

EU-Mercosur, interim application brings forward trade opportunities

EU moves ahead with the provisional application of the Mercosur trade agreement, offering exporters early gains despite ongoing ratification hurdles

The European Commission decided on Friday, 27 February, to proceed with the provisional application of the EU-Mercosur Interim Trade Agreement (ITA), bringing parts of the long-awaited EU-Mercosur Partnership Agreement into effect earlier than expected. The move directly follows ratification of the agreement by Argentina and Uruguay the day before and allows tariff cuts and trade facilitation measures to come into force before the full agreement has cleared all EU political and legal hurdles.

“For European exporters, this marks a significant milestone. After more than a quarter century of negotiations between the European Union and four members of the South American trade bloc Mercosur – Argentina, Brazil, Paraguay and Uruguay – real commercial opportunities are beginning to take shape” says Greetje Frankena, Deputy Head of Economic Research at Atradius. At the same time, provisional application does not remove all underlying uncertainty. Legal scrutiny by the European Court of Justice (ECJ) and political resistance in parts of the EU mean the agreement’s full entry into force is still far from guaranteed.

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Agreement finally signed, but not all obstacles removed

The EU and Mercosur signed their historic partnership agreement on 17 January 2026 in Asunción, Paraguay. The agreement has now entered the highly complex ratification phase. Full ratification requires approval by every EU member state as well as all Mercosur countries, a process that is likely to take years.

The main source of uncertainty lies in political divisions within the EU. Some member states, notably Spain and Germany, see the agreement as a strategic boost for industrial exports and access to critical raw materials. The Netherlands now also supports the agreement, following the inclusion of stronger sustainability safeguards, stricter commitments on deforestation and clearer enforcement mechanisms. Other member states, such as France and Poland, remain cautious. They fear unfair competition for farmers, weak enforcement of sustainability provisions and the risk of increased deforestation. These divisions make unanimous approval of the full trade agreement in the short term unlikely.

In addition, parts of the agreement have now been referred by the European Parliament to the ECJ for assessment of their compatibility with EU treaties. This review could take up to one and a half to two years, creating a risk that the agreement could once again be derailed if legal shortcomings are identified.



EU-Mercosur goods trade snapshot

The following figures reflect the European Union's trade with the four founding Mercosur countries:

- The EU is Mercosur's second-largest trade partner, behind China and ahead of the US. Mercosur, ranks as the EU's tenth-largest trade partner
- In 2024, EU exports to Mercosur reached €53.3 billion, while Mercosur's exports to the EU totalled €57 billion
- Mercosur's principal exports to the EU consisted of agricultural products (42.7%), mineral products (30.5%), and pulp and paper (6.8%)
- EU exports to Mercosur were dominated by machinery (28.1%), chemicals and pharmaceutical products (25%), and transport equipment (12.1%)

Market access to come before full ratification

While full ratification spanning all the political and cooperation chapters requires unanimity, ratification by only one EU or Mercosur member state is required for provisional application of an interim trade agreement covering only goods trade. President von der Leyen announced just that on 27 February, after discussion with EU member states and members of European Parliament.

President von der Leyen framed the move as a way to secure a 'first-mover advantage' and to allow businesses to benefit 'as soon as possible', while stressing that full conclusion still requires the European Parliament's consent. Splitting the agreement into two parts and moving forward sooner with the trade pillar has a legal basis as well as precedent such as in the CETA trade agreement with Canada. CETA's trade pillar has been in force since 2017, but the chapter on investment protection still awaits approval by ten EU member states.

What provision application means for European exporters

For European exporters, the trade pillar alone can have direct and tangible effects. Tariffs on around 91% of goods traded between the EU and Mercosur will be gradually eliminated over the coming 15 years, customs procedures will be simplified and technical standards will be better aligned. European companies will gain improved access to public procurement markets in Mercosur countries, while geographical indications would receive stronger protection.

In practice, trade should become faster, cheaper and more predictable. Tariff preferences will become usable with ratifying Mercosur partners once the provisional application takes effect. Industrial exporters, especially in machinery, vehicles and chemicals are among the likely early beneficiaries, given the high Mercosur tariffs they face today. Market

access predictability will become clearer as customs administrations implement the relevant schedules and administrative guidance.

At the same time, uncertainty remains high. An adverse ECJ opinion could limit the scope of provisional application or delay final ratification. The road to full ratification remains long as well with ongoing opposition from certain EU member states. While unlikely, provisional application can be modified or suspended if the institutional process stalls.

Practical risk management steps include: confirming origin compliance before quoting preferential prices; building lead times for customs and documentation; stress-testing contracts for policy reversals, safeguard duties or quota exhaustion; and monitoring sustainability due diligence requirements in relevant commodity-linked supply chains.



Mercosur could become a key partner in the energy transition

From an economic perspective, the EU–Mercosur agreement fits seamlessly within Europe’s broader strategic priorities. One of the most important of these is diversification away from China. “The EU has an urgent need for alternative sources of critical raw materials, particularly for the energy transition, and Mercosur countries are well positioned to fill this gap”, says Greetje Frankena, Deputy Head of Economic Research at Atradius.

Argentina has large lithium reserves essential for batteries, while Brazil is rich in graphite, manganese, nickel, bauxite and rare earth elements. Lower export taxes and clearer investment rules could significantly strengthen European supply chains.

Energy security is also a key driver. The EU is actively reducing its dependence on Russia and expanding cooperation with countries such as

Brazil and Argentina, both of which are growing oil and gas producers and have significant potential for green hydrogen. This makes Mercosur an attractive long term partner.

The Netherlands for instance is already well positioned. Around 26% of all Mercosur exports to the EU enter through Dutch ports, underscoring the Netherlands' role as a major logistics hub. Dutch exports to Mercosur have grown two to three times faster in recent years than total Dutch exports. Growth has been particularly strong in exports to Paraguay and Uruguay. Machinery, vehicles and highvalue industrial products dominate Dutch exports to the region – sectors that stand to benefit most from lower tariffs and easier market access.

Greetje Frankena

Risks and political sensitivities remain

The signing of the EU-Mercosur Partnership Agreement in January and the provisional application of the Interim Trade Agreement in February are major milestones for trade between the EU and Mercosur, but still not the final destination. Controversies remain, especially from European farmers concerned about competition from Mercosur producers operating under less stringent environmental and animal welfare standards. To address these concerns, the agreement includes quotas for sensitive products such as beef, poultry, sugar and certain dairy products. Strict EU import standards will also continue to apply.

Sustainability is the most politically sensitive issue. The Amazon region remains central to the debate, and the final agreement contains binding commitments on climate and deforestation. From the end of 2025 onwards, products such as soy, beef, palm oil, cocoa, coffee and rubber sold in the EU must be deforestation free. A continuing concern is whether Mercosur governments will be able to effectively enforce these rules.

The macroeconomic benefits are expected to be modest in the short term. The value of the agreement lies less in its immediate GDP impact and more in its strategic signal: a renewed commitment by both blocs to rules based trade and long term cooperation. While uncertainty still abounds for exporters, real, near-term opportunities are becoming increasingly



tangible for those prepared.

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