

Managing the Impact of the EU-MERCOSUR Agreement on the European Member States: Opportunities and Challenges

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Article history

Received 30 April 2026 | Accepted 16 June 2026 | Published online 30 June 2026.

Abstract

The EU-MERCOSUR Agreement represents one of the most important interregional trade arrangements undertaken by the European Union in recent decades. Its significance arises not only from the extent of the anticipated trade liberalization but also from the political, environmental, and governance challenges it poses for EU Member States. This study examines the agreement through three interrelated dimensions: economic opportunity, distributive asymmetry, and sustainability governance. It posits that the agreement delivers considerable benefits to export-oriented manufacturing sectors, service providers, and producers of goods with protected geographical indications, while concurrently exposing vulnerable agricultural sectors to heightened competition and increasing the pressure on the EU to substantiate the credibility of its environmental and labor commitments within trade policy. The article examines the legal-institutional framework of the agreement, including its divided structure and differentiated ratification processes, assessing their impact on legitimacy and implementation. Drawing on official EU documents, European Parliament analyses, legal studies, and recent research on agriculture, sustainability, and trade enforcement, it concludes that the agreement's effects on member states depend less on tariff reductions and more on accompanying governance mechanisms. Effective management requires targeted support for vulnerable sectors, credible traceability and monitoring systems, and strengthened integration between trade policy and the EU's broader sustainability and economic security agendas.

Keywords: Trade policy, sustainability, agriculture, trade governance, European Union.

JEL classification: F15, F16, M16, M20, M54.

Introduction

The EU-MERCOSUR Agreement represents a pivotal case in the evolution of European trade policy, situated at the intersection of several key strategic objectives pursued by the European Union: market access for competitive industries, diversification of external economic relations, promotion of regulatory standards, and alignment of trade with climate and social commitments. At the same time, the agreement has sparked ongoing controversy, reflecting the misalignment of these objectives across different sectors, regions, and political constituencies within the EU.

For EU Member States, the agreement represents a heterogeneous reality, encompassing both differentiated opportunities and risks. Benefits are concentrated in export-oriented sectors such as the automotive industry, machinery, chemicals, pharmaceuticals, services, and high-value agri-food production. In contrast, significant costs impact politically sensitive

agricultural sectors exposed to competition from large-scale MERCOSUR producers operating under distinct cost and regulatory conditions. This illustrates a classic case of asymmetrical integration, where aggregate gains coexist with concentrated domestic losses, and strategic European benefits generate tensions in relation to local adjustment pressures (Krzyzanowski, 2025; Zaremba and Asakowska, 2026).

The agreement is also significant because it tests the European Union's claim that contemporary trade policy can reconcile economic openness with high normative standards. The debate surrounding the sustainability of the EU-MERCOSUR agreement concerns not only the content of its environmental and labor-related provisions, but also the capacity of trade agreements to credibly support climate and biodiversity objectives in the context of intensifying transcontinental trade flows. This issue becomes particularly relevant in light of concerns over deforestation, the evolution of the European sustainability regulatory framework, and the strengthening of enforcement mechanisms for Trade and Sustainable Development provisions within the European Union's external economic policy (European Commission; European Parliament Think Tank; Pose-Ferraro, 2026).

This article examines how the impact of the EU-MERCOSUR Agreement on EU Member States can be managed so that economic benefits are realized without compromising agricultural resilience, sustainability objectives, and internal political legitimacy. Its central argument is that this balance can be achieved through a governance-based approach. The effects of the agreement will depend not only on the trade concessions it contains, but also on the institutional capacity of the European Union and its Member States to manage asymmetric sectoral impacts, ensure compliance with sustainability commitments, and integrate trade liberalization into a coherent framework of economic security and regulatory consistency.

1. Theoretical and analytical framing

This article is situated within the literature on the political economy of trade integration and draws on three complementary analytical perspectives. The first is the distributional approach to trade policy, which holds that trade agreements produce differentiated effects across sectors and regions, generating both beneficiaries and adversely affected groups rather than uniform gains at the national level. From this perspective, the political significance of the EU-MERCOSUR Agreement lies less in its aggregate benefits and more in the concentration of adjustment costs within sensitive sectors, particularly agriculture. This dynamic helps explain why agreements that appear advantageous from a macroeconomic standpoint may nevertheless encounter significant domestic opposition.

The second perspective is rooted in the literature on normative and regulatory trade governance. Over time, the European Union has shaped its external trade policy by incorporating labor, environmental, and sustainability standards into its trade agreements. In this context, the EU-MERCOSUR Agreement raises the question of whether this regulatory model can maintain its credibility when trade liberalization interacts with contested issues such as deforestation, biodiversity conservation, and agricultural production standards.

The third perspective is situated within the debate regarding open strategic autonomy and economic security. From this viewpoint, trade agreements are assessed not only through their effects on economic efficiency and exports but also through their capacity to reduce economic dependencies, strengthen resilience, and enhance the European Union's position in an increasingly competitive geopolitical context. Consequently, the EU-MERCOSUR Agreement should be understood not merely as an instrument of trade liberalization, but also as a component of the strategic reorientation of the Union's external economic policy (Gerards Iglesias et al., 2024; Weiß and Furculita, 2024).

These three perspectives, considered together, constitute a useful analytical framework for interpreting the agreement as a complex, multi-dimensional governance challenge that goes beyond mere tariff negotiation.

1.1. Literature review

The relevant literature analyzes the EU-MERCOSUR Agreement from five perspectives: trade liberalization and market access, agriculture and uneven adjustment, sustainability and environmental governance, legal structure, ratification and legitimacy, strategic autonomy and economic security.

An initial set of studies and institutional analyses treat this agreement as a significant commercial liberalization initiative. These sources highlight tariff elimination, improved conditions for trade in services, expanded access to public procurement, strengthened protection of geographical indications, and increased legal predictability for enterprises operating across the two regions. Official European Union documents present the agreement as economically beneficial for European industry and regard it as a significant expansion of the Union's trade network (Council of the European Union; European Commission).

A second segment of the literature highlights the asymmetrical effects of the agreement on agriculture. It emphasizes the significant comparative advantages of MERCOSUR countries in products such as beef, poultry, sugar, ethanol, and certain crops, contrasted with the stricter environmental, sanitary, and welfare standards imposed on EU producers. Recent research indicates that the benefits for European agricultural producers are limited, while the risks may be substantial, particularly in sectors vulnerable to price competition and regulatory asymmetries (Krzyzanowski, 2025; Zaremba and Asakowska, 2026).

On the other hand, EU food safety legislation faces challenges, particularly regarding the concurrent use of multiple permitted pesticides on the same crop, resulting in a toxic mixture in the final product. A recent study on apples, the most consumed fruit in the EU and originating from Member States, revealed near-universal contamination with at least one type of pesticide, with 85% of the samples containing pesticide combinations, most of which are highly toxic (Pesticides Action Network).

A third body of research examines the sustainability dimension of the agreement, exploring the credible enforcement of climate, biodiversity, and labor provisions to ensure that trade liberalization aligns with the EU's normative commitments. The studies highlight both the symbolic significance and the practical limitations of the Trade and Sustainable Development chapters, particularly given that dispute resolution mechanisms rely on consultations and expert reports rather than immediate sanctions (Durán, 2020; Lima et al., 2026; Palmieri et al., 2024; Weiß and Furculita, 2024).

A fourth analytical direction focuses on the legal architecture of the agreement and its impact on democratic legitimacy. The distinction between the broader partnership agreement (EMPA) and the interim trade agreement (iTA) has attracted attention due to its alteration of institutional implementation mechanisms and the potential influence on the relationship between EU-level decision-making and member state ratification, affecting legal procedures, public trust, and political controversies (Dimitrakos, 2026; Council of the European Union).

A fifth analytical segment situates the agreement within the broader strategic agenda of the EU. From this perspective, the EU-MERCOSUR Agreement represents an element of efforts to diversify trade relations, strengthen supply chain resilience, and deepen partnerships with Latin America, amid intensifying geopolitical rivalries and uncertainty. The relevant literature considers the agreement a pillar in the EU's strategy for economic security and open strategic autonomy (Gerards Iglesias et al., 2024; Müftüler-Bac, et al., 2024).

Overall, the literature indicates that the agreement should not be evaluated solely as an economic or normative project, but as a contested institutional attempt to integrate market access, regulatory ambitions, and geopolitical positioning within a unified framework.

2. Methodology

This article employs a qualitative document analysis method, aiming to synthesize the main official, legal, and academic sources to assess the potential impact of the EU-MERCOSUR Agreement on member states and the mechanisms required to manage its effects.

The article draws on four types of sources:

- Official EU documents, to establish the legal framework, policy objectives, sectoral provisions, and sustainability commitments;
- Legal analyses and materials from the European Parliament, to clarify the revised agreement, political sensitivities, and institutional implications;
- Peer-reviewed academic literature, to assess agricultural effects, sustainability issues, and trade governance debates;
- Recognized policy research, to situate the agreement within the context of strategic autonomy and economic security.

The analysis is conducted in three stages:

1. Institutional mapping of the legal and political framework of the agreement;
2. Sectoral evaluation of the opportunities and vulnerabilities of EU member states;
3. Governance analysis of the enforcement of sustainability, political legitimacy, and strategic implications.

2.1. Limitations

This article does not present original econometric estimates nor model the precise distribution of benefits and losses among member states. Instead, it provides an analytical synthesis of existing evidence, with conclusions contingent on the current institutional framework, which may evolve.

3. Results and discussion

3.1. Legal and Institutional Architecture of the Agreement

A defining feature of the current EU-MERCOSUR framework is its dual legal structure. The broader Partnership Agreement (EMPA) encompasses political dialogue, cooperation, and trade, while the Interim Trade Agreement (iTA) implements trade and investment provisions in advance. This legal separation is essential, as it differentiates the ratification procedures of the trade pillar from those of the overall partnership framework (Dimitrakos, 2026; Council of the European Union).

The institutional rationale for this structure aims to prevent indefinite delays of the economic benefits caused by the complex political ratification process of a mixed agreement. However, this solution is controversial, as legal analysis suggests that the division may dilute the original political commitment that such an extensive agreement would require the consent of the European Parliament and ratification by all member states (Dimitrakos, 2026).

The European Parliament analysis highlights that the revised 2024 text sought to balance conflicting pressures by strengthening sustainability provisions while maintaining the original market access structure. Adjustments targeted export duties, safeguards, vehicle tariff schedules, and links to the EU's unilateral sustainability instruments, while agricultural market access remained essentially unchanged compared to the previous framework (European Parliament Think Tank).

For EU Member States, this architecture is crucial, influencing both the pace of implementation and political legitimacy. Economic liberalization may precede full political consensus, generating domestic resistance if vulnerable sectors feel insufficiently protected or consulted.

3.2. Economic Prospects for the Member States of the European Union

3.2.1. Industrial exports and market access.

The agreement provides visible benefits to the EU by facilitating access for industrial goods, particularly in the automotive, machinery, chemicals, pharmaceuticals, and capital goods sectors. EU institutional sources describe the agreement as a tool to reduce tariffs, remove market entry barriers, and strengthen legal certainty for exporters (European Commission). These benefits are particularly relevant for member states with developed manufacturing sectors and export-oriented firms. The agreement is therefore more significant for industrial economies with established extra-EU trade capacities, although indirect effects may also impact smaller economies integrated into European supply chains.

3.2.2. Services, investment facilitation, and public procurement procedures.

The interim trade framework extends beyond goods trade, including investment facilitation, cross-border services, and public procurement, thereby supporting the internationalization of European firms in sectors where value creation relies on integrated goods and services packages (Council of the European Union). This dimension is essential, as modern trade competitiveness is not limited to tariff schedules. Access to procurement markets, legal predictability for service providers, and investment facilitation influence the capacity of EU firms to establish durable positions in MERCOSUR economies.

3.2.3. Geographical indications and high-quality agri-food production.

An additional opportunity concerns the protection of European geographical indications, benefiting producers of wine, spirits, cheeses, processed foods, and other premium products. This is crucial for Member States with export interests in quality-differentiated agri-food sectors, contributing to increased commercial value, reduced imitation, and the strengthening of the EU's quality-based agricultural model (USDA, 2021). However, these benefits are selective, as the sectors protected by geographical indications are not necessarily the most vulnerable to import competition, highlighting the issue of uneven sectoral distribution.

3.2.4. Agricultural Vulnerabilities and Distributive Conflicts

Agriculture remains the central point of political dispute regarding the agreement, and official EU communications emphasize safeguards, quotas, sanitary controls, and phased liberalization in sensitive sectors (European Commission). Academic literature nonetheless indicates that these safeguards may not fully address the underlying political economy issue. Krzyzanowski argues that the agreement offers European agricultural producers limited export advantages but generates significant competitive risks, including economic, social, environmental, and animal welfare aspects (Herten-Crabb, 2026). Recent studies focused on the fruit and vegetable sector highlight significant variations in impacts across sectors and member states, influenced by competitiveness, export orientation, and domestic structural conditions (Zaremba and Asakowska, 2026).

Three aspects are fundamental. First, losses are concentrated, disproportionately affecting certain regions and sectors, even if the overall trade volume at the EU level remains manageable. Second, regulatory asymmetry has major political implications, with farmers perceiving the competition as marked by unequal standards and costs. Third, agriculture holds

symbolic and territorial significance that exceeds its contribution to GDP, explaining the pronounced political resistance despite potential economic benefits. Thus, the agricultural issue must be addressed as a central governance challenge, not merely as a limited sectoral effect.

3.2.5. ESG Objectives and Sustainability Governance Management

The ESG logic of the agreement is analyzed through its environmental, social, and governance components:

- **Environmental objectives.** The environmental dimension includes commitments related to the Paris Agreement, biodiversity protection, deforestation prevention, non-regression in environmental standards, and the right to regulate for environmental and health purposes. Official EU documents emphasize that the agreement's sustainability framework aims to support the green transition and align with broader ecological commitments (European Commission, Directorate-General for Trade and Economic Security).
- **Social objectives.** The social component focuses on labor rights, decent working conditions, and the commitment not to weaken labor protections to attract trade or investment. In the EU's trade governance model, these commitments aim to prevent the association of liberalization with social dumping.
- **Governance objectives.** The governance dimension includes institutional dialogue, consultation, transparency, expert evaluations, and monitoring mechanisms related to the Trade and Sustainable Development chapter. More broadly, it reflects the EU's effort to embed trade agreements within a normative framework shaped by public accountability and legal commitments rather than mere commercial negotiations (European Commission). These objectives give the agreement a strong normative profile but also impose a higher standard of credibility; integrating sustainability into the political justification makes weak enforcement significantly undermine legitimacy.

3.2.6. Enforcement of Sustainability Commitments

Debates on the agreement's credibility focus primarily on the enforceability of its sustainability provisions, a matter clarified within the context of the evolution of Trade and Sustainable Development norms in EU external trade law. Previous literature highlights the cooperative and dialogic approach characteristic of the EU, questioning the effectiveness of a strict sanction-based regime. Bartels argues that compliance issues in TSD chapters are institutionally complex, and that a harsher sanction-based model is not always superior in terms of effectiveness or equity (Durán, 2020). Recent scholarship highlights a trend toward stricter enforcement. Weiß and Furculita, (2024) demonstrate that the EU is moving beyond the exclusively cooperative model toward a firmer approach, where certain sustainability breaches may be linked to strengthened compliance tools and, in some cases, sanctions.

This evolution is highly relevant for EU-MERCOSUR. The agreement's legitimacy within the EU depends on understanding its sustainability provisions as enforceable commitments integrated into the EU's trade strategy, rather than mere formal clauses. The key issue is whether the institutional system can ensure compliance monitoring, verify production conditions, and respond effectively to violations. The challenge is heightened by interaction with the EU's unilateral sustainability instruments, particularly those related to deforestation-free supply chains. European Parliament analysis indicates an attempt to link the agreement to these policy developments, while noting the political sensitivities MERCOSUR partners have toward such connections (European Parliament Think Tank).

3.2.7. Strategic Autonomy, Economic Security, and External Diversification

The agreement must be analyzed within the context of the EU's shift toward economic security and open strategic autonomy, evaluating not only efficiency gains but also its contribution to diversification, resilience, and geopolitical positioning.

Gerards Iglesias et al., (2024) report views the agreement as an opportunity for the EU to strengthen economic relations with South America, reduce dependencies on major powers, and consolidate its position in a fragmented global economy. This argument reflects the EU's broader efforts to establish more secure and diversified economic relations amid systemic rivalries and supply chain instability.

For Member States, this strategic rationale adds value to the agreement beyond immediate export gains; however, strategic autonomy does not replace internal legitimacy. Implementation without strong sectoral support and rigorous enforcement of sustainability provisions risks failing to convince constituencies that view the agreement primarily as a source of vulnerability.

3.2.8. Policy Recommendations.

To ensure the agreement's political and economic sustainability within the EU, a governance-focused response is essential.

Targeted support for vulnerable sectors. The most exposed agricultural sectors should be supported through modernization funds, diversification tools, and transitional assistance, to mitigate the negative impact of concentrated losses on overall political support.

Strengthening monitoring, traceability, and transparency. The EU must ensure credible traceability and verification systems for imports of sensitive products, as sustainability commitments rely on the effectiveness of monitoring tools.

Integration of the Agreement into the Broader EU Sustainability Legal Framework. Implementation must comply with the EU's broader sustainability framework, including anti-deforestation policies and due diligence requirements, to prevent fragmentation between trade policy and internal regulatory commitments.

Tailoring Implementation according to Member States' Exposure. Risks and opportunities differ among member states, and a differentiated implementation strategy would enable effective management of national and sectoral vulnerabilities.

Improving Political Communication and Public Accountability. The legitimacy of the agreement extends beyond legal validity, requiring EU institutions and member states to clearly communicate monitoring mechanisms, support for sensitive sectors, and management of sustainability breaches.

Conclusions

The EU-MERCOSUR Agreement represents a complex exercise in trade governance within a context of internal diversity and external uncertainty. It offers significant opportunities for many member states in industrial exports, services, public procurement, and premium agri-food markets, but generates adjustment pressures in agriculture, highlights tensions between liberalization and sustainability, and poses challenges regarding democratic legitimacy and enforcement credibility.

The consequences for EU member states depend not only on the formal trade concessions of the agreement but also on the surrounding governance framework. The key challenge lies in the EU's ability to manage distributional asymmetries, verify compliance with environmental and labor obligations, and align trade liberalization with its demands for normative coherence and strategic autonomy.

If successful, the agreement will serve as a model for integrating economic openness with normative ambition in a fragmented world. Otherwise, it will reinforce the perception that European trade policy promises sustainability but results in asymmetrical adjustments and contested enforcement. Its long-term significance lies in this tension.

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