

EU - Mercosur Agreement on Trade in Goods

Securing long-term market access

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This briefing is the second in a series on the EU-Mercosur agreement, where BLOMSTEIN addresses its key provisions with respect to Trade in Goods, Trade in Services, Public Procurement, Competition and Sustainability, and outline implications and opportunities for businesses.

In this release, we focus on the Agreement's core provisions with respect to Trade in Goods, particularly tariff elimination schedules, safeguards for impacted sectors and rules of origin.

Tariff Elimination

The core aspect of the Agreement is the establishment of a free trade area over a transitional period which will comprise the gradual elimination of customs duties (tariffs), as well as the commitment not to introduce new tariffs or increase existing ones. The specific tariff elimination schedules to be applied by the European Union (EU) and Mercosur respects the specificities of each market.

When ratified, over 90% of goods traded between the two blocs will see their tariffs reduced or fully eliminated, with full liberalization taking place over varying timeframes. Some tariffs will be eliminated immediately or in the short term, the majority by year ten, and only a limited number of sensitive products beyond that. Most goods will begin to benefit from tariff reductions as soon as the agreement enters into force, with duties decreasing in equal annual steps until full elimination is achieved.

Mercosur Tariffs on EU exports

Mercosur will eliminate most tariffs on EU exports within a period of up to 15 years. However, for products considered particularly sensitive—notably vehicles and automotive components, which currently face tariffs of up to 35%—the transition period will be significantly longer. In Brazil and Argentina, tariffs on electric and hybrid vehicles will be reduced immediately from 35% to 25%, followed by a gradual phase-down to 5% after 15 years and full elimination by year 18. Hydrogen fuelled vehicles will have an even more extended transition, with tariff reductions starting only after year six (grace period) and complete elimination in 25 years.

Despite some long transition periods until full elimination, the annual tariff reductions mostly applied from the outset create a meaningful window of opportunity for European

exporters—particularly in industrial sectors such as automobiles and parts, machinery, chemicals, and pharmaceuticals—where current tariff barriers are very high.

EU Tariffs on Mercosur Exports

The EU will phase out most tariffs over a period of up to 10 years. However, despite the broad scope of liberalization, the agreement acknowledges the structural sensitivity of certain agricultural sectors within the EU. For specific products such as beef, poultry, sugar, and ethanol, the EU will apply tariff-rate quotas (TRQs), granting preferential access only up to fixed annual volumes. These TRQs allow limited quantities of these goods to enter the EU market either duty-free or at reduced tariff rates. To illustrate, tariff rate quota of 99,000 tonnes would allow a limited amount of beef at a lower tariff rate of 7.5%. The beef tariff quota for Mercosur will represent 1.6% of total EU beef consumption. For such sensitive products, tariff-free status may only be reached after a period of up to 15 years.

Bilateral Safeguards

The chapter on Bilateral Safeguards sets the rules which allow the parties to apply specific domestic defence measures if a sudden and substantial rise in imports under preferential terms causes or threatens to cause serious injury to the domestic sector. Such mechanism allows for the temporary suspension of the tariff reduction schedule or the reduction of the tariff preference.

The safeguard period shall not exceed that necessary to prevent or remedy the injury, and, in any event, a maximum of two years. Such period may be extended only once and for a maximum period identical to the initial period of application. Also, the same product cannot be targeted by a safeguard measure again until at least half the duration of the previous measure has elapsed. For example, if a safeguard measure is applied within the EU for one year, it may be extended only once for an additional year. After this two-year period, a new safeguard measure can only be imposed following a one-year interval. Further, the safeguard measure must be preceded by an investigation procedure, where the authorities shall demonstrate the injury on the basis of objective and quantifiable evidence, considering aspects such as changes in the level of sales, including prices, production, profits and losses, as well as employment. Before any definitive safeguard can be applied, the investigating party must notify and invite the other party for consultations in an attempt to reach a mutually satisfactory solution. This ensures that safeguard action remains a last resort and is embedded in a broader culture of dialogue and cooperation.

Neither Party may apply, extend, or maintain a bilateral safeguard measure beyond the expiration of the relevant transition period—12 or 18 years—depending on the tariff elimination schedule for the specific product.

Rules of Origin

The Protocol on Rules of Origin defines the conditions under which a product is deemed to "originate" in one of the parties, thereby qualifying for preferential tariff treatment. Its purpose is to prevent circumvention of the agreement's intended beneficiaries by ensuring that goods which are merely transhipped or lightly processed (e.g., simple painting and polishing operations) in either of the parties do not qualify. As mere illustration, it prevents cases where goods essentially made outside Mercosur are merely repackaged or relabelled in a Mercosur country and exported to the EU as a Mercosur product.

To qualify, a product must meet **one** of the following conditions:

- **Wholly obtained:** The product is entirely produced in one party, without any imported materials (e.g., soybeans harvested in Brazil or minerals extracted in Argentina).
- **Made exclusively from originating materials:** If all materials used already meet origin criteria (for instance, wheat flour made from wheat grown and milled in Brazil), the final product inherits originating status.
- **Sufficiently processed:** A product made with non-originating materials can still qualify as originating if it undergoes sufficient processing in the EU or Mercosur. What counts as sufficient is detailed in the Product Specific Rules and often involves specific manufacturing processes or changes in tariff classification.

Origin is established through a self-declaration system. Exporters must provide a statement on origin, supported by appropriate documentation that must be made available upon request by the competent authorities. However, the authorities in the importing country may initiate a verification procedure by requesting confirmation of the declaration's accuracy from the exporting country's authorities.

Key takeaways

The Agreement establishes a comprehensive framework for liberalizing trade between the EU and Mercosur, combining ambitious tariff elimination commitments with a set of safeguard and adjustment mechanisms. While it allows for extended transition periods and reflects sector-specific sensitivities, it provides a robust legal foundation for the sustained strengthening of trade.

BLOMSTEIN will closely monitor further developments and keep you informed. If you have any questions on the topic, Roland Stein, Bruno Galvão, Carolina Vidal, Margarida Marques and the entire team is ready to assist you.

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