EU/Argentina/Brazil/Paraguay/Uruguay Partnership Agreement

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PURPOSE: to conclude, on behalf of the European Union, the Partnership Agreement between the European Union and its Member States, of the one part, and the Southern Common Market, the Argentine Republic, the Federative Republic of Brazil, the Republic of Paraguay, and the Oriental Republic of Uruguay, of the other part.

PROPOSED ACT: Council Decision.

ROLE OF THE EUROPEAN PARLIAMENT: Council may adopt the act only if Parliament has given its consent to the act.

BACKGROUND: negotiations **between the European Union and Mercosur** began in 1999, under a mandate from the Council of the EU. After more than 25 years of discussions, an agreement gradually took shape: the trade component was politically concluded in 2019, followed by the political and cooperation components in 2020. New negotiations in 2023-2024 strengthened commitments on sustainable development, particularly the fight against deforestation, while granting Mercosur greater flexibility on certain industrial aspects. The EU-Mercosur Partnership Agreement was finally concluded on 6 December 2024 in Montevideo.

The negotiated outcome consists of two legal instruments:

1) the **EU-Mercosur Partnership Agreement**, comprising a) the political and cooperation issues pillar and b) the trade and investment pillar; and

2) the Interim Trade Agreement, covering trade and investment liberalisation.

The EU-Mercosur Partnership Agreement and the Interim Trade Agreement were signed simultaneously. Both agreements will enter into force on the first day of the month following the date on which the Parties notify each other in writing of the completion of their respective internal procedures necessary for this purpose. The Interim Trade Agreement will expire and be replaced by the EU-Mercosur Partnership Agreement upon the latter's entry into force, following its ratification by all Parties.

CONTENT: the proposal constitutes the legal instrument authorising the conclusion of the Partnership Agreement between the European Union and its Member States, of the one part, and the Southern Common Market, Argentina, Brazil, Paraguay and Uruguay, of the other part (the EU-Mercosur Partnership Agreement).

The EU-Mercosur Partnership Agreement creates **a coherent, comprehensive, and up-to-date legally binding framework for the EU's relations with Mercosur**. It establishes a strong partnership, strengthens political dialogue, and deepens cooperation on issues of mutual interest. At the same time, the agreement will promote trade and investment by contributing to the expansion and diversification of economic and commercial relations.

The key elements of the agreement are **respect for democratic principles**, human rights, fundamental freedoms, and the rule of law, the non-proliferation of weapons of mass destruction (WMD), and remaining party, in good faith, to the United Nations Framework Convention on Climate Change and the Paris Agreement.

The EU and Mercosur commit to deepening **dialogue** and cooperation in the following areas: (i) Democratic principles, human rights, the rule of law, and international peace and security; (ii) Justice, freedom, and security; (iii) Sustainable development; and (iv) Social, economic, and cultural partnership. The focus is on environmental protection, climate change, sustainable energy, the rule of law, human and women's rights, responsible business conduct, workers' rights, and disaster risk reduction.

With regard to the **trade component**, the EU-Mercosur Partnership Agreement is structured around the following elements:

Elimination of customs duties

- 91% of European exports to Mercosur will be exempt (cars, machinery, chemicals, clothing, pharmaceuticals, leather footwear, textiles, wine, spirits, biscuits, chocolate, cheese), resulting in annual tariff savings of over EUR 4 billion.

- 92% of Mercosur exports to the EU will also be exempt, but with limits for sensitive agricultural products (meat, sugar, poultry), which will only benefit from preferential treatment in limited quantities, within carefully calibrated tariff quotas.

Export taxes

- Elimination or reduction in Argentina, Uruguay, Paraguay and Brazil, of export taxes, particularly on raw materials and agricultural products.

Safeguard mechanisms

- Possibility for the EU and Mercosur to impose temporary measures to regulate imports in the event of an unexpected and significant increase in imports.

Health standards

- Applying the precautionary principle when maintaining the highest standards of food safety and animal and plant health for all products, whether manufactured domestically or imported into the EU.

Sustainable development

- Commitment of the parties to implement the Paris Agreement on climate change effectively and to take measures to halt deforestation by 2030. Respect for workers' rights and the promotion of responsible business conduct.

Public procurement

- New opportunities for EU bidders to participate in calls for tenders in Mercosur countries.

Reduced technical barriers

- Removal of technical and regulatory barriers to trade in goods, simplification of testing (e.g., electronics, automotive).

Trade in wines and spirits

- Mutual recognition of oenological practices and labelling rules.

Services and e-commerce

- Opening up of numerous sectors (finance, telecoms, maritime transport, etc.) and facilitating the mobility of professionals.

Intellectual property and geographical indications

- High level of protection and enforcement of EU geographical indications (GIs), comparable to that of the EU, for 344 EU names for quality food, wine, and spirits.

SMEs

Specific provisions to promote their market access.

Dispute settlement

Effective mechanisms with possible arbitration and mediation.

Budgetary implications

The trade component of the agreement will have a financial impact on the EU budget, particularly on revenue. It will lead to an estimated loss of customs duties of **EUR 330 million** at the entry into force of the agreement. Once the ITA is fully implemented in the EU (15 years after its entry into force), the annual loss in customs duties is expected to reach EUR 1 billion. This estimate is based on a projection of trade trends over the next 15 years in the absence of an agreement. Indirect positive effects are expected in terms of an increase in resources linked to value added tax and gross national income.