

# The EU-Mercosur agreement: Expectations and concerns in light of the new geopolitical situation

Javier Flórez Mendoza and Bernhard Moshhammer  
The Vienna Institute for International Economic Studies (wiiw)  
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## Introduction

- The EU-Mercosur agreement has been widely debated among political figures in Brazil, Argentina, and Paraguay since mid-2022. The EU's attempt to recalibrate its global affiliations during ongoing supply-chain disruptions and the geopolitical impact of the Russian war against Ukraine has further intensified the debate.
- Significant progress has been made in the EU-Mercosur deal since 2019. While it presents potential advantages, it also raises certain concerns. The involvement of the US and China and the impact of agriculture and raw materials industries are central to the ongoing discussions about the agreement.

# The EU-Mercosur Agreement

## Potential Benefits

- Market Access
- Tariff Reduction
- Diversified Exports
- Consumer Choices
- Investment Boost
- Sustainable Growth
- Environmental Focus



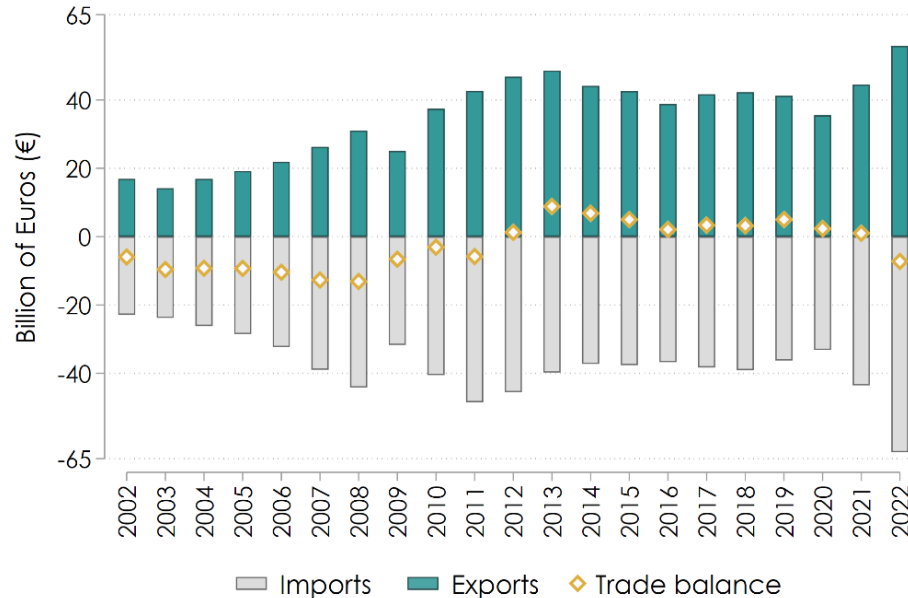
## Concerns

- Market Competition
- Regulatory Challenges
- Environmental
- Social Impact
- Policy Alignment
- Barriers and provisions

## The EU-Mercosur Association Agreement

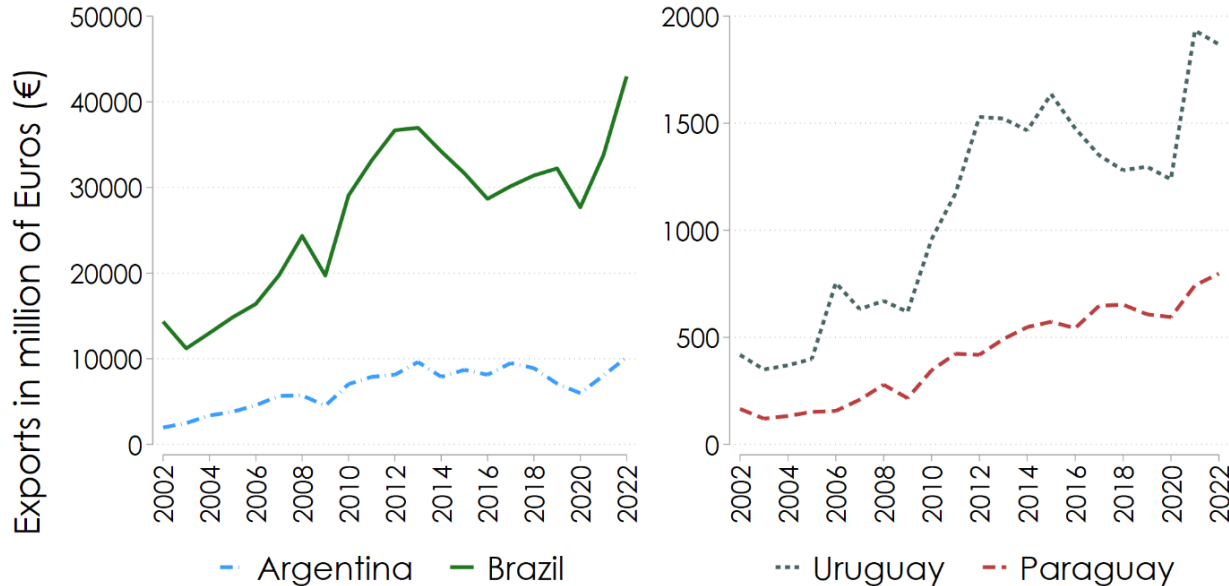
- **Scope:** The agreement aims to establish a free trade area covering goods, services, non-tariff measures, intellectual property rights, and sustainable development.
- **Tariffs:** The agreement aims to eliminate or reduce tariffs on a significant portion of trade between the EU and the Mercosur countries.
- **Agricultural Products:** One of the most contentious aspects of the agreement is the liberalization of agricultural trade.
- **Sustainable Development:** Commitments to uphold environmental and labour standards, fostering sustainable growth practices (European Commission, 2023).

## Evolution of Trade Flows: EU-Mercosur (2002-2022)



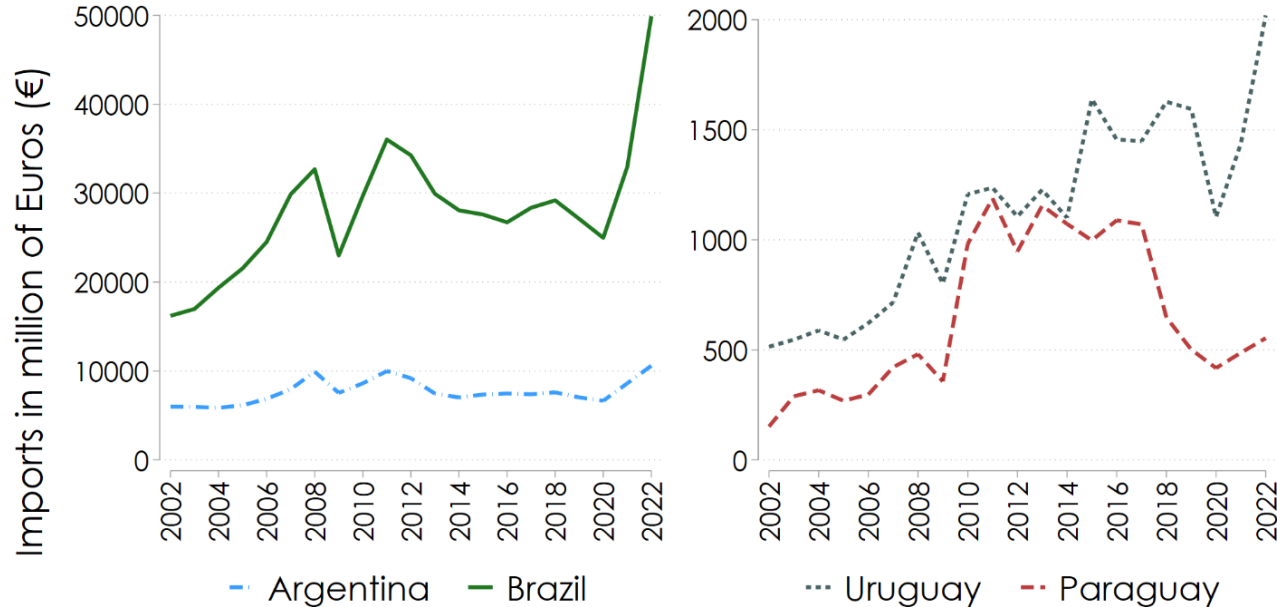
Source: Eurostat, Extra-EU trade by partner [*ext\_lt\_maineu*]; own elaboration.

## Total EU exports to Mercosur countries (2002-2022)



Source: Eurostat, Extra-EU trade by partner [*ext\_lt\_maineu*]; own elaboration.

## Total EU imports from Mercosur countries (2002-2022)



Source: Eurostat, Extra-EU trade by partner [*ext\_lt\_maineu*]; own elaboration.

## Table 1: List of Chapters in the EU-Mercosur agreement

<b>Chapters</b>	<b>Definition</b>
Chapter 1	Trade in Goods
Chapter 2	Rules of Origin
Chapter 3	Customs and Trade Facilitation
Chapter 4	Trade Remedies
Chapter 5	Sanitary and Phytosanitary Measures (SPS)
Chapter 6	Dialogues
Chapter 7	Technical Barriers to Trade (TBT)
Chapter 8	Services and Establishment
Chapter 9	Public Procurement
Chapter 10	Competition
Chapter 11	Subsidies
Chapter 12	State-owned Enterprises
Chapter 13	Intellectual Property Rights
Chapter 14	Trade and Sustainable Development
Chapter 15	Transparency
Chapter 16	Small and Medium-sized Enterprises
Chapter 17	Dispute Settlement

Source: European Commission, EU trade relationships by country/region.



# Javier Milei's phenomenon in Argentina



Source: The Economist, Getty images.



Source: Financial Times, © Natacha Pisarenko /AP.

## Lula da Silva ratification in Brazil



Source: Financial Times, © Francois Walschaerts/  
AFP/ Getty Images.



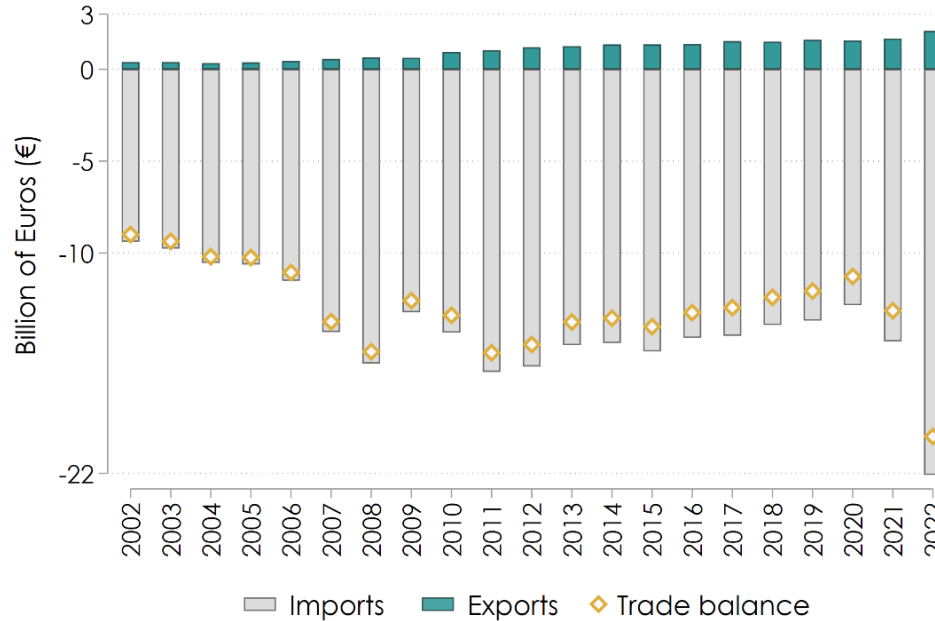
Source: Financial Times, © Olivier Matthys /  
EPA/ Shutterstock.

## Raw Materials: EU-Mercosur (2002-2022)



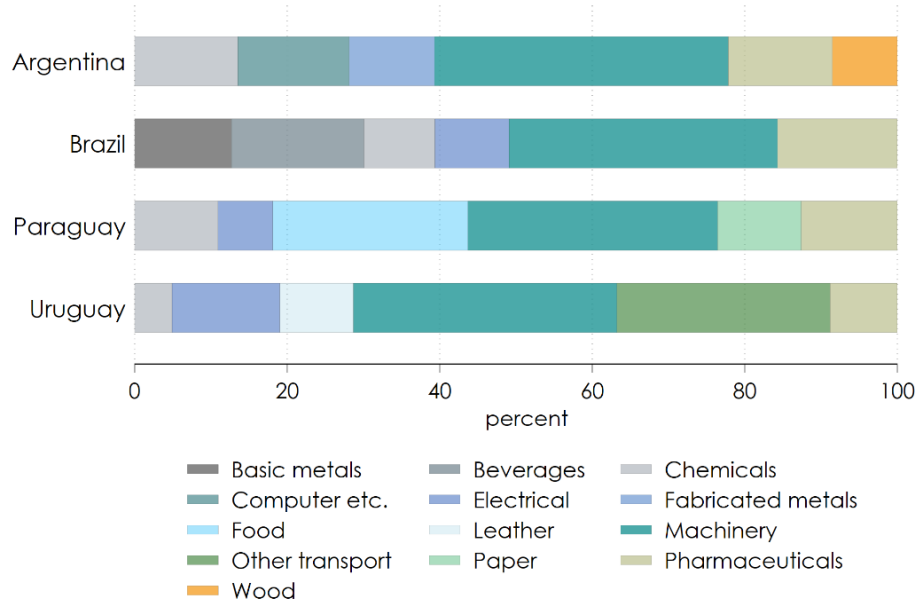
Source: Eurostat, Extra-EU trade by partner [*ext\_lt\_mainrawm*]; own elaboration.

## Agricultural Trade: EU-Mercosur (2002-2022)



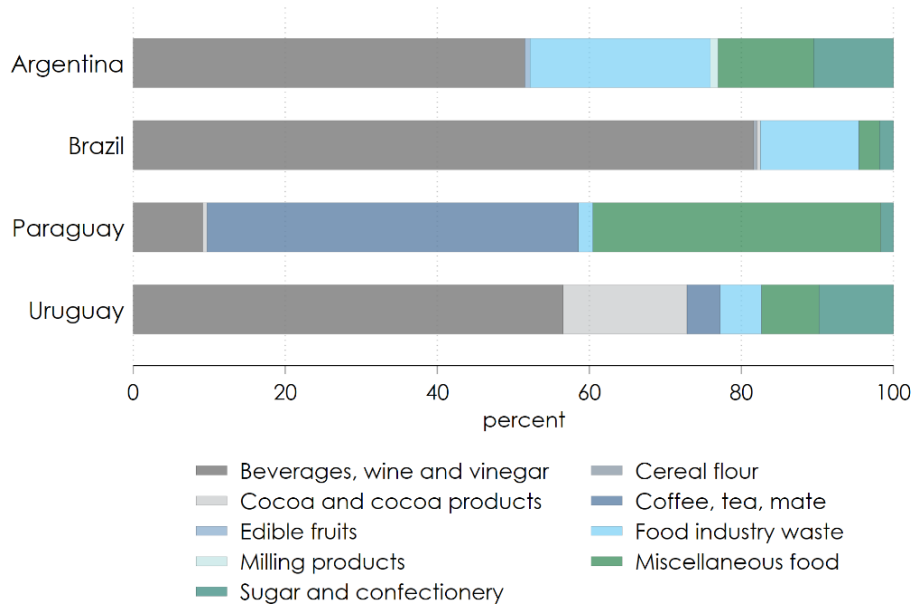
Source: Eurostat, Extra-EU trade by partner [*ext\_lt\_mainagri*]; own elaboration.

## Manufacture exports : Austria to Mercosur (2021)



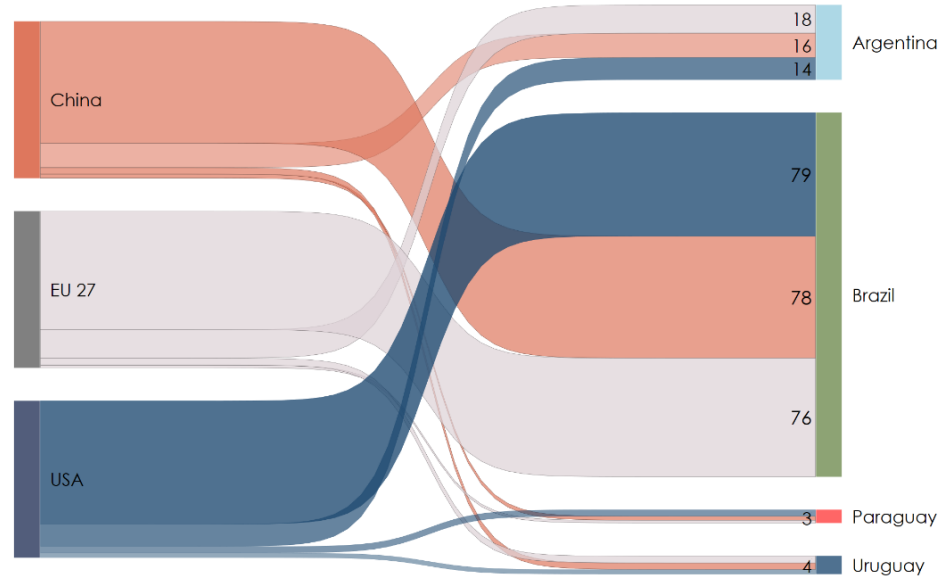
Source: UN Comtrade; own calculations.

## Agriculture exports : Austria to Mercosur (2021)



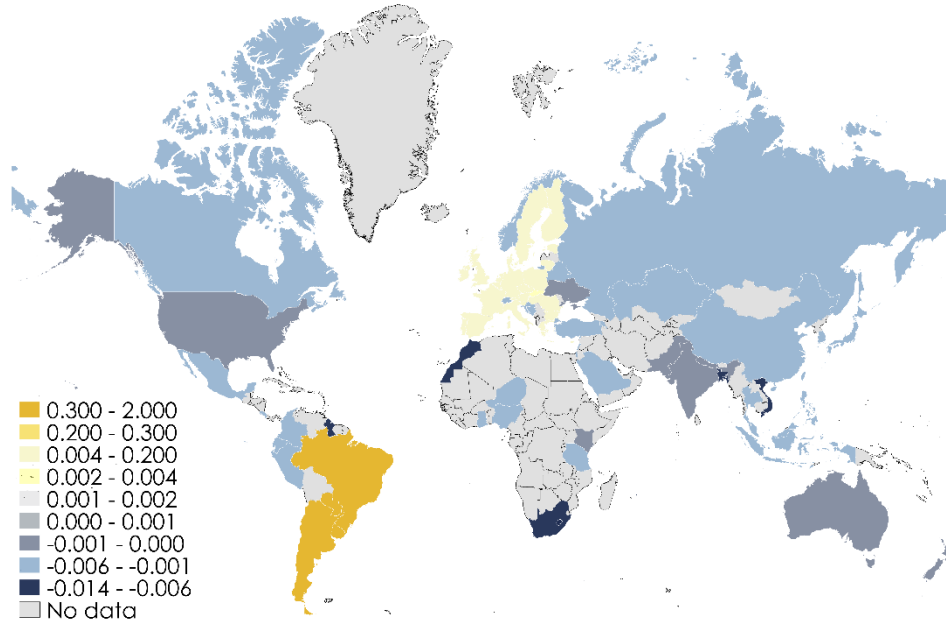
Source: UN Comtrade; own calculations.

# Exports shares from EU, China and USA to Mercosur countries (2021)



Source: UN Comtrade; own calculations.

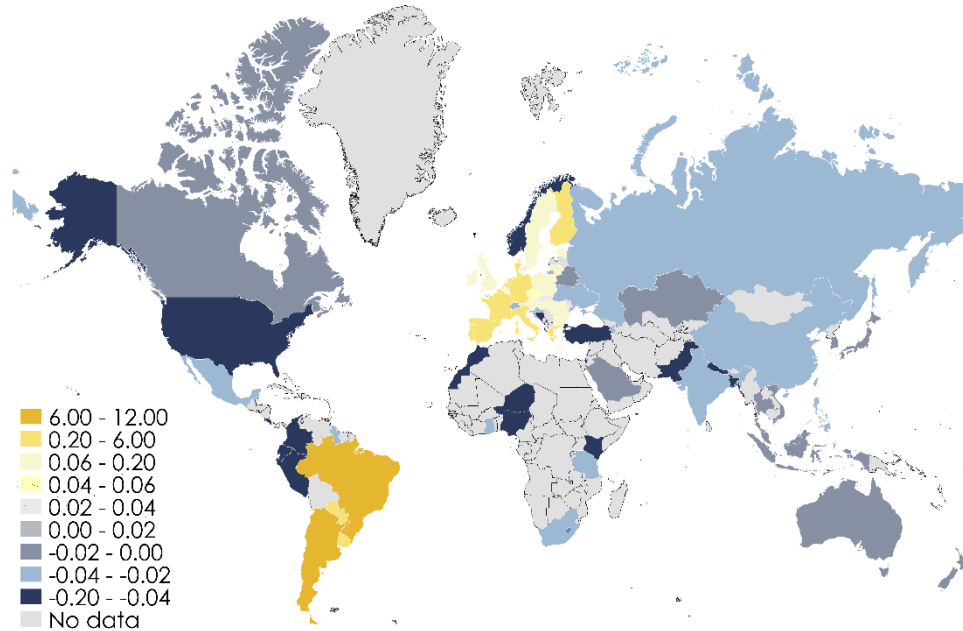
## General Equilibrium Effects EU-Mercosur: changes in Real GDP (%)



Source: ITPD-E-R02, own calculations.



## General Equilibrium Effects EU-Mercosur: changes in Exports (%)



Source: ITPD-E-R02, own calculations.

## Conclusions

- Increased political drive in both the EU and Mercosur bloc to ratify the EU-Mercosur Association Agreement, influenced by global geopolitical disruptions.
- Empirical evidence suggests substantial economic gains from the agreement, more so for Mercosur than the EU.
- The EU aims to diversify raw material sources, with Brazil being key.
- Statements from both sides indicate a possible ratification by year's end, promising clarity on the agreement's future soon.
- Negotiations include the EU Deforestation Regulation to ensure commodities are deforestation-free, addressing environmental concerns.

Thanks for your attention!

Javier Flórez Mendoza  
The Vienna Institute for International Economic Studies (wiiw)  
[mendoza@wiiw.ac.at](mailto:mendoza@wiiw.ac.at)