EU/Argentine/Brazil/Paraguay/Uruguay Interim Agreement on Trade

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PURPOSE: to conclude, on behalf of the European Union, the Interim Agreement on trade between the European Union, 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 (the ITA).

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: **Mercosur** is the world's fifth-largest economy outside the EU in terms of GDP (EUR 2.9 trillion in 2023) and the EU's eleventh-largest trading partner. It is a significant market, with a population of over 270 million and considerable untapped trade and investment potential.

The EU is the first major economy to reach a **comprehensive trade agreement** with Mercosur, which will give EU exporters, service providers, and investors a significant advantage. The ITA will strengthen ties between reliable, like-minded partners and reflect the importance both parties attach to open, sustainable, and rules-based trade. It will create an ambitious and comprehensive framework for trade relations that will contribute to economic security and help address current global challenges.

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 will strengthen commitments on sustainable development, including 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.

CONTENT: the proposal constitutes the legal instrument authorising the conclusion of the Interim Agreement on trade between the European Union, 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 (the ITA).

The ITA should be applied provisionally between, of the one part, the Union and, of the other part, one or more of the signatory Mercosur States, pending the completion of the procedures necessary for its entry into force. It will expire and be replaced by the EU-Mercosur Partnership Agreement upon the latter's entry into force, following its ratification by all Parties.

The ITA creates a **legally binding framework** for the EU's trade relations with Mercosur that is coherent, comprehensive, and up to date. It will promote trade and investment by contributing to the expansion and diversification of economic and trade relations.

With this agreement, the EU aims to offer the best possible conditions to its operators in the Mercosur market. The ITA goes beyond current WTO commitments in many areas, such as trade in goods, services, government procurement, non-tariff barriers, and the protection and enforcement of intellectual property rights, including geographical indications (GIs). In all these areas, Mercosur countries have agreed to significant new commitments compared to WTO conditions. The ITA also contains advanced provisions on trade and sustainable development.

The EU-Mercosur Free Trade Agreement provides for the following:

Tariff elimination

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

Export taxes

- Elimination or reduction of export taxes in Argentina, Uruguay, Paraguay and Brazil, 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 produced on the domestic market 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.

Eliminating 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, telecommunications, 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 ITA 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 of 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.