EU-Mercosur Agreement imminent?

Why ratification should be prevented

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Summary

In December 2024, the European Commission announced that it had reached a political consensus on a trade agreement with Mercosur. The EU has been negotiating this agreement with the South American confederation, which includes Argentina, Brazil, Paraguay and Uruguay, for 25 years. The Commission intends to initiate the political process to ratify the agreement in summer 2025. But what risks does this agreement harbour? This publication provides answers to this question.

Many supporters in Europe see the agreement with Mercosur as an important building block for the EU to assert itself in the face of intensified geopolitical competition and the US trade war. They view China's growing importance on the Mercosur market as a particular threat to the EU, both in terms of raw material supplies and securing sales markets. In this discourse, however, the social and ecological consequences of the intended trade liberalisation are being overlooked, as are the needs of the people in Mercosur. This is because the existing trade relations with the EU are just as problematic for the development prospects of the Mercosur states as those with China. To both trading partners, the Mercosur states occupy the dual role of raw materials supplier and buyer of industrial goods. The trade agreement with the EU threatens to further exacerbate these unequal trade relations along with the associated social and ecological risks.

- The agreed liberalisation of agricultural trade will increase pressure on the sensitive ecosystems in Mercosur. The dismantling of the remaining trade barriers for the soya complex and the preferential tariff quotas for beef and ethanol will facilitate the ongoing expansion of the agricultural front into tropical forests, savannahs and wetlands. At the same time, they are fuelling rampant land conflicts, the victims of which are mostly local communities and indigenous groups. Protecting indigenous territories would be an effective means of preventing large-scale deforestation, for example in the Amazon region. For European agriculture, on the other hand, the agreed beef quota in particular threatens to displace animal-friendly livestock farms in the premium segment of the beef trade – a risk that the European Commission is wrongly trivialising.

Protest against the EU trade agreement with Mercosur during the demonstration of Brazilian female agricultural workers in Brasília in 2023.
Photo: Carolina Colorio/flickr, ATBr, Amigas da Terra Brasil

- By reducing tariffs on chemicals, the agreement promotes the trade in highly toxic pesticides that European companies export to Mercosur. Some of the active ingredients in pesticides are not authorised in the EU internal market, but are nevertheless exported. In addition to the environmental damage caused by the massive application of pesticides, field workers and people living on or near plantations are particularly exposed to considerable health risks from the use of pesticides. Some of the pesticides find their way back to Europe through Mercosur's agricultural exports, this time as residues that endanger the health of consumers, especially in form of *"pesticide cocktails"*.

- With the agreed tariff reductions on raw materials from mining, the EU is securing its supply. However, the general ban on export taxes means that the Mercosur states are losing an important industrial policy instrument for promoting local value creation in the processing of raw materials. The exceptions they have reserved for themselves in this area are too narrow to allow sufficient room for manoeuvre in the future. They risk painful losses in the area of electronic waste, for example, which they currently still export to the EU in large quantities, instead of recycling it locally.

- The agreed tariff reduction in the industrial sector threatens to widen the economic gap between the EU and Mercosur. The manufacturing industry in Mercosur is likely to come under increased competition from EU suppliers, which could result in significant job losses. The European Commission's official impact assessment forecasts a massive increase in EU exports of industrial goods to Mercosur, which will be offset by only minimal export growth on the Mercosur side.

- As the agreement was being negotiated in 2023 and 2024, the environmental and human rights clauses of the agreement were significantly weakened. These setbacks are due, on the one hand, to the new annex to the sustainability chapter, which gives Mercosur authorities direct influence over the monitoring of corporate due diligence obligations by EU institutions. In addition, a newly introduced rebalancing mechanism allows Mercosur countries to sue for compensation if their exporters fear export losses due to EU laws such as the Deforestation Regulation or the Corporate Sustainability Due Diligence Directive. This mechanism could undermine various measures of the European Green Deal, even if they do not violate the trade agreement. This means that sanctions can effectively be levied not for human rights violations or environmental damage, but rather for sustainability rules.

- In view of the widespread opposition to the EU-Mercosur Agreement, the Commission is planning to separate the trade part of the agreement from the political part. The trade part could then be provisionally brought into force in an accelerated procedure following approval by the Council and the Eureopean Parliament. National co-ratification – which could prolong the procedure indefinitely – would thus be circumvented. However, this *splitting* of the agreement is highly questionable from a legal and democratic perspective and is likely to further undermine the legitimacy of EU trade policy. There is also a risk that the *"essential elements"* clause, which in principle allows sanctions in the event of serious violations of human rights or the Paris Climate Agreement, would also be split off and not applied provisionally. Although this clause is very difficult to activate anyway, the agreement would become even more deficient if it were to be split off.

- Due to the considerable social, environmental and human rights risks, the EU-Mercosur Agreement should not be signed and ratified. Instead, renegotiations should take place that put EU-Mercosur relations on a sustainable footing to both overcome the unequal trade relations and minimise their social and ecological risks.

Contents

1. Introduction

Since 1999, the EU has been negotiating an association agreement with Mercosur, which is to consist of two parts: a trade part and a part on political dialogue and cooperation. However, after the Commission announced the conclusion of negotiations on the trade part in July 2019, the talks stalled again. The agreement has been criticised by governments and civil society in the EU, primarily due to the policies of Brazil's far-right President Jair Bolsonaro, under whom numerous human rights violations and high levels of deforestation have occurred. It was only after the change of government in Brazil, which led to Bolsonaro being replaced by the social democrat Lula da Silva in January 2023, that the Commission saw a renewed opportunity to finalise the agreement. Following positive signals from Brazil, renegotiations on the draft agreement began in 2023 and were officially concluded on 6 December 2024. The Commission intends to initiate the political process to ratify the agreement in summer 2025.

Although the 2023/24 renegotiations led to some innovations compared to the 2019 draft, they did not bring about the required strengthening of the agreement's already weak and difficult-to-enforce sustainability standards. On the contrary: The analysis presented here shows that some of the innovations could lead to further, and in some cases serious, declines in environmental protection and human rights. In particular, the state's regulatory power would be significantly weakened if the agreement were ratified.

The questionable results of the renegotiations support the criticisms of the agreement that civil society organisations have been voicing for many years. In numerous studies and statements, non-governmental organisations, aid organisations, trade unions and agricultural associations in Europe and South America have drawn attention to the risks of the agreement. Several governments in the EU also have reservations about the agreement and want to prevent its ratification by the EU Council, including France, Poland and Ireland. But what risks do the critics associate with the agreement? What are their fears if it should come into force? And to what extent do the innovations from the renegotiations increase the risks of the agreement? This publication provides answers to these questions.

Box 1

History of the EU-Mercosur Agreement

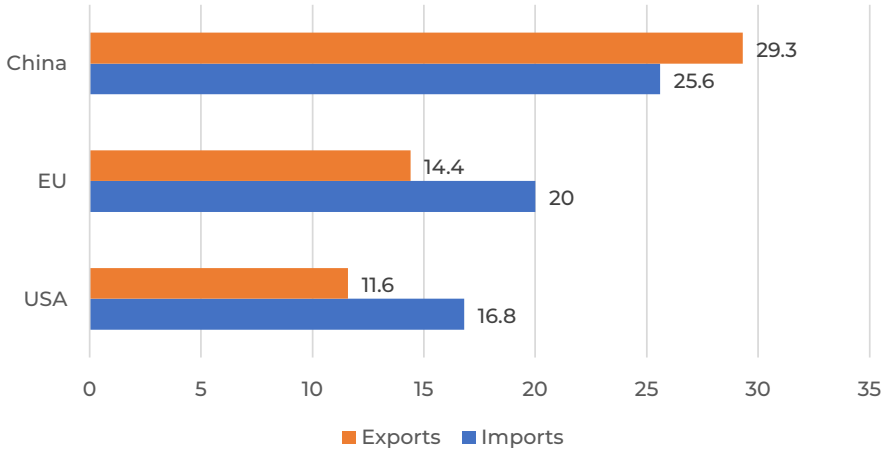
In September 1999, the European Council gave the European Commission a mandate to negotiate an association agreement with Mercosur. While the negotiation guidelines were never officially published, a French version of the mandate was leaked.[1] According to these guidelines, the agreement was to consist of several parts: trade, political dialogue and cooperation. However, the negotiations, which began at the end of 1999, dragged on for over 25 years. Repeated interruptions occurred due to conflicts. Finally, in June 2019 – after 38 rounds of negotiations – the Commission announced a political consensus on the trade part of the agreement,[2] and in June 2020 on the political part.[3] Since then, however, negotiations have stalled once again. Some EU states, including France, Ireland and Austria, demanded environmental policy assurances due to the high deforestation rates and numerous attacks on indigenous communities under former Brazilian President Bolsonaro.[4] The Mercosur governments, in turn, demanded compensation for potential export losses due to new EU regulations such as the Deforestation Regulation. Finally, on 6 December 2024, the European Commission once again announced a political agreement with Mercosur.[5] It no longer referred to the proposed agreement as an association agreement, but rather as a partnership agreement. To initiate the ratification process, the Commission intends to submit the documents for the conclusion of this agreement to the European Council and the European Parliament in summer 2025.

2. Race with China: Unequal trade between the EU and Mercosur

The European Commission's central trade policy objective is to increase exports by European companies and secure the supply of critical raw materials and intermediate products to the European economy. The agreement it is seeking with Mercosur also serves this goal. In the markets of the four Mercosur states, EU companies face competition primarily from the USA and China (see figure 1).

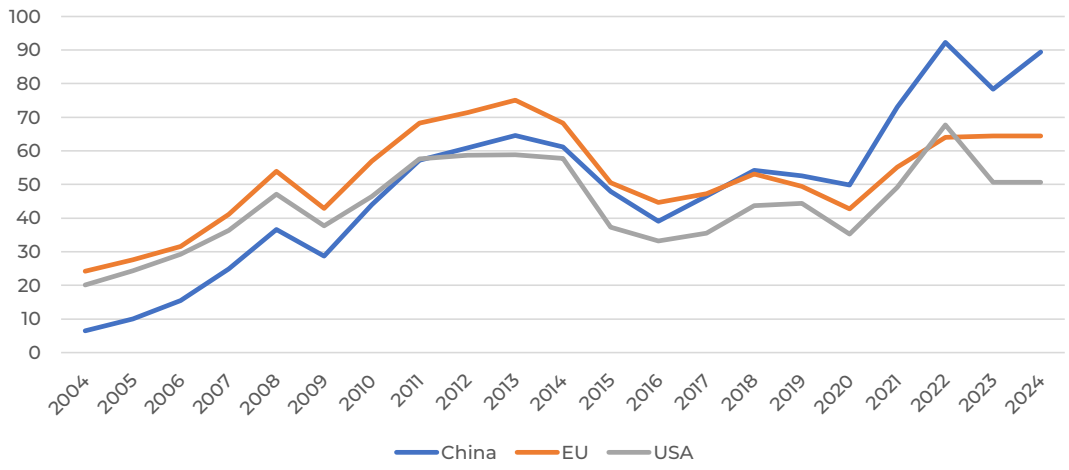
Chinese goods now account for around a quarter of all imports by Mercosur states, EU goods for a fifth and US goods for just under 17 percent. For Mercosur manufacturers, China is even more important as an export destination. They deliver almost 30 percent of their total exports to China and only around 14 percent to the EU.

Figure 1: Top 3 trading partners of Mercosur in 2023
in % of total exports and imports



Source: DG Trade 2024

Figure 2: Mercosur: Imports from China, EU, USA 2004-2024
in billions of US dollars



Source: ALADI 2025

Demonstration by the Brazilian Landless Workers' Movement against agribusiness, 13 March 2025, Guaíba
Photo: Maí Yandara/flickr, ATBr, Amigas da Terra Brasil

This was not always the case. Until 2017, the majority of Mercosur imports came from the EU. It was only in 2018 that Chinese companies began to outperform their European competitors (see figure 2).

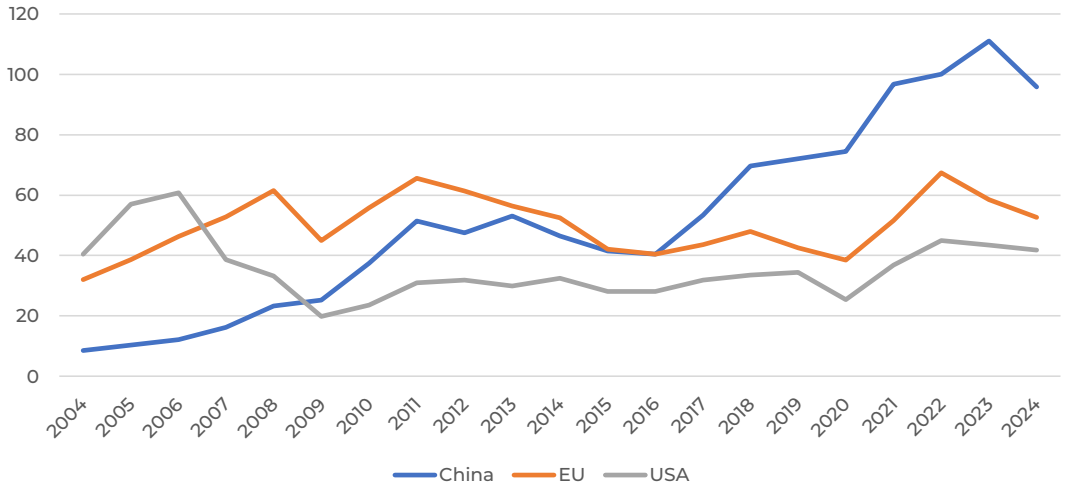
By 2017, China had also become the most important sales market for Mercosur goods (see figure 3). In recent years, the value of goods that Mercosur companies have been able to export to China has increased even further. In terms of value, they now sell almost twice as many goods in China as in the EU.

In business circles in Germany and the EU, this development has sparked a debate that has sometimes taken on alarmist overtones. German economists view China's growing importance in Mercosur as a threat to the EU, which it should counter by concluding the trade agreement. Veronika Grimm, a member of the German Council of Economic Experts, warns that *"without the agreement, we will cede this space to China"*.[6] Rolf Langhammer, a researcher at the Kiel Institute for the World Economy, is also concerned about *"how Europe is losing geo-economic ground and China is gaining it"*. His appeal: *"To prevail in the geo-economic struggle with a Trump-led USA and China, Europe must now do everything in its power to reach a successful agreement with Mercosur."*[7] Samina Sultan, economist at the German Economic Institute, also sees China's expansion in Mercosur as a threat and hopes *"that the new free trade agreement will at least slow this development and thus prevent the EU from ceding the field to China"*.[8]

From a sober perspective, however, the fact that China has gained a larger share of Mercosur trade seems hardly surprising: With a population of 1.4 billion people, and thanks to its successes in reducing poverty and spurring economic development, it has significantly greater supply and demand potential than the EU with its 450 million inhabitants. It is also not clear why European companies would *"cede the space to China"* without the trade agreement. Why would they turn their backs on the Mercosur market whilst they can still do profitable business there? After all, both EU and Chinese companies were able to establish their large presence in the Mercosur market even without a trade agreement.

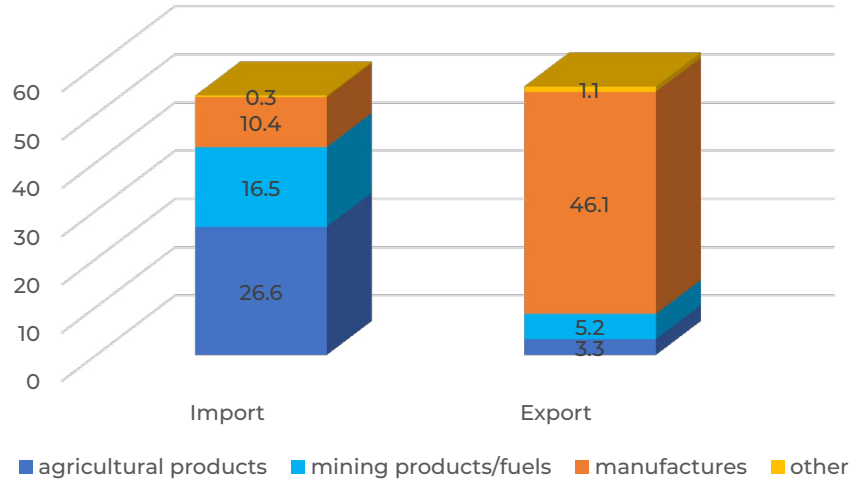
The central problem with this discourse, however, is that it ignores the needs of the Mercosur states. It is not so much the Europeans who have cause for serious concern, but the people of Mercosur: Trade relations with these two key trading partners – the EU and China – are equally problematic for the development prospects of the South American alliance. Mercosur mainly exports agricultural goods, raw materials

Figure 3: Mercosur: Exports to China, EU, USA 2004-2024
in billions of US dollars



Source: ALADI 2025

Figure 4: EU trade in goods with Mercosur 2023
in billions of euros



Souce: DG Trade 2024

and fuel to China and imports a wide range of industrial goods from the country.[9] Trade relations with the EU show the same imbalance. Over 80 percent of Mercosur's exports to the EU are made up of primary products in the agricultural and raw materials sector. In contrast, industrial goods account for around 83 percent of Mercosur imports from the EU (see figure 4).

For those in Mercosur who are interested in the economic progress and prosperity of their countries, the critical question becomes: Will the agreement with the EU overturn or rather cement this highly unfavourable trade structure? Will the trade agreement increase or decrease the growing threat to their unique ecosystems, their forests, rivers and lakes? Some answers to these questions – which are also relevant to civil society in Europe – are provided below.

3. Soya, cattle, ethanol: The risks of agricultural trade

Agricultural goods account for the largest share of EU imports from Mercosur in terms of value. At the same time, they are also associated with the greatest risks of the trade agreement – in terms of environmental pollution, deforestation as well as human and labour rights.

By far the most important agricultural product that the EU imports from Mercosur is soya. Other significant agricultural imports in terms of value are coffee, fruit, juices, meat and grains (see figure 5).

Soya trade

The most important product, soya, also embodies the considerable ecological and social risks of this agreement. The EU imports both soya beans and their processed products from Mercosur: soya bean meal, soya bean oil and biodiesel from soya bean oil. Soya bean meal is mainly used as a protein-rich animal feed in industrial livestock farming, especially for poultry, pigs and, to a lesser extent, cattle. Although soya beans and soya bean meal are already duty-free in the EU, the agreement stipulates further relief for the soya complex:

- Argentina has committed to reducing the export tax on soya – which was still at 33 percent in 2024 – to 18 percent five years after the agreement comes into force, and to 14 percent after ten years.

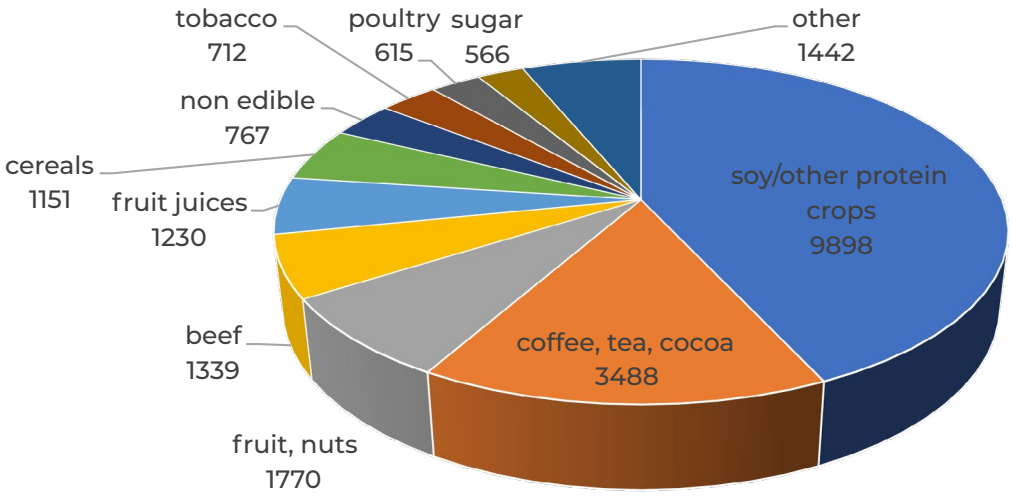
- The EU will gradually eliminate import duties on soya bean oil over four years. These currently amount to between 3.2 and 9.6 percent, depending on the degree of processing and intended use.

- The EU will gradually eliminate the import duty on biodiesel, which amounts to 6.5 percent, over a period of ten years. It also grants Paraguay a duty-free import quota of 50,000 tonnes of biodiesel.

- In addition, there are several preferential tariff quotas for the trade in animal products such as beef, pork, chicken, eggs, milk powder and cheese, the production of which requires large quantities of soya bean meal as animal feed.

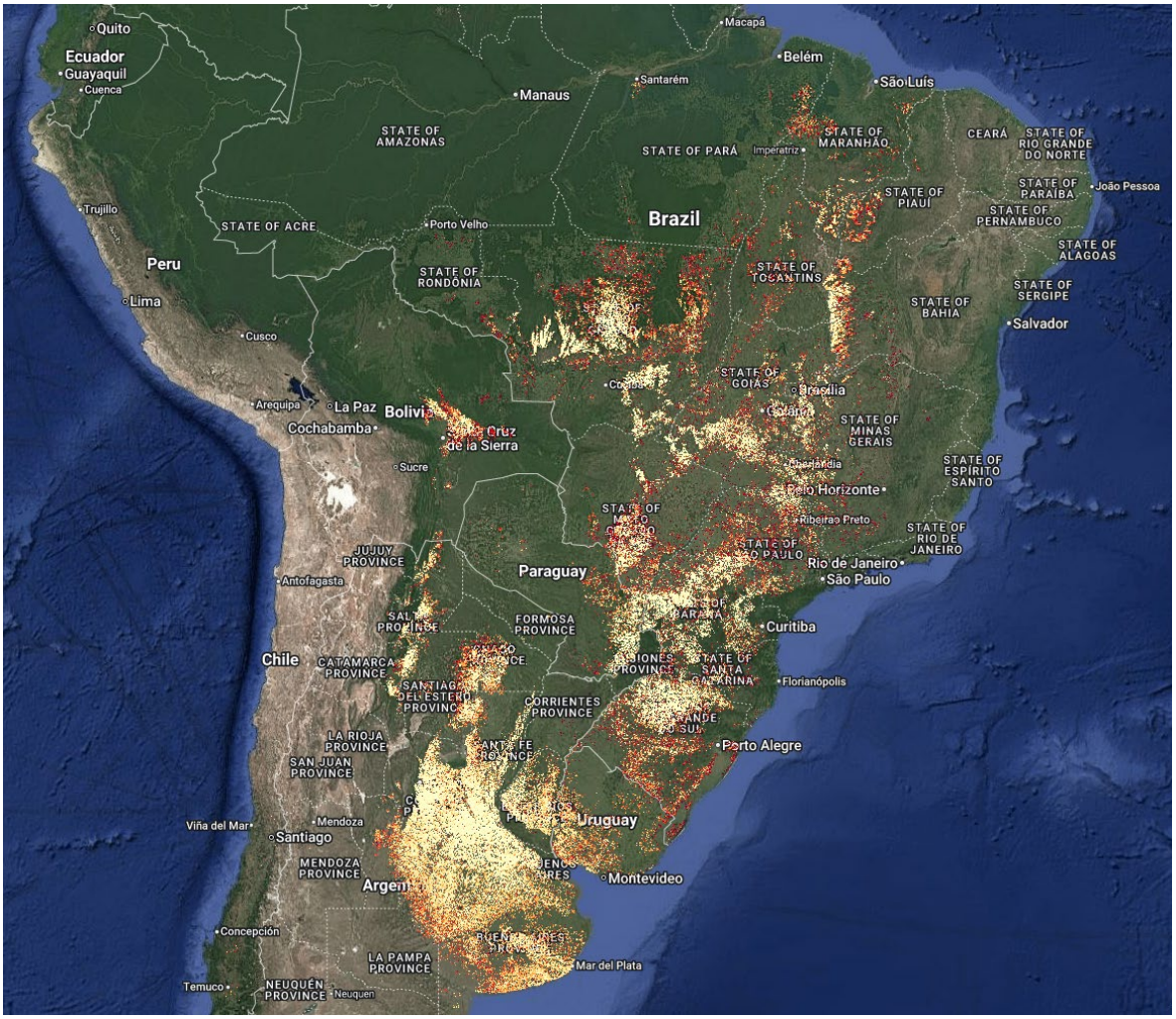
However, the expansion of soya cultivation is a persistent cause of land conflicts and ongoing deforestation in the Mercosur countries, particularly Argentina, Brazil and Paraguay.

Figure 5: EU agricultural imports from Mercosur 2023
in million euros



Source: DG AGRI 2024

Figure 6: Expansion of soya cultivation in Mercosur in 2001-2023



Source: Global Land Analysis and Discovery (GLAD), Interactive Map.
Soy cultivation has been practiced in the yellow areas since the early years of the 2001-2023 period, while in the red areas it only began in the later years. The red areas therefore indicate the most recent areas of expansion.

In Argentina, soya plantations are expanding from the central Pampa region, primarily into the western and northern provinces of the country. In Paraguay, soya cultivation is concentrated in the east of the country, where it has led to numerous land conflicts (see box 2). However, the plantations are also expanding westwards into the semi-arid Chaco region. In Brazil, the spread of soya plantations continues apace in all of the country's growing regions, whether in the south, the centre or the north.

Brazil, in particular, has recorded 25 years of sustained growth in soya production and corresponding acreage. The area under cultivation has more than tripled since 2000. In the 2024/25 season, soya fields covered an area of 47.5 million hectares – roughly the size of Germany and Greece combined (see figure 7).

This growth is particularly worrying because soya-related deforestation in Brazil is taking place in valuable ecosystems that play a key role in climate protection. The largest areas of land cleared for soya are in the species-rich dry forest region of Cerrado in central-western Brazil. Soya fields are also causing considerable forest loss in the Amazon rainforest regions of northern Brazil, especially in the state of Pará, as well as in the southern state of Rio Grande do Sul (see figure 8).

Box 2:

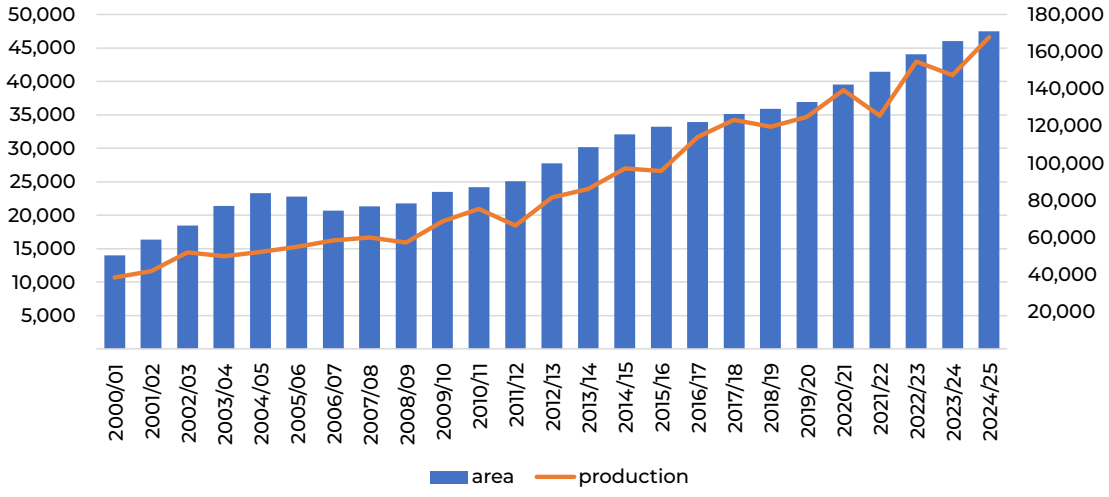
Soya expansion and human rights violations in Paraguay

In Paraguay, soya is by far the most dominant crop in agribusiness. It is grown in monoculture on 3.5 million hectares of agricultural land, out of a total of 5.8 million hectares, and is almost exclusively exported. Multinational grain traders mostly ship the harvests to Argentina, from where they are primarily exported to Europe.[10] Due to the vast area under cultivation, soya production is also one of the main causes of land conflicts and food insecurity.

Using intermediaries, plantation operators are attempting to expand their cultivation areas by buying up land use rights *("derecheras")*, sometimes illegally. However, only beneficiaries of the agrarian reform programme are entitled to these land use rights. Human rights organisations have criticised the fact that the land reform authority INDERT repeatedly grants property titles to producers who are not entitled to them under the land reform programme. In some cases, INDERT officials themselves are allegedly involved in illegal land purchases. In protest against this land grabbing, smallholders and indigenous people frequently occupy agricultural land that has allegedly been improperly allocated. To end the occupations, state and private security forces often use violence against the activists.[11] In total, the non-governmental organisation BASE IS counts at least 15,500 smallholder farmers who were displaced – usually forcibly – in land conflicts between 2015 and 2024. 13 smallholder farmers were killed in these clashes.[12]

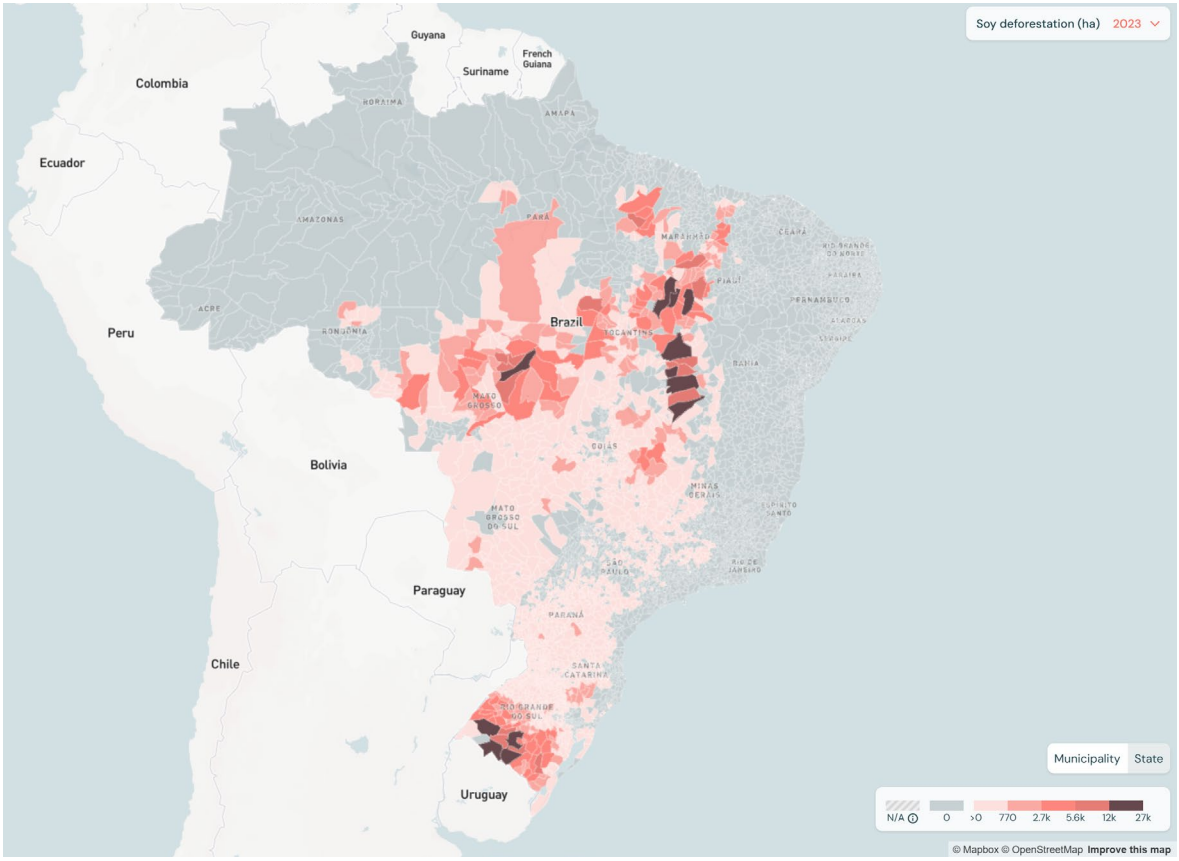
At the same time, peasant agriculture is increasingly losing ground to export-orientated agribusiness, leading to growing imports of staple foods that can be produced locally, such as potatoes, onions and tomatoes. Smallholder production now only takes place on 5 percent of Paraguay's agricultural land, but provides almost half of the food for poor rural populations. Overall, 25 percent of households suffer from food insecurity. The situation is even more precarious in rural communities. In eastern areas of Paraguay where the soya business is highly dominant, food insecurity affects up to 37 percent of households.[13]

Figure 7: Brazil - Soya area and production
area: 1000 ha, production: 1000 t



Source: Conab 2025

Figure 8: Soya-related deforestation in Brazil, 1000 ha



Source: Trase 2025, Interactive Map on Deforestation. Soya-related deforestation is calculated based on the 2023 soya harvest from land cleared in the five previous years.

Beef trade

With various tariff concessions for the cattle complex, the agreement strengthens the expansion of agriculture into fragile ecosystems and indigenous territories. The following regulations will boost the cattle and beef trade:

- A new quota of 99,000 tonnes of beef (55,000 tonnes of fresh and chilled, 44,000 tonnes of frozen meat) with a preferential tariff of 7.5 percent

- Elimination of the 20 percent tariff within the quota for high-quality beef (known as the Hilton quota, which currently covers around 45,000 tonnes)

- Elimination of the 16.6 percent tariff on cooked beef products (such as corned beef)

- Gradual elimination of tariffs on live cattle (10.2 percent + 93.1 euros per 100 kg) over a period of 10 years

The Mercosur states, in particular Brazil, Argentina and Uruguay, are already the EU's most important beef suppliers. In 2024, over half of the EU's imports of 380,000 tonnes came from Mercosur.[14] While a portion is imported under various existing tariff quotas, another portion is imported outside the quotas at significantly higher tariff rates. If the agreement comes into force, some of these extra-quota imports will be subject to the lower tariff rate under the new quota of 99,000 tonnes. For this reason, a team of experts commissioned by the French government (Ambec Committee) estimates that the effective increase in beef imports from Mercosur is likely to be around 53,000 tonnes.[15] The additional imports would result in a considerable need for additional cattle pastures, totalling around 3.6 million hectares.[16] This area is roughly equivalent to the size of Baden-Württemberg.

If the tariff quota for beef exports to the EU stipulated in the trade agreement is used to the fullest, the area required for cattle grazing in Mercosur will increase by 3.6 million hectares. This area is roughly the size of Baden-Württemberg. The majority of cattle pastures are created by deforestation in the Amazon region.

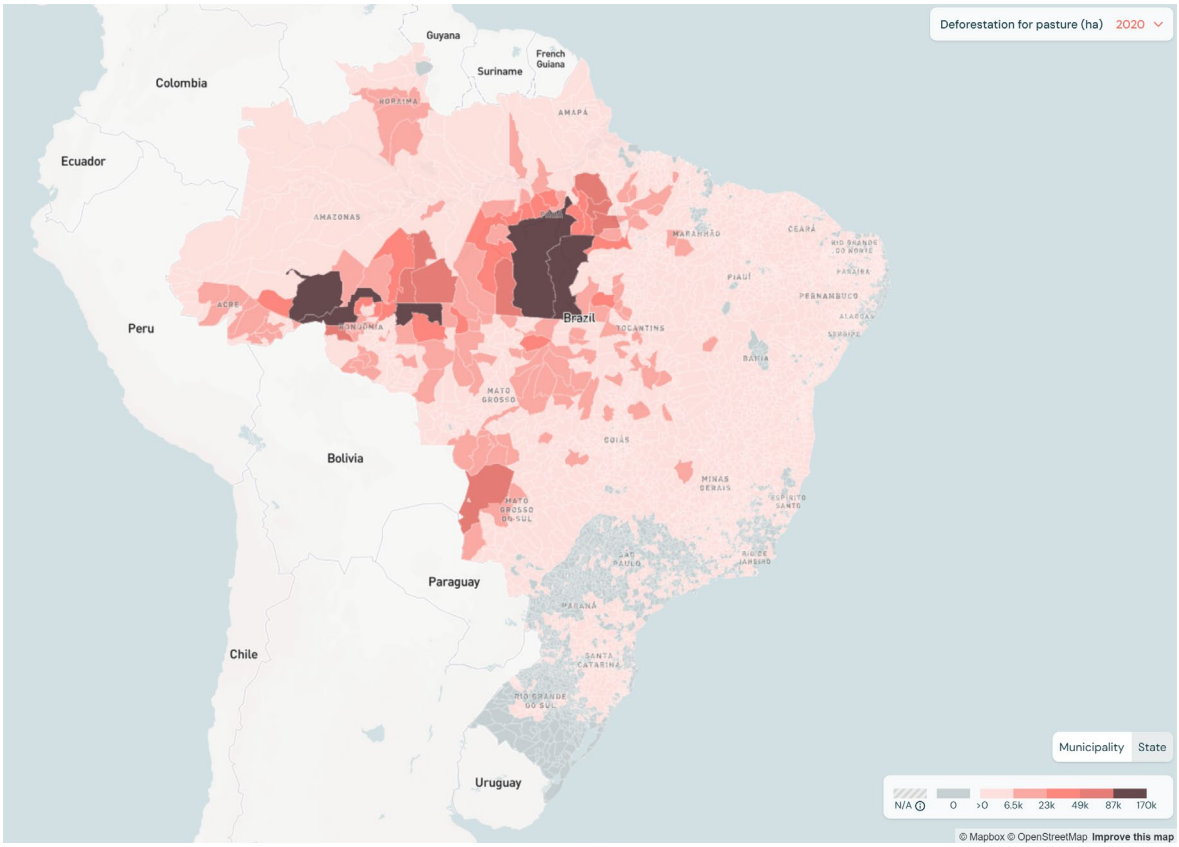
The trade agreement thus exerts enormous pressure to create additional grazing land by clearing primary forests. This development is particularly threatening in Brazil, where the largest areas experiencing deforestation for cattle grazing are located in the Amazon rainforest. In addition, the ecologically sensitive Pantanal wetlandin southwestern Brazil on the border with Bolivia (states of Mato Grosso and Mato Grosso do Sul) has also been heavily cleared to create pastureland (see figure 9).

Trade in bioethanol and sugar

Two further EU preferential quotas for bioethanol and sugar are also fuelling demand for agricultural land. Brazil is one of the EU's top three suppliers of bioethanol, 90 percent of which is produced from sugar cane and 10 percent from maize. Paraguay is also an important EU supplier of bioethanol. Brazil has massively increased its bioethanol exports to the EU, from 19 million litres in 2015 to 374 million litres in 2023.[17] In the EU, ethanol is used in the chemical industry and blended with petrol as a fuel (marketed as E5 or E10).

The EU is now granting Mercosur a new bioethanol quota totalling 650,000 tonnes (450,000 tonnes duty-free for use in the chemical industry, 200,000 tonnes at a third of the previous duty rate for fuel purposes). The total quota (equivalent to 823 million litres) represents more than double the amount of bioethanol that Brazil has exported to the EU in the past. Mercosur will also receive a duty-free sugar

Figure 9: Deforestation for pastures in Brazil, 1000 hectares



Source: Trase 2025, Interactive Map on Deforestation. Deforestation for pastures is calculated based on cattle farming in 2020 on land cleared in the five years between 2016-2020.

quota of 180,000 tonnes and Paraguay an additional specific sugar quota of 10,000 tonnes. In these regions, sugar is mainly produced from sugar cane.

The export of sugar and bioethanol also contributes to intensifying competition for land. Between 2000 and 2013, the area under sugar cane cultivation in Brazil doubled from 5 to 10 million hectares, and has fluctuated around this value ever since.[18] According to calculations by the EU Research Service, the area under cultivation could rise to 14.8 million hectares by 2030. Bioethanol exports are a key driver. One third of Brazil's bioethanol exports could go to the EU by 2030. This would even exceed the preferential tariff quota of 650,000 tonnes.[19]

Agribusiness is a driver of the climate crisis.
Photo: richcarey, iStock

Box 3

Beef quota: The European Commission's misleading reassurances

The European Commission claims that the beef quota of 99,000 tonnes granted to Mercosur corresponds to just 1.6 percent of EU beef production, which is why the agreement has only a limited impact on the EU market.[20] However, this statement is misleading as it does not cover the product segment in which the greatest competition occurs. The Mercosur states export a large proportion of higher-priced premium cuts of beef such as loin meat. According to various estimates, they have a share of 13 to 15 percent of the EU market in this segment.[21]

The French Institut d'Élevage (Idele) calculates that the additional exports stimulated by the agreement could increase Mercosur's share of this premium segment to between 21 and 26 percent by 2030. Due to weaker regulations, lower wages and larger land area, livestock farms in Mercosur have on average 40 percent lower production costs than European farms. Brazilian cattle farms have 60 percent lower costs.[22]

It is therefore almost impossible for European livestock farmers to compete with Mercosur competitors on price – especially if they also want to practise sustainable and animal-friendly extensive farming. Since the agreement does not stipulate an increase in production standards, but rather a reduction in import tariffs, the already significant price advantage of Mercosur farms will grow, meaning that their market share in the EU could increase further.

4. Booster for the chemical industry: Stimulating the pesticide trade

The trade agreement provides for the elimination of tariffs on over 90 percent of European chemical exports, including pesticides. These tariffs previously amounted to up to 18 percent. Many of the active ingredients in pesticides that European companies export to Mercosur are highly toxic. Some of them are not approved in the EU internal market, but can still be produced here and exported. Among the pesticide ingredients that are not approved in the EU but are exported to Mercosur are the fungicide carbendazim, which can cause genotoxicity, and the insecticides imidacloprid and fipronil, which are responsible for bee decline, among other things. In 2023, around 63 percent of the pesticide ingredients approved in Brazil had no corresponding approval in the EU.[23]

These pesticides poison the environment, water resources and the thousands of people who use the water for irrigation or consume the sprayed food. Among the often forgotten victims are the inhabitants of settlements bordering plantations that are sprayed from the air by planes or drones (see box 4 and 5).

Box 4

OECD complaint against Bayer AG

In April 2024, six civil society organisations from Argentina, Brazil, Paraguay, Bolivia and Germany, including Misereor, submitted a complaint against Bayer AG to the OECD's German contact point. They alleged that Bayer had disregarded corporate due diligence obligations in South America with its business model and thus violated the OECD Guidelines for Multinational Enterprises. Bayer AG is a leader in the marketing of genetically modified soya seeds and the associated pesticides, including the herbicide glyphosate, in these four South American countries. Based on four cases, the organisations filing the complaint documented the health damage suffered by local communities bordering soya plantations as a result of pesticide spraying and how the natural resources of indigenous villages – rivers, springs, animals and food – have been poisoned by Bayer's agrochemicals.[24]

The organisations submitted their complaint to the OECD contact point because, unlike the German Supply Chain Act, the OECD Guidelines also cover the downstream supply chain. The sale, use and disposal of products are thus also subject to the due diligence obligations of the OECD Guidelines, which multinational companies must adhere to. Due diligence obligations for the downstream supply chain are particularly important when it comes to enforcing corporate responsibility in the sale and export of hazardous products such as highly toxic pesticides.

However, the trade agreement, as currently presented, will not improve the enforcement of corporate due diligence obligations. On the contrary: It could even weaken corporate responsibility. Although Article 11 of the chapter on Trade and Sustainable Development does contain a clause on the *"responsible management of supply chains"*, the lack of access to dispute resolution procedures renders the chapter virtually unenforceable. In addition, the article merely obliges the partners in the agreement to support the dissemination and application of international guidelines on corporate responsibility.[25] Their effective enforcement, however, is not part of the obligations. This weakness may prove problematic, as supply chain laws such as those that have come into force in France (2017), Germany (2023) and the EU (2024) could be undermined by the rebalancing mechanism newly added to the agreement in 2024 (see chapter 7).

Agricultural workers face significant health risks from pesticide use. Photo: wuzefe, Pixabay

In addition, many thousands of agricultural workers in Mercosur are poisoned by pesticides every year. According to data from the Brazilian Ministry of Health, more than 82,000 people in Brazil alone were poisoned by direct contact with pesticides between 2010 and 2022, and 2659 died as a result.[26] However, as many poisonings are not reported, the number of unreported cases is many times higher.[27]

The pesticide residues in the sprayed food potentially threaten the health of consumers in Mercosur, the EU and other importing countries. Random sample tests have repeatedly detected not only individual, highly toxic pesticide ingredients in imported goods such as fruit, vegetables and cereals, but multiple active ingredients at once. However, this compounded contamination by what are known as *"pesticide cocktails"* is not taken into account when determining permissible maximum residue levels. This is because the limit values, even in the EU, refer only to a single, isolated active substance. However, the potential consequences of interactions between several pesticide ingredients in individual foods have received scant research and are therefore not taken into account when setting limit values.[28]

Box 5

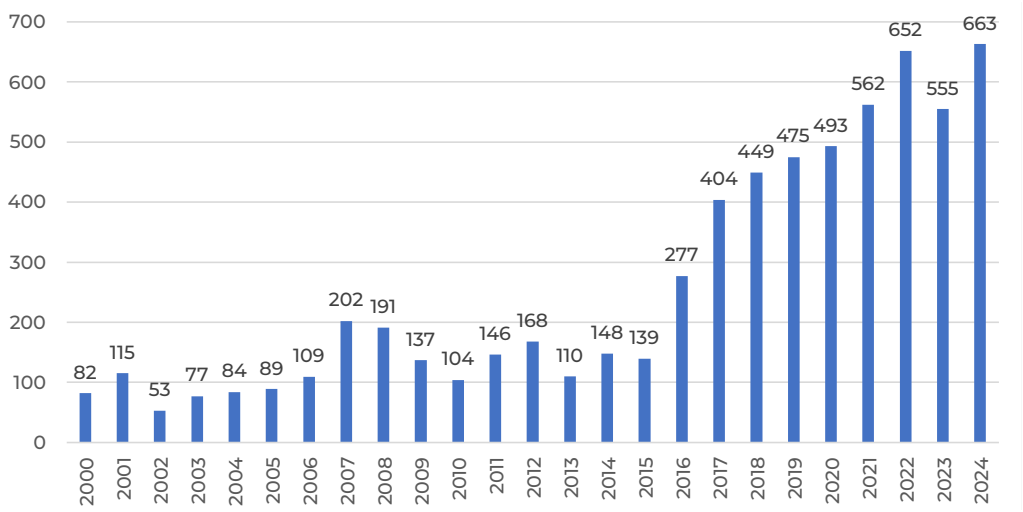
Land conflicts: Pesticides as chemical weapons

For some time now, the Brazilian Pastoral Land Commission (Comissão Pastoral da Terra – CPT) has been documenting an alarming phenomenon in the country, which has increased dramatically in the past year: the targeted use of pesticides in land conflicts. According to the CPT's investigations, various actors and agents of agribusiness are increasingly using pesticides against indigenous peoples, smallholder farmers and local communities who are fighting back against land grabbing and displacement. In 2024, the CPT counted 276 cases in which pesticides were used as chemical weapons in the forcible appropriation of land. Over 17,000 families fell victim to pesticide spraying in these land conflicts.[29]

A study of Brazilian limes collected from supermarkets in eight EU countries, including Austria and Germany, found that 51 of 52 samples contained pesticide residues with a total 27 different active ingredients. Moreover, 48 of the samples contained multiple active ingredients, in some cases up to seven different ones in a single lime sample. More than half of the identified active ingredients are highly toxic, and six of them are not approved in the EU. Three of the active ingredients – imidacloprid, cypermethrin and glyphosate – are found in pesticide products sold by the German chemical companies Bayer and BASF in Brazil.[30]

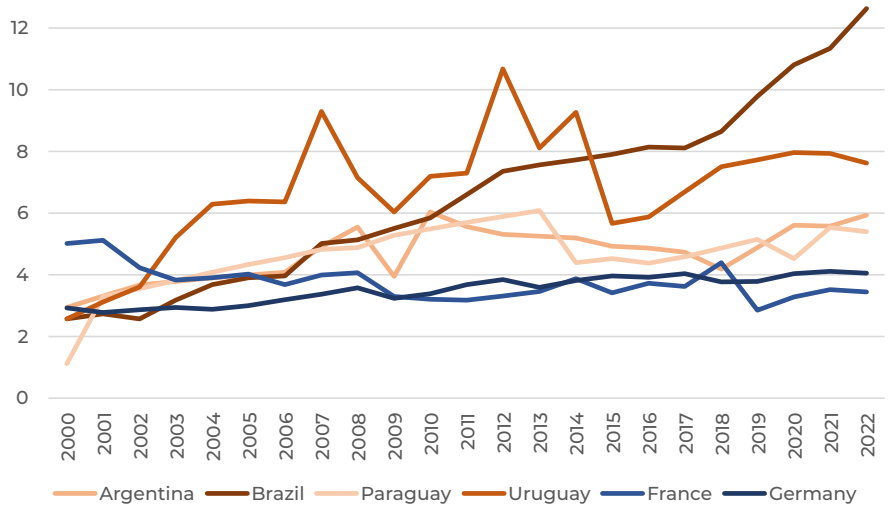
The chemical companies benefit from the fact that Brazil is not only the world's largest consumer of pesticides, but also approves very large quantities of new pesticide products every year. Approval numbers have risen massively since 2016 and more than doubled by 2024 (see figure 10).

Figure 10: Brazil: Annual approval of pesticides



Source: Minstério da Agricultura, Pecuária e Abastecimento 2025

Figure 11: Pesticide use in Mercosur, France, Germany
Kilogrammes per hectar of arable land



Source: FAOSTAT 2025

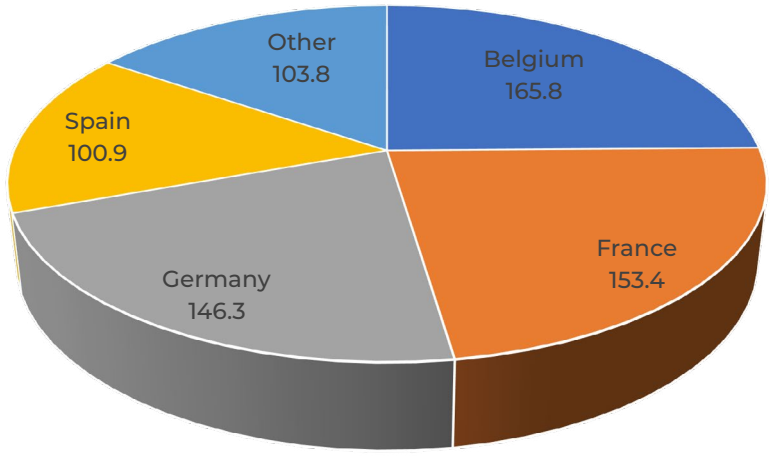
This is reflected in Brazil's pesticide consumption, which has not only grown in absolute terms over the last few decades, but also relative to arable land. While Brazil's farms sprayed 2.6 kilogrammes of pesticides per hectare of arable land in 2000, this figure climbed to 12.6 kilogrammes in 2022 – roughly a five-fold increase (see figure 11).

The other Mercosur states – and Uruguay in particular – also use significantly higher quantities of pesticides than EU countries such as France or Germany. Compared to German and French farms, farmers in Uruguay spray around twice as much pesticide per hectare of arable land, while those in Brazil spray three times as much.

With the agreed elimination of tariffs on pesticides, the EU-Mercosur agreement will increase the potential profit margins for European pesticide manufacturers and further boost trade in these products, which are hazardous to humans and the environment. In 2024, EU companies already exported pesticides worth 670 million euros to Mercosur, the majority of which came from Belgium, France, Germany and Spain (see figure 12).[31]

Overall, it can be said that the trade agreement promotes intensive industrial agriculture characterised by monoculture crops, high pesticide use and significant environmental and health damage. While multinational agricultural businesses will be able to increase their profits due to the tariff reductions, the costs of addressing and rectifying all this damage will fall to the public. The trade agreement offers no effective measures to break this vicious circle of private profit-seeking and shifting of costs to the general public.

Figure 12: EU pesticide exports to Mercosur 2024
in millions of euros



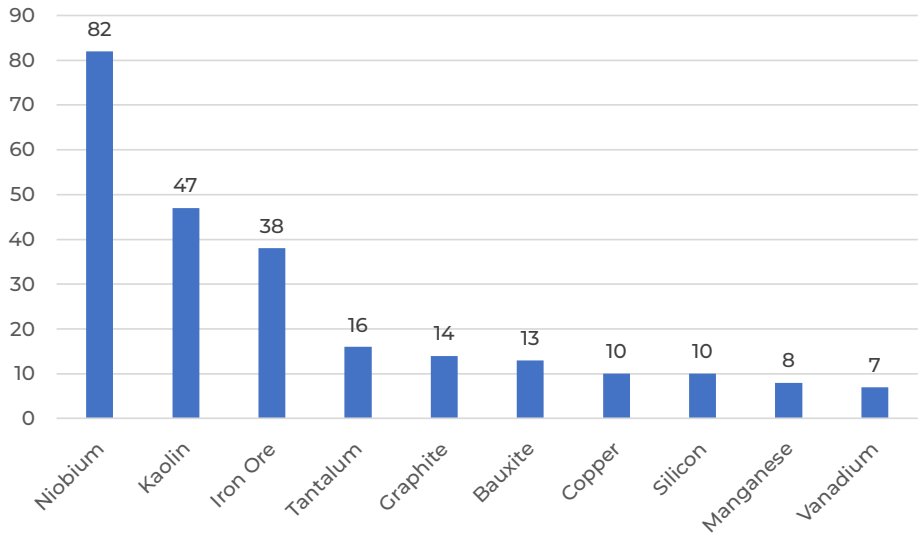
Source: Eurostat 2025

5. Extractivism instead of value creation: Liberalised commodity trade

Securing Europe's supply of raw materials is one of the European Commission's key objectives, which it is also attempting to achieve with the EU-Mercosur agreement. The Mercosur states – and Brazil and Argentina in particular – are important suppliers of mining products, including several raw materials that the EU classifies as critical to its supply, such as niobium, bauxite, lithium and silicon. In some cases, the EU is relatively dependent on Mercosur suppliers, for example, for niobium, kaolin and iron ore from Brazil or silver from Argentina (see figures 13 and 14).[32]

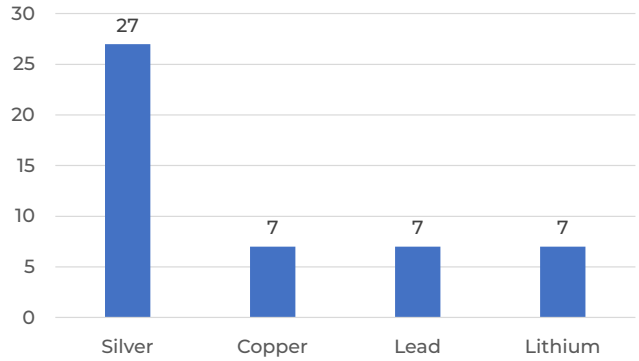
The greatest dependence is on the rare heavy metal niobium, which is used in the production of particularly strong speciality steel. The EU covers 82 percent of Europe's niobium requirements with imports from Brazil. In terms of value, however, the most important raw materials that the EU imports from Brazil – besides crude oil – are iron ore and copper. In the period

Figure 13: EU raw material imports from Brazil 2016-2020
Percentage share of EU imports



Source: SCRREEN 2023

Figure 14: EU raw material imports from Argentina
Percentage share of EU imports



Source: SCRREEN 2023

2020-2024, the EU imported an average of 2.3 billion euros worth of iron ore and 2.1 billion euros worth of copper per year.[33]

Argentina's exports of raw materials have so far played a minor role for the EU, with the exception of silver. In each of the past 15 years, the EU has imported silver and silver ore worth an average of 74 million euros from Argentina.[34] The EU also has high hopes for future lithium imports. Argentina is the world's fifth largest lithium producer: 62 lithium projects at various stages of development are registered in the country. Six plants in Argentina's northern highlands are already producing lithium from salt lakes using the brine evaporation process. One of the plants is operated by the French company Eramet in the province of Salta.[35] In the period 2020-2024, the EU imported Argentinian lithium carbonate worth an average of 15 million euros per year.[36]

According to a factsheet from the European Commission, the agreement fulfils four objectives in the commodity trade[37]:

- It secures the EU's supply of critical raw materials.
- It makes European raw material imports cheaper, thereby reducing procurement costs and increasing the EU's competitiveness.
- It creates incentives for local processing and higher added value in Mercosur.
- It ensures the highest sustainability standards for investments and trade in critical raw materials.

However, these supposed advantages of the commodity agreements are in tension with each other and sometimes even contradict one other. Ensuring the highest sustainability standards requires robust enforcement obligations, which the sustainability section of the agreement does not contain (see chapter 7). Also questionable are the potential consequences of making European raw material imports cheaper. This would make Mercosur more attractive for EU companies investing in the expansion of mining in these countries, thus fuelling the mining conflicts that are rampant in the region (see box 6).

Box 6

Argentina: RIGI fuels conflicts over mining

Indigenous and local communities are very concerned about the new RIGI incentive system for large investments, which Argentina's ultra-liberal President Milei enacted by decree in 2024. This grants tax and regulatory relief to large investments of over 200 million US dollars without requiring the benefiting companies to comply with environmental or human rights due diligence obligations. In the event of water shortages, for example, the companies benefiting from RIGI enjoy priority over the local population when it comes to water supply.[38]

The rights of indigenous communities are often disregarded in Argentina's mining policy. In 2023, for example, a constitutional amendment in the province of Jujuy facilitated the approval of mining projects and their water usage, including on indigenous territories, without consulting those affected. This constituted a violation of the internationally recognised right of indigenous people to free, prior and informed consent regarding the use of their territories. The protests by indigenous communities against this constitutional amendment were violently suppressed by Argentinian security forces. Above all, the communities fear that the growing number of projects for the extraction of lithium and other raw materials will exacerbate the water shortage.[39]

The trade agreement increases the Mercosur countries' dependence on raw material exports. Iron ore mine in Minas Gerais, Brazil. Photo: Hector Brasil, unsplash

Further, the EU's goal of improving the competitiveness of its raw materials processing industry will hamper the development of local processing and prevent Mercosur companies from moving up into the higher value-added stages of the production networks. A more detailed look at the agreement's provisions regarding raw material policies reveals these contradictions even more clearly.

The agreement contains tariff provisions that will help to secure and reduce the price of raw material supplies to the EU. Although many primary raw materials can already be imported into the EU duty-free (e.g. iron ore, raw copper, silver), others such as lithium, lead and zinc cannot. In addition, the EU imposes tariffs on various metals produced in refineries from raw material concentrates, such as aluminium, iron and copper products. The Mercosur countries also levy tariffs on various raw materials such as lithium, aluminium, copper and lead products. The majority of these tariffs are now due to expire over the course of 10 years (in the EU) or 15 years (in Mercosur). EU industrial companies and their subsidiaries in Mercosur can therefore hope for a somewhat cheaper supply of raw materials and metals.

However, the fundamental prohibition of any taxes and duties on exports clearly contradicts the claim that the agreement would support local value creation in Mercosur. Export taxes are an important instrument for ensuring the domestic availability of raw materials, fuels or food in the event of shortages or price inflation. They can also serve to guarantee the supply of critical raw materials to the local economy and thus support industrial development. If governments levy export taxes specifically on unprocessed raw materials, they incentivise investment in the local processing of these raw materials. However, the trade agreement stipulates that no party may introduce or maintain such export duties for three years after the agreement enters into force – unless it has explicitly reserved the right to make exceptions in this regard.[40]

But this is the problem. In the renegotiations of the EU-Mercosur agreement, only the Lula government reserved the right for Brazil to levy export taxes on a fairly extensive list of primary raw materials, fossil fuels and some processed products. This also includes numerous primary raw materials that the EU classifies as *"critical"*, such as bauxite, copper, niobium, graphite, silicon, lithium, manganese and others.[41] However, many processed products made of metals such as iron, copper, nickel, aluminium, lead and zinc are missing from the Brazilian list. Should there be shortages on the Brazilian market or a need for state financing, Brazil would not be able to impose taxes on exports to the EU. In order to secure economic development at higher levels of the value chain as well, it would be wise to retain the option of export taxes for processed products or secondary raw materials.

A further concession to the EU weakens the effectiveness of the Brazilian exception: if Brazil levies export taxes, these taxes must provide for a 50 percent discount on exports to the EU and must never exceed 25 percent. In view of

the major price fluctuations on the raw material markets, which can also lead to price surges and shortages on Mercosur's domestic markets, the effectiveness of future export taxes will be significantly reduced.

Another major gap in the Brazilian exception is that it does not apply to agricultural exports, which are so important for Brazil. This could represent a further hurdle for Brazilian interests, for example the state of Maranhão, which introduced an export tax of 1.8 percent on soya, maize and millet in 2025 despite massive resistance from agribusiness.[42] This measure would be in violation of the agreement, as Brazil has entirely waived the possibility of export taxes in the agricultural sector.

The export tax options of the other Mercosur countries are even more limited. Argentina's list only covers a range of agricultural products, fossil fuels and biodiesel, Uruguay's is reduced to only leather, and Paraguay has not submitted a list at all.[43] In addition, Argentina's list is of limited value, as the country has also committed to gradually eliminating or reducing existing export taxes. For instance, export taxes on mineral raw materials, including gold, silver and lithium, which amounted to between 4.5 and 8 percent in 2024, must be eliminated,[44] while export duties on soya and biodiesel must be reduced (see chapter 3).

This means that all Mercosur states are losing the power to pursue a sovereign raw materials policy. They only differ in the extent to which they have ceded their taxation options. This loss is greatest for Paraguay, Uruguay and Argentina, and somewhat less for Brazil. If Argentina's plans to develop a battery industry prove successful[45] and the government seeks to secure the domestic supply of lithium through export taxes, the EU could punish them for this as a violation of the trade agreement. It could take similar action against Brazil if, for example, the country were to levy export taxes on steel scrap, which is in high demand, in order to secure supplies for its own electric steelworks.

Another fault in the agreement: Argentina and Brazil are important exporters of secondary raw materials contained in electronic waste such as batteries or circuit boards. However, in the trade agreement they also waive the option of levying export taxes on electronic waste. This is particularly short-sighted. Argentina and Brazil still export pre-sorted electronic waste, including large quantities of circuit boards, to EU countries such as Belgium, the Netherlands and Germany, where the raw materials contained are isolated, including copper,

Argentina and Brazil export valuable secondary raw materials contained in electronic waste to the EU.
Photo: Nathan Cima, unsplash

gold, silver, palladium and cobalt. Argentina and Brazil currently lack the organisational and technical requirements for separating the raw materials from the electronic waste locally.[46]

It doesn't have to stay this way. As the production of electric cars, battery cells, wind turbines and photovoltaic systems increases in Argentina and Brazil, as is planned, so too will the demand for the necessary raw materials. This requires not only sufficient lithium deposits, but also other raw materials such as cobalt, nickel and manganese, some of which can be recovered from electronic waste. In light of this, it would have been in the interests of both countries to reserve the option of imposing export taxes on electronic waste.

6. Deepening the economic divide: Reduction of industrial tariffs

The planned reduction of industrial tariffs threatens skilled jobs in Mercosur countries.
Photo: jannonivergall, pixabay

Due to Mercosur's extremely problematic trade relations with the EU, which are dominated by primary goods exports from the South American partners, the trade agreement should have focused on reducing this imbalance. However, the opposite is the case. The agreed tariff reduction increases the economic disparity and reinforces Mercosur's status as a raw material exporter to the EU. The manufacturing industry in Mercosur is likely to come under increased competitive pressure from EU suppliers, which could result in job losses.

The EU has identified the key industrial sectors in which EU companies currently encounter higher tariffs in Mercosur. These include the automotive industry, mechanical engineering, the chemical and pharmaceutical industries and the textile and clothing industry (see table 1).

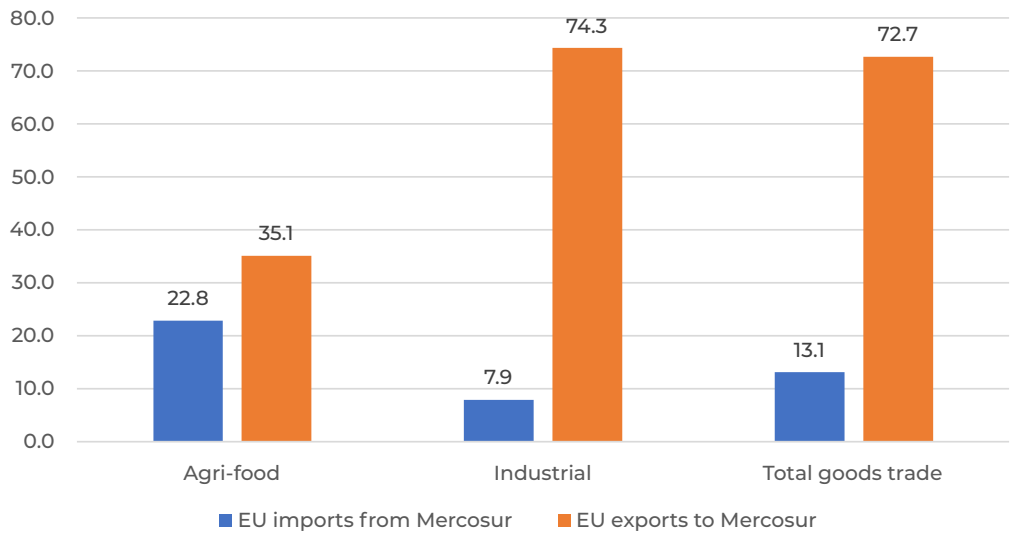
In the trade agreement, Mercosur has committed to gradually eliminating tariffs on around 91 percent of products over a maximum period of 15 years. The EU, in turn, will eliminate tariffs on 92 percent of all products over a period of up to 12 years.

Table 1: Current industrial tariffs in Mercosur

Product group	Current tariff rates
Automobiles	35 percent
Car parts	14 to 18 percent
Machinery	14 to 20 percent
Chemicals	Up to 18 percent
Pharmaceuticals	Up to 14 percent
Textiles	Up to 35 percent
Clothing	Up to 35 percent
Leather shoes	Up to 35 percent

Source: European Commission: Key elements of the EU-Mercosur trade agreement, Brussels, 28/06/2019

Figure 15: EU-Mercosur: Potential change in bilateral trade
Scenario, in percent



Source: LSE Consulting 2020

The official impact assessment of the agreement, commissioned by the European Commission, includes an estimate of the possible consequences of the tariff reduction for bilateral trade.[47] According to this assessment, EU exports of industrial goods to Mercosur could grow considerably – by around 74 percent – while the corresponding Mercosur exports to the EU could only grow by a modest 8 percent (see figure 15). Even in the food sector, where Mercosur companies hope for success, their projected export growth lags behind that of EU producers. As a result, the unequal balance of trade between the two blocs would shift even more to the detriment of Mercosur.

Due to competition from EU suppliers, the impact assessment predicts a decline in domestic production for Argentina and Brazil in important sectors such as mechanical engineering as well as the metal, automotive and supply industries.[48] It also expects corresponding job losses in these sectors.[49]

A study by the Brazilian Institute for Applied Economic Research (IPEA) comes to very similar conclusions. According to its findings, the agreement is likely to *"increase the premature deindustrialisation of the Brazilian economy and specialisation in sectors with low innovation and knowledge potential"*. Negative long-term consequences are to be expected above all on the labour markets of the country's more industrialised regions.[50]

Argentinian scientists also expect the agreement to have a negative impact on employment, according to a study. They calculated the number of jobs that would be jeopardised in various industrial sectors if import duties in Argentina were completely abolished. According to the results, a total of up to 186,000 jobs could be lost as a result of the market liberalisation.[51]

Against this backdrop, trade unions in Mercosur and the European Union have rejected the EU-Mercosur agreement. In a joint statement issued in November 2024, the European Trade Union Confederation (ETUC) and the Coordination of South American Trade Union Organisations (CCSCS) reject the agreement in its current form. They criticise *"the absence of mechanisms to preserve workers' rights, their jobs, productive diversification and sustainable development"*. They demand binding clauses with sanctions to enforce international labour standards and reject any splitting of the agreement that would lead to an accelerated application of its trade part.[52]

7. Retrograde trends: Further weakening of environmental and social clauses

Following the change of government in Brazil, which led to the replacement of the far-right President Bolsonaro by the social democrat Lula da Silva in January 2023, the European Commission saw another opportunity to finalise the EU-Mercosur agreement. After positive signals from Brazil, renegotiations on the draft agreement presented in 2019 began in 2023 and were finalised in December 2024. Under pressure from individual EU member states and the European Parliament, which had called for a tightening of the agreement in view of the high deforestation rates under Bolsonaro, the Commission drafted a so-called joint instrument on environmental and forest protection that left the text of the agreement untouched and merely interpreted its sustainability chapter.[53]

In their response to the joint instrument of September 2023, the Mercosur negotiators reaffirmed their rejection of any sanctions to enforce sustainability commitments; which the joint instrument, however, did not provide for in the first place. They also called for the inclusion of a rebalancing mechanism that would allow compensation if the trade preferences granted to Mercosur exporters were nullified by EU legislation.[54] This demand was a direct response to the EU laws introduced under the European Green Deal in the meantime, such as the Deforestation Regulation (EUDR) and the Carbon Border Adjustment Mechanism (CBAM).

The Mercosur states, and the Lula government in particular, had repeatedly criticised these measures. In a letter to the European Commission, Brazil's agriculture and foreign ministers called for the Deforestation Regulation to be postponed.[55] This in turn was met with criticism from Brazilian civil society. The Observatório do Clima network, which comprises 119 environmental organisations, research institutions and movements, disagreed with the ministerial letter and argued that the Deforestation Regulation would merely enforce what Brazil had long committed itself to. It also does not place any unattainable obstacles in the way of Brazilian agricultural businesses, as they already have many years of experience with technologies for the traceability of their products.[56]

However, in the text of the agreement that both sides finally agreed on in December 2024, the sustainability commitments have barely been strengthened compared to the 2019 version. In many cases, in fact, they have been further weakened. The chapter on trade and sustainability remains explicitly excluded from the agreement's mechanism for settling intergovernmental disputes.[57] Consequently, violations of this chapter cannot be penalised with trade sanctions, making its enforcement virtually impossible.[58] The chapter therefore does not fulfil the requirements of the European Parliament, which rejected the EU-Mercosur Agreement in its existing form in October 2020[59] and advocated for sanction-backed sustainability chapters in November 2020.[60] In the sustainability chapter, the parties commit to the *"effective implementation"* of the core labour standards of the International Labour Organization (ILO) and multilateral environmental agreements, as well as to the conservation of biodiversity, sustainable forestry and the dissemination of international guidelines on corporate responsibility.[61]

In a factsheet, the European Commission writes that the Paris Agreement will become an essential element of the trade agreement.[62] Unlike the sustainability chapter, this commitment will thus be subject to sanctions. Serious violations of the Paris Agreement could theoretically lead to a partial or complete suspension of trade preferences. However, this is unlikely, as the corresponding article of the trade agreement is very weakly worded and merely obliges the EU and Mercosur states to *"remain a party, in good faith, of the UNFCCC and the Paris Agreement"*.[63] This wording does not imply an obligation to make greater efforts in the fight against climate change, as would be necessary. On the contrary: If EU or Mercosur states submit unambitious Nationally Determined Contributions under the Paris Agreement and fail to fulfil even these, this would not constitute a serious breach of this weak clause.

Furthermore, the *"essential element"* clause does not prioritise climate protection over the other obligations of the trade agreement.[64] If, for example, the EU were to curb beef imports for climate protection reasons and Mercosur were to initiate dispute settlement proceedings,

Campaign on the environmental hazards of pesticide use in Brazil. Photo: Maí Yandara/flickr, ATBr, Amigas da Terra Brasil

the EU would run a high risk of losing the proceedings due to the lack of a corresponding priority rule for climate protection.

In addition, it is currently unclear where this clause will even be placed in the agreement. This question is important given that the European Commission plans to separate the trade part from the political part of the EU-Mercosur Agreement so that the trade part could enter into force as soon as it has been approved by the Council of the EU and the European Parliament. The full agreement, including the trade and political parts, would only enter into force after national ratification in the individual EU member states, which experience has shown can take many years. If the *"essential element"* clause, which refers to the Paris Agreement, is anchored in the political part, it may not enter into force for many years, while the trade rules are already in force. In a legal opinion, lawyers at the University of Amsterdam conclude, based on various indications in the agreement text, that the current intention is apparently to include the *"essential element"* clause on the Paris Agreement in the political part.[65]

This could also be the case for the human rights clause, another clause which the EU usually integrates as an essential component of its trade agreements. In the event of human rights violations, this clause also allows for the suspension of trade preferences. However, the hurdles for its activation are so high that it has rarely been used so far, mostly in cases of serious offences against democratic principles, such as coups d'état.[66] Should the human rights clause remain in the political part of the agreement in the event that the trade part is split off and enters into force early, it too could take many years before it enters into effect. If national ratification of the full agreement fails, the essential elements clauses on human rights and climate protection will never come into force. In view of the massive attacks on human rights, the rule of law and climate protection that are currently occurring in Argentina, Paraguay and Hungary in particular, this would be irresponsible. It would also be incompatible with the EU treaties, according to which the EU must respect and promote human rights in its foreign trade relations as well.

Another clause in the agreement represents a significant setback compared to the 2019 agreement. The rebalancing mechanism that the Mercosur states had demanded during the renegotiation has now been incorporated into the dispute settlement chapter of the agreement – a first compared to previous EU trade agreements. Accordingly, each party to the agreement may activate a dispute settlement procedure if it believes that a measure taken by the other party *"nullifies or substantially damages"* the benefits granted to it and thus impairs bilateral trade.[67]

The human rights of indigenous communities are particularly threatened by the expansion of the agricultural front in Mercosur countries.
Photo: Maí Yandara/flickr, ATBr, Amigas da Terra Brasil

Importantly, unlike the conventional mechanism for settling intergovernmental disputes, activation of the rebalancing mechanism does not require the regulatory measure in question to be contrary to the obligations of the trade agreement. As the legal opinion from the University of Amsterdam emphasises, the rebalancing mechanism can be applied regardless of *"whether or not the measure is inconsistent with the Mercosur Agreement"*.[68] The scope of application of this new procedure is therefore much broader and the hurdle to its activation significantly lower than with the conventional mechanism for settling intergovernmental disputes. This outcome of the negotiations is extremely sobering: While governments and the European Parliament had actually demanded sanctions against sustainability violations, the agreement now includes sanctions against sustainability *rules*!

The measures that justify complaints under the rebalancing mechanism are extremely broad and can relate to laws, regulations and administrative acts, or the lack thereof.[69] Because of this broad scope, all regulations adopted by the EU, its member states or the Mercosur countries to protect the environment, consumers, human rights or labour rights can, in principle, be challenged. In this respect, the rebalancing mechanism is a very far-reaching and extremely threatening legal weapon against any progressive regulations in the EU and Mercosur (see box 7).

> **"The rebalancing mechanism is a very far-reaching and extremely threatening legal weapon against any progressive regulations in the EU and Mercosur.**

The European Commission, meanwhile, is trying to create the impression that the rebalancing mechanism is only applicable to future laws or regulations, so that measures that have already been adopted and entered into force but have not yet been implemented or not fully implemented – such as the Deforestation Regulation, the EU Supply Chain Directive (CSDDD), CBAM or the Forced Labour Regulation – are excluded. In its explanation of the updated agreement, for example, the Commission claims: *"The rebalancing mechanism only concerns trade effects of measures that the complainant could not have expected when the deal was closed."*[70] A Commission representative echoed this sentiment. The parties to the agreement could not demand compensation for *"measures that are already in place, that have already been agreed, or measures which are foreseeable."*[71]

However, various legal experts are certain that the Deforestation Regulation and other measures of the Green Deal are by no means protected from the rebalancing mechanism, and they refer to the definition of *"measures"* that was newly added to the agreement during the renegotiation. A footnote explicitly states that the term *"measures"* also includes such legislation and *"its implementing acts"* that had *"not been fully implemented at the conclusion of the negotiations of this Agreement"*.[72] The Deforestation Regulation, which came into force in June 2023, but the application of which was recently postponed until the end of 2025, would thus be vulnerable under the Mercosur agreement. In addition, an important implementing act – the risk classification of importing countries, on which the frequency and intensity of random sample testing depends – had not yet been officially published.

While the EU is not required to change or repeal any laws if it loses a dispute under the rebalancing mechanism, it would, according to the text of the agreement, have to make a *"mutually satisfactory adjustment"*, including the possibility of *"compensation"*.[73] An element of such compensation could, for example, involve increasing the preferential tariff quotas for emission-intensive or forest-endangering goods such as beef or ethanol.

In addition, a party to the agreement can also use the rebalancing mechanism to exert pre-emptive pressure on the other party in order to influence or prevent undesirable legislative proposals. Even without overt pressure, the rebalancing mechanism can act as a deterrent on legislators (known as the *"chilling effect"*), causing governments to forego important trade-related measures to protect the environment, climate, human rights or labour rights.

The new annex to the sustainability chapter contains further significant weakening of environmental, social and human rights standards compared to the 2019 agreement. One section of the annex is specifically dedicated to sustainability measures that could affect trade. This section allows Mercosur authorities to interfere directly in the work of EU institutions that monitor European importers' compliance with sustainability and due diligence obligations. According to the annex, EU and member state institutions must use the information provided to them by Mercosur authorities when verifying compliance with such obligations.[74]

When verifying forest protection obligations, EU authorities must use data from traceability, certification and monitoring systems that have been recognised in Mercosur – regardless of whether these systems are considered effective or are approved in the EU. This represents a significant risk given the weaknesses of many private certification systems, some of which were initiated by business associations to demonstrate compliance with forest protection, climate protection, labour and human rights.[75] With these provisions of the sustainability annex, the EU is fundamentally jeopardising the independence and autonomy of regulatory authorities that are required to monitor due diligence obligations along international supply chains.

Another clause of the sustainability annex directly interferes with the political negotiation process for an implementing act of the Deforestation Regulation, namely the risk classification of countries from which EU importers source forest-risk commodities such as wood, beef, soya, palm oil, coffee, cocoa or rubber. According to this clause, the EU recognises that the EU-Mercosur Agreement and its implementation *"shall be favourably considered"* when deciding on the risk classification.[76] This means that although the agreement significantly increases the risk of deforestation, it is nevertheless to be considered as a positive criterion in the decision on the classification of the Mercosur states. This is exactly what seems to have happened in the meantime (see box 8).

Box 7

Rebalancing mechanism: Backlash against the Green Deal

Unlike the European Commission, the governments of Mercosur regard the rebalancing mechanism as a powerful instrument against European environmental law with extraterritorial effect. *"This mechanism"*, according to a fact-sheet from the Uruguayan government, *"allows Mercosur to contain the consequences that unilateral EU measures (such as the Green Deal) have or may have on the exports of Mercosur countries"*. It is a *"protective instrument for the Mercosur countries against the application of environmental measures by the EU"*. This gives Mercosur a *"new advantage over its competitors"*.[77] On the basis of these statements, even the Commission should be able to see that the rebalancing mechanism is far less harmless than it would like to admit. That said, the Mercosur governments' criticism of the EU's new trade-related sustainability measures is at least partially justified. For example, these instruments often lack sufficient support measures for economically weaker countries such as the Mercosur states. To avoid counterproductive backlash, the EU should therefore supplement the Green Deal measures with adequate technical and financial support.

Box 8

Chilling effect: The absurd risk classification under the EUDR

The news about a recent decision on risk classification under the Deforestation Regulation seems to directly confirm the fears expressed by legal experts about the deterrent effect of the rebalancing mechanism.

In a secret vote at the beginning of May 2025, a committee of the European Council approved the European Commission's proposal for the risk classification of countries from which forest-risk products are imported into the EU. The classification comprises three categories: countries with low, standard or high risk. The EU only considers four countries to be *"high risk"* for the import of products that may be linked to deforestation that occurred after the cutoff date of 20 December 2020: Belarus, Myanmar, North Korea and Russia. However, countries with the largest tropical forests and that are experiencing ongoing deforestation, such as Brazil, the DR Congo and Indonesia, are merely classified as standard risk. EU countries are rated as low risk across the board.[78] The non-governmental organisation Earthsight estimates that, due to this misclassification, a high risk of deforestation applies to just 0.07 percent of imports covered by the EUDR.[79]

The EU recognises Argentina and Paraguay – as well as Brazil – as having a standard risk of deforestation. For Uruguay, the EU defines only a low risk of deforestation. The classification determines, among other things, the frequency of spot checks carried out by European authorities on companies that place forest-risk products on the EU market. In the case of imports from high-risk countries, 9 percent of companies are inspected each year, compared to only 3 percent for standard-risk countries and 1 percent for low-risk countries.

For agribusinesses in Mercosur countries with high deforestation rates, it is a success not to have ended up in the highest risk category. The new provisions of the EU-Mercosur Agreement – the rebalancing mechanism and the clause on risk classification – already appear to have had an effect in this respect. Nevertheless, the governments of Argentina and Brazil are protesting against the classification. Brazil sees this as discrimination against countries with tropical agriculture[80], while Argentina is demanding that it be categorised as a low-risk country. The Argentinian government is also accusing the EU of failing to take its obligations under the trade agreement into account when classifying risks under the EUDR.[81] This means that Argentina is already using the trade agreement – and thus the possibility of activating the rebalancing mechanism – as a means of exerting pressure to torpedo the effective implementation of the EUDR. Against this backdrop, it is not surprising that other forest-rich countries with which the EU intends to conclude a trade agreement, such as Indonesia, are also calling for the inclusion of such a rebalancing mechanism.[82] By approving this mechanism, the European Commission has created an instrument with which trading partners can effectively undermine important Green Deal projects.

8. Stress test for democracy: The ratification process and its risks

The planned agreement with Mercosur is the EU's most controversial trade agreement for many years and has already sparked massive protests from civil society. More than 400 organisations on both sides of the Atlantic recently spoke out against the conclusion of the agreement, including non-governmental organisations, trade unions, aid organisations, indigenous networks, farmers' associations and consumer protection organisations.[83] To date, the negotiations have been characterised by a lack of transparency and insufficient information of the public, which the European Ombudsman has also criticised.[84] Several national and regional parliaments in the EU have now passed resolutions against the agreement, including the parliaments of Austria and the Netherlands, the Belgian regional parliaments of Brussels, Wallonia and the German-speaking Community, as well as the Senate and the National Assembly in France. Critical statements have also been issued by the governments of France, Poland, Ireland and Lithuania.[85]

The EU-Mercosur Agreement means that more land is needed for agricultural exports, increasing pressure on forests that are still intact. Slash-and-burn farming in the Amazon region of Brazil. Photo: Brasil2, iStock

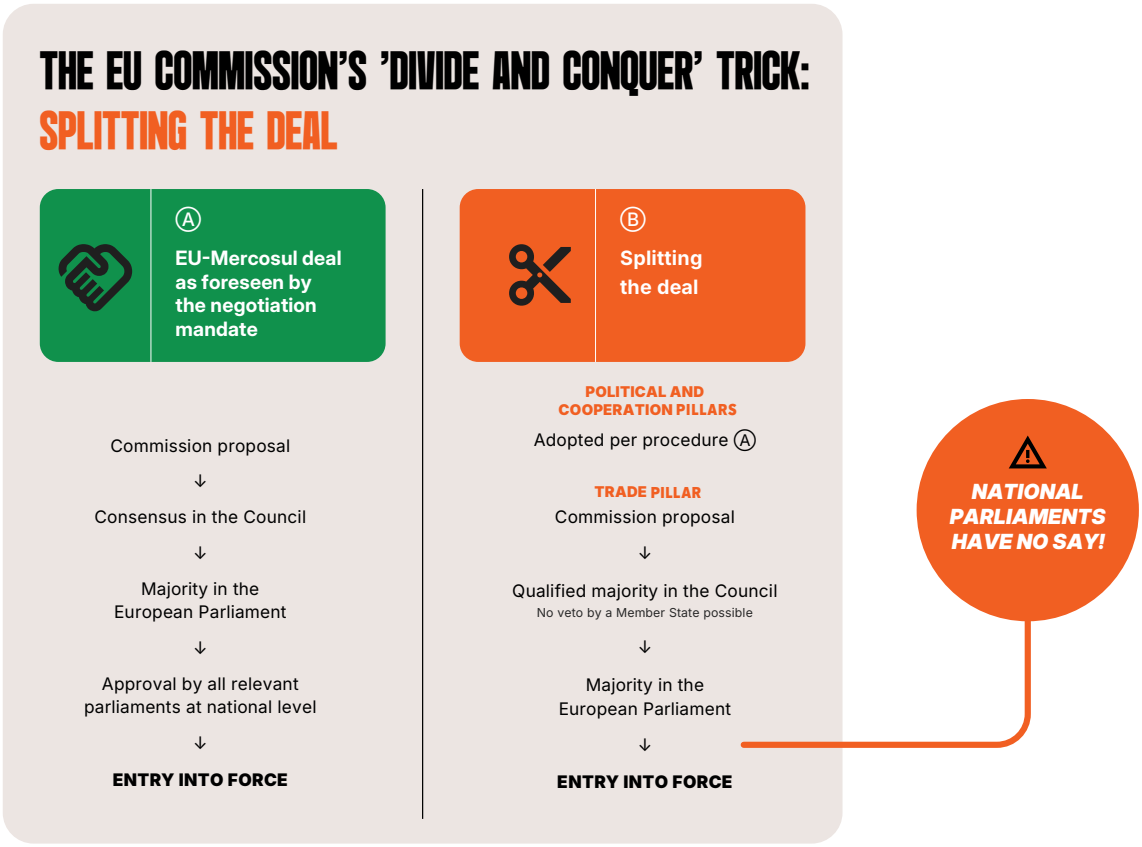
In view of this widespread rejection in many member states, the European Commission is planning a procedural trick to push through the agreement in an accelerated process and with less democratic legitimisation. By separating the trade part from the overall agreement (in a process known as *"splitting"*), only the approval of the Council of the EU and the European Parliament would be required for the trade part – i.e. the most comprehensive and most important part for the export industry. Additional ratification by the member states in accordance with their respective national procedures would not be required in this case (see figure 16). In Germany, national co-ratification of European trade agreements requires the approval of the Bundestag and the Bundesrat.

The legal reason for these different procedures is that the trade part of the agreement falls under the exclusive competence of the EU, while the political part falls under the shared competences of the EU and its member states. International agreements that fall under this shared competence are therefore also referred to as *"mixed agreements"*. Agreements that are under the exclusive competence of the EU are considered *"EU-only agreements"*.

By separating the trade part, the European Commission can therefore convert it into an EU-only agreement, which can already enter into force following approval by the Council of the EU and the European Parliament. The full agreement, which, as a mixed agreement, comprises both the trade and political parts, could only enter into force once national ratification has been completed in the member states. However, experience shows that this can take many years. In the case of the EU agreement with Colombia and Peru, for example, whose trade part was provisionally put into effect in 2013, full ratification could only be finalised in December 2024 because national ratification was blocked in several EU member states – for good reason: The agreement with Colombia and Peru was just as controversial as the EU-Mercosur Agreement is today due to the numerous human rights violations in both Andean countries and its negative environmental impact.[86]

In addition, there is another difference that motivates the European Commission to split off the trade part: EU-only agreements require only a qualified majority instead of unanimity for approval in the Council of the EU. That means that individual member states do not have the option to veto. In this way, approval

Figure 16: The splitting of the agreement



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can be achieved in the Council even if several governments reject the agreement. A qualified majority is achieved when 55 percent of the member states (i.e. at least 15 out of 27) agree and these represent at least 65 percent of the EU population.[87]

According to a legal opinion by Professor Markus Krajewski and Julian Werner, a split could constitute a breach of the negotiating mandate granted to the Commission by the EU Council in 1999.[88] When issuing the mandate, the Council and the representatives of the member states had to assume that the agreement would be ratified in its entirety at both the EU and member state levels. A split would therefore represent *"a fundamental deviation from the original negotiating mandate"*, according to the experts. The change of voting procedure in the Council also violates the rights of those member states that assumed that the agreement would only be adopted unanimously when they approved the negotiating mandate.

As things stand, the Commission plans to submit the documents for the conclusion of the agreement to the Council and the European Parliament in the summer of 2025. These will also contain its proposal for the architecture of the agreement, including the possible splitting. This splitting is questionable not only from a legal and democratic standpoint, but also in terms of social, ecological and human rights aspects. If only the trade part were to be applied provisionally, commitments to dialogue and development cooperation that are included in the political part would fall by the wayside indefinitely. This would further exacerbate the central deficit of the agreement: the overwhelming dominance of trade liberalisation at the expense of the extremely weak sustainability rules. In addition, it is not yet clear in which part the *"essential elements"* clause, which concerns human rights and the Paris Agreement, will be placed. Should the EU intend to anchor it in the political part – as legal experts fear – this would only heighten the imbalance in the trade part.

In view of the considerable social, ecological and human rights deficits of the EU-Mercosur Agreement, we can only warn against its ratification at present. The Agreement boosts trade in numerous goods that have been produced in an environmentally harmful manner and in violation of human and labour rights. Moreover, the expansion of these harmful trade flows – the central objective of the agreement – threatens the extremely vulnerable ecosystems of the Mercosur states, be it the Gran Chaco in Argentina and Paraguay or the Cerrado and Amazon in Brazil. Far from defusing rampant land conflicts, the Agreement will probably intensify them. And hopes for economic development, local value creation and skilled labour will continue to be dashed, because the agreement favours the interests of European corporations at the expense of companies in Mercosur. Even the scenarios in the European Commission's official impact assessment predict far greater trade gains for EU manufacturers than for Mercosur companies. The planned trade agreement threatens to further exacerbate the inequality of trade relations between an industrialised EU and a raw material-supplying Mercosur.

For these reasons, a renegotiation is needed that focuses on eliminating the economic disparity between the EU and Mercosur and on tackling the environmental and social conflicts in the partner countries. Fair trade relations require agreements aimed at cooperation, mutual support and addressing the human crises of inequality and environmental degradation. In its current form, the EU-Mercosur Agreement would have precisely the opposite effect.

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Figure 6 (Page 11):
Expansion of soya cultivation in Mercosur in 2001-2023
Source: Global Land Analysis and Discovery (GLAD), Interactive Map.
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Figure 8 (Page 13):
Soya-related deforestation in Brazil, 1000 ha
Source: Trase 2025, Interactive Map on Deforestation.
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Figure 9 (Page 14):
Deforestation for pastures in Brazil, 1000 hectares
Source: Trase 2025, Interactive Map on Deforestation.
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