EU - Mercosur Partnership Agreement

Insights
26 Years in the Making

May 2026

Executive Summary

Key Findings at a Glance

World's Largest Free Trade Agreement (FTA) by Population

After 26 years in the making, it is implemented since May1, 2026.

720 million consumers across 32 countries, combined GDP of USD 24 trillion — the biggest FTA ever created.

More Than 13% Growth in Brazil's Export by 2038

Brazilian exports to the EU projected to grow 13% in total, with industrial exports rising 26% by 2038 upon full implementation.

EUR 4 Billion/Year Saved by EU Firms

Elimination of up to 35% automotive tariffs, 20% machinery tariffs and 14% pharma tariffs saves EU companies over EUR 4billion annually.

Geopolitical Counterweight to U.S. Administration

The agreement is as much a geopolitical statement as a trade instrument — a direct counterpoint to the U.S.-led tariff wave and Chinese expansion in Latin America.

Critical Minerals Access Secured

Mercosur supplies 82% of EU's niobium — vital to the Green Deal. The agreement locks in sustainable access to rare earths and lithium.

ECJ Legal Challenge Pending

European Parliament referred the deal to the European Court of Justice. If ruled against, provisional application may be suspended.

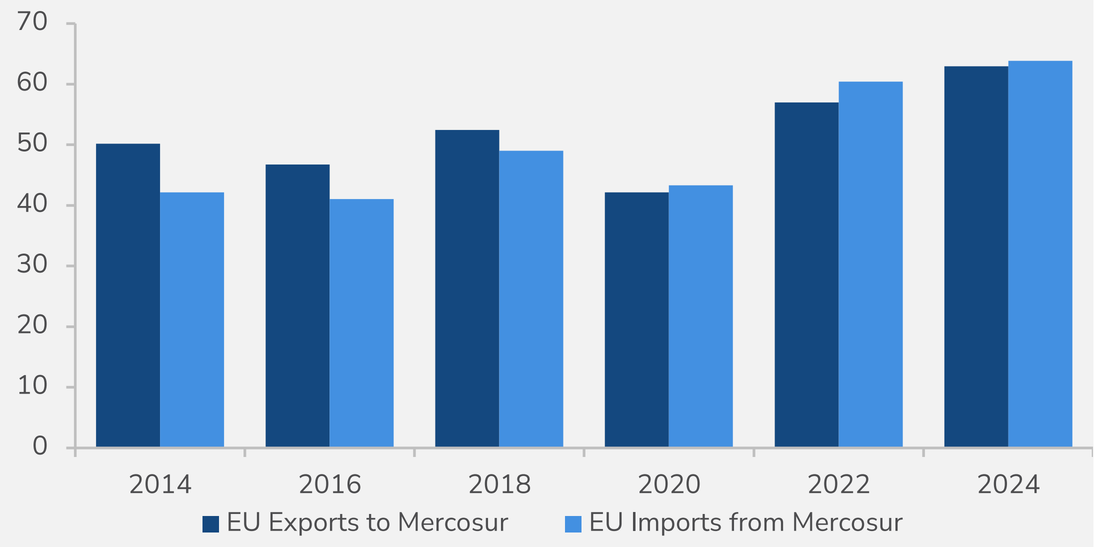
Sources: European Commission · EU Council · Reuters · Associated Press · Kroll Analysis

Trade Relationship at a Glance

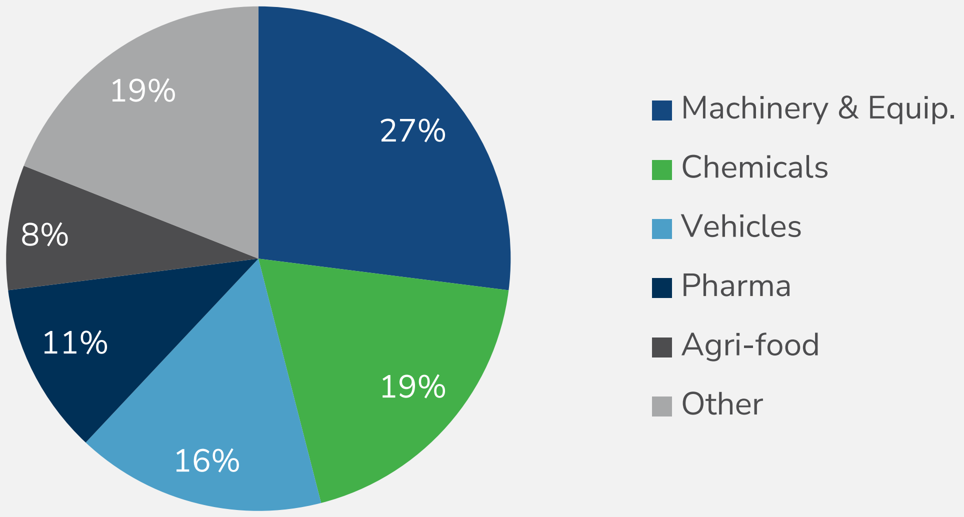
EU–Mercosur Bilateral Trade Data — 2024

US$ 127bn	US$ 64bn	US$ 63.4bn	>90%
Total Bilateral Trade (2024)	EU Imports from Mercosur	EU Exports to Mercosur	Tariffs Eliminated

EU–Mercosur Trade in Goods (EUR Billion)



EU Exports to Mercosur by Category (2024)



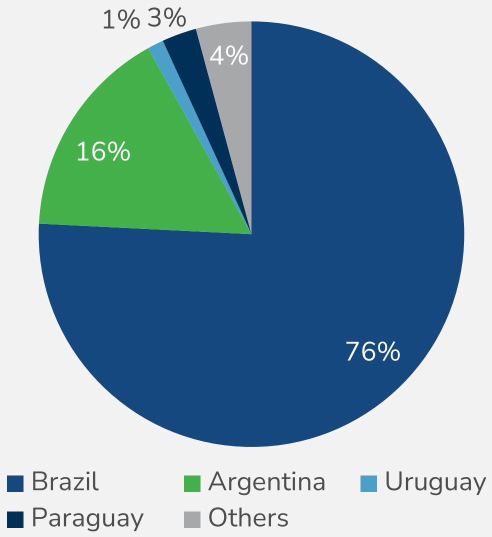
Sources: European Commission · EU Council · Reuters · Associated Press · Kroll Analysis

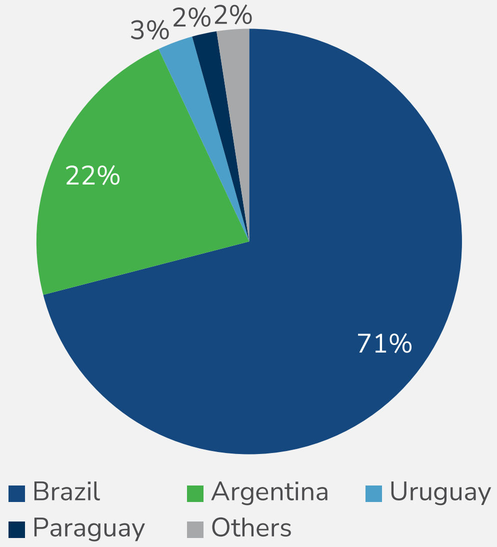
Trade Relationship at a Glance

Mercosur and EU Countries Key Figures

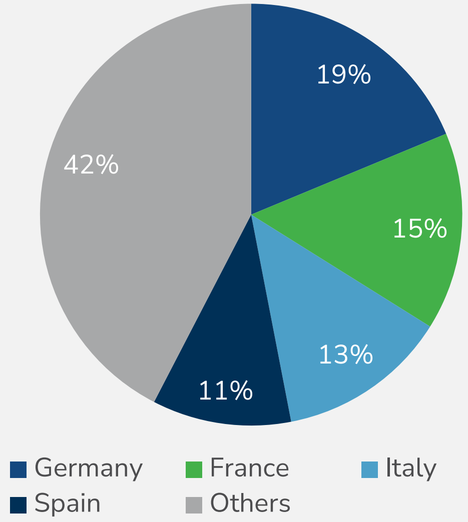
285 mm consumers	US$ 3.1tri	451 mm consumers	US$ 20.3tri
Total Population (2025)	GDP (2025)	Total Population (2025)	GDB (2025)

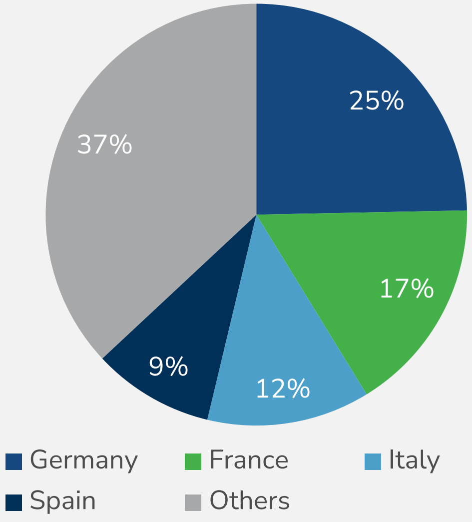
5 Members + Associated ones





27 Members





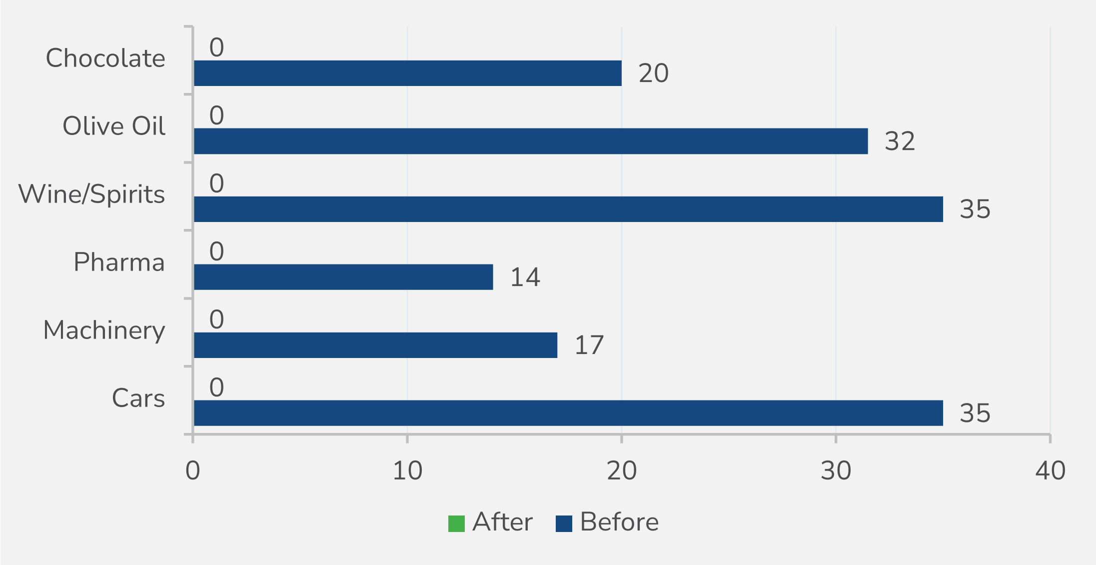
Sources: IMF · Kroll Analysis

Tariff Architecture

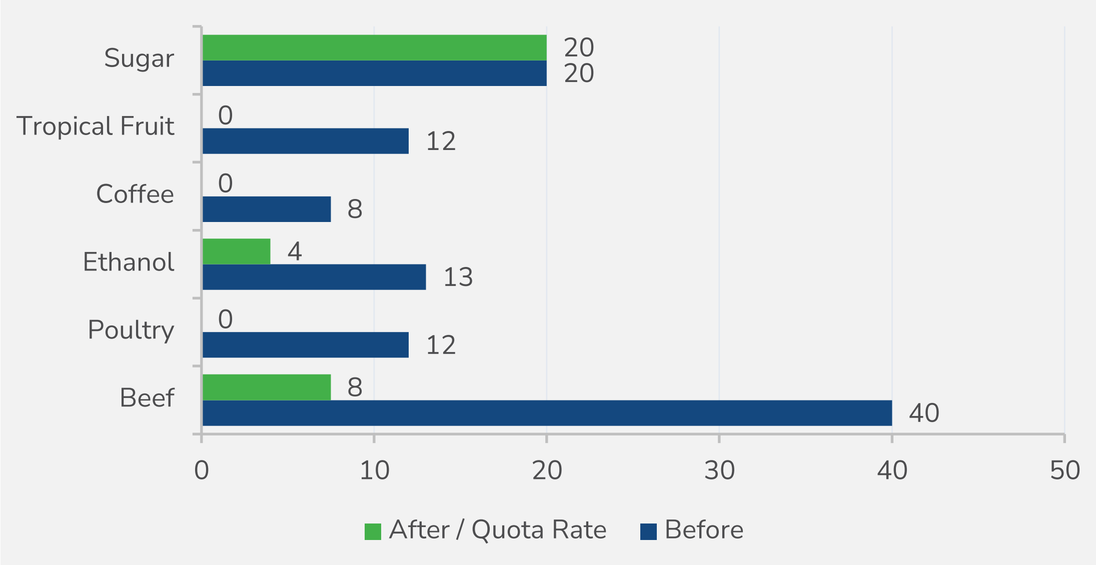
Key Tariff Changes — Before and After the Agreement

The agreement eliminates tariffs on more than 90% of bilateral trade over a 10- to 15-year phase-in period. Day 1 sees approximately 5,000 product lines drop to zero duty. The structure is complementary: The EU gains access for manufactured goods while Mercosur gains agricultural market access under managed quotas.

EU Exports to Mercosur — Tariff Reduction (%)



Mercosur Agricultural Exports to EU — Tariff Reduction (%)



* Sugar: No new quota except 10,000t from Paraguay. Beef quota: 99,000t (1.5% EU production). Poultry quota: 180,000t (1.3% EU production).

Sources: European Commission · EU Council · Reuters · Kroll Analysis

Impact on Brazil

Advantages and Disadvantages

ADVANTAGES

Agricultural Market Access

- Beef: 99,000t at 7.5% (vs ~40%). Poultry: 180,000t duty-free. Premium EU pricing for Brazilian exporters (BRF, JBS, Marfrig).

FDI and Technology Transfer

- Greater predictability incentivises European investment in Brazil's renewable energy, technology and infrastructure.

Cheaper Industrial Inputs

- Zero tariffs on EU machinery, chemicals and pharma inputs lower production costs across Brazilian industry.

Geopolitical Diversification

- Leverage against U.S. administration tariffs

Critical Minerals Value

- Brazil's niobium, lithium and rare earths gain strategic importance — EU imports 82% of niobium from Mercosur.

DISADVANTAGES

Industrial Competition

- EU cars, machinery, pharma enter at 0% tariff — pressuring domestic manufacturers to upgrade or consolidate.

Compliance Costs

- Strict EU sanitary, phytosanitary and EU Deforestation Regulation requirements add export complexity and cost.

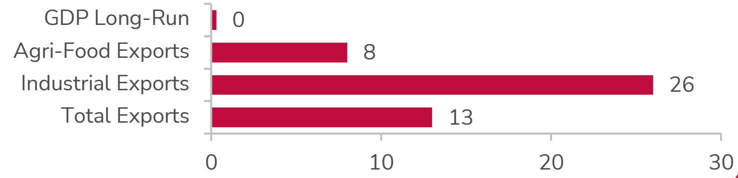
Limited Quota Volumes

- Beef = 1.5% of EU production. Poultry = 1.3%. Immediate commercial upside is constrained by quota caps.

Modest GDP Gain

- Long-run Brazil GDP gain projected at only +0.3%. Transition costs may precede benefits over 10- to 15-year horizon.

Brazil Export Growth Projections by 2038 (%)

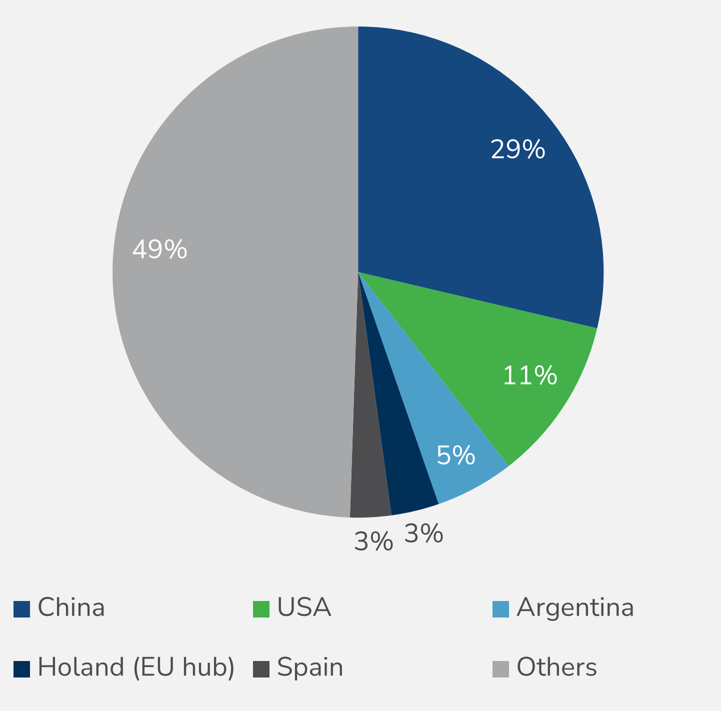


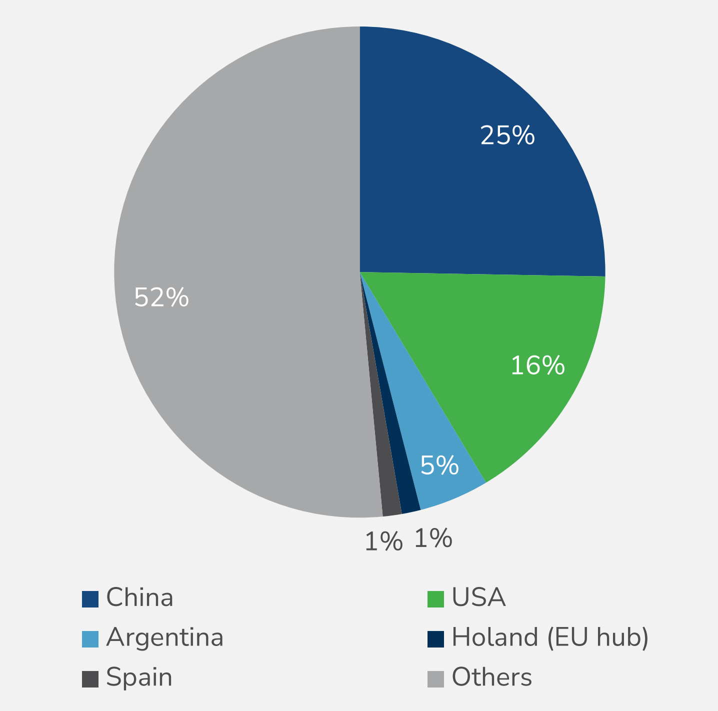
Sources: European Commission · EU Council · Reuters · Associated Press · Kroll Analysis

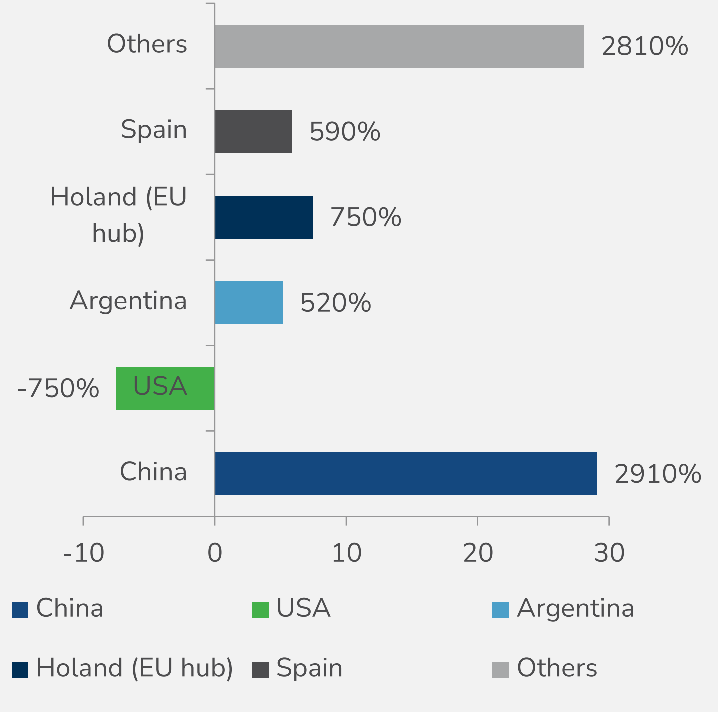
Impact on Brazil

Brazil Key Partners (2025)

US$ 348.7bn	US$ 280.4bn	US$ 68.3bn
Exports	Imports	Trade Balance







Sources: IMF · Kroll Analysis

Impact on the EU

Advantages and Disadvantages

ADVANTAGES

Automotive and Industrial Exports

- Elimination of 35% car tariff opens Mercosur's 295 million consumers to EU automakers (BMW, VW, Mercedes). EUR 4billion/year in tariff savings across all sectors.

Critical Raw Materials Security

- 82% of EU's niobium from Mercosur. Preferential access to lithium, manganese and rare earths — vital to the Green Deal and digital transition.

Agricultural Food Export Growth

- EU agriculture food exports to Mercosur expected to increase by ~50%. Wine, olive oil, spirits and cheese gain access to 295 million consumers.

Geopolitical Counterweight

- Extends EU strategic influence in Latin America. Counters U.S. unilateralism and Chinese expansion in the region.

Geographical Indications

- Champagne, Parmigiano Reggiano, Prosciutto — EU GIs protected in Mercosur markets. IPR-intensive industries = 47% of EU GDP.

DISADVANTAGES

Pressure on EU Farmers

- French, Irish and Polish beef, poultry and sugar producers fear competitive pressure from cheaper Mercosur imports, even under quota caps.

Regulatory Standard Gaps

- Mercosur permits pesticides banned in the EU. Enforcement of import standards is costly and raises food safety concerns.

Legal and Political Risk

- ECJ referral by EU Parliament could suspend provisional application if ruled against — multiyear uncertainty for businesses.

Modest GDP Gain

- EU long-run GDP gain only +0.1%. France estimates +0.05% by 2040 — meaning agricultural costs may outweigh benefits for some member states.

Deforestation Concerns

- Risk that increased agricultural trade accelerates Amazon deforestation — potentially conflicting with the EU's own Deforestation Regulation.

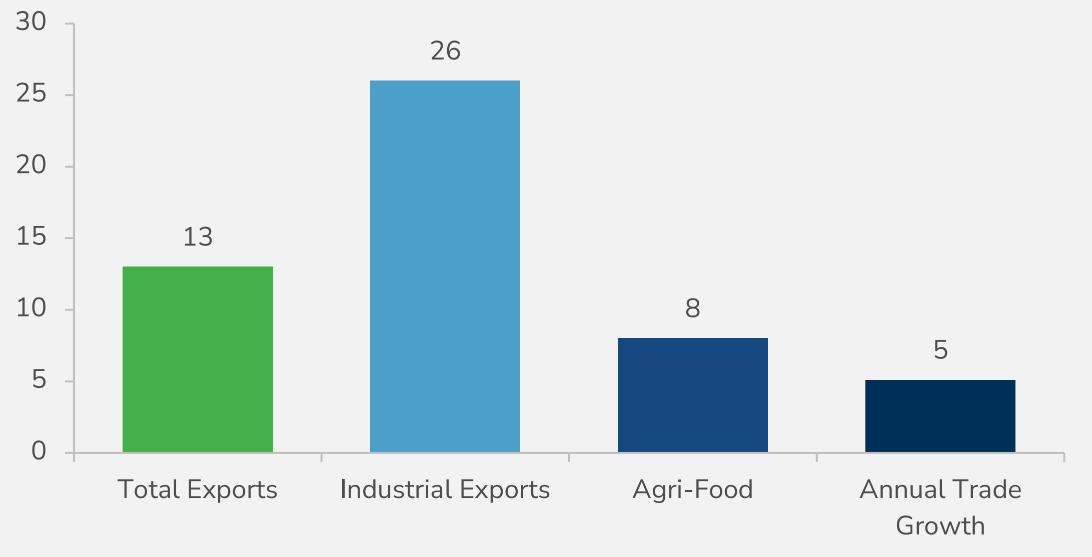
Sources: European Commission · EU Council · Reuters · Associated Press · Kroll Analysis

Key Economic Figures

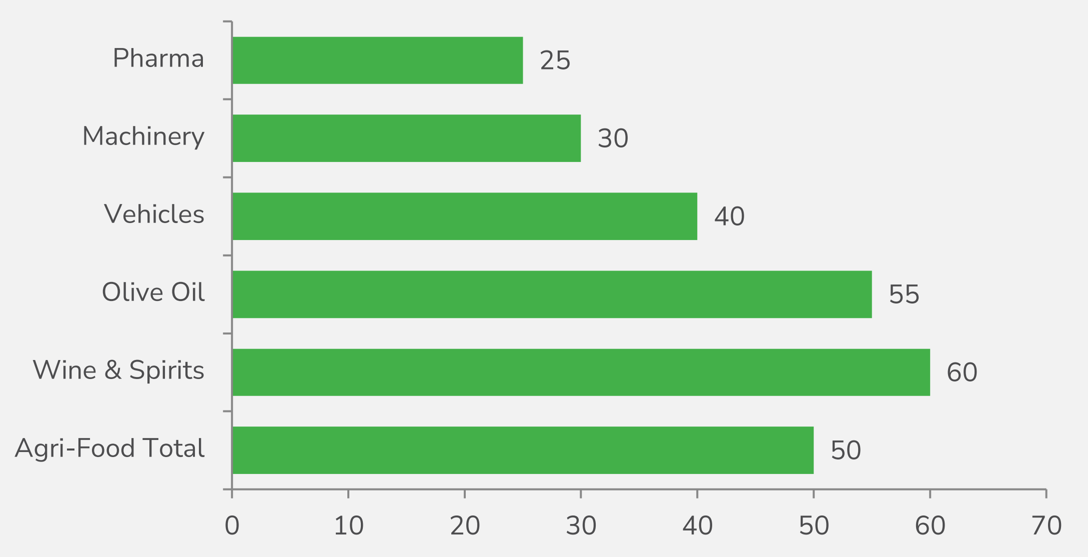
GDP Projections, Export Growth, and Savings

+0.3%	+0.1%	+5.1%/yr	US$ 4.5bn/yr
Brazil GDP (Long-Run)	EU GDP (Long-Run)	Annual Trade Growth (est.)	EU Firm Tariff Savings

Brazil Export Growth Projections by 2038 (%)



EU Sector Export Growth to Mercosur (Projected %)



Sources: European Commission · EU Council · Reuters · Associated Press · Kroll Analysis

Sector Spotlight — Most Impacted Industries

Key sectors on both sides of the Atlantic most affected by the agreement's tariff changes and quota provisions

Brazil — Top Beneficiary Sectors		EU — Top Beneficiary Sectors	
Agribusiness Beef (99,000t quota at 7.5%), Poultry (180,000t duty-free), Coffee & Tropical Fruit (0%)	HIGH	**Automotive** BMW, VW, Mercedes, Stellantis — 35% tariff eliminated. Access to Mercosur's 295 million consumer market	HIGH
Critical Minerals Niobium, lithium, manganese — preferential access under sustainability chapter	HIGH	**Machinery and Equipment** German and Italian manufacturers gain 0% tariff access replacing current 14%-20% barriers	HIGH
Meatpacking JBS, Marfrig, BRF — premium EU beef and poultry market access for value-added products	HIGH	**Wines and Spirits** French, Italian, Spanish producers — 35% tariff cut over 4-12 years. ~50% export uplift projected	HIGH
Manufacturing Input cost reduction for steel, chemicals, machinery — but faces European competition	MIXED	**Agriculture (EU)** French, Irish beef and poultry producers face import competition despite quota limits	AT RISK
Pharma & Biotech Cheaper EU inputs, but increased competition from European pharmaceutical imports	MIXED	**Pharmaceuticals** Access to Brazilian market at reduced/zero tariffs but significant local generics competition	MIXED

Sources: European Commission · EU Council · Reuters · Associated Press · Kroll Analysis

Implementation Timeline and Outlook

Key milestones and phase-in schedule

Political Agreement	Signed in Asuncion	All Mercosur Parliaments Ratify	Provisional Application	ECJ Opinion (expected)	Tariff Phase-In Completes
Dec 2024	Jan 2026	Mar 2026	1 May 2026	2027-28	2028-36

Day 1 — May 2026	Years 1-5	Years 5-10	Years 10-15
~5,000 product lines to 0% duty	Poultry quota: 180,000t duty-free	Automotive tariffs phased out	Cheese quota duty-free (yr 10)
Provisional application of iTA	Most pharma and chemicals to 0%	Machinery fully liberalised	Olive oil to 0% (yr 15)
Immediate tariff reductions begin	Wine spirits phased (4 years)	Beef quota: 99,000t at 7.5%	Full liberalisation >90% complete

Outlook

Brazil's government projects a 13% total export increase by 2038, with annual trade growth at 5.1%/year. The ECJ ruling — expected in 2027-28 — is the primary near-term risk. If approved by all EU parliaments—a process requiring years — the EMPA will formally replace the iTA and enter full force. In the long run, this is the world's most ambitious cross-regional trade agreement in the post-WTO era.

Sources: European Commission · EU Council · Reuters · Associated Press · Kroll Analysis

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