginal growth in overall imports (0.2 %) and exports (0.1 %). Real wages for skilled and unskilled workers rise slightly (0.1 %), with a negligible effect on the return on capital. Among member states, outcomes vary. Belgium and the Netherlands see relatively higher gains in welfare and returns to capital compared to other countries, likely due to their trade-intensive economies. Germany and Italy benefit from moderate increases in trade flows (imports and exports rise by 0.3 % and 0.2 %, respectively), aligning with their roles as major EU exporters. For smaller economies like Portugal and Slovenia, gains are driven by sectoral specialisation, particularly in exports, where they see increases of 0.4 % and 0.2 %, respectively. Conversely, countries such as Cyprus, Greece, and Lithuania experience negligible changes, reflecting their limited trade ties with Mercosur. These results are similar in size to those obtained by LSE (2020) and, e.g., Timini & Viani (2022).

Mercosur as a bloc experiences relatively larger economic benefits compared to the EU. The simulation indicates a 0.3 % increase in GDP and a 0.2 % rise in welfare (as a percentage of GDP). These gains are primarily driven by an expansion in trade, with imports and exports increasing by 3.1 % and 3.6 %, respectively. Skilled and unskilled workers experience real wage increases of 0.3 % and 0.4 %, respectively. Among individual countries, Argentina leads with a 0.4 % GDP increase. Brazil sees moderate gains in GDP (0.3 %) and trade, while Uruguay benefits from higher real wage growth for both skilled (0.5 %) and unskilled workers (0.6 %). Paraguay, however, experiences slight declines in GDP (-0.1 %) and welfare (-0.2 %).

Table 4. Simulated long-term changes in levels of main economic variables (%)

	GDP	Welfare (% of GDP)	Imports	Exports	Real wages skilled	Real wages unskilled	Return to capital
Mercosur	0.3	0.2	3.1	3.6	0.3	0.4	0.0
EU-27	0.1	0.1	0.2	0.1	0.1	0.1	0.0
Argentina	0.4	0.3	2.4	3.6	0.4	0.4	-0.3
Brazil	0.3	0.1	3.7	3.8	0.3	0.4	0.0
Paraguay	-0.1	-0.2	0.1	0.6	-0.1	0.0	0.2
Uruguay	0.2	0.2	1.3	1.5	0.5	0.6	0.2
Austria	0.0	0.0	0.1	0.1	0.0	0.0	0.0
Belgium	0.1	0.1	0.2	0.2	0.2	0.3	0.2
Bulgaria	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Croatia	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cyprus	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Czechia	0.1	0.1	0.1	0.1	0.1	0.1	0.0
Denmark	0.0	0.0	0.1	0.1	0.1	0.1	0.0
Estonia	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Finland	0.0	0.1	0.2	0.1	0.1	0.1	0.0
France	0.0	0.0	0.2	0.1	0.1	0.1	0.0
Germany	0.1	0.1	0.3	0.2	0.1	0.1	0.0

⁴ Welfare is expressed in equivalent variation in percent of GDP. It can be understood as the monetary value of the change in the aggregate consumption that is equivalent to the effect of the agreement

	GDP	Welfare (% of GDP)	Imports	Exports	Real wages skilled	Real wages unskilled	Return to capital
Greece	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hungary	0.1	0.1	0.3	0.2	0.1	0.1	0.0
Ireland	0.0	0.0	0.1	0.0	0.0	0.1	0.0
Italy	0.1	0.1	0.3	0.2	0.1	0.1	0.0
Latvia	0.0	0.1	0.1	0.1	0.1	0.1	0.0
Lithuania	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Luxembourg	0.0	0.0	0.1	0.1	0.0	0.1	0.0
Malta	0.1	0.1	0.1	0.0	0.1	0.1	0.0
Netherlands	0.1	0.1	0.2	0.1	0.2	0.1	0.1
Poland	0.0	0.0	0.1	0.1	0.1	0.1	0.0
Portugal	0.1	0.1	0.4	0.3	0.2	0.2	0.0
Romania	0.1	0.1	0.1	0.1	0.1	0.1	0.0
Slovakia	0.1	0.1	0.1	0.1	0.1	0.1	0.0
Slovenia	0.1	0.1	0.2	0.1	0.2	0.1	0.0
Spain	0.1	0.1	0.4	0.2	0.1	0.1	0.0
Sweden	0.1	0.1	0.2	0.1	0.1	0.1	0.0

Source: Own simulation results. Imports and exports.

The asymmetric nature of the agreement's benefits highlights Mercosur's stronger relative gains in trade, with export increases surpassing those of the EU. However, this asymmetry generally arises from the fact that the exposure of the Mercosur economies to the EU is overall greater than the reverse, rather than from the notion that liberalisation on the EU side is more extensive than on the Mercosur side. In fact, EU sectors exposed to Mercosur's competition remain partially shielded. Moreover, the initial level of EU tariffs remains low. Nevertheless, the degree of trade liberalisation, although delayed, is more profound on the Mercosur side, where the starting level of tariffs is higher.

Examining EU-level sectoral changes (Table 5), it is evident that there are several items where the percentage changes in EU trade with Mercosur are substantial. However, in most cases (greyed out), this corresponds to sectors where trade with Mercosur is minimal, and a significant increase in imports does not considerably impact the output. The main sectors where an expansion of exports results in a notable change in output are chemicals, machinery, and transport equipment, i.e., those where both the EU's comparative advantages are significant and the trade share with Mercosur is considerable. It must also be noted that a CGE model operates under the assumption of limited resources, and while capital can expand as a result of trade liberalisation, the total available labour input at the country level serves as a crucial constraint to the expansion of a country's overall economic activity. Therefore, an increase in exports to Mercosur in a given sector functions through two main channels: 1) relocation of resources from other sectors to boost the output of the sector in question, and 2) a reduction of exports to other destinations. A similar process also occurs in imports, where imports from Mercosur become cheaper; some of the existing imports and domestic supply are substituted by exports from Mercosur. This leads to an overall moderate effect on total exports and total imports.

Turning to imports, the main expansion is observed in agricultural products. Here, the main expansion of imports and a corresponding reduction in EU output are mainly foreseen in vegetables, fruits, and nuts, as well as sugar, bovine, and other meats, and other animal products. Once again, it is worth mentioning that part of the effect is due to actual import competition; however, given the much larger size of the industrial sectors in the EU economy compared to the agri-food sectors, this result is primarily driven by a shift of resources to manufacturing. In the industrial sectors, the import expansion is insignificant from the EU's point of view. Moreover, as the overall impact of the agreement is moderate, so are the effects at the sector level.

Table 5. Simulated changes in EU output and merchandise trade (%)

	Output	Total exports	Exports to Mercosur	Total imports	Imports from Mercosur
Cereals	-0.2	-0.3	1.7	0.0	2.7
Rice	-0.4	-0.3	86.1	0.3	50.9
Vegetables, fruits and nuts	-0.2	-0.1	32.5	0.0	26.2
Oil seeds and fats	0.1	-0.1	68.3	0.0	-1.2
Sugar	-0.7	-1.4	33.4	0.0	27.2
Other fibres	-0.4	-0.3	24.8	0.0	3.2
Bovine meat	-0.4	-0.8	22.6	0.6	29.0
Other meats	-0.2	-0.4	115.2	0.4	29.9
Other animal products	-0.2	-0.1	1.0	-0.1	5.3
Beverages and tobacco	0.0	0.0	12.1	0.2	17.7
Dairy	0.0	-0.1	43.8	0.1	280.5
Other food products	-0.3	-0.4	38.3	0.4	81.8
Wood and paper	0.0	-0.1	40.8	0.2	8.1
Fishing	0.0	0.0	7.8	0.0	16.3
Coal	0.0	0.2	0.4	0.1	0.8
Oil	-0.1	0.1	0.2	0.1	0.5
Gas	0.0	0.1	0.5	0.1	0.6
Minerals	0.0	-0.2	-0.3	0.2	0.9
Textiles and apparel	0.0	0.1	233.3	0.2	60.2
Chemicals	0.3	0.3	25.1	0.3	44.7
Petrol and coal	0.1	0.0	0.2	0.1	9.4
Pharmaceuticals	0.0	0.1	16.9	0.1	14.2
Metal products	0.1	0.1	68.8	0.3	38.4
Mineral products	0.0	0.1	39.0	0.2	25.1
Electronic equipment	0.0	0.1	23.5	0.2	18.9
Machinery	0.4	0.4	49.2	0.3	29.0
Transport equipment	0.4	0.4	62.8	0.2	36.7

Source: Own simulation results. Total exports and imports include intra-EU trade. Greyed out items correspond to sectors where exports to Mercosur or imports from Mercosur account for less than 0.5 % of EU output.

2.2.3 The case of agriculture

EUMETA 2019 has prompted considerable debate in European countries regarding its impact on sensitive agricultural products, particularly beef. EUMETA 2024 introduces only very limited

changes for agriculture in pork and biodiesel (see the study "A comprehensive analysis of the updated trade part of the EU-Mercosur Partnership Agreement"). Otherwise, all tariff concessions remain as outlined in EUMETA 2019. The concerns raised in public discourse regarding soy are primarily associated with ecological issues, specifically an anticipated increase in production and potential deforestation spurred by export incentives. However, EUMETA 2019 has a minimal impact on the EU's soybean imports, as most soy products already enter the European market duty-free. Consequently, EUMETA does not alter the existing market access for soybeans. Only certain processed soy products, such as soybean oil, are currently subject to varying tariff levels depending on their type and use. Under EUMETA 2019, these tariffs are scheduled to be reduced or eliminated over time. Generally, EUMETA itself does not offer an increased incentive for production. Therefore, existing sustainability risks are not attributable to EUMETA and must be addressed through other means, such as the EUDR and other collaborative approaches.

EUMETA 2019 includes tariff quotas. Specifically, it allows up to 99 000 tonnes of Mercosur beef (54 450 tonnes fresh/chilled and 44 550 tonnes frozen) to be imported into the EU at a reduced tariff rate of 7.5 %, compared to a pre-agreement total tariff of 55 %. Imports above this quota will continue to be subject to higher tariffs of around 51 % (Pelikan & Döbeling, 2020a). This effectively lowers protection while still maintaining considerable market safeguards. The quota represents only about 0.7 % of Mercosur and 1.6 % of EU beef production (Grieger & Macsai, 2025). Production losses in the EU beef sector are expected to be small, with EUMETA 2019 reducing production by no more than 1 %. By comparison, the removal of all TRQs would have resulted in production losses of more than 40 %, underlining the protective effect of the negotiated TRQs (Pelikan & Döbeling, 2020b). It is important to remember that the TRQ will be phased in over a period of 5 years, starting with a small amount of less than 10 000 t in the first year of implementation (Hagemeyer et al, 2021). Matthews (2025) estimates that the increased imports under the TRQs would only result in a modest reduction of around 2 % in EU producer prices. The predicted impact depends on the actual market developments affecting production and consumption, but they seem minimal compared to typical market volatility, indicating that fears of significant economic disruption may be exaggerated.

EUMETA 2019 already includes several safeguards, including entirely new mechanisms. By limiting imports through TRQs, it traditionally protects agriculture from the most intense competition. Furthermore, EUMETA, like most FTAs, allows for bilateral safeguards that suspend agreed tariff cuts following a formal damage investigation. What is novel in EUMETA2019 is that these bilateral safeguards also apply to products subject to TRQs, creating a sort of 'double safety net'. To address any adverse effects that slip through these safety nets, a dedicated EUR 1 billion fund for the agricultural sector is envisaged (EU COM, 2025). The fund still lacks eligibility criteria, which may be connected to the criteria for damage covered by bilateral safeguards. In this context, the occurrence of particular burdens on competitiveness (e.g. diseases or floods) may justify compensation, even if not explicitly linked to EUMETA. In some areas, the EU has already developed instruments to further accommodate structural change, such as the European Globalisation Adjustment Fund for workers who have lost their jobs. This new fund for the EU agricultural sector

should be based on an analysis of the effectiveness of other funds, which appears to be mixed (Cernat & Mustilli, 2018; Claeys & Sapir, 2020).

Any existing sustainability risks must be addressed outside the EUMETA text, for example, through the EUDR and other EU legislative instruments. For rules on sanitary and phytosanitary issues (SPS), further cooperation prior to the entry into force of EUMETA can generally support better implementation, which promotes trust in the safety of imported food (Pucheta et al., 2020; Torres Jarrín & Daza Aramayo, 2023). At the same time, it serves as a mechanism on the export side to support the market access offered to Mercosur.

2.2.4 The case of vehicles

EUMETA 2024 introduces significant changes for vehicles, particularly regarding the schedule for tariff elimination on the Mercosur side and bilateral safeguards (see part B for more details). The tariff elimination schedule for combustion engine vehicles remains unchanged from EUMETA 2019. Tariffs, starting at 35 % in Brazil and Argentina, 10–20 % in Paraguay, and 23 % in Uruguay, will be reduced non-linearly over 15 years, with six-year delays in reductions. During the first eight years, a TRQ of 50 000 units applies, with duties halved under the quota.

However, for electric hybrid vehicles, revised provisions extend the tariff elimination schedule to 18 years (staging category '18'), adding three years to the original 15. Moreover, the duties for the EU will be immediately reduced from 35 % to 25 % for exports to Brazil and Argentina. On the other hand, hydrogen vehicles will face a 25-year elimination schedule, while vehicles powered by new technologies must comply with a 30-year schedule, both with grace periods of six years where tariffs remain unchanged. The EU maintains its original tariff elimination schedule, reducing duties uniformly over 10 years (staging category '10'), achieving duty-free imports by year 10.

Additionally, the EUMETA 2024 also introduces safeguards. Triggering safeguards requires evidence of 'material injury' to domestic industries, as opposed to the WTO's stricter 'serious injury' standard. Safeguards can last up to three years, with a possible extension of two years, exceeding the two-year maximum applied to other goods.

The revised provisions enhance competition for EU exports and stabilise Mercosur's domestic industry. They exemplify the delicate balance between trade liberalisation and industrial protection. However, Brazil's high tariffs and the dominance of Chinese EV imports (holding 89 % of the market share in early 2024, Bloomberg 2024) emphasise the strategic importance of the revisions, especially for electric vehicles. Germany, as the EU's largest vehicle exporter to Mercosur, is positioned to benefit significantly from immediate tariff reductions, although longer schedules for EVs and hydrogen vehicles may temper short-term gains as their shares in total EU production increase.

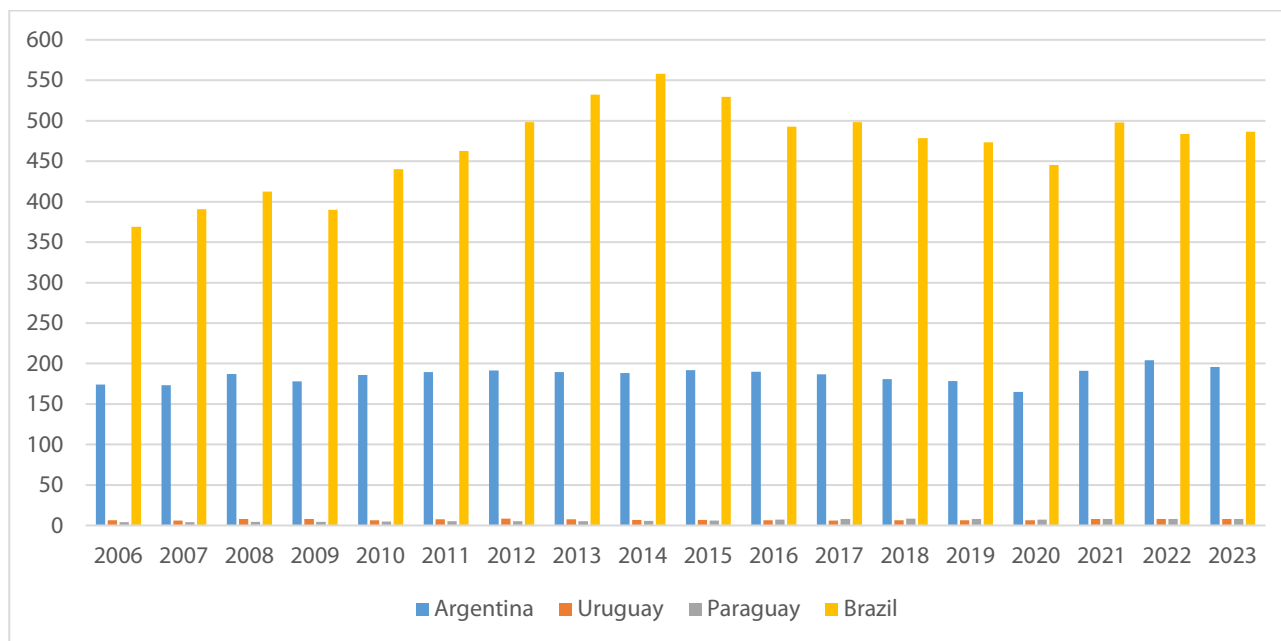
3 Sustainability effects

Sustainability, particularly environmental issues, has been a major critical factor in the negotiations of EUMETA. Since 2019, political changes related to various aspects of sustainability have been observed on both the EU side and the Mercosur side, which can be partially seen as improvements (Bressan & Garcia, 2023). Consequently, the changes in EUMETA 2024 should be assessed against

this backdrop of developments since 2019 on both sides. Overall, regarding the potential direct influences of the agreements’ provisions, studies present a mixed picture. However, there are only a few factual changes to market access included in EUMETA 2024; therefore, the associated potential effects on sustainability remain generally comparable to those evaluated for EUMETA 2019 (Hagemejer et al., 2021). An analysis of the changes under EUMETA 2024 concerning specific sustainability aspects is discussed in part B.

3.1 Climate change

Figure 9. Change in CO₂ emission in the Mercosur countries in million tons from 2006–2023



Source: Based on data from the global Carbon Atlas (2025).

Note: The values for Paraguay and Uruguay are less than 10 million tonnes, which is why they cannot be displayed correctly.

Figure 9 illustrates the absolute CO₂ emissions of the Mercosur countries from 2006 to 2023. Brazil has the highest emissions by a significant margin, followed by Argentina, while Uruguay and Paraguay contribute only a minimal share in comparison.

Uruguay, in particular, exhibits strong fluctuations, whereas Brazil and Argentina display much steadier trends in comparison. Paraguay also demonstrates larger fluctuations, albeit with lower absolute values overall. This indicates that although countries with lower total emissions, such as Uruguay, show significant percentage fluctuations, their contribution to global emissions remains relatively small due to their lower absolute values. Brazil, on the other hand, exhibits very high absolute emissions despite having more moderate growth rates, which underscores its central role in reducing emissions in the region.

Aside from deforestation and in relation to climate change more broadly, all Mercosur countries have assumed commitments through nationally determined contributions (NDCs) under the Paris Agreement. They all anticipate a reduction in CO₂ emissions and are taking measures to achieve

that. Several changes in national domestic commitments across the Mercosur states can be observed (Table 6).

Table 6. Changes in NDCs across Mercosur states

Country	First submission	Updated submission	Date of last submission
Argentina	Argentina's first NDC submission shows its strongest contributions to SDG 13 'Climate Action' (28 %) and SDG 17 'Partnerships for the Goals' (17 %). Regarding SDG 13, contributions are primarily linked to Target 13.3 'Improve education, awareness-raising and human and institutional capacity on climate change issues' (60 %) and Target 13.1 'Strengthen resilience and adaptive capacity to climate-related and natural disasters' (40 %). The key climate actions here focus on 'Strengthened institutional capacity for adaptation' (25 %) and 'Disaster and risk reduction' (25 %). For SDG 17, the most significant contributions correspond to Target 17.3 'Mobilize additional financial resources for developing countries from multiple sources' (33 %) and Target 17.6 'Enhance global cooperation: technology, science and innovation' (33 %). In this context, major climate actions are associated with 'Financial resource mobilisation' (33 %) and '(Need for) technology transfer' (33 %).	The updated NDC submission of Argentina contributes the most to SDG 13 'Climate Action' (22 %) and SDG 7 'Affordable and Clean Energy' (16 %). For SDG 13 some of the highest contributions relate to Target '13.2 Integrate climate measures in national policy making' (44 %) and Target '13.1 Strengthen resilience and adaptive capacity to climate-related and natural disasters' (28 %). In this context, the main climate actions are related to 'Disaster and risk reduction' (23 %) and 'Strengthened institutional capacity for adaptation' (20 %). For SDG 7, the highest contributions relate to Target 7.2 'Increase share of renewable energy' (53 %) and Target 7.3. This is almost twice as much as the rate of improvement in energy efficiency (27 %). Now, some of the main climate actions are related to 'Clean and renewable energy' (22 %) and 'Energy efficiency' (11 %).	02/11/2021
Brazil	Brazil's first NDC submission contributes most significantly to SDG 15 'Life on Land' (31 %) and SDG 7 'Affordable and Clean Energy' (17 %). In relation to SDG 15, the highest contributions are associated with Target 15.2 'Promote sustainable forest management and expansion and halt deforestation' (62 %) and Target 15.5 'Halt loss of habitat and biodiversity, and prevent species extinction' (15 %).	Brazil's updated NDC submission shows strong contributions to SDG 15 'Life on Land' (60 %) and SDG 7 'Affordable and Clean Energy' (20 %). Regarding SDG 15, contributions are linked to Target 15.2 'Promote sustainable forest management and expansion and halt deforestation' (67 %) and Target 15.5 'Halt loss of habitat and biodiversity, and prevent species	13/11/2024

Country	First submission	Updated submission	Date of last submission
	Key climate actions here involve 'Deforestation prevention' (33 %) and 'Conservation, restoration and rehabilitation of ecosystems' (11 %). For SDG 7, contributions are tied to Target 7.2 'Increase share of renewable energy' (83 %) and Target 7.3 'Double the rate of improvement in energy efficiency' (17 %). In this area, main climate actions include 'Bioenergy' (27 %) and 'Clean and renewable energy' (27 %).	extinction' (33 %). Key climate actions in this area include 'Conservation, restoration and rehabilitation of ecosystems' (33 %) and 'Forest management' (17 %). For SDG 7, contributions are associated with Target 7.2 'Increase share of renewable energy' (100 %). Main climate actions here involve 'Bioenergy' (33 %) and 'Clean and renewable energy' (33 %).	
Uruguay	Uruguay's first NDC submission contributes most to SDG 13 'Climate Action' (19 %) and SDG 11 'Sustainable Cities and Communities' (18 %). For SDG 13, the highest contributions are linked to Target 13.3 'Improve education, awareness-raising and human and institutional capacity on climate change issues' (52 %) and Target 13.2 'Integrate climate measures in national policy making' (39 %). Key climate actions here include 'Awareness-raising on climate change impacts' (24 %) and 'Monitoring and tracking of climate change' (19 %). For SDG 11, the most significant contributions relate to Target 11.2 'Accessible and sustainable transport systems' (35 %) and Target 11.5 'Disaster risk management' (24 %). The main climate actions in this context are 'Urban planning' (35 %) and 'Reduction of loss and damage from climate impacts' (22 %).	Uruguay's updated NDC submission contributes most significantly to SDG 13 'Climate Action' (24 %) and SDG 2 'No Hunger' (16 %). For SDG 13, the highest contributions are associated with Target 13.1 'Strengthen resilience and adaptive capacity to climate-related and natural disasters' (38 %) and Target 13.3 'Improve education, awareness-raising and human and institutional capacity on climate change issues' (33 %). Main climate actions here include 'Monitoring and tracking of climate change' (26 %) and 'Strengthened institutional capacity for adaptation' (22 %). For SDG 2, contributions are linked to Target 2.4 'Ensure sustainable agricultural practices for resilience and resource protection' (93 %) and Target 2.5 'Maintain genetic diversity and traditional knowledge' (7 %). The key climate actions in this area are 'Improved soil management practices' (27 %) and 'Improved livestock resilience' (27 %).	30/12/2024
Paraguay	Paraguay's first NDC submission contributes significantly to SDG 7 'Affordable and Clean Energy' (19 %) and SDG 8 'Decent Work and Economic Growth' (15 %). For SDG 7,	Paraguay's updated NDC submission shows the highest contributions to SDG 6 'Clean Water and Sanitation' (17 %) and SDG 13 'Climate Action' (16 %). For SDG 6,	16/07/2021

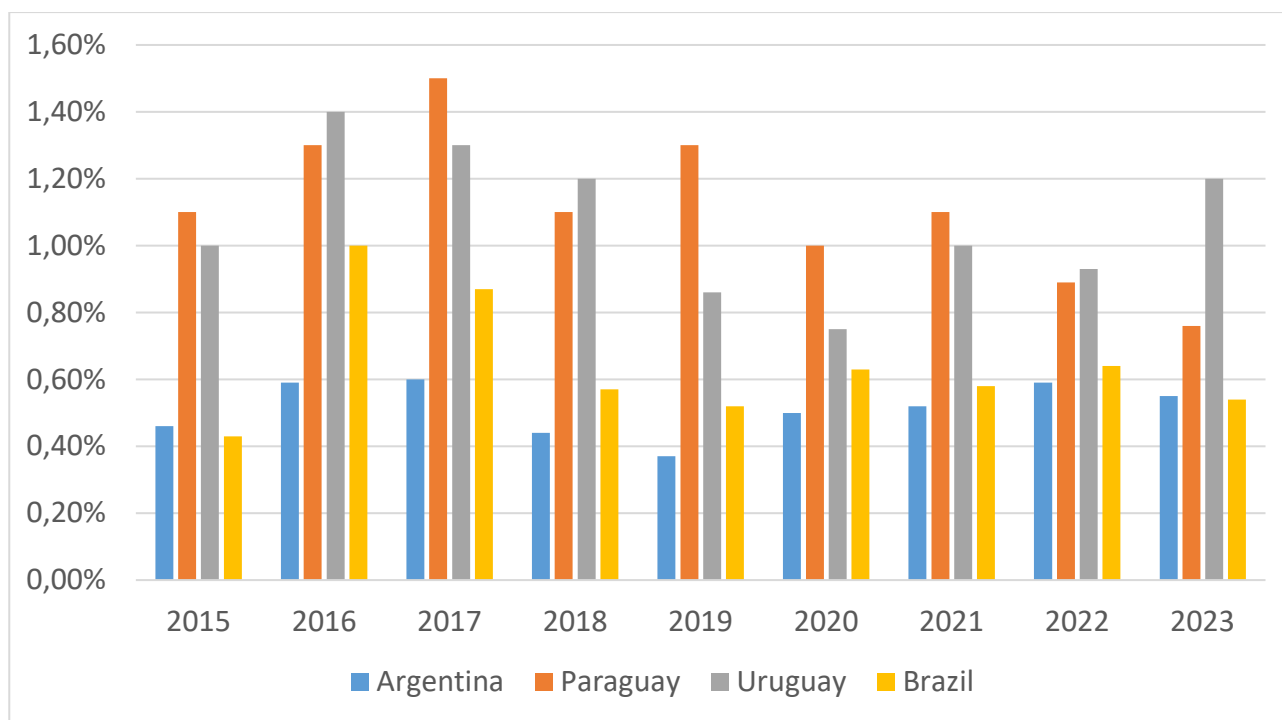
Country	First submission	Updated submission	Date of last submission
	<p>contributions are associated with Target 7.2 'Increase share of renewable energy' (100 %). Key climate actions in this area include 'Clean and renewable energy' (38 %) and 'Bioenergy' (25 %). For SDG 8, the highest contributions are linked to Target 8.4 'Promote resource efficiency to decouple growth and degradation' (50 %) and Target 8.3 'Promote development, decent jobs and micro-, small- and medium-sized enterprises' (33 %). In this context, main climate actions relate to 'Long-term development strategies' (25 %) and 'Medium-term development strategies' (25 %).</p>	<p>the greatest contributions are linked to Target 6.4 'Increase water-use efficiency and sustainable withdrawal – reduce water scarcity' (37 %) and Target 6.6 'Protect and restore water-related ecosystems' (23 %). Main climate actions in this area include 'Wastewater management' (18 %) and 'Trans-boundary water management' (14 %). For SDG 13, the highest contributions relate to Target 13.2 'Integrate climate measures in national policy making' (53 %) and Target 13.3 'Improve education, awareness-raising and human and institutional capacity on climate change issues' (40 %). Key climate actions here are 'Strengthened institutional capacity for adaptation' (34 %) and 'Monitoring and tracking of climate change' (28 %).</p>	

Source: <https://klimalog.idos-research.de/ndc-sdg> (Kröger, 2020; Perez, 2021)

3.2 Deforestation

Deforestation is a significant concern and is directly linked to climate change. Overall, deforestation rates in the Mercosur countries remain high. Large-scale slash-and-burn agriculture in Brazil under former President Bolsonaro (Kröger, 2020; Perez, 2021) led to a peak in 2019, when the highest number of seasonal fires since the start of record-keeping occurred mainly in the Amazonas region. Under his successor, President Lula, promising measures have been implemented to permanently reduce deforestation once again (Perez, 2021).

Figure 10. Loss in tree cover over time in %



Source: Global Forestwatch, at <https://www.globalforestwatch.org>

Figure 10 illustrates the loss of tree cover without distinguishing between the underlying causes. Significant regional differences exist in Brazil's national deforestation trends. While the Amazon region has experienced a marked decline, the Cerrado biome saw a decrease in deforestation in 2024 for the first time since 2020. Prior to 2024, the Cerrado recorded its highest deforestation rate since 2015 in 2023, with 11 011.7 km² (Secretaria de Comunicaçao Social, 2024). The Argentinian government, under the current President Milei, is critical of international climate change commitments. In Paraguay and Uruguay, deforestation is less of a concern, although it remains high in percentage terms. Qualitatively, it is relevant to consider the type of forests affected by deforestation. Looking specifically at Brazilian deforestation, rather than forest tree loss (which differs in its causes), the Amazon region appears to be particularly affected, with high growth rates of deforestation in 2019. However, in recent years, there has been a shift towards the Cerrado region as being largely affected (WWF 2024).

By committing to remain a party to the UNFCCC and the Paris Agreement, EUMETA 2024 prevents its parties from withdrawing from global climate change commitments. This constitutes an essential element, the breach of which may lead to the suspension or termination of the entire agreement.

EUMETA also refers to several provisions related to sustainable and deforestation-free agricultural production through various mechanisms (see Report B). The evaluation of expected EUMETA effects on deforestation varies (Hagemejer et al., 2021; Palmieri et al., 2024; Zinngrebe et al., 2024).

In particular, EUMETA 2024 will facilitate compliance for Mercosur countries with the EU's unilateral/autonomous measures, specifically the EUDR. In 2019, when forest fires peaked in Brazil, the Commission issued a 'Communication on Stepping up EU Action to Protect and Restore the World's Forests' (EU COM, 2019a), which was later incorporated into the Green Deal (EU COM,

2019b) and the Farm to Fork Strategy (EU COM, 2020). The legislative process for the EUDR commenced in 2019 and was adopted in June 2023. The EUDR covers seven products and their derivatives identified as most relevant to deforestation. As a starting point, European companies involved in importing or selling must fulfil specific due diligence requirements throughout their value chains down to the first suppliers (Scientific Advisory Board on Agricultural Policy, Food and Consumer Health Protection at the Federal Ministry for Food and Agriculture, 2023). Suppliers will need to demonstrate that no deforestation occurred after a certain cut-off date for products covered by the EUDR.

Mercosur remains a major supplier of many of the products covered by the EUDR (see Table 7). However, from Mercosur's perspective and echoed by other trading partners, the EUDR has attracted sharp criticism for potentially limiting export opportunities. Evaluations of the expected effectiveness of the EUDR (for medium and large companies, the rules will apply from December 30, 2025, for micro and small enterprises, the application date is June 30, 2026) show mixed results: some studies predict that its impact on deforestation and climate change is going to be limited, largely due to trade diversion (leakage) to alternative export destinations (Fuchs et al., 2024). In contrast, other studies find positive potential when the EUDR is implemented alongside a trade agreement (Cesar de Oliveira et al., 2024; Rudloff, 2025), especially if positive incentives are considered (Palmieri et al., 2024).

The impact can also vary significantly across different value chains. For example, the EU's global import share of soy is relatively modest compared to its share of coffee and cocoa, which means that the EU has less leverage over soy-producing countries through import-linked measures. However, on a bilateral basis, Mercosur's exports of soy, cattle, and coffee to the EU remain significant. At the same time, suppliers may divert shipments to alternative markets, a classic 'leakage' effect, which undermines this leverage and risks diminishing the intended sustainability gains (Rudloff, 2025).

Some studies are limited to the effects for specific actors in the context of EUMETA, particularly in the financial sector (Kumeh & Ramcilovic-Suominen, 2023). Other authors generally conclude that there is a negative change in land use, possibly related to deforestation, especially in Brazil, due to additional export incentives (Arima et al., 2021). However, some analyses exclude such effects, at least in the case of soy (Melchers, 2025).

The divergent findings underscore the need for a comprehensive meta-evaluation of deforestation outcomes and associated CO₂ emissions, as studies vary in scope and timeframe. Some focus exclusively on the EUDR, others on EUMETA, and still others assess combined effects or explicitly model leakage. To isolate the impact of EUMETA, it is essential to distinguish which changes are directly attributable to the agreement. In addition, non-EUMETA factors such as the recent US tariff escalation and retaliation may have driven land use shifts in Mercosur, further complicating attribution unless these market shocks are also taken into account (see Fuchs et al., 2019).

The new annex to the TSD chapter in EUMETA 2024 explicitly recognises the connection between unilateral measures and trade agreements. In response to external and internal criticism, the planned commencement of the EUDR has been postponed by one year until the end of 2025 (Rudloff et al., forthcoming). Similarly, EUCSDDD has experienced a slight delay, and a subsequent

Omnibus regulation has further simplified and postponed its implementation by another year (Rudloff et al., forthcoming). These adjustments reflect the EU's wider commitment to prioritising economic security and competitiveness, as outlined in the Draghi report (Draghi, 2024) and the Compass on Competitiveness (EU COM, 2025).

The new unilateral measures on the EU side serve as mechanisms for enforcing sustainability aims unilaterally and render this policy goal independent of any type of sustainability in bilateral trade agreements. The EU's unilateral sustainability instruments and FTAS have the potential to support each other.

Table 7. Mercosur as supplier for EUDR-products to the EU

Product covered by EUDR	EU as global destination Share of agri-food imports by the EU as % of global net imports, 2015–2022 average	EU as bilateral destination for Mercosur % share in EU imports of the respective product, 2015–2019 average
Soy	14.2 %	Brazil 39 % Argentina 23 % United States 20 %
Palm oil	19.5 %	Indonesia 54 % Malaysia 24 % Papua New Guinea 6 %
Cattle	21.8 %	Brazil 21 % United Kingdom 20 % United States 9 %
Coffee	40.6 %	Brazil 30 % Vietnam 23 % Honduras 7 %
Cocoa	35.5 %	Côte d'Ivoire 44 % Ghana 16 % Nigeria 8 %

Source: Grabbe and Moffat 2024 and European Commission 2021a (p.60)

3.3 Social development

Social development is another dimension of sustainability alongside environmental protection and economic development. The current situation in the Mercosur States in this regard is illustrated by assessments of their performance in implementing the Sustainable Development Goals (SDGs).

In 2015, every UN Member State signed on to the SDGs, formally known as the 2030 Agenda for Sustainable Development—a sweeping 17-part plan to end poverty, safeguard the planet, and ensure prosperity for all by 2030. Progress is tracked through 169 sub-targets and over 230 indicators, consolidated into a single SDG Index score ranging from zero to 100. The higher the number, the closer a country is to achieving its sustainability goals. Each year, the Sustainable Development Report, produced by an independent network of researchers led by the

UN's Sustainable Development Solutions Network (SDSN), provides a global report card on how countries are performing.

Among the Mercosur nations, the performance regarding the SDGS reveals a narrative of somewhat uneven progress. While some countries advance steadily, others contend with entrenched challenges. Brazil, Argentina, and Uruguay rank between 34th and 52nd out of 166 countries in the 2024 Sustainable Development Report, indicating moderate success in meeting global targets. Paraguay, however, lags behind in 91st position. This highlights a persistent, albeit moderate, development asymmetry within the bloc that could become increasingly significant in the context of trade and sustainability governance.

Importantly, Paraguay's position is not the result of recent setbacks but rather reflects a longer-standing pattern of comparatively slower development—a structural gap that predates the current trade negotiations. A similar, albeit slightly different, picture emerges in the Human Development Index (HDI) from 2022, which captures broader aspects of well-being. Argentina (0.849) and Uruguay (0.830) demonstrate relatively high levels of human development, while Brazil (0.760) and Paraguay (0.731) remain further behind. Although the gap is not extreme, it suggests differentiated capacities regarding social and environmental commitments.

Certainly, a country's rank alone presents only a limited perspective. A closer examination of individual SDG trends between 2019 – when the previous draft of the EUMETA was released – and 2024 reveals which goals have progressed and which continue to lag behind. These trends offer a more insightful view of long-term sustainability efforts in the region.

In the following, each country is briefly examined regarding its performance on selected Sustainable Development Goals. While this is not a comprehensive analysis, it provides a focused look at how the states are managing in areas that are central to the current draft of EUMETA. The SDGs in focus – Goal 3 (Good Health and Well-being), Goal 6 (Clean Water and Sanitation), Goal 13 (Climate Action), and Goal 15 (Life on Land) – were selected because they intersect with key environmental and social standards that the EU considers fundamental in trade partnerships such as this one. These goals are also closely linked to the objectives of the Paris Agreement, which the draft trade deal explicitly references as a binding framework. Therefore, SDG progress in these areas can serve as a useful proxy for evaluating how Mercosur countries are performing against the sustainability commitments expected under the agreement.

Argentina displays a mixed but strategically significant performance in areas pertinent to EUMETA, particularly in environmental sustainability, labour rights, and responsible production. According to the 2024 Sustainable Development Report, Argentina ranks 47th out of 166 countries – down from 45th in 2019 – indicating a slight loss of momentum over the past five years. In terms of climate action (SDG 13) and life on land (SDG 15), which are central to EU concerns about deforestation and carbon leakage linked to trade, Argentina continues to face significant challenges, particularly regarding freshwater, biodiversity, and CO₂ emissions. Deforestation associated with agricultural exports remains a pressing issue, especially given EU scrutiny of supply chain impacts. Meanwhile, Argentina has made measurable progress in social indicators such as education (SDG 4) and

reduced inequalities (SDG 10), aligning with EU values, albeit without considerable direct influence from EUMETA.

Brazil ranks 52nd in the 2024 Sustainable Development Report, reflecting a mid-range performance on the SDGs—one that carries significant implications for the EUMETA dialogue. Key areas of concern remain: climate action (SDG 13), life on land (SDG 15), and responsible consumption and production (SDG 12), where Brazil encounters ongoing and substantial challenges, particularly regarding declining biodiversity and high rates of permanent deforestation. Deforestation in the Amazon, much of which is linked to cattle and soy production for export, continues to attract EU scrutiny and complicate public discussions about sustainable trade. While Brazil has made some progress in clean energy (SDG 7) and infrastructure (SDG 9), governance gaps and enforcement issues in environmental protection persist as critical bottlenecks. Socially, Brazil demonstrates moderate progress in education (SDG 4) but struggles to reduce inequality (SDG 10). Nevertheless, sustainable land use and forest protection will serve as the crucial litmus test for EU partners evaluating the credibility of Brazil's commitments under the EUMETA.

Paraguay ranks 91st out of 166 countries in the 2024 Sustainable Development Report, placing it well behind its Mercosur partners and signalling structural weaknesses in key sustainability areas. Environmental goals – particularly life on land (SDG 15) and peace, justice and strong institutions (SDG 16) – remain far from being achieved, while other crucial SDGs, such as 3, 6, and 13, are in decent shape. Paraguay continues to face scrutiny over land-use change and deforestation linked to agricultural exports, a core concern for the EU given its environmental due diligence standards. While the country shows incremental progress in areas like access to clean water (SDG 6) and gender equality (SDG 5), gaps in governance, transparency and environmental enforcement limit its alignment with EU sustainability expectations. At the same time, these areas also represent clear opportunities for targeted reforms.

Uruguay ranks 34th in the 2024 Sustainable Development Report, making it the best-performing country in Mercosur in terms of SDG progress and the second-best-performing Latin American nation, behind only Chile. The country demonstrates relatively strong performance on social indicators, including quality education (SDG 4), clean water and sanitation (SDG 6), and affordable and clean energy (SDG 7) – areas that resonate with EU values. Crucially, Uruguay shows greater stability and institutional capacity in addressing sustainability, with some challenges in climate action (SDG 13) and life below water (SDG 14) and life on land (SDG 15). Its governance structures and environmental oversight are generally more robust than those of its regional peers, making Uruguay a potential anchor for sustainable trade implementation within the bloc. While challenges remain ecologically driven, Uruguay's consistent progress and transparent policy frameworks position it as a credible and constructive partner in the EU-Mercosur dialogue.

In summary, all four Mercosur countries contend with similar challenges in the SDGs directly associated with the EUMETA – particularly in climate action (SDG 13), land use and biodiversity (SDG 15), and sustainable production (SDG 12). These are precisely the areas under increased EU scrutiny. Since 2019, Uruguay and Brazil have demonstrated modest improvements in their SDG rankings, whereas Argentina and Paraguay have experienced slight declines. Without noticeable progress in these critical areas, EUMETA risks remaining politically contentious in Europe.

Furthermore, the UN Human Development Index sheds light on the situation concerning social development. The HDI combines three fundamental dimensions of human well-being – life expectancy, education, and income – into a single score ranging from 0 to 1. It serves as a convenient shorthand for understanding development levels, although it has its critics. The HDI overlooks inequality, informal labour markets, and environmental sustainability – factors that are particularly significant in Latin America and integral to the SDG framework. Nonetheless, it offers us a broader perspective. In 2022, Argentina (0.849) and Uruguay (0.830) led within Mercosur, followed by Brazil (0.760) and Paraguay (0.731). Since 2019, Uruguay has experienced a slight increase, whereas Argentina, Brazil, and Paraguay have seen minor declines. This trend aligns with the observations in the SDG data: Uruguay is at the forefront with stable institutions and consistent progress, Brazil and Argentina are progressing – albeit unevenly – while Paraguay, although still lagging, exhibits clear potential. These HDI figures not only reflect living standards but also suggest how prepared each country is to fulfil the expectations embedded in EUMETA, particularly as sustainability and equity evolve from mere add-ons to essential prerequisites for deeper cooperation.

In relation to decent work and labour relations specifically, the relevant sections of the trade and TSD chapter of the agreement should be highlighted, as they can significantly influence the implementation of international labour standards mentioned in the agreement. Notably, it should be emphasised that these obligations are subject to a dispute settlement procedure, which, however, does not involve automated sanctions as foreseen by the agreement's dispute settlement mechanism in other areas.

4 Regulatory issues

EUMETA 2024 constitutes a novel obligation under international law to 'remain a party, in good faith, of the UNFCCC and its Paris Agreement', thus preventing parties from withdrawing from these agreements. This obligation is established as an essential element of the entire agreement. In the event of a violation, a party may suspend or even terminate the agreement in part or in its entirety. It should be noted that "agreement" in this context refers to the entire Partnership Agreement, which includes EUMETA and the political components.

Furthermore, the agreement will introduce protection for Geographical Indications (GIs) and, most importantly, will explicitly cover several EU GIs. The agreement also includes a range of regulatory advancements that are typical of EU trade agreements. A more detailed assessment of the various elements of the agreement and their regulatory effects is provided in Part B.

5 Conclusions and policy recommendations

The 2024 revision of the EUMETA introduces notable updates, primarily aimed at sustainability and balancing liberalisation with protective mechanisms. Key changes include adjustments to tariff schedules, particularly for vehicles, as well as strengthened sustainability provisions. The revised vehicle tariff elimination schedules introduce longer liberalisation periods for electric and hydrogen-fuelled vehicles, with immediate tariff reductions providing an advantage to EU exports compared to competitors. A specific annexe for bilateral vehicle safeguards adds flexibility,

permitting action based on 'material injury' rather than the stricter 'serious injury' threshold. This accommodates the concerns of domestic industries amidst trade liberalisations.

These changes do not significantly alter the expected economic impact of the agreement, as determined by our previous analysis (Hagemejer et al., 2021). For the EU, the effects are moderate yet positive, with a 0.1% increase forecasted for both GDP and welfare. Key sectors such as machinery, chemicals, and transport equipment benefit from expanded access to Mercosur markets. Although trade with Mercosur grows substantially in percentage terms, the overall impact on total EU trade remains limited due to the relative size of EU exports on a global scale. Mercosur, as a whole, experiences stronger relative gains, with GDP projected to rise by 0.3%, driven by a 3.6% increase in overall exports. However, the benefits are uneven across member countries, as Brazil and Argentina gain more, while Paraguay encounters a slight economic contraction.

The trade structure between the EU and Mercosur exhibits a distinct pattern of non-overlapping comparative advantages, showcasing a high degree of trade compatibility, particularly in EU exports. The agri-food sector stands out as the main area of considerable competition. However, within the EU, minimal market disruption is anticipated due to safeguards such as TRQs. In contrast, industrial goods are experiencing greater liberalisation and trade expansion. In the EU, the chemicals, machinery, and equipment sectors are projected to gain the most, due to a significant rise in exports. Nevertheless, even in these industrial sectors, output expansion is approximately 0.4%.

While we may assess the expected results as modest, EUMETA balances economic opportunities with protective measures and sustainability commitments, making it a strategic tool for fostering deeper integration in the face of global trade tensions. Moreover, as the surrounding global trade climate has shifted, EUMETA 2024 must be evaluated against this backdrop. The ongoing uncertainty regarding the current trade landscape, such as the US-China trade conflict and other actual or threatened US tariffs on various countries, along with their reactive tariffs, initiates frictions and welfare losses. The WTO recently indicated these losses at a level of slight negative growth rates for trade in goods and a reduction in trade in services as well (WTO, 2025).

The significant opposition to EUMETA from governments and other actors within Member States stems from concerns about sustainability and competition. On several respective issues, the EU now pursues a unilateral approach along international value chains, such as the EUDR, the EUCSDDD and CBAM. Consequently, these concerns are addressed alongside the agreement. The recent tensions may put additional stress on sustainability due to trade deviations, e.g. shifting from US to Brazilian soy production (Fuchs et al., 2019). The concerns regarding competition, especially in agricultural markets, are addressed by several protection options within the agreement and even beyond with a foreseen fund.

Against this backdrop, the overall economic and political benefits appear greater than the potential risks, which are mitigated through various measures. The primary policy recommendations arising from this report are:

- **Strengthen Monitoring and Safeguards for Sustainability:** To ensure long-term environmental and social benefits, robust mechanisms must be implemented for monitoring

the impact of EUMETA 2024. This involves closely assessing deforestation trends associated with trade expansion and improving transparency in value chains through tools such as the EUDR and the EUCSDDD. Developing comprehensive evaluation frameworks can help trace causal links between trade liberalisation and sustainability outcomes.

- **Leverage the Agreement for Cooperation:** The agreement should not only be used to foster trade but also to promote sustainability and address geopolitical risks, such as trade diversion due to external global tensions. Collaborative measures, such as providing technical assistance to Mercosur countries to help them meet the EU's stringent environmental and labour standards, should be prioritised to align with shared commitments under the Paris Agreement.
- **Enhance Economic Inclusivity and Address Asymmetry:** Given the agreement's asymmetric benefits, targeted policy measures should address sectors and regions within the EU that may encounter adjustment challenges. For instance, the planned EUR 1 billion fund for agriculture should establish clear eligibility criteria to respond to potential damages caused by EUMETA in a manner that supports structural changes and mitigates competitiveness risks. Concurrently, capitalising on opportunities in sectors such as transport equipment, machinery, and chemicals can maximise economic gains for the EU while fostering inclusive growth.

For policy recommendations on the specific modifications of EUMETA 2024, see the study 'A comprehensive analysis of the updated trade part of the EU-Mercosur Partnership Agreement'.

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PE 754.476

EP/EXPO/2023/OP/0001/INTA/LOT6/1/C/3-1

Print ISBN 978-92-848-2874-6 | doi: 10.2861/4046002 | QA-01-25-141-EN-C

PDF ISBN 978-92-848-2873-9 | doi: 10.2861/5802803 | QA-01-25-141-EN-N