

STUDY

Requested by the AFET committee



Geopolitical aspects of the EU–Mercosur agreement



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Geopolitical aspects of the Mercosur agreement

ABSTRACT

This paper analyses the geopolitical implications of the Agreement between the European Union and the Southern Common Market (Mercosur), focusing on its potential for enhanced interregional cooperation. It explores how this agreement aligns with each region's strategic interests, expanding on opportunities that arise while remaining realistic about the likelihood of implementation. This assessment takes place in a fluid geopolitical context, characterised by the United States of America's major revision of the post-1945 world order, an increasing assertiveness displayed by China and Russia and a relative decline of Europe and Latin America both in terms of economic output and contributions to global governance. The paper concludes by discussing various ratification scenarios and offering a set of policy recommendations.

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List of abbreviations

AI	Artificial Intelligence
BRICS	Association of Brazil, Russia, India, China, South Africa, Egypt, Ethiopia, Indonesia, Iran and the United Arab Emirates
CELAC	Community of Latin American and Caribbean States
CSO	Civil Society Organisation
CV	Comando Vermelho (Red Command)
EIB	European Investment Bank
EP	European Parliament
EU	European Union
FDI	Foreign Direct Investment
G20	Group of 20
ITA	Interim Trade Agreement
Mercosur	Southern Common Market
MoU	Memorandum of Understanding
NATO	North Atlantic Treaty Organization
NGO	Non-Governmental Organisation
PCC	Primeiro Comando da Capital (First Command of the Capital)
UK	United Kingdom
UN	United Nations
UNSC	United Nations Security Council
USA	United States of America

Executive summary

This paper analyses the geopolitical implications of the Partnership Agreement being developed between the European Union (EU) and the Southern Common Market (Mercosur). It examines the potential impact on interregional cooperation by focusing on what was commonly referred to as the political pillar, which includes political dialogue and cooperation instruments and excludes provisions related to trade. The paper explores how the current version of this political pillar, which remains unpublished, might align with the strategic interests of both regions. For this, the authors rely on previous instruments and on interviews with top negotiators. The authors also discuss areas where key actors have identified complementarities and provide a realistic assessment of hurdles ahead of implementation, including the issue of ratification. The paper offers a picture of how individuals involved in and affected by the negotiations interpret a challenging and fluid context characterised by the United States of America's (USA) aggressive revisionism of the post-1945 world order, set against a backdrop of increasing assertiveness displayed by China and Russia.

Since 1999, EU-Mercosur negotiations have been driven by two factors, but conversely hindered by two others. In favour of the agreement, there are potential benefits flowing from trade and the geopolitical convenience of bringing together like-minded blocs to face common challenges. Against the agreement, there are environmentalist objections and protectionist interests. The pace of negotiations increased in the presence of external pressures such as the US proposal for a Free Trade Area of the Americas, which threatened both EU access to Latin American markets and Mercosur's industrial sectors and ebbed when those initiatives were set aside. In the meantime, Europe and Latin America have experienced relative decline both in terms of economic output and contributions to global governance. Nowadays, the weight of geopolitics has further increased, as the Trump administration pulls the USA away from partners in both regions and threatens them with higher tariffs. Environmentalist objections, in turn, have been addressed as new negotiations incorporated the Paris Agreement on Climate Change as an essential element, thereby leaving just protectionist interests in the way of progress. On balance, conditions for finalising the Agreement are better than ever before, albeit there is still a way to go.

While acknowledging the importance of the current context in evaluating the convenience of the partnership, this paper also looks ahead. It summarises challenges and opportunities for each region in the medium term, advancing a set of policy recommendations aimed at increasing the likelihood of ratification and facilitating the partnership's governance. These include: reducing bureaucratisation within the institutional framework; promoting informal chief-executive connections; using trans-governmental and transnational networks to hedge disruptive changes of government; building larger winning coalitions of interested domestic actors; responding to fractures in the opposition to the Agreement; supporting each other's civil society to legitimise interregional cooperation; paying attention to controversial wording; and pondering the possibility of relegating the political pillar if necessary to approve the trade pillar.

1 Introduction

If ratified, the Partnership Agreement between the European Union (EU) and the Southern Common Market (Mercosur) will be the largest interregional agreement in history, valued at EUR 110 billion in trade and covering over 780 million people living in 31 countries. This paper focuses on its political pillar, which includes political dialogue and cooperation instruments, and excludes trade provisions. In essence, this paper asks whether the Agreement has the potential to reinforce rules, build power, or do neither, considering current geopolitical pressures facing the two blocs and aspects of the partnership that go beyond trade.

The paper starts by assessing geopolitical pressures facing both blocs, identifying areas of converging interest and analysing different scenarios for interregional political coordination in light of the challenging transition from a rules-based to a might-makes-right world order¹. Both Europe and Latin America share geopolitical vulnerabilities as regional peripheries of a post-1945 world order dominated by the United States of America (USA)². Under current circumstances, trade pressures coming from the USA, coupled with its military retrenchment, challenge both blocs' prosperity and security, thereby bringing opportunities for interregional cooperation to the fore³. While both regions have incentives to adopt a more autonomous foreign policy and diversify their partnerships, Latin America has less at stake and generally lacks capacity⁴, while Europe, albeit more capable, is more exposed to US revisionism, China's competition and Russia's threat⁵. It is nonetheless reasonable to expect that states in both regions will be harmed in the long run by current geopolitical transformations. *Inter alia*, the erosion of multilateralism, advances in Artificial

¹ J. G. Castañeda, '[American Leadership Is Good for the Global South](#)', *Foreign Affairs*, 4 February 2025; J. Tobin, '[Challenges to a rules-based international order](#)', *House of Lords Library*, In Focus, 9 January 2025.

² J. Borrell, '[Acuerdo UE-Mercosur: un imperativo geopolítico](#)', *El País*, 8 December 2024; E. Feás, et al., '[Twenty-five years later, white smoke for the EU-MERCOSUR Agreement](#)', Elcano Royal Institute, ARI 162/2024, 2024.

³ M. Damen, '[EU strategic autonomy 2013–2023: From concept to capacity](#)', European Parliamentary Research Service, Strategic Foresight and Capabilities Unit, PE 733.589, 2022; F. Urdinez, et al., '[Chinese Economic Statecraft and U.S. Hegemony in Latin America: An Empirical Analysis, 2003–2014](#)', *Latin American Politics and Society*, Vol 58, No 4, 2016, pp. 3–30; M. Spektor, '[Strategies of rising Brazil: postmortem review, looking forward](#)', *Contemporary Politics*, Vol 28, No 1, 2022, pp. 20–37.

⁴ A. Malamud, '[Latin America and the World. Dependency, Decoupling, Dispersion](#)', in M. Shifter and B. Binetti (eds.), *Unfulfilled Promises. Latin America Today*, Inter-American Dialogue, Washington DC, 2018; C. Fortin, et al. (eds.), *Latin American Foreign Policies in the New World Order. The Active Non-Alignment Option*, Cambridge University Press, Cambridge, 2023.

⁵ R. Momtaz, '[Taking the Pulse: Can Europeans Significantly Reduce Their Security Reliance on the United States?](#)', *Carnegie Endowment for International Peace*, Commentary, 7 November 2024.

Intelligence (AI) and energy transition threaten to leave both regions behind, exposed and more divided.

The EU, representing most European countries, seems set to pool its capacities to develop into a cohesive economic and diplomatic power in the international system – ambitions that might in time even extend to the military realm, an aspect in which it has been lagging. Ultimately, it is this European awakening that can drive meaningful interregional cooperation⁶. By contrast, Mercosur represents only four Latin American countries (Argentina, Brazil, Paraguay and Uruguay) and is not an actor proper, lacking the diplomatic and economic capacities that give a single voice to the EU. Although the South American bloc is seemingly more favourable to a trade agreement than the EU, its individual members are adopting a rather passive approach to political cooperation. Mercosur countries are reluctant to engage in geopolitical commitments that undercut their autonomy and capacity to engage with the USA or even China and Russia, as expressed in their refusal to participate in a trade war with the first or apply sanctions to the last⁷. However, so long as this Agreement increases their autonomy by means of diversification, their approach to political cooperation should prove compatible with that of the EU. This paper discusses implications for cooperation that have been identified in leaks of the Agreement to which the authors have had access. The authors also highlight areas that were not covered but which the parties might want to address.

Internally, both the EU and Mercosur countries struggle with divisions that hinder collective action⁸. In Mercosur, minimal institutionalisation means decisions rely on political coordination, fundamentally between the larger partners. Beyond a certain degree of pragmatism, Argentina and Brazil currently diverge in their approaches. While Brazilian President Lula da Silva has doubled down on the BRICS (Association of Brazil, Russia, India, China, South Africa, Egypt, Ethiopia, Indonesia, Iran and the United Arab Emirates) and will host the BRICS summit in Rio de Janeiro during July 2025, Argentina has refused to join the BRICS⁹ and has closely realigned with the US

⁶ A. Ribeiro Hoffmann & A. van der Vleuten, '[The Politics of Inter-Regionalism. Relations Between Regional International Organizations](#)', in Reinalda, B. & Marieke, L. (eds.), *Routledge Handbook of International Organization*, Routledge, London, 2024.

⁷ S. A. Aarup and A. Zimmermann, '[Why Latin America still won't condemn Putin's war in Ukraine](#)', *Politico*, 18 July 2023.

⁸ A. Malamud, '[Mercosur and the European Union: Comparative Regionalism and Interregionalism](#)', in F. Laursen, (ed.), *The Oxford Encyclopedia of European Union Politics*, Oxford University Press, New York, 2021; G. Caetano, '[Análisis y prospectiva del Acuerdo de Asociación Unión Europea-Mercosur](#)', *Documentos de Trabajo FC/EU-LAC (4)es*, N^o especial, Fundación Carolina/Fundación EU-LAC, Madrid, 2022; The Economist, '[Can an agreement with the EU resurrect Mercosur?](#)', 12 December 2024. In the past Brazil could be seen as a leader of Mercosur, but this is not anymore for both domestic and structural reasons. See: D. Nolte and L. Schenoni. '[To lead or not to lead: regional powers and regional leadership](#)' *International Politics*, Vol 61, No 1, 2024, pp. 40-59.

⁹ Deutsche Welle, '[Argentina formally rejects BRICS membership](#)', 29 December 2023.

envisioning investments and support from international financial institutions. Within the EU, despite much higher institutionalisation, a temporary weakening of the Franco-German axis and the rise of Eurosceptic governments have been obstructing decision-making¹⁰. Although pressing circumstances have helped reach new agreements and more coordination is expected to take place ahead of the North Atlantic Treaty Organization (NATO) summit in June 2025¹¹, the problem is still present, as expressed in France's reluctance towards this Agreement¹².

These struggles within the blocs hinder their reaction, exacerbate external threats and undermine common ground for interregional coordination in the political realm. They also lay on top of fragmentation and polarisation within each country, which may make certain agendas unpalatable to specific governments and constituents, undermining the long-term reliability of policies decided today. A working partnership will not only build on common ground and vulnerabilities but also help counter divisive tendencies within each bloc while avoiding more polarisation amongst countries. To this end, it is essential to consider the voice of those negatively affected by the trade pillar, cajole its winners into supporting the Agreement, invest in cooperation and use the political pillar to strengthen democracy, human rights and international coordination.

An effective agreement must navigate any differences in governance between the blocs. Two features, presidentialism and informal governance, distinguish Mercosur from the collective decision-making and formal procedures that characterise the EU and pervade the agreement's political pillar¹³. This paper takes a lowest common denominator stance, suggesting that governance of the EU-Mercosur relation would benefit from institutional flexibility and direct personal connections between heads of government and ministers, coupled with EU-Mercosur summits. Interviewees, including lead negotiators of the Agreement, mentioned that such summits would be more conducive to understanding than the current EU-Community of Latin American and Caribbean States (CELAC) summits, which do not present the EU with a cohesive counterpart.

The Agreement sets up institutions and social platforms to guide and oversee the Partnership, which is no longer called an Association – as it was in the 2019 and 2020 draft agreements. The rebranding is an EU concern, as virtually no interviewee from Mercosur could tell what the different wording meant. On the institutional side, the main bodies are:

1. Joint Council: Made up of ministers, this group makes formal decisions – though in reality, it relies on mutual agreement and voluntary follow-through.

¹⁰ S. Lehne, '[The EU's Crisis of Confidence](#)', *Carnegie Endowment for International Peace*, Commentary, 1 October 2024.

¹¹ H. Foy, '[EU capitals want retaliation against Donald Trump delayed to avoid Nato summit clash](#)', *Financial Times*, 8 May, 2025.

¹² M. Bassets, '[Merz y Macron revitalizan el atascado motor franco-alemán](#)', *El País*, 20 March 2025.

¹³ A. Malamud, '[Assessing the political dialogue and cooperation pillar of the EU-Mercosur Association Agreement: towards a bi-regional strategic partnership?](#)', European Parliament, Policy Department for External Relations, PE 653.652, 2022.

2. Joint Committee: Senior officials who support the Council and handle day-to-day coordination, supported by sub-committees focused on specific issues.
3. Joint Parliamentary Committee: A space for regular dialogue between the European Parliament (EP) and Mercosur's Parliament, which can make recommendations.

On the social side, the Agreement brings in voices from outside government:

4. Domestic Advisory Groups: National-level groups of Non-Governmental Organisations (NGOs), unions, businesses, along with others who monitor and provide input.
5. Civil Society Forum: A broader space for civil society from both regions to engage and raise concerns.

Throughout the paper, there are references to these institutions as they might be conducive to the achievement of the policy goals discussed herein. Most interviewees expressed a general sense of satisfaction with the structure as it is, adding that the role and usefulness of these bodies would depend on the interest and institutional learning of the actors involved once the Agreement is in place. The authors, therefore, have no substantial suggestions regarding the institutional structure per se.

This research involved:

- A review of existing EU and Mercosur policy documents, previous drafts and strategic frameworks, including leaks of the Agreement - which remains confidential.
- Expert interviews with policy-makers, diplomats, negotiators and government advisors (from Argentina, France and Italy, which are perceived as swing states for ratification, plus Brazil, Portugal and Uruguay), NGO representatives from both regions, policy analysts (from Argentina, Brazil, Germany, Italy, Spain, Uruguay and the EU) and scholarly specialists on EU-Mercosur relations.
- Analysis of potential ratification and implementation outcomes, especially considering that none of the three ratification scenarios provided for by the European Parliament's Research Service¹⁴ (namely the 2016 EU-Canada Comprehensive Economic and Trade Agreement, the 2018 EU-Singapore Free Trade Agreement and the 2023 EU-Chile Association Agreement) has been finalised.
- Creative, yet empirically rooted, thinking of proposals to push the Agreement forward.

2 Context of the Agreement

2.1 Geopolitical challenges

Europe and Latin America are at the receiving end of momentous changes in world politics, which could be better navigated through joint action. However, most of the interviewees highlighted that

¹⁴ G. Grieger, '[Ratification scenarios for the EU-Mercosur agreement](#)', At a Glance, *European Parliamentary Research Service*, PE 767.166, 2024.

geopolitical pressure on Mercosur is weaker than that being felt by the EU, an asymmetry that explains the Mercosur countries' less strident reactions. EU countries and the EU itself are facing these geopolitical challenges head-on, hoping that their timely reaction may give them more leverage in ongoing negotiations with great powers, provide them access to raw materials and markets, and save a rules-based international order. This is evident in how EU talks have expanded in Latin America – to modernise or update agreements with Chile and Mexico – and beyond, including new negotiations and agreements with Australia, India, Malaysia and countries in Central Asia. Now that all Mercosur members have voiced their support for the Agreement, the ball is in the EU's court. However, time is of the essence as Mercosur countries are facing pressure from the USA and China to pick sides¹⁵.

2.1.1 US strategic revisionism

Both Europe and Latin America are experiencing the consequences of America's effective threat to withdraw from post-1945 levels of international engagement as guarantor of peace and security, along with open international trade. It is still to be determined if this is a permanent new feature of world politics or a rebalancing akin to the 1971 'Nixon shock'. Views in this regard diverged greatly amongst interviewees, although coincidences emerged when asked to reflect on how the two regions are affected differently; for example, while reduction in development and financial assistance is a key concern for Mercosur, Europe suffers alone the shock of diminished defence commitments and is comparatively more affected by Washington's tariff policy.

Historically, Europe's security architecture has relied on a USA-led NATO alliance. Transition towards less US involvement and leadership in NATO poses significant challenges, given the current disparities in defence readiness among European nations and the complexities of coordinating a unified defence strategy. It also creates a scenario in which the EU might have to rethink its nuclear deterrent and its entire geo-economics. For example, while opposition to this Agreement has traditionally used the argument of food security to undermine it, an EU side-lined by the USA is under a pressing need to secure geopolitical partners for its economic security¹⁶. No such transformation is set to take place in South America, although, as covered later, the European strategic awakening could use Mercosur.

On the economic front, the EU's export-driven economy stands to be disproportionately affected by what seems to be an impending trade war, due to higher levels, higher exposure and its willingness to fight back. In contrast, while South American countries also face challenges from reduced US development assistance and trade barriers, Mercosur economies are less intertwined with the USA than those in the EU. Mercosur countries have export profiles that are not highly

¹⁵ L. Schenoni, '[Qué hay detrás de la aparente locura de Trump frente al mundo](#),' *La Nación*, 18 April 2025.

¹⁶ V. Palacio & J. A. Sanahuja, '[America Latina, la UE, y el factor Trump](#),' in *Informe Iberoamérica 2025. La IV Cumbre UE-CELAC en Colombia: Retos y promesas*, Fundación Alternativas, Madrid, 2025, p, 30.

complementary to those of America and they are less integrated into global value chains. All are now far more dependent on China as a market for their primary exports, which could lead to the US pressure to decouple. However, lower levels of industrialisation and strategic relevance¹⁷ also mean that Mercosur is less likely to enter a retaliatory dynamic with the USA.

Nevertheless, Mercosur countries could be hit on the financial front by a reduction in US Foreign Direct Investment (FDI) and foreign assistance, as well as an increase in the costs of borrowing. Mercosur's financial needs provide the EU with leverage and concrete tools in the negotiations. Considered together, EU countries are already the largest investors with EUR 375 billion in FDI, which is twice the amount of the USA's FDI and three times that of China. This means that the EU is already a large financial actor with knowledge of and a foothold in the region. With Global Gateway and other programmes at its disposal, it can not only lower investment costs but also become a different partner qualitatively – for example, better integrating value chains – and even fill the void left by the USA in areas such as financial assistance and aid.

After the last round of negotiations, Mercosur members are expecting that the EU doubles down on these commitments to become a bigger and better financial partner. The EU needs to close this gap if it is to become a player of the same relevance as the USA, or even China, for Mercosur.

2.1.2 Chinese and Russian pressures

The EU faces more acute military and economic challenges from the assertive actions of Russia and China than Mercosur countries, which to date have not voiced any opposition.

Russia's recent military activities, including the annexation of Crimea and Eastern Ukraine, have heightened security concerns across Europe. These actions have prompted EU Member States to reassess their defence strategies and increase military spending to deter potential aggression. In contrast, Mercosur nations, geographically distant from Russia, do not experience the same immediate threats. Russia has supported the Venezuelan regime and has the potential to destabilise the region at the margins, including through President Maduro's threat to intervene militarily in the Guyanese region of Essequibo. Yet, Russia's active cooperation with Venezuela, as well as Cuba and Nicaragua, has diminished since the War in Ukraine. Mercosur countries tend to consider Russia as an inconspicuous threat and a desirable partner in specific sectors. For example, Brazil relies on Russia for 75 % of its fertiliser imports, which largely explains its position in the Ukraine War¹⁸.

Economically, China's expanding influence also presents significant challenges for the EU. The influx of subsidised Chinese products has led the EU to impose tariffs to protect its industries and maintain fair competition in sectors such as electric vehicles. While Mercosur countries also engage in trade with China, their economies are less exposed to competition from Chinese high-tech

¹⁷ L. Schenoni & A. Malamud, '[Sobre la creciente irrelevancia de América Latina](#)', *Nueva Sociedad*, No 291, 2021, pp. 66-79.

¹⁸ L. Schenoni, et al., '[The Ukraine War and the Limits of Latin American Fence-Sitting](#)', *Bulletin of Latin American Research*, Vol 43, No 4, 2024, pp. 300-304.

industries, resulting in a different set of economic dynamics. The concern for Mercosur is rather becoming trapped in the dynamics of a new cold war in a sub-region where China has displaced the USA in total investment, trade, foreign aid and bilateral credit¹⁹. China has demonstrated a great capacity to curb the foreign policies of Mercosur countries. For example, despite his anti-communist rhetoric during the presidential campaign, Argentine President Javier Milei later took a pragmatic approach as he activated a swap deal with China to help meet the International Monetary Fund's repayment obligations²⁰. Before that, we had seen a similar shift in Jair Bolsonaro's foreign policy after the Brazilian agribusiness sector put pressure on the president. These cases illustrate how Mercosur countries remain dependent on China in both trade and finance.

Dependency on China does not necessarily affect Mercosur's capacity to cooperate with the EU. On the contrary, various interviewees highlighted how an agreement with the EU might help Mercosur navigate bipolar tensions between China and the USA. There are frequent misunderstandings in this regard, as the quest for autonomy in Mercosur countries' foreign policy requires attention to detail. Lula's Brazil, for example, is often seen with scepticism by Western actors because of its participation in BRICS but this view neglects that Brazil – together with Paraguay, who keeps diplomatic relations with Taiwan and not mainland China – is one of three South American countries that does not have a Belt and Road Initiative Memorandum of Understanding (MoU) with China. Beyond the noise, Mercosur countries attempt to maximise autonomy in all their partnerships, including this with the EU. Henceforth, the EU could find in Mercosur a partner if it were to pursue a version of hedging or non-alignment²¹.

While Brazil's engagement with the EU-Mercosur Agreement and the BRICS simultaneously might suggest potential incompatibilities, the nature of its obligations under each framework differs significantly. The EU-Mercosur Agreement imposes legally binding commitments on Brazil. These obligations could become incompatible or strained if Brazil deepens alignment with BRICS countries, for example, by adopting lower trade standards or engaging in alternative governance mechanisms. However, so far, Brazil's cooperation within BRICS is governed not by binding treaties but by non-binding political declarations, MoUs and voluntary cooperation frameworks. BRICS initiatives, including the New Development Bank and the Contingent Reserve Arrangement, create limited financial obligations and do not impose enforceable commitments in trade, environmental, labour, or digital regulation. This legal asymmetry means that, in the event of a normative conflict, Brazil is legally bound to prioritise its treaty-based obligations under EU-Mercosur over the flexible and political nature of its BRICS engagements. The fact that Brazil decides to pursue cooperation with both the EU and BRICS reflects a broader strategy of autonomy via diversification, but this has its limits. Traditional legalism in the conduct of its foreign policy and the possibility of legal

¹⁹ F. Urdinez, *Economic Displacement: China and the End of US Primacy in Latin America*, Cambridge University Press, Cambridge, 2025.

²⁰ This renewal, negotiated by then-foreign minister Diana Mondino, provides Argentina with continued access to Chinese yuan to bolster its foreign reserves.

²¹ Hedging is a foreign policy strategy that combines competitive and cooperative approaches to promote national interests under uncertainty over the international distribution of power. It commonly takes place when a country cooperates simultaneously with two great powers.

consequences means that Brazil is likely to honour its legal commitments with the EU-Mercosur Agreement first and foremost.

2.1.3 Erosion of international norms

Both Europe and Latin America are increasingly vulnerable as key international norms and multilateral fora are being undermined. As highlighted at the outset, the two regions are weak international actors from a military standpoint, having remained largely demilitarised and under the USA's security umbrella since the Second World War. This means that both are intrinsically dependent on a multilateral cooperative order and rely on the 'weapons of the weak' that it provides. Upholding norms and multilateral organisations will continue to be a strategic priority for them, irrespective of short-term political whims.

An example of a key norm is territorial integrity. Russia's invasion of Ukraine represents the most extreme instance since the Second World War of a great power attempting to alter internationally recognised borders through force. Without a concerted response from like-minded actors, it could result in the greatest *de facto* acceptance of territorial conquest in the modern era. The USA, once a central guarantor of these norms, has withdrawn from its leadership role and, even worse, has implicitly signalled a willingness to play by these shifting rules, as reflected in repeated references to Greenland, Panama and even Canada. This retreat opens space for other states with territorial ambitions, such as China and Israel, to capitalise on the erosion of international constraints. Such a trend places a growing pressure on Europe and Latin America to uphold norms of sovereignty and non-aggression, given that peace in their regions and beyond depends on these norms²². It is notable, though, that the Agreement does not cover cooperation to uphold this norm, nor a kindred norm of peaceful conflict resolution.

Multilateral coordination to reinforce these norms and principles could serve as a point of convergence between the two regions. The United Nations (UN) may become the favoured forum within which to facilitate conversations, as well as monitoring and even enforcing such agreements. The UN is built on principles that constrain great power politics and enable weaker actors. International organisations such as the UN are currently under fire, something that does not serve either region well. Yet, regardless of how successful the UN system is, it is in the interest of both regions to uphold the UN's relevance, as well as that of other organisations belonging to the rule-based order, such as the Bretton Woods system and the International Criminal Court. A reference to consultation mechanisms at the UN bodies and agencies would be a valuable step in this direction.

2.1.4 Catching up with energy and digital transitions

Both Europe and Latin America are under growing pressure to craft strategic responses that avoid deepening dependency on the USA and China. Amid an unfolding industrial transformation driven by rapid advances in energy systems and AI, both regions emerge as potential standard-bearers

²² L. Schenoni et al., ['The Saavedra Lamas Peace: How a Norm Complex Evolved and Crystallized to Eliminate War in the Americas'](#), *International Studies Quarterly*, Vol 68, No 2, 2024.

for a more balanced and equitable approach, particularly as they seek to shape the rules and norms governing the next phase of technological and industrial development.

The EU's lag in AI and energy technologies is multifaceted. Investment disparities are stark: more than 80 % of global AI funding is directed toward US or Chinese firms, with EU businesses receiving just 7 %. Additionally, Europe's research initiatives often suffer from fragmentation and a lack of coordination, hindering the development of large-scale, market-driven innovations. This contrasts with the more unified and commercially focused approaches observed in the USA and China²³. In the realm of energy technologies, while Europe has been a leader in clean technology patents, accounting for over 27 % of international patent families between 2017 and 2021, it faces increasing competition from China, with its 70 % contribution to the growth of such patents during the same period²⁴. High energy costs and competition from other global players have also impacted Europe's industrial competitiveness, leading to a decline in industrial production in its major economies²⁵.

This new Agreement offers avenues to address these issues by enhancing AI collaboration, increasing investment in green energy, reducing energy prices and securing access to essential raw materials for energy transition. Mercosur countries, particularly Argentina and Brazil, are rich in critical materials vital for renewable energy technologies, such as lithium and copper. The Agreement in its initial versions precluded the possibility of increased export duties of these products – a major EU gain and a point that has since been revised – but of which important elements remain. This is of importance given the longer-term potential for reduced production costs and, consequently, energy prices within the EU. The reduction of import tariffs on electric vehicles and hybrids not only opens opportunities for European manufacturers but also ensures that the automobile sector in Europe remains at the forefront of research.

Yet, it is critical to realise that Mercosur countries do not intend to remain a mere source of raw materials and a market but wish to be recipients of investments to add value *in situ*. The Agreement itself and actions beyond it should soothe concerns regarding these countries' participation as partners and not just markets. Moreover, the EU could consider developing a policy that actively considers these countries' industrialisation and development goals and reaches out with concrete proposals. The geopolitical goal would be to use industrial interdependence to strengthen the relationship at the level of value chains and businesses, generating spill overs that tighten interregional bonds. This would be an ambitious goal for the EU, but nevertheless non-expensive and impactful, given that neither the USA nor China offer such policies. One recurrent theme in our interviews was the sensitivity of goals and investments framed as 'green' or contributing to the 2030 Agenda for Sustainable Development. For some Mercosur countries, this stands misaligned

²³ A. Renda, '[Towards a European Large-Scale Initiative on AI: What Are the Options?](#)', CEPS In-Depth Analysis, No 2024-11, Centre for European Policy Studies, 2024.

²⁴ M. Draghi, '[The future of European competitiveness – Part A: A competitiveness strategy for Europe](#)', *European Commission*, 2024.

²⁵ European Investment Bank, '[Financing Commercialisation and Cleantech Innovation](#)', April 2024; R. Jiang, et al., '[Measuring China's International Technology Catchup](#)', *Journal of Contemporary China*, Vol 29, No 124, 2019, pp. 519-534.

with either their industrial strategies or ideological leanings. However, pragmatism is likely to prevail and investments, including those with Global Gateway guarantees, will continue to be welcome.

2.2 Internal challenges

2.2.1 Fractured blocs

A key constraint on deeper interregional cooperation lies in the internal fragmentation within each regional bloc. Neither the EU nor Mercosur currently speaks with a unified voice on major foreign policy issues and internal divergences risk undermining a coherent interregional agenda.

In Mercosur, governance remains interpresidential and coordination is contingent on the alignment of national governments²⁶. While this structure offers a degree of flexibility, it also renders progress difficult when political differences arise. For instance, meaningful cooperation on green industrial policy or human rights is unlikely if the Argentine administration maintains close alignment with US conservative actors. Similarly, Brazil's foreign policy may complicate agreement on issues such as the war in Ukraine. However, Mercosur governments have displayed a degree of pragmatism that makes targeted cooperation possible. Some interviewees noted that Paraguay and Uruguay, as smaller partners, believe that this Agreement could provide them with greater leeway and alleviate current constraints. This may introduce new dynamics within Mercosur. Furthermore, the necessity to coordinate positions *vis-à-vis* the EU may compel Argentina and Brazil to engage in dialogue, which could lead to the resolution of differences between them. Conversely, the accession of Bolivia, currently underway, or the normalisation of Venezuela's membership could complicate decision-making processes.

For the EU, managing relations with a fractured Mercosur will require 'strategic patience'. This is a combination of creating structural incentives for interregional cooperation and significant diplomatic dexterity, particularly in how shared priorities are framed to accommodate national sensitivities. Actions such as President Emmanuel Macron's visit to Argentina to moderate Milei's stance ahead of the Group of 20 (G20) summit have been crucial for narrowing the gap between the EU and Mercosur on controversial issues such as climate change and gender.

Although much more institutionalised, the EU is not less politically fractured. However, pressures from China, Russia and the USA seem to have brought key actors - including to some extent the United Kingdom (UK) - to rediscover a common ground. Mercosur could also offer opportunities for the EU to align hesitant countries in various ways and thereby strengthen internal cohesion. For example, the personal and ideological relation between Italian Prime Minister Giorgia Meloni and Argentine President Javier Milei could help close gaps between the two regions, within the EU itself and even be leveraged by other interested actors to present the deal as less threatening to American interests. Similarly, the good relationship between French President Emanuel Macron and Brazilian President Lula da Silva, which helped reach the preliminary agreement, could be key to bridging the interests of their two countries.

²⁶ A. Malamud, '[Presidential Diplomacy and the Institutional Underpinnings of MERCOSUR: An Empirical Examination](#)', *Latin American Research Review*, Vol 40, No 1, 2005, pp. 138-164.

2.2.2 Polarised democracies

Domestic polarisation presents an additional layer of complexity for both the EU and Mercosur, compounding the international uncertainties already outlined. In both blocs, deepening political divisions at the national level have made it increasingly difficult to pass legislation, sustain popular support for ambitious policy agendas or ensure the continuity of international commitments.

Agreement in certain areas might be unattainable if certain political groups' priorities, such as gender and the environment, are compromised. Furthermore, agreements reached under one administration are vulnerable to reversal under the next, if transitions involve significant political shifts. Such domestic volatility undermines long-term planning and creates an environment of institutional fragility that weakens both internal cohesion and external credibility. One of the most acute consequences of this dynamic is the challenge posed to reliability. Here, building resilient interregional partnerships will depend not just on diplomatic skill but also on mechanisms that can withstand shifts in domestic political winds across both regions. The provision to have Domestic Advisory Groups to help monitor the implementation of the Agreement can thus become a critical asset.

For instance, Argentina currently features a conflict-prone executive-legislative relationship. The president's party has less than a third of each chamber's seats, a situation that in Latin America has frequently led to presidential instability²⁷. Although acceptable levels of popularity have allowed President Milei to obtain a modicum of support from Congress, it is not granted that such support will continue if economic performance deteriorates. As challenging as Milei's reluctance towards this Agreement is, potential instability is even riskier.

In Brazil, although former President Bolsonaro has been legally disqualified from running for office, some of his followers retain chances of winning the next presidential election. However, this occurrence should carry less risk to ratification than Milei's position, since Bolsonaro supported the earlier version of this Agreement negotiated in 2019. As pronounced as Brazil's turnarounds may seem, they are usually softer than Argentina's.

3 Shared interests and opportunities

3.1 Managing US withdrawal

As the USA disengages from multilateral commitments and adopts adversarial stances toward institutions that once underpinned global governance, the EU and Mercosur have incentives to explore new forms of cooperation that reinforce mutual resilience, strategic autonomy and regional stability. Analysed below are four compelling areas: defence and defence industry, nuclear non-proliferation, development financing and scientific cooperation. These case studies illustrate pathways through which the two blocs can jointly compensate for the gaps opened by the US withdrawal.

²⁷ A. Pérez-Liñán, [*Presidential Impeachment and the New Political Instability in Latin America*](#), Cambridge University Press, Cambridge, 2007.

3.1.1 Interests in the defence sector

The EU is expected to make substantial strategic investments in defence over the coming years and is likely to exercise discretion in choosing its partners, favouring those who can offer both political alignment and industrial reliability. In this context, Mercosur might hold a distinct advantage. The bloc provides an initial platform for enhanced cooperation, particularly in the case of Brazil, which has pursued a strategy of diversification and development within its defence industry.

Firstly, Mercosur countries could certainly provide a market for selling European goods. Both Argentina and Brazil's defence procurement systems are fundamentally decentralised, with each branch of the armed forces managing its own projects. This has enabled a wide range of international partnerships. The Brazilian Air Force, for instance, operates the Swedish Gripen fighter jet, whilst the Brazilian Army fields Leopard tanks manufactured in Germany and is exploring modernisation programmes for its armoured cavalry. Both forces also operate helicopters and vehicles developed in partnership with Italian companies. Argentina presents a comparable case. The purchase of F-16 fighter jets from Denmark in 2023, initiated under a government ideologically opposed to the USA, illustrates the decentralised nature of procurement, where the preferences of individual military branches can play a decisive role. In this case, Argentina's Air Force advocated acquisition from and cooperation with European partners. A notable feature of the deal was coordination with Denmark's modernisation plan and the involvement of British defence firm BAE Systems, which agreed to divert production of the F-16s' ejector seats to continental Europe to accommodate Argentine requirements, reflecting both the geopolitical sensitivities of the UK-Argentina relationship and Europe's larger role in the context of NATO.

Secondly, Mercosur could be a market for the relocation of European production. Lobby groups such as the *Associação Brasileira das Indústrias de Materiais de Defesa e Segurança*, a corporate chamber of defence-related industries, have been able to gain beneficial tax policies for the sector. Another advantage of relocating production to Mercosur is direct access to raw materials. For example, *Rheinmetall AG*, a German defence and automotive manufacturer, has followed this reasoning and established a presence in Brazil through various investments and collaborations, thereby contributing to the country's defence and industrial sectors. *Rheinmetall* already produces military vehicles such as the KF51 Panther main battle tank and the Lynx infantry fighting vehicle, as well as weapons and ammunition. The Italian firm *Iveco* and British *BAE Systems*, *inter alia*, present a similarly promising situation. Mercosur countries have shown interest in developing their home industries by partnering with European counterparts. For instance, through the Naval Group (majority-owned by the French government), Brazil received support for building *Scorpène*-class submarines and is developing its first nuclear-powered submarine as part of a domestic project. Thales, a major French defence electronics firm, holds a significant stake here. Other Thales investments include long-term commitments across defence, aerospace and digital security.

Thirdly, Mercosur countries see Europe as a potential export market for some of their technologies. Embraer's C-390 Millennium transport aircrafts have been exported to Portugal and incorporate Argentine-made components. Brazil also has a relatively advanced missile programme. Companies

such as SIATT (Integrated Systems of High Technological Content) are supplying critical components, including navigation, guidance and control systems. The country has a growing drone and missile industry, with firms such as Bibras contributing to technological self-sufficiency. Looking ahead, Brazil aims not only to strengthen its own industrial base but also to become a regional hub for European defence firms. This could involve local assembly of defence systems, distribution of parts, provision of repair services and training. More modestly, Brazil may position itself as a gateway to the broader Latin American market, a logistical and commercial platform for European defence materials and services. The recent announcement by President Gustavo Petro that Colombia would be buying Gripen rather than US fighters confirms this potential²⁸.

However, challenges in the sector regarding political frictions, financial instability and geopolitical concerns continue to undermine defence integration efforts within Mercosur. Despite certain collaborative efforts, Argentina remains cautious about increasing technological dependence on Brazil, and Brazil has seen Argentina as an unreliable partner in this strategic sector due to its fluctuating policies. Another challenge in such arrangements would be the integration of smaller Mercosur members, whose limited industrial capacity and strategic stakes may complicate efforts to develop more inclusive frameworks.

3.1.2 The nuclear proliferation conundrum

Since the contentious meeting between Presidents Trump and Zelenskyy in the White House, the possibility has grown that some European countries will move towards developing nuclear capacities. The question is whether this is a structural trend and what it would mean for both regions in their common stance against proliferation. Although a security clause has clarified that nothing in the agreement should be construed as preventing a party from protecting its essential security interests relating to nuclear materials, it is worth considering how the Agreement might limit EU members in this regard and clarify the extent to which weaponisation would result in a violation of this text.

Non-proliferation is dear to Mercosur countries. Argentina and Brazil have played a strong diplomatic role in this non-proliferation regime and have a strong foothold in these agreements, partly because of their high capability, but also out of self-interest. Mercosur itself could be seen as a layer of trade on top of previous agreements that ended a decades-long nuclear race between the two countries, although nuclear latency has been retained. Unlike the position in Europe, there is no need for the common governance of a nuclear deterrent, as these countries do not face a third-party nuclear threat and are part of a larger nuclear-free zone²⁹.

Significantly, Argentina and Brazil could be jointly granted a greater role in the governance of this dimension. The Brazilian-Argentine common system of safeguards, established in 1991, is a global

²⁸ S. Rodríguez Álvarez, '[Petro se monta en los aviones Gripen suecos y se aleja de EE. UU.](#)', *La silla vacía*, 3 April 2025.

²⁹ The Treaty for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (Treaty of Tlatelolco) was signed in 1967 and encompasses all 33 Latin American and Caribbean states.

model for neighbouring countries that wish to verify the exclusively peaceful use of nuclear energy³⁰. Argentine Ambassador Rafael Grossi is now head of the International Atomic Energy Agency, which recently produced a report condemning levels of uranium enrichment in Iran. Both countries have highly trained diplomats and scientists who, in accordance with EU instruments, can contribute to interregional cooperation regarding: the advancement of nuclear safety standards; technological innovation and research collaboration; energy security and diversification; and support for global non-proliferation goals.

Cooperation between the EU and Mercosur countries in the nuclear realm has a long history. In the 1970s, Brazil and West Germany signed a landmark nuclear cooperation agreement aimed at establishing Brazil's self-sufficiency after Germany had helped build the Angra 2 reactor. Meanwhile, Argentina's first nuclear power plant, Atucha 1, was built with assistance from the German company Siemens. Although such cooperation has now been phased out, this remains an area of geopolitical concern and retains great cooperation potential. For example, in February 2022, Argentina and China National Nuclear Corporation signed an agreement to construct a Hualong 1 reactor. In December 2024, Argentina announced plans to collaborate with a US investor and *INVA S.E.*, an Argentine hi-tech public firm, on a small modular reactor at the same location, potentially superseding the earlier agreement with China³¹. Europe might have a role to play in this geopolitical competition. For example, the Euratom–Argentina Nuclear Cooperation Agreement, established in 1996 to facilitate collaboration on peaceful nuclear energy uses, could be paired with expansion of the Horizon Europe programme and coordination with the EU Small Modular Reactors Industrial Alliance launched in 2024, to coordinate efforts in developing and deploying these types of reactors beyond Europe.

Finally, the Brazil–France partnership on the development of a nuclear-powered submarine (already mentioned) exemplifies a model of interregional cooperation that balances technological advancement with non-proliferation commitments. Initiated in 2008 under the Submarine Development Program, this collaboration involves the construction of four *Scorpène*-class diesel-electric submarines and Brazil's first nuclear-powered submarine, the *Álvaro Alberto*. France's Naval Group provides technical assistance, excluding the nuclear reactor, which is developed domestically by Brazil. This arrangement ensures technology transfer while adhering to international non-proliferation norms. The programme has also led to the establishment of the *Itaguaí* Naval Complex, fostering Brazil's defence industry and creating thousands of jobs. By focusing on nuclear propulsion for maritime sovereignty rather than weaponisation, the partnership underscores how nations can collaborate on sensitive technologies responsibly, serving as a blueprint for other interregional initiatives.

³⁰ M. O. do Nascimento Plum & C. A. R. de Resende, '[The ABACC experience: continuity and credibility in the nuclear programs of Brazil and Argentina](#),' *The Nonproliferation Review*, Vol 23, No 5-6, 2017, pp. 575-593.

³¹ C. Nugent, '[Argentina chooses US investor to spur nuclear-powered AI dream](#),' *Financial Times*, 21 December 2024.

3.1.3 The new development-funding vacuum

One common thread in the interviews has been the potential impact of the USA slashing funding for development initiatives, broadly construed. As geopolitical vacuums emerge, driven both by US and Chinese retrenchment in this dimension³², the EU is well-positioned to assume a leadership role, which would require flexible and creative management of the Neighbourhood, Development and International Cooperation Instrument – Global Europe instrument amongst other programmes.

When it comes to aid, Mercosur interviewees showed some dissatisfaction with the limited reach of EU programmes and the prevalence of corporate interests in some of the funding schemes. The interviews signalled the generalised perception of a limited incorporation of the EU-Economic Commission for Latin America and the Caribbean Development in Transition concept into the cooperation instruments, as well as limited funding for the projects undertaken under that umbrella.

Interviewees on the European side also highlighted that a more social understanding of the Global Gateway, which underscored the importance of investing in health and education, was relatively abandoned in more recent times, to the detriment of Mercosur partners.

Overall, for the EU, opportunities for cooperation are present not just in lower-middle-income countries such as Bolivia but also in upper-middle-income countries such as Argentina, Brazil and Paraguay – with Uruguay being the only high-income country in Mercosur. There is room for EU-Mercosur policy dialogues to co-create development strategies that reflect the multidimensional nature of Development in Transition³³.

Aid can be fundamental in solidifying relations with smaller countries in Mercosur. While defence and industrial cooperation may serve as effective entry points for engagement with larger regional powers such as Brazil and Argentina, development aid and technical assistance remain the most meaningful tools for partnership with more aid-dependent countries. In the cases of Bolivia and Paraguay, for example, their geopolitical weight may be limited but their strategic relevance is significant, as detailed below. Engagement through development aid could grant these countries a clearer place in a broader interregional agenda.

Changes in the development funding landscape triggered by recent American policies are massive and affect higher-income countries as well³⁴. In Uruguay, migration and resettlement programmes previously funded by the US Agency for International Development have become increasingly precarious. Cuts to development funding are not just limited to aid. Even within the USA, a major reconfiguration of federally supported projects can be observed as initiatives lose funding, seek alternative sources and relocate between institutions or transition from public to private ownership.

³² S. Hameiri & L. Jones, '[International Development Financing in the Second Cold War: The Miserly Convergence of Western Donors and China](#)' *Development and Change*, Vol 56, No 1, 2025, pp. 3-33.

³³ See the Organisation for Economic Co-operation and Development website on [Development in Transition](#).

³⁴ See the US Foreign Assistance [website](#).

This reshuffling of civil society as well as research and development ecosystems, which was historically underpinned by American federal investment, has major international implications and affects other areas such as science and technology (the subject of the next section). If the EU is not able to take this opportunity and fill the aid void, it is recommended here that EU Member States should achieve this bilaterally before the affected programmes and Civil Society Organisations (CSOs), some of which have decades of experience, disappear.

As with the previous sections, this case study does not preclude other forms of cooperation. These would chiefly involve EU-supported development banks and financial institutions such as the European Investment Bank (EIB). Some of these instruments are discussed *vis-à-vis* challenges of the green, AI and energy transitions in section 3.4.

3.1.4 Funding of science and technology

One characteristic of the Trump administration in the USA has been an offensive defunding of science and higher education institutions that do not follow the instructions of the government. This new approach is concerning for science and technology, given the interactions that exist between EU and Mercosur research and education institutions, on the one hand, and American partners on the other. In the past, these interactions have often facilitated knowledge and technological transfer, key to the economy and development in both regions.

In this regard, the EU may be able to fill the financial void and become a leading partner, while benefiting from the competence of Mercosur in specific research areas. This could chiefly be achieved by extending cooperation that is already present in EU funding schemes such as the EU-CELAC Joint Initiative for Research and Innovation, a bi-regional cooperation programme established in 2010. Chief among the schemes that could be extended toward Mercosur is Horizon Europe, which Brazil joined as an Associated Country in 2024, thus making it possible for its scientists to participate on an equal footing with EU Member States. Researchers from Mercosur can also engage through the Marie Skłodowska-Curie Actions programme for fellowships, training and mobility, as well as Erasmus+, which supports joint degrees, capacity-building and institutional cooperation. Bilateral science and technology agreements between the EU, Argentina and Brazil already fund collaborative projects in areas such as health, renewable energy and digital innovation, but these partnerships require more funding.

Although often considered secondary in interregional dialogues, areas such as space and technology, as well as Antarctic cooperation, hold untapped potential for collaboration, as they combine strategic and scientific imperatives for both blocs. Argentina, which maintains long-standing territorial claims in the South Atlantic and ongoing disputes with the UK, especially concerning the Falkland Islands/Malvinas, may see strategic value in closer alignment with the EU in Antarctic affairs, so cooperation in this domain would require careful diplomatic handling. Yet, beyond geopolitical considerations, these agendas offer platforms for science-driven diplomacy, technological exchange and peaceful multilateral engagement – areas where both the EU and Mercosur have normative commitments and overlapping interests. Developing mechanisms for cooperation in these fields could serve to deepen trust, enlarge epistemic communities, expand the scope of the partnership and reinforce the role of both regions in global governance.

3.2 Fending off state-based threats

In an increasingly volatile global order, the EU and Mercosur face growing challenges from authoritarian countries seeking to expand their influence across strategic sectors and democratic institutions. This section examines the shared imperative of dealing with those state actors. More emphasis is put on China and Russia due to their geopolitical prominence. At a broader strategic level, the EU and Mercosur have a shared interest in fending off Chinese influence within strategic sectors and sensitive infrastructure to preserve a margin of autonomy in what is an increasingly bipolar world. Unlike Russia, which is problematic in the short term but potentially a rather weak great power in the long run, China is playing the long game and is clearly the USA's key focus.

3.2.1 The challenge from China in the long term

China's engagement in Latin America has evolved from traditional infrastructure projects to strategic investments in critical sectors. The country is Mercosur's top partner in the trade in goods, importing approximately USD 184 billion from bloc members – more than double the EU's intake. Argentina, Bolivia and Uruguay have signed a Belt and Road Initiative MoU, facilitating Chinese wide-ranging investments in lithium extraction (in Argentina and Bolivia), to deep-water ports and satellite infrastructure. Through the Global Gateway initiative, the EU could try to outcompete China. However, Ramón Jáuregui, who participated in the crafting of the initiative as president of the *Fundación Euroamérica*, declared for this report that the Global Gateway lacks a proper financial architecture. While the EU pledged EUR 1.8 billion to Global Gateway projects throughout the Mercosur bloc, China's investments are far greater, for example, it pledged USD 4.8 billion in investment to Brazil alone during Lula's visit on 13 May 2025³⁵. The possibility of a larger fund committed to Mercosur, which seems to be one of the points agreed in the last round of negotiations, bodes well for the Agreement. A timely announcement would foster the partnership and feed broader support from governments and public opinion in Mercosur. However, it might still fall short in the competition with China.

Despite these challenges, Mercosur's efforts to find partners other than China are one of the few areas where the EU's and Mercosur's aims may align with American interests. This effort is also attractive to countries that are sitting on the fence, a point emphasised by the current administrations of both Argentina and Italy. Although Mercosur is highly dependent on China in trade and finances³⁶, some countries have been playing a balancing act in critical areas, as illustrated by the Argentine government's willingness to inspect a dual-base Chinese satellite base in Neuquen but also a similar EU base in Mendoza³⁷. Likewise, in some sectors, a realignment has started to take place. For example, in the provision of mobile network technology, there has been

³⁵ Reuters, '[China, Brazil agree to defend free trade as leaders meet in Beijing](#)', 13 May 2025.

³⁶ M. Jütten, '[China's increasing presence in Latin America: Implications for the European Union](#)', Briefing, EPRS | European Parliamentary Research Service, February 2025.

³⁷ TN, '[El Gobierno pidió formalmente inspeccionar la base de China en Neuquén y de la Unión Europea en Mendoza](#)', 9 April 2024.

a shift away from Huawei's dominance in 4G to a more competitive market for 5G contracts, where Nokia and Ericsson have gained salience³⁸. However, the challenge coming from Huawei in the telecommunications sector is still major. The EU's efforts to dissuade Mercosur countries from engaging China in sensitive sectors would be welcomed by the USA, but resented by the Mercosur countries themselves, unless this comes in the form of EU competitive bids for infrastructure projects. This means more investment and a larger Global Gateway budget.

In sum, Europe's engagement in chipping away at Chinese influence in Mercosur serves two purposes. First, the alternative to China offered by the EU would deflect criticism from Washington; second, but more importantly, through European involvement, Mercosur could receive more competitive bids, thereby providing a fair alternative to China. Here, the EU could take advantage of a major Brazilian concession in opening its federal-level public procurement markets to EU companies, allowing them to bid for government contracts on equal terms with domestic firms.

While the EU could also compete with China as a trade partner, its approach should be long-term oriented and sectoral. The Brazilian manufacturing sector, for example, sees in China a far greater challenge than that posed by the EU and has therefore lobbied for the Agreement. The triangulation between China, the EU and Mercosur is, though, very complex and it would be a mistake to think of the EU as a partner who can offer an alternative to China in all dimensions. A tectonic shift away from China will take a long time – if it ever happens.

In the short term, the EU could counter China's influence by focusing on small but critical issues or negotiations. Bolivia, for instance, occupies a critical position in the global lithium value chain, while Paraguay is one of only 12 countries in the world still recognising Taiwan. In late 2024, Bolivia signed a USD 1 billion agreement with China's CBC, a subsidiary of battery manufacturer CATL (Contemporary Ampere Technology Co.), to construct two lithium extraction plants in the Uyuni salt flats. Paraguay is also being courted by China to switch allegiances and although there are no clear indications that the current government would move in that direction, the use of aid by the EU, perhaps even in moderate amounts, could be critical in swaying those countries.

The question of countering Chinese influence at present is set against the backdrop of the full-blown trade war against China being waged by the USA (but see also the EU car sector). Although not of immediate concern, it would be naïve to neglect a scenario of full-blown conflict with China, as referred to at the highest strategic levels. An open conflict between the USA and China over Taiwan, or an escalating trade war that increases the costs of neutrality, might affect the Mercosur countries' fence-sitting³⁹. This being so, it is reasonable to assume that the issue is being addressed at diplomatic levels, as a matter for interregional coordination.

³⁸ S. Bowling, '[Latin America Becomes New Battleground for 5G Contracts](#)', *ABI Research*, 14 September 2024.

³⁹ L. Schenoni, et al., '[The Ukraine War and the Limits of Latin American Fence-Sitting](#)', *Bulletin of Latin American Research*, Vol 43, No 4, 2024, pp. 300-304.

3.2.2 Countering short-term threats from Russia

Although Russia might be less of a strategic competitor to Europe in the long term, it constitutes a current danger with uncertainty about where its escalatory dynamics might end, even in the event of peace in Ukraine. Hence, the EU has incentives to reduce Mercosur’s dependence on Russian fertilisers and other levers that Moscow can pull. Brazil is key in this regard. In February 2022, just days before Russia’s invasion of Ukraine, then-President Bolsonaro (a far-right leader fully aligned with the USA in the fashion of Milei in Argentina nowadays) visited Moscow. Seeking to bolster trade in fertilisers, he expressed sympathy for Russia’s position. Following criticism from the USA and European representatives, Brazil then supported UN resolutions condemning Russia’s actions but refrained from imposing sanctions, thereby maintaining a neutral stance.

The EU has a renewed opportunity to engage with Mercosur countries by emphasising how Russia’s aggression in Ukraine challenges the fundamental principles that these Latin American nations hold dear: territorial integrity and non-intervention. Furthermore, Russia plays a role in drug trafficking by helping to sustain transit routes for South American supplies towards Europe (as discussed earlier and in the transnational crime section below). In the Sahel, the Wagner Group, a Russian private military company, was part of various criminal networks operating in the region, utilising methods such as overland routes through North Africa and maritime routes across the Mediterranean. These activities are complex and involve many different actors.

In the scenario of a protracted war in Europe, Mercosur could provide logistical support if the conflict exhausts the EU’s capacity to provide foodstuff, oil and gas. However, as a top Argentine diplomat emphasised, ‘to Mercosur, Russia is not an enemy’. Hence, it would take a tremendous amount of diplomacy and money on the EU’s part to convince countries in Mercosur of the contrary.

3.2.3 Threats from autocratic powers

The EU and Mercosur can work together, whether informally rather than officially, to prevent democratic backsliding. The EU has tended to emphasise the external challenges to democracy coming from autocratic powers, including China⁴⁰ and Russia but also powers with influence in the region, like Iran, and Latin American actors such as Venezuela and Nicaragua. Yet, in the interviews, the portrayal of specific countries such as China as an actor undermining democracy was dismissed as disguising EU and US geopolitical interests. Given the Mercosur countries’ dependence on autocratic states in key sectors, foreign ministers are generally inclined to avoid direct confrontation. As a result, the strategies required to navigate this space should rely more fundamentally on civil society actors. Governments may be reluctant to support initiatives that could strain diplomatic relations.

A crucial question remains as to whether and to what extent autocracies promote backsliding abroad. Recent research suggests, in line with the interviewees, that countries such as China and Russia ‘are ill-conceptualised as “autocracy promoters”, and [...] their capacity to curb democracy

⁴⁰ R. Berg & H. Ziemer, ‘[Exporting Autocracy China’s Role in Democratic Backsliding in Latin America and the Caribbean](#),’ *CSIS Americas Program Report*, 2024.

protection policies has been hitherto limited. Instead, democracy protection has been mainly impaired by policy inconsistencies and weak commitment to multilateralism among democracy promoters⁴¹. When it comes to Mercosur countries, it is the withdrawal of US support for democracy through agencies such as the National Endowment for Democracy and the US Agency for International Development that is associated with democratic backsliding⁴². The recent defunding of major federal programmes and the termination of nearly 10 000 foreign aid contracts have disrupted numerous non-profit organisations worldwide working on human rights and democracy. According to interviews conducted for this report, NGOs that may have been affected include: *Fundación Zelmira Michelini* (Uruguay); *Rede Liberdade* (Brazil); *Fundação FHC* (Brazil); *Centro de Información y Recursos para el Desarrollo* (Paraguay); *Transparencia Electoral* (Argentina); *Poder Ciudadano* (Argentina); *Anfibia* (Argentina); as well as the Centre for the Opening and Development of Latin America (Argentina)⁴³. The withdrawal of American funding has created yet another vacuum and highlights the need for alternative sources to support civil society.

Some European countries are stepping in to support democracy-related efforts, such as digital governance, election monitoring and anti-corruption, but the instrument of cooperation on 'democratic principles' could be more specific about joint monitoring mechanisms, the role of conditionality clauses in both blocs and cooperation with CSOs. The issue could even be highlighted under a 'social and economic partnership' instrument or as a focus of the Civil Society Forum. It could also be a focus of Global Gateway and Team Europe initiatives and feature more prominently in the Neighbourhood, Development and International Cooperation Instrument under broader sustainable development goals.

When it comes to countering China and Russia, Brazilian participation in the BRICS is viewed with concern from the EU. However, the BRICS operates as an informal grouping without a formal charter or legally binding commitments, thus allowing member countries to pursue independent foreign and trade policies. Currently, there are no obligations within the BRICS framework that restrict Brazil's ability to negotiate or enter into agreements with the EU in any of the major realms covered here. Under its expanded format, it is even more unlikely that the BRICS will adopt such restrictions, unless it is instrumentalised by China to realign partners in the context of a major decoupling of the USA. Nonetheless, for the EU, it is potentially problematic that fluid channels of communication between Brazil and rival powers remain open.

⁴¹ S. Palestini, et al. '[Autocracy promotion in the Americas? Scrutinizing the effect of China and Russia on democracy protection in Venezuela and Nicaragua](#)', *Democratization*, Vol 1, No 23, 2025.

⁴² L. Schenoni & S. Mainwaring, '[US hegemony and regime change in Latin America](#),' *Democratization*, Vol 26, No 2, 2019, pp. 269-287, p. 270.

⁴³ The Centre for the Opening and Development of Latin America is a case in point. Its work in Cuba has included awarding prizes to ambassadors and connecting opposition leaders with European counterparts to foster support for democratic movements. It has also advocated for the establishment of formal human rights structures: following the EU's lead, it has promoted the creation of Human Rights Ambassadors in Latin America and it continues to serve as a liaison between European officials and local civil society.

3.3 Coordinating in global governance

This section outlines how the EU and Mercosur can strengthen coordination in global governance through improved collaboration in multilateral fora, joint efforts against transnational crime and cooperation on UN reforms. Despite internal divisions, both blocs share interests in climate action, peacekeeping and combating drug trafficking, offering opportunities for deeper ties through intelligence sharing, diplomatic coordination and structured dialogue.

3.3.1 Multilateral fora, finance and the environment

Although the EU and Mercosur share common underlying interests, most will require strategic patience given that both blocs are fractured internally. Historical precedent is not favourable, as the two largest Mercosur countries only once coordinated their participation in the United Nations Security Council (UNSC) between 2004 and 2007⁴⁴ but never allied at the G20 summits. As one interviewee confided to the authors, former Argentine President Cristina Kirchner's two interventions at the crucial 2009 London summit of the G20 were devoted to scolding Uruguay because of its banking secrecy, prompting President Lula da Silva to complain that it was impossible to work with Argentina. The fact that this happened at the peak of the political alignment between all three countries' administrations illustrates the major problems of foreign policy coordination within the bloc.

There seems to be room for the EU to shape these dynamics in the context of the Agreement. During the November 2024 G20 summit in Rio de Janeiro, Lula supported a tax on the ultra-wealthy, gender equality and sustainable development goals. All proposals were initially opposed by Argentina but it eventually accepted following EU pressure, as a lead negotiator told the authors. However, when it comes to other multilateral organisations, aligning with the USA has become a top priority for President Milei. Failure to follow through on a sensitive UN vote even resulted in a Minister of Foreign Affairs being dismissed, showing the importance that signalling alignment has for the government. In financial governance, Argentina is also likely to side with the USA, as it received a USD 20 billion credit line from the International Monetary Fund and faces US pressures to abandon a concurrent swap agreement with China⁴⁵. Argentina has incentives to discuss elements of the international financial architecture, in particular related to debt sustainability and debt restructuring rules. In this realm, coordination with the EU would be valuable but cooperation in areas of more strategic salience or development towards relevant institutional reforms should be expected, for example, a more comprehensive reform of the Bretton Woods system.

Brazil is on the other end of the spectrum. In financial negotiations, President Lula da Silva has expressed support for BRICS proposals to bypass traditional networks such as SWIFT (Society for Worldwide Interbank Financial Telecommunication), aiming to mitigate the impact of Western sanctions on Russia and reduce reliance on the dollar. Here, the EU could shape the diplomatic

⁴⁴ C. Ares, '[Argentina y Brasil compartirán silla en el Consejo de Seguridad](#)', *El País*, 19 December 2003.

⁴⁵ A. Jourdan, '[China and US clash over major Argentina currency swap line](#)', *Reuters*, 8 April 2025.

landscape with initiatives such as the digital Euro, which aims at modernising payment systems and enhancing the EU's strategic autonomy in the financial sector. This is an alternative that would be potentially attractive to Argentina and even to the USA if it sways Brazil away from the BRICS. It is curious that cooperation in this realm is not mentioned in the Agreement's cooperation instruments.

The EU and Mercosur have also historically played roles in international climate negotiations, such as the UN Climate Change Conferences. Strengthening cooperation between these blocs can significantly amplify their influence in advocating global climate action. The EU-Mercosur Partnership Agreement underscores this potential by committing both parties to implement the Paris Agreement effectively and collaborate on trade-related climate aspects. Notably, the Paris Agreement is designated as an essential element, allowing for the suspension of the Partnership Agreement in case of serious breach or withdrawal from the Paris framework. More steps could be taken to consolidate multilateral coordination in this aspect. Currently, Mercosur does not operate as a unified entity in climate negotiations, often aligning with broader coalitions such as the Group of 77 plus China. However, in certain regards, Mercosur behaves as a middle-income country, different from others in the Group of 77 and with interests that might better align with the EU. Advancing negotiations for a common EU-Mercosur forum to coordinate positions could enhance effectiveness. Yet, as one interviewee told us, this is possible only if handled by a sober diplomacy that avoids attracting the ire of public opinion and the USA.

One point reiterated during the interviews was the potential for trans-governmental cooperation in multilateral institutions. This means cooperation between administrative structures and diplomats that goes on beyond their governments' rhetorical or official positions. Argentina and Brazil have highly professionalised bureaucracies and some diplomats occupying key positions within the UN system. These are assets that can keep cooperation ticking over even at times of political disagreement.

3.3.2 The UNSC and peacekeeping reforms

One pillar of the international order under attack is the UN's international peace and security regimes. There is potential for coordination in this regard as key countries in both blocs, such as Brazil and Germany, have had long-standing interests in UNSC reform and have expressed support for changes to make the Council more representative. Conversely, Argentina and Italy are members of Uniting for Consensus, the 100-plus group of countries that seek to prevent Brazil, Germany, India and Japan from attaining permanent seats at the UNSC. Hence, cooperation in a broader reform of the UN system should not be expected.

Although these long-standing positions are relatively rigid, the EU-Mercosur partnership framework offers an avenue for both blocs to collaborate on revitalising the multilateral system, particularly the UN, in line with aims outlined in the UN's Pact for the Future, adopted in September 2024. By leveraging their shared commitment to multilateralism, the EU and Mercosur can coordinate positions on UN reform initiatives, such as enhancing the General Assembly's role and improving the UNSC's effectiveness, thereby contributing to a more equitable and representative international order, without necessarily discussing membership in these organisations.

Both the EU and Mercosur member states have been active participants in UN peacekeeping operations and have engaged in discussions on UN peacekeeping reforms. The UN's Action for Peacekeeping initiative seeks to strengthen peacekeeping operations and collaboration between the EU and Mercosur countries could further develop these reform efforts. There is certainly potential for issue-linkage. Bringing to the table countries that share a major interest in UNSC reform (such as Brazil and Germany) with others that have large contingents in peacekeeping operations (such as Italy and Uruguay) could facilitate coordination whilst keeping the UN on the public agenda. In addition, some Mercosur countries have ample experience in 'demining' efforts, which Europe may soon need.

Other partnerships could be built around specific crises. Brazil and France, for example, are uniquely positioned to address Haiti's escalating security crisis, especially in light of the current stalemate at the UNSC, where China and Russia have blocked efforts to transition the Kenya-led Multinational Security Support mission into a formal UN peacekeeping operation. Brazil brings extensive experience from its leadership of the UN Stabilisation Mission in Haiti from 2004 to 2017, during which it contributed over 2 200 troops and played a pivotal role in stabilising the country. Argentina and Uruguay were major contributors as well. France, on the other hand, has recently initiated military cooperation with Haiti through the 'SABRE Haiti' programme, training Haitian Armed Forces personnel.

A permanent meeting venue for discussion and coordination on a common UNSC position and peacekeeping could also be conducive to further cooperation in strategically sensitive matters, allowing countries in both blocs to raise potential red flags at an early stage when it comes to prospective votes or proposals. For example, Brazil has actively pursued diplomatic initiatives aimed at resolving the Russia-Ukraine conflict. President Lula has proposed forming a coalition of neutral countries to mediate peace talks between Russia and Ukraine. In collaboration with China, Brazil introduced a six-point peace plan emphasising non-escalation, humanitarian assistance and the organisation of an international peace conference recognised by both parties and even participation in a peacekeeping force⁴⁶. However, this initiative contradicted a European proposal (also supported by the UK) and was criticised by Ukrainian President Volodymyr Zelenskyy, who perceives it as favouring Russian interests. Had there been a permanent forum to discuss these issues, European plans and Mercosur sensibilities could have been better communicated and hence contradictions between the two approaches would have been addressed beforehand. Beyond Ukraine, coordination of positions within UN bodies generally is plausible, but the EU should expect more heterogeneity in Mercosur countries' approaches, which are vaguely coordinated - if at all - at the level of a UN Latin American Group.

⁴⁶ S. Brown, '[Should China, Brazil, UN Be Part of Post-War Peacekeeping Force in Ukraine?](#)', *Kyiv Post*, 18 February 2025.

3.3.3 Combatting drug trafficking

The logistics of drug trafficking and other illegal goods prosper in ill-guarded, often peaceful borders, and for different reasons, both Europe and Latin America have many⁴⁷. Yet, Mercosur is made up of mostly transit countries rather than consumer markets, while the large destination markets are in Europe. Accordingly, there is a joint interest not only in improving Mercosur border conditions but also in tackling Europe-based trafficking networks. Intelligence-sharing, improved radar and satellite surveillance, as well as technological cooperation, are key to both regions' security interests. For some countries, shifting towards stricter security measures – known in Latin America as *mano dura* – is an area of high priority. Yet, this is an issue that cuts across political factions and provides ground to build on within and across the two regions.

While Mercosur faces its own challenges in places such as the Triple Frontier between Argentina, Brazil and Paraguay, the EU and Mercosur have a strategic opportunity to collaborate in disrupting cocaine trafficking routes that extend from South America, through the Sahel and into Europe. Brazilian criminal organisations, notably the *Primeiro Comando da Capital* (PCC, or First Command of the Capital) and *Comando Vermelho* (CV, or Red Command), play pivotal roles in this illicit trade. The PCC, originating in São Paulo, has evolved into one of Latin America's most formidable criminal networks. It has expanded operations internationally, establishing a significant presence in countries across South America, West Africa and Europe. The PCC's activities encompass drug-trafficking, arms smuggling and money laundering. Its strategic alliances with groups such as the Italian *Ndrangheta* have facilitated the export of cocaine to Europe, often via West Africa. The PCC's influence in West Africa is substantial, exerting control over neighbourhoods in cities such as Lagos and Abuja. Similarly, CV, based in Rio de Janeiro, has extended its reach into neighbouring countries, including Bolivia, Colombia, Paraguay, Peru and Venezuela. The Sahel region, encompassing countries such as Mali, Niger and Chad, has become a critical transit zone for these illicit goods shipped by the PCC and the CV to Europe. The UN Office on Drugs and Crime has highlighted how drug trafficking in the Sahel undermines security, economic development and the rule of law, while jeopardising public health⁴⁸. This affects a rear-guard strategic EU zone, affecting migration flows into Europe that undermine its domestic politics.

Destabilisation caused by drug trafficking in the Sahel has facilitated the emergence of new criminal entities. Reports suggest that successor groups to the Wagner company, a Russian state-sponsored paramilitary group sometimes referred to as the 'Africa Corps', continue to exert control over trafficking routes⁴⁹. These entities not only perpetuate illicit activities but also contribute to regional volatility and violence. To combat these challenges, enhanced cooperation is essential.

⁴⁷ A. M. Kacowicz, et al., '[Peaceful Borders and Illicit Transnational Flows in the Americas](#)', *Latin American Research Review*, Vol 55, No 4, 2020, pp. 727–741.

⁴⁸ United Nations Office of Drugs and Crime, '[Drug Trafficking in the Sahel](#)', *Transnational Organized Crime Threat Assessment – Sahel*, 2024.

⁴⁹ K.P. Larsen, '[The rise and fall of the Wagner Group](#)', *DIIS Policy Brief*, Danish Institute for International Studies, 9 January 2025.

Drawing parallels from the successful USA-UK collaboration with Colombia in dismantling cartels, the EU can support Mercosur countries by providing advanced technological resources, intelligence sharing and capacity-building initiatives. This includes the deployment of satellite surveillance, signal interception technologies and other tools to monitor and disrupt trafficking networks. The involvement of NATO assets could further bolster these efforts, offering logistical support and specialised expertise.

Mercosur can also support efforts in EU Member States. Addressing the challenges faced by law enforcement agencies in regions such as Southern France, Southern Italy and Sweden requires a concerted effort to enhance policing capacities and cross-border cooperation. The Brazilian Army and Military Police possess valuable experience in dealing with organised crime. Their insights into negotiation strategies, operational tactics and community engagement can certainly be instrumental in bringing valuable expertise to European counterparts. Establishing joint training programmes and knowledge exchange can enhance the effectiveness of law enforcement agencies on both continents.

Looking to the future, no other two regions are better prepared than the EU and Mercosur to build an alternative to the Nixon-induced 'war on drugs', launched in 1971 by then US President Richard Nixon and now exhausted. Steps have already been taken to transition from a securitised approach to drug trafficking to a holistic approach that contemplates public health, market incentives and civil liberties. The Global Commission on Drug Policy, which promotes 'moving from prohibition to regulation', has been influenced by such leading figures as former Brazilian president Fernando Henrique Cardoso and former EU High Representative Javier Solana⁵⁰. More fundamentally, the decriminalisation of drugs implemented by European countries such as Portugal has had a dramatic effect in reducing crime, health system saturation and drug-related deaths⁵¹.

Previous EU partnerships with Latin American countries offer a promising blueprint for cooperation. The Europe Latin America Programme of Assistance against Transnational Organised Crime stands out as an exemplary initiative in international cooperation, effectively bridging the EU with Latin American and Caribbean nations to combat transnational organised crime⁵². By addressing the entire criminal chain (encompassing police, justice, and penitentiary systems), EL PAcCTO fosters comprehensive capacity-building and institutional strengthening. The programme's emphasis on sharing experiences and best practices has enhanced mutual learning and reinforced the rule of law across participating countries. In its expansion to include Caribbean nations in EL PAcCTO 2.0, the EU invested EUR 58.8 million and made clear its commitment to a holistic, human-rights-based approach in tackling crimes such as drug trafficking, cybercrime and human trafficking. Similar initiatives could be coordinated with Mercosur, which would grant the Partnership, among other things, increased backing by public opinion and current governments.

⁵⁰ See the Global Commission on Drug Policy's [website](#).

⁵¹ See Transform Drug Policy Foundation, '[Drug decriminalisation in Portugal: setting the record straight](#)', 13 May 2021.

⁵² European Commission, '[EL PAcCTO – Europe Latin America Programme of Assistance against Transnational Organised Crime](#)', webpage, nd.

3.3.4 Other forms of organised crime and corruption

Drug trafficking is at the centre of a much larger network of crimes, calling for an integral approach to cybercrime, money laundering and corruption. The instruments of cooperation in the Agreement could provide a framework that integrates money laundering, terrorism and cyber security, which have been discussed in silos and remain scattered across different instruments. Progress could be made by incorporating concrete ideas such as a joint cybersecurity force along with intelligence and technology sharing initiatives. By strengthening and better integrating these instruments, both regions can address the challenges posed by transnational organised crime. Such cooperation would not only enhance regional security but also weaken the influence of external actors seeking to exploit illicit networks.

With respect to money laundering, both parties could establish joint initiatives focusing on information exchange between financial intelligence units, technical assistance for strengthening institutional frameworks, harmonisation of legal standards and engagement with the private sector to promote transparency and accountability. President Lula da Silva has emphasised the importance of strengthening institutions in this realm, thus aligning with EU priorities. At the same time, President Milei's quest for attracting FDI could benefit from robust anti-money laundering frameworks. In May 2024, the financial intelligence units of Argentina, Brazil and Paraguay signed a historic joint declaration to strengthen cooperation against money laundering, financing of terrorism and organised crime. This agreement emphasises the momentum that exists to coordinate actions in addressing transnational financial threats.

Something similar could be done about the complex but related problem of corruption. The EU and Mercosur can strengthen their cooperation by leveraging commitments outlined in the Agreement, particularly through initiatives such as harmonising public procurement standards to enhance transparency, aligning legal frameworks to facilitate joint investigations and promoting ownership registries to track illicit financial flows. Argentina's implementation of the Corporate Criminal Liability Law and Brazil's enforcement of the Clean Company Act demonstrate a regional commitment to anti-corruption measures. Building upon these efforts, both blocs can engage in joint training programmes, technical assistance and civil society collaborations to improve institutional integrity and accountability.

In both Argentina and Brazil, the fight against corruption has become entangled with political agendas, leading to concerns about the judicialisation of politics. In Brazil, Operation Car Wash initially garnered praise for exposing extensive corruption, but later faced criticism for being politically motivated. This was particularly the case for the conviction of Lula da Silva, which was later annulled due to procedural irregularities. Similarly, in Argentina, former President Cristina Fernández de Kirchner was convicted in 2022 for embezzlement – a verdict she and her supporters claim was politically driven. In November 2024, a federal appeals court upheld the conviction. These cases highlight the delicate balance between fighting corruption and the politicisation of legal processes – difficulties also faced during the early 1990s *Mani Pulite* investigations in Italy. There is much that judges in both regions can learn from each other in this regard.

3.4 Teaming up for the industrial transition

The EU has demonstrated significant progress in large-scale economic transformations, one outstanding example of success being the telecommunications sector. By investing *circa* EUR 50 billion annually over the past decade, network capabilities have been modernised and adapted, thereby meeting the growing demand for broadband-intensive digital services. This commitment has facilitated the development of enhanced products and services, fostering technological innovation across various economic sectors. A notable example of EU efforts to enhance digital connectivity that involves Latin America is the BELLA (Building the Europe Link to Latin America) project, which established a high-capacity submarine cable system connecting Europe and Latin America. By providing direct, high-speed data transmission between the continents, this project not only strengthens research and education networks but also exemplifies the EU's dedication to fostering global digital cooperation and bridging the digital divide.

This section notes how similarly transformative initiatives involving the EU could be developed in green industries, AI and the broader energy sector.

3.4.1 Green industries

While opposition to this Agreement has traditionally emphasised Mercosur's stances on the environment as problematic, the last round of negotiations highlighted how, on the contrary, the Agreement cements progress in this agenda. The enforcement of the Paris Agreement is a strategic gain for the environmentalist cause when one considers how negotiations in December 2024 constrained Argentina's intention to exit the climate regime upon Trump's inauguration – indeed, Argentina did follow the USA in leaving the World Health Organization. Brazil, which is sometimes portrayed as a laggard in issues like deforestation – a residue of the Bolsonaro era – has made great progress ahead of the UN Climate Change Conference 30, which will be hosted in Belém from 10 to 21 November 2025. Yet, the Agreement's green dimension should be interpreted as going beyond these immediate strategic gains.

Currently, there is interest in most Mercosur countries for the green agenda to become more intertwined with the EU's industrial strategy as well as long-term investment plans, not only in its industrial base but also in research and development. These investments, many of which are sunk costs, would further cement the partnership. For the EU, Mercosur could serve as a test case and showcase the viability of this green-oriented approach. Under President Lula, Brazil has aligned itself with this strategy, offering a window of cooperation on both environmental and economic objectives. For the EU, it is vital to maintain its approach, different from that of China and the USA, and the partnership with Mercosur could become an example around the whole world. The opportunities offered in these areas contrast with the modest cooperation instrument on sustainable development, which includes sections dealing with cooperation on energy and raw materials but fails to incorporate green agriculture, industrial and technological cooperation, carbon credit systems, as well as research and development.

Another area in which greater collaboration would be possible is sustainable agriculture. Mercosur countries, particularly Brazil, have pioneered efficient agricultural techniques that result in lower

carbon emissions. By sharing these practices, both regions could enhance sustainability and productivity. While the Agreement underscores a mutual commitment to sustainable development, aiming to promote environmental protection and combat climate change, this point could be more substantially developed. The creation of a sustainable agriculture fund with the participation of Mercosur and EU farmers could help compensate for this traditional opposition to the Agreement and disarticulate disagreements based on a sustainability argument. An emphasis on green food production also helps undermine a further objection: food security. The EU's stance as the foremost food exporter of agricultural goods is due to the export of high-value-added produce, which is dependent on cheaper imports of fertilisers, cereals and oilseed flour. In the EU, food security is therefore about access to raw material to produce higher value food, and in a context of geopolitical tension, Mercosur can both serve as a reliable source of those imports as well as a valuable partner in case of real food insecurity – as distant memories of previous wars in Europe illustrate⁵³.

Other potential beneficiaries of a common approach would be green industries. The EU has made significant progress in implementing low-carbon industrial processes. By sharing these technologies with Mercosur countries, particularly in energy-intensive sectors such as steel, cement and chemicals, both regions can promote cleaner production methods, enhance energy efficiency and reduce industrial emissions. Again, while the Agreement facilitates such exchanges by reducing trade barriers and encouraging investments in sustainable technologies, it remains vague about cooperation instruments.

Bi-regional coordination on carbon markets could also produce mutual benefits. The EU operates a comprehensive Emissions Trading System, a cap-and-trade mechanism aimed at reducing greenhouse gas emissions across its Member States. This is the first and largest carbon market in the world, hence capable of inspiring and even financing similar Mercosur initiatives. In December 2024, Brazil established its own regulated carbon market to cap emissions and facilitate the trading of carbon credits. While full integration may be complex, cooperation instruments could better explore mechanisms for harmonising standards, sharing best practices and potentially linking systems in the future to enhance market efficiency and environmental integrity. A transnational carbon farming credit market would provide another way of compensating the agricultural losers in the EU by providing them with carbon credits, as well as create incentives to reduce Mercosur emissions.

Establishing bi-regional research and development programmes could drive innovation in green technologies, benefiting industries across both blocs. This Agreement underscores the importance of cooperation in science, technology and innovation, providing a framework for joint projects and knowledge sharing. Through programmes such as Horizon 2020 and its successor, Horizon Europe, the EU has facilitated collaborative projects with nations including Brazil and Argentina. The EU has

⁵³ D. Nolte, '[The new food security scenario after the Pandemic: Implications for the EU and Latin America](#)' in P. Arositica and A. Ayuso, *Food security Challenges and opportunities for European Union-Latin America and the Caribbean relations*, Barcelona: CIDOB, 2023, pp. 19-26.

sufficient incentive to consider expansion of these programmes from a traditional focus on information technology towards innovation in green technologies⁵⁴.

Lastly, it is worth acknowledging that Latin American governments tend to emphasise the importance of social justice and inclusion in industrial transition and hesitate to adopt language associated with externally imposed sustainability agendas. In this region, there is concern that such narratives, however well-intentioned, may serve as vehicles for renewed dependency on European powers.

3.4.2 AI regulation

Today, the EU and Mercosur do not present a united front in shaping global AI norms. However, at a time when global digital governance is increasingly polarised, this partnership offers an opportunity to contain disagreements and manage tensions over contrasting regulatory approaches. This would be important, as there are indications that even harmonising regulation within the partnership would be difficult.

The EU and Brazil's approaches to AI regulation share a commitment to human-centric, rights-based AI governance, in stark contrast to the USA's innovation-driven, *laissez-faire* model and to China's state-led, surveillance-oriented aims. Brazil's draft AI regulation mirrors the EU's risk-based model, emphasising transparency, accountability and protection of fundamental rights. This convergence could open the door to a broader partnership in AI policy development, regulatory harmonisation and standard setting at the international level.

By contrast, President Milei's administration has expressed interest in expanding its digital economy to leverage a large pool of 'tech-savvy' talent and relatively low costs with massive deregulation. Argentina's aspiration to become a digital innovation hub, competing rather than cooperating with neighbours and partners, remains at odds with EU policy preferences and seems to be more in line with the US model. Uruguay shares a similar position.

If Mercosur is engaged as a whole, the EU can support joint research and development programmes and the creation of cross-border digital ecosystems. Such collaboration could include technical assistance, education and training initiatives, along with pilot projects that apply AI to shared challenges in health, agriculture and public safety. The goal of aligning regulation could be fostered through this bottom-up approach.

As stated earlier, Horizon 2020 and its successor, Horizon Europe, have facilitated collaborative projects for the EU with Argentina and Brazil. For instance, a Coordination and Support Action group was launched to develop a strategic research and innovation partnership with Latin America and the Caribbean, focusing on areas such as cloud computing, the Internet of Things and 5G technologies. These initiatives should now be escalated to generate denser scientific networks across the regions.

⁵⁴ See the Horizon Europe, '[R&I cooperation with Latin America \(Mexico, Brazil, Argentina, and other countries in the BELLA network or members of RedClara\) \(CSA\)](#)' webpage.

3.4.3 Energy transition

The EU and Mercosur possess complementary strengths that position them well for a strategic partnership in advancing the global energy transition. Mercosur countries have significant renewable energy resources, including hydroelectric power and biofuels, while the EU, despite its environmental agenda, has a dirtier energy matrix that Mercosur can help transform. The EU can offer advanced technological expertise and substantial investment capacity. In this area, the EU's approach is perceived in Latin America as imposing green regulations in a paternalistic manner. A more profitable approach would be to recognise the significant green element of Mercosur's current energy matrix and explore the unexploited potential for a green energy transition that this bloc, perhaps more than any other, can provide.

Mercosur's energy matrix relies heavily on hydroelectricity, a clean and renewable source. Additionally, Brazil is a global leader in biofuel production, notably ethanol derived from sugarcane and biodiesel from soybeans. Collaboration with the EU could facilitate technology exchange and the establishment of sustainable biofuel supply chains, thereby enhancing energy security and reducing greenhouse gas emissions in both regions. While China currently leads in the wind and solar energy sectors, there is significant potential for EU-Mercosur joint ventures to expand wind and solar energy infrastructures, leveraging Europe's technological expertise and Mercosur's favourable climate. Some Latin American firms – such as WEG S.A., a Brazilian multinational company headquartered in Santa Catarina – perceive China's competition as an existential threat and regard the EU as a potential partner.

Mercosur countries, notably Argentina and Brazil, also possess rare earth reserves and Critical Raw Materials (CRM) essential for green technologies. For instance, Argentina holds the world's third-largest lithium reserves, vital for battery production in electric vehicles and renewable energy storage systems. Brazil accounts for 94 % of global niobium production, used in high-strength steel and superalloys. It also has substantial reserves of graphite, nickel and rare earth elements. EU diplomatic efforts have so far secured a good relationship with these providers. Argentina has formalised its commitments to the EU through a 2023 MoU, focusing on sustainable commodity value chains. Brazil, supplying a substantial portion of the EU's niobium and tantalum imports, along with Uruguay, contributing various minerals, are integral to the EU's strategy in diversifying and securing its CRM supply chains.

The Agreement aims to enhance trade and investment in these CRM, facilitating a more diversified and secure supply chain for Europe's green transition. One important feature of the Agreement includes rules that restrict the Mercosur countries' ability to impose export taxes or bans on raw materials and agricultural goods. While this provides some reassurance for the EU, it is also a point which will be highly valued by certain constituencies in countries such as Argentina that have been subjected to these taxes in the past. For the Milei administration, this is a way of locking in current reforms.

By reducing tariffs and promoting sustainable practices, this partnership can help Europe decrease its reliance on other global suppliers, such as China and Russia, ensuring a stable supply of essential materials for renewable energy technologies. Bolivia, which is transitioning towards full Mercosur

membership, is also a major producer of these minerals. EU investments in the sector could generate incentives for Bolivia to harmonise regulations faster, thereby opening another key market.

Finally, the EU's advanced experience in renewable energy technologies and energy efficiency can assist Mercosur partners through knowledge-sharing and best practices. This exchange can enhance Mercosur's capacity to implement effective energy transition strategies, fostering innovation and sustainability.

3.4.4 The importance of more and better investment

The EU is already the largest investor in Mercosur, albeit this is only the fifth destination of EU investment. As previous research has emphasised, there is room for more and better EU investment, which could have a positive effect on the political partnership.

Key elements that could favour a new investment climate include *inter alia*: the possibility of a region-to-region dispute resolution mechanism instead of bilateral investment treaties; the creation of explicit mechanisms that foster technology transfer and create interregional value chains; the opening of policy space for late industrialisation strategies; and the inclusion of targeted subsidies that promote Mercosur's technological upgrade⁵⁵. The instrument of social, economic and cultural partnership seems to reflect requests to favour small and medium-sized enterprises properly, instead of European corporate interests, and does mention industrial cooperation. However, the points listed above are not explicitly integrated.

The Global Gateway initiative supports a wide range of sustainable infrastructure and development projects across South America, focusing on critical sectors such as digital connectivity, renewable energy, green hydrogen, transport and health. However, most of these investments focus on the energy sector rather than digital infrastructure, in which the Mercosur countries are more interested. A report by the EU's Directorate-General for International Partnerships shows only two projects in this area, one in Argentina and the other in Brazil, with none in Uruguay or Paraguay⁵⁶. Although not as enticing as China-funded programmes to date, the Global Gateway could invest more in high-technology sectors and thereby disarm opposition to the Agreement, particularly from Argentina's manufacturing industry. As part of ongoing tariff negotiations, the USA could require Mercosur countries to decouple from China in specific sectors, and this might create opportunities for the EU.

Some paradigms of investment in energy are already taking place. Germany, for example, is actively promoting green hydrogen, produced with renewable energy, as a cornerstone of its energy transition strategy. Largely because of this, Argentina, Brazil and Uruguay have all initiated pilot projects in green hydrogen production with Global Gateway financing. Collaborative efforts could involve investment in infrastructure, research and development to scale up green hydrogen capabilities. The region's potential for renewable energy generation, particularly from wind and

⁵⁵ G. Caetano & N. Pose, '[Análisis del Acuerdo de Asociación UE-MERCOSUR. Sus impactos en el Uruguay desde una perspectiva de historia política](#)', *Friedrich Ebert Stiftung*, 2020.

⁵⁶ European Commission, '[EU-LAC Global Gateway Investment Agenda](#)', International Partnerships, 2023.

solar, positions Mercosur countries to become significant producers. This clean energy carrier can be exported to Europe, aiding in the diversification of its energy mix and contributing to carbon neutrality objectives. Europe can also channel investments into other renewable energy projects within Mercosur, such as wind, solar and hydroelectric power. These investments not only facilitate the development of clean energy infrastructure but also stimulate economic growth and job creation within the Mercosur countries. This Agreement includes provisions to facilitate trade in sustainable biofuels, promoting cleaner energy options and the EU has committed EUR 1.8 billion to support green and digital transitions in Mercosur through the Global Gateway initiative, and after the last round of negotiations, there is expectation for these figures to increase. This funding aims to facilitate mutually beneficial actions for a fair and sustainable energy transition and connectivity but the EU would do well to consider competing in financing infrastructure as well, given the engagement of other actors like China in this sector.

The EIB plays a pivotal role in financing sustainable development across Mercosur countries by aligning its investments with EU external policy objectives and the Global Gateway strategy, and its funds could be leveraged as well. Since initiating operations in Latin America in 1993, the EIB has provided over EUR 13 billion to support more than 150 projects throughout the region, with Brazil alone accounting for over 40 % of this portfolio. Through its specialised arm, EIB Global, the bank collaborates with local development institutions to finance renewable energy, water infrastructure, and support for small and medium-sized enterprises, including microfinance programmes that empower women entrepreneurs. By offering long-term, low-interest loans and technical assistance, the EIB enhances economic resilience, promotes social inclusion and fosters environmental sustainability in Mercosur nations. However, EIB initiatives share the problem of Global Gateway related to their limited budgets and narrow sectoral focus. In 2024, the EIB allocated only EUR 1.2 billion to the whole of Latin America and the Caribbean and dedicated 68 % of these funds to climate action initiatives⁵⁷.

EU investment beyond the Global Gateway involves a myriad of companies in virtually every sector and an exhaustive analysis of this ecosystem would be impossible to conduct. In section 3.1.1, a case study demonstrated the potential for investment in the defence sector and how this could help the strategic partnership. More could be done in other sectors, considering the opportunities presented therein, given the opening of a Brazilian public procurement market worth USD 250 billion annually. Companies that could make a difference include *Stellantis, Volkswagen, Mercedes-Benz, BMW, Renault, Airbus, TotalEnergies, Repsol, Enel, Iberdrola, Siemens, BASF, Bayer, ArcelorMittal, Thyssenkrupp, SAP, Santander, BBVA, Carrefour and Inditex*. These companies play a pivotal role in the economic integration of the EU and Mercosur, contributing to industrial development, infrastructure and employment across the region. Some, such as BASF (in Brazil), provide examples for the integration of value chains highlighted above. Since they have vested interests in the Agreement, as well as financial clout, it would be feasible to devise strategies involving them in different forms.

⁵⁷ EIB, [European Investment Bank Group Activity Report 2024 Priorities for prosperity](#), March 2025.

4 Governance of the partnership

More trade and political cooperation will require, and allow for, more coordination at the geo-economic and geopolitical levels. But how should interregional relations be governed in political terms? The approach to governance must be realistic and take into consideration current problems within blocs and countries.

4.1 Regional structures and presidents

The EU is a highly institutionalised organisation where formal procedures are the rule. In contrast, Mercosur was purposefully founded with a light institutional structure and has developed informal governing procedures. While cumbersome procedures have sometimes complicated decision-making in the EU, it is ideological mismatches that have hindered Mercosur's operation. However, both organisations have lately exhibited some adaptive strategies, which might help them work together.

4.1.1 The EU, from decisional stalemate to flexibilisation

The requirement for unanimity in reforming constitutive treaties or signing mixed agreements with external entities poses a risk of stagnation for the EU⁵⁸. Nonetheless, past challenges have encouraged decision-makers to adopt creative solutions⁵⁹. Presumably, flexibility will also prove crucial during the ratification and implementation phases of the Agreement, given that Mercosur partners may adopt institutional approaches and procedural mechanisms that differ significantly from the EU's structured methods. Moreover, these same qualities will be required to navigate differing perspectives among EU Member States. Continued adaptability will be essential as the EU addresses the practicalities of implementing the Agreement.

4.1.2 Mercosur, from ideological mismatch to pragmatism

Mercosur was built upon inter-presidential synchrony: between mid-1985 and 2015, the Presidents of Argentina and Brazil shared political worldviews, personal affinity or both. Since then, they have shared neither. Yet, political agreements reached in 2019 and 2024 with the EU suggest that an external catalyst may ease frictions when the Presidents are not aligned. To prevent the new Agreement from being blocked by internal disputes, a mechanism called 'bilateral ratification' has been convened. It establishes that, once signed, the Agreement will enter into force in country after country following national ratification, instead of a simultaneous entering into force once the last country has ratified. This pragmatic solution compromises the breadth of the customs union, but at the same time creates incentives to preserve it, because the laggards will be losing the benefits enjoyed by the pioneers.

⁵⁸ C. Closa (ed.), *Secession from a Member State and Withdrawal from the European Union*, Cambridge University Press, Cambridge, 2017.

⁵⁹ S. Couvreur, '*Inside the European Union's Trade Machinery: Institutional Changes in an Age of Geoeconomics*', *Journal of Common Market Studies*, Vol 63, No 1, 2025, pp. 284–301.

4.2 Flexible governance

Given the rather informal governance that prevails in South America, the authors of this paper propose an approach based on the lowest common denominator for implementation of the Agreement's governance. Some degree of informality has also characterised Mercosur relations with non-European powers. In the last few years, the bloc 'has actively engaged with China and the USA without formal FTAs [free trade agreements], thus operating outside of established formal rules governing trade relationships'⁶⁰. Mercosur countries are used to and benefit from this flexibility, so it would be unreasonable to expect formal procedures to be followed to the letter, except when recognised as essential elements, thus legally enforceable. Hence, a pragmatic and decentralised approach is proposed in what follows.

4.2.1 The role of transatlantic inter-executive connections

Mercosur does not have a common authority. Its working is purely intergovernmental; all significant decisions are made by consensus, with national presidents heading the decision-making process. To work with such a decentralised organisation, both the EU authorities and national European leaders will need to become more familiar with fluid, informal inter-executive dynamics.

In broad terms, international organisations perform three tasks, serving as arenas, instruments or actors. As arenas, they are exchange and coordination sites for national governments; as instruments, they are tools at the service of those governments; as actors, they pursue an autonomous agenda. While the EU performs all three functions, Mercosur is mostly an arena, becoming a tool solely to negotiate this Agreement but never an actor. This means that the EU will find no direct Mercosur interlocutor as such but will have to build suitable connections as and when they are needed. Permanent structures such as the Joint Council and the Joint Committee, which should meet regularly, may facilitate this undertaking but cannot substitute for day-to-day contacts. The rules of inter-executive coordination are mostly informal, and personal connections between chief executives are key, much like the inter-presidential model of Mercosur. Of course, parliamentary diplomacy may contribute to building trust and plant the seeds for inter-executive connections⁶¹, but not to replace them.

4.2.2 Cooperation through civil society

The EU and Mercosur are bonded by common cultures and traditions, as well as values such as democracy and human rights. Thus, it would be unreasonable to neglect non-state actors, as they are crucial for bonding the two regions. Hence, a political layer that facilitates interaction and cooperation between these actors would be extremely beneficial. Under the current circumstances,

⁶⁰ M. V. Alvarez, '[Exploring Mercosur-EU interregionalism: A multifaceted analysis of its past, present and future functions and dynamics](#)', *Contemporary European Politics*, Vol 2, No 2, 2024.

⁶¹ A. Malamud & S. Stavridis, '[Parliaments and Parliamentarians as International Actors](#)', in Reinalda, B. (ed.), *The Ashgate Research Companion to Non-State Actors*, Farnham, Ashgate, 2011, pp. 101-115.

European civil societies could lessen the impact of the withdrawal of American support for CSOs in Latin America. Cooperation at this level can also include actors that were excluded from agreements, as well as compensate losers. Mercosur and the EU could take this opportunity to incorporate a wealth of actors that had to reach the negotiating table through a long process of deliberation, even though they form an identifiable ecosystem and their inclusion could have been better planned⁶².

4.2.3 Cooperation through domestic winners

The Agreement's domestic winners have a role to play through mechanisms that reinforce interregional connections. If, for example, a traditional automobile company's competitiveness is enhanced by the manufacturing of electric vehicles, it is only natural to expect some reinvestment in the form of research grants or labour training, thereby strengthening industrial bonds. This is something that can be autonomously developed by the private sector, but also enabled through political coordination.

4.2.4 Epistemic communities

An epistemic community is a network of professionals with recognised knowledge and skills in a particular domain. Strengthening these communities is essential for both regions to have a common understanding of key policy areas that simultaneously pull them together and away from other potentially threatening actors. The authors think of these communities in the fields of natural and social sciences but also in the state structures. In the conducted interviews, it became evident that substantial cooperation often occurs between like-minded agencies. In some cases, civil servants can advance interregional agendas that are not yet formally recognised. Informal channels reveal unexpected complementarities. For instance, Argentina's current deregulation policy unearthed areas of alignment with the EU, particularly in matters of intellectual property and market access. Epistemic communities and inter-governmental networks seem to matter particularly in cyber, nuclear and environmental fields⁶³.

5 Challenges to finalisation and implementation

Interviewees from both regions hinted at the possibility that this political Agreement is not meant to be approved. Instead, it is being used as an enticement for reluctant politicians and distrustful civil societies to allow the trade Agreement to pass. If this is so, ratification – and even signature – is the first challenge to overcome.

⁶² E. Del Pupo, '[Consultation not Contestation: Brazilian civil society in EU-Mercosur Association Agreement negotiations](#)', *Journal of Civil Society*, Vol 20, No 1, 2023, pp. 57–73.

⁶³ I. Alcañiz, [Environmental and Nuclear Networks in the Global South: How Skills Shape International Cooperation](#), Cambridge University Press, Cambridge, 2016.

5.1 Finalisation, signature and ratification

This Agreement is publicly conveyed as being approved in draft form, albeit awaiting legal scrubbing and translation into all official languages of the EU. However, its situation is probably more precarious than that, since 'the Commission has not indicated the legal basis it intends to propose for the EU-Mercosur agreement'⁶⁴.

Forecasting ratification odds will remain tentative until the Commission decides on the legal nature of the Agreement. As outlined in a recent paper by the EP's Research Service⁶⁵, different approaches are possible:

1. The agreement could bring the trade and political pillars into a single, mixed treaty, as was the case for the 2016 EU-Canada Comprehensive Economic and Trade Agreement. This would require ratification by the EU and the Member States.
2. The agreement could be split into two parts that would remain two legally separate agreements. One part, covering only areas of EU competence (for example, trade), would need to be ratified only by the EU. The other part would include fields requiring the ratification of Member States (such as FDI and political cooperation). Because the two parts would be legally distinct, one could go into effect regardless of the status of the other. This approach was used for the EU's free trade investment protection and political cooperation agreements with Singapore.
3. The agreement could be foreseen as a mixed treaty, complemented by an interim 'subset' agreement covering only areas of EU competence (for example, trade). The EU-only part would enter into force after being ratified by the EU (EP consent and Council decision). Once (or if) the wider, mixed agreement is ratified, including by national parliaments, it would replace the interim agreement. This approach was used for the EU's agreements with Chile.

This 'phased approach' is said to offer immediate implementation of trade benefits while addressing national concerns over the broader agreement. A top negotiator acknowledged that this EU-Chile model is the one selected. However, various interviewees pointed out that the broader framework is unlikely to be ratified in all Member States, so the interim agreement is to become permanent in practice. Indeed, none of the three referred models has seen its political pillar ratified yet.

If in the past Argentina and Brazil alternated as potential spoilers, today most hurdles are on the EU side. Regardless of the selected approach, ratification would require EP consent and a Council decision. At present, most difficulties are foreseen in the Council.

The ratification procedure is much simpler in Mercosur. The mechanism adopted in the Agreement is regarded as bilateral: the Agreement will enter into effect in the territory of each member as each

⁶⁴ G. Grieger, '[Ratification scenarios for the EU-Mercosur agreement](#)', At a Glance, *European Parliamentary Research Service*, PE 767.166, 2024.

⁶⁵ G. Grieger, '[Ratification scenarios for the EU-Mercosur agreement](#)', PE 767.166, 2024.

completes the ratification process. This creates an incentive for the laggards to join in order not to lose the benefits granted to the firstcomers.

5.2 Implementation

This may be a banal issue in the EU but it is a key hindrance in Mercosur. Antecedents of defective implementation in Mercosur include: a customs union that does not work properly (including blatant breaches such as double taxation, non-tariff barriers and the ambiguity of Bolivia's status); a huge non-incorporation gap⁶⁶; the failed integration of Venezuela (which applied for membership in 2006 and was irregularly accepted in 2012, only to be suspended in 2016); and the creation of regional agencies, such as the Parliament and the Permanent Review Tribunal, that have no effective competencies or binding jurisdiction. Thus, attention should be paid to internal Mercosur dynamics and their possible impact on the Agreement's performance in the medium term.

5.3 Expected outcomes

If the Agreement is ratified, the usual outcomes are expected: mutual political learning between leaders; confidence-building between administrations; policy diffusion amongst administrations; and informal coordination at all levels. Success in the Agreement's governance might also become a magnet for other countries, positively influencing South American dynamics beyond Mercosur and thereby furthering relations between the EU and other Latin American countries. As a former foreign minister suggested to us, this Agreement could also serve as a legitimising shield, thus not an alternative, to increasing relations between the Mercosur countries and China. Contrary to previous expectations, the EU could work for Mercosur as a substitute for the USA and as a complement to China, not *vice versa*.

The Agreement could also become a platform for broader and deeper integration, as cross-accumulation of rules and mutual recognition of standards with other EU-Latin American partnerships would transform a hub-and-spokes system into a horizontal, institutionalised community of one billion people and a market size like that of the USA or China⁶⁷. By contrast, if not ratified, this experience will confirm the dysfunctionality of the EU's decision-making process, further tarnishing its reputation as a normative power and bringing about either a push for reform or decay.

The most confusing scenario would materialise if, after the ratification of the Interim Trade Agreement (ITA) by the Council and the EP, a Member State parliament rejected the Partnership Agreement, which includes the ITA. What would the legal status and democratic legitimacy of the ITA be in such case⁶⁸? The rejection of the 2005 Treaty establishing a constitution for Europe shocked the

⁶⁶ C. Arnold '[Empty Promises and Nonincorporation in Mercosur](#)', *International Interactions*, Vol. 43 No 4, 643–667, 2016.

⁶⁷ J. C. Berganza, et al., '[UE-MERCOSUR: ¿plataforma hacia una nueva era de integración transatlántica e intrarregional latinoamericana?](#)', *Elcano Royal Institute*, Analysis, 14 January 2025.

⁶⁸ J.A. Sanahuja and J.D. Rodríguez, '[Unión Europea y Mercosur: cuatro nudos ¿y un desenlace?](#)', *Nueva Sociedad*, No 311, 2024.

EU alone, but the permanent limbo of an agreement thoroughly negotiated with a third party could turn the bloc into a no-go for other potential partners.

6 Conclusions and policy recommendations

Despite longstanding aspirations for closer EU-Mercosur cooperation, persistent intra-regional conflicts and external challenges pose significant obstacles. While the Agreement may offer avenues for economic and strategic collaboration, its ratification and further implementation are far from assured. To maximise its potential, policy-makers may want to prioritise pragmatic solutions, economic incentives and targeted diplomatic efforts over declarations of principle and political positioning. Leveraging economic interdependence and reinforcing informal cooperation mechanisms may provide the most viable path forward for EU-Mercosur relations.

Recommendations:

- The main geopolitical threat facing Europe is war; the main threat facing Latin America is crime. This means that containment will hardly become a common strategy but constructive engagement might, especially given that transnational crime has linked both regions through drug-trafficking and related violence, which often connects with Russian militias or equipment. Given their complementary positioning in the illicit drug market, the EU and Mercosur are uniquely placed to develop an alternative approach to the exhausted US war on drugs.
- Institutional flexibility is as necessary as creative and informal governance. Geopolitical pressures already manifested themselves in the December 2024 negotiations, when, as compensation for Mercosur's concessions to environmental clauses, the EU made compromises in the trade pillar⁶⁹. In future, the EU could institutionalise this flexible approach, for example, by increasing cooperation between the European Commission's Directorate-General for Trade, the Directorate-General for Research and Innovation and the European External Action Service, to fine-tune trade with foreign policy goals and tools.
- Overall, the Agreement's institutional set-up aims to combine political cooperation with active involvement from civil servants, parliaments and civil society. Although the importance of establishing channels between politicians and public servants at a trans-governmental level has been emphasised here, the political chapter should not generate more bureaucracy than is strictly necessary. Instead, it should allow for low-cost, informal forms of coordination and governance. This should not preclude the possibility of having substantial debates but it does put pressure on the parties to avoid ostentatious meetings of joint councils and committees.
- It is possible to envision a sort of transatlantic inter-presidentialism, understood as head-to-head, informal connections between chief executives, whether Presidents or Prime Ministers, to manage conflicts and deactivate tensions. This is one of the

⁶⁹ N. Pose-Ferraro, '[Between Geopolitics and Political Economy: The EU-Mercosur Negotiation to Form a Trade Agreement](#)', *Journal of Common Market Studies*, 31 March 2025.

successful experiences that Mercosur can bring to the partnership, as the bloc has transformed its own rigid institutional design into a flexible tool for integration. Interviewees suggested that Mercosur-EU summits, and potentially the Joint Council, could be more conducive to achieving concrete results than current EU-CELAC summits, or at least a complement to them.

- It is appropriate to use trans-governmental and transnational networks to hedge against disruptive changes of government. One key aspect concerns the administrative structures that should take part in implementing the Agreement, which need to develop a sense of duty toward the partnership itself. On the transnational aspect, we see potential in fostering the integration of epistemic communities, of scientists and CSOs such as think-tanks. Inter-regionalism can feed on the pragmatic ideals with which Jean Monnet nurtured European regionalism: multiply *de facto* solidarity; build union among people rather than cooperation between states; and encourage people to work together by showing them that beyond their differences and geographical boundaries, there lies a common interest. For the same reason, public diplomacy from each region can be leveraged to enlarge mutual support for the Agreement.
- The Agreement, like any of this sort, will produce winners and losers and, at the same time, so will the new US policies. These new cleavages provide an opportunity to realign actors and build larger winning coalitions. In Mercosur, it seems possible to put together a coalition of trade winners (potentially benefiting from EU access, such as the agricultural sector) with aid losers (abandoned by the USA) to build support for the Agreement. Similarly, in the EU, US tariffs and strategic retraction may increase the interest of actors, such as the manufacturing sector, that may benefit from Mercosur access. The specific actors will vary by country and within sectors but awareness of who they are and of strategies to bring them together is key to supporting the political goals of the Agreement.
- Changes in the US foreign and trade policy also make room for political realignments and the softening of some forms of opposition to the Agreement. On the EU side, one might want to take advantage of the nationalistic values of protectionist groups facing the existential threats posed by the USA, China and Russia, which may justify material concessions to *compagnons de route de la résistance* (fellow resisters). There is similar potential in Mercosur to exploit the contradictions of leaders who favour both alignment with the USA and economic openness, yet are now trying to navigate relations with a more protectionist USA and could find in the EU a champion of open trade. With both these groups, an argument resonates: the EU and Mercosur are more complementary to each other than they are to either the USA or China.
- To increase the likelihood of ratification, it is advisable to skip contentious agendas. Trump's tariff wars have reopened a window of opportunity for ratification, despite the remaining hurdles in the EU and despite sectoral opposition and the consolidation of

'Make America Great Again'-oriented leaderships in both regions⁷⁰. In this respect, the close relationship between the current Argentine and Italian administrations could play a supportive role as both invest in the interregional agreement to hedge against friendly fire.

- As to the inter-parliamentary dimension, such as the newly created Joint Parliamentary Committee, it should not raise high expectations. As strong as the EP may be, there is no similar institution in Mercosur. Indeed, Mercosur parliamentarians are either national parliamentarians who work overtime (namely, those from Brazil and Uruguay) or popularly elected Mercosur deputies (pioneeringly in Paraguay and now in Argentina) who lack influence in their national parliaments. Thus, directly approaching national parliamentarians might be more effective than exclusively working through the Mercosur parliament.

⁷⁰ France 24, ['Argentina's Milei says would leave Mercosur for US trade deal'](#), 22 January 2025.

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